



SINCE 1933



# Orange County Water District Comprehensive Annual Financial Report

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019



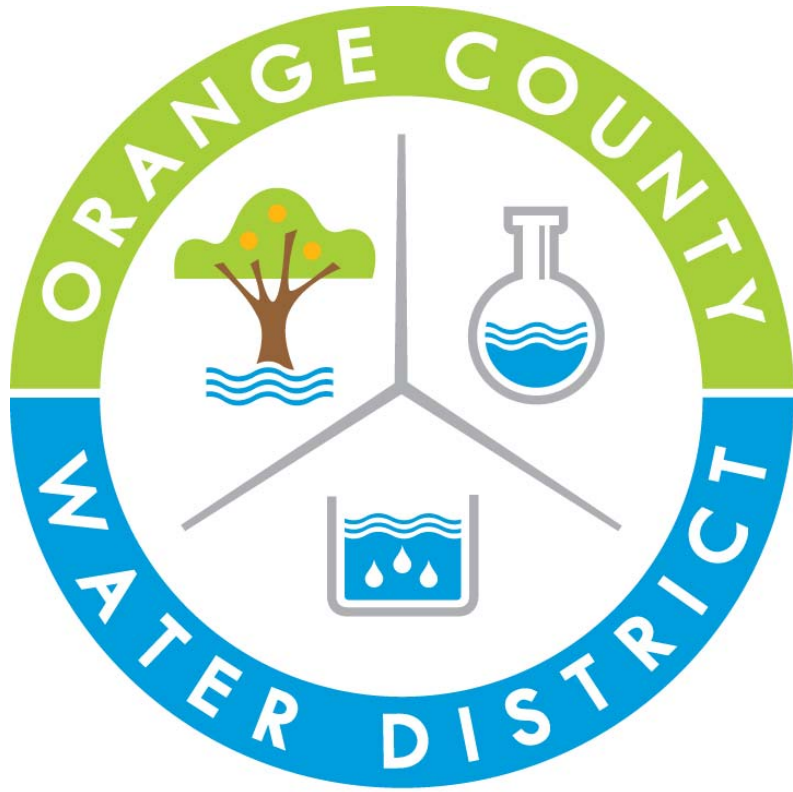
**ORANGE COUNTY WATER DISTRICT  
FOUNTAIN VALLEY, CALIFORNIA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

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

**FOR THE YEAR ENDED  
JUNE 30, 2020**

**PREPARED BY:  
FINANCE DEPARTMENT**



**SINCE 1933**

**ORANGE COUNTY WATER DISTRICT**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2020**  
**Table of Contents**

---

**INTRODUCTORY SECTION:**

Letter of Transmittal .....	i
Organizational Structure .....	xv
Board of Directors.....	xvi
District Vital Statistics .....	xii
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	xiii

**FINANCIAL SECTION:**

Independent Auditors' Report.....	1
Management's Discussion and Analysis (Required Supplementary Information) .....	5
<b>Basic Financial Statements:</b>	
Statement of Net Position.....	15
Statement of Revenues, Expenses, and Changes in Net Position .....	17
Statement of Cash Flows.....	18
Statement of Fiduciary Net Position .....	20
Statement of Changes in Fiduciary Net Position .....	21
Notes to Basic Financial Statements .....	23

**REQUIRED SUPPLEMENTARY INFORMATION:**

Other Post-Employment Benefits Plan - Annual Money-Weighted Rate of Return on Investments .....	61
Schedule of Changes in the Net OPEB Liability and Related Ratios .....	62
Schedule of Contributions - OPEB .....	63

**STATISTICAL SECTION:**

Description of Statistical Section.....	65
<b>Financial Trends:</b>	
Net Position by Component.....	66
Changes in Net Position .....	67
Operating Revenues by Source.....	68
Operating Expenses by Function .....	69
<b>Revenue Capacity:</b>	
Total Sales Acre-Feet and Revenue by Water Type.....	70
Water Rates by Water Type.....	71
Changes in Top Ten Customers' Groundwater Production.....	72
<b>Debt Capacity:</b>	
Ten-Year Real Secured and Real Unsecured Assessed Tax Values.....	73
Ten-Year Computation of Legal Debt Margin .....	74
Pledged - Revenue Coverage.....	75
Ratios of Outstanding Debt .....	76

**ORANGE COUNTY WATER DISTRICT  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020  
Table of Contents**

---

---

STATISTICAL SECTION (CONTINUED):

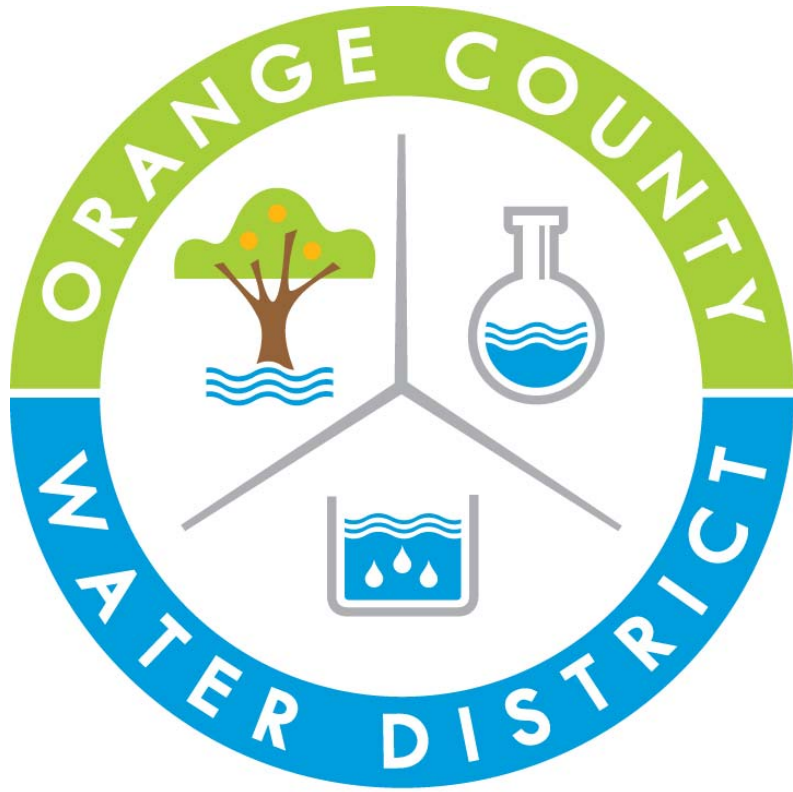
Demographic and Economic Information:

- Demographic Statistics ..... 77
- Principal Employers ..... 78

Operating Information:

- Personnel Trends ..... 79
- Fiscal Year 2019-2020 Groundwater Production by Agency ..... 80
- Demographic and Production Indicators ..... 81
- Capital Asset Statistics by Function ..... 82

# Introductory Section



**SINCE 1933**



DIRECTORS

DENIS R. BILODEAU, P.E.  
JORDAN BRANDMAN  
CATHY GREEN  
DINA L. NGUYEN, ESQ.  
KELLY E. ROWE, C.E.G., C.H.  
VICENTE SARMIENTO, ESQ.  
STEPHEN R. SHELDON  
TRI TA  
ROGER C. YOH, P.E.  
AHMAD ZAHRA



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

OFFICERS

President  
VICENTE SARMIENTO, ESQ.  
First Vice President  
CATHY GREEN  
Second Vice President  
STEPHEN R. SHELDON  
General Manager  
MICHAEL R. MARKUS, P.E., D.WRE

*LETTER OF TRANSMITTAL*

October 21, 2020

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

It is our pleasure to submit the Comprehensive Annual Financial Report of the Orange County Water District (District) for the fiscal year ended June 30, 2020. District staff worked collectively and followed guidelines set forth by the Governmental Accounting Standards Board to prepare this report. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited by White Nelson Diehl Evans LLP, a firm of licensed certified public accountants, in accordance with generally accepted auditing standards. State law requires that all special-purpose local governments publish these basic financial statements within seven months of the close of the agency's fiscal year.

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

The goal of the independent audit was to provide reasonable assurance and not absolute assurance that the basic financial statements of the District for the fiscal year ended June 30, 2020 were free of material misstatement. The independent audit involved examining the District's records on a test basis, disclosures in the basic financial statements, assessing the accounting principles used, estimates made by management, and evaluating the overall financial statement presentation. The independent auditors rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2020 are presented fairly in conformity with GAAP.

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

## ***AGENCY PROFILE***

The District was formed in 1933 by a special act of the California State Legislature to protect Orange County's rights to water in the Santa Ana River. The District's primary responsibility is managing the vast groundwater basin under northern and central Orange County that supplies water to 19 cities and water districts (Producers), serving more than 2.5 million Orange County residents. The District gives highest priority to protection, safety, and enhancement of groundwater.

A ten-member Board of Directors (Board), seven of whom are elected directly by voters of the District, govern the District. The other three Directors are appointed by their representative city councils of Anaheim, Fullerton and Santa Ana. The District currently has 220.5 full time equivalent employees overseeing day-to-day activities at the direction of the General Manager.

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

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

The District primarily recharges the groundwater basin with Santa Ana River flows, Groundwater Replenishment System (GWRS) water and untreated water purchased from the Metropolitan Water District (MWD) of Southern California. The Santa Ana River flows valued at approximately \$116.3 million a year are essentially free to the District, less the expense to capture and percolate the water, resulting in groundwater that costs about a half of the cost of MWD water imported from Northern California and the Colorado River. The Santa Ana River flows, GWRS water and untreated MWD water are percolated into deep groundwater aquifers through spreading basins in Anaheim and Orange. By naturally filtering the water through the ground, the District saves ratepayers millions of dollars each year in water treatment costs.

The groundwater basin provides about three-fourths of all water used within the District's service area. With one of the most sophisticated groundwater protection programs in the country, the District uses more than 672 (owned and non-owned) wells providing more than 1,273 sampling points from which the District takes more than 19,508 water samples and conducts approximately 392,207 laboratory analyses every year.

The District's monitoring program looks for more than 500 possible contaminants, which are more than the required 148 target contaminants required by health agencies.

The District currently holds rights to all Santa Ana River flows reaching Prado Dam in Riverside County (the dam is owned by the U.S. Army Corps of Engineers for flood prevention). The District owns 2,150 acres behind the dam that is used for water conservation, water quality improvement and environmental enhancement. The District saves approximately \$27.3 million a year by collecting storm water behind Prado Dam, which is recharged into the basin instead of being lost to the ocean.

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

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

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

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

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

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

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

### ***Improving Coastal Conditions***

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

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

The District has traditionally and successfully used long-term debt financing in the form of Certificates of Participation, Revenue refunding bond, and low-cost State loans to pay for capital projects that have increased water production, removed pockets of contamination, increased producer pumping capacity, increased the capture of Santa Ana River flows, and prevented seawater intrusion. The District is always seeking ways to minimize capital project costs. The District was successful in securing a low rate Water Infrastructure Finance and Innovation Act ( WIFIA) loan for the partial funding of the GWRS Final Expansion project and SRF loan for the balance of the project.

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

The District's service boundary covers virtually the entire northern half of Orange County. More than 2.5 million Orange County residents rely on the groundwater basin for about three-fourths of their water needs. Orange County is one of the major metropolitan areas in California and the nation representing the third most populous county in the state, and fifth in the nation. Population growth is approximately 0.2% annually.

Orange County's economy is expected to under perform due to covid-19 virus pandemic in the next year. Local and statewide unemployment has gone up compared to last year. The local unemployment rate in June 2020 was 13.6% versus 15.1% for California and 11.1% for the nation. The California State Budget has passed. Although the precise implications of the state budget are unclear at this time, the District is expecting no cuts in the ad valorem property tax revenues for the upcoming fiscal year 2020-21.

During the water year 2019-20 the District replenished 313,214 acre-feet (af) of water. This includes 154,008 af of Santa Ana River flows, 97,632 af of GWRS water and of 20,174 af of imported water. Other water sources include natural replenishment from rainfall that provided an additional 41,400 af of water.

Groundwater use in Orange County in 2019-20 was approximately 278,413.7 af or 90.7 billion gallons during the water year. Groundwater met 76.8% of the water demand within District boundaries. There are challenges ahead in meeting future water demand, but with continued investment in cost-effective capital improvement projects, the District is confident that the groundwater basin can stay ahead of demand and continue to provide a reliable, high-quality water supply.

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

### ***District is Planning the Following Projects for Fiscal Year 2020-2021:***

The District's combined projects will provide regional, statewide and national benefits. All of these projects are an effective response to meeting the federal mandate to decrease California's dependency on imported waters from the Colorado River and the Sacramento-San Joaquin River Delta (the "Delta"). The current method of moving water through the Delta to the pumps of the California State Water Project is in jeopardy due to recent environmental rulings. OCWD's projects help to diminish the region's reliance on uncertain imported water supplies.

### ***Groundwater Replenishment System Final Expansion***

The GWRS was designed and built to be easily expanded. With the completion of Orange County Sanitation District's Steve Anderson Lift Station in May 2009, the GWRS is receiving more feed water. The GWRS Initial Expansion was completed in July 2015, capable of producing 100 million gallons per day (MGD), an increase of 30 MGD from the original construction. The District is working towards final expansion of the system. A construction contract was awarded and construction is underway. The Final Expansion will increase production capacity by another 30 MGD from our current capacity of 100 MGD to 130 MGD.

### ***PFAS Treatment Systems***

This project will provide design and construction of PFAS (per- and polyfluoroalkyl substances) treatment systems to impacted Producers to remove PFAS from the water prior to serving to customers. Design work has been initiated for many of the impacted Producers and the first construction contract will be advertised in the fall of 2020. Design and construction of PFAS treatment systems will occur over the next few years.

### ***Prado Sediment Management Demonstration Project***

The project consists of removing approximately 120,000 cubic yards of sediment from behind Prado Dam using traditional excavation and dredging equipment. The first phase included clearing and grubbing a 12-acre area in preparation for the excavation and work was completed in the fall of 2019. The second phase includes excavation and dredging and a construction contract has been awarded and work will occur in the summer/fall of 2020. This project will evaluate the dredging capabilities for future ongoing sediment management behind the dam.

### ***Smith Basin Reconfiguration***

Smith Basin is located on the Santiago Creek, immediately upstream of the Santiago Basins. High flows in Santiago Creek have caused erosion along the walls of Smith Basin that could impact adjacent properties. The project includes an evaluation of the erosion in Smith Basin and the stabilization and/or replacement of the eroded dirt slopes which will protect adjacent roads and properties. The project design is complete and will be publicly advertised for construction for summer of 2021.

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

***Water Conservation and Engagement Programs***

The Orange County Water District (OCWD; District) is dedicated to the creation, promotion and management of water education and conservation programs throughout Orange County. This year, District staff gave about 61 offsite presentations to community leaders and groups and conducted more than 150 onsite and virtual presentations and tours of District facilities. The goal of OCWD's water-use efficiency, outreach and education programs is to draw families' attention to the state's water needs, teach them useful and simple ways to reduce water consumption and respect this natural resource, and have them make life-long commitments to conserving water.

In response to Center for Disease Control and prevention (CDC) and state limitations with regard to mass gatherings of individuals due to COVID-19 beginning in March 2020, OCWD has responded with a number of virtual tours, which will be explained below.

***The components that comprise OCWD's water-use efficiency, outreach and education programs are:***

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

The Children's Water Education Festival (the Festival) is the largest event of its kind in the nation, serving 7,000 elementary school students annually who gather on the campus of the University of California, Irvine (UCI). For many of the students, it is the first time they will visit a university campus. The two-day Festival teaches children about water and the environment through hands-on educational activities. Topics include water resources, watersheds, wildlife and natural habitats, biology, chemistry, and recycling at this unique event.

Due to the gathering limitations regarding COVID-19, the March 2020 Festival didn't take place. Instead, OCWD staff spent, and continues to spend, time working with educators to offer an event in Spring 2021 that has the potential for even greater outreach to schools and students in Orange County, California.

***Next Generation Water Leaders***

Next Generation Water Leaders is OCWD's newest educational experience for local students in grades 6-12. This year-round program, offered to public and private school students, is co-presented by OCWD and Inside the Outdoors, a hands-on environmental education program administered by the Orange County Department of Education.

Next Generation Water Leaders complements Next Generation Science Standards in California schools and is designed to inspire future water scientists, engineers, policy makers, environmentalists, and innovators.

Due to the gathering limitations regarding COVID-19, Next Generation Water Leaders ceased, physically, in March 2020. Instead, OCWD staff spent, and continues to work with Inside the Outdoors to develop and to offer a virtual replica for Orange County classes that can potentially reach an even greater number of students and their teachers for this school year.

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

The annual O.C. Water Summit (the “Summit”) teaches individuals, business, and community and civic leaders the origins of the region’s water and provides information about the water supply crisis and water quality challenges. The event educates the public on what measures are in place to address these issues as well as possible solutions to water reliability and preserving the Delta, California’s main source of water. A collaborative effort between businesses, water agencies and local governments, the Summit provides a platform for individuals in the community to work with water utilities and legislators on creating and implementing solutions that will see Orange County through future water challenges. Topics for each Summit are determined according to the water climate each year. The Summit began in 2008.

Due to the gathering limitations regarding COVID-19, the O.C. Water Summit didn’t take place in June 2020 as planned. Instead, OCWD staff is working with presenters and sponsors and has begun to plan for the next Summit that will take place June 4, 2021.

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

The O.C. Water Hero Program was designed to make water conservation fun while helping children and parents develop effective water-use efficiency habits that will last a lifetime. Originally conceived in 2007, children signed up to commit to saving 20 gallons of water per day and in return received a letter confirming their Water Hero status along with a Water Hero kit. The O.C. Water Hero Program underwent an exciting revamp in 2017. The new program is based entirely online and includes a multi-level game available for download to iOS and Android devices. Players collect water drops while interacting with O.C. Water Hero characters who provide water facts and teach important water conservation practices.

### ***OCWD.COM***

As a public agency, the District’s website includes extensive documents, forms for tour reservations and public record requests, audio and video clips of meetings, and information that addresses not only duties and how OCWD performs its duties, but why—motivations for its management practices and decisions—for better public understanding. The website was crafted to reflect OCWD’s core values that not only include transparency, but sound planning, investment and financial management, high-quality water, environmental stewardship, and a highly reliable water supply.

### ***H<sub>2</sub>O Learning Center***

The H<sub>2</sub>O Learning Center is educating and informing visitors about water quality and OCWD’s international and local leadership, so they can understand and have confidence in OCWD’s management and innovation and the purity, reliability and cost-efficiency of the water that OCWD provides.

The Center includes an interactive, museum-like exhibit that can be used as an extension of the GWRS tour or as a self-guided tour to learn the story of the District's complex water management process and guests' roles in keeping it safe for future generations.

The exhibit features the following key messages that are found on the two sides of the 1,600 sq. ft. facility:

- Global and California views of water and how precious it is—includes videos and interactive opportunities regarding the Board Members, basin recharge and management and Philip L. Anthony Water Quality Laboratory testing. Some awards are displayed.
- The focused picture of OCWD & Orange County's water—where it comes from, a timeline of major OCWD events, the challenge of seawater intrusion and the success of our environmental projects. This too, features videos and interactive opportunities. The final panel provides a mosaic of photos of those who have toured and ways to interact through social media.

### ***Facility Tours, Speaker's Bureau***

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

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

Staff and board members gave about 61 offsite presentations—many of which were virtual following gathering limitations due to COVID-19—to community organizations, city councils and conferences. More than 150 onsite and virtual presentations were given to OCWD visitors.

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

Many cities, towns and regions around the world are experiencing drought and water shortages, including the southwestern and southeastern United States, Singapore, the Middle East, and Australia. Government and water officials in these areas constantly seek new sources to provide a reliable, long-term water supply. As technology increases and public opinion shifts, treating wastewater at an advanced recycled water treatment facility is now a viable water source for many of these areas. Through the success of OCWD's Groundwater Replenishment System (GWRS), indirect potable reuse (IPR) projects have been implemented or are being planned. About 38,000 visitors have toured GWRS since 2008, many of whom are international water



experts and elected officials from six continents hoping to learn more about IPR and ultimately replicate the project in their regions. As an example, guests have hailed from across the U.S., Mexico, Canada, Brazil, Israel, Spain, Greece, Kenya, Japan, China, Korea, Germany, Britain, Italy, Russia, Australia, Singapore, India, and Taiwan.

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

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

In 2017-18, staff initiated the GWRS bottled water tour, reaching out and responding to more than 250 media for each of the following: the campaign launch, the Winter Fest and Guinness World Record event, and the #GetOverIt! social media campaign. This resulted in more than 500 million audience views. Staff also issued 26 press releases and about 150 monthly articles.

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

### **Water Webinars**

In May 2020, OCWD introduced an exciting new format for bringing water education to stakeholders. The District's Water Webinar series features a monthly one-hour webinar on emerging and newsworthy topics related to water. Each webinar features an OCWD expert and a District partner who discuss important OCWD programs and projects that impact the local water supply.

Originally conceived during the COVID-19 pandemic as a way to for stakeholders to engage in a virtual format, Water Webinars will become an ongoing outreach mechanism even after in-person group gatherings are allowed to resume.

**The following list of awards is representative of the acclaim and recognition bestowed on the District and its GWRS from 2017 through June 2020.**

### **2020**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement in Excellence for OCWD's Comprehensive Annual Financial Report (CAFR) for the 12<sup>th</sup> year in a row. (May 2020)

## **2019**

The Orange County Water District and Orange County Sanitation District received a *Silver Mercury Award* for their GWRS Bottled Water Campaign (February 2019)

## **2018**

The Orange County Water District received a Governor's Environmental and Economic Leadership Award (GEELA) for environmental education. (January 2018)

Guinness World Records™ title for the most wastewater recycled to drinking water in 24 hours. (February 2018)

OCWD Assistant General Manager Michael Wehner was selected as the Recycled Water Advocate of the Year by WateReuse California. (March 2018)

OCWD, along with the Orange County Sanitation District, received the Grand Prize for Environmental communications for the Groundwater Replenishment System Bottled Water Campaign. The award was given by the American Academy of Environmental Engineers and Scientists (AAEES). (April 2018)

OCWD received the Honor Award for Research from the American Academy of Environmental Engineers and Scientists (AAEES) for work to evaluate a more cost-effective and environmentally-friendly method of analysis of N-nitrosodimethylamine (NDMA) in drinking water and recycled water that will improve public health protection. (April 2018)

The Orange County Water District, Orange County Sanitation District and Dick Jones Communications received a Ragan's 2017 PR Daily Honorable Mention in the Press Event or Media Tour category for "Purified Recycled Water Takes on Hollywood," the GWRS bottled water launch. (April 2018)

The Orange County Water District, Orange County Sanitation District received a Platinum Hermes Award for the Advanced Purified Bottled Water Campaign in the Public Relations/Communications/Strategic Programs/PR Campaign category. (April 2018)

The Orange County Water District received a 2018 Water Research Foundation Outstanding Subscriber Award for Applied Research. (June 2018)

OCWD Operations Manager Tyson Neely received the Southwest Membrane Operator Association 2018 Outstanding Plant Operator Award for outstanding service and dedication to membrane operations and for leadership within the industry. (June 2018)

## **2017**

The Orange County Water District received an Honorable Mention for *2016 Public Communications Achievement* from the American Water Works Association (AWWA) for

fostering and supporting the development of public outreach programs and integrating public affairs as a core element of utility planning and management. (January 2017)

OCWD was honored with the *AVA Digital 2017 Gold Award* for its PowerPoint titled “Water Manufacturing Process.” It is the foundational presentation used prior to Groundwater Replenishment System tours and a key component of OCWD’s on-site tours and Speaker’s Bureau program for the community. AVA Digital Awards is an international competition that recognizes outstanding work by creative professionals involved in the concept, direction, design, and production of media that is part of the evolution of digital communication. (January 2017)

The American Society of Civil Engineers (ASCE) presented the *Outstanding Water Project Award* for La Palma Water Recharge Basin to the Orange County Water District. (February 2017)

The Orange County Engineering Council (OCEC) selected La Palma Groundwater Recharge Basin project to receive the *2017 OCEC Engineering Project Achievement Award*. (February 2017)

The GWRS Final Expansion Feasibility Study (aka SP-173 Effluent Reuse Study) received the *Excellence in Environmental Engineering & Science Awards Competition Honor Award* in the Environmental Sustainability category from the American Academy of Environmental Engineers & Scientists (AAEES). It was a joint study conducted by OCWD and the Orange County Sanitation District. (April 2017)

The OCWD H2O Learning Center received a *2017 Bronze Astrid Award* for Design Communications in the Miscellaneous/Other Permanent Museum-like Exhibit category. The Learning Center, located in the corridor of the Orange County Water District headquarters, is used as an extension of the Groundwater Replenishment System tour and as a self-guided tour. (April 2017)

The Orange County Water District received two *John Muir Conservation Awards*, one for Environmental Education and another for Public Agency. The John Muir Awards help to encourage awareness, understanding and responsibility for wild places, encourage an environmental agenda for individuals and organizations, and recognize and celebrate achievement of award recipients. Those honored have taken action for the environment, promoted a culture of environmental awareness and care and have encouraged behavior and action, attitudes and values-based learning for individuals. (April 2017)

The 2016 Children’s Water Education Festival received a *2017 Communitas Award* in the Corporate Social Responsibility category. Communitas Awards recognizes exceptional businesses, organizations and individuals that are unselfishly giving of themselves and their resources, and those that are changing how they do business to benefit their communities. May 2017)

OCWD General Manager Mike Markus received the *Environmental & Water Resources Institute 2017 Pioneer in Groundwater Award* for his pioneering contributions in the practice of groundwater science and engineering. (May 2017)

The Orange County Water District's Children's Water Education Festival is a *PR World Awards® Gold Winner* in the "Training or Educational Event" category. The coveted annual PR World Awards program encompasses the world's best in public relations, marketing, corporate communications, investor relations, and business development professionals, teams, departments, and achievements from every major industry in the world. (June 2017)

The Orange County Water District was chosen as one of two recipients for the 2017 WaterReuse Public Education Program of the Year Award. The award recognizes education programs whose outreach enhances a better appreciation of water resources, management and conservation. (August 2017)

The GWRS Bottled Water Launch received a One Planet Silver Award in the Product or Service Launch of the Year category. (December 2017)

## ***RELEVANT FINANCIAL POLICIES***

### ***Internal Control Structure***

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

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

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

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

The District's Board of Directors approves operating and capital budgets annually and allocates required funding accordingly prior to June 30 each fiscal year. The budget includes proposed expenses by department (function) and the means of financing them. Budgetary controls and evaluation are affected by comparisons of actual revenue and expenses with planned revenues and expenses for the period. The Board approves total budgeted appropriations and any

amendments to the appropriations throughout the year. The District has adopted a Uniform Purchasing Policy that identifies agreed-upon purchasing standards.

### ***Debt Management***

The District's debt mainly consists of Certificates of Participation (COP), Refunding Revenue Bond (RRB), state loans, WIFIA loan and commercial paper. The District has executed 17 issuances since 1989. Only three COP and RRB issuances are outstanding (2003A, 2017A&B and 2019 A&B, C&D) as of June 30, 2020. Other issuances are either advanced refunded, defeased, or refinanced with the help of the state loans and Refunding Revenue Bond.

During FY 2019-20, the District issued \$158.2 million of 2019C&D debt to refinance 2013A refunding revenue bonds and GWRSIE state loan debt that resulted in significant debt service savings.

During FY 2018-19, the District issued \$141.505 million of 2019A&B debt to partially support the final expansion of the GWRS project and partially refunded \$7.8 million of 2017B Certificate of Participation debt that resulted in debt service savings. The District entered into low rate WIFIA loan agreement with Environmental Protection agency(EPA) for the partial funding of GWRS final expansion project.

During FY 2016-17, the District advance refunded \$125.985 million of 2009A Certificate of Participation debt with series 2017 A&B debt that resulted in approximately twenty million dollars in debt service savings.

During FY 2014-15, the District cash defeased \$26.8 million of 2005B Certificate of Participation debt. This resulted in a reduction of senior debt service by an average \$3.4 million per year between FY 2015-16 and FY 2024-25 and reduced the FY 2015-16 Replenishment Assessment (RA) by \$10 per acer-foot.

During fiscal year 2013-14 the District used \$28.4 million of commercial paper debt to purchase land for the creation of La Palma basin. The District has \$12.9 million tax-exempt commercial paper debt currently outstanding from this purchase.

The District has a letter of credit and reimbursement agreement supporting a commercial paper program with Sumitomo Mitsui Banking Corporation. The District has credit capacity of \$70.0 million less \$36.713 million outstanding commercial paper debt to meet its future financing needs through the commercial paper program. During the FY 2019-20, the District paid off \$4 million of taxable commercial paper debt.

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

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

***OTHER INFORMATION***

Independent Audit: The District's policy, as well as sound financial practice, requires an annual audit of financial records and transactions of all operations of the District by independent certified public accountants selected by the Board of Directors. The accounting firm of White Nelson Diehl Evans LLP was selected to perform the (FY 2019-20) audit. The auditor's opinion is included in this report.

Awards: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Orange County Water District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements: The preparation of a comprehensive annual financial report on a timely basis is a large task, made possible only by the combined efforts of many persons. Employees of the Finance Department deserve special recognition. Without their efforts, the completion of this report would not have been possible.

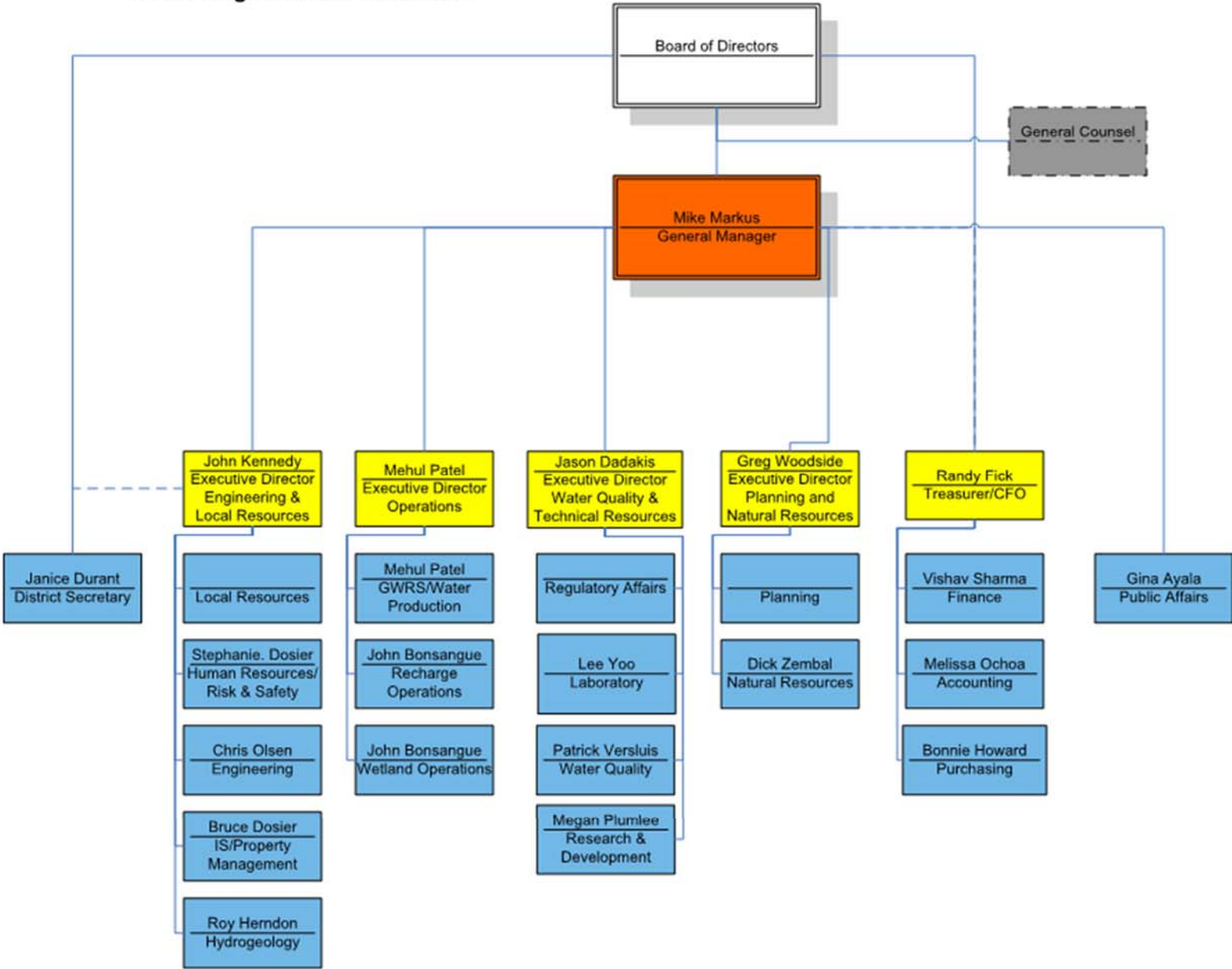
We would also like to thank and recognize the members of the Board of Directors and especially the Administration and Finance Committee members for their continued support in the planning and implementation of the District's fiscal policies.

Respectfully submitted,

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

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

# OCWD Organizational Structure





**Orange County Water District  
Comprehensive Annual Financial Report  
Fiscal Year 2019-20**

**Board of Directors**

Dina Nguyen, Division 1

Denis Bilodeau, P.E., Division 2

Roger Yoh, P.E., Division 3

Tri Ta, Division 4

Stephen Sheldon, 2<sup>nd</sup> Vice President, Division 5

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

Kelly Rowe, CFM, P.G., C.E.G., C.H., Division 7

Vicente Sarmiento, President, Division 8

Jordan Brandman, Division 9

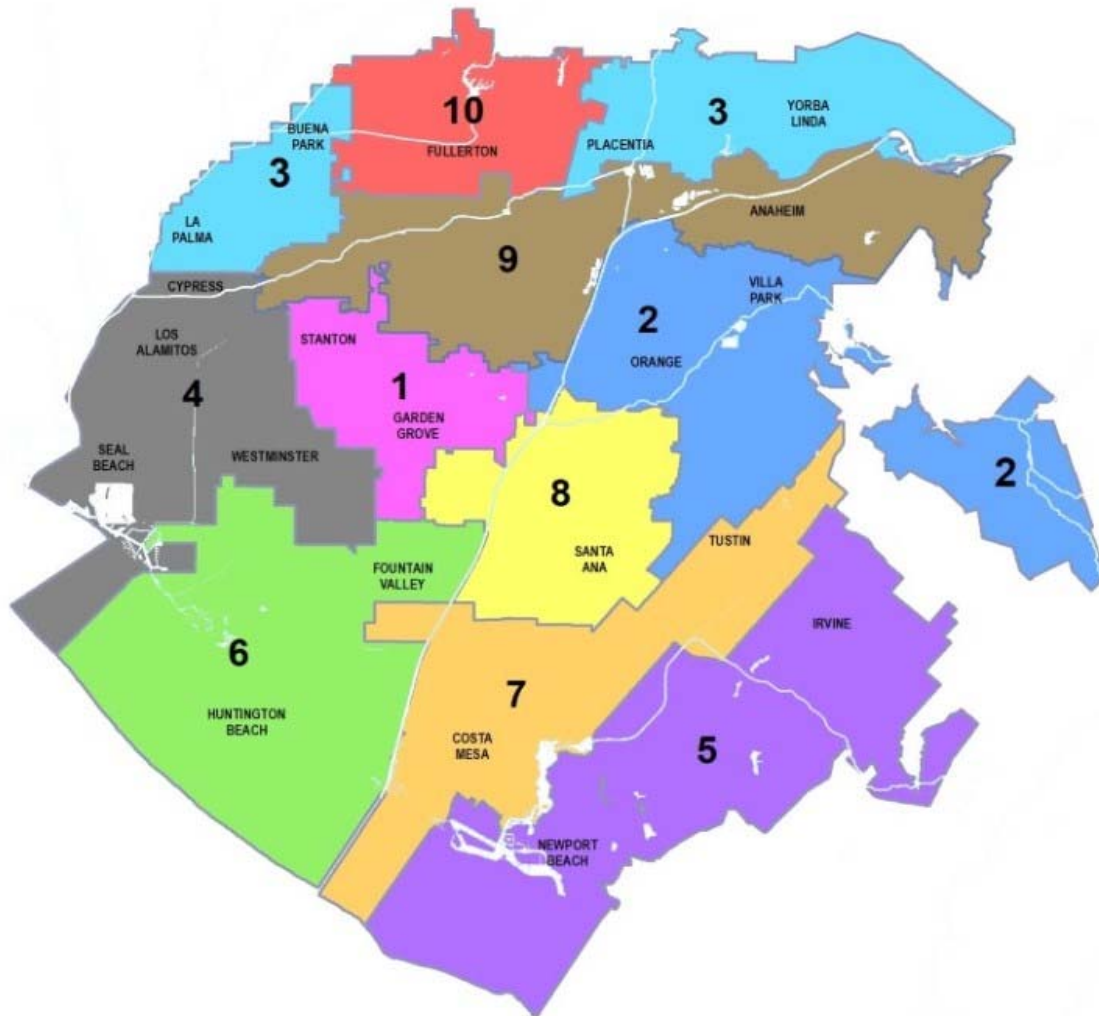
Ahmad Zahra, Division 10



Michael R. Markus, P.E., D.WRE  
General Manager



# ORANGE COUNTY WATER DISTRICT



## DISTRICT VITAL STATISTICS

Date of Enactment: 1933  
 Form of Government: Special District of the State of California  
 Area (square miles): 381  
 Employees (full-time): 220.5

Major Groundwater Producing Agencies:

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



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Orange County Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

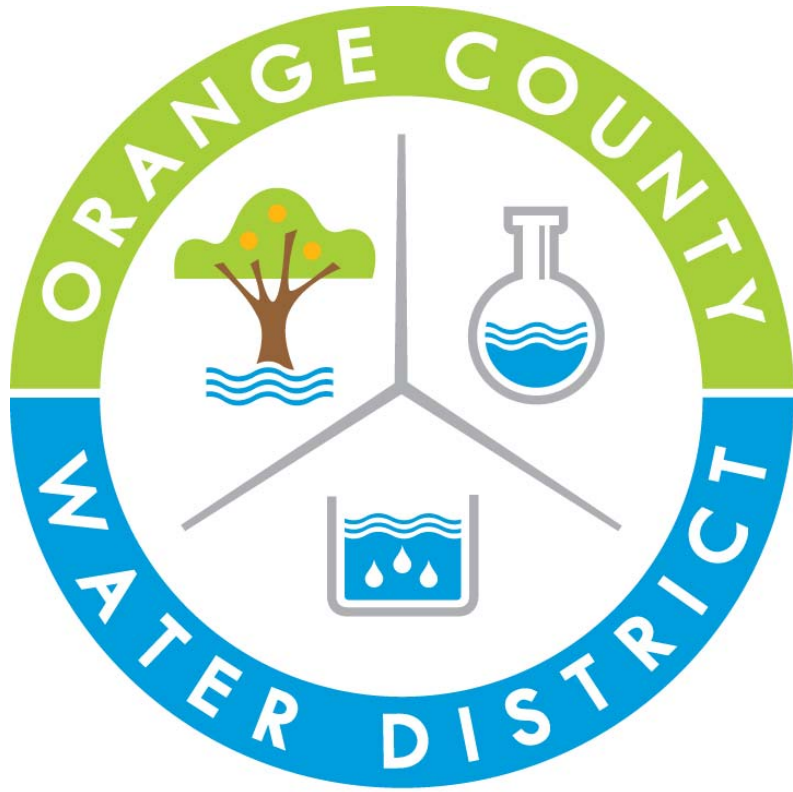
**June 30, 2019**

*Christopher P. Morrill*

Executive Director/CEO

# Financial Section

Independent Auditors' Report



**SINCE 1933**

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Orange County Water District  
Fountain Valley, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Orange County Water District (the District) as of and for the year ended June 30, 2020, 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 to constitute 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, 2019, from which such partial information was derived.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the other post-employment benefits plan annual money-weighted rate of return on investments, the schedule of changes in the net OPEB liability and related ratios, and the 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 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020, 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*

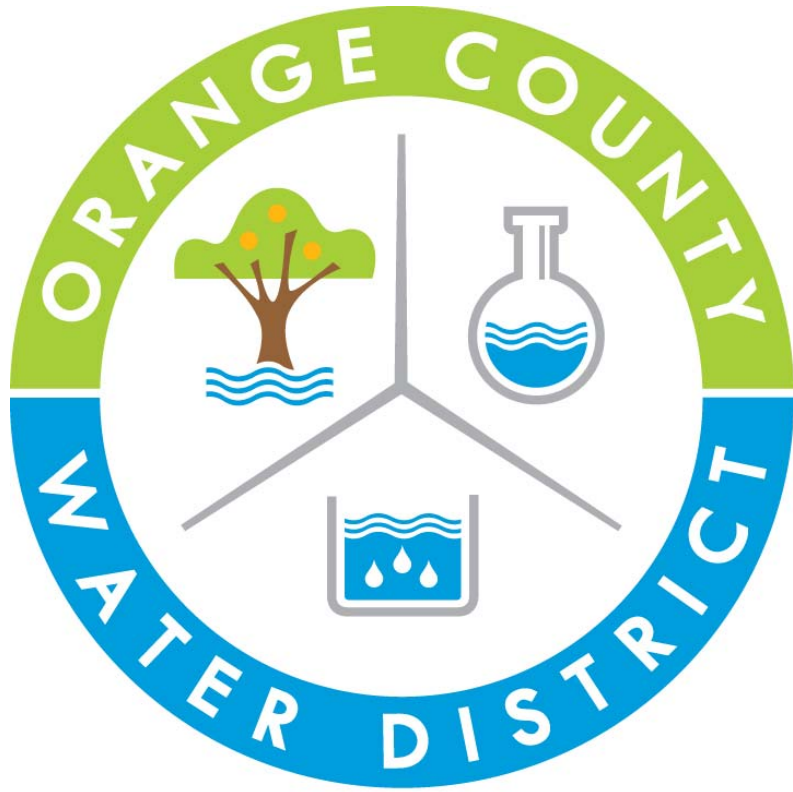
Irvine, California  
October 21, 2020

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Management's Discussion and Analysis

Financial Highlights for the Year Ended June 30, 2020



**SINCE 1933**

**ORANGE COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2020**

The following summary analysis is a brief discussion of the Orange County Water District's (District) performance that provides an overview of the District's financial activities for the year ended June 30, 2020. This section should be read in conjunction with the financial statements and the notes to the financial statements, which follow this analysis.

**FINANCIAL HIGHLIGHTS**

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$415.8 million (net position), representing \$143.7 million in net investment in capital assets, \$0.02 million restricted for debt service, \$11.6 million restricted for custodial costs and \$260.5 million unrestricted for operations. Net position increased \$39.6 million or 10.54%, in 2020 over the prior year.
- In 2020, total operating revenues decreased 5.57% or \$8.66 million from the prior year, primarily due to the decreases in revenues for replenishment assessments of \$0.33 million, reclaimed water of \$7.56 million, and basin equity assessments of \$0.77 million. The Board approved the replenishment assessment rate increase from \$462 to \$487 per acre-foot and pumping decreased 8.76% from 303,221 acre-feet to 276,660 acre-feet. In 2019, the District's operating revenues increased 5.07% or \$7.50 million from the prior year, primarily due to the net effect of an increase in replenishment assessments of \$2.57 million and increase in basin equity assessments of \$6.38 million. The increase in the replenishment assessment rate from \$445 to \$462 per acre-foot was approved by the Board and pumping decreased 2.19% from 310,025 acre-feet to 303,221 acre-feet.
- Total operating expenses decreased 12.48% or \$19.55 million in 2020, mainly due to lower water purchases of \$21.92 million due to reduced pumping, which is partially related to a number of producer wells that have been taken out of service due to exceeding the new state law requirements of the Response Levels of perfluorooctanoic acid ("PFOA") and perfluorooctane sulfonate ("PFOS") until additional treatment is in place. In 2019, total operating expenses increased 1.26% or \$1.95 million in 2019, mainly due to the net effect of \$1.42 million increase in water purchases, due to the Metropolitan Water District (MWD) rate increase, \$1.25 million decrease in water production expenses, which is the result of less electrical power used by the Groundwater Replenishment System, and \$2.05 million increase in general and administrative expenses for daily operations.
- The District's non-operating revenues, net of expenses decreased \$43.3 million or 61.49% from prior year due to the one-time events of a gain on sale of asset and legal settlements in 2019. In 2019, non-operating revenues, net of expenses increased \$51.2 million or 266.47% in 2019, as a result a gain on sale of land of \$23.2 million, net of expenses and the District receiving \$27.5 million in legal settlements, net of expenses.
- Total long-term debt is \$704.46 million in 2020, as compared to the \$724.34 million in the prior year. The decrease of \$19.88 million or 2.74% is primarily due to principal payments of \$13.9 million on state loans and \$4.0 million on commercial loans. In 2019, debt increased \$118.87 million or 19.63%, primarily due to the net effect of issuing new short-term obligations of \$135 million for the Groundwater Replenishment System Final Expansion project and \$12.2 million reduction of debt by principal payments to the taxable commercial paper debt.

**ORANGE COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

The Statement of Cash Flows provide information regarding the District's cash receipts and cash payments and changes in cash resulting from operations, non-capital financing, capital and related financing, and investments activities and provides information on the sources and uses of the District's cash.

The fiduciary fund financial statements include the Statement of Fiduciary Net Position and the Statement of Changes in the Fiduciary Net Position. The fiduciary fund is not reported in the District's financial statements because the resources of those funds are not available to support the District's activities. The District's fiduciary fund is used to report resources held in trust for retirees and beneficiaries covered by the Other Post-Employment Benefit Plan. The fiduciary fund financial statements can be found on pages 20 and 21 of this report.

Notes to the basic financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 23 to 60 of this report.

Other information includes *required supplementary information* concerning the District's progress in funding its obligations to provide Other Post-Employment Benefits to its employees. Required supplementary information can be found on pages 61 to 63 of this report.

**FINANCIAL ANALYSIS OF THE DISTRICT**

The following Condensed Statements of Net Position and Condensed Statements of Revenues, Expenses and Changes in Net Position provide summary financial information which was extracted from the basic financial statements to assist readers in evaluating the District's overall financial position and results of operations as described in this analysis.

Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, other external factors should be considered in this analysis such as changes in economic conditions, new or changed government legislation or accounting standards, population growth, and zoning.

**ORANGE COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2020**

**Condensed Statements of Net Position**

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Assets:					
Current assets	\$ 430,017,917	\$ 426,784,896	\$ 3,233,021	\$ 247,764,217	\$ 179,020,679
Capital assets	720,174,397	697,476,124	22,698,273	705,412,834	(7,936,710)
Other non-current assets	4,237,039	4,500,281	(263,242)	101,754	4,398,527
Total assets	<u>1,154,429,353</u>	<u>1,128,761,301</u>	<u>25,668,052</u>	<u>953,278,805</u>	<u>175,482,496</u>
Deferred outflows of resources	<u>37,444,408</u>	<u>36,293,377</u>	<u>1,151,031</u>	<u>26,213,803</u>	<u>10,079,574</u>
Liabilities:					
Current liabilities	76,060,248	76,968,154	(907,906)	97,990,635	(21,022,481)
Long-term debt	654,926,092	669,114,704	(14,188,612)	538,818,042	130,296,662
Other long-term liabilities	41,165,840	42,771,522	(1,605,682)	37,449,176	5,322,346
Total liabilities	<u>772,152,180</u>	<u>788,854,380</u>	<u>(16,702,200)</u>	<u>674,257,853</u>	<u>114,596,527</u>
Deferred inflows of resources	<u>3,887,384</u>	<u>-</u>	<u>3,887,384</u>	<u>21,183</u>	<u>(21,183)</u>
Net position:					
Net investment in capital assets	143,666,685	149,157,213	(5,490,528)	151,082,728	(1,925,515)
Restricted for debt service	24,804	118,970	(94,166)	-	118,970
Restricted for custodial costs	11,572,422	2,565,512	9,006,910	66,579	2,498,933
Unrestricted	<u>260,570,286</u>	<u>224,358,603</u>	<u>36,211,683</u>	<u>154,064,265</u>	<u>70,294,338</u>
Total net position	<u>\$ 415,834,197</u>	<u>\$ 376,200,298</u>	<u>\$ 39,633,899</u>	<u>\$ 305,213,572</u>	<u>\$ 70,986,726</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$415.8 million at June 30, 2020 compared with \$376.2 million at June 30, 2019. The District's net position increased \$39.6 million for the year.

A portion of the District's net position (34.55% and 39.65% as of June 30, 2020 and 2019, respectively) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses the capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of the fiscal year 2020, the District reflects a balance of \$0.02 million restricted for debt service payments.

An additional portion of the District's net position \$11.6 million and \$2.6 million as of June 30, 2020 and 2019, respectively, are for custodial costs, which represents resources that are subject to external restrictions on how they may be used.

At the end of fiscal years 2020 and 2019, the District reflects a positive balance in its unrestricted net position of \$260.6 million and \$224.4 million, respectively, which may be utilized in future years.

**ORANGE COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2020**

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

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Operating revenues	\$ 146,718,494	\$ 155,374,357	\$ (8,655,863)	\$ 147,869,984	\$ 7,504,373
Operating expenses	137,094,164	156,644,282	(19,550,118)	154,691,739	1,952,543
Operating income (loss)	9,624,330	(1,269,925)	10,894,255	(6,821,755)	5,551,830
Non-operating revenues, net of expenses	27,098,114	70,357,913	(43,259,799)	19,198,889	51,159,024
Net income (loss) before capital contributions	36,722,444	69,087,988	(32,365,544)	12,377,134	56,710,854
Capital contributions from other parties	2,911,455	4,134,250	(1,222,795)	6,483,761	(2,349,511)
Capital contributions to other parties	-	(2,235,512)	2,235,512	-	(2,235,512)
Changes in net position before special item	39,633,899	70,986,726	(31,352,827)	18,860,895	52,125,831
Special item - In-Lieu water purchase	-	-	-	(39,999,960)	39,999,960
Changes in net position	39,633,899	70,986,726	(31,352,827)	(21,139,065)	92,125,791
Net position, beginning of year	376,200,298	305,213,572	70,986,726	326,352,637	(21,139,065)
Net position, end of year	\$ 415,834,197	\$ 376,200,298	\$ 39,633,899	\$ 305,213,572	\$ 70,986,726

**Fiscal Year 2020**

The statements of revenues, expenses and changes in net position indicates how the District's net position changed during the fiscal year. The current year changes are noted below.

Total operating revenues decreased \$8.66 million or 5.57% from the prior year due to the following:

- Replenishment assessments decreased \$0.33 million due to less groundwater pumping. Total pumping decreased 8.76% from 303,221 acre-feet to 276,660 acre-feet. The Board approved an increase of the replenishment assessment rate from \$462 to \$487 per acre-foot.
- Basin Equity assessments decreased \$0.77 million as the District had less groundwater pumped over the basin production percentage from prior year. The District maintained its basin pumping percentage at 77%.
- Reclaimed water revenues decreased \$7.56 million from prior year due to the Local Resource Program subsidy for the Groundwater Replenishment System with Metropolitan Water District ended in April 2019.

Total operating expenses decreased 12.48% or \$19.55 million from prior year due to the following:

- Water purchases decreased \$21.92 million, due to lower groundwater pumping. Until additional treatment is in place, several producer wells have been taken out of service due to exceeding the new state Response Level of 10 parts per trillion (ppt) for perfluorooctanoic acid ("PFOA") and 40 ppt for perfluorooctane sulfonate ("PFOS"). Additional information can be found in Note 12 of the notes to financial statements.
- Water production expenses increased \$2.23 million, which is the result of higher electrical power used by the Groundwater Replenishment System that increased production from 95,220 acre-feet to 97,719 acre-feet of water.
- General and administrative expenses increased \$1.16 million for daily operations.

The District's non-operating revenues, net of expenses, decreased \$43.3 million or 61.49%, which is primarily due to the prior year one-time gain on sale of land and legal settlements received.

**ORANGE COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2020**

In 2020, the District's net capital contributions increased \$1.0 million from prior year, mainly due to the District made less capital contributions to other parties.

**Fiscal Year 2019**

The statements of revenues, expenses and changes in net position indicate how the District's net position changed during the fiscal year. The District reported an increase in net position of \$70.9 million for the fiscal year ended June 30, 2019, which is a result of the current year changes noted below.

Operating revenues increased by \$7.50 million or 5.07% from the prior year primarily due to an increase in replenishment assessments of \$2.57 million, which is a result of the Board approved rate increase of replenishment assessment from \$445 to \$462 per acre-foot, although pumping decreased 2.19% from 310,025 acre-feet to 303,221 acre-feet due to the increased rainfall this year. Basin equity assessments increased \$6.38 million, primarily due to having more groundwater pumping over the basin production percentage than prior year. The District maintained its basin pumping percentage at 77%.

Operating expenses increased 1.26% or \$1.95 million in 2019, mainly due to the net effect of \$1.42 million increase in water purchases, due to Metropolitan Water District (MWD) rate increase, \$1.25 million decrease in water production expenses, which is the result of less electrical power used by the Groundwater Replenishment System that decreased production from 105,520 acre-feet to 95,220 acre-feet of water, and a \$2.05 million increase in general and administrative expenses for daily operations.

The District's non-operating revenues, net of expenses, increased \$51.16 million or 266.47%. Most of this increase is a result of a gain on sale of land, net of expenses of \$23.2 million and the District received \$27.5 million in legal settlements, net of expenses.

In 2019, the District's net capital contributions decreased \$4.59 million from prior year, mainly due to decreases in federal, state and local grant revenue.

**ORANGE COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2020**

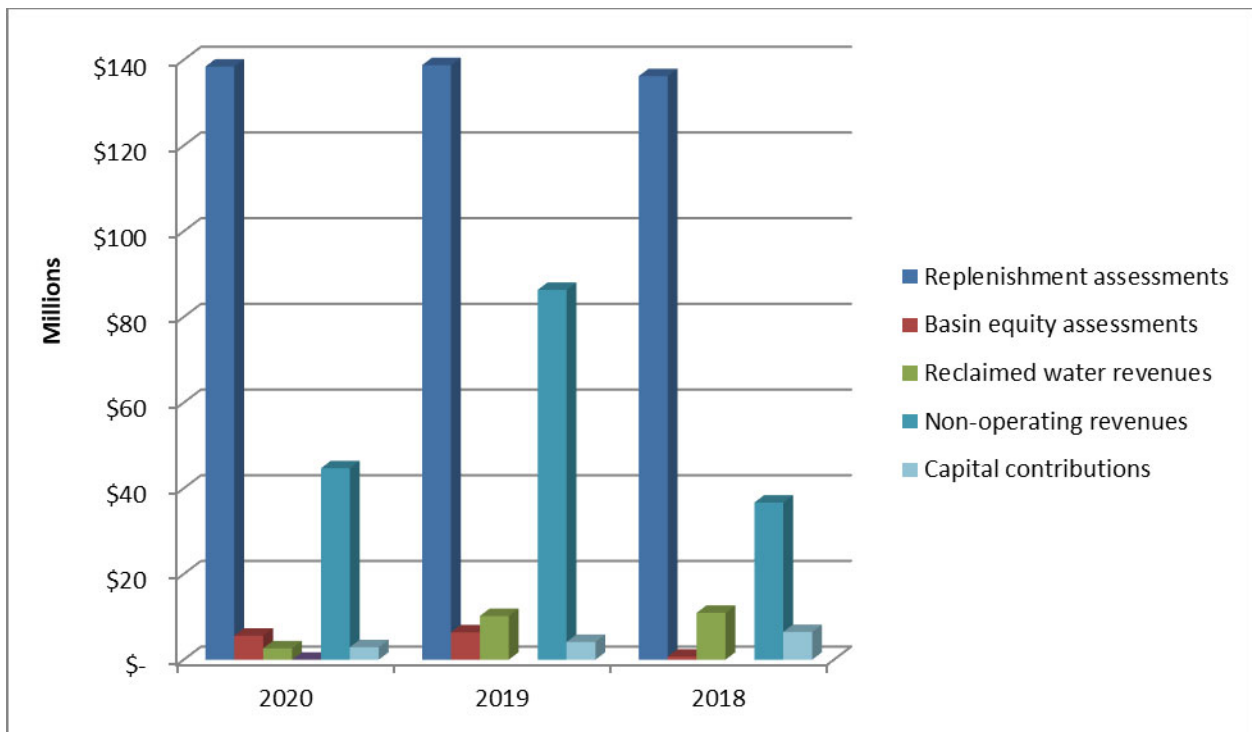
**Total Revenues**

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Operating revenues:					
Replenishment assessments	\$ 138,444,750	\$ 138,779,385	\$ (334,635)	\$ 136,212,805	\$ 2,566,580
Basin equity assessments	5,617,151	6,384,640	(767,489)	723,321	5,661,319
Reclaimed water revenues	2,656,593	10,210,332	(7,553,739)	10,933,858	(723,526)
Total operating revenues	<u>146,718,494</u>	<u>155,374,357</u>	<u>(8,655,863)</u>	<u>147,869,984</u>	<u>7,504,373</u>
Non-operating revenues:					
Property taxes	29,988,171	28,276,898	1,711,273	27,060,304	1,216,594
Investment income	6,347,215	3,788,863	2,558,352	2,556,061	1,232,802
Net increase in fair value of investments	1,446,947	1,892,935	(445,988)	-	1,892,935
Rental income, net of expenses	1,610,943	1,549,580	61,363	1,488,003	61,577
Legal settlements, net of expenses	1,731,469	27,476,135	(25,744,666)	2,310,325	25,165,810
Gain on disposal of capital assets	-	19,190,733	(19,190,733)	-	19,190,733
Other non-operating revenues	3,564,442	4,139,709	(575,267)	3,269,258	870,451
Total non-operating revenues	<u>44,689,187</u>	<u>86,314,853</u>	<u>(41,625,666)</u>	<u>36,683,951</u>	<u>49,630,902</u>
Capital contributions	<u>2,911,455</u>	<u>4,134,250</u>	<u>(1,222,795)</u>	<u>6,483,761</u>	<u>(2,349,511)</u>
Total revenues	<u>\$ 194,319,136</u>	<u>\$ 245,823,460</u>	<u>\$ (51,504,324)</u>	<u>\$ 191,037,696</u>	<u>\$ 54,785,764</u>

In 2020, the District's total revenues decreased 20.95% or \$51.50 million, primarily due to \$0.33 decrease in replenishment assessments, \$0.77 million decrease of basin equity assessments, \$7.55 million decrease in reclaimed water revenues and \$41.63 million decrease in non-operating revenues since prior year has a one-time gain on sale of land and legal settlements received.

In 2019, the District's total revenues increased 28.7% or \$54.8 million, primarily due to \$23.2 million increase on gain on sale of land, net of expenses and \$27.5 million in legal settlements, net of expenses.

**Total Revenues  
(2020, 2019 and 2018)**





**ORANGE COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2020**

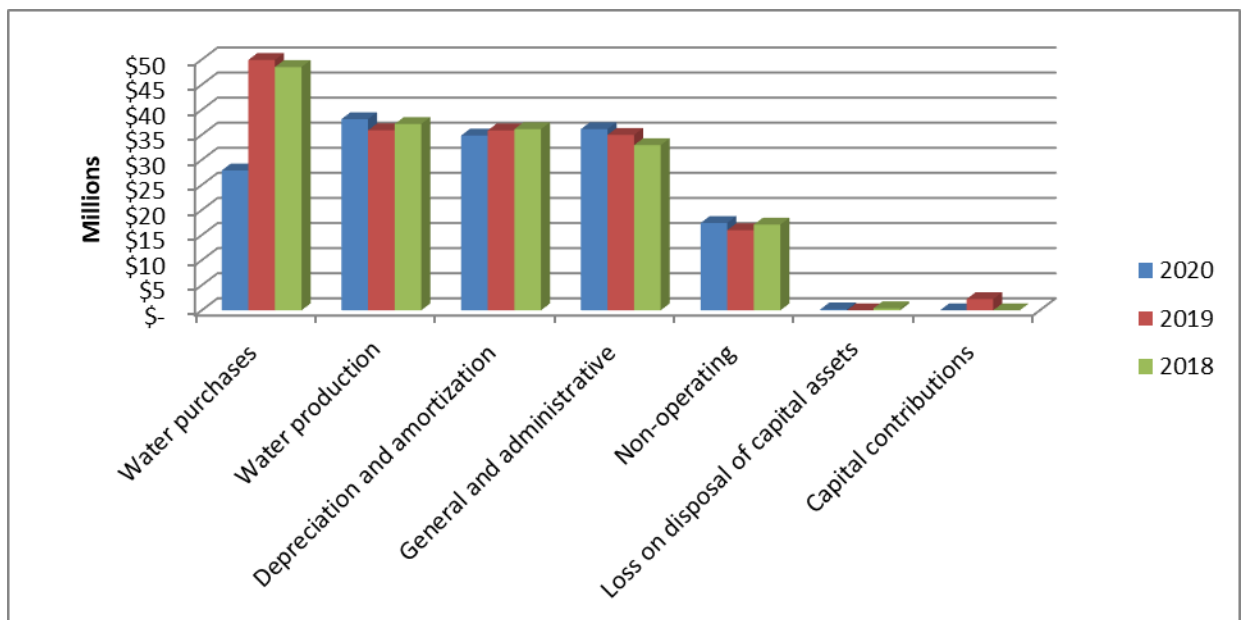
**Total Expenses**

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Operating expenses:					
Water purchases	\$ 28,001,365	\$ 49,920,482	\$ (21,919,117)	\$ 48,504,350	\$ 1,416,132
Water production	38,116,757	35,891,184	2,225,573	37,141,781	(1,250,597)
Depreciation and amortization	34,849,637	35,865,015	(1,015,378)	36,123,555	(258,540)
General and administrative	36,126,405	34,967,601	1,158,804	32,922,053	2,045,548
Total operating expenses	<u>137,094,164</u>	<u>156,644,282</u>	<u>(19,550,118)</u>	<u>154,691,739</u>	<u>1,952,543</u>
Non-operating expenses:					
Decrease in fair value of investments	-	-	-	1,277,042	(1,277,042)
Interest expense	17,407,408	15,956,940	1,450,468	15,809,681	147,259
Loss on disposal of capital assets	183,665	-	183,665	398,339	(398,339)
Total non-operating expenses	<u>17,591,073</u>	<u>15,956,940</u>	<u>1,634,133</u>	<u>17,485,062</u>	<u>(1,528,122)</u>
Capital contributions	-	2,235,512	(2,235,512)	-	2,235,512
Total expenses	<u>\$ 154,685,237</u>	<u>\$ 174,836,734</u>	<u>\$ (20,151,497)</u>	<u>\$ 172,176,801</u>	<u>\$ 2,659,933</u>

In 2020, the District's total expenses decreased 11.53% or \$20.15 million, mainly due to a decrease in water purchases of \$21.92 million, \$2.23 million increase in water production expenses, \$1.16 million increase in general and administrative expenses, and \$1.63 million increase in non-operating expenses.

In 2019, the District's total expenses increased 1.54% or \$2.66 million, mainly due to the net effect of an increase in water purchases of \$1.42 million, \$1.25 million decrease in water production expenses, \$2.05 million increase in general and administrative expenses, and \$1.53 million decrease in non-operating expenses.

**Total Expenses  
(2020, 2019 and 2018)**



**ORANGE COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2020**

**CAPITAL ASSETS**

As of the fiscal year ended June 30, 2020, the District had invested \$1,283.78 million in capital assets, including land, water rights, structures and improvements, infrastructure, equipment and construction in progress. Capital additions, net of transfers and retirements totaled \$55.67 million and \$26.92 million made during the fiscal years ended June 30, 2020 and 2019, respectively.

The main reasons for these capital additions were construction in progress, equipment, structure and infrastructure improvements on various water basin/water recycling projects in fiscal year ended 2020.

Net capital assets worth \$0.003 million and \$1.14 million were retired during the years ended June 30, 2020 and 2019, respectively.

The following is a summary of the capital assets at June 30, 2020, June 30, 2019, and June 30, 2018 respectively:

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Land	\$ 74,146,171	\$ 74,146,171	\$ -	\$ 74,146,641	\$ (470)
Water Rights	6,823,570	6,823,570	-	6,823,570	-
Structures and improvements	719,190,451	716,535,412	2,655,039	702,316,773	14,218,639
Infrastructure	80,249,751	80,235,428	14,323	73,496,821	6,738,607
Equipment	290,910,624	288,372,326	2,538,298	287,384,414	987,912
Construction in progress	112,458,117	61,995,090	50,463,027	57,022,335	4,972,755
Subtotal	1,283,778,684	1,228,107,997	55,670,687	1,201,190,554	26,917,443
Less: accumulated depreciation	<u>(563,604,287)</u>	<u>(530,631,873)</u>	<u>(32,972,414)</u>	<u>(495,777,720)</u>	<u>(34,854,153)</u>
Total capital assets	<u>\$ 720,174,397</u>	<u>\$ 697,476,124</u>	<u>\$ 22,698,273</u>	<u>\$ 705,412,834</u>	<u>\$ (7,936,710)</u>

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

**DEBT ADMINISTRATION**

At June 30, 2020 the District had \$704.46 million in total debt outstanding compared to \$724.34 million at the fiscal year ended June 30, 2019. It includes loans from the State of California, commercial paper, revenue refunding bonds and installment purchase agreements associated with the certificates of participation. This amount represents a net decrease of \$19.88 million from the prior year, primarily due to principal payments on state loans and commercial paper debt of \$13.9 million and \$4.0 million, respectively.

In 2019, the District had \$724.34 million in total debt outstanding compared to \$605.47 million at the fiscal year ended June 30, 2018. It includes loans from the State of California, commercial paper, revenue refunding bonds and installment purchase agreements associated with the certificates of participation. This amount represents a net increase of \$118.87 million from the prior year, primarily due to the net effect of issuing new short-term obligations of \$135 million for the Groundwater Replenishment System Final Expansion project and a principal payment of \$12.2 million to the taxable commercial paper debt.

**ORANGE COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2020**

The following is a summary of the long-term debt at June 30, 2020, June 30, 2019 and June 30, 2018 respectively:

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Certificates-of-Participation	\$ 275,551,903	\$ 276,523,244	\$ (971,341)	\$ 129,815,000	\$ 146,708,244
Revenue refunding bonds	295,103,202	176,749,315	118,353,887	186,765,413	(10,016,098)
State of California loans	97,089,680	230,354,520	(133,264,840)	235,978,713	(5,624,193)
Commercial paper	36,713,000	40,713,000	(4,000,000)	52,913,000	(12,200,000)
Total	<u>\$ 704,457,785</u>	<u>\$ 724,340,079</u>	<u>\$ (19,882,294)</u>	<u>\$ 605,472,126</u>	<u>\$ 118,867,953</u>

The District's rated debt obligations have received the following ratings from the three major credit rating agencies:

Fitch Ratings: AAA

Moody's: Aa1

Standard & Poor's: AAA

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

**NET OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY**

The District's net other post-employment benefits (OPEB) liability is \$10.58 million and \$19.58 million, as of June 30, 2020 and 2019, respectively.

The District's OPEB expense recognized in 2020 and 2019 was \$1.69 million and \$2.2 million, respectively, and is included in operating expense on the Statements of Revenues, Expenses and Changes in Net Position.

The deferred outflows and deferred inflows of resources include certain changes in total OPEB liability and fiduciary net position that are to be recognized in future OPEB expense systematically over time. These amounts can fluctuate from year to year due to actuarial methods and assumptions, such as normal entry age, discount rate, mortality and inflation. Deferred outflows of resources related to OPEB liability for 2020 is \$3.3 million and deferred inflows of resources is \$3.16 million for June 30, 2020.

Additional information on other post-employment benefit plan can be found in Note 10 of this report.

**ORANGE COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2020**

**ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES**

The Board of Directors approved the budget for the fiscal year 2020-21. The budget included \$71.1 million for operations, \$0.5 million for new equipment, \$9.1 million for water purchases, \$36.0 million for debt service, \$1.5 million for retiree health expenditures and \$14.2 million for Replacement and Refurbishment (R&R) fund expenditure.

The Board approved a flat Replenishment Assessment rate of \$487 per acre-foot and the basin production percentage remains at 77%.

A multi-year construction-in-progress (CIP) budget of \$97.9 million was adopted. These CIP projects will be funded through long term debt, grants, and the District will be funding \$27.2 million pay-as-you-go from the general fund.

The COVID-19 pandemic negatively affected the economy, economic activity has slowed down, and unemployment has gone up.

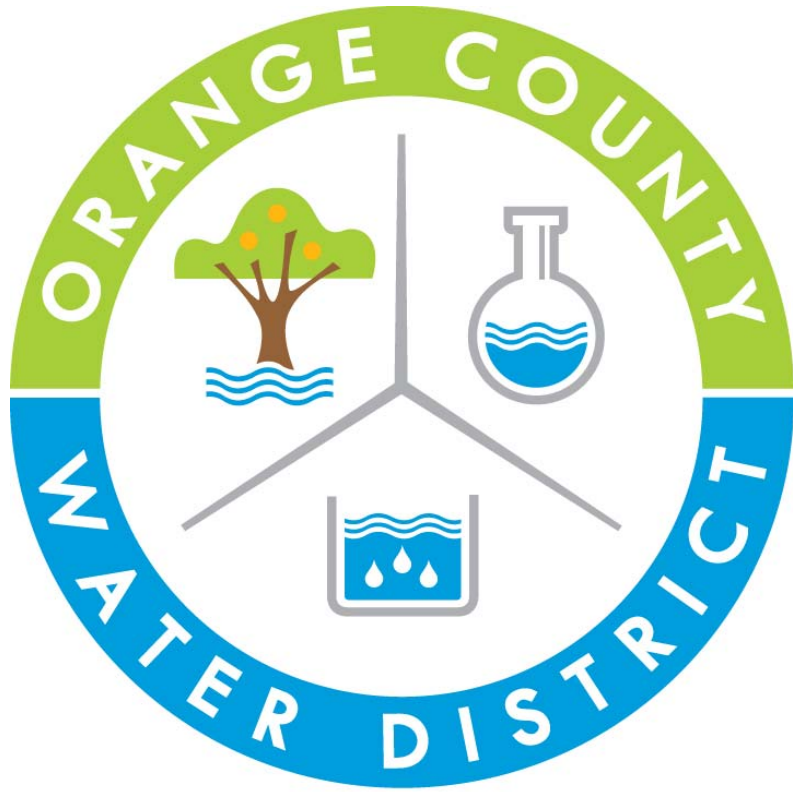
Orange County's economy is affected by the pandemic and it is expected to grow slowly in the next year. Orange County's unemployment rate in June 2020 is 13.6% versus 15.1% for California and 11.1% for the nation.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

# Basic Financial Statements

Statement of Net Position  
Statement of Revenues, Expense, and Changes in Net Position  
Statement of Cash Flows  
Statement of Changes in Fiduciary Net Position  
Notes to Basic Financial Statements



**SINCE 1933**

ORANGE COUNTY WATER DISTRICT

STATEMENT OF NET POSITION

June 30, 2020  
(with prior-year comparative totals)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
<b>CURRENT ASSETS:</b>		
<b>UNRESTRICTED ASSETS:</b>		
Cash and cash equivalents	\$ 86,584,108	\$ 61,238,657
Investments	163,006,522	143,877,204
Accounts receivables	66,980,732	72,664,831
Accrued interest receivable	633,713	1,124,534
Inventory	4,620,004	4,589,914
Prepaid expenses	858,560	725,351
Due from other governments	52,767	489,787
Current portion of notes receivable	263,242	336,987
<b>TOTAL UNRESTRICTED ASSETS</b>	<b>322,999,648</b>	<b>285,047,265</b>
<b>RESTRICTED ASSETS:</b>		
Cash and cash equivalents	3,233,364	3,210,433
Investments	92,121,070	134,622,573
Accrued interest and other receivable	276,090	487,102
Custodial cash and investments	10,219,263	2,442,993
Custodial escrow retention	1,168,482	974,530
<b>TOTAL RESTRICTED ASSETS</b>	<b>107,018,269</b>	<b>141,737,631</b>
<b>TOTAL CURRENT ASSETS</b>	<b>430,017,917</b>	<b>426,784,896</b>
<b>NONCURRENT ASSETS:</b>		
<b>CAPITAL ASSETS:</b>		
Capital assets, not depreciated	193,427,858	142,964,831
Capital assets, depreciated, net	526,746,539	554,511,293
<b>TOTAL CAPITAL ASSETS</b>	<b>720,174,397</b>	<b>697,476,124</b>
<b>OTHER NONCURRENT ASSETS:</b>		
Notes receivable, less current portion above	4,237,039	4,500,281
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b>4,237,039</b>	<b>4,500,281</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>724,411,436</b>	<b>701,976,405</b>
<b>TOTAL ASSETS</b>	<b>1,154,429,353</b>	<b>1,128,761,301</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred amounts from OPEB	3,343,360	7,664,467
Deferred charges on refunding	9,005,014	10,511,103
Derivative instruments	25,096,034	18,117,807
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>37,444,408</b>	<b>36,293,377</b>

(Continued)

ORANGE COUNTY WATER DISTRICT

STATEMENT OF NET POSITION  
(CONTINUED)

June 30, 2020  
(with prior-year comparative totals)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2020	2019
LIABILITIES:		
CURRENT LIABILITIES:		
PAYABLE FROM UNRESTRICTED CURRENT ASSETS:		
Accounts payable and accrued expenses	\$ 9,906,745	\$ 14,094,764
Accrued interest payable	6,920,461	4,947,350
Deposits	79,926	247,502
Current portion of accrued compensated absences	416,879	341,880
Current portion of long-term debt	49,531,693	55,225,375
TOTAL PAYABLE FROM UNRESTRICTED CURRENT ASSETS	66,855,704	74,856,871
PAYABLE FROM RESTRICTED ASSETS:		
Accounts payable and accrued expenses	7,896,655	992,649
Retentions payable	1,307,889	1,118,634
TOTAL PAYABLE FROM RESTRICTED ASSETS	9,204,544	2,111,283
TOTAL CURRENT LIABILITIES	76,060,248	76,968,154
NONCURRENT LIABILITIES:		
LONG-TERM DEBT:		
Certificates of participation	275,551,903	276,523,244
Revenue refunding bonds	295,103,202	176,749,315
State of California loans payable	97,089,680	230,354,520
Commercial paper	36,713,000	40,713,000
Subtotal	704,457,785	724,340,079
Less: current portion above	(49,531,693)	(55,225,375)
TOTAL LONG-TERM DEBT	654,926,092	669,114,704
OTHER NONCURRENT LIABILITIES:		
Net other post-employment benefits (OPEB) liability	10,579,714	19,575,269
Accrued compensated absences	5,490,092	5,078,446
Derivative instruments	25,096,034	18,117,807
TOTAL OTHER NONCURRENT LIABILITIES	41,165,840	42,771,522
TOTAL NONCURRENT LIABILITIES	696,091,932	711,886,226
TOTAL LIABILITIES	772,152,180	788,854,380
DEFERRED INFLOWS OF RESOURCES:		
Deferred amounts from OPEB	3,161,892	-
Deferred gain on refunding	725,492	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,887,384	-
NET POSITION:		
Net investment in capital assets	143,666,685	149,157,213
Restricted for debt service	24,804	118,970
Restricted for custodial costs	11,572,422	2,565,512
Unrestricted	260,570,286	224,358,603
TOTAL NET POSITION	\$ 415,834,197	\$ 376,200,298

See accompanying notes to basic financial statements.



ORANGE COUNTY WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION

For the year ended June 30, 2020  
(with prior-year comparative totals)

	2020	2019
OPERATING REVENUES:		
Replenishment assessments	\$ 138,444,750	\$ 138,779,385
Basin equity assessments	5,617,151	6,384,640
Reclaimed water revenue	2,656,593	10,210,332
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	146,718,494	155,374,357
	<hr/>	<hr/>
OPERATING EXPENSES:		
Water purchases	28,001,365	49,920,482
Water production	38,116,757	35,891,184
Depreciation	34,849,637	35,865,015
General and administrative	36,126,405	34,967,601
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	137,094,164	156,644,282
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	9,624,330	(1,269,925)
	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES):		
Property taxes	29,988,171	28,276,898
Investment income	6,347,215	3,788,863
Net increase (decrease) in the fair value of investments	1,446,947	1,892,935
Rental income, net of expenses	1,610,943	1,549,580
Legal settlements, net of expenses	1,731,469	27,476,135
Other nonoperating revenues, net of expenses	3,564,442	4,139,709
Interest expense	(17,407,408)	(15,956,940)
Gain (loss) on disposal of capital assets	(183,665)	19,190,733
	<hr/>	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	27,098,114	70,357,913
	<hr/>	<hr/>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	36,722,444	69,087,988
	<hr/>	<hr/>
CAPITAL CONTRIBUTIONS FROM OTHER PARTIES	2,911,455	4,134,250
CAPITAL CONTRIBUTIONS TO OTHER PARTIES	-	(2,235,512)
	<hr/>	<hr/>
CHANGES IN NET POSITION	39,633,899	70,986,726
	<hr/>	<hr/>
NET POSITION - BEGINNING OF YEAR	376,200,298	305,213,572
	<hr/>	<hr/>
NET POSITION - END OF YEAR	<u>\$ 415,834,197</u>	<u>\$ 376,200,298</u>

See accompanying notes to basic financial statements.

ORANGE COUNTY WATER DISTRICT

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020  
(with prior-year comparative totals)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 155,849,050	\$ 155,974,703
Cash payments to suppliers for goods and services	(68,443,282)	(101,286,686)
Cash payments to employees for services	(32,674,720)	(34,952,029)
Rental income, net of expenses	1,610,943	1,549,580
Legal settlements, net of expenses	1,731,469	27,476,135
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>58,073,460</u>	<u>48,761,703</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Cash received for property taxes	29,988,171	28,276,898
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>29,988,171</u>	<u>28,276,898</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Payments received from notes receivable	336,987	334,013
Payments made for notes receivable	-	(4,984,753)
Acquisition and construction of capital assets	(56,873,101)	(31,341,524)
Proceeds from sale of capital assets	25,721	23,402,731
Principal paid on commercial paper	(4,000,000)	(12,200,000)
Proceeds from loans payable	3,110,064	18,803,114
Proceeds from refunding bonds and new bonds	181,247,727	146,708,244
Principal paid on long-term debt	(8,486,623)	(13,741,082)
Payment made to refunding escrow agent	(187,361,626)	(7,685,000)
Interest paid on long-term debt	(17,501,811)	(16,999,856)
Payments received from capital contributions	2,911,455	4,134,250
Payments made for capital contributions	-	(2,235,512)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(86,591,207)</u>	<u>104,194,625</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment purchases	(558,961,180)	(302,886,443)
Proceeds from maturity of investments	576,004,042	138,115,857
Interest on investments	7,049,048	3,004,564
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>24,091,910</u>	<u>(161,766,022)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,562,334	19,467,204
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>65,423,620</u>	<u>45,956,416</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 90,985,954</u>	<u>\$ 65,423,620</u>

(Continued)

ORANGE COUNTY WATER DISTRICT

STATEMENT OF CASH FLOWS  
(CONTINUED)

For the year ended June 30, 2020  
(with prior-year comparative totals)

	2020	2019
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 9,624,330	\$ (1,269,925)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	34,849,637	35,865,015
Other nonoperating revenues, net of expenses	3,564,442	4,139,709
Rental income, net of expenses	1,610,943	1,549,580
Legal settlements, net of expenses	1,731,469	27,476,135
Change in receivable for loan proceeds	(374,888)	(11,882,905)
Capitalized labor	(602,048)	(428,989)
Change in assets, deferred outflows of resources, deferred inflows of resources, and liabilities:		
(Increase) decrease in accounts receivables	5,684,099	2,788,311
(Increase) decrease in inventory	(30,090)	8,935
(Increase) decrease in prepaid expenses	(133,209)	48,703
(Increase) decrease in due from other governments	437,020	5,300,609
(Increase) decrease in deferred outflows of resources - deferred amounts from OPEB	4,321,107	(5,924,503)
Increase (decrease) in accounts payable and accrued expenses	2,715,987	(10,227,007)
Increase (decrease) in retentions payable	189,255	536,805
Increase (decrease) in deposits payable	(167,576)	246,902
Increase (decrease) in accrued compensated absences	486,645	(89,804)
Increase (decrease) in net OPEB liability	(8,995,555)	645,315
Increase (decrease) in deferred inflows of resources - deferred amounts from OPEB	3,161,892	(21,183)
Total Adjustments	48,449,130	50,031,628
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 58,073,460	\$ 48,761,703
CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION:		
Unrestricted assets - cash and cash equivalents	\$ 86,584,108	\$ 61,238,657
Restricted assets:		
Cash and cash equivalents	3,233,364	3,210,433
Custodial escrow retention	1,168,482	974,530
TOTAL CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION	\$ 90,985,954	\$ 65,423,620
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Amortization of premiums and deferred amounts on refunding	\$ 2,067,514	\$ 503,502
Net increase in the fair value of investments	\$ 1,446,947	\$ 1,892,935
Gain (loss) on disposal of capital assets	\$ 21,885	\$ (1,138,236)

See accompanying notes to basic financial statements.

ORANGE COUNTY WATER DISTRICT

STATEMENT OF FIDUCIARY NET POSITION  
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

June 30, 2020  
(with prior-year comparative totals)

	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash and investments held by trust	<u>\$ 21,230,963</u>	<u>\$ 18,500,192</u>
TOTAL ASSETS	<u>21,230,963</u>	<u>18,500,192</u>
NET POSITION:		
Net position restricted for OPEB benefits	<u>21,230,963</u>	<u>18,500,192</u>
TOTAL NET POSITION	<u>\$ 21,230,963</u>	<u>\$ 18,500,192</u>

ORANGE COUNTY WATER DISTRICT

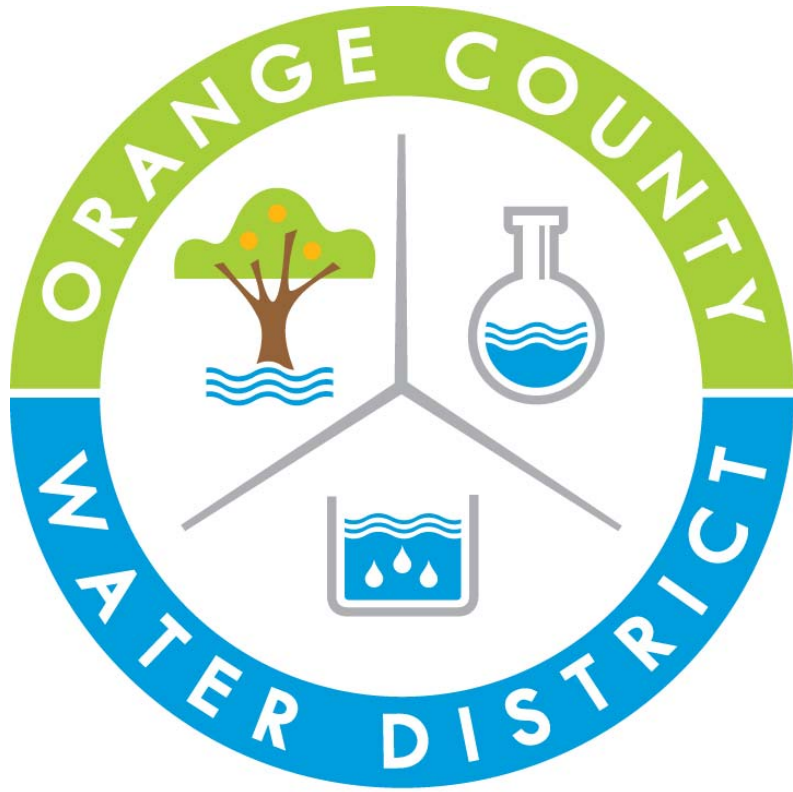
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

For the years ended June 30, 2020  
(with prior-year comparative totals)

	<u>2020</u>	<u>2019</u>
ADDITIONS:		
Employer contributions	\$ 2,969,000	\$ 7,303,932
Investment income	662,244	838,367
	<u>3,631,244</u>	<u>8,142,299</u>
TOTAL ADDITIONS		
DEDUCTIONS:		
Benefits	811,751	720,729
Administrative expense	88,722	57,660
	<u>900,473</u>	<u>778,389</u>
TOTAL DEDUCTIONS		
CHANGES IN NET POSITION	2,730,771	7,363,910
NET POSITION - BEGINNING OF YEAR	<u>18,500,192</u>	<u>11,136,282</u>
NET POSITION - END OF YEAR	<u>\$ 21,230,963</u>	<u>\$ 18,500,192</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

# Notes to Basic Financial Statements



**SINCE 1933**



**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

---

***1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

a. Organization and Description of the District

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

The 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 of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District.

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

b. Basic Financial Statements

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

c. Measurement Focus and Basis of Accounting

**Proprietary Fund**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The proprietary fund financial statements are reported using the *economic resources 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 these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the *accrual basis of accounting*, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

c. Measurement Focus and Basis of Accounting (Continued)

**Proprietary Fund (Continued)**

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

**Fiduciary Fund**

The fiduciary fund financial statements include the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The District's fiduciary other post-employment benefits (OPEB) trust fund is accounted for using the *economic resources measurement focus* and *accrual basis of accounting*. The OPEB trust fund, which is a Section 115 Trust, accounts for the activities of the District's plan for post-retirement medical benefits.

d. Net Position

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

- Net investment in capital assets - This amount is the District's net investment in its various capital assets and includes capital assets net of accumulated depreciation and capital-related deferred outflows of resources and reduced by capital-related borrowings and deferred inflows of resources.
- Restricted for custodial costs - These amounts are restricted for custodial costs due to third parties, debt service, and construction of capital assets.
- Unrestricted - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted."

e. Net Position Flow Assumption

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

f. New Accounting Pronouncements

**Current Year Standards**

*GASB 95*

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

*GASB 97*

In June 2020, GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84*, and a supersession of GASB Statement No. 32. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively.

The requirements of these paragraphs did not 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*

In January 2017, GASB issued Statement No. 84 – *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, early application is encouraged.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

f. New Accounting Pronouncements (Continued)

**Pending Accounting Standards (Continued)**

*GASB 87*

In June 2017, GASB issued Statement No. 87 – *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset for leases with a term of more than 12 months. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. For leases with a term of 12 months or less, lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, early application is encouraged.

*GASB 92*

In January 2020, GASB issued Statement No. 92 – *Omnibus 2020*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to leases, fiduciary activities, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

*GASB 93*

In March 2020, GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. This Statement was issued to assist state and local governments in the transition away from existing interbank offered rates (IBORs), including the London Interbank Offered Rate (LIBOR) to other reference rate. LIBOR is expected to cease to exist in its current form at the end of 2021. It addresses accounting and financial reporting implications that result from the replacement of an IBOR.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

f. New Accounting Pronouncements (Continued)

**Pending Accounting Standards (Continued)**

*GASB 93 (Continued)*

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021, early application is encouraged.

*GASB 97*

In June 2020, GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84*, and a supersession of GASB Statement No. 32. This Statement requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan’s reporting period in all circumstances.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted.

g. Property Taxes and Assessments

Property taxes and assessments are billed by the County of Orange to property owners. The amount apportioned to the District each year is based upon the District’s tax receipts for the three-year period ended June 30, 1978, in relation to total County tax receipts and is adjusted annually for area growth. The District’s property tax calendar for the fiscal years ended June 30, 2020 and 2019, were as follows:

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

The County collects the taxes from the property owners and remits the funds to the District periodically during the year. There were no taxes receivable at June 30, 2020 and 2019.

h. Inventory

Inventory consists primarily of supplies and parts and is valued at weighted-average cost under the consumption method.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

i. Investments

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

j. Capital Assets

Capital assets purchased or acquired are reported at historical cost. Contributed assets are reported at the acquisition value as of the date received. During the fiscal years ended June 30, 2020 and 2019, the District received capital contributions of \$2,911,455 and \$4,134,250, respectively. Capital outlays that cost \$5,000 or more and that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation is calculated on the straight-line method over the following estimated useful lives:

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

Depreciation totaled \$34,849,637 and \$35,865,015 for the years ended June 30, 2020 and 2019, respectively.

k. 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 four items that qualify for reporting in this category. The first item is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to the derivative instruments' interest rate swap agreements reported at fair value. The third item is related to the OPEB equal to the employer's contributions made after the measurement date of the net OPEB liability. The fourth item is related to the OPEB resulting from the difference in projected and actual earnings on plan investments of the OPEB plan's fiduciary net position. This amount is amortized over five years.

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 so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. These items are related to the OPEB equal to the differences between actual and expected experience and changes in assumptions. These amounts are amortized over the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plan.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

l. Capitalized Interest

The District incurs interest charges on the Certificates of Participation, Commercial Paper, Revenue Refunding Bonds, and State of California loans payable. Capitalized interest for the years ended June 30, 2020 and 2019, totaled \$285,756 and \$369,789, respectively.

m. Classification of Liabilities

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

n. Compensated Absences

Vested or accumulated vacation and sick leave are expensed as benefits accrue to employees. The following is a summary of the changes in compensated absences for the years ended June 30, 2020 and 2019:

June 30, 2020

	Balances at June 30, 2019	Additions	Reductions	Balances at June 30, 2020	Due Within One Year
Compensated Absences	<u>\$ 5,420,326</u>	<u>\$ 2,958,952</u>	<u>\$ 2,472,307</u>	<u>\$ 5,906,971</u>	<u>\$ 416,879</u>

June 30, 2019

	Balances at June 30, 2018	Additions	Reductions	Balances at June 30, 2019	Due Within One Year
Compensated Absences	<u>\$ 5,510,130</u>	<u>\$ 2,708,052</u>	<u>\$ 2,797,856</u>	<u>\$ 5,420,326</u>	<u>\$ 341,880</u>

o. Cash and Cash Equivalents

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

p. Postemployment Benefits Other Than Pensions (OPEB):

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s 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.

q. Use of Estimates

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

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

r. Prior Year Data and Reclassifications

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.

Certain amounts in the June 30, 2019 financial statements have been reclassified for comparative purposes to conform to the presentation in the June 30, 2020 financial statements. There was no change in reported net income or total net position related to these reclassifications.

**2. CASH AND INVESTMENTS**

Cash and investments held by the District were comprised of the following at June 30, 2020 and 2019:

Financial Statements Classification:	<u>2020</u>	<u>2019</u>
Current:		
Cash and cash equivalents	\$ 86,584,108	\$ 61,238,657
Investments:		
U.S. Government Sponsored Agency Securities	163,006,522	143,877,204
Restricted:		
Cash and cash equivalents	3,233,364	3,210,433
Investments	92,121,070	134,622,573
Custodial cash and investments	10,219,263	2,442,993
Custodial escrow retention	1,168,482	974,530
Total for proprietary fund	<u>356,332,809</u>	<u>346,366,390</u>
Cash and investments - fiduciary fund	<u>21,230,963</u>	<u>18,500,192</u>
Total for proprietary and fiduciary funds	<u>\$ 377,563,772</u>	<u>\$ 364,866,582</u>

Cash and investments as of June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 2,700	\$ 2,700
Deposits with financial institutions	2,510,144	4,016,013
Investments - proprietary fund	353,819,965	342,347,677
Investments - fiduciary fund	<u>21,230,963</u>	<u>18,500,192</u>
Total cash and investments	<u>\$ 377,563,772</u>	<u>\$ 364,866,582</u>



**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

**2. CASH AND INVESTMENTS (CONTINUED)**

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

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

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

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	No limitation	No limitation
United States Government			
Sponsored Agency Securities	5 years	No limitation	No limitation
Banker's Acceptances	180 days	15%	5%
Commercial Paper	180 days	15%	10%
Collateralized Certificates of Deposit	5 years	15%	No limitation
Negotiable Certificates of Deposit	5 years	15%	No limitation
Fully Insured Deposits	5 years	15%	No limitation
Repurchase Agreements	30 days	10%	No limitation
Medium Term Notes	5 years	15%	5%
Mutual Funds	N/A	15%	10%
Asset-Backed Securities	5 years	15%	No limitation
Local Agency Investment Fund	N/A	No limitation	\$65 Million
County Pooled Investment Fund	N/A	No limitation	\$20 Million
High Grade State Municipal Bonds	N/A	15%	5%

N/A - Not Applicable

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**2. CASH AND INVESTMENTS (CONTINUED)**

**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 term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations are provided by the following tables that show the distribution of the District's investments by maturity as of June 30, 2020 and 2019.

June 30, 2020

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
United States Government Sponsored				
Agency Securities	\$ 15,361,858	\$ 10,696,227	\$ 131,952,887	\$ 158,010,972
United States Treasury Notes	4,995,550	-	-	4,995,550
Local Agency Investment Fund	65,307,640	-	-	65,307,640
Orange County Pooled Investment Fund	20,116,783	-	-	20,116,783
Held by Bond Trustee:				
United States Treasury Notes	92,121,070	-	-	92,121,070
Money Market Mutual Funds	3,048,687	-	-	3,048,687
Held by SWAP Provider:				
United States Government Sponsored				
Agency Securities	-	5,398,974	4,820,289	10,219,263
Held by OPEB Trust:				
Money Market Mutual Funds	21,230,963	-	-	21,230,963
Total	<u>\$ 222,182,551</u>	<u>\$ 16,095,201</u>	<u>\$ 136,773,176</u>	<u>\$ 375,050,928</u>

June 30, 2019

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
United States Government Sponsored				
Agency Securities	\$ 48,310,396	\$ 55,493,447	\$ 40,073,361	\$ 143,877,204
Local Agency Investment Fund	38,366,263	-	-	38,366,263
Orange County Pooled Investment Fund	19,950,731	-	-	19,950,731
Held by Bond Trustee:				
United States Treasury Notes	37,358,474	96,691,216	572,883	134,622,573
Money Market Mutual Funds	3,087,913	-	-	3,087,913
Held by SWAP Provider:				
United States Government Sponsored				
Agency Securities	-	2,442,993	-	2,442,993
Held by OPEB Trust:				
Money Market Mutual Funds	18,500,192	-	-	18,500,192
Total	<u>\$ 165,573,969</u>	<u>\$ 154,627,656</u>	<u>\$ 40,646,244</u>	<u>\$ 360,847,869</u>

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**2. CASH AND INVESTMENTS (CONTINUED)**

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following tables are the Standard and Poor's credit ratings for the District's investments as of June 30, 2020 and 2019.

June 30, 2020

Investment Type	Minimum Legal Rating	Total as of June 30, 2020	AAA	AA+	Unrated	Not Required to be Rated
United States Government-Sponsored						
Agency Securities	N/A	\$ 158,010,972	\$ -	\$ 158,010,972	\$ -	\$ -
United States Treasury Notes	N/A	4,995,550	-	-	-	4,995,550
Local Agency Investment Fund	N/A	65,307,640	-	-	65,307,640	-
Orange County Pooled Investment Fund	N/A	20,116,783	20,116,783	-	-	-
Held by Bond Trustee:						
United States Treasury Notes	N/A	92,121,070	-	-	-	92,121,070
Money Market Mutual Funds	AAA <sub>m</sub>	3,048,687	3,048,687	-	-	-
Held by SWAP Provider:	N/A					
United States Government-Sponsored						
Agency Securities	N/A	10,219,263	-	10,219,263	-	-
Held by OPEB Trust:						
Money Market Mutual Funds	N/A	21,230,963	-	-	21,230,963	-
Total		<u>\$ 375,050,928</u>	<u>\$ 23,165,470</u>	<u>\$ 168,230,235</u>	<u>\$ 86,538,603</u>	<u>\$ 97,116,620</u>

June 30, 2019

Investment Type	Minimum Legal Rating	Total as of June 30, 2019	AAA	AA+	Unrated	Not Required to be Rated
United States Government-Sponsored						
Agency Securities	N/A	\$ 143,877,204	\$ -	\$ 143,877,204	\$ -	\$ -
Local Agency Investment Fund	N/A	38,366,263	-	-	38,366,263	-
Orange County Pooled Investment Fund	N/A	19,950,731	19,950,731	-	-	-
Held by Bond Trustee:						
United States Treasury Notes	N/A	134,622,573	-	-	-	134,622,573
Money Market Mutual Funds	AAA <sub>m</sub>	3,087,913	3,087,913	-	-	-
Held by SWAP Provider:	N/A					
United States Government-Sponsored						
Agency Securities	N/A	2,442,993	-	2,442,993	-	-
Held by OPEB Trust:						
Money Market Mutual Funds	N/A	18,500,192	-	-	18,500,192	-
Total		<u>\$ 360,847,869</u>	<u>\$ 23,038,644</u>	<u>\$ 146,320,197</u>	<u>\$ 56,866,455</u>	<u>\$ 134,622,573</u>

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

**2. CASH AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

Investments in any one issuer that represent 5% or more of total District investments as of June 30, 2020 and 2019, are as follows:

June 30, 2020

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Investments</u>
Federal National Mortgage Association	United States Government Sponsored Agency Securities	\$ 15,521,160	6.25%
Federal Home Loan Mortgage Corporation	United States Government Sponsored Agency Securities	83,355,116	33.55%
Federal Farm Credit Bank	United States Government Sponsored Agency Securities	38,093,162	15.33%
Federal Home Loan Bank	United States Government Sponsored Agency Securities	21,041,534	8.47%

June 30, 2019

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Investments</u>
Federal Home Loan Mortgage Corporation	United States Government Sponsored Agency Securities	\$ 63,957,640	17.72%
Federal Farm Credit Bank	United States Government Sponsored Agency Securities	19,967,045	5.53%
Federal Home Loan Bank	United States Government Sponsored Agency Securities	45,595,043	12.64%

**Custodial Credit Risk**

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

**2. CASH AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk (Continued)**

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

As of June 30, 2020 and 2019, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

**Investment in State Investment Pool and County Investment Pool**

The District is a voluntary participant in LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District is also a voluntary participant in the Orange County Pooled Investment Fund (OCPIF) that is a pooled investment fund program governed by the Orange County Board of Supervisors, and is administered by the Orange County Treasurer and Tax Collector. Investments in OCPIF and LAIF are highly liquid as deposits and withdrawals can be made at any time without penalty. The fair value of the District's investment in these pools are reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF and OCPIF for the each respective portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF and OCPIF, which are recorded on an amortized cost basis.

**Fair Value Measurements**

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Deposits and securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. United States Government Sponsored Agency Securities and United States Treasury Notes classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**2. CASH AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements (Continued)**

The District has the following recurring fair value measurements as of June 30, 2020 and 2019:

June 30, 2020

Investment Type	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
United States Government Sponsored				
Agency Securities	\$ -	\$ 158,010,972	\$ -	\$ 158,010,972
United States Treasury Notes	-	4,995,550	-	4,995,550
Held by Bond Trustee:				
United States Treasury Notes	-	92,121,070	-	92,121,070
Held by SWAP Provider:				
United States Government Sponsored				
Agency Securities	-	10,219,263	-	10,219,263
Total Leveled Investments	\$ -	\$ 265,346,855	\$ -	265,346,855
Local Agency Investment Fund*				65,307,640
Orange County Pooled Investment Fund*				20,116,783
Money Market Mutual Funds:				
Held by Bond Trustee*				3,048,687
OPEB Trust*				21,230,963
Total Investment Portfolio				\$ 375,050,928

\* Not subject to fair value measurement hierarchy.

June 30, 2019

Investment Type	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
United States Government Sponsored				
Agency Securities	\$ -	\$ 143,877,204	\$ -	\$ 143,877,204
Held by Bond Trustee:				
United States Treasury Notes	-	134,622,573	-	134,622,573
Held by SWAP Provider:				
United States Government Sponsored				
Agency Securities	-	2,442,993	-	2,442,993
Total Leveled Investments	\$ -	\$ 280,942,770	\$ -	280,942,770
Local Agency Investment Fund*				38,366,263
Orange County Pooled Investment Fund*				19,950,731
Money Market Mutual Funds:				
Held by Bond Trustee*				3,087,913
OPEB Trust*				18,500,192
Total Investment Portfolio				\$ 360,847,869

\* Not subject to fair value measurement hierarchy.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

**2. CASH AND INVESTMENTS (CONTINUED)**

**Cash and Investments - Pension and Other Post-Employment Benefit (OPEB) Trust**

Investment Policy

The District established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the District’s OPEB health plan. The OPEB trust fund’s specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the District.

Those guidelines are as follows:

Risk Tolerance:	Balanced
Risk Management:	The portfolio is constructed to control risk through four layers of diversification - asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers, and securities. Disciplined mutual fund selection and monitoring process help to drive return potential while reducing portfolio risk.
Investment Objective:	To provide growth of principal and income. While dividend and interest income are an important component of the objective’s total return, it is expected that capital appreciation will comprise a larger portion of the total return.
Strategic Ranges:	0% - 20% Cash 30% - 50% Fixed Income 50% - 70% Equity

Rate of Return

For the years ended June 30, 2020 and 2019, the annual money-weighted rate of return on investments, net of investment expense, was 3.32% and 7.02%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**3. RESTRICTED ASSETS**

Restricted assets were provided by, and are to be used for, the following at June 30, 2020:

<u>Funding Source</u>	<u>Use</u>	<u>Amount</u>
Certificates of Participation		
Proceeds and interest earned	Construction of GWRSFE Project	\$ 95,445,846
Custodial receipts	Custodial costs	<u>11,572,423</u>
		<u>\$ 107,018,269</u>

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**3. RESTRICTED ASSETS (CONTINUED)**

Restricted assets were provided by, and are to be used for, the following at June 30, 2019:

Funding Source	Use	Amount
Certificates of Participation		
Proceeds and interest earned	Construction of GWRSFE Project	\$ 138,197,589
Custodial receipts	Custodial costs	3,540,042
		<u>\$ 141,737,631</u>

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

**4. CAPITAL ASSETS**

A summary of the changes in capital assets for the fiscal year ended June 30, 2020, were as follows:

	Balance at July 1, 2019	Additions	Deletions/ Transfers	Balance at June 30, 2020
Capital assets, not depreciated:				
Land	\$ 74,146,171	\$ -	\$ -	\$ 74,146,171
Water rights	6,823,570	-	-	6,823,570
Construction in progress	61,995,090	57,757,296	(7,294,269)	112,458,117
Total capital assets, not depreciated	<u>142,964,831</u>	<u>57,757,296</u>	<u>(7,294,269)</u>	<u>193,427,858</u>
Capital assets, being depreciated:				
Structures and improvements	716,535,412	2,674,892	(19,853)	719,190,451
Infrastructure	80,235,428	14,323	-	80,249,751
Equipment	288,372,326	4,399,506	(1,861,208)	290,910,624
Total capital assets, being depreciated	<u>1,085,143,166</u>	<u>7,088,721</u>	<u>(1,881,061)</u>	<u>1,090,350,826</u>
Less accumulated depreciation for:				
Structures and improvements	(388,612,861)	(14,487,627)	19,853	(403,080,635)
Infrastructure	(19,358,131)	(2,197,044)	-	(21,555,175)
Equipment	(122,660,881)	(18,164,966)	1,857,370	(138,968,477)
Total accumulated depreciation	<u>(530,631,873)</u>	<u>(34,849,637)</u>	<u>1,877,223</u>	<u>(563,604,287)</u>
Total capital assets, being depreciated, net	<u>554,511,293</u>	<u>(27,760,916)</u>	<u>(3,838)</u>	<u>526,746,539</u>
Total capital assets, net	<u>\$ 697,476,124</u>	<u>\$ 29,996,380</u>	<u>\$ (7,298,107)</u>	<u>\$ 720,174,397</u>

The deletions in construction in progress exceed the additions in capital assets, being depreciated, by \$205,548. This is due to expensing abandoned capital projects.



**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**4. CAPITAL ASSETS (CONTINUED)**

A summary of the changes in capital assets for the fiscal year ended June 30, 2019, were as follows:

	Balance at July 1, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
Capital assets, not depreciated:				
Land	\$ 74,146,641	\$ -	\$ (470)	\$ 74,146,171
Water rights	6,823,570	-	-	6,823,570
Construction in progress	57,022,335	34,375,814	(29,403,059)	61,995,090
Total capital assets, not depreciated	<u>137,992,546</u>	<u>34,375,814</u>	<u>(29,403,529)</u>	<u>142,964,831</u>
Capital assets, being depreciated:				
Structures and improvements	702,316,773	14,372,152	(153,513)	716,535,412
Infrastructure	73,496,821	6,738,607	-	80,235,428
Equipment	287,384,414	2,983,027	(1,995,115)	288,372,326
Total capital assets, being depreciated	<u>1,063,198,008</u>	<u>24,093,786</u>	<u>(2,148,628)</u>	<u>1,085,143,166</u>
Less accumulated depreciation for:				
Structures and improvements	(373,238,612)	(15,517,102)	142,853	(388,612,861)
Infrastructure	(17,239,362)	(2,118,769)	-	(19,358,131)
Equipment	(105,299,746)	(18,229,144)	868,009	(122,660,881)
Total accumulated depreciation	<u>(495,777,720)</u>	<u>(35,865,015)</u>	<u>1,010,862</u>	<u>(530,631,873)</u>
Total capital assets, being depreciated, net	<u>567,420,288</u>	<u>(11,771,229)</u>	<u>(1,137,766)</u>	<u>554,511,293</u>
Total capital assets, net	<u>\$ 705,412,834</u>	<u>\$ 22,604,585</u>	<u>\$ (30,541,295)</u>	<u>\$ 697,476,124</u>

The deletions in construction in progress exceed the additions in capital assets, being depreciated, by \$5,309,273. This is due to expensing and abandoned capital project totaling \$3,073,761 and making \$2,235,512 of capital contributions to other parties as noted in the Statement of Revenues and Expenses and Changes in Net Position.

**5. NOTES RECEIVABLE**

In February 2018, the District entered into an agreement to provide the City of Buena Park a 0% interest loan of up to \$6,000,000 to construct the Rosecrans Booster Pump Station that will allow the City to increase groundwater utilization and give the City the ability to meet its water demands by pumping groundwater. The principal balance shall be repaid over 20 years in 20 equal installments commencing June 30, 2019. As of June 30, 2020 and 2019, \$4,984,753 has been paid to the City for this loan.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

**5. NOTES RECEIVABLE (CONTINUED)**

Additionally, the District contracts with other local agencies to provide long-term, low-interest financing for the construction of conjunctive use wells and other facilities' projects owned by the District. Costs incurred for construction of these facilities are recorded as capital assets. Notes receivable are recorded for the project costs with the offsetting amount to contributed capital. The capital assets are depreciated over the life of the corresponding note receivable. Notes receivable consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Balances at June 30,	\$ 4,837,268	\$ 186,528
Plus: Notes issued	-	4,984,753
Less: Payments received	<u>(336,987)</u>	<u>(334,013)</u>
Subtotal	4,500,281	4,837,268
Less: Current portion	<u>(263,242)</u>	<u>(336,987)</u>
Total noncurrent notes receivable	<u>\$ 4,237,039</u>	<u>\$ 4,500,281</u>

Payment requirements on the notes receivable subsequent to June 30, 2020, are as follows:

Year Ending <u>June 30,</u>	Principal	Interest	Total Payment
2021	\$ 263,242	\$ 245	\$ 263,487
2022	249,238	-	249,238
2023	249,238	-	249,238
2024	249,238	-	249,238
2025	249,238	-	249,238
Thereafter	<u>3,240,087</u>	-	<u>3,240,087</u>
	<u>\$ 4,500,281</u>	<u>\$ 245</u>	<u>\$ 4,500,526</u>

**6. LONG-TERM DEBT**

**Certificates of Participation and Refunding Revenue Bonds - Other Debt**

2003A Certificates of Participation

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

The certificates are obligations of the Public Facilities Corporation payable solely from payments received from the District pursuant to the Installment Purchase Agreement by and between the District and the Public Facilities Corporation.

The 2003 Series A Certificates of Participation are due in annual installments of \$13,755,000 to \$18,535,000 from August 2035 to August 2042 with interest at an adjustable rate calculated weekly and payable monthly. The 2003A Certificates of Participation outstanding totaled \$129,815,000 as of June 30, 2020 and 2019. The interest rate at June 30, 2020 and 2019, was 0.12% and 1.40%, respectively.

**6. LONG-TERM DEBT (CONTINUED)**

**Certificates of Participation and Refunding Revenue Bonds - Other Debt (Continued)**

2013A Refunding Revenue Bonds

In June 2013, the District issued \$53,000,000 of 2013A Refunding Revenue Bonds to defease the remaining \$63,170,000 of 2003B Certificates of Participation. The 2013 Series A Refunding Revenue Bonds consisted of \$53,000,000 of serial bonds. The bonds accrued interest at rates between 4.00% and 5.00%. The 2013A Refunding Revenue Bonds outstanding totaled \$53,000,000 June 30, 2019. During the year ended June 30, 2020, these bonds were defeased by the issuance of the 2019C&D Refunding Revenue Bonds that advance refunded the 2013A Refunding Revenue Bonds.

2017A&B Refunding Revenue Bonds

In February 2017, the District issued \$115,000,000 of 2017A&B Refunding Revenue Bonds to defease the remaining \$125,985,000 of 2009A Certificates of Participation. The issuance proceeds were used to refund the 2009A Certificates of Participation and were placed in an irrevocable trust with an escrow agent. As a result, the 2009A Certificates of Participation are considered to be in substance defeased, and the related liabilities have been removed from the District's financial statements. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$10,515,560.

During the year ended June 30, 2019, \$7,685,000 of the 2017B Bonds was defeased by the issuance of the 2019B Refunding Revenue Bonds that advance refunded these bonds.

The 2017A & B Refunding Revenue Bonds consist of \$89,735,000 non-taxable and \$17,580,000 taxable (\$25,265,000 original amount less \$7,685,000 defeased by the 2019B Bonds), respectively, of serial bonds. The bonds accrue interest at rates between 0.82% and 5.00%, payable semiannually on August 15 and February 15, commencing August 15, 2017, and maturing on August 15, 2041, in amounts ranging from \$385,000 to \$17,845,000.

The 2017A & B Refunding Revenue Bonds outstanding totaled \$105,500,000 and \$106,095,000 as of June 30, 2020 and 2019, respectively.

2019A & B Certificates of Participation

In June 2019, the District issued \$135,000,000 of 2019A Interim Obligation Revenue Bonds and \$6,505,000 of 2019B Certificates of Participation.

The 2019A Certificates of Participation were issued to finance the GWRS Final Expansion Project, which will expand the Groundwater Replenishment System (recycled water facility) by 31,000 acre-feet. In July 2018, the District entered into the WIFIA Loan to provide financing for the GWRS Final Expansion Project and can draw up to \$135,000,000. Upon substantial completion of the GWRS Final Expansion Project, the District currently expects to draw on the WIFIA Loan to repay the 2019A Interim Obligations at or prior to maturity. If the WIFIA Loan proceeds are not received by the District at or prior to the maturity date of the 2019A Interim Obligations, the District would have to issue and sell refunding obligations prior to the maturity of the 2019A Interim Obligations to pay all or a portion of the 2019A Interim Obligations.

**6. LONG-TERM DEBT (CONTINUED)**

**Certificates of Participation and Refunding Revenue Bonds - Other Debt (Continued)**

2019A&B Certificates of Participation (Continued)

The 2019B Certificates of Participation, including an original premium of \$1,813,394, were issued to refund \$7,685,000 of the 2017B Refunding Revenue Bonds. The issuance proceeds were used to refund \$7,685,000 of the 2017B Bonds and were placed in an irrevocable trust with an escrow agent. As a result, the \$7,685,000 of the 2017B Bonds are considered to be in substance defeased, and the related liabilities have been removed from the District's financial statements.

The 2019B current refunding of \$7,685,000 of the 2017B Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$540,031.

The 2019A Certificates of Participation accrue interest at a rate of 2%, payable semiannually on August 15 and February 15, commencing February 15, 2020 and maturing on August 15, 2023, with the entire principal balance of \$135,000,000 due on the maturity date. The 2019B Certificates of Participation accrue interest at rates between 4% and 5%, payable semiannually on August 15 and February 15, commencing February 15, 2020 and maturing on August 15, 2031, in amounts ranging from \$125,000 to \$2,690,000.

The 2019A&B Certificates of Participation outstanding totaled \$141,505,000 as of June 30, 2020 and 2019.

2019C&D Refunding Revenue Bonds

In December 2019, the District issued \$99,065,000 of 2019C Refunding Revenue Bonds and \$59,135,000 of 2019D Refunding Revenue Bonds.

The 2019C Refunding Revenue Bonds, including an original premium of \$23,047,727, were issued to refund the GWRS Initial Expansion loan with the State Water Resources Control Board. The issuance proceeds were paid to the State Water Resources Control Board and, as a result, the loan is considered to be fully repaid and the related liability has been removed from the District's financial statements. The District's refunding of the GWRS Initial Expansion loan resulted in an economic gain (difference between the present value of the old and new debt) of \$6,823,316 and an aggregate savings in debt service between the refunding debt and the refunded debt of \$8,583,776.

The 2019C current refunding of GWRS Initial Expansion loan did not result in a difference between the reacquisition price and the net carrying amount.

The 2019D Refunding Revenue Bonds were issued to refund the 2013A Refunding Revenue Bonds. The issuance proceeds were used to refund 2013A Refunding Revenue Bonds and were placed in an irrevocable trust with an escrow agent. As a result, the 2013A Refunding Revenue Bonds are considered to be in substance defeased, and the related liabilities have been removed from the District's financial statements. The District's refunding of the 2013A Refunding Revenue Bonds resulted in an economic gain (difference between the present value of the old and new debt) of \$5,154,281 and an aggregate savings in debt service between the refunding debt and the refunded debt of \$6,273,130.

The 2019D current refunding of 2013A Refunding Revenue Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$753,042.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**6. LONG-TERM DEBT (CONTINUED)**

**Certificates of Participation and Refunding Revenue Bonds - Other Debt (Continued)**

2019C&D Refunding Revenue Bonds

The 2019C Refunding Revenue Bonds accrue interest at rates between 4% and 5%, payable semiannually on August 15 and February 15, commencing August 15, 2020 and maturing on August 15, 2035. The 2019D Refunding Revenue Bonds accrue interest at rates between 1.718% and 2.861%, payable semiannually on August 15 and February 15, commencing August 15, 2020 and maturing on August 15, 2033, in amounts ranging from \$420,000 to \$13,605,000.

The 2019C&D Certificates of Participation outstanding totaled \$158,200,000 of June 30, 2020.

Covenants and Reserve Requirements

The 2003A, 2013A, 2017A&B, 2019A&B, and 2019C&D Installment Purchase Agreements require the District to prescribe, assess, and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District, are reasonably expected to be at least sufficient to yield net revenues during such fiscal year equal to 125% of debt service payable in such fiscal year. The District's ratio of net revenues to debt service for the fiscal year ended June 30, 2020 and 2019 was 343% and 472%, respectively.

Other Defeased Certificates of Participation

In prior years, the District defeased certain certificates of participation, including the 1999A, 2003B, 2005B, 2007A, 2009A, and 2013A Certificates, by placing the proceeds of the new bonds or cash with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2020 and 2019, \$120,305,000 and \$194,975,000 of bonds outstanding to be paid by the escrow agent, respectively, are considered defeased.

Summary of Changes

The following is a summary of the changes in Certificates of Participation and Refunding Revenue Bonds for the year ended June 30, 2020:

	Balance at July 1, 2019	Additions	Repayments	Balance at June 30, 2020	Due Within One Year
Certificates of Participation (COP) and Refunding Revenue Bonds:					
2003A COP	\$ 129,815,000	\$ -	\$ -	\$ 129,815,000	\$ -
2013A Refunding Revenue Bonds	53,000,000	-	(53,000,000)	-	-
2017AB Refunding Revenue Bonds	106,095,000	-	(595,000)	105,500,000	385,000
2019AB COP	141,505,000	-	-	141,505,000	125,000
2019CD COP	-	158,200,000	-	158,200,000	3,790,000
	<u>430,415,000</u>	<u>158,200,000</u>	<u>(53,595,000)</u>	<u>535,020,000</u>	<u>4,300,000</u>
Add:					
Unamortized (discount) premium	22,857,559	23,047,727	(10,270,181)	35,635,105	
Total	<u>\$ 453,272,559</u>	<u>\$ 181,247,727</u>	<u>\$ (63,865,181)</u>	<u>\$ 570,655,105</u>	

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**6. LONG-TERM DEBT (CONTINUED)**

**Certificates of Participation and Refunding Revenue Bonds - Other Debt (Continued)**

Summary of Changes (Continued)

The following is a summary of the changes in Certificates of Participation and Refunding Revenue Bonds for the year ended June 30, 2019:

	Balance at July 1, 2018	Additions	Repayments	Balance at June 30, 2019	Due Within One Year
Certificates of Participation (COP) and Refunding Revenue Bonds:					
2003A COP	\$ 129,815,000	\$ -	\$ -	\$ 129,815,000	\$ -
2013A Refunding Revenue Bonds	53,000,000	-	-	53,000,000	-
2017AB Refunding Revenue Bonds	114,380,000	-	(8,285,000)	106,095,000	595,000
2019AB COP	-	141,505,000	-	141,505,000	-
	<u>297,195,000</u>	<u>141,505,000</u>	<u>(8,285,000)</u>	<u>430,415,000</u>	<u>595,000</u>
Add:					
Unamortized (discount) premium	19,385,413	5,203,244	(1,731,098)	22,857,559	
Total	<u>\$ 316,580,413</u>	<u>\$ 146,708,244</u>	<u>\$ (10,016,098)</u>	<u>\$ 453,272,559</u>	

Aggregate maturities of the Certificates of Participation, Refunding Revenue Bonds, and interest payments (using 1.40% on the 2003A variable rate debt) subsequent to June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2021	\$ 4,300,000	\$ 15,094,710	\$ 19,394,710
2022	5,645,000	13,763,547	19,408,547
2023	5,995,000	13,494,915	19,489,915
2024	141,195,000	11,862,517	153,057,517
2025	6,495,000	10,217,694	16,712,694
2026 - 2030	71,340,000	44,097,047	115,437,047
2031 - 2035	113,625,000	24,344,166	137,969,166
2036 -2040	110,270,000	7,782,341	118,052,341
2041 - 2043	76,155,000	1,205,023	77,360,023
	<u>\$ 535,020,000</u>	<u>\$ 141,861,960</u>	<u>\$ 676,881,960</u>

**State of California Loans Payable - Direct Borrowing**

Groundwater Replenishment System

In May 2006, the District entered into an agreement with the State Water Resources Control Board for the construction of the Groundwater Replenishment System (GWRS) project. The District may borrow up to \$8,659,470 or the eligible costs of the project, whichever is less. At June 30, 2020, the State Water Resources Control Board had disbursed \$7,216,196 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2024. The outstanding balance totaled \$1,831,509 and \$2,267,086 as of June 30, 2020 and 2019, respectively.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

---

**6. LONG-TERM DEBT (CONTINUED)**

**State of California Loans Payable - Direct Borrowing (Continued)**

GWRS Barrier Facilities

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the new injection wells. The District may borrow up to \$4,491,018 or the eligible costs of the project, whichever is less. At June 30, 2020, the State Water Resources Control Board had disbursed \$3,479,837 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$1,235,246 and \$1,427,895 as of June 30, 2020 and 2019, respectively.

GWRS Pipeline Unit 1

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the first portion of the GWRS pipeline. The District may borrow up to \$5,310,891 or the eligible costs of the project, whichever is less. At June 30, 2020, the State Water Resources Control Board had disbursed \$4,425,725 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$1,570,766 and \$1,815,703 as of June 30, 2020 and 2019, respectively.

GWRS Pipeline Unit 2

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the second portion of the GWRS pipeline. The District may borrow up to \$3,452,552 or the eligible costs of the project, whichever is less. At June 30, 2020, the State Water Resources Control Board had disbursed \$2,877,115 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$1,020,805 and \$1,179,931 as of June 30, 2020 and 2019, respectively.

GWRS Pipeline Unit 3

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the third portion of the GWRS pipeline. The District may borrow up to \$4,137,559 or the eligible costs of the project, whichever is less. At June 30, 2020, the State Water Resources Control Board had disbursed \$3,429,338 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$1,153,665 and \$1,333,143 as of June 30, 2020 and 2019, respectively.

GWRS Advanced Water Treatment Facility

In June 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the new advanced wastewater treatment facility for the District's GWRS. The District may borrow up to \$136,802,193 or the eligible costs of the project, whichever is less. At June 30, 2020, the State Water Resources Control Board had disbursed \$114,000,776 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2028. The outstanding balance totaled \$50,534,987 and \$56,358,910 as of June 30, 2020 and 2019, respectively.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

---

**6. LONG-TERM DEBT (CONTINUED)**

**State of California Loans Payable - Direct Borrowing (Continued)**

GWRS Initial Expansion

In August 2011, the District entered into an agreement with the State Water Resources Control Board for construction of the GWRS Initial Expansion project. The District may borrow up to \$137,442,775 or the eligible costs of the project, whichever is less. At June 30, 2020, the State Water Resources Control Board had disbursed \$137,442,775 under the loan contract. The loan had an interest rate of 2.6% with maturities through 2036. The outstanding balance totaled \$128,390,727 as of June 30, 2019. In the fiscal year ended June 30, 2020, this loan was repaid in its entirety by the issuance of the 2019C&D Revenue Refunding Bonds.

Fletcher Basin

In November 2013, the District entered into an agreement with the State Water Resources Control Board for the construction of the Fletcher Basin Improvement project. The District may borrow up to \$2,879,342 or the eligible costs of the project, whichever is less. At June 30, 2020, the State Water Resources Control Board had disbursed \$2,879,342 under the loan contract. The loan has an interest rate of 1.9% with a repayment period of 20 years after project completion. The outstanding balance totaled \$2,404,152 and \$2,531,716 as of June 30, 2020 and 2019, respectively.

Alamitos Barrier

In November 2013, the District entered into an agreement with the State Water Resources Control Board for expansion of the Alamitos Seawater Intrusion Barrier. The District may borrow up to \$14,485,000 or the eligible costs of the project, whichever is less. At June 30, 2020, the State Water Resources Control Board had disbursed \$14,386,762 under the loan contract. The loan has an interest rate of 1.9% with a repayment period of 20 years after project completion. The outstanding balance totaled \$13,818,289 and \$14,386,762 as of June 30, 2020 and 2019, respectively.

La Palma Basin

In February 2016, the District entered into an agreement with the State Water Resources Control Board for construction of a groundwater recharge basin. The District may borrow up to \$8,570,970 or the eligible costs of the project, whichever is less. At June 30, 2020, the State Water Resources Control Board had disbursed \$5,446,635 under the loan contract. The loan has an interest rate of 1.0% with a repayment period of 30 years after project completion. The outstanding balance totaled \$4,977,379 and \$5,137,274 as of June 30, 2020 and 2019, respectively.

Mid-Basin Centennial Park Injection

In November 2017, the District entered into an agreement with the State Water Resources Control Board for construction of four injection wells and one nested monitoring well in Centennial Park. The District may borrow up to \$18,076,506 or the eligible costs of the project, whichever is less. At June 30, 2020, the State Water Resources Control Board had disbursed \$17,516,973 under the loan contract. In addition, accrued interest of \$282,333 and a loan receivable of \$743,576 have been added to the principal. The loan has an interest rate of 1.8% with a repayment period of 30 years after project completion. The outstanding balance totaled \$18,542,882 and \$15,525,373 as of June 30, 2020 and 2019, respectively.



**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**6. LONG-TERM DEBT (CONTINUED)**

**State of California Loans Payable - Direct Borrowing (Continued)**

Covenants and Reserve Requirements

The Groundwater Replenishment System, GWRS Barrier Facilities, GWRS Pipeline Unit 1, GWRS Pipeline Unit 2, GWRS Pipeline Unit 3, and GWRS Advanced Water Treatment Facility loans payable require the District to prescribe, assess, and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District, are reasonably expected to be at least sufficient to yield net revenues during such fiscal year equal to 110% of debt service payable in such fiscal year.

The GWRS Initial Expansion, Fletcher Basin, Alamitos Barrier, La Palma Basin, and Mid-Basin Centennial Park Injection loans payable require the District to prescribe, assess, and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District, are reasonably expected to be at least sufficient to yield net revenues during such fiscal year equal to 125% of debt service payable in such fiscal year.

The District's ratio of net revenues to debt service for the fiscal year ended June 30, 2020 and 2019 was 343% and 472%, respectively.

The GWRS Initial Expansion, Fletcher Basin, Alamitos Barrier, La Palma Basin, and Mid-Basin Centennial Park Injection loans payable require the District to have a reserve of one year's debt service. The District's reserve of \$2,020,671 and \$10,557,000 as of June 30, 2020 and 2019, respectively, that is included in Statement of Net Position as cash and cash equivalents and investments, meets this requirement.

Summary of Changes

The following is a summary of the changes in loans payable to the State of California for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Repayments	Balance June 30, 2020	Due Within One Year
GWRS	\$ 2,267,086	\$ -	\$ (435,577)	\$ 1,831,509	\$ 444,320
GWRS Barrier Facilities	1,427,895	-	(192,649)	1,235,246	196,310
GWRS Pipeline Unit 1	1,815,703	-	(244,937)	1,570,766	249,603
GWRS Pipeline Unit 2	1,179,931	-	(159,126)	1,020,805	162,172
GWRS Pipeline Unit 3	1,333,143	-	(179,478)	1,153,665	183,016
GWRS Advanced Water Treatment Facility	56,358,910	-	(5,823,923)	50,534,987	5,928,928
GWRS Initial Expansion	128,390,727	-	(128,390,727)	-	-
Fletcher Basin	2,531,716	-	(127,564)	2,404,152	129,988
Alamitos Barrier	14,386,762	-	(568,473)	13,818,289	610,700
La Palma Basin	5,137,274	-	(159,895)	4,977,379	161,494
Mid-Basin Injection	15,525,373	3,017,509	-	18,542,882	452,162
	<u>\$ 230,354,520</u>	<u>\$ 3,017,509</u>	<u>\$ (136,282,349)</u>	<u>\$ 97,089,680</u>	<u>\$ 8,518,693</u>

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**6. LONG-TERM DEBT (CONTINUED)**

**State of California Loans Payable - Direct Borrowing (Continued)**

Summary of Changes (Continued)

The following is a summary of the changes in loans payable to the State of California for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Repayments	Balance June 30, 2019	Due Within One Year
GWRs	\$ 2,694,092	\$ -	\$ (427,006)	\$ 2,267,086	\$ 435,577
GWRs Barrier Facilities	1,616,953	-	(189,058)	1,427,895	192,649
GWRs Pipeline Unit 1	2,056,063	-	(240,360)	1,815,703	244,938
GWRs Pipeline Unit 2	1,336,069	-	(156,138)	1,179,931	159,126
GWRs Pipeline Unit 3	1,509,151	-	(176,008)	1,333,143	179,478
GWRs Advanced Water Treatment Facility	62,079,688	-	(5,720,778)	56,358,910	5,823,923
GWRs Initial Expansion	134,338,171	-	(5,947,444)	128,390,727	6,102,078
Fletcher Basin	2,656,902	-	(125,186)	2,531,716	127,564
Alamitos Barrier	13,588,587	798,175	-	14,386,762	492,147
La Palma Basin	5,296,380	-	(159,106)	5,137,274	159,895
Mid-Basin Injection	8,806,657	6,718,716	-	15,525,373	-
	<u>\$ 235,978,713</u>	<u>\$ 7,516,891</u>	<u>\$ (13,141,084)</u>	<u>\$ 230,354,520</u>	<u>\$ 13,917,375</u>

Debt service requirements on the loans payable to the State of California subsequent to June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2021	\$ 8,518,693	\$ 1,709,909	\$ 10,228,602
2022	8,666,555	1,562,047	10,228,602
2023	8,824,099	1,404,502	10,228,601
2024	8,984,519	1,244,080	10,228,599
2025	8,666,789	1,080,730	9,747,519
2026 - 2030	28,287,746	3,222,608	31,510,354
2031 - 2035	8,312,438	1,790,915	10,103,353
2036 - 2040	7,478,287	1,049,152	8,527,439
2041 - 2045	4,302,929	555,855	4,858,784
2046 - 2050	4,021,716	203,263	4,224,979
2051 - 2055			-
Portion of Mid-Basin Injection Principal as of June 30, 2020*	1,025,909	-	1,025,909
	<u>\$ 97,089,680</u>	<u>\$ 13,823,061</u>	<u>\$ 110,912,741</u>

\* As of June 30, 2020, the future debt service requirements have not been determined.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**6. LONG-TERM DEBT (CONTINUED)**

**Commercial Paper - Other Debt**

The Public Facilities Corporation issued commercial paper from which the proceeds were used to provide capital funds for the District to purchase land and for water purchases. The commercial paper has a maximum maturity of 270 days. The District issues, annually, Tax and Revenue Anticipation Notes (TRANs), which are additionally secured by revenue to service the commercial paper. On July 1, 2020, the District issued 2020-2021 TRANs amounting to \$70 million to the Public Facilities Corporation, \$46 million of this TRAN is taxable and \$24 million tax exempt. The outstanding balance for the commercial paper totaled \$36,713,000 and \$40,713,000 as of June 30, 2020 and 2019, respectively.

The following is a summary of the changes in commercial paper for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Repayments	Balance June 30, 2020	Due Within One Year
Commercial Paper - Taxable	\$ 27,800,000	\$ -	\$ (4,000,000)	\$ 23,800,000	\$ 23,800,000
Commercial Paper - Tax exempt	12,913,000	-	-	12,913,000	12,913,000
	<u>\$ 40,713,000</u>	<u>\$ -</u>	<u>\$ (4,000,000)</u>	<u>\$ 36,713,000</u>	<u>\$ 36,713,000</u>

The following is a summary of the changes in commercial paper for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Repayments	Balance June 30, 2019	Due Within One Year
Commercial Paper - Taxable	\$ 40,000,000	\$ -	\$ (12,200,000)	\$ 27,800,000	\$ 27,800,000
Commercial Paper - Tax exempt	12,913,000	-	-	12,913,000	12,913,000
	<u>\$ 52,913,000</u>	<u>\$ -</u>	<u>\$ (12,200,000)</u>	<u>\$ 40,713,000</u>	<u>\$ 40,713,000</u>

**7. DERIVATIVE INSTRUMENTS - INTEREST RATE SWAP AGREEMENTS**

**Objective**

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

**Details on the Swap Agreements**

Notional Amount	Fixed Rate	Original/ Refunding COP Issue	Termination Date	Initial Effective Date
\$ 58,800,000	3.314%	2003A/2005A	7/25/2037	2/7/2007
23,750,000	3.314%	2003A/2007B	8/1/2029	5/16/2007
<u>\$ 82,550,000</u>				

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

**7. DERIVATIVE INSTRUMENTS - INTEREST RATE SWAP AGREEMENTS (CONTINUED)**

**Terms**

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

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

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

Notional Amount	Fair Value at July 1, 2018	Change in Fair Value	Fair Value at June 30, 2019	Change in Fair Value	Fair Value at June 30, 2020
\$ 58,800,000	\$ (10,123,411)	\$ (3,706,982)	\$ (13,830,393)	\$ (5,607,467)	\$ (19,437,860)
23,750,000	(3,208,408)	(1,079,006)	(4,287,414)	(1,370,760)	(5,658,174)
<u>\$ 82,550,000</u>	<u>\$ (13,331,819)</u>	<u>\$ (4,785,988)</u>	<u>\$ (18,117,807)</u>	<u>\$ (6,978,227)</u>	<u>\$ (25,096,034)</u>

As of June 30, 2020 and 2019, the fair value of \$(25,096,034) and \$(18,117,807), respectively, is reported as a deferred outflow of resources and other noncurrent liability in the Statement of Net Position.

**Credit Risk**

As of June 30, 2020 and 2019, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value.

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

	Standard & Poor's	Moody's
Citibank, N.A.	A+	Aa3

**Basis Risk**

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

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**7. DERIVATIVE INSTRUMENTS - INTEREST RATE SWAP AGREEMENTS (CONTINUED)**

**Termination Risk**

The swaps may be terminated by the District or the counterparty if the other party fails to perform under the terms of the swap agreements. In addition, the District has the option to terminate the swaps upon proper notification to the counterparty. If the swaps are terminated, the District would prospectively pay the variable rates on the portion of 2003A Certificates of Participation related to the swap agreements rather than a fixed rate. The termination of the swap agreements could therefore increase the District's total debt service. Also, if at the time of the termination, the swaps have a negative fair value, the District would be liable to the counterparty for a payment equal to such negative fair value, or be paid an amount equal to a positive fair value. As of June 30, 2020 and 2019, the swaps had a negative fair value of \$25,096,034 and \$18,117,807, respectively.

**Swap Payments and Associated Debt**

Using a variable rate of 0.12% for the 2003A COP as of June 30, 2020, debt service requirements of the certificates and the swap payments, assuming current interest rates remain the same for their term are as follows. As rates vary, the variable rate interest payments and net swap payments will vary.

Year Ending June 30,	Variable Rate Debt			Interest Rate Swap, Net	Fixed Debt Service
	Principal	Interest	Total		
2021	\$ -	\$ 99,060	\$ 99,060	\$ 2,470,837	\$ 2,569,897
2022	-	99,060	99,060	2,470,837	2,569,897
2023	-	99,060	99,060	2,470,837	2,569,897
2024	-	99,060	99,060	2,470,837	2,569,897
2025	-	99,060	99,060	2,470,837	2,569,897
2026 - 2030	39,675,000	390,810	40,065,810	49,422,909	49,813,719
2031 - 2035	25,575,000	200,760	25,775,760	30,582,523	30,783,283
2036 - 2038	17,300,000	20,670	17,320,670	17,815,568	17,836,238
	<u>\$ 82,550,000</u>	<u>\$ 1,107,540</u>	<u>\$ 83,657,540</u>	<u>\$ 110,175,185</u>	<u>\$ 111,282,725</u>

**Fair Value Measurement**

The model used to value the interest rate swaps is based upon well recognized financial principles, and interest rate yield curves can be validated through readily observable data by external sources. Although readily observable data is used in the valuation of the interest rate swaps, methodologies could have an effect on the estimated fair value. Accordingly, the interest rate swaps are categorized as Level 2.

**8. JOINT VENTURES**

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

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

---

**8. JOINT VENTURES**

As of June 30, 2020, SAWPA has total assets of \$180,698,310 and total net position of \$69,679,803. As of June 30, 2019, SAWPA has total assets of \$176,927,279 and total net position of \$71,559,476. The District does not have a measurable equity interest in SAWPA. The District is also a participant in other joint ventures in which the District does not have a material equity interest or material ongoing financial interest or responsibility. Separate financial statements of SAWPA can be obtained at 11615 Sterling Avenue, Riverside, California 92503.

**9. DEFINED CONTRIBUTION PENSION PLAN**

The Money Purchase Plan for employees of Orange County Water District (Money Purchase Plan) is a defined contribution pension plan administered by a committee of the Board of Directors and District employees. The Money Purchase Plan covers all employees, except part-time or temporary employees, immediately upon date of hire. For the first layer, the Money Purchase Plan requires each employee, upon date of hire, to contribute monthly to a mandatory contributions account, by payroll deduction, an amount equal to the current FICA rate not limited to the FICA wage cap. For the first layer, the District may elect in any year to contribute any portion or all of the participant's first layer contribution and the participant's first layer contribution shall be reduced by the amount so contributed by the District. The District is required to make a contribution in an amount equal to the then current Social Security contribution requirement (7.65% for the years ended December 31, 2020 and 2019) for the employer contribution. In addition, the District may elect in any year to contribute any portion or all of the participant's first layer contribution and the participant's first layer contribution shall be reduced by the amount so contributed by the District. The District elected to contribute 3% for the years ended December 31, 2020 and 2019, of the participant's mandatory contribution.

Each eligible employee becomes a participant in the second layer of contribution as of the first day of the month following the completion of 12 months of covered service. The District is required to contribute 6% of the participant's total monthly compensation each month.

Employees are required to make a mandatory contribution of 4.65% of compensation. Employees may elect to contribute to a voluntary contribution account in the Money Purchase Plan. Voluntary contributions may be an amount not less than 2% of compensation, nor more than an amount that would cause all contributions to exceed the lesser of (a) \$56,000 for 2019 or \$57,000 for 2020 or (b) 25.00% of his or her paid compensation for the year. In addition, the District may elect in any year to contribute any portion or all of each employee's Money Purchase Plan contribution, thereby reducing the employee's Money Purchase Plan contribution by the amount contributed by the District.

The Money Purchase Plan may be amended by resolution of the Board of Directors, subject to limitations obtained in the Money Purchase Plan document. Total contributions to the Money Purchase Plan for the years ended June 30, 2020 and 2019, were \$4,030,170 and \$4,022,521, respectively.

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

**10. OTHER POST-EMPLOYMENT BENEFITS**

a. General Information about the OPEB Plan

**Plan Description and Benefits Provided**

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

The District also elected to join the Public Agency Retirement System OPEB Trust (PARS OPEB Trust) as a means to fund the Annual Determined Contribution (ADC). The District makes quarterly contributions to the PARS OPEB Trust and pays benefits directly to the insurance provider. The PARS OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request. The PARS OPEB Trust is reported as a fiduciary fund. The plan itself does not issue a separate financial report.

**Employees Covered**

The following current and former employees were covered by the benefit terms under the plan as of years ended June 30:

	2020	2019
Inactive plan members currently receiving benefit payments	85	82
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Active plan members	211	212
Total plan participants	296	294

**Accounting for the Plan**

The OPEB trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

**10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

a. General Information about the OPEB Plan (Continued)

**Method Used to Value Investments**

Investments are reported at fair value, which is determined by the means of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

**Contributions**

The contribution requirements of plan members and the District are established and may be amended by the District, District's Board of Directors, and/or the employee associations. Currently, contributions are not required from plan members. Administrative costs of the OPEB plan are financed through investment earnings. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the District's cash contributions were \$2,969,000 in payments to the trust, \$88,722 in administrative expenses, and the estimated implied subsidy was \$135,000, resulting in total payments of \$3,192,722. For the fiscal year ended June 30, 2019, the District's cash contributions were \$7,303,932 in payments to the trust, \$18,687 in payments to retirees, and the estimated implied subsidy was \$122,000, resulting in total payments of \$7,444,619.

b. Total OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019. 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, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry age, level percentage of payroll
Actuarial Assumptions:	
Discount Rate	6.5% at June 30, 2019 and 2018
Long-Term Expected	
Rate of Return on Investments	6.5%, net of investment expenses
General Inflation	2.75%
Payroll Increases	Aggregate increase - 3%
	Merit increase - CalPERS 1997-2015 experience
Medical Trend	Pre-Medicare: 7.25% for 2021, decreasing to 4.0% in 2076
	Medicare: 6.3% for 2021, decreasing to 4.0% in 2076
Mortality, Disability, Termination, Retirement	CalPERS 1997-2015 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2019



**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

**10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

b. Total OPEB Liability (Continued)

**Actuarial Assumptions (Continued)**

The actuarial assumptions used in the June 30, 2019, valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District.

The long-term expected rates of return are Bartel Associates estimates and are presented as geometric means developed over a 20-year period. The long-term expected real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019, are summarized in the following table:

Asset Class	Target Allocation for PARS Balanced Fund	Long-Term Expected Real Rate of Return
PARS OPEB Trust:		
Global Equity	58.00%	4.82%
Fixed Income	35.00%	1.47%
Cash	5.00%	0.06%
REITs	2.00%	3.76%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.5%. 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 PARS OPEB Trust investments was applied to all periods of the projected benefit payments to determine the total OPEB liability.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**10. 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)
<b>Balance at June 30, 2018</b> <b>(Measurement Date)</b>	\$ 30,711,551	\$ 11,136,282	\$ 19,575,269
<b>Changes in the Year:</b>			
Service cost	892,384	-	892,384
Interest on the total OPEB liability	2,026,260	-	2,026,260
Differences between actual and expected experience	(3,470,681)	-	(3,470,681)
Changes in assumptions	(218,193)	-	(218,193)
Contributions - employer	-	7,444,619	(7,444,619)
Net investment income	-	809,641	(809,641)
Benefit payments	(861,415)	(861,415)	-
Administrative expenses	-	(28,935)	28,935
<b>Net Changes</b>	<u>(1,631,645)</u>	<u>7,363,910</u>	<u>(8,995,555)</u>
<b>Balance at June 30, 2019</b> <b>(Measurement Date)</b>	<u>\$ 29,079,906</u>	<u>\$ 18,500,192</u>	<u>\$ 10,579,714</u>

**Change of Assumptions**

The mortality improvement scale was updated in the June 30, 2019 actuarial valuation to Scale MP-2019 from MP-2017 that was used in the June 30, 2017 actuarial valuation.

**Change of Benefit Terms**

There were no changes of benefit terms.

**Subsequent Events**

The following event occurred subsequent to the June 30, 2019 measurement date and before the fiscal year ended June 30, 2020: the Patient Protection and Affordable Care Act (PPACA) high cost plan excise tax was repealed on December 20, 2019, which decreases the total OPEB liability by approximately \$600,000.

**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 (5.5%) or one percentage point higher (7.5%) than the current discount rate (6.5%):

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Net OPEB Liability	\$ 14,794,584	\$ 10,579,714	\$ 7,111,806

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**10. 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 (6.25% Pre-Medicare/ 5.3% Medicare decreasing to 3.0%)	Current Healthcare Cost Trend Rates (7.25% Pre-Medicare/ 6.3% Medicare decreasing to 4.0%)	1% Increase (8.25% Pre-Medicare/ 7.3% Medicare decreasing to 5.0%)
Net OPEB Liability	\$ 6,732,681	\$ 10,579,714	\$ 15,187,154

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,692,303. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 3,192,722	\$ -
Differences between actual and expected experience	-	(2,974,869)
Changes in assumptions	-	(187,023)
Differences between projected and actual earnings	150,638	-
Total	<u>\$ 3,343,360</u>	<u>\$ (3,161,892)</u>

An amount of \$3,192,722 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, 2021. 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,	Amount
2021	\$ (476,479)
2022	(476,478)
2023	(471,183)
2024	(533,150)
2025	(526,982)
Thereafter	(526,982)

e. Payable to the OPEB Plan

At June 30, 2020, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

---

**11. RISK MANAGEMENT**

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

At June 30, 2020 and 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 \$389,946,164). The District has a \$25,000 deductible for real and personal property, mobile equipment, licensed vehicles and trailers. Boiler and machinery is \$25,000 or \$50,000 depending on type of equipment.

General Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$55,000,000.

Auto Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$55,000,000.

Public Officials' Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$55,000,000.

Crime - The Insurance Authority has excess insurance coverage up to \$5,000,000. The District has a \$1,000 deductible.

Cyber Liability - The Insurance Authority has excess insurance coverage up to \$3,000,000 per occurrence and \$5,000,000 in the aggregate.

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

Fiduciary Liability - Purchased coverage up to \$1,000,000. The District has no deductible.

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

**12. COMMITMENTS AND CONTINGENCIES**

*Contracts and Projects*

The District has entered into various contracts for the purchase of material and construction of the Mid Basin Injection Project, the GWRS Final Expansion project, and the PFAS Treatment Projects. The amounts contracted for are based on the contractor's estimated cost of construction. At June 30, 2020 and 2019, the total unpaid amounts on these contracts are approximately \$160,531,064 and \$3,951,395, respectively. During fiscal years ended June 30, 2020 and 2019, the District has entered into various contracts for the construction and rehabilitation of various wells and basins throughout the region. At June 30, 2020 and 2019, the total unpaid amounts on these contracts are approximately \$75,786,575 and \$67,193,074, respectively. The large increase for the fiscal year ended June 30, 2020 is due to the new GWRS Final Expansion capital project. These commitments may be funded from restricted assets.

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

---

**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*Regulations*

The California State Water Resources Control Board - Division of Drinking Water (the “Division of Drinking Water”) has established Response Levels of 10 parts per trillion (ppt) for perfluorooctanoic acid (“PFOA”) and 40 ppt for perfluorooctane sulfonate (PFOS). PFOA and PFOS are a fluorinated organic chemical which is part of a larger family of compounds referred to as perfluoroalkyl substances. These substances are synthetic compounds that are unique for being water and lipid resistant and are useful for a variety of manufacturing processes, as well as industrial and commercial applications. The Division of Drinking Water recommends that water exceeding Response Levels not be served to customers. Specifically, for PFOA and PFOS, a new state law requires extensive public notification should a water system knowingly continue to serve water consistently exceeding their Response Levels. A number of Producer wells have been taken out of service due to exceeding the Response Levels until such time as additional treatment is in place.

*Legals Claims and Lawsuits*

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

*COVID-19*

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of an outbreak of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the District’s financial condition, liquidity, operations and workforce. The District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have a material effect on the District’s results of future operations and financial position in fiscal year 2021.

**13. LEASING ARRANGEMENTS**

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

The following is a schedule of future minimum rentals under leases at June 30, 2020, not including renewal option increases:

<u>Year Ending</u>	<u>Amount</u>
2021	\$ 1,688,464
2022	1,638,989
2023	1,538,467
	<u>\$ 4,865,920</u>

**ORANGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

---

---

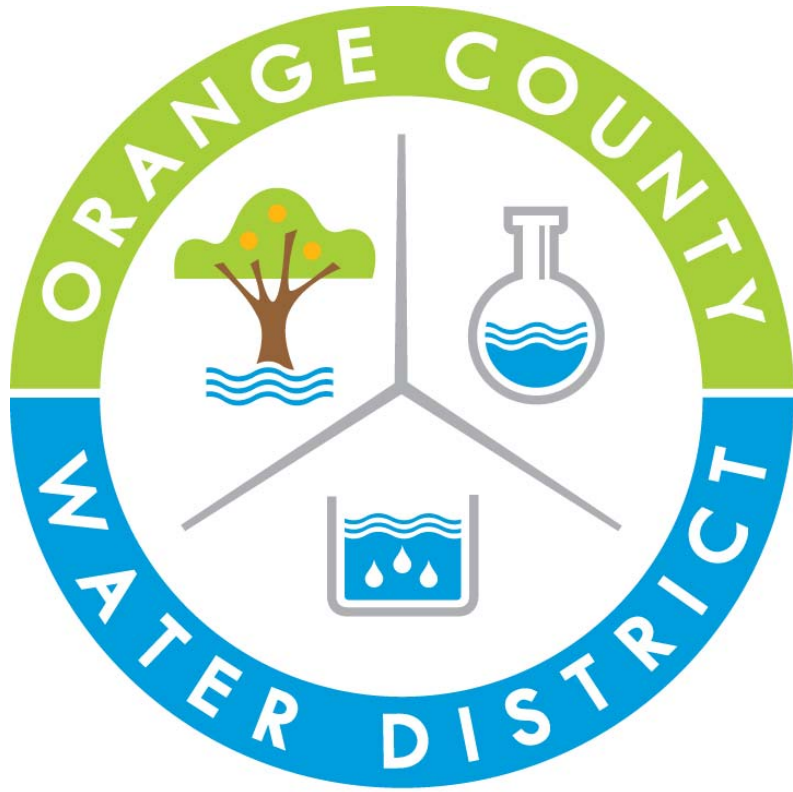
***14. SUBSEQUENT EVENTS***

On August 6, 2020, the District re-executed the WIFIA Loan Agreement to provide financing for the GWRS Final Expansion Project and can draw up to \$135,000,000. Upon substantial completion of the GWRS Final Expansion Project, the District currently expects to draw on the WIFIA Loan to repay the 2019A Interim Obligations prior to maturity. During the construction of the GWRS Final Expansion project, interest will be capitalized and added to the principal balance at a rate of 1.04% per annum. Upon completion of the project, principal and interest payments will commence. The loan requires net revenues equal to at least 125% of debt service payable in such fiscal year.

Other events occurring after June 30, 2020, have been evaluated for possible adjustments to the financial statements or disclosure as of October 21, 2020, which is the date these financial statements were available to be issued.

# Required Supplementary Information

Other Post-Employment Benefits (OPEB)  
Annual Money-Weighted Rate of Return on Investments  
Schedule of Changes in the Net OPEB Liability and Related Ratios  
Schedule of Contributions - OPEB



**SINCE 1933**



ORANGE COUNTY WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -  
OTHER POST-EMPLOYMENT BENEFITS PLAN  
ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS

For the year ended June 30, 2020

**Retiree Health Plan**

<u>Fiscal Year Ended</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense (1)</u>
6/30/17	6.75%
6/30/18	3.79%
6/30/19	7.02%
6/30/20	3.32%

(1) Ten years of historical information is required by the Governmental Accounting Standards Board, Statement No. 74. Fiscal year ended June 30, 2017 was the first year of implementation; therefore, only four years are presented.

ORANGE COUNTY WATER DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years\*

Fiscal year end	6/30/2020	6/30/2019	6/30/2018
Measurement date	6/30/2019	6/30/2018	6/30/2017
<b>Total OPEB Liability:</b>			
Service cost	\$ 892,384	\$ 866,392	\$ 841,157
Interest on total OPEB liability	2,026,260	1,897,438	1,770,648
Differences between expected and actual experience	(3,470,681)	-	-
Changes in assumptions	(218,193)	-	-
Benefit payments, including refunds and the implied subsidy benefit payments	<u>(861,415)</u>	<u>(754,508)</u>	<u>(618,306)</u>
Net Change in Total OPEB Liability	(1,631,645)	2,009,322	1,993,499
Total OPEB Liability - Beginning of Year	<u>30,711,551</u>	<u>28,702,229</u>	<u>26,708,730</u>
Total OPEB Liability - End of Year (a)	<u>29,079,906</u>	<u>30,711,551</u>	<u>28,702,229</u>
<b>Plan Fiduciary Net Position:</b>			
Contributions - employer	7,444,619	1,784,375	1,381,609
Net investment income	809,641	360,155	575,402
Administrative expenses	(28,935)	(26,015)	(22,777)
Benefit payments, including refunds and the implied subsidy benefit payments	<u>(861,415)</u>	<u>(754,508)</u>	<u>(618,306)</u>
Net Change in Plan Fiduciary Net Position	7,363,910	1,364,007	1,315,928
Plan Fiduciary Net Position - Beginning of Year	<u>11,136,282</u>	<u>9,772,275</u>	<u>8,456,347</u>
Plan Fiduciary Net Position - End of Year (b)	<u>18,500,192</u>	<u>11,136,282</u>	<u>9,772,275</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 10,579,714</u>	<u>\$ 19,575,269</u>	<u>\$ 18,929,954</u>
Plan fiduciary net position as a percentage of the total OPEB liability	63.62%	36.26%	34.05%
Covered payroll	\$ 24,456,567	\$ 25,040,896	\$ 23,452,614
Net OPEB liability as percentage of covered payroll	43.26%	78.17%	80.72%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

*Fiscal year June 30, 2018 to June 30, 2019:* None.

*Fiscal year June 30, 2019 to June 30, 2020:*

The mortality improvement scale was updated to Scale MP-2019 from MP-2017.

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

ORANGE COUNTY WATER DISTRICT  
SCHEDULE OF CONTRIBUTIONS - OPEB

Last Ten Fiscal Years\*

Fiscal year ended	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Actuarially determined contribution	\$ 1,706,000	\$ 1,303,932	\$ 1,300,000
Contributions in relation to the actuarially determined contributions	<u>(3,192,722)</u>	<u>(7,432,482)</u>	<u>(1,739,964)</u>
Contribution deficiency (excess)	<u>\$ (1,486,722)</u>	<u>\$ (6,128,550)</u>	<u>\$ (439,964)</u>
Covered payroll	\$ 24,822,309	\$ 24,456,567	\$ 25,040,896
Contributions as a percentage of covered payroll	12.86%	30.39%	6.95%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2017	6/30/2017
----------------	-----------	-----------	-----------

Methods and Assumptions Used to Determine Contribution Rates:

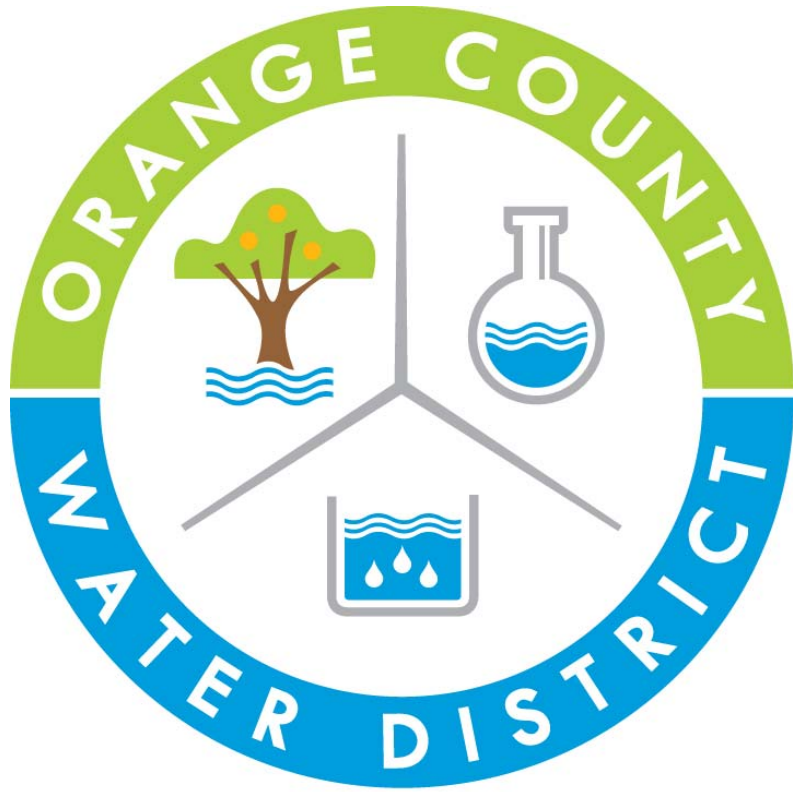
Actuarial cost method	Entry age, level percentage of payroll
Amortization method	Level dollar over closed 25 year period from June 30, 2018 (23 years remaining as of June 30, 2020); 5-year phase-in from \$1.3 million to full ADC
Asset valuation method	Investment gains/losses spread over 5-year rolling period with 20% market value corridor
Discount rate	6.50%
General inflation	2.75%
Mortality, disability, termination, retirement	CalPERs 1997-2015 experience study
Medical trend	Pre-Medicare: 7.5% for 2019 (7.25% in 2021), decreasing to 4.0% in 2076. Medicare: 6.5% for 2019 (6.3% for 2021), decreasing to 4.0% in 2076.

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

# Statistical Section

Financial Trends  
Revenue Capacity  
Debt Capacity  
Demographic and Economic Information  
Operating Information



**SINCE 1933**

**ORANGE COUNTY WATER DISTRICT**  
**Description of Statistical Section Contents**  
**June 30, 2020**

---

---

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.

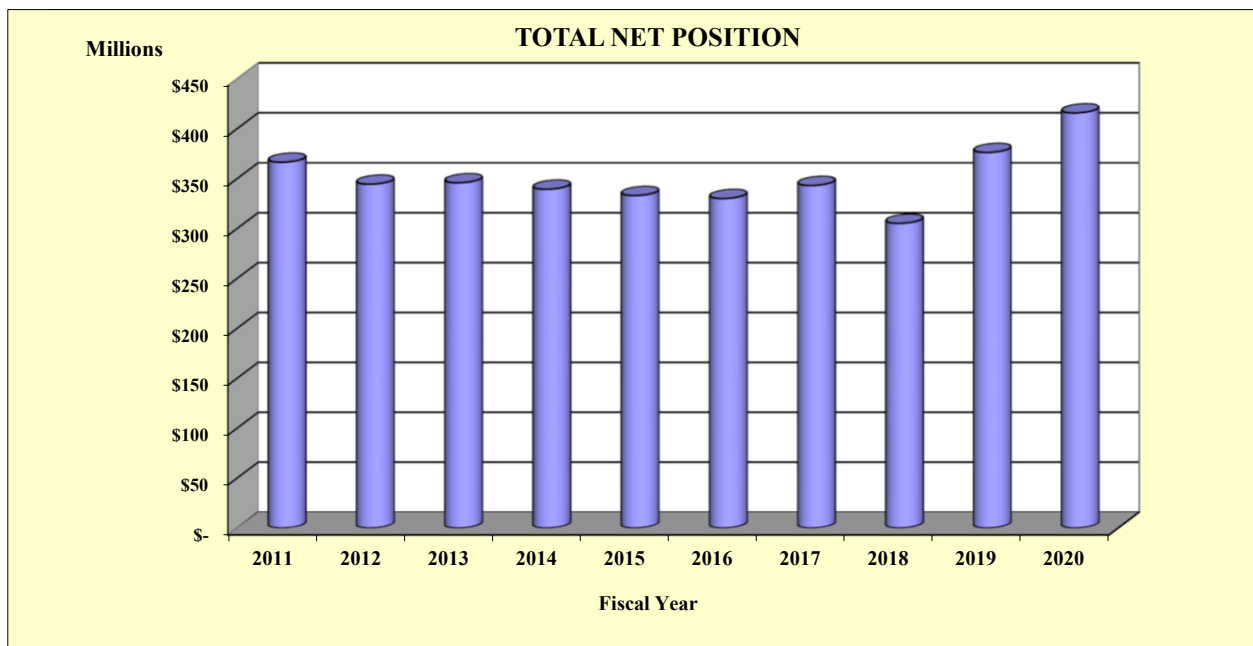
Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.	66
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the District’s most significant local revenue source, the property tax.	70
<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.	73
<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.	77
<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.	79



## Orange County Water District

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

<b>Fiscal Year</b>	<b>Net Investment in Capital Assets</b>	<b>Restricted</b>	<b>Unrestricted</b>	<b>Total Net Position</b>
2011	\$ 116,111,449	\$ 43,270,828	\$ 207,082,254	\$ 366,464,531
2012	111,571,069	39,078,897	193,794,385	344,444,351 (1)
2013	99,650,065	21,514,322	224,686,841	345,851,228
2014	95,168,906	17,540,437	226,680,734	339,390,077
2015	122,056,713	22,760,913	188,235,624	333,053,250
2016	135,271,635	21,404,577	173,374,582	330,050,794
2017	150,961,053	5,370,190	186,797,840	343,129,083
2018	151,082,728	66,579	154,064,265	305,213,572 (2)
2019	149,157,213	2,684,482	224,358,603	376,200,298
2020	143,666,685	11,597,226	260,570,286	415,834,197



- (1) Implementation of GASB Statement 68 resulted in a net prior period adjustment of \$6,436,627.
- (2) Implementation of GASB Statement 75 resulted in a net prior period adjustment of \$16,776,446. See Note 14 in Notes to Basic Financial Statements.

Source: OCWD Finance Department

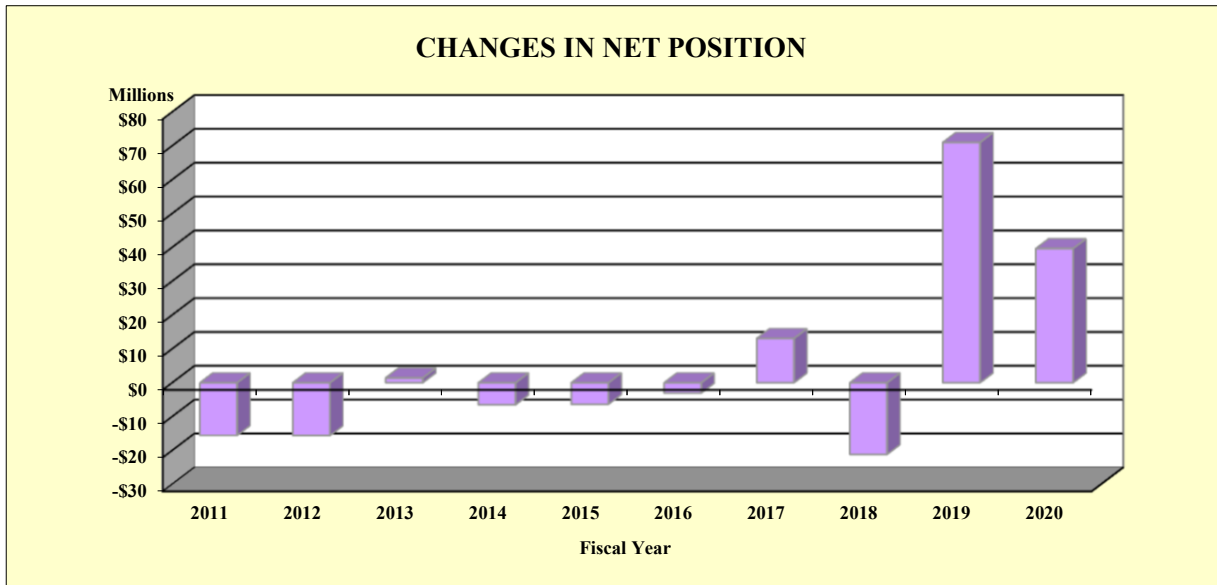




# Orange County Water District

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

<b>Fiscal Year</b>	<b>Operating Revenues</b>	<b>Operating Expenses</b>	<b>Operating Income (Loss)</b>	<b>Total Non-Operating Revenues (Expenses)</b>	<b>Net Income (Loss) Before Capital Contributions</b>	<b>Capital Contributions/Special Item</b>	<b>Change in Net Position</b>
2011	\$ 78,110,405	\$ 98,315,531	\$ (20,205,126)	\$ 3,522,527	\$ (16,682,599)	\$ 1,165,960	\$ (15,516,639)
2012	86,014,152	115,240,940	(29,226,788)	12,864,561	(16,362,227)	778,674	(15,583,553)
2013	93,756,691	98,781,253	(5,024,562)	6,372,002	1,347,440	59,437	1,406,877
2014	105,293,285	128,519,418	(23,226,133)	15,735,304	(7,490,829)	1,029,678	(6,461,151)
2015	103,318,416	125,845,408	(22,526,992)	15,521,237	(7,005,755)	668,928	(6,336,827)
2016	105,016,764	128,327,208	(23,310,444)	14,200,225	(9,110,219)	6,107,763	(3,002,456)
2017	137,601,758	139,491,432	(1,889,674)	13,185,798	11,296,124	1,782,165	13,078,289
2018	147,869,984	154,691,739	(6,821,755)	19,198,889	12,377,134	(33,516,199) (1)	(21,139,065)
2019	155,374,357	156,644,282	(1,269,925)	70,357,913	69,087,988	1,898,738	70,986,726
2020	146,718,494	137,094,164	9,624,330	27,098,114	36,722,444	2,911,455	39,633,899



(1) In-lieu water purchased with debt financing.

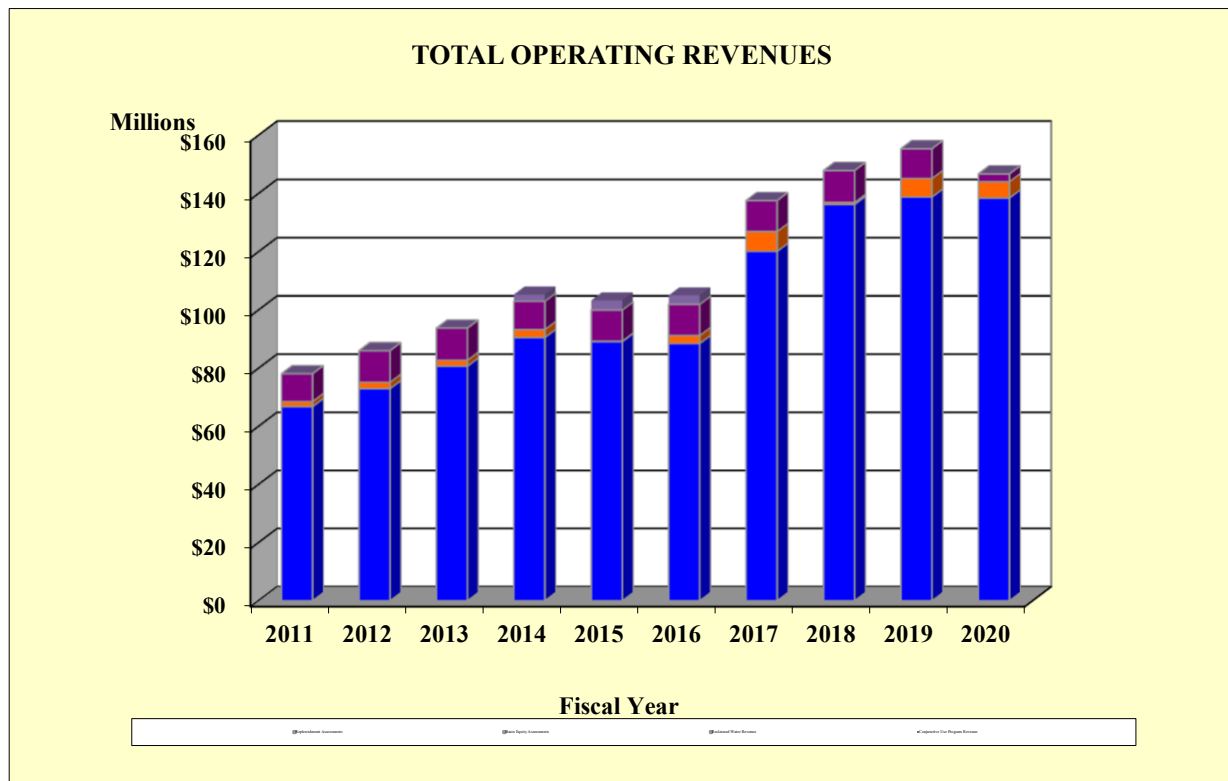
Source: OCWD Finance Department



# Orange County Water District

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

<u>Fiscal Year</u>	<u>Replenishment Assessments</u>	<u>Basin Equity Assessments</u>	<u>Reclaimed Water Revenue</u>	<u>Conjunctive Use Program Revenue</u>	<u>Total</u>	<u>Percent Change</u>
2011	\$ 66,799,060	\$ 1,771,328	\$ 9,540,017	\$ -	\$ 78,110,405	-
2012	72,961,431	2,219,153	10,833,568	-	86,014,152	10.1%
2013	80,694,951	2,082,761	10,978,979	-	93,756,691	9.0%
2014	90,550,510	2,733,128	9,714,520	2,295,127	105,293,285	12.3%
2015	89,137,337	184,679	10,656,130	3,340,270	103,318,416	-1.9%
2016	88,464,251	2,767,818	10,699,469	3,085,226	105,016,764	1.6%
2017	120,120,803	6,833,449	10,606,006	41,500	137,601,758	31.0%
2018	136,212,805	723,321	10,933,858	-	147,869,984	7.5%
2019	138,779,385	6,384,640	10,210,332	-	155,374,357	5.1%
2020	138,444,750	5,617,151	2,656,593	-	146,718,494	-5.6%



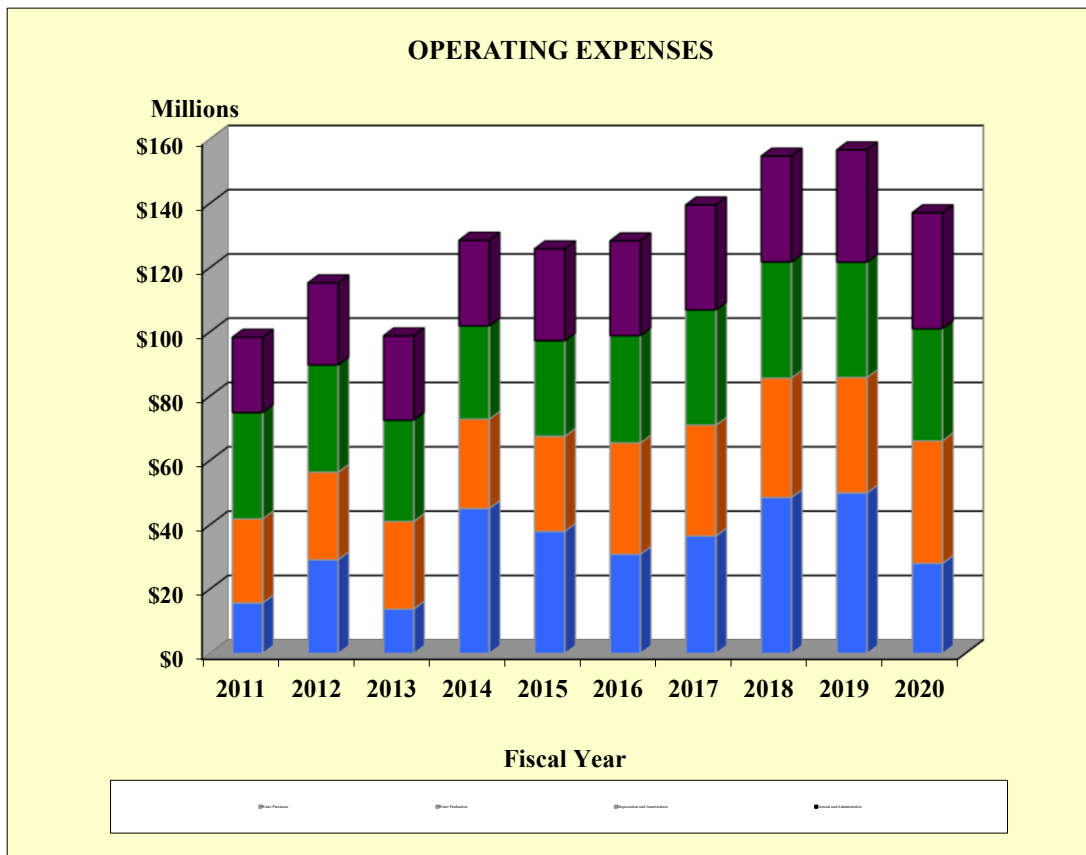
Source: OCWD Finance Department



# Orange County Water District

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

<u>Fiscal Year</u>	<u>Water Purchases</u>	<u>Water Production</u>	<u>Depreciation and Amortization</u>	<u>General and Administrative</u>	<u>Total</u>	<u>Percent Change</u>
2011	\$ 15,708,425	\$ 26,116,735	\$ 33,069,585	\$ 23,420,786	\$ 98,315,531	-
2012	29,139,553	27,222,877	33,346,141	25,532,369	115,240,940	17.2%
2013	13,825,244	27,242,617	31,453,784	26,259,608	98,781,253	-14.3%
2014	45,072,626	27,765,955	29,010,580	26,670,257	128,519,418	30.1%
2015	37,973,313	29,532,369	29,760,297	28,579,429	125,845,408	-2.1%
2016	30,831,126	34,630,579	33,362,509	29,502,994	128,327,208	2.0%
2017	36,507,292	34,461,866	35,862,620	32,659,654	139,491,432	8.7%
2018	48,504,350	37,141,781	36,123,555	32,922,053	154,691,739	10.9%
2019	49,920,482	35,891,184	35,865,015	34,967,601	156,644,282	1.3%
2020	28,001,365	38,116,757	34,849,637	36,126,405	137,094,164	-12.5%

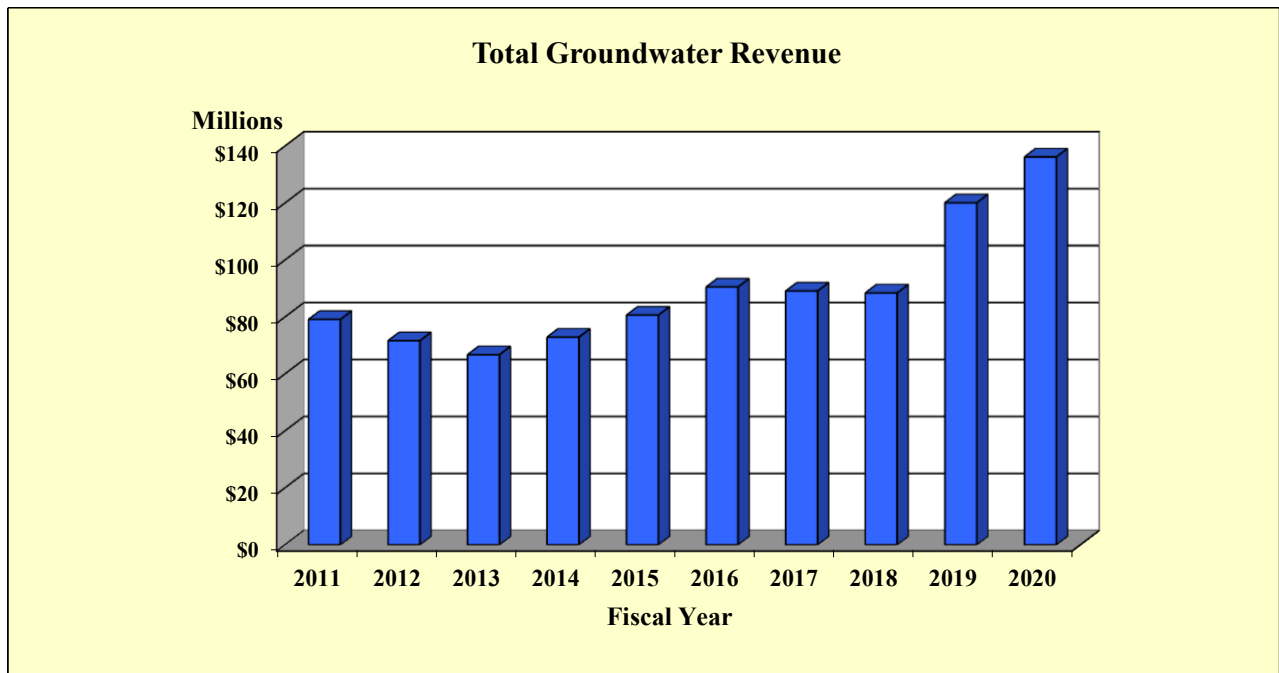




# Orange County Water District

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

<b>Fiscal Year</b>	<b>Irrigation (Acre-Feet)</b>	<b>Domestic (Acre-Feet)</b>	<b>In-Lieu Delivery (Acre-Feet)</b>	<b>Replenishment Assessment Revenue</b>
2011	3,684.2	256,176.3	10,435.4	\$ 66,799,060
2012	4,455.5	236,626.1	40,563.5	72,961,431
2013	4,181.7	305,113.5	0.0	80,694,951
2014	3,066.9	327,715.4	0.0	90,550,510
2015	2,624.6	302,634.5	0.0	89,137,337
2016	2,047.8	275,042.2	0.0	88,464,251
2017	1,589.6	300,047.8	0.0	120,120,803
2018	1,771.2	235,145.2	73,108.6	136,212,805
2019	740.1	302,756.4	0.0	138,779,385
2020	750.0	277,663.7	9,354.7	138,444,750

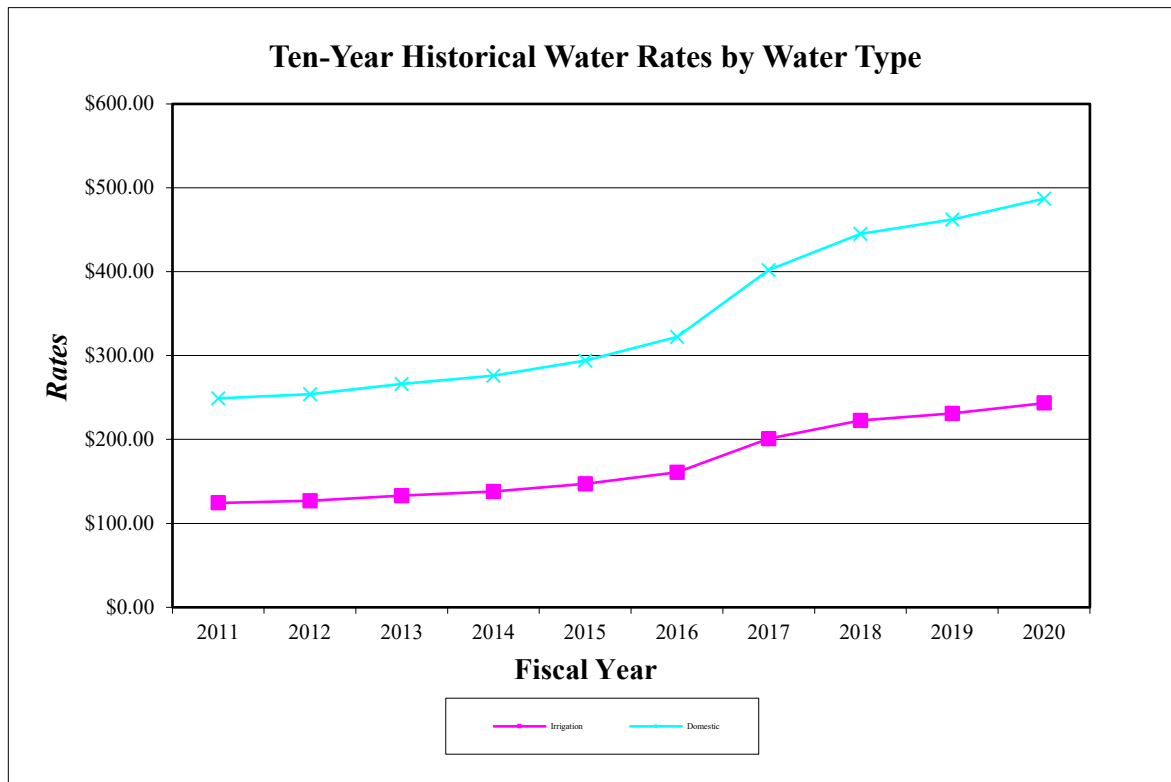




# Orange County Water District

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

<b>Fiscal Year</b>	<b>Irrigation</b>	<b>Domestic</b>
2011	\$ 124.50	\$ 249.00
2012	127.00	254.00
2013	133.00	266.00
2014	138.00	276.00
2015	147.00	294.00
2016	161.00	322.00
2017	201.00	402.00
2018	222.50	445.00
2019	231.00	462.00
2020	243.50	487.00



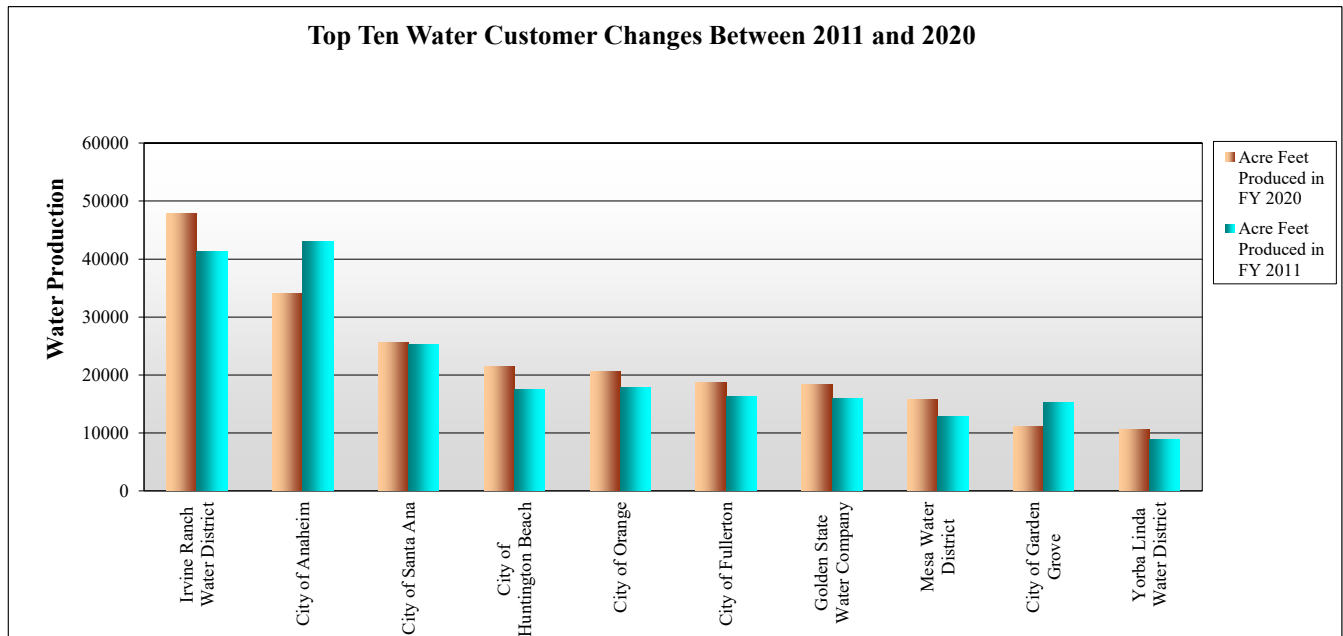
Source: OCWD Engineer's Report



## Orange County Water District

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

Member Cities & Agencies	Acre Feet Produced in FY 2020	% of Water Produced in FY 2020	Acre Feet Produced in FY 2011	% of Water Produced in FY 2011
Irvine Ranch Water District	47,836.0	21.36%	41,358.6	19.31%
City of Anaheim	34,013.2	15.18%	42,989.7	20.07%
City of Santa Ana	25,598.8	11.42%	25,219.6	11.77%
City of Huntington Beach	21,402.0	9.55%	17,520.0	8.18%
City of Orange	20,637.1	9.21%	17,821.9	8.32%
City of Fullerton	18,759.7	8.37%	16,232.7	7.58%
Golden State Water Company	18,335.5	8.18%	15,951.4	7.45%
Mesa Water District	15,789.3	7.05%	12,913.5	6.03%
City of Garden Grove	11,026.9	4.92%	15,326.4	7.16%
Yorba Linda Water District	10,668.2	4.76%	8,853.0	4.13%
<b>Totals</b>	<b>224,066.7</b>	<b>100%</b>	<b>214,186.8</b>	<b>100%</b>



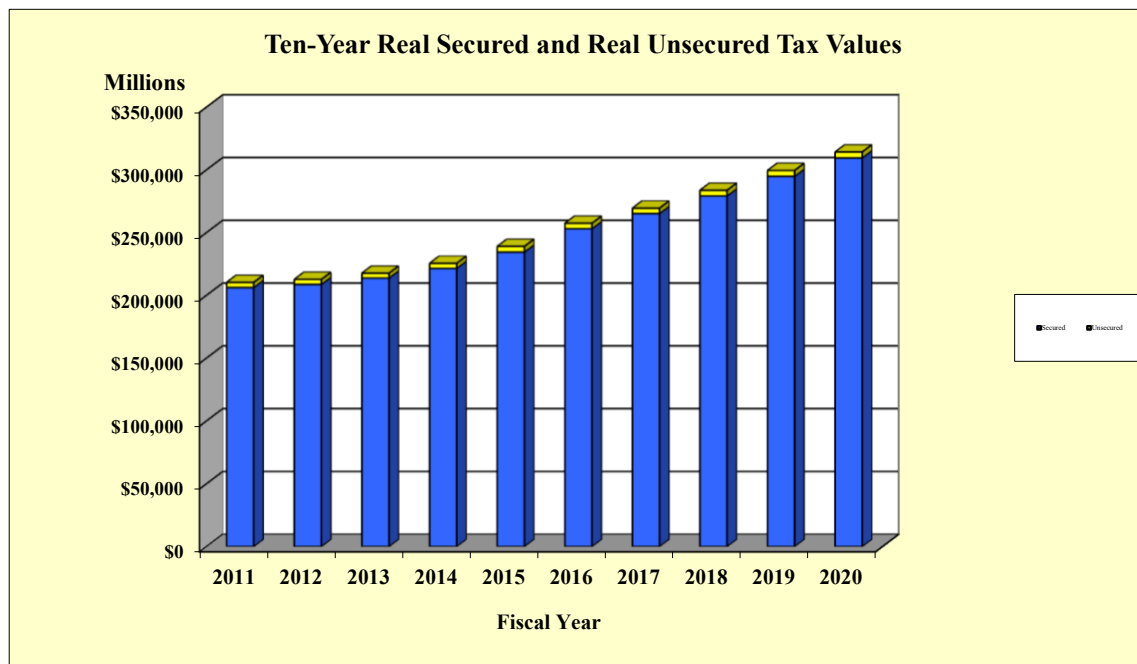
Source: OCWD Finance Department



## Orange County Water District

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

<b>Fiscal Year</b>	<b>Real Secured</b>	<b>Real Unsecured</b>	<b>Total</b>	<b>Total Direct Tax Rate Percent (1)</b>
2011	\$ 206,226,283,216	\$ 4,108,102,919	\$ 210,334,386,135	1.00
2012	208,722,653,628	3,972,740,372	212,695,394,000	1.00
2013	213,779,477,681	3,899,614,817	217,679,092,498	1.00
2014	221,507,329,588	4,038,705,285	225,546,034,873	1.00
2015	234,453,148,467	4,557,572,558	239,010,721,025	1.00
2016	253,073,090,395	4,339,622,163	257,412,712,558	1.00
2017	265,209,156,713	4,287,352,070	269,496,508,783	1.00
2018	279,177,420,172	4,576,957,093	283,754,377,265	1.00
2019	294,837,523,641	4,690,290,747	299,527,814,388	1.00
2020	309,504,719,273	4,732,621,485	314,237,340,758	1.00



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

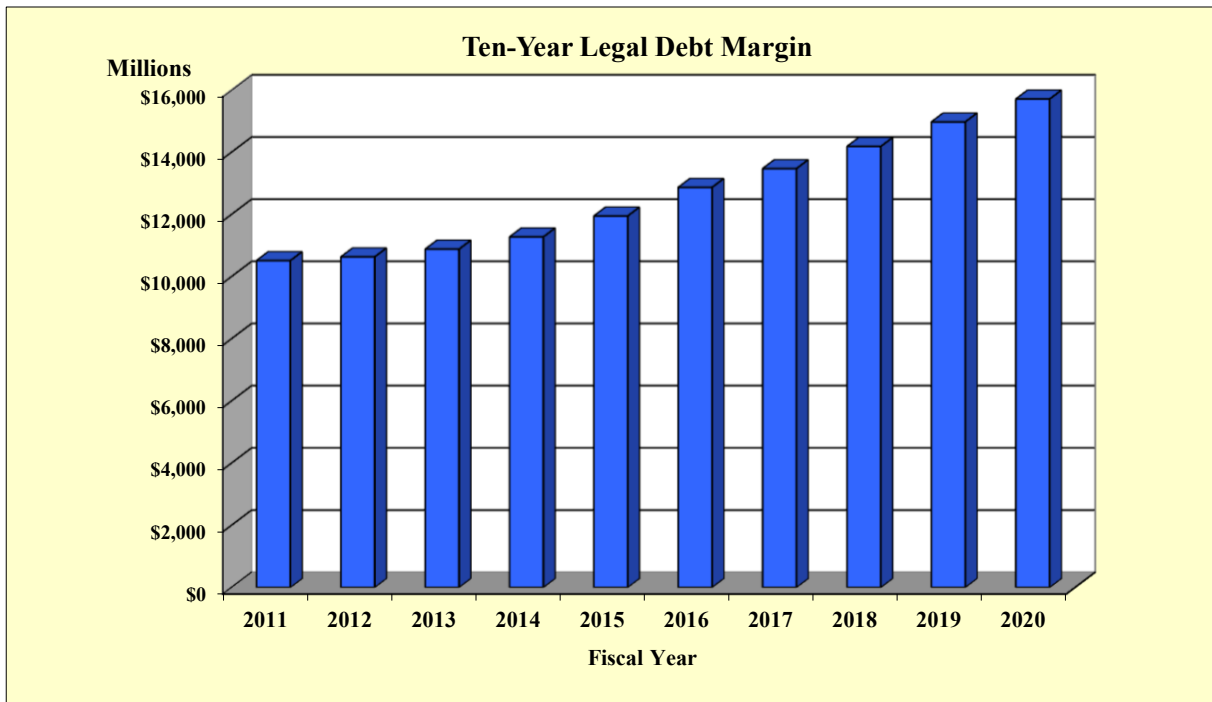
Source: County of Orange Office of Auditor/Controller-Property Tax Unit



# Orange County Water District

## *Ten-Year Computation of Legal Debt Margin Fiscal Year 2011 Through 2020*

<b>Fiscal Year</b>	<b>Total Real Secured &amp; Real Unsecured Assessed Value (1)</b>	<b>Legal Debt Limit (2)</b>	<b>Net Bonded Debt (3)</b>	<b>Legal Debt Margin (4)</b>
2011	\$ 210,334,386,135	\$ 10,516,719,307	0	\$ 10,516,719,307
2012	212,695,394,000	10,634,769,700	0	10,634,769,700
2013	217,679,092,498	10,883,954,625	0	10,883,954,625
2014	225,546,034,873	11,277,301,744	0	11,277,301,744
2015	239,010,721,025	11,950,536,051	0	11,950,536,051
2016	257,412,712,558	12,870,635,628	0	12,870,635,628
2017	269,496,508,783	13,474,825,439	0	13,474,825,439
2018	283,754,377,265	14,187,718,863	0	14,187,718,863
2019	299,527,814,388	14,976,390,719	0	14,976,390,719
2020	314,237,340,758	15,711,867,038	0	15,711,867,038



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

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





## Orange County Water District

*Pledged-Revenue Coverage  
One Fiscal Year  
Debt Service*

<b>Fiscal Year</b>	<b>Revenue (1)</b>	<b>Less Operating &amp; Maintenance Expenses (2)</b>	<b>Net Revenue</b>	<b>Senior Debt Service</b>	<b>Senior Debt Coverage</b>	<b>Net Revenues Available for Junior Debt Service</b>	<b>Junior Debt Service</b>	<b>Junior Debt Coverage</b>	<b>Total Debt Service (3)</b>	<b>Total Coverage</b>
2020	186,291,615	76,191,193	110,100,422	22,063,913	4.99	88,036,509	10,026,599	8.78	32,090,512 <sup>(4)</sup>	3.43

- (1) Revenues include replenishment assessment, reclaimed water revenues, conjunctive use program revenues, property tax revenue, investment income (excluding fair market value adjustment), rental income, and other revenues.
- (2) Expenses exclude depreciation, amortization, water purchases, and interest expenses.
- (3) The District has executed, in total, sixteen Certificates of Participation and Revenue Refunding Bonds issuances since 1989. Only four debt issuances are outstanding (2003A, 2017A&B, 2019A&B and 2019C&D) as of June 30, 2020. Other COP's are either advanced refunded, defeased, or refinanced with the help of the State loans, current COP's and Revenue Refunding Bonds.
- (4) Commercial paper principal payment of \$4,000,000 was made in July 2019.  
The principal payment was not included in total principal payment because it was not scheduled District debt service payment.
- (5) The District has elected to show only one year of data for its pledged-revenue coverage.

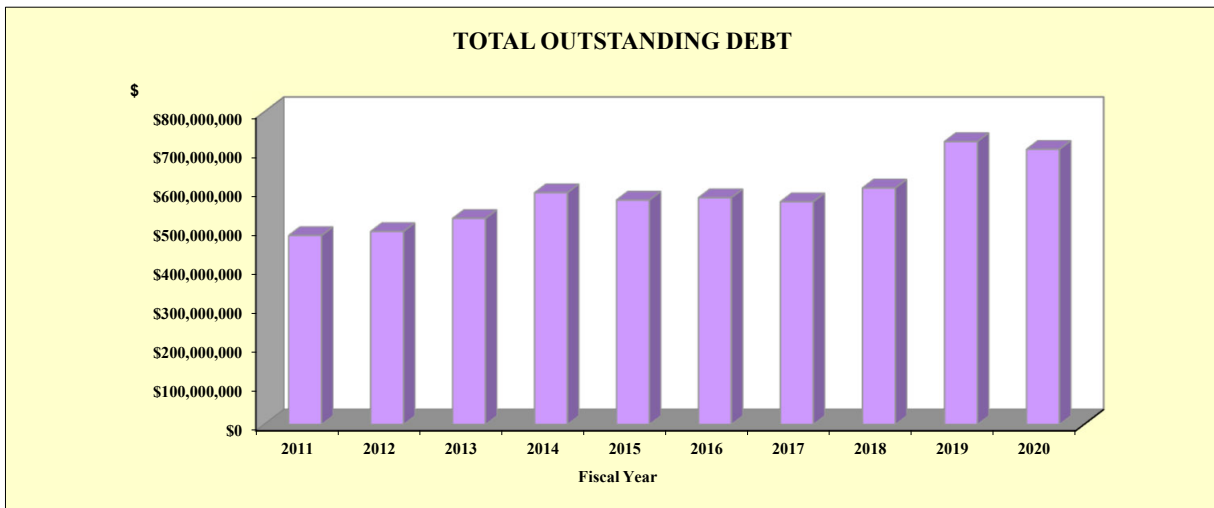
Source: OCWD Finance Department



## Orange County Water District

### *Ratios of Outstanding Debt Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>COP Debt (2)</b>	<b>Revenue Refunding Bonds (2)</b>	<b>Commercial Paper (2)</b>	<b>State of California Loans (2)</b>	<b>Total Outstanding Debt (2)</b>	<b>Per Capita (1) (3)</b>	<b>Percentage of Personal Income (1) (3)</b>
2011	\$ 350,269,778	\$ -	\$ 15,050,000	\$ 118,439,002	\$ 483,758,780	\$ 159	0.308%
2012	357,673,503	-	-	136,313,916	493,987,419	161	0.290%
2013	302,731,085	53,000,000	-	171,706,235	527,437,320	170	0.310%
2014	299,672,360	53,000,000	27,280,000	213,365,966	593,318,326	190	0.332%
2015	268,478,377	53,000,000	24,613,000	228,473,759	574,565,136	183	0.298%
2016	267,280,690	53,000,000	20,723,000	239,600,805	580,604,495	184	0.290%
2017	129,815,000	188,418,466	16,813,000	235,163,138	570,209,604	179	0.273%
2018	129,815,000	186,765,413	52,913,000	235,978,713	605,472,126	190	0.274%
2019	276,523,244	176,749,315	40,713,000	230,354,520	724,340,079	227	0.325%
2020	275,551,903	295,103,202	36,713,000	97,089,680	704,457,785	221	0.313%



- (1) Data Source: Demographic Research Unit, California Department of Finance. Data is for the entire County of Orange. The Orange County Water District services 381 square miles or 48% of the total 799 square miles that make up the boundaries of the County of Orange.
- (2) Data Source: Orange County Water District - Finance Department
- (3) Data Source: Refer to Orange County Water District, CAFR Schedule - Demographic Statistics

Source: OCWD Finance Department



## Orange County Water District

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

<b>Fiscal Year</b>	<b>Population Estimates (2)</b>	<b>Total Personal Income (in Thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Family Income (4)</b>	<b>Unemployment Rate (5)</b>
2011	3,036,412	\$ 157,105,840 (3)	\$ 51,741	\$ 81,663	9.4%
2012	3,072,381	170,496,109 (3)	55,493	81,653	8.3%
2013	3,103,018	170,061,957 (3)	54,805	82,861	6.9%
2014	3,122,962	178,946,153 (3)	57,300	85,313	5.6%
2015	3,145,029	193,081,245 (3)	61,393	87,942	4.6%
2016	3,162,789	200,026,649 (3)	63,244	92,063	4.3%
2017	3,184,229	208,949,975 (3)	65,620	97,012	3.7%
2018	3,192,092	220,684,684 (3)	69,135	102,047	3.3%
2019	3,192,987	222,891,531 (6)	69,807	103,067 (6)	2.9%
2020	3,194,332	225,120,446 (6)	70,475	104,098 (6)	13.6%

**Notes and Data Sources**

- (1) The Orange County Water District services 381 square miles or 48% of the total 799 square miles that make up the boundaries of the County of Orange.
- (2) Data Source: Demographic Research Unit, California Department of Finance.
- (3) Data Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (4) Data Source: Center for Demographic Research, California State University, Fullerton.
- (5) Data Source: State of California, Employment Development Department as of June 30 of each fiscal year.
- (6) Forecasted number based on 1% growth.

Source: OCWD Finance Department



# Orange County Water District

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

### 2019

<b>Employer</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Walt Disney Co.	32,000	1	2.04%
University of California, Irvine	24,714	2	1.58%
County of Orange	17,365	3	1.11%
St. Joseph Health	14,000	4	0.89%
Kaiser Permanente	8,200	5	0.52%
Albertsons Southern California Division	7,535	6	0.48%
Boeing Co.	6,600	7	0.42%
Hoag Memorial Hospital Presbyterian	6,500	8	0.41%
Walmart Inc.	6,200	9	0.40%
Target Corp.	6,000	10	0.38%

### 2011

<b>Employer</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Walt Disney Company	22,000	1	1.58%
University of California, Irvine	21,291	2	1.52%
County of Orange	17,655	3	1.26%
St. Joseph Health System	12,048	4	0.86%
Boeing Co.	7,700	5	0.55%
Bank of America Corp.	6,300	6	0.45%
Yum Brands	6,300	7	0.45%
Kaiser Permanente	5,968	8	0.43%
Target Corp.	5,527	9	0.40%
Cedar Fair LP	5,200	10	0.37%

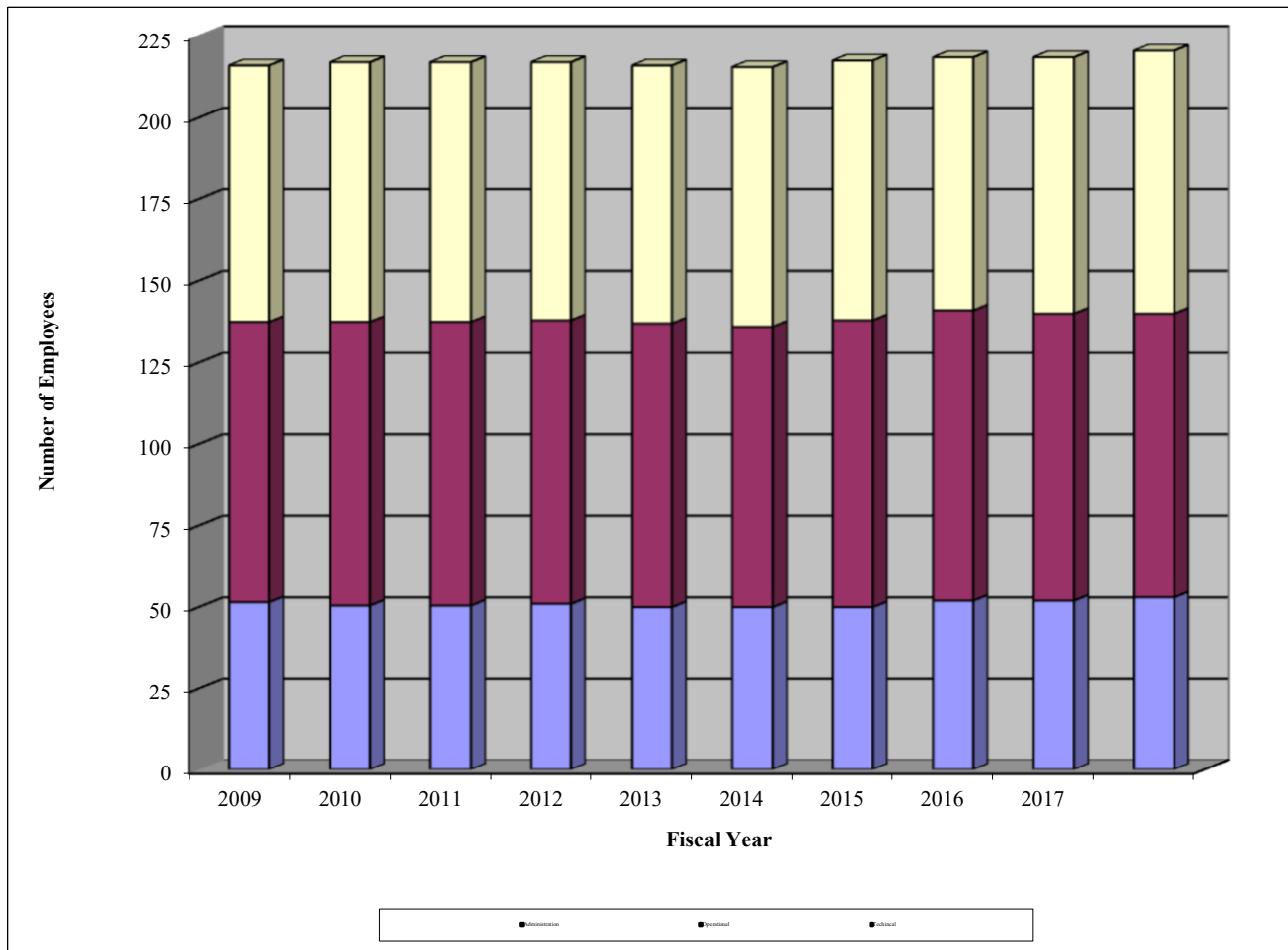


# Orange County Water District

## *Personnel Trends Last Ten Fiscal Years*

### **FUNCTIONS**

<u>Fiscal Year</u>	<u>Administration</u>	<u>Operations</u>	<u>Technical</u>	<u>Total</u>
2011	50.5	87.0	79.5	217.0
2012	51.0	87.0	79.0	217.0
2013	50.0	87.0	79.0	216.0
2014	50.0	86.0	79.5	215.5
2015	50.0	88.0	79.5	217.5
2016	52.0	89.0	77.5	218.5
2017	52.0	88.0	78.5	218.5
2018	53.0	87.0	80.5	220.5
2019	53.0	87.0	80.5	220.5
2020	55.0	85.0	80.5	220.5



Source: OCWD Finance Department



## Orange County Water District

### *Fiscal Year 2019-20 Groundwater Production By Agency (Acre-Feet)*

City/Agency	Irrigation	Domestic	Total	% of water sold
Anaheim, City of		34,013.2	34,013.2	12.21%
Buena Park, City of		10,590.6	10,590.6	3.80%
County of Orange		90.2	90.2	0.03%
E.O.C.W.D.		4.7	4.7	0.00%
Fountain Valley, City of		8,686.8	8,686.8	3.12%
Fullerton, City of		18,759.7	18,759.7	6.74%
Garden Grove, City of		11,026.9	11,026.9	3.96%
Golden State Water Company		18,335.5	18,335.5	6.59%
Huntington Beach, City of		18,296.4	18,296.4	6.57%
Irvine Ranch Water District		42,427.4	42,427.4	15.25%
La Palma, City of		1,959.3	1,959.3	0.70%
Mesa Water District		15,248.8	15,248.8	5.48%
Newport Beach, City of		10,077.2	10,077.2	3.62%
Orange County Water District		1,583.5	1,583.5	0.57%
Orange, City of		20,637.1	20,637.1	7.41%
Santa Ana, City of		25,598.8	25,598.8	9.19%
Seal Beach, City of		2,140.4	2,140.4	0.77%
Serrano Water District		1,388.2	1,388.2	0.50%
Tustin, City of		10,075.2	10,075.2	3.62%
Westminster, City of		8,203.2	8,203.2	2.95%
Yorba Linda Water District		10,668.2	10,668.2	3.83%
All Operations Other Than Above	750.0	7,852.4	8,602.4	3.09%
<b>Totals</b>	<b>750.0</b>	<b>277,663.7</b>	<b>278,413.7</b>	<b>100%</b>

Source: OCWD Finance Department



## Orange County Water District

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Demographics</b>										
Service Area (Square Miles)	381	381	381	381	381	381	358	358	358	358
Population Estimate (1), (2)	3,194,332	3,192,987	3,192,092	3,184,229	3,162,789	3,145,029	3,122,962	3,103,018	3,072,381	3,036,412
Median Family Income (1), (3)	\$ 104,098 (6)	\$ 103,067	\$ 102,047	\$ 97,012	\$ 92,063	\$ 87,942	\$ 85,313	\$ 82,861	\$ 81,653	\$ 81,663
<b>Production Data (A.F.) (4)</b>										
Groundwater										
Non-Irrigation Pumping	277,663.7 (6)	302,756.4	235,145.2	300,047.8	275,042.2	302,634.5	327,715.4	305,113.5	236,626.1	256,176.3
In-lieu Delivery	9,354.7	-	73,108.6	-	-	-	-	-	40,563.5	10,435.4
Irrigation Pumping	750.0 (6)	740.1	1,771.2	1,589.6	2,047.8	2,624.6	3,066.9	4,181.7	4,455.5	3,684.2
Supplemental Water										
Non-Irrigation Delivery	90,198.5 (6)	70,872.8	87,019.2	68,580.9	70,624.9	98,501.9	103,907.4	111,097.8	119,864.6	123,854.9
Conservation Credit	- (6)	-	2,460.7	2,613.7	2,007.1	1,731.8	1,448.9	1,401.5	1,386.8	1,372.0
Irrigation Delivery	-	-	242.2	-	-	-	-	-	-	-
<b>Non-Local Water Purchased by OCWD (A.F.) (5)</b>										
Western Municipal Water District	-	-	-	-	-	-	-	-	-	-
Alamitos Barrier	2,101.6 (6)	2,015.2	912.2	1,166.1	2,398.9	2,236.3	2,370.2	1,721.8	1,198.7	1,689.1
Talbert Barrier - Fountain Valley	-	-	-	-	-	-	-	-	-	-
Talbert Barrier - Mesa Water District	- (6)	20.1	18.4	7.8	7.0	17.7	6.2	3.7	1.9	100.5
Forebay Recharge	18,029.9 (6)	40,344.9	66,113.5	48,918.1	45,118.0	48,616.8	50,700.5	39,926.9	48,940.4	27,538.6
In-lieu Program	9,354.7 (6)	-	73,108.6	-	-	-	-	-	40,563.5	10,435.4
Basin Water Supply Management Program	-	-	-	-	-	-	-	-	-	-
Arlington Desalter	-	-	-	-	-	-	-	-	-	-
San Bernadino Valley MWD	-	-	-	-	-	-	-	-	-	-

**Notes and Data Sources:**

- (1) The Orange County Water District services 381 square miles or 48% of the total 799 square miles that make up the boundaries of the County of Orange.
- (2) Data Source: Demographic Research Unit, California Department of Finance.
- (3) Data Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (4) Data Source: Appendix I, OCWD Engineer's Reports, from WY 2011 to WY 2019.
- (5) Data Source: Appendix 4, OCWD Engineer's Reports, from WY 2011 to WY 2019.
- (6) Preliminary data for WY 2020

Source: OCWD Finance Department



## Orange County Water District

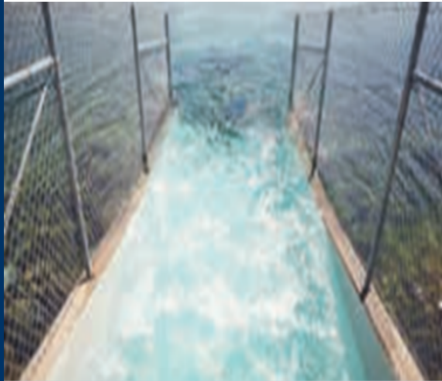
### *Capital Asset Statistics by Function Last Ten Fiscal Years*

Function	2020	2019	2018	2017	2016
<b>Water Treatment</b>					
<b>Facilities (million gallons per day)</b>					
Groundwater Replenishment System (GWRS)	100	100	100	100	100
<b>Pipeline (miles)</b>					
Green Acre Project Pipeline	33	33	33	33	33
GWRS Pipeline	15	15	15	15	15
<b>Recharge</b>					
Recharge Facilities	27	28	28	28	26
Recharge System Storage (acre feet)	26,402	26,402	26,402	26,402	26,278
<b>Basin Management</b>					
Groundwater Monitoring Wells	482	478	467	430	424
Injection Wells	78	78	79	81	64
Soil Gas Monitoring Wells	10	10	10	10	10
Other Wells	16	16	16	16	16
Function	2015	2014	2013	2012	2011
<b>Water Treatment</b>					
<b>Facility (million gallons per day)</b>					
Groundwater Replenishment System (GWRS)	100	70	70	70	70
<b>Pipeline (miles)</b>					
Green Acre Project Pipeline	33	33	33	33	33
GWRS Pipeline	15	15	15	15	15
<b>Recharge</b>					
Recharge Facilities	26	26	26	26	25
Recharge System Storage (acre feet)	26,278	26,278	26,278	26,278	26,000
<b>Basin Management</b>					
Groundwater Monitoring Wells	397	395	391	401	398
Injection Wells	60	61	61	62	61
Soil Gas Monitoring Wells	10	10	10	10	21
Other Wells	16	16	16	4	4





SINCE 1933



Orange County Water District  
Finance Department  
P.O. Box 8300  
Fountain Valley, CA 92728  
Phone: 714-378-3200  
Fax: 714-378-3373  
[www.ocwd.com](http://www.ocwd.com)