



South Coast Water District

Laguna Beach, California

Annual Comprehensive Financial Report

With Report on Audit by Independent Certified Public Accountants

For The Year Ended June 30, 2021

Prepared by: Finance Department

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SOUTH COAST WATER DISTRICT

Partnering With The Community



Board of Directors

Rick Erkeneff
President

January 27, 2022

Doug Erdman
Vice President

Members of the Board of Directors
South Coast Water District

Wayne Rayfield
Director

Introduction

Scott Goldman
Director

The Comprehensive Annual Financial Report (CAFR) of the South Coast Water District for the fiscal year ended June 30, 2021, is hereby submitted. This report was prepared pursuant to the guidelines set forth by the Governmental Accounting Standards Board (GASB).

William Green
Director

District staff prepared this financial report in conjunction with an unmodified opinion issued by the independent audit firm Clifton Larson Allen LLP. The independent auditor's report is located at the front of the Financial Section of this document. The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

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

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to South Coast Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2020. This was the second consecutive year that the government has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

District Structure and Leadership

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

The District is governed by a five-member Board of Directors, elected at large from within the District's service area for staggered four-year terms. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs a full-time staff of 101.5 employees, including 5.5 assigned to JRWSS. The Board of Directors meets on the second and fourth Thursdays of each month. Meetings are publicly noticed, and citizens are encouraged to attend. The meetings can also be viewed real-time or on demand via the District's website, www.scwd.org.

The District provides water, sewer, or a combination of both services to residents and businesses within its service area, which includes approximately 5,300 acres of land comprising 8.8 square miles. The District serves a population of approximately 34,000 and currently provides water service through approximately 12,699 residential, commercial, and irrigation connections and 19,185 sewer connections.

District Services

Residential customers make up approximately 90% of the District's customer base for water services and consume approximately 69% of the water provided annually by the District. The District obtained approximately 73% of its water supply from the Metropolitan Water District (MWD) through the Municipal Water District of Orange County (MWDOC), 13% from groundwater within the area, and 14% from recycled water. During Fiscal Year (FY) 2021, the District provided 6,400 acre-feet of water to its customers.

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

Economic Condition and Outlook

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

The County of Orange has had a consistently strong economic base over time. The unemployment rate was 4.7% in October 2021 compared to 8.2% in October 2020. Orange County has steadily regained jobs since the onset of the COVID-19 pandemic, which is reflected in the decrease in the unemployment rate. Median income for the City of Dana Point in 2019 was \$99,409 compared to \$80,440 for California. The median property value for the City of Dana Point in 2019 was \$878,300. Median data were obtained from the United States Census Bureau.

Tourism is a major part of the local economy due to the area's harbor, beaches, golf courses, resorts, hotels, and visitor-oriented commercial and retail establishments. Property values are high with a limited availability of space. The service area is mostly built-out, however, there are areas within the District that are experiencing redevelopment of single-family residences, condominiums, townhomes, and commercial areas that resulted in minor fluctuations in water and sewer connections in FY 2021. The economic outlook for the area is positive in the long term based on the above noted activities when considering the ongoing effects of the COVID-19 pandemic.

Water Supply

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

The District imports most of its potable water from the MWD through the MWDOC. The District purchased 4,768-acre feet of potable water from MWDOC in FY 2021, an increase of 298-acre feet from the prior fiscal year. The District also pumps potable groundwater from the Groundwater Reclamation Facility (GRF). The GRF produced 876-acre feet of potable water in FY 2021, an increase of 29-acre feet from the prior fiscal year. The District continues to study the feasibility of building a desalination plant near Doheny State Beach in the City of Dana Point to provide a local source of water and reduce dependency on imported water sources. The District has been awarded a total of \$20 million in grants for the purpose of building a desalination plant, \$8.3 million from the State of California and \$11.7 million from the Federal Government. The Federal Government also approved the opportunity for the District to apply for a Water Infrastructure Finance and Innovation Act (WIFIA) loan. The District submitted the application fee for the WIFIA loan in October 2020.

Mission/Vision Statements and Major Initiatives

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

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

Major Accomplishments and Future Projects

During FY 2021, the District accomplished the following:

- Completed the implementation of new financial software.
- Progressed with the Asset Management study started in FY 2020.
- Continued with the implementation of a document management software selected in FY 2020.
- Completed the Infectious Disease Emergency Action plan.
- Issued \$32.8 million Revenue Bonds October 2020 to fund the Lift Station 2 Replacement project.
- Submitted the District's 2020 Urban Water Management Plan and Water Shortage Contingency Plan to the State.
- Sewer Collections video inspected 128,982 linear feet (LF) of sewer mains (18% of collection system).
- Cleaned 455,389 LF of sewer mains (103% of collection system).
- Completed full-length lining rehabilitation of 32-line segments equaling 5,688 LF of pipeline.
- Water Distribution exercised 750 potable system isolation valves.
- Water Distribution exercised 164 recycled system isolation valves.

Major capital improvement projects in progress during FY 2021 are as follows:

- Completed construction for Phase 4 of the Tunnel Project.
- Completed planning, design and started construction for Phase 3 of the Tunnel Project.
- Continued to study and plan feasibility of the Doheny Ocean Desalination plant.
- Completed major costs analysis study for the proposed Doheny Ocean Desalination plant.
- Completed design for the Lift Station 2 Replacement project.
- Continue discussions with the Dana Point Harbor Partners regarding the Dana Point Harbor Revitalization project.

District priorities for FY 2022 are noted below:

FY 2022 ongoing priorities:

1. To assure adequate, reliable, and high-quality wastewater services, we will continue to execute the Tunnel Stabilization and Pipeline Replacement Project. Full completion of this priority is estimated to occur in the third quarter of 2023.
2. To properly appraise effective and efficient business operations, we will further develop and implement the District's Asset Management Program in accordance with the current Asset Management roadmap. By end of FY 2022, issuance of RFP for software vendors, vendor selection and initial integration into our system.

3. To plan ahead for high quality, reliable water supplies at all times, staff will begin developing partnerships and implementing the Board-selected IWRP portfolio to develop a comprehensive water supply to meet the District's reliability needs and service level. Portfolio options potentially include:
 - i. Doheny Ocean Desalination Project
 - ii. Recycled water (including IPR, DPR, increasing Title 22 recycled water uses, etc.)
 - iii. Water efficient landscape conversions (i.e., programs to include Water Saver of the Month, supplemental turf removal programs, new smart home water monitoring programs, rebate programs, etc.).
 - iv. Water banking and transfer opportunities
 - v. Brackish Groundwater expansion
 - vi. Storage
4. To establish the direction of the District, we will continue in the development of a 5-year Strategic Plan, including the re-alignment of the District's Performance Indicators with the American Water Works Association (AWWA) Effective Utility Management handbook. This will involve the Board of Directors and the full District Leadership team. Board and staff workshops anticipated within this priority year; full completion of this priority is estimated to occur in FY 2023. One major topic includes the future direction of SOCWA to be discussed by member agencies in FY 2022.

FY 2022 new priorities:

1. To assure continued organizational excellence now and for the future, we will actively encourage all staff to participate in succession planning/training & the Professional Development Series. As we are re-developing the Leadership Academy and considering a mentoring program, we will assure that all certifications are active and up to date, field operators have access to training such as the Fred Pryor courses, and other job-related educational programs.
2. To ensure industry standards are achieved for efficient and effective utility management, the District will initiate a Facilities Master Plan. This Plan will address safe and efficient operations, the need for employee well-being, regulatory compliance, enhanced customer service capabilities, and meet current industry standards. Additionally, we will continue to rehabilitate existing District-staffed facilities as needed for employee health and safety.
3. To prioritize enterprise resiliency using lessons learned from the District's COVID-19 response and other security vulnerabilities, the District will initiate a Security Assessment study. This will be a broad-based look at all aspects of security at the District including IT-related vulnerabilities.
4. To ensure financial viability, the District is in the process of adopting two-year water, recycled water, and wastewater rates (FY 2022 and FY 2023). Staff will complete Board-assigned tasks including a budget-based rate feasibility study, the District Reserve policy options, maintain credit rating, and develop long term funding plans (i.e., SOCWA Wastewater CIP and implementation of the IWRP).

FY 2022 estimated revenues are \$51.1 million and budgeted operating expenditures are \$45.4 million. Capital projects for FY 2022 are budgeted at \$37.4 million and funded by revenues more than expenses, undesignated equity, and debt issuance. Major projects include the following:

- Wastewater Tunnel Rehabilitation and Stabilization (\$15 million).
- Lift Station 2 Rehabilitation and Replacement (\$5.5 million).
- EnQuesta Utility Billing Software Upgrade (\$0.6 million).
- Reservoir 2B Replacement (\$0.4 million).
- Stonehill 24-inch Cathodic Protection Upgrades (\$0.5 million).
- Contribution to South Orange County Wastewater Authority capital projects \$4.1 million.

Water and Sewer Rates

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

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

Three components comprise water charges:

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

Sewer rates consist of:

- Variable Block – for single family residences, based on calculated winter usage billed annually with property taxes.
- Variable Rate – for multi-family residences, based on water used billed monthly.
- Fixed – for multi-family residences, based on the number of dwelling units billed annually with property taxes.
- Low/Medium/High Strength – for commercial customers based on water usage and type of use, such as office, mixed use, and restaurants billed monthly.

During FY 2021, the average monthly water and sewer bill for residential customers using 10 hundred cubic feet (CCF) including fixed charges was \$82.91 (water) and \$63.17 (sewer). The average monthly bill for commercial customers using 66 CCF was \$400.43 (water) and \$566.43 (sewer). The fixed charges include the Peak Demand charge. For residential customers, the average monthly Peak Demand charge was \$23.10 and \$127.05 for commercial customers.

The District conducted a water rate study during FY 2021 through the Proposition 218 process. New rates were adopted through a public hearing on July 8, 2021, effective for FY 2022 and FY 2023.

Internal Control Structure

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

Budgetary Control

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

Investment Policy

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

Audit and Financial Reporting

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

Other References

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

Acknowledgements

I wish to express my appreciation to the entire Finance and Customer Service Department staff for their contribution to the department during the year. Their efforts are reflected in this report and in other documents resulting from the annual audit process. Special thanks are due to Kristi Even C.P.A., Accounting Consultant; William Covington C.P.A., Accounting Consultant; Elizabeth Andrew C.P.A., Part-Time Senior Accountant; Cassandra Garcia, Customer Service Manager; Jennifer Leisz, Finance Director; Monica De Cencak, Senior Accounting Technician; and Erin Kincade, Senior Accounting Technician. Their significance in preparing final financial documents is reflected in the quality of this report.

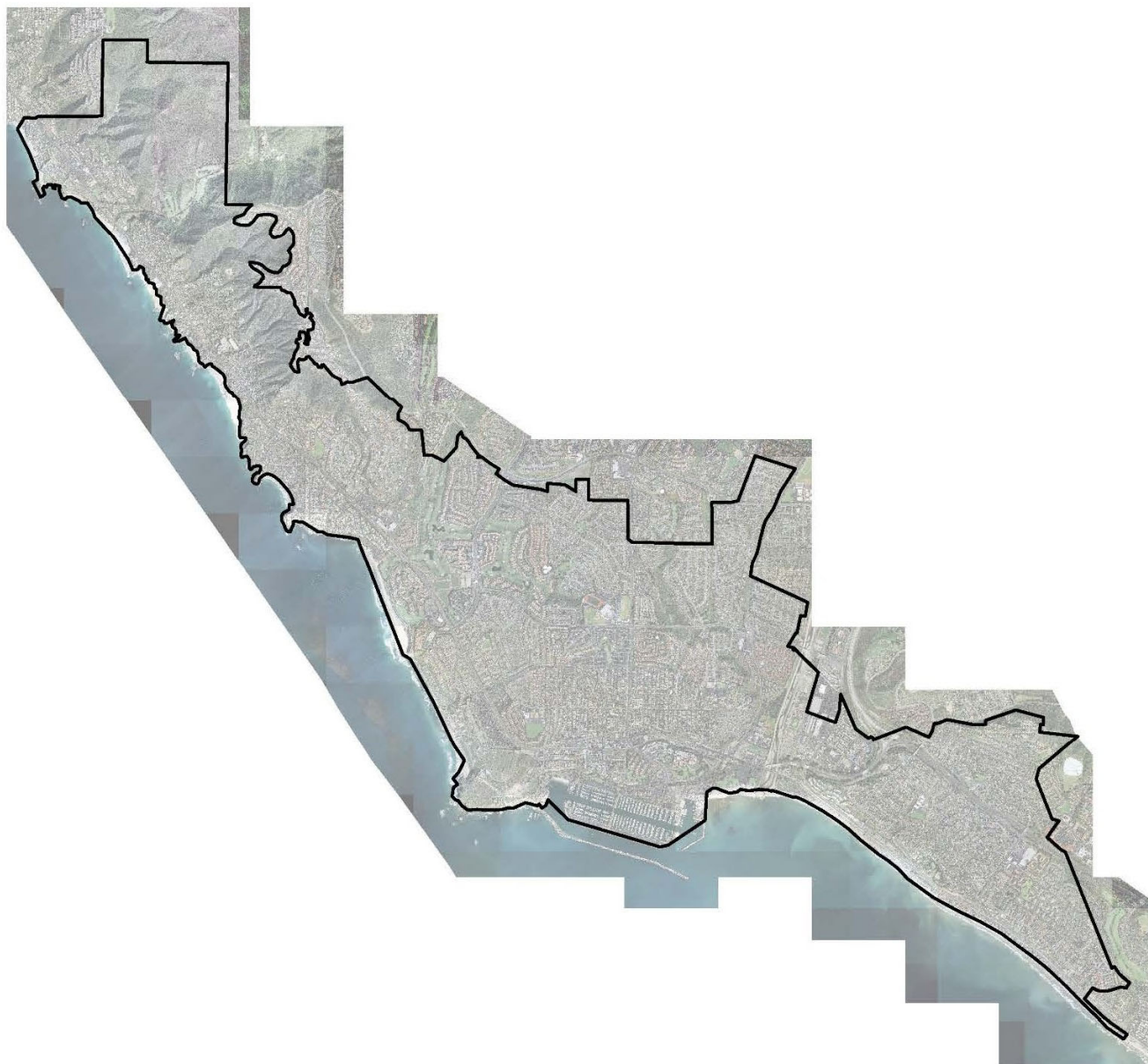
The Board of Directors are to be commended for their interest and support in conducting the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,

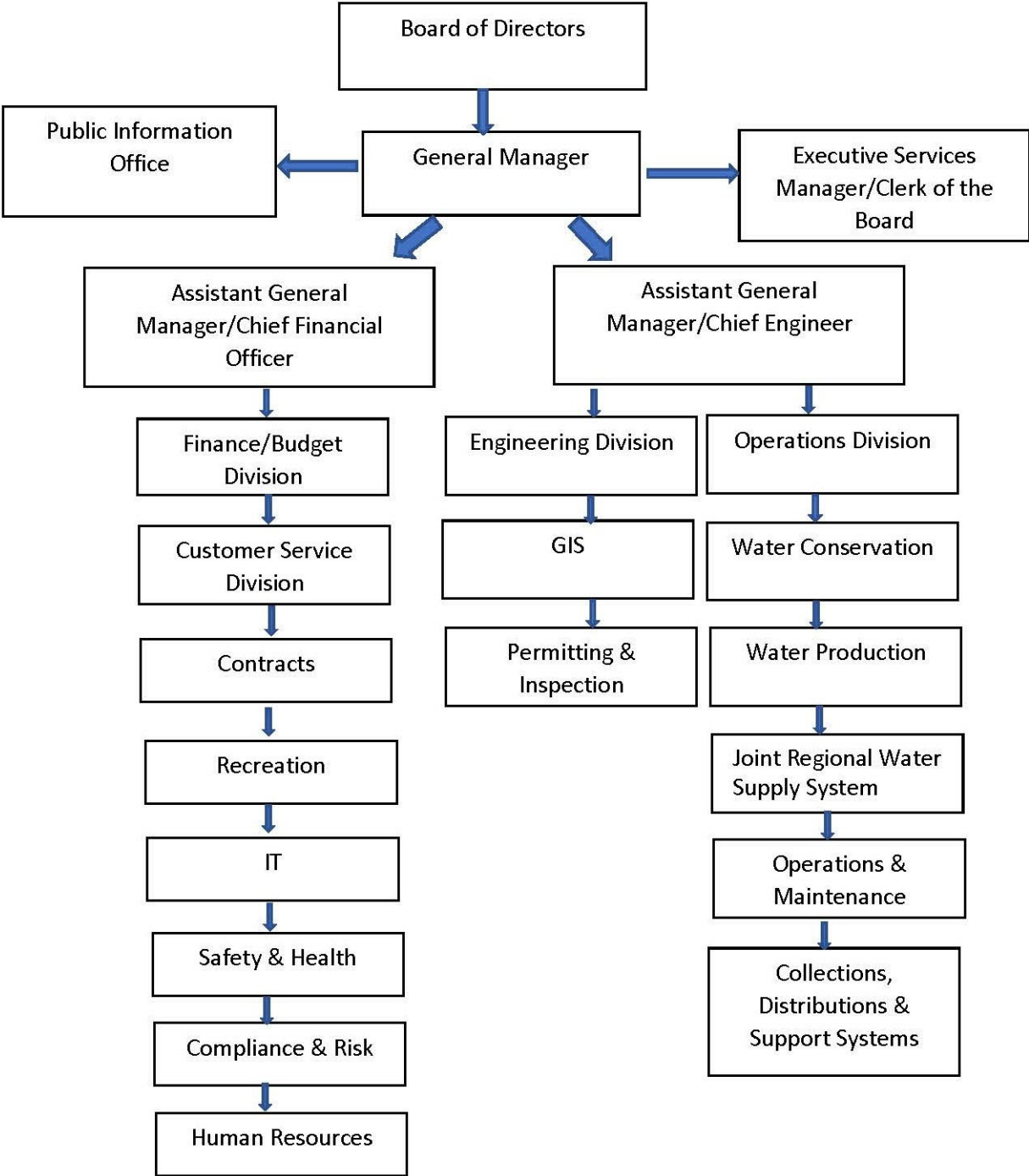


Pamela Arends-King
Assistant General Manager / Chief Financial Officer

SOUTH COAST WATER DISTRICT SERVICE AREA



South Coast Water District – Organization Chart



South Coast Water District

Board of Directors



Rick Erkeneff
President



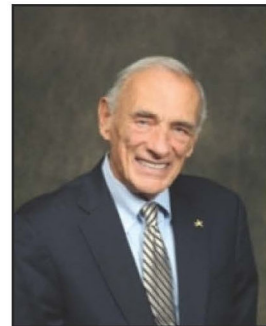
Doug Erdman
Vice President



William Green
Director



Scott Goldman
Director



Wayne Rayfield
Director

Executive Staff

General Manager
Assistant General Manager / Chief Financial Officer
Assistant General Manager / Chief Engineer
Director of Strategic Programs

Rick Shintaku
Pamela Arends-King
Marc Serna
Joe McDivitt



Government Finance Officers Association

Certificate of
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for Excellence
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Reporting

Presented to

**South Coast Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

Board of Directors
South Coast Water District
Laguna Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the South Coast 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, 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 South Coast Water District, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the net position as of July 1, 2020, was restated. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which such partial information was derived.

Report on Required Supplementary Information

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

Other Information

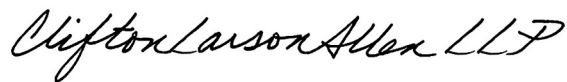
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining schedules, and statistical section, are presented for purposes of additional analysis and are not a required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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2022, 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
January 27, 2022

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**SOUTH COAST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2021**

The following discussion and analysis of the financial performance of the South Coast Water District (District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. This section should be read in conjunction with the basic financial statements, notes to the basic financial statements, and the Transmittal Letter in the Introductory Section of this report.

Financial Highlights

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$177.2 million (net position), consisting of \$127.9 million in net investment in capital assets, \$2.1 million in restricted for debt service/covenants, and \$47.1 million in unrestricted net position. This is an increase of \$4.4 million or 2.5% over the prior fiscal year net position of \$172.8 million.
- Total assets are \$339.5 million, an increase of \$54.4 million, or 19.1%, from the prior fiscal year. The increase in assets is primarily due to the increase in cash and investments restricted by debt agreements of \$34.6 million due to the proceeds from the issuance of 2020A Revenue Bonds to fund critical capital projects and the increase in capital assets not being depreciated (construction in progress) for the Tunnel Rehabilitation and Sewer Pipeline Replacement project (Tunnel Project) and the Lift Station 2 Force Main Replacement project totaling \$18.2 million.
- Total liabilities are \$165.9 million, an increase of \$50.5 million, or 43.7%, from the prior fiscal year. This increase is primarily due to funding for the Tunnel Project, including issuance of the 2020A Revenue Bonds (\$32.8 million) and drawdowns on the State Revolving Loan (\$13.5 million). Other increases were due to drawdowns on a line of credit (\$2.7 million).
- Total operating revenues are \$37.4 million, an increase of \$1.6 million, or 4.6%, from the prior fiscal year. The primary reason for the increase is due to the implementation of the fifth year of the adopted five-year rate increases.
- Total operating expenses are \$41.4 million, a decrease of \$0.3 million, or 0.7%, from the prior fiscal year primarily due to the decreases in overall salary expenses from vacant positions and the decrease in operating sewer treatment plant expenses.
- Net income before capital contributions was \$2.3 million, up from \$1.1 million in the prior fiscal year. The primary reason for the increase is the rise in water rates mentioned above and the overall decrease in expenses of \$0.3 million.

Required Financial Statements

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

The financial statements consist of one fund for the District's activities, combining the Water and Sewer funds. The District maintains its accounting records on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer services to customers of the District are financed primarily through user charges.

**SOUTH COAST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2021**

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

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements are on pages 21 through 51.

Financial Analysis of the District

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

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

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

**SOUTH COAST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2021**

Financial Position Summary

The Statement of Net Position reflects the District's financial position as of June 30, 2021. This statement includes assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position represents net worth including, but not limited to, capital contributions and investments in capital assets. A condensed summary of the District's total net position is set forth below:

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Assets:				
Current assets	\$ 106,418,099	\$ 66,578,752	\$ 39,839,347	59.8%
Capital assets:				
Not depreciable	92,617,202	74,421,526	18,195,676	24.4%
Being depreciated (net of accumulated depreciation)	132,667,911	136,170,845	(3,502,934)	-2.6%
Other assets				
Investment in joint venture	7,812,245	7,927,333	(115,088)	-1.5%
Total assets	<u>339,515,457</u>	<u>285,098,456</u>	<u>54,417,001</u>	<u>19.1%</u>
Deferred outflows of resources:				
Deferred amounts on refunding, pension & OPEB	<u>5,816,147</u>	<u>4,524,130</u>	<u>1,292,017</u>	<u>28.6%</u>
Liabilities:				
Current liabilities	10,480,978	14,020,195	(3,539,217)	-25.2%
Non-current liabilities	155,430,665	101,422,108	54,008,557	53.3%
Total liabilities	<u>165,911,643</u>	<u>115,442,303</u>	<u>50,469,340</u>	<u>43.7%</u>
Deferred inflows of resources:				
Deferred amounts on pension & OPEB	<u>2,269,294</u>	<u>1,426,084</u>	<u>843,210</u>	<u>59.1%</u>
Net position:				
Net investment in capital assets	127,940,920	127,589,910	351,010	0.3%
Restricted for debt service/covenants	2,096,140	1,516,254	579,886	38.2%
Unrestricted	47,113,607	43,648,035	3,465,572	7.9%
Total net position	<u>\$ 177,150,667</u>	<u>\$ 172,754,199</u>	<u>\$ 4,396,468</u>	<u>2.5%</u>

As noted earlier, net position may serve as a useful indicator over time of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$177.2 million as of June 30, 2021. The net change between fiscal year (FY) 2021 and 2020 was an increase of \$4.4 million. There are two primary reasons for the increase in net position. The District's operating revenues have increased due to a 5-year rate plan that was adopted and implemented FY 2017. This rate study increased rates over 5 years and stabilized the revenues by increasing fixed charges for both water and sewer to 60% of revenues with commodity charges representing 40% of the revenues. Revenues from operations in addition to the annual property tax revenues received exceeded the operating expenses and non-operating expenses such as debt service. Total revenues exceeded total expenditures by \$2.3 million. The other reason for the increase in net position was related to contributed capital of \$2.1 million mostly comprised of federal grant revenue for the desalination plant construction study.

**SOUTH COAST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2021**

Assets increased \$54.4 million, or 19.1%, from FY 2020. Current assets increased \$39.8 million primarily due to the net increase of \$34.6 million in cash and investments restricted by debt agreements. The increase in restricted cash and investments is due to the District using debt proceeds to fund major capital improvement projects and issuing a line of credit to aid cash flow due to the delay in getting reimbursed for costs expended for the Tunnel Project from the State. Capital assets not being depreciated increased \$18.1 million, or 24.4%, from the prior fiscal year due to ongoing activity on the Tunnel Project. Capital Assets being depreciated (net of accumulated depreciation) decreased \$3.5 million from FY 2020 primarily due to depreciation expense of \$6.5 million, offset by additions of about \$3 million, primarily from the investment in sewer treatment plant and infrastructure for SOCWA.

Liabilities increased \$50.5 million, or 43.7%, from FY 2020. Current Liabilities decreased \$3.5 million primarily due to the reclassification of a Line of Credit(LOC) to Non-Current Liabilities. The LOC was issued to alleviate possible cash flow issues from the delay of receiving reimbursement of costs for the Tunnel Project from the State. Non-current Liabilities increased \$54 million from prior fiscal year. This is primarily due to the issuance of the 2020A Revenue Bonds (\$32.8 million), the reclassification of the LOC of \$3.5 and the increase in continued funding of the Tunnel Project with a State Resources Funding Loan \$13.5 million. Net pension liability increased \$1.4 million mostly due to interest on the pension liability, and OPEB liability showed a negligible increase, reflecting the District's on-going funding of required costs.

By far the largest portion of the District's net position (72% as of June 30, 2021) reflects investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within its service area; consequently, these assets are *not* available for future spending.

Unrestricted net position of \$47.1 million increased \$3.5 million, or 7.9%, from prior fiscal year. This increase is mostly due to revenues exceeding expenses and contributed capital. The increase in unrestricted net position reflects the District's recent policy of issuing debt to fund capital projects that have a 20-year life span or more. The issuance of debt for the construction of assets with a useful life of 20 years or more, allows the District to maintain an adequate unrestricted net position and meet reserve policy requirements.

**SOUTH COAST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2021**

Activities and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position summarizes operations during the current fiscal year. A summary of the District's changes in net position for the fiscal year ended June 30, 2021 is included below:

	<u>2021</u>	<u>2020</u>	<u>Change</u>	
Revenues:				
Operating revenues:				
Water sales	\$ 19,527,900	\$ 18,482,268	\$ 1,045,632	5.7%
Sewer service charges	15,465,736	15,202,153	263,583	1.7%
Recycled water	2,179,970	1,855,007	324,963	17.5%
Recreation facilities	257,294	244,999	12,295	5.0%
Total operating revenues	<u>37,430,900</u>	<u>35,784,427</u>	<u>1,646,473</u>	4.6%
Non-operating revenues:				
Investment income	65,916	1,556,273	(1,490,357)	-95.8%
Grant revenues	1,371,927	-	1,371,927	100.0%
Property taxes - general and bond levy	7,154,483	6,774,772	379,711	5.6%
Rental income (net of expenses)	948,241	774,641	173,600	22.4%
Other revenues	1,360,422	969,321	391,101	40.3%
Total non-operating revenues	<u>10,900,989</u>	<u>10,075,007</u>	<u>825,982</u>	8.2%
Total revenues	<u>48,331,889</u>	<u>45,859,434</u>	<u>2,472,455</u>	5.4%
Expenses:				
Operating expenses:				
Source of supply (purchased water)	6,878,289	5,549,902	1,328,387	23.9%
Groundwater recovery facility	1,110,828	1,330,142	(219,314)	-16.5%
Recycled water	1,313,227	1,015,881	297,346	29.3%
Pumping expense	989,363	1,169,994	(180,631)	-15.4%
Sewer treatment plant	4,132,637	4,551,238	(418,601)	-9.2%
Transmission and distribution	4,520,965	5,431,867	(910,902)	-16.8%
Operations support	2,517,593	2,612,869	(95,276)	-3.6%
Recreation facilities	321,871	277,255	44,616	16.1%
Engineering and consulting	2,110,391	2,159,615	(49,224)	-2.3%
General and administrative	10,926,420	10,977,290	(50,870)	-0.5%
Depreciation	6,534,708	6,583,151	(48,443)	-0.7%
Total operating expenses	<u>41,356,292</u>	<u>41,659,204</u>	<u>(302,912)</u>	-0.7%
Non-operating expenses:				
Interest expense	3,509,829	2,786,364	723,465	26.0%
Loss on disposal of capital assets	246,253	196,441	49,812	25.4%
Share of joint venture expenses	-	73,606	(73,606)	-100.0%
Other expenses	-	2,042	(2,042)	-100.0%
Total non-operating expenses	<u>3,756,082</u>	<u>3,058,453</u>	<u>697,629</u>	22.8%
Total expenses	<u>45,112,374</u>	<u>44,717,657</u>	<u>394,717</u>	0.9%
Income before capital contributions	3,219,515	1,141,777	2,077,738	182.0%
Capital contributions	679,463	1,009,255	(329,792)	-32.7%
Change in net position	3,898,978	2,151,032	1,747,946	81.3%
Net position at beginning of year	172,754,199	170,603,167	2,151,032	1.3%
Prior Period Adjustment	497,490	-	497,490	100.0%
Net position at end of year	<u>\$ 177,150,667</u>	<u>\$ 172,754,199</u>	<u>\$ 4,396,468</u>	2.5%

**SOUTH COAST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2021**

The Statement of Revenues, Expenses, and Changes of Net Position details how net position changed during the fiscal year. The District's net position increased by \$4.4 million (2.8%) for the fiscal year ended June 30, 2021. A closer examination of the sources of changes in net position reveals that:

- Water sales increased almost \$1 million (5.7%) from the prior fiscal year. The primary reason for the increase in revenue is due to the implementation of the fifth year of a five-year rate increase. Commodity sales increased from 5,063 AF from FY 2020 to 5,455 AF in FY 2021. Fixed service charges increased \$0.1 million and Peak Demand charges increased \$0.2 million from FY 2020. Recycled water sales increased primarily due to the increase in commodity sales of 945 AF and increase of 143 AF from FY 2020 as more businesses and homeowner associations participated in the recycled water program.
- Sewer service charges only increased \$0.3 million or 1.7% from prior fiscal year even though rates increased 2.95%. This is primarily due to the decrease in commercial usage as many of the major hotels were impacted by the COVID pandemic from July 2021 through September 2021. Total loss in commercial usage for sewer services that was estimated was approximately \$0.3 million.
- Investment income decreased \$1.5 million, or 95.8%, from FY 2020 primarily due to the declining interest rate environment. The unrealized loss in investments increased \$0.3 million from prior year. The average purchase yield on investments in FY 2021 was 0.54% compared to 1.36% in FY 2020. The average market yield on investments in FY 2021 was 0.23% compared to 0.70% in FY 2020.
- Grant revenues increased \$1.3 million or 100% from the prior fiscal year due to grant revenue received from the United States Bureau of Reclamation of \$1.3 million for reimbursement of planning costs for the desalination plant construction study.
- Property tax revenues increased \$0.4 million (5.7%) from FY 2020. This was the expected percentage increase per information provided from the County of Orange.
- Other revenues increased \$0.4 million (40.3%) from the prior fiscal year primarily due to property tax revenue received by the Joint Regional Water Supply System (JRWSS) that is due to the District. The FY 2020 property tax revenue from JRWSS was erroneously recorded in FY 2021, therefore, there is a prior period adjustment of \$0.5 million to record the revenue in the proper period it was received.
- Source of supply (purchased water) expense increased \$1.3 million or 23.9% from the prior fiscal year. The primary reasons for the increase were the increase in the price to purchase water from Metropolitan Water District of Orange County (MWDOC) MW and the increase in AF purchased from MWDOC. Total increase in water purchases was \$0.7 million with an increase of AF purchased of 298. The District's share of operating and maintenance cost for JRWSS increased \$0.5 million due to an increase in maintenance and repairs.
- Transmission and distribution expense decreased \$0.9 million or 16.8% from the prior fiscal year primarily due to the decrease in maintenance and repair costs.

**SOUTH COAST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2021**

- Sewer treatment plan expenses decreased \$0.4 million or 9.2% from FY 2020. SOCWA's operation and maintenance costs were less in FY 2021 than expected, therefore the District's share of those costs decreased from FY 2020.
- Total labor costs excluding benefits and overtime were \$8.9 million for FY 2021. Labor costs decreased \$0.4 million from FY 2020 primarily due to vacant positions. Employees did not receive a cost-of-living increase based on CPI for FY 2021. The average merit increase was 3%.
- Interest expense increased \$0.7 million or 26%, from the prior fiscal year due to 2021 being the first year of interest expense payments for the 2020A revenue bonds that were issued in October 2020.

Capital Assets

Changes in capital asset amounts for FY 2021 were as follows:

	<u>Balance 2020</u>	<u>Reclassification of Asset Catagories</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2021</u>
Capital assets:					
Capital assets, not being depreciated	\$ 74,421,526	\$ (680,957)	20,952,163	(2,075,530)	\$ 92,617,202
Capital assets, being depreciated	278,398,150	680,957	2,350,817	(72,219)	281,357,705
Less accumulated depreciation	<u>(142,227,305)</u>	<u>-</u>	<u>(6,534,708)</u>	<u>72,219</u>	<u>(148,689,794)</u>
Total capital assets, net	<u>\$ 210,592,371</u>	<u>\$ -</u>	<u>\$ 16,768,272</u>	<u>\$ (2,075,530)</u>	<u>\$ 225,285,113</u>

At the end of FY 2021, the District's investment in capital assets was \$225 million (net of accumulated depreciation). This investment in capital assets includes land, treatment systems, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles, and construction-in-process, etc. Major capital assets projects completed in fiscal year 2021 include:

- \$15.4 million – Phase 4 of the Sewer Tunnel Project.
- \$0.7 million – Rehabilitation of Reservoir 2C

The activity in capital assets, not being depreciated consisted mostly of transactions for construction in progress. Additions (\$20.9 million) to construction in progress include \$15.4 million for the Tunnel Project and \$2.1 million for the Lift Station 6 Force Main Rehabilitation. Deletions/transfers from capital assets, not being depreciated of \$2.7 million include the District's share of completed wastewater treatment plant improvements of about \$0.8 million and a reclassification of land totaling \$0.7 million to infrastructure.

Capital assets being depreciated include additions of \$3 million for the following:

- \$0.8 million – District's share of improvements to the SOCWA coastal sewer treatment plant
- \$0.7 million – Reclassification from land to infrastructure
- \$0.6 million – Tank recoating program for various SCWD water containers
- \$0.3 million – 3 new replacement trucks
- \$0.6 million – various smaller projects

**SOUTH COAST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2021**

The District completed the implementation of new finance software that included a capital asset module during fiscal year 2021.

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

Long-Term Liabilities

Changes in long-term debt amounts for the year ended June 30, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
2016 State Revolving Loan (Tunnel Project)	\$ 35,402,288	\$ 13,539,491		\$ 48,941,779
Notes Payable	3,525,272	9,227,482	(6,481,738)	6,271,016
2016A Refunding Revenue Bonds	9,855,000		(920,000)	8,935,000
2019A Revenue Bonds	41,680,000			41,680,000
2020A Revenue Bonds	<u>-</u>	<u>32,845,000</u>	<u>(925,000)</u>	<u>31,920,000</u>
Subtotal	90,462,560	55,611,973	(8,326,738)	137,747,795
Add (Less):				
2016A Refunding Revenue Bonds Premium	1,716,236		(119,391)	1,596,845
2019A Revenue Bonds Premium	3,536,846		(123,378)	3,413,468
2020A Revenue Bonds Premium	<u>-</u>	<u>2,470,145</u>	<u>(58,323)</u>	<u>2,411,822</u>
Total	95,715,642	58,082,118	(8,627,830)	145,169,930
Compensated Absences	<u>1,553,980</u>	<u>971,329</u>	<u>(859,342)</u>	<u>1,665,967</u>
Total	<u>\$ 97,269,622</u>	<u>\$ 59,053,447</u>	<u>\$ (9,487,172)</u>	<u>\$ 146,835,897</u>

During fiscal year 2021, the District paid off a line of credit (LOC) with OPUS Bank totaling \$6.5 million and refinanced the line of credit with Bank of the West (BOW), due to better financing terms. The BOW line of credit is not to exceed \$10 million with a variable interest of 80% of 1 month LIBOR plus 0.60% and an undrawn fee of 0.25%. The Tunnel Project is funded through the 2016 State Resources Funding Loan (SRF). As the District spends funds on the Tunnel Project, it submits requests for reimbursement to the State for the project costs. There are delays between requesting the reimbursement for the costs and the actual reimbursement of those costs and this can create a cash flow issue for the District since at least 60% of the Districts revenues are fixed charges and paid twice a year through the ratepayers' property tax bills, therefore, the purpose of issuing the line of credit was to help alleviate any cash flow fluctuations due to the Tunnel Project. As of June 30, 2021, the outstanding amount of the line of credit was \$6.3 million. The SRF increased \$13.5 million due to the reimbursement of costs for the construction of the Tunnel Project.

The District issued 2020A Revenue Bonds totaling \$32.8 million during fiscal year 2021, with the funds to be used primarily for the rehabilitation of lift stations. All other activity during the fiscal year consisted of scheduled debt payments, amortization, and compensated absence usage and accruals.

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

**SOUTH COAST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2021**

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

**SOUTH COAST WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2020)**

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Investments	\$ 51,927,440	\$ 48,131,590
Utility Accounts Receivable	2,110,303	1,848,202
Property Taxes Receivable	442,243	412,936
Grants Receivable	305,256	-
Accrued Interest Receivable	78,853	176,186
Other Receivables	1,449,133	667,229
Prepaid Expenses and Other Assets	413,428	280,613
Cash and Investments Restricted by Debt Agreements	49,691,443	15,061,996
Total Current Assets	106,418,099	66,578,752
NONCURRENT ASSETS		
Capital Assets:		
Not Being Depreciated	92,617,202	74,421,526
Being Depreciated (Net of Accumulated Depreciation)	132,667,911	136,170,845
Net Capital Assets	225,285,113	210,592,371
Other Assets:		
Investment in Joint Venture	7,812,245	7,927,333
Total Noncurrent Assets	233,097,358	218,519,704
Total Assets	339,515,457	285,098,456
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Refunding Charges	1,532,026	1,654,314
Pension Contributions Subsequent to Measurement Date	1,445,111	1,273,194
Pension Related	2,120,886	1,204,122
OPEB Related	718,124	392,500
Total Deferred Outflows of Resources	5,816,147	4,524,130

See accompanying Notes to Basic Financial Statements.

SOUTH COAST WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2020)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2021	2020
CURRENT LIABILITIES		
Accounts Payable	\$ 5,855,323	\$ 6,906,851
Accrued Salaries and Benefits	660,843	559,965
Advances from Developers	26,095	44,425
Customer Deposits	243,714	228,452
Accrued Interest Payable	1,335,466	939,237
Unearned Revenue	196	25,606
Current Portion of Loans Payable, Net	-	3,525,272
Current Portion of Bonds Payable, Net	1,500,000	920,000
Current Portion of Compensated Absences	859,341	870,387
Total Current Liabilities	10,480,978	14,020,195
NONCURRENT LIABILITIES		
Loans Payable, Net	55,212,795	35,402,288
Bonds Payable, Net	88,457,135	55,868,082
Compensated Absences	806,626	683,593
Net Pension Liability	9,749,879	8,303,488
Net OPEB Liability	1,204,230	1,164,657
Total Noncurrent Liabilities	155,430,665	101,422,108
Total Liabilities	165,911,643	115,442,303
DEFERRED INFLOWS OF RESOURCES		
Pension Related	1,630,002	689,762
OPEB Related	639,292	736,322
Total Deferred Inflows of Resources	2,269,294	1,426,084
NET POSITION		
Net Investment in Capital Assets	127,940,920	127,589,910
Restricted for Debt Service	2,096,140	1,516,254
Unrestricted	47,113,607	43,648,035
Total Net Position	\$ 177,150,667	\$ 172,754,199

See accompanying Notes to Basic Financial Statements.

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

	2021	2020
OPERATING REVENUES		
Water Sales	\$ 19,527,900	\$ 18,482,268
Sewer Service Charges	15,465,736	15,202,153
Recycled Water	2,179,970	1,855,007
Recreation Facilities	257,294	244,999
Total Operating Revenues	37,430,900	35,784,427
OPERATING EXPENSES		
Source of Supply (Purchased Water)	6,878,289	5,549,902
Groundwater Recovery Facility	1,110,828	1,330,142
Recycled Water	1,313,227	1,015,881
Pumping Expense	989,363	1,169,994
Sewer Treatment Plant	4,132,637	4,551,238
Transmission and Distribution	4,520,965	5,431,867
Operations Support	2,517,593	2,612,869
Recreation Facilities	321,871	277,255
Engineering and Consulting	2,110,391	2,159,615
General and Administrative	10,926,420	10,977,290
Depreciation	6,534,708	6,583,151
Total Operating Expenses	41,356,292	41,659,204
LOSS FROM OPERATIONS	(3,925,392)	(5,874,777)
NONOPERATING REVENUES (EXPENSES)		
Property Taxes	7,154,483	6,774,772
Grants Revenue	1,371,927	-
Investment Income	65,916	1,556,273
Other Revenues	1,360,422	969,321
Rental Income	948,241	774,641
Interest Expense	(3,509,829)	(2,786,364)
Loss on Disposal of Capital Assets	(246,253)	(196,441)
Share of Joint Venture Income (Expenses)	-	(73,606)
Other Expenses	-	(2,042)
Total Nonoperating Revenues (Expenses)	7,144,907	7,016,554
INCOME BEFORE CAPITAL CONTRIBUTIONS	3,219,515	1,141,777
CAPITAL CONTRIBUTIONS		
Contributed Assets	-	433,036
Connection Fees	679,463	576,219
Total Capital Contributions	679,463	1,009,255
CHANGE IN NET POSITION	3,898,978	2,151,032
Net Position - Beginning of Year	172,754,199	170,603,167
Prior Period Adjustment	497,490	-
NET POSITION - END OF YEAR	\$ 177,150,667	\$ 172,754,199

See accompanying Notes to Basic Financial Statements.

**SOUTH COAST WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2020)**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 36,376,747	\$ 36,237,086
Cash Payments to Suppliers for Goods and Services	(26,668,226)	(26,563,536)
Cash Payments to Employees for Services	(8,094,880)	(7,779,252)
Rental Income Received	948,241	774,641
Other Expenses	-	(2,042)
Other Operating Revenues	1,360,422	969,321
Net Cash Provided by Operating Activities	3,922,304	3,636,218
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Property Taxes	7,125,176	7,375,774
Net Cash Provided by Noncapital Financing Activities	7,125,176	7,375,774
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions and Construction of Capital Assets	(21,488,252)	(27,849,808)
Proceeds from Capital Grant	1,066,671	-
Proceeds from Sale of Capital Assets	14,550	-
Proceeds from Bond Issuance	35,315,145	-
Proceeds from Loan	22,052,062	25,905,374
Repayment of Loans and Bonds	(8,326,738)	(1,303,078)
Interest Paid	(2,577,493)	(2,183,406)
Water and Sewer Connection Fees Received	679,463	576,219
Return of Customer Deposits and Developer Advances	(18,330)	(178,303)
Net Cash Provided (Used) by Capital and Related Financing Activities	26,717,078	(5,033,002)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Redemptions and Sales	7,474,697	8,297,313
Investment Purchases	(7,951,856)	(5,670,435)
Interest Income Received	619,550	1,067,291
Payments to Joint Venture	-	(49,792)
Net Cash Provided by Investing Activities	142,391	3,644,377
INCREASE IN CASH AND CASH EQUIVALENTS	37,906,949	9,623,367
Cash and Cash Equivalents - Beginning of Year	44,295,561	34,672,194
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 82,202,510	\$ 44,295,561

See accompanying Notes to Basic Financial Statements.

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

	2021	2020
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Loss from Operations	\$ (3,925,392)	\$ (5,874,777)
Adjustments to Reconcile Loss from Operations to Net Cash Provided by Operating Activities:		
Operating Activities:		
Depreciation	6,534,708	6,583,151
Rental Income Received	948,241	774,641
Other Revenues	1,360,422	967,279
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:		
(Increase) Decrease in Utility Accounts Receivable	(262,101)	99,499
(Increase) Decrease in Other Receivables	(781,904)	258,299
(Increase) Decrease in Prepaid Expenses and Other Assets	(132,815)	(2,429)
(Increase) Decrease in Investment in Joint Venture	115,088	-
(Increase) Decrease in Deferred Outflows of Resources	(1,414,305)	276,467
Increase (Decrease) in Accounts Payable	(1,051,528)	(1,014,350)
Increase (Decrease) in Accrued Salaries and Benefits	100,878	163,774
Increase (Decrease) in Customer Deposits	15,262	69,255
Increase (Decrease) in Unearned Revenue	(25,410)	25,606
Increase (Decrease) in Compensated Absences	111,987	258,953
Increase (Decrease) in Net Pension Liability	1,446,391	1,342,171
Increase (Decrease) in Net OPEB Liability	39,572	(926,847)
Increase (Decrease) in Deferred Inflows of Resources	843,210	635,526
	<u>\$ 3,922,304</u>	<u>\$ 3,636,218</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION		
Cash and Investments	\$ 51,927,440	\$ 48,131,590
Cash and Investments Restricted by Debt Agreements	49,691,443	15,061,996
Less: Investments with Maturities Greater than Three Months	(18,918,883)	(18,898,025)
	<u>\$ 82,700,000</u>	<u>\$ 44,295,561</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Contributed Assets from Developers	\$ -	\$ 433,036
Gain (Loss) on Disposal of Capital Assets	\$ -	\$ (196,441)

See accompanying Notes to Basic Financial Statements.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Description of Reporting Entity

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

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

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

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

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

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

The majority of the District's water supply is purchased from the Metropolitan Water District through the Municipal Water District of Orange County and 10% to 15% of the annual water is produced by the District's Groundwater Recovery Facility..

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

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

A. Organization and Description of Reporting Entity (Continued)

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

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

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

Proprietary Fund

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

The basic financial statements are prepared using the economic 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 the District's activities are included on the statement of net position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned while expenses are recognized when the liability is incurred regardless of the timing of cash flow.

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

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

C. Joint Powers Agreements

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

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

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

The District deposits money with SOCWA to cover its share of operations and for capital in the project committees in which it participates. The District has no equity interest in SOCWA and does not receive a share of operating results. Construction deposits made to SOCWA for capital projects are recorded as capital assets. To obtain complete financial information from SOCWA please contact SOCWA's Finance Controller at 34156 Del Obispo Street, Dana Point, CA 92629.

San Juan Basin Authority (a California Joint Powers Authority)

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

The District has no equity interest in SJBA and does not receive a share of operating results. Construction deposits made to SJBA for capital projects are recorded as capital assets. To obtain complete financial information from SJBA contact South Coast Water District's Assistant General Manager/Chief Financial Officer.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are carried at fair value. In the financial statements, changes in fair value that occur during a fiscal year are recognized as investment income reported for the fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

E. Prepaid Expenses

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

F. Allowance for Doubtful Accounts

An allowance for doubtful accounts has not been established for utility accounts receivable, as District management believes all amounts are collectible. Accounts having balances outstanding over 60 days are not significant for the fiscal year ended June 30, 2021.

G. Revenue Recognition

Revenues are recognized when earned and recorded as meters are read. Metered water accounts are read and billed bi-monthly on 30-day cycles. Residential wastewater customers fixed charges are included on their property tax bills. Commercial wastewater customers fixed charges are billed on a monthly basis. In certain areas of the District, the wastewater billing is handled by another water utility agency but is estimated and accrued as revenues by the District each month. These third-party collections are forwarded to the District monthly, based on actual receipts. Unbilled water and wastewater charges are accrued for the period from the last meter reading through year-end and are included in accounts receivable. Unbilled accounts receivable amounted to \$847,180 at June 30, 2021, which is included in utility accounts receivable in the accompanying statement of net position.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

H. Compensated Absences

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

Unused Sick Leave	\$	798,730
Unused Vacation		<u>867,237</u>
Total		<u><u>\$ 1,665,967</u></u>

I. Capital Assets

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

Treatment Plants	40-50 Years
Buildings and Structures	30-40 Years
Infrastructure	40-50 Years
Machinery and Equipment	5-10 Years
Vehicles	10-15 Years

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

J. Deferred Outflows/Inflows of Resources

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

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

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

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

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

K. Net Position Flow Assumption

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

L. Property Taxes

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

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment – November 10 Second Installment – February 10
Delinquent Date:	First Installment – December 10 Second Installment – April 11

M. Pensions

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

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

N. Postemployment Benefits Other Than Pensions (OPEB)

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

O. Use of Estimates

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

P. Prior Year Data

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

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 51,927,440
Restricted Cash and Investments	49,691,443
Total Cash and Investments	<u>\$ 101,618,883</u>

Cash and investments as of June 30, 2021, consist of the following:

Cash on Hand	\$ 1,600
Deposits with Financial Institutions	4,495,251
Investments	47,430,587
Investments Held by Bond Fiscal Agents	49,691,445
Total Cash and Investments	<u>\$ 101,618,883</u>

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

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

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

<u>Investment Types Authorized by State Law or the District's Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer*</u>
Municipal Bonds	5 Years	30%	5%
U.S. Treasury Obligations	5 Years	None	None
Federal Agency Securities	5 Years	None	25%
Banker's Acceptances	180 Days	40%	5%
Commercial Paper	270 Days	25%	5%
Negotiable Certificates of Deposit	5 Years	30%***	5%**
Certificates of Deposit Placement Service	5 Years	30%***	N/A
Repurchase Agreements	1 Year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000
Medium-Term Corporate Notes	5 Years	30%	5%
Mortgage Pass-Through Securities	5 Years	20%	5%
Money Market Mutual Funds	N/A	20%	None
Supranational Securities	5 Years	30%	10%
Local Government Investment Pools (CAMP)	N/A	None	None

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

** Allowed up to FDIC limit.

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

N/A - Not Applicable

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

B. Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Investments authorized for funds held by bond trustees include U.S. Treasury obligations, U.S. government-sponsored agency securities, certificates of deposit, banker's acceptance, commercial paper, money market mutual funds, prefunded municipal bonds, investment agreements, local agency investment funds, and local government investment pools. There are no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed, or the maximum maturity of an investment, except for the maturity of commercial paper, which are limited to 270 days.

C. Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Remaining Maturity				Total
	6 Months or Less	7 to 12 Months	13 to 24 Months	25 to 60 Months	
Money Market Mutual Funds	\$ 792,190	\$ -	\$ -	\$ -	\$ 792,190
U.S. Treasury Obligations	1,005,495	914,144	307,923	3,618,926	5,846,488
Medium-Term Corporate Notes	-	302,460	1,024,069	1,242,010	2,568,539
Federal Agency Securities	1,004,775	508,390	2,842,561	5,236,059	9,591,785
Supranational Securities	159,494	277,849	-	474,728	912,071
CAMP	3,164,445	-	-	-	3,164,445
LAIF	24,555,069	-	-	-	24,555,069
Held by Bond Trustee:					
Money Market Mutual Funds	49,691,445	-	-	-	49,691,445
Total	\$ 80,372,913	\$ 2,002,843	\$ 4,174,553	\$ 10,571,723	\$ 97,122,032

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

D. Disclosures Relating to Credit Risk

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

Investment Type	Total	Minimum Legal Rating	AAA	AA	A	Not Rated
Money Market						
Mutual Funds	\$ 792,190	AAA	\$ 792,190	\$ -	\$ -	\$ -
Medium-Term Corporate Notes	2,568,539	A	-	-	2,568,539	-
Federal Agency Securities	9,591,785	N/A	-	9,591,785	-	-
Supranational Securities	912,071	N/A	912,071	-	-	-
CAMP	3,164,445	N/A	3,164,445	-	-	-
LAIF	24,555,069	N/A	-	-	-	24,555,069
Held by Bond Trustee:						
Money Market Mutual Funds	49,691,445	AAA	49,691,445	-	-	-
Total	<u>\$ 91,275,544</u>		<u>\$ 54,560,151</u>	<u>\$ 9,591,785</u>	<u>\$ 2,568,539</u>	<u>\$ 24,555,069</u>

E. Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

Issuer	Investment Type	Amount
Federal Home Loan Bank	Federal Agency Securities	<u>\$ 3,664,937</u>
Fannie Mae	Federal Agency Securities	<u>\$ 3,100,819</u>

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

F. Custodial Credit Risk

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

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2021, all of the District's deposits were insured or collateralized as required by California law.

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

G. Investment in State Investment Pool

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

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

H. Investment in California Asset Management Program (CAMP)

The District is a voluntary participant in CAMP that is regulated by the California Government Code. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based on the District's pro-rata share of the fair value provided by CAMP for the entire CAMP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis. CAMP invests primarily in certificates of deposit, commercial paper, and U.S. government and agency obligations.

I. Fair Value Measurement

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

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

	Fair Value	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Investment Type (Subject to Hierarchy):				
U.S. Treasury Obligations	\$ 5,846,488	\$ -	\$ 5,846,488	\$ -
Medium-Term Corporate Notes	2,568,539	-	2,568,539	-
Federal Agency Securities	9,591,785	-	9,591,785	-
Supranational	912,071	-	912,071	-
Total Subject to Hierarchy	18,918,883	\$ -	\$ 18,918,883	\$ -
Uncategorized (Not Subject to Hierarchy):				
Money Market Mutual Funds	792,190			
LAIF	24,555,069			
CAMP	3,164,445			
Held by Bond Trustee:				
Money Market Mutual Funds	49,691,445			
Total Investment Portfolio	\$ 97,122,032			

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2021, were as follows:

	Balance at June 30, 2020	Reclassification of Asset Categories	Additions	Deletions/ Transfers	Balance at June 30, 2021
Capital Assets, Not Depreciated:					
Land and Land Rights	\$ 5,287,022	\$ (680,957)	\$ -	\$ -	\$ 4,606,065
Construction in Progress	69,134,504	-	20,952,163	(2,075,530)	88,011,137
Total Capital Assets, Not Depreciated	<u>74,421,526</u>	<u>(680,957)</u>	<u>20,952,163</u>	<u>(2,075,530)</u>	<u>92,617,202</u>
Capital Assets, Being Depreciated:					
Treatment Plants	86,136,466	-	856,491	-	86,992,957
Buildings and Structures	7,070,508	11,955	195,541	-	7,278,004
Infrastructure	167,395,061	2,081,393	926,563	-	170,403,017
Machinery and Equipment	12,220,657	(1,468,299)	89,110	-	10,841,468
Vehicles	5,575,458	55,908	283,112	(72,219)	5,842,259
Total Capital Assets, Being Depreciated	<u>278,398,150</u>	<u>680,957</u>	<u>2,350,817</u>	<u>(72,219)</u>	<u>281,357,705</u>
Less Accumulated Depreciation for:					
Treatment Plants	(46,238,674)	-	(1,680,756)	-	(47,919,430)
Buildings and Structures	(5,228,054)	-	(213,727)	-	(5,441,781)
Infrastructure	(77,843,891)	-	(3,938,802)	-	(81,782,693)
Machinery and Equipment	(9,199,178)	-	(374,366)	-	(9,573,544)
Vehicles	(3,717,508)	-	(327,057)	72,219	(3,972,346)
Total Accumulated Depreciation	<u>(142,227,305)</u>	<u>-</u>	<u>(6,534,708)</u>	<u>72,219</u>	<u>(148,689,794)</u>
Total Capital Assets, Being Depreciated, Net	<u>136,170,845</u>	<u>680,957</u>	<u>(4,183,891)</u>	<u>-</u>	<u>132,667,911</u>
Capital Assets, Net	<u>\$ 210,592,371</u>	<u>\$ -</u>	<u>\$ 16,768,272</u>	<u>\$ (2,075,530)</u>	<u>\$ 225,285,113</u>

Depreciation expense for the depreciable capital assets was \$6,534,708 for the fiscal year ended June 30, 2021.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM DEBT

The following is a summary of long-term debt at June 30, 2021:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Direct Borrowings:					
State Revolving Loan - Tunnel Project	\$ 35,402,288	\$ 13,539,491	\$ -	\$ 48,941,779	\$ -
Pacific Premier Bank Notes Payable	3,525,272	2,956,466	(6,481,738)	-	
Bank of the West Notes Payable	-	6,271,016	-	6,271,016	-
Bonds Payable	51,535,000	32,845,000	(1,845,000)	82,535,000	1,500,000
Plus: Unamortized Premium	5,253,082	2,470,145	(301,092)	7,422,135	-
Compensated Absences	1,553,980	971,329	(859,342)	1,665,967	859,341
Totals	<u>\$ 97,269,622</u>	<u>\$ 59,053,447</u>	<u>\$ (9,487,172)</u>	<u>\$ 146,835,897</u>	<u>\$ 2,359,341</u>

A. State Revolving Loan – Tunnel Project

In November 2016, the District entered into an agreement with the State Water Resources Control Board for the construction of the Tunnel Stabilization and Pipeline Replacement project. The District may borrow up to the lesser of \$102,560,000 or the eligible costs of the project. At June 30, 2021, the State Water Resources Control Board had disbursed \$47,469,423 under the loan contract and added a total of \$1,472,356 of accrued interest to the principal. The loan has an interest rate of 1.7% with a repayment period of 30 years after project completion. The outstanding balance totaled \$48,941,779 as of June 30, 2021. The District is also required to have a reserve of one year's debt service. The District's reserve of \$2,096,140 as of June 30, 2021, included in the sewer system's operating reserves, meets this requirement.

The annual requirements to service the outstanding balance at June 30, 2021, are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2022	\$ -	\$ -	\$ -
2023	1,264,130	832,010	2,096,140
2024	1,285,620	810,520	2,096,140
2025	1,307,476	788,664	2,096,140
2026	1,329,703	766,437	2,096,140
2027-2030	6,995,373	3,485,328	10,480,701
2031-2035	7,610,543	2,870,158	10,480,701
2036-2040	8,279,811	2,200,891	10,480,702
2041-2045	9,007,934	1,472,768	10,480,702
2046-2050	9,800,087	680,614	10,480,701
2051	2,061,102	35,039	2,096,141
Total	<u>\$ 48,941,779</u>	<u>\$ 13,942,429</u>	<u>\$ 62,884,208</u>

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM DEBT (CONTINUED)

B. Pacific Premier Bank Notes Payable

In July 2019, the District entered into a credit agreement with Pacific Premier Bank not to exceed \$25 million outstanding at any one time by the issuance of short-term promissory notes solely for the purpose of funding all or a portion of the costs of the Tunnel Project. The credit agreement contains a pledge of wastewater system revenues to repay the notes and allows the District to borrow funds under the note on a revolving basis. The notes bear interest at 1.98% per annum and matured on December 1, 2020.

C. Bank of the West Notes Payable

In February 2021, the District entered into a credit agreement with Bank of the West not to exceed \$10 million outstanding at any one time by the issuance of short-term promissory notes solely for the purpose of funding all or a portion of the costs of the Tunnel Project. The credit agreement contains a pledge of wastewater system revenue and all payments received by the State Water Resources Control board under the 2016 State Contract to repay the notes and allows the District to borrow funds under the note on a revolving basis. The notes bear interest at the Applicable Rate, which is the sum of the product of one-month LIBOR rate times 80% plus 0.60% per annum and matures on June 1, 2024.

The credit agreement also requires the District to fix and prescribe rates and charges for the wastewater service provided by the wastewater system to be at least sufficient to yield net revenues during each fiscal year equal to 125% of debt service payable in such fiscal year. At June 30, 2021, notes payable have a remaining outstanding balance of \$6,271,016.

D. 2016A Refunding Revenue Bonds

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

The reacquisition price exceeded the net carrying amount of the old debt by \$668,860 and is amortized as interest expense over the remaining life of the 2016A Bonds. The remaining balance at June 30, 2021, is \$513,612.

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

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM DEBT (CONTINUED)

D. 2016A Refunding Revenue Bonds (Continued)

Total 2016A Bonds outstanding as of June 30, 2021, net of unamortized premium, are as follows:

Principal Outstanding at June 30, 2021	\$ 8,935,000
Plus: Unamortized Premium	<u>1,596,846</u>
Net Bonds Outstanding at June 30, 2021	<u><u>\$ 10,531,846</u></u>

The annual requirements to service the outstanding Bonds at June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2022	\$ 955,000	\$ 389,900	\$ 1,344,900
2023	995,000	351,700	1,346,700
2024	1,030,000	311,900	1,341,900
2025	1,085,000	260,400	1,345,400
2026	1,135,000	206,150	1,341,150
2027-2029	<u>3,735,000</u>	<u>302,800</u>	<u>4,037,800</u>
Total	<u><u>\$ 8,935,000</u></u>	<u><u>\$ 1,822,850</u></u>	<u><u>\$ 10,757,850</u></u>

E. 2019A Revenue Bonds

In February 2019, the South Coast Water District Financing Authority, on behalf of the District, issued \$41,680,000 of Revenue Bonds, Series 2019A (2019A Bonds). The 2019A Bonds were issued to provide funds (1) to finance the acquisition and construction of certain improvements to the District's Water System and Wastewater System; (2) to refund all of the South Coast Water District Financing Authority Revenue Bonds, Series 2010B (2010B Bonds); and (3) to pay costs of issuance of the 2019A Bonds. The 2019A Bonds proceeds were invested in an escrow fund with a trustee to pay interest and principal on the 2010B Bonds until February 1, 2020. The 2010B Bonds were redeemed in full on February 1, 2020.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,146,131 and is amortized as interest expense over the remaining life of the 2010B Bonds. The remaining balance at June 30, 2021, is \$1,018,414.

The 2019A Bonds repayments include principal installments due in varying amounts from \$1,335,000 to \$3,015,000 annually from February 1, 2030, to February 1, 2049, with interest ranging from 3.5% to 5.0% subject to mandatory sinking fund redemption requirements.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM DEBT (CONTINUED)

E. 2019A Revenue Bonds (Continued)

Total 2019A Bonds outstanding as of June 30, 2021, net of unamortized premium, are as follows:

Principal Outstanding at June 30, 2021	\$ 41,680,000
Plus: Unamortized Premium	<u>3,413,469</u>
Net Bonds Outstanding at June 30, 2021	<u><u>\$ 45,093,469</u></u>

The annual requirements to service the outstanding 2019A Bonds at June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2022	\$ -	\$ 1,801,375	\$ 1,801,375
2023	-	1,801,375	1,801,375
2024	-	1,801,375	1,801,375
2025	-	1,801,375	1,801,375
2026	-	1,801,375	1,801,375
2027-2030	2,740,000	8,940,125	11,680,125
2031-2035	8,100,000	7,596,775	15,696,775
2036-2040	9,875,000	5,819,650	15,694,650
2041-2045	12,265,000	3,426,000	15,691,000
2046-2049	8,700,000	711,900	9,411,900
Total	<u><u>\$ 41,680,000</u></u>	<u><u>\$ 35,501,325</u></u>	<u><u>\$ 77,181,325</u></u>

F. 2020A Revenue Bonds

In October 2020, the South Cost Water District Financing Authority, on behalf of the District, issued \$32,845,000 of Revenue Bonds, Series 2020A (2020A Bonds). The 2020A Bonds were issued to provide funds (1) to finance the acquisition and construction of certain improvements to the District's Water System and Wastewater System, and (2) to pay costs of issuance of the 2020A Bonds.

The 2020A Bonds repayments include principal installments due in varying amounts from \$925,000 to \$4,595,000 annually from February 1, 2021 to February 1, 2050, with interest ranging from 3.0% to 5.0% subject to mandatory sinking fund redemption requirements.

Total 2020A Bonds outstanding as of June 30, 2021, net of unamortized premium, are as follows:

Principal Outstanding at June 30, 2021	\$ 31,920,000
Plus: Unamortized Premium	<u>2,411,820</u>
Net Bonds Outstanding at June 30, 2021	<u><u>\$ 34,331,820</u></u>

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM DEBT (CONTINUED)

F. 2020A Revenue Bonds (Continued)

The annual requirements to service the outstanding 2020A Bonds at June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2022	\$ 545,000	\$ 1,026,906	\$ 1,571,906
2023	565,000	1,005,106	1,570,106
2024	590,000	982,506	1,572,506
2025	610,000	958,906	1,568,906
2026	640,000	934,506	1,574,506
2027-2030	3,710,000	4,160,781	7,870,781
2031-2035	4,615,000	3,271,431	7,886,431
2036-2040	5,545,000	2,339,281	7,884,281
2041-2045	6,325,000	1,562,938	7,887,938
2046-2050	8,775,000	670,250	9,445,250
Total	<u>\$ 31,920,000</u>	<u>\$ 16,912,611</u>	<u>\$ 48,832,611</u>

NOTE 5 PLEDGED REVENUES

The District has pledged its revenues, net of specified operating expenses, to repay \$48,941,779 in state revolving loan, \$6,271,016 in notes payable, \$8.9 million in water refunding revenue bonds issued in 2016, \$41.7 million in water revenue bonds issued in 2019, and \$31.9 million in water revenue bonds issued in 2020. The loan, notes, and bonds are payable from District net revenues and are payable through 2051. Coverage of net revenues for annual principal and interest payments in future years are expected to approximate that of the current year (see below).

Debt service paid and net revenues for the year ended June 30, 2021, are as follows:

Gross Revenues	\$ 49,011,352
Less: Excluded Revenues	<u>(2,051,390)</u>
Includable Revenues	<u>46,959,962</u>
All Expenses	45,112,374
Less: Excludable Expenses	<u>(10,044,537)</u>
Includable Expenses	<u>35,067,837</u>
Net Revenues	<u>\$ 11,892,125</u>
Debt Service	<u>\$ 5,533,635</u>
Coverage Percentage	215%
Required Coverage Percentage	125%

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 INVESTMENT IN JOINT VENTURE

The District is a member in the Joint Regional Water Supply System (JRWSS), a joint venture providing potable water to its members. There are eight other members who participate in JRWSS. In a series of restructuring and consolidations, initiated in March 2000, JRWSS was formed to succeed two water districts, Tri-Cities Municipal Water District and the Coastal Municipal Water District, with substantially all assets and liabilities of predecessor districts transferred to JRWSS. The District's participation in JRWSS is accounted for as a joint venture with an equity interest and is reflected on the statement of net position as "investment in joint venture" in the amount of \$7,812,245 at June 30, 2021.

Financial information for the operation of JRWSS for the fiscal year ended June 30, 2021, is as follows:

Total Assets	<u>\$ 35,037,605</u>
Total Liabilities	<u>\$ 6,071,789</u>
Total Net Position	<u>\$ 28,965,816</u>
Total Revenues	\$ 6,293,550
Total Expenses	<u>(6,304,142)</u>
Change In Net Position	<u>\$ (10,592)</u>

Since March 2000, the District has been responsible for the administration and operations of JRWSS. Separate financial statements of JRWSS may be obtained at South Coast Water District, 31592 West Street, Laguna Beach, CA 92651.

NOTE 7 DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description

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

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The plan provisions and benefits in effect as of fiscal year ended June 30, 2021, are summarized as follows:

	Miscellaneous	
	Hire Date	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit Formula	2% @ 55	2% @ 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 55	52 to 67
Monthly Benefits, as a Percentage of Eligible Compensation	1.426% to 2.000%	1.000% to 2.500%
Required Employee Contribution Rates	7.00%	6.75%
Required Employer Contribution Rates	11.031%	7.732%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. Contributions for the fiscal year ended June 30, 2021, included \$550,160 for the UAL and \$894,951 for the normal cost rate resulting in a total amount paid of \$1,445,111.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

As of June 30, 2021, the District reported a net pension liability of \$9,749,879 for its proportionate share of the net pension liability of the CalPERS administered miscellaneous plan.

The District's net pension liability for the plan is measured as the proportionate share of the net pension liability of the CalPERS administered miscellaneous plan. The net pension liability of the plan is measured as of June 30, 2020, and the total pension liability of the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the plan as of the measurement dates June 30, 2020 and 2019, were as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2019	0.20735 %
Proportion - June 30, 2020	0.23115 %
Increase	<u>0.02380 %</u>

For the year ended June 30, 2021, the District recognized pension expense of \$2,743,062. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 1,445,111	\$ -
Differences between Actual and Expected Experience	502,440	-
Change in Assumptions	-	(69,540)
Change in Employer's Proportion	1,328,810	-
Differences between the Employer's Contributions and Proportionate Share of Contributions	-	(1,560,462)
Net Differences between Projected and Actual Earnings on Plan Investments	289,636	-
Total	<u>\$ 3,565,997</u>	<u>\$ (1,630,002)</u>

\$1,445,111 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 65,361
2023	130,058
2024	156,548
2025	138,917
2026	-
Thereafter	-

Actuarial Assumptions

The total pension liability for the June 30, 2020, measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The total pension liability was based on the following assumptions:

Valuation Date	<u>Miscellaneous</u>
Measurement Date	June 30, 2019
Actuarial Cost Method	June 30, 2020
	Entry-Age
	Normal Cost
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Long-Term Expected Rate of Return

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

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

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

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

(a) In the CalPERS ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation rate of 2.0% is used for this period.

(c) An expected inflation rate of 2.92% is used for this period.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Discount Rate

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

Subsequent Events

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

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

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

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	<u>\$ 18,184,168</u>
Current Discount Rate	7.15%
Net Pension Liability	<u>\$ 9,749,879</u>
1% Increase	8.15%
Net Pension Liability	<u>\$ 2,780,891</u>

Pension Plans Fiduciary Net Position

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

C. Payable to the Pension Plan

At June 30, 2021, the District had no outstanding amount of contributions to the pension plans due for the year ended June 30, 2021.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

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

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

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

For employees hired on or after July 1, 2020 who are at least 55 years old with a minimum of 10 years of continuous District employment, will be eligible to continue receiving medical insurance benefits, which are equal to the value of the least costing medical benefit provided to active employees, until the retiree is eligible for Medicare. For employees hired on or after July 1, 2020 who are at least 60 years old with a minimum of 15 years of continuous District employment, will be eligible to continue to receive health insurance benefits, which are equal to the value of any medical benefit provided to active employees, until the retiree is eligible for Medicare. When eligible retirees who were hired on or after July 1, 2020, reaches age 65 (Medicare age), the District will provide a reimbursement of up to \$350 per month for the costs associated with a supplemental Medicare policy.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

A. General Information about the OPEB Plan (Continued)

Employees Covered

As of measurement date June 30, 2020, the following numbers of participants were covered by the benefit terms under the plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	36
Inactive Employees or Beneficiaries Entitled to But Not Yet Receiving Benefits	-
Active Employees	<u>84</u>
Total	<u><u>120</u></u>

Contributions

The contribution requirements of the District are established and may be amended annually by the board of directors. Currently, contributions are not required from plan members. The annual contribution is based on the actuarially determined contributions. For the fiscal year ended June 30, 2021, the District contributed \$200,000 to the trust, paid \$353,943 for retiree premiums, and the estimated implied subsidy was \$57,000, resulting in total payments of \$610,943.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Total OPEB Liability

The District's net OPEB liability is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability was measured as of June 30, 2020, using an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020 using standard update procedures. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Actuarial Assumptions:	
Discount Rate	6.75% at June 30, 2020 and 2019
Long-Term Expected Rate of Return on Investments	6.75%, Net of Investment Expenses
Inflation	2.75%
Projected Salary Increase:	
Aggregate	3% Annually
Merit	CalPERS 1997-2015 Experience Study
Medical Trend:	
Non-Medicare	7.25% for 2021, Decreasing to 4.00% in 2076
Medicare	6.30% for 2021, Decreasing to 4.00% in 2076
Mortality, Disability, Termination, and Retirement	CalPERS 1997-2015 Experience Study
Mortality Improvement	Postretirement Mortality Projected Fully Generational with Scale MP-2019

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Total OPEB Liability (Continued)

Actuarial Assumptions (Continued)

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

Long-Term Expected Rate of Return

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation CERBT - Strategy 1</u>	<u>Long-Term Expected Real Rate of Return</u>
CERBT:		
Global Equity	59.00%	4.82%
Fixed Income	25.00%	1.47%
TIPS	5.00%	1.29%
Commodities	3.00%	0.84%
REITs	8.00%	3.76%
Total	<u>100.00%</u>	

Discount Rate

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

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Total OPEB Liability	Increase Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019 (Measurement Date)	\$ 7,567,522	\$ 6,402,865	\$ 1,164,657
Changes in the Year:			
Service Cost	242,070	-	242,070
Interest on the Total OPEB Liability	514,032	-	514,032
Changes in Assumptions	(101,340)	-	(101,340)
Contribution - Employer	-	392,500	(392,500)
Net Investment Income	-	225,823	(225,823)
Benefit Payments	(388,632)	(388,632)	-
Administrative Expenses	-	(3,134)	3,134
Net Changes	<u>266,130</u>	<u>226,557</u>	<u>39,573</u>
Balance at June 30, 2020 (Measurement Date)	<u>\$ 7,833,652</u>	<u>\$ 6,629,422</u>	<u>\$ 1,204,230</u>

Change of Assumptions

The PPACA high cost excise tax was repealed.

Subsequent Events

The District adopted a new OPEB tier in August 2020 for employees hired on or after July 1, 2020. This has no impact on the June 30, 2021 total OPEB liability.

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 1% lower or 1% higher than the current discount rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	<u>\$ 2,171,342</u>	<u>\$ 1,204,230</u>	<u>\$ 394,706</u>

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Net OPEB Liability (Continued)

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

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

	1% Decrease (6.25%/5.3% Decreasing to 3.0%)	Current Healthcare Cost Trend Rates (7.25%/6.3% Decreasing to 4.00%)	1% Increase (8.25%/7.3% Decreasing to 5.0%)
Net OPEB Liability	\$ 227,838	\$ 1,204,230	\$ 2,403,556

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 \$227,862. 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	\$ 610,943	\$ -
Differences between Actual and Expected Experience	-	(504,812)
Change in Assumptions	-	(134,480)
Differences between Projected and Actual Earnings	107,181	-
Total	\$ 718,124	\$ (639,292)

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

An amount of \$610,943 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	\$ (98,403)
2023	(55,543)
2024	(42,495)
2025	(45,970)
2026	(87,398)
Thereafter	(202,302)

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.

NOTE 9 DEFERRED COMPENSATION

The District offers a 457 deferred compensation plan to employees. Nationwide Retirement Solutions, Inc. acts as the third-party administrative services provider for the defined contribution plan. Employees can contribute up to the IRS determined limits to the plan. The District will match contributions up to a certain amount as determined by the District's board of directors. Distributions under the plan may generally not be made prior to the earlier of the employee's attainment of age 70½ or the employee's termination of employment. Total District contributions to the plan during fiscal year 2020-2021 were \$115,200.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. In an effort to manage its risk exposure, the District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Section 6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. At June 30, 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 \$24,003,713). The District has the following deductibles: \$1,000 for real and personal property, mobile equipment, and licensed vehicles and trailers; \$25,000 for boiler and machinery or \$50,000 for turbine or power generation equipment; 5% of total insurable value for earthquake; and \$100,000 for flood.
- *General and Auto Liability* – The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$55,000,000. The District has no deductible.
- *Public Official's Errors and Omissions* – The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$55,000,000. The District has no deductible.
- *Underground Storage Tank Pollution Liability* – The Insurance Authority has pooled self-insurance up to \$500,000 per occurrence and has purchased excess insurance coverage up to \$3,000,000. The District has a \$10,000 deductible.
- *Crime* – The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence. The District has a \$1,000 deductible.
- *Workers' Compensation* – The Insurance Authority has pooled self-insurance up to \$2,000,000 and excess insurance coverage has been purchased up to the statutory limit with a \$4,000,000 program aggregate limit for Employer's Liability. The District has no deductible.
- *Dam Failure Liability* – The Insurance Authority has purchased insurance coverage up to \$4,000,000 per occurrence with a \$1,000,000 retention.
- *Cyber Liability* – The Insurance Authority has purchased insurance coverage up to \$5,000,000 per occurrence and up to \$5,000,000 in aggregate. The retention is based on total insurable values.

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

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 CONTINGENCIES AND COMMITMENTS

A. Lawsuits

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

B. Contract Commitments

The District had \$26,228,896 of outstanding contract commitments at June 30, 2021. The three largest contracts outstanding include:

Project	Contract Amount	Balance to Complete
Tunnel Stabilization and Sewer Pipeline Replacement	\$ 36,443,900	\$ 16,254,654
Ocean Desalination Development Project Manager	3,292,619	1,840,311
Phase 3 Tunnel Construction Management	4,254,722	3,212,752

NOTE 12 OPERATING LEASES

As of June 30, 2021, the District has operating leases with various companies to rent space on District owned property. The operating leases are on a month-to-month basis with the District receiving monthly lease payments totaling \$112,256. The capital assets included in these operating leases consist of a portion of the District's buildings and structures that cannot be readily determined.

NOTE 13 RESTATEMENT OF NET POSITION

Beginning balance of net position as of July 1, 2020, has been restated as follows:

Net position at July 1, 2020, as originally reported	\$ 172,754,199
To record operating agreement revenue from JRWSS pertaining to fiscal year 2019-2020	497,490
Net position at July 1, 2020, as restated	<u>\$ 173,251,689</u>

REQUIRED SUPPLEMENTARY INFORMATION

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**SOUTH COAST WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS***

Fiscal Year Ended	June 30, 2021	June 30, 2020
Measurement Period	June 30, 2020	June 30, 2019
Plan's Proportion of the Net Pension Liability	0.23115%	0.20735%
Plan's Proportionate Share of the Net Pension Liability	\$ 9,749,879	\$ 8,303,488
Plan's Covered Payroll	\$ 9,095,601	\$ 8,817,816
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	107.19%	94.17%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	84.62%	75.26%

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From Fiscal Year June 30, 2019, to June 30, 2020:

There were no changes in assumptions.

From Fiscal Year June 30, 2020, to June 30, 2021:

There were no significant changes in assumptions.

*Fiscal year 2015 was the first year of implementation; therefore, only seven years are shown.

**SOUTH COAST WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
LAST TEN FISCAL YEARS***

Fiscal Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's Proportion of the Net Pension Liability	0.18471%	0.19048%	0.31882%	0.29779%	0.12543%
Plan's Proportionate Share of the Net Pension Liability	\$ 6,961,317	\$ 7,508,964	\$ 11,075,496	\$ 8,170,473	\$ 7,805,073
Plan's Covered Payroll	\$ 8,547,122	\$ 8,688,674	\$ 7,022,391	\$ 6,941,886	\$ 7,086,467
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	81.45%	86.42%	157.72%	117.70%	110.14%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	73.31%	74.06%	78.40%	83.03%

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From Fiscal Year June 30, 2015, to June 30, 2016:

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

From Fiscal Year June 30, 2016, to June 30, 2017:

There were no changes in assumptions.

From Fiscal Year June 30, 2017, to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

From Fiscal Year June 30, 2018, to June 30, 2019:

There were no significant changes in assumptions.

*Fiscal year 2015 was the first year of implementation; therefore, only seven years are shown.

**SOUTH COAST WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSION (CONTINUED)
LAST TEN FISCAL YEARS***

Fiscal Year Ended	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Contractually Required Contribution (Actuarially Determined)	\$ 1,445,111	\$ 1,273,193
Contributions in Relation to the Actuarially Determined Contributions	<u>(1,445,111)</u>	<u>(1,273,193)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 8,724,094	\$ 9,095,601
Contributions as a Percentage of Covered Payroll	16.56%	14.00%

NOTES TO SCHEDULE

Valuation Date	June 30, 2018	June 30, 2017
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value
Inflation	2.500%	2.625%
Salary Increases	(2)	(2)
Investment Rate of Return	7.00% (3)	7.25% (3)
Retirement Age	(4)	(4)
Mortality	(5)	(5)

(1) Level percentage of payroll, closed.

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

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

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

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

*Fiscal year 2015 was the first year of implementation; therefore, only seven years are shown.

**SOUTH COAST WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSION (CONTINUED)
LAST TEN FISCAL YEARS***

Fiscal Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution (Actuarially Determined)	\$ 1,053,692	\$ 1,436,610	\$ 1,075,499	\$ 934,063	\$ 937,929
Contributions in Relation to the Actuarially Determined Contributions	<u>(1,053,692)</u>	<u>(1,436,610)</u>	<u>(6,075,499)</u>	<u>(934,063)</u>	<u>(937,929)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,000,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 8,817,816	\$ 8,547,122	\$ 8,688,674	\$ 7,022,391	\$ 6,941,886
Contributions as a Percentage of Covered Payroll	11.95%	16.81%	69.92%	13.30%	13.51%

NOTES TO SCHEDULE

Valuation Date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	15 Year Smoothed Market
Inflation	2.750%	2.750%	2.750%	2.750%	2.750%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed.

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

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

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

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

*Fiscal year 2015 was the first year of implementation; therefore, only seven years are shown.

**SOUTH COAST WATER DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS***

Fiscal Year Ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Period	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability:				
Service Cost	\$ 242,070	\$ 252,517	\$ 245,162	\$ 238,021
Interest on Total OPEB Liability	514,032	534,021	506,612	479,880
Changes of Assumptions	(101,340)	(56,574)	-	-
Differences between Expected and Actual Experience	-	(645,038)	-	-
Benefit Payments	<u>(388,632)</u>	<u>(352,626)</u>	<u>(353,515)</u>	<u>(304,511)</u>
Net Change in Total OPEB Liability	266,130	(267,700)	398,259	413,390
Total OPEB Liability - Beginning of Year	<u>7,567,522</u>	<u>7,835,222</u>	<u>7,436,963</u>	<u>7,023,573</u>
Total OPEB Liability - End of Year (a)	<u>7,833,652</u>	<u>7,567,522</u>	<u>7,835,222</u>	<u>7,436,963</u>
Plan Fiduciary Net Position:				
Contributions - Employer	392,500	637,422	665,097	596,000
Net Investment Income	225,823	375,599	408,823	509,829
Benefit Payments	(388,632)	(352,626)	(353,515)	(304,511)
Administrative Expenses	<u>(3,134)</u>	<u>(1,247)</u>	<u>(9,388)</u>	<u>(2,461)</u>
Net Change in Plan Fiduciary Net Position	226,557	659,148	711,017	798,857
Plan Fiduciary Net Position - Beginning of Year	<u>6,402,865</u>	<u>5,743,717</u>	<u>5,032,700</u>	<u>4,233,843</u>
Plan Fiduciary Net Position - End of Year (b)	<u>6,629,422</u>	<u>6,402,865</u>	<u>5,743,717</u>	<u>5,032,700</u>
 Net OPEB Liability - Ending (a)-(b)	 <u>\$ 1,204,230</u>	 <u>\$ 1,164,657</u>	 <u>\$ 2,091,505</u>	 <u>\$ 2,404,263</u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 84.63%	 84.61%	 73.31%	 67.67%
 Covered - Employee Payroll	 \$ 9,023,421	 \$ 9,899,581	 \$ 9,811,343	 \$ 8,688,674
 Net OPEB Liability as a Percentage of Covered - Employee Payroll	 13.35%	 11.76%	 21.32%	 27.67%

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes In Assumptions:

From Fiscal Year June 30, 2018, To June 30, 2019:

There were no changes in assumptions.

From Fiscal Year June 30, 2019, To June 30, 2020:

The mortality improvement scale was updated to Scale MP-2019 from MP-2017. The healthcare trend changed from 7.50% non-Medicare and 6.50% Medicare to 7.25% non-Medicare and 6.30% Medicare.

From Fiscal Year June 30, 2020, to June 30, 2021:

PPACA high cost excise tax repealed.

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

**SOUTH COAST WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – OPEB
LAST TEN FISCAL YEARS***

Fiscal Year Ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially Determined Contribution	\$ 557,000	\$ 623,000	\$ 605,000	\$ 573,000
Contributions in Relation to the Actuarially Determined Contributions	<u>(610,943)</u>	<u>(392,500)</u>	<u>(637,422)</u>	<u>(665,097)</u>
Contribution Deficiency (Excess)	<u>\$ (53,943)</u>	<u>\$ 230,500</u>	<u>\$ (32,422)</u>	<u>\$ (92,097)</u>
Covered - Employee Payroll	\$ 10,058,458	\$ 9,023,421	\$ 9,899,581	\$ 9,811,343
Contributions as a Percentage of Covered - Employee Payroll	6.07%	4.35%	6.44%	6.78%

NOTES TO SCHEDULE

Valuation Date	June 30, 2019	June 30, 2017	June 30, 2017	June 30, 2015
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Amortization Period	Four-Year	Seven-Year	Eight-Year	Ten-Year
	Average Fixed	Average Fixed	Average Fixed	Average Fixed
Asset Valuation Method	(2)	(2)	(2)	(2)
Discount Rate	6.75%	6.75%	6.75%	7.25%
Inflation	2.75%	2.75%	2.75%	3.00%
Medical Trend	(4)	(4)	(4)	(3)
Mortality	(6)	(6)	(6)	(5)

- (1) Level Percentage of Payroll
- (2) Investment Gains and Losses Spread over Five-Year Rolling Period
- (3) Non-Medicare - 7.0% for 2017, Decreasing to 5.0% in 2021 and Later
Medicare - 7.2% for 2017, Decreasing to 5.0% in 2021 and Later
- (4) Non-Medicare - 7.5% for 2019, Decreasing to 4.0% in 2076 and Later
Medicare - 6.5% for 2019, Decreasing to 4.0% in 2076 and Later
- (5) CalPERS 1997-2011 Experience Study
- (6) CalPERS 1997-2015 Experience Study

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

SUPPLEMENTARY INFORMATION

**SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2021**

ASSETS	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CURRENT ASSETS			
Cash and Investments	\$ 14,142,218	\$ 37,785,222	\$ 51,927,440
Utility Accounts Receivable	1,686,300	424,003	2,110,303
Property Taxes Receivable	203,590	238,653	442,243
Grants Receivable	305,256	-	305,256
Accrued Interest Receivable	19,564	59,289	78,853
Other Receivables	1,024,536	424,597	1,449,133
Prepaid Expenses and Other Assets	205,070	208,358	413,428
Cash and Investments Restricted by Debt Agreements	<u>21,514,429</u>	<u>28,177,014</u>	<u>49,691,443</u>
Total Current Assets	<u>39,100,963</u>	<u>67,317,136</u>	<u>106,418,099</u>
NONCURRENT ASSETS			
Capital Assets:			
Not Being Depreciated	3,758,668	88,858,534	92,617,202
Being Depreciated (Net of Accumulated Depreciation)	<u>65,934,426</u>	<u>66,733,485</u>	<u>132,667,911</u>
Net Capital Assets	<u>69,693,094</u>	<u>155,592,019</u>	<u>225,285,113</u>
Other Assets:			
Investment in Joint Venture	<u>7,812,245</u>	<u>-</u>	<u>7,812,245</u>
Total Noncurrent Assets	<u>77,505,339</u>	<u>155,592,019</u>	<u>233,097,358</u>
Total Assets	<u>116,606,302</u>	<u>222,909,155</u>	<u>339,515,457</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Refunding Charges	766,013	766,013	1,532,026
Pension Contributions Subsequent to Measurement Date	758,683	686,428	1,445,111
Pension Related	1,113,465	1,007,421	2,120,886
OPEB Contributions Subsequent to Measurement Date	<u>367,203</u>	<u>350,921</u>	<u>718,124</u>
Total Deferred Outflows of Resources	<u>3,005,364</u>	<u>2,810,783</u>	<u>5,816,147</u>

**SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION (CONTINUED)
JUNE 30, 2021**

LIABILITIES	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CURRENT LIABILITIES			
Accounts Payable	\$ 2,274,377	\$ 3,580,946	\$ 5,855,323
Accrued Salaries and Benefits	393,541	267,302	660,843
Advances from Developers	26,095	-	26,095
Customer Deposits	194,248	49,466	243,714
Accrued Interest Payable	527,461	808,005	1,335,466
Unearned Revenue	196	-	196
Current Portion of Bonds Payable, Net	782,700	717,300	1,500,000
Current Portion of Compensated Absences	522,103	337,238	859,341
Total Current Liabilities	<u>4,720,721</u>	<u>5,760,257</u>	<u>10,480,978</u>
NONCURRENT LIABILITIES			
Loans Payable	-	55,212,795	55,212,795
Bonds Payable, Net	36,335,214	52,121,921	88,457,135
Compensated Absences	547,762	258,864	806,626
Net Pension Liability	5,118,686	4,631,193	9,749,879
Net OPEB Liability	603,104	601,126	1,204,230
Total Noncurrent Liabilities	<u>42,604,766</u>	<u>112,825,899</u>	<u>155,430,665</u>
Total Liabilities	<u>47,325,487</u>	<u>118,586,156</u>	<u>165,911,643</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	855,751	774,251	1,630,002
OPEB Related	317,220	322,072	639,292
Total Deferred Inflows Of Resources	<u>1,172,971</u>	<u>1,096,323</u>	<u>2,269,294</u>
NET POSITION			
Net Investment in Capital Assets	56,780,748	71,160,172	127,940,920
Restricted for Debt Service	-	2,096,140	2,096,140
Unrestricted	14,332,460	32,781,147	47,113,607
Total Net Position	<u>\$ 71,113,208</u>	<u>\$ 106,037,459</u>	<u>\$ 177,150,667</u>

**SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021**

	Water	Sewer	Total
OPERATING REVENUES			
Water Sales	\$ 19,527,900	\$ -	\$ 19,527,900
Sewer Service Charges	-	15,465,736	15,465,736
Recycled Water	2,179,970	-	2,179,970
Recreation Facilities	257,294	-	257,294
Total Operating Revenues	<u>21,965,164</u>	<u>15,465,736</u>	<u>37,430,900</u>
OPERATING EXPENSES			
Source of Supply (Purchased Water)	6,878,289	-	6,878,289
Groundwater Recovery Facility	1,110,828	-	1,110,828
Recycled Water	1,313,227	-	1,313,227
Pumping Expense	396,930	592,433	989,363
Sewer Treatment Plant	-	4,132,637	4,132,637
Transmission and Distribution	2,492,404	2,028,561	4,520,965
Operations Support	1,702,992	814,601	2,517,593
Recreation Facilities	321,871	-	321,871
Engineering and Consulting	1,275,768	834,623	2,110,391
General and Administrative	6,288,463	4,637,957	10,926,420
Depreciation	3,937,091	2,597,617	6,534,708
Total Operating Expenses	<u>25,717,863</u>	<u>15,638,429</u>	<u>41,356,292</u>
LOSS FROM OPERATIONS	<u>(3,752,699)</u>	<u>(172,693)</u>	<u>(3,925,392)</u>
NONOPERATING REVENUES (EXPENSES)			
Property Taxes - General and Bond Levy	3,090,532	4,063,951	7,154,483
Grants Revenue	1,299,869	72,058	1,371,927
Investment Income	18,794	47,122	65,916
Other Revenues	958,661	401,761	1,360,422
Rental Income	948,241	-	948,241
Interest Expense	(940,345)	(2,569,484)	(3,509,829)
Loss on Disposal of Capital Assets	(122,976)	(123,277)	(246,253)
Total Nonoperating Revenues (Expenses)	<u>5,252,776</u>	<u>1,892,131</u>	<u>7,144,907</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,500,077	1,719,438	3,219,515
Transfers In	11,946,494	2,911,432	14,857,926
Transfers Out	(8,437,134)	(6,420,792)	(14,857,926)
CAPITAL CONTRIBUTIONS			
Connection Fees	<u>313,417</u>	<u>366,046</u>	<u>679,463</u>
CHANGE IN NET POSITION	5,322,854	(1,423,876)	3,898,978
Net Position - Beginning of Year	65,292,864	107,461,335	172,754,199
Prior Period Adjustment	497,490	-	497,490
NET POSITION - END OF YEAR	<u>\$ 71,113,208</u>	<u>\$ 106,037,459</u>	<u>\$ 177,150,667</u>

**SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 20,476,022	\$ 15,900,725	\$ 36,376,747
Cash Payments to Suppliers for Goods and Services	(17,103,733)	(9,564,493)	(26,668,226)
Cash Payments to Employees for Services	(4,896,849)	(3,198,031)	(8,094,880)
Rental Income Received	948,241	-	948,241
Other Operating Revenues	958,661	401,761	1,360,422
Net Cash Provided by Operating Activities	<u>382,342</u>	<u>3,539,962</u>	<u>3,922,304</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Property Taxes	3,077,625	4,047,551	7,125,176
Cash Transfers In (Out) between funds	(2,991,432)	2,991,432	-
Net Cash Provided by Noncapital Financing Activities	<u>86,193</u>	<u>7,038,983</u>	<u>7,125,176</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisitions and Construction of Capital Assets	(1,450,689)	(20,037,563)	(21,488,252)
Proceeds from Capital Grant	994,613	72,058	1,066,671
Proceeds from Sale of Capital Assets	7,275	7,275	14,550
Proceeds from Bond Issuance	19,776,481	15,538,664	35,315,145
Proceeds from Loan	-	22,052,062	22,052,062
Repayment of Loans and Bonds	(978,000)	(7,348,738)	(8,326,738)
Interest Paid	(881,575)	(1,695,918)	(2,577,493)
Water and Sewer Connection Fees Received	313,417	366,046	679,463
Return of Customer Deposits and Developer Advances	(18,330)	-	(18,330)
Net Cash Provided by Capital and Related Financing Activities	<u>17,763,192</u>	<u>8,953,886</u>	<u>26,717,078</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Redemptions and Sales	1,084,072	6,390,625	7,474,697
Investment Purchases	(2,790,195)	(5,161,661)	(7,951,856)
Interest Income Received	162,184	457,366	619,550
Net Cash Provided (Used) by Investing Activities	<u>(1,543,939)</u>	<u>1,686,330</u>	<u>142,391</u>
INCREASE IN CASH AND CASH EQUIVALENTS	16,687,788	21,219,161	37,906,949
Cash and Cash Equivalents - Beginning of Year	<u>11,832,997</u>	<u>32,462,564</u>	<u>44,295,561</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 28,520,785</u>	<u>\$ 53,681,725</u>	<u>\$ 82,202,510</u>

**SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Loss from Operations	\$ (3,752,699)	\$ (172,693)	\$ (3,925,392)
Adjustments to Reconcile Loss from Operations to Net Cash Provided by Operating Activities:			
Operating Activities:			
Depreciation	3,937,091	2,597,617	6,534,708
Rental Income Received	948,241	-	948,241
Other Revenues	958,661	401,761	1,360,422
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
(Increase) Decrease in Utility Accounts Receivable	(777,469)	515,368	(262,101)
(Increase) Decrease in Other Receivables	(698,820)	(83,084)	(781,904)
(Increase) Decrease in Prepaid Expenses and Other Assets	(60,371)	(72,444)	(132,815)
(Increase) Decrease in Investment in Joint Venture	115,088	-	115,088
(Increase) Decrease in Deferred Outflows of Resources	(804,443)	(609,862)	(1,414,305)
Increase (Decrease) in Accounts Payable	(1,069,723)	18,195	(1,051,528)
Increase (Decrease) in Accrued Salaries and Benefits	75,499	25,379	100,878
Increase (Decrease) in Customer Deposits	12,557	2,705	15,262
Increase (Decrease) in Unearned Revenue	(25,410)	-	(25,410)
Increase (Decrease) in Compensated Absences	76,494	35,493	111,987
Increase (Decrease) in Net Pension Liability	966,942	479,449	1,446,391
Increase (Decrease) in Net OPEB Liability	20,775	18,797	39,572
Increase (Decrease) in Deferred Inflows of Resources	459,929	383,281	843,210
	<u>\$ 382,342</u>	<u>\$ 3,539,962</u>	<u>\$ 3,922,304</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION			
Cash and Investments	\$ 14,142,218	\$ 37,785,222	\$ 51,927,440
Cash and Investments Restricted by Debt Agreements	21,514,429	28,177,014	49,691,443
Less: Investments with Maturities Greater than Three Months	<u>(6,638,372)</u>	<u>(12,280,511)</u>	<u>(18,918,883)</u>
	<u>\$ 29,018,275</u>	<u>\$ 53,681,725</u>	<u>\$ 82,700,000</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES			
Reallocation of debt between funds	<u>\$ (6,420,792)</u>	<u>\$ 6,420,792</u>	<u>\$ -</u>

STATISTICAL SECTION (UNAUDITED)

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**SOUTH COAST WATER DISTRICT
DESCRIPTION OF STATISTICAL SECTION CONTENTS
YEAR ENDED JUNE 30, 2021**

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

Contents

Financial Trends	72
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	76
These schedules contain information to help the reader assess the District's most significant local revenue source from water and sewer commodity and fixed charges.	
Debt Capacity	85
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.	
Demographic and Economic Information	93
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	95
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.	

**SOUTH COAST WATER DISTRICT
NET POSITION
LAST TEN FISCAL YEARS**

Net Position:	Fiscal Year			
	2021	2020	2019	2018
Assets :				
Current Assets	\$ 106,418,099	\$ 66,578,752	\$ 60,049,653	\$ 54,344,998
Noncurrent Assets:				
Restricted Assets	-	-	-	-
Net Capital Assets	225,285,113	210,592,371	189,089,119	165,166,397
Other Assets	7,812,245	7,927,333	7,951,147	8,219,287
Total Assets	<u>339,515,457</u>	<u>285,098,456</u>	<u>257,089,919</u>	<u>227,730,682</u>
Deferred Outflows of Resources:				
Deferred Refunding Charges	1,532,026	1,654,314	1,776,601	716,800
Pension Contributions Subsequent to Measurement Date	1,445,111	1,273,194	1,053,692	1,436,610
Pension Related	2,120,886	1,204,122	1,455,169	2,760,767
Other Post-Employment Benefits Contributions Subsequent to Measurement Date	718,124	392,500	637,422	617,000
Total Deferred Outflows of Resources	<u>5,816,147</u>	<u>4,524,130</u>	<u>4,922,884</u>	<u>5,531,177</u>
Liabilities:				
Current Liabilities	10,480,978	14,020,195	11,465,539	8,026,333
Noncurrent Liabilities	155,430,665	101,422,108	79,153,539	53,272,612
Total Liabilities	<u>165,911,643</u>	<u>115,442,303</u>	<u>90,619,078</u>	<u>61,298,945</u>
Deferred Inflows of Resources:				
Deferred Refunding Charges	-	-	-	-
Pension Related	1,630,002	689,762	609,782	1,368,335
Other Post-Employment Benefits Related	639,292	736,322	180,776	171,432
Total Deferred Inflows of Resources	<u>2,269,294</u>	<u>1,426,084</u>	<u>790,558</u>	<u>1,539,767</u>
Net Position:				
Net Investment in Capital Assets	127,940,920	127,589,910	134,820,840	121,807,991
Restricted for Debt Service/Covenants	2,096,140	1,516,254	563,373	457
Unrestricted	47,113,607	43,648,035	35,218,954	48,614,699
Total Net Position	<u>\$ 177,150,667</u>	<u>\$ 172,754,199</u>	<u>\$ 170,603,167</u>	<u>\$ 170,423,147</u>

(Continued)

NOTES:

N/A - information not available.

Source: District Audited Financial Statements

**SOUTH COAST WATER DISTRICT
NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS**

Fiscal Year						
2017	2016	2015	2014	2013	2012	
\$ 50,040,724	\$ 63,046,515	\$ 67,720,317	\$ 66,760,139	\$ 63,144,117	\$ 61,655,469	
-	-	-	-	-	-	
155,831,742	144,780,028	142,637,218	138,716,648	134,750,686	134,010,305	
8,630,100	8,822,497	8,489,128	8,009,295	9,114,558	9,443,359	
<u>214,502,566</u>	<u>216,649,040</u>	<u>218,846,663</u>	<u>213,486,082</u>	<u>207,009,361</u>	<u>205,109,133</u>	
784,529	-	-	-	-	-	
6,075,499	934,063	937,929	-	-	-	
1,675,168	86,953	41,748	-	-	-	
-	-	-	-	-	-	
<u>8,535,196</u>	<u>1,021,016</u>	<u>979,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	
7,811,739	6,214,723	7,421,520	6,483,160	4,982,384	5,358,504	
44,726,428	42,029,933	43,496,920	37,949,615	39,738,249	41,445,270	
<u>52,538,167</u>	<u>48,244,656</u>	<u>50,918,440</u>	<u>44,432,775</u>	<u>44,720,633</u>	<u>46,803,774</u>	
-	508,116	536,748	573,331	609,913	632,839	
1,355,999	2,078,899	2,755,478	-	-	-	
-	-	-	-	-	-	
<u>1,355,999</u>	<u>2,587,015</u>	<u>3,292,226</u>	<u>573,331</u>	<u>609,913</u>	<u>632,839</u>	
122,393,683	109,822,913	107,007,231	101,766,953	101,642,108	103,930,761	
573,681	784,475	770,667	777,667	7,589,319	12,309,367	
46,176,232	56,230,997	57,537,776	66,710,674	52,447,388	53,741,759	
<u>\$ 169,143,596</u>	<u>\$ 166,838,385</u>	<u>\$ 165,315,674</u>	<u>\$ 169,255,294</u>	<u>\$ 161,678,815</u>	<u>\$ 169,981,887</u>	

**SOUTH COAST WATER DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

Changes in Net Position:	Fiscal Year			
	2021	2020	2019	2018
Operating Revenues				
Water Sales	\$ 19,527,900	\$ 18,482,268	\$ 17,518,158	\$ 16,415,394
Sewer Service Charges	15,465,736	15,202,153	14,702,662	13,839,953
Recycled Water	2,179,970	1,855,007	1,770,840	1,907,580
Recreation Facilities	257,294	244,999	294,177	291,564
Operating Expenses				
Source of Supply (Purchased Water)	6,878,289	5,549,902	6,085,677	5,804,144
Groundwater Recovery Facility	1,110,828	1,330,142	1,011,303	686,714
Recycled Water	1,313,227	1,015,881	942,374	621,481
Pumping Expense	989,363	1,169,994	1,111,566	1,101,671
Sewer Treatment Plant	4,132,637	4,551,238	5,400,627	4,421,065
Transmission and Distribution	4,520,965	5,431,867	4,854,330	4,217,828
Operations Support	2,517,593	2,612,869	2,932,001	2,409,490
Recreation Facilities	321,871	277,255	294,565	365,952
Engineering and Consulting	2,110,391	2,159,615	2,314,667	2,577,966
General and Administrative	10,926,420	10,977,290	8,216,031	7,058,374
Depreciation	6,534,708	6,583,151	6,259,702	6,384,604
Income From Operations	(3,925,392)	(5,874,777)	(5,137,006)	(3,194,798)
Nonoperating Revenues (Expenses)				
Property Taxes-General and Bond Levy	7,154,483	6,774,772	6,558,495	6,332,296
Connection Fees	-	-	-	-
Standby Charges	-	-	-	1,605
Investment Income	65,916	1,556,273	1,412,028	353,704
Other Revenues	1,360,422	969,321	2,044,497	819,595
Rental Income	948,241	774,641	832,059	782,842
Grant Revenue	1,371,927	-	-	-
Interest Expense	(3,509,829)	(2,786,364)	(2,294,818)	(1,337,020)
Gain (Loss) on Disposal of Capital Assets	(246,253)	(196,441)	(2,430,233)	(12,354)
Share of Joint Venture Income (Expenses)	-	(73,606)	(571,241)	(393,387)
Other Expenses	-	(2,042)	(404,292)	(124,755)
Total Nonoperating Revenues (Expenses)	7,144,907	7,016,554	5,146,495	6,422,526
Income Before Capital Contributions	3,219,515	1,141,777	9,489	3,227,728
Capital Contributions	679,463	1,009,255	757,263	745,969
Change in Net Position	\$ 3,898,978	\$ 2,151,032	\$ 766,752	\$ 3,973,697

(Continued)

Source: District Audited Financial Statements

**SOUTH COAST WATER DISTRICT
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS**

		Fiscal Year									
		2017	2016	2015	2014	2013	2012				
\$	14,133,228	\$	14,105,212	\$	16,236,389	\$	17,439,450	\$	16,449,127	\$	15,358,678
	12,421,268		12,070,688		12,812,048		12,210,786		11,836,935		11,613,650
	1,640,610		1,358,360		1,439,432		1,411,162		1,168,678		987,297
	215,069		208,811		251,604		261,269		193,791		207,224
	5,616,206		5,579,348		5,934,856		6,172,350		5,446,549		5,126,492
	570,996		437,110		531,460		565,177		480,325		453,641
	1,082,906		1,024,908		1,101,808		716,697		624,700		557,969
	1,043,175		956,397		1,124,003		1,067,834		1,184,480		1,020,494
	3,169,418		2,592,137		2,084,904		2,125,949		2,349,903		2,282,163
	4,727,882		4,249,310		4,561,273		3,861,885		3,963,150		3,763,766
	-		-		-		-		-		-
	453,661		316,364		317,364		256,403		289,591		267,048
	1,515,371		-		-		-		-		-
	9,109,631		8,523,132		8,191,511		9,083,167		8,995,989		8,491,943
	6,639,471		7,367,975		7,315,469		7,077,400		7,443,391		6,961,724
	<u>(5,518,542)</u>		<u>(3,303,610)</u>		<u>(423,175)</u>		<u>395,805</u>		<u>(1,129,547)</u>		<u>(758,391)</u>
	6,021,573		6,128,107		5,626,192		5,376,662		5,328,828		5,048,357
	-		-		-		521,160		138,450		113,697
	10,601		8,976		8,904		9,141		11,456		7,942
	358,885		290,475		194,283		115,022		140,586		140,810
	572,107		624,843		795,491		516,430		584,798		603,055
	788,711		785,393		759,253		638,688		595,759		699,450
	-		-		204,593		-		-		-
	(825,110)		(900,665)		(604,012)		(831,515)		(1,097,746)		(1,339,602)
	(57,550)		26,438		77,542		34,869		13,492		5,634
	(282,950)		183,361		(233,290)		(153,024)		(538,699)		(81,570)
	<u>(121,012)</u>		<u>(3,188,858)</u>		<u>(98,819)</u>		<u>(365,817)</u>		<u>(108,731)</u>		<u>(649,530)</u>
	6,465,255		3,958,070		6,730,137		5,861,616		5,068,193		4,548,243
	946,713		654,460		6,306,962		6,257,421		3,938,646		3,789,852
	1,358,498		868,251		340,665		1,319,058		67,649		588,785
\$	<u>2,305,211</u>	\$	<u>1,522,711</u>	\$	<u>6,647,627</u>	\$	<u>7,576,479</u>	\$	<u>4,006,295</u>	\$	<u>4,378,637</u>

**SOUTH COAST WATER DISTRICT
WATER SOLD BY TYPE OF CUSTOMER (IN ACRE FEET)
LAST TEN FISCAL YEARS**

Customer Type	Fiscal Year				
	2021	2020	2019	2018	2017
Single Family Residential	3,024	2,734	2,679	2,798	2,504
Multi-Family Residential	1,008	957	952	971	960
Commercial/Industrial	746	814	902	928	914
Irrigation/Other	1,623	1,329	1,332	1,640	1,385
Total	6,401	5,834	5,865	6,337	5,763

(Continued)

Source: District Billing System

**SOUTH COAST WATER DISTRICT
WATER SOLD BY TYPE OF CUSTOMER (IN ACRE FEET) (CONTINUED)
LAST TEN FISCAL YEARS**

Fiscal Year				
2016	2015	2014	2013	2012
2,350	3,103	3,185	3,095	3,066
961	1,137	1,153	1,164	1,173
917	1,115	1,089	1,054	1,037
1,402	1,953	1,980	1,753	1,582
5,630	7,308	7,407	7,066	6,858

**SOUTH COAST WATER DISTRICT
WATER RATES
LAST TEN FISCAL YEARS**

Description	Fiscal Year				
	2021	2020	2019	2018	2017
Potable Water:					
Single Family Residence (Variable)					
Tier 1	\$ 3.19	\$ 3.10	\$ 2.93	\$ 2.74	\$ 2.54
Tier 2	3.37	3.28	3.09	2.89	2.68
Tier 3	3.56	3.46	3.27	3.05	2.83
Tier 4	-	-	-	-	-
Tier 5	-	-	-	-	-
Multi-Family (Variable)	3.22	3.13	2.95	2.76	2.56
Commercial (Variable)	3.46	3.36	3.17	2.96	2.75
Irrigation (Variable)					
Tier 1	3.59	3.49	3.29	3.08	2.85
Tier 2	-	-	-	-	-
Tier 3	-	-	-	-	-
Fixed Charges ²					
3/4"	324.10	314.85	297.25	278.05	257.70
1"	540.20	524.75	495.40	463.40	429.50
1 1/2"	1,080.35	1,049.45	990.80	926.80	859.00
2"	1,728.55	1,679.10	1,585.25	1,482.85	1,374.35
3"	3,781.15	3,673.00	3,467.70	3,243.70	3,006.40
4"	6,806.05	6,611.35	6,241.85	5,838.65	5,411.50
6"	14,044.15	13,642.50	12,880.00	12,048.00	11,166.55
Peak Demand Charges (Fixed) ^{2/3}	23.10	22.45	21.15	19.80	18.35
Recycled Water:					
Variable Charges	4.55	4.51	4.35	4.16	3.94
Fixed Charges ²					
3/4"	324.10	314.85	297.25	278.05	257.70
1"	540.20	524.75	495.40	463.40	429.50
1 1/2"	1,080.35	1,049.45	990.80	926.80	859.00
2"	1,728.55	1,679.10	1,585.25	1,482.85	1,374.35
3"	3,781.15	3,673.00	3,467.70	3,243.70	3,006.40
4"	6,806.05	6,611.35	6,241.85	5,838.65	5,411.50
6"	14,044.15	13,642.50	12,880.00	12,048.00	11,166.55

(Continued)

NOTES:

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

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

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

Source: District records

**SOUTH COAST WATER DISTRICT
WATER RATES (CONTINUED)
LAST TEN FISCAL YEARS**

		Fiscal Year				
2016¹		2015	2014	2013	2012	
\$	2.25	\$ 2.25	\$ 2.16	\$ 2.01	\$ 1.91	
	4.18	4.18	4.07	3.85	3.71	
	6.27	6.27	6.10	5.77	5.56	
	8.36	8.36	8.13	7.69	7.42	
	10.45	10.45	10.16	9.61	9.27	
	4.13	4.13	4.02	3.72	3.58	
	4.13	4.13	4.02	3.72	3.58	
	4.18	4.18	4.07	3.85	3.71	
	6.27	6.27	6.10	5.77	5.56	
	8.36	8.36	8.13	7.69	7.42	
	294.20	294.20	284.62	284.62	257.65	
	529.56	529.56	512.31	512.31	463.77	
	1,182.69	1,182.69	1,144.17	1,144.17	1,035.75	
	2,100.69	2,100.69	2,032.18	2,032.18	1,839.61	
	4,727.83	4,727.83	4,573.82	4,573.82	4,140.41	
	8,399.48	8,399.48	8,125.87	8,125.87	7,355.87	
	18,896.62	18,896.62	18,281.07	18,281.07	16,548.77	
	-	-	-	-	-	
	3.72	3.72	3.62	3.34	3.58	
	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	

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**SOUTH COAST WATER DISTRICT
TEN LARGEST WATER CUSTOMERS
CURRENT AND NINE YEARS AGO**

FY 2020/2021

	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues</u>	<u>% of Total Revenues</u>
1	Monarch Beach Golf Links	Golf Course	\$ 521,775	2.68%
2	City of Dana Point	Government	398,674	2.05%
3	MMB Management LLC	Residential Properties	383,354	1.97%
4	Niguel Shores Community Association	Homeowners' Association	199,332	1.02%
5	Laguna Beach Golf & Bungalow Village, LLC	Hotel/Golf Course	168,787	0.87%
6	Seascape Homeowners' Association	Homeowners' Association	141,518	0.73%
7	County of Orange	Government	134,045	0.69%
8	Mission Hospital Regional	Hospital	132,432	0.68%
9	Niguel Beach Terrace	Homeowners' Association	128,304	0.66%
10	Laguna Beach Resorts-LLC	Hotel	127,456	0.66%
			<u>\$ 2,335,677</u>	<u>12.00%</u>

FY 2011/2012 ¹

	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues</u>	<u>% of Total Revenues</u>
1	Monarch Beach Golf Links	Golf Course	\$ 316,506	1.94%
2	City of Dana Point	Government	290,804	1.78%
3	County of Orange	Government	250,847	1.53%
4	Monarch Beach Resort and Spa	Hotel	209,501	1.28%
5	Ritz Carlton	Hotel	190,566	1.17%
7	Headlands Reserve-LLC	Real Estate	181,072	1.11%
6	Laguna Beach Resorts-LLC	Hotel	174,850	1.07%
8	Niguel Shores Community Association	Homeowners' Association	157,980	0.97%
9	Seascape Homeowners' Association	Homeowners' Association	135,265	0.83%
10	Niguel Beach Terrace	Homeowners' Association	122,912	0.75%
			<u>\$ 2,030,303</u>	<u>12.42%</u>

¹ Does not include assessments received through property taxes.

Source: District Billing System

**SOUTH COAST WATER DISTRICT
SEWER RATES
LAST TEN FISCAL YEARS**

Description	Fiscal Year				
	2021	2020	2019	2018	2017
Single Family Residence ¹					
Fixed	\$ -	\$ -	\$ -	\$ -	\$ -
Variable Block Rate (Fixed) ²					
Tier 1 - 0-5 CCF	696.00	676.00	638.00	597.00	554.00
Tier 2 - 6-10 CCF	758.00	736.00	695.00	650.00	603.00
Tier 3 - 11+ CCF	868.00	843.00	796.00	744.00	690.00
Variable	-	-	-	-	-
Multi-Family					
Variable	1.30	1.26	1.19	1.11	1.03
Fixed	453.25	440.00	415.25	388.25	360.00
Duplex	-	-	-	-	-
Triplex	-	-	-	-	-
Fourplex	-	-	-	-	-
Multi-Plex	-	-	-	-	-
Commercial					
Variable					
Low Strength	8.59	8.34	7.87	7.36	6.83
Medium Strength	9.74	9.46	8.93	8.35	7.74
High Strength	12.58	12.22	11.53	10.78	9.99
Various Business Types	-	-	-	-	-
Fixed	-	-	-	-	-

(Continued)

NOTES:

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

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

Source: District records

**SOUTH COAST WATER DISTRICT
SEWER RATES (CONTINUED)
LAST TEN FISCAL YEARS**

		Fiscal Year							
		2016	2015	2014	2013	2012			
\$	446.46	\$	446.46	\$	418.44	\$	453.37	\$	443.13
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	1.20		1.20		1.20		0.97		0.91
	1.20		1.20		1.20		0.97		0.91
	-		-		-		-		-
	296.53		296.53		277.69		265.45		259.46
	309.89		309.89		290.21		266.90		260.87
	314.19		314.19		294.23		257.35		251.54
	231.91		231.91		217.18		197.02		192.57
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
6.54 to 8.31	446.46	6.54 to 8.31	446.46	6.05 to 8.38	418.44	5.61 to 7.54	453.37	5.43 to 7.37	443.13

**SOUTH COAST WATER DISTRICT
TEN LARGEST SEWER CUSTOMERS
CURRENT AND NINE YEARS AGO**

FY 2020/2021

	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues</u>	<u>% of Total Revenues</u>
1	Monarch Beach Resort and Spa	Hotel	\$ 260,062	1.71%
2	MMB Management LLC	Residential Properties	227,284	1.50%
3	Ritz Carlton	Hotel	191,360	1.26%
4	Laguna Beach Resorts-LLC	Hotel	175,574	1.15%
5	The Marina at Dana Point	Commercial/Harbor	168,723	1.11%
6	Capistrano Unified School District	Government	130,169	0.86%
7	St Joseph Health Mission Hospital	Hospital	121,639	0.80%
8	Beachwood Mobile Home Park	Mobile Home Park	117,709	0.77%
9	Hometown Laguna Terrace LLC	Homeowners' Association	114,630	0.75%
10	ERGS AIRM Hotel Realty LLC	Hotel	101,052	0.66%
			<u>\$ 1,608,202</u>	<u>10.58%</u>

FY 2011/2012 ¹

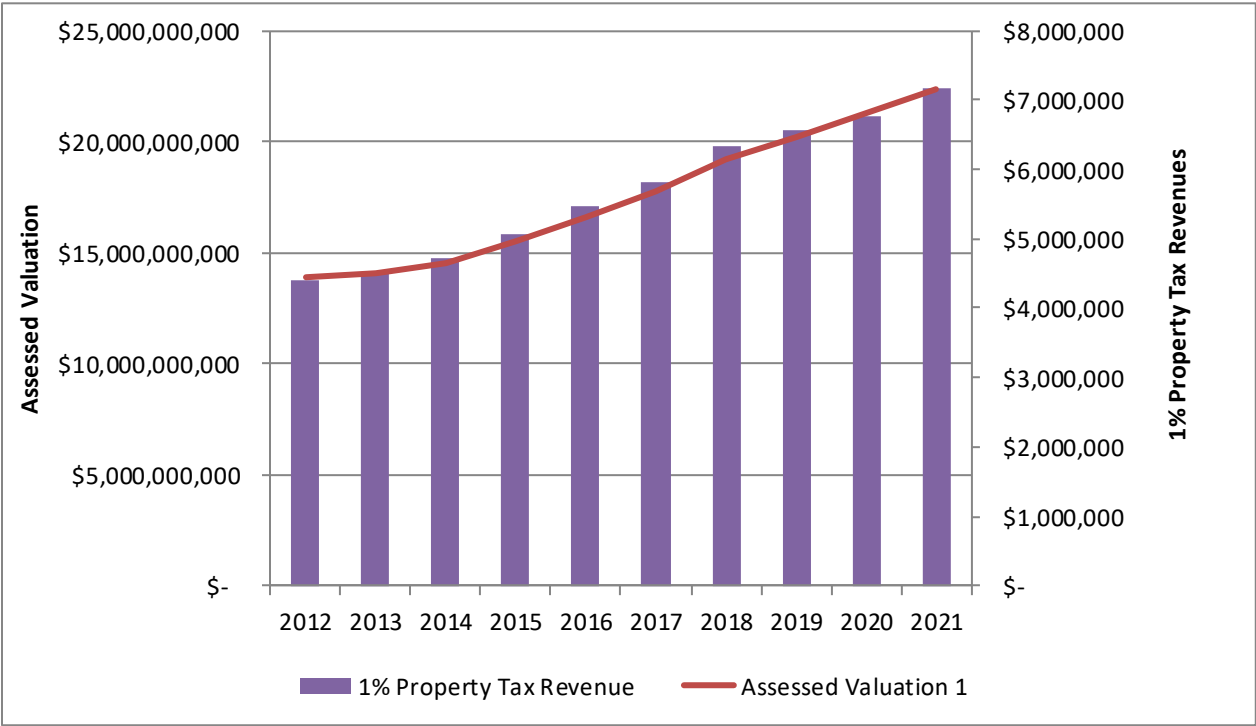
	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues</u>	<u>% of Total Revenues</u>
1	Monarch Beach Resort and Spa	Hotel	\$ 275,651	2.37%
2	Ritz Carlton	Hotel	210,927	1.82%
3	St Joseph Health Mission Hospital	Hospital	176,142	1.52%
4	Laguna Beach Resorts-LLC	Hotel	201,366	1.73%
5	Capo Unified School District	Government	84,158	0.72%
6	Laguna Cliffs Resort	Hotel	132,417	1.14%
7	Beachwood Mobile Home Park	Homeowners' Association	76,096	0.66%
8	County of Orange	Homeowners' Association	70,844	0.61%
9	Vintage Marina Partners-LP	Homeowners' Association	63,628	0.55%
10	ERGS AIRM Hotel Realty LLC	Hotel	61,090	0.53%
			<u>\$ 1,352,319</u>	<u>11.65%</u>

¹ Does not include assessments received through property taxes.

Source: District Billing System and Finance Department

**SOUTH COAST WATER DISTRICT
 ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE
 OF TAXABLE PROPERTY AND 1% PROPERTY TAX REVENUE
 LAST TEN FISCAL YEARS**

Fiscal Year	Assessed Valuation ¹	1% Property Tax Revenue
2012	\$ 13,874,423,076	\$ 4,409,265
2013	14,053,005,762	4,527,397
2014	14,539,050,008	4,724,730
2015	15,532,963,472	5,059,693
2016	16,621,482,278	5,465,332
2017	17,759,225,858	5,826,837
2018	19,187,754,184	6,328,065
2019	20,220,387,463	6,561,125
2020	21,318,051,681	6,774,773
2021	22,363,169,559	7,154,484



NOTES:

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

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

**SOUTH COAST WATER DISTRICT
TYPICAL TAX RATES PER \$100 ASSESSED VALUE
FISCAL YEAR ENDED JUNE 30, 2021**

Tax Rate Area 5-031	Rate
General Tax Rate	1.00000
Laguna Beach Unified School District	0.01012
Metropolitan Water District	0.00350
Total Tax Rate	1.01362

Tax Rate Area 28-114	Rate
General Tax Rate	1.00000
Capistrano Unified School District SFID No. 1	0.00756
Metropolitan Water District	0.00350
	1.01106

NOTES:

The District includes 76 Tax Rate Areas. Tax Rate Areas 5-031 and 28-114 are among the largest within the District (in terms of assessed valuation) for fiscal year 2020-21. Combined, the two Tax Rate Areas account for 18.2% of the total assessed valuation of the District in fiscal year 2020-21.

Source: California Municipal Statistics, Inc.

**SOUTH COAST WATER DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
CURRENT AND NINE YEARS AGO**

FY 2020/2021

Agency/District	Rate
Direct Rate:	
South Coast Water District	\$0.00000
Overlapping Rates:	
Capistrano Unified School District SFID No. 1	\$0.00756
Laguna Beach Unified School District	\$0.01012
Metropolitan Water District	\$0.00350

FY 2011/2012

Agency/District	Rate
Direct Rate:	
South Coast Water District	\$0.00828
Overlapping Rates:	
City of Laguna Beach	\$0.00000
Capistrano Unified School District SFID No. 1	\$0.01101
Laguna Beach Unified School District	\$0.01601
Metropolitan Water District	\$0.00370

Source: California Municipal Statistics, Inc.

**SOUTH COAST WATER DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

FY 2020/2021

	<u>Property Owner Name</u>	<u>Business Type</u>	<u>Assessed Valuation¹</u>	<u>Percent of Total Assessed Value</u>
1	World Award Group LLC	Hotel	\$ 405,581,813	1.85%
2	Dana Point Beach Resort LLC	Hotel	331,461,274	1.51%
3	MMB Management LLC	Residential Properties	271,141,109	1.23%
4	Regency Laguna LP	Hotel	194,869,318	0.89%
5	Villa San Clemente	Outlet Stores	155,466,208	0.71%
6	27 DBV Owner LLC	Planned Residential Development	51,299,568	0.23%
7	Steven P. Martin Trust	Residential	34,857,977	0.16%
8	ERGS AIM Hotel Realty LLC	Hotel	32,354,028	0.15%
9	ST Apartments LLC	Apartments	30,438,625	0.14%
10	Fountains Sea Bluffs Owner NT-HCI LLC	Commercial	29,231,781	0.13%
			<u>\$ 1,536,701,701</u>	<u>7.00%</u>

FY 2011/2012

	<u>Property Owner Name</u>	<u>Business Type</u>	<u>Assessed Valuation¹</u>	<u>Percent of Total Assessed Value</u>
1	MMB Management LLC	Residential Properties	\$ 318,517,148	2.36%
2	SHC Laguna Niguel 1 LLC	Hotel	211,355,736	1.56%
3	WH MBR LLC	Golf Resort	188,822,942	1.40%
4	Regency Laguna LP	Hotel	166,343,802	1.23%
5	Suncal Marblehead LLC	Residential Development	126,466,326	0.94%
6	Headlands Reserve LLC	Commercial	46,408,467	0.34%
7	St. Apartments LLC	Apartments	25,983,604	0.19%
8	Raymond Taccolini	Residential	24,730,101	0.18%
9	Theresa C. Morrison	Commercial	24,613,501	0.18%
10	Villa San Clemente LLC	Commercial	24,150,000	0.18%
			<u>\$ 1,157,391,627</u>	<u>8.56%</u>

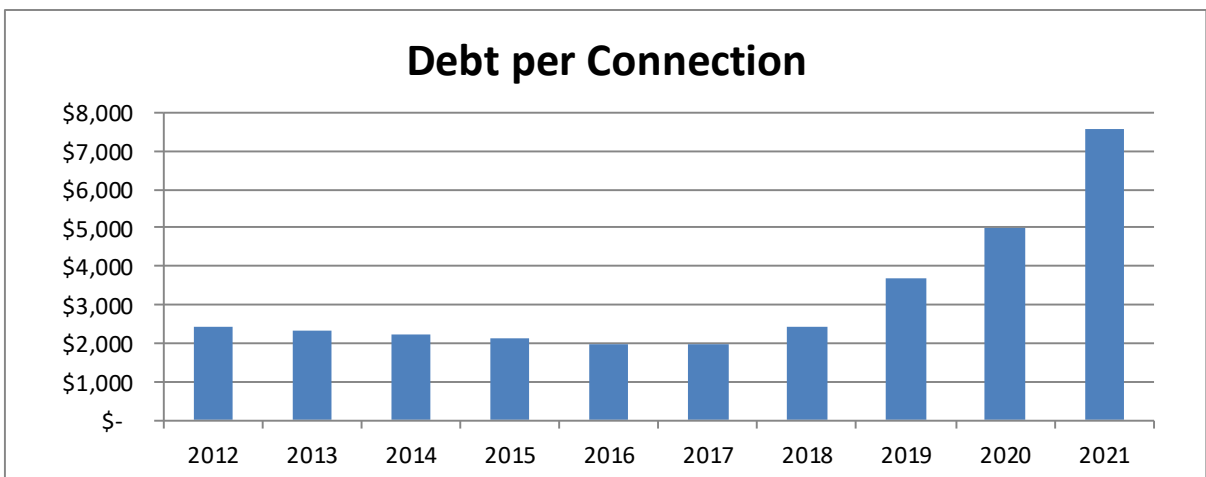
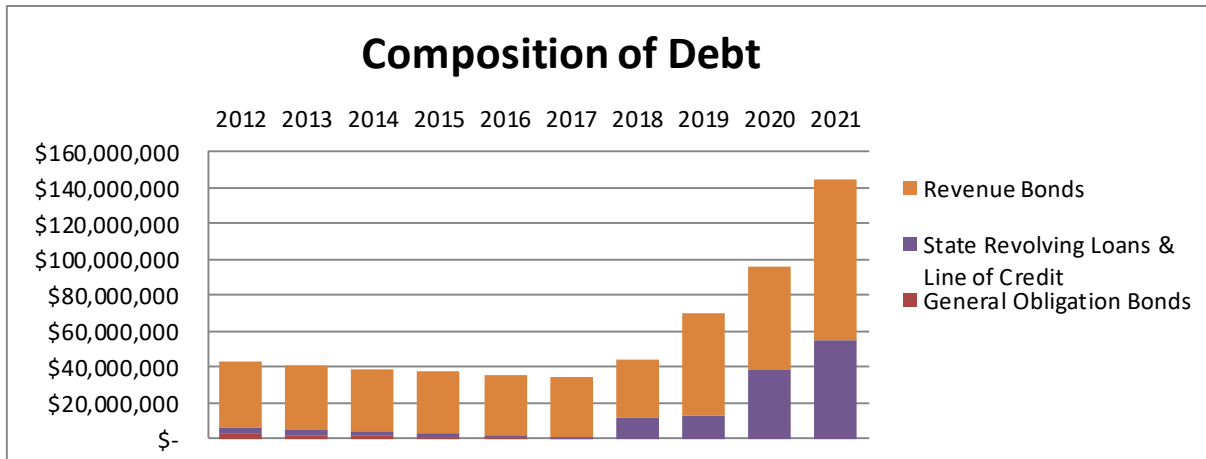
NOTES:

¹ Local secured assessed valuations

Source: California Municipal Statistics, Inc.

**SOUTH COAST WATER DISTRICT
RATIO OF OUTSTANDING DEBT
LAST TEN FISCAL YEARS**

Fiscal Year	State Revolving Loans & Line of Credit	General Obligation Bonds	Revenue Bonds	Totals			
				Total Debt	Per Connection	Per Capita	
2012	\$ 2,829,284	\$ 3,122,118	\$ 36,967,223	\$ 42,918,625	\$ 2,416	\$ 1,154	
2013	2,477,818	2,584,310	35,699,038	40,761,166	2,308	1,118	
2014	2,126,351	2,020,737	34,884,045	39,031,133	2,210	1,092	
2015	1,774,884	1,442,164	34,026,532	37,243,580	2,104	1,064	
2016	1,423,419	843,590	33,133,378	35,400,387	1,970	1,000	
2017	1,071,952	220,000	33,501,237	34,793,189	1,955	971	
2018	11,659,593	-	32,416,070	44,075,663	2,448	1,216	
2019	12,633,761	-	57,910,851	70,544,612	3,701	1,925	
2020	38,927,560	-	56,788,082	95,715,642	5,000	2,583	
2021	55,212,795	-	89,957,135	145,169,930	7,567	4,218	



Sources: District Audited Financial Statements
District billing system
Demographics data

**SOUTH COAST WATER DISTRICT
DIRECT AND OVERLAPPING DEBT
LAST TEN FISCAL YEARS**

2020-2021 Assessed Valuation: \$12,389,358,690

	<u>Total Debt</u> <u>6/30/21</u>	<u>% Applicable</u> <u>(1)</u>	<u>District's</u> <u>Share of Debt</u> <u>6/30/21</u>
<u>Direct and Overlapping Tax and Assessment Debt:</u>			
Metropolitan Water District	\$ 26,830,000	0.380%	\$ 101,954
Capistrano Unified School District School Facilities Improvement District	16,013,396	11.394	1,824,566
Laguna Beach Unified School District	15,920,000	19.782	3,149,294
South Coast Water District	-	100.00	-
Dana Point Community Facilities District No. 2006-1	39,505,000	99.049	39,129,307
City of Laguna Beach 1915 Act Bonds (Estimated)	3,755,000	14.159-100.000	3,394,468
Total Direct and Overlapping Tax and Assessment Debt			\$ 47,599,589
<u>Overlapping General Fund Debt:</u>			
Orange County General Fund Obligations	\$ 381,885,000	1.890%	\$ 7,217,627
Orange County Pension Obligation Bonds	485,318,204	1.890	9,172,514
Orange County Board of Education Certificates of Participation	12,310,000	1.890	232,659
Capistrano Unified School District School District Certificates of	25,160,000	7.922	1,993,175
Moulton-Niguel Water District Certificates of Participation	55,180,000	1.729	954,062
Total Overlapping General Fund Debt			19,570,037
Total Direct Debt			\$ -
Total Overlapping Debt			\$ 67,169,626
Combined Total Debt			\$ 67,169,626

- (1) The percentage of overlapping debt applicable to the District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the District divided by the overlapping district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2020-2021 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.38%
Combined Total Debt	0.54%

Source: California Municipal Statistics, Inc.

**SOUTH COAST WATER DISTRICT
DEBT COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Revenues	Operating & Maint. Costs ¹	Net Revenues	Debt Service			Coverage Ratio
				Principal	Interest	Total	
2012	\$ 34,082,981	\$ 22,613,046	\$ 11,469,935	\$ 1,179,038	\$ 1,669,152	\$ 2,848,190	4.03
2013	35,278,450	23,443,418	11,835,032	1,721,558	1,686,131	3,407,689	3.47
2014	37,872,355	24,368,303	13,504,052	1,757,198	1,679,104	3,436,302	3.93
2015	38,071,049	24,410,343	13,660,706	1,814,718	1,618,378	3,433,096	3.98
2016	35,440,172	26,867,564	8,572,608	1,870,358	1,561,255	3,431,613	2.50
2017	36,150,005	27,496,480	8,653,525	2,094,758	1,310,775	3,405,533	2.54
2018	40,740,301	29,795,181	10,945,120	1,630,398	1,319,362	2,949,760	3.71
2019	45,132,916	35,392,699	9,740,217	1,273,078	2,028,192	3,301,270	2.95
2020	45,859,434	35,348,142	10,511,292	2,720,733	2,852,759	5,573,492	1.89
2021	47,457,452	35,067,837	12,389,615	1,845,000	3,688,635	5,533,635	2.24

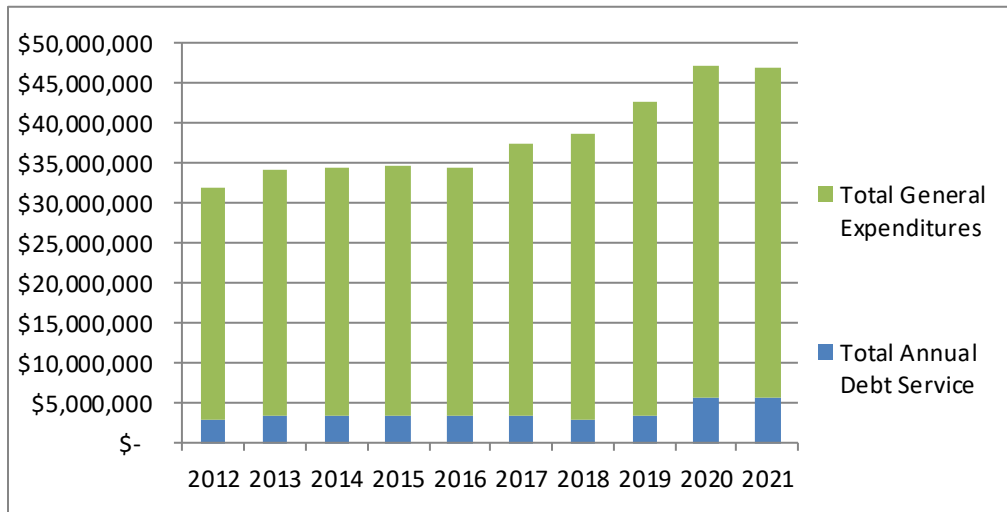
NOTES:

¹ Excludes depreciation and debt service payments

Source: Audited Financial Statements
District Finance Department

**SOUTH COAST WATER DISTRICT
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total Annual Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Total Annual Debt Service to Total General Expenditures</u>
2012	\$ 2,848,190	\$ 28,925,240	9.8%
2013	3,407,688	30,778,078	11.1%
2014	3,436,302	30,926,862	11.1%
2015	3,433,095	31,162,648	11.0%
2016	3,431,613	31,046,681	11.1%
2017	3,405,533	33,928,717	10.0%
2018	2,949,760	35,649,289	8.3%
2019	3,301,270	39,422,843	8.4%
2020	5,573,492	41,659,204	13.4%
2021	5,533,635	41,356,292	13.4%



Source: District Finance Department
District Audited Financial Statements

**SOUTH COAST WATER DISTRICT
DEMOGRAPHICS
LAST TEN FISCAL YEARS**

South Coast Water District

Year	Estimated District Population	City of Dana Point Population¹	City of Dana Point Personal Income (in Millions)¹	Personal Income per Capita¹
2012	37,187	33,054	\$ 1,663	\$ 44,720
2013	36,460	33,398	1,723	47,257
2014	35,732	33,625	1,699	47,548
2015	35,004	33,710	1,649	47,109
2016	35,415	34,264	1,743	49,216
2017	35,828	34,902	1,811	50,547
2018	36,240	34,619	1,841	50,800
2019	36,651	34,359	1,927	52,577
2020	37,062	34,139	2,078	56,068
2021	34,416	33,189 ²		

County of Orange

Year	Population	Unemployment Rate	Personal Income (in Thousands)	Personal Income per Capita
2012	3,055,792	7.9%	\$ 160,637,055	\$ 52,568
2013	3,081,804	8.5%	160,072,905	51,941
2014	3,113,991	6.2%	168,966,068	54,260
2015	3,147,655	5.4%	177,412,900	56,364
2016	3,183,011	4.6%	169,792,810	53,343
2017	3,194,024	3.2%	172,509,495	54,010
2018	3,221,103	3.1%	215,479,000	66,896
2019	3,222,498	3.0%	230,180,000	71,429
2020	3,194,332	8.2%	226,531,000	70,917
2021	3,153,764 ²	4.7%		

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

² California Department of Finance data for January 1, 2021

³ Information not available.

⁴ California Employment Development Department

Sources: District Infrastructure Master Plan Update 2017
 District 2020 Urban Water Management Plan
 City of Dana Point Comprehensive Annual Financial Reports
 County of Orange Comprehensive Annual Financial Reports
 State of California, Employment Development Department
 State of California, Department of Finance

**SOUTH COAST WATER DISTRICT
TEN LARGEST EMPLOYERS
2021 AND NINE YEARS AGO**

Rank	Employer	2021 ¹		2012 ²	
		Employees	% of Total Labor Force	Employees	% of Total Labor Force
1	Capistrano Unified School District	3,841	32.34%	-	0.00%
2	Monarch Beach Resort (Former St. Regis)	800	6.74%	255	2.02%
3	Ritz-Carlton-Laguna Niguel	600	5.05%	970	7.68%
4	Spa at Laguna Cliffs	350	2.95%	-	0.00%
5	Montage Laguna Beach	307	2.58%	-	0.00%
6	Mission Hospital	284	2.39%	-	0.00%
7	Marriott-Laguna Cliffs Resort	250	2.10%	250	1.98%
8	Dana Hills High School	200	1.68%	200	1.58%
9	Harpoon Henry's Seafood Restaurant	150	1.26%	150	1.19%
10	Wind & Sea Restaurant	150	1.26%	125	0.99%
	Total	6,932	58.36%	1,950	15.43%

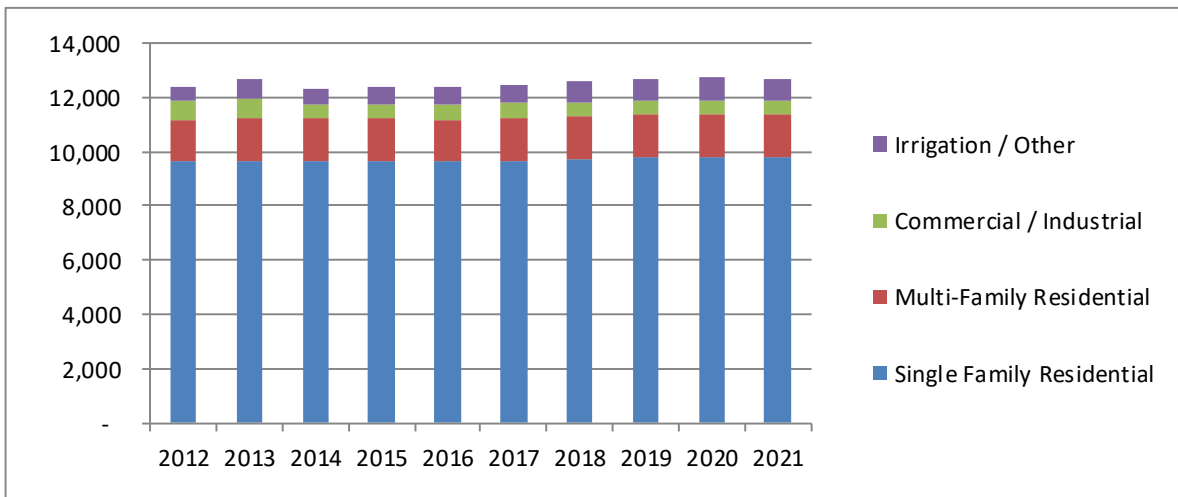
NOTES: ¹ Most current available data is from 2020 Comprehensive Annual Financial Reports of cities noted below. Labor force consists of City of Dana Point employment information.

² Data shown above for 2012 consists of information available for Fiscal Year 2021 top 10 employers only. Data for Montage Laguna Beach and Mission Hospital is not available until 2014. Only included employers reported in 2020 Comprehensive Annual Financial Reports of cities listed below.

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

**SOUTH COAST WATER DISTRICT
NUMBER OF WATER CONNECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Single Family Residential	Multi-Family Residential	Commercial / Industrial	Irrigation / Other	Total Connections
2012	9,663	1,519	682	541	12,405
2013	9,627	1,572	778	716	12,693
2014	9,627	1,579	525	548	12,279
2015	9,636	1,588	526	654	12,404
2016	9,637	1,544	579	651	12,411
2017	9,673	1,584	513	704	12,474
2018	9,712	1,588	513	801	12,614
2019	9,767	1,591	510	822	12,690
2020	9,777	1,593	515	821	12,706
2021	9,793	1,599	514	793	12,699

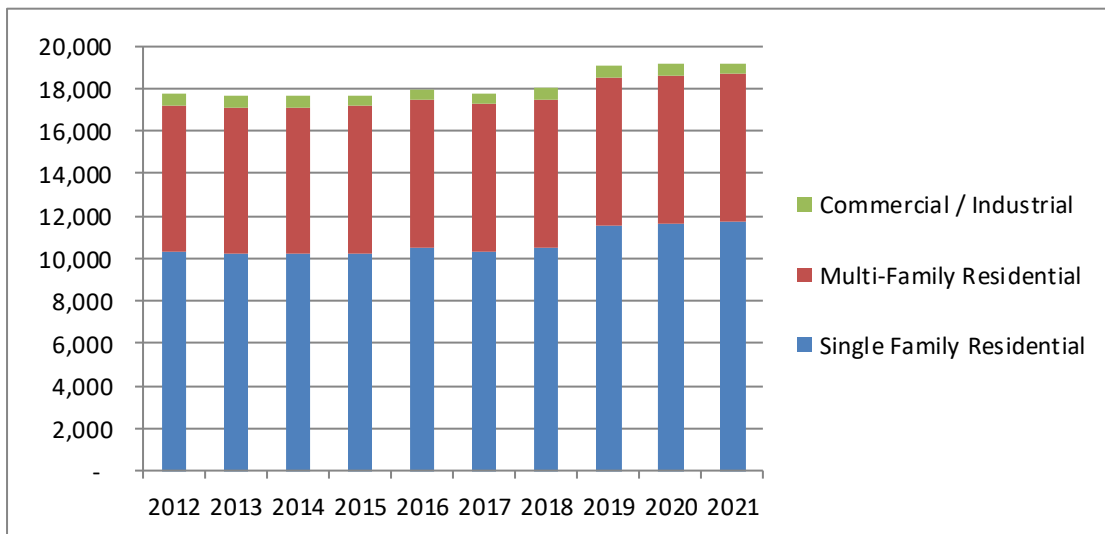


Source: District Billing System

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**SOUTH COAST WATER DISTRICT
NUMBER OF SEWER CONNECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Single Family Residential	Multi-Family Residential	Commercial / Industrial	Total Connections
2012	10,323	6,915	526	17,764
2013	10,205	6,917	536	17,658
2014	10,208	6,917	537	17,662
2015	10,209	6,953	540	17,702
2016	10,500	6,952	514	17,966
2017	10,336	6,951	514	17,801
2018	10,542	6,951	513	18,006
2019	11,591	6,958	510	19,059
2020	11,664	6,964	515	19,143
2021	11,704	6,967	514	19,185



Source: District Billing System

**SOUTH COAST WATER DISTRICT
AVERAGE MONTHLY USAGE (IN CCF)
LAST TEN FISCAL YEARS**

<u>Customer Type</u>	<u>Fiscal Year</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Water:					
Single Family Residential	11	10	10	10	9
Multi-Family Residential	24	22	22	22	22
Commercial/Industrial	48	53	64	66	64
Irrigation/Other	70	59	80	98	99
Total	<u>153</u>	<u>144</u>	<u>176</u>	<u>196</u>	<u>194</u>
Recycled Water:					
Irrigation/Other	178	150	143	177	155
Total	<u>178</u>	<u>150</u>	<u>143</u>	<u>177</u>	<u>155</u>

(Continued)

Source: District Billing System

**SOUTH COAST WATER DISTRICT
 AVERAGE MONTHLY USAGE (IN CCF) (CONTINUED)
 LAST TEN FISCAL YEARS**

Fiscal Year				
2016	2015	2014	2013	2012
12	12	12	12	12
23	26	27	27	28
58	77	75	49	55
111	150	191	169	155
<u>204</u>	<u>265</u>	<u>305</u>	<u>257</u>	<u>250</u>
160	198	184	167	143
<u>160</u>	<u>198</u>	<u>184</u>	<u>167</u>	<u>143</u>

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**SOUTH COAST WATER DISTRICT
SOURCE OF SUPPLY AND WATER DELIVERIES/SALES IN ACRE FEET
LAST TEN FISCAL YEARS**

Source of Supply (in Acre Feet)

Fiscal Year	Imported	Groundwater	Recycled	Total Supply
2012	5,467	933	694	7,094
2013	5,658	907	780	7,345
2014	6,067	764	891	7,722
2015	5,714	178	861	6,753
2016	4,892	-	822	5,715
2017	4,881	272	822	5,975
2018	4,860	727	943	6,530
2019	5,035	235	775	6,045
2020	4,470	847	802	6,119
2021	4,768	876	945	6,589

Water Deliveries/Sales (in Acre Feet)

Fiscal Year	Potable Water	Recycled Water	Total
2012	6,182	694	6,876
2013	6,296	780	7,076
2014	6,543	891	7,434
2015	5,788	861	6,649
2016 ²	4,814	822	5,636
2017	4,947	822	5,769
2018	5,394	943	6,337
2019	5,078	775	5,853
2020	5,063	802	5,865
2021	5,455	945	6,400

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

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

Sources: District records

**SOUTH COAST WATER DISTRICT
CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS**

Description	Fiscal Year				
	2021	2020	2019	2018	2017
Potable System					
Miles of Water Line	159	159	158	158	158
Number of Storage Tanks	13	13	13	13	13
Maximum Storage (MG)	21.9	21.9	21.6	21.6	21.6
Capacity (MG)	50.0	50.0	50.0	50.0	50.0
Number of Pumping Plants	9	9	9	9	9
Number of Wells	1	1	1	1	1
Well Production Capacity (MGD)	0.85	0.85	0.85	0.85	0.85
Potable Treatment Plants	1	1	1	1	1
Non-Potable and Recycled Systems					
Miles of Recycled Line	21	21	17	17	17
Number of Storage Tanks	3	3	3	3	3
Maximum Storage (MG)	3.7	3.7	3.7	3.7	3.7
Capacity (MG)	4.7	4.7	4.7	4.7	4.7
Number of Pumping Plants	3	3	3	3	3
Sewer System					
Miles of Sewer Line	141	141	141	141	141
Number of Lift Stations	13	13	13	13	13

(Continued)

NOTES:

MG - Million Gallons

MGD - Million Gallons per Day

Source: District Records

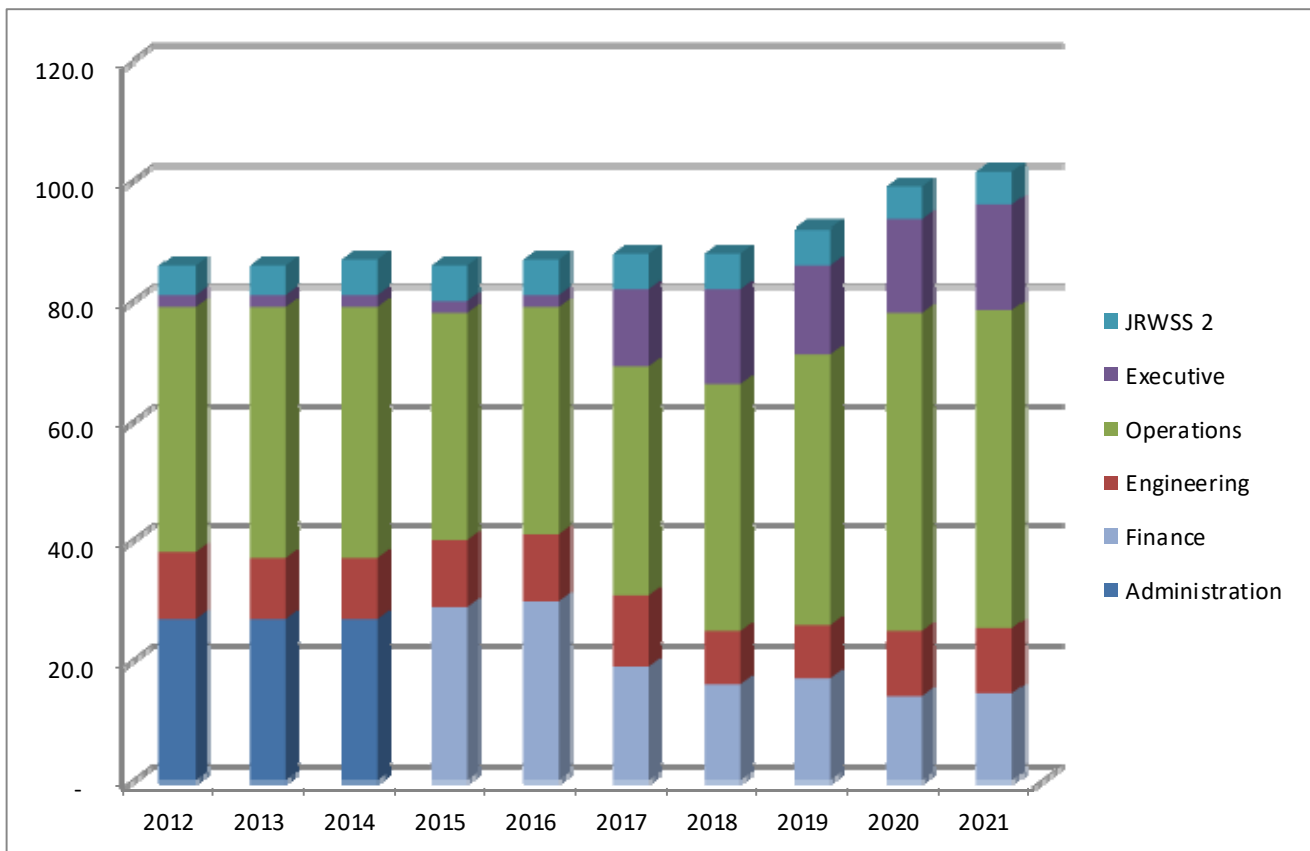
**SOUTH COAST WATER DISTRICT
CAPITAL ASSET STATISTICS (CONTINUED)
LAST TEN FISCAL YEARS**

Fiscal Year				
2016	2015	2014	2013	2012
158	158	158	158	158
13	13	13	13	13
21.6	21.6	21.6	21.6	21.6
50.0	50.0	50.0	50.0	50.0
9	9	9	9	9
1	1	1	1	1
0.85	0.85	0.85	0.85	0.85
1	1	1	1	1
17	16	15	15	15
3	3	3	3	3
3.7	3.7	3.7	3.7	3.7
4.7	4.7	4.7	4.7	4.7
3	3	3	3	3
141	140	140	140	140
13	13	14	14	14

**SOUTH COAST WATER DISTRICT
NUMBER OF EMPLOYEES
LAST TEN FISCAL YEARS**

Full Time Equivalent Employees by Department ¹

Fiscal Year	Department						Total
	Administration	Executive	Finance	Engineering	Operations	JRWSS ²	
2012	27.0	2.0	-	11.0	41.0	5.0	86.0
2013	27.0	2.0	-	10.0	42.0	5.0	86.0
2014	27.0	2.0	-	10.0	42.0	6.0	87.0
2015	-	2.0	29.0	11.0	38.0	6.0	86.0
2016	-	2.0	30.0	11.0	38.0	6.0	87.0
2017	-	13.0	19.0	12.0	38.0	6.0	88.0
2018	-	16.0	16.0	9.0	41.0	6.0	88.0
2019	-	15.0	17.0	9.0	45.0	6.0	92.0
2020	-	15.5	14.0	11.0	53.0	5.5	99.0
2021	-	17.5	14.5	11.0	53.0	5.5	101.5



NOTE:

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

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

Source: District Annual Budgets