

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020



South Orange County Wastewater Authority  
34156 DEL OBISPO STREET, DANA POINT, CALIFORNIA 92629





South Orange County Wastewater Authority

Annual Comprehensive Financial Report  
For the Years Ended June 30, 2021 and 2020

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



**South Orange County Wastewater Authority**  
**Annual Comprehensive Financial Report**  
**For the Years Ended June 30, 2021 and 2020**

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**INTRODUCTORY  
SECTION**  
(UNAUDITED)

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South Orange County Wastewater Authority

December 9, 2021

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

Honorable Chairman and Members of the Board of Directors:

We are pleased to present the South Orange County Wastewater Authority's (Authority or SOCWA) Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2021 and 2020.

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

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

### **The Reporting Entity**

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

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

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

The Pun Group, LLP, a certified public accounting firm, performed the financial audits for the Fiscal Years Ended June 30, 2021 and 2020. Their unmodified (clean) opinion has been included as the first component of the financial section of the ACFR.

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

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

## **Authority Overview**



## **Mission**

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

## **SOCWA's Purpose**

SOCWA was created on July 1, 2001 to facilitate and manage the collection, transmission, treatment and disposal of wastewater for more than 500,000 homes and businesses across South Orange County. SOCWA also manages production of recycled water for irrigation and commercial uses, which saves approximately 1.8 billion gallons of domestic water each year, which is equivalent to 5,593 acre feet of water.

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

SOCWA has no taxing authority, and nearly all funding for its operations comes directly from contributions of its ten Member Agencies within the JPA.

## **Governance**

South Orange County Wastewater Authority “SOCWA” is a Joint Powers Authority representing ten member agencies each of whom provides a governing representative to SOCWA’s Board of Directors. Although SOCWA’s member agencies vary in size and participation, each agency has one equal vote. The Board works to fulfill SOCWA’s purpose and mission, while balancing the interests of their respective agencies. The Board elects two of its members in June of each year to serve one-year terms as Chairman and Vice Chairman. Board of Directors meetings are scheduled the first Thursday of every month at 8:30 a.m. to be held at the SOCWA Administrative Office. Due to the Covid Pandemic, throughout Fiscal Year 2020-2021, pursuant to the Governor’s Executive Orders (issued March 12, 2020 and again June 11, 2021, November 8, 2021), SOCWA has conducted telephone conferences and virtual meetings in a manner that allows for public access and participation. SOCWA also receives input from engineering and finance committees, which are comprised of additional representatives from its 10 member agencies.

## **Budget Process**

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

The Budget tables include the following Budget Summaries:

- Total Budget by Member Agency
- 5-Year Budget by Member Agency - Including Unfunded Accrued Pension Liability (UAL) and Other Post-Employment Benefits (OPEB)
- 5-Year Budget by Member Agency - Including Administration, Residual Engineering, and General Fund Allocation (w/o UAL and OPEB)
- 5-Year Budget by Member Agency with UAL and OPEB Costs Distributed using Board Approved Actuarial Methodology
- 5-Year UAL and OPEB Costs and Distribution Percentages
- 5-Year Cost Drivers Prioritized by Major Expenditures
- Guide to Budget Book
- Budget Assumptions
- Summary of Cost Allocations Approaches by Project Committee
- Total 5-Year Labor Plan
- Fringe Benefits Pool and Rate - FY 2021-22 through FY 2025-26 Budget
- Organization Chart

### Budget Detail

- For each annual period of the Budget, quarterly detail by Project Committee and Member Agency
- Five years of line item detail for O&M, Environmental & Safety Departments by Project Committee
- Five years of line item detail for Administration and General Fund expenses
- Five years of line item detail for Residual Engineering expenses
- Five years of line item detail for IT expenses
- Flows and solids loading percentages and distributions of expense by allocation to Liquids, Solids, Common and AWT with distribution shown to each member agency using the current Fiscal Year’s projected flow and solids loading

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

- Capital Budget Summary with 1-year Forecast by Member Agency
- Capital Budget w/1-Year Forecast, w/Non-Capital Engineering, Non-Capital Miscellaneous, and Small Capital by Member Agency
- Quarterly Capital Projects detail
- Non-Capital Engineering detail and Non-Capital Miscellaneous detail.
- Small Capital Projects detail
- Total Capital Projects detail by Member Agency
- Additional Year of projected Quarterly Capital Projects detail by Project Committee

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

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

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

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

### **Economic Condition and Outlook**

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

## **Cost Pressures**

- Covid-19 Impacts: SOCWA has continued its program of pandemic response with updated response plans, ongoing training and worker safety practices in place to keep pace with local and statewide requirements. SOCWA did not experienced significant workforce disruption.
- Financial: SOCWA works closely with its ten member agencies to align operating budgets and capital programs to meet the needs of the community served by each Project Committee and, as a result, SOCWA revenues are supportable by the Member Agencies' financial and long-term planning. Although the national trend as described in the May 2021 NACWA report, Addressing the Affordability of Water and Wastewater Services in the U.S., noted that Covid-19 has precipitated a growth in the inability of low-income families to afford water and wastewater utility services, SOCWA did not experience a significant financial impact due to Covid-19. This is largely due to its Member Agencies working to control costs during the pandemic, and some agencies having the ability to forego or reduce planned rate adjustments. Throughout the Fiscal Year, SOCWA revenues paid by member agencies remained stable.
- Infrastructure: The newly enacted Infrastructure & Jobs Act (H.R. 3684) is anticipated to be signed into law by President Biden and \$55 billion of that new spending is allocated to drinking water, wastewater and stormwater infrastructure. This funding is anticipated to assist in addressing concerns such as raised by the 2019 California ASCE Report Card for California's Infrastructure which rated wastewater system investment a grade C+. SOCWA continued its strong progress in capital infrastructure investment by placing over \$28 million in assets into service in this fiscal year. Accumulated depreciation as a percentage of gross capital assets, depreciable also decreased to 64.6% down from a high of 68.1% due to the acquisitions.
- Regulatory: Advancing initiatives of the State Water Resources Control Board and Air Resources Board continue to drive costs for California Sanitation Agencies. As examples, in May 2020, California adopted the TNI Standard for State Laboratories with a purpose of standardizing laboratory practices and reporting. The costs of implementation range from \$70,000 up to \$100,000 per additional full-time employee as may be added per agency. Additionally, the wastewater community of agencies continues to track related permitting increases as the State Water Resources Control Board approved increases in fees for programs such as: (i) NPDES permit fee increase to an average of 11.9%, (ii) the Waste Discharge Requirements permit fee increase to an average of 16.8%, and (iii) laboratory program fees increase to an average of 15.9%. SOCWA is engaged in the regulatory community, understands the impact to permit related costs due to state and regional regulatory trends and is well positioned to program costs into the operational budgets for its facilities.
- Energy and Resources: In its July 2020 assessment of Sustainable Water Infrastructure, Energy Efficiency for Water Utilities, EPA reports that “[f]or many municipal governments, drinking water and wastewater plants typically are the largest energy consumers, often accounting for 30 to 40 percent of total energy consumed” representing 2 percent of energy use. California energy costs are reported as third highest in the nation for commercial electricity pricing as driven by new and continuing regulatory requirements. Climate change initiatives are also impacting cost trends in energy and biosolids management for wastewater agencies. SOCWA has implemented projects such as co-generation engine installations at two of its three treatment plants, which provide some measure of local control over energy production costs. As a result, SOCWA produced over 11 million kWh of its own power utilizing methane gas from its treatment systems valued at over \$800,000.
- Population Growth: The population of California is expected to reach 46 million by the year 2037. Population growth will drive a statewide need to treat an additional 720 million gallons per day of wastewater, thus requiring planned system expansions and/ or new plants at various locations throughout the state. Due to lower wastewater flows in recent years to treatment

facilities, which is resulting from consumer conservation programs, SOCWA retains more than adequate plant capacity utilizing only 40% to 65% of overall available capacity.

- **Drought and Water Resource Strategies:** Continued demand for water, coupled with ongoing drought conditions, will impact overall water management costs, resulting in a more directed focus on “water resource” strategies across California. Locally, groundwater basin desalination plants have been effective in helping to clean up high saline groundwater supplies. Water managers are responding with year-round storage for recycled wastewater and studying options for greater recharge, as well as planning for indirect and direct reuse to turn available wastewater into a commodity.
- **Employee Salaries and Benefits:** Strong retirement trends mean that public agency employers must remain competitive against other public or private providers of wastewater services. Recent adjustments in the assumptions used by CalPERS and earnings profiles are contributing to higher employer costs. The CalPERS’ “discount rate” (the assumed investment rate of return) has again been reduced from 7 percent to 6.8 percent, meaning that to pay for a defined benefit, employers must contribute more to the fund. SOCWA has done substantial work to understand the impact of funding employee related liabilities and how those obligations will impact its individual member agencies.
- **Technology:** Improving technology is now a best practice requirement for the wastewater industry. As a result, agencies within the industry should be able to take advantage of evolving technology tools to improve efficiencies, deal with the proliferation of data, mitigate cybersecurity threats, and improve their communications, thereby saving costs and increasing productivity. SOCWA improved its system security through upgrade to the cloud-based Barracuda Essentials product.

### **Long-Term Financial Planning**

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

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

### **Internal Controls**

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

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

## **Investment Policy**

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

## **Infrastructure**



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

## **Coastal Treatment Plant**



### Facts

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

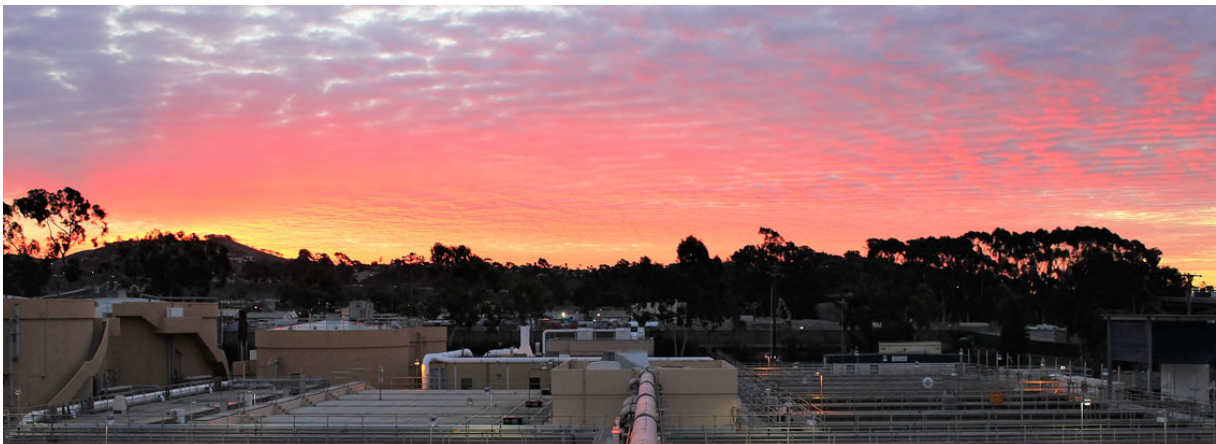
### Wastewater Treatment Processes

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

### Interesting Facts

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

### **JB Latham Treatment Plant**



### Facts

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



### Wastewater Treatment Plant Processes

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

### Interesting Facts

- The JB Latham Plant produces energy that is used on site
- Approximately 40 percent of the power needed is produced from methane gas that is a byproduct of the treatment process
- SOCWA received approximately \$1 million in grant funding for on-site energy production
- Prior to the Covid-19 restrictions, annually hundreds of students and interested residents toured the JB Latham facility and SOCWA looks forward to the ability to return to facility tours
- JB Latham was awarded best medium-sized plant in the state by the California Water Environment Association in 2017

### Regional Treatment Plant



### Facts

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

### Wastewater Treatment Plant Processes

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

### Interesting Facts

- The Regional Plant facility produces its own energy to save energy and costs
- Approximately 82 percent of the power needs are produced on-site from methane gas for beneficial reuse that is a byproduct of the treatment process
- SOCWA was awarded approximately \$1.8 million in grant funding for on-site energy production
- Tours of the facility are planned to restart in the coming calendar year
- Houses the regional laboratory that analyzes over 25,000 compliance, process control, and drinking water samples per fiscal year
- Some of the biosolids from these plants – also known as residual solids – are trucked off-site to a composting facility. Composted biosolids can be land applied to help grow non-food crops such as cotton and alfalfa.

### Aliso Creek Ocean Outfall



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

### Interesting Facts

- Year Built: 1979
- Length: 1.5 Miles (8,700') off Aliso Creek Beach at a depth of 195 feet
- Capacity Used Today: 9.01 million gallons per day
- Ocean Water Quality Monitoring Sites: 13
- Ocean Monitoring Frequency: Once per month
- Beach Water Quality Monitoring Sites: 12
- Beach Monitoring Frequency: Weekly
- Annual Water Quality Samples: Nearly 2,500

## **San Juan Creek Ocean Outfall**



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

San Juan Creek Ocean Outfall Continued:

### **Interesting Facts**

- Year Built: 1978
- Length: 2.2 Miles (10,334') off Doheny State Beach at a depth of 100 feet
- Capacity Used Today: 11.27 million gallons per day
- Ocean Water Quality Monitoring Sites: 13
- Ocean Monitoring Frequency: Monthly
- Beach Water Quality Monitoring Sites: 9
- Beach Monitoring Frequency: Weekly
- Annual Water Quality Samples: Nearly 2,500

## **Capital Projects**



SOCWA undertakes large and small capital projects to ensure the reliability of our infrastructure. These improvements protect the environment by allowing for the continued safe treatment and disposal of wastewater. Fiscal Year 2020-21 was focused on completing the capital improvements designed in 2018-19 that began in 2019-2020.

A summary of work now underway and planned for each plant includes:

#### J.B. Latham Treatment Plant Facility Improvements 2020-21

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

#### Coastal Treatment Plant Facility Improvements 2020-21

For the Coastal Treatment Plant, work continued on the Facilities Improvement Project begun in August 2019 and will be completed in Fiscal Year 2021-22 with a value of \$9.2 million. The improvements include: site improvements (grading and paving); demolition of sodium hypochlorite facility; new piping for drainage pump station; demolition and replacement of ferric chloride containment system with canopy addition & install power and control system for new ferric chloride system; demolition & replacement of equipment and repair of concrete for secondary sedimentation basins including modifications to the RAS channel; upgrades to main switchgear building including improved HVAC system, demolition of old equipment and replacement with new switchgear; improvements to DAF utility building including improved HVAC; general safety improvements including installation of fall protection equipment; structural improvements to grit chamber; electrical systems improvements in headworks electrical building, operations building, generator building and main switchgear building, north blower electrical building, and DAF control building; instrumentation network modifications; and construction to improve safe access to headworks valve areas.

Additionally, substantial progress was made in construction of the Sludge Forcemain Improvements valued at \$3.7 for the upgrade of two 4" sewer forcemains to one 6" forcemain for the delivery of wastewater solids from the Coastal Treatment Plant to the Regional Treatment Plant. The project is on schedule to complete early 2022.

#### Regional Treatment Plant Miscellaneous Improvements 2018-19

For the Regional Treatment Plant, the Miscellaneous Improvements 2018 construction work concluded in Fiscal Year 2020-2021 with a value of \$4.2 million. The project accomplished: plant secondary process electrical system improvements; primary gallery improvements (fan room, scum pumps, HVAC systems, coatings, lighting); mechanical improvements to the DAF polymer system and installed polymer metering and recirculation system; for the DAF systems modify compressed air and power supply systems; and energy building improvements including installation of equipment bay platform, access stair and safety improvements, building roof improvements, exhaust fan installation and electrical upgrades.

### San Juan Creek Ocean Outfall Junction Structure Rehabilitation

For the SJCOO, the junction structure rehabilitation project was completed in Fiscal Year 2021-22 for \$1.3 million. The project reinforced the structure to mitigate potential failure under high flow or seismic events. The project was completed in coordination with California State Parks and their campground project to minimize impacts to public access to the campground and Doheny Beach.

### SOCWA Small Capital Program

SOCWA continued to invest \$1.6 million in small capital improvements in Fiscal Year 2020-2021 which become a part of capitalized assets. There are two primary benefits to small capital investments. The first benefit is that the Treatment Plants are maintained in a state of readiness. Staff plans for the replacement of ailing equipment and new technologies are installed for improved operations. Secondly, obsolete or unsupported equipment is replaced to avoid catastrophic issues, and safety hazards are mitigated in a timely fashion. Attention to maintenance and operational investment assists SOCWA in right sizing its capital program by keeping critical equipment in good repair. For example, a planned larger capital project to rehabilitate an office building in 5 to 10 years would need to be expedited if the office building's air conditioner failed now. However, with a small capital project to replace the air conditioner now, the larger project can stay scheduled 5 to 10 years out.

### SOCWA Member Agencies

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



El Toro Water District



Irvine Ranch Water District



City of Laguna Beach

Moulton Niguel Water District



City of San Clemente

South Coast Water District



City of San Juan Capistrano

Santa Margarita Water District



Trabuco Canyon Water District

Emerald Bay Service District

## **Community Outreach**



Through its member agencies SOCWA maintains information to inform its local communities about the importance and proper use of the sanitary sewer system. Through education and outreach, we can all work together to keep our beaches and communities clean.

## **Community Events**

Historically, SOCWA attended public outreach opportunities such as the Dana Point Festival of the Whales and the annual California Coastal Cleanup Day. We look forward to continued partnerships that inform the public when pandemic related restrictions are eased.

## **Independent Audit**

State Law and the Authority's Joint Powers Agreement (JPA) require SOCWA to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm, The Pun Group, LLP, has conducted the audit of the Authority's financial statements for fiscal years 2021 and 2020. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the Authority's financial statements as of June 30, 2021 and 2020, were fairly presented in conformity with accounting principles generally accepted in the United States of America.

## **Other References**

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

## **ACFR Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. This was the second consecutive year that SOCWA has received this prestigious award. In order to be awarded a Certificate of Achievement, the Authority had to publish an easily readable and efficiently organized Report that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Betty Burnett, General Manager



Mary Carey, Finance Controller





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**South Orange County Wastewater Authority  
California**

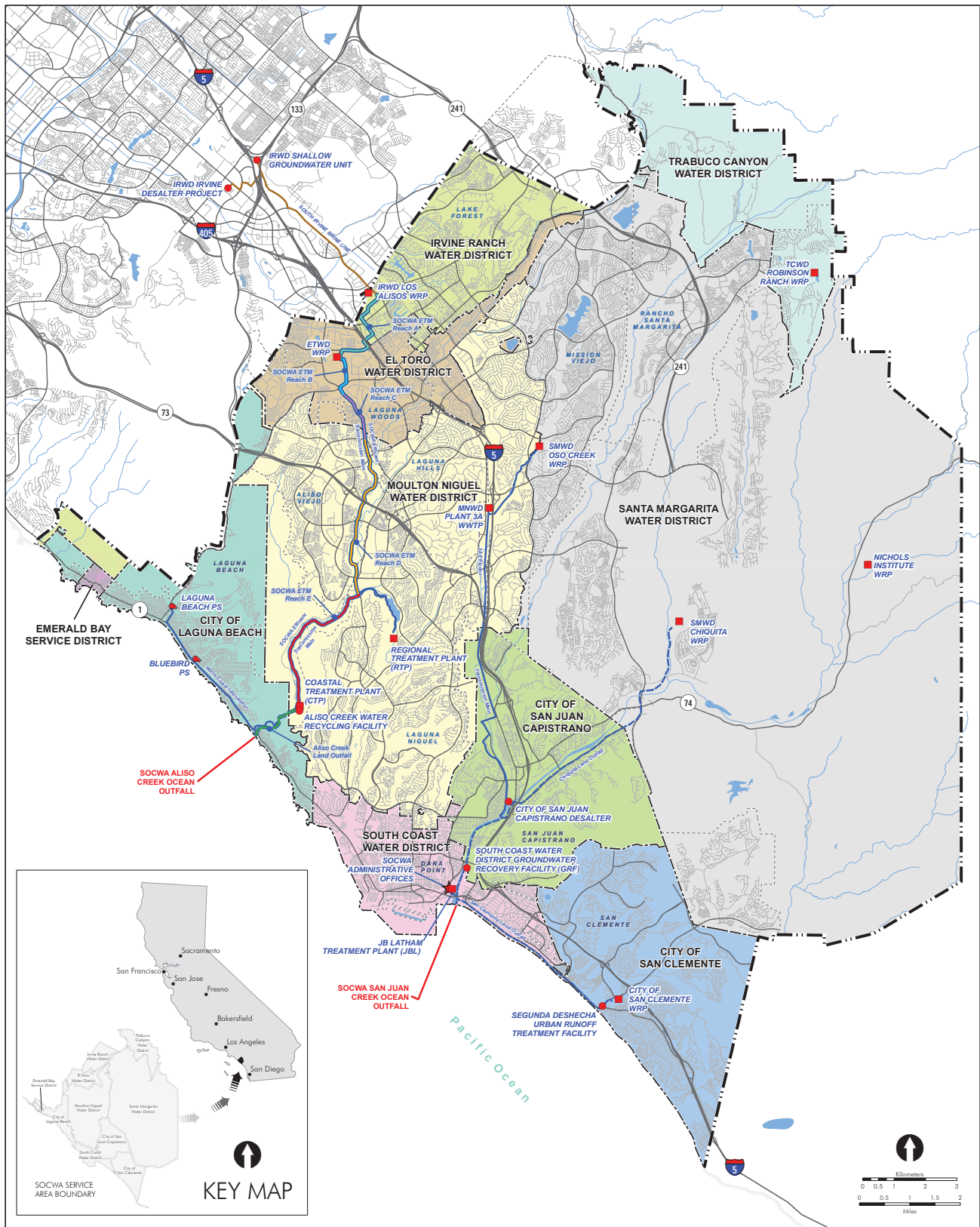
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Merrill*

Executive Director/CEO

# SOCWA SERVICE AREA MAP



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

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

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

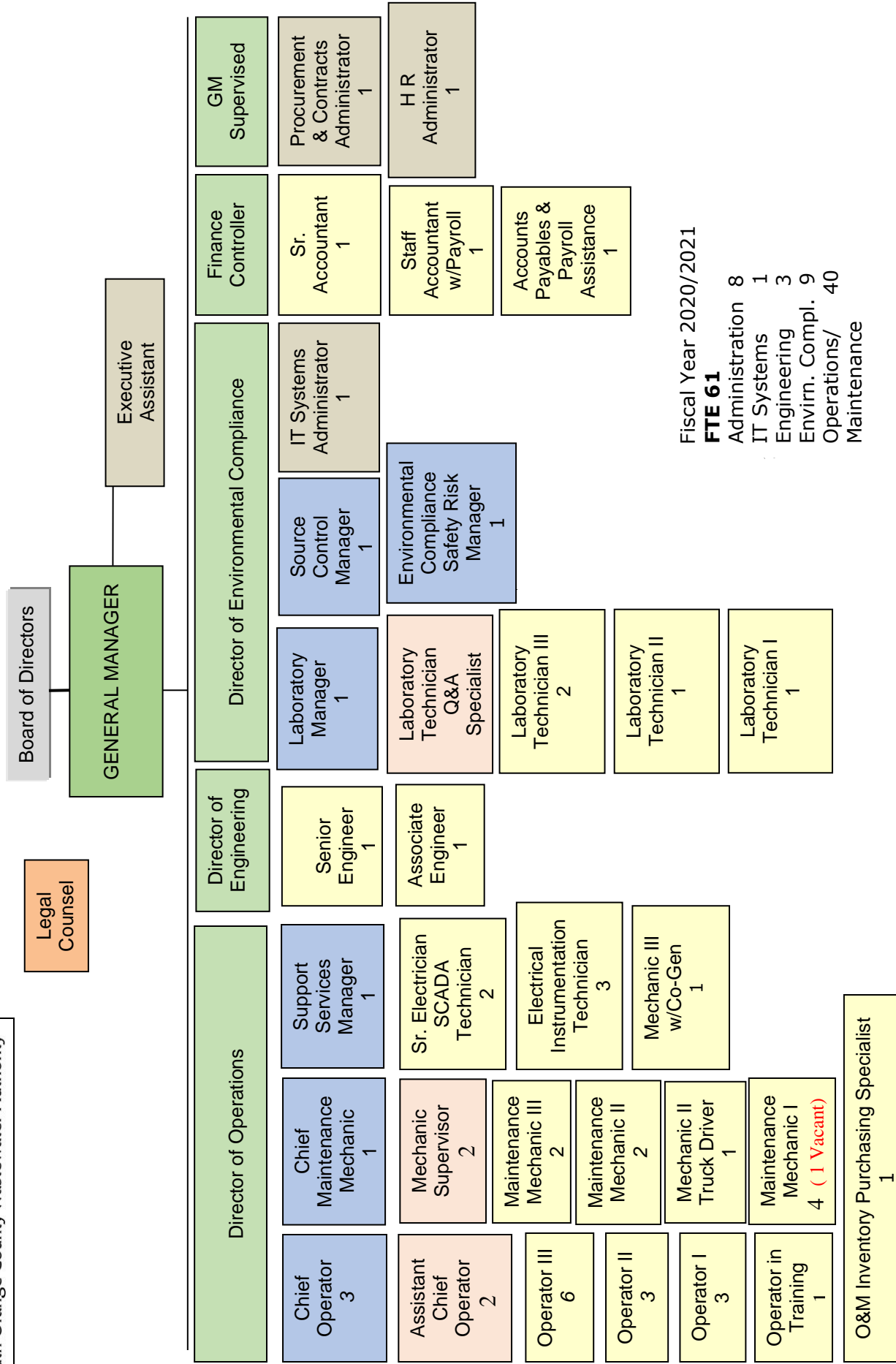
- SOCWA Effluent Transmission Line**
- ETL - Reach A
  - ETL - Reach B
  - ETL - Reach C
  - ETL - Reach D
  - ETL - Reach E
  - Aliso Creek Land Outfall

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



# FY 2020-21 Organization Chart

(Budgeted Head Count)



Fiscal Year 2020/2021  
**FTE 61**  
 Administration 8  
 IT Systems 1  
 Engineering 3  
 Environ. Compl. 9  
 Operations/ Maintenance 40

# Board of Directors



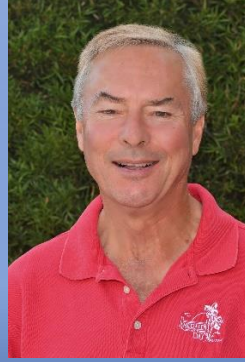
Matt Collings  
Moulton Niguel Water

Chairman of the Board



Stephen Dopudja  
Trabuco Canyon Water  
District

Vice Chairman



Mike Dunbar  
Emerald Bay Service  
District

Director



Kathryn Freshley  
El Toro Water District

Director



Dan Ferons  
Santa Margarita Water  
District

Director



Doug Reinhart  
Irvine Ranch Water  
District

Director



Toni Iseman  
City of Laguna Beach

Director



Scott Goldman  
South Coast Water  
District

Director



Sergio Farias  
City of San Juan  
Capistrano

Director



Dave Rebensdorf  
City of San Clemente

Director

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# FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the South Orange County Wastewater Authority (the "Authority") which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2021 and 2020, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

200 E. Sandpointe Ave., Suite 600, Santa Ana, California 92707

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[www.pungroup.cpa](http://www.pungroup.cpa)

**Other Matters**

*Required Supplementary Information (Unaudited)*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of the Authority's Contributions - Pensions, the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios and the Schedule of the Authority's Contributions – Other Postemployment Benefits Liability on pages 3 through 15, and 53 through 58, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory and Statistical Sections are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.



Santa Ana, California  
December 1, 2021



# **South Orange County Wastewater Authority Management's Discussion and Analysis (Unaudited) For the Years Ended June 30, 2021 and 2020**

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This section of South Orange County Wastewater Authority's (Authority or SOCWA) financial statements presents an analysis of the Authority's financial performance during the fiscal year ended June 30, 2021 in comparison to fiscal year ended June 30, 2020. This information is presented in conjunction with the transmittal letter in the Introductory Section, and with the basic financial statements and related notes, which follow this section.

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

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

## **Basic Financial Statements**

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

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

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

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

## **Notes to the Basic Financial Statements**

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

## **Required Supplementary Information**

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

## **Financial Analysis of the Authority**

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

**South Orange County Wastewater Authority  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2021 and 2020**

**Financial Highlights for Fiscal Years 2021 and 2020**

- At June 30, 2021, the Authority's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$140 million (net position), which is an increase of \$2.7 million or 1.9% over the 2020 fiscal year-end balance of \$137 million.

The increase is primarily due to capital assets, depreciable, net growth, \$20.7 million or 20.7%.

The growth represents completed assets placed in service from the large-scale facilities improvement projects at the Authority's three Treatment Plants, Coastal, Project Committee (PC) 15, \$11.9 million, Regional, PC 17, \$8.1 million, and JB Latham, PC 2, \$6.5 million.

	<b>Capital Assets, depreciable</b>			
	<b>2021</b>			
	Balance July 1, 2020	Additions	Balance June 30, 2021	% Change
Capital assets, depreciable	\$312,958,179	\$28,344,893	\$341,303,072	9.1%
Accumulated depreciation	(212,978,555)	(7,601,480)	(220,580,035)	3.6%
Capital assets, depreciable, net	\$99,979,624	\$20,743,413	\$120,723,037	20.7%

- Offsetting the increase in the current year capital assets, depreciable, net were reductions in cash and construction-in-progress (CIP).

Cash decreased, \$7.2 million or 32%, due to progress on large capital projects.

CIP decreased \$5.7 million or 24%, due to completed assets, \$28.3 million, exceeding expenditures on in-process work, \$22.7 million.

	<b>Construction-in-progress (CIP)</b>					
	<b>2021</b>					
	Balance July 1, 2020	Expenditures	Assets in-service	Balance June 30, 2021	Change + / (-)	% Change
CIP	\$23,272,061	\$22,687,761	(\$28,344,893)	\$17,614,929	(\$5,657,132)	-24.3%

**South Orange County Wastewater Authority  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2021 and 2020**

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- Other offsets to the current year increase in total assets and deferred outflows growth of \$8.2 million or 4.9% were increased current liabilities, a growth of \$4.6 million or 18%, and increased deferred inflows, \$890 thousand or 56%.

Accounts payable increased \$2.4 million or 67%, primarily due to the timing of completed work or receipts of purchased items.

Due to member agencies increased \$2.4 million or 147%; a cash return on both open and closed capital projects due to changes in scope or schedule.

The change in deferred inflows is primarily Other Post Employment Benefits (OPEB) related.

- At June 30, 2020, the Authority's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$137 million (net position), which is an increase of \$6.5 million or 5.0% over the 2019 fiscal year-end balance of \$131 million.

The increase is primarily due to CIP growth, \$10.9 million or 89%. The growth represents progress on facilities improvement projects at the Authority's three Treatment Plants, JB Latham, PC2, \$5.0 million, Coastal, PC 15, \$2.7 million and Regional, PC 17, secondary electrical system rerouting project, \$2.4 million.

Offsetting the increase in CIP is a \$3.9 million or 3.8% decrease in capital assets, depreciable, net. Accumulated depreciation exceeded acquisitions due to schedule changes on completion of capital projects.

- At June 30, 2020, cash increased \$1.5 million or 7.2% primarily due to COVID-19 related work delays on small capital projects and non-capital tasks.
- Fiscal year 2020 Inventories of standby spare parts were consumed and/or reclassified to capital assets based on a technical review.

**South Orange County Wastewater Authority  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2021 and 2020**

Net Pension Liability Fiscal Year Ended June 30

Description	2021	2020	2019	Change between 2021 and 2020	
				\$ +/-	% Change
Measurement date	6/30/2020	6/30/2019	6/30/2018		
Total pension liability	(\$59,026,089)	(\$55,450,648)	(\$52,230,824)	(\$3,575,441)	6.4%
Fiduciary net position	43,498,406	41,089,097	39,044,508	2,409,309	5.9%
Net pension (liability)	(\$15,527,683)	(\$14,361,551)	(\$13,186,316)	(\$1,166,132)	8.1%
% Funded	73.7%	74.1%	74.8%	-0.4%	

- Net pension liability, \$15.5 million, increased by \$1.2 million or 8.1% in the current year primarily due to the Risk Pool's asset loss in 2020, 4.7% return on investments vs. targeted 7.15%. (The target rate is before administrative expenses.)
- Fiscal year 2020 net pension liability, \$14.4 million, increased by \$1.2 million or 8.9% primarily due to CalPERS method change.

Net OPEB (Retiree Health) Liability Fiscal Year Ended June 30

Description	2021	2020	2019	Change between 2021 and 2020	
				\$ +/-	% Change
Measurement date	6/30/2021	6/30/2020	6/30/2019		
Total OPEB Liability	(\$10,799,701)	(\$10,959,190)	(\$9,885,778)	\$159,489	-1.5%
Fiduciary net position	6,657,222	5,270,639	5,137,817	1,386,583	26.3%
Net OPEB (liability)	(\$4,142,479)	(\$5,688,551)	(\$4,747,961)	\$1,546,072	-27.2%
% Funded	61.6%	48.1%	52.0%	13.5%	

- Net OPEB (Retiree Health) Liability decreased by \$1.5 million or 27.2% in the current year due to Public Agency Retirement Services (PARS) earnings of \$1.4 million or 26.3% growth, lower healthcare costs, change in the employee population mix, and change in actuarial assumptions.
- At June 30, 2020, Net OPEB liability, \$5.7 million, increased \$941 thousand or 19.8% because the discount rate was reduced from 7% to 6.5%, \$475 thousand, and the accrual of employee's normal costs for one year, \$466 thousand.

**South Orange County Wastewater Authority  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2021 and 2020**

- At June 30, 2021, the Authority's pension related deferred outflows net of contributions made after measurement date were \$3.3 million and deferred inflows were \$771 thousand.

**Deferred Outflows/Inflows Balances at June 30, 2021**

	Deferred Outflows of Resources	Deferred Inflows of Resources
■ Differences between expected and actual experience *	\$ 800,187	-
■ Changes of assumptions *	-	(110,750)
■ Net differences between projected and actual earnings on plan investments *	461,274	-
■ Change in employer's proportion **	396,504	(15,676)
■ Differences between the employer's contributions and the employer's proportionate share of contributions***	-	(644,861)
■ Pension contributions subsequent to measurement date	1,620,095	-
■ Total	<u>3,278,060</u>	<u>(771,287)</u>

- At June 30, 2021, the Authority's OPEB related deferred outflows were \$592 thousand and deferred inflows were \$1.7 million.

**OPEB Related Deferred Outflows/Inflows Balances at June 30, 2021**

As of fiscal year ending June 30, 2021	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 0	\$ (940,705)
Changes in assumptions	591,534	0
Net difference between projected and actual earnings in OPEB plan investments	0	(756,400)
<b>Total</b>	<b>\$ 591,534</b>	<b>\$ (1,697,105)</b>

**South Orange County Wastewater Authority  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2021 and 2020**

**Net Position**

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

**Condensed Statement of Net Position**

	Fiscal Year 6/30/2021	Fiscal Year 6/30/2020	Fiscal Year 6/30/2019	Change between 2021 and 2020		Change between 2020 and 2019	
				\$ +/-	% Change	\$ +/-	% Change
Current Assets	\$16,740,023	\$23,520,569	\$22,755,001	(\$6,780,546)	-28.8%	\$765,568	3.4%
Non-Current Assets:							
Capital Assets not being depreciated	32,017,153	37,674,285	26,740,102	(5,657,132)	-15.0%	10,934,183	40.9%
Capital Assets, net	120,723,037	99,979,624	103,900,486	20,743,413	20.7%	(3,920,862)	-3.8%
<b>Total Capital Assets</b>	<b>152,740,190</b>	<b>137,653,909</b>	<b>130,640,588</b>	<b>15,086,281</b>	<b>11.0%</b>	<b>7,013,321</b>	<b>5.4%</b>
<b>Total Assets</b>	<b>169,480,213</b>	<b>161,174,478</b>	<b>153,395,589</b>	<b>8,305,734</b>	<b>5.2%</b>	<b>7,778,890</b>	<b>5.1%</b>
GASB 68-Deferred Outflows	3,278,060	3,355,343	3,475,719	(77,283)	-2.3%	(120,376)	-3.5%
GASB 75-Deferred Outflows	591,534	646,800	82,055	(55,266)	-8.5%	564,745	688.3%
Current Liabilities	10,463,451	5,783,849	6,041,550	4,679,602	80.9%	(257,701)	-4.3%
Non-Current Liabilities	20,287,998	20,348,151	18,200,914	(60,153)	-0.3%	2,147,237	11.8%
<b>Total Liabilities</b>	<b>30,751,449</b>	<b>26,132,000</b>	<b>24,242,464</b>	<b>4,619,449</b>	<b>17.7%</b>	<b>1,889,536</b>	<b>7.8%</b>
GASB 68-Deferred Inflows	771,287	1,167,555	1,078,306	(396,268)	-33.9%	89,249	8.3%
GASB 75-Deferred Inflows	1,697,105	411,253	646,185	1,285,852	312.7%	(234,932)	-36.4%
Net Position:							
Net Investment in Capital Assets	152,740,190	137,653,909	130,640,588	15,086,281	11.0%	7,013,321	5.4%
Unrestricted (deficit)	(12,610,224)	(188,096)	345,820	(12,422,128)	6604.1%	(533,916)	-154.4%
<b>Total Net Position</b>	<b>\$140,129,966</b>	<b>\$137,465,813</b>	<b>\$130,986,408</b>	<b>\$2,664,153</b>	<b>1.9%</b>	<b>\$6,479,405</b>	<b>4.9%</b>

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$140 million, \$137.5 million, and \$131 million as of June 30, 2021, 2020, and 2019, respectively.

The net position unrestricted deficit, \$12.6 million, increased \$12.4 million in the current year primarily due to the Authority's total liabilities, \$30.8 million, which includes the net pension liability, \$15.5 million, and net OPEB liability, \$4.1 million.

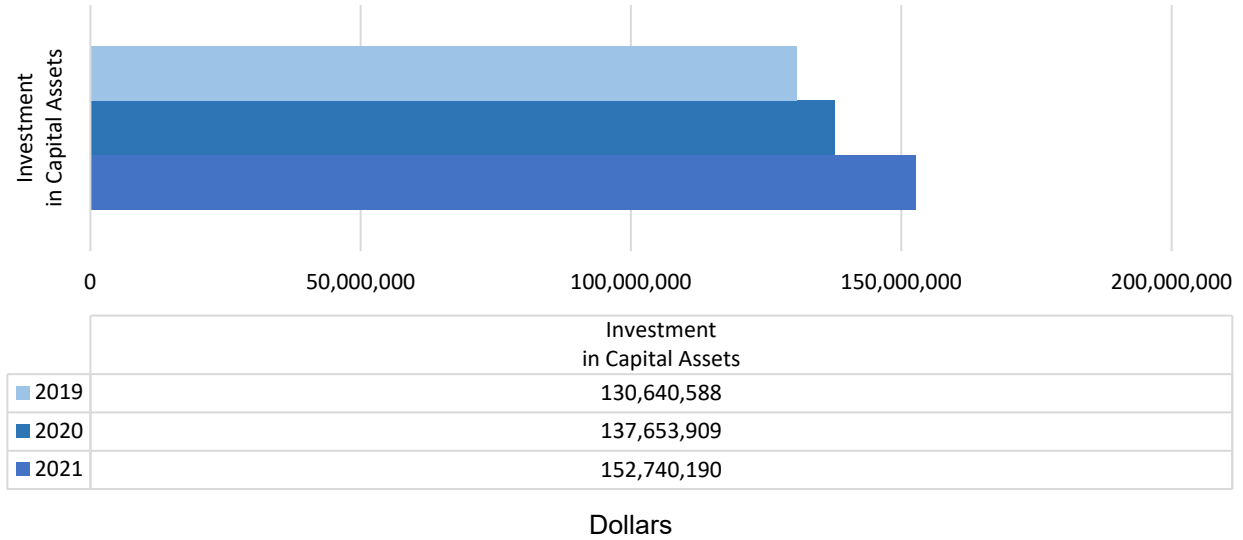
At the end of fiscal year 2020, the Authority returned to a deficit balance in net position unrestricted, \$188 thousand, due to an increase in non-current liabilities, \$2.1 million or 11.8% as discussed above.

The fiscal year 2019 unrestricted net position, \$346 thousand, was positive because of large amounts of cash-on-hand to fund capital projects; which offset the long-term liabilities.

**South Orange County Wastewater Authority  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2021 and 2020**

The largest portions of the Authority's net position (109.0%, 100.1% and 99.7% as of June 30, 2021, 2020, and 2019, respectively) reflects the Authority's net investment in capital assets. The Authority uses these capital assets to provide services to Member Agencies communities within the Authority's service area.

**SOCWA Capital Assets  
June 30, 2021, 2020 and 2019**



**Change in Net Position**

	June 30			Change between 2021 and 2020	% Change +/-	Change between 2020 and 2019	% Change +/-
	2021	2020	2019				
Beginning Net Position	\$137,465,813	\$130,986,408	\$127,152,449	\$6,479,405	4.9%	\$3,833,959	3.0%
Income/(Loss) before contributions	(9,018,003)	(8,301,604)	(7,040,249)	(716,399)	8.6%	(\$1,261,355)	17.9%
Capital contributions	11,682,156	14,781,009	10,874,208	(3,098,853)	-21.0%	3,906,801	35.9%
Change in net position	2,664,153	6,479,405	3,833,959	(3,815,252)	-58.9%	2,645,446	69.0%
Ending Net Position	<u>\$140,129,966</u>	<u>\$137,465,813</u>	<u>\$130,986,408</u>	<u>\$2,664,153</u>	1.9%	<u>\$6,479,405</u>	4.9%

The Authority is a non-profit organization; the change in net position is due to capital contributions from member agencies within the Joint Powers Authority (JPA) structure.

**South Orange County Wastewater Authority  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2021 and 2020**

**Capital Assets**

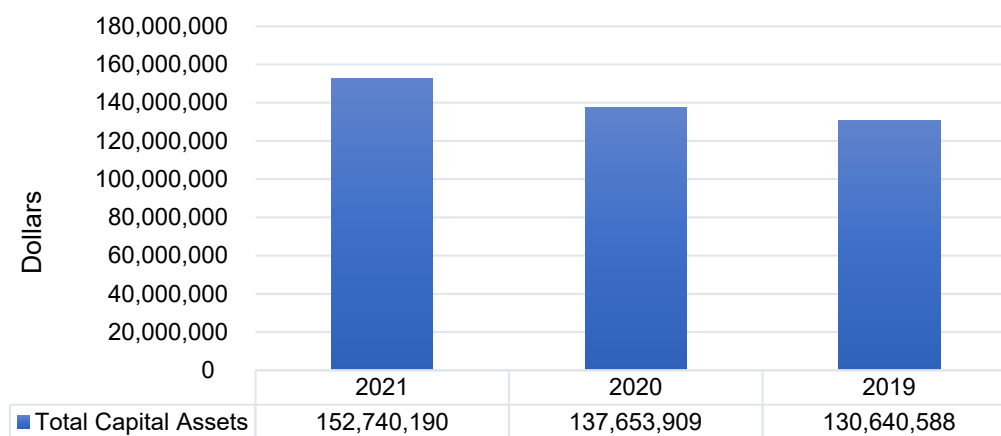
At the end of fiscal years 2021, 2020 and 2019, the Authority's capital assets amounted to \$152.7 million, \$137.7 million, and \$130.6 million, respectively, (net of accumulated depreciation). Capital assets include land, construction-in-progress, buildings, building improvements, computer hardware and software, furniture and fixtures, infrastructure, machinery and equipment, and vehicles.

Changes in capital assets were as follows:

	June 30			Change		Change	
	2021	2020	2019	between 2021 and 2020	% Change	between 2020 and 2019	% Change
<b>Capital assets, not depreciated:</b>							
Land	\$ 14,402,224	\$ 14,402,224	\$ 14,402,224				
Construction in Progress	17,614,929	23,272,061	12,337,878	\$ (5,657,132)	-24.3%	\$ 10,934,183	88.6%
Total Capital assets, not depreciated	32,017,153	37,674,285	26,740,102	(5,657,132)	-15.0%	10,934,183	40.9%
<b>Capital assets, being depreciated:</b>							
Capital Assets, gross	341,303,072	312,958,179	309,716,685	28,344,893	9.1%	3,241,494	1.0%
Accumulated depreciation	(220,580,035)	(212,978,555)	(205,816,199)	(7,601,480)	3.6%	(7,162,356)	3.5%
Total Capital assets, being depreciated	120,723,037	99,979,624	103,900,486	20,743,413	20.7%	(3,920,862)	-3.8%
<b>Total Capital Assets</b>	<b>\$152,740,190</b>	<b>\$137,653,909</b>	<b>\$130,640,588</b>	<b>\$ 15,086,281</b>	<b>11.0%</b>	<b>\$ 7,013,321</b>	<b>5.4%</b>
Accumulated depreciation % Capital Assets, gross	64.6%	68.1%	66.5%				

- Capital assets, being depreciated, increased \$20.7 million or 20.7% due to completed assets placed in service from the large-scale facilities improvement projects at the three treatment plants.
- Accumulated depreciation % capital assets, gross, decreased to 64.6% from a high of 68.1% due to the new acquisitions.
- At June 30, 2020, total capital assets spiked due to facilities improvement projects and Export Sludge System project preparations.
- Additional information on the Authority's capital assets is provided in Note 4, Capital Assets, of the financial statements.

**Total Capital Assets**



**Fiscal Year Ended June 30**



**South Orange County Wastewater Authority  
Management’s Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2021 and 2020**

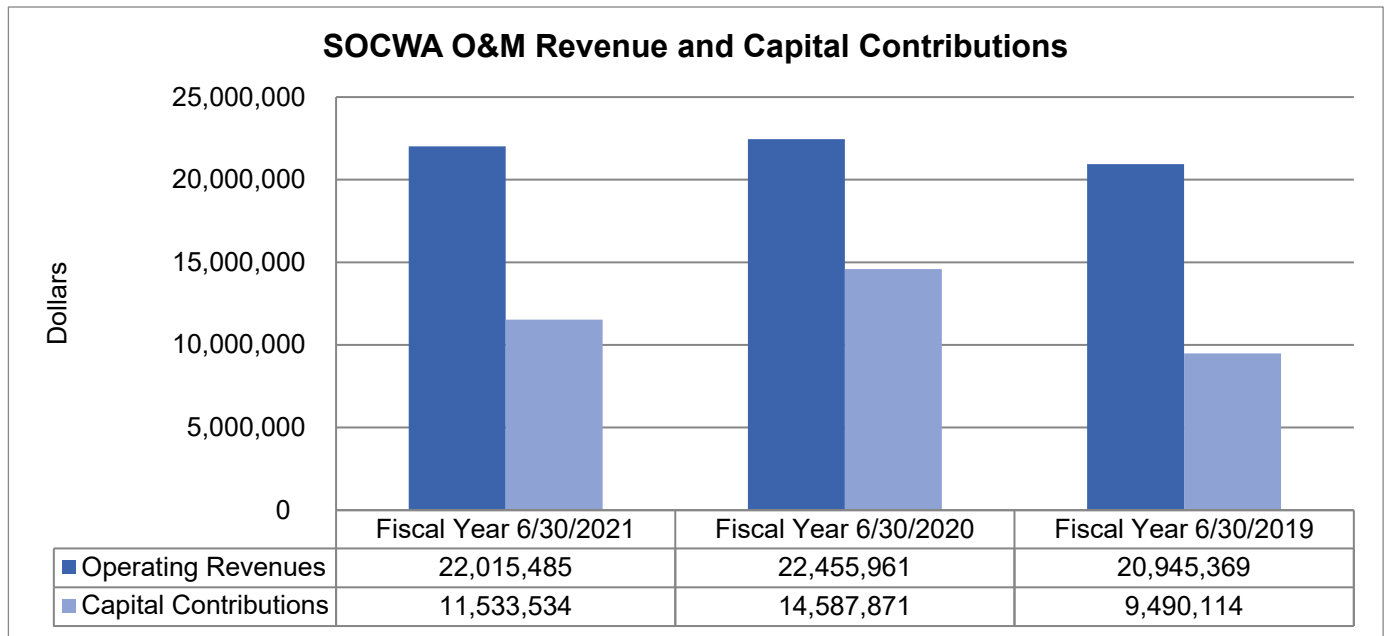
**Revenues**

The principal operating revenues of SOCWA are charges to the Member Agencies for services. Operating revenue for fiscal year 2021 was \$22 million, down \$440 thousand or 2% from 2020 operating revenue of \$22.5 million primarily due to cost control measures implemented because of the COVID19 pandemic.

Fiscal year 2020 operating revenue was \$22.5 million, up \$1.5 million, or 7.2% from 2019 operating revenue of \$20.9 million primarily due to normal inflation and some unanticipated operating costs.

Capital contributions in the current year was \$11.5 million, down \$3.1 million or 20.9% from fiscal year 2020 contributions of \$14.6 million. The change is due to progress and some completions, on facilities improvement projects at the three treatment plants.

Fiscal Year 2020 Capital contributions, \$14.6 million, increased \$5.1 million or 53.7% from fiscal year 2019 contributions of \$9.5 million primarily due to progress on Facilities Improvements projects, and the Export Sludge System project preparations.



**South Orange County Wastewater Authority  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2021 and 2020**

	<b>Revenues</b>						
	June 30			Change between 2021 and 2020	% Change + / (-)	Change between 2020 and 2019	% Change + / (-)
	2021	2020	2019				
<b>Operating Revenues:</b>							
O&M Member Agency Assessments	\$22,015,485	\$22,455,961	\$20,945,369	(\$440,476)	-2.0%	\$1,510,592	7.2%
<b>Non-Operating Revenues</b>							
Interest Income <sup>1</sup>	86,258	488,972	363,429	(402,714)	-82.4%	\$125,543	34.5%
Other Income	8,248	35,274	17,858	(27,026)	-76.6%	17,416	97.5%
<b>Total Non-Operating Revenues</b>	<b>94,506</b>	<b>524,246</b>	<b>381,287</b>	<b>(429,740)</b>	<b>-82.0%</b>	<b>142,959</b>	<b>37.5%</b>
<b>Capital Contributions</b>							
Capital Contributions <sup>2</sup>	11,533,533	14,587,871	9,490,114	(3,054,338)	-20.9%	5,097,757	53.7%
Grant Revenue <sup>3</sup>	148,623	193,138	1,384,094	(44,515)	-23.0%	(1,190,956)	-86.0%
<b>Total Capital Contributions</b>	<b>11,682,156</b>	<b>14,781,009</b>	<b>10,874,208</b>	<b>(3,098,853)</b>	<b>-21.0%</b>	<b>3,906,801</b>	<b>35.9%</b>
<b>Total Revenues</b>	<b>\$33,792,147</b>	<b>\$37,761,216</b>	<b>\$32,200,864</b>	<b>(\$3,969,069)</b>	<b>-10.5%</b>	<b>\$5,560,352</b>	<b>17.3%</b>

<sup>1</sup>Interest income, \$86 thousand, decreased \$403 thousand or 82.4% in the current year due to reduced cash requirements for capital projects.  
Fiscal year 2020 interest income increased \$126 thousand due to cash-on-hand to fund capital projects.

<sup>2</sup>Capital Contributions, \$11.5 million, decreased \$3.1 million, or 20.9% in the current year due to progress and some completions on facilities improvement projects.

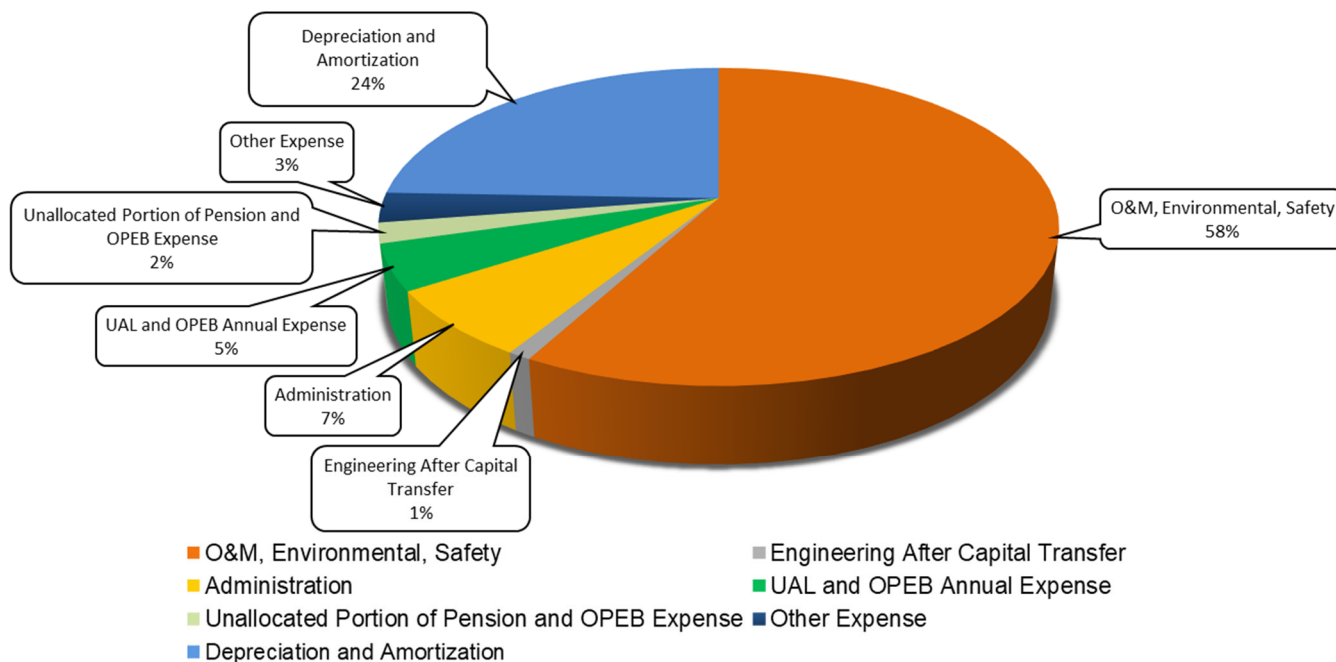
Fiscal year 2020 capital contributions, \$14.6 million, increased \$5.1 million or 54% due to large-scale facilities improvement projects at the three treatment plants.

<sup>3</sup>So. Calif. Edison and SDG&E grants for Co-Gen projects; energy generation. The amounts vary based on qualified expenditures.

**South Orange County Wastewater Authority  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2021 and 2020**

**Expenses**

For the Year Ended June 30, 2021



	<b>Expenses</b>			Change between 2021 and 2020	% Change +/(-)	Change between 2020 and 2019	% Change +/(-)
	June 30	2021	2020				
<b>Operating Expenses:</b>							
O&M, Environmental, Safety	\$18,026,588	\$18,500,935	\$17,558,573	(\$474,347)	-2.6%	\$942,363	5.4%
Engineering After Capital Transfer	293,908	395,760	457,175	(101,852)	-25.7%	(61,415)	-13.4%
Administration	2,161,324	2,359,762	2,360,182	(198,438)	-8.4%	(421)	0.0%
UAL and OPEB Annual Expense	1,457,381	-	-	1,457,381	100.0%	-	0.0%
Unallocated Portion of Pension and OPEB Expense	642,193	1,525,773	569,469	(883,580)	-57.9%	956,304	167.9%
Other Expense	945,120	1,337,225	558,258	(392,105)	-29.3%	778,968	139.5%
Depreciation and Amortization	7,601,480	7,162,356	6,863,249	439,124	6.1%	299,107	4.4%
<b>Total Operating Expenses</b>	<b>\$31,127,994</b>	<b>\$31,281,811</b>	<b>\$28,366,905</b>	<b>(\$153,817)</b>	<b>-0.5%</b>	<b>\$2,914,906</b>	<b>10.3%</b>

<sup>1</sup>O&M 2021 decrease of \$474 thousand or 2.6% is primarily due to cost control measures related to the COVID-19 pandemic and the removal of the Unfunded Accrued Pension Liability (UAL) and OPEB annual expense from the fringe pool. Fiscal year 2020 O&M increase, \$942 thousand, is primarily normal inflation.

<sup>2</sup>UAL and OPEB Annual Expense, \$1.5 million, were removed from the fringe pool in fiscal year 2020-21 and allocated to Member Agencies based on a Board Approved Actuarial Methodology; all departmental expenses were reduced because of this change.

<sup>3</sup>Unallocated portion of Pension and OPEB expense reflects the change in the UAL and the Unfunded OPEB Liability.

**South Orange County Wastewater Authority  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2021 and 2020**

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

	Fiscal Year 6/30/2021	Fiscal Year 6/30/2020	Fiscal Year 6/30/2019	Change between 2021 and 2020		Change between 2020 and 2019	
				\$ +/-	% Change	\$ +/-	% Change
<b>Operating Revenues</b>							
O&M Member Agency Assessments	\$22,015,485	\$22,455,961	\$20,945,369	(\$440,476)	-2.0%	\$1,510,593	7.2%
Operating Expenses <sup>1</sup>	23,526,514	24,119,455	21,503,657	(592,941)	-2.5%	2,615,798	12.2%
Depreciation Expense	7,601,480	7,162,356	6,863,249	439,124	6.1%	299,108	4.4%
Non-Operating Expenses/(Income) <sup>2</sup>	(94,506)	(524,246)	(381,288)	429,740	-82.0%	(142,958)	37.5%
<b>Total Expenses</b>	<b>31,033,488</b>	<b>30,757,564</b>	<b>27,985,617</b>	<b>275,924</b>	<b>0.9%</b>	<b>2,771,947</b>	<b>9.9%</b>
Capital Contributions <sup>3</sup>	11,682,156	14,781,009	10,874,208	(3,098,853)	-21.0%	3,906,802	35.9%
<b>Current Year Change in Net Position<sup>4</sup></b>	<b>\$2,664,153</b>	<b>\$6,479,405</b>	<b>\$3,833,959</b>	<b>(\$3,815,252)</b>	<b>-58.9%</b>	<b>\$2,645,447</b>	<b>69.0%</b>
Beginning Net Position (Restated)	\$137,465,813	\$130,986,408	\$127,152,449	\$6,479,405	4.9%	\$3,833,959	3.0%
Add Current Year Change	2,664,153	6,479,405	3,833,959	(3,815,252)	-58.9%	2,645,446	69.0%
Net Position before extraordinary items	\$140,129,966	\$137,465,813	\$130,986,408	\$2,664,153	1.9%	\$6,479,405	4.9%
<b>Ending Net Position</b>	<b>\$140,129,966</b>	<b>\$137,465,813</b>	<b>\$130,986,408</b>	<b>\$2,664,153</b>	<b>1.9%</b>	<b>\$6,479,405</b>	<b>4.9%</b>

<sup>1</sup>Operating expense, \$23.5 million, decreased \$593 thousand or 2.5% in the current year primarily due to cost control measures implemented because of the COVID19 pandemic.

<sup>2</sup>Other Income, primarily interest income, \$95 thousand, decreased \$430 thousand or 82% because of a reduction in cash requirements for capital projects.

Fiscal year 2020 other income, \$524 thousand, increased \$143 thousand or 38%, due to interest income on deposits for capital projects.

<sup>3</sup>Capital Contributions, \$11.7 million, decreased \$3.1 million or 21% in the current year due to progress on facilities improvement projects.

Fiscal year 2020 Capital Contributions, \$14.8 million, increased \$3.9 million or 36% due to facilities improvements projects and export sludge system project preparations.

<sup>4</sup>Net Position change current year, \$2.7 million, decreased \$3.8 million or 59% primarily due to capital contributions requirements change.

Fiscal year 2020 Net Position change, \$6.5 million, increased \$2.6 million or 69% primarily due to capital contributions on facilities improvement projects.

**South Orange County Wastewater Authority  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2021 and 2020**

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**Debt Administration**

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

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

The Board of Directors adopted the Authority's 2021-2022 budget on June 3, 2021. The approval of the budget provides funding for the Authority's operating and capital costs for the 2021-2022 fiscal year.

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

**Requests for Information**

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

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## ***Financial Statements***

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**South Orange County Wastewater Authority**  
**Statements of Net Position**  
**June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments (Note 3)	\$ 15,190,921	\$ 22,361,420
Receivables:		
Accounts	59,478	49,286
Due from Member Agencies	1,280,615	870,004
Interest	10,300	83,920
Total receivable, net	<u>1,350,393</u>	<u>1,003,210</u>
Prepaid items	198,709	155,939
<b>Total current assets</b>	<u>16,740,023</u>	<u>23,520,569</u>
<b>Noncurrent asset:</b>		
Capital assets, nondepreciable (Note 4)	32,017,153	37,674,285
Capital assets, depreciable, net (Note 4)	<u>120,723,037</u>	<u>99,979,624</u>
<b>Total non-current assets</b>	<u>152,740,190</u>	<u>137,653,909</u>
<b>Total assets</b>	<u>169,480,213</u>	<u>161,174,478</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions related deferred outflows of resources	3,278,060	3,355,343
OPEB related deferred outflows of resources	<u>591,534</u>	<u>646,800</u>
<b>Total deferred outflows of resources</b>	<u>3,869,594</u>	<u>4,002,143</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	5,882,659	3,530,550
Due to Member Agencies	4,096,390	1,656,822
Accrued payroll and related liabilities	224,996	160,049
Compensated absences - due within one year (Note 5)	<u>259,406</u>	<u>436,428</u>
<b>Total current liabilities</b>	<u>10,463,451</u>	<u>5,783,849</u>
<b>Noncurrent liabilities:</b>		
Compensated absences - due in more than one year (Note 5)	617,836	298,049
Net other postemployment benefits liability (Note 6)	4,142,479	5,688,551
Net pension liability (Note 7)	<u>15,527,683</u>	<u>14,361,551</u>
<b>Total noncurrent liabilities</b>	<u>20,287,998</u>	<u>20,348,151</u>
<b>Total liabilities</b>	<u>30,751,449</u>	<u>26,132,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions related deferred inflows of resources	771,287	1,167,555
OPEB related deferred inflows of resources	<u>1,697,105</u>	<u>411,253</u>
<b>Total deferred inflows of resources</b>	<u>2,468,392</u>	<u>1,578,808</u>
<b>NET POSITION</b>		
Investment in capital assets	152,740,190	137,653,909
Unrestricted (deficit)	<u>(12,610,224)</u>	<u>(188,096)</u>
<b>Total net position</b>	<u>\$ 140,129,966</u>	<u>\$ 137,465,813</u>

See accompanying Notes to the Financial Statements.

**South Orange County Wastewater Authority**  
**Statements of Revenues, Expenses, and Change in Net Position**  
**For the Years Ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>OPERATING REVENUES:</b>		
O&M Member Agency Assessments :		
City of Laguna Beach	\$ 2,631,349	\$ 3,712,839
City of San Clemente	172,941	155,766
City of San Juan Capistrano	2,134,243	2,198,165
Emerald Bay Service District	166,819	149,324
El Toro Water District	883,973	937,053
Irvine Ranch Water District	167,760	160,524
Moulton Niguel Water District	9,259,287	8,993,369
South Coast Water District	3,857,757	3,736,264
Santa Margarita Water District	2,671,575	2,357,682
Trabuco Canyon Water District	69,781	54,975
Total O&M Member Agency Assessments	22,015,485	22,455,961
<b>Total Operating Revenues</b>	22,015,485	22,455,961
<b>OPERATING EXPENSES:</b>		
O&M, Environmental, Compliance and Safety	18,026,588	18,500,935
Engineering after capital transfer	293,908	395,760
Administration	2,161,324	2,359,762
Unallocated portion of pension and OPEB expense	2,099,574	1,525,773
Other expense	945,120	1,337,225
Depreciation and amortization	7,601,480	7,162,356
<b>Total Operating Expenses</b>	31,127,994	31,281,811
<b>Operating (Loss)</b>	(9,112,509)	(8,825,850)
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest income	86,258	488,972
Other revenues	156,871	228,412
<b>Total Non-Operating Revenue</b>	243,129	717,384
<b>CAPITAL CONTRIBUTIONS FROM MEMBER AGENCIES:</b>		
Member Agency Assessments:		
City of Laguna Beach	1,492,976	2,037,256
City of San Clemente	217,472	13,298
City of San Juan Capistrano	2,235,172	1,208,118
Emerald Bay Service District	120,325	155,641
El Toro Water District	(146,180)	498,765
Irvine Ranch Water District	47,159	180,705
Moulton Niguel Water District	2,283,485	6,978,710
South Coast Water District	3,065,431	2,631,719
Santa Margarita Water District	2,217,693	883,659
Total Member Agency Assessments	11,533,533	14,587,871
<b>Total Capital Contributions from Member Agencies</b>	11,533,533	14,587,871
<b>Change in Net Position</b>	2,664,153	6,479,405
<b>NET POSITION:</b>		
Beginning of year	137,465,813	130,986,408
End of year	\$ 140,129,966	\$ 137,465,813

See accompanying Notes to the Financial Statements.

**South Orange County Wastewater Authority**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from Member Agencies	\$ 21,594,682	\$ 22,407,519
Cash payments to vendors and suppliers for operations	(11,699,897)	(15,686,052)
Cash payments to employees for services	(6,227,805)	(6,376,746)
<b>Net cash provided by operating activities</b>	<u>3,666,980</u>	<u>344,721</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Proceeds from other nonoperating revenue	156,871	228,412
<b>Net cash provided by noncapital financing activities</b>	<u>156,871</u>	<u>228,412</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital contributions from Member Agencies	11,533,533	14,587,871
Acquisition of capital assets	(22,687,761)	(14,424,344)
Proceed from sale of capital assets	-	248,667
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(11,154,228)</u>	<u>412,194</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	159,878	518,999
<b>Net cash provided by investing activities</b>	<u>159,878</u>	<u>518,999</u>
<b>Net change in cash and cash equivalents</b>	(7,170,499)	1,504,326
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	22,361,420	20,857,094
End of year	<u>\$ 15,190,921</u>	<u>\$ 22,361,420</u>
<b>RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Net Operating (Loss)	\$ (9,112,509)	\$ (8,825,850)
Adjustments to reconcile net operating (loss ) to net cash provided by operating activities:		
Depreciation	7,601,480	7,162,356
Changes in operating assets and liabilities:		
Accounts receivable	(10,192)	(35,107)
Due from Member Agencies	(410,611)	(13,335)
Inventories	-	701,387
Prepaid items	(42,770)	55,786
Pensions related deferred outflows of resources	77,283	120,376
OPEB related deferred outflows of resources	55,266	(564,745)
Accounts payable	2,352,109	1,549,470
Due to Member Agencies	2,439,568	(1,886,528)
Accrued payroll liabilities	64,947	59,828
Compensated absences	142,765	50,941
Net OPEB liability	(1,546,072)	940,590
Net pension liability	1,166,132	1,175,235
Pensions related deferred inflows of resources	(396,268)	89,249
OPEB related deferred inflows of resources	1,285,852	(234,932)
<b>Net cash provided by operating activities</b>	<u>\$ 3,666,980</u>	<u>\$ 344,721</u>

See accompanying Notes to the Financial Statements.

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## **Notes to the Basic Financial Statements**

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**South Orange County Wastewater Authority**  
**Index to the Notes to the Financial Statements**  
**For the Years Ended June 30, 2021 and 2020**

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

<b>Note 1 - Reporting Entity.....</b>	<b>27</b>
<b>Note 2 - Summary of Significant Accounting Policies .....</b>	<b>27</b>
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**South Orange County Wastewater Authority**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2021 and 2020**

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**Note 1 – Reporting Entity**

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

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

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

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

The Authority is comprised of the following ten member agencies:

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

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

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

**Basis of Presentation**

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

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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

**Deferred Outflows of Resources and Deferred Inflows of Resources**

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

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

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

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

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

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

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

**Cash, Cash Equivalents, and Investments**

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

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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

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

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

**Receivables, Due from Member Agencies, and Allowance for Doubtful Accounts**

Accounts receivable consist of amounts owed by member agencies rendered in the regular course of business operations. All of the Authority’s costs are funded by the member agencies that are served; therefore, SOCWA does not have doubtful accounts. Due from Member Agencies are actual costs that are greater than amounts invoiced based on the annual budget or Capital Projects forecast.

**Inventories**

Inventories of standby spare parts were consumed and/or reclassified to capital asset based on a fiscal year 2020 technical review that determined:

- Repairable spare parts are classified as other non-current assets similar to property, plant and equipment, rather than inventory because such parts are repaired and re-used over a long period of time, between three and ten years, the same period over which such parts are amortized.
- The Authority’s purchased spare parts and standby equipment, once installed, will have a service life that exceeds 1 year.
- The parts are also standalone assets that meet the Authority’s capitalization thresholds.

**Prepaid Items**

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

**Capital Assets**

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

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

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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

**Capital Assets (Continued)**

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

**Compensated Absences**

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

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

**Pensions**

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

For the Year Ended	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Measurement Period	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019

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

**Other Postemployment Benefits**

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

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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

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

The following timeframes are used for OPEB reporting:

For the Year Ended	June 30, 2021	June 30, 2020
Valuation Date	December 31, 2020	January 1, 2019
Measurement Date	June 30, 2021	June 30, 2020
Measurement Period	July 1, 2020 to June 30, 2021	July 1, 2019 to June 30, 2020

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

**Net Position**

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

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

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

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

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

**Basis for Member Assessments**

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

**Use of Estimates**

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

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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

**Implementation of New GASB Pronouncements**

During fiscal year ended June 30, 2021, the Authority implemented the following new GASB pronouncements:

- GASB Statement No. 84 *Fiduciary Activities*. This statement establishes standards relating accounting and financial reporting for identifying and financial reporting of fiduciary activities. Those provisions are effective for reporting periods beginning after December 15, 2019, as amended by GASB Statement No. 95. Application of this statement was effective starting in fiscal year ending June 30, 2021. Application of this statement had no effect on the Authority’s financial statements for the fiscal year ending June 30, 2021.
- GASB Statement No. 90, *Majority Equity Interests*. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. Those provisions are effective for reporting periods beginning after December 15, 2019. Application of this statement had no effect on the Authority’s financial statements for the fiscal year ending June 30, 2021.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Those provision are effective for fiscal years ending after December 15, 2021. The Authority has elected early implementation. Application of this statement did not have a material effect on the Authority’s financial statements for the fiscal year ending June 30, 2021.

**Note 3 – Cash and Investments**

At June 30, 2021 and 2020, the Authority’s cash and investments were comprised of the following:

	<b>June 30, 2021</b>	<b>June 30, 2020</b>
Petty cash	\$ 1,600	\$ 1,600
Demand deposits	1,261,101	2,319,429
Local Agency Investments Fund	13,928,220	20,040,391
Total cash and investments	\$ 15,190,921	\$ 22,361,420

**A. Demand Deposits**

At June 30, 2021 and 2020, the carrying amount of demand deposit was \$1,261,101 and \$2,319,429, respectively. Bank balances at that date were \$1,271,925 and \$2,389,289, the total amount of which was fully insured and/or collateralized with securities held by the pledging financial institutions in the Authority’s name as discussed below.

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

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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

**A. Demand Deposits (Continued)**

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

**B. Investments**

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

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

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

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

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

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

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

As of June 30, 2021 and 2020, the Authority had \$13,928,220 and \$20,040,391 invested in LAIF, which had invested 2.31% and 3.37% of the pool investment funds as of June 30, 2021 and 2020, in Government Securities Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The credit quality rating of LAIF is unrated as of June 30, 2021 and 2020.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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

**D. Fair Value Measurement**

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2021 and 2020, the Authority's investment portfolio consisted of \$13,928,220 and \$20,040,391 invested in the State of California Local Agency Investment Fund, which is valued at amortized cost and "uncategorized" under the fair value hierarchy.

**E. Risk Disclosures**

**Disclosures Relating to Interest Rate Risk**

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

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

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2021 and 2020, the Authority's investment portfolio consisted of \$13,928,220 and \$20,040,391 invested in the State of California Local Agency Investment Fund, which is not rated.

**Disclosures Relating to Custodial Credit Risk**

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



**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

**Note 4 – Capital Assets**

The summary of changes in capital assets for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Transfer	Balance June 30, 2021
<b>Capital assets, not depreciated</b>					
Land	\$ 14,402,224	\$ -	\$ -		\$ 14,402,224
Construction In Progress	23,272,061	22,687,761	-	(28,344,893)	17,614,929
<b>Total capital assets, not depreciated</b>	<b>37,674,285</b>	<b>22,687,761</b>	<b>-</b>	<b>(28,344,893)</b>	<b>32,017,153</b>
<b>Capital assets, being depreciated</b>					
Buildings	10,727,125	-	-	-	10,727,125
Buildings Improvements	8,559,268	-	-	4,625,748	13,185,016
Computer Hardware	1,548,697	-	-	107,246	1,655,943
Computer Software	299,703	-	-	-	299,703
Furniture and Fixtures	160,036	-	-	-	160,036
Infrastructure	160,971,533	-	-	7,567,100	168,538,633
Machinery and Equipment	129,362,893	-	-	15,894,249	145,257,142
Vehicles	1,328,924	-	-	150,550	1,479,474
<b>Total capital assets, being depreciated</b>	<b>312,958,179</b>	<b>-</b>	<b>-</b>	<b>28,344,893</b>	<b>341,303,072</b>
<b>Less accumulated depreciation</b>					
Buildings	(7,397,503)	(173,366)	-	-	(7,570,869)
Buildings Improvements	(3,883,424)	(348,935)	-	-	(4,232,359)
Computer Hardware	(1,018,769)	(192,783)	-	-	(1,211,552)
Computer Software	(152,954)	(25,359)	-	-	(178,313)
Furniture and Fixtures	(160,037)	(4,371)	-	-	(164,408)
Infrastructure	(116,400,295)	(3,133,358)	-	-	(119,533,653)
Machinery and Equipment	(83,097,663)	(3,642,741)	-	-	(86,740,404)
Vehicles	(867,910)	(80,567)	-	-	(948,477)
<b>Total accumulated depreciation</b>	<b>(212,978,555)</b>	<b>(7,601,480)</b>	<b>-</b>	<b>-</b>	<b>(220,580,035)</b>
<b>Total capital assets, being depreciated, net</b>	<b>99,979,624</b>	<b>(7,601,480)</b>	<b>-</b>	<b>28,344,893</b>	<b>120,723,037</b>
<b>Total capital assets, net</b>	<b>\$ 137,653,909</b>	<b>\$ 15,086,281</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 152,740,190</b>

Depreciation expense for the year ended June 30, 2021 was \$7,601,480.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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

The summary of changes in capital assets for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions	Transfer	Balance June 30, 2020
<b>Capital assets, not depreciated</b>					
Land	\$ 14,402,224	\$ -	\$ -		\$ 14,402,224
Construction In Progress	12,337,878	12,976,173	(248,667)	(1,793,323)	23,272,061
<b>Total capital assets, not depreciated</b>	<b>26,740,102</b>	<b>12,976,173</b>	<b>(248,667)</b>	<b>(1,793,323)</b>	<b>37,674,285</b>
<b>Capital assets, being depreciated</b>					
Buildings	10,727,125	-	-	-	10,727,125
Buildings Improvements	8,442,981	-	-	116,287	8,559,268
Computer Hardware	1,488,606	-	-	60,091	1,548,697
Computer Software	299,703	-	-	-	299,703
Furniture and Fixtures	160,036	-	-	-	160,036
Infrastructure	160,102,669	121,277	-	747,587	160,971,533
Machinery and Equipment	127,244,391	1,326,894	-	791,608	129,362,893
Vehicles	1,251,174	-	-	77,750	1,328,924
<b>Total capital assets, being depreciated</b>	<b>309,716,685</b>	<b>1,448,171</b>	<b>-</b>	<b>1,793,323</b>	<b>312,958,179</b>
<b>Less accumulated depreciation</b>					
Buildings	(7,227,137)	(170,366)	-	-	(7,397,503)
Buildings Improvements	(3,498,031)	(385,393)	-	-	(3,883,424)
Computer Hardware	(853,680)	(165,089)	-	-	(1,018,769)
Computer Software	(127,595)	(25,359)	-	-	(152,954)
Furniture and Fixtures	(125,861)	(34,176)	-	-	(160,037)
Infrastructure	(113,400,764)	(2,999,531)	-	-	(116,400,295)
Machinery and Equipment	(79,788,143)	(3,309,520)	-	-	(83,097,663)
Vehicles	(794,988)	(72,922)	-	-	(867,910)
<b>Total accumulated depreciation</b>	<b>(205,816,199)</b>	<b>(7,162,356)</b>	<b>-</b>	<b>-</b>	<b>(212,978,555)</b>
<b>Total capital assets, being depreciated, net</b>	<b>103,900,486</b>	<b>(5,714,185)</b>	<b>-</b>	<b>1,793,323</b>	<b>99,979,624</b>
<b>Total capital assets, net</b>	<b>\$ 130,640,588</b>	<b>\$ 7,261,988</b>	<b>\$ (248,667)</b>	<b>\$ -</b>	<b>\$ 137,653,909</b>

Depreciation expense for the year ended June 30, 2020 was and \$7,162,356.

**Note 5 – Compensated Absences**

The summary of changes in compensated absences for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Classification	
					Current	Long-term
Compensated absences	\$ 734,477	\$ 326,119	\$ (183,354)	\$ 877,242	\$ 259,406	\$ 617,836

The summary of changes in compensated absences for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Classification	
					Current	Long-term
Compensated absences	\$ 683,536	\$ 305,615	\$ (254,674)	\$ 734,477	\$ 436,428	\$ 298,049

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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**Note 6 – Other Postemployment Benefits (“OPEB”)**

**General Information about the OPEB**

*Plan Description and Eligibility*

The Authority provides post-retirement health care benefits to employees who retire from PERS on or after age 50 with at least 5 years of service with the Authority and PERS. (Authority service for employees hired after October 5, 2007). Eligible employees must retire (commence pension payment) with CalPERS within 120 days of separation from service. Eligible retirees receive a similar contribution towards benefits as active employees. Retiree benefits are paid for the lifetime of the retiree, spouse or surviving spouse and to age 26 for dependents. The Authority's plan is a single employer plan that provides post-retirement health care benefits in accordance with the Public Employee's Medical and Hospital Care Act through the PERS health program.

All permanent full-time and part-time employees working at least half-time are offered a choice of medical (including prescription drug coverage) plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). SOCWA currently pays an amount each year that is based on a percentage of the average of all health plans (excluding the PERS Care Plan) made available to SOCWA employees through the CalPERS Health Program. Any premium costs above this amount are paid for by the employee. Alternatively, the employee may elect a cash-in-lieu option of \$300/month but opt back into the health plan at any time before retirement during an enrollment period. SOCWA offers the same medical plans to eligible retirees except once retirees are eligible for Medicare, the retiree must join a Medicare HMO or Supplement Plan with Medicare being the primary payer. Employees hired on or after July 1, 2017 are only eligible for the PEMHCA minimum contribution (\$143 for 2021) and an HSA contribution. For the purposes of GASB 75, only the PEMHCA minimum contribution will be valued for these employees.

*Employees Covered by Benefit Terms*

At the December 31, 2020 and January 1, 2019, valuation date, the following employees were covered by the benefit terms under the OPEB Plan:

	2021	2020
Active employees	61	62
Inactive employees or beneficiaries currently receiving benefits	47	42
Inactive employees entitled to, but not yet receiving benefits	-	-
	108	104

*Contribution*

The Authority currently finances benefits on a pay-as-you-go basis.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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**Note 6 – Other Postemployment Benefits (“OPEB”) (Continued)**

**General Information about the OPEB (Continued)**

**Net OPEB Liability**

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

The December 31, 2020 valuation was rolled forward to determine the June 30, 2021 total OPEB liability, respectively, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal			
Actuarial Assumptions:				
Discount Rate	6.50% Per annum. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.			
Inflation	2.75% per annum			
Salary increases	2.75% per annum, in aggregate			
Pre-retirement Turnover	According to termination rates under the most recent CalPERS pension plan valuation			
Pre-retirement and Post-retirement Mortality;	According to pre-retirement and post-retirement mortality rates and retirement rates under the most recent CalPERS pension plan valuation.			
Retirement Rates				
Dependent Coverage				
Healthcare Trend Rate				
	2021	6.50%	2026	5.25%
	2022	6.25%	2027	5.00%
	2023	6.00%	2028	4.75%
	2024	5.75%	2029+	4.50%
	2025	5.50%		

*Change of Assumption*

For the January 1, 2019 valuation, the discount rate reduced from 7.00 percent to 6.50 percent. For the December 31, 2020 valuation, the discount rate remained at 6.50 percent.

**Total OPEB Liability**

*Long-Term Expected Rate of Return*

The long-term expected rate of return on OPEB plan investment is assumed to be 6.50%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.75%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan’s target asset allocation as of June 30, 2021 and 2020 are summarized in the following table.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

**Note 6 – Other Postemployment Benefits (“OPEB”) (Continued)**

**General Information about the OPEB (Continued)**

**Total OPEB Liability (Continued)**

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

*Discount Rate*

The discount rate used to measure the 2021 and 2020 total OPEB liability were 6.50 percent for both years.

**Change in the Net OPEB Liability**

The following table shows the changes in net OPEB liability recognized over the measurement period of July 1, 2020 to June 30, 2021.

	<b>2021</b>		
	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (c)=(a)-(b)</b>
Balance at June 30, 2020	\$ 10,959,190	\$ 5,270,639	\$ 5,688,551
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	264,352	-	264,352
Interest on the total OPEB liability	710,590	-	710,590
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	297,733	-	297,733
Difference between expected and actual experience	(840,089)	-	(840,089)
Contribution from the employer	-	592,075	(592,075)
Net investment income	-	1,420,672	(1,420,672)
Administrative expenses	-	(34,089)	34,089
Benefit payments	(592,075)	(592,075)	-
<b>Net changes during July 1, 2020 to June 30, 2021</b>	<u>(159,489)</u>	<u>1,386,583</u>	<u>(1,546,072)</u>
<b>Balance at June 30, 2021 (Measurement Date)</b>	<u>\$ 10,799,701</u>	<u>\$ 6,657,222</u>	<u>\$ 4,142,479</u>

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

**Note 6 – Other Postemployment Benefits (“OPEB”) (Continued)**

**Change in the Net OPEB Liability (Continued)**

The following table shows the changes in net OPEB liability recognized over the measurement period of July 1, 2019 to June 30, 2020.

	<b>2020</b>		
	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (c)=(a)-(b)</b>
Balance at June 30, 2019	\$ 9,885,778	\$ 5,137,817	\$ 4,747,961
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	231,479	-	231,479
Interest on the total OPEB liability	692,192	-	692,192
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	607,338	-	607,338
Contribution from the employer	-	457,597	(457,597)
Net investment income	-	163,035	(163,035)
Administrative expenses	-	(30,213)	30,213
Benefit payments	(457,597)	(457,597)	-
<b>Net changes during July 1, 2019 to June 30, 2020</b>	<b>1,073,412</b>	<b>132,822</b>	<b>940,590</b>
<b>Balance at June 30, 2020 (Measurement Date)</b>	<b>\$ 10,959,190</b>	<b>\$ 5,270,639</b>	<b>\$ 5,688,551</b>

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

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage- point higher (7.50 percent) than the current discount rate, for the measurement period ended June 30, 2021:

<b>Measurement Date</b>	<b>Plan’s Net OPEB Liability</b>		
	<b>Discount Rate -1% (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>Discount Rate +1% (7.50%)</b>
	June 30, 2021	\$ 5,344,943	\$ 4,142,479

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage- point higher (8.00 percent) than the current discount rate, for the measurement period ended June 30, 2020:

<b>Measurement Date</b>	<b>Plan’s Net OPEB Liability</b>		
	<b>Discount Rate -1% (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>Discount Rate +1% (8.00%)</b>
	June 30, 2020	\$ 7,559,992	\$ 5,688,551

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

**Note 6 – Other Postemployment Benefits (“OPEB”) (Continued)**

**Change in the Net OPEB Liability (Continued)**

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

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.5 percent) or 1-percentage-point higher (9.5 percent) than the current healthcare cost trend rates, for the measurement period ended June 30, 2021:

Measurement Date	Plan’s Net OPEB Liability		
	Trend -1% 7.50% decreasing to 4.0%	Current Trend Rate 8.50% decreasing to 5.0%	Trend +1% 9.50% decreasing to 6.0%
	June 30, 2021	\$ 2,832,946	\$ 4,142,479

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

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current healthcare cost trend rates, for the measurement period ended June 30, 2020:

Measurement Date	Plan’s Net OPEB Liability		
	Trend -1% 5.0% HMO/5.5% PPO decreasing to 4.0% HMO/4.0% PPO	Current Trend Rate 6.0% HMO/6.5% PPO decreasing to 5.0% HMO/5.0% PPO	Trend +1% 7.0% HMO/7.5% PPO decreasing to 6.0% HMO/6.0% PPO
	June 30, 2020	\$ 4,355,562	\$ 5,688,551

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

For the years ended June 30, 2021 and 2020, the Authority recognized OPEB expense in the amounts of \$387,119 and \$598,510, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 591,534	\$ -	\$ 510,207	\$ -
Difference between projected and actual experience in measurement of the Total OPEB Liability	-	(940,705)	-	(411,253)
Differences between projected and actual earnings on OPEB plan investments	-	(756,400)	136,593	-
Total	\$ 591,534	\$ (1,697,105)	\$ 646,800	\$ (411,253)

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

**Note 6 – Other Postemployment Benefits (“OPEB”) (Continued)**

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

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five-year period. The remaining gains and losses are amortized over the expected average remaining service life. Amount reported as deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

2021		2020	
Year Ending June 30	Deferred Outflows/(Inflows) of Resources	Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2022	\$ (280,413)	2021	\$ 3,216
2023	(93,626)	2022	3,218
2024	(244,517)	2023	190,002
2025	(283,629)	2024	39,111
2026	(67,794)	2025	-
Thereafter	(135,592)	Thereafter	-
Total	<u>\$ (1,105,571)</u>	Total	<u>\$ 235,547</u>

**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description*

The Authority contributes to the California Public Employees’ Retirement System (“CalPERS”), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2019 and 2018 Annual Actuarial Valuation Reports. These reports and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

*Employees Covered by Benefit Terms*

At June 30, 2019 and 2018 valuation dates, the following employees were covered by the benefit terms:

	2019			2018		
	Tier 1	Tier 2	PEPRA	Tier 1	Tier 2	PEPRA
Active employees	20	8	33	24	8	32
Transferred and terminated employees	33	1	2	32	1	2
Separated	18	0	6	20	0	5
Retired Employees and Beneficiaries	77	0	0	71	0	0
Total	<u>148</u>	<u>9</u>	<u>41</u>	<u>147</u>	<u>9</u>	<u>39</u>



**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

**Note 7 – Defined Benefit Pension Plan**

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

*Benefit Provided*

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

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<b>2021</b>		
	<b>Tier 1</b>	<b>Tier 2</b>	<b>PEPRA</b>
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.000%	2.000%	1.000 % to 2.500%
Require employee contribution rates	8.000%	7.000%	6.750%
Required employer contribution rates	12.361%	11.031%	7.732%

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<b>2020</b>		
	<b>Tier 1</b>	<b>Tier 2</b>	<b>PEPRA</b>
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.000%	2.000%	1.000 % to 2.500%
Require employee contribution rates	8.000%	7.000%	6.750%
Required employer contribution rates	11.432%	10.221%	6.985%

*Contributions*

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

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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

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

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

The June 30, 2019 and 2018 valuations were rolled forward to determine the June 30, 2020 and 2019 total pension liabilities, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumption:	
Discount Rate	7.15%
Inflation	2.50
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

<sup>1</sup>The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

*Change of Assumption*

In 2020 and 2019, there were no changes of assumptions. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

*Long-Term Expected Rate of Return*

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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

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

*Long-Term Expected Rate of Return (Continued)*

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

Asset Class <sup>1</sup>	Assumed Asset Allocation	Real Return Years 1-10 <sup>2</sup>	Real Return Years 11+ <sup>3</sup>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

<sup>1</sup>In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>2</sup>An expected inflation of 2.00% used for this period

<sup>3</sup>An expected inflation of 2.92% used for this period

*Discount Rate*

The discount rate used to measure the June 30, 2020 and 2019 total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability of the Plan as of the measurement date at June 30, 2020 and 2019, calculated using the discount rate of 7.15%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Measurement Date	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate	Current Discount	Discount Rate
	-1% (6.15%)	Rate (7.15%)	+1% (8.15%)
June 30, 2020	\$ 23,382,615	\$ 15,527,683	\$ 9,037,399
June 30, 2019	21,819,832	14,361,551	8,205,266

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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

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

*Pension Plan Fiduciary Net Position*

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

*Proportionate Share of Net Pension Liability and Pension Expense*

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement periods:

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at: 6/30/19 (Valuation date)	\$ 55,450,648	\$ 41,089,097	\$ 14,361,551
Balance at: 6/30/20 (Measurement date)	59,026,089	43,498,406	15,527,683
Net Changes during 2019-2020	3,575,441	2,409,309	1,166,132
Balance at: 6/30/18 (Valuation date)	\$ 52,230,824	\$ 39,044,508	\$ 13,186,316
Balance at: 6/30/19 (Measurement date)	55,450,648	41,089,097	14,361,551
Net Changes during 2018-2019	3,219,824	2,044,589	1,175,235

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement periods ended June 30, 2020 and 2019, respectively.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2019 and 2018). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2020 and 2019). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2020 and 2019 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2019-2020 and 2018-2019).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan’s share of the actuarial accrued liability. FNP is allocated based on the rate plan’s share of the market value assets.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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

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

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

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

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

The Authority’s proportionate share of the net pension was as follows:

2021		2020	
Measurement Date		Measurement Date	
June 30, 2019	0.14015%	June 30, 2018	0.13684%
June 30, 2020	0.14271%	June 30, 2019	0.14015%
Change - Increase (Decrease)	0.00256%	Change - Increase (Decrease)	0.00331%

For the year ended June 30, 2021 and 2020, the Authority recognized pension expense in the amounts of \$2,467,242 and \$2,825,868, respectively

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the measurement date ended June 30, 2020 and 2019 are both 3.8 years, which was obtained by dividing the total service years of 548,581 and 530,470 (the sum of remaining service lifetimes of the active employees) by 145,663 and 140,593 (the total number of participants: active, inactive, and retired), respectively.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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

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

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

At June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 1,620,095	\$ -	\$ 1,441,008	\$ -
Changes of assumptions	-	(110,750)	684,825	(242,765)
Difference between expected and actual experience	800,187	-	997,470	(77,284)
Projected earnings on pension plan investments under/(in excess of) actual earnings	461,274	-	-	(251,084)
Adjustment due to differences in proportions	396,504	(15,676)	232,040	(35,269)
Employer's actual contributions in excess of/(under) employer's proportionate share of contribution	-	(644,861)	-	(561,153)
<b>Total</b>	<b>\$ 3,278,060</b>	<b>\$ (771,287)</b>	<b>\$ 3,355,343</b>	<b>\$ (1,167,555)</b>

Deferred outflows of resources related to pensions resulting from the Authority's contributions made subsequent to the measurement date in the amount of \$1,620,095 and \$1,441,008 will be recognized as a reduction of the collective net pension liability in the years ending June 30, 2022 and 2021, respectively.

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

	2021		2020	
	Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources Miscellaneous	Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources Miscellaneous
2022	\$	9,244	2021	\$ 846,997
2023		354,164	2022	(244,839)
2024		302,031	2023	93,886
2025		221,239	2024	50,736
2026		-	2025	-
Thereafter		-	Thereafter	-
		<b>\$ 886,678</b>		<b>\$ 746,780</b>

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2021 and 2020**

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**Note 8 – Risk Management**

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

At June 30, 2020, the Authority's participation in the insurance with California Sanitation Risk Management Authority, CSRMA, a pooled liability program, was as follows:

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

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

For property and pooled liability insurance, the premiums paid fiscal year ended June 30, 2021 and 2020 totaled \$276,867 and \$261,406, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 9 – Commitment and Contingencies**

**A. Commitments**

The Authority had several outstanding or planned construction and other projects as of June 30, 2021 and 2020. These projects are evidenced by contractual commitments within engineering related services and the outstanding balance as of June 30, 2021 and 2020 was \$19,963,209 and \$28,898,000, respectively.

**Note 10 – Subsequent Event**

The City of San Juan Capistrano, CA (CSJC) has divested its drinking water and wastewater utility. On November 15, 2021, Santa Margarita Water District (SMWD) will begin providing water and wastewater services to all residents and businesses in San Juan Capistrano. The Authority expects no change in its revenue stream.

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***Required Supplementary Information (Unaudited)***

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**South Orange County Wastewater Authority**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2021 and 2020**

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Last Ten Fiscal Years

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

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

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is available for periods after GASB 68 implementation in 2013-14. Additional years' information will be displayed as it becomes available.

**South Orange County Wastewater Authority**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2021 and 2020**

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Last Ten Fiscal Years

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

For the measurement date:	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Authority's proportion of the net pension liability/(asset)	<u>0.13684%</u>	<u>0.14015%</u>	<u>0.14271%</u>
Authority's proportionate share of the net pension liability/(asset)	<u>\$ 13,186,316</u>	<u>\$ 14,361,551</u>	<u>\$ 15,527,683</u>
Authority's covered payroll	<u>\$ 6,083,399</u>	<u>\$ 6,331,043</u>	<u>\$ 6,456,681</u>
Authority's proportionate share of the net pension liability/(asset) as a percentage of covered employee payroll	<u>216.76%</u>	<u>226.84%</u>	<u>240.49%</u>
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	<u>75.26%</u>	<u>75.26%</u>	<u>75.10%</u>

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is available for periods after GASB 68 implementation in 2013-14. Additional years' information will be displayed as it becomes available.

**South Orange County Wastewater Authority  
Required Supplementary Information (Unaudited)  
Schedule of the Authority's Contributions - Pensions  
For the Year Ended June 30, 2021 and 2020**

**Last Ten Fiscal Years**

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

Fiscal year end	2013-14 <sup>1</sup>	2014-15	2015-16	2016-17
Actuarially determined contribution <sup>2</sup>	\$ 759,739	\$ 780,373	\$ 495,877	\$ 521,940
Contribution in relation to the actuarially determined contribution <sup>2</sup>	<u>(759,739)</u>	<u>(780,373)</u>	<u>(1,121,220)</u>	<u>(1,019,645)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (625,343)</u>	<u>\$ (497,705)</u>
Authority's covered payroll	<u>\$ 5,215,673</u>	<u>\$ 5,452,666</u>	<u>\$ 5,616,113</u>	<u>\$ 5,784,596</u>
Contributions as a percentage of covered payroll	<u>14.57%</u>	<u>14.31%</u>	<u>19.96%</u>	<u>17.63%</u>

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

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

**Notes to Schedule**

Change in Benefit Terms: There were no changes to benefit terms.

Changes of Assumptions: In 2019 or 2020, there were no changes. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

**South Orange County Wastewater Authority  
Required Supplementary Information (Unaudited)  
Schedule of the Authority's Contributions - Pensions (Continued)  
For the Year Ended June 30, 2021 and 2020**

**Last Ten Fiscal Years**

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

For the year:	2017-18	2018-19	2019-20	2020-21
Actuarially determined contribution	\$ 1,094,606	\$ 1,297,346	\$ 1,441,008	\$ 1,620,095
Contribution in relation to the actuarially determined contribution <sup>2</sup>	<u>(1,094,606)</u>	<u>(1,297,346)</u>	<u>(1,441,008)</u>	<u>(1,620,095)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	<u>\$ 6,083,399</u>	<u>\$ 6,456,681</u>	<u>\$ 6,456,681</u>	<u>\$ 6,607,567</u>
Contributions as a percentage of covered payroll	<u>17.99%</u>	<u>20.09%</u>	<u>22.32%</u>	<u>24.52%</u>

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

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

**Notes to Schedule**

Change in Benefit Terms: There were no changes to benefit terms.

Changes of Assumptions: In 2019 or 2020, there were no changes. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

**South Orange County Wastewater Authority**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**For the Years Ended June 30, 2021 and 2020**

**Last Ten Fiscal Years**

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

Measurement period	<u>2017-2018<sup>1</sup></u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
<b>Total OPEB Liability:</b>				
Service Cost	\$ 256,866	\$ 274,847	\$ 231,479	\$ 264,352
Interest	677,737	713,467	692,192	710,590
Changes of benefit terms	-	(42,119)	-	-
Differences between expected and actual experience	-	(822,505)	-	(840,089)
Changes of assumptions	-	109,406	607,338	297,733
Benefit payments, including refunds of member contributions	<u>(354,582)</u>	<u>(529,726)</u>	<u>(457,597)</u>	<u>(592,075)</u>
<b>Net change in Total OPEB Liability</b>	580,021	(296,630)	1,073,412	(159,489)
<b>Beginning of Year</b>	<u>9,602,387</u>	<u>10,182,408</u>	<u>9,885,778</u>	<u>10,959,190</u>
<b>End of Year</b>	<u>\$ 10,182,408</u>	<u>\$ 9,885,778</u>	<u>\$ 10,959,190</u>	<u>\$ 10,799,701</u>
<b>Plan Fiduciary Net Position:</b>				
Employer contribution	\$ 585,582	\$ 529,726	\$ 457,597	\$ 592,075
Employee contributions	-	-	-	-
Net investment income	348,619	341,412	163,035	1,420,672
Benefit payments	(354,582)	(529,726)	(457,597)	(592,075)
Administrative expenses	<u>(26,133)</u>	<u>(27,005)</u>	<u>(30,213)</u>	<u>(34,089)</u>
<b>Net changes in Fiduciary Net Position</b>	553,486	314,407	132,822	1,386,583
<b>Beginning of Year</b>	<u>4,269,924</u>	<u>4,823,410</u>	<u>5,137,817</u>	<u>5,270,639</u>
<b>End of Year</b>	<u>\$ 4,823,410</u>	<u>\$ 5,137,817</u>	<u>\$ 5,270,639</u>	<u>\$ 6,657,222</u>
<b>Net OPEB Liability</b>	<u>\$ 5,358,998</u>	<u>\$ 4,747,961</u>	<u>\$ 5,688,551</u>	<u>\$ 4,142,479</u>
<b>Fiduciary Net Position as a % of Total OPEB Liability</b>	47.37%	51.97%	48.09%	61.64%
<b>Covered Payroll</b>	\$ 6,083,399	\$ 6,456,681	\$ 6,456,681	\$ 6,607,567
<b>Net OPEB Liability as a % of Payroll</b>	88.09%	73.54%	88.10%	62.69%

<sup>1</sup>Historical information is presented only for measurement periods for which GASB 75 is applicable. Additional years' information will be displayed as it becomes available.

**South Orange County Wastewater Authority  
Required Supplementary Information (Unaudited)  
Schedule of the Authority's Contributions - OPEB  
For the Years Ended June 30, 2021 and 2020**

**Last Ten Fiscal Years**

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

Fiscal year end	<u>2016-2017<sup>1</sup></u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
Actuarially Determined Employer Contribution	\$ 747,925	\$ 585,582	\$ 613,218	\$ 631,614	\$ 595,227
Contributions in relation to the actuarially determined contribution	<u>(747,925)</u>	<u>(585,582)</u>	<u>(529,726)</u>	<u>(457,597)</u>	<u>(592,075)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,492</u>	<u>\$ 174,017</u>	<u>\$ 3,152</u>
Covered Payroll	5,784,596	6,083,399	6,456,681	6,456,681	6,607,567
Contributions as a percentage of covered-employee payroll	12.93%	9.63%	8.20%	7.09%	8.96%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 75 is applicable. Additional years' information will be displayed as it becomes available.

**Notes to Schedule**

Valuation date	December 31, 2020
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method:	Entry age normal level % of salary method
Asset Return:	6.50% per annum; assumes that SOCWA invests in PARS Balanced HighMark Plus asset allocation.
Inflation:	2.75% per annum
Salary increases:	2.75% per annum, in aggregate
Pre-retirement Turnover	According to the termination rates under the 2017 experience study for the CalPERS pension plan.
Mortality	General: SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2020; Surviving Spouses: SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2020
Retirement Rate	According to the retirement rates under the 2017 experience study for the CalPERS pension plan.
Health Care Trend Rates	Medical and prescription costs are adjusted in future years. Ranges from 6.5% to 4.5% in FYE 2021 to 2029+.



**STATISTICAL  
SECTION  
(UNAUDITED)**

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# South Orange County Wastewater Authority

## Annual Comprehensive Financial Report

### For the Year Ended June 30, 2021

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

#### Statistical Section

#### Contents

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

##### Demographic Information

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

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

<b>Assets:</b>	2012	2013	2014	2015	2016
Current Assets	\$ 6,729,937	\$ 7,647,253	\$ 8,936,134	\$ 10,463,647	\$ 7,716,490
Non-Current Assets: <sup>1</sup>					
Capital Assets not being depreciated	7,843,519	4,061,363	3,651,753	24,535,630	34,442,532
Capital Assets net of accum. depreciation	43,052,065	51,923,277	55,136,928	74,636,169	89,985,929
<b>Total Capital Assets</b>	<b>50,895,584</b>	<b>55,984,640</b>	<b>58,788,681</b>	<b>99,171,799</b>	<b>124,428,461</b>
<b>Total Assets</b>	<b>57,625,521</b>	<b>63,631,893</b>	<b>67,724,815</b>	<b>109,635,446</b>	<b>132,144,951</b>
<b>Deferred Outflows of Resources:<sup>2</sup></b>					
GASB 68-Deferred Outflows				813,449	1,712,209
GASB 75-Deferred Outflows					
<b>Liabilities:</b>					
Current Liabilities	3,171,131	3,532,893	4,159,458	7,707,754	4,534,783
Non-Current Liabilities	1,356,251	1,346,388	1,339,077	8,266,057	10,225,917
<b>Total Liabilities</b>	<b>4,527,382</b>	<b>4,879,281</b>	<b>5,498,535</b>	<b>15,973,811</b>	<b>14,760,700</b>
<b>Deferred Inflows of Resources:<sup>2</sup></b>					
GASB 68-Deferred Inflows				2,409,966	1,315,151
GASB 75-Deferred Inflows					
<b>Net Position:<sup>3</sup></b>					
Investment in capital assets	50,895,584	55,984,640	58,788,681	99,171,799	124,428,461
Unrestricted (deficit)	2,202,555	2,767,972	3,437,599	(7,106,681)	(6,647,151)
<b>Total Net Position<sup>2</sup></b>	<b>\$ 53,098,139</b>	<b>\$ 58,752,612</b>	<b>\$ 62,226,280</b>	<b>\$ 92,065,118</b>	<b>\$ 117,781,310</b>

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

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

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

Source: South Orange County Wastewater Authority Audited Financial Statements.

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

<b>Assets:</b>	2017	2018	2019	2020	2021
Current Assets	\$ 15,609,499	\$ 18,402,205	\$ 22,755,001	\$ 23,520,570	\$ 16,740,023
Non-Current Assets: <sup>1</sup>					
Capital Assets not being depreciated	41,561,721	35,236,026	26,740,102	37,674,285	32,017,153
Capital Assets net of accum. depreciation	87,846,950	96,017,875	103,900,486	99,979,624	120,723,037
<b>Total Capital Assets</b>	<b>129,408,671</b>	<b>131,253,901</b>	<b>130,640,588</b>	<b>137,653,909</b>	<b>152,740,190</b>
<b>Total Assets</b>	<b>145,018,170</b>	<b>149,656,106</b>	<b>153,395,589</b>	<b>161,174,479</b>	<b>169,480,213</b>
<b>Deferred Outflows of Resources:<sup>2</sup></b>					
GASB 68-Deferred Outflows	3,321,291	4,069,991	3,475,719	3,355,343	3,278,060
GASB 75-Deferred Outflows			82,055	646,800	591,534
<b>Liabilities:</b>					
Current Liabilities	4,458,739	6,746,223	6,041,550	5,783,848	10,463,451
Non-Current Liabilities	12,476,437	18,995,344	18,200,914	20,348,151	20,287,998
<b>Total Liabilities</b>	<b>16,935,176</b>	<b>25,741,567</b>	<b>24,242,464</b>	<b>26,132,000</b>	<b>30,751,449</b>
<b>Deferred Inflows of Resources:<sup>2</sup></b>					
GASB 68-Deferred Inflows	542,096	798,038	1,078,306	1,167,555	771,287
GASB 75-Deferred Inflows		34,043	646,185	411,253	1,697,105
<b>Net Position:<sup>3</sup></b>					
Investment in capital assets	129,408,671	131,253,901	130,640,588	137,653,909	152,740,190
Unrestricted (deficit)	1,453,519	(4,101,452)	345,820	(188,096)	(12,610,224)
<b>Total Net Position<sup>2</sup></b>	<b>\$ 130,862,190</b>	<b>\$ 127,152,449</b>	<b>\$ 130,986,408</b>	<b>\$ 137,465,813</b>	<b>\$ 140,129,966</b>

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

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

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

Source: South Orange County Wastewater Authority Audited Financial Statements.

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

	2012	2013	2014	2015	2016
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**Capital assets, not depreciated**

Land <sup>1</sup>	\$653,224	\$653,224	\$653,224	\$14,402,224	\$14,402,224
Construction in Progress	7,190,295	3,408,139	2,998,529	10,133,406	20,040,308
<b>Total Capital assets, not depreciated</b>	<b>7,843,519</b>	<b>4,061,363</b>	<b>3,651,753</b>	<b>24,535,630</b>	<b>34,442,532</b>

**Capital assets, being depreciated<sup>1</sup>**

Capital Assets, gross	84,498,158	100,480,234	108,025,409	211,676,952	276,051,617
Accum. depreciation	(41,446,093)	(48,556,957)	(52,888,481)	(137,040,783)	(186,065,688)
<b>Total Capital assets, being depreciated</b>	<b>43,052,065</b>	<b>51,923,277</b>	<b>55,136,928</b>	<b>74,636,169</b>	<b>89,985,929</b>

**Total Capital Assets**

	2012	2013	2014	2015	2016
<b>Total Capital Assets</b>	<b>\$50,895,584</b>	<b>\$55,984,640</b>	<b>\$58,788,681</b>	<b>\$99,171,799</b>	<b>\$124,428,461</b>

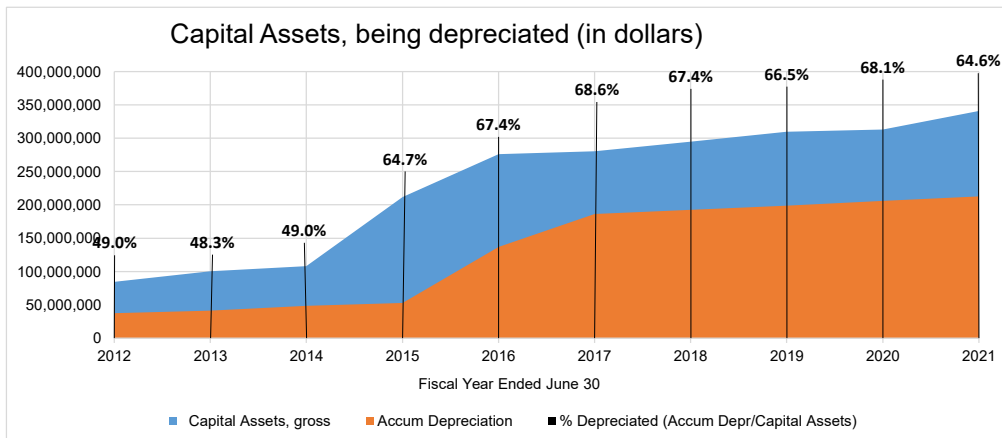
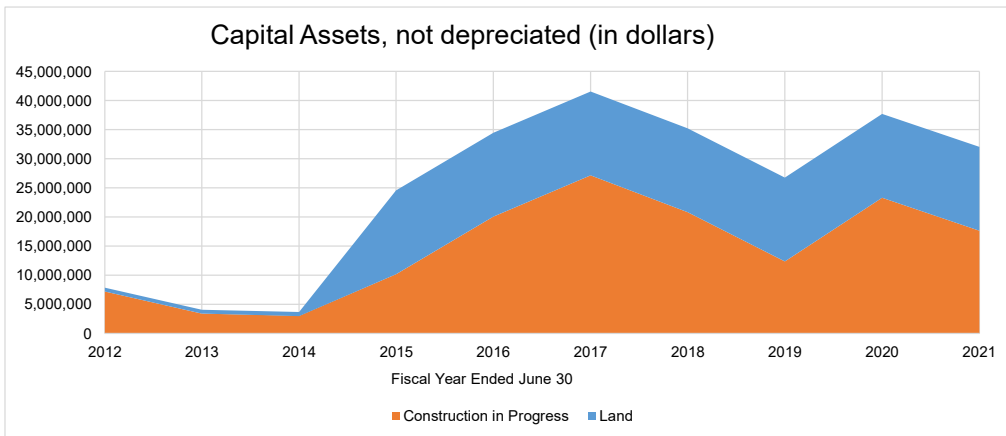
**Accumulated depreciation % Capital Assets, gross<sup>2</sup>**

	49.0%	48.3%	49.0%	64.7%	67.4%
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<sup>1</sup> Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, \$39 million and \$9.3 million respectively. The \$39 million included addition of land, \$13.7 million, for the Coastal and Regional Treatment Plants.

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

Source: South Orange County Wastewater Authority Audited Financial Statements.



**South Orange County Wastewater Authority  
Capital Assets by Component (Continued)  
Last Ten Fiscal Years**

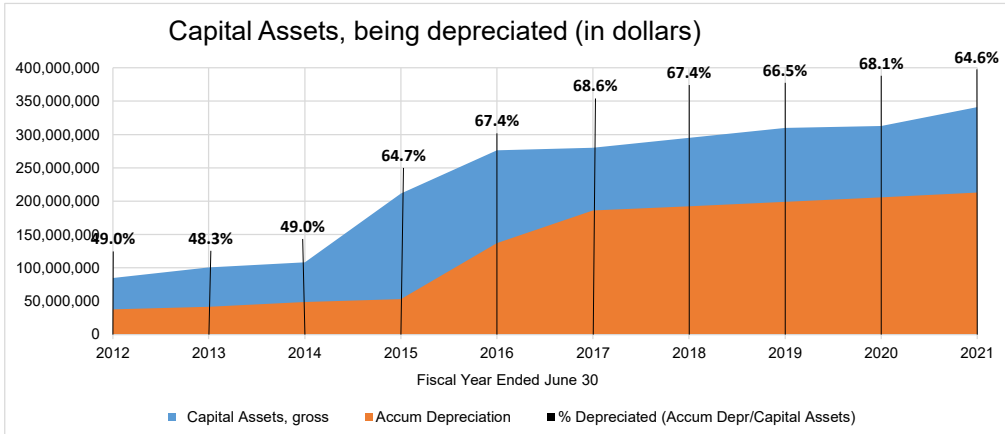
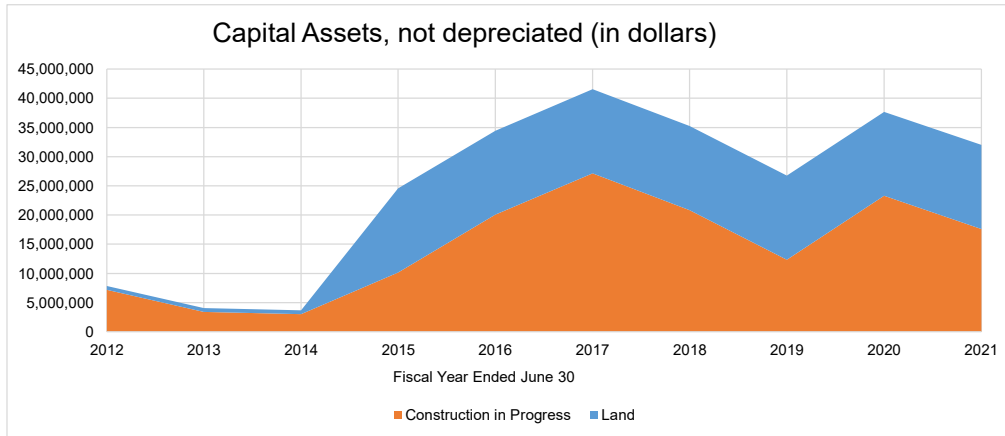
	2017	2018	2019	2020	2021
<b>Capital assets, not depreciated</b>					
Land <sup>1</sup>	\$14,402,224	\$14,402,224	\$14,402,224	\$14,402,224	\$14,402,224
Construction in Progress	27,159,497	20,833,802	12,337,878	23,272,061	17,614,929
<b>Total Capital assets, not depreciated</b>	<b>41,561,721</b>	<b>35,236,026</b>	<b>26,740,102</b>	<b>37,674,285</b>	<b>32,017,153</b>
<b>Capital assets, being depreciated<sup>1</sup></b>					
Capital Assets, gross	280,203,940	294,970,825	309,716,685	312,958,179	341,303,072
Accum. depreciation	(192,356,990)	(198,952,950)	(205,816,199)	(212,978,554)	(220,580,035)
<b>Total Capital assets, being depreciated</b>	<b>87,846,950</b>	<b>96,017,875</b>	<b>103,900,486</b>	<b>99,979,624</b>	<b>120,723,037</b>
<b>Total Capital Assets</b>	<b>\$129,408,671</b>	<b>\$131,253,901</b>	<b>\$130,640,588</b>	<b>\$137,653,909</b>	<b>\$152,740,190</b>

<b>Accumulated depreciation % Capital Assets, gross<sup>2</sup></b>	<b>68.6%</b>	<b>67.4%</b>	<b>66.5%</b>	<b>68.1%</b>	<b>64.6%</b>
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<sup>1</sup> Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, \$39 million and \$9.3 million respectively. The \$39 million included addition of land, \$13.7 million, for the Coastal and Regional Treatment Plants.

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

Source: South Orange County Wastewater Authority Audited Financial Statements.

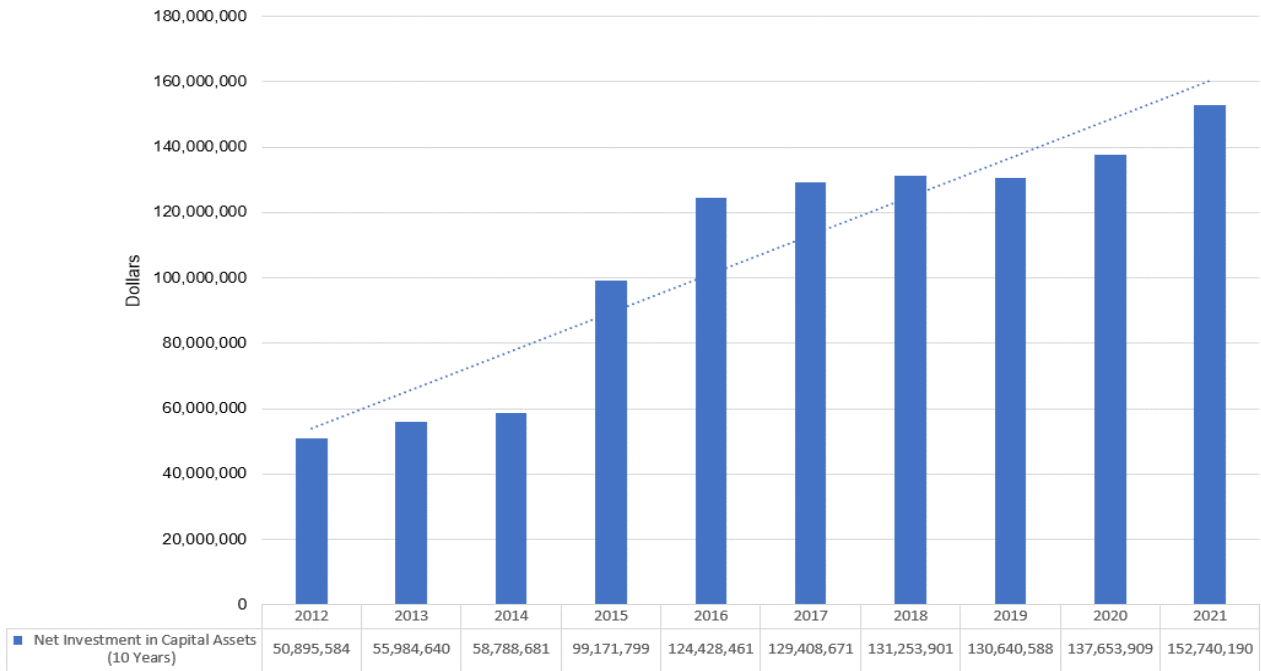


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## South Orange County Wastewater Authority Net Investment in Capital Assets Last Ten Fiscal Years

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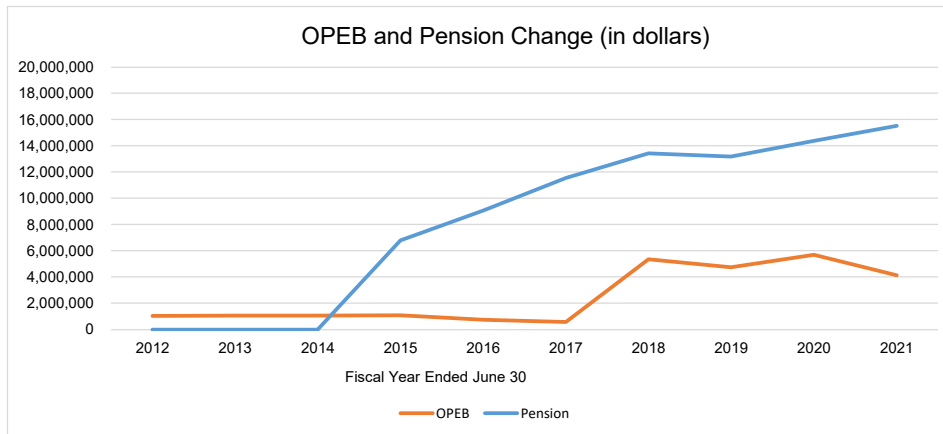
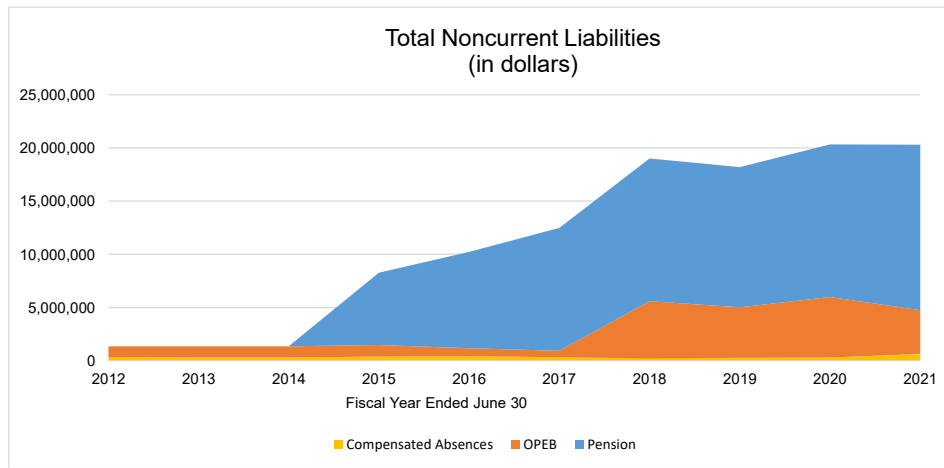
## South Orange County Wastewater Authority Long-Term Liabilities by Component Last Ten Fiscal Years

	2012	2013	2014	2015	2016
<b>Non-Current Liabilities</b>					
Compensated absences-due in more than one year	\$332,172	\$298,944	\$286,758	\$387,876	\$425,420
Net other postemployment benefits liability (OPEB) <sup>1</sup>	1,024,079	1,047,444	1,052,319	1,083,904	745,962
Net pension liability <sup>2</sup>	-	-	-	6,794,277	9,054,535
<b>Total noncurrent liabilities<sup>3</sup></b>	<b>\$1,356,251</b>	<b>\$1,346,388</b>	<b>\$1,339,077</b>	<b>\$8,266,057</b>	<b>\$10,225,917</b>

<sup>1</sup> GASB 75 implementation July 1, 2017, recorded full long term net OPEB liability, an additional \$4.7 million.

<sup>2</sup> GASB 68 implementation in 2015, recorded long term net Pension liability, \$6.8 million.

<sup>3</sup> Current year decrease of \$60 thousand is OPEB related, \$1.5 million reduction primarily due to growth in assets; which offset the increase in net pension liability, \$1.2 million, and compensated absences, \$320 thousand.



Source: South Orange County Wastewater Authority Audited Financial Statements.

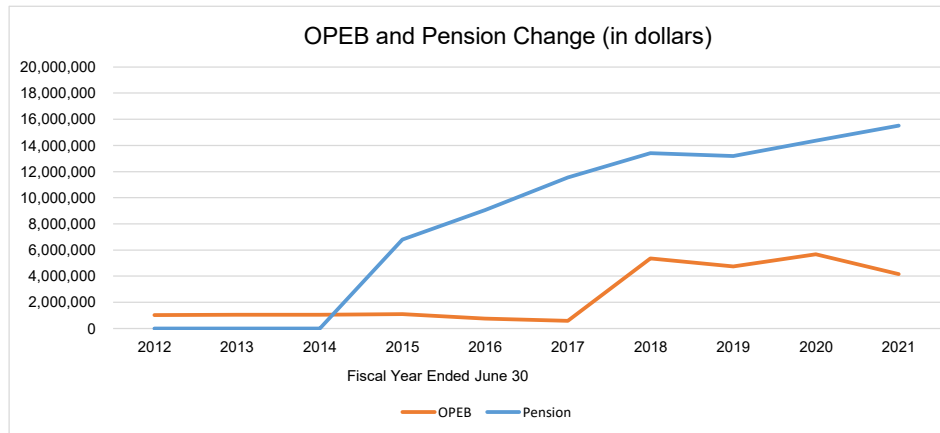
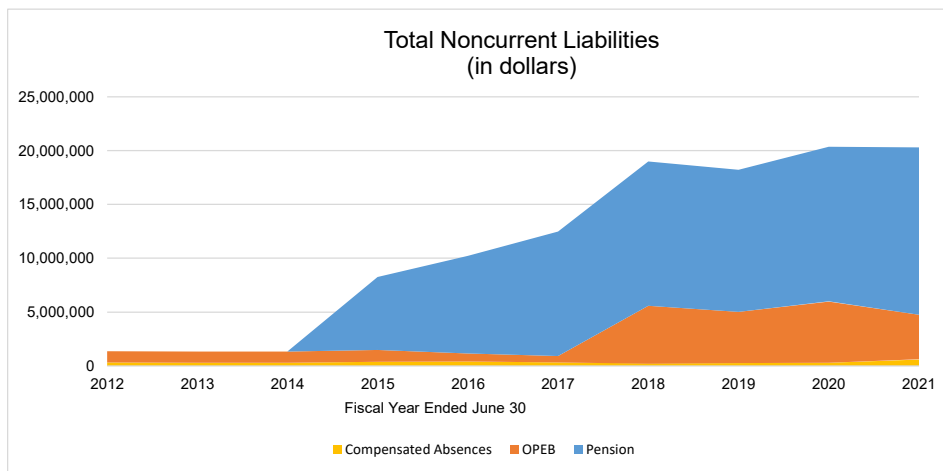
**South Orange County Wastewater Authority  
Long-Term Liabilities by Component (Continued)  
Last Ten Fiscal Years**

	2017	2018	2019	2020	2021
<b>Non-Current Liabilities</b>					
Compensated absences-due in more than one year	\$338,733	\$225,909	\$266,637	\$298,049	\$617,836
Net other postemployment benefits liability (OPEB) <sup>1</sup>	587,760	5,358,998	4,747,961	5,688,551	4,142,479
Net pension liability <sup>2</sup>	11,549,944.00	13,410,437.00	13,186,316.00	14,361,551	15,527,683
<b>Total noncurrent liabilities<sup>3</sup></b>	<b>\$12,476,437</b>	<b>\$18,995,344</b>	<b>\$18,200,914</b>	<b>\$20,348,151</b>	<b>\$20,287,998</b>

<sup>1</sup> GASB 75 implementation July 1, 2017, recorded full long term net OPEB liability, an additional \$4.7 million.

<sup>2</sup> GASB 68 implementation in 2015, recorded long term net Pension liability, \$6.8 million.

<sup>3</sup> Current year decrease of \$60 thousand is OPEB related, \$1.5 million reduction primarily due to growth in assets; which offset the increase in net pension liability, \$1.2 million, and compensated absences, \$320 thousand.



Source: South Orange County Wastewater Authority Audited Financial Statements.

**South Orange County Wastewater Authority**  
**Net Pension (CalPERS) Liability by Member Agency**  
**Last Seven Fiscal Years<sup>1</sup>**

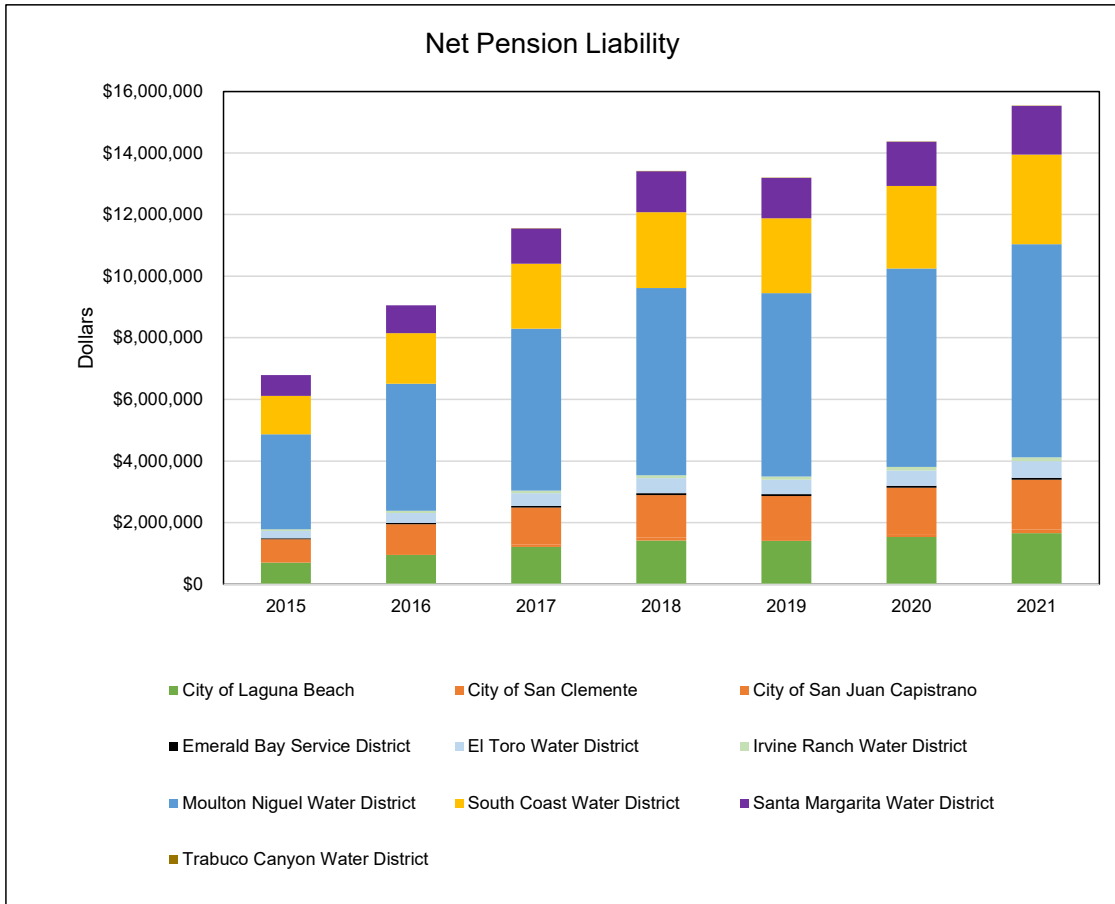
	2015	2016	2017	2018	2019	2020	2021
<b>Net Pension Liability</b>							
City of Laguna Beach	\$707,518	\$950,501	\$1,216,301	\$1,424,347	\$1,409,954	\$1,534,919	\$1,662,452
City of San Clemente	47,198	61,300	77,311	90,008	88,503	96,580	106,056
City of San Juan Capistrano	703,507	936,034	1,193,586	1,385,379	1,370,129	1,497,375	1,619,904
Emerald Bay Service District	31,672	41,975	53,337	61,839	60,806	65,469	72,283
El Toro Water District	244,130	324,911	414,375	478,930	466,984	503,652	539,574
Irvine Ranch Water District	53,099	69,383	88,286	103,279	100,812	109,341	117,775
Moulton Niguel Water District	3,077,442	4,124,557	5,251,583	6,070,714	5,953,985	6,443,537	6,916,993
South Coast Water District	1,245,892	1,644,626	2,108,568	2,462,306	2,432,546	2,676,449	2,915,197
Santa Margarita Water District	683,820	901,247	1,145,985	1,332,256	1,301,158	1,431,672	1,574,485
Trabuco Canyon Water District			613	1,378	1,439	2,555	2,963
Total	<b>\$6,794,277</b>	<b>\$9,054,535</b>	<b>\$11,549,944</b>	<b>\$13,410,437</b>	<b>\$13,186,316</b>	<b>\$14,361,551</b>	<b>\$15,527,683</b>
<b>% Change Year-Over-Year<sup>2</sup></b>							
		33.27%	27.56%	16.11%	-1.67%	8.91%	8.12%
<b>Net Pension Liability Allocation %'s<sup>3</sup></b>							
City of Laguna Beach	10.41%	10.50%	10.53%	10.62%	10.69%	10.69%	10.71%
City of San Clemente	0.69%	0.68%	0.67%	0.67%	0.67%	0.67%	0.68%
City of San Juan Capistrano	10.35%	10.34%	10.33%	10.33%	10.39%	10.43%	10.43%
Emerald Bay Service District	0.47%	0.46%	0.46%	0.46%	0.46%	0.46%	0.47%
El Toro Water District	3.59%	3.59%	3.59%	3.57%	3.54%	3.51%	3.47%
Irvine Ranch Water District	0.78%	0.77%	0.76%	0.77%	0.76%	0.76%	0.76%
Moulton Niguel Water District	45.29%	45.55%	45.47%	45.27%	45.15%	44.87%	44.55%
South Coast Water District	18.34%	18.16%	18.26%	18.36%	18.45%	18.64%	18.77%
Santa Margarita Water District	10.06%	9.95%	9.92%	9.93%	9.87%	9.97%	10.14%
Trabuco Canyon Water District			0.01%	0.01%	0.01%	0.02%	0.02%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

<sup>1</sup>Prior to GASB 68 Implementation, FY 2015, the net pension liability was not reported in the Statement of Net Position; the annual required contribution was included in the Notes to the Financial Statements.

<sup>2</sup>The year-over-year changes are due to changes in CalPERS methodology in 2016; financial market returns less than 7.65% in 2017, and the discount rate decrease from 7.65% to 7.15% in 2018. Fiscal year 2020 increase, \$1.2 million, is due to CalPERS method change and assets and non-assets loss. The current year increase, \$1.2 million, is due to Assets Loss, 4.7% return on investments vs. targeted 7.15%.

<sup>3</sup>Distribution by Member Agency is based on a Board Approved Actuarial Methodology.

**South Orange County Wastewater Authority**  
**Net Pension (CalPERS) Liability by Member Agency (Continued)**  
**Last Seven Fiscal Years<sup>1</sup>**



**South Orange County Wastewater Authority**  
**Net OPEB (Retiree Health) Liability by Member Agency**  
**Last Ten Fiscal Years<sup>1</sup>**

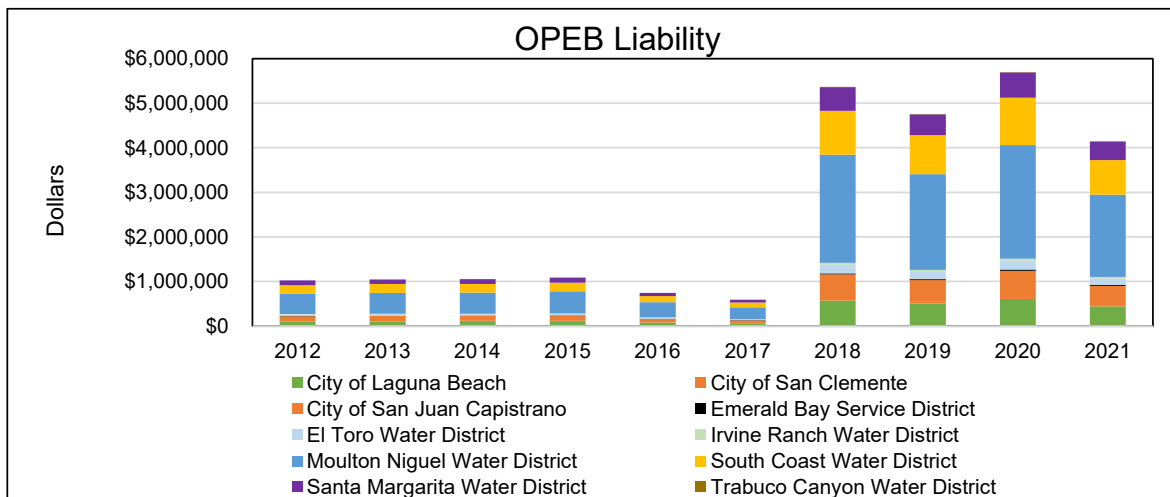
	2012	2013	2014	2015	2016
<b>Net OPEB Liability</b>					
City of Laguna Beach	\$102,735	\$106,591	\$108,208	\$112,872	\$78,307
City of San Clemente	7,504	7,558	7,449	7,530	5,050
City of San Juan Capistrano	107,873	109,765	109,758	112,232	77,116
Emerald Bay Service District	4,751	4,879	4,920	5,053	3,458
El Toro Water District	36,790	37,400	37,653	38,946	26,768
Irvine Ranch Water District	7,540	8,151	8,218	8,471	5,716
Moulton Niguel Water District	459,369	470,790	474,017	490,950	339,804
South Coast Water District	191,807	195,137	195,200	198,760	135,493
Santa Margarita Water District	105,711	107,174	106,898	109,091	74,250
Trabuco Canyon Water District					
Total	<b>\$1,024,079</b>	<b>\$1,047,444</b>	<b>\$1,052,319</b>	<b>\$1,083,904</b>	<b>\$745,962</b>

<b>% Change Year-Over-Year</b>		2.28%	0.47%	3.00%	-31.18%
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	2012	2013	2014	2015	2016
<b>Net OPEB Liability Allocation %'s<sup>2</sup></b>					
City of Laguna Beach	10.03%	10.18%	10.28%	10.41%	10.50%
City of San Clemente	0.73%	0.72%	0.71%	0.69%	0.68%
City of San Juan Capistrano	10.53%	10.48%	10.43%	10.35%	10.34%
Emerald Bay Service District	0.46%	0.47%	0.47%	0.47%	0.46%
El Toro Water District	3.59%	3.57%	3.58%	3.59%	3.59%
Irvine Ranch Water District	0.74%	0.78%	0.78%	0.78%	0.77%
Moulton Niguel Water District	44.86%	44.95%	45.04%	45.29%	45.55%
South Coast Water District	18.73%	18.63%	18.55%	18.34%	18.16%
Santa Margarita Water District	10.32%	10.23%	10.16%	10.06%	9.95%
Trabuco Canyon Water District					
Total	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

<sup>1</sup> Prior to GASB 75 implementation, FY 2018, only a portion of the OPEB liability was recorded in the Net Position Statement. GASB 75 required the recognition of the Full Net OPEB Liability. The decreases in FY's 2016 and 2017 are primarily due to \$500k contributions to the PARS Trust each year. FY 2019 decrease is due to Asset Gains. Fiscal year 2020 increase, \$941 thousand, is due to assumptions change and normal costs accruals. The current year decrease, \$1.5 million, is due to Asset Gains, \$1.4 million or 26% return on investment.

<sup>2</sup> Distribution by Member Agency is based on a Board Approved Actuarial Methodology.



**South Orange County Wastewater Authority**  
**Net OPEB (Retiree Health) Liability by Member Agency (Continued)**  
**Last Ten Fiscal Years<sup>1</sup>**

	2017	2018	2019	2020	2021
<b>Net OPEB Liability</b>					
City of Laguna Beach	\$61,896	\$569,189	\$507,678	\$607,975	\$443,509
City of San Clemente	3,934	35,969	31,867	38,255	28,294
City of San Juan Capistrano	60,740	553,617	493,339	593,104	432,158
Emerald Bay Service District	2,714	24,712	21,894	25,932	19,284
El Toro Water District	21,087	191,387	168,146	199,495	143,948
Irvine Ranch Water District	4,493	41,272	36,299	43,309	31,420
Moulton Niguel Water District	267,246	2,425,942	2,143,835	2,552,258	1,845,317
South Coast Water District	107,302	983,972	875,880	1,060,131	777,717
Santa Margarita Water District	58,318	532,388	468,504	567,080	420,042
Trabuco Canyon Water District	31.21	550.79	518.22	1,012.11	790.54
<b>Total</b>	<b>\$587,760</b>	<b>\$5,358,998</b>	<b>\$4,747,961</b>	<b>\$5,688,551</b>	<b>\$4,142,479</b>

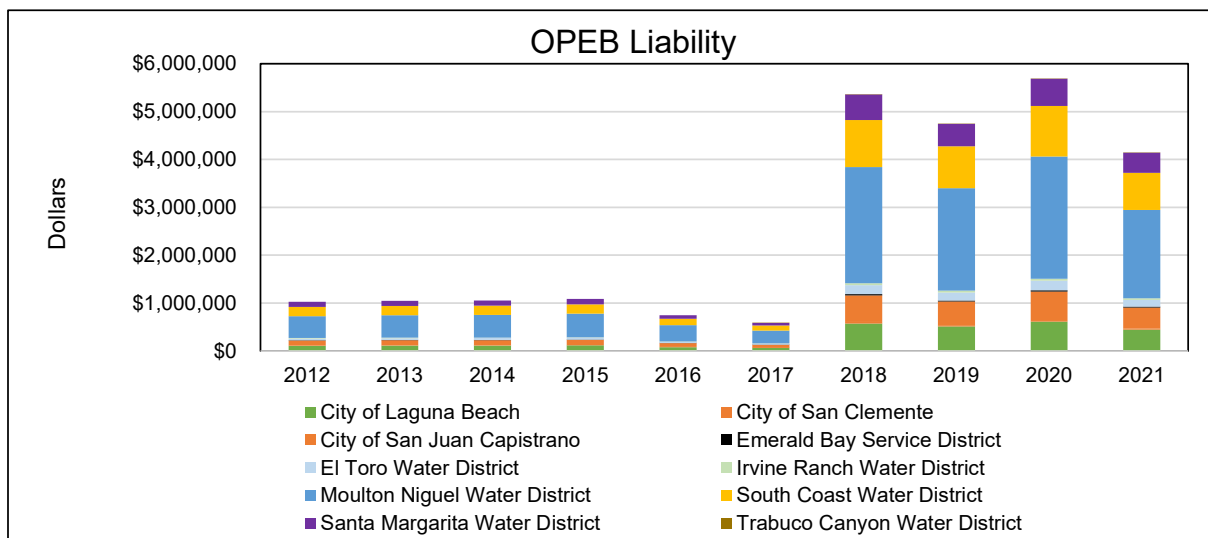
<b>% Change Year-Over-Year</b>	-21.21%	811.77%	-11.40%	19.81%	-27.18%
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**Net OPEB Liability Allocation %s<sup>2</sup>**

City of Laguna Beach	10.53%	10.62%	10.69%	10.69%	10.71%
City of San Clemente	0.67%	0.67%	0.67%	0.67%	0.68%
City of San Juan Capistrano	10.33%	10.33%	10.39%	10.43%	10.43%
Emerald Bay Service District	0.46%	0.46%	0.46%	0.46%	0.47%
El Toro Water District	3.59%	3.57%	3.54%	3.51%	3.47%
Irvine Ranch Water District	0.76%	0.77%	0.76%	0.76%	0.76%
Moulton Niguel Water District	45.47%	45.27%	45.15%	44.87%	44.55%
South Coast Water District	18.26%	18.36%	18.45%	18.64%	18.77%
Santa Margarita Water District	9.92%	9.93%	9.87%	9.97%	10.14%
Trabuco Canyon Water District	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

<sup>1</sup> Prior to GASB 75 implementation, FY 2018, only a portion of the OPEB liability was recorded in the Net Position Statement. GASB 75 required the recognition of the Full Net OPEB Liability. The decreases in FY's 2016 and 2017 are primarily due to \$500k contributions to the PARS Trust each year. FY 2019 decrease is due to Asset Gains. Fiscal year 2020 increase, \$941 thousand, is due to assumptions change and normal costs accruals. The current year decrease, \$1.5 million, is due to Asset Gains, \$1.4 million or 26% return on investment.

<sup>2</sup> Distribution by Member Agency is based on a Board Approved Actuarial Methodology.



**South Orange County Wastewater Authority**  
**Long-Term Compensated Absences Liability by Member Agency**  
**Last Ten Fiscal Years**

	2012	2013	2014	2015	2016
<b><u>Compensated Absences Liability<sup>1</sup></u></b>					
City of Laguna Beach	\$ 34,162	\$ 31,156	\$ 30,541	\$ 44,404	\$ 48,768
City of San Clemente	2,119	1,902	1,786	2,294	2,311
City of San Juan Capistrano	35,178	30,441	29,159	38,277	42,168
Emerald Bay Service District	1,510	1,324	1,294	1,832	1,944
El Toro Water District	12,705	11,233	10,528	13,944	15,493
Irvine Ranch Water District	2,391	2,479	2,486	3,507	3,108
Moulton Niguel Water District	152,606	138,683	132,131	180,293	201,539
South Coast Water District	62,461	54,861	51,947	67,000	71,307
Santa Margarita Water District	29,040	26,865	26,885	36,326	38,782
Trabuco Canyon Water District				-	-
Total	<b>\$ 332,172</b>	<b>\$ 298,944</b>	<b>\$ 286,758</b>	<b>\$ 387,876</b>	<b>\$ 425,420</b>
<b><u>% Change Year-Over-Year<sup>2</sup></u></b>					
		-10.00%	-4.08%	35.26%	9.68%
<b><u>Compensated Absences Liability Allocation %'s<sup>3</sup></u></b>					
City of Laguna Beach	10.28%	10.42%	10.65%	11.45%	11.46%
City of San Clemente	0.64%	0.64%	0.62%	0.59%	0.54%
City of San Juan Capistrano	10.59%	10.18%	10.17%	9.87%	9.91%
Emerald Bay Service District	0.45%	0.44%	0.45%	0.47%	0.46%
El Toro Water District	3.82%	3.76%	3.67%	3.59%	3.64%
Irvine Ranch Water District	0.72%	0.83%	0.87%	0.90%	0.73%
Moulton Niguel Water District	45.94%	46.39%	46.08%	46.48%	47.37%
South Coast Water District	18.80%	18.35%	18.12%	17.27%	16.76%
Santa Margarita Water District	8.74%	8.99%	9.38%	9.37%	9.12%
Trabuco Canyon Water District					
Total	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

<sup>1</sup>Paid time off (PTO) is earned based on the Authority's Memorandum of Understanding (MOU).

<sup>2</sup>The year-over-year change is based on current year accruals, time taken and accumulated sick pay and vacation termination pay.

<sup>2</sup>The increase in 2021 of \$320 thousand is because of 2 new hires and employees taking less vacation time.

<sup>3</sup>Distribution by Member Agency is based on a Board Approved Actuarial Methodology.



**South Orange County Wastewater Authority**  
**Long-Term Compensated Absences Liability by Member Agency (Continued)**  
**Last Ten Fiscal Years**

	2017	2018	2019	2020	2021
<b><u>Compensated Absences Liability</u><sup>1</sup></b>					
City of Laguna Beach	\$ 38,635	\$ 25,906	\$ 30,978	\$ 34,160	\$ 68,835
City of San Clemente	1,808	1,300	1,716	2,050	4,593
City of San Juan Capistrano	33,858	23,119	28,373	32,429	67,664
Emerald Bay Service District	1,495	995	1,199	1,272	3,014
El Toro Water District	12,267	7,867	8,849	9,266	18,429
Irvine Ranch Water District	2,392	1,635	2,016	2,224	4,319
Moulton Niguel Water District	159,079	102,026	115,337	124,882	252,440
South Coast Water District	58,332	41,698	52,781	61,129	129,021
Santa Margarita Water District	30,785	21,245	25,222	30,399	69,125
Trabuco Canyon Water District	81	118	167	236	396
Total	<u>\$ 338,733</u>	<u>\$ 225,909</u>	<u>\$ 266,637</u>	<u>\$ 298,049</u>	<u>\$ 617,836</u>
<b>% Change Year-Over-Year<sup>2</sup></b>	-20.38%	-33.31%	18.03%	11.78%	107.29%
<b><u>Compensated Absences Liability Allocation %'s<sup>3</sup></u></b>					
City of Laguna Beach	11.41%	11.47%	11.62%	11.46%	11.14%
City of San Clemente	0.53%	0.58%	0.64%	0.69%	0.74%
City of San Juan Capistrano	10.00%	10.23%	10.64%	10.88%	10.95%
Emerald Bay Service District	0.44%	0.44%	0.45%	0.43%	0.49%
El Toro Water District	3.62%	3.48%	3.32%	3.11%	2.98%
Irvine Ranch Water District	0.71%	0.72%	0.76%	0.75%	0.70%
Moulton Niguel Water District	46.96%	45.16%	43.26%	41.90%	40.86%
South Coast Water District	17.22%	18.46%	19.79%	20.51%	20.88%
Santa Margarita Water District	9.09%	9.40%	9.46%	10.20%	11.19%
Trabuco Canyon Water District	0.02%	0.05%	0.06%	0.08%	0.06%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

<sup>1</sup>Paid time off (PTO) is earned based on the Authority's Memorandum of Understanding (MOU).

<sup>2</sup>The year-over-year change is based on current year accruals, time taken and accumulated sick pay and vacation termination pay.

<sup>2</sup>The increase in 2021 of \$320 thousand is because of 2 new hires and employees taking less vacation time.

<sup>3</sup>Distribution by Member Agency is based on a Board Approved Actuarial Methodology.

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

	2012	2013	2014	2015	2016
<b>OPERATING REVENUES:</b>					
O & M Member Agency Assessments:					
City of Laguna Beach	\$1,986,435	\$2,011,737	\$2,228,378	\$2,189,193	\$2,669,450
City of San Clemente	146,737	126,824	157,434	159,023	96,253
City of San Juan Capistrano	1,761,525	1,799,811	1,710,710	1,862,939	1,868,009
Emerald Bay Service District	108,675	106,030	119,130	98,927	85,067
El Toro Water District	767,898	890,544	743,418	710,624	731,459
Irvine Ranch Water District	236,238	312,098	203,745	171,629	127,723
Moulton Niguel Water District	8,343,653	8,257,670	8,256,502	8,555,725	8,393,893
South Coast Water District	2,772,188	2,615,366	2,501,605	2,625,103	3,317,016
Santa Margarita Water District	1,925,396	1,926,333	1,829,807	1,798,366	1,808,872
Trabuco Canyon Water District	19,585	37,848	6,253	18,938	20,940
<b>Total</b>	<b>18,068,330</b>	<b>18,084,261</b>	<b>17,756,982</b>	<b>18,190,467</b>	<b>19,118,682</b>
<b>YOY Change %</b>		<b>0.1%</b>	<b>-1.8%</b>	<b>2.4%</b>	<b>5.1%</b>
<b>OPERATING EXPENSES<sup>1</sup>:</b>					
O&M & Environmental, Compliance & Safety	17,611,768	18,354,026	18,116,350	18,891,983	16,437,673
Engineering After Capital Transfer					199,826
Administration					1,739,067
UAL and OPEB Annual Expense					
Unallocated portion of pension and OPEB expense					496,896
Other expense					
Depreciation and amortization	3,877,327	4,012,104	4,379,786	4,176,643	5,846,601
<b>Total Operating Expenses</b>	<b>21,489,095</b>	<b>22,366,130</b>	<b>22,496,136</b>	<b>23,068,626</b>	<b>24,720,063</b>
<b>Operating Income/(Loss)</b>	<b>(3,420,765)</b>	<b>(4,281,869)</b>	<b>(4,739,154)</b>	<b>(4,878,159)</b>	<b>(5,601,381)</b>

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

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

<sup>2</sup>Fiscal year 2020 net position change, \$6.5 million, is primarily due to Capital Contributions for facilities improvements and export sludge system project preparations. The current year change, \$2.7 million, is also due to capital contributions.

Source: South Orange County Wastewater Authority Audited Financial Statements.

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

	2012	2013	2014	2015	2016
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Interest Income	23,589	18,740	12,365	15,563	24,587
Other revenues (expenses)	33,136	635,963	2,452,726	(83,810)	(1,588,490)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>56,725</b>	<b>654,703</b>	<b>2,465,091</b>	<b>(68,247)</b>	<b>(1,563,903)</b>
<b>CAPITAL CONTRIBUTIONS:</b>					
Member Agency Assessments:					
City of Laguna Beach	501,863	1,290,500	1,184,967	449,398	1,003,741
City of San Clemente					33,240
City of San Juan Capistrano	338,690	335,125	484,573	1,055,676	4,019,148
Emerald Bay Service District	36,005	100,381	92,521	32,966	64,516
El Toro Water District	231,564	87,165	43,387	164,962	1,034,636
Irvine Ranch Water District					16,440
Moulton Niguel Water District	2,271,920	2,211,482	2,068,320	3,510,937	9,854,276
South Coast Water District	735,530	1,368,064	1,586,074	1,230,279	4,085,001
Santa Margarita Water District	273,425	234,188	287,889	755,778	3,599,506
<b>Total Capital Contributions</b>	<b>4,388,997</b>	<b>5,626,905</b>	<b>5,747,731</b>	<b>7,199,996</b>	<b>23,710,504</b>
<b>YOY Change %</b>		<b>28.2%</b>	<b>2.1%</b>	<b>25.3%</b>	<b>229.3%</b>
<b>Change in Net Position<sup>2</sup></b>	<b>1,024,957</b>	<b>1,999,739</b>	<b>3,473,668</b>	<b>2,253,590</b>	<b>16,545,220</b>
<b>NET POSITION</b>					
Beginning of year, as restated <sup>2</sup>	52,073,182	56,752,873	58,752,612	89,811,528	101,236,090
<b>End of year</b>	<b>\$53,098,139</b>	<b>\$58,752,612</b>	<b>\$62,226,280</b>	<b>\$92,065,118</b>	<b>\$117,781,310</b>

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

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

<sup>2</sup>Fiscal year 2020 net position change, \$6.5 million, is primarily due to Capital Contributions for facilities improvements and export sludge system project preparations. The current year change, \$2.7 million, is also due to capital contributions.

Source: South Orange County Wastewater Authority Audited Financial Statements.

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

	2017	2018	2019	2020	2021
<b>OPERATING REVENUES:</b>					
O & M Member Agency Assessments:					
City of Laguna Beach	\$4,256,568	\$3,777,716	\$3,079,457	\$3,712,839	\$2,631,349
City of San Clemente	148,306	156,322	155,352	155,766	172,941
City of San Juan Capistrano	2,010,978	2,158,791	2,262,176	2,198,165	2,134,243
Emerald Bay Service District	82,404	125,522	147,131	149,324	166,819
El Toro Water District	729,960	804,371	875,388	937,053	883,973
Irvine Ranch Water District	286,204	167,911	163,057	160,524	167,760
Moulton Niguel Water District	8,559,434	8,501,212	8,895,527	8,993,369	9,259,287
South Coast Water District	3,513,544	3,394,390	3,799,657	3,736,264	3,857,757
Santa Margarita Water District	1,893,657	1,897,223	1,532,718	2,357,682	2,671,575
Trabuco Canyon Water District	22,776	56,154	34,905	54,975	69,781
<b>Total</b>	<b>21,503,831</b>	<b>21,039,612</b>	<b>20,945,369</b>	<b>22,455,960</b>	<b>22,015,485</b>
<b>YOY Change %</b>	<b>12.5%</b>	<b>-2.2%</b>	<b>-0.4%</b>	<b>7.2%</b>	<b>-2.0%</b>
<b>OPERATING EXPENSES<sup>1</sup>:</b>					
O&M & Environmental, Compliance & Safety	16,587,654	18,118,149	17,558,573	18,500,935	18,026,588
Engineering After Capital Transfer	344,018	414,966	457,175	395,760	293,908
Administration	1,997,037	2,400,967	2,360,182	2,359,761	2,161,324
UAL and OPEB Annual Expense					1,457,381
Unallocated portion of pension and OPEB expense	412,761	1,428,313	569,469	1,525,773	642,193
Other expense	(38,779)	655,096	558,258	1,337,225	945,119
Depreciation and amortization	6,291,302	6,595,960	6,863,249	7,162,355	7,601,480
<b>Total Operating Expenses</b>	<b>25,593,994</b>	<b>29,613,451</b>	<b>28,366,905</b>	<b>31,281,809</b>	<b>31,127,994</b>
<b>Operating Income/(Loss)</b>	<b>(4,090,163)</b>	<b>(8,573,839)</b>	<b>(7,421,536)</b>	<b>(8,825,849)</b>	<b>(9,112,509)</b>

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

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

<sup>2</sup>Fiscal year 2020 net position change, \$6.5 million, is primarily due to Capital Contributions for facilities improvements and export sludge system project preparations. The current year change, \$2.7 million, is also due to capital contributions.

Source: South Orange County Wastewater Authority Audited Financial Statements.

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

	2017	2018	2019	2020	2021
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Interest Income	70,550	166,452	363,429	488,972	86,258
Other revenues (expenses)	(183,770)	153,458	1,401,953	228,412	156,871
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(113,220)</b>	<b>319,910</b>	<b>1,765,382</b>	<b>717,384</b>	<b>243,129</b>
<b>CAPITAL CONTRIBUTIONS:</b>					
Member Agency Assessments:					
City of Laguna Beach	1,619,449	1,221,424	315,736	2,037,256	1,492,976
City of San Clemente	45,521	2,556	(1,854)	13,298	217,472
City of San Juan Capistrano	1,712,604	973,822	1,196,079	1,208,118	2,235,172
Emerald Bay Service District	111,491	93,615	24,398	155,641	120,325
El Toro Water District	1,174,974	266,044	178,986	498,765	(146,180)
Irvine Ranch Water District	53,205	83,500	174,768	180,705	47,159
Moulton Niguel Water District	7,832,747	3,825,793	4,364,986	6,978,710	2,283,485
South Coast Water District	3,313,938	2,119,393	2,368,447	2,631,719	3,065,431
Santa Margarita Water District	1,420,333	702,744	868,568	883,659	2,217,693
<b>Total Capital Contributions</b>	<b>17,284,262</b>	<b>9,288,891</b>	<b>9,490,114</b>	<b>14,587,871</b>	<b>11,533,533</b>
<b>YOY Change %</b>	<b>-27.1%</b>	<b>-46.3%</b>	<b>2.2%</b>	<b>53.7%</b>	<b>-20.9%</b>
<b>Change in Net Position<sup>2</sup></b>	<b>13,080,880</b>	<b>1,034,962</b>	<b>3,833,959</b>	<b>6,479,406</b>	<b>2,664,153</b>
<b>NET POSITION</b>					
Beginning of year, as restated <sup>2</sup>	117,781,310	126,117,487	127,152,449	130,986,408	137,465,813
<b>End of year</b>	<b>\$130,862,190</b>	<b>\$127,152,449</b>	<b>\$130,986,408</b>	<b>\$137,465,813</b>	<b>\$140,129,966</b>

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

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

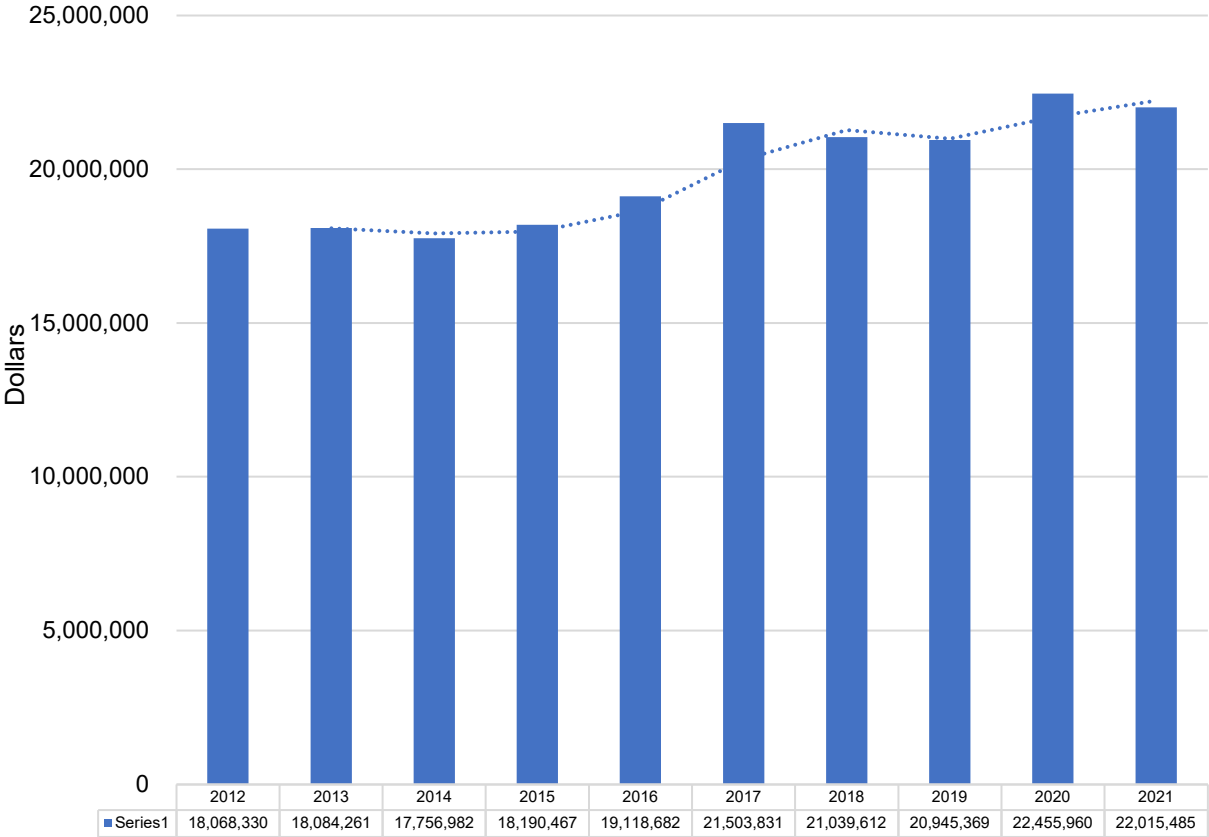
<sup>2</sup>Fiscal year 2020 net position change, \$6.5 million, is primarily due to Capital Contributions for facilities improvements and export sludge system project preparations. The current year change, \$2.7 million, is also due to capital contributions.

Source: South Orange County Wastewater Authority Audited Financial Statements.

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

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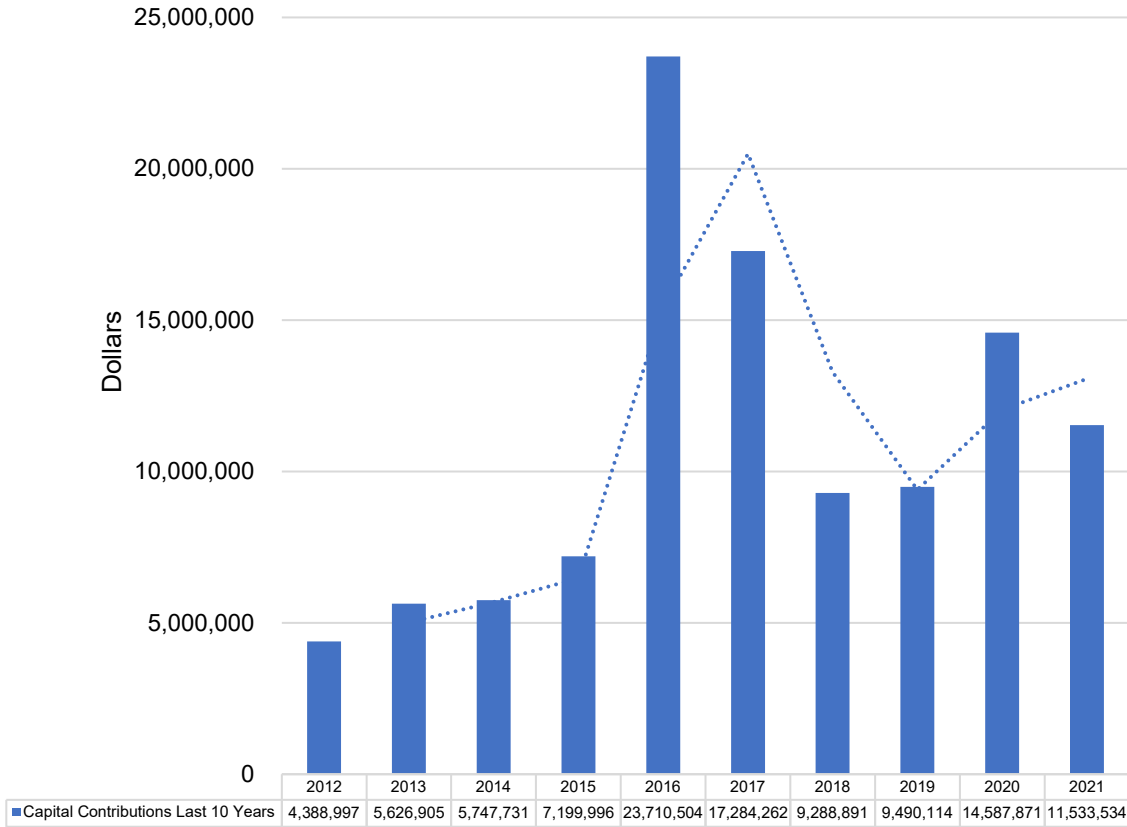
Operating Revenue Last Ten Fiscal Years



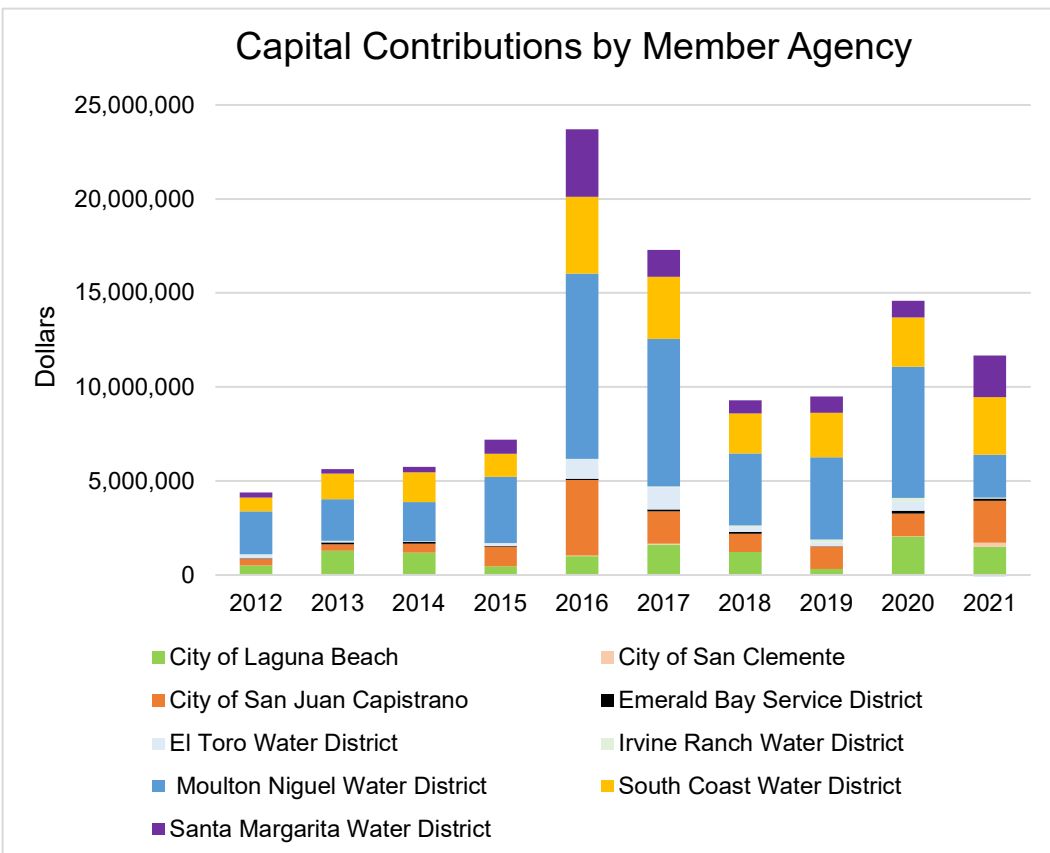
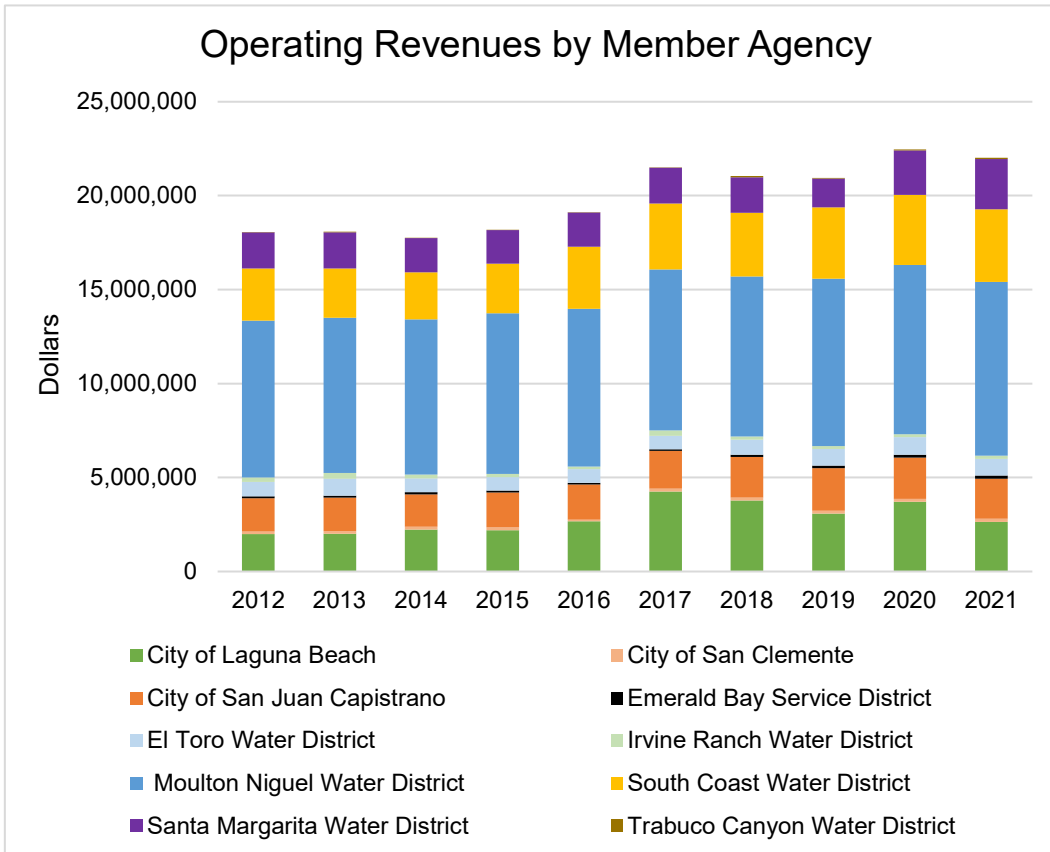
**South Orange County Wastewater Authority  
Operating Revenue and Capital Contributions (Continued)  
Last Ten Fiscal Years**

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**Capital Contributions Last Ten Fiscal Years**



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





**South Orange County Wastewater Authority**  
**Grant Revenue**  
**Last Seven Fiscal Years<sup>1</sup>**

<b>Source of Funds</b>	2013	2014	2015	2017	2019	2020	2021	Total
Southern California Edison and SDG&E								
Co-Gen Projects <sup>2</sup>	\$ -	\$ -	\$ -	\$ -	\$ 1,384,094	\$ 193,138	\$ 148,623	\$ 1,725,855
CA Environment Assoc.	-	-	-	1,500	-	-	-	1,500
Proposition 84 Funds	220,470	12,110	25,842	-	-	-	-	258,422
Prop 50 Funds-Export Sludge	397,619	2,427,081	-	-	-	-	-	2,824,700
<b>Total Grant Revenue</b>	<b>\$ 618,089</b>	<b>\$ 2,439,191</b>	<b>\$ 25,842</b>	<b>\$ 1,500</b>	<b>\$ 1,384,094</b>	<b>\$ 193,138</b>	<b>\$ 148,623</b>	<b>\$ 4,810,477</b>

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

<sup>2</sup>Fiscal years 2020 and 2021 grants are incentive payments from Southern California Edison and SDG&E, electricity providers, through their Self-Generation Incentive Program (SGIP); the Authority invested in capital projects that enabled in-house production of energy.

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

Fiscal Year	Population	Median Age	Per Capita Income (in dollars) <sup>1</sup>	Median Household Income (in dollars) <sup>1</sup>	Unemployment Rate (%) <sup>1</sup>
2011	591,076	36.0	49,740	70,727	9.1
2012	601,105	36.2	51,469	72,046	7.9
2013	609,461	36.4	55,296	71,866	6.6
2014	621,706	36.7	54,594	73,827	5.5
2015	632,435	37.1	57,110	76,061	4.5
2016	643,742	37.3	61,178	78,002	4.0
2017	656,021	37.5	62,763	81,642	3.5
2018	663,978	37.5	65,400	86,031	2.9
2019	847,313	37.9	66,708	87,752	2.8
2020	864,838	38.4	62,440	108,187	6.1

<sup>1</sup>The median household income increased in 2020 by \$20,435 and unemployment rose from 2.8% to 6.1% compared to 2019. This indicates a change in the makeup of the workplace.

Sources: South Orange County Wastewater Authority used data from FYE 2011 - 2020 Annual Comprehensive Financial Reports for the cities served by the authority; this is a representative segment of those communities: Lake Forest, Mission Viejo, Rancho Santa Margarita, Laguna Beach, Dana Point, Aliso Viejo, San Juan Capistrano, San Clemente, Laguna Niguel, and Laguna Hills.

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

**FY 2020**

<u>Rank</u>	<u>Employer</u>	<u>Operating City <sup>1</sup></u>	<u>Number of Employees <sup>2</sup></u>	<u>Percent of Each City's Employment <sup>2</sup></u>
1	Capistrano Unified School District	City of San Juan Capistrano	3,841	22.5%
2	Applied Medical	City of Rancho Santa Margarita	2,700	8.62%
3	Mission Hospital Regional Medical Center	City of Mission Viejo	2,600	5.52%
4	Panasonic Avionics	City of Lake Forest	2,290	4.86%
5	United States Government	City of Laguna Hills	2,200	6.59%
6	Loan Depot	City of Lake Forest	2,049	4.32%
7	Northwest Lake Forest Hospital	City of Lake Forest	1,510	7.79%
8	Oakley Inc.	City of Lake Forest	1,400	2.95%
9	Saddleback College	City of Mission Viejo	1,210	2.57%
10	Saddleback Valley Unified School District	City of Mission Viejo, Laguna Hills	1,136	1.68%

**FY 2011**

<u>Rank</u>	<u>Employer</u>	<u>Operating City <sup>1</sup></u>	<u>Number of Employees <sup>2</sup></u>	<u>Percent of Each City's Employment <sup>2</sup></u>
1	Capistrano Unified School District	City of San Juan Capistrano	4,228	25.0%
2	Saddleback College	City of Mission Viejo	2,196	3.95%
3	Northwest Lake Forest Hospital	City of Lake Forest	1,760	8.15%
4	Hospira Inc	City of Lake Forest	1,400	6.48%
5	Mission Hospital Regional Medical Center	City of Mission Viejo	1,349	2.43%
6	Applied Medical	City of Rancho Santa Margarita	1,249	4.28%
7	O'Connell Landscape	City of Rancho Santa Margarita	1,090	3.73%
8	Unisys Corporation	City of Mission Viejo	1,000	1.80%
9	Fluor Industrial Services, Inc.	City of Aliso Viejo	1,000	6.07%
10	US Technology Resources LLC	City of Aliso Viejo	1,000	6.07%

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

<sup>2</sup> South Orange County Wastewater Authority used data from FYE 2011 - 2020 Annual Comprehensive Financial Reports for the cities served by the authority; this is a representative segment of those communities: Lake Forest, Mission Viejo, Rancho Santa Margarita, Laguna Beach, Dana Point, Aliso Viejo, San Juan Capistrano, San Clemente, Laguna Niguel, and Laguna Hills.

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

<b>Headcount</b>					
<b>Department</b>	2017	2018	2019	2020	2021
Operations	39	42	39	37	39
Environmental Compliance & Safety	10	9	9	9	10
Engineering	3	3	3	3	3
Administration	7	9	9	9	8
IT	1	1	1	1	1
<b>Total</b>	<b>60</b>	<b>64</b>	<b>61</b>	<b>59</b>	<b>61</b>

Source: South Orange County Wastewater Authority Payroll Department.

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

Expenses/Costs:	2017		2018		2019	
	Amount	Mix %	Amount	Mix %	Amount	Mix %
Payroll Costs Including Fringe Benefits <sup>1</sup>	\$9,721,033	51.4%	\$9,613,475	49.9%	\$9,961,588	49.6%
UAL & OPEB						
Chemicals <sup>2</sup>	1,381,568	7.3%	1,500,539	7.8%	1,567,210	7.8%
Utilities	1,663,124	8.8%	1,996,791	10.4%	1,679,008	8.4%
Biosolids Hauling and Disposal	1,481,192	7.8%	1,322,804	6.9%	1,381,075	6.9%
Maintenance - Equip. & Facilities <sup>3</sup>	1,111,944	5.9%	1,439,933	7.5%	1,917,785	9.6%
IT	540,227	2.9%	610,194	3.2%	544,825	2.7%
Environmental & Safety	970,609	5.1%	724,059	3.8%	934,829	4.7%
Engineering Misc	103,820	0.5%	44,434	0.2%	34,824	0.2%
Management Support Services	312,617	1.7%	296,315	1.5%	367,347	1.8%
IT Direct	296,159	1.6%	500	0.0%	2,216	
Contract Services - Misc	204,068	1.1%	282,098	1.5%	302,907	1.5%
Audit & Legal <sup>4</sup>	264,840	1.4%	360,983	1.9%	372,347	1.9%
Facilities	238,640	1.3%	195,862	1.0%	251,002	1.3%
Insurance	160,192	0.8%	208,092	1.1%	203,645	1.0%
Grit Hauling	120,132	0.6%	121,142	0.6%	114,827	0.6%
Engineering transfer to Capital	(297,202)	-1.6%	(320,695)	-1.7%	(330,809)	-1.6%
Other Miscellaneous	\$655,745	3.5%	\$857,147	4.5%	\$759,166	3.8%
<b>Total SOCWA Cost Base</b>	<b>\$18,928,708</b>	<b>100.0%</b>	<b>\$19,253,672</b>	<b>100.0%</b>	<b>\$20,063,792</b>	<b>100.0%</b>
<b>Cost Drivers</b>	<b>17,286,134</b>		<b>17,548,544</b>		<b>18,388,492</b>	
<b>% Total Cost Base</b>	<b>91.3%</b>		<b>91.1%</b>		<b>91.7%</b>	

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

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

<sup>2</sup> Chemicals increased due to unanticipated operating requirements.

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

<sup>4</sup> Audit and Legal costs increases include start-up costs for the new general counselor in 2019 and increased in 2021 due to work on the JPA Agreement.

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

Expenses/Costs:	2020		2021		Total 5 Years	
	Amount	Mix %	Amount	Mix %	Amount	Mix %
Payroll Costs Including Fringe Benefits <sup>1</sup>	\$10,395,879	48.1%	\$9,257,678	43.0%	\$48,949,654	48.7%
UAL & OPEB			1,457,381	6.8%	1,457,381	1.4%
Chemicals <sup>2</sup>	1,697,189	8.1%	1,991,025	9.3%	8,137,530	8.1%
Utilities	1,569,259	7.5%	1,590,105	7.4%	8,498,287	8.4%
Biosolids Hauling and Disposal	1,466,713	7.0%	1,465,691	6.8%	7,117,476	7.1%
Maintenance - Equip. & Facilities <sup>3</sup>	2,046,663	9.8%	1,867,698	8.7%	8,384,024	8.3%
IT	640,077	3.1%	557,392	2.6%	2,892,715	2.9%
Environmental & Safety	1,094,494	5.3%	1,066,875	5.0%	4,790,865	4.8%
Engineering Misc	848	0.0%	-	0.0%	183,927	0.2%
Management Support Services	423,130	2.0%	572,600	2.7%	1,972,009	2.0%
IT Direct	12,672	0.1%	11,508	0.1%	323,054	0.3%
Contract Services - Misc	283,191	1.4%	303,258	1.4%	1,375,521	1.4%
Audit & Legal <sup>4</sup>	335,332	1.6%	450,844	2.1%	1,784,346	1.8%
Facilities	277,115	1.3%	343,448	1.6%	1,306,067	1.3%
Insurance	261,406	1.3%	276,867	1.3%	1,110,201	1.1%
Grit Hauling	138,647	0.7%	127,842	0.6%	622,590	0.6%
Engineering transfer to Capital	(377,921)	-1.8%	(431,664)	-2.0%	(1,758,290)	-1.7%
Other Miscellaneous	\$577,503	4.6%	\$597,468	2.8%	\$3,447,029	3.4%
<b>Total SOCWA Cost Base</b>	<b>\$20,842,196</b>	<b>100.0%</b>	<b>\$21,506,016</b>	<b>100.0%</b>	<b>\$100,594,385</b>	<b>100.0%</b>
<b>Cost Drivers</b>	<b>19,334,253</b>		<b>19,826,446</b>		<b>92,383,868</b>	
<b>% Total Cost Base</b>	<b>92.8%</b>		<b>92.2%</b>		<b>91.8%</b>	

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

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

<sup>2</sup> Chemicals increased due to unanticipated operating requirements.

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

<sup>4</sup> Audit and Legal costs increases include start-up costs for the new general counselor in 2019 and increased in 2021 due to work on the JPA Agreement.

**South Orange County Wastewater Authority**  
**<sup>1</sup>O&M Expenditures by Project Committee Fiscal Year 2021**

	PC 02	PC 12	PC 05	PC 15	PC 17
<b>Salary and Fringe</b>					
Regular Salaries-O&M	\$ 1,538,482	\$ 48,369	\$ 121,774	\$ 858,875	\$ 1,538,397
Overtime Salaries-O&M	42,905	-	1,508	21,355	44,315
Performance Based Merit Pay	14,437	-	-	1,290	19,936
Scheduled Holiday Work	26,515	-	468	13,521	31,170
Comp Time - O&M	17,155	-	-	7,669	10,765
Fringe Benefits IN to PC's & Depts.	840,790	26,188	65,932	465,715	843,721
Standby Pay	27,722	-	-	11,505	28,632
<b>Total Payroll Costs</b>	<b>2,508,007</b>	<b>74,557</b>	<b>189,682</b>	<b>1,379,930</b>	<b>2,516,936</b>
<b>Other Expenses</b>					
Electricity	483,236	-	-	270,027	499,186
Natural Gas	125,268	-	-	2,855	126,226
Potable & Reclaimed Water	26,356	-	-	24,702	32,249
Co-generation Power Credit	-	-	-	-	(705,975)
Chlorine/Sodium Hypochlorite	8,139	-	-	85,651	396,898
Polymer Products	263,700	-	-	-	478,151
Ferric Chloride	248,629	-	-	70,296	335,777
Odor Control Chemicals	20,825	-	-	38,191	31,412
Other Chemicals - Misc.	-	-	-	426	-
Laboratory Services	6,972	-	-	9,637	10,699
Grit Hauling	59,635	-	-	26,151	42,055
Landscaping	55,718	-	-	38,107	138,489
Management Support Services	41,657	311,910	67,764	11,118	33,889
Legal Fees	4,811	9,499	1,351	9,980	15,149
Contract Services Misc.	92,976	-	-	96,991	107,827
Small Vehicle Expense	7,468	-	-	3,551	7,710
Miscellaneous Expense	3,024	-	-	882	1,449
Office Supplies - All	12,120	-	-	5,217	10,623
Petroleum Products	2,940	-	-	3,264	6,727
Uniforms	31,168	-	-	7,545	25,805
Small Vehicle Fuel	4,214	-	-	1,793	5,955
Insurance - Property/Liability	91,632	6,773	9,294	40,571	117,214
Small Tools & Supplies	31,189	-	-	8,172	28,489
Trash Disposal	2,410	-	-	1,940	2,256
Safety Program & Supplies	49,439	-	-	27,697	59,709
Equipment Rental	876	-	-	-	-
Recruitment	2,346	-	-	150	1,035
Travel Expense/Tech. Conferences	2,613	-	300	2,448	2,933
Training Expense	3,012	-	62	5,031	4,223
Laboratory Supplies	14,568	-	45,949	13,359	15,922
Office Equipment	1,634	-	-	23	23,626
Permits	39,645	20,862	211,086	5,766	28,110



**South Orange County Wastewater Authority**  
**<sup>1</sup>O&M Expenditures by Project Committee Fiscal Year 2021 (Continued)**

	PC 02	PC 12	PC 05	PC 15	PC 17
Membership Dues/Fees	3,554	-	-	1,655	4,326
Offshore Monitoring	-	-	20,065	-	-
Effluent Chemistry	-	-	28,429	-	-
Access Road Expenses	-	-	-	39,072	-
Biosolids Disposal	599,711	-	-	5,625	860,355
Contract Services Generators	50	-	-	3,496	-
Janitorial Services	53,534	-	-	13,760	37,233
Contract Serv - Digester Cleaning - 29E	34,243	-	-	-	46,500
Diesel Truck Maint	7,702	-	-	5,902	15,594
Diesel Truck Fuel	3,022	-	-	-	5,350
Maintenance Equip. & Facilities (Solids)	113,322	-	552	-	222,279
Maintenance Equip. & Facilities (Liquids)	175,255	-	-	143,212	269,795
Maintenance Equip. & Facilities (Common)	39,409	-	-	6,785	98,698
Maintenance Equip. & Facilities (Co-Gen)	288,741	-	-	-	437,708
Maintenance Equip. & Facilities (AWT)	-	-	-	17,285	54,657
Mileage	683	-	-	154	1,103
MNWD Potable Water Supplies & Svcs.	-	-	-	-	18,666
SCADA Infrastructure	21,956	-	-	21,956	21,956
IT Direct	2,143	-	-	-	7,526
Co-Generation Power Credit - Offset	-	-	-	-	705,975
Group Insurance Waiver	3,614	-	-	3,614	6,951
Medicare Tax Payments for Employees	-	-	-	1,912	-
Operating Leases	24,743	-	-	-	4,003
Monthly Car Allowance	22,888	-	-	4,216	8,432
Zephyr Wall Costs Share - O&M	(11,459)	-	-	-	-
IT Allocations in to PC's & Depts.	184,222	6,112	11,504	113,910	208,769
<b>Sub-Total Expenses</b>	<b>3,305,554</b>	<b>355,156</b>	<b>396,355</b>	<b>1,194,094</b>	<b>4,919,692</b>
PC 23, NCI					
<b>Total O&amp;M</b>	<b>\$ 5,813,561</b>	<b>\$ 429,713</b>	<b>\$ 586,037</b>	<b>\$ 2,574,024</b>	<b>\$ 7,436,628</b>

**South Orange County Wastewater Authority**  
**<sup>1</sup>O&M Expenditures by Project Committee Fiscal Year 2021 (Continued)**

	PC 21	PC 23	PC 24	PC 08	SOCWA
<b>Salary and Fringe</b>					
Regular Salaries-O&M	\$ 792	\$ -	\$ 118,874	\$ 96,558	\$ 4,322,121
Overtime Salaries-O&M	-	-	1,232	-	111,316
Performance Based Merit Pay	-	-	-	-	35,663
Scheduled Holiday Work	-	-	292	-	71,967
Comp Time - O&M	-	-	-	102	35,691
Fringe Benefits IN to PC's & Depts.	429	-	64,361	52,279	2,359,415
Standby Pay	-	-	-	-	67,859
Total Payroll Costs	1,221	-	184,760	148,940	7,004,033
<b>Other Expenses</b>					
Electricity	-	-	-	-	1,252,449
Natural Gas	-	-	-	-	254,349
Potable & Reclaimed Water	-	-	-	-	83,307
Co-generation Power Credit	-	-	-	-	(705,975)
Chlorine/Sodium Hypochlorite	-	-	-	-	490,689
Polymer Products	-	-	-	-	741,851
Ferric Chloride	-	-	-	-	654,701
Odor Control Chemicals	-	-	-	-	90,428
Other Chemicals - Misc.	-	-	-	-	426
Laboratory Services	-	-	-	-	27,308
Grit Hauling	-	-	-	-	127,842
Landscaping	-	-	-	-	232,315
Management Support Services	-	-	47,394	-	513,732
Legal Fees	-	27,650	-	3,244	71,684
Contract Services Misc.	-	-	-	-	297,793
Small Vehicle Expense	-	-	-	68	18,797
Miscellaneous Expense	-	-	-	-	5,355
Office Supplies - All	-	-	-	-	27,961
Petroleum Products	-	-	-	-	12,931
Uniforms	-	-	-	-	64,518
Small Vehicle Fuel	-	-	-	300	12,263
Insurance - Property/Liability	20	-	8,691	2,672	276,867
Small Tools & Supplies	-	-	-	2,288	70,138
Trash Disposal	-	-	-	-	6,607
Safety Program & Supplies	-	-	-	-	136,845
Equipment Rental	-	-	-	-	876
Recruitment	-	-	-	-	3,531
Travel Expense/Tech. Conferences	-	-	300	695	9,289
Training Expense	-	-	62	708	13,098
Laboratory Supplies	-	-	44,758	-	134,557
Office Equipment	-	-	-	-	25,282
Permits	-	-	200,893	-	506,362

**South Orange County Wastewater Authority**  
**<sup>1</sup>O&M Expenditures by Project Committee Fiscal Year 2021 (Continued)**

	PC 21	PC 23	PC 24	PC 08	SOCWA
Membership Dues/Fees	-	-	-	743	10,278
Offshore Monitoring	-	-	20,500	-	40,565
Effluent Chemistry	-	-	35,165	-	63,594
Access Road Expenses	-	-	-	-	39,072
Biosolids Disposal	-	-	-	-	1,465,691
Contract Services Generators	-	-	-	-	3,545
Janitorial Services	-	-	-	-	104,527
Contract Serv - Digester Cleaning - 29E	-	-	-	-	80,743
Diesel Truck Maint	-	-	-	-	29,197
Diesel Truck Fuel	-	-	-	-	8,372
Maintenance Equip. & Facilities (Solids)	-	-	-	-	336,152
Maintenance Equip. & Facilities (Liquids)	-	-	-	-	588,263
Maintenance Equip. & Facilities (Common)	-	-	-	-	144,891
Maintenance Equip. & Facilities (Co-Gen)	-	-	-	-	726,449
Maintenance Equip. & Facilities (AWT)	-	-	-	-	71,943
Mileage	-	-	-	-	1,940
MNWD Potable Water Supplies & Svcs.	-	-	-	-	18,666
SCADA Infrastructure	-	-	-	-	65,868
IT Direct	-	-	-	-	9,669
Co-Generation Power Credit - Offset	-	-	-	-	705,975
Group Insurance Waiver	-	-	-	-	14,178
Medicare Tax Payments for Employees	-	-	-	-	1,912
Operating Leases	-	-	-	-	28,746
Monthly Car Allowance	-	-	-	-	35,536
Zephyr Wall Costs Share - O&M	-	-	-	-	(11,459)
IT Allocations in to PC's & Depts.	-	-	12,498	9,869	546,884
<b>Sub-Total Expenses</b>	<b>20</b>	<b>27,650</b>	<b>370,261</b>	<b>20,588</b>	<b>10,589,370</b>
PC 23, NCI		433,185			433,185
<b>Total O&amp;M</b>	<b>\$ 1,241</b>	<b>\$ 460,835</b>	<b>\$ 555,020</b>	<b>\$ 169,528</b>	<b>\$ 18,026,588</b>

**South Orange County Wastewater Authority**  
**<sup>1</sup>O&M Expenditures by Project Committee Fiscal Year 2020**

	PC 02	PC 12	PC 05	PC 15	PC 17
<b>Salary and Fringe</b>					
Regular Salaries-O&M	\$ 1,590,035	\$ 57,080	\$ 116,561	\$ 837,478	\$ 1,586,774
Overtime Salaries-O&M	43,304	-	759	15,049	36,546
Scheduled Holiday Work	15,594	-	195	4,846	16,032
Comp Time - O&M	14,732	-	-	3,129	6,693
Fringe Benefits IN to PC's & Depts.	1,179,578	42,346	86,471	621,289	1,177,159
Standby Pay	25,745	-	-	9,917	32,607
<b>Total Payroll Costs</b>	<b>2,868,988</b>	<b>99,426</b>	<b>203,985</b>	<b>1,491,709</b>	<b>2,855,810</b>
<b>Other Expenses</b>					
Electricity	571,023	-	-	248,532	420,779
Natural Gas	101,819	-	-	2,529	140,468
Potable & Reclaimed Water	24,557	-	-	25,778	33,774
Co-generation Power Credit	-	-	-	-	(618,118)
Chlorine/Sodium Hypochlorite	5,511	-	-	72,032	365,562
Polymer Products	231,537	-	-	-	388,191
Ferric Chloride	164,084	-	-	42,800	281,621
Odor Control Chemicals	18,719	-	-	42,473	38,850
Laboratory Services	7,215	-	-	9,978	12,886
Grit Hauling	59,735	-	-	24,555	54,357
Landscaping	51,084	-	-	26,893	91,134
Engineering - Misc.	-	-	-	-	-
Management Support Services	42,794	166,440	14,062	19,405	37,857
Legal Fees	2,488	34	2,569	6,466	59,928
Public Notices/ Public Relations	-	-	-	-	-
Contract Services Misc.	72,225	-	-	93,146	112,371
Small Vehicle Expense	6,278	-	-	2,161	9,204
Miscellaneous Expense	8,733	-	-	1,647	5,218
Office Supplies - All	20,331	-	-	8,847	10,430
Petroleum Products	8,990	-	-	1,999	34,820
Uniforms	27,220	-	-	9,875	28,924
Small Vehicle Fuel	8,185	-	-	1,774	6,433
Insurance - Property/Liability	88,375	2,970	7,621	43,196	107,778
Small Tools & Supplies	23,529	-	-	15,144	25,532
Trash Disposal	3,567	-	-	2,030	1,916
Safety Program & Supplies	47,697	-	140	21,279	65,403
Equipment Rental	3,942	-	-	3,514	-
Recruitment	710	-	-	1,255	971
Travel Expense/Tech. Conferences	10,200	88	2,790	5,847	17,238
Training Expense	13,646	-	110	13,171	12,656
Laboratory Supplies	14,118	-	24,849	15,373	20,118
Office Equipment	24,444	-	-	3,212	4,336
Permits	20,129	20,708	222,884	9,176	29,771
Membership Dues/Fees	5,135	-	2,091	8,397	10,365
Offshore Monitoring	-	-	21,481	-	-
Effluent Chemistry	-	-	15,917	-	-

**South Orange County Wastewater Authority**  
**<sup>1</sup>O&M Expenditures by Project Committee Fiscal Year 2020 (Continued)**

	PC 02	PC 12	PC 05	PC 15	PC 17
Access Road Expenses	-	-	-	34,686	-
Storm Damage	-	-	-	549	-
Biosolids Disposal	632,579	-	-	-	834,134
Contract Services Generators	11,086	-	-	3,923	3,715
Janitorial Services	47,582	-	-	15,161	37,748
Contract Serv - Digester Cleaning - 29E	10,226	-	-	-	-
Diesel Truck Maint	22,027	-	-	637	26,054
Diesel Truck Fuel	2,661	-	-	-	5,254
Maintenance Equip. & Facilities (Solids)	132,101	-	-	-	201,311
Maintenance Equip. & Facilities (Liquids)	154,607	-	-	174,249	235,101
Maintenance Equip. & Facilities (Common)	44,448	-	-	7,763	26,362
Maintenance Equip. & Facilities (Co-Gen)	299,680	-	-	-	683,049
Maintenance Equip. & Facilities (AWT)	-	-	-	17,235	70,760
Mileage	793	-	-	591	965
MNWD Potable Water Supplies & Svcs.	-	-	-	-	23,757
Misc-Capital-Dilution & Metering Study	-	-	16,345	-	-
Education Reimbursement	-	-	-	1,014	311
SCADA Infrastructure	698	-	-	-	-
IT Direct	6,294	-	-	3,140	3,239
Co-Generation Power Credit - Offset	-	-	-	-	618,118
Group Insurance Waiver	3,636	-	-	3,635.54	7,271
Medicare Tax Payments for Employees	1,598	-	-	1,857	-
Operating Leases	23,343	-	-	-	-
Monthly Car Allowance	18,953	-	-	4,242	8,483
Zephyr Wall Costs Share - O&M	(28,579)	-	-	-	-
IT Allocations in to PC's & Depts.	212,604	4,848	14,105	131,836	248,281
<b>Total Other Expenses</b>	<b>3,284,355</b>	<b>195,088</b>	<b>344,965</b>	<b>1,183,000</b>	<b>4,844,684</b>
<b>Sub-Total Expenses</b>	<b>6,153,343</b>	<b>294,514</b>	<b>548,950</b>	<b>2,674,709</b>	<b>7,700,494</b>
PC 23, NCI					
<b>Total O&amp;M</b>	<b>\$ 6,153,343</b>	<b>\$ 294,514</b>	<b>\$ 548,950</b>	<b>\$ 2,674,709</b>	<b>\$ 7,700,494</b>

**South Orange County Wastewater Authority**  
**<sup>1</sup>O&M Expenditures by Project Committee Fiscal Year 2020 (Continued)**

	PC 21	PC 23	PC 24	PC 08	SOCWA
<b>Salary and Fringe</b>					
Regular Salaries-O&M	\$ 4,740	\$ -	\$ 105,861	\$ 86,084	\$ 4,384,614
Overtime Salaries-O&M	2,851	-	942	-	99,451
Scheduled Holiday Work	-	-	466	-	37,133
Comp Time - O&M	-	-	68	335	24,956
Fringe Benefits IN to PC's & Depts.	3,517	-	78,533	63,862	3,252,755
Standby Pay	-	-	-	-	68,268
<b>Total Payroll Costs</b>	<b>11,108</b>	<b>-</b>	<b>185,870</b>	<b>150,282</b>	<b>7,867,178</b>
<b>Other Expenses</b>					
Electricity	-	-	-	-	1,240,334
Natural Gas	-	-	-	-	244,816
Potable & Reclaimed Water	-	-	-	-	84,108
Co-generation Power Credit	-	-	-	-	(618,118)
Chlorine/Sodium Hypochlorite	-	-	-	-	443,105
Polymer Products	-	-	-	-	619,728
Ferric Chloride	-	-	-	-	488,505
Odor Control Chemicals	-	-	-	-	100,042
Laboratory Services	-	11,200	-	-	41,279
Grit Hauling	-	-	-	-	138,647
Landscaping	-	-	-	-	169,111
Engineering - Misc.	848	-	-	-	848
Management Support Services	6,350	16,011	5,050	-	307,969
Legal Fees	-	1,800	-	906	74,189
Public Notices/ Public Relations	-	-	-	277	277
Contract Services Misc.	157	-	-	-	277,898
Small Vehicle Expense	-	-	-	43	17,686
Miscellaneous Expense	-	-	-	-	15,597
Office Supplies - All	-	-	-	-	39,609
Petroleum Products	-	-	-	-	45,809
Uniforms	-	-	-	-	66,018
Small Vehicle Fuel	-	-	-	529	16,921
Insurance - Property/Liability	872	-	7,937	2,656	261,406
Small Tools & Supplies	-	-	-	1,486	65,691
Trash Disposal	-	-	-	-	7,514
Safety Program & Supplies	-	-	-	197	134,715
Equipment Rental	-	-	-	-	7,456
Recruitment	-	-	-	-	2,936
Travel Expense/Tech. Conferences	-	-	2,790	671	39,624
Training Expense	-	-	3,000	1,615	44,198
Laboratory Supplies	-	-	25,021	-	99,479
Office Equipment	-	-	-	-	31,992
Permits	-	-	193,466	-	496,135
Membership Dues/Fees	-	-	2,091	741	28,821
Offshore Monitoring	-	-	31,561	-	53,042
Effluent Chemistry	-	-	11,612	-	27,530

**South Orange County Wastewater Authority**  
**<sup>1</sup>O&M Expenditures by Project Committee Fiscal Year 2020 (Continued)**

	PC 21	PC 23	PC 24	PC 08	SOCWA
Access Road Expenses	-	-	-	-	34,686
Storm Damage	-	-	-	-	549
Biosolids Disposal	-	-	-	-	1,466,713
Contract Services Generators	-	-	-	-	18,724
Janitorial Services	-	-	-	-	100,490
Contract Serv - Digester Cleaning - 29E	-	-	-	-	10,226
Diesel Truck Maint	-	-	-	-	48,718
Diesel Truck Fuel	-	-	-	-	7,916
Maintenance Equip. & Facilities (Solids)	-	-	-	-	333,411
Maintenance Equip. & Facilities (Liquids)	-	-	-	-	563,956
Maintenance Equip. & Facilities (Common)	-	-	-	-	78,573
Maintenance Equip. & Facilities (Co-Gen)	-	-	-	-	982,729
Maintenance Equip. & Facilities (AWT)	-	-	-	-	87,994
Mileage	-	-	-	-	2,349
MNWD Potable Water Supplies & Svcs.	-	-	-	-	23,757
Misc-Capital-Dilution & Metering Study	-	-	12,005	-	28,350
Education Reimbursement	-	-	-	-	1,325
SCADA Infrastructure	-	-	-	-	698
IT Direct	-	-	-	-	12,672
Co-Generation Power Credit - Offset	-	-	-	-	618,118
Group Insurance Waiver	-	-	-	-	14,542
Medicare Tax Payments for Employees	-	-	-	-	3,456
Operating Leases	-	-	-	-	23,343
Monthly Car Allowance	-	-	-	-	31,678
Zephyr Wall Costs Share - O&M	-	-	-	-	(28,579)
IT Allocations in to PC's & Depts.	-	-	13,758	12,756	638,188
Total Other Expenses	8,227	29,010	308,292	21,877	10,219,497
<b>Sub-Total Expenses</b>	<b>19,335</b>	<b>29,010</b>	<b>494,162</b>	<b>172,158</b>	<b>18,086,675</b>
PC 23, NCI		414,260			414,260
<b>Total O&amp;M</b>	<b>\$ 19,335</b>	<b>\$ 443,271</b>	<b>\$ 494,162</b>	<b>\$ 172,158</b>	<b>\$ 18,500,935</b>

**South Orange County Wastewater Authority**  
<sup>1</sup>**O&M Expenditures/Operating Revenue by Project Committee and Member Agency**  
**Fiscal Year 2021**

	City of Laguna Beach	City of San Clemente	City of San Juan Capistrano	El Toro Water District	Emerald Bay Service District
<b>USE AUDIT (Actual Costs) by Project Committee &amp; Member Agency</b>					
<b><u>Project Committee</u></b>					
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ 1,606,942	\$ -	\$ -
PC 5 - San Juan Creek Ocean Outfall	-	95,124	63,416	-	-
PC 8 - Pretreatment Program	5,172	28,196	16,470	4,073	4,742
PC 12 SO- Water Reclamation Permits	-	-	48,662	-	-
PC 15 - Coastal Treatment Plant/AWT	1,139,833	-	-	-	62,989
PC 17 - Joint Regional Wastewater	489,578	-	-	621,271	24,367
PC 21 Effluent Transmission Main	-	-	-	509	-
PC 23 North Coast Interceptor	26,511	-	-	-	1,139
PC 24 - Aliso Creek Ocean Outfall	59,695	-	-	88,468	4,233
<b>Sub-Total</b>	<b>1,720,789</b>	<b>123,320</b>	<b>1,735,491</b>	<b>714,320</b>	<b>97,470</b>
PC 23, NCI	433,185				
<b>Total O&amp;M</b>	<b>\$ 2,153,974</b>	<b>\$ 123,320</b>	<b>\$ 1,735,491</b>	<b>\$ 714,320</b>	<b>\$ 97,470</b>

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



## South Orange County Wastewater Authority

### <sup>1</sup>O&M Expenditures/Operating Revenue by Project Committee and Member Agency (Continued) Fiscal Year 2021

	Irvine Ranch Water District	Moulton Niguel Water District	Santa Margarita Water District	South Coast Water District	Trabuco Canyon Water District	Total
<b>USE AUDIT (Actual Costs) by Project Committee &amp; Member Agency</b>						
<b><u>Project Committee</u></b>						
PC 2 - Jay B. Latham Plant	\$ -	\$ 1,049,484	\$ 1,794,205	\$ 1,362,930	\$ -	\$ 5,813,561
PC 5 - San Juan Creek Ocean Outfall	-	88,771	253,665	85,060	-	586,037
PC 8 - Pretreatment Program	20,042	28,939	34,751	27,143	-	169,528
PC 12 SO- Water Reclamation Permits	-	132,603	139,732	57,836	50,881	429,713
PC 15 - Coastal Treatment Plant/AWT	-	166,129	-	1,205,073	-	2,574,024
PC 17 - Joint Regional Wastewater	-	5,966,250	-	335,162	-	7,436,628
PC 21 Effluent Transmission Main	509	223	-	-	-	1,241
PC 23 North Coast Interceptor						27,650
PC 24 - Aliso Creek Ocean Outfall	85,525	237,957	-	79,142	-	555,020
<b>Sub-Total</b>	<b>106,076</b>	<b>7,670,357</b>	<b>2,222,352</b>	<b>3,152,345</b>	<b>50,881</b>	<b>17,593,403</b>
PC 23, NCI						433,185
<b>Total O&amp;M</b>	<b>\$ 106,076</b>	<b>\$ 7,670,357</b>	<b>\$ 2,222,352</b>	<b>\$ 3,152,345</b>	<b>\$ 50,881</b>	<b>\$ 18,026,588</b>

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

**South Orange County Wastewater Authority**  
<sup>1</sup>O&M Expenditures/Operating Revenue by Project Committee and Member Agency  
**Fiscal Year 2020**

	City of Laguna Beach	City of San Clemente	City of San Juan Capistrano	El Toro Water District	Emerald Bay Service District
<b>USE AUDIT (Actual Costs) by Project Committee &amp; Member Agency</b>					
<b><u>Project Committee</u></b>					
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ 1,797,568	\$ -	\$ -
PC 5 - San Juan Creek Ocean Outfall	-	91,235	60,824	-	-
PC 8 - Pretreatment Program	6,232	20,699	13,542	5,872	2,374
PC 12 SO- Water Reclamation Permits	-	-	34,297	-	-
PC 15 - Coastal Treatment Plant/AWT	1,197,943	-	-	-	53,023
PC 17 - Joint Regional Wastewater	530,326	-	-	700,753	19,972
PC 21 Effluent Transmission Main	-	-	-	7,963	-
PC 23 North Coast Interceptor	29,010	-	-	-	-
PC 24 - Aliso Creek Ocean Outfall	54,358	-	-	80,558	3,854
<b>Sub-Total</b>	<b>1,817,869</b>	<b>111,934</b>	<b>1,906,230</b>	<b>795,146</b>	<b>79,223</b>
PC 23, NCI	414,260				
<b>Total O&amp;M</b>	<b>\$ 2,232,129</b>	<b>\$ 111,934</b>	<b>\$ 1,906,230</b>	<b>\$ 795,146</b>	<b>\$ 79,223</b>

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

## South Orange County Wastewater Authority

### <sup>1</sup>O&M Expenditures/Operating Revenue by Project Committee and Member Agency (Continued) Fiscal Year 2020

	Irvine Ranch Water District	Moulton Niguel Water District	Santa Margarita Water District	South Coast Water District	Trabuco Canyon Water District	Total
<b>USE AUDIT (Actual Costs) by Project Committee &amp; Member Agency</b>						
<b><u>Project Committee</u></b>						
PC 2 - Jay B. Latham Plant	\$ -	\$ 1,204,943	\$ 1,672,640	\$ 1,478,192	\$ -	\$ 6,153,343
PC 5 - San Juan Creek Ocean Outfall	-	85,142	243,295	68,454	-	548,950
PC 8 - Pretreatment Program	16,852	38,811	39,928	27,847	-	172,158
PC 12 SO- Water Reclamation Permits	-	92,235	92,614	39,830	35,539	294,514
PC 15 - Coastal Treatment Plant/AWT	-	180,458	-	1,243,286	-	2,674,709
PC 17 - Joint Regional Wastewater	-	6,117,054	-	332,389	-	7,700,494
PC 21 Effluent Transmission Main	7,963	3,408	-	-	-	19,335
PC 23 North Coast Interceptor	-	-	-	-	-	29,010
PC 24 - Aliso Creek Ocean Outfall	77,878	216,682	-	60,831	-	494,162
<b>Sub-Total</b>	<b>102,694</b>	<b>7,938,734</b>	<b>2,048,476</b>	<b>3,250,829</b>	<b>35,539</b>	<b>18,086,675</b>
PC 23, NCI						414,260
<b>Total O&amp;M</b>	<b>\$ 102,694</b>	<b>\$ 7,938,734</b>	<b>\$ 2,048,476</b>	<b>\$ 3,250,829</b>	<b>\$ 35,539</b>	<b>\$ 18,500,935</b>

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

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

Performance Indicators

Facility/Indicator	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Wastewater Flow (mgd) <sup>1</sup>										
JB Latham Treatment Plant	9.42	8.70	9.24	8.51	6.83	6.64	6.06	6.51	6.58	7.09
Coastal Treatment Plant	3.26	3.29	3.23	3.13	2.98	3.00	2.77	2.91	2.71	2.69
Regional Treatment Plant	9.23	8.98	8.71	8.11	7.63	7.75	7.77	7.72	7.78	7.75
Recycled Water Production (AF/d)										
Coastal Treatment Plant	2.65	2.69	2.91	3.14	3.25	3.29	3.43	2.23	3.50	3.01
Regional Treatment Plant	16.41	18.01	19.50	18.86	14.75	14.51	16.69	13.81	12.80	15.46
Ocean Outfall Discharges (mgd)										
San Juan Creek Ocean Outfall	17.69	17.61	15.92	13.40	11.51	11.33	10.73	12.34	13.41	11.27
Aliso Creek Ocean Outfall	13.92	12.40	11.99	10.28	11.40	10.71	9.13	10.94	10.95	9.01

<sup>1</sup> mgd = million gallons per day

Source: South Orange County Wastewater Authority Operations Department

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

Treatment Facilities <sup>1</sup>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>PC 2 JB Latham</b>										

**Liquids**

City of San Juan Capistrano	34.42%	34.56%	33.44%	34.81%	31.77%	31.96%	36.57%	35.38%	32.37%	31.15%
Moulton Niguel Water District	15.47%	17.22%	21.29%	21.52%	20.50%	21.10%	23.64%	23.92%	21.30%	19.76%
Santa Margarita Water District	22.74%	23.71%	23.06%	20.99%	21.96%	21.31%	12.13%	11.81%	21.74%	25.33%
South Coast Water District	27.37%	24.52%	22.21%	22.67%	25.77%	25.63%	27.66%	28.89%	24.59%	23.76%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Solids**

City of San Juan Capistrano	28.28%	29.86%	30.00%	32.44%	24.48%	24.54%	23.90%	29.65%	26.23%	24.08%
Moulton Niguel Water District	18.43%	19.97%	19.98%	21.46%	26.33%	18.70%	21.06%	20.05%	17.25%	15.27%
Santa Margarita Water District	29.93%	30.16%	30.30%	27.97%	27.19%	33.82%	36.96%	23.37%	32.96%	37.66%
South Coast Water District	23.36%	20.01%	19.72%	18.13%	22.00%	22.94%	18.08%	26.92%	23.56%	23.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**PC 15 Coastal**

**Liquids**

City of Laguna Beach	57.55%	59.88%	60.20%	60.15%	59.16%	59.00%	57.72%	60.23%	60.90%	58.11%
Emerald Bay Service District	2.29%	2.13%	1.90%	1.83%	1.71%	1.67%	1.78%	1.88%	2.18%	2.89%
Moulton Niguel Water District <sup>2</sup>	-	-	-	-	-	-	-	-	-	-
South Coast Water District	40.16%	37.99%	37.91%	38.03%	39.13%	39.33%	40.50%	37.89%	36.91%	38.99%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**PC 17 Regional**

**Liquids**

City of Laguna Beach	0.16%	0.16%	0.17%	0.23%	0.16%	0.16%	0.80%	0.11%	0.10%	0.10%
El Toro Water District	0.21%	0.20%	0.21%	0.19%	0.18%	0.18%	0.27%	0.92%	0.20%	0.20%
Emerald Bay Service District	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%	0.02%	0.00%	0.00%	0.00%
Moulton Niguel Water District	99.51%	99.54%	99.51%	99.55%	99.55%	99.55%	98.36%	98.92%	99.67%	99.66%
South Coast Water District	0.11%	0.10%	0.10%	0.02%	0.10%	0.10%	0.56%	0.04%	0.04%	0.04%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Solids**

City of Laguna Beach	13.15%	13.65%	13.11%	13.13%	12.30%	12.48%	16.06%	15.34%	12.87%	12.46%
El Toro Water District	16.76%	17.00%	15.70%	15.28%	14.18%	13.99%	14.90%	15.15%	16.11%	14.71%
Emerald Bay Service District	0.52%	0.49%	0.41%	0.40%	0.36%	0.38%	0.50%	0.48%	0.46%	0.62%
Moulton Niguel Water District	60.39%	60.21%	62.53%	62.90%	65.04%	64.52%	58.06%	59.40%	62.78%	63.90%
South Coast Water District	9.18%	8.66%	8.25%	8.30%	8.12%	8.62%	10.48%	9.64%	7.79%	8.32%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

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

<sup>2</sup> Moulton Niguel Water District has owned capacity in the Coastal treatment Plant but does not send flows to the facility.

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

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

Fiscal Year	CSJC	MNWD	SCWD	SMWD
2012	3.310	1.320	2.550	2.240
2013	3.070	1.400	2.060	2.170
2014	3.136	1.936	1.937	2.231
2015	3.031	1.805	1.824	1.849
2016	2.170	1.400	1.760	1.500
2017	2.121	1.400	1.701	1.414
2018	2.166	1.400	1.639	0.718
2019	2.070	1.400	1.690	0.691
2020	2.128	1.400	1.616	1.429
2021	2.208	1.400	1.684	1.795

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

Fiscal Year	CLB	EBSD	MNWD	SCWD
2012	1.873	0.075	-	1.307
2013	1.970	0.070	-	1.250
2014	1.943	0.061	-	1.224
2015	1.882	0.057	-	1.190
2016	1.760	0.051	-	1.164
2017	1.770	0.050	-	1.180
2018	1.596	0.049	-	1.120
2019	1.620	0.050	-	1.019
2020	1.652	0.059	-	1.001
2021	1.566	0.078	-	1.051

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

Fiscal Year	CSJC	MNWD	SCWD	SMWD
2012	8,663	5,467	7,444	9,321
2013	8,040	5,301	5,395	8,217
2014	8,526	5,589	5,589	8,712
2015	8,847	5,769	4,792	7,509
2016	5,722	6,155	5,143	6,352
2017	5,767	6,142	5,391	6,203
2018	5,815	5,124	4,399	8,992
2019	5,706	3,859	5,181	4,497
2020	5,914	3,890	5,311	7,431
2021	6,318	4,006	6,035	9,882

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

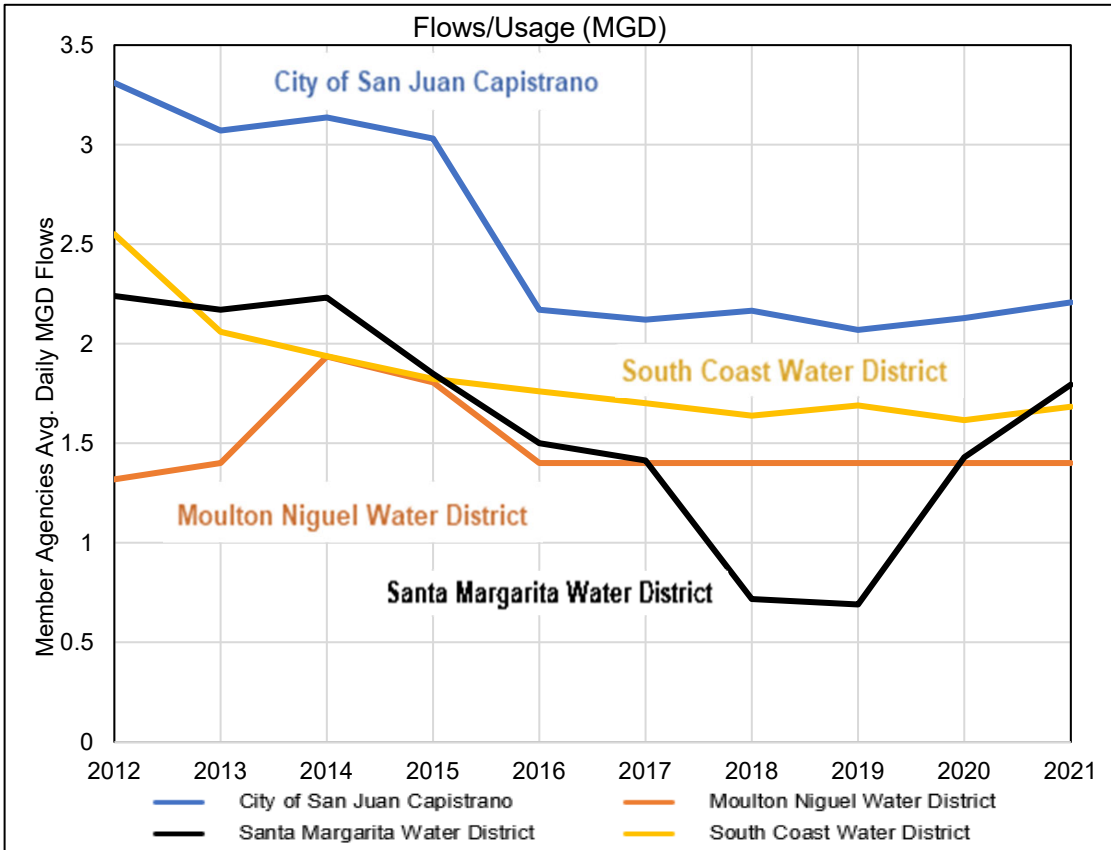
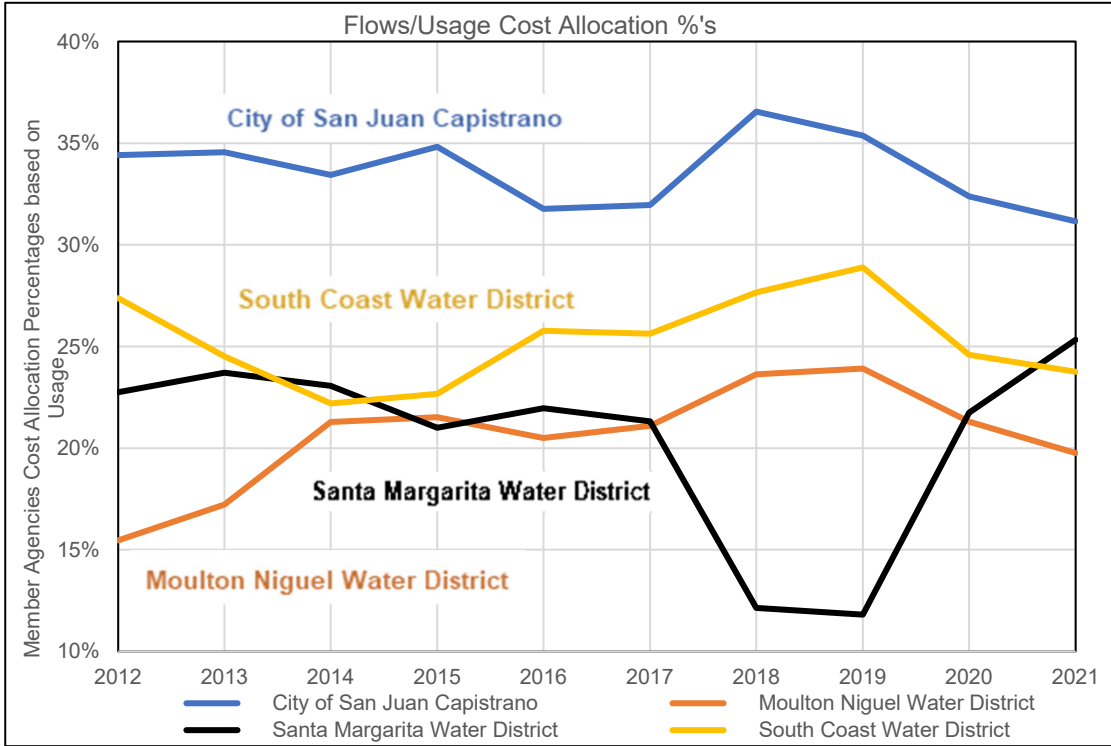
Regional Treatment Plant (RTP) **Flows** (MGD) By Member Agency - PC17

<b>Fiscal Year</b>	<b>CLB</b>	<b>EBSB</b>	<b>ETWD</b>	<b>MNWD</b>	<b>SCWD</b>
2012	0.015	0.001	0.020	9.225	0.010
2013	0.014	0.001	0.018	8.975	0.009
2014	0.015	0.001	0.018	8.713	0.009
2015	0.019	0.001	0.015	8.112	0.002
2016	0.014	0.000	0.016	7.629	0.010
2017	0.012	0.000	0.014	7.750	0.008
2018	0.062	0.000	0.020	7.730	0.043
2019	0.009	0.000	0.014	7.607	0.003
2020	0.008	0.000	0.016	7.789	0.003
2021	0.008	0.000	0.015	7.722	0.003

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

<b>Fiscal Year</b>	<b>CLB</b>	<b>EBSB</b>	<b>ETWD</b>	<b>MNWD</b>	<b>SCWD</b>
2012	4,659	186	6,117	22,045	3,251
2013	4,557	162	5,845	20,700	2,892
2014	4,635	146	5,717	22,776	2,919
2015	4,924	150	5,915	24,350	3,113
2016	5,605	295	10,200	29,395	4,480
2017	5,133	158	5,755	26,532	3,546
2018	6,368	196	5,909	23,024	4,157
2019	5,770	180	5,701	22,346	3,626
2020	4,632	166	5,799	22,598	2,803
2021	4,514	224	5,330	23,155	3,016

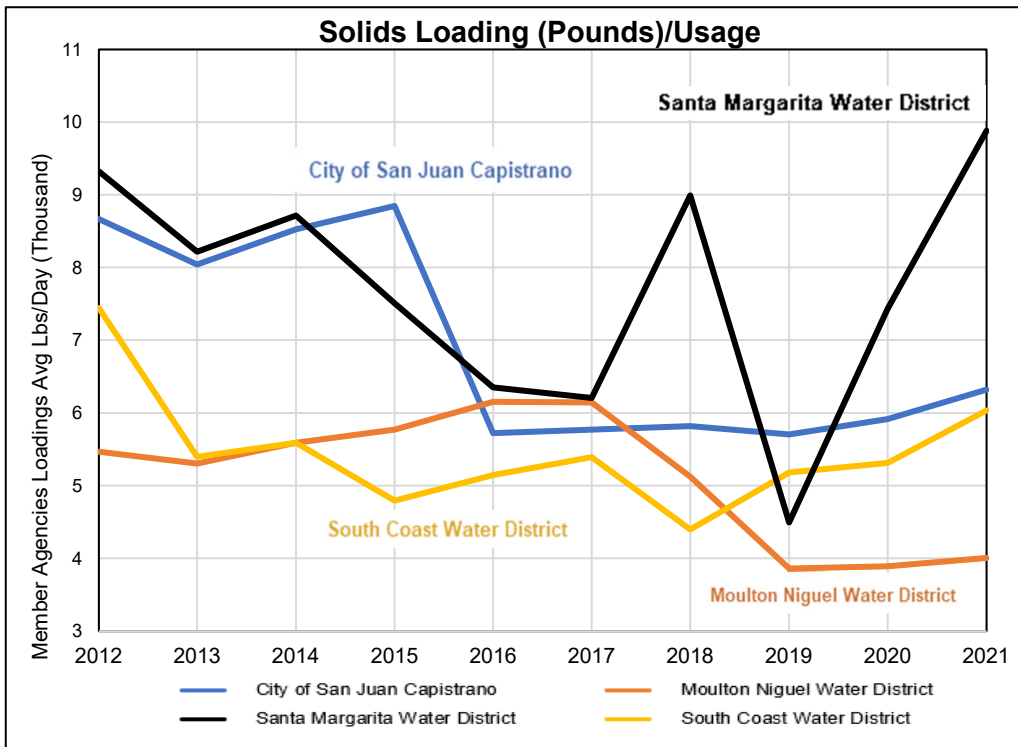
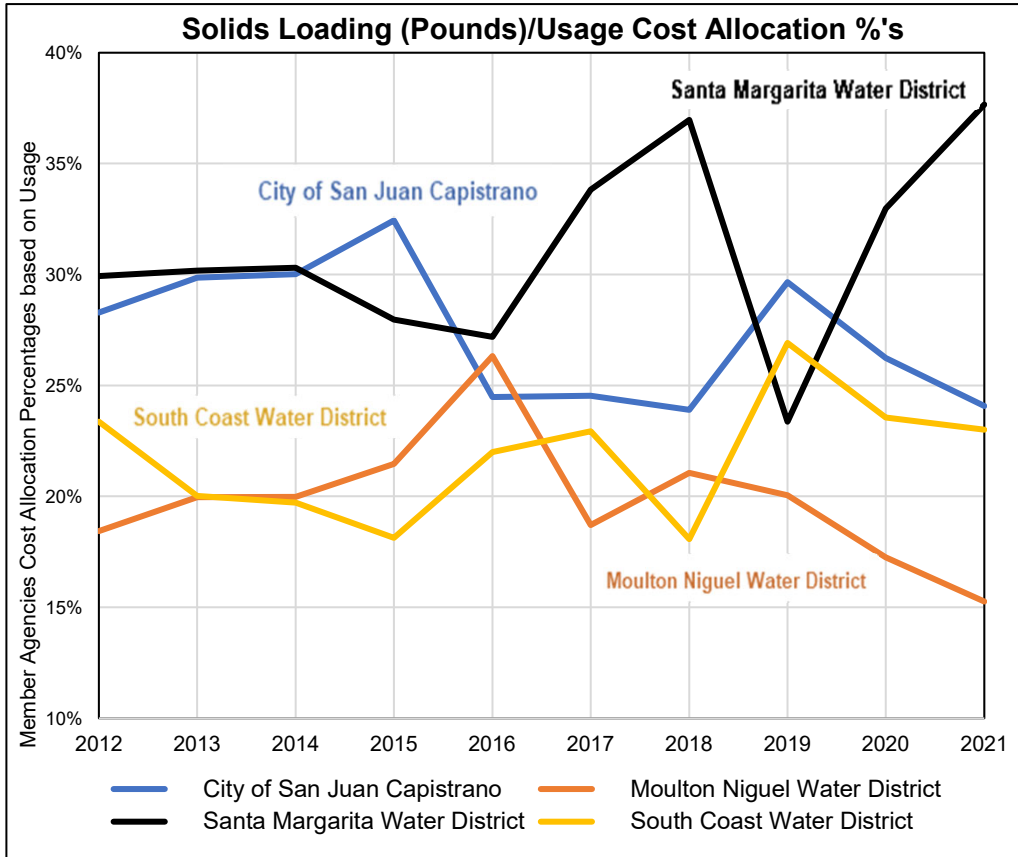
**South Orange County Wastewater Authority**  
**PC 2 JB Latham Flows from Member Agencies <sup>1</sup>**  
**Actual Cost Allocation Percentages and MGD by Member Agency**  
**Last Ten Fiscal Years**



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

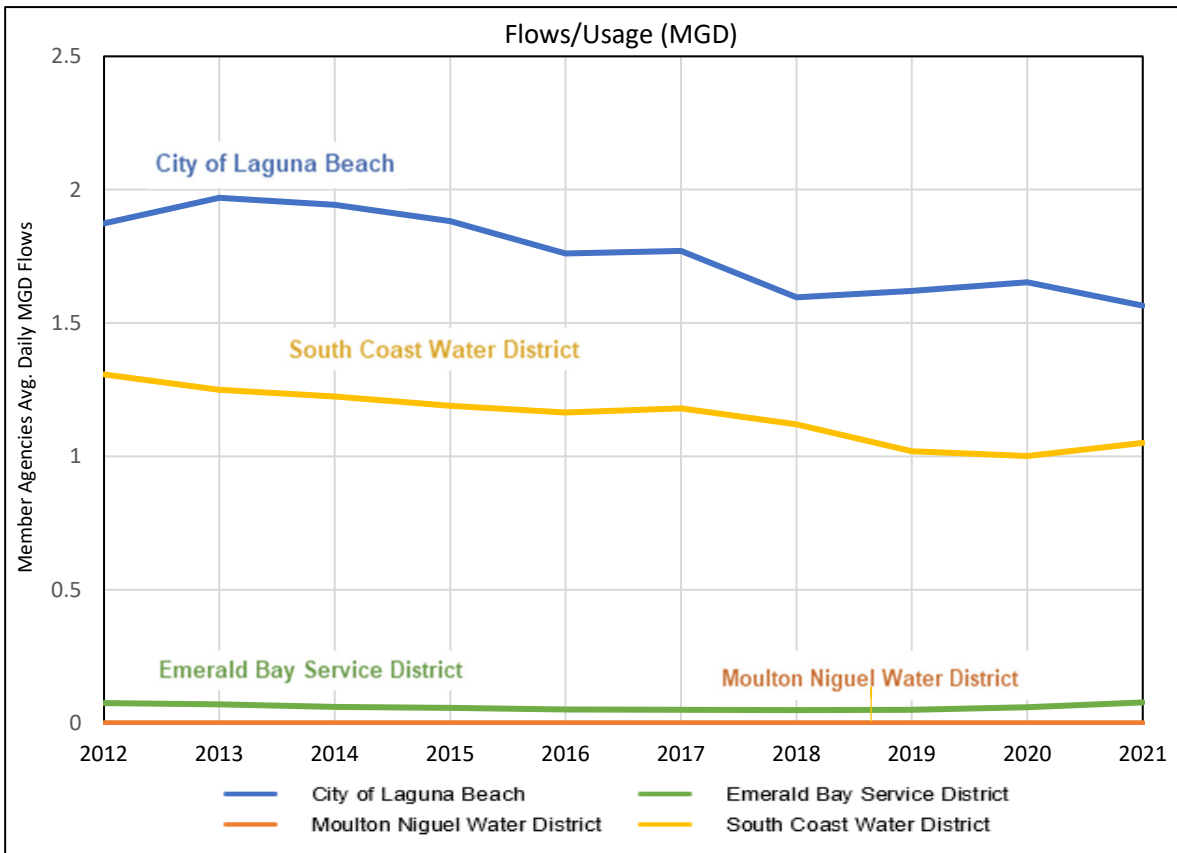
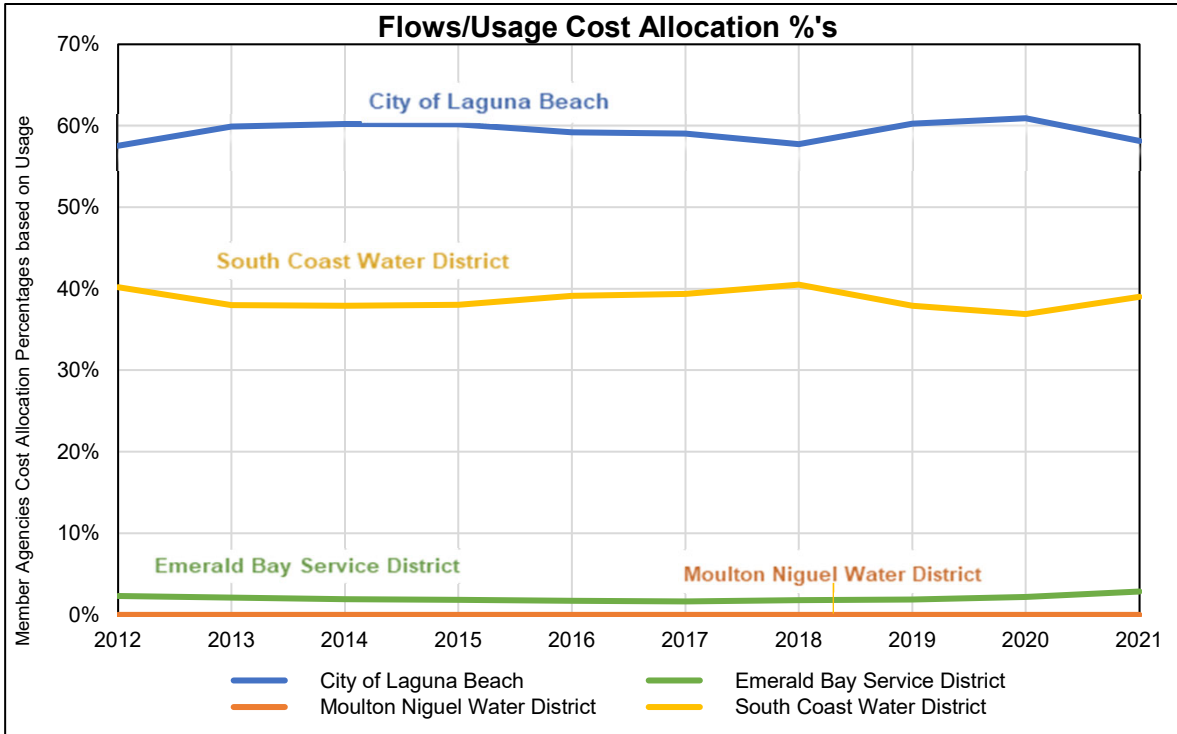


**South Orange County Wastewater Authority  
 PC 2 JB Latham Solids Loading (Pounds) from Member Agencies <sup>1</sup>  
 Actual Cost Allocation Percentages and Loadings by Member Agency  
 Last Ten Fiscal Years**



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

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

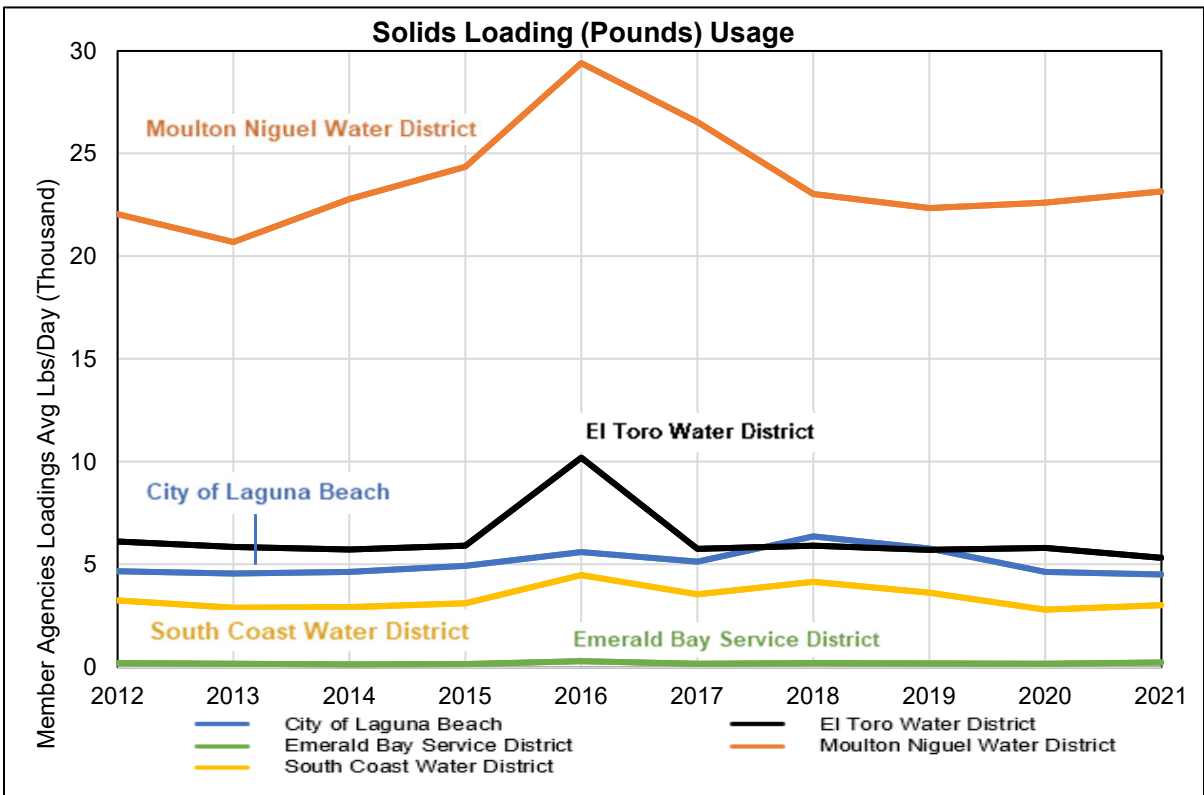
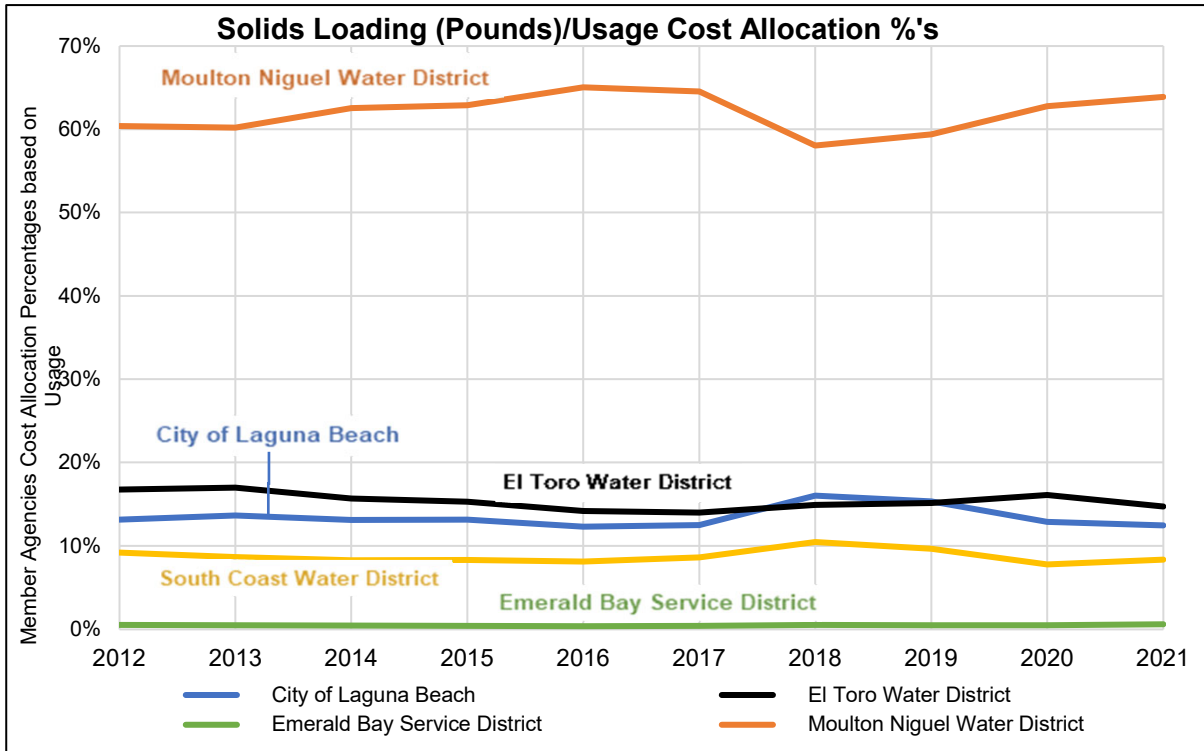


<sup>1</sup> Flows sent to PC 15 Coastal Treatment Plant on average have been gradually reducing over the past ten years. This is due to an overall climate change, drought, and water conservation in California.

# South Orange County Wastewater Authority

## PC 17 Regional Treatment Plant Solids Loading (Pounds) from Member Agencies <sup>1</sup>

### Actual Cost Allocation Percentages and MGD Last Ten Fiscal Years



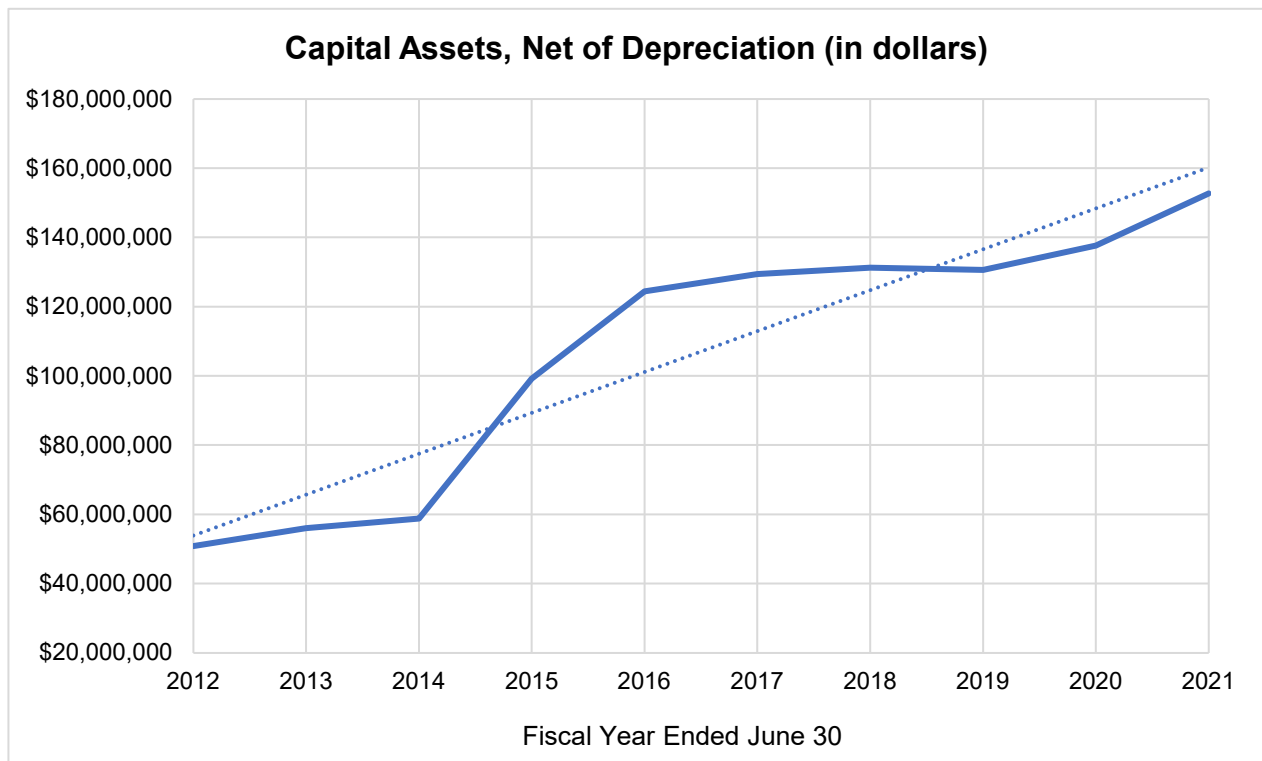
<sup>1</sup> On average, solids loadings at PC 17 Regional Treatment Plant have been stable for the past ten years. This is due to constant population, the number of households and businesses served by Regional Treatment Plant did not change in prior years.

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

	Facilities & Improvements	Buildings	Building Improvements	Computer Hardware	Computer Software	Furniture and Fixtures
2012	34,651,823					
2013	44,106,897					
2014	47,860,250					
2015		2,353,781	2,855,317	303,400	23,022	315
2016		6,901,703	4,007,930	1,213,568	29,756	-
2017		3,650,045	4,016,833	641,680	68,195	20,052
2018		3,673,353	5,179,648	730,665	154,691	38,547
2019		3,499,987	4,944,951	634,925	172,107	34,176
2020		3,329,621	4,675,844	529,927	146,750	-
2021		3,156,255	8,948,286	444,391	121,391	-

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

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



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

	Infrastructure	Machinery & Equipment	Vehicles	Not Being Depreciated		Capital Assets, Net of Depreciation
				Land	Construction in Progress	
2012		8,400,242		653,224	7,190,295	50,895,584
2013		7,816,380		653,224	3,408,139	55,984,640
2014		7,228,416		653,224	3,046,791	58,788,681
2015	50,949,009	18,134,894	16,431	14,402,224	10,133,406	99,171,799 <sup>1</sup>
2016	46,827,515	30,769,322	236,135	14,402,224	20,040,308	124,428,461 <sup>2</sup>
2017	48,412,433	30,695,780	341,932	14,402,224	27,159,497	129,408,671
2018	48,779,298	37,055,331	406,342	14,402,224	20,833,802	131,253,901
2019	46,701,904	47,456,249	456,186	14,402,224	12,337,878	130,640,588
2020	44,571,238	46,265,231	461,014	14,402,224	23,272,061	137,653,909
2021	49,004,980	58,516,737	530,997	14,402,224	17,614,929	152,740,190

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

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

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# Other Report

SECTION



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

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Orange County Wastewater Authority (the "Authority"), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 1, 2021.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

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

**Purpose of this Report**

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

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

Santa Ana, California  
December 1, 2021