

EAST ORANGE COUNTY WATER DISTRICT

Financial Statements

Year ended June 30, 2021

Our Mission Statement

"To provide the most cost effective, reliable, and highest quality water services for the present as well as the future by operating in the most cost efficient manner possible, keeping the cost of water to our customers affordable and provide a safe working environment for our employees. Serve the community in an open manner and, at all times, communicate and deliberate in public meetings where open discussions are promoted."

Board of Directors as of June 30, 2021

Name	Title	Elected / Appointed	Current Term
Douglass S. Davert	President	Elected	12/20 - 12/24
John Dulebohn	Vice President	Elected	12/18 - 12/22
Richard Bell	Director	Elected	12/18 - 12/22
George A. Murdoch	Director	Elected	12/18 - 12/22
John L. Sears	Director	Elected	12/20 - 12/24

**David Youngblood, General Manager
East Orange County Water District**

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Orange, California 92869
(714) 538-5815

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EAST ORANGE COUNTY WATER DISTRICT

Financial Statements

Year ended June 30, 2021

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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Directors
of the East Orange County Water District
Orange, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 respective 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.

To the Board of Directors
of the East Orange County Water District
Orange, California

Emphasis of Matter

As described further in note 10 to the financial statements, during the year ended June 30, 2021, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84 and recorded certain prior period adjustments resulting in a restatement of net position. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining Schedules of Net Position and Combining Schedules of Revenues, Expenses, and Change in Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

To the Board of Directors
of the East Orange County Water District
Orange, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Davis Farr LLP

Irvine, California
December 23, 2021

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2021

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the East Orange County Water District (District) provides an introduction to the financial statements of the District for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2021, the District's net position increased \$1,305,362 due primarily to an increase in total revenues and a slight increase in overall expenses from fiscal year 2021.
- In 2021, operating revenues increased by \$3,599,495 due primarily to an increase in water sales, sewer use fees, and capacity and connection fees.
- In 2021, operating expenses increased by \$3,404,539 due primarily to an increase in source of supply, and sewer and maintenance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The financial statements are comprised of two components: 1) financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, non-capital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis (Continued) (Unaudited)

Year ended June 30, 2021

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.

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 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. One can think of the District's net position – the difference between assets and liabilities – as a 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, natural disasters, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Condensed Statement of Net Position

	June 30, 2021	June 30, 2020	Change
Assets:			
Current assets	\$ 83,497,147	64,142,203	19,354,944
Capital assets, net	16,729,948	15,567,014	1,162,934
Total assets	100,227,095	79,709,217	20,517,878
Deferred outflows of resources	803,776	701,985	101,791
Total assets and deferred outflows of resources	\$ 101,030,871	80,411,202	20,619,669
Liabilities:			
Current liabilities	\$ 2,945,454	2,382,567	562,887
Noncurrent liabilities	19,181,333	658,490	18,522,843
Total liabilities	22,126,787	3,041,057	19,085,730
Deferred inflows of resources	295,156	66,579	228,577
Net position:			
Investment in capital assets	16,729,948	15,567,014	1,162,934
Restricted for sewer operations	46,465,539	46,868,153	(402,614)
Unrestricted	15,413,441	14,868,399	545,042
Total net position	78,608,928	77,303,566	1,305,362
Total liabilities, deferred inflows and net position	\$ 101,030,871	80,411,202	20,619,669

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis (Continued) (Unaudited)

Year ended June 30, 2021

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 \$78,608,928 as of June 30, 2021.

The District's investment in capital assets over net position of 21% at June 30, 2021 reflects its investment in capital assets net of accumulated depreciation. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

The District's Improvement District No. 1 restricted net position of \$46,465,539 as of June 30, 2021 is restricted for future sewer system capital replacement and maintenance costs.

At the end of fiscal year 2021, the District shows a positive balance in its unrestricted net position of \$15,413,441 that may be utilized in future years. The Board of Directors has taken action to reserve aspects of the unrestricted net position for specified purposes such as asset replacement, rate stabilization, growth accommodation and emergency reserves. The District has committed to the following internal funds and objectives:

1. Operating Fund – Funds are maintained to capture all operating and maintenance revenues and expenditures separately for the Wholesale and Retail Zone operations. Excess revenues over expenditures are routinely transferred to the Replacement and Capital Improvements funds.
2. Replacement and Capital Improvement Funds – Separate replacement and capital improvement funds are maintained for the Wholesale District and Retail Zone.
3. Emergency Reserve Fund – This fund is earmarked by the Board of Directors for unforeseen Wholesale District emergencies or contingency expenditures.

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis (Continued) (Unaudited)

Year ended June 30, 2021

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Revenues:			
Operating Revenues	\$ 12,629,543	9,030,048	3,599,495
Non-operating revenues	2,037,048	3,960,810	(1,923,762)
Total revenues	<u>14,666,591</u>	<u>12,990,858</u>	<u>1,675,733</u>
Expenses:			
Operating expenses	10,862,561	7,458,022	3,404,539
Depreciation	1,096,590	972,239	124,351
Non-operating revenues (expenses)	1,664,535	(3,260)	1,667,795
Total expenses	<u>13,623,686</u>	<u>8,427,001</u>	<u>5,196,685</u>
Change in net position before capital contributions	1,042,905	4,563,857	(3,520,952)
Capital Contributions	262,457	563,610	(301,153)
Change in net position	1,305,362	5,127,467	(3,822,105)
Net position:			
Beginning of year	77,303,566	72,176,099	5,127,467
End of year	<u>\$ 78,608,928</u>	<u>77,303,566</u>	<u>1,305,362</u>

The Statement of Revenues, Expenses, and Changes in Net Position show how the District's net position changes during the fiscal year. In the case of the District, net position increased by \$1,305,362 as of June 30, 2021.

Revenues

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Operating Revenues:			
Water use sales:			
Wholesale	\$ 6,869,265	2,736,037	4,133,228
Retail	2,013,200	1,701,924	311,276
Meter and standby service charges	637,245	611,386	25,859
Capacity and connection fees	815,122	810,367	4,755
Sewer use fees	3,101,177	3,000,161	101,016
Other connection fees	148,526	111,514	37,012
Other service charges	39,675	58,659	(18,984)
Total operating revenue	<u>13,624,210</u>	<u>9,030,048</u>	<u>4,594,162</u>
Non-operating revenues:			
Property taxes	1,832,792	1,748,584	84,208
Rental income - cellular antennas	131,492	131,848	(356)
Investment earnings	27,206	2,065,454	(2,038,248)
Other, net	42,132	14,924	27,208
Loss on sale of assets	(3,426)	(6,771)	3,345
Total non-operating revenues	<u>2,030,196</u>	<u>3,954,039</u>	<u>(1,923,843)</u>
Total revenue	<u>\$ 15,654,406</u>	<u>\$ 12,984,087</u>	<u>2,670,319</u>

In 2021, operating revenues increased by \$4,594,162 due primarily to an increased in water sales, as depicted in the table above.

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis (Continued) (Unaudited)

Year ended June 30, 2021

Expenses

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Operating Expenses:			
Source of Supply	\$ 7,300,958	4,005,563	3,295,395
Pumping	23,327	18,080	5,247
Transmission and distribution	1,610,839	1,193,919	416,920
Sewer system maintenance	264,243	145,447	118,796
General and administrative	1,663,194	2,095,013	(431,819)
Total operating expenses	<u>10,862,561</u>	<u>7,458,022</u>	<u>3,404,539</u>
Depreciation	1,096,590	972,239	124,351
Non-operating expenses:			
Other expenses	1,424,151	3,511	1,420,640
Interest expense	(240,384)	6,771	(247,155)
Total expenses	<u>\$ 13,142,918</u>	<u>\$ 8,440,543</u>	<u>4,702,375</u>

In 2021 operating expenses increased by \$3,404,539 primarily due to increases in source of supply, transmission and distribution, and sewer system maintenance costs, as depicted in the table above.

Capital Asset Administration

Capital assets as of June 30th are as follows:

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Non-depreciable assets	\$ 3,474,443	2,461,178
Depreciable assets	28,116,257	26,916,904
Accumulated depreciation	<u>(14,860,752)</u>	<u>(13,811,068)</u>
Total capital assets, net	<u>\$ 16,729,948</u>	<u>\$ 15,567,014</u>

The capital asset activities of the District are summarized above and in Note 4 to the basic financial statements.

Economic and Other Factors Effecting Next Year's Operations and Budget

The District has adopted its Fiscal Year 2021-2022 Budget with expected revenues of \$14,031,400 over expected expenses of \$10,569,800.

Contacting the District's Financial Management Team

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, David Youngblood, at (714) 538-5815.

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BASIC FINANCIAL STATEMENTS

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EAST ORANGE COUNTY WATER DISTRICT
Statement of Net Position
June 30, 2021
(with comparative information as of June 30, 2020)

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and investments (Note 2)	\$ 80,262,810	61,976,084
Restricted cash and investments (Note 2)	152,107	125,000
Accrued interest receivable	127,635	244,123
Accounts receivable – services, net (Note 3)	2,764,327	1,626,598
Deposit receivable	20,980	4,895
Property taxes receivable	51,790	43,583
Prepaid expenses	70,721	91,877
Water-in-storage inventory	46,777	30,043
Total current assets	83,497,147	64,142,203
Noncurrent assets:		
Capital assets – not being depreciated (Note 4)	3,474,443	2,461,178
Capital assets – being depreciated, net (Note 4)	13,255,505	13,105,836
Total noncurrent assets	16,729,948	15,567,014
Total assets	100,227,095	79,709,217
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension related deferred outflows of resources (Note 6)	803,776	701,985
Total deferred outflows of resources	803,776	701,985
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 1,720,596	2,002,586
Accrued interest payable	35,998	-
Accrued salaries and benefits	22,351	15,584
Compensated absences (Note 5)	98,044	136,612
Deposits and unearned revenue	227,465	226,955
Due to other governments	-	830
Long-term liabilities - due within one year (Note 5)	841,000	-
Total current liabilities	2,945,454	2,382,567
Noncurrent liabilities:		
Net pension liability (Note 6)	269,333	658,490
Long-term liabilities - due in more than one year (Note 5)	18,912,000	-
Total noncurrent liabilities	19,181,333	658,490
Total liabilities	22,126,787	3,041,057
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension related deferred inflows of resources (Note 6)	295,156	66,579
Total deferred inflows of resources	295,156	66,579
<u>NET POSITION</u>		
Investment in capital assets	16,729,948	15,567,014
Restricted for sewer operations	46,465,539	46,868,153
Unrestricted	15,413,441	14,868,399
Total net position	\$ 78,608,928	77,303,566

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2021
(with comparative information for the year ended June 30, 2020)

	2021	2020
Operating revenues:		
Water use sales	\$ 7,887,798	4,437,961
Meter and standby service charges	637,245	611,386
Capacity and connection fees	815,122	810,367
Sewer use fees	3,101,177	3,000,161
Other connection fees	148,526	111,514
Other service charges	39,675	58,659
Total operating revenues	<u>12,629,543</u>	<u>9,030,048</u>
Operating expenses:		
Source of supply	7,300,958	4,005,563
Pumping	23,327	18,080
Transmission and distribution	1,610,839	1,193,919
Sewer system maintenance	264,243	145,447
General and administrative	1,663,194	2,095,013
Total operating expenses	<u>10,862,561</u>	<u>7,458,022</u>
Operating income (loss) before depreciation	1,766,982	1,572,026
Depreciation expense	<u>(1,096,590)</u>	<u>(972,239)</u>
Operating income (loss)	<u>670,392</u>	<u>599,787</u>
Non-operating revenues (expenses):		
Property taxes	1,832,792	1,748,584
Rental income – cellular antennas	131,492	131,848
Investment earnings	27,206	2,065,454
Other revenues	42,132	14,924
Other expenses	(1,424,151)	(3,511)
Gain (loss) on sale of asset	3,426	6,771
Interest Expense	<u>(240,384)</u>	<u>-</u>
Total non-operating revenues, net	<u>372,513</u>	<u>3,964,070</u>
Change in net position before capital contributions	<u>1,042,905</u>	<u>4,563,857</u>
Capital contributions:		
Capital contributions from developers	<u>262,457</u>	<u>563,610</u>
Total capital contributions	<u>262,457</u>	<u>563,610</u>
Change in net position	1,305,362	5,127,467
Net position:		
Beginning of year	<u>77,303,566</u>	<u>72,176,099</u>
End of year	<u>\$ 78,608,928</u>	<u>77,303,566</u>

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Statement of Cash Flows
Year ended June 30, 2021
(with comparative data for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash receipts from customers for sales and services	\$ 11,328,713	9,797,143
Cash paid to employees for salaries and benefits	(1,635,103)	(1,446,888)
Cash paid to vendors and suppliers for materials and services	<u>(10,867,032)</u>	<u>(5,998,209)</u>
Net cash provided by operating activities	<u>(1,173,422)</u>	<u>2,352,046</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	<u>1,824,585</u>	<u>1,734,933</u>
Net cash provided by non-capital financing activities	<u>1,824,585</u>	<u>1,734,933</u>
Cash flows from capital and related financing activities:		
Proceeds from disposal of capital assets	3,886	16,319
Acquisition and construction of capital assets	(1,997,527)	(1,770,132)
Capital contributions from developers - non-cash	262,457	-
Principal paid on capital debt	(367,000)	-
Interest paid on long-term debt	(240,384)	-
Proceeds from loan agreement	<u>20,120,000</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>17,781,432</u>	<u>(1,753,813)</u>
Cash flows from investing activities:		
Interest on investments	315,891	1,461,464
Proceeds from sale of investments	7,148,327	1,423,596
Purchase of investments	<u>(7,312,878)</u>	<u>(5,743,687)</u>
Net cash used in by investing activities	<u>151,340</u>	<u>(2,858,627)</u>
Net increase (decrease) in cash and investments	18,583,935	(525,461)
Cash and cash equivalents:		
Beginning of year	<u>1,993,671</u>	<u>2,519,132</u>
End of year	<u>\$ 20,577,606</u>	<u>1,993,671</u>
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Position:		
Cash and investments	\$ 80,414,917	62,101,084
Less long-term investments	<u>59,837,311</u>	<u>(60,107,413)</u>
Cash and cash equivalents at end of year	<u>\$ 20,577,606</u>	<u>1,993,671</u>

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Statement of Cash Flows (Continued)
Year ended June 30, 2021
(with comparative data for the year ended June 30, 2020)

	2021	2020
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 670,392	599,787
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,096,590	972,239
Other revenues	42,132	14,924
Rental income	131,492	131,848
Other expenses	(1,424,151)	(3,511)
Changes in assets – (increase) decrease:		
Accounts receivable – services, net	(1,300,830)	(284,895)
Accounts receivable – other	(16,085)	(3,185)
Prepaid expenses	21,156	40,057
Water-in-storage inventory	(16,734)	(3,898)
Change in deferred outflows of resources – (increase) decrease:		
Pension related deferred outflows of resources	(101,791)	(477,115)
Changes in liabilities – increase (decrease):		
Accounts payable and other accrued liabilities	(118,890)	1,260,180
Accrued interest payable	35,998	-
Accrued salaries and benefits	6,767	(39,004)
Compensated absences	(38,568)	31,191
Deposits and unearned revenue	510	46,111
Due to other governments	(830)	(6,238)
Net pension liability	(389,157)	75,879
Change in deferred inflows of resources – increase (decrease):		
Pension related deferred inflows of resources	228,577	(2,324)
Total adjustments	(1,843,814)	1,752,259
Net cash provided by operating activities	\$ (1,173,422)	2,352,046
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Unrealized gain (loss) from investments	\$ 586,824	579,929
Capital contributions	262,457	563,610

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021

	<u>Custodial Funds</u> <u>2021</u>
<u>ASSETS</u>	
Current assets:	
Investments (Note 2):	
Money Market Mutual Funds	\$ 38,544
Total assets	<u>38,544</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
<u>NET POSITION</u>	
Restricted	<u>38,544</u>
Total net position	<u>\$ 38,544</u>

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2021

	Custodial Fund
	2021
Additions:	
Property taxes	\$ 47,902
Total additions	47,902
Deductions:	
Administrative fees	17,192
Interest expenses	26,010
Total deductions	43,202
Change in net position	4,700
Net position:	
Beginning of year, as restated	33,844
End of year	\$ 38,544

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The East Orange County Water District (the District) was formed in 1961, in order to furnish imported potable water to an area encompassing the eastern half of the City of Orange. The District provides wholesale potable water to five sub-agencies in the region through its pipeline transmission and distribution system. The five sub-agencies consist of the East Orange County Water District Retail Zone, Golden State Water Company, City of Tustin, Irvine Ranch Water District, and the City of Orange. The District provides potable water service through the East Orange County Water District Retail Zone to 1,179 customers within its service area.

In 2013, the Orange County Sanitation District (OCSD) proposed a transfer of ownership and operation of the local sewer system (Sewer Area 7) to the District. On May 11, 2016, after an extensive review and approval process, the Orange County Local Agency Formation Commission approved the transfer of sewers to the District effective August 1, 2016. The sewer system was transferred to the District as Improvement District No. 1 (ID No.1). It is comprised of 175 miles of primarily vitrified clay pipe sewers and approximately 3,700 manholes, both of which were largely installed in the 1960s.

The District is governed by a Board of Directors, which consists of five directors, each of whom is elected at-large for a four-year term by the citizens living within the District's service area.

Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's enterprise fund.

Basis of Accounting and Measurement Focus

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 of providing water to its customers on a continuing basis be financed or recovered, primarily through user charges (water sales and services) or similar funding. The District segregates its Wholesale and Retail Zone accounting internally as separate entities. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

The District also reports the following Fiduciary Fund types:

A Custodial Fund are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and other governments. The

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(1) **Reporting Entity and Summary of Significant Accounting Policies**

custodial funds are used to account for taxes received for special assessments debt for which the District is not obligated.

Operating revenues and expenses are generated and incurred through the water sales activities to the District's customers. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

In accordance with U.S. GAAP, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

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

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

Use of Estimates

The preparation of the basic 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results most likely will differ from those estimates.

Comparative Financial Statements and Reclassifications

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain amounts presented in the prior year financial statements have been reclassified in order to be consistent with the current year's presentation.

Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies

U.S. GAAP defines fair value and establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Accounts Receivable

The District has uncollectible accounts receivable at year-end. Accordingly, an allowance for doubtful accounts has been recorded.

Property Taxes

Property taxes receivable at year-end are related to property taxes collected by the County of Orange, which have not been credited to the District as of June 30. The property tax calendar is as follows:

Lien date	January 1
Levy date	July 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

The County of Orange Assessor’s Office assesses all real and personal property within the County each year. The County of Orange Auditor-Controller’s Office bills and collects the District’s share of property taxes and assessments. The County of Orange Treasurer’s Office remits current and delinquent 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.

Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid expenses in the basic financial statements.

Water-In-Storage Inventory

Annually, a controlled quantity of water is purchased by the District and, if not used in the current year, is stored for use in the following year. Purchased stored water is subject to loss through meter error or leakage. The losses are not covered by insurance nor has a loss reserve been recorded.

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. (See Note 4 for further details) Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Transmission and distribution systems	5 to 100 years
Structures and improvements	3 to 50 years
Capacity rights	75 years
Water treatment plant	10 to 100 years
Equipment	5 to 50 years

Construction-in-Process

The costs associated with developmental stage projects are accumulated in an in-progress account until the project is fully developed. Once the project is complete and in use, the entire cost of the project is transferred to a capital asset account and depreciated over its estimated useful life.

Compensated Absences

The District's policy allows full-time employees to accumulate a maximum of 160 hours of vacation time. No compensation in lieu of time off is allowed except for termination or disability. Employees may accumulate up to 80 hours of sick time. As of December 31 each year, one-half of the excess over 80 hours may be credited to additional vacation or may be paid to the employee. The remaining one-half is forfeited. The District has recorded the liability for accrued vacation and sick pay in the accompanying financial statements as a current liability.

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 pension of the District's pension plans and additions to/deductions from the Plan's 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 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, 2021

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies (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.

Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation.

Restricted – This component of net position consists of 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. The net position of Improvement District No. 1 is considered restricted.

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

Water Use Sales – Wholesale and Retail

Wholesale water sales are billed on a monthly basis and retail water sales are billed on a bi-monthly cyclical basis. Estimated unbilled retail water sales revenue through June 30 has been accrued at year-end.

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, governmental agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(2) Cash and Investments

Financial Statement Classification:

Current:	
Cash and cash equivalents	\$ 20,577,606
Investments	59,685,204
Restricted:	
Cash and cash equivalents	-
Investments	152,107
Total	<u>80,414,917</u>
Fiduciary Funds:	
Cash and cash equivalents	-
Investments	38,544
Total Fiduciary Funds	<u>38,544</u>
Total Cash and Investments	<u>\$ 80,453,461</u>

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

Cash on hand	\$ 250
Demand deposits held with financial institutions	20,577,356
Investments	<u>59,875,855</u>
Total cash and investments	<u>\$ 80,453,461</u>

Demand Deposits

At June 30, 2021, the carrying amount of the District's demand deposits were \$20,729,526, and the financial institution balance was \$20,972,835. The respective net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(2) Cash and Investments (Continued)

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.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investments

The District's investments as of June 30, 2021 were as follows:

Investments	Measurement Input	Credit Rating	Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	Uncategorized	Not Rated	\$ 36,139,741	36,139,741	-	-
PARS Pooled Trust	Uncategorized	Not Rated	152,170	152,170	-	-
U.S. Treasury notes	Level 2	AAA	11,712,255	1,658,718	6,143,225	3,910,312
Governmental agency securities	Level 2	AAA	9,799,429	2,122,982	6,083,186	1,593,261
Corporate bonds	Level 2	A to A+	1,376,649	187,132	1,189,517	-
Money Market	Uncategorized	AAA	8,806	8,806	-	-
Negotiable certificates-of-deposit	Level 2	N/A	648,261	255,449	392,812	-
Total investments			<u>\$ 59,837,311</u>	<u>40,524,998</u>	<u>13,808,740</u>	<u>5,503,573</u>

The District's investments in Fiduciary Fund as of June 30, 2021 were as follows:

Investments	Measurement Input	Credit Rating	Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 60 Months
Money Market	Uncategorized	AAA	\$ 38,544	38,544	-	-
Total investments			<u>\$ 38,544</u>	<u>38,544</u>	-	-

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(2) Cash and Investments (Continued)

Authorized Investments and Investment Policy

The District has adopted an investment policy allowing authorized investments to be made in the following areas:

- California Local Agency Investment Fund (LAIF)
- PARS Pooled Trust
- U.S. Treasury notes
- Governmental agency securities
- Corporate bonds
- Money market funds
- Negotiable certificates-of-deposit

Investment in State Investment Pool

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District's investments with LAIF at June 30, 2021 included a portion of the pool funds invested in structured notes and asset-backed securities.

Investment in Public Agency Retirement Fund

The District established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the District's pension plan. Investments with PARS are reported at fair value.

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

The District had \$36,139,741 invested in LAIF. The LAIF fair value factor of 1.004912795 was used to calculate the fair value of the investments in LAIF as of June 30, 2021.

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table on previous page.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(2) Cash and Investments (Continued)

recognized statistical rating organization. As of June 30, 2021, the District's investment in the LAIF was not rated as noted in the table on previous page.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table on previous page.

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. The following are investments in any one governmental or non-governmental issuer that represent 5% or more of the District's total cash and investment portfolio except for those investments in U.S. Treasury securities, mutual funds, and external investment pools.

<u>Description</u>	<u>Percentage</u>	<u>Fair Value</u>
Federal Home Loan Bank	6%	\$ 3,835,578

(3) Accounts Receivable – Services, Net

Accounts receivable consisted of the following at June 30, 2021:

<u>Description</u>	
Accounts receivable – services	\$ 2,788,030
Allowance for doubtful accounts	<u>(23,703)</u>
Accounts receivable – services, net	<u>\$ 2,764,327</u>

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(4) Capital Assets

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Non-depreciable assets:				
Land and easements	\$ 579,284	-	-	579,284
Construction-in-process	1,881,894	3,538,125	(2,524,860)	2,895,159
Total non-depreciable assets	<u>2,461,178</u>	<u>3,538,125</u>	<u>(2,524,860)</u>	<u>3,474,443</u>
Depreciable assets:				
Transmission and distribution system	15,659,660	1,125,215	(26,111)	16,758,764
Structures and improvements	8,527,752	101,117	-	8,628,869
Capacity rights	943,320	-	-	943,320
Equipment	1,786,174	20,387	(21,257)	1,785,304
Total depreciable assets	<u>26,916,906</u>	<u>1,246,719</u>	<u>(47,368)</u>	<u>28,116,257</u>
Accumulated Depreciation:				
Transmission and distribution system	9,200,115	634,557	(25,881)	9,808,791
Structures and improvements	3,431,832	226,315	-	3,658,147
Capacity rights	705,944	12,578	-	718,522
Equipment	473,179	223,140	(21,027)	675,292
Accumulated depreciation	<u>13,811,070</u>	<u>1,096,590</u>	<u>(46,908)</u>	<u>14,860,752</u>
Total depreciable assets, net	<u>13,105,836</u>	<u>150,129</u>	<u>(460)</u>	<u>13,255,505</u>
Total capital assets, net	<u>\$ 15,567,014</u>	<u>3,688,254</u>	<u>(2,525,320)</u>	<u>16,729,948</u>

(5) Long-term Liabilities

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due in One Year
Long-term liabilities					
Compensated absences	\$ 136,612	78,856	(117,424)	98,044	-
2020 Installment Purchase Agreement	-	20,120,000	(367,000)	19,753,000	841,000
Total long-term liabilities	<u>\$ 136,612</u>	<u>20,120,000</u>	<u>(367,000)</u>	<u>19,753,000</u>	<u>841,000</u>

Installment Purchase Agreement

On December 1, 2020, the District entered into an Installment Purchase Agreement in the amount of \$20,120,000 with Sterling National Bank with interest at 2.30% used to finance the "2020 Project" which involves three capital improvement projects to comply with California Environmental Quality Act. The three capital improvement projects being financed are Vista Panorama Reservoir Replacement, VanderWerff Well Replacement, and Capacity Reliability Augmentation Project. Annual principal payments plus interest are due through June 2040. Future long-term maturities as of June 30, 2021, are as follows:

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(5) Long-term Liabilities (continued)

Year ending June 30,	Principal	Interest	Totals
2022	\$ 841,000	454,319	1,295,319
2023	860,000	434,976	1,294,976
2024	880,000	415,196	1,295,196
2025	900,000	394,956	1,294,956
2026	921,000	374,256	1,295,256
2027 - 2031	4,931,000	1,543,714	6,474,714
2032 - 2036	5,525,000	949,946	6,474,946
2037 - 2040	4,895,000	284,671	5,179,671
	<u>\$ 19,753,000</u>	<u>4,852,034</u>	<u>24,605,034</u>

(6) Net Pension Liability and Defined Benefit Pension Plan

The Plans Description Schedule

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	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.00%	2.00%
Required member contribution rates	6.915%	6.750%
Required employer contribution rates - FY 2020	8.081%	6.985%

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, 2018 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.

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(6) Net Pension Liability and Defined Benefit Pension Plan (continued)

Members Covered by Benefit Terms

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	6	7	13
Transferred and terminated members	6	3	9
Retired members and beneficiaries	7	1	8
Total plan members	19	11	30

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based on the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based on the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 2.5% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.15 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate. Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(6) Net Pension Liability and Defined Benefit Pension Plan (continued)

year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

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

<u>Contribution Type</u>	<u>Total</u>
Contributions - employer	\$ 451,154
Contributions - members	197,721
Total contributions	<u>\$ 648,875</u>

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ending June 30, 2020 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2019 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
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
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on Purchasing Power applies, 2.50% thereafter

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(6) Net Pension Liability and Defined Benefit Pension Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that the 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 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.

Asset Class ¹	New Strategic Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100.00%		

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

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% used for this period.

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount 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	\$ 796,067	269,333	(165,891)

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(6) Net Pension Liability and Defined Benefit Pension Plan (continued)

Pension Plan Fiduciary Net Position

Detailed information about the 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.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2021:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2019 (Measurement Date)	3,566,265	2,907,775	658,490
Balance as of June 30, 2020 (Measurement Date)	3,958,156	3,688,823	269,333
Change in Plan Net Pension Liability	<u>\$ 391,891</u>	<u>781,048</u>	<u>(389,157)</u>

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

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2021</u>	<u>Fiscal Year Ending June 30, 2020</u>	
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
Percentage of Risk Pool Net Pension Liability	0.002480%	0.006430%	-0.003950%

For the year ended June 30, 2021, the District recognized pension expense/(credit) in the amounts of (\$389,157) for the CalPERS Miscellaneous Plan.

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(6) Net Pension Liability and Defined Benefit Pension Plan (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	\$ 451,153	-
Difference between actual and proportionate share of employer contributions	306,027	18,734
Adjustment due to differences in proportions experience	24,715 13,880	274,501 -
Differences between projected and actual earnings on pension plan investments	8,001	-
Changes in assumptions	-	1,921
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 803,776</u>	<u>295,156</u>

The District will recognize \$451,153 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2022, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2022	\$ 18,713
2023	20,127
2024	14,788
2025	3,837
Total	<u>\$ 57,465</u>

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(7) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in the California Public Employees Retirement System (CalPERS) Section 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for California public employees that elect to participate in the Program. This Program is established pursuant to sections 21670 through 21685 of the Government Code of the State of California and is intended to constitute an "eligible deferred compensation plan" within the meaning of Section 457 of the Federal Internal Revenue Code. 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.

The Program was created under the administrative and investment control of the CalPERS Board, which requires the Board to act in the interest of Program participants. Also, Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of participants. Accordingly, the District is in compliance with legislation, which requires Section 457 plan assets to be held in trust for employees. This means that employee assets held in Section 457 plans are no longer viewed as the legal property of the District and are no longer subject to claims of the District's general creditors and are not presented in the accompanying financial statements.

(8) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2021, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit at \$1,000,000 per occurrence. The AWCA JPIA purchased additional excess coverage layers: \$50 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.
- Fidelity coverage up to \$300,000 per loss includes public employee dishonesty, forgery or alteration, computer fraud and ERISA coverage's, subject to a \$100,000 pooled self –insurance limit with a deductible of \$1,000 per claim.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis to a combined total of \$50 million per occurrence, subject to a \$50,000 pooled self –insurance limit. Boiler and machinery coverage for the replacement cost up to \$50 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work-related injuries/illnesses covered by California law.

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(8) Risk Management (continued)

There have been no losses or claims 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). No claims payable is recorded as of June 30, 2021.

(9) Commitments and Contingencies

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water 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 advances for construction.

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 that there are no legal matters that will materially affect its financial condition.

(10) Prior Period Adjustment

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 84 related to Fiduciary Activities. Accordingly, Net Position for the custodial fund was restated as of July 1, 2020 as follows:

Beginning net position, as previously reported	\$ -
Implementation of GASB 84	<u>33,844</u>
Beginning net position, as restated	<u>\$33,844</u>

REQUIRED SUPPLEMENTARY INFORMATION

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EAST ORANGE COUNTY WATER DISTRICT
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
Last Ten Fiscal Years

Measurement Date:	June 30, 2020	June 30, 2019	June 30, 2018
District's Proportion of the Net Pension Liability	0.002480%	0.019830%	0.019150%
District's Proportionate Share of the Net Pension Liability	\$ 269,333	\$ 658,490	582,611
District's Covered Payroll	\$ 1,101,431	\$ 886,564	703,788
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	24.45%	74.27%	82.78%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	93.20%	81.54%	81.99%

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Summary of Changes of Benefits or Assumptions:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separate financed employer-specific liabilities.

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance with CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

EAST ORANGE COUNTY WATER DISTRICT
Required Supplementary Information (Unaudited) (Continued)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
Last Ten Fiscal Years

Measurement Date:	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's Proportion of the Net Pension Liability	<u>0.017840%</u>	<u>0.005772%</u>	<u>0.004970%</u>
District's Proportionate Share of the Net Pension Liability	<u>600,628</u>	<u>\$ 499,435</u>	<u>341,116</u>
District's Covered Payroll	<u>570,254</u>	<u>\$ 439,988</u>	<u>446,749</u>
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	<u>105.33%</u>	<u>113.51%</u>	<u>76.36%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>78.98%</u>	<u>74.06%</u>	<u>78.40%</u>

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Summary of Changes of Benefits or Assumptions:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separate financed employer-specific liabilities.

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance with CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

EAST ORANGE COUNTY WATER DISTRICT
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
Last Ten Fiscal Years

Fiscal Year:	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Actuarially Determined Contribution	\$ 451,154	\$ 580,137	96,026	69,318
Contribution in Relation to the Actuarially Determined Contribution	<u>(451,154)</u>	<u>(580,137)</u>	<u>(96,026)</u>	<u>(69,318)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's Covered Payroll	<u>\$ 1,322,992</u>	<u>\$ 1,101,431</u>	<u>886,564</u>	<u>703,788</u>
Contributions as a Percentage of Covered Payroll	<u>34.10%</u>	<u>52.67%</u>	<u>10.83%</u>	<u>9.85%</u>

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Notes to schedule:

Fiscal Year End:	6/30/2021
Valuation Date:	6/30/2018
Methods and assumptions used to determine contributions rates:	
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.00%
Project Salary Increase	Varies by entry age and service
Inflation	2.50%
Payroll Growth	2.75%

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

Changes in Assumptions: At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent will be used and a rate of 2.50 percent in the following valuation.

EAST ORANGE COUNTY WATER DISTRICT
Required Supplementary Information (Unaudited) (Continued)
Schedule of the District's Contributions to the Pension Plan
Last Ten Fiscal Years

Fiscal Year:	2016-17	2015-16	2014-15	2013-14
Actuarially Determined Contribution	56,240	\$ 40,547	33,913	27,002
Contribution in Relation to the Actuarially Determined Contribution	<u>(56,240)</u>	<u>(40,547)</u>	<u>(33,913)</u>	<u>(27,002)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's Covered Payroll	<u>570,254</u>	<u>\$ 439,988</u>	<u>446,749</u>	<u>424,397</u>
Contributions as a Percentage of Covered Payroll	<u>9.86%</u>	<u>9.22%</u>	<u>7.59%</u>	<u>6.36%</u>

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Notes to schedule:

Fiscal Year End:	6/30/2021
Valuation Date:	6/30/2018
Methods and assumptions used to determine contributions rates:	
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.250%
Project Salary Increase	Varies by entry age and service
Inflation	2.63%
Payroll Growth	2.88%

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

Changes in Assumptions: At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent will be used and a rate of 2.50 percent in the following valuation.

SUPPLEMENTARY INFORMATION

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EAST ORANGE COUNTY WATER DISTRICT
Combining Schedule of Net Position
June 30, 2021

<u>ASSETS</u>	Wholesale	Retail	ID No. 1	Internal Balances	Total
Current assets:					
Cash and investments	\$ 8,102,757	9,746,183	62,413,870	-	80,262,810
Restricted cash and investments	60,843	30,421	60,843	-	152,107
Accrued interest receivable	15,362	633	111,640	-	127,635
Accounts receivable – services, net	2,376,608	460,166	37,794	(110,241)	2,764,327
Accounts receivable – other	-	19,270	1,710	-	20,980
Property taxes receivable	11,125	6,276	34,389	-	51,790
Prepaid expenses	41,682	9,568	19,471	-	70,721
Water-in-storage inventory	44,127	2,650	-	-	46,777
Total current assets	<u>10,652,504</u>	<u>10,275,167</u>	<u>62,679,717</u>	<u>(110,241)</u>	<u>83,497,147</u>
Non-current assets:					
Capital assets – not being depreciated	244,108	1,098,650	2,131,685	-	3,474,443
Capital assets – being depreciated, net	<u>4,298,788</u>	<u>4,931,637</u>	<u>4,025,080</u>	<u>-</u>	<u>13,255,505</u>
Total non-current assets	<u>4,542,896</u>	<u>6,030,287</u>	<u>6,156,765</u>	<u>-</u>	<u>16,729,948</u>
Total assets	<u>15,195,400</u>	<u>16,305,454</u>	<u>68,836,482</u>	<u>(110,241)</u>	<u>100,227,095</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Pension related deferred outflows of resources	<u>379,864</u>	<u>379,864</u>	<u>44,048</u>	<u>-</u>	<u>803,776</u>
Total deferred outflows of resources	<u>379,864</u>	<u>379,864</u>	<u>44,048</u>	<u>-</u>	<u>803,776</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and other accrued liabilities	\$ 1,262,756	241,233	326,848	(110,241)	1,720,596
Accrued interest payable	-	7,200	28,798	-	35,998
Accrued salaries and benefits	3,430	4,988	13,933	-	22,351
Compensated absences	24,055	23,358	50,631	-	98,044
Deposits and unearned revenue	34,430	188,352	4,683	-	227,465
Long-term liabilities - due within one year	-	168,200	672,800	-	841,000
Total current liabilities	<u>1,324,671</u>	<u>633,331</u>	<u>1,097,693</u>	<u>(110,241)</u>	<u>2,945,454</u>
Non-current liabilities:					
Net pension liability	127,287	127,287	14,759	-	269,333
Long-term liabilities - due in more than one year	<u>-</u>	<u>3,782,400</u>	<u>15,129,600</u>	<u>-</u>	<u>18,912,000</u>
Total non-current liabilities	<u>127,287</u>	<u>3,909,687</u>	<u>15,144,359</u>	<u>-</u>	<u>19,181,333</u>
Total liabilities	<u>1,451,958</u>	<u>4,543,018</u>	<u>16,242,052</u>	<u>(110,241)</u>	<u>22,126,787</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Pension related deferred inflows of resources	<u>139,491</u>	<u>139,491</u>	<u>16,174</u>	<u>-</u>	<u>295,156</u>
Total deferred inflows of resources	<u>139,491</u>	<u>139,491</u>	<u>16,174</u>	<u>-</u>	<u>295,156</u>
Total liabilities and deferred inflows of resources	<u>1,591,449</u>	<u>4,682,509</u>	<u>16,258,226</u>	<u>(110,241)</u>	<u>22,421,943</u>
<u>NET POSITION</u>					
Net Investment in capital assets	4,542,896	6,030,287	6,156,765	-	16,729,948
Restricted for sewer operations	-	-	46,465,539	-	46,465,539
Unrestricted	<u>9,440,919</u>	<u>5,972,522</u>	<u>-</u>	<u>-</u>	<u>15,413,441</u>
Total net position	<u>\$ 13,983,815</u>	<u>12,002,809</u>	<u>52,622,304</u>	<u>-</u>	<u>78,608,928</u>

EAST ORANGE COUNTY WATER DISTRICT
Combining Schedule of Revenues, Expenses, and Change in Net Position
Year ended June 30, 2021

	Wholesale	Retail	ID No. 1	Internal Balances	Total
Operating revenues:					
Water use sales	\$ 6,869,265	2,013,200	-	(994,667)	7,887,798
Meter and standby service charges	83,805	557,971	-	(4,531)	637,245
Capacity and connection fees	869,695	-	-	(54,573)	815,122
Sewer use fees	-	-	3,101,177	-	3,101,177
Other connection fees	123,963	10,040	14,523	-	148,526
Other service charges	1,582	7,905	30,188	-	39,675
Total operating revenues	<u>7,948,310</u>	<u>2,589,116</u>	<u>3,145,888</u>	<u>(1,053,771)</u>	<u>12,629,543</u>
Operating expenses:					
Source of supply:					
Water purchases	6,851,850	994,667	-	(1,053,771)	6,792,746
Standby service charges	80,396	14,331	-	-	94,727
Capacity and connection fees	368,224	44,774	-	-	412,998
Replenishment assessment	-	487	-	-	487
Total source of supply	<u>7,300,470</u>	<u>1,054,259</u>	<u>-</u>	<u>(1,053,771)</u>	<u>7,300,958</u>
Pumping	1,258	22,069	-	-	23,327
Transmission and distribution	847,717	742,359	20,763	-	1,610,839
Sewer system maintenance	-	-	264,243	-	264,243
General and administrative	186,875	190,848	1,285,471	-	1,663,194
Total operating expenses	<u>8,336,320</u>	<u>2,009,535</u>	<u>1,570,477</u>	<u>(1,053,771)</u>	<u>10,862,561</u>
Operating income(loss) before depreciation	(388,010)	579,581	1,575,411	-	1,766,982
Depreciation	(380,491)	(236,126)	(479,973)	-	(1,096,590)
Operating income(loss)	<u>(768,501)</u>	<u>343,455</u>	<u>1,095,438</u>	<u>-</u>	<u>670,392</u>
Non-operating revenues(expenses):					
Property taxes	953,311	496,035	383,446	-	1,832,792
Rental income – cellular antennas	131,492	-	-	-	131,492
Investment earnings	19,433	7,584	189	-	27,206
Other revenues	11,284	14,204	16,644	-	42,132
Other expenses	(1,136,179)	(47,130)	(240,842)	-	(1,424,151)
Gain (loss) on sale of asset	1,713	1,713	-	-	3,426
Interest Expense	-	(48,077)	(192,307)	-	(240,384)
Total non-operating revenues, net	<u>(18,946)</u>	<u>424,329</u>	<u>(32,870)</u>	<u>-</u>	<u>372,513</u>
Capital contributions:					
Capital contributions from developers	27,978	185,568	48,911	-	262,457
Total capital contributions	<u>27,978</u>	<u>185,568</u>	<u>48,911</u>	<u>-</u>	<u>262,457</u>
Change in net position	(759,469)	953,352	1,111,479	-	1,305,362
Net position:					
Beginning of year	14,743,284	11,049,457	51,510,825	-	77,303,566
End of year	<u>\$ 13,983,815</u>	<u>12,002,809</u>	<u>52,622,304</u>	<u>-</u>	<u>78,608,928</u>