

**TRABUCO CANYON WATER DISTRICT  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
For the Fiscal Year Ended  
June 30, 2021  
(With Comparative Amounts as of June 30, 2020)**

**NIGRO  
& NIGRO<sup>PC</sup>**

**TRABUCO CANYON WATER DISTRICT**  
*For the Fiscal Year Ended June 30, 2021*  
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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Trabuco Canyon Water District  
Trabuco Canyon, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Trabuco Canyon Water District (District), which comprise the balance sheet as of June 30, 2021, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of the District's Contributions to the Defined Benefit Pension Plan, Schedule of Changes in the District's Net OPEB Liability and Related Ratios, and Schedule of Contributions – Other Post-Employment Benefits (OPEB) Plan 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.

### *Supplementary 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 as a whole. The Balance Sheets – Combined – Internal Funds and Statements of Revenues, Expenses and Changes in Net Position – Combined – Internal Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Prior-Year Comparative Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued a separate report dated November 15, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Murrieta, California  
November 15, 2021

**TRABUCO CANYON WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2021 and 2020*

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Management's Discussion and Analysis (MD&A) offers readers of Trabuco Canyon Water District's financial statements a narrative overview of the District's financial activities for the year ended June 30, 2021. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- In fiscal year 2021, the District's net position decreased 4.42%, or \$2,328,746 from the prior year's net position of \$52,640,821 to \$50,312,075, as a result of the year's operations.
- In fiscal year 2021, operating revenues increased by 8.88%, or \$727,945 from \$8,201,075 to \$8,929,020, from the prior year, primarily due to increases in water consumption sales as well as increases in other water, sewer, reclaimed and recycled service charges.
- In fiscal year 2021, operating expenses before depreciation expense increased by 8.71% or \$938,319 from \$10,772,034 to \$11,710,353, from the prior year, primarily due to increases in costs for source of supply, transmission and distribution, and general and administrative expenses.

**REQUIRED FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The Balance Sheet, 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 similar to those used by private sector companies.

The Balance Sheet includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used 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. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**TRABUCO CANYON WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2021 and 2020*

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**FINANCIAL ANALYSIS OF THE DISTRICT**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's 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 the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

**Condensed Balance Sheets**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 3,623,479	\$ 10,188,899	\$ (6,565,420)
Non-current assets	5,104,320	3,254,760	1,849,560
Capital assets, net	<u>50,053,318</u>	<u>47,295,351</u>	<u>2,757,967</u>
<b>Total assets</b>	<u>58,781,117</u>	<u>60,739,010</u>	<u>(1,957,893)</u>
<b>Deferred outflows of resources</b>	<u>1,486,262</u>	<u>1,277,369</u>	<u>208,893</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 60,267,379</u>	<u>\$ 62,016,379</u>	<u>\$ (1,749,000)</u>
<b>Liabilities:</b>			
Current liabilities	\$ 3,727,201	\$ 3,066,128	\$ 661,073
Non-current liabilities	5,975,665	6,060,462	(84,797)
<b>Total liabilities</b>	<u>9,702,866</u>	<u>9,126,590</u>	<u>576,276</u>
<b>Deferred inflows of resources</b>	<u>252,438</u>	<u>248,968</u>	<u>3,470</u>
<b>Net position:</b>			
Net investment in capital assets	47,913,266	44,976,850	2,936,416
Restricted	5,104,320	3,254,760	1,849,560
Unrestricted	<u>(2,705,511)</u>	<u>4,409,211</u>	<u>(7,114,722)</u>
<b>Total net position</b>	<u>50,312,075</u>	<u>52,640,821</u>	<u>(2,328,746)</u>
<b>Total liabilities, deferred outflows of resources and net position</b>	<u>\$ 60,267,379</u>	<u>\$ 62,016,379</u>	<u>\$ (1,749,000)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$50,312,075 as of June 30, 2021.

**TRABUCO CANYON WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2021 and 2020*

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**FINANCIAL ANALYSIS OF THE DISTRICT (continued)**

**Condensed Balance Sheets (continued)**

By far the largest portion of the District's net position (95% as of June 30, 2021) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of year 2021, the District showed a negative (deficit) balance in its unrestricted net position of (\$2,705,511) which is due to the estimated \$2,522,581 amount for the net pension and net OPEB liabilities and their related deferred outflows/inflows.

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Operating revenues	\$ 8,929,020	\$ 8,201,075	\$ 727,945
Operating expenses	<u>(11,710,353)</u>	<u>(10,772,034)</u>	<u>(938,319)</u>
<b>Operating income before depreciation</b>	(2,781,333)	(2,570,959)	(210,374)
Depreciation expense	<u>(3,689,570)</u>	<u>(3,428,661)</u>	<u>(260,909)</u>
<b>Operating income</b>	(6,470,903)	(5,999,620)	(471,283)
Non-operating revenues(expenses), net	<u>2,141,801</u>	<u>6,580,323</u>	<u>(4,438,522)</u>
Capital contributions	<u>2,000,356</u>	<u>2,233,563</u>	<u>(233,207)</u>
<b>Change in net position</b>	(2,328,746)	2,814,266	(4,909,805)
Net position:			
<b>Beginning of year</b>	<u>52,640,821</u>	<u>49,826,555</u>	<u>2,814,266</u>
<b>End of year</b>	<u>\$ 50,312,075</u>	<u>\$ 52,640,821</u>	<u>\$ (2,095,539)</u>

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, net position decreased 4.42%, or \$2,328,746 from the prior year's net position of \$52,640,821 to \$50,312,075, as a result of the year's operations..



**TRABUCO CANYON WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2021 and 2020*

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**FINANCIAL ANALYSIS OF THE DISTRICT (continued)**

**Total Revenues**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<b>Increase (Decrease)</b>
<b>Operating revenues:</b>			
Water consumption sales	\$ 3,758,473	\$ 3,165,259	\$ 593,214
Water service charges	1,059,237	1,033,023	26,214
Sewer service charges	1,955,995	1,918,114	37,881
Reclaimed water sales	613,962	541,972	71,990
Recycled water sales	245,799	181,116	64,683
Wholesale water sales - BTP	1,278,778	1,210,433	68,345
Other operating revenues	16,776	151,158	(134,382)
<b>Total operating revenues</b>	<u>8,929,020</u>	<u>8,201,075</u>	<u>727,945</u>
<b>Non-operating revenues:</b>			
Property taxes	2,048,224	1,936,412	111,812
Investment earnings	26,763	119,066	(92,303)
Rental and contract revenue	24,836	24,112	724
Capacity assignment revenue	-	4,526,000	(4,526,000)
Other non-operating revenues	106,338	48,064	58,274
<b>Total non-operating revenues</b>	<u>2,206,161</u>	<u>6,653,654</u>	<u>(4,447,493)</u>
<b>Total revenues</b>	<u>\$ 11,135,181</u>	<u>\$ 14,854,729</u>	<u>\$ (3,719,548)</u>

In fiscal year 2021, operating revenues increased by 8.88%, or \$727,945 from \$8,201,075 to \$8,929,020, from the prior year, primarily due to increases in water consumption sales as well as increases in other water, sewer, reclaimed and recycled service charges.

**TRABUCO CANYON WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2021 and 2020*

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**FINANCIAL ANALYSIS OF THE DISTRICT (continued)**

**Total Expenses**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
<b>Operating expenses:</b>			
Source of supply	\$ 3,631,094	\$ 3,150,263	\$ 480,831
Pumping and power	295,308	252,227	43,081
Water treatment	346,674	303,281	43,393
Transmission and distribution	278,777	149,577	129,200
Sewer operations	760,445	770,329	(9,884)
Reclaimed operations	162,089	110,299	51,790
Recycled operations	164,044	129,746	34,298
General and administrative	6,071,922	5,906,312	165,610
<b>Total operating expenses</b>	<u>11,710,353</u>	<u>10,772,034</u>	<u>938,319</u>
Depreciation expense	<u>3,689,570</u>	<u>3,428,661</u>	<u>260,909</u>
<b>Non-operating expenses:</b>			
Interest expense	51,932	60,635	(8,703)
Debt administration expense	-	850	(850)
Property tax administration expense	12,428	11,846	582
<b>Total non-operating expenses</b>	<u>64,360</u>	<u>73,331</u>	<u>(8,971)</u>
<b>Total expenses</b>	<u>\$ 15,464,283</u>	<u>\$ 14,274,026</u>	<u>\$ 1,190,257</u>

In fiscal year 2021, operating expenses before depreciation expense increased by 8.71% or \$938,319 from \$10,772,034 to \$11,710,353, from the prior year, primarily due to increases in costs for source of supply, transmission and distribution, and general and administrative expenses.

**Capital Assets**

	<u>Balance June 30, 2021</u>	<u>Balance June 30, 2020</u>
<b>Capital assets:</b>		
Non-depreciable assets	\$ 2,407,104	\$ 5,335,924
Depreciable assets	121,073,132	113,393,596
Accumulated depreciation	<u>(73,426,918)</u>	<u>(71,434,167)</u>
<b>Total capital assets, net</b>	<u>\$ 50,053,318</u>	<u>\$ 47,295,353</u>

At the end of year 2021, the District's investment in capital assets amounted to \$50,053,318 (net of accumulated depreciation), respectively. Capital asset additions amounted to \$6,494,376 for various projects and equipment. See Note 4 for further information.

**TRABUCO CANYON WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2021 and 2020*

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**FINANCIAL ANALYSIS OF THE DISTRICT (continued)**

**Debt Administration**

The long-term debt of the District is summarized below:

<b>Long-term debt:</b>	<b>Balance</b>	<b>Balance</b>
	<b>June 30, 2021</b>	<b>June 30, 2020</b>
Loans payable	<u>\$ 2,140,052</u>	<u>\$ 2,318,501</u>

Long-term debt decreased by a total of \$178,449 for the year ended June 30, 2021. See Note 6 for further information.

**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.

**CONDITIONS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION**

The District's Board of Directors and management considered many factors when setting the fiscal year 2022, user fees, and charges. A projection is made on the acre feet of water that will be purchased and sold. The District also looks at the increased cost of the source of supply. Since the District heavily relies on imported water, the costs are directly passed through by Metropolitan Water District. Some are fixed costs that do not vary depending upon the amount of water sold. Other expenses are budgeted individually to account for increases in such things as vehicle expenses and insurance coverages. The District's customer base has not changed significantly; therefore, revenue and costs are more easily projected. Questions concerning the information about the economic analysis, revenue and expense assumptions, and other budgetary process parameters utilized in the annual budget preparation can be obtained from the District's Finance Officer.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager, at 32003 Dove Canyon Drive, Trabuco Canyon, California 92679, (949) 858-0277.

# TRABUCO CANYON WATER DISTRICT

## Balance Sheets

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2021</u>	<u>2020</u>
<b>Current assets:</b>		
Cash and cash equivalents (Note 2)	\$ 2,055,746	\$ 760,643
Accrued interest receivable	2,069	25
Accounts receivable, net (Note 4)	1,101,812	1,042,924
Accounts receivable - due from other governments	140,598	2,669,579
Other receivables	246,451	5,618,586
Prepaid expenses	76,803	97,142
<b>Total current assets</b>	<u>3,623,479</u>	<u>10,188,899</u>
<b>Non-current assets:</b>		
Restricted – cash and cash equivalents (Note 2 and 3)	5,100,793	3,240,419
Restricted - accrued interest receivable (Note 3)	3,527	14,341
Capital assets – not being depreciated (Note 5)	2,407,104	5,335,924
Capital assets – being depreciated, net (Note 5)	47,646,214	41,959,427
<b>Total non-current assets</b>	<u>55,157,638</u>	<u>50,550,111</u>
<b>Total assets</b>	<u>58,781,117</u>	<u>60,739,010</u>
<b>Deferred outflows of resources:</b>		
Deferred amounts related to net OPEB obligation (Note 8)	418,881	416,920
Deferred amounts related to net pension liability (Note 9)	1,067,381	860,449
<b>Total deferred outflows of resources</b>	<u>1,486,262</u>	<u>1,277,369</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 60,267,379</u>	<u>\$ 62,016,379</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u></b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 3,341,665	\$ 2,618,513
Deposits and unearned revenues	203,261	280,050
Long-term liabilities – due within one year:		
Compensated absences (Note 6)	91,520	78,817
Loan payable (Note 7)	90,755	88,748
<b>Total current liabilities</b>	<u>3,727,201</u>	<u>3,066,128</u>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 6)	169,963	146,374
Loan payable (Note 7)	2,049,297	2,229,753
Net OPEB obligation (Note 7)	356,590	533,588
Net pension liability (Note 8)	3,399,815	3,150,747
<b>Total non-current liabilities</b>	<u>5,975,665</u>	<u>6,060,462</u>
<b>Total liabilities</b>	<u>9,702,866</u>	<u>9,126,590</u>
<b>Deferred inflows of resources:</b>		
Deferred amounts related to net OPEB obligation (Note 8)	185,600	97,855
Deferred amounts related to net pension liability (Note 9)	66,838	151,113
<b>Total deferred inflows of resources</b>	<u>252,438</u>	<u>248,968</u>
<b>Net position:</b>		
Net investment in capital assets (Note 10)	47,913,266	44,976,850
Restricted (Note 3)	5,104,320	3,254,760
Unrestricted	(2,705,511)	4,409,211
<b>Total net position</b>	<u>50,312,075</u>	<u>52,640,821</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 60,267,379</u>	<u>\$ 62,016,379</u>

The notes to financial statements are an integral part of this statement.

**TRABUCO CANYON WATER DISTRICT***Statements of Revenues, Expenses and Changes in Net Position**For the Fiscal Year Ended June 30, 2021 (With Comparative Amounts as of June 30, 2020)*

	<u>2021</u>	<u>2020</u>
<b>Operating revenues:</b>		
Water consumption sales	\$ 3,758,473	\$ 3,165,259
Water service charges	1,059,237	1,033,023
Sewer service charges	1,955,995	1,918,114
Reclaimed water sales	613,962	541,972
Recycled water sales	245,799	181,116
Wholesale water sales – Baker Treatment Plant	1,278,778	1,210,433
Other operating revenues	<u>16,776</u>	<u>151,158</u>
<b>Total operating revenues</b>	<u>8,929,020</u>	<u>8,201,075</u>
<b>Operating expenses:</b>		
Source of supply	3,631,094	3,150,263
Pumping and power	295,308	252,227
Water treatment	346,674	303,281
Transmission and distribution	278,777	149,577
Sewer operations	760,445	770,329
Reclaimed operations	162,089	110,299
Recycled operations	164,044	129,746
General and administrative	<u>6,071,922</u>	<u>5,906,312</u>
<b>Total operating expenses</b>	<u>11,710,353</u>	<u>10,772,034</u>
<b>Operating loss before depreciation</b>	(2,781,333)	(2,570,959)
Depreciation expense	<u>(3,689,570)</u>	<u>(3,428,661)</u>
<b>Operating loss</b>	<u>(6,470,903)</u>	<u>(5,999,620)</u>
<b>Non-operating revenues(expenses):</b>		
Property taxes	2,048,224	1,936,412
Investment earnings	26,763	119,066
Rental revenue	24,836	24,112
Interest expense	(51,932)	(60,635)
Debt administration expense	-	(850)
Property tax administration charge	(12,428)	(11,846)
Capacity assignment revenue	-	4,526,000
Other non-operating revenues	<u>106,338</u>	<u>48,064</u>
<b>Total non-operating revenues(expenses), net</b>	<u>2,141,801</u>	<u>6,580,323</u>
<b>Change in net position before capital contributions</b>	<u>(4,329,102)</u>	<u>580,703</u>
<b>Capital contributions:</b>		
Water reliability and emergency storage fees	822,779	833,511
Capital grants	99,751	1,400,052
Contributed capital – other	<u>1,077,826</u>	<u>-</u>
<b>Total capital contributions</b>	<u>2,000,356</u>	<u>2,233,563</u>
<b>Change in net position</b>	(2,328,746)	2,814,266
<b>Net position:</b>		
Beginning of year	<u>52,640,821</u>	<u>49,826,555</u>
End of year	<u>\$ 50,312,075</u>	<u>\$ 52,640,821</u>

## TRABUCO CANYON WATER DISTRICT

### Statements of Cash Flows

For the Fiscal Year Ended June 30, 2021 (With Comparative Amounts as of June 30, 2020)

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	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers and others	\$ 8,870,132	\$ 8,069,994
Cash receipts from others	936,812	(1,658,446)
Cash paid to employees for salaries and wages	(2,413,438)	(2,071,512)
Cash paid to vendors and suppliers for materials and services	<u>(8,650,485)</u>	<u>(6,938,547)</u>
<b>Net cash used in operating activities</b>	<u>(1,256,979)</u>	<u>(2,598,511)</u>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from property taxes	<u>2,092,916</u>	<u>1,924,566</u>
<b>Net cash provided by non-capital financing activities</b>	<u>2,092,916</u>	<u>1,924,566</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(6,494,376)	(4,325,961)
Capacity assignment revenue	4,526,000	-
Capital grants	2,628,732	-
Capital contributions	1,900,605	1,347,472
Debt administration charges	-	(850)
Principal paid on long-term debt	(178,449)	(1,064,442)
Interest paid on long-term debt	<u>(51,932)</u>	<u>(87,781)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>2,330,580</u>	<u>(4,131,562)</u>
<b>Cash flows from investing activities:</b>		
Change in investments	533	16,593
Investment earnings	<u>24,719</u>	<u>132,753</u>
<b>Net cash provided by investing activities</b>	<u>25,252</u>	<u>149,346</u>
<b>Net increase(decrease) in cash and cash equivalents</b>	3,191,769	(4,656,161)
<b>Cash and cash equivalents:</b>		
Beginning of year	<u>4,058,680</u>	<u>8,714,841</u>
End of year	<u>\$ 7,250,449</u>	<u>\$ 4,058,680</u>
<b>Reconciliation of cash and cash equivalents:</b>		
Cash and cash equivalents	\$ 2,055,746	\$ 760,643
Restricted – cash and cash equivalents	<u>5,194,703</u>	<u>3,298,037</u>
<b>Total cash and cash equivalents</b>	<u>\$ 7,250,449</u>	<u>\$ 4,058,680</u>

**TRABUCO CANYON WATER DISTRICT***Statements of Cash Flows (continued)**For the Fiscal Year Ended June 30, 2021 (With Comparative Amounts as of June 30, 2020)*

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of operating income to net cash used in operating activities:</b>		
Operating income	\$ (6,470,903)	\$ (5,999,620)
<b>Adjustments to reconcile operating income to net cash used in operating activities:</b>		
Depreciation	3,689,570	3,428,661
Rental and contract revenue	24,836	24,112
Other non-operating revenues	106,338	48,064
<b>Change in assets - (increase)decrease:</b>		
Accounts receivable, net	(58,888)	(131,081)
Other receivables	846,135	(132,304)
Prepaid expenses	20,339	44,562
<b>Change in deferred outflows of resources - (increase)decrease</b>		
Deferred amounts related to net OPEB obligation	(1,961)	(160,084)
Deferred amounts related to net pension liability	(206,932)	8,867
<b>Change in liabilities - increase(decrease):</b>		
Accounts payable and accrued expenses	723,152	1,537,509
Deposits and unearned revenues	(76,789)	(1,655,936)
Compensated absences	36,292	57,618
Net OPEB obligation	(176,998)	(36,680)
Net pension liability	249,068	257,759
<b>Change in deferred inflows of resources - increase(decrease)</b>		
Deferred amounts related to net OPEB obligation	87,745	57,101
Deferred amounts related to net pension liability	(84,275)	(4,677)
<b>Total adjustments</b>	<u>5,177,632</u>	<u>3,343,491</u>
<b>Net cash used in operating activities</b>	<u>\$ (1,293,271)</u>	<u>\$ (2,656,129)</u>

# TRABUCO CANYON WATER DISTRICT

## *Notes to Financial Statements*

*June 30, 2021*

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### **NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Description of Organization**

The Trabuco Canyon Water District (District) was organized in January 1962, under provisions of the County Water District Act (Sections 30000 et. seq. of the Water Code of the State of California). The District is governed by a Board of Directors made up of five members elected by the qualified voters in the District. The purpose of the District is to finance, construct, operate and maintain a water system and wastewater system to serve properties within the District's boundaries. The Trabuco Canyon Water District includes the accounts of the District, Trabuco Canyon Improvement Corporation and Trabuco Canyon Public Financing Authority as blended component units.

The Trabuco Canyon Public Financing Authority (Authority) was organized on August 8, 1993, pursuant to the Government Code of the State of California (Title 1, Division 7 Section 6500 of the California Government Code), as a Joint Powers Agency, solely for the purpose of providing financial assistance to the District. Complete financial statements for the Authority are available at the District's office or upon request of the District's Treasurer at 32003 Dove Canyon Drive, Trabuco Canyon, California 92679.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity (GASB Statement No. 61). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

#### **B. Basis of Presentation, Basis of Accounting**

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.



# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2021

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

##### 1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of 90 days or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

##### 2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

##### 3. Restricted Assets

Amounts shown as restricted assets have been restricted by either bond indentures, external constraints, or laws and regulations of other governments.

##### 4. Receivables and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

##### 5. Prepaids

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

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2021

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 6. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Transmission and distribution system	5-40 years
Wastewater system	4-40 years
Structures and improvements	10-30 years
Equipment	3-15 years

##### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 a future period and will not be recognized as an inflow of resources (revenue) until that time.

##### 8. Compensated Absences

The District's policy is to permit employees to accumulate earned vacation up to a total of 240 hours with amounts exceeding the limit being paid out as part of the employee's regular compensation. Upon termination of employment, employees are paid all unused vacation and forfeit any unused sick time. Upon retirement employees are paid all unused vacation and 50% of any unused sick time.

##### 9. 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 and addition 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.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2019  
Measurement Date June 30, 2020  
Measurement Period July 1, 2019 to June 30, 2020

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

###### 10. Pensions (continued)

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

###### 11. Postemployment Benefits Other Than Pensions (OPEB)

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

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2020  
Measurement Date June 30, 2020  
Measurement Period July 1, 2019 to June 30, 2020

###### 12. Net Position

Net position is classified into two components: net investment in capital assets and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2021

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

#### E. Property Taxes

The Orange County Assessor's Office assesses all real and personal property within the County each year. The Orange County Tax Collector's Office bills and collects the District's share of property taxes. The Orange County Auditor-Controller's Office remits current property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent (1%) of countywide assessed valuations. Property taxes receivable at year-end are related to property taxes collected by the Orange County Tax Collector's Office, which have not been credited to the District's cash balance as of June 30.

The property tax calendar is as follows:

Lien date March 1  
Levy date July 1  
Due dates November 1 and March 1  
Collection dates December 10 and November 10

#### F. Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified in order to be consistent with the current year's presentation.

### NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents were classified in the accompanying financial statements as follows:

<u>Description</u>	<u>June 30, 2021</u>
Cash and cash equivalents	\$ 2,055,746
Restricted - cash and cash equivalents	5,100,793
<b>Total cash and investments</b>	<b><u>\$ 7,156,539</u></b>

Cash and cash equivalents consisted of the following:

<u>Description</u>	<u>June 30, 2021</u>
Cash on hand	\$ 450
Demand deposits held with financial institutions	732,131
Local Agency Investment Fund (LAIF)	6,423,958
<b>Total cash and investments</b>	<b><u>\$ 7,156,539</u></b>

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

##### **Demand Deposits with Financial Institutions**

At June 30, 2021, the carrying amount of the District's demand deposits were \$732,131 and the financial institution's balances were \$737,775. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

##### **Custodial Credit Risk**

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

##### **Local Agency Investment Fund (LAIF)**

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount 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 the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2021, the District held \$6,423,958 in LAIF.

##### **Concentration of Credit Risk**

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments that are subject to disclosure.

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 3 – RESTRICTED- CASH AND CASH EQUIVALENTS AND RESTRICTED – NET POSITION

Restricted assets as of June 30, were classified in the accompanying financial statements as follows:

<u>Description</u>	<u>June 30, 2021</u>
Restricted – cash and cash equivalents	\$ 5,100,793
Restricted - accrued interest receivable	3,527
<b>Total restricted – cash and investments</b>	<b>\$ 5,104,320</b>

Restricted assets for the year ended June 30, were restricted as follows:

<u>Description</u>	<u>June 30, 2021</u>
Debt service	\$ 1,051,427
Developer and other capital improvements	1,427,862
Water reliability and emergency storage	2,625,031
<b>Total restricted – net position</b>	<b>\$ 5,104,320</b>

#### NOTE 4 – ACCOUNTS RECEIVABLE, NET

The balance at June 30, consists of the following:

<u>Description</u>	<u>June 30, 2021</u>
Accounts receivable	\$ 1,177,071
Allowance for doubtful accounts	(75,259)
<b>Total accounts receivable, net</b>	<b>\$ 1,101,812</b>

**TRABUCO CANYON WATER DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2021*

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**NOTE 5 – CAPITAL ASSETS AND DEPRECIATION**

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

Description	Balance July 1, 2020	Additions	Deletions/ Transfers	Balance June 30, 2021
<b>Non-depreciable assets:</b>				
Land	\$ 2,339,113	\$ -	\$ -	\$ 2,339,113
Construction-in-process	2,996,811	4,137,281	(7,066,101)	67,991
<b>Total non-depreciable assets</b>	5,335,924	4,137,281	(7,066,101)	2,407,104
<b>Depreciable assets:</b>				
Water transmission and distribution system	55,665,200	3,937,172	(987,831)	58,614,541
Recycled water and wastewater system	55,086,321	3,830,205	(755,829)	58,160,697
Structures and improvements	1,609,622	15,149		1,624,771
Machinery and equipment	1,032,453	1,640,670		2,673,123
<b>Total depreciable assets</b>	113,393,596	9,423,196	(1,743,660)	121,073,132
<b>Accumulated depreciation:</b>				
Water transmission and distribution system	(32,894,822)	(1,644,599)	987,831	(33,551,590)
Recycled water and wastewater system	(36,872,437)	(1,763,464)	708,988	(37,926,913)
Structures and improvements	(1,202,630)	(59,869)		(1,262,499)
Machinery and equipment	(464,278)	(221,638)		(685,916)
<b>Total accumulated depreciation</b>	(71,434,167)	(3,689,570)	1,696,819	(73,426,918)
<b>Total depreciable assets, net</b>	41,959,429	5,733,626	(46,841)	47,646,214
<b>Total capital assets, net</b>	\$ 47,295,353	\$ 9,870,907	\$ (7,112,942)	\$ 50,053,318

**NOTE 6 – COMPENSATED ABSENCES**

Summary changes to compensated absences balances for the year ended June 30, 2021, were as follows:

Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year	Due in More Than One Year
\$ 225,191	\$ 251,901	\$ (215,609)	\$ 261,483	\$ 91,520	\$ 169,963

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 7 – LOAN PAYABLE

Changes in loan payable amounts for the year ended June 30, were as follows:

<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 2,318,501	\$ -	\$ (178,449)	\$ 2,140,052	\$ 90,755	\$ 2,049,297

#### 2011 State Revolving Fund Loan

In fiscal year 2011, the District and the State of California, Department of Public Health, entered into a contract for a construction loan in the amount of \$3,694,264 under the Safe Drinking Water State Revolving Fund Law of 1977. The purpose of the loan was to assist the District in financing construction of the Trabuco Creek Wells Facility, which will enable the District to meet the State of California's safe drinking water standards. The loan proceeds were disbursed to the District based upon project expenditures submitted. The final construction costs totaled and submitted were \$3,682,316, which was \$11,948 less than the original contracted amount. The loan is scheduled to mature in fiscal year 2032. Principal and interest installments are payable each fiscal year at a rate of 2.2836% on July 1st and January 1st. Annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 90,755	\$ 24,435	\$ 115,190
2023	184,631	45,750	230,381
2024	188,872	41,509	230,381
2025	193,209	37,172	230,381
2026	197,647	32,734	230,381
2027-2031	1,058,444	93,462	1,151,906
2032	226,494	3,887	230,381
Total	2,140,052	\$ 278,949	\$ 2,419,001
Current	(90,755)		
Long-term	\$ 2,049,297		



# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2021

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### NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

#### Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2021</u>
OPEB related deferred outflows	\$ 418,881
Net other post-employment benefits obligation	356,590
OPEB related deferred inflows	185,600

#### A. General Information about the OPEB Plan

##### Plan Description

The post-retirement health benefit provided to eligible employees at retirement is a continuation of the available active medical coverage. An employee is eligible for continuation of medical coverage at retirement provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit upon retirement with the District. Vesting requires at least 5 years of CalPERS eligible service. All employee with at least 5 years of CalPERS service will be eligible to continue coverage if retiring from the District and CalPERS and receive the CalPERS minimum required contribution. Vesting is based on years-of-service increasing 5% per year from 10-years (50%) to 20+years (100%).

##### Employees Hired Prior to April 1, 2014

The District's financial obligation is to pay for the retiree and eligible dependent coverage up to a monthly maximum which is targeted at the PERSChoice Plan at the family coverage level (currently \$1,874.89 and scheduled to increase to \$1,914.33 effective January 1, 2020). The District's contribution will continue for the lifetime of the retiree and any surviving eligible spouse.

##### Employees Hired on or After April 1, 2014

The District's contribution is 100% of the coverage level elected by the retiree up to the 100/90 State Annuitant rates multiplied by a vesting schedule (below). 100/90 amount is 100% of the weighted average of single coverage and 90% of the weighted average of the additional premium for two party and family coverage for the 4 PEMHCA plans with the highest State enrollment in the prior year. The 100/90 State Annuitant rates are published each year. The current 2019 monthly rates are \$734 single, \$1,398 two-party and \$1,788 family and the 2020 monthly rates are \$767 single, \$1,461 two-party and \$1,868 family.

##### Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

	<u>Amount</u>
Inactive plan members or beneficiaries currently receiving benefit payments	7
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>20</u>
Total	<u><u>27</u></u>

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2021

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### NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

#### A. General Information about the OPEB Plan (continued)

##### Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's Board of Directors. Currently, contributions are not required from plan members. The District has been typically funding this OPEB plan on a pay-as-you-go basis; however, contributions have been made to a CalPERS CERBT OPEB Trust.

##### Contributions

Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the District. For fiscal year ended June 30, 2020, the measurement period, the District's contributions totaling \$281,864 included \$163,277 placed in its CERBT OPEB Trust, \$88,706 in current year premium payments, and an implied subsidy of \$29,881.

##### Accounting for the Plan

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

##### Method Used to Value Investments

Investments are reported in the accompanying financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

#### B. Net OPEB Liability

The District's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020. 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	Market value of assets as of the measurement date
Actuarial Assumptions:	
Discount Rate	7.00%
Long-Term Expected	
Rate of Return on Investments	7.00%
Inflation	2.75%
Payroll increases	2.75%
Healthcare Trend Rates	6.50% trending down 0.25% annually to 4.50% in 2029+
Morbidity	Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019
Mortality	Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019
Disability	Not Valued
Retirement	CalPERS Public Agency Miscellaneous 2.5% @55 and 2% @62
Percent Married	85% of future retirees would enroll a spouse

**TRABUCO CANYON WATER DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2021

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**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**B. Net OPEB Liability (continued)**

**Actuarial Assumptions (continued)**

The long-term expected rate of return on OPEB plan investments 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
<b>CERBT:</b>		
Global Equities	59.00%	5.50%
Global Debt Securities	25.00%	2.35%
Inflation Assets	5.00%	1.50%
REITs	8.00%	3.65%
Commodities	3.00%	1.75%
<b>Total</b>	<b>100.00%</b>	

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that the City'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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**C. Changes in the Net OPEB Liability**

The changes in the total OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<b>Balance at June 30, 2020 (Measurement date June 30, 2019)</b>	\$ 3,011,438	\$ 2,477,851	\$ 533,587
<b>Changes for the year:</b>			
Service cost	103,022	-	103,022
Interest	213,932	-	213,932
Differences in experience	(123,689)	-	(123,689)
Changes in assumption	-	-	-
Employer contributions	-	281,864	(281,864)
Net investment income	-	89,611	(89,611)
Benefit payments	(118,587)	(118,587)	-
Administrative expenses	-	(1,213)	1,213
Net changes	74,678	251,675	(176,997)
<b>Balance at June 30, 2021 (Measurement date June 30, 2020)</b>	<b>\$ 3,086,116</b>	<b>\$ 2,729,526</b>	<b>\$ 356,590</b>

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2021

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### NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

#### C. Changes in the Net OPEB Liability (continued)

##### Changes of Assumptions

In fiscal year 2019-20, the measurement period, inflation increased to 2.75%

##### Change of Benefit Terms

In fiscal year 2019-20, the measurement period, there were no changes to the actuarial assumptions.

##### Subsequent Events

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

##### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current discount rate:

1% Decrease 6.0%	Discount Rate 7.0%	1% Increase 8.0%
\$ 777,832	\$ 356,590	\$ 8,913

##### Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower:

7.5% Decreasing to 5.5%	Healthcare Cost 6.5% Decreasing to 4.5%	5.5% Decreasing to 3.5%
\$ (60,106)	\$ 356,590	\$ 874,184

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$134,888. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions made after the measurement date	\$ 226,102	\$ -
Changes in assumptions	-	(75,654)
Differences between expected and actual experience	123,874	(109,946)
Differences between projected and actual earnings on OPEB plan investments	68,905	-
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 418,881</b>	<b>\$ (185,600)</b>

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

##### D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (continued)

The differences between projected and actual earnings on plan investments is amortized over five years. The District reported \$226,102 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total 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>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2022	\$ 2,259
2023	13,053
2024	15,145
2025	11,028
2026	(6,855)
Thereafter	<u>(27,451)</u>
<b>Total</b>	<u>\$ 7,179</u>

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 10 – PENSION PLAN

##### Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2021</u>
Pension related deferred outflows	\$ 1,067,381
Net pension liability	3,399,815
Pension related deferred inflows	66,838

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2021

### NOTE 9 – PENSION PLAN (continued)

#### A. General Information about the Pension Plan

##### The Plan

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.0%
Required member contribution rates	8.000%	6.750%
Required employer contribution rates – FY 2020	12.431%	7.863%

##### Plan Description

The District contributes to the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2020 Annual Actuarial Valuation Reports. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

At June 30, 2020 measurement date, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	14	8	22
Transferred and terminated members	25	6	31
Retired members and beneficiaries	12	-	12
<b>Total plan members</b>	<b>51</b>	<b>14</b>	<b>65</b>

All qualified permanent and probationary employees are eligible to participate in the District’s cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2021

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### NOTE 9 – 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 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 each Plan are applied as specified by the Public Employees' Retirement Law.

##### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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.

Contributions for the year ended June 30, 2021, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic	PEPRA	
	Tier 1	Tier 2	
Contributions – employer	\$ 649,647	\$ 59,249	\$ 708,896

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

##### Proportionate Share of Net Pension Liability and Pension Expense

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, and the total pension liability for each 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 plans relative to the projected contributions of all participating employers, actuarially determined. The following table shows the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2021:

Measurement Date	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2021	June 30, 2020	
Measurement Date	June 30, 2020	June 30, 2019	
Percentage of Risk Pool Net Pension Liability	0.080601%	0.078680%	0.001921%
Percentage of Plan Net Pension Liability	0.031247%	0.030748%	0.000499%

**TRABUCO CANYON WATER DISTRICT**

*Notes to Financial Statements*

June 30, 2021

**NOTE 9 – PENSION PLAN (continued)**

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

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

The District’s proportionate share percentage of the net pension liability for the June 30, 2020, measurement date was as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2019 (Measurement Date)	\$ 11,720,295	\$ 8,569,548	\$ 3,150,747
Balance as of June 30, 2020 (Measurement Date)	\$ 13,700,289	\$ 10,300,474	\$ 3,399,815
<b>Change in Plan Net Pension Liability</b>	<u>\$ 1,979,994</u>	<u>\$ 1,730,926</u>	<u>\$ 249,068</u>

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$666,757. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 708,896	\$ -
Difference between actual and proportionate share of employer contributions	-	(37,588)
Adjustment due to differences in proportions	82,285	(5,001)
Differences between expected and actual experience	175,203	-
Differences between projected and actual earnings on pension plan investments	100,997	-
Changes in assumptions	-	(24,249)
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<u>\$ 1,067,381</u>	<u>\$ (66,838)</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.



# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2021

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### NOTE 9 – PENSION PLAN (continued)

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

##### Proportionate Share of Net Pension Liability and Pension Expense (continued)

An amount of \$708,896 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, 2021. 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>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2022	\$ 53,587
2023	110,686
2024	78,933
2025	48,441
<b>Total</b>	<b>\$ 291,647</b>

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

For the measurement period ending June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019, total pension liability. The June 30, 2020, total pension liability was based on the following actuarial methods and assumptions:

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

##### 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.

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2021

#### NOTE 9 – PENSION PLAN (continued)

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

##### Long-term Expected Rate of Return (continued)

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 table below reflects long-term expected real rate of return by asset class.

Investment Type	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	100.0%		

<sup>1</sup> An expected inflation of 2.0% is used for years 1-10.

<sup>2</sup> An expected inflation of 2.9% is used for years 11+.

##### 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 in this disclosure.

##### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
	CalPERS – Miscellaneous Plan	5,222,989	\$ 3,399,815

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 9 – PENSION PLAN (continued)

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

###### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

##### C. Payable to the Pension Plans

At June 30, 2021, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2021.

#### NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of June 30:

Description	June 30, 2021	June 30, 2020
<b>Net investment in capital assets:</b>		
Capital assets – not being depreciated	2,407,104	5,335,924
Capital assets, net – being depreciated	47,646,214	41,959,427
Loan payable – current portion	(90,755)	(88,748)
Loan payable – non-current portion	<u>(2,049,297)</u>	<u>(2,229,753)</u>
<b>Total net investment in capital assets</b>	<b><u>\$ 47,913,266</u></b>	<b><u>\$ 44,976,850</u></b>

#### NOTE 11 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in two 457 Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the accompanying financial statements.

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 12 – RISK MANAGEMENT POOL

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 Sections 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. Further information about the Insurance Authority is as follows:

<b>A. Entity</b>	ACWA-JPIA
<b>B. Purpose</b>	To pool member contributions and realize the advantages of self-insurance
<b>C. Participants</b>	As of September 30, 2020 – 396 member districts
<b>D. Governing board</b>	Nine representatives employed by members
<b>E. Condensed financial information</b>	September 30, 2020
<b>Audit signed</b>	April 7, 2021
<b>Statement of financial position:</b>	
<b>Total assets</b>	<u>Sept 30, 2020</u> \$ 237,525,073
<b>Deferred outflows</b>	<u>1,054,750</u>
<b>Total liabilities</b>	<u>113,075,164</u>
<b>Deferred inflows</b>	<u>1,817,452</u>
<b>Net position</b>	<u>\$ 123,687,207</u>
<b>Statement of revenues, expenses and changes in net position:</b>	
<b>Total revenues</b>	\$ 197,639,443
<b>Total expenses</b>	<u>(172,886,738)</u>
<b>Change in net position</b>	24,752,705
<b>Beginning – net position</b>	<u>98,934,502</u>
<b>Ending – net position</b>	<u>\$ 123,687,207</u>
<b>F. Member agencies share of year-end financial position</b>	Not Calculated

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 \$48,405,017). The District has a \$2,500 deductible for buildings, personal property and fixed equipment, a \$25,000/\$50,000 deductible for accidental mechanical breakdown, a \$1,000 deductible for mobile equipment, and a \$500 deductible for licensed vehicles.

**General Liability** - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to of \$60,000,000. This program does not have a deductible.

**Auto Liability** - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$60,000,000. This program does not have a deductible.

**Public Officials' Liability** - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$60,000,000.

**Cyber Liability** - The Insurance Authority has purchased insurance coverage of \$3,000,000 per occurrence/\$5,000,000 aggregate. This program does not have a deductible.

## **TRABUCO CANYON WATER DISTRICT**

### *Notes to Financial Statements*

*June 30, 2021*

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#### **NOTE 12 – RISK MANAGEMENT POOL (continued)**

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

Public Official Bond - The District has purchased a \$200,000 bond to cover the general manager's faithful performance of duty.

Workers' Compensation - The Insurance Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased up to the statutory limit for workers' compensation coverage. The Insurance Authority is self-insurance up to \$2,000,000 and has purchased excess insurance coverage of \$2,000,000 for employer's liability coverage.

Underground Storage Tank Pollution Liability - The Insurance Authority is self-insured up to \$500,000 per occurrence and has purchased excess coverage of \$3,000,000. The District has a \$10,000 deductible.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims expended. The nature and amount of these adjustments cannot be estimated and are charged to expenses as invoiced. There were no instances in the past three years where a settlement exceeded the District's coverage.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2021, 2020, and 2019. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2021, 2020, and 2019.

#### **NOTE 13 – COMMITMENTS AND CONTINGENCIES**

##### **Economic Dependency**

The District purchases a majority of its source of supply from the Santiago Aqueduct Commission. Interruption of this source would impact the District negatively.

##### **Grant Awards**

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

##### **Construction Contracts**

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions.

##### **Litigation**

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

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***Required Supplementary Information***

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# TRABUCO CANYON WATER DISTRICT

## Schedule of the District's Proportionate Share of the Net Pension Liability For the Year Ended June 30, 2021

### Last Ten Fiscal Years\*

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

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's	Plan's Fiduciary
				Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.024334%	\$ 1,514,199	\$ 1,619,883	93.48%	83.03%
June 30, 2015	0.029498%	2,024,702	1,659,539	122.00%	76.75%
June 30, 2016	0.028990%	2,508,531	1,602,525	156.54%	72.83%
June 30, 2017	0.295680%	2,932,288	1,688,233	173.69%	72.81%
June 30, 2018	0.030022%	2,892,988	1,537,659	188.14%	73.98%
June 30, 2019	0.030748%	3,150,747	1,695,414	185.84%	73.12%
June 30, 2020	0.031247%	3,399,815	2,011,870	168.99%	75.18%

#### Notes to Schedule:

##### Benefit Changes:

There were no changes in benefits.

##### Changes in Assumptions:

##### From fiscal year June 30, 2015 and 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.

##### From fiscal year June 30, 2019 to June 30, 2020:

There were no significant changes in assumptions.

##### From fiscal year June 30, 2020 to June 30, 2021:

There were no significant changes in assumptions.

\*Fiscal year 2014 was the first measurement date year of implementation; therefore, only seven years are shown. Certain amounts have been updated per the 2020 CalPERS Actuarial Valuations

# TRABUCO CANYON WATER DISTRICT

## Schedule of the District's Contributions to the Defined Benefit Pension Plan For the Year Ended June 30, 2021

### Last Ten Fiscal Years\*

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

Fiscal Year	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2014	\$ 255,864	\$ (255,864)	\$ -	1,619,883	15.80%
June 30, 2015	265,436	(265,436)	-	1,659,539	15.99%
June 30, 2016	264,450	(264,450)	-	1,602,525	16.50%
June 30, 2017	278,521	(278,521)	-	1,688,233	16.50%
June 30, 2018	301,990	(301,990)	-	1,537,659	19.64%
June 30, 2019	347,954	(347,954)	-	1,695,414	20.52%
June 30, 2020	417,043	(417,043)	-	2,011,870	20.73%
June 30, 2021	469,516	(708,896)	(239,380)	2,133,046	22.01%

#### Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2014	June 30, 2011	Entry Age	Market Value	2.75%	7.65%
June 30, 2015	June 30, 2012	Entry Age	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2013	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2015	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2016	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2017	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2018	Entry Age	Market Value	2.50%	7.15%

#### Amortization Method

Level percentage of payroll, closed

#### Salary Increases

Depending on age, service, and type of employment

#### Investment Rate of Return

Net of pension plan investment expense, including inflation

#### Retirement Age

50 years (2.5%@55), 52 years (2.0%@62)

#### Mortality

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

\*Fiscal year 2014 was the first measurement date year of implementation; therefore, only eight years are shown. Certain amounts have been updated per the 2020 CalPERS Actuarial Valuations



# TRABUCO CANYON WATER DISTRICT

## Schedule of Changes in the District's Net OPEB Liability and Related Ratios For the Year Ended June 30, 2021

	Last Ten Fiscal Years*			
Fiscal Year Ended	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Total OPEB liability:</b>				
Service cost	\$ 103,022	\$ 101,477	\$ 98,521	\$ 92,077
Interest	213,932	195,787	181,652	167,849
Changes of assumptions	-	(97,270)	-	-
Differences between expected and actual experience	(123,689)	159,266	-	-
Changes of benefit terms	-	-	-	-
Benefit payments	<u>(118,587)</u>	<u>(86,591)</u>	<u>(75,817)</u>	<u>(62,564)</u>
<b>Net change in total OPEB liability</b>	74,678	272,669	204,356	197,362
<b>Total OPEB liability - beginning</b>	<u>3,011,438</u>	<u>2,738,769</u>	<u>2,534,413</u>	<u>2,337,051</u>
<b>Total OPEB liability - ending</b>	<u>3,086,116</u>	<u>3,011,438</u>	<u>2,738,769</u>	<u>2,534,413</u>
<b>Plan fiduciary net position:</b>				
Contributions - employer	281,864	259,180	245,243	175,489
Net investment income	89,611	137,226	146,228	168,197
Administrative expense	(1,213)	(467)	(993)	(852)
Other expense	-	-	(2,457)	-
Benefit payments	<u>(118,587)</u>	<u>(86,591)</u>	<u>(75,817)</u>	<u>(62,564)</u>
<b>Net change in plan fiduciary net position</b>	251,676	309,348	312,204	280,270
<b>Plan fiduciary net position - beginning</b>	<u>2,477,850</u>	<u>2,168,502</u>	<u>1,856,298</u>	<u>1,576,028</u>
<b>Plan fiduciary net position - ending</b>	<u>2,729,526</u>	<u>2,477,850</u>	<u>2,168,502</u>	<u>1,856,298</u>
<b>District's net OPEB liability</b>	<u>\$ 356,590</u>	<u>\$ 533,588</u>	<u>\$ 570,267</u>	<u>\$ 678,115</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<u>88.45%</u>	<u>82.28%</u>	<u>79.18%</u>	<u>73.24%</u>
<b>Covered-employee payroll</b>	<u>1,753,930</u>	<u>1,706,988</u>	<u>1,668,352</u>	<u>1,668,233</u>
<b>District's net OPEB liability as a percentage of covered-employee payroll</b>	<u>20.33%</u>	<u>31.26%</u>	<u>34.18%</u>	<u>40.65%</u>

### Notes to Schedule:

#### Benefit Changes:

Measurement Date June 30, 2017 – There were no changes in benefits  
 Measurement Date June 30, 2018 – There were no changes in benefits  
 Measurement Date June 30, 2019 – There were no changes in benefits  
 Measurement Date June 30, 2020 – There were no changes in benefits

#### Changes in Assumptions:

Measurement Date June 30, 2017 – There were no changes in assumptions  
 Measurement Date June 30, 2018 – There were no changes in assumptions  
 Measurement Date June 30, 2019 – Inflation decreased to 2.50% and payroll increases include merit increases  
 Measurement Date June 30, 2020 – Inflation increased to 2.75%

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

# TRABUCO CANYON WATER DISTRICT

## Schedule of the District Contributions to the Other Post-Employment Benefits (OPEB) Plan For the Year Ended June 30, 2021

Fiscal Year Ended	Last Ten Fiscal Years*			
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially determined contribution	\$ 166,309	\$ 172,589	\$ 169,426	\$ 175,489
Contributions in relation to the actuarially determined contributions	(281,864)	(259,180)	(245,243)	(175,489)
Contribution deficiency (excess)	<u>\$ (115,555)</u>	<u>\$ (86,591)</u>	<u>\$ (75,817)</u>	<u>\$ -</u>
Covered payroll	\$ 1,753,930	\$ 1,706,930	\$ 1,668,352	\$ 1,668,352
Contributions as a percentage of covered payroll	16.07%	15.18%	14.70%	10.52%

### Notes to Schedule:

Valuation Date	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>				
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	(1)
Amortization period	20-years	20-years	20-years	20-years
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Discount rate	7.00%	7.00%	7.00%	7.00%
Inflation	2.75%	2.50%	2.75%	2.75%
Payroll increases	2.75%+Merit	2.75%+Merit	3.00%	3.00%
Mortality	(2)	(2)	(2)	(2)
Morbidity	(3)	(3)	(3)	(3)
Disability	Not Valued	Not Valued	Not Valued	Not Valued
Retirement	(4)	(4)	(4)	(4)
Percent Married	85%	85%	85%	85%
Healthcare trend rates	(5)	(5)	(5)	(5)

(1) Closed period, level percent of pay

(2) Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019

(3) Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019

(4) CalPERS Public Agency Miscellaneous 2.5% @55 and 2% @62

(5) 6.50% trending down 0.25% annually to 4.50% in 2029+

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

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***Supplementary Information***

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**TRABUCO CANYON WATER DISTRICT**  
*Balance Sheets – Combined – Internal Funds*  
*June 30, 2021 (With Comparative Amounts as of June 30, 2020)*

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>Water</b>	<b>Sewer</b>	<b>Recycled Water</b>	<b>Reclaimed Water</b>	<b>2021</b>	<b>2020</b>
<b>Current assets:</b>						
Cash and cash equivalents	\$ 831,378	\$ 2,235,530	\$ (975,628)	\$ (35,534)	\$ 2,055,746	\$ 760,643
Accrued interest receivable	1,789	338	(29)	(29)	2,069	25
Accounts receivable, net	775,410	189,167	29,642	107,593	1,101,812	1,042,924
Accounts receivable - due from other governments	140,598	-	-	-	140,598	2,669,579
Other receivables	19,037	222,352	4,809	253	246,451	5,618,586
Prepaid expenses	24,790	32,819	9,597	9,597	76,803	97,142
<b>Total current assets</b>	<b>1,793,002</b>	<b>2,680,206</b>	<b>(931,609)</b>	<b>81,880</b>	<b>3,623,479</b>	<b>10,188,899</b>
<b>Non-current assets:</b>						
Restricted – cash and cash equivalents	4,911,187	189,606	-	-	5,100,793	3,240,419
Restricted - accrued interest receivable	3,362	165	-	-	3,527	14,341
Capital assets – not being depreciated	1,637,379	652,769	58,478	58,478	2,407,104	5,335,924
Capital assets – being depreciated, net	26,534,879	16,915,356	2,945,619	1,250,360	47,646,214	41,959,427
<b>Total non-current assets</b>	<b>33,086,807</b>	<b>17,757,896</b>	<b>3,004,097</b>	<b>1,308,838</b>	<b>55,157,638</b>	<b>50,550,111</b>
<b>Total assets</b>	<b>34,879,809</b>	<b>20,438,102</b>	<b>2,072,488</b>	<b>1,390,718</b>	<b>58,781,117</b>	<b>60,739,010</b>
<b>Deferred outflows of resources:</b>						
Deferred amounts related to net OPEB obligation	293,216	104,721	10,472	10,472	418,881	416,920
Deferred amounts related to net pension liability	747,167	266,846	26,684	26,684	1,067,381	860,449
<b>Total deferred outflows of resources</b>	<b>1,040,383</b>	<b>371,567</b>	<b>37,156</b>	<b>37,156</b>	<b>1,486,262</b>	<b>1,277,369</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 35,920,192</b>	<b>\$ 20,809,669</b>	<b>\$ 2,109,644</b>	<b>\$ 1,427,874</b>	<b>\$ 60,267,379</b>	<b>\$ 62,016,379</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued expenses	\$ 1,658,149	\$ 1,577,900	\$ 52,778	\$ 52,838	\$ 3,341,665	\$ 2,618,513
Deposits and unearned revenues	71,363	128,788	1,555	1,555	203,261	280,050
Long-term liabilities – due within one year:						
Compensated absences	66,010	20,910	2,300	2,300	91,520	78,817
Loan payable	90,755	-	-	-	90,755	88,748
<b>Total current liabilities</b>	<b>1,886,277</b>	<b>1,727,598</b>	<b>56,633</b>	<b>56,693</b>	<b>3,727,201</b>	<b>3,066,128</b>
<b>Non-current liabilities:</b>						
Long-term liabilities – due in more than one year:						
Compensated absences	122,591	38,832	4,270	4,270	169,963	146,374
Loan payable	2,049,297	-	-	-	2,049,297	2,229,753
Net OPEB obligation	249,613	89,147	8,915	8,915	356,590	533,588
Net pension liability	2,379,871	849,954	84,995	84,995	3,399,815	3,150,747
<b>Total non-current liabilities</b>	<b>4,801,372</b>	<b>977,933</b>	<b>98,180</b>	<b>98,180</b>	<b>5,975,665</b>	<b>6,060,462</b>
<b>Total liabilities</b>	<b>6,687,649</b>	<b>2,705,531</b>	<b>154,813</b>	<b>154,873</b>	<b>9,702,866</b>	<b>9,126,590</b>
<b>Deferred inflows of resources:</b>						
Deferred amounts related to net OPEB obligation	129,920	46,400	4,640	4,640	185,600	97,855
Deferred amounts related to net pension liability	46,787	16,709	1,671	1,671	66,838	151,113
<b>Total deferred inflows of resources</b>	<b>176,707</b>	<b>63,109</b>	<b>6,311</b>	<b>6,311</b>	<b>252,438</b>	<b>248,968</b>
<b>Net position:</b>						
Net investment in capital assets	26,032,206	17,568,125	3,004,097	1,308,838	47,913,266	44,976,850
Restricted - capital projects	4,914,549	189,771	-	-	5,104,320	3,254,760
Unrestricted	(1,890,919)	283,133	(1,055,577)	(42,148)	(2,705,511)	4,409,211
<b>Total net position</b>	<b>29,055,836</b>	<b>18,041,029</b>	<b>1,948,520</b>	<b>1,266,690</b>	<b>50,312,075</b>	<b>52,640,821</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 35,920,192</b>	<b>\$ 20,809,669</b>	<b>\$ 2,109,644</b>	<b>\$ 1,427,874</b>	<b>\$ 60,267,379</b>	<b>\$ 62,016,379</b>

## TRABUCO CANYON WATER DISTRICT

### Statements of Revenues, Expenses and Changes in Net Position – Combined – Internal Funds For the Year Ended June 30, 2021 (With Comparative Amounts as of June 30, 2020)

	Water	Sewer	Recycled Water	Reclaimed Water	2021	2020
<b>Operating revenues:</b>						
Water consumption sales	\$ 3,758,473	\$ -	\$ -	\$ -	\$ 3,758,473	\$ 3,165,259
Water service charges	1,059,237	-	-	-	1,059,237	1,033,023
Sewer service charges	-	1,955,995	-	-	1,955,995	1,918,114
Reclaimed water sales	-	-	-	613,962	613,962	541,972
Recycled water sales	-	-	245,799	-	245,799	181,116
Wholesale water sales –BTP	1,278,778	-	-	-	1,278,778	1,210,433
Other operating revenues	11,942	4,834	-	-	16,776	151,158
<b>Total operating revenues</b>	<b>6,108,430</b>	<b>1,960,829</b>	<b>245,799</b>	<b>613,962</b>	<b>8,929,020</b>	<b>8,201,075</b>
<b>Operating expenses:</b>						
Source of supply	3,631,094	-	-	-	3,631,094	3,150,263
Pumping and power	295,308	-	-	-	295,308	252,227
Water treatment	346,674	-	-	-	346,674	303,281
Transmission and distribution	278,777	-	-	-	278,777	149,577
Sewer operations	-	760,445	-	-	760,445	770,329
Reclaimed operations	-	-	-	162,089	162,089	110,299
Recycled operations	-	-	164,044	-	164,044	129,746
General and administrative	4,000,450	1,662,482	204,130	204,860	6,071,922	5,906,312
<b>Total operating expenses</b>	<b>8,552,303</b>	<b>2,422,927</b>	<b>368,174</b>	<b>366,949</b>	<b>11,710,353</b>	<b>10,772,034</b>
<b>Operating income(loss) before depreciation</b>	<b>(2,443,873)</b>	<b>(462,098)</b>	<b>(122,375)</b>	<b>247,013</b>	<b>(2,781,333)</b>	<b>(2,570,959)</b>
Depreciation expense	(1,835,644)	(1,652,631)	(148,299)	(52,996)	(3,689,570)	(3,428,661)
<b>Operating income(loss)</b>	<b>(4,279,517)</b>	<b>(2,114,729)</b>	<b>(270,674)</b>	<b>194,017</b>	<b>(6,470,903)</b>	<b>(5,999,620)</b>
<b>Non-operating revenues(expenses):</b>						
Property taxes	1,024,112	1,024,112	-	-	2,048,224	1,936,412
Investment earnings	21,108	4,859	398	398	26,763	119,066
Rental revenue	24,836	-	-	-	24,836	24,112
Interest expense	(51,932)	-	-	-	(51,932)	(60,635)
Debt administration expense	-	-	-	-	-	(850)
Property tax administration charge	(6,214)	(6,214)	-	-	(12,428)	(11,846)
Capacity assignment revenue	-	-	-	-	-	4,526,000
Transfers In/(Out)	-	17,019	(18,674)	1,655	-	-
Other non-operating revenues	90,163	(7,390)	18,288	5,277	106,338	48,064
<b>Total non-operating revenues(expenses), net</b>	<b>1,102,073</b>	<b>1,032,386</b>	<b>12</b>	<b>7,330</b>	<b>2,141,801</b>	<b>6,580,323</b>
<b>Change in net position before capital contribs.</b>	<b>(3,177,444)</b>	<b>(1,082,343)</b>	<b>(270,662)</b>	<b>201,347</b>	<b>(4,329,102)</b>	<b>580,703</b>
<b>Capital contributions:</b>						
Water reliability and emergency storage fees	822,779	-	-	-	822,779	833,511
Capital grants	69,825	24,938	2,494	2,494	99,751	1,400,052
Contributed capital – other	1,077,826	-	-	-	1,077,826	-
<b>Total capital contributions</b>	<b>1,970,430</b>	<b>24,938</b>	<b>2,494</b>	<b>2,494</b>	<b>2,000,356</b>	<b>2,233,563</b>
<b>Change in net position</b>	<b>(1,207,014)</b>	<b>(1,057,405)</b>	<b>(268,168)</b>	<b>203,841</b>	<b>(2,328,746)</b>	<b>2,814,266</b>
<b>Net position:</b>						
Beginning of year	30,262,850	19,098,434	2,216,688	1,062,849	52,640,821	49,826,555
End of year	\$ 29,055,836	\$ 18,041,029	\$ 1,948,520	\$ 1,266,690	\$ 50,312,075	\$ 52,640,821

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***Other Independent Auditors' Reports***

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

Board of Directors  
Trabuco Canyon Water District  
Trabuco Canyon, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Trabuco Canyon Water District (District), which comprise the balance sheet as of June 30, 2021, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2021.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Murrieta, California  
November 15, 2021