



SINCE 1933



ORANGE COUNTY WATER DISTRICT

Fountain Valley, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

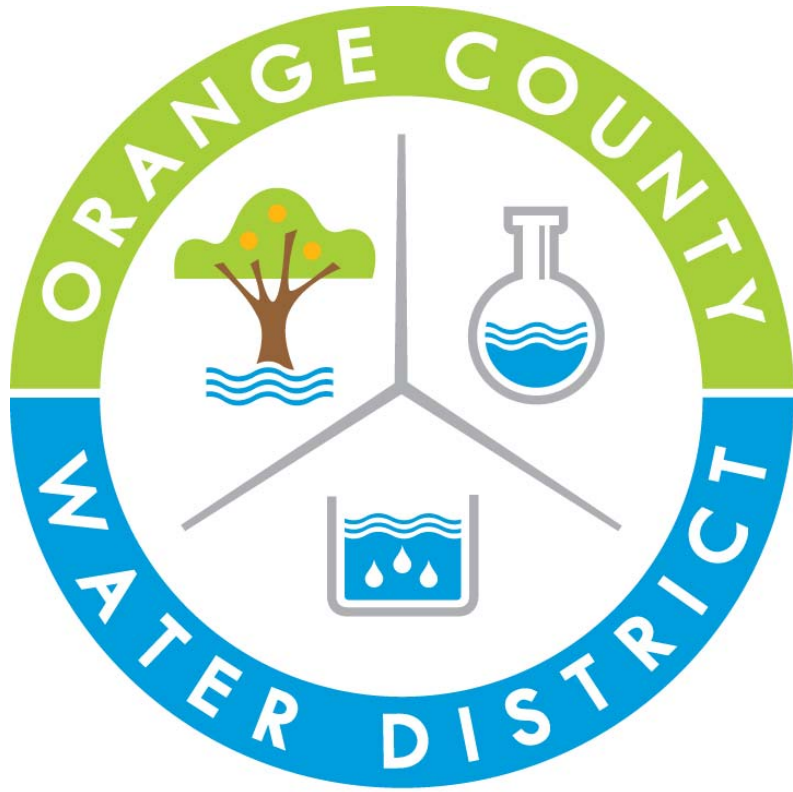
FOR THE YEAR ENDED JUNE 30, 2021

**ORANGE COUNTY WATER DISTRICT
Fountain Valley, California**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

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

YEAR ENDED JUNE 30, 2021



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ANNUAL COMPREHENSIVE FINANCIAL REPORT
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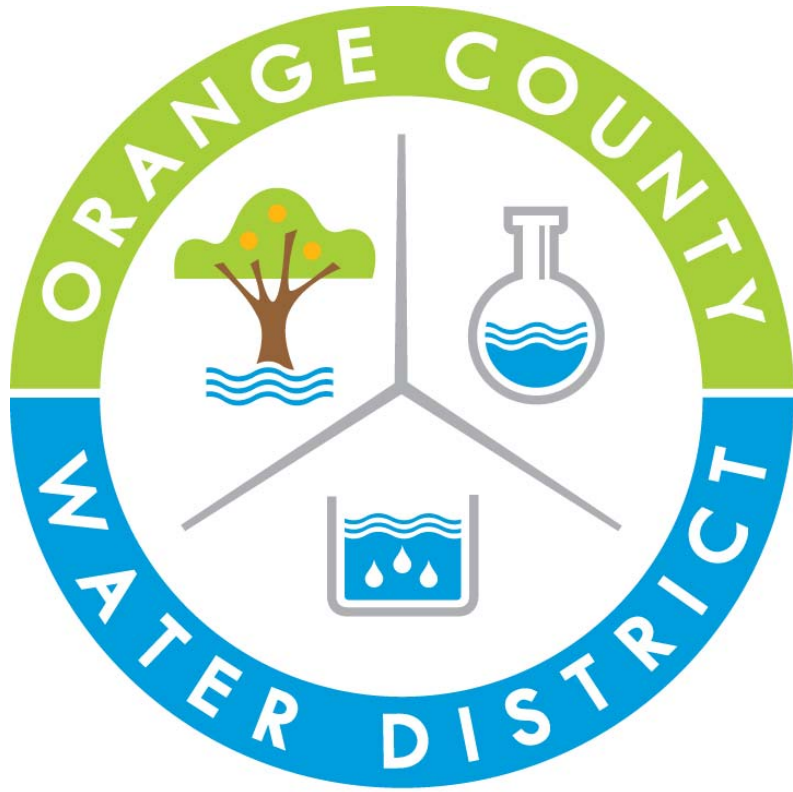
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INTRODUCTORY SECTION



SINCE 1933

DIRECTORS

DENIS R. BILODEAU, P.E.
CATHY GREEN
NELIDA MENDOZA
DINA L. NGUYEN, ESQ.
KELLY ROWE, C.E.G., C.H.
STEPHEN R. SHELDON
HARRY SIDHU, P.E.
TRI TA
BRUCE WHITAKER
ROGER C. YOH, P.E.



ORANGE COUNTY WATER DISTRICT
ORANGE COUNTY'S GROUNDWATER AUTHORITY

OFFICERS

President
STEPHEN R. SHELDON

First Vice President
CATHY GREEN

Second Vice President
TRI TA

General Manager
MICHAEL R. MARKUS, P.E., D.WRE

LETTER OF TRANSMITTAL

October 20, 2021

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

It is our pleasure to submit the Annual Comprehensive Financial Report of the Orange County Water District (District) for the fiscal year ended June 30, 2021. District staff worked collectively and followed guidelines set forth by the Governmental Accounting Standards Board to prepare this report. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited by CliftonLarsonAllen, LLP, a firm of licensed certified public accountants, in accordance with generally accepted auditing standards. State law requires that all special-purpose local governments publish these basic financial statements within seven months of the close of the agency's fiscal year.

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

The goal of the independent audit was to provide reasonable assurance and not absolute assurance that the basic financial statements of the District for the fiscal year ended June 30, 2021 were free of material misstatement. The independent audit involved examining the District's records on a test basis, disclosures in the basic financial statements, assessing the accounting principles used, estimates made by management, and evaluating the overall financial statement presentation. The independent auditors rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2021 are presented fairly in conformity with GAAP.

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

AGENCY PROFILE

The District was formed in 1933 by a special act of the California State Legislature to protect Orange County's rights to water in the Santa Ana River. The District's primary responsibility is

managing the vast groundwater basin under northern and central Orange County that supplies water to 19 cities and water districts (Producers), serving more than 2.5 million Orange County residents. The District gives highest priority to protection, safety, and enhancement of groundwater.

A ten-member Board of Directors (Board), seven of whom are elected directly by voters of the District, govern the District. The other three Directors are appointed by their representative city councils of Anaheim, Fullerton and Santa Ana. The District currently has 221.5 full time equivalent employees overseeing day-to-day activities at the direction of the General Manager.

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

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

The District primarily recharges the groundwater basin with Santa Ana River flows, Groundwater Replenishment System (GWRS) water and untreated water purchased from the Metropolitan Water District (MWD) of Southern California. The Santa Ana River flows valued at approximately \$87.8 million a year are essentially free to the District, less the expense to capture and percolate the water, resulting in groundwater that costs about a half of the cost of MWD water imported from Northern California and the Colorado River. The Santa Ana River flows, GWRS water and untreated MWD water are percolated into deep groundwater aquifers through spreading basins in Anaheim and Orange. By naturally filtering the water through the ground, the District saves ratepayers millions of dollars each year in water treatment costs.

The groundwater basin provides about three-fourths of all water used within the District's service area. With one of the most sophisticated groundwater protection programs in the country, the District uses more than 678 (owned and non-owned) wells providing more than 1,153 sampling points from which the District takes more than 18,402 water samples and conducts approximately 378,448 laboratory analyses every year.

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

The District currently holds rights to all Santa Ana River flows reaching Prado Dam in Riverside County (the dam is owned by the U.S. Army Corps of Engineers for flood prevention). The District owns 2,150 acres behind the dam that is used for water conservation, water quality improvement and environmental enhancement. The District saves approximately \$14.3 million a year by collecting storm water behind Prado Dam, which is recharged into the basin instead of being lost to the ocean.

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

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

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

Maintaining and Improving Water Quality

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

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

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

Improving Coastal Conditions

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

Using the Safest and Most Cost-Effective Financing Option

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

ECONOMIC CONDITION AND OUTLOOK

The District's service boundary covers virtually the entire northern half of Orange County. More than 2.5 million Orange County residents rely on the groundwater basin for about three-fourths of their water needs. Orange County is one of the major metropolitan areas in California and the nation representing the third most populous county in the state, and fifth in the nation. Population growth is approximately 0.3% annually.

Orange County's economy is expected to under perform due to covid-19 virus pandemic in the next year. Local and statewide unemployment has gone up compared to last year. The local unemployment rate in June 2021 was 6.4% versus 7.7% for California and 5.9% for the nation. The California State Budget has passed. Although the precise implications of the state budget are unclear at this time, the District is expecting no cuts in the ad valorem property tax revenues for the upcoming fiscal year (FY) 2021-22.

During the water year 2020-21 the District replenished 233,800 acre-feet (af) of water. This includes 113,000 af of Santa Ana River flows, 99,100 af of GWRS water and of 2,600 af of imported water. Other water sources include natural replenishment from rainfall that provided an additional 19,100 af of water.

Groundwater use in Orange County in 2020-21 was approximately 282,120 af or 91.9 billion gallons during the water year. Groundwater met 73.4% of the water demand within District boundaries. There are challenges ahead in meeting future water demand, but with continued investment in cost-effective capital improvement projects, the District is confident that the groundwater basin can stay ahead of demand and continue to provide a reliable, high-quality water supply.

MAJOR INITIATIVES FOR THE FUTURE

District is Planning the Following Projects for Fiscal Year 2021-2022:

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

Groundwater Replenishment System Final Expansion

The GWRS was designed and built to be easily expanded. With the completion of Orange County Sanitation District's Steve Anderson Lift Station in May 2009, the GWRS is receiving more feed water. The GWRS Initial Expansion was completed in July 2015, capable of producing 100 million gallons per day (MGD), an increase of 30 MGD from the original construction. The District is working towards final expansion of the system. Construction of the final expansion is underway and is expected to be complete in the winter of 2023. The Final Expansion will increase production capacity by another 30 MGD from our current capacity of 100 MGD to 130 MGD.

GWRS Burris Basin Outlet Project

A GWRS pipeline outlet is necessary at Burris Basin to accommodate the increased flows from the Final Expansion and to provide additional operational flexibility at the Forebay. This project is currently under design and construction is anticipated to take place in summer of 2022.

PFAS Treatment Systems

This project provides design and construction of PFAS (per- and polyfluoroalkyl substances) treatment systems to impacted Producers to remove PFAS from the water prior to serving to customers. Design work is currently underway for eight of the impacted Producers and construction of treatment systems for four impacted Producers is in progress. Design and construction of PFAS treatment systems will occur over the next few years.

Water Education and Outreach Programs

The Orange County Water District (OCWD; District) is dedicated to the creation, promotion, and management of water education and outreach programs for the communities it serves and beyond. The goal of these programs is to educate the public about where our water comes from, highlight OCWD's groundwater management and water supply initiatives, and discuss the importance of this precious resource. In response to CDC and state limitations regarding mass gatherings of individuals due to COVID-19 beginning in March 2020, OCWD has responded with virtual outreach programs, which will be explained below.

The components that comprise OCWD’s water education and outreach programs are:

Youth Environmental Summit

For almost 25 years, OCWD has held the nation’s largest children’s water education festival – traditionally an in-person, two-day event for thousands of third, fourth and fifth graders attending public, private, distance and home schools throughout Orange County. Since its inception in 1997, more than 140,000 students have experienced this water education program. Due to COVID-19 gathering limitations, the 2021 program was rebranded into the Youth Environmental Summit (YES), a week-long virtual event held April 19-23, where OCWD could continue its mission to educate students about water-related and environmental issues that support Next Generation Science Standards. OCWD created a valuable and unique online event that was flexible and tailored to each grade level, interactive and engaging, and fully customizable for each teacher’s needs. For the 2021 YES, OCWD collaborated with more than 30 environmental organizations, provided 61 live, interactive, and on-demand educational presentations, and drew more than 6,600 students from over 90 Orange County schools.

Next Generation Water Leaders

Next Generation Water Leaders (NGWL) is OCWD’s educational experience for local students in grades 6-12 offered year-round to public and private school students. This program is co-presented by OCWD and Inside the Outdoors, a hands-on environmental education program administered by the Orange County Department of Education. NGWL complements Next Generation Science Standards in California schools and is designed to inspire future water scientists, engineers, policy makers, environmentalists, and innovators. Due to COVID-19 gathering limitations, NGWL ceased, physically, in March 2020. Instead, OCWD and Inside the Outdoors developed and offered a virtual replica for Orange County classes that can reach an even greater number of students and their teachers for this school year.

Prado Wetlands Field Trip

As part of a grant with the Santa Ana Watershed Project Authority (SAWPA), OCWD created an educational program for third grade students from schools identified as Disadvantaged Communities (DAC). The program is a fieldtrip of the Prado Wetlands and focuses on the importance of water to our natural habitat. Due to COVID-19 restrictions, the program was revised to a virtual field trip led by Inside the Outdoors’ natural resource specialists. During FY 2020-21, 130 virtual fieldtrips were conducted, educating more than 3,600 students.

O.C. Water Summit

Since 2008, the annual O.C. Water Summit (the Summit) has brought together individuals, business, community, and civic leaders to hear discussions about local water supply and water quality challenges. The premier regional water event educates elected officials, water industry professionals and the public on what measures are in place to address these issues as well as possible solutions to future water reliability challenges. OCWD staff is working with presenters and sponsors to plan the next Summit, which will take place October 15, 2021.

OCWD.com

As a public agency, the District’s website includes extensive documents, forms for tour reservations and public records requests, audio clips of meetings, educational materials, and information that addresses how OCWD performs its duties. The website was crafted to reflect OCWD’s core values that not only include transparency, but sound planning, investment and financial management, high-quality water, environmental stewardship, and a highly reliable water supply. Over the last year, significant website enhancements were made to easily locate and visit key webpages, as noted in the website’s landing page. New webpages were also created to address priority programs and water issues such as PFAS and the drought.

Social Media

The District manages a robust social media program utilizing Facebook, Twitter, LinkedIn, Instagram, and YouTube to further promote OCWD’s projects, programs, and mission. The combined social media platforms engage 12,827 followers who learn about the District and local water supply. OCWD staff shares information on its platforms daily to ensure a consistent and frequent flow of communication.

H₂O Learning Center

Since 2016, the H₂O Learning Center has educated and informed visitors about water quality and OCWD’s international and local leadership, so they can understand and have confidence in OCWD’s management and innovation and the purity, reliability, and cost-efficiency of the water that OCWD provides. The Center includes an interactive, museum-like exhibit that can be used as an extension of the GWRS tour or as a self-guided tour to learn the story of the District’s complex water management process and guests’ roles in keeping it safe for future generations.

Speakers Bureau

As a leader in water reuse and groundwater management, OCWD receives hundreds of requests annually to provide on-site tours and briefings for visitors from local colleges, water agencies, the surrounding community, and international organizations. Through its active speakers bureau program, OCWD also receives requests for representatives to go out to the community and speak to numerous organizations and schools, as well as at local, national, and international conferences. In FY 2020-21, staff and board members gave approximately 82 offsite presentations—most of which were virtual following limitations due to COVID-19—to community organizations, city councils and conferences.

Facility Tours

In response to COVID-19 restrictions, in-person tours have been temporarily suspended, except when deemed essential. To continue educating the public, and offering the convenience of a virtual format, OCWD is continuing to host virtual tours of the Groundwater Replenishment System (GWRS) through an interactive, behind-the-scenes look at the world-renowned facility.

This virtual program features a video tour of the facility, followed by a live Q&A with OCWD experts. Public tours are generally held the first Friday of every month and customized tours are also available upon request. More than 61 onsite and virtual tours were given to OCWD visitors during the 2020-21 fiscal year, hosting more than 2,500 guests. Additionally, for those unable to attend a scheduled virtual tour, OCWD created on-demand tour videos that are available to view on the District's YouTube channel. More than 3,200 views have been garnered for the on-demand tour videos.

Water Advisory Committee of Orange County

The Water Advisory Committee of Orange County (WACO) was formed in 1983 to facilitate the introduction and discussion of current and emerging water issues among Orange County policymakers and water professionals. Monthly meetings are typically held on the first Friday of each month and provide attendees with an opportunity for professional networking and to receive informative presentations from water industry professionals, academics, economists, engineers, political officials, and others about key water issues affecting Orange County.

Water Webinars

In May 2020, OCWD introduced an exciting new format for bringing water education to stakeholders. The District's Water Webinar series features a monthly one-hour webinar on emerging and newsworthy topics related to water. Each webinar features an OCWD expert and a District partner(s) who discuss important OCWD programs and projects that impact local water supply. Originally conceived during the COVID-19 pandemic as a way to for stakeholders to engage in a virtual format, Water Webinars will become an ongoing outreach mechanism even after in-person group gatherings are allowed to resume. To date, more than 4,000 people have participated in these webinars in live and on-demand format.

Media Outreach

Through its comprehensive programs spanning groundwater management, water quality, water recycling, research and development, and much more, OCWD continues to be recognized positively as a local, regional, statewide, national, and international water leader. OCWD actively writes and distributes press releases, participates in media interviews, and has been featured in thousands of print and broadcast stories such as *OC Register*, *Los Angeles Times*, *Reuters*, *CalMatters*, *The Epoch Times*, *NBC4*, *International Business Times*, *Water Well Journal*, *Governing*, and many more. In FY 2020-21, media stories that featured OCWD had a combined reach of over 2.3 billion.

Awards & Accomplishments

OCWD is recognized globally for its leadership and innovation on water quality, water supply and reliability, groundwater management, the environment, and sound financial management. Its work has been recognized by local and international organizations and the District has received numerous awards over the years.

The following list of awards is representative of the acclaim and recognition bestowed on the District in FY 2020-21.

- Water/Wastewater Project of the Year, PFAS Treatment Plant, American Society of Civil Engineers Orange County (March 2021)
- Clair A. Hill Agency Award for Excellence, PFAS Treatment Program, Association of California Water Agencies (May 2021)
- Agency of Distinction, Resilient Water Agency of the Year, Global Water Intelligence (June 2021)
- Technology Innovation: Citizens, Virtual Outreach Response to COVID-19, AT&T and Government Technology Magazine (December 2020)
- International Bronze, COVID-19 Website, iNova (November 2020)
- Three gold medals in the “Affirms the Safety and Reliability of Local Water Supply” categories related to COVID-19 information: Communications or PR Campaign of the Year, Heightening Awareness and Publicity Campaign of the Year, Marketing Campaign of the Year, One Planet (October 2020)
- Certificate of Achievement in Excellence, Annual Comprehensive Financial Report, Government Finance Officers Association, (May 2020)

A complete list of awards dating back to 2003 can be found on the District’s [awards webpage](#).

RELEVANT FINANCIAL POLICIES

Internal Control Structure

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

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

Accounting and Budgetary Policies

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

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

Debt Management

The District's debt mainly consists of Certificates of Participation (COP), Refunding Revenue Bond (RRB), state loans, WIFIA loan and commercial paper. The District has executed 17 issuances since 1989. Only three COP and RRB issuances are outstanding (2003A, 2017A&B and 2019 A&B, C&D) as of June 30, 2021. Other issuances are either advanced refunded, defeased, or refinanced with the help of the state loans and Refunding Revenue Bond.

During FY 2020-21, the District entered into \$181.2 million construction installment sale agreements with the State Water Board. As of the year end June 30, 2021 the District has not drawn any funds against these agreements. These construction loan agreements will fund part of the final expansion of the GWRS project.

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

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

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

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

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

The District has a letter of credit and reimbursement agreement supporting a commercial paper program with Sumitomo Mitsui Banking Corporation. The District has credit capacity of \$70.0

million less \$36.713 million outstanding commercial paper debt to meet its future financing needs through the commercial paper program. For FY 2021-22, the District has budgeted \$3.2 million of principal payment of taxable commercial paper debt.

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

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

OTHER INFORMATION

Independent Audit: The District's policy, as well as sound financial practice, requires an annual audit of financial records and transactions of all operations of the District by independent certified public accountants selected by the Board of Directors. The accounting firm of CliftonLarsonAllen, LLP was selected to perform the (FY 2020-21) audit. The auditor's opinion is included in this report.

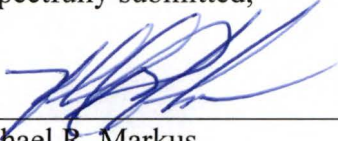
Awards: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Orange County Water District for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,

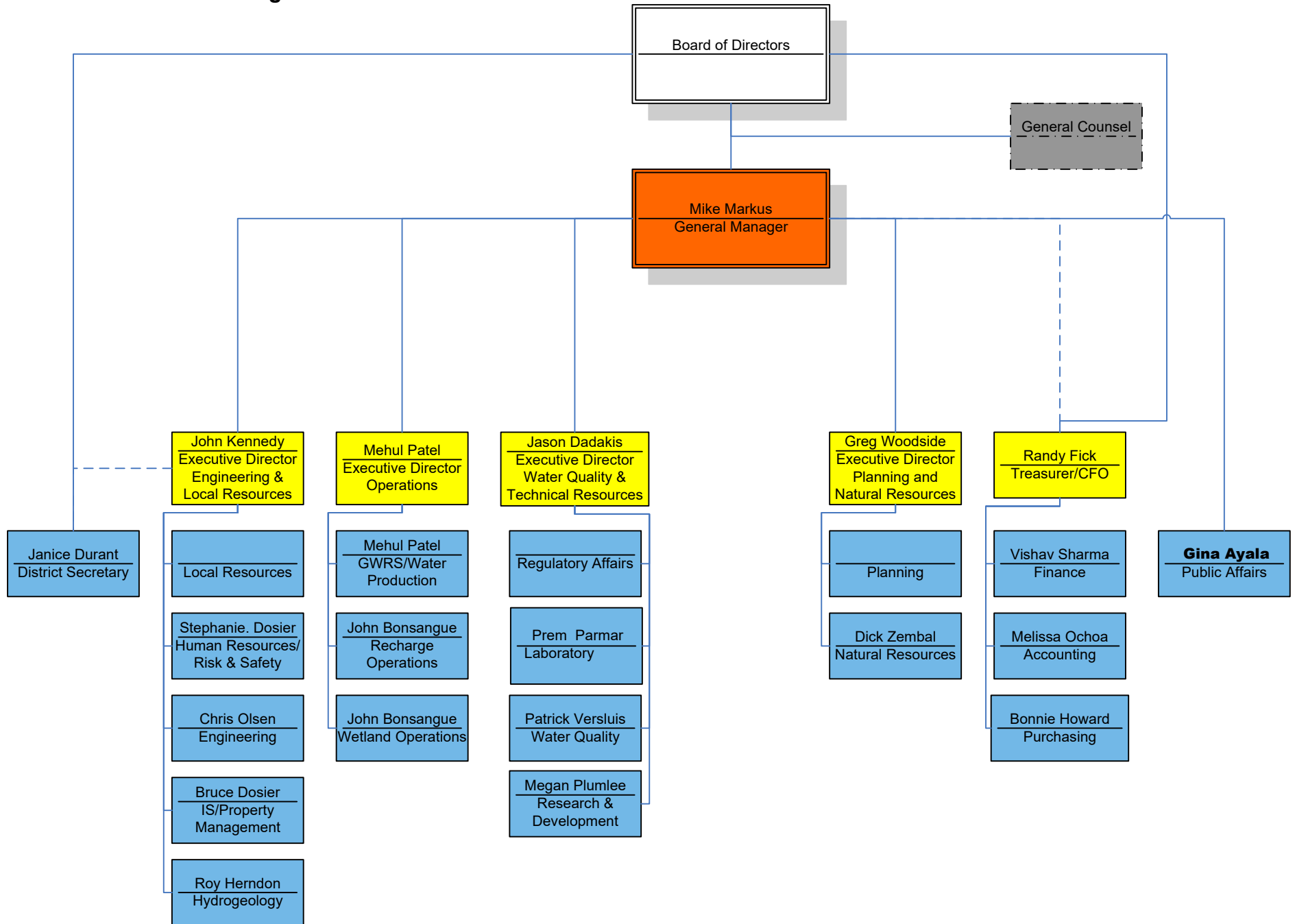


Michael R. Markus
General Manager



Randy Fick
Chief Financial Officer/Treasurer

OCWD Organizational Structure





**Orange County Water District
Annual Comprehensive Financial Report
Fiscal Year 2020-21**

Board of Directors

Dina Nguyen, Division 1

Denis Bilodeau, P.E., Division 2

Roger Yoh, P.E., Division 3

Tri Ta, 2nd Vice President, Division 4

Stephen Sheldon, President, Division 5

Cathy Green, 1st Vice President, Division 6

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

Nelida Mendoza, Division 8

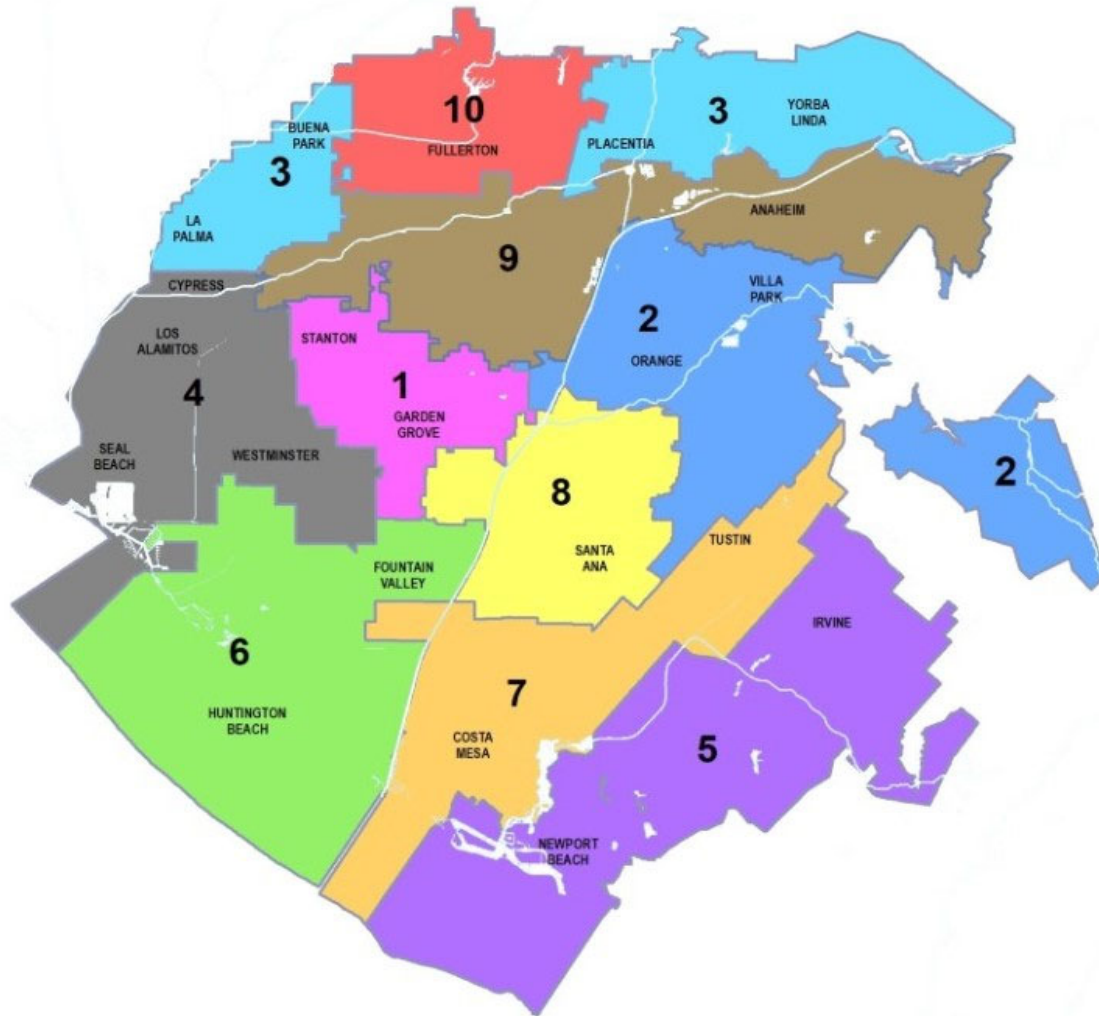
Harry Sidhu, P.E., Division 9

Bruce Whitaker, Division 10



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

ORANGE COUNTY WATER DISTRICT



DISTRICT VITAL STATISTICS

Date of Enactment: 1933
 Form of Government: Special District of the State of California
 Area (square miles): 381
 Employees (full-time): 221.5

Major Groundwater Producing Agencies:

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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Orange County Water District
California**

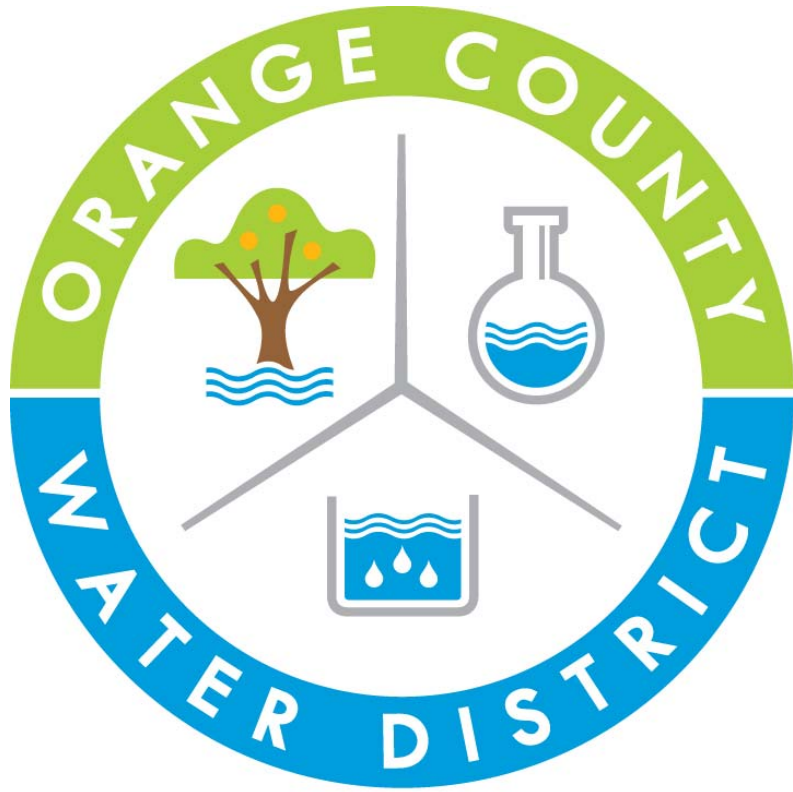
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION
Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Water District
Fountain Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Orange County Water District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Emphasis of Matter

As discussed in Note 1F to the financial statements, the District implemented GASB 84, *Fiduciary Funds*, and GASB 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, in the fiscal year ended June 30, 2021. This resulted in the removal of the OPEB trust from the financial statements as a fiduciary fund. Our opinion is not modified with respect to that matter.

Other Matters

Summarized Prior-Year Comparative Information

The June 30, 2020 financial statements were audited by White Nelson Diehl Evans LLP, whose practice became part of CliftonLarsonAllen LLP as of November 1, 2020, and whose report dated October 21, 2020, expressed an unmodified opinion on the respective financial statements of Orange County Water District from which the partial prior year summarized financial information was derived.

Required Supplementary Information

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

Other Information

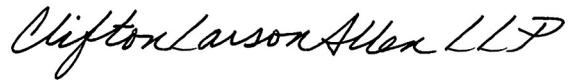
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Board of Directors
Orange County Water District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District'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 the District's internal control over financial reporting and compliance.



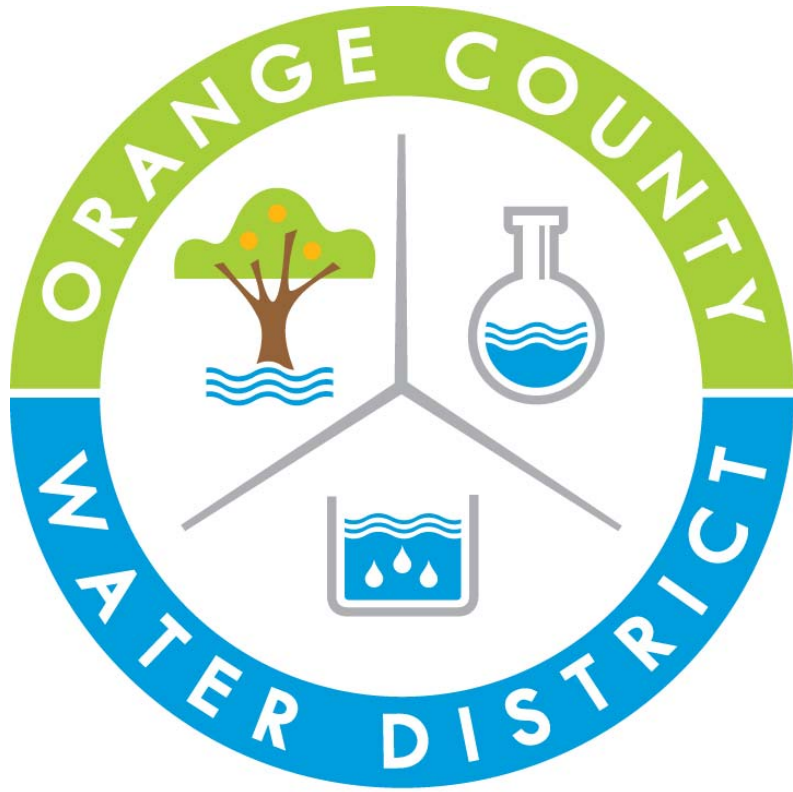
CliftonLarsonAllen LLP

Irvine, California
October 5, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights for Year Ended June 30, 2021



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**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021**

The following summary analysis is a brief discussion of the Orange County Water District's (District) performance that provides an overview of the District's financial activities for the year ended June 30, 2021. This section should be read in conjunction with the financial statements and the notes to the financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$482.74 million (net position), representing \$186.43 million in net investment in capital assets, \$1.65 million for restricted for construction of capital assets \$254 restricted for debt service, \$2.64 million restricted for custodial costs and \$292.01 million unrestricted for operations. Net position increased \$66.91 million or 16.09%, in 2021 over the prior year.
- In 2021, total operating revenues increased 1.37% or \$2.01 million, from the prior year, primarily due to the net effect of \$2.09 million decrease in revenues for replenishment assessments, an increase in basin equity assessments of \$3.53 million and an increase in reclaimed water revenues of \$0.57 million. The Board approved the replenishment assessment rate of \$487 per acre-foot and pumping decreased 1.55% from 286,550 acre-feet to 282,120 acre-feet. In 2020, total operating revenues decreased 5.57% or \$8.66 million from the prior year, primarily due to the decreases in revenues for replenishment assessments of \$0.33 million, reclaimed water of \$7.55 million, and basin equity assessments of \$0.77 million. The Board approved the replenishment assessment rate increase from \$462 to \$487 per acre-foot and pumping decreased 5.58% from 303,496 acre-feet to 286,550 acre-feet.
- Total operating expenses decreased \$17.38 million or 12.68%, in 2021 and decreased \$19.50 million or 12.48%, in 2020. The decreases in both years are mainly due to lower water purchases of \$19.32 million and \$21.92 million, respectively, due to the District anticipated a reduction in water demands related to several groundwater producer wells that have been taken out of service due to exceeding the response level being set by the state of California for perfluorooctanoic acid ("PFOA") and perfluorooctane sulfonate ("PFOS").
- The District's non-operating revenues, net of expenses increased \$10.16 million or 37.49%, from prior year due to legal settlements received in 2021. In 2020, non-operating revenues, net of expenses decreased \$43.26 million or 61.49% due to the one-time event of a gain on the sale of an asset and legal settlements received in the prior year.
- Total long-term debt is \$688.35 million in 2021, as compared to the \$704.46 million in the prior year. The decrease of \$16.11 million or 2.29%, is primarily due to principal payments of \$4.3 million on certificates of participation debt and revenue refunding bonds, and \$8.7 on state loans. In 2020, debt decreased \$19.88 million or 2.74%, primarily due to principal payments of \$13.9 million on state loans and \$4.0 million on commercial paper.

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Notes to the basic financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 21 to 54 of this report.

Other information includes *required supplementary information* concerning the District's progress in funding its obligations to provide Other Post-Employment Benefits to its employees. Required supplementary information can be found on pages 55 to 56 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT

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

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

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021**

Condensed Statements of Net Position

	2021	2020	Change	2019	Change
Assets:					
Current assets	\$ 368,709,923	\$ 430,017,917	\$ (61,307,994)	\$ 426,784,896	\$ 3,233,021
Capital assets	851,262,200	720,174,397	131,087,803	697,476,124	22,698,273
Other non-current assets	4,890,244	4,237,039	653,205	4,500,281	(263,242)
Total assets	<u>1,224,862,367</u>	<u>1,154,429,353</u>	<u>70,433,014</u>	<u>1,128,761,301</u>	<u>25,668,052</u>
Deferred outflows of resources	<u>29,664,917</u>	<u>37,444,408</u>	<u>(7,779,491)</u>	<u>36,293,377</u>	<u>1,151,031</u>
Liabilities:					
Current liabilities	97,346,489	76,060,248	21,286,241	76,968,154	(907,906)
Long-term debt	637,297,107	654,926,092	(17,628,985)	669,114,704	(14,188,612)
Other long-term liabilities	33,342,060	41,165,840	(7,823,780)	42,771,522	(1,605,682)
Total liabilities	<u>767,985,656</u>	<u>772,152,180</u>	<u>(4,166,524)</u>	<u>788,854,380</u>	<u>(16,702,200)</u>
Deferred inflows of resources	<u>3,802,185</u>	<u>3,887,384</u>	<u>(85,199)</u>	<u>-</u>	<u>3,887,384</u>
Net position:					
Net investment in capital assets	186,429,591	143,502,901	42,926,690	149,157,213	(5,654,312)
Restricted for construction of capital assets	1,654,432	-	1,654,432	-	-
Restricted for debt service	254	24,804	(24,550)	118,970	(94,166)
Restricted for custodial costs	2,645,323	11,572,422	(8,927,099)	2,565,512	9,006,910
Unrestricted	<u>292,009,843</u>	<u>260,734,070</u>	<u>31,275,773</u>	<u>224,358,603</u>	<u>36,375,467</u>
Total net position	<u>\$ 482,739,443</u>	<u>\$ 415,834,197</u>	<u>\$ 66,905,246</u>	<u>\$ 376,200,298</u>	<u>\$ 39,633,899</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$482.74 million on June 30, 2021, compared with \$415.83 million on June 30, 2020. The District's net position increased \$66.91 million for the year.

A portion of the District's net position (38.62% and 34.51% as of June 30, 2021, and 2020, respectively) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses the capital assets to provide services to its customers; consequently, these assets are not available for future spending.

The District's net position includes \$1.65 million restricted for construction of capital assets as of June 30, 2021.

At the end of the fiscal year 2021, the District reflects a balance of \$254 restricted for debt service payments.

An additional portion of the District's net position \$2.65 million and \$11.57 million as of June 30, 2021, and 2020, respectively, are for custodial costs, which represents resources that are subject to external restrictions on how they may be used.

At the end of fiscal years 2021 and 2020, the District reflects a positive balance in its unrestricted net position of \$292.01 million and \$260.73 million, respectively, which may be utilized in future years.

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021**

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Operating revenues	\$ 148,729,292	\$ 146,718,494	\$ 2,010,798	\$ 155,374,357	\$ (8,655,863)
Operating expenses	<u>119,713,128</u>	<u>137,094,164</u>	<u>(17,381,036)</u>	<u>156,644,282</u>	<u>(19,550,118)</u>
Operating income (loss)	29,016,164	9,624,330	19,391,834	(1,269,925)	10,894,255
Non-operating revenues, net of expenses	<u>37,258,473</u>	<u>27,098,114</u>	<u>10,160,359</u>	<u>70,357,913</u>	<u>(43,259,799)</u>
Net income before capital contributions	<u>66,274,637</u>	<u>36,722,444</u>	<u>29,552,193</u>	<u>69,087,988</u>	<u>(32,365,544)</u>
Capital contributions from other parties	630,609	2,911,455	(2,280,846)	4,134,250	(1,222,795)
Capital contributions to other parties	-	-	-	<u>(2,235,512)</u>	<u>2,235,512</u>
Changes in net position	66,905,246	39,633,899	27,271,347	70,986,726	(31,352,827)
Net position, beginning of year	<u>415,834,197</u>	<u>376,200,298</u>	<u>39,633,899</u>	<u>305,213,572</u>	<u>70,986,726</u>
Net position, end of year	<u>\$ 482,739,443</u>	<u>\$ 415,834,197</u>	<u>\$ 66,905,246</u>	<u>\$ 376,200,298</u>	<u>\$ 39,633,899</u>

Fiscal Year 2021

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

Total operating revenues increased \$2.01 million or 1.37% from the prior year due to the following:

- Replenishment assessments decreased \$2.09 million. Total pumping decreased 1.55% from 286,550 acre-feet to 282,120 acre-feet. The Board approved the replenishment assessment rate of \$487 per acre-foot.
- Basin Equity assessments increased \$3.53 million due to an increase in pumping from various coastal producers that were incentivized by the lower basin equity assessment rate. The District maintained its basin production percentage at 77%.
- Reclaimed water revenues increased \$0.57 million from prior year due to an increase in demand of recycled water.

Total operating expenses decreased 12.68% or \$17.38 million from prior year due to the following:

- Water purchases decreased \$19.32 million, due to the Districts anticipated reduction in water demands and lower groundwater pumping. Until additional treatment is in place, several groundwater producers' wells have been taken out of service due to exceeding the new State of California Response Level of 10 parts per trillion (ppt) for perfluorooctanoic acid ("PFOA") and 40 ppt for perfluorooctane sulfonate ("PFOS"). Additional information can be found in Note 12 of the notes to financial statements.
- Water production expenses increased \$2.71 million, which is the result of higher electrical power used by the Groundwater Replenishment System that increased production from 97,719 acre-feet to 99,100 acre-feet of water.
- General and administrative expenses decreased \$1.03 million for daily operations.

The District's non-operating revenues, net of expenses, increased \$10.16 million or 37.49%, which is primarily due to legal settlements received.

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021**

In 2021, the District's capital contributions decreased \$2.28 million from prior year, mainly due to the District received less capital contributions from other parties.

Fiscal Year 2020

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

- Replenishment assessments decreased \$0.33 million due to less groundwater pumping. Total pumping decreased 5.60% from 303,496 acre-feet to 286,550 acre-feet. The Board approved an increase of the replenishment assessment rate from \$462 to \$487 per acre-foot.
- Basin Equity assessments decreased \$0.77 million as the District had less groundwater pumped over the basin production percentage from prior year. The District maintained its basin production percentage at 77%.
- Reclaimed water revenues decreased \$7.55 million from prior year due to the Local Resource Program subsidy for the Groundwater Replenishment System with Metropolitan Water District ended in April 2019.

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

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

The District's non-operating revenues, net of expenses, decreased \$43.26 million or 61.49%, which is primarily due to the prior year one-time gain on sale of land and legal settlements received.

In 2020, the District's net capital contributions increased \$1.01 million from prior year, mainly due to the District made fewer capital contributions to other parties.

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021**

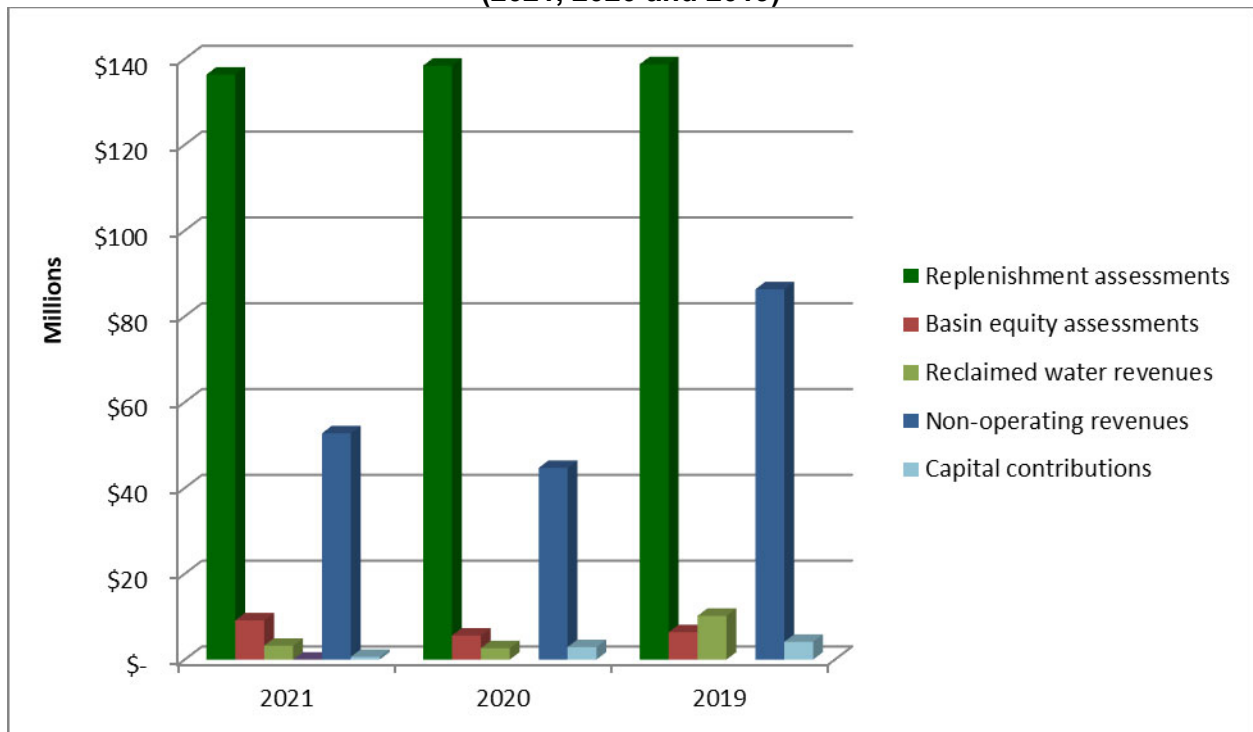
Total Revenues

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Operating revenues:					
Replenishment assessments	\$ 136,357,405	\$ 138,444,750	\$ (2,087,345)	\$ 138,779,385	\$ (334,635)
Basin equity assessments	9,143,494	5,617,151	3,526,343	6,384,640	(767,489)
Reclaimed water revenues	3,228,393	2,656,593	571,800	10,210,332	(7,553,739)
Total operating revenues	<u>148,729,292</u>	<u>146,718,494</u>	<u>2,010,798</u>	<u>155,374,357</u>	<u>(8,655,863)</u>
Non-operating revenues:					
Property taxes	31,883,652	29,988,171	1,895,481	28,276,898	1,711,273
Investment income	623,012	7,794,162	(7,171,150)	5,681,798	2,112,364
Rental income, net of expenses	1,711,390	1,610,943	100,447	1,549,580	61,363
Legal settlements, net of expenses	12,347,005	1,731,469	10,615,536	27,476,135	(25,744,666)
Other non-operating revenues	3,631,344	3,564,442	66,902	4,139,709	(575,267)
Operating grants	2,473,416	-	2,473,416	-	-
Gain on disposal of capital assets	87,782	-	87,782	19,190,733	(19,190,733)
Total non-operating revenues	<u>52,757,601</u>	<u>44,689,187</u>	<u>8,068,414</u>	<u>86,314,853</u>	<u>(41,625,666)</u>
Capital contributions	<u>630,609</u>	<u>2,911,455</u>	<u>(2,280,846)</u>	<u>4,134,250</u>	<u>(1,222,795)</u>
Total revenues	<u>\$ 202,117,502</u>	<u>\$ 194,319,136</u>	<u>\$ 7,798,366</u>	<u>\$ 245,823,460</u>	<u>\$ (51,504,324)</u>

In 2021, the District's total revenues increased \$7.80 million or 4.01%, primarily due to the net effect of \$2.09 million decrease in replenishment assessments, \$3.53 million increase of basin equity assessments, \$0.57 million increase in reclaimed water revenues. \$8.07 million increase in non-operating revenues, and \$2.28 decrease in capital contributions.

In 2020, the District's total revenues decreased \$51.50 million or 20.95%, primarily due to \$0.33 decrease in replenishment assessments, \$0.77 million decrease of basin equity assessments, \$7.55 million decrease in reclaimed water revenues, \$41.63 million decrease in non-operating revenues since prior year has a one-time gain on sale of land and legal settlements received, and \$1.22 million decrease in capital contributions.

**Total Revenues
(2021, 2020 and 2019)**



**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021**

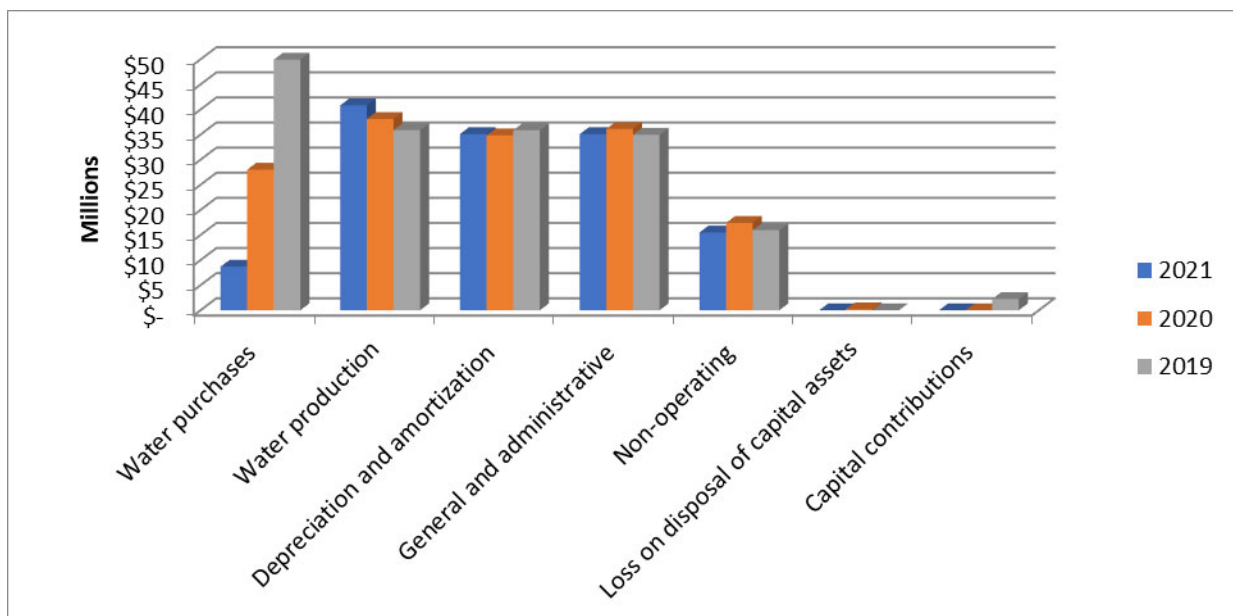
Total Expenses

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Operating expenses:					
Water purchases	\$ 8,679,073	\$ 28,001,365	\$ (19,322,292)	\$ 49,920,482	\$ (21,919,117)
Water production	40,829,932	38,116,757	2,713,175	35,891,184	2,225,573
Depreciation and amortization	35,112,462	34,849,637	262,825	35,865,015	(1,015,378)
General and administrative	35,091,661	36,126,405	(1,034,744)	34,967,601	1,158,804
Total operating expenses	<u>119,713,128</u>	<u>137,094,164</u>	<u>(17,381,036)</u>	<u>156,644,282</u>	<u>(19,550,118)</u>
Non-operating expenses:					
Interest expense	15,499,128	17,407,408	(1,908,280)	15,956,940	1,450,468
Loss on disposal of capital assets	-	183,665	(183,665)	-	183,665
Total non-operating expenses	<u>15,499,128</u>	<u>17,591,073</u>	<u>(2,091,945)</u>	<u>15,956,940</u>	<u>1,634,133</u>
Capital contributions	-	-	-	2,235,512	(2,235,512)
Total expenses	<u>\$ 135,212,256</u>	<u>\$ 154,685,237</u>	<u>\$ (19,472,981)</u>	<u>\$ 174,836,734</u>	<u>\$ (20,151,497)</u>

In 2021, the District's total expenses decreased \$19.47 million or 12.59%, mainly due to a decrease in water purchases of \$19.32 million, \$2.71 million increase in water production expenses and \$2.09 million decrease in non-operating expenses.

In 2020, the District's total expenses decreased \$20.15 million or 11.53%, mainly due to a decrease in water purchases of \$21.92 million, \$2.23 million increase in water production expenses, \$1.16 million increase in general and administrative expenses, \$1.63 million increase in non-operating expenses and \$2.24 million decrease in capital contributions to other parties.

**Total Expenses
(2021, 2020 and 2019)**



**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021**

CAPITAL ASSETS

As of the fiscal year ended June 30, 2021, the District had invested \$1,449.55 million in capital assets, including land, water rights, structures and improvements, infrastructure, equipment, and construction in progress. Capital additions, net of transfers and retirements totaled \$165.77 million and \$55.67 million made during the fiscal years ended June 30, 2021, and 2020, respectively.

The main reasons for these capital additions were construction in progress, equipment, structure, and infrastructure improvements on various water basin/water recycling projects in fiscal year ended 2021.

Net capital assets worth \$0.43 million and \$0.003 million were retired during the years June 30, 2021, and 2020, respectively.

The following is a summary of the capital assets on June 30, 2021, June 30, 2020, and June 30, 2019, respectively:

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Land	\$ 74,146,171	\$ 74,146,171	\$ -	\$ 74,146,171	\$ -
Water Rights	6,823,570	6,823,570	-	6,823,570	-
Construction in progress	241,284,588	112,458,117	128,826,471	61,995,090	50,463,027
Structures and improvements	733,750,886	719,190,451	14,560,435	716,535,412	2,655,039
Infrastructure	89,585,741	80,249,751	9,335,990	80,235,428	14,323
Equipment	303,955,698	290,910,624	13,045,074	288,372,326	2,538,298
Subtotal	1,449,546,654	1,283,778,684	165,767,970	1,228,107,997	55,670,687
Less: accumulated depreciation	(598,284,454)	(563,604,287)	(34,680,167)	(530,631,873)	(32,972,414)
Total capital assets	<u>\$ 851,262,200</u>	<u>\$ 720,174,397</u>	<u>\$ 131,087,803</u>	<u>\$ 697,476,124</u>	<u>\$ 22,698,273</u>

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

DEBT ADMINISTRATION

At June 30, 2021, the District had \$688.35 million in total debt outstanding compared to \$704.46 million at the fiscal year ended June 30, 2020. It includes loans from the State of California, commercial paper, revenue refunding bonds and installment purchase agreements associated with the certificates of participation. This amount represents a net decrease of \$16.11 million from the prior year, primarily due to principal payments on certificate of participation debt and state loans of \$4.3 million and \$8.7 million, respectively.

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

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021**

The following is a summary of the long-term debt at June 30, 2021, June 30, 2020 and June 30, 2019 respectively:

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Certificates-of-Participation	\$ 274,455,563	\$ 275,551,903	\$ (1,096,340)	\$ 276,523,244	\$ (971,341)
Revenue refunding bonds	288,801,064	295,103,202	(6,302,138)	176,749,315	118,353,887
State of California loans	88,375,897	97,089,680	(8,713,783)	230,354,520	(133,264,840)
Commercial paper	36,713,000	36,713,000	-	40,713,000	(4,000,000)
Total	<u>\$ 688,345,524</u>	<u>\$ 704,457,785</u>	<u>\$ (16,112,261)</u>	<u>\$ 724,340,079</u>	<u>\$ (19,882,294)</u>

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

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

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

NET OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY

The District's net other post-employment benefits (OPEB) liability is \$8.92 million and \$10.58 million, as of June 30, 2021, and 2020, respectively.

The District's OPEB expense recognized in 2021 and 2020 was \$1.04 million and \$1.69 million, respectively, and is included in operating expense on the Statements of Revenues, Expenses and Changes in Net Position.

The deferred outflows and deferred inflows of resources include certain changes in total OPEB liability that are to be recognized in future OPEB expense systematically over time. These amounts can fluctuate from year to year due to actuarial methods and assumptions, such as normal entry age, discount rate, mortality, and inflation. Deferred outflows of resources related to OPEB liability for 2021 is \$2.34 million and deferred inflows of resources is \$3.34 million for June 30, 2021.

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

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

The Board of Directors approved the budget for the fiscal year 2021-22. The budget included \$71.4 million for operations, \$0.7 million for new equipment, \$8.5 million for water purchases, \$39.5 million for debt service, \$1.6 million for retiree health expenditures and \$21.0 million for Replacement and Refurbishment (R&R) fund expenditure.

The Board approved a Replenishment Assessment rate of \$507 per acre-foot or a 4.01% increase and the basin production percentage remain at 77%.

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021**

A multi-year construction-in-progress (CIP) budget of \$235.1 million was adopted. These CIP projects will be funded through long term debt, grants, and the District will be funding \$22.8 million pay-as-you-go from the general fund.

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

Orange County's economy is affected by the pandemic and it is expected to grow slowly in the next year. Orange County's unemployment rate in June 2021 is 6.4% versus 7.7% for California and 5.9% for the nation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

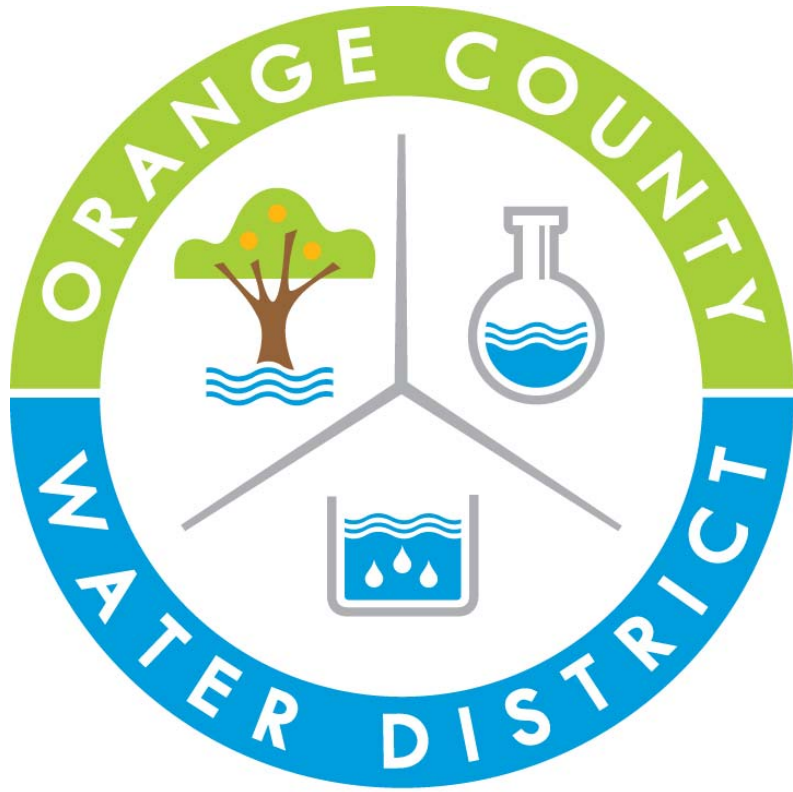
BASIC FINANCIAL STATEMENTS

Statement of Net Position

Statement of Revenues, Expense, and Changes in Net Position

Statement of Cash Flows

Notes to Basic Financial Statements



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ORANGE COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2021	2020
CURRENT ASSETS		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 73,130,895	\$ 86,584,108
Investments	201,843,513	163,006,522
Accounts Receivables	76,623,756	66,980,732
Accrued Interest Receivable	358,390	633,713
Inventory	4,769,143	4,620,004
Prepaid Expenses	1,282,892	858,560
Due from Other Governments	-	52,767
Current Portion of Notes Receivable	305,640	263,242
Total Unrestricted Assets	358,314,229	322,999,648
RESTRICTED ASSETS		
Cash and Cash Equivalents	3,106,775	3,233,364
Investments	-	92,121,070
Accrued Interest and Other Receivable	-	276,090
Custodial Cash and Investments	2,395,482	10,219,263
Custodial Escrow Retention	4,893,437	1,168,482
Total Restricted Assets	10,395,694	107,018,269
Total Current Assets	368,709,923	430,017,917
NONCURRENT ASSETS		
Capital Assets:		
Capital Assets, Not Depreciated	322,254,329	193,427,858
Capital Assets, Depreciated, Net	529,007,871	526,746,539
Total Capital Assets	851,262,200	720,174,397
OTHER NONCURRENT ASSETS		
Notes Receivable, Less Current Portion Above	4,890,244	4,237,039
Total Other Noncurrent Assets	4,890,244	4,237,039
Total Noncurrent Assets	856,152,444	724,411,436
Total Assets	1,224,862,367	1,154,429,353
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts from OPEB	2,338,645	3,343,360
Deferred Charges on Refunding	8,572,231	9,005,014
Derivative Instruments	18,754,041	25,096,034
Total Deferred Outflows of Resources	29,664,917	37,444,408

See accompanying Notes to Basic Financial Statements.

ORANGE COUNTY WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>2021</u>	<u>2020</u>
CURRENT LIABILITIES		
Payable from Unrestricted Current Assets:		
Accounts Payable and Accrued Expenses	\$ 34,467,411	\$ 9,906,745
Accrued Interest Payable	5,850,325	6,920,461
Deposits	172,064	79,926
Retention Payable	321,846	-
Current Portion of Accrued Compensated Absences	592,989	416,879
Current Portion of Long-Term Debt	<u>51,048,417</u>	<u>49,531,693</u>
Total Payable from Unrestricted Current Assets	<u>92,453,052</u>	<u>66,855,704</u>
PAYABLE FROM RESTRICTED ASSETS		
Accounts Payable and Accrued Expenses	-	7,896,655
Retentions Payable	<u>4,893,437</u>	<u>1,307,889</u>
Total Payable from Restricted Assets	<u>4,893,437</u>	<u>9,204,544</u>
Total Current Liabilities	<u>97,346,489</u>	<u>76,060,248</u>
NONCURRENT LIABILITIES		
Long-Term Debt:		
Certificates of Participation	274,455,563	275,551,903
Revenue Refunding Bonds	288,801,064	295,103,202
State of California Loans Payable	88,375,897	97,089,680
Commercial Paper	<u>36,713,000</u>	<u>36,713,000</u>
Subtotal	688,345,524	704,457,785
Less: Current Portion Above	<u>(51,048,417)</u>	<u>(49,531,693)</u>
Total Long-Term Debt	<u>637,297,107</u>	<u>654,926,092</u>
OTHER NONCURRENT LIABILITIES		
Net Other Postemployment Benefits (OPEB) Liability	8,922,734	10,579,714
Accrued Compensated Absences	5,665,285	5,490,092
Derivative Instruments	<u>18,754,041</u>	<u>25,096,034</u>
Total Other Noncurrent Liabilities	<u>33,342,060</u>	<u>41,165,840</u>
Total Noncurrent Liabilities	<u>670,639,167</u>	<u>696,091,932</u>
Total Liabilities	<u>767,985,656</u>	<u>772,152,180</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts from OPEB	3,131,794	3,161,892
Deferred Gain on Refunding	<u>670,391</u>	<u>725,492</u>
Total Deferred Inflows and Resources	<u>3,802,185</u>	<u>3,887,384</u>
NET POSITION		
Net Investment in Capital Assets	186,429,591	143,502,901
Restricted for Construction of Capital Assets	1,654,432	-
Restricted for Debt Service	254	24,804
Restricted for Custodial Costs	2,645,323	11,572,422
Unrestricted	<u>292,009,843</u>	<u>260,734,070</u>
Total Net Position	<u>\$ 482,739,443</u>	<u>\$ 415,834,197</u>

See accompanying Notes to Basic Financial Statements.

ORANGE COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Replenishment Assessments	\$ 136,357,405	\$ 138,444,750
Basin Equity Assessments	9,143,494	5,617,151
Reclaimed Water Revenue	<u>3,228,393</u>	<u>2,656,593</u>
Total Operating Revenues	<u>148,729,292</u>	<u>146,718,494</u>
OPERATING EXPENSES		
Water Purchases	8,679,073	28,001,365
Water Production	40,829,932	38,116,757
Depreciation	35,112,462	34,849,637
General and Administrative	<u>35,091,661</u>	<u>36,126,405</u>
Total Operating Expenses	<u>119,713,128</u>	<u>137,094,164</u>
OPERATING INCOME	<u>29,016,164</u>	<u>9,624,330</u>
NONOPERATING REVENUES (EXPENSES)		
Property Taxes	31,883,652	29,988,171
Investment Income	623,012	7,794,162
Rental Income, Net of Expenses	1,711,390	1,610,943
Legal Settlements, Net of Expenses	12,347,005	1,731,469
Other Nonoperating Revenues, Net of Expenses	3,631,344	3,564,442
Operating grants	2,473,416	-
Interest Expense	(15,499,128)	(17,407,408)
Gain (Loss) on Disposal of Capital Assets	<u>87,782</u>	<u>(183,665)</u>
Total Nonoperating Revenues (Expenses)	<u>37,258,473</u>	<u>27,098,114</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	66,274,637	36,722,444
Capital Contributions from Other Parties	<u>630,609</u>	<u>2,911,455</u>
CHANGES IN NET POSITION	66,905,246	39,633,899
Net Position - Beginning of Year	<u>415,834,197</u>	<u>376,200,298</u>
NET POSITION - END OF YEAR	<u>\$ 482,739,443</u>	<u>\$ 415,834,197</u>

See accompanying Notes to Basic Financial Statements.

ORANGE COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 142,111,182	\$ 155,849,050
Cash Payments to Suppliers for Goods and Services	(35,941,066)	(68,632,537)
Cash Payments to Employees for Services	(32,892,360)	(32,072,672)
Rental Income, Net of Expenses	1,711,390	1,610,943
Legal Settlements, Net of Expenses	12,347,005	1,731,469
Payments Received from Operating Grants	2,473,416	-
Net Cash Provided by Operating Activities	<u>89,809,567</u>	<u>58,486,253</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received for Property Taxes	<u>31,883,652</u>	<u>29,988,171</u>
Net Cash Provided by Noncapital Financial Activities	<u>31,883,652</u>	<u>29,988,171</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments Received from Notes Receivable	319,644	336,987
Payments made for Notes Receivable	(1,015,247)	-
Acquisition and Construction of Capital Assets	(162,292,869)	(57,285,894)
Proceeds from Sale of Capital Assets	87,782	25,721
Principal Paid on Commercial Paper	-	(4,000,000)
Proceeds from Loans Payable	743,576	3,110,064
Proceeds from Refunding Bonds and New Bonds	-	181,247,727
Principal Paid on Long-Term Debt	(13,013,783)	(8,486,623)
Payment made to Refunding Escrow Agent	-	(187,361,626)
Interest Paid on Long-Term Debt	(19,290,063)	(17,501,811)
Payments Received from Capital Contributions	630,609	2,911,455
Net Cash Used by Capital and Related Financing Activities	<u>(193,830,351)</u>	<u>(87,004,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Purchases	(354,491,958)	(558,961,180)
Proceeds from Maturity of Investments	413,697,739	576,004,042
Interest on Investments	3,076,504	7,049,048
Net Cash Provided by Investing Activities	<u>62,282,285</u>	<u>24,091,910</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,854,847)	25,562,334
Cash and Cash Equivalents - Beginning of Year	<u>90,985,954</u>	<u>65,423,620</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 81,131,107</u>	<u>\$ 90,985,954</u>

See accompanying Notes to Basic Financial Statements.

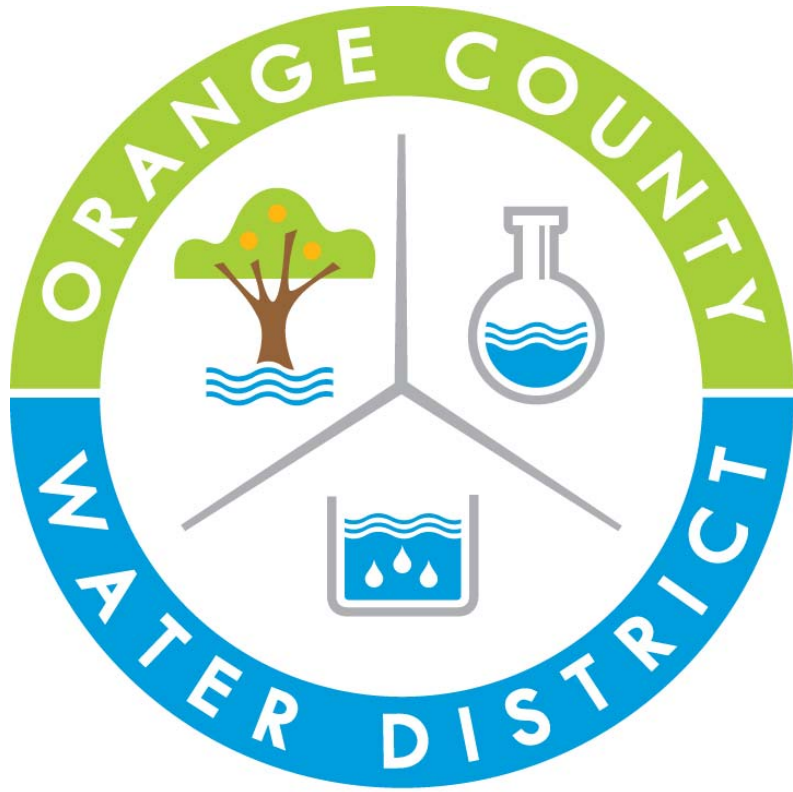
ORANGE COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 29,016,164	\$ 9,624,330
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	35,112,462	34,849,637
Other Nonoperating Revenues, Net of Expenses	3,631,344	3,564,442
Operating Grants	2,473,416	-
Rental Income, Net of Expenses	1,711,390	1,610,943
Legal Settlements, Net of Expenses	12,347,005	1,731,469
Change in Receivable for Loan Proceeds	(743,576)	(374,888)
Change in Assets, Deferred Outflows of Resources, Deferred Inflows of Resources, and Liabilities:		
(Increase) Decrease in Accounts Receivables	(9,643,024)	5,684,099
(Increase) Decrease in Inventory	(149,139)	(30,090)
(Increase) Decrease in Prepaid Expenses	48,090	(133,209)
(Increase) Decrease in Due from Other Governments	52,767	437,020
(Increase) Decrease in Deferred Outflows of Resources - Deferred Amounts from OPEB	1,004,715	4,321,107
Increase (Decrease) in Accounts Payable and Accrued Expenses	16,191,590	2,715,987
Increase (Decrease) in Deposits Payable	92,138	(167,576)
Increase (Decrease) in Accrued Compensated Absences	351,303	486,645
Increase (Decrease) in Net OPEB Liability	(1,656,980)	(8,995,555)
Increase (Decrease) in Deferred Inflows of Resources - Deferred Amounts from OPEB	(30,098)	3,161,892
Total Adjustments	60,793,403	48,861,923
Net Cash Provided by Operating Activities	\$ 89,809,567	\$ 58,486,253
CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION		
Unrestricted Assets - Cash and Cash Equivalents	\$ 73,130,895	\$ 86,584,108
Restricted Assets:		
Cash and Cash Equivalents	3,106,775	3,233,364
Custodial Escrow Retention	4,893,437	1,168,482
Total Cash and Cash Equivalents - Financial Statement Classification	\$ 81,131,107	\$ 90,985,954
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization of Premiums and Deferred Amounts on Refunding	\$ 2,720,799	\$ 2,067,514
Net Increase (Decrease) in the Fair Value of Investments	\$ (1,902,079)	\$ 1,446,947
Gain on Disposal of Capital Assets	\$ 87,782	\$ 21,885

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS



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**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Description of the District

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

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

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

B. Basic Financial Statements

The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows, and the notes to the basic financial statements.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

Proprietary Fund

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. The proprietary fund financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic resources measurement focus all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the statement of net position. The statement of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

D. Net Position

In the statement of net position, net position is classified in the following categories:

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

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Net Position Flow Assumption

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

F. New Accounting Pronouncements

Current Year Standards

GASB 84

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

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The District adopted this standard in the current fiscal year. Implementation of GASB 84 removed the previously reported OPEB trust that no longer qualifies as a fiduciary fund of the District.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Taxes and Assessments

Property taxes and assessments are billed by the County of Orange to property owners. The amount apportioned to the District each year is based upon the District's tax receipts for the three year period ended June 30, 1978, in relation to total County tax receipts and is adjusted annually for area growth. The District's property tax calendar for the fiscal year ended June 30, 2021, were as follows:

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

The County collects the taxes from the property owners and remits the funds to the District periodically during the year.

H. Inventory

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

I. Investments

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

J. Capital Assets

Capital assets purchased or acquired are reported at historical cost. Contributed assets are reported at the acquisition value as of the date received. During the fiscal year ended June 30, 2021, the District received capital contributions of \$630,609. Capital outlays that cost \$5,000 or more and that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Structures and improvements	3 to 50 years
Infrastructure	3 to 75 years
Equipment	3 to 30 years

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has four items that qualify for reporting in this category. The first item is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to the derivative instruments' interest rate swap agreements reported at fair value. The third item is related to the OPEB equal to the employer's contributions made after the measurement date of the net OPEB liability. The fourth item is related to the OPEB resulting from the difference in projected and actual earnings on plan investments of the OPEB plan's fiduciary net position. This amount is amortized over five years.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. These items are related to the OPEB equal to the differences between actual and expected experience and changes in assumptions. These amounts are amortized over the expected remaining service lives of all employees that are provided with retiree health care benefits through the plan.

L. Classification of Liabilities

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

M. Compensated Absences

Vested or accumulated vacation and sick leave are expensed as benefits accrue to employees.

N. Cash and Cash Equivalents

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

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Postemployment Benefits Other Than Pensions (OPEB)

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

P. Use of Estimates

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

Q. Prior Year Data and Reclassifications

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

Certain amounts in the June 30, 2020 financial statements have been reclassified for comparative purposes to conform to the presentation in the June 30, 2021 financial statements. There was no change in reported net income or total net position related to these reclassifications.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS

Cash and investments held by the District were comprised of the following at June 30, 2021:

Financial Statements Classification:

Current:

Cash and Cash Equivalents	\$ 73,130,895
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Investments:

U.S. Government Sponsored Agency Securities	201,843,513
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Restricted:

Cash and Cash Equivalents	3,106,775
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Investments	-
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Custodial Cash and Investments	2,395,482
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Custodial Escrow Retention	<u>4,893,437</u>
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Total	<u><u>\$ 285,370,102</u></u>
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Cash and investments as of June 30, 2021, consisted of the following:

Cash on Hand	\$ 2,700
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Deposits with Financial Institutions	5,524,179
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Investments	<u>279,843,223</u>
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Total Cash and Investments	<u><u>\$ 285,370,102</u></u>
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Investment income as of June 30, 2021 is comprised of the following:

Interest, dividends, and amortization of discounts or premiums	\$ 2,525,091
--	--------------

Net increase (decrease) in the fair value of investments	<u>(1,902,079)</u>
--	--------------------

Total Cash and Investments	<u><u>\$ 623,012</u></u>
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**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	5 years	No limitation	No limitation
United States Government Sponsored Agency Securities	5 years	No limitation	No limitation
Banker's Acceptances	180 days	15%	5%
Commercial Paper	180 days	15%	10%
Collateralized Certificates of Deposit	5 years	15%	No limitation
Negotiable Certificates of Deposit	5 years	15%	No limitation
Fully Insured Deposits	5 years	15%	No limitation
Repurchase Agreements	30 days	10%	No limitation
Medium Term Notes	5 years	15%	5%
Mutual Funds	N/A	15%	10%
Asset-Backed Securities	5 years	15%	No limitation
Local Agency Investment Fund	N/A	No limitation	\$75 Million
County Pooled Investment Fund	N/A	No limitation	\$20 Million
High Grade State Municipal Bonds	N/A	15%	5%

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk

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

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations are provided by the following tables that show the distribution of the District's investments by maturity as of June 30, 2021.

June 30, 2021

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
United States Government Sponsored				
Agency Securities	\$ 34,294,893	\$ 27,678,861	\$ 120,270,605	\$ 182,244,359
United States Treasury Notes	19,599,154	-	-	19,599,154
Local Agency Investment Fund	54,721,183	-	-	54,721,183
Orange County Pooled Investment Fund	19,680,543	-	-	19,680,543
Held by Bond Trustee:				
Money Market Mutual Funds	1,202,502	-	-	1,202,502
Held by SWAP Provider:				
United States Government Sponsored				
Agency Securities	-	2,395,482	-	2,395,482
Total	<u>\$ 129,498,275</u>	<u>\$ 30,074,343</u>	<u>\$ 120,270,605</u>	<u>\$ 279,843,223</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following tables are the Standard and Poor's credit ratings for the District's investments as of June 30, 2021.

June 30, 2021

Investment Type	Minimum Legal Rating	Total as of June 30, 2021	Credit Rating			Not Required to be Rated
			AAA	AA+	Unrated	
United States Government-Sponsored						
Agency Securities	N/A	\$ 182,244,359	\$ -	\$ 182,244,359	\$ -	\$ -
United States Treasury Notes	N/A	19,599,154	-	-	-	19,599,154
Local Agency Investment Fund	N/A	54,721,183	-	-	54,721,183	-
Orange County Pooled Investment Fund	N/A	19,680,543	19,680,543	-	-	-
Held by Bond Trustee:						
Money Market Mutual Funds	AAAm	1,202,502	1,202,502	-	-	-
Held by SWAP Provider:	N/A					
United States Government-Sponsored						
Agency Securities	N/A	2,395,482	-	2,395,482	-	-
Total		<u>\$ 279,843,223</u>	<u>\$ 20,883,045</u>	<u>\$ 184,639,841</u>	<u>\$ 54,721,183</u>	<u>\$ 19,599,154</u>

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of total District investments as of June 30, 2021, are as follows:

June 30, 2021

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Investments</u>
United States Treasury Bills	United States Treasury Notes	\$ 19,599,154	7.00%
Federal Farm Credit Bank	United States Government Sponsored Agency Securities	28,691,702	10.25%
Federal Home Loan Bank	United States Government Sponsored Agency Securities	133,373,336	47.66%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Local Agency Investment Fund (LAIF)) and Orange County Pooled Investment Fund).

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

As of June 30, 2021, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool and County Investment Pool

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

Fair Value Measurements

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

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

The District has the following recurring fair value measurements as of June 30, 2021:

June 30, 2021

Investment Type	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
United States Government Sponsored				
Agency Securities	\$ -	\$ 182,244,359	\$ -	\$ 182,244,359
United States Treasury Notes	-	19,599,154	-	19,599,154
Held by SWAP Provider:				
United States Government Sponsored				
Agency Securities	-	2,395,482	-	2,395,482
Total Leveled Investments	<u>\$ -</u>	<u>\$ 204,238,995</u>	<u>\$ -</u>	<u>204,238,995</u>
Local Agency Investment Fund*				54,721,183
Orange County Pooled Investment Fund*				19,680,543
Money Market Mutual Funds:				
Held by Bond Trustee*				1,202,502
Total Investment Portfolio				<u>\$ 279,843,223</u>

* Not subject to fair value measurement hierarchy.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 RESTRICTED ASSETS

Restricted assets were provided by, and are to be used for, the following at June 30, 2021:

Funding Source	Use	Amount
Certificates of Participation:		
Proceeds and Interest Earned	Construction of GWRSFE Project	\$ 2,856,934
Custodial Receipts	Custodial Costs	7,538,760
		<u>\$ 10,395,694</u>

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

NOTE 4 CAPITAL ASSETS

A summary of the changes in capital assets for the fiscal year ended June 30, 2021, were as follows:

	Balance at July 1, 2020	Additions	Deletions/ Transfers	Balance at June 30, 2021
Capital Assets, Not Depreciated:				
Land	\$ 74,146,171	\$ -	\$ -	\$ 74,146,171
Water Rights	6,823,570	-	-	6,823,570
Construction in Progress	112,458,117	166,200,265	(37,373,794)	241,284,588
Total Capital Assets, Not Depreciated	<u>193,427,858</u>	<u>166,200,265</u>	<u>(37,373,794)</u>	<u>322,254,329</u>
Capital Assets, Being Depreciated:				
Structures and Improvements	719,190,451	-	14,560,435	733,750,886
Infrastructure	80,249,751	-	9,335,990	89,585,741
Equipment	290,910,624	-	13,045,074	303,955,698
Total Capital Assets, Being Depreciated	<u>1,090,350,826</u>	<u>-</u>	<u>36,941,499</u>	<u>1,127,292,325</u>
Less Accumulated Depreciation for:				
Structures and Improvements	(403,080,635)	(14,040,185)	-	(417,120,820)
Infrastructure	(21,555,175)	(2,360,340)	-	(23,915,515)
Equipment	(138,968,477)	(18,711,937)	432,295	(157,248,119)
Total Accumulated Depreciation	<u>(563,604,287)</u>	<u>(35,112,462)</u>	<u>432,295</u>	<u>(598,284,454)</u>
Total Capital Assets Being Depreciated, Net	<u>526,746,539</u>	<u>(35,112,462)</u>	<u>37,373,794</u>	<u>529,007,871</u>
Total Capital Assets, Net	<u>\$ 720,174,397</u>	<u>\$ 131,087,803</u>	<u>\$ -</u>	<u>\$ 851,262,200</u>

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 NOTES RECEIVABLE

In February 2018, the District entered into an agreement to provide the City of Buena Park a 0% interest loan of up to \$6,000,000 to construct the Rosecrans Booster Pump Station that will allow the City to increase groundwater utilization and give the City the ability to meet its water demands by pumping groundwater. The principal balance shall be repaid over 20 years in 20 equal installments commencing June 30, 2019. As of June 30, 2021, \$6,000,000 has been paid to the City for this loan. Notes receivable consist of the following at June 30, 2021:

Balances at June 30	\$ 4,500,281
Plus Notes Issued	1,015,247
Less Payments Received	<u>(319,644)</u>
Subtotal	5,195,884
Less Current Portion	<u>(305,640)</u>
Total Noncurrent Notes Receivable	<u><u>\$ 4,890,244</u></u>

Payment requirements on the notes receivable subsequent to June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2022	\$ 305,640	\$ -	\$ 305,640
2023	305,640	-	305,640
2024	305,640	-	305,640
2025	305,640	-	305,640
2026	305,640	-	305,640
Thereafter	<u>3,667,684</u>	-	<u>3,667,684</u>
Total	<u><u>\$ 5,195,884</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,195,884</u></u>

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 LONG-TERM DEBT

Certificates of Participation and Refunding Revenue Bonds – Other Debt

2003A Certificates of Participation

In June 2003, the Public Facilities Corporation issued \$129,815,000 of Certificates of Participation, Series A, to assist the District in refunding the remaining portion of the 1993 Fixed Rate Revenue Certificates of Participation and to finance the cost of certain capital improvements. The certificates are obligations of the Public Facilities Corporation payable solely from payments received from the District pursuant to the Installment Purchase Agreement by and between the District and the Public Facilities Corporation.

The District has a letter of credit to support these certificates in the amount of \$131,900,000. The District is contingently liable for any amounts outstanding if drawn upon by third parties. As of June 30, 2021, there were no amounts outstanding on the letter of credit.

The 2003 Series A Certificates of Participation are due in annual installments of \$13,755,000 to \$18,535,000 from August 2035 to August 2042 with interest at an adjustable rate calculated weekly and payable monthly. The 2003A Certificates of Participation outstanding totaled \$129,815,000 as of June 30, 2021. The interest rate at June 30, 2021, was 0.02%.

2017A&B Refunding Revenue Bonds

In February 2017, the District issued \$115,000,000 of 2017A&B Refunding Revenue Bonds to defease the remaining \$125,985,000 of 2009A Certificates of Participation.

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

The 2017A & B Refunding Revenue Bonds outstanding totaled \$105,115,000 as of June 30, 2021.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 LONG-TERM DEBT (CONTINUED)

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

2019A & B Certificates of Participation

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

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

The 2019B Certificates of Participation, including an original premium of \$1,813,394, were issued to refund \$7,685,000 of the 2017B Refunding Revenue Bonds.

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

The 2019A&B Certificates of Participation outstanding totaled \$141,380,000 as of June 30, 2021.

2019C&D Refunding Revenue Bonds

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

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 LONG-TERM DEBT (CONTINUED)

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

2019C&D Refunding Revenue Bonds (Continued)

The 2019C Refunding Revenue Bonds, including an original premium of \$23,047,727, were issued to refund the GWRS Initial Expansion loan with the State Water Resources Control Board. The issuance proceeds were paid to the State Water Resources Control Board and, as a result, the loan is considered to be fully repaid and the related liability has been removed from the District's financial statements. The 2019C current refunding of GWRS Initial Expansion loan did not result in a difference between the reacquisition price and the net carrying amount.

The 2019D Refunding Revenue Bonds were issued to refund the 2013A Refunding Revenue Bonds.

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

The 2019C&D Certificates of Participation outstanding totaled \$154,410,000 as of June 30, 2021.

Covenants and Reserve Requirements

The 2003A, 2013A, 2017A&B, 2019A&B, and 2019C&D Installment Purchase Agreements require the District to prescribe, assess, and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District, are reasonably expected to be at least sufficient to yield net revenues during such fiscal year equal to 125% of debt service payable in such fiscal year. The District's ratio of net revenues to debt service for the fiscal year ended June 30, 2021 was 368%.

Other Defeased Certificates of Participation

In prior years, the District defeased certain certificates of participation, including the 1999A, 2003B, 2005B, 2007A, 2009A, and 2013A Certificates, by placing the proceeds of the new bonds or cash with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2021, \$117,100,000 of bonds outstanding to be paid by the escrow agent, are considered defeased.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 LONG-TERM DEBT (CONTINUED)

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

Summary of Changes

The following is a summary of the changes in Certificates of Participation and Refunding Revenue Bonds for the year ended June 30, 2021:

	Balance at July 1, 2020	Additions	Repayments	Balance at June 30, 2021	Due Within One Year
Certificates of Participation (COP) and Refunding Revenue Bonds:					
2003A COP	\$ 129,815,000	\$ -	\$ -	\$ 129,815,000	\$ -
2017AB Refunding Revenue Bonds	105,500,000	-	(385,000)	105,115,000	415,000
2019AB COP	141,505,000	-	(125,000)	141,380,000	135,000
2019CD Refunding Revenue Bonds	158,200,000	-	(3,790,000)	154,410,000	5,095,000
	535,020,000	-	(4,300,000)	530,720,000	<u>\$ 5,645,000</u>
Add:					
Unamortized (Discount) Premium	35,635,105	-	(3,098,478)	32,536,627	
Total	<u>\$ 570,655,105</u>	<u>\$ -</u>	<u>\$ (7,398,478)</u>	<u>\$ 563,256,627</u>	

Aggregate maturities of the Certificates of Participation, Refunding Revenue Bonds, and interest payments (using 0.02% on the 2003A variable rate debt) subsequent to June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2022	\$ 5,645,000	\$ 13,633,732	\$ 19,278,732
2023	5,995,000	13,365,100	19,360,100
2024	141,195,000	11,732,702	152,927,702
2025	6,495,000	10,087,879	16,582,879
2026	9,785,000	9,746,314	19,531,314
2027 - 2031	82,140,000	40,151,845	122,291,845
2032 - 2036	120,550,000	19,227,176	139,777,176
2037 - 2041	105,515,000	6,168,904	111,683,904
2042 - 2045	53,400,000	343,950	53,743,950
Total	<u>\$ 530,720,000</u>	<u>\$ 124,457,602</u>	<u>\$ 655,177,602</u>

State of California Loans Payable – Direct Borrowing

Groundwater Replenishment System

In May 2006, the District entered into an agreement with the State Water Resources Control Board for the construction of the Groundwater Replenishment System (GWRS) project. The District may borrow up to \$8,659,470 or the eligible costs of the project, whichever is less. At June 30, 2021, the State Water Resources Control Board had disbursed \$7,216,196 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2024. The outstanding balance totaled \$1,387,189 as of June 30, 2021.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 LONG-TERM DEBT (CONTINUED)

State of California Loans Payable – Direct Borrowing (Continued)

GWRS Barrier Facilities

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the new injection wells. The District may borrow up to \$4,491,018 or the eligible costs of the project, whichever is less. At June 30, 2021, the State Water Resources Control Board had disbursed \$3,479,837 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$1,038,936 as of June 30, 2021.

GWRS Pipeline Unit 1

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the first portion of the GWRS pipeline. The District may borrow up to \$5,310,891 or the eligible costs of the project, whichever is less. At June 30, 2021, the State Water Resources Control Board had disbursed \$4,425,725 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$1,321,163 as of June 30, 2021.

GWRS Pipeline Unit 2

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the second portion of the GWRS pipeline. The District may borrow up to \$3,452,552 or the eligible costs of the project, whichever is less. At June 30, 2021, the State Water Resources Control Board had disbursed \$2,877,115 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$858,633 as of June 30, 2021.

GWRS Pipeline Unit 3

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the third portion of the GWRS pipeline. The District may borrow up to \$4,137,559 or the eligible costs of the project, whichever is less. At June 30, 2021, the State Water Resources Control Board had disbursed \$3,429,338 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$970,649 as of June 30, 2021.

GWRS Advanced Water Treatment Facility

In June 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the new advanced wastewater treatment facility for the District's GWRS. The District may borrow up to \$136,802,193 or the eligible costs of the project, whichever is less. At June 30, 2021, the State Water Resources Control Board had disbursed \$114,000,776 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2028. The outstanding balance totaled \$44,606,059 as of June 30, 2021.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 LONG-TERM DEBT (CONTINUED)

State of California Loans Payable – Direct Borrowing (Continued)

Fletcher Basin

In November 2013, the District entered into an agreement with the State Water Resources Control Board for the construction of the Fletcher Basin Improvement project. The District may borrow up to \$2,879,342 or the eligible costs of the project, whichever is less. At June 30, 2021, the State Water Resources Control Board had disbursed \$2,879,342 under the loan contract. The loan has an interest rate of 1.9% with a repayment period of 20 years after project completion. The outstanding balance totaled \$2,274,165 as of June 30, 2021.

Alamitos Barrier

In November 2013, the District entered into an agreement with the State Water Resources Control Board for expansion of the Alamitos Seawater Intrusion Barrier. The District may borrow up to \$14,485,000 or the eligible costs of the project, whichever is less. At June 30, 2021, the State Water Resources Control Board had disbursed \$14,386,762 under the loan contract. The loan has an interest rate of 1.9% with a repayment period of 20 years after project completion. The outstanding balance totaled \$13,207,590 as of June 30, 2021.

La Palma Basin

In February 2016, the District entered into an agreement with the State Water Resources Control Board for construction of a groundwater recharge basin. The District may borrow up to \$8,570,970 or the eligible costs of the project, whichever is less. At June 30, 2021, the State Water Resources Control Board had disbursed \$5,446,635 under the loan contract. The loan has an interest rate of 1.0% with a repayment period of 30 years after project completion. The outstanding balance totaled \$4,815,886 as of June 30, 2021.

Mid-Basin Centennial Park Injection

In November 2017, the District entered into an agreement with the State Water Resources Control Board for construction of four injection wells and one nested monitoring well in Centennial Park. The District may borrow up to \$18,076,506 or the eligible costs of the project, whichever is less. At June 30, 2021, the State Water Resources Control Board had disbursed \$18,076,486 under the loan contract. In addition, accrued interest of \$282,333 and a loan receivable of \$743,576 have been added to the principal. The loan has an interest rate of 1.8% with a repayment period of 30 years after project completion. The outstanding balance totaled \$17,895,627 as of June 30, 2021.

Covenants and Reserve Requirements

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

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 LONG-TERM DEBT (CONTINUED)

State of California Loans Payable – Direct Borrowing (Continued)

Covenants and Reserve Requirements (Continued)

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

The District's ratio of net revenues to debt service for the fiscal year ended June 30, 2021 was 368%.

The Fletcher Basin, Alamitos Barrier, La Palma Basin, and Mid-Basin Centennial Park Injection loans payable require the District to have a reserve of one year's debt service. The District's reserve of \$2,037,351 as of June 30, 2021, that is included in statement of net position as Cash and Cash Equivalents and Investments, meets this requirement.

Summary of Changes

The following is a summary of the changes in loans payable to the state of California for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Repayments	Balance June 30, 2021	Due Within One Year
GWRS	\$ 1,831,509	\$ -	\$ (444,320)	\$ 1,387,189	\$ 453,238
GWRS Barrier Facilities	1,235,246	-	(196,310)	1,038,936	200,040
GWRS Pipeline Unit 1	1,570,766	-	(249,603)	1,321,163	254,357
GWRS Pipeline Unit 2	1,020,805	-	(162,172)	858,633	165,277
GWRS Pipeline Unit 3	1,153,665	-	(183,016)	970,649	186,624
GWRS Advanced Water Treatment Facility	50,534,987	-	(5,928,928)	44,606,059	6,035,827
Fletcher Basin	2,404,152	-	(129,987)	2,274,165	132,457
Alamitos Barrier	13,818,289	-	(610,699)	13,207,590	622,303
La Palma Basin	4,977,379	-	(161,493)	4,815,886	163,109
Mid-Basin Injection	18,542,882	-	(647,255)	17,895,627	477,185
Total	<u>\$ 97,089,680</u>	<u>\$ -</u>	<u>\$ (8,713,783)</u>	<u>\$ 88,375,897</u>	<u>\$ 8,690,417</u>

Debt service requirements on the loans payable to the state of California subsequent to June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2022	\$ 8,690,417	\$ 1,575,129	\$ 10,265,546
2023	8,846,517	1,419,028	10,265,545
2024	9,007,341	1,258,202	10,265,543
2025	8,690,022	1,094,441	9,784,463
2026	8,847,119	937,342	9,784,461
2027 - 2031	21,193,813	2,774,404	23,968,217
2032 - 2036	8,595,862	1,692,207	10,288,069
2037 - 2041	6,709,003	954,239	7,663,242
2042 - 2046	4,535,423	508,077	5,043,500
2047 - 2051	3,260,380	140,620	3,401,000
Total	<u>\$ 88,375,897</u>	<u>\$ 12,353,689</u>	<u>\$ 100,729,586</u>

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Commercial Paper – Other Debt

The Public Facilities Corporation issued commercial paper from which the proceeds were used to provide capital funds for the District to purchase land and for water purchases. The commercial paper has a maximum maturity of 270 days. The District issues, annually, Tax and Revenue Anticipation Notes (TRANs), which are additionally secured by revenue to service the commercial paper. On July 1, 2021, the District issued 2021-2022 TRANs amounting to \$130.425 million to the Public Facilities Corporation, \$24 million of this TRAN is taxable and \$106.425 million tax exempt. The outstanding balance for the commercial paper totaled \$36,713,000 as of June 30, 2021 and 2020.

The District has a letter of credit and reimbursement agreement in the amount of \$76,300,000 supporting the commercial paper program with Sumitomo Mitsui Banking Corporation. The District is contingently liable for any amounts outstanding if drawn upon by third parties. As of June 30, 2021, there were no amounts outstanding on the letter of credit. The following is a summary of the changes in commercial paper for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Repayments	Balance June 30, 2021	Due Within One Year
Commercial Paper - Taxable	\$ 23,800,000	\$ -	\$ -	\$ 23,800,000	\$ 23,800,000
Commercial Paper - Tax-Exempt	12,913,000	-	-	12,913,000	12,913,000
Total	<u>\$ 36,713,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,713,000</u>	<u>\$ 36,713,000</u>

Compensated Absences

The following is a summary of the changes in compensated absences:

June 30, 2021

	Balances at June 30, 2020	Additions	Reductions	Balances at June 30, 2021	Due Within One Year
Compensated Absences	<u>\$ 5,906,971</u>	<u>\$ 3,058,314</u>	<u>\$ 2,707,011</u>	<u>\$ 6,258,274</u>	<u>\$ 592,989</u>

WIFIA Loan Agreement

On August 6, 2020, the District re-executed the WIFIA Loan Agreement to provide financing for the GWRS Final Expansion Project and can draw up to \$135,000,000. Upon substantial completion of the GWRS Final Expansion Project, the District currently expects to draw on the WIFIA Loan to repay the 2019A Interim Obligations prior to maturity. Upon completion of the project, principal and interest payments will commence. The loan requires net revenues equal to at least 125% of debt service payable in such fiscal year. As of June 30, 2021, no loan proceeds have been drawn down.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 LONG-TERM DEBT (CONTINUED)

GWRS Final Expansion1

The District has entered into two agreements with the State Water Resources Control Board for construction of the final expansion of the GWRS project. The District may borrow up to \$186,207,421 or the eligible costs of the project, whichever is less. The loan has an interest rate of 1.4%. As of June 30, 2021, no loan proceeds have been drawn down.

NOTE 7 DERIVATIVE INSTRUMENTS – INTEREST RATE SWAP AGREEMENTS

Objective

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

Details on the Swap Agreements

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

Terms

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

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

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DERIVATIVE INSTRUMENTS – INTEREST RATE SWAP AGREEMENTS (CONTINUED)

Summary of Activities in Cash Flow Hedging Derivative Instruments

Notional Amount	Fair Value at June 30, 2020	Change in Fair Value	Fair Value at June 30, 2021
\$ 58,800,000	\$ (19,437,860)	\$ 4,934,291	\$ (14,503,569)
23,750,000	(5,658,174)	1,407,702	(4,250,472)
<u>\$ 82,550,000</u>	<u>\$ (25,096,034)</u>	<u>\$ 6,341,993</u>	<u>\$ (18,754,041)</u>

As of June 30, 2021, the fair value of (\$18,754,041), is reported as a deferred outflow of resources and other noncurrent liability in the statement of net position.

Credit Risk

As of June 30, 2021, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value.

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

Citibank, N.A.	<u>Standard & Poor's</u> A+	<u>Moody's</u> Aa3
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Basis Risk

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

Termination Risk

The swaps may be terminated by the District or the counterparty if the other party fails to perform under the terms of the swap agreements. In addition, the District has the option to terminate the swaps upon proper notification to the counterparty. If the swaps are terminated, the District would prospectively pay the variable rates on the portion of 2003A Certificates of Participation related to the swap agreements rather than a fixed rate. The termination of the swap agreements could therefore increase the District's total debt service. Also, if at the time of the termination, the swaps have a negative fair value, the District would be liable to the counterparty for a payment equal to such negative fair value, or be paid an amount equal to a positive fair value. As of June 30, 2021, the swaps had a fair value of (\$18,754,041).

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DERIVATIVE INSTRUMENTS – INTEREST RATE SWAP AGREEMENTS (CONTINUED)

Swap Payments and Associated Debt

Using a variable rate of 0.02% for the 2003A COP as of June 30, 2021, debt service requirements of the certificates and the swap payments, assuming current interest rates remain the same for their term are as follows. As rates vary, the variable rate interest payments and net swap payments will vary.

<u>Year Ending June 30,</u>	<u>Variable Rate Debt</u>			<u>Interest Rate Swap, Net</u>	<u>Fixed Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
2022	\$ -	\$ 16,510	\$ 16,510	\$ 2,470,837	\$ 2,487,347
2023	-	16,510	16,510	2,470,837	2,487,347
2024	-	16,510	16,510	2,470,837	2,487,347
2025	-	16,510	16,510	2,470,837	2,487,347
2026	1,625,000	16,185	1,641,185	4,047,199	4,063,384
2027 - 2031	40,125,000	57,110	40,182,110	48,671,911	48,729,021
2032 - 2036	29,475,000	27,565	29,502,565	33,600,295	33,627,860
2037 - 2038	11,325,000	1,180	11,326,180	11,501,595	11,502,775
Total	<u>\$ 82,550,000</u>	<u>\$ 168,080</u>	<u>\$ 82,718,080</u>	<u>\$ 107,704,348</u>	<u>\$ 107,872,428</u>

Fair Value Measurement

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

NOTE 8 JOINT VENTURES

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

As of June 30, 2021, SAWPA has total assets of \$176,898,456 and total net position of \$73,327,002. As of June 30, 2020, SAWPA has total assets of \$180,698,310 and total net position of \$69,679,803. The District does not have a measurable equity interest in SAWPA. The District is also a participant in other joint ventures in which the District does not have a material equity interest or material ongoing financial interest or responsibility. Separate financial statements of SAWPA can be obtained at 11615 Sterling Avenue, Riverside, California 92503.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 DEFINED CONTRIBUTION PENSION PLAN

The Money Purchase Plan for employees of Orange County Water District (Money Purchase Plan) is a defined contribution pension plan administered by a committee of the Board of Directors and District employees. The Money Purchase Plan covers all employees, except part-time or temporary employees, immediately upon date of hire. For the first layer, the Money Purchase Plan requires each employee, upon date of hire, to contribute monthly to a mandatory contributions account, by payroll deduction, an amount equal to the current FICA rate not limited to the FICA wage cap. The District is required to make a contribution in an amount equal to the then current Social Security contribution requirement (7.65% for the years ended December 31, 2021 and 2020) for the employer contribution. In addition, the District may elect in any year to contribute any portion or all of the participant's first layer contribution and the participant's first layer contribution shall be reduced by the amount so contributed by the District. The District elected to contribute 3% for the year ended December 31, 2020, of the participant's mandatory contribution.

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

Employees may elect to contribute to a voluntary contribution account in the Money Purchase Plan. Voluntary contributions may be an amount not less than 2% of compensation, nor more than an amount that would cause all contributions to exceed the lesser of (a) \$58,000 for 2021 or \$57,000 for 2020 or (b) 25.00% of his or her paid compensation for the year. In addition, the District may elect in any year to contribute any portion or all of each employee's Money Purchase Plan contribution, thereby reducing the employee's Money Purchase Plan contribution by the amount contributed by the District.

The Money Purchase Plan may be amended by resolution of the Board of Directors, subject to limitations obtained in the Money Purchase Plan document. Total contributions to the Money Purchase Plan for the year ended June 30, 2021, were \$4,478,930.

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

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Plan Description and Benefits Provided

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

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

Employees Covered

The following current and former employees were covered by the benefit terms under the plan as of year ended June 30, 2021:

Inactive Plan Members Currently Receiving Benefit Payments	92
Inactive Plan Members Entitled to but not yet Receiving Benefit Payments	-
Active Plan Members	221
Total Plan Participants	<u><u>313</u></u>

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. General Information about the OPEB Plan (Continued)

Accounting for the Plan

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

Method Used to Value Investments

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

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District, District's Board of Directors, and/or the employee associations. Currently, contributions are not required from plan members. Administrative costs of the OPEB plan are financed through investment earnings. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2021, the District's cash contributions were \$1,474,000 in payments to the trust, administrative expenses of \$100,504, and the estimated implied subsidy was \$114,000, resulting in total payments of \$1,688,504.

Fiduciary Net Position with PARS Trust

The PARS OPEB Trust (Trust) contains assets of 167 member agencies as of June 30, 2020. The Trust invests in various investment securities including U.S. Treasury Obligations, U.S. Government Agency Issues, Corporate Debt Issues, Foreign Debt Issues, Municipal Debt Issues, Money Market Mutual Funds, Equity Mutual Funds, Fixed Income Mutual Funds, Domestic Common Stocks, and Foreign Stocks.

Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Trust manages exposure to interest rate risk by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations. Investments in the Trust mature as of June 30, 2020, as follows: 1% in one year or less, 5% in two to five years, 8% in five to ten years, 9% in more than 10 years.

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. The Trust investments are rated by Standard and Poor's or Moody's as of June 30, 2020, as follows: 3% are rated AAA; 1% are AA+, AA, or AA-; 4% are A+, A, A-; 5% are BBB+, BBB, or BBB-; 5% are exempt from ratings, and 82% are not rated.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. General Information about the OPEB Plan (Continued)

Fiduciary Net Position with PARS Trust (Continued)

Concentration of credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. At June 30, 2020, the Trust had no investments concentrated in one issuer (other than mutual funds, U.S. Treasury obligations, and corporate debt securities) that exceeded 5% of the Trust's investments.

All of the Trust's cash deposits as of June 30, 2020 of \$55,301,635, which includes the balances of all 167 member agencies, are federally insured for up to \$250,000 by the Federal Deposit Insurance Corporation. Deposits in excess of the federally insured amount are subject to custodial credit risk, which is the risk that, in the event of the failure of a depository financial institution, the Trust will not be able to recover its deposits.

B. Total OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, rolled forward using standard update procedures, to June 30, 2020.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry age, level percentage of payroll
Actuarial Assumptions:	
Discount Rate	6.5% at June 30, 2020
Long-Term Expected	
Rate of Return on Investments	6.5%, net of investment expenses
General Inflation	2.75%
Payroll Increases	Aggregate increase - 3%
	Merit increase - CalPERS 1997-2015 experience
Medical Trend	Non-Medicare: 7.0% for 2022, decreasing to 4.0% in 2076
	Medicare: 6.1% for 2022, decreasing to 4.0% in 2076
Mortality, Disability, Termination, Retirement	CalPERS 1997-2015 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2019

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

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

B. Total OPEB Liability (Continued)

Actuarial Assumptions (Continued)

The long-term expected rates of return are Bartel Associates estimates and are presented as geometric means developed over a 20-year period. The long-term expected real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2020, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the PARS OPEB Trust investments was applied to all periods of the projected benefit payments to determine the total OPEB liability.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2019 (Measurement Date)	\$ 29,079,906	\$ 18,500,192	\$ 10,579,714
Changes in the Year:			
Service Cost	726,650	-	726,650
Interest on the Total OPEB Liability	1,905,660	-	1,905,660
Changes in Assumptions	(581,102)	-	(581,102)
Contributions - Employer	-	3,223,388	(3,223,388)
Net Investment Income	-	616,176	(616,176)
Benefit Payments	(977,417)	(977,417)	-
Administrative Expenses	-	(131,376)	131,376
Net Changes	<u>1,073,791</u>	<u>2,730,771</u>	<u>(1,656,980)</u>
Balance at June 30, 2020 (Measurement Date)	<u>\$ 30,153,697</u>	<u>\$ 21,230,963</u>	<u>\$ 8,922,734</u>

Change of Assumptions

The ACA excise tax was removed in the fiscal year ended June 30, 2021.

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current discount rate (6.5%):

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Net OPEB Liability	\$ 13,206,252	\$ 8,922,734	\$ 5,390,674

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. Changes in the Net OPEB Liability (Continued)

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

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

	1% Decrease (6.0% Pre-Medicare/ 5.1% Medicare Decreasing to 3.0%)	Current Health Care Cost Trend Rates (7.0% Pre-Medicare/ 6.1% Medicare Decreasing to 4.0%)	1% Increase (8.0% Pre-Medicare/ 7.1% Medicare Decreasing to 5.0%)
Net OPEB Liability	\$ 4,771,570	\$ 8,922,734	\$ 13,900,240

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,036,807. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 1,688,504	\$ -
Differences Between Actual and Expected Experience	-	(2,479,057)
Changes in Assumptions	-	(652,737)
Net Differences Between Projected and Actual Earnings	650,141	-
Total	<u>\$ 2,338,645</u>	<u>\$ (3,131,794)</u>

An amount of \$1,688,504 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ (423,195)
2023	(417,900)
2024	(479,867)
2025	(473,697)
2026	(611,200)
Thereafter	(75,794)

E. Payable to the OPEB Plan

At June 30, 2021, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 RISK MANAGEMENT

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

At June 30, 2021, the District participated in the self insurance programs of the Insurance Authority as follows:

Property Loss – The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 (total insurable value of \$391,043,916). The District has a \$25,000 deductible for real and personal property, mobile equipment, licensed vehicles and trailers. Boiler and machinery is \$25,000 or \$50,000 depending on type of equipment.

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

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

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

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

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

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

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

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

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 COMMITMENTS AND CONTINGENCIES

Contracts and Projects

The District has entered into various contracts for the purchase of material and construction of the Mid Basin Injection Project, the GWRS Final Expansion project, and the PFAS Treatment Projects. The amounts contracted for are based on the contractor's estimated cost of construction. At June 30, 2021, the total unpaid amount on these contracts is approximately \$103,851,296. During fiscal year ended June 30, 2021, the District has entered into various contracts for the construction and rehabilitation of various wells and basins throughout the region. At June 30, 2021, the total unpaid amount on these contracts is approximately \$67,306,312.

Regulations

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

Legal Claims and Lawsuits

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

COVID-19

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

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the District's financial condition, liquidity, operations and workforce. The District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have a material effect on the District's results of future operations and financial position in fiscal year 2022.

**ORANGE COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 LEASING ARRANGEMENTS

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

The following is a schedule of future minimum rentals under leases at June 30, 2021, not including renewal option increases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 1,636,259
2023	1,532,835
2024	1,445,709
Total	<u>\$ 4,614,803</u>

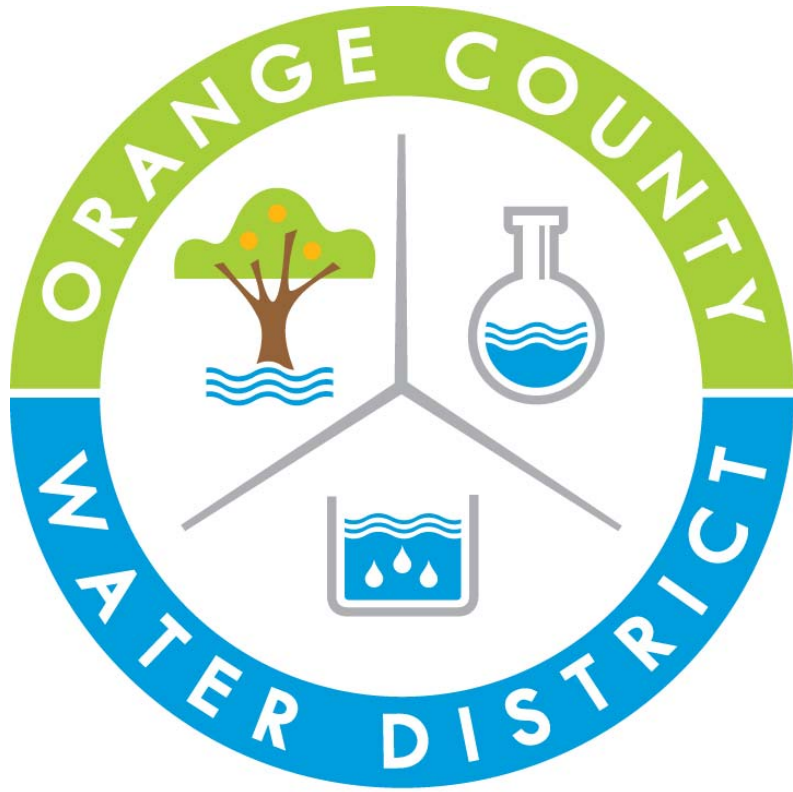
REQUIRED SUPPLEMENTARY INFORMATION

Other Postemployment Benefits (OPEB)

Annual Money-Weighted Rate of Return of Investments

Schedule of Changes in the Net OPEB Liability and Related Ratios

Schedule of Contributions – OPEB



SINCE 1933

**ORANGE COUNTY WATER DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB AND RELATED RATIOS
LAST 10 FISCAL YEARS***

Fiscal Year-End	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Measurement Date	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB Liability:				
Service Cost	\$ 726,650	\$ 892,384	\$ 866,392	\$ 841,157
Interest on Total OPEB Liability	1,905,660	2,026,260	1,897,438	1,770,648
Differences Between Expected and Actual Experience	-	(3,470,681)	-	-
Changes in Assumptions	(581,102)	(218,193)	-	-
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	<u>(977,417)</u>	<u>(861,415)</u>	<u>(754,508)</u>	<u>(618,306)</u>
Net Change in Total OPEB Liability	1,073,791	(1,631,645)	2,009,322	1,993,499
Total OPEB Liability - Beginning of Year	<u>29,079,906</u>	<u>30,711,551</u>	<u>28,702,229</u>	<u>26,708,730</u>
Total OPEB Liability - End of Year (a)	<u>30,153,697</u>	<u>29,079,906</u>	<u>30,711,551</u>	<u>28,702,229</u>
Plan Fiduciary Net Position:				
Contributions - Employer	3,223,388	7,444,619	1,784,375	1,381,609
Net Investment Income	616,176	809,641	360,155	575,402
Administrative Expenses	(131,376)	(28,935)	(26,015)	(22,777)
Benefit Payments, Including Refunds, and the Implied Subsidy Benefit Payments	<u>(977,417)</u>	<u>(861,415)</u>	<u>(754,508)</u>	<u>(618,306)</u>
Net Change in Plan Fiduciary Net Position	2,730,771	7,363,910	1,364,007	1,315,928
Plan Fiduciary Net Position - Beginning of Year	<u>18,500,192</u>	<u>11,136,282</u>	<u>9,772,275</u>	<u>8,456,347</u>
Plan Fiduciary Net Position - End of Year (b)	<u>21,230,963</u>	<u>18,500,192</u>	<u>11,136,282</u>	<u>9,772,275</u>
 Net OPEB Liability - Ending (a)-(b)	 <u>\$ 8,922,734</u>	 <u>\$ 10,579,714</u>	 <u>\$ 19,575,269</u>	 <u>\$ 18,929,954</u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 70.41%	 63.62%	 36.26%	 34.05%
 Covered Payroll	 \$ 24,822,309	 \$ 24,456,567	 \$ 25,040,896	 \$ 23,452,614
 Net OPEB Liability as Percentage of Covered Payroll	 35.95%	 43.26%	 78.17%	 80.72%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

Fiscal year June 30, 2019 to June 30, 2020: The mortality improvement scale was updated to Scale MP-2019 from MP-2017.

Fiscal year June 30, 2020 to June 30, 2021: ACA excise tax was removed.

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

**ORANGE COUNTY WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS***

Fiscal Year Ended	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Actuarially Determined Contribution	\$ 1,600,000	\$ 1,706,000	\$ 1,303,932	\$ 1,300,000
Contributions in Relation to the Actuarially Determined Contributions	<u>(1,688,504)</u>	<u>(3,223,388)</u>	<u>(7,432,482)</u>	<u>(1,739,964)</u>
Contribution Deficiency (Excess)	<u>\$ (88,504)</u>	<u>\$ (1,517,388)</u>	<u>\$ (6,128,550)</u>	<u>\$ (439,964)</u>
Covered Payroll	\$ 25,320,721	\$ 24,822,309	\$ 24,456,567	\$ 25,040,896
Contributions as a Percentage of Covered Payroll	6.67%	12.99%	30.39%	6.95%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2019	6/30/2017	6/30/2017
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age, level percentage of payroll
Amortization Method	Level dollar over closed 25 year period from June 30, 2018 (22 years remaining as of June 30, 2021); 5-year phase-in from \$1.3 million to full ADC
Asset Valuation Method	Investment gains/losses spread over 5-year rolling period with 20% market value corridor
Discount Rate	6.50%
General Inflation	2.75%
Mortality, Disability, Termination, Retirement	CalPERs 1997-2015 experience study
Medical Trend	Pre-Medicare: 7.5% for 2019 (7.0% in 2022), decreasing to 4.0% in 2076.

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

STATISTICAL SECTION

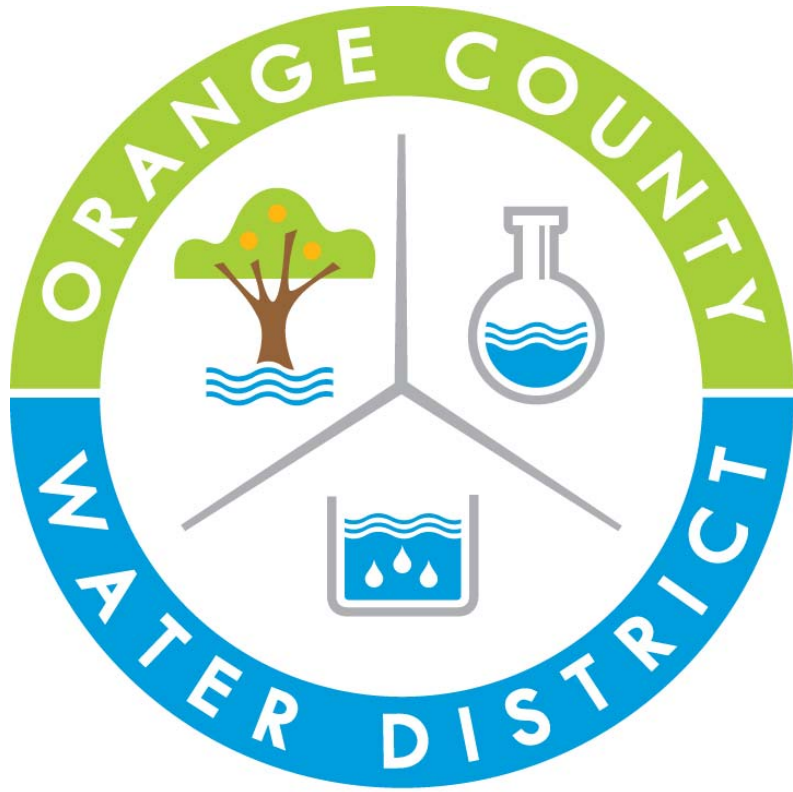
Financial Trends

Revenue Capacity

Debt Capacity

Demographic and Economic Information

Operating Information



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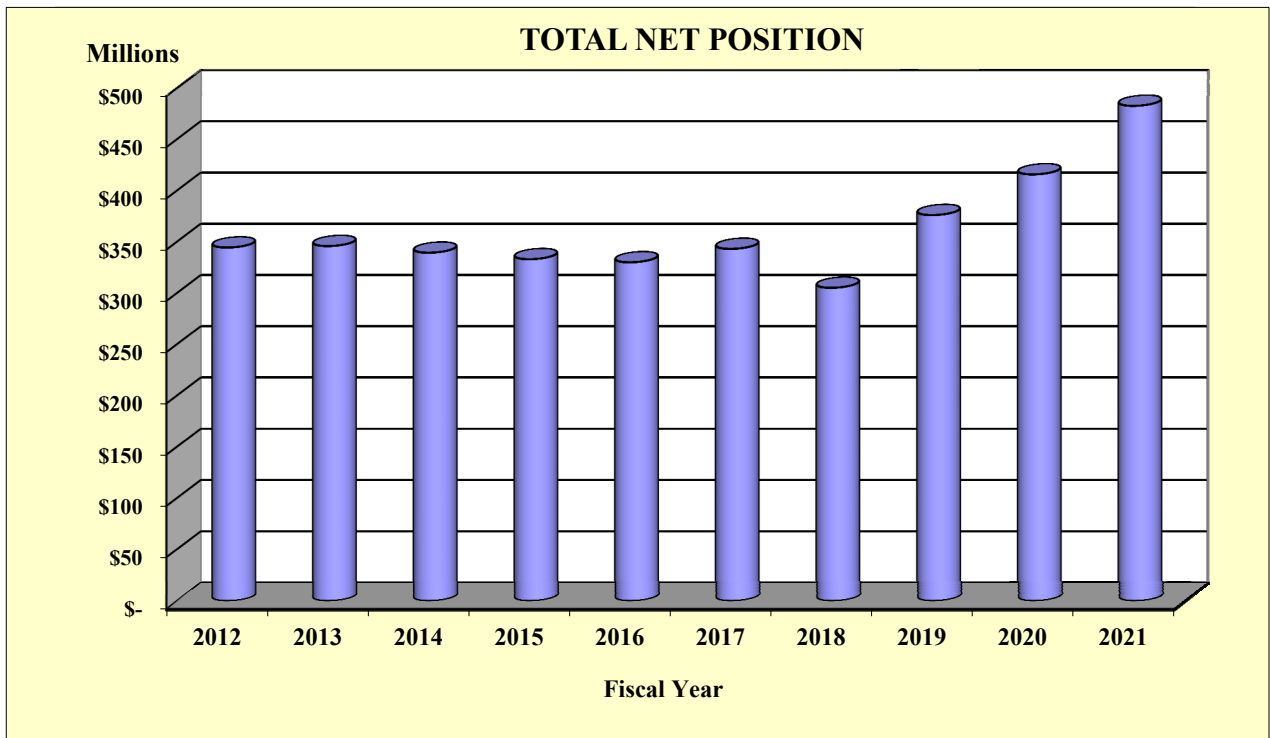
**ORANGE COUNTY WATER DISTRICT
DESCRIPTION OF STATISTICAL SECTION CONTENTS
JUNE 30, 2021**

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

Contents:	Pages
Financial Trends these schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	58
Revenue Capacity these schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	62
Debt Capacity these schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	65
Demographic and Economic Information these schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	69
Operating Information these schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	71

**ORANGE COUNTY WATER DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total Net Position</u>
2012	\$ 111,571,069	\$ 39,078,897	\$ 193,794,385	\$ 344,444,351 (1)
2013	99,650,065	21,514,322	224,686,841	345,851,228
2014	95,168,906	17,540,437	226,680,734	339,390,077
2015	122,056,713	22,760,913	188,235,624	333,053,250
2016	135,271,635	21,404,577	173,374,582	330,050,794
2017	150,961,053	5,370,190	186,797,840	343,129,083
2018	151,082,728	66,579	154,064,265	305,213,572 (2)
2019	149,157,213	2,684,482	224,358,603	376,200,298
2020	143,502,901	11,597,226	260,734,070	415,834,197
2021	186,429,591	4,300,009	292,009,843	482,739,443



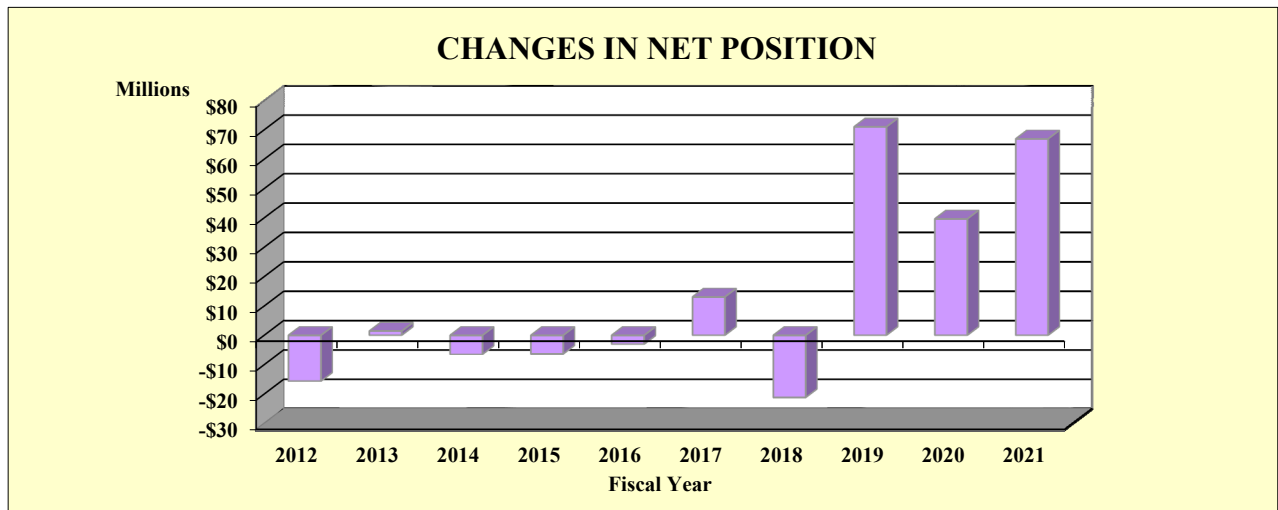
(1) Implementation of GASB Statement 68 resulted in a net prior period adjustment of \$6,436,627.

(2) Implementation of GASB Statement 75 resulted in a net prior period adjustment of \$16,776,446.

Source: OCWD Finance Department

**ORANGE COUNTY WATER DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Non-Operating Revenues (Expenses)	Net Income (Loss) Before Capital Contributions	Capital Contributions/Special Item	Change in Net Position
2012	\$ 86,014,152	\$ 115,240,940	\$ (29,226,788)	\$ 12,864,561	\$ (16,362,227)	\$ 778,674	\$ (15,583,553)
2013	93,756,691	98,781,253	(5,024,562)	6,372,002	1,347,440	59,437	1,406,877
2014	105,293,285	128,519,418	(23,226,133)	15,735,304	(7,490,829)	1,029,678	(6,461,151)
2015	103,318,416	125,845,408	(22,526,992)	15,521,237	(7,005,755)	668,928	(6,336,827)
2016	105,016,764	128,327,208	(23,310,444)	14,200,225	(9,110,219)	6,107,763	(3,002,456)
2017	137,601,758	139,491,432	(1,889,674)	13,185,798	11,296,124	1,782,165	13,078,289
2018	147,869,984	154,691,739	(6,821,755)	19,198,889	12,377,134	(33,516,199) (1)	(21,139,065)
2019	155,374,357	156,644,282	(1,269,925)	70,357,913	69,087,988	1,898,738	70,986,726
2020	146,718,494	137,094,164	9,624,330	27,098,114	36,722,444	2,911,455	39,633,899
2021	148,729,292	119,713,128	29,016,164	37,258,473	66,274,637	630,609	66,905,246

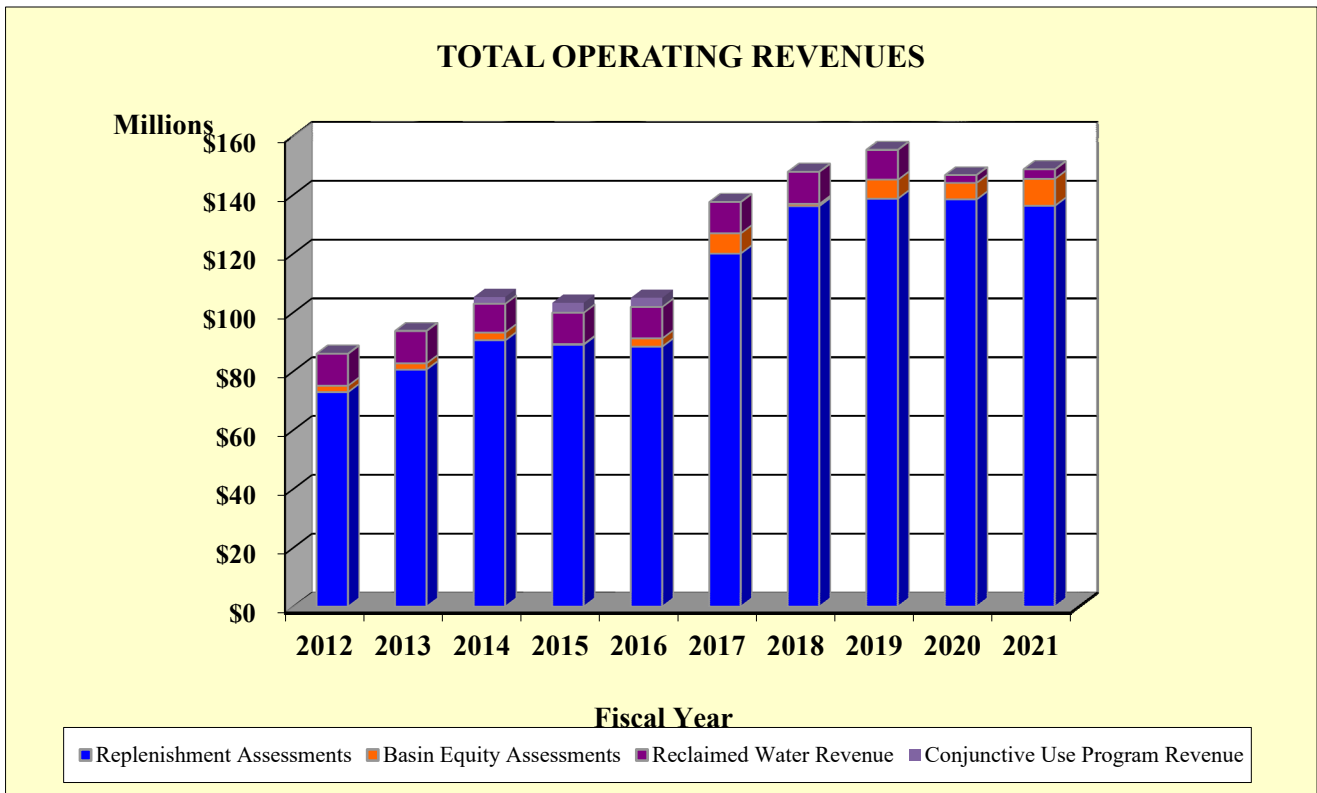


(1) In-lieu water purchased with debt financing.

Source: OCWD Finance Department

**ORANGE COUNTY WATER DISTRICT
OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

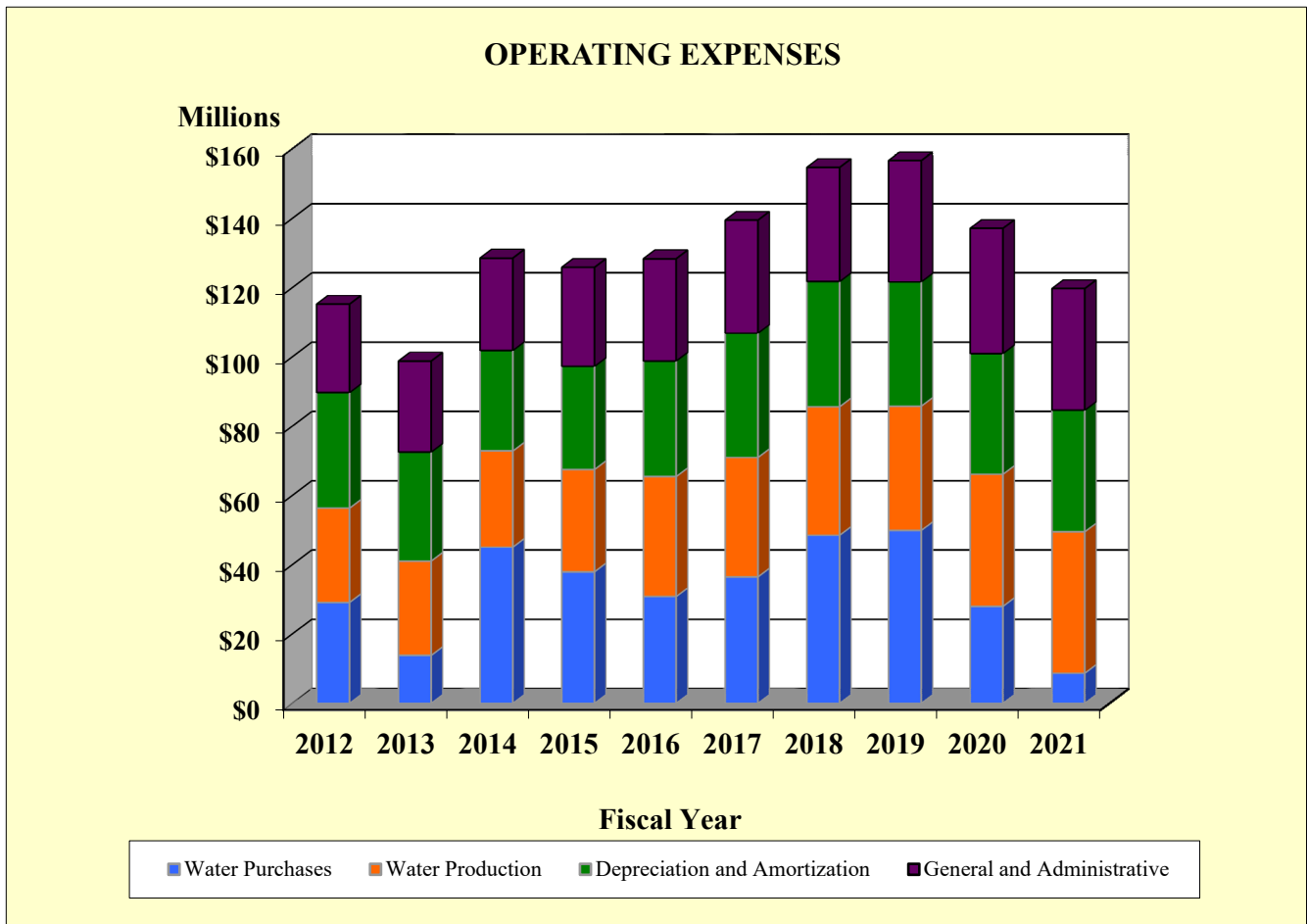
<u>Fiscal Year</u>	<u>Replenishment Assessments</u>	<u>Basin Equity Assessments</u>	<u>Reclaimed Water Revenue</u>	<u>Conjunctive Use Program Revenue</u>	<u>Total</u>	<u>Percent Change</u>
2012	\$ 72,961,431	\$ 2,219,153	\$ 10,833,568	\$ -	\$ 86,014,152	-
2013	80,694,951	2,082,761	10,978,979	-	93,756,691	9.0%
2014	90,550,510	2,733,128	9,714,520	2,295,127	105,293,285	12.3%
2015	89,137,337	184,679	10,656,130	3,340,270	103,318,416	-1.9%
2016	88,464,251	2,767,818	10,699,469	3,085,226	105,016,764	1.6%
2017	120,120,803	6,833,449	10,606,006	41,500	137,601,758	31.0%
2018	136,212,805	723,321	10,933,858	-	147,869,984	7.5%
2019	138,779,385	6,384,640	10,210,332	-	155,374,357	5.1%
2020	138,444,750	5,617,151	2,656,593	-	146,718,494	-5.6%
2021	136,357,405	9,143,494	3,228,393	-	148,729,292	1.4%



Source: OCWD Finance Department

**ORANGE COUNTY WATER DISTRICT
OPERATING EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS**

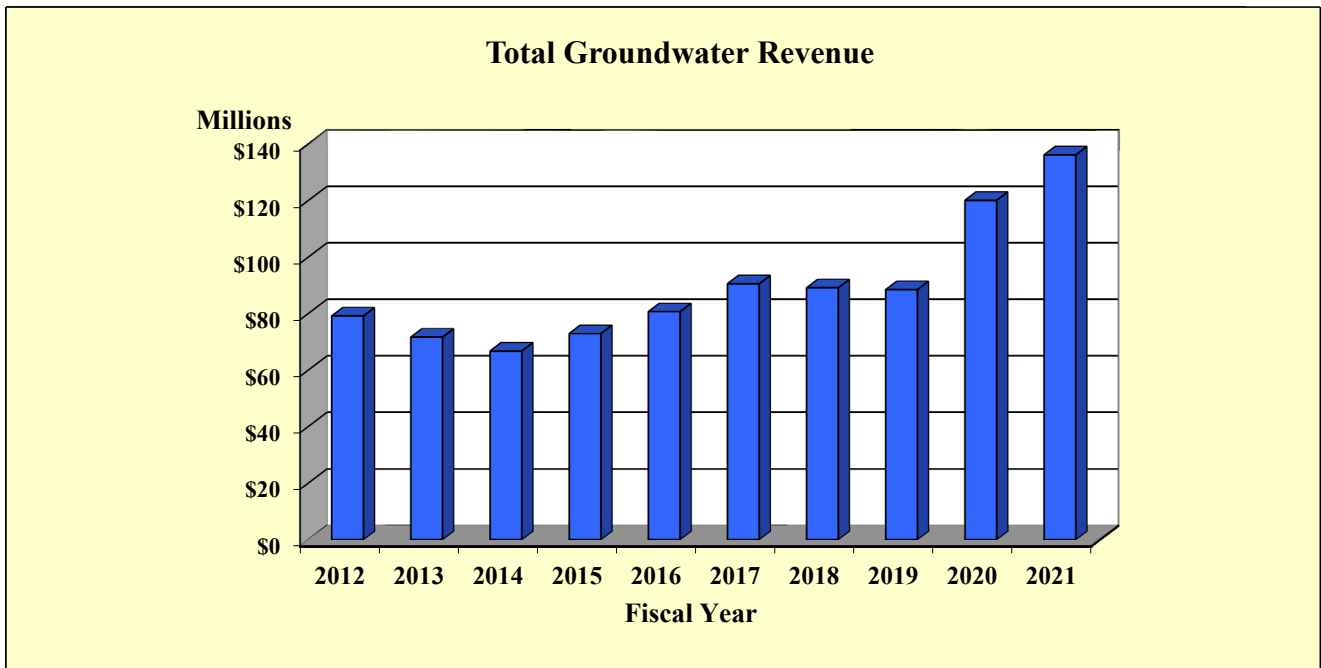
<u>Fiscal Year</u>	<u>Water Purchases</u>	<u>Water Production</u>	<u>Depreciation and Amortization</u>	<u>General and Administrative</u>	<u>Total</u>	<u>Percent Change</u>
2012	29,139,553	27,222,877	33,346,141	25,532,369	115,240,940	-
2013	13,825,244	27,242,617	31,453,784	26,259,608	98,781,253	-14.3%
2014	45,072,626	27,765,955	29,010,580	26,670,257	128,519,418	30.1%
2015	37,973,313	29,532,369	29,760,297	28,579,429	125,845,408	-2.1%
2016	30,831,126	34,630,579	33,362,509	29,502,994	128,327,208	2.0%
2017	36,507,292	34,461,866	35,862,620	32,659,654	139,491,432	8.7%
2018	48,504,350	37,141,781	36,123,555	32,922,053	154,691,739	10.9%
2019	49,920,482	35,891,184	35,865,015	34,967,601	156,644,282	1.3%
2020	28,001,365	38,116,757	34,849,637	36,126,405	137,094,164	-12.5%
2021	8,679,073	40,829,932	35,112,462	35,091,661	119,713,128	-12.7%



Source: OCWD Finance Department

**ORANGE COUNTY WATER DISTRICT
TOTAL SALES ACRE-FEET AND REVENUE BY WATER TYPE
LAST TEN FISCAL YEARS**

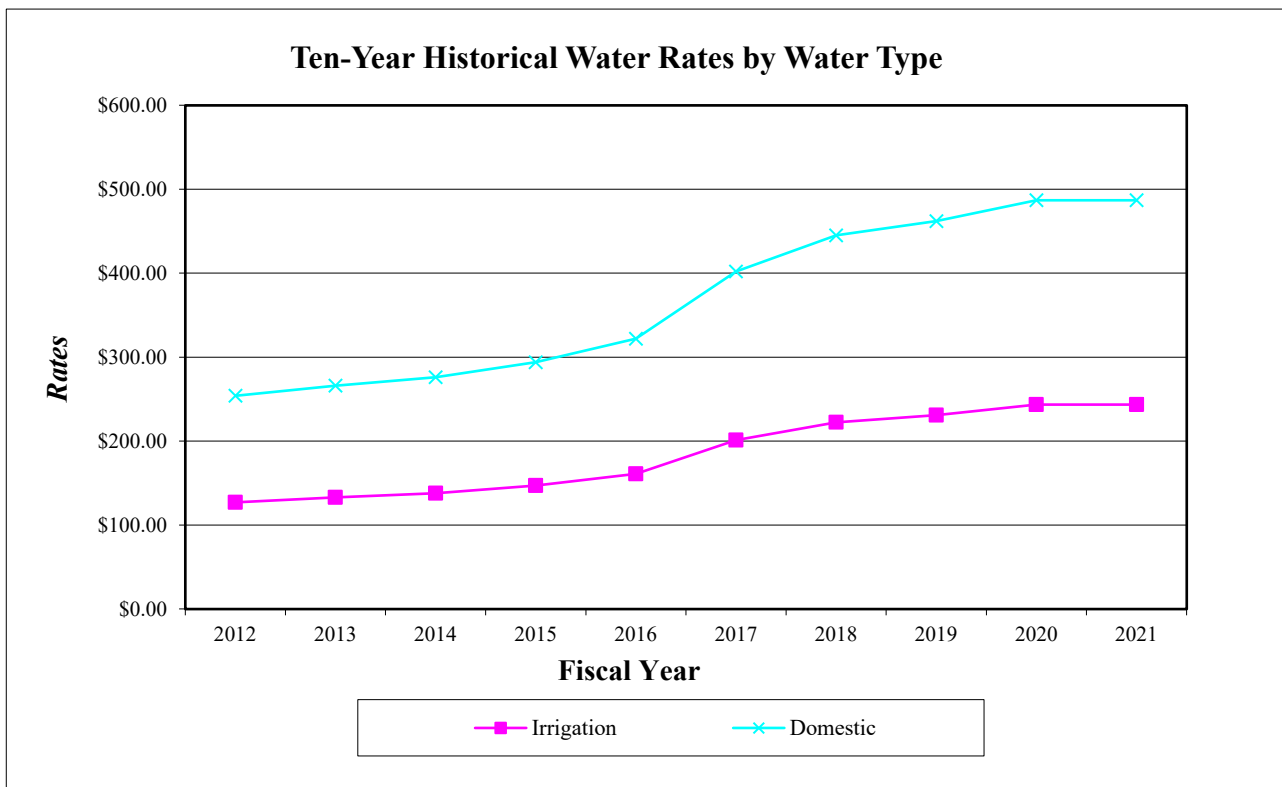
Fiscal Year	Irrigation (Acre-Feet)	Domestic (Acre-Feet)	In-Lieu Delivery (Acre-Feet)	Replenishment Assessment Revenue
2012	4,455.5	236,626.1	40,563.5	72,961,431
2013	4,181.7	305,113.5	0.0	80,694,951
2014	3,066.9	327,715.4	0.0	90,550,510
2015	2,624.6	302,634.5	0.0	89,137,337
2016	2,047.8	275,042.2	0.0	88,464,251
2017	1,589.6	300,047.8	0.0	120,120,803
2018	1,771.2	235,145.2	73,108.6	136,212,805
2019	740.1	302,756.4	0.0	138,779,385
2020	750.0	276,444.9	9,303.4	138,444,750
2021	749.4	281,371.2	0.0	136,357,405



Source: OCWD Engineer's Report

**ORANGE COUNTY WATER DISTRICT
WATER RATES BY WATER TYPE
LAST TEN FISCAL YEARS
(\$ PER ACRE-FOOT)**

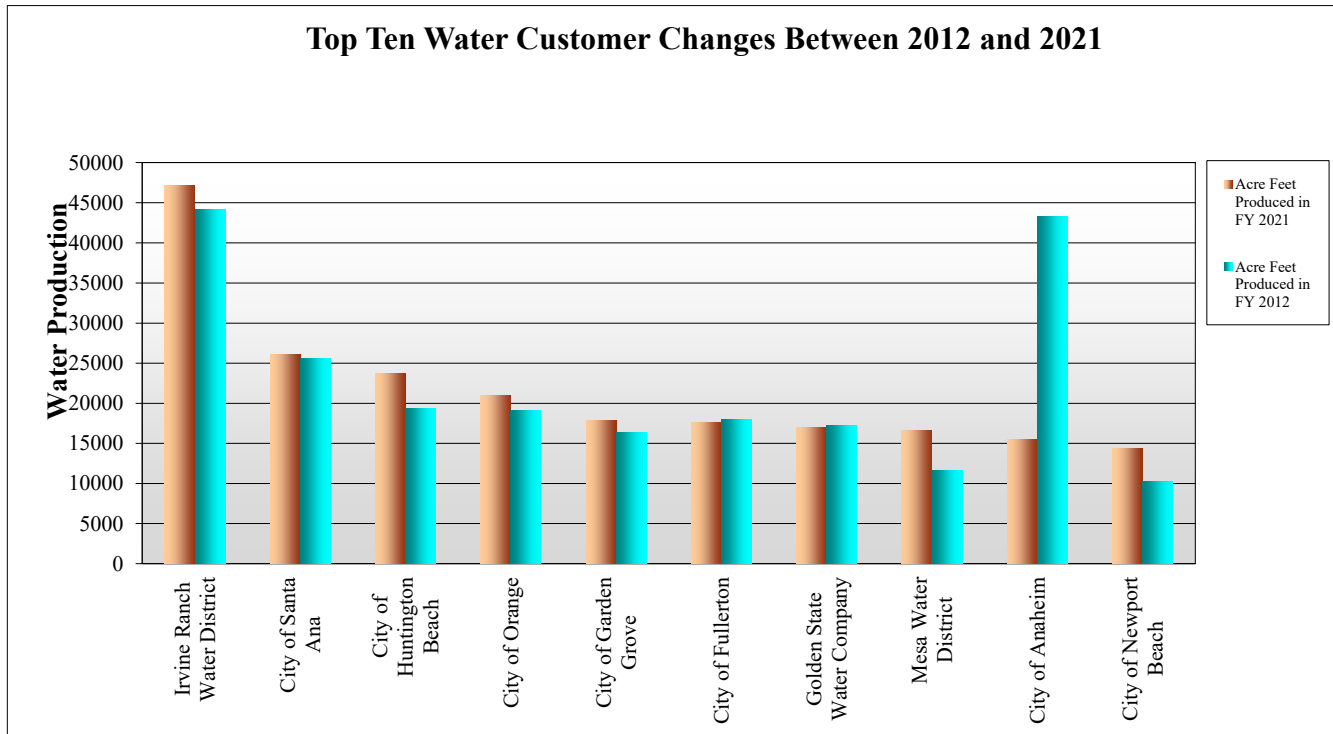
Fiscal Year	Irrigation	Domestic
2012	\$ 127.00	\$ 254.00
2013	133.00	266.00
2014	138.00	276.00
2015	147.00	294.00
2016	161.00	322.00
2017	201.00	402.00
2018	222.50	445.00
2019	231.00	462.00
2020	243.50	487.00
2021	243.50	487.00



Source: OCWD Engineer's Report

**ORANGE COUNTY WATER DISTRICT
CHANGES IN TOP TEN CUSTOMERS' GROUNDWATER PRODUCTION
CURRENT FISCAL YEAR AND TEN YEARS AGO**

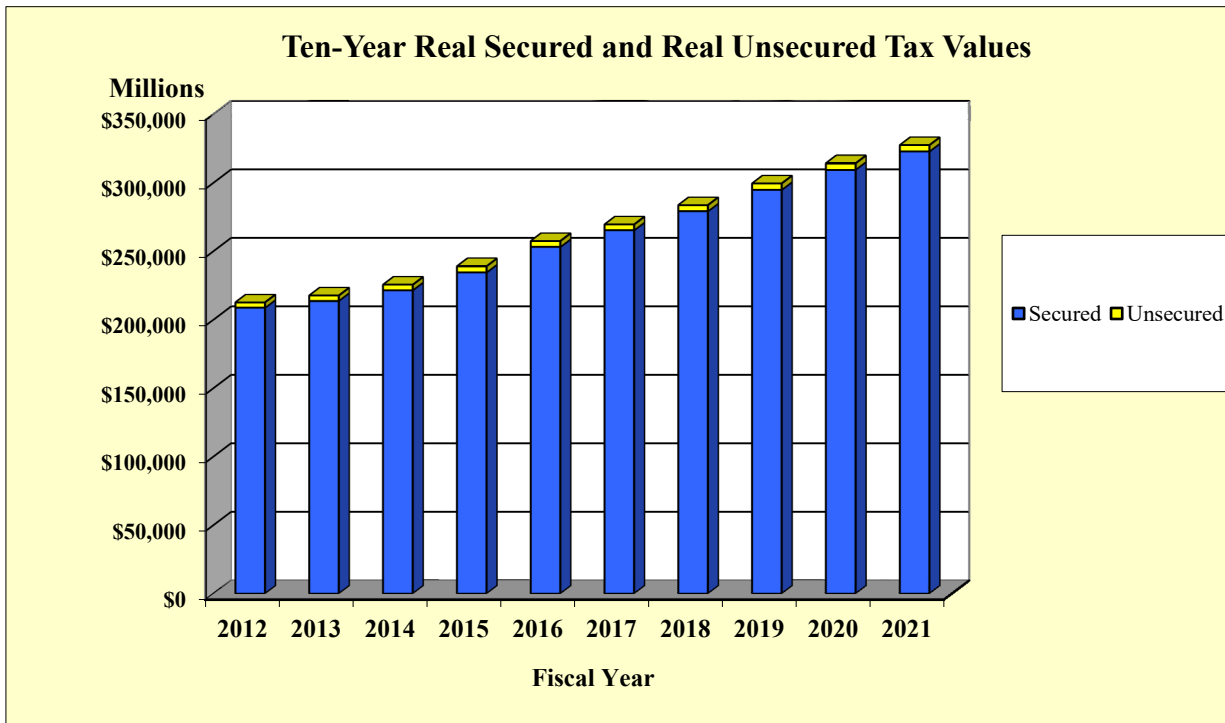
Member Cities & Agencies	Acre Feet Produced in FY 2021	% of Water Produced in FY 2021	Acre Feet Produced in FY 2012	% of Water Produced in FY 2012
Irvine Ranch Water District	47,170.0	21.77%	44,120.0	19.62%
City of Santa Ana	26,104.5	12.04%	25,581.8	11.38%
City of Huntington Beach	23,770.8	10.96%	19,370.6	8.61%
City of Orange	20,964.6	9.67%	19,078.7	8.48%
City of Garden Grove	17,846.5	8.23%	16,296.0	7.25%
City of Fullerton	17,633.2	8.13%	18,038.2	8.02%
Golden State Water Company	16,937.6	7.81%	17,261.7	7.68%
Mesa Water District	16,550.8	7.63%	11,642.6	5.18%
City of Anaheim	15,531.3	7.16%	43,271.8	19.24%
City of Newport Beach	14,311.4	6.60%	10,204.5	4.54%
Totals	216,820.7	100%	224,865.9	100%



Source: OCWD Finance Department

**ORANGE COUNTY WATER DISTRICT
TEN-YEAR REAL SECURED AND REAL UNSECURED ASSESSED TAX VALUES
LAST TEN FISCAL YEARS**

Fiscal Year	Real Secured	Real Unsecured	Total	Total Direct Tax Rate Percent (1)
2012	\$ 208,722,653,628	\$ 3,972,740,372	\$ 212,695,394,000	1.00
2013	213,779,477,681	3,899,614,817	217,679,092,498	1.00
2014	221,507,329,588	4,038,705,285	225,546,034,873	1.00
2015	234,453,148,467	4,557,572,558	239,010,721,025	1.00
2016	253,073,090,395	4,339,622,163	257,412,712,558	1.00
2017	265,209,156,713	4,287,352,070	269,496,508,783	1.00
2018	279,177,420,172	4,576,957,093	283,754,377,265	1.00
2019	294,837,523,641	4,690,290,747	299,527,814,388	1.00
2020	309,504,719,273	4,732,621,485	314,237,340,758	1.00
2021	322,834,240,610	4,637,553,818	327,471,794,428	1.00

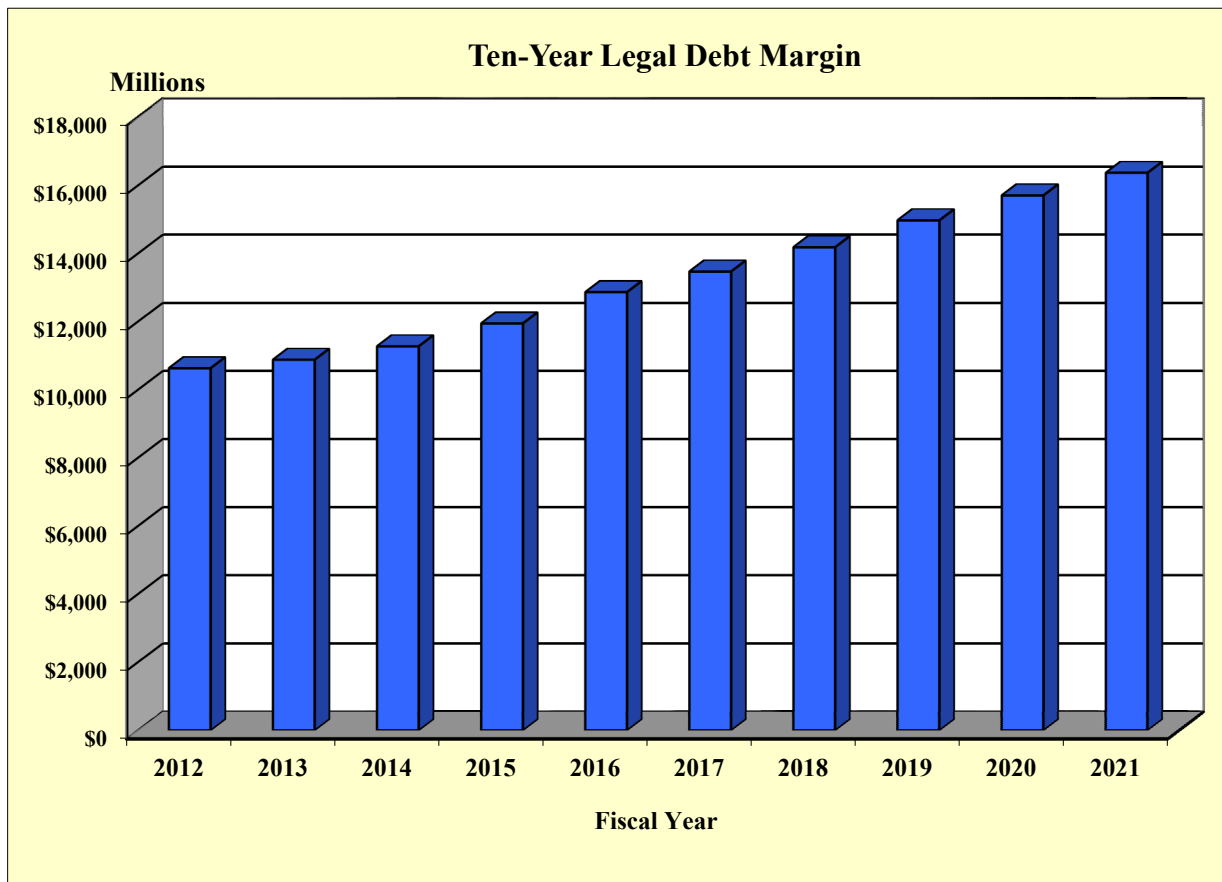


(1) In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase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

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

**ORANGE COUNTY WATER DISTRICT
TEN-YEAR REAL COMPUTATION OF LEGAL DEBT MARGIN
FISCAL YEAR 2012 THROUGH 2021**

Fiscal Year	Total Real Secured & Real Unsecured Assessed Value (1)	Legal Debt Limit (2)	Net Bonded Debt (3)	Legal Debt Margin (4)
2012	\$ 212,695,394,000	\$ 10,634,769,700	0	\$ 10,634,769,700
2013	217,679,092,498	10,883,954,625	0	10,883,954,625
2014	225,546,034,873	11,277,301,744	0	11,277,301,744
2015	239,010,721,025	11,950,536,051	0	11,950,536,051
2016	257,412,712,558	12,870,635,628	0	12,870,635,628
2017	269,496,508,783	13,474,825,439	0	13,474,825,439
2018	283,754,377,265	14,187,718,863	0	14,187,718,863
2019	299,527,814,388	14,976,390,719	0	14,976,390,719
2020	314,237,340,758	15,711,867,038	0	15,711,867,038
2021	327,471,794,428	16,373,589,721	0	16,373,589,721



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

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

**ORANGE COUNTY WATER DISTRICT
 PLEDGED – REVENUE COVERAGE
 DEBT SERVICE
 ONE FISCAL YEAR**

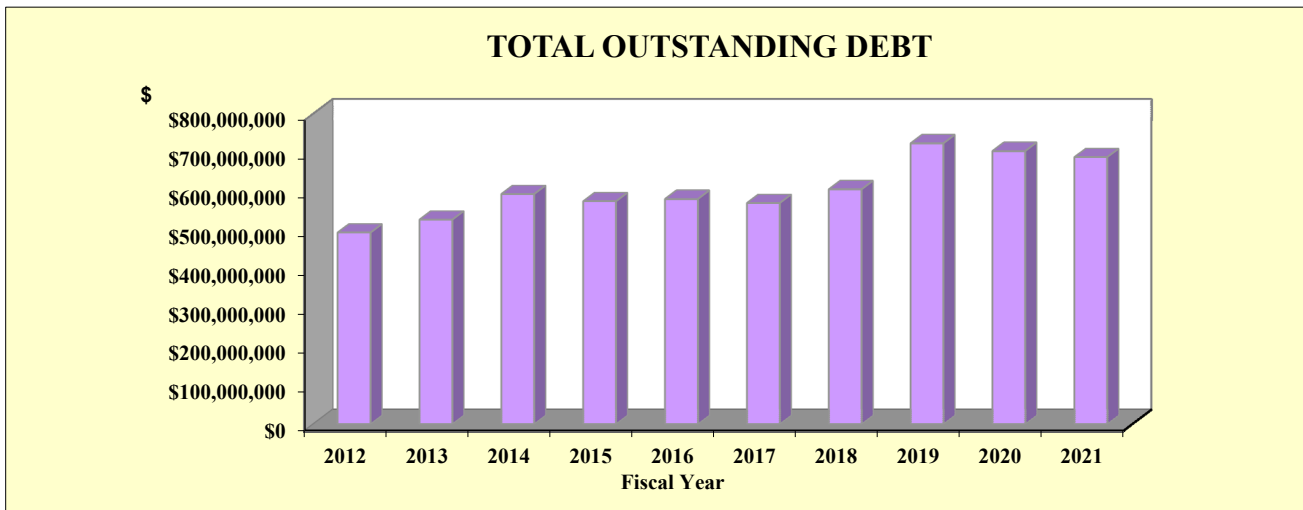
Fiscal Year	Revenue (1)	Less Operating & Maintenance Expenses (2)	Net Revenue	Senior Debt Service	Senior Debt Coverage	Net Revenues Available for Junior Debt Service	Junior Debt Service	Junior Debt Coverage	Total Debt Service (3)	Total Coverage
2021	200,760,692	82,524,588	118,236,104	21,435,964	5.52	96,800,140	10,685,854	9.06	32,121,818	3.68

- (1) Revenues include replenishment assessment, reclaimed water revenues, conjunctive use program revenues, property tax revenue, investment income (excluding fair market value adjustment), rental income, operating income and other revenues.
- (2) Expenses exclude depreciation, amortization, water purchases, and interest expenses.
- (3) The District has executed, in total, sixteen Certificates of Participation and Revenue Refunding Bonds issuances since 1989. Only four debt issuances are outstanding (2003A, 2017A&B, 2019A&B and 2019C&D) as of June 30, 2021. Other COP's are either advanced refunded, defeased, or refinanced with the help of the State loans, current COP's and Revenue Refunding Bonds.
- (4) The District has elected to show only one year of data for its pledged-revenue coverage.

Source: OCWD Finance Department

**ORANGE COUNTY WATER DISTRICT
RATIOS OF OUTSTANDING DEBT
LAST TEN FISCAL YEARS**

Fiscal Year	COP Debt (2)	Revenue			Total Outstanding Debt (2)	Per Capita (1) (3)	Percentage of Personal Income (1) (3)
		Refunding Bonds (2)	Commercial Paper (2)	State of California Loans (2)			
2012	\$ 357,673,503	\$ -	\$ -	\$ 136,313,916	\$ 493,987,419	\$ 161	0.290%
2013	302,731,085	53,000,000	-	171,706,235	527,437,320	170	0.310%
2014	299,672,360	53,000,000	27,280,000	213,365,966	593,318,326	190	0.332%
2015	268,478,377	53,000,000	24,613,000	228,473,759	574,565,136	183	0.298%
2016	267,280,690	53,000,000	20,723,000	239,600,805	580,604,495	184	0.289%
2017	129,815,000	188,418,466	16,813,000	235,163,138	570,209,604	179	0.272%
2018	129,815,000	186,765,413	52,913,000	235,978,713	605,472,126	190	0.277%
2019	276,523,244	176,749,315	40,713,000	230,354,520	724,340,079	227	0.318%
2020	275,551,903	295,103,202	36,713,000	97,089,680	704,457,785	221	0.306%
2021	274,455,563	288,801,064	36,713,000	88,375,897	688,345,524	218	0.296%



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

**ORANGE COUNTY WATER DISTRICT
DEMOGRAPHIC STATISTICS
COVERING THE ENTIRE COUNTY OF ORANGE (1)
LAST TEN FISCAL YEARS**

Fiscal Year	Population Estimates (2)	Total Personal Income (in Thousands)	Per Capita Personal Income	Median Family Income (4)	Unemployment Rate (5)
2012	3,072,381	\$ 170,496,109 (3)	\$ 55,493	\$ 81,653	8.3%
2013	3,103,018	170,043,949 (3)	54,800	82,861	6.9%
2014	3,122,962	178,944,507 (3)	57,300	85,313	5.6%
2015	3,144,663	193,121,369 (3)	61,412	87,942	4.6%
2016	3,160,401	200,784,210 (3)	63,531	92,063	4.3%
2017	3,180,125	209,642,971 (3)	65,923	97,012	3.7%
2018	3,186,254	218,878,441 (3)	68,695	102,047	3.3%
2019	3,185,378	227,732,561 (3)	71,493	107,171	2.9%
2020	3,180,491	230,009,887 (6)	72,319	108,243 (6)	13.6%
2021	3,153,764	232,309,985 (6)	73,661	109,325 (6)	6.5%

Notes and Data Sources

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

Source: OCWD Finance Department

**ORANGE COUNTY WATER DISTRICT
PRINCIPAL EMPLOYERS
LAST YEAR AND NINE YEARS AGO**

2020

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	28,000	1	2.09%
University of California, Irvine	25,512	2	1.90%
County of Orange	18,543	3	1.38%
Providence	12,866	4	0.96%
Albertsons Southern California Division	8,159	5	0.61%
Kaiser Permanente	8,050	6	0.60%
Hoag Memorial Hospital Presbyterian	6,710	7	0.50%
Walmart Inc.	6,400	8	0.48%
Target Corp.	6,000	9	0.45%
Yum Brands Inc.	5,600	10	0.42%

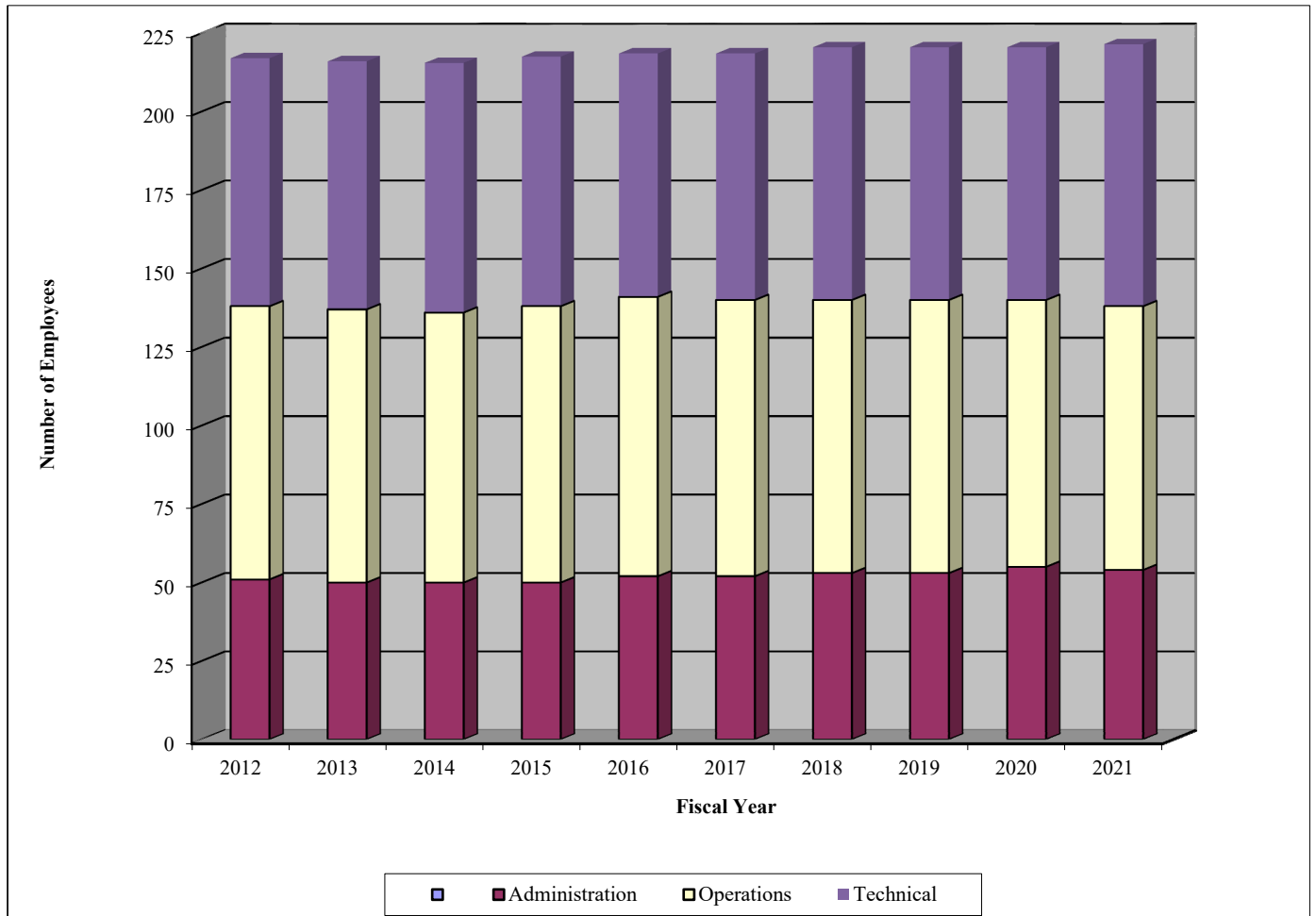
2012

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Company	25,000	1	1.76%
University of California, Irvine	21,800	2	1.53%
County of Orange	17,321	3	1.22%
St. Joseph Health System	11,679	4	0.82%
Boeing Co.	6,873	5	0.48%
Kaiser Permanente	6,300	6	0.44%
Bank of America Corp.	6,000	7	0.42%
MemorialCare Health System	5,545	8	0.39%
Target Corp.	5,400	9	0.38%
Cedar Fair LP	5,200	10	0.37%

**ORANGE COUNTY WATER DISTRICT
PERSONNEL TRENDS
LAST TEN FISCAL YEARS**

FUNCTIONS

<u>Fiscal Year</u>	<u>Administration</u>	<u>Operations</u>	<u>Technical</u>	<u>Total</u>
2012	51.0	87.0	79.0	217.0
2013	50.0	87.0	79.0	216.0
2014	50.0	86.0	79.5	215.5
2015	50.0	88.0	79.5	217.5
2016	52.0	89.0	77.5	218.5
2017	52.0	88.0	78.5	218.5
2018	53.0	87.0	80.5	220.5
2019	53.0	87.0	80.5	220.5
2020	55.0	85.0	80.5	220.5
2021	54.0	84.0	83.5	221.5



Source: OCWD Finance Department

**ORANGE COUNTY WATER DISTRICT
FISCAL YEAR 2020-2021 GROUNDWATER PRODUCTION
BY AGENCY
(ACRE-FEET)**

City/Agency	Irrigation	Domestic	Total	% of water sold
Anaheim, City of		15,531.3	15,531.3	5.50%
Buena Park, City of		11,845.8	11,845.8	4.20%
East Orange County Water District		71.1	71.1	0.03%
County of Orange		173.7	173.7	0.06%
Fountain Valley, City of		9,209.3	9,209.3	3.26%
Fullerton, City of		17,633.2	17,633.2	6.25%
Garden Grove, City of		17,846.5	17,846.5	6.33%
Golden State Water Company		16,937.6	16,937.6	6.00%
Huntington Beach, City of		23,770.8	23,770.8	8.43%
Irvine Ranch Water District		47,170.0	47,170.0	16.73%
La Palma, City of		1,989.9	1,989.9	0.71%
Mesa Water District		16,550.8	16,550.8	5.87%
Newport Beach, City of		14,311.4	14,311.4	5.07%
Orange, City of		20,964.6	20,964.6	7.43%
Orange County Water District*		1,591.4	1,591.4	0.56%
Santa Ana, City of		26,104.5	26,104.5	9.25%
Seal Beach, City of		2,338.9	2,338.9	0.83%
Serrano Water District		4.4	4.4	0.00%
Tustin, City of		9,014.0	9,014.0	3.20%
Westminster, City of		10,992.7	10,992.7	3.90%
Yorba Linda Water District		10,730.6	10,730.6	3.80%
All Operations Other Than Above	749.4	6,588.7	7,338.1	2.60%
Totals	749.4	281,371.2	282,120.6	100%

Source: OCWD Finance Department

**ORANGE COUNTY WATER DISTRICT
DEMOGRAPHIC AND PRODUCTION INDICATORS
LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Demographics										
Service Area (Square Miles)	381	381	381	381	381	381	381	358	358	358
Population Estimate (1), (2)	3,153,764	3,180,491	3,185,378	3,186,254	3,180,125	3,160,401	3,144,663	3,122,962	3,103,018	3,072,381
Median Family Income (1), (3)	\$ 109,325 (6)	\$ 108,243	\$ 107,171	\$ 102,047	\$ 97,012	\$ 92,063	\$ 87,942	\$ 85,313	\$ 82,861	\$ 81,653
Production Data (A.F.) (4)										
Groundwater										
Non-Irrigation Pumping	281,371.2 (6)	276,444.9	302,756.4	235,145.2	300,047.8	275,042.2	302,634.5	327,715.4	305,113.5	236,626.1
In-lieu Delivery	-	9,303.4	-	73,108.6	-	-	-	-	-	40,563.5
Irrigation Pumping	749.4 (6)	750.0	740.1	1,771.2	1,589.6	2,047.8	2,624.6	3,066.9	4,181.7	4,455.5
Supplemental Water										
Non-Irrigation Delivery	107,539.1 (6)	90,198.3	70,872.8	87,019.2	68,580.9	70,624.9	98,501.9	103,907.4	111,097.8	119,864.6
Conservation Credit	-	-	-	2,460.7	2,613.7	2,007.1	1,731.8	1,448.9	1,401.5	1,386.8
Irrigation Delivery	-	-	-	242.2	-	-	-	-	-	-
Non-Local Water Purchased by OCWD (A.F.) (5)										
Western Municipal Water District	-	-	-	-	-	-	-	-	-	-
Alamitos Barrier	1,119.1 (6)	2,100.0	2,015.2	912.2	1,166.1	2,398.9	2,236.3	2,370.2	1,721.8	1,198.7
Talbert Barrier - Fountain Valley	-	-	-	-	-	-	-	-	-	-
Talbert Barrier - Mesa Water District	9.2 (6)	2.0	20.1	18.4	7.8	7.0	17.7	6.2	3.7	1.9
Forebay Recharge	- (6)	18,098.2	40,344.9	66,113.5	48,918.1	45,118.0	48,616.8	50,700.5	39,926.9	48,940.4
In-lieu Program	- (6)	9,303.4	-	73,108.6	-	-	-	-	-	40,563.5
Basin Water Supply Management Program	-	-	-	-	-	-	-	-	-	-
Arlington Desalter	-	-	-	-	-	-	-	-	-	-
San Bernadino Valley MWD	-	-	-	-	-	-	-	-	-	-

Notes and Data Sources:

- (1) The Orange County Water District services 381 square miles or 48% of the total 799 square miles that make up the boundaries of the County of Orange.
- (2) Data Source: Demographic Research Unit, California Department of Finance.
- (3) Data Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (4) Data Source: Appendix I, OCWD Engineer's Reports, from WY 2012 to WY 2020.
- (5) Data Source: Appendix 4, OCWD Engineer's Reports, from WY 2012 to WY 2020.
- (6) Preliminary data for WY 2021

Source: OCWD Finance Department

**ORANGE COUNTY WATER DISTRICT
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	2021	2020	2019	2018	2017
Water Treatment					
Facilities (million gallons per day)					
Groundwater Replenishment System (GWRS)	100	100	100	100	100
Pipeline (miles)					
Green Acre Project Pipeline	33	33	33	33	33
GWRS Pipeline	15	15	15	15	15
Recharge					
Recharge Facilities	27	27	28	28	28
Recharge System Storage (acre feet)	26,402	26,402	26,402	26,402	26,402
Basin Management					
Groundwater Monitoring Wells	497	482	478	467	430
Injection Wells	78	78	78	79	81
Soil Gas Monitoring Wells	10	10	10	10	10
Other Wells	16	16	16	16	16
Function	2016	2015	2014	2013	2012
Water Treatment					
Facility (million gallons per day)					
Groundwater Replenishment System (GWRS)	100	100	70	70	70
Pipeline (miles)					
Green Acre Project Pipeline	33	33	33	33	33
GWRS Pipeline	15	15	15	15	15
Recharge					
Recharge Facilities	26	26	26	26	26
Recharge System Storage (acre feet)	26,278	26,278	26,278	26,278	26,278
Basin Management					
Groundwater Monitoring Wells	424	397	395	391	401
Injection Wells	64	60	61	61	62
Soil Gas Monitoring Wells	10	10	10	10	10
Other Wells	16	16	16	16	4

Source: OCWD Finance Department



Orange County Water District Finance Department

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