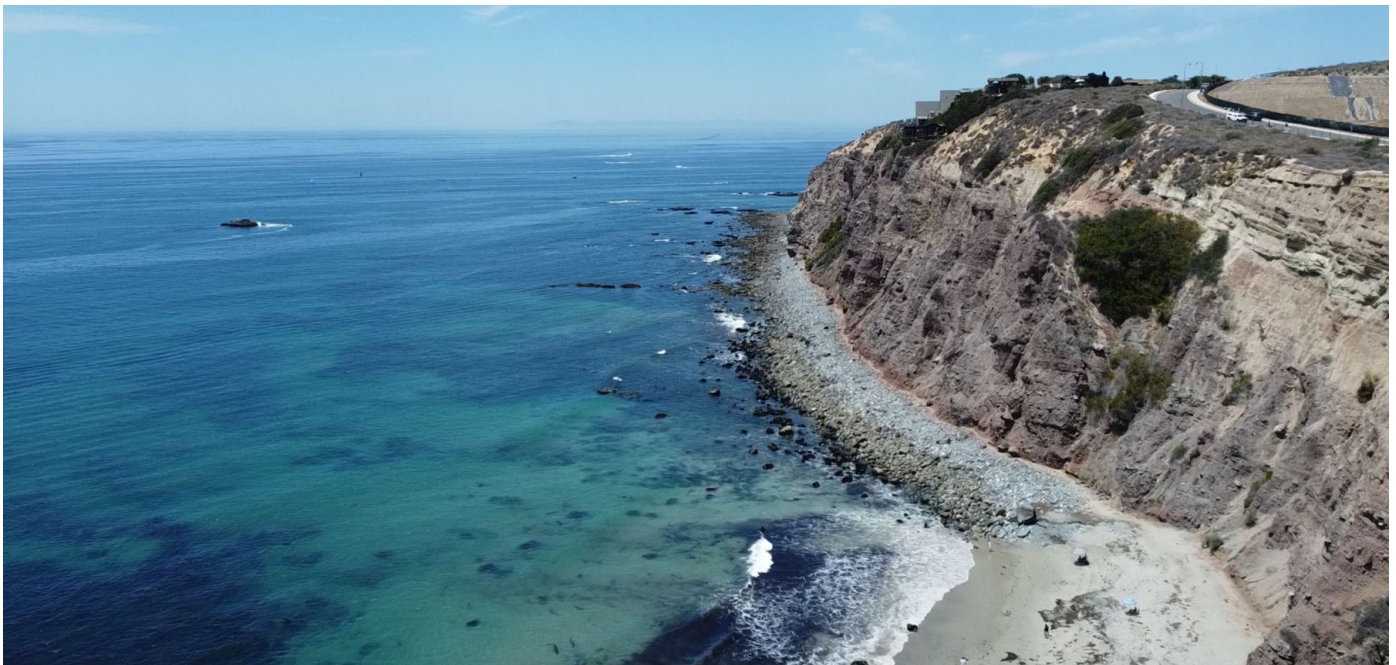


ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021



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



South Orange County Wastewater Authority

Annual Comprehensive Financial Report
For the Years Ended June 30, 2022 and 2021

Prepared By:
The Finance Department
34156 Del Obispo Street, Dana Point, CA 92629
www.socwa.com

**South Orange County Wastewater Authority
Annual Comprehensive Financial Report
For the Years Ended June 30, 2022 and 2021**

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**INTRODUCTORY
SECTION**
(UNAUDITED)

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South Orange County Wastewater Authority
November 30, 2022

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

Honorable Chairman and Members of the Board of Directors:

We are pleased to present the South Orange County Wastewater Authority's (Authority or SOCWA) Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2022, and 2021.

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

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

The Reporting Entity

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

- City of Laguna Beach (CLB)
- City of San Clemente (CSC)
- City of San Juan Capistrano (SJC)¹
- El Toro Water District (ETWD)
- Emerald Bay Services District (EBSD)
- Irvine Ranch Water District (IRWD)
- Moulton Niguel Water District (MNWD)
- Santa Margarita Water District (SMWD)
- South Coast Water District (SCWD)
- Trabuco Canyon Water District (TCWD)

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

¹As of November 15, 2021, San Juan Capistrano residents and businesses are officially part of the Santa Margarita Water District (SMWD) by the action of the Orange County Local Agency Formation Commission. On May 19, 2022, the SOCWA Board acted to deem the notices of the City of San Juan Capistrano of withdrawal from SOCWA as sufficient Notice of Withdrawal from SOCWA under section 12.3 of the Joint Powers Authority Agreement.

The Pun Group, LLP, a certified public accounting firm, performed the financial audits for the Fiscal Years Ended June 30, 2022, and 2021. Their unmodified (clean) opinion has been included as the first component of the financial section of the ACFR. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than an absolute assurance that the financial statements are free of any material misstatements.

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

Authority Overview



Mission

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

SOCWA’s Purpose

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

SOCWA is a Joint Powers Authority with ten (10) member agencies², consisting of local retail water agencies and cities that provide retail potable water, recycled water, and sewer collection system services to their residents. SOCWA operates three treatment plants and two ocean outfalls. Additionally, SOCWA manages multiple programs to meet the needs of its member agencies and the requirements of the Clean Water Act and applicable National Pollutant Discharge Elimination System (NPDES) permits.

SOCWA has no taxing authority, and nearly all funding for its operations comes directly from contributions from the ten (10) member agencies within the JPA.

²See footnote 1; as of July 1, 2022, SOCWA has nine (9) member agencies. For consistency with the timeframe of the ACFR, this letter refers to the ten (10) member agencies of SOCWA during the fiscal year ended June 30, 2022.

Governance

South Orange County Wastewater Authority “SOCWA” is a Joint Powers Authority representing ten (10) member agencies, each of whom provides a governing representative to SOCWA’s Board of Directors. Although SOCWA’s member agencies vary in size and participation, each agency has one equal vote. The Board works to fulfill SOCWA’s purpose and mission, while balancing the interests of their respective agencies. The Board elects two (2) of its members in June of each year to serve one-year terms as Chairman and Vice Chairman. Board of Directors meetings are scheduled the first Thursday of every month at 8:30 a.m. to be held at the SOCWA Administrative Office. Due to the Covid Pandemic, throughout Fiscal Year 2021-2022, pursuant to the Governor’s Executive Orders (issued on March 12, 2020, June 11, 2021, and again on November 8, 2021), SOCWA has conducted telephone conferences and virtual meetings in a manner that allows for public access and participation. SOCWA also receives input from its Engineering and Finance Committees, which are comprised of representatives selected from its ten (10) member agencies.

Budget Process

The Authority prepares and adopts an Annual Budget. The Budget reflects the Authority’s initiatives and priorities for the coming year and beyond. The Budget includes operations and maintenance (O&M) and capital expenditures. The Budget includes the following described tables addressing a one-year operating Budget with an additional four (4) years of spending forecast and an additional year of forecasted capital expenditures.

The Budget tables include the following Budget Summaries:

- Total Budget by Member Agency
- 5-Year Budget by Member Agency - Including Unfunded Accrued Pension Liability (UAL) and Other Post-Employment Benefits (OPEB)
- 5-Year Budget by Member Agency - Including Administration, Residual Engineering, and General Fund Allocation (w/o UAL and OPEB)
- 5-Year Budget by Member Agency with UAL and OPEB Costs Distributed using Board Approved Actuarial Methodology
- 5-Year UAL and OPEB Costs and Distribution Percentages
- 5-Year Cost Drivers Prioritized by Major Expenditures
- Guide to Budget Book
- Budget Assumptions
- Summary of Cost Allocations Approaches by Project Committee
- Total 5-Year Labor Plan
- Fringe Benefits Pool and Rate - FY 2022-23 through FY 2026-27 Budget
- Organization Chart

Budget Detail

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

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

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

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

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

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

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

Economic Condition and Outlook

The wastewater industry is presently being shaped by local, regional, statewide, and national issues and trends. These wide-ranging economic, regulatory, and environmental influences as to the future impact on SOCWA are explained in more detail in the following sections:

Cost Pressures

- **Pandemic Recovery:** SOCWA has continued its program of pandemic response with updated response plans, ongoing training, and worker safety practices in place to keep pace with local and statewide requirements. SOCWA successfully utilized available mechanisms for virtual meetings to continue all governance activities and safety practices allowing SOCWA to avoid significant workforce disruption.
- **Financial:** SOCWA works closely with its ten member agencies to align operating budgets and capital programs to meet the needs of the community served by each Project Committee, and, as a result, SOCWA's revenues are supportable by the Member Agencies' financial and long-term planning. Proceeding out of the pandemic supply chain delays, some operating costs did increase; however, SOCWA implemented cost deferment and cost control measures, and percentage changes in O&M Budgets over fiscal years 2020-2021 and 2021-2022 remained modest at 1.9% and 4.8% respectively. Over both Fiscal Year periods, SOCWA's revenues paid by member agencies remained stable.
- **Infrastructure:** SOCWA continued its strong progress in capital infrastructure investment by placing over \$17.2 million in assets into service in fiscal year 2021-2022. Accumulated depreciation as a percentage of gross capital assets, depreciable also decreased to 63.8%, down from a high of 68.6% due to the acquisitions in Fiscal Years 2020-21 and 2021-22.
- **Regulatory:** Advancing initiatives of the State Water Resources Control Board and Air Resources Board continue to drive costs for California Sanitation Agencies. SOCWA's Ocean Outfall NPDES permits were renewed in May 2022 and costs for environmental permit requirements and water quality fees increased by \$311 thousand. SOCWA has continued active participation in developing wastewater science including a collaborative wastewater-based epidemiology pilot project to study SARS-COV-2 occurrence within sewer sheds.
- **Energy and Resources:** SOCWA continued the operation of its co-generation engine installations at two of its three treatment plants, which provide some measure of local control over energy production costs. As a result, SOCWA produced over 11.5 million kWh of its own power utilizing methane gas from its treatment systems valued at over \$2 million.
- **Population Growth:** The population of California is expected to reach 46 million by the year 2037. Population growth will drive a statewide need to treat an additional 720 million gallons per day of wastewater, thus requiring planned system expansions and/or new plants at various locations throughout the state. Due to lower wastewater flows in recent years to treatment facilities, which is resulting from consumer conservation programs, SOCWA retains more than adequate plant capacity utilizing only 40% to 65% of overall available capacity.
- **Drought and Water Resource Strategies:** Continued demand for water, coupled with ongoing drought conditions, will impact overall water management costs, resulting in a more directed focus on "water resource" strategies across California. Locally, groundwater basin desalination plants have been effective in helping to clean up high-saline groundwater supplies. Water managers are responding with year-round storage for recycled wastewater and studying options for greater recharge, as well as planning for indirect and direct reuse to turn available wastewater into a commodity.
- **Employee Salaries and Benefits:** Strong retirement trends mean that public agency employers must remain competitive against other public or private providers of wastewater services. CalPERS reported earnings applicable to the 2021-2022 fiscal year that reduced net pension liability by \$6.3 million for SOCWA; the discount rate remains at 6.8 percent, but with the higher return on investments, SOCWA met its target percent funding of 80-85%. SOCWA has done substantial work to understand the impact of funding employee-related liabilities and to communicate to its member agencies the financial impact of those obligations.

- Technology: Cybersecurity remains a top priority for SOCWA due to the emerging threat actors that target government facilities. SOCWA continues to implement advanced artificial intelligence software to mitigate large-scale threat actors and control business-related traffic through virtual private networks and firewall control procedures. Best in practice group policy control procedures and internal cybersecurity training are utilized for internal controls.
- Environmental compliance data is transmitted electronically through the California Integrated Water Quality System (CIWQS) as required under the National Pollution Discharge Elimination System. Additionally, all investigative orders and volumetric flows for recycled water projects are transmitted electronically through the Geo tracker website through the State Water Resources Control Board.
- The Annual Financial Statements Audit has been completed electronically and remotely for the past three years due to the Authority's automated and cloud-based financial system.
- Having automated systems in place prevented work disruptions during the COVID-19 pandemic.

Long-Term Financial Planning

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

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

Internal Controls

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

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

Investment Policy

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

Infrastructure



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

Coastal Treatment Plant



Facts

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

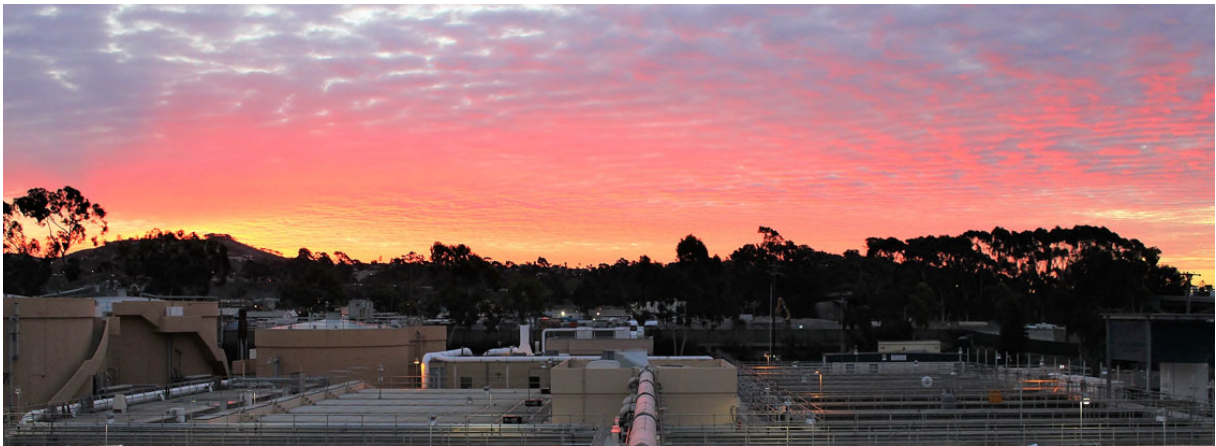
Wastewater Treatment Processes

- Screening
- Grit removal
- Primary clarification
- Secondary treatment
- Secondary clarification
- Tertiary treatment

Interesting Facts

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

JB Latham Treatment Plant



Facts

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

Wastewater Treatment Plant Processes

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

Interesting Facts

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

Regional Treatment Plant



Facts

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

Wastewater Treatment Plant Processes

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

Interesting Facts

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

Aliso Creek Ocean Outfall



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

Interesting Facts

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

San Juan Creek Ocean Outfall



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

San Juan Creek Ocean Outfall Continued:

Interesting Facts

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

Capital Projects



SOCWA undertakes large and small capital projects to ensure the reliability of our infrastructure. These improvements protect the environment by allowing for the continued safe treatment and disposal of wastewater. The Fiscal Year 2021-22 was focused on completing the capital improvements started in the Fiscal Year 2020-2021 and prior.

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

J.B. Latham Treatment Plant Improvements 2021-22

Construction continued on the Package B Improvements project that began in August 2019 with an estimated construction value of \$18.5 million. The construction work includes: rehabilitation to the dissolved air floatation system, including tanks and thickened waste activated sludge pumps; primary and secondary sedimentation upgrades including influent and effluent channel improvements, sludge collection and scum skimmer upgrades; Digester mixing system upgrades and heat exchanger and recirculation pump replacement; boiler replacement; MCC system upgrades; concrete repairs and safety improvements throughout the plant.

Coastal Treatment Plant Improvements 2021-22

Construction was completed on the Sludge Force Main Replacement project valued at \$3 million. The project included abandoning two 4-inch ductile iron force mains and replacing them with one 6-inch High-density polyethylene (HDPE) force main. The pipe delivers wastewater solids from the Coastal Treatment Plant to the Regional Treatment Plant where they are anaerobically digested and then dewatered.

Regional Treatment Plant Miscellaneous Improvements 2021-22

Construction began and was partially completed on the Aeration Diffuser Replacement project valued at \$1.8 million. The project included replacing panel air diffusers in all six aeration basins with disc diffusers. The project goal is to improve treatment efficiency and lower energy consumption. Four of the six basins were completed by the end of the fiscal year with the last two expected to be completed in the coming fiscal year.

SOCWA Small Capital Program

SOCWA continued to invest \$1.8 million in small capital improvements in Fiscal Year 2021-22, and \$1.5 million became a part of capitalized assets. There are two primary benefits to small capital investments. The first benefit is that the Treatment Plants are maintained in a state of readiness. Staff plans for the replacement of ailing equipment and new technologies are installed for improved operations. Secondly, obsolete, or unsupported equipment is replaced to avoid catastrophic issues, and safety hazards are mitigated in a timely fashion. Attention to maintenance and operational investment assists SOCWA with right sizing its capital program by keeping critical equipment in good repair.

SOCWA Member Agencies

SOCWA is a Joint Powers Authority working to fulfill the wastewater needs of its ten (10) member agencies.



El Toro Water District



Irvine Ranch Water District



City of Laguna Beach



Moulton Niguel Water District



City of San Clemente



South Coast Water District



City of San Juan Capistrano



Santa Margarita Water District



Trabuco Canyon Water District



Emerald Bay Service District

Community Outreach



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

Community Events

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

Independent Audit

State Law and the Authority's Joint Powers Agreement (JPA) require SOCWA to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm, The Pun Group, LLP, has conducted the audit of the Authority's financial statements for fiscal years 2022 and 2021. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the Authority's financial statements as of June 30, 2022, and 2021, were fairly presented in conformity with accounting principles generally accepted in the United States of America.

Other References

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

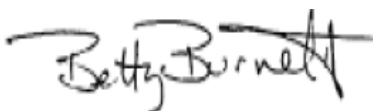
ACFR Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its Annual Comprehensive Financial Report for the fiscal year ending June 30, 2021. This was the third consecutive year that SOCWA received this prestigious award. In order to be awarded a Certificate of Achievement, the Authority had to publish an easily readable and efficiently organized Report that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Betty Burnett, General Manager



Mary Carey, Finance Controller



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**South Orange County Wastewater Authority
California**

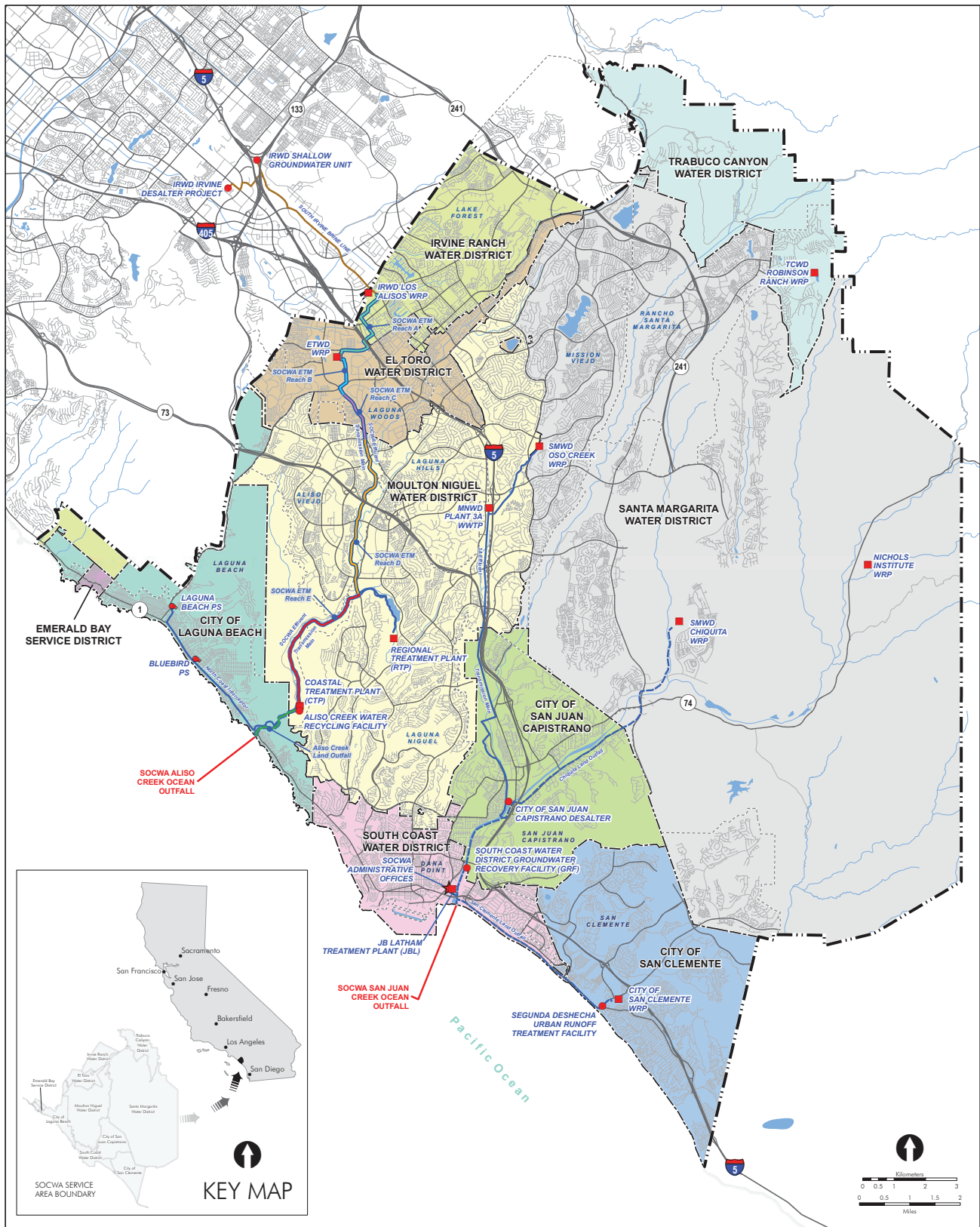
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

SOCWA SERVICE AREA MAP



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

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

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

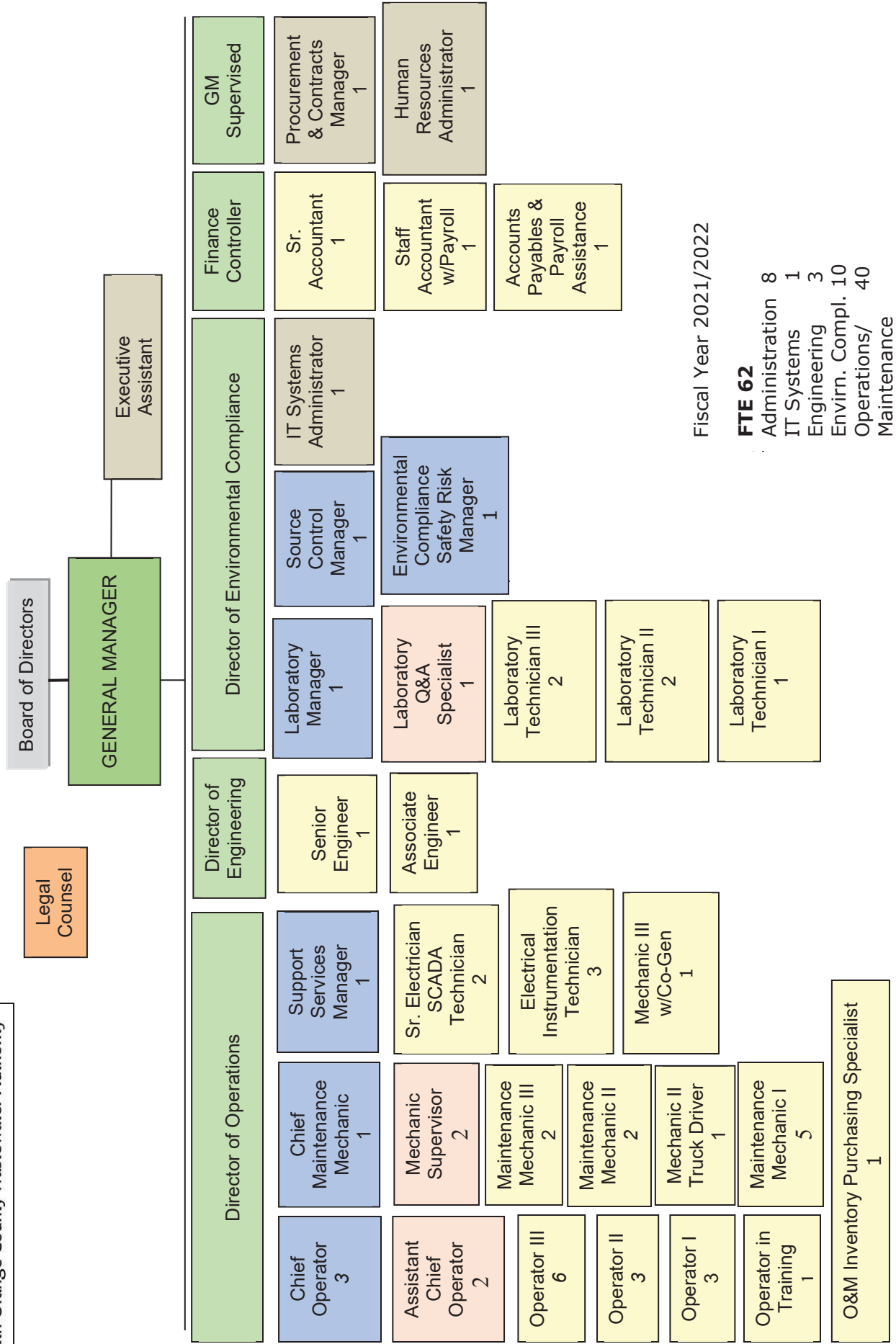
- SOCWA Effluent Transmission Line**
- ETL - Reach A
 - ETL - Reach B
 - ETL - Reach C
 - ETL - Reach D
 - ETL - Reach E
 - Aliso Creek Land Outfall

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



FY 2021-22 Organization Chart

(Budgeted Head Count)



Fiscal Year 2021/2022

FTE 62

- Administration 8
- IT Systems 1
- Engineering 3
- Environ. Compl. 10
- Operations/ Maintenance 40

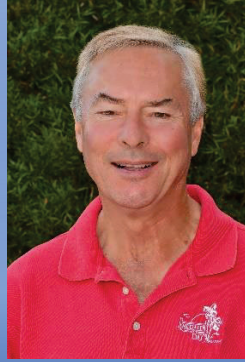
Board of Directors



Matt Collings
Moulton Niguel Water
Chairman of the Board



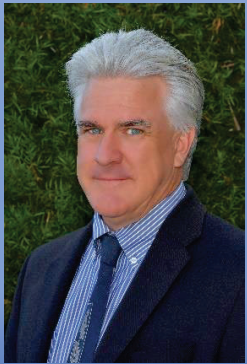
Stephen Dopudja
Trabuco Canyon Water
District
Vice Chairman



Mike Dunbar
Emerald Bay Service
District
Director



Kathryn Freshley
El Toro Water District
Director



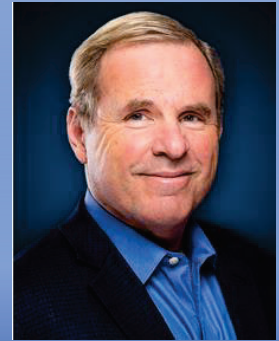
Dan Ferons
Santa Margarita Water
District
Director



Doug Reinhart
Irvine Ranch Water
District
Director



Toni Iseman
City of Laguna Beach
Director



Scott Goldman
South Coast Water
District
Director



Sergio Farias
City of San Juan
Capistrano
Director



Dave Rebensdorf
City of San Clemente
Director



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the South Orange County Wastewater Authority (the "Authority") which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

Prior Period Adjustments

As described in Note 11 to the financial statements, the Authority made corrections to its capital assets resulting in prior period adjustments. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United State of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United State of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 Authority's Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of the Authority's Contributions - Pensions, the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios and the Schedule of the Authority's Contributions – Other Postemployment Benefits Liability on pages 5 through 22, and 62 through 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

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

Santa Ana, California
November 21, 2022

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South Orange County Wastewater Authority Management's Discussion and Analysis (Unaudited) For the Years Ended June 30, 2022 and 2021

This section of South Orange County Wastewater Authority's (Authority or SOCWA) financial statements presents an analysis of the Authority's financial performance during the Fiscal Year ended June 30, 2022, in comparison to Fiscal Year ended June 30, 2021. This information is presented in conjunction with the transmittal letter in the Introductory Section, and with the basic financial statements and related notes, which follow this section.

Overview of the Authority's Financial Statements

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

Basic Financial Statements

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Financial Analysis of the Authority

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

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

Financial Highlights for Fiscal Years 2022 and 2021

- At June 30, 2022, the Authority's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$148 million (net position), which is an increase of \$5.8 million or 4.1% over the 2021 Fiscal Year-end restated balance of \$142 million.

The Authority restated Fiscal Year 2021 net position from \$140 million to \$142 million due to the addition of San Clemente Land Outfall, Project Committee 10, capital assets, which were determined to belong to SOCWA, \$1.7 million, depreciable, net and GASB 87, Lease accounting, net impact, a reduction of \$1,750.

Net Position as of June 30, 2021, restated	
Net Position at June 30, 2021	\$140,129,966
Add: San Clemente Land Outfall:	
Gross Assets	\$3,330,303
Accumulated depreciation	(1,664,904)
Net Assets	\$1,665,398
Add: GASB 87 Implementation:	
Intangible assets-right to use leased assets, net	\$346,909
Lease liabilities	348,658
Net GASB 87 Impact	(\$1,750)
Net Position as of June 30, 2021, restated	\$141,793,614

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

The increase in net position for the current year is primarily due to capital assets, depreciable, net growth, \$8.5 million or 7%.

The growth represents completed assets placed in service from the large-scale facilities improvement projects at the Authority's three Treatment Plants, JB Latham, Project Committee (PC) 2, \$8.2 million, Coastal, PC 15, \$6.6 million, and Regional, PC 17, \$1.9 million. North Coast Interceptor, PC 23, added \$319 thousand in machinery and equipment, and San Juan Creek Ocean Outfall, PC 5, added \$152 thousand in equipment needed for environmental regulatory requirements.

Capital Assets, depreciable and Leased Assets				
	2022			
	¹ Balance July 1, 2021	Additions	Balance June 30, 2022	% Change
Capital assets, depreciable, restated ¹	\$344,633,374	\$17,174,877	\$361,808,251	5.0%
Accumulated depreciation, restated ¹	(222,244,939)	(8,644,965)	(230,889,904)	3.9%
Capital assets, depreciable, net, restated ¹	\$122,388,435	\$8,529,912	\$130,918,347	7.0%
Lease Assets, net ¹	346,909	(66,646)	280,263	-19.2%
	<u>\$122,735,344</u>	<u>\$8,463,266.33</u>	<u>\$131,198,610</u>	6.9%

¹Fiscal year 2021 capital assets were restated to include the addition of San Clemente Land Outfall, PC 10, capital assets, \$1.7 million, net and right to use leased assets, \$347 thousand, net.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

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

Cash decreased, \$4.7 million or 31%, due to progress on large capital projects.

CIP decreased, \$1.8 million or 10%, due to completed assets, \$17.2 million, exceeding expenditures on in-process work, \$15.4 million.

Construction-in-progress (CIP)						
2022						
Balance July 1, 2021	Expenditures	Assets placed in-service	Balance June 30, 2022	Change +/-	% Change	
CIP	\$17,614,929	15,379,902	(17,174,877)	\$15,819,954	(\$1,794,975)	-10.2%

Total receivable, net decreased by \$434 thousand primarily because of the decrease in due from Member Agencies, \$440 thousand. The Authority's operating expenses and capital contributions are paid by its Member Agencies; the due from and due to Member Agencies is the difference between budgeted amounts billed to the agencies and the fiscal year actuals. The current year's actuals were very close to budget; therefore, the due from decreased compared to the prior year.

Total receivable, net				
June 30				
	2022	2021	Change +/-	% Change
Receivables:				
Accounts	\$56,072	\$59,478	(\$3,406)	-5.7%
Due from Member Agencies	840,732	1,280,615	(439,883)	-34.3%
Interest	19,358	10,300	9,058	87.9%
Total receivable, net	\$916,162	\$1,350,393	(\$434,231)	-32.2%

- The net increase in total assets and deferred outflows is \$1.7 million or .9% in comparison to the prior year.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

- The remaining increase in net position is a decrease in liabilities, \$11.4 million or 36.6%, offset by increased deferred inflows, \$7.3 million or 294%.

	Liabilities			%
	June 30			
	2022	2021	Change +/-	Change
Current liabilities				
Accounts payable	\$2,451,972	\$5,882,659	(\$3,430,687)	-58.3%
Due to Member Agencies	1,720,819	4,096,390	(2,375,571)	-58.0%
Accrued payroll and related liabilities	245,023	224,996	20,027	8.9%
Compensated absences-due within one year	197,365	259,406	(62,041)	-23.9%
Leased liabilities	53,887	65,202	(11,315)	-17.4%
Total current liabilities	<u>\$4,669,066</u>	<u>\$10,528,653</u>	<u>(\$5,859,586)</u>	-55.7%
Noncurrent liabilities				
Compensated absences-due in more than one year	\$617,836	\$617,836		
Net other postemployment benefits liability	4,948,607	4,142,479	\$806,128	19.5%
Net pension liability	9,257,418	15,527,683	(6,270,265)	-40.4%
Leased liabilities	229,570	283,457	(53,887)	-19.0%
Total noncurrent liabilities	<u>\$15,053,431</u>	<u>\$20,571,455</u>	<u>(\$5,518,024)</u>	-26.8%
Total liabilities	<u>\$19,722,497</u>	<u>\$31,100,108</u>	<u>(\$11,377,610)</u>	-36.6%

Accounts payable decreased by \$3.4 million or 58%, primarily due to the timing of completed work or receipts of purchased items.

Due to Member Agencies decreased by \$2.4 million or 58% because the Authority's actual operating expenses and capital contributions on completed capital projects were close to budget.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

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

Description	2022	2021	2020	2019	Change between 2022 and 2021	
					\$ +/-	% Change
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019		
Total OPEB Liability	(\$10,676,580)	(\$10,799,701)	(\$10,959,190)	(\$9,885,778)	\$123,121	-1.1%
Fiduciary net position	5,727,973	6,657,222	5,270,639	5,137,817	(929,249)	-14.0%
Net OPEB (liability)	(\$4,948,607)	(\$4,142,479)	(\$5,688,551)	(\$4,747,961)	(\$806,128)	19.5%
% Funded	53.6%	61.6%	48.1%	52.0%	-8.0%	

Net other postemployment benefits liability (OPEB), retiree health, \$4.9 million, increased by \$806 thousand or 19.5% in the current year primarily due to financial market fluctuations. The asset loss was \$929 thousand, a 14% decrease from the prior year.

At June 30, 2021, Net OPEB liability, \$4.1 million, decreased by \$1.5 million or 27.2% due to assets financial market earnings of \$1.4 million or 26.3% growth, lower healthcare costs, change in the employee population mix, and change in actuarial assumptions.

Net Pension Liability Fiscal Year Ended June 30

Description	2022	2021	2020	2019	Change between 2022 and 2021	
					\$ +/-	% Change
Measurement date	6/30/2021	6/30/2020	6/30/2019	6/30/2018		
Total pension liability	(\$62,175,535)	(\$59,026,089)	(\$55,450,648)	(\$52,230,824)	(\$3,149,446)	5.3%
Fiduciary net position	52,918,317	43,498,406	41,089,097	39,044,508	9,419,911	21.7%
Net pension (liability)	(\$9,257,218)	(\$15,527,683)	(\$14,361,551)	(\$13,186,316)	\$6,270,465	-40.4%
% Funded	85.1%	73.7%	74.1%	74.8%	11.4%	

Net pension liability, \$9.3 million, decreased by \$6.3 million or 40.4% in the current year primarily due to the Authority's pension plan administrator, CalPERS, Risk Pool's asset gain in Fiscal Year 2021, 21.3% return on investments vs. targeted 7.15%. (The target rate is before administrative expenses.)

Fiscal Year 2021 net pension liability, \$15.5 million, increased by \$1.2 million or 8.1% primarily due to the Risk Pool's asset loss in Fiscal Year 2020, 4.7% return on investments vs. targeted 7.15%.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

- At June 30, 2022, the Authority's OPEB related deferred outflows were \$864 thousand and deferred inflows were \$961 thousand.

OPEB Related Deferred Outflows/Inflows Balances at June 30, 2022

As of fiscal year ending June 30, 2022	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 0	\$ (960,508)
Changes in assumptions	375,132	0
Net difference between projected and actual earnings in OPEB plan investments	488,387	0
Total	\$ 863,519	\$ (960,508)

- At June 30, 2022, the Authority's pension-related deferred outflows net of contributions made after the measurement date were \$3.0 million, and deferred inflows were \$8.8 million, an increase of \$8 million due to CalPERS favorable Fiscal Year 2021 financial returns which changed actuarial assumptions.

Deferred Outflows/Inflows Balances at June 30, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
■ Differences between expected and actual experience *	\$ 1,038,120	-
■ Changes of assumptions *	-	-
■ Net differences between projected and actual earnings on plan investments *	-	(8,081,236)
■ Change in employer's proportion **	227,982	(31,530)
■ Differences between the employer's contributions and the employer's proportionate share of contributions***	-	(659,931)
■ Pension contributions subsequent to measurement date	1,783,637	-
■ Total	<u>3,049,739</u>	<u>(8,772,697)</u>

- The net decrease in total liabilities and deferred inflows is \$4.1 million or 12.3% in comparison to the prior year.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

- At June 30, 2021, the Authority's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$142 million, restated (net position), which is an increase of \$2.6 million or 1.9% over the 2020 Fiscal Year restated balance of \$139 million. As discussed earlier, Fiscal Year 2021 net position was restated to add San Clemente Land Outfall capital assets, \$1.7 million, net and lease assets, net and liabilities, a reduction of \$1,750.

Fiscal Year 2020 net position was also restated to add San Clemente Land Outfall capital assets, net, \$1.7 million.

Net Position as of June 30, 2020, restated	
Net Position at June 30, 2020	\$137,465,813
Add: San Clemente Land Outfall:	
Gross Assets	\$3,330,303
Accumulated depreciation	<u>(1,620,501)</u>
Net Assets	\$1,709,802
Net Position as of June 30, 2020, restated	\$139,175,615

The increase in Fiscal Year 2021 net position is primarily due to capital assets and lease assets, depreciable, net growth, \$21 million or 20.7%.

The growth represents completed assets placed in service from the large-scale facilities improvement projects at the Authority's three Treatment Plants, Coastal, Project Committee (PC) 15, \$11.9 million, Regional, PC 17, \$8.1 million, JB Latham, PC 2, \$6.5 million, and the addition of San Clemente Land Outfall assets, \$1.7 million.

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

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

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

- Other offsets to Fiscal Year 2021 increase in total assets and deferred outflows growth of \$8.5 million or 5.1 % were increased current liabilities, a growth of \$4.7 million or 82%, and increased deferred inflows, \$890 thousand or 56%, and the lease accounting noncurrent liabilities addition of \$283 thousand.

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

Due to Member Agencies increased by \$2.4 million or 147%, a cash return on both open and closed capital projects due to changes in scope or schedule.

GASB 87 lease accounting added \$65 thousand in current liabilities and \$283 thousand in Noncurrent liabilities in fiscal year 2021.

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

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

Net Position

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

Condensed Statement of Net Position							
	Fiscal Year 6/30/2022	Fiscal Year 6/30/2021	Fiscal Year 6/30/2020	Change between 2022 and 2021		Change between 2021 and 2020	
				\$ +/-	% Change	\$ +/-	% Change
Current Assets	\$11,692,239	\$16,740,023	\$23,520,569	(\$5,047,784)	-30.2%	(\$6,780,546)	-28.8%
Non-Current Assets:							
Capital Assets not being depreciated	30,222,178	32,017,153	37,674,285	(1,794,975)	-5.6%	(5,657,132)	-15.0%
Capital Assets and lease assets, net ¹	131,198,610	122,735,344	101,689,426	8,463,266	6.9%	21,045,918	20.7%
Total Capital Assets¹	161,420,788	154,752,497	139,363,711	6,668,291	4.3%	15,388,786	11.0%
Total Assets¹	173,113,027	171,492,520	162,884,281	1,620,507	0.9%	8,608,239	5.3%
GASB 68-Deferred Outflow s	3,049,739	3,278,060	3,355,343	(228,321)	-7.0%	(77,283)	-2.3%
GASB 75-Deferred Outflow s	863,519	591,534	646,800	271,985	46.0%	(55,266)	-8.5%
Current Liabilities	4,669,066	10,528,653	5,783,849	(5,859,586)	-55.7%	4,744,804	82.0%
Non-Current Liabilities	15,053,431	20,571,455	20,348,151	(5,518,024)	-26.8%	223,304	1.1%
Total Liabilities	19,722,497	31,100,108	26,132,000	(11,377,610)	-36.6%	4,968,108	19.0%
GASB 68-Deferred Inflow s	8,772,697	771,287	1,167,555	8,001,410	1037.4%	(396,268)	-33.9%
GASB 75-Deferred Inflow s	960,508	1,697,105	411,253	(736,597)	-43.4%	1,285,852	312.7%
Net Position:							
Net Investment in Capital Assets	161,420,788	154,752,497	139,363,711	6,668,291	4.3%	15,388,786	11.0%
Unrestricted (deficit)	(13,850,205)	(12,958,883)	(188,096)	(891,322)	6.9%	(12,770,787)	6789.5%
Total Net Position¹	\$147,570,583	\$141,793,614	\$139,175,615	\$5,776,969	4.1%	\$2,617,999	1.9%

¹Fiscal Year 2021 capital assets, depreciable, net, were restated to include the addition of San Clemente Land Outfall capital assets, \$1.7 million, net, and the addition of leased assets and liabilities, net impact, a reduction of \$1,750. Fiscal Year 2020 capital assets, net was also restated to add San Clemente Land Outfall capital assets, \$1.7 million.

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$147.6 million, \$141.8 million, and \$139.2 million as of June 30, 2022, 2021, and 2020, respectively.

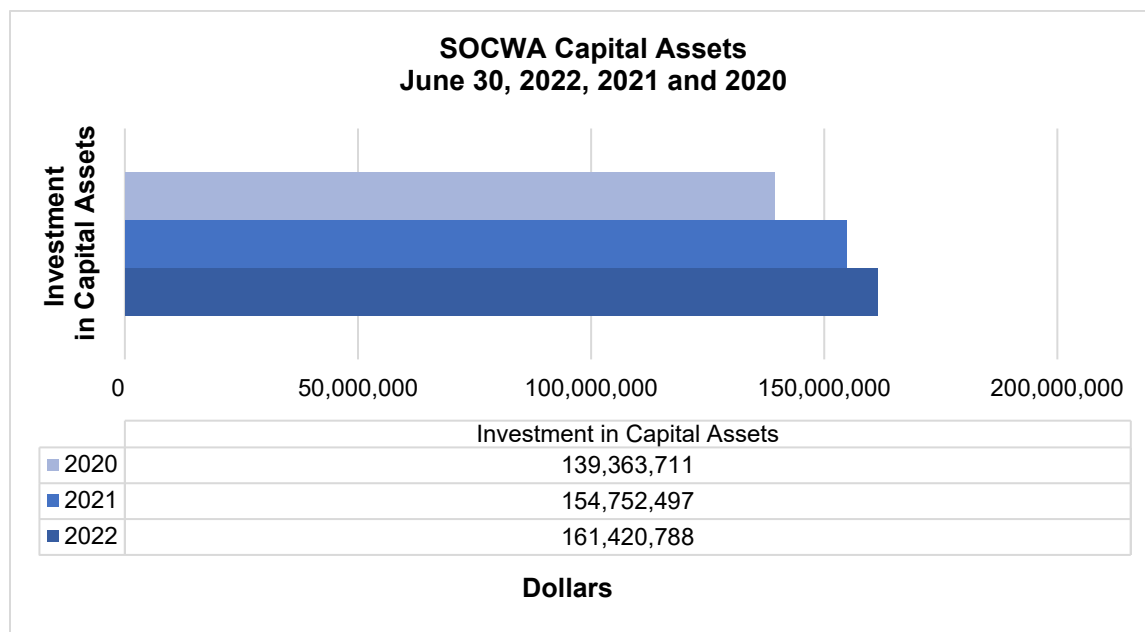
The net position unrestricted deficit, \$13.9 million, increased \$891 thousand in the current year primarily due to the Authority's total deferred inflows, \$9.7 million, which increased \$7.3 million or 294% due to CalPERS changes in assumptions. Offsetting the growth in deferred inflows were reduced total liabilities, \$11.4 million or 36.6%, primarily due to net pension liability, \$9.3 million, a reduction of \$6.3 million due to CalPERS assets gain.

At the end of Fiscal Year 2021, the net position unrestricted deficit, \$12.9 million, increased \$12.8 million primarily due to the Authority's total liabilities, \$31.1 million, which includes the net pension liability, \$15.5 million, and net OPEB liability, \$4.1 million, with reduced offsets from current assets, \$6.8 million, due to the reduction in cash requirements for capital projects.

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

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

The largest portions of the Authority's net position (109.4%, 109.1% and 100.1% as of June 30, 2022, 2021, and 2020, respectively) reflects the Authority's net investment in capital assets. The Authority uses these capital assets to provide services to Member Agencies communities within the Authority's service area.



Change in Net Position

	June 30			Change between 2022 and 2021	% Change +/(-)	Change between 2021 and 2020	% Change +/(-)
	2022	2021 ¹	2020 ¹				
Beginning Net Position ¹	\$141,793,614	\$139,175,615	\$132,696,210	\$2,617,999	1.9%	\$6,479,405	4.9%
Income/(Loss) before contributions	(9,776,985)	(8,915,534)	(8,108,465)	(861,451)	9.7%	(\$807,068)	10.0%
Capital contributions	15,553,954	11,533,533	14,587,871	4,020,421	34.9%	(3,054,338)	-20.9%
Change in net position	5,776,969	2,617,999	6,479,405	3,158,970	120.7%	(3,861,406)	-59.6%
Ending Net Position ¹	\$147,570,583	\$141,793,614	\$139,175,615	\$5,776,969	4.1%	\$2,617,999	1.9%

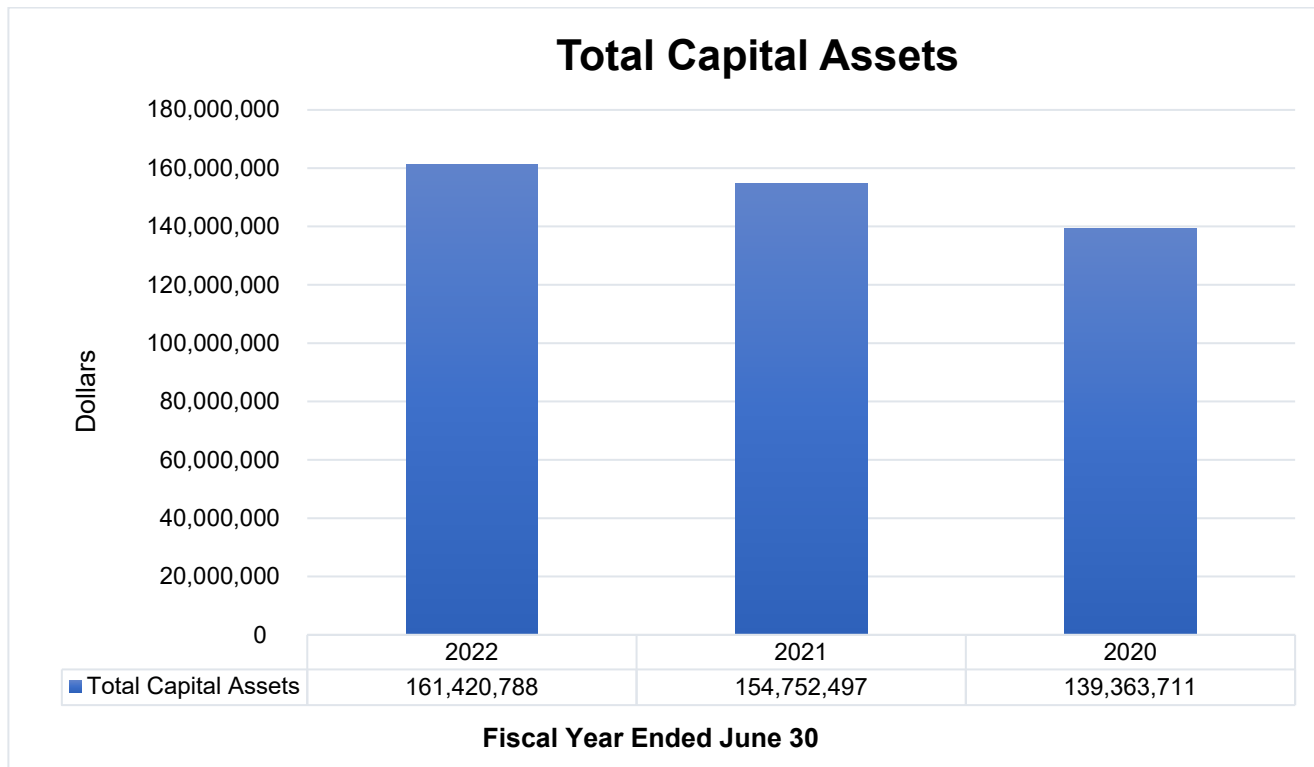
¹Fiscal Year 2021 beginning net position was restated to include the addition of San Clemente Land Outfall capital assets, \$1.7 million, net, and leased assets and liabilities, a net reduction of \$1,750. Fiscal Year 2020 capital assets, net was also restated to add San Clemente Land Outfall capital assets, \$1.7 million.

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

**South Orange County Wastewater Authority
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

Capital Assets

At the end of Fiscal Years 2022, 2021 and 2020, the Authority’s capital assets amounted to \$161.4 million, \$154.8 million, and \$139.4 million, respectively, (net of accumulated depreciation and amortization). Capital assets include land, construction-in-progress, buildings, building improvements, computer hardware and software, furniture and fixtures, infrastructure, machinery and equipment, vehicles, and lease assets.



**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

Changes in capital assets and lease assets were as follows:

	Capital Assets and Lease Assets						
	June 30			Change between 2022 and 2021	% Change	Change between 2021 and 2020	% Change
	2022	2021 ¹	2020 ¹				
Capital assets, not depreciated:							
Land	\$ 14,402,224	\$ 14,402,224	\$ 14,402,224				
Construction in Progress	15,819,954	17,614,929	23,272,061	-1,794,975	-10.2%	-5,657,132	-24.3%
Total Capital assets, not depreciated	30,222,178	32,017,153	37,674,285	-1,794,975	-5.6%	-5,657,132	-15.0%
Capital assets and lease assets, being depreciated and amortized:							
Capital assets and lease assets, gross ¹	362,221,806	345,046,929	316,288,482	17,174,878	5.0%	28,758,447	9.1%
Accumulated depreciation and amortization ¹	-231,023,196	-222,311,585	-214,599,055	-8,711,612	3.9%	-7,712,530	3.6%
Total Capital assets and lease assets, being depreciated and amortized ¹	131,198,610	122,735,344	101,689,426	8,463,266	6.9%	21,045,918	20.7%
Total capital assets and lease assets, net ¹	\$161,420,788	\$154,752,497	\$139,363,711	\$ 6,668,291	4.3%	\$ 15,388,786	11.0%
Accumulated depreciation and amortization % capital assets and lease assets, gross	63.8%	64.4%	67.8%				

¹Fiscal Year 2021 capital assets, depreciable, net, were restated to include the addition of San Clemente Land Outfall capital assets, \$1.7 million, net, and lease assets were added, \$347 thousand, net. Fiscal Year 2020 capital assets, net was also restated to add San Clemente Land Outfall capital assets, \$1.7 million.

Capital assets, being depreciated and amortized, increased by \$8.5 million or 6.9% in the current year primarily due to completed assets placed in service from the large-scale facilities improvement projects at the three treatment plants.

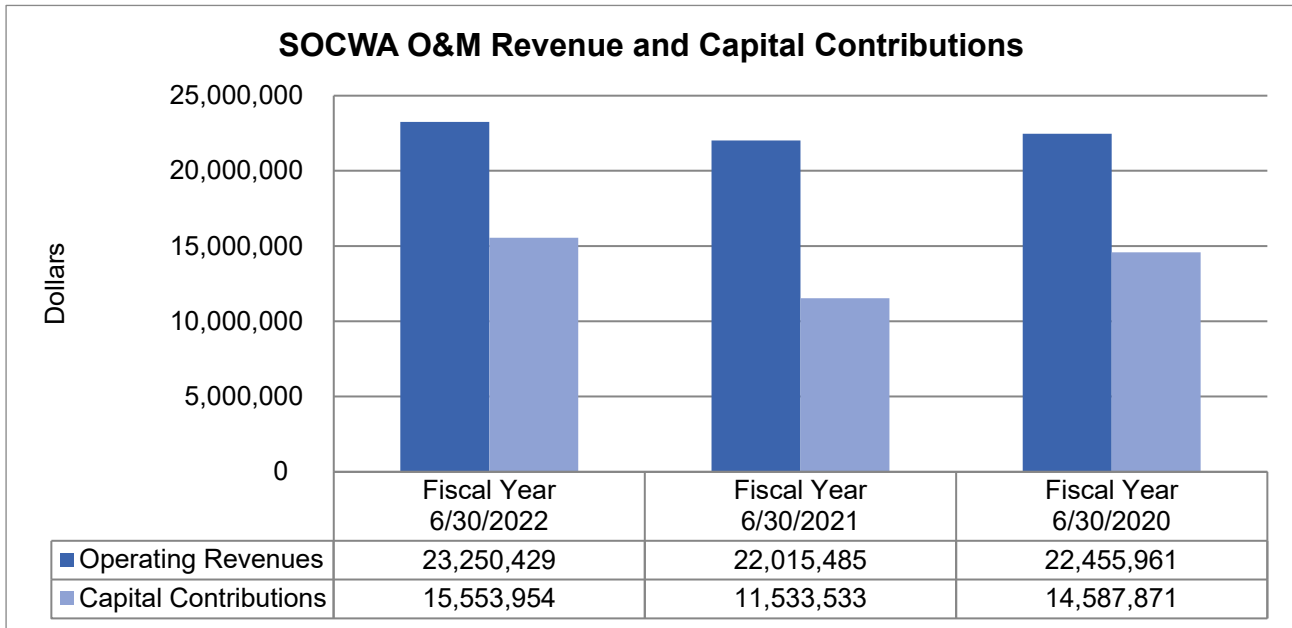
Accumulated depreciation and amortization % capital assets and lease assets, gross, decreased to 63.8% from a high of 67.8% due to the new acquisitions.

At June 30, 2021, capital assets and lease assets, being depreciated and amortized, net increased by \$21 million or 20.7% due to completed assets placed in service from the large-scale facility improvement projects at the three treatment plants.

Additional information on the Authority's capital assets is provided in Note 4, Capital Assets, of the financial statements.

**South Orange County Wastewater Authority
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

Revenues



The principal operating revenues for SOCWA are charges to the Member Agencies for services. Operating revenue for Fiscal Year 2022 was \$23.3 million, an increase of \$1.2 million or 5.6% from Fiscal Year 2021 operating revenue of \$22 million, primarily due to inflationary cost increases and operating expenses that were moved into the current year to help mitigate the financial strain of the COVID-19 pandemic in the prior year.

Operating revenue for Fiscal Year 2021 was \$22 million, down \$440 thousand or 2% from Fiscal Year 2020 operating revenue of \$22.5 million primarily due to cost control measures implemented because of the COVID-19 pandemic.

Capital contributions in the current year were \$15.6 million, an increase of \$4 million or 34.9% from Fiscal Year 2021 contributions of \$11.5 million. The change is due to progress and some completions on multi-year facilities improvement projects at the three treatment plants.

Fiscal Year 2021 capital contributions were \$11.5 million, down \$3.1 million or 20.9% from Fiscal Year 2020 contributions of \$14.6 million. The change is due to progress and some completions, on facilities improvement projects at the three treatment plants.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

Changes in revenues were as follows:

	Revenues						
	<u>June 30</u>			Change between 2022 and 2021	% Change +/(-)	Change between 2021 and 2020	% Change +/(-)
	2022	2021	2020				
<u>Operating Revenues:</u>							
O&M Member Agency Assessments ¹	\$23,250,429	\$22,015,485	\$22,455,961	\$1,234,945	5.6%	(\$440,476)	-2.0%
<u>Non-Operating Revenues</u>							
Interest Income ²	(78,137)	86,258	488,972	(164,394)	-190.6%	(\$402,715)	-82.4%
Lease assets interest expense	(3,113)	(3,746)		633	-16.9%	(\$3,746)	
Grant Revenue ³	384,130	148,623	193,138	235,507	158.5%	(44,515)	-23.0%
Other Income	13,749	8,248	35,274	5,501	66.7%	(27,026)	-76.6%
Total Non-Operating Revenues	316,629	239,382	717,384	77,247	32.3%	(478,002)	-66.6%
<u>Capital Contributions</u>							
Capital Contributions ⁴	15,553,954	11,533,533	14,587,871	4,020,421	34.9%	(3,054,338)	-20.9%
Total Capital Contributions	15,553,954	11,533,533	14,587,871	4,020,421	34.9%	(3,054,338)	-20.9%
Total Revenues	\$39,121,013	\$33,788,400	\$37,761,216	\$5,332,613	15.8%	(\$3,972,816)	-10.5%

¹O&M Member Agency Assessments in the current year increased by \$1.2 million or 5.6% due to inflation, and operating expenses moved from Fiscal Year 2021 to help mitigate the financial strain related to the COVID-19 pandemic.

Fiscal Year 2021 Member Agency Assessments, \$22 million, were down \$440 thousand or 2% due to measures taken to reduce costs during the COVID-19 pandemic.

²Interest income, \$39 thousand, decreased by \$47 thousand or 54.5% in the current year due to reduced cash requirements for capital projects, and it has been netted with the LAIF fair market value adjustment, a reduction of \$117 thousand.

Interest Income in Fiscal Year 2021, \$86 thousand, was down \$403 thousand or 82.4% from Fiscal Year 2020 due to reduced cash requirements on capital projects.

³Southern California Edison and SDG&E grants for Co-Gen projects; energy generation. The amounts vary based on the amount of energy that is produced.

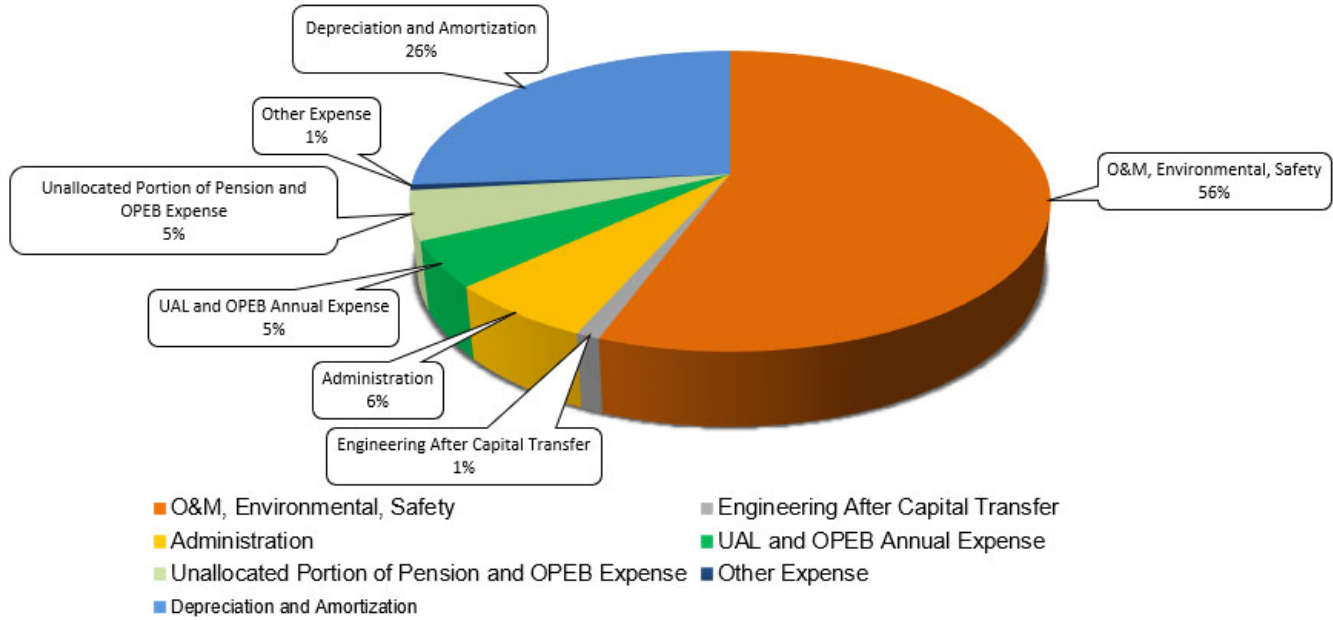
⁴Capital Contribution, \$15.6 million, increased by \$4 million or 34.9% in the current year due to work on the large-scale facilities improvement projects at the three treatment plants.

Fiscal year 2021 Capital Contributions, \$11.5 million, decreased by \$3.1 million, or 20.9% due to progress and some completions on the facilities improvement projects at the three treatment plants.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

Expenses

For the Year Ended June 30, 2022



**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

Changes in expenses were as follows:

	Expenses			Change between 2022 and 2021	% Change +/(-)	Change between 2021 and 2020	% Change +/(-)
	June 30						
	2022	2021	2020				
Operating Expenses:							
O&M, Environmental, Safety ¹	\$18,543,813	\$18,026,588	\$18,500,935	\$517,225	2.9%	(\$474,347)	-2.6%
Engineering After Capital Transfer ²	342,971	293,908	395,760	49,063	16.7%	(101,852)	-25.7%
Administration ³	2,152,273	2,161,324	2,359,761	(9,052)	-0.4%	(198,437)	-8.4%
UAL and OPEB Annual Expense ⁴	1,639,829	1,457,381	-	182,448	12.5%	1,457,381.03	
Unallocated Portion of Pension and OPEB Expense ⁵	1,757,012	642,193	1,525,773	1,114,819	173.6%	(883,580)	-57.9%
Other Expense ⁶	196,534	876,478	1,337,226	(679,944)	-77.6%	(460,748)	-34.5%
Depreciation and Amortization ⁷	8,711,611	7,712,530	7,162,356	999,081	13.0%	550,174	7.7%
Total Operating Expenses	\$33,344,043	\$31,170,402	\$31,281,811	\$2,173,641	7.0%	(\$111,408)	-0.4%

¹O&M increased by \$517 thousand or 2.9% in the current year due to inflationary costs increases and expenses moved from Fiscal Year 2021 to mitigate the financial strain related to the COVID-19 pandemic.

O&M decreased by \$474 thousand or 2.6% in Fiscal Year 2021 due to measures taken to control costs during the COVID-19 pandemic, and the removal of Unfunded Accrued Pension Liability (UAL) and OPEB annual expense from the fringe pool.

²The Engineering change from year to year is primarily related to the amount of staff time spent on large capital projects. In Fiscal Year 2021, Engineering decreased by \$102 thousand or 25.7% primarily due to the removal of UAL and OPEB from the fringe pool.

³Administration had no significant change in the current year. Fiscal Year 2021 decreased by \$198 thousand or 8.4 %, primarily due to the change in the fringe pool.

⁴UAL and OPEB annual expense increase of \$182 thousand, or 12.5% in the current year, is primarily UAL related. FY 2021 increase of \$1.5 million is the removal of UAL and OPEB costs from the fringe pool and the start of stand-alone reporting. All departmental expenses were reduced because of this change.

⁵Unallocated portion of Pension and OPEB expense reflects the change in the UAL and the Unfunded OPEB Liabilities.

⁶Other expenses are primarily Non-Capital Engineering expenses, additional cash payments to member agencies, LAIF fair market value adjustment and GASB 87 lease accounting reduction in lease expense. The amounts will vary based on activity.

⁷Depreciation and Amortization expense change from year to year is primarily due to new acquisitions.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year 6/30/2022	Fiscal Year 6/30/2021 ⁶	Fiscal Year 6/30/2020	Change between 2022 and 2021		Change between 2021 and 2020	
				\$ +/-	% Change	\$ +/-	% Change
Operating Revenues							
O&M Member Agency Assessments ¹	\$23,250,429	\$22,015,485	\$22,455,961	\$1,234,945	5.6%	(\$440,476)	-2.0%
Operating Expenses ²	24,632,432	23,457,872	24,119,455	1,174,560	5.0%	(661,583)	-2.7%
Depreciation Expense	8,711,611	7,712,530	7,162,356	999,081	13.0%	550,175	7.7%
Non-Operating Expenses/(Income) ³	(316,628)	(239,383)	(717,384)	(77,245)	32.3%	478,001	-66.6%
Total Expenses	33,027,415	30,931,019	30,564,426	2,096,396	6.8%	366,593	1.2%
Capital Contributions ⁴	15,553,954	11,533,533	14,587,871	4,020,421	34.9%	(3,054,338)	-20.9%
Current Year Change in Net Position⁵	\$5,776,969	\$2,617,999	\$6,479,405	\$3,158,970	120.7%	(\$3,861,407)	-59.6%
Beginning Net Position (Restated) ⁶	\$141,793,614	\$139,175,615	\$132,696,210	\$2,617,999	1.9%	\$6,479,405	4.9%
Add Current Year Change	5,776,969	2,617,999	6,479,405	3,158,970	120.7%	(3,861,407)	-59.6%
Net Position before extraordinary items ⁶	\$147,570,583	\$141,793,614	\$139,175,615	\$5,776,968	4.1%	\$2,617,999	1.9%
Ending Net Position⁶	\$147,570,583	\$141,793,614	\$139,175,615	\$5,776,969	4.1%	\$2,617,999	1.9%

¹O&M Member Agency Assessments in the current year increased by \$1.2 million or 5.6% due to inflation, and operating expenses moved from Fiscal Year 2021 to help mitigate the financial strain related to the COVID-19 pandemic.

Fiscal Year 2021 Member Agency Assessments, \$22 million, were down \$440 thousand or 2% due to measures taken to reduce costs during the COVID-19 pandemic.

²Operating expenses changes from year to year follow Member Agencies Assessments; the Authority's costs, including capital acquisitions, are paid by the agencies and are SOCWA's revenues.

³Non-Operating Income, \$317 thousand, is primarily grant revenue, \$384 thousand, from the electric companies for in-house generation of electricity. The amounts vary based on the amount of energy that is produced.

⁴Capital Contributions, \$15.6 million, increased by \$4 million or 34.9% in the current year due to work on large-scale facilities improvement projects at the three treatment plants.

Fiscal year 2021 Capital Contributions, \$11.5 million, decreased by \$3.1 million or 20.9% due to progress and some completions on the facilities improvement projects at the three treatment plants.

⁵Net position change current year, \$5.8 million, increased by \$3.2 million or 120.7% primarily due to capital contributions for facilities improvement projects.

Fiscal Year 2021 Net Position change, \$2.6 million, decreased by \$3.9 million or 59.6% due to progress on the facilities improvement projects.

⁶Fiscal Year 2021 beginning net position was restated to include the addition of San Clemente Land Outfall capital assets, \$1.7 million, net, and leased assets and liabilities, a net reduction of \$1,750. Fiscal Year 2020 capital assets, net was also restated to add San Clemente Land Outfall capital assets, \$1.7 million.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

Debt Administration

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

Economic Factors and Next Year's Budget

The Board of Directors adopted the Authority's 2022-2023 budget on May 19, 2022. The approval of the budget provides funding for the Authority's operating and capital costs for the 2022-2023 fiscal year.

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

Requests for Information

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

Basic Financial Statements

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South Orange County Wastewater Authority
Statements of Net Position
June 30, 2022 and 2021

	2022	2021 (as restated)
ASSETS		
Current assets:		
Cash and investments (Note 3)	\$ 10,485,283	\$ 15,190,921
Receivables:		
Accounts	56,072	59,478
Due from Member Agencies	840,732	1,280,615
Interest	19,358	10,300
Total receivable, net	<u>916,162</u>	<u>1,350,393</u>
Prepaid items	290,794	198,709
Total current assets	<u>11,692,239</u>	<u>16,740,023</u>
Noncurrent asset:		
Capital assets, nondepreciable (Note 4)	30,222,178	32,017,153
Capital assets and lease assets, depreciable, net (Note 4)	<u>131,198,610</u>	<u>122,735,344</u>
Total non-current assets	<u>161,420,788</u>	<u>154,752,497</u>
Total assets	<u>173,113,027</u>	<u>171,492,520</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions related deferred outflows of resources	3,049,739	3,278,060
OPEB related deferred outflows of resources	<u>863,519</u>	<u>591,534</u>
Total deferred outflows of resources	<u>3,913,258</u>	<u>3,869,594</u>
LIABILITIES		
Current liabilities:		
Accounts payable	2,451,972	5,882,659
Due to Member Agencies	1,720,819	4,096,390
Accrued payroll and related liabilities	245,023	224,996
Compensated absences - due within one year (Note 5)	197,365	259,406
Lease liability - due within one year (Note 8)	<u>53,887</u>	<u>65,202</u>
Total current liabilities	<u>4,669,066</u>	<u>10,528,653</u>
Noncurrent liabilities:		
Compensated absences - due in more than one year (Note 5)	617,836	617,836
Net other postemployment benefits liability (Note 6)	4,948,607	4,142,479
Net pension liability (Note 7)	9,257,418	15,527,683
Lease liability - due in more than one year (Note 8)	<u>229,570</u>	<u>283,457</u>
Total noncurrent liabilities	<u>15,053,431</u>	<u>20,571,455</u>
Total liabilities	<u>19,722,497</u>	<u>31,100,108</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions related deferred inflows of resources	8,772,697	771,287
OPEB related deferred inflows of resources	<u>960,508</u>	<u>1,697,105</u>
Total deferred inflows of resources	<u>9,733,205</u>	<u>2,468,392</u>
NET POSITION		
Investment in capital assets	161,420,788	154,752,497
Unrestricted (deficit)	<u>(13,850,205)</u>	<u>(12,958,883)</u>
Total net position	<u>\$ 147,570,583</u>	<u>\$ 141,793,614</u>

See accompanying Notes to the Financial Statements.

South Orange County Wastewater Authority
Statements of Revenues, Expenses, and Change in Net Position
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u> <u>(as restated)</u>
OPERATING REVENUES:		
O&M Member Agency Assessments :		
City of Laguna Beach	\$ 3,133,218	\$ 2,631,349
City of San Clemente	182,040	172,941
City of San Juan Capistrano	2,138,571	2,134,243
Emerald Bay Service District	154,451	166,819
El Toro Water District	884,248	883,973
Irvine Ranch Water District	166,373	167,760
Moulton Niguel Water District	9,411,942	9,259,287
South Coast Water District	4,127,834	3,857,757
Santa Margarita Water District	3,029,218	2,671,575
Trabuco Canyon Water District	22,534	69,781
Total O&M Member Agency Assessments	<u>23,250,429</u>	<u>22,015,485</u>
Total Operating Revenues	<u>23,250,429</u>	<u>22,015,485</u>
OPERATING EXPENSES:		
O&M, Environmental, Compliance and Safety	18,543,813	18,026,588
Engineering after capital transfer	342,971	293,908
Administration	2,152,273	2,161,324
Unallocated portion of pension and OPEB expense	3,396,841	2,099,574
Other expense	196,534	876,478
Depreciation and amortization	8,711,611	7,712,530
Total Operating Expenses	<u>33,344,043</u>	<u>31,170,402</u>
Operating (Loss)	<u>(10,093,614)</u>	<u>(9,154,917)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income (investment loss)	(78,137)	86,258
Interest expense	(3,113)	(3,746)
Other revenues	397,879	156,871
Total Non-Operating Revenue	<u>316,629</u>	<u>239,383</u>
CAPITAL CONTRIBUTIONS FROM MEMBER AGENCIES:		
Member Agency Assessments:		
City of Laguna Beach	2,569,736	1,492,976
City of San Clemente	20,318	217,472
City of San Juan Capistrano	1,862,928	2,235,172
Emerald Bay Service District	201,544	120,325
El Toro Water District	68,091	(146,180)
Irvine Ranch Water District	18,945	47,159
Moulton Niguel Water District	5,778,969	2,283,485
South Coast Water District	3,526,656	3,065,431
Santa Margarita Water District	1,506,767	2,217,693
Total Member Agency Assessments	<u>15,553,954</u>	<u>11,533,533</u>
Total Capital Contributions from Member Agencies	<u>15,553,954</u>	<u>11,533,533</u>
Change in Net Position	5,776,969	2,617,999
NET POSITION:		
Beginning of year, as restated (Note 11)	141,793,614	139,175,615
End of year	<u>\$ 147,570,583</u>	<u>\$ 141,793,614</u>

See accompanying Notes to the Financial Statements.

South Orange County Wastewater Authority
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from Member Agencies	\$ 23,693,718	\$ 21,594,682
Cash payments to vendors and suppliers for operations	(23,309,534)	(11,631,255)
Cash payments to employees for services	(5,506,243)	(6,227,805)
Net cash provided by (used in) operating activities	(5,122,059)	3,735,622
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from grant revenue	397,879	156,871
Net cash provided by noncapital financing activities	397,879	156,871
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Contributions received from Member Agencies for capital use	15,553,954	11,533,533
Acquisition of capital assets	(15,379,902)	(22,687,761)
Debt service costs	(68,315)	(68,642)
Net cash provided by (used in) capital and related financing activities	105,737	(11,222,870)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment earnings (loss)	(87,195)	159,878
Net cash provided by (used in) investing activities	(87,195)	159,878
Net change in cash and cash equivalents	(4,705,638)	(7,170,499)
CASH AND CASH EQUIVALENTS:		
Beginning of year	15,190,921	22,361,420
End of year	\$ 10,485,283	\$ 15,190,921
RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net Operating (Loss)	\$ (10,093,614)	\$ (9,154,917)
Adjustments to reconcile net operating (loss) to net cash provided by operating activities:		
Depreciation	8,711,611	7,712,530
Changes in operating assets and liabilities:		
Accounts receivable	3,406	(10,192)
Due from Member Agencies	439,883	(410,611)
Prepaid items	(92,085)	(42,770)
Pensions related deferred outflows of resources	228,321	77,283
OPEB related deferred outflows of resources	(271,985)	55,266
Accounts payable	(3,430,687)	2,352,109
Due to Member Agencies	(2,375,571)	2,439,568
Accrued payroll liabilities	20,027	64,947
Compensated absences	(62,041)	142,765
Net OPEB liability	806,128	(1,546,072)
Net pension liability	(6,270,265)	1,166,132
Pensions related deferred inflows of resources	8,001,410	(396,268)
OPEB related deferred inflows of resources	(736,597)	1,285,852
Net cash provided by (used in) operating activities	\$ (5,122,059)	\$ 3,735,622
NON CASH ITEM FROM INVESTING ACTIVITIES		
Unrealized gain (loss) on investment	\$ (117,343)	\$ 1,154

See accompanying Notes to the Financial Statements.

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Notes to the Basic Financial Statements

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South Orange County Wastewater Authority
Index to the Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

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

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South Orange County Wastewater Authority
Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Reporting Entity

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

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

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

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

The Authority is comprised of the following ten member agencies:

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Cash, Cash Equivalents, and Investments

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Investments (Continued)

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

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

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

Inventories

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

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

Prepaid Items

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

Capital Assets

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

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Capital expenditures are recorded as construction-in-progress (CIP) and capitalized as a Capital Asset once all costs have been recorded and the asset has been placed in service. Repairs and maintenance costs are expensed.

Leases

Lessee

The Authority has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the financial statements. The Authority recognizes lease liabilities with an initial, individual present value of \$5,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Authority has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

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

Pensions

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

For the Year Ended	June 30, 2022	June 30, 2021
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Measurement Period	July 1, 2020 to June 30, 2021	July 1, 2019 to June 30, 2020

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

Other Postemployment Benefits

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits (“OPEB”) (Continued)

The following timeframes are used for OPEB reporting:

For the Year Ended	June 30, 2022	June 30, 2021
Valuation Date	December 31, 2020	December 31, 2020
Measurement Date	June 30, 2022	June 30, 2021
Measurement Period	July 1, 2021 to June 30, 2022	July 1, 2020 to June 30, 2021

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

Net Position

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

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

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

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

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

Basis for Member Assessments

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

Use of Estimates

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Implementation of New GASB Pronouncements

During fiscal year ended June 30, 2022, the Authority implemented the following new GASB pronouncements:

- In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement did not have a significant effect on the Authority's financial statements for the year ended June 30, 2022.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.
- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Application of this statement did not have an effect on the Authority's fiscal year ending June 30, 2022.
- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Application of this statement did not have an effect on the Authority's fiscal year ending June 30, 2022.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Implementation of New GASB Pronouncements (Continued)

- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Application of this statement did not have an effect on the Authority’s fiscal year ending June 30, 2022.

Note 3 – Cash and Investments

At June 30, 2022 and 2021, the Authority’s cash and investments were comprised of the following:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Petty cash	\$ 1,600	\$ 1,600
Demand deposits	1,486,885	1,261,101
Local Agency Investments Fund	<u>8,996,798</u>	<u>13,928,220</u>
Total cash and investments	<u>\$ 10,485,283</u>	<u>\$ 15,190,921</u>

A. Demand Deposits

At June 30, 2022 and 2021, the carrying amount of demand deposit was \$1,486,885 and \$1,261,101, respectively. Bank balances at that date were \$1,713,935 and \$1,271,925, the total amount of which was fully insured and/or collateralized with securities held by the pledging financial institutions in the Authority’s name as discussed below.

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

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 3 – Cash and Investments (Continued)

B. Investments

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

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

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

C. Investment in Local Agency Investment Fund

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

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

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

As of June 30, 2022 and 2021, the Authority had \$8,996,798 and \$13,928,220 invested in LAIF, which had invested 1.88% and 2.31% of the pool investment funds as of June 30, 2022 and 2021, in Government Securities Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The credit quality rating of LAIF is unrated as of June 30, 2022 and 2021.

D. Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2022 and 2021, the Authority's investment portfolio consisted of \$8,996,798 and \$13,928,220 invested in the State of California Local Agency Investment Fund, which is valued at amortized cost and "uncategorized" under the fair value hierarchy.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 3 – Cash and Investments (Continued)

E. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with the Authority's Investment Policy, the Authority manages its exposure to interest rate risks by placing all deposits of member agency funds in passbook savings account demand deposits that are federally insured and additionally in the State of California Local Agency Investment Fund ("LAIF") for deposits up to \$75 million where investments may be made by the State Treasurer in accordance with the above guidelines. For any held funds over \$75 million, investments may be made in negotiable certificates of deposits, U.S. Treasury Notes and other JPA Investment Programs allowable under State statute.

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

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2022 and 2021, the Authority's investment portfolio consisted of \$8,996,798 and \$13,928,220 invested in the State of California Local Agency Investment Fund, which is not rated.

Disclosures Relating to Custodial Credit Risk

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 4 – Capital Assets and Lease Assets

The summary of changes in capital assets and lease assets for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021 (As Restated)	Additions	Deletions	Transfer	Balance June 30, 2022
Capital assets, not depreciated					
Land	\$ 14,402,224	\$ -	\$ -		\$ 14,402,224
Construction In Progress	17,614,929	15,379,902	-	(17,174,877)	15,819,954
Total capital assets, not depreciated	32,017,153	15,379,902	-	(17,174,877)	30,222,178
Capital assets, being depreciated					
Buildings	10,727,125	-	-	-	10,727,125
Buildings Improvements	13,185,016	-	-	821,176	14,006,192
Computer Hardware	1,655,943	-	-	68,598	1,724,541
Computer Software	299,703	-	-	-	299,703
Furniture and Fixtures	160,036	-	-	-	160,036
Infrastructure	171,868,935	-	-	6,371,252	178,240,187
Machinery and Equipment	145,257,142	-	-	9,849,267	155,106,409
Vehicles	1,479,474	-	-	64,584	1,544,058
Total capital assets, being depreciated	344,633,374	-	-	17,174,877	361,808,251
Less accumulated depreciation					
Buildings	(7,570,869)	(173,321)	-	-	(7,744,190)
Buildings Improvements	(4,232,359)	(516,708)	-	-	(4,749,067)
Computer Hardware	(1,211,552)	(251,560)	-	-	(1,463,112)
Computer Software	(178,313)	(25,359)	-	-	(203,672)
Furniture and Fixtures	(164,408)	4,371	-	-	(160,037)
Infrastructure	(121,198,557)	(3,318,503)	-	-	(124,517,060)
Machinery and Equipment	(86,740,404)	(4,276,849)	-	-	(91,017,253)
Vehicles	(948,477)	(87,036)	-	-	(1,035,513)
Total accumulated depreciation	(222,244,939)	(8,644,965)	-	-	(230,889,904)
Total capital assets, being depreciated, net	122,388,435	(8,644,965)	-	17,174,877	130,918,347
Lease assets:					
Buildings Improvements	24,140	-	-	-	24,140
Equipment	389,415	-	-	-	389,415
Total lease assets	413,555	-	-	-	413,555
Less accumulated amortization					
Buildings Improvements	(11,647)	(11,647)	-	-	(23,294)
Equipment	(54,999)	(54,999)	-	-	(109,998)
Total accumulated amortization	(66,646)	(66,646)	-	-	(133,292)
Total capital assets and lease assets, being depreciated, net	122,735,344	(8,711,611)	-	17,174,877	131,198,610
Total capital assets and lease assets, net	\$ 154,752,497	\$ 6,668,291	\$ -	\$ -	\$ 161,420,788

Depreciation expense and amortization expenses for the year ended June 30, 2022 were \$8,711,611.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 4 – Capital Assets and Lease Assets(Continued)

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

	Balance July 1, 2020 (As Restated)	Prior Period Adjustments	Additions	Deletions	Transfer	Balance June 30, 2021
Capital assets, not depreciated						
Land	\$ 14,402,224	\$ -	\$ -	\$ -		\$ 14,402,224
Construction In Progress	23,272,061	-	22,687,761	-	(28,344,893)	17,614,929
Total capital assets, not depreciated	<u>37,674,285</u>	<u>-</u>	<u>22,687,761</u>	<u>-</u>	<u>(28,344,893)</u>	<u>32,017,153</u>
Capital assets, being depreciated						
Buildings	10,727,125	-	-	-	-	10,727,125
Buildings Improvements	8,559,268	-	-	-	4,625,748	13,185,016
Computer Hardware	1,548,697	-	-	-	107,246	1,655,943
Computer Software	299,703	-	-	-	-	299,703
Furniture and Fixtures	160,036	-	-	-	-	160,036
Infrastructure	160,971,533	3,330,302	-	-	7,567,100	171,868,935
Machinery and Equipment	129,362,893	-	-	-	15,894,249	145,257,142
Vehicles	1,328,924	-	-	-	150,550	1,479,474
Total capital assets, being depreciated	<u>312,958,179</u>	<u>3,330,302</u>	<u>-</u>	<u>-</u>	<u>28,344,893</u>	<u>344,633,374</u>
Less accumulated depreciation						
Buildings	(7,397,503)	-	(173,366)	-	-	(7,570,869)
Buildings Improvements	(3,883,424)	-	(348,935)	-	-	(4,232,359)
Computer Hardware	(1,018,769)	-	(192,783)	-	-	(1,211,552)
Computer Software	(152,954)	-	(25,359)	-	-	(178,313)
Furniture and Fixtures	(160,037)	-	(4,371)	-	-	(164,408)
Infrastructure	(116,400,295)	(1,620,500)	(3,177,762)	-	-	(121,198,557)
Machinery and Equipment	(83,097,663)	-	(3,642,741)	-	-	(86,740,404)
Vehicles	(867,910)	-	(80,567)	-	-	(948,477)
Total accumulated depreciation	<u>(212,978,555)</u>	<u>(1,620,500)</u>	<u>(7,645,884)</u>	<u>-</u>	<u>-</u>	<u>(222,244,939)</u>
Lease assets:						
Buildings Improvements	-	24,140	-	-	-	24,140
Equipment	-	389,415	-	-	-	389,415
Total lease assets	<u>-</u>	<u>413,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>413,555</u>
Less accumulated amortization						
Buildings Improvements	-	-	(11,647)	-	-	(11,647)
Equipment	-	-	(54,999)	-	-	(54,999)
Total accumulated amortization	<u>-</u>	<u>-</u>	<u>(66,646)</u>	<u>-</u>	<u>-</u>	<u>(66,646)</u>
Total capital assets and lease assets, being depreciated, net	<u>99,979,624</u>	<u>2,123,357</u>	<u>(7,712,530)</u>	<u>-</u>	<u>28,344,893</u>	<u>122,735,344</u>
Total capital assets and lease assets, net	<u>\$ 137,653,909</u>	<u>\$ 2,123,357</u>	<u>\$ 14,975,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,752,497</u>

Depreciation expense and amortization expense for the year ended June 30, 2021 were and \$7,712,530.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 5 – Compensated Absences

The summary of changes in compensated absences for the year ended June 30, 2022 was as follows:

	Balance	Additions	Deletions	Balance	Classification	
	July 1, 2021			June 30, 2022	Current	Long-term
Compensated absences	\$ 877,242	\$ 7,502	\$ (69,543)	\$ 815,201	\$ 197,365	\$ 617,836

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

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

Note 6 – Other Postemployment Benefits (“OPEB”)

General Information about the OPEB

Plan Description and Eligibility

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

All permanent full-time and part-time employees working at least half-time are offered a choice of medical (including prescription drug coverage) plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). SOCWA currently pays an amount each year that is based on a percentage of the average of all health plans (excluding the PERS Care Plan) made available to SOCWA employees through the CalPERS Health Program. Any premium costs above this amount are paid for by the employee. Alternatively, the employee may elect a cash-in-lieu option of \$300/month but opt back into the health plan at any time before retirement during an enrollment period. SOCWA offers the same medical plans to eligible retirees except once retirees are eligible for Medicare, the retiree must join a Medicare HMO or Supplement Plan with Medicare being the primary payer. Employees hired on or after July 1, 2017 are only eligible for the PEMHCA minimum contribution (\$149 for 2022) and an HSA contribution. For the purposes of GASB 75, only the PEMHCA minimum contribution will be valued for these employees.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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

General Information about the OPEB (Continued)

Employees Covered by Benefit Terms

At the June 30, 2022 and June 30, 2021, year-end dates, the following employees were covered by the benefit terms under the OPEB Plan:

	2022	2021
Active employees	64	61
Inactive employees or beneficiaries currently receiving benefits	50	47
Inactive employees entitled to, but not yet receiving benefits	-	-
	114	108

Contribution

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

Net OPEB Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The December 31, 2020 valuation was rolled forward to determine the June 30, 2022 total OPEB liability, respectively, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal			
Actuarial Assumptions:				
Discount Rate	6.50% Per annum. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.			
Inflation	2.75% per annum			
Salary increases	2.75% per annum, in aggregate			
Pre-retirement Turnover	According to termination rates under the most recent CalPERS pension plan valuation			
Pre-retirement and Post-retirement Mortality;	According to pre-retirement and post-retirement mortality rates and retirement rates under the most recent CalPERS pension plan valuation.			
Retirement Rates				
Dependent Coverage				
Healthcare Trend Rate				
	2023	6.25%	2028	5.00%
	2024	6.00%	2029	4.75%
	2025	5.75%	2030 +	4.50%
	2026	5.50%		
	2027	5.25%		

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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

Net OPEB Liability (Continued)

Change of Assumption

For the December 31, 2020 valuation, the discount rate remained at 6.50 percent. There were not changes of assumption during the measurement period June 30, 2022.

Long-Term Expected Rate of Return

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

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

Discount Rate

The discount rate used to measure the 2022 and 2021 total OPEB liability were 6.50 percent for both years.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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

Change in the Net OPEB Liability

The following table shows the changes in net OPEB liability recognized over the measurement period of July 1, 2021 to June 30, 2022.

	2022		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)=(a)-(b)
Balance at June 30, 2021	\$ 10,799,701	\$ 6,657,222	\$ 4,142,479
Changes Recognized for the Measurement Period:			
Service Cost	226,409	-	226,409
Interest on the total OPEB liability	695,353	-	695,353
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(377,647)	-	(377,647)
Changes in assumptions	-	-	-
Contribution from the employer	-	667,236	(667,236)
Net investment income	-	(891,743)	891,743
Administrative expenses	-	(37,506)	37,506
Benefit payments	(667,236)	(667,236)	-
Net changes during July 1, 2021 to June 30, 2022	(123,121)	(929,249)	806,128
Balance at June 30, 2022 (Measurement Date)	\$ 10,676,580	\$ 5,727,973	\$ 4,948,607

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

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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

Change in the Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in Discount Rate

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current discount rate, for the measurement period ended June 30, 2022:

Measurement Date	Plan’s Net OPEB Liability		
	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
	(5.50%)	(6.50%)	(7.50%)
June 30, 2022	\$ 6,265,966	\$ 4,948,607	\$ 3,860,444

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current discount rate, for the measurement period ended June 30, 2021:

Measurement Date	Plan’s Net OPEB Liability		
	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
	(5.50%)	(6.50%)	(7.50%)
June 30, 2021	\$ 5,344,943	\$ 4,142,479	\$ 2,906,753

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

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current healthcare cost trend rates, for the measurement period ended June 30, 2022:

Measurement Date	Plan’s Net OPEB Liability		
	Trend -1%	Current Trend Rate	Trend +1%
	5.50%	6.50%	7.50%
	decreasing to 3.50%	decreasing to 4.50%	decreasing to 5.50%
June 30, 2022	\$ 3,645,571	\$ 4,948,607	\$ 6,556,074

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.50 percent) or 1-percentage-point higher (9.50 percent) than the current healthcare cost trend rates, for the measurement period ended June 30, 2021:

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

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

Change in the Net OPEB Liability (Continued)

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

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

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

For the years ended June 30, 2022 and 2021, the Authority recognized OPEB expense in the amounts of \$464,782 and \$387,119, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 375,132	\$ -	\$ 591,534	\$ -
Difference between projected and actual experience in measurement of the Total OPEB Liability	-	(960,508)	-	(940,705)
Differences between projected and actual earnings on OPEB plan investments	488,387	-	-	(756,400)
Total	\$ 863,519	\$ (960,508)	\$ 591,534	\$ (1,697,105)

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

	2022		2021	
	Year Ending June 30	Deferred Outflows/(Inflows) of Resources	Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2023	\$ 123,821	2022	\$ (280,413)	
2024	(27,070)	2023	(93,626)	
2025	(66,182)	2024	(244,517)	
2026	149,651	2025	(283,629)	
2027	(115,000)	2026	(67,794)	
Thereafter	(162,209)	Thereafter	(135,592)	
Total	\$ (96,989)	Total	\$ (1,105,571)	

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

The Authority contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2020 and 2019 Annual Actuarial Valuation Reports. These reports and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Employees Covered by Benefit Terms

At June 30, 2020 and 2019 valuation dates, the following employees were covered by the benefit terms:

	2020			2019		
	Tier 1	Tier 2	PEPRA	Tier 1	Tier 2	PEPRA
Active employees	15	8	36	20	8	33
Transferred and terminated employees	18	1	3	33	1	2
Separated	15	0	6	18	0	6
Retired Employees and Beneficiaries	84	0	0	77	0	0
Total	132	9	45	148	9	41

Benefit Provided

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

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	2022		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.000%	2.000%	1.000 % to 2.500%
Require employee contribution rates	8.000%	7.000%	6.750%
Required employer contribution rates	12.200%	10.880%	7.590%

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 7 – Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

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

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

Contributions

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

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2020 and 2019 valuations were rolled forward to determine the June 30, 2021 and 2020 total pension liabilities, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumption:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table ¹	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

¹The 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.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 7 – Defined Benefit Pension Plan (Continued)

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

Change of Assumption

In 2021 and 2020, there were no changes of assumptions. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Long-Term Expected Rate of Return

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

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

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

Asset Class ¹	Assumed Asset 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 Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

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

² An expected inflation of 2.00% used for this period

³ An expected inflation of 2.92% used for this period

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 7 – Defined Benefit Pension Plan (Continued)

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

Discount Rate

The discount rate used to measure the June 30, 2021 and 2020 total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability of the Plan as of the measurement date at June 30, 2021 and 2020, calculated using the discount rate of 7.15%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Measurement Date	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate	Current Discount	Discount Rate
	-1% (6.15%)	Rate (7.15%)	+1% (8.15%)
June 30, 2021	\$ 17,466,537	\$ 9,257,418	\$ 2,471,058
June 30, 2020	23,382,615	15,527,683	9,037,399

Pension Plan Fiduciary Net Position

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

Proportionate Share of Net Pension Liability and Pension Expense

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

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at: 6/30/20 (Valuation date)	\$ 59,026,089	\$ 43,498,406	\$ 15,527,683
Balance at: 6/30/21 (Measurement date)	62,175,735	52,918,317	9,257,418
Net Changes during 2020-2021	3,149,646	9,419,911	(6,270,265)
Balance at: 6/30/19 (Valuation date)	\$ 55,450,648	\$ 41,089,097	\$ 14,361,551
Balance at: 6/30/20 (Measurement date)	59,026,089	43,498,406	15,527,683
Net Changes during 2019-2020	3,575,441	2,409,309	1,166,132

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 7 – Defined Benefit Pension Plan (Continued)

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

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

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement periods ended June 30, 2021 and 2020, respectively.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2020 and 2019). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2021 and 2020). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2021 and 2020 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2020-2021 and 2019-2020).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 7 – Defined Benefit Pension Plan (Continued)

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

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

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

2021		2020	
Measurement Date		Measurement Date	
June 30, 2020	0.14271%	June 30, 2019	0.14015%
June 30, 2021	0.17117%	June 30, 2020	0.14271%
Change - Increase (Decrease)	0.02846%	Change - Increase (Decrease)	0.00256%

For the year ended June 30, 2022 and 2021, the Authority recognized pension expense in the amounts of \$3,743,103 and \$2,467,242, respectively.

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

The Expected Average Remaining Service Lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the measurement date ended June 30, 2021 and 2020 are both 3.8 years, which was obtained by dividing the total service years of 561,622 and 548,581 (the sum of remaining service lifetimes of the active employees) by 150,648 and 145,663 (the total number of participants: active, inactive, and retired), respectively.

At June 30, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 1,783,637	\$ -	\$ 1,620,095	\$ -
Changes of assumptions	-	-	-	(110,750)
Difference between expected and actual experience	1,038,120	-	800,187	-
Projected earnings on pension plan investments under/(in excess of) actual earnings	-	(8,081,236)	461,274	-
Adjustment due to differences in proportions	227,982	(31,530)	396,504	(15,676)
Employer's actual contributions in excess of/(under) employer's proportionate share of contribution	-	(659,931)	-	(644,861)
Total	\$ 3,049,739	\$ (8,772,697)	\$ 3,278,060	\$ (771,287)

Deferred outflows of resources related to pensions resulting from the Authority's contributions made subsequent to the measurement date in the amount of \$1,783,637 and \$1,620,095 will be recognized as a reduction of the collective net pension liability in the years ending June 30, 2023 and 2022, respectively.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 7 – Defined Benefit Pension Plan (Continued)

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

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

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

2022		2021	
Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources Miscellaneous	Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources Miscellaneous
2023	\$ (1,656,966)	2022	\$ 9,244
2024	(1,736,662)	2023	354,164
2025	(1,879,730)	2024	302,031
2026	(2,233,237)	2025	221,239
2027	-	2026	-
Thereafter	-	Thereafter	-
Total	<u>\$ (7,506,595)</u>	Total	<u>\$ 886,678</u>

Note 8: Long- Term Debt

A summary of changes in long-term debt for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due within One Year	Due in More Than One Year
Lease liability	<u>\$ 348,659</u>	<u>\$ -</u>	<u>\$ (65,202)</u>	<u>\$ 283,457</u>	<u>\$ 53,887</u>	<u>\$ 229,570</u>

A summary of changes in long-term debt for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020 (As restated)	Additions	Deletions	Balance June 30, 2021	Due within One Year	Due in More Than One Year
Lease liability	<u>\$ 413,555</u>	<u>\$ -</u>	<u>\$ (64,896)</u>	<u>\$ 348,659</u>	<u>\$ 65,202</u>	<u>\$ 283,457</u>

The Authority has entered into leases for building space and equipment use. The terms of the agreements range from 60 to 63 months. The calculated interest rate used was 0.9925%. At June 30, 2022 and 2021, the outstanding balance of the leases is \$283,457 and \$348,659, respectively.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 8: Long- Term Debt (Continued)

Principal and interest payments to maturity as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 53,889	\$ 2,517	\$ 56,406
2024	47,431	2,031	49,462
2025	47,909	1,553	49,462
2026	48,387	1,075	49,462
2027	48,870	592	49,462
2028	36,971	125	37,096
Total	<u>\$ 283,457</u>	<u>\$ 7,893</u>	<u>\$ 291,350</u>

Note 9 – Risk Management

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

At June 30, 2022, the Authority's participation in the insurance with California Sanitation Risk Management Authority, CSRMA, a pooled liability program, was as follows:

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

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

For property and pooled liability insurance, the premiums paid fiscal year ended June 30, 2022 and 2021 totaled \$410,049 and \$276,867, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 10 – Commitment and Contingencies

A. General Lawsuits

The Authority is subject to other litigation arising in the normal course of business. In the opinion of the Authority Counsel, there is not pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

B. Commitments

The Authority had several outstanding or planned construction and other projects as of June 30, 2022 and 2021. These projects are evidenced by contractual commitments within engineering related services and the outstanding balance as of June 30, 2022 and 2021 was \$12,354,074 and \$19,963,209, respectively.

Note 11 – Prior Period Adjustments and Restatements of 2021 Financial Statements

Beginning Net Position

The beginning net position at July 1, 2020 was restated as follows:

Net Position as previously reported, at July 1, 2020	\$ 137,465,813
Project PC-10, San Clemente land outfall assets, net	1,709,802
To implement GASB 87 - Lease asset	413,555
To implement GASB 87 - Lease liability	<u>(413,555)</u>
Net position at July 1, 2020, as restated	<u><u>139,175,615</u></u>

2021 Financial Statements

The capital assets, depreciable, net was restated to \$122,735,344 from \$120,723,037 and the depreciation and amortization expense was restated to \$7,712,530 from \$7,601,480. \$68,642 debt service costs were also reclassified from cash payments to vendors and suppliers for operations.

Note 12 – Subsequent Event

As of November 15, 2021, San Juan Capistrano residents and businesses are officially part of the Santa Margarita Water District (SMWD). SMWD will provide water, wastewater, and recycled water services for 13,000 connections in the City of San Juan Capistrano.

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Required Supplementary Information (Unaudited)

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2022 and 2021

Last Ten Fiscal Years

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

For the measurement date:	<u>June 30, 2014¹</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Authority's proportion of the net pension liability/(asset)	<u>0.10903%</u>	<u>0.13190%</u>	<u>0.13350%</u>	<u>0.13522%</u>
Authority's proportionate share of the net pension liability/(asset)	<u>\$ 6,794,277</u>	<u>\$ 9,054,535</u>	<u>\$ 11,549,944</u>	<u>\$ 13,410,437</u>
Authority's covered payroll	<u>\$ 5,215,673</u>	<u>\$ 5,452,666</u>	<u>\$ 5,616,113</u>	<u>\$ 5,784,596</u>
Authority's proportionate share of the net pension liability/(asset) as a percentage of covered employee payroll	<u>130.27%</u>	<u>166.06%</u>	<u>205.66%</u>	<u>231.83%</u>
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	<u>83.03%</u>	<u>78.43%</u>	<u>74.15%</u>	<u>73.31%</u>

¹ The required supplementary information are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

**South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)**

**Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)
For the Year Ended June 30, 2022 and 2021**

Last Ten Fiscal Years

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

For the measurement date:	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Authority's proportion of the net pension liability/(asset)	<u>0.13684%</u>	<u>0.14015%</u>	<u>0.14271%</u>	<u>0.17117%</u>
Authority's proportionate share of the net pension liability/(asset)	<u>\$ 13,186,316</u>	<u>\$ 14,361,551</u>	<u>\$ 15,527,683</u>	<u>\$ 9,257,418</u>
Authority's covered payroll	<u>\$ 6,083,399</u>	<u>\$ 6,331,043</u>	<u>\$ 6,456,681</u>	<u>\$ 6,607,567</u>
Authority's proportionate share of the net pension liability/(asset) as a percentage of covered employee payroll	<u>216.76%</u>	<u>226.84%</u>	<u>240.49%</u>	<u>140.10%</u>
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	<u>75.26%</u>	<u>75.26%</u>	<u>75.10%</u>	<u>88.29%</u>

**South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Contributions - Pensions
For the Year Ended June 30, 2022 and 2021**

Last Ten Fiscal Years

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

Fiscal year end	2013-14 ¹	2014-15	2015-16	2016-17	2017-18
Actuarially determined contribution ²	\$ 759,739	\$ 780,373	\$ 495,877	\$ 521,940	\$ 1,094,606
Contribution in relation to the actuarially determined contribution ²	<u>(759,739)</u>	<u>(780,373)</u>	<u>(1,121,220)</u>	<u>(1,019,645)</u>	<u>(1,094,606)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (625,343)</u>	<u>\$ (497,705)</u>	<u>\$ -</u>
Authority's covered payroll	<u>\$ 5,215,673</u>	<u>\$ 5,452,666</u>	<u>\$ 5,616,113</u>	<u>\$ 5,784,596</u>	<u>\$ 6,083,399</u>
Contributions as a percentage of covered payroll	<u>14.57%</u>	<u>14.31%</u>	<u>19.96%</u>	<u>17.63%</u>	<u>17.99%</u>

¹ The required supplementary information are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

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

Notes to Schedule

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

Changes of Assumptions: In 2019 or 2020 or 2021, there were no changes. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

**South Orange County Wastewater Authority
 Required Supplementary Information (Unaudited)
 Schedule of the Authority's Contributions - Pensions (Continued)
 For the Year Ended June 30, 2022 and 2021**

Last Ten Fiscal Years

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

For the year:	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Actuarially determined contribution	\$ 1,297,346	\$ 1,441,008	\$ 1,620,095	\$ 1,783,637
Contribution in relation to the actuarially determined contribution ²	<u>(1,297,346)</u>	<u>(1,441,008)</u>	<u>(1,620,095)</u>	<u>(1,783,637)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	<u>\$ 6,456,681</u>	<u>\$ 6,456,681</u>	<u>\$ 6,607,567</u>	<u>\$ 6,812,966</u>
Contributions as a percentage of covered payroll	<u>20.09%</u>	<u>22.32%</u>	<u>24.52%</u>	<u>26.18%</u>

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Years Ended June 30, 2022 and 2021

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Measurement period	<u>2017-2018¹</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Total OPEB Liability:					
Service Cost	\$ 256,866	\$ 274,847	\$ 231,479	\$ 264,352	\$ 226,409
Interest	677,737	713,467	692,192	710,590	695,353
Changes of benefit terms	-	(42,119)	-	-	-
Differences between expected and actual exper	-	(822,505)	-	(840,089)	(377,647)
Changes of assumptions	-	109,406	607,338	297,733	-
Contribution from the employer	-	-	-	-	-
Benefit payments, including refunds of member contributions	(354,582)	(529,726)	(457,597)	(592,075)	(667,236)
Net change in Total OPEB Liability	580,021	(296,630)	1,073,412	(159,489)	(123,121)
Beginning of Year	9,602,387	10,182,408	9,885,778	10,959,190	10,799,701
End of Year	\$ 10,182,408	\$ 9,885,778	\$ 10,959,190	\$ 10,799,701	\$ 10,676,580
Plan Fiduciary Net Position:					
Employer contribution	\$ 585,582	\$ 529,726	\$ 457,597	\$ 592,075	\$ 667,236
Employee contributions	-	-	-	-	-
Contributions - nonemployer contributing memb	-	-	-	-	-
Net investment income	348,619	341,412	163,035	1,420,672	(891,743)
Benefit payments	(354,582)	(529,726)	(457,597)	(592,075)	(667,236)
Administrative expenses	(26,133)	(27,005)	(30,213)	(34,089)	(37,506)
Net changes in Fiduciary Net Position	553,486	314,407	132,822	1,386,583	(929,249)
Beginning of Year	4,269,924	4,823,410	5,137,817	5,270,639	6,657,222
End of Year	\$ 4,823,410	\$ 5,137,817	\$ 5,270,639	\$ 6,657,222	\$ 5,727,973
Net OPEB Liability	\$ 5,358,998	\$ 4,747,961	\$ 5,688,551	\$ 4,142,479	\$ 4,948,607
Fiduciary Net Position as a % of Total OPEB Li	47.37%	51.97%	48.09%	61.64%	53.65%
Covered Payroll	\$ 6,083,399	\$ 6,456,681	\$ 6,456,681	\$ 6,607,567	\$ 6,812,966
Net OPEB Liability as a % of Payroll	88.09%	73.54%	88.10%	62.69%	72.64%

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

**South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Contributions - OPEB
For the Years Ended June 30, 2022 and 2021**

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Fiscal year end	<u>2016-2017¹</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Actuarially Determined Employer Contribution	\$ 747,925	\$ 585,582	\$ 613,218	\$ 631,614	\$ 595,227	\$ 611,596
Contributions in relation to the actuarially determined contribution	<u>(747,925)</u>	<u>(585,582)</u>	<u>(529,726)</u>	<u>(457,597)</u>	<u>(592,075)</u>	<u>(667,236)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,492</u>	<u>\$ 174,017</u>	<u>\$ 3,152</u>	<u>\$ (55,640)</u>
Covered Payroll	5,784,596	6,083,399	6,456,681	6,456,681	6,607,567	6,812,966
Contributions as a percentage of covered-employee payroll	12.93%	9.63%	8.20%	7.09%	8.96%	9.79%

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

Notes to Schedule

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

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**STATISTICAL
SECTION
(UNAUDITED)**

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South Orange County Wastewater Authority

Annual Comprehensive Financial Report

For the Year Ended June 30, 2022

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

Statistical Section

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Debt Capacity

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

Demographic Information

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

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Capital Assets and Lease Assets, net of depreciation and amortization - Last 10 Fiscal Years	118

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

Assets:	2013	2014	2015	2016	2017
Current Assets	\$ 7,647,253	\$ 8,936,134	\$ 10,463,647	\$ 7,716,490	\$ 15,609,499
Non-Current Assets: ¹					
Capital Assets not being depreciated	4,061,363	3,651,753	24,535,630	34,442,532	41,561,721
Capital Assets and lease assets, depreciable, net	51,923,277	55,136,928	74,636,169	89,985,929	87,846,950
Total Capital Assets	55,984,640	58,788,681	99,171,799	124,428,461	129,408,671
Total Assets	63,631,893	67,724,815	109,635,446	132,144,951	145,018,170
Deferred Outflows of Resources:²					
GASB 68-Deferred Outflows			813,449	1,712,209	3,321,291
GASB 75-Deferred Outflows					
Liabilities:					
Current Liabilities	3,532,893	4,159,458	7,707,754	4,534,783	4,458,739
Non-Current Liabilities	1,346,388	1,339,077	8,266,057	10,225,917	12,476,437
Total Liabilities	4,879,281	5,498,535	15,973,811	14,760,700	16,935,176
Deferred Inflows of Resources:²					
GASB 68-Deferred Inflows			2,409,966	1,315,151	542,096
GASB 75-Deferred Inflows					
Net Position:³					
Investment in capital assets	55,984,640	58,788,681	99,171,799	124,428,461	129,408,671
Unrestricted (deficit)	2,767,972	3,437,599	(7,106,681)	(6,647,151)	1,453,519
Total Net Position²	\$ 58,752,612	\$ 62,226,280	\$ 92,065,118	\$ 117,781,310	\$ 130,862,190

¹ Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, \$39 million and \$9.3 million respectively. The \$39 million included the addition of land, \$13.7 million, for the Coastal and Regional Treatment Plants. San Clemente Land Outfall capital assets were added in fiscal years 2020 and 2021, \$1.7 million, net, each year. GASB 87, lease accounting, was implemented in fiscal year 2021, adding \$347 thousand, net, in leased assets.

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

³ Beginning net position was restated for fiscal years 2016, 2017, 2018, 2020 and 2021 for the addition of the assets discussed above. GASB 75 implementation July 1, 2017, adding \$4.7 million in long term liabilities (OPEB) to the statement. GASB 87, lease accounting, added \$65 thousand in current liabilities and \$283 thousand in non-current liabilities in fiscal year 2021.

Source: South Orange County Wastewater Authority Audited Financial Statements.

South Orange County Wastewater Authority

Net Position by Component

Last Ten Fiscal Years

Assets:	2018	2019	2020	2021	2022
Current Assets	\$ 18,402,205	\$ 22,755,001	\$ 23,520,570	\$ 16,740,023	\$ 11,692,239
Non-Current Assets: ¹					
Capital Assets not being depreciated	35,236,026	26,740,102	37,674,285	32,017,153	30,222,178
Capital Assets and lease assets, depreciable, net	96,017,875	103,900,486	101,689,426	122,735,344	131,198,610
Total Capital Assets	131,253,901	130,640,588	139,363,711	154,752,497	161,420,788
Total Assets	149,656,106	153,395,589	162,884,281	171,492,520	173,113,027
Deferred Outflows of Resources: ²					
GASB 68-Deferred Outflows	4,069,991	3,475,719	3,355,343	3,278,060	3,049,739
GASB 75-Deferred Outflows		82,055	646,800	591,534	863,519
Liabilities:					
Current Liabilities	6,746,223	6,041,550	5,783,848	10,528,653	4,669,066
Non-Current Liabilities	18,995,344	18,200,914	20,348,151	20,571,455	15,053,431
Total Liabilities	25,741,567	24,242,464	26,132,000	31,100,108	19,722,497
Deferred Inflows of Resources: ²					
GASB 68-Deferred Inflows	798,038	1,078,306	1,167,555	771,287	8,772,697
GASB 75-Deferred Inflows	34,043	646,185	411,253	1,697,105	960,508
Net Position: ³					
Investment in capital assets	131,253,901	130,640,588	139,363,711	154,752,497	161,420,788
Unrestricted (deficit)	(4,101,452)	345,820	(188,096)	(12,958,883)	(13,850,205)
Total Net Position²	\$ 127,152,449	\$ 130,986,408	\$ 139,175,615	\$ 141,793,614	\$ 147,570,583

¹ Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, \$39 million and \$9.3 million respectively. The \$39 million included the addition of land, \$13.7 million, for the Coastal and Regional Treatment Plants. San Clemente Land Outfall capital assets were added in fiscal years 2020 and 2021, \$1.7 million, net, each year.

GASB 87, lease accounting, was implemented in fiscal year 2021, adding \$347 thousand, net, in leased assets.

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

³ Beginning net position was restated for fiscal years 2016, 2017, 2018, 2020 and 2021 for the addition of the assets discussed above. GASB 75 implementation July 1, 2017, adding \$4.7 million in long term liabilities (OPEB) to the statement. GASB 87, lease accounting, added \$65 thousand in current liabilities and \$283 thousand in non-current liabilities in fiscal year 2021.

Source: South Orange County Wastewater Authority Audited Financial Statements.

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

	2013	2014	2015	2016	2017
Capital assets, not depreciated					
Land ¹	\$653,224	\$653,224	\$14,402,224	\$14,402,224	\$14,402,224
Construction in Progress	3,408,139	2,998,529	10,133,406	20,040,308	27,159,497
Total capital assets, not depreciated	4,061,363	3,651,753	24,535,630	34,442,532	41,561,721

Capital assets and lease assets, being depreciated¹					
Capital assets and lease assets, gross	100,480,234	108,025,409	211,676,952	276,051,617	280,203,940
Accum. depreciation and amortization	(48,556,957)	(52,888,481)	(137,040,783)	(186,065,688)	(192,356,990)
Total capital assets and lease assets, being depreciated	51,923,277	55,136,928	74,636,169	89,985,929	87,846,950

Lease assets, net

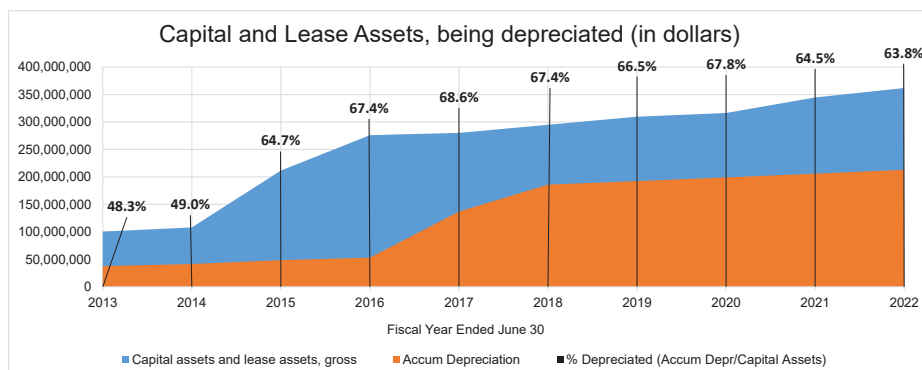
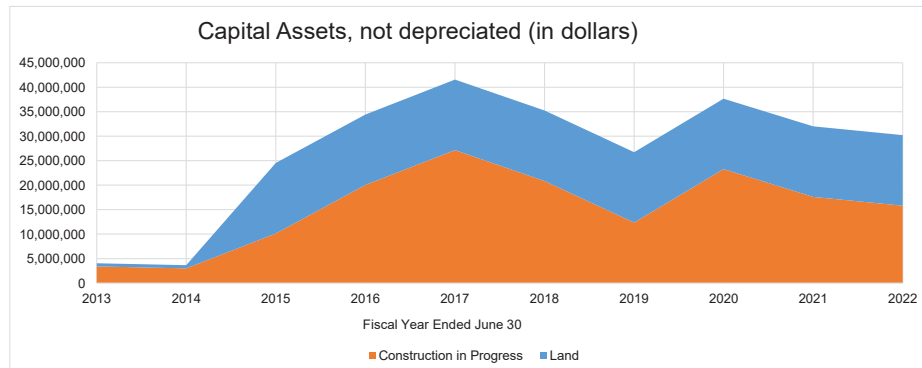
Total capital assets and lease assets, being depreciated	\$55,984,640	\$58,788,681	\$99,171,799	\$124,428,461	\$129,408,671
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Accumulated depreciation % Capital Assets, gross²	48.3%	49.0%	64.7%	67.4%	68.6%
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¹ Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, \$39 million and \$9.3 million respectively. The \$39 million included the addition of land, \$13.7 million, for the Coastal and Regional Treatment Plants. San Clemente Land Outfall capital assets were added in fiscal years 2020 and 2021, \$1.7 million, net, each year. GASB 87, lease accounting, was implemented in fiscal year 2021, adding \$347 thousand, net, in leased assets.

² SOCWA's capital assets averaged 49% depreciated prior to FY 2015; the addition of jointly constructed assets in fiscal years 2015 and 2016 increased the average to 67% due to the age of the assets. Increased capital acquisitions in fiscal years 2021 and 2022 decreased the average percent depreciated to 62.8% from the high of 67%.

Source: South Orange County Wastewater Authority Audited Financial Statements.



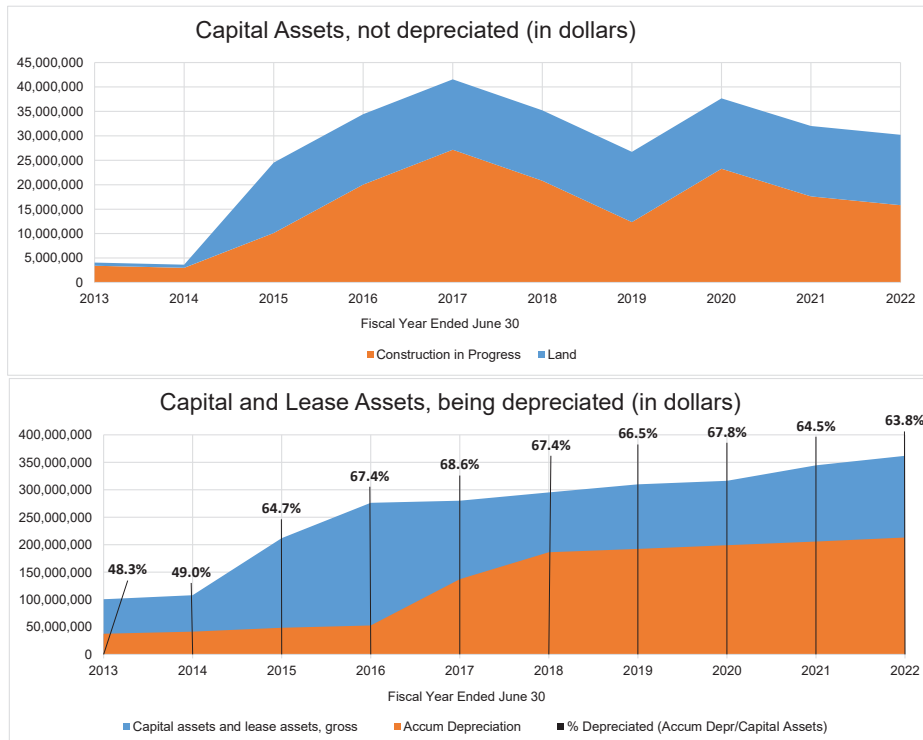
South Orange County Wastewater Authority
Capital Assets by Component
Last Ten Fiscal Years

	2018	2019	2020	2021	2022
Capital assets, not depreciated					
Land ¹	\$14,402,224	\$14,402,224	\$14,402,224	\$14,402,224	\$14,402,224
Construction in Progress	20,833,802	12,337,878	23,272,061	17,614,929	15,819,954
Total capital assets, not depreciated	35,236,026	26,740,102	37,674,285	32,017,153	30,222,178
Capital assets and lease assets, being depreciated¹					
Capital assets and lease assets, gross	294,970,825	309,716,685	316,288,482	344,633,374	361,808,251
Accum. depreciation and amortization	(198,952,950)	(205,816,199)	(214,599,055)	(222,244,939)	(230,889,907)
Total Capital assets and lease assets, being depreciated	96,017,875	103,900,486	101,689,426	122,388,435	130,918,347
Lease assets, net				346,909	280,263
Total capital assets and lease assets, being depreciated	\$131,253,901	\$130,640,588	\$139,363,711	\$154,752,497	\$161,420,788
Accumulated depreciation % capital assets and lease assets , gross²	67.4%	66.5%	67.8%	64.5%	63.8%

¹ Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, \$39 million and \$9.3 million respectively. The \$39 million included the addition of land, \$13.7 million, for the Coastal and Regional Treatment Plants. San Clemente Land Outfall capital assets were added in fiscal years 2020 and 2021, \$1.7 million, net, each year. GASB 87, lease accounting, was implemented in fiscal year 2021, adding \$347 thousand, net, in leased assets.

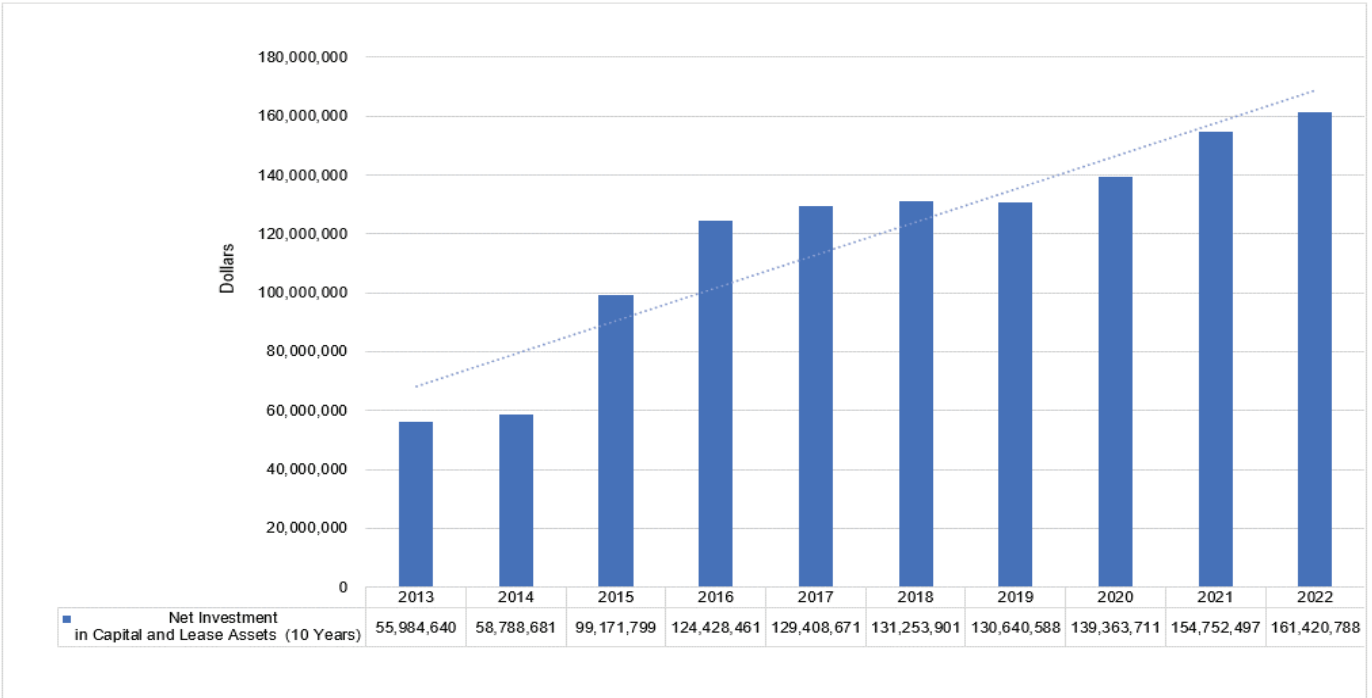
² SOCWA's capital assets averaged 49% depreciated prior to FY 2015; the addition of jointly constructed assets in fiscal years 2015 and 2016 increased the average to 67% due to the age of the assets. Increased capital acquisitions in fiscal years 2021 and 2022 decreased the average percent depreciated to 62.8% from the high of 67%.

Source: South Orange County Wastewater Authority Audited Financial Statements.



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**South Orange County Wastewater Authority
 Net Investment in Capital Assets and Lease Assets
 Last Ten Fiscal Years**



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

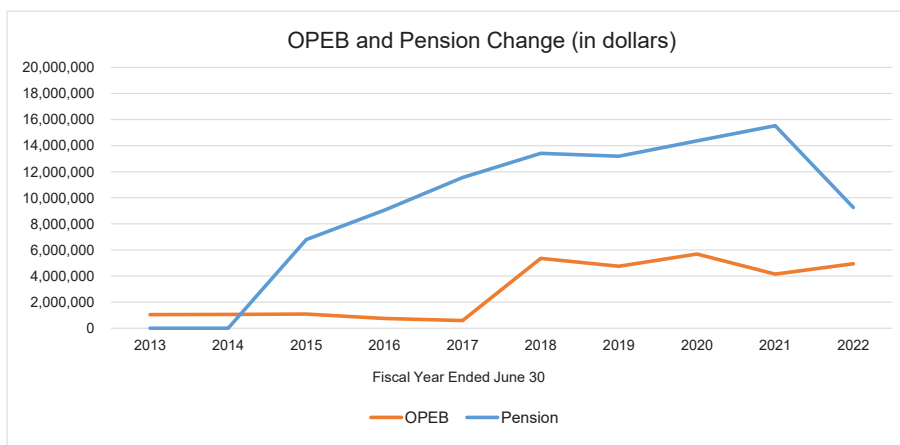
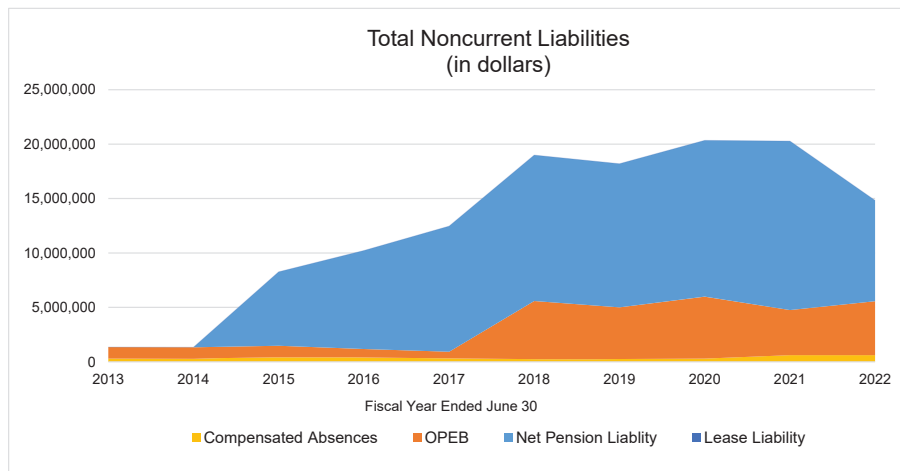
	2013	2014	2015	2016	2017
Non-Current Liabilities					
Compensated absences-due in more than one year	\$298,944	\$286,758	\$387,876	\$425,420	\$338,733
Net other postemployment benefits liability (OPEB) ¹	1,047,444	1,052,319	1,083,904	745,962	587,760
Net pension liability ²	-	-	6,794,277	9,054,535	11,549,944
Lease liability - due in more than one year ³					
Total noncurrent liabilities⁴	\$1,346,388	\$1,339,077	\$8,266,057	\$10,225,917	\$12,476,437

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

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

³GASB 87, lease accounting, implementation in fiscal year 2021, added long-term liabilities in the amounts of \$283 thousand and \$230 thousand in fiscal years 2021 and 2022, respectively.

⁴The current year decrease of \$5.5 million or 27% is primarily due to the reduction in net pension liability, \$6.3 million or 40%, driven by CalPERS favorable financial markets gains.



Source: South Orange County Wastewater Authority Audited Financial Statements.

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

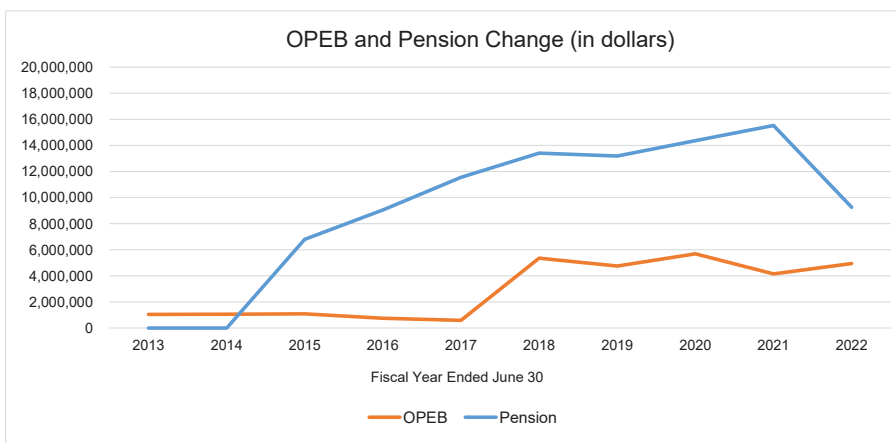
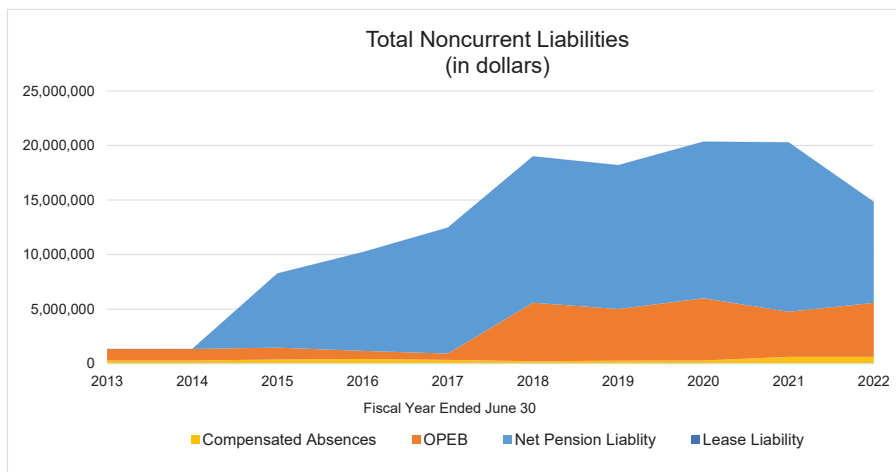
	2018	2019	2020	2021	2022
Non-Current Liabilities					
Compensated absences-due in more than one year	\$225,909	\$266,637	\$298,049	\$617,836	\$ 617,836
Net other postemployment benefits liability (OPEB) ¹	5,358,998	4,747,961	5,688,551	4,142,479	4,948,607
Net pension liability ²	13,410,437	13,186,316	14,361,551	15,527,683	9,257,418
Lease liability - due in more than one year ³				283,457	229,570
Total noncurrent liabilities⁴	\$18,995,344	\$18,200,914	\$20,348,151	\$20,571,455	\$15,053,431

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

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

³GASB 87, lease accounting, implementation in fiscal year 2021, added long-term liabilities in the amounts of \$283 thousand and \$230 thousand in fiscal years 2021 and 2022, respectively.

⁴The current year decrease of \$5.5 million or 27% is primarily due to the reduction in net pension liability, \$6.3 million or 40%, driven by CalPERS favorable financial markets gains.



Source: South Orange County Wastewater Authority Audited Financial Statements.

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**South Orange County Wastewater Authority
Net Pension (CalPERS) Liability by Member Agency
Last Eight Fiscal Years¹**

	2015	2016	2017	2018	2019	2020	2021	2022
Net Pension Liability								
City of Laguna Beach	\$707,518	\$950,501	\$1,216,301	\$1,424,347	\$1,409,954	\$1,534,919	\$1,662,452	\$992,808
City of San Clemente	47,198	61,300	77,311	90,008	88,503	96,580	106,056	64,420
City of San Juan Capistrano	703,507	936,034	1,193,586	1,385,379	1,370,129	1,497,375	1,619,904	961,210
Emerald Bay Service District	31,672	41,975	53,337	61,839	60,806	65,469	72,283	43,469
El Toro Water District	244,130	324,911	414,375	478,930	466,984	503,652	539,574	319,100
Irvine Ranch Water District	53,099	69,383	88,286	103,279	100,812	109,341	117,775	69,812
Moulton Niguel Water District	3,077,442	4,124,557	5,251,583	6,070,714	5,953,985	6,443,537	6,916,993	4,095,331
South Coast Water District	1,245,892	1,644,626	2,108,568	2,462,306	2,432,546	2,676,449	2,915,197	1,750,601
Santa Margarita Water District	683,820	901,247	1,145,985	1,332,256	1,301,158	1,431,672	1,574,485	958,894
Trabuco Canyon Water District			613	1,378	1,439	2,555	2,963	1,774
Total	\$6,794,277	\$9,054,535	\$11,549,944	\$13,410,437	\$13,186,316	\$14,361,551	\$15,527,683	\$9,257,418

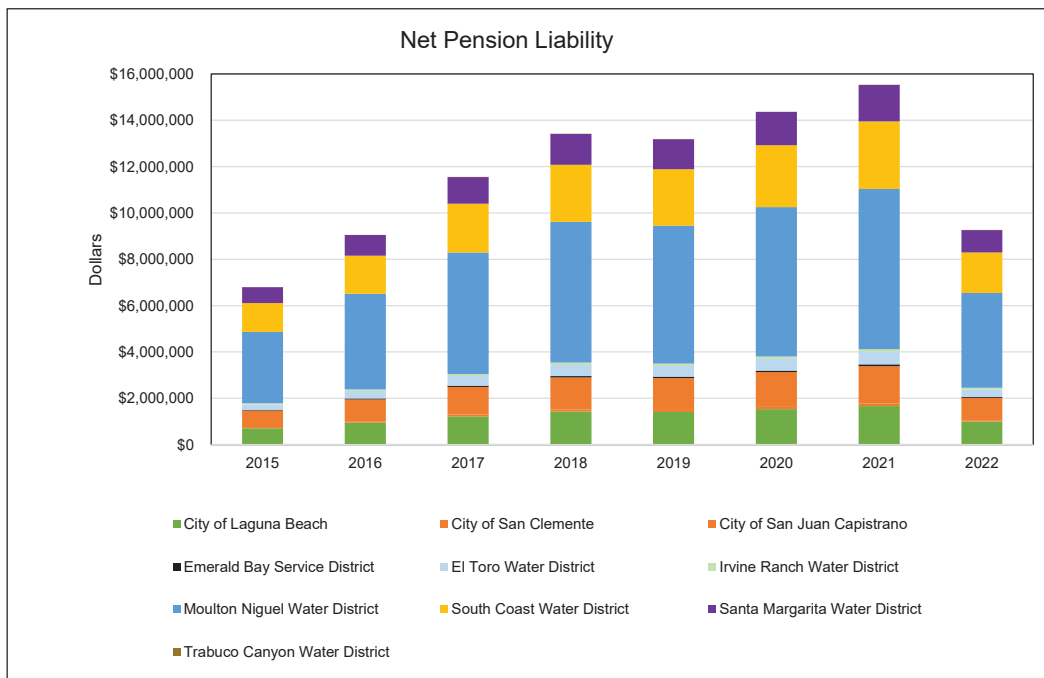
% Change Year-Over-Year²		33.27%	27.56%	16.11%	-1.67%	8.91%	8.12%	-40.38%
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Net Pension Liability Allocation %s³		10.41%	10.50%	10.53%	10.62%	10.69%	10.69%	10.71%	10.72%
City of Laguna Beach		10.41%	10.50%	10.53%	10.62%	10.69%	10.69%	10.71%	10.72%
City of San Clemente		0.69%	0.68%	0.67%	0.67%	0.67%	0.67%	0.68%	0.70%
City of San Juan Capistrano		10.35%	10.34%	10.33%	10.33%	10.39%	10.43%	10.43%	10.38%
Emerald Bay Service District		0.47%	0.46%	0.46%	0.46%	0.46%	0.46%	0.47%	0.47%
El Toro Water District		3.59%	3.59%	3.59%	3.57%	3.54%	3.51%	3.47%	3.45%
Irvine Ranch Water District		0.78%	0.77%	0.76%	0.77%	0.76%	0.76%	0.76%	0.75%
Moulton Niguel Water District		45.29%	45.55%	45.47%	45.27%	45.15%	44.87%	44.55%	44.24%
South Coast Water District		18.34%	18.16%	18.26%	18.36%	18.45%	18.64%	18.77%	18.91%
Santa Margarita Water District		10.06%	9.95%	9.92%	9.93%	9.87%	9.97%	10.14%	10.36%
Trabuco Canyon Water District				0.01%	0.01%	0.01%	0.02%	0.02%	0.02%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

²The year-over-year changes are due to changes in CalPERS methodology in 2016; financial market returns less than 7.65% in 2017, and the discount rate decreased from 7.65% to 7.15% in 2018. Fiscal Year 2020 increase, \$1.2 million, is due to CalPERS method change and assets and non-assets loss. Fiscal Year 2021 increase, \$1.2 million, is due to Assets Loss, 4.7% return on investments vs. targeted 7.15%. The current year decrease of \$6.3 million, or 40%, is due to Assets Gain, 21.3% return on investment.

³Distribution by Member Agency is based on a Board Approved Actuarial Methodology.



**South Orange County Wastewater Authority
Net OPEB (Retiree Health) Liability by Member Agency
Last Ten Fiscal Years¹**

	2013	2014	2015	2016	2017
Net OPEB Liability					
City of Laguna Beach	\$106,591	\$108,208	\$112,872	\$78,307	\$61,896
City of San Clemente	7,558	7,449	7,530	5,050	3,934
City of San Juan Capistrano	109,765	109,758	112,232	77,116	60,740
Emerald Bay Service District	4,879	4,920	5,053	3,458	2,714
El Toro Water District	37,400	37,653	38,946	26,768	21,087
Irvine Ranch Water District	8,151	8,218	8,471	5,716	4,493
Moulton Niguel Water District	470,790	474,017	490,950	339,804	267,246
South Coast Water District	195,137	195,200	198,760	135,493	107,302
Santa Margarita Water District	107,174	106,898	109,091	74,250	58,318
Trabuco Canyon Water District					31.21
Total	\$1,047,444	\$1,052,319	\$1,083,904	\$745,962	\$587,760

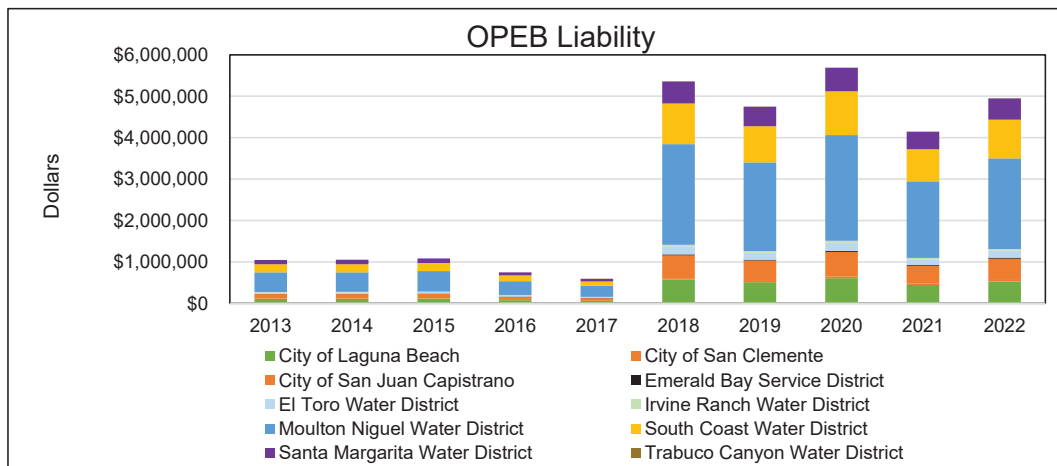
% Change Year-Over-Year					
		0.47%	3.00%	-31.18%	-21.21%

Net OPEB Liability Allocation %s²

City of Laguna Beach	10.18%	10.28%	10.41%	10.50%	10.53%
City of San Clemente	0.72%	0.71%	0.69%	0.68%	0.67%
City of San Juan Capistrano	10.48%	10.43%	10.35%	10.34%	10.33%
Emerald Bay Service District	0.47%	0.47%	0.47%	0.46%	0.46%
El Toro Water District	3.57%	3.58%	3.59%	3.59%	3.59%
Irvine Ranch Water District	0.78%	0.78%	0.78%	0.77%	0.76%
Moulton Niguel Water District	44.95%	45.04%	45.29%	45.55%	45.47%
South Coast Water District	18.63%	18.55%	18.34%	18.16%	18.26%
Santa Margarita Water District	10.23%	10.16%	10.06%	9.95%	9.92%
Trabuco Canyon Water District					0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

¹ Prior to GASB 75 implementation, FY 2018, only a portion of the OPEB liability was recorded in the Net Position Statement. GASB 75 required the recognition of the Full Net OPEB Liability. The decreases in FY's 2016 and 2017 are primarily due to \$500k contributions to the PARS Trust each year. FY 2019 decrease is due to Asset Gains. Fiscal year 2020 increase, \$941 thousand, is due to assumptions change and normal costs accruals. Fiscal year 2021 decrease, \$1.5 million, is due to Asset Gains, \$1.4 million or 26% return on investment. Fiscal year 2022 increase, \$880 thousand, is due to Asset Losses, \$929 thousand, or 14%.

² Distribution by Member Agency is based on a Board Approved Actuarial Methodology.



**South Orange County Wastewater Authority
Net OPEB (Retiree Health) Liability by Member Agency
Last Ten Fiscal Years¹**

	2018	2019	2020	2021	2022
Net OPEB Liability					
City of Laguna Beach	\$569,189	\$507,678	\$607,975	\$443,509	\$530,711
City of San Clemente	35,969	31,867	38,255	28,294	34,436
City of San Juan Capistrano	553,617	493,339	593,104	432,158	513,820
Emerald Bay Service District	24,712	21,894	25,932	19,284	23,237
El Toro Water District	191,387	168,146	199,495	143,948	170,577
Irvine Ranch Water District	41,272	36,299	43,309	31,420	37,318
Moulton Niguel Water District	2,425,942	2,143,835	2,552,258	1,845,317	2,189,183
South Coast Water District	983,972	875,880	1,060,131	777,717	935,794
Santa Margarita Water District	532,388	468,504	567,080	420,042	512,582
Trabuco Canyon Water District	550.79	518.22	1,012.11	790.54	948.43
Total	\$5,358,998	\$4,747,961	\$5,688,551	\$4,142,479	\$4,948,607

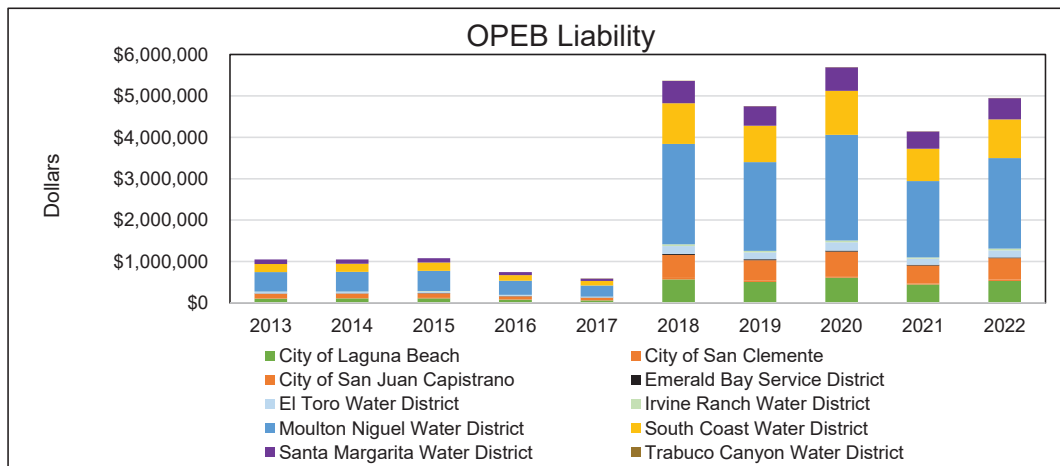
% Change Year-Over-Year	811.77%	-11.40%	19.81%	-27.18%	19.46%
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Net OPEB Liability Allocation %'s²

City of Laguna Beach	10.62%	10.69%	10.69%	10.71%	10.72%
City of San Clemente	0.67%	0.67%	0.67%	0.68%	0.70%
City of San Juan Capistrano	10.33%	10.39%	10.43%	10.43%	10.38%
Emerald Bay Service District	0.46%	0.46%	0.46%	0.47%	0.47%
El Toro Water District	3.57%	3.54%	3.51%	3.47%	3.45%
Irvine Ranch Water District	0.77%	0.76%	0.76%	0.76%	0.75%
Moulton Niguel Water District	45.27%	45.15%	44.87%	44.55%	44.24%
South Coast Water District	18.36%	18.45%	18.64%	18.77%	18.91%
Santa Margarita Water District	9.93%	9.87%	9.97%	10.14%	10.36%
Trabuco Canyon Water District	0.00%	0.00%	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

¹ Prior to GASB 75 implementation, FY 2018, only a portion of the OPEB liability was recorded in the Net Position Statement. GASB 75 required the recognition of the Full Net OPEB Liability. The decreases in FY's 2016 and 2017 are primarily due to \$500k contributions to the PARS Trust each year. FY 2019 decrease is due to Asset Gains. Fiscal year 2020 increase, \$941 thousand, is due to assumptions change and normal costs accruals. Fiscal year 2021 decrease, \$1.5 million, is due to Asset Gains, \$1.4 million or 26% return on investment. Fiscal year 2022 increase, \$880 thousand, is due to Asset Losses, \$929 thousand, or 14%.

² Distribution by Member Agency is based on a Board Approved Actuarial Methodology.



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

	2013	2014	2015	2016	2017
<u>Compensated Absences Liability</u>¹					
City of Laguna Beach	\$ 31,156	\$ 30,541	\$ 44,404	\$ 48,768	\$ 38,635
City of San Clemente	1,902	1,786	2,294	2,311	1,808
City of San Juan Capistrano	30,441	29,159	38,277	42,168	33,858
Emerald Bay Service District	1,324	1,294	1,832	1,944	1,495
El Toro Water District	11,233	10,528	13,944	15,493	12,267
Irvine Ranch Water District	2,479	2,486	3,507	3,108	2,392
Moulton Niguel Water District	138,683	132,131	180,293	201,539	159,079
South Coast Water District	54,861	51,947	67,000	71,307	58,332
Santa Margarita Water District	26,865	26,885	36,326	38,782	30,785
Trabuco Canyon Water District					81
Total	\$ 298,944	\$ 286,758	\$ 387,876	\$ 425,420	\$ 338,733

% Change Year-Over-Year²	-10.00%	-4.08%	35.26%	9.68%	-20.38%
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Compensated Absences Liability

Allocation %'s³

City of Laguna Beach	10.42%	10.65%	11.45%	11.46%	11.41%
City of San Clemente	0.64%	0.62%	0.59%	0.54%	0.53%
City of San Juan Capistrano	10.18%	10.17%	9.87%	9.91%	10.00%
Emerald Bay Service District	0.44%	0.45%	0.47%	0.46%	0.44%
El Toro Water District	3.76%	3.67%	3.59%	3.64%	3.62%
Irvine Ranch Water District	0.83%	0.87%	0.90%	0.73%	0.71%
Moulton Niguel Water District	46.39%	46.08%	46.48%	47.37%	46.96%
South Coast Water District	18.35%	18.12%	17.27%	16.76%	17.22%
Santa Margarita Water District	8.99%	9.38%	9.37%	9.12%	9.09%
Trabuco Canyon Water District					0.02%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

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

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

³Distribution by Member Agency is based on a Board Approved Actuarial Methodology.

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

	2018	2019	2020	2021	2022
<u>Compensated Absences Liability</u>¹					
City of Laguna Beach	\$ 25,906	\$ 30,978	\$ 34,160	\$ 68,835	\$ 67,302
City of San Clemente	1,300	1,716	2,050	4,593	5,106
City of San Juan Capistrano	23,119	28,373	32,429	67,664	63,909
Emerald Bay Service District	995	1,199	1,272	3,014	3,177
El Toro Water District	7,867	8,849	9,266	18,429	18,209
Irvine Ranch Water District	1,635	2,016	2,224	4,319	4,319
Moulton Niguel Water District	102,026	115,337	124,882	252,440	243,439
South Coast Water District	41,698	52,781	61,129	129,021	131,957
Santa Margarita Water District	21,245	25,222	30,399	69,125	80,030
Trabuco Canyon Water District	118	167	236	396	388
Total	<u>\$ 225,909</u>	<u>\$ 266,637</u>	<u>\$ 298,049</u>	<u>\$ 617,836</u>	<u>\$ 617,836</u>
% Change Year-Over-Year²	-33.31%	18.03%	11.78%	107.29%	0.00%
<u>Compensated Absences Liability</u>					
<u>Allocation %'s³</u>					
City of Laguna Beach	11.47%	11.62%	11.46%	11.14%	10.89%
City of San Clemente	0.58%	0.64%	0.69%	0.74%	0.83%
City of San Juan Capistrano	10.23%	10.64%	10.88%	10.95%	10.34%
Emerald Bay Service District	0.44%	0.45%	0.43%	0.49%	0.51%
El Toro Water District	3.48%	3.32%	3.11%	2.98%	2.95%
Irvine Ranch Water District	0.72%	0.76%	0.75%	0.70%	0.70%
Moulton Niguel Water District	45.16%	43.26%	41.90%	40.86%	39.40%
South Coast Water District	18.46%	19.79%	20.51%	20.88%	21.36%
Santa Margarita Water District	9.40%	9.46%	10.20%	11.19%	12.95%
Trabuco Canyon Water District	0.05%	0.06%	0.08%	0.06%	0.06%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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

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

³Distribution by Member Agency is based on a Board Approved Actuarial Methodology.

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

	2013	2014	2015	2016	2017
OPERATING REVENUES:					
O & M Member Agency Assessments:					
City of Laguna Beach	\$2,011,737	\$2,228,378	\$2,189,193	\$2,669,450	\$4,256,568
City of San Clemente	126,824	157,434	159,023	96,253	148,306
City of San Juan Capistrano	1,799,811	1,710,710	1,862,939	1,868,009	2,010,978
Emerald Bay Service District	106,030	119,130	98,927	85,067	82,404
El Toro Water District	890,544	743,418	710,624	731,459	729,960
Irvine Ranch Water District	312,098	203,745	171,629	127,723	286,204
Moulton Niguel Water District	8,257,670	8,256,502	8,555,725	8,393,893	8,559,434
South Coast Water District	2,615,366	2,501,605	2,625,103	3,317,016	3,513,544
Santa Margarita Water District	1,926,333	1,829,807	1,798,366	1,808,872	1,893,657
Trabuco Canyon Water District	37,848	6,253	18,938	20,940	22,776
Total	18,084,261	17,756,982	18,190,467	19,118,682	21,503,831
YOY Change %	0.1%	-1.8%	2.4%	5.1%	12.5%
OPERATING EXPENSES¹:					
O&M & Environmental, Compliance & Safety	18,354,026	18,116,350	18,891,983	16,437,673	16,587,654
Engineering After Capital Transfer				199,826	344,018
Administration				1,739,067	1,997,037
UAL and OPEB Annual Expense					
Unallocated portion of pension and OPEB expense				496,896	412,761
Other expense					(38,779)
Depreciation and amortization	4,012,104	4,379,786	4,176,643	5,846,601	6,291,302
Total Operating Expenses	22,366,130	22,496,136	23,068,626	24,720,063	25,593,994
Operating Income/(Loss)	(4,281,869)	(4,739,154)	(4,878,159)	(5,601,381)	(4,090,163)
NON-OPERATING REVENUES (EXPENSES):					
Interest Income (investment loss)	18,740	12,365	15,563	24,587	70,550
Other revenues (expenses)	635,963	2,452,726	(83,810)	(1,588,490)	(183,770)
Total Non-Operating Revenues (Expenses)	654,703	2,465,091	(68,247)	(1,563,903)	(113,220)
CAPITAL CONTRIBUTIONS:					
Member Agency Assessments:					
City of Laguna Beach	1,290,500	1,184,967	449,398	1,003,741	1,619,449
City of San Clemente				33,240	45,521
City of San Juan Capistrano	335,125	484,573	1,055,676	4,019,148	1,712,604
Emerald Bay Service District	100,381	92,521	32,966	64,516	111,491
El Toro Water District	87,165	43,387	164,962	1,034,636	1,174,974
Irvine Ranch Water District				16,440	53,205
Moulton Niguel Water District	2,211,482	2,068,320	3,510,937	9,854,276	7,832,747
South Coast Water District	1,368,064	1,586,074	1,230,279	4,085,001	3,313,938
Santa Margarita Water District	234,188	287,889	755,778	3,599,506	1,420,333
Total Capital Contributions	5,626,905	5,747,731	7,199,996	23,710,504	17,284,262
YOY Change %	28.2%	2.1%	25.3%	229.3%	-27.1%
Change in Net Position²	1,999,739	3,473,668	2,253,590	16,545,220	13,080,880
NET POSITION					
Beginning of year, as restated ²	56,752,873	58,752,612	89,811,528	101,236,090	117,781,310
End of year	\$58,752,612	\$62,226,280	\$92,065,118	\$117,781,310	\$130,862,190

¹O&M Operating Expenses were not reported by the functional departments (O&M, Admin, and Engineering) before FY 2016.

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

Beginning net position was again restated in fiscal years 2020 and 2021 for San Clemente Land Outfall capital assets, \$1.7 million, net, each year; and GASB 87, lease accounting, was implemented in fiscal year 2021, adding \$347 thousand, net, in leased assets and \$349 thousand in lease liabilities.

Source: South Orange County Wastewater Authority Audited Financial Statements.

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

	2018	2019	2020	2021	2022
OPERATING REVENUES:					
O & M Member Agency Assessments:					
City of Laguna Beach	\$3,777,716	\$3,079,457	\$3,712,839	\$2,631,349	\$3,133,218
City of San Clemente	156,322	155,352	155,766	172,941	182,040
City of San Juan Capistrano	2,158,791	2,262,176	2,198,165	2,134,243	2,138,571
Emerald Bay Service District	125,522	147,131	149,324	166,819	154,451
El Toro Water District	804,371	875,388	937,053	883,973	884,248
Irvine Ranch Water District	167,911	163,057	160,524	167,760	166,373
Moulton Niguel Water District	8,501,212	8,895,527	8,993,369	9,259,287	9,411,942
South Coast Water District	3,394,390	3,799,657	3,736,264	3,857,757	4,127,834
Santa Margarita Water District	1,897,223	1,532,718	2,357,682	2,671,575	3,029,218
Trabuco Canyon Water District	56,154	34,905	54,975	69,781	22,534
Total	21,039,612	20,945,369	22,455,961	22,015,485	23,250,429
YOY Change %	-2.2%	-0.4%	7.2%	-2.0%	5.6%
OPERATING EXPENSES¹:					
O&M & Environmental, Compliance & Safety	18,118,149	17,558,573	18,500,935	18,026,588	18,543,813
Engineering After Capital Transfer	414,966	457,175	395,760	293,908	342,971
Administration	2,400,967	2,360,182	2,359,761	2,161,324	2,152,273
UAL and OPEB Annual Expense				1,457,381	1,639,829
Unallocated portion of pension and OPEB expense	1,428,313	569,469	1,525,773	642,193	1,757,012
Other expense	655,096	558,258	1,337,225	876,478	196,534
Depreciation and amortization	6,595,960	6,863,249	7,162,355	7,712,530	8,711,611
Total Operating Expenses	29,613,451	28,366,905	31,281,809	31,170,402	33,344,043
Operating Income/(Loss)	(8,573,839)	(7,421,536)	(8,825,849)	(9,154,917)	(10,093,614)
NON-OPERATING REVENUES (EXPENSES):					
Interest Income	166,452	363,429	488,972	86,258	(78,137)
Other revenues (expenses)	153,458	1,401,953	228,412	153,125	394,766
Total Non-Operating Revenues (Expenses)	319,910	1,765,382	717,384	239,383	316,629
CAPITAL CONTRIBUTIONS:					
Member Agency Assessments:					
City of Laguna Beach	1,221,424	315,736	2,037,256	1,492,976	2,569,736
City of San Clemente	2,556	(1,854)	13,298	217,472	20,318
City of San Juan Capistrano	973,822	1,196,079	1,208,118	2,235,172	1,862,928
Emerald Bay Service District	93,615	24,398	155,641	120,325	201,544
El Toro Water District	266,044	178,986	498,765	(146,180)	68,091
Irvine Ranch Water District	83,500	174,768	180,705	47,159	18,945
Moulton Niguel Water District	3,825,793	4,364,986	6,978,710	2,283,485	5,778,969
South Coast Water District	2,119,393	2,368,447	2,631,719	3,065,431	3,526,656
Santa Margarita Water District	702,744	868,568	883,659	2,217,693	1,506,767
Total Capital Contributions	9,288,891	9,490,114	14,587,871	11,533,533	15,553,954
YOY Change %	-46.3%	2.2%	53.7%	-20.9%	34.9%
Change in Net Position²	1,034,962	3,833,959	6,479,405	2,617,999	5,776,969
NET POSITION					
Beginning of year, as restated ²	126,117,487	127,152,449	132,696,210	139,175,615	141,793,614
End of year	\$127,152,449	\$130,986,408	\$139,175,615	\$141,793,614	\$147,570,583

¹O&M Operating Expenses were not reported by the functional departments (O&M, Admin, and Engineering) before FY 2016.

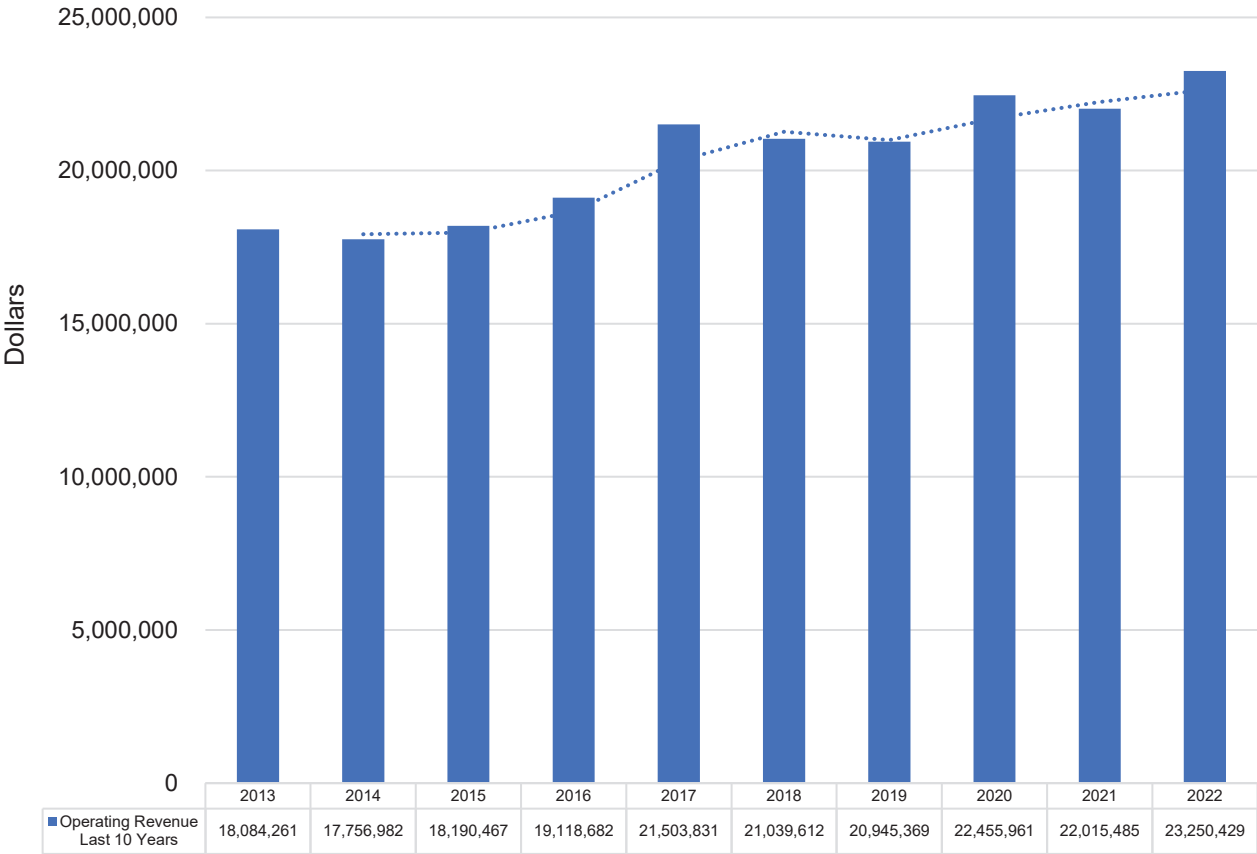
²Beginning net position was restated for fiscal years 2016, 2017, and 2018, for the addition of member agencies jointly constructed assets in 2015 and 2016, \$39 million and 9.3 million, respectively; and GASB 75 was implemented on July 1, 2017, adding \$4.7 million in long-term liabilities to the statement.

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Source: South Orange County Wastewater Authority Audited Financial Statements.

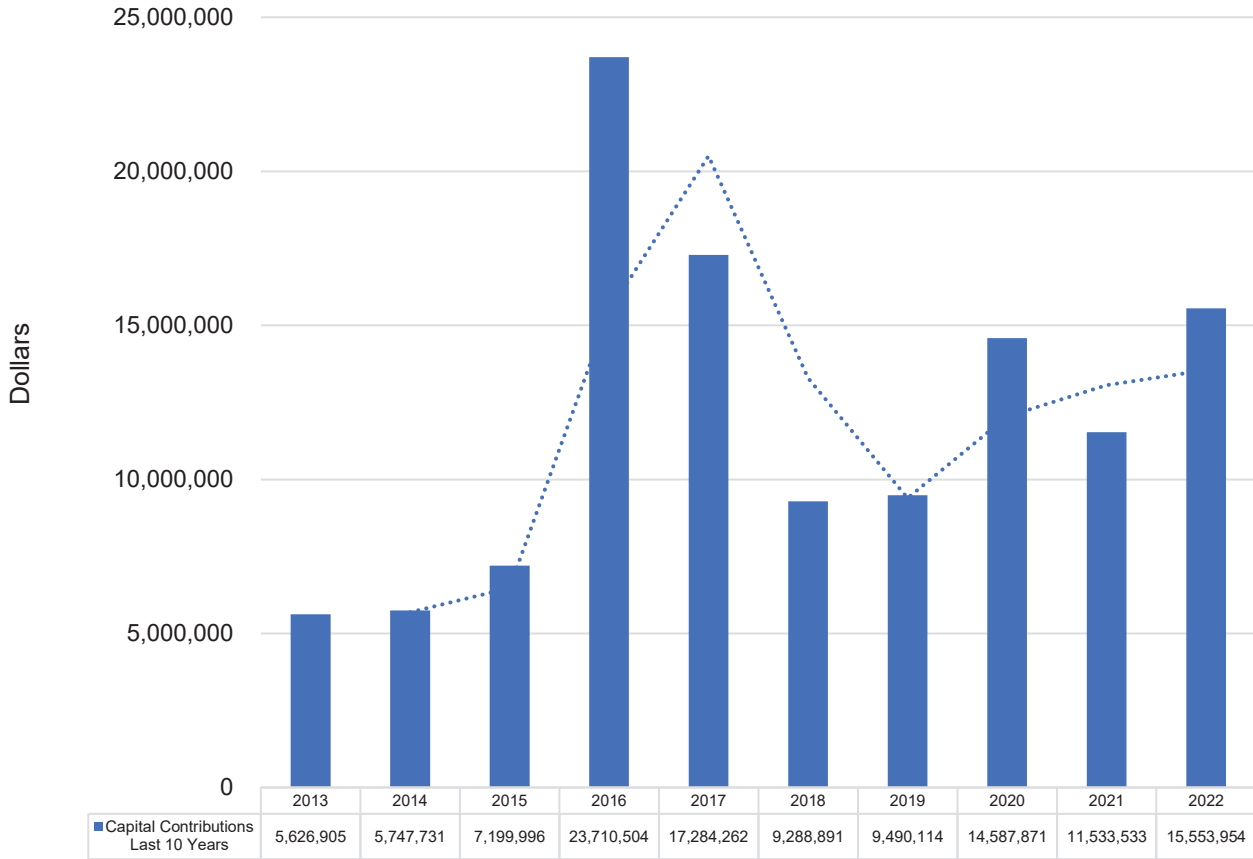
**South Orange County Wastewater Authority
Operating Revenue and Capital Contributions
Last Ten Fiscal Years**

Operating Revenue Last Ten Fiscal Years

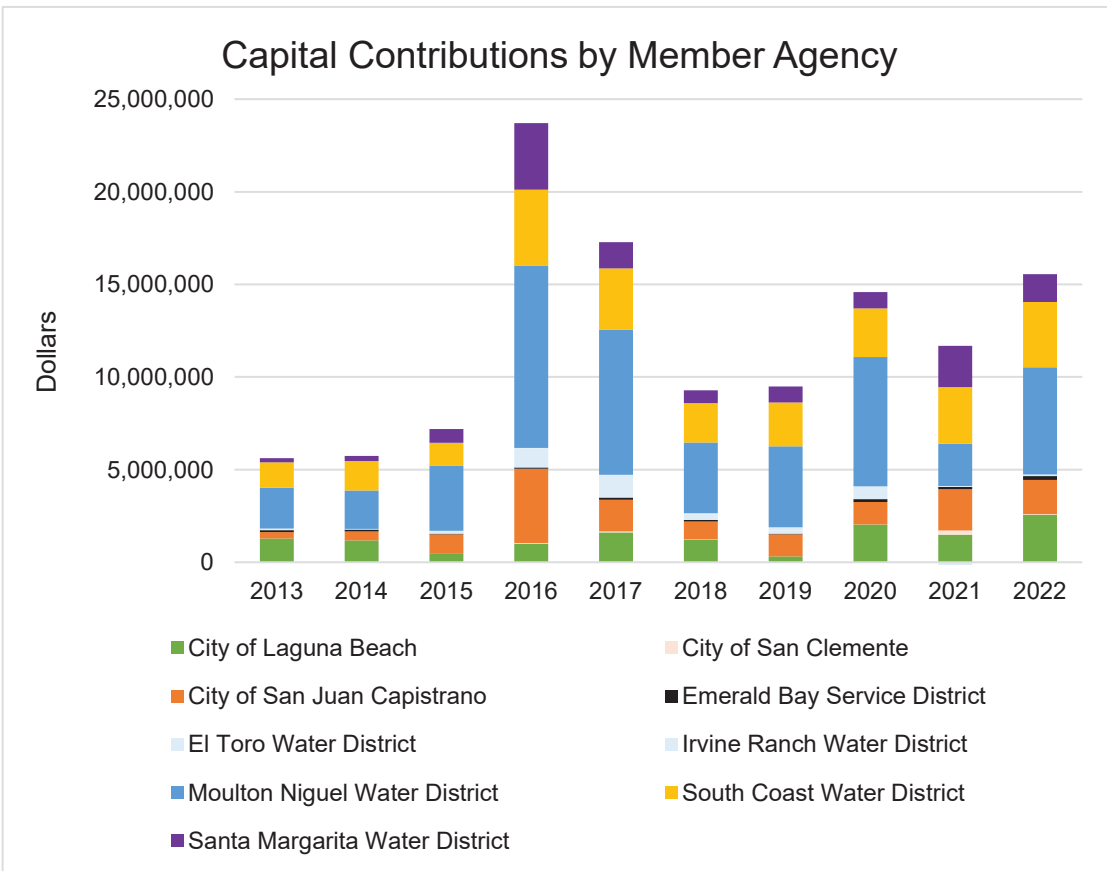
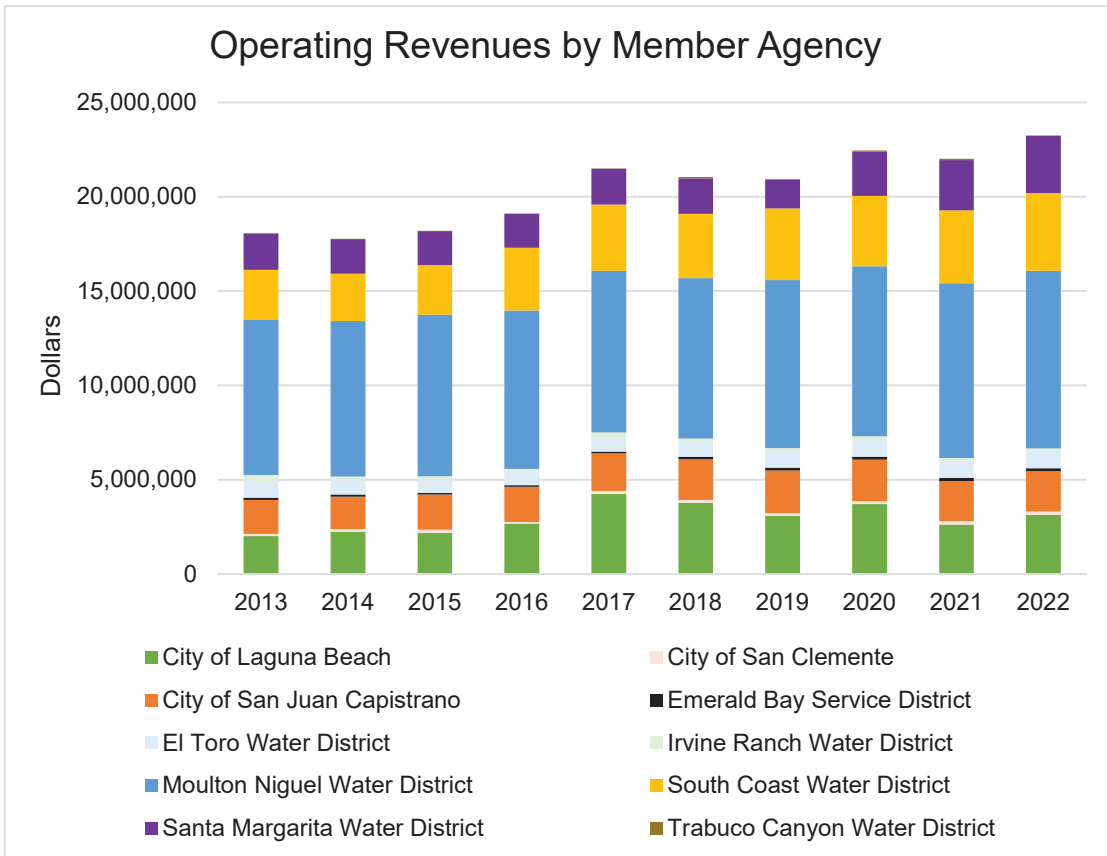


**South Orange County Wastewater Authority
Operating Revenue and Capital Contributions (Continued)
Last Ten Fiscal Years**

Capital Contributions Last Ten Fiscal Years



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



**South Orange County Wastewater Authority
Grant Revenue
Received for Eight, Non-consecutive Years¹**

Source of Funds	2013	2014	2015	2017	2019	2020	2021	2022	Total
Southern California Edison and SDG&E Co-Gen Projects ²	\$ -	\$ -	\$ -	\$ -	\$ 1,384,094	\$ 193,138	\$ 148,623	\$ 384,130	\$ 2,109,985
CA Environment Assoc.	-	-	-	1,500	-	-	-	-	1,500
Proposition 84 Funds	220,470	12,110	25,842	-	-	-	-	-	258,422
Prop 50 Funds-Export Sludge	397,619	2,427,081	-	-	-	-	-	-	2,824,700
Total Grant Revenue	\$ 618,089	\$ 2,439,191	\$ 25,842	\$ 1,500	\$ 1,384,094	\$ 193,138	\$ 148,623	\$ 384,130	\$ 5,194,607

¹Grant funds were received in eight of the last ten years.

²Fiscal years 2019 through 2022 grants are incentive payments from Southern California Edison and SDG&E, electricity providers, through their Self-Generation Incentive Program (SGIP); the Authority invested in capital projects that enabled in-house production of energy.

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

Fiscal Year	Population	Median Age	Per Capita Income (in dollars)	Median Household Income (in dollars)	Unemployment Rate (%)
2012	601,105	36.2	51,469	72,046	7.9
2013	609,461	36.4	55,296	71,866	6.6
2014	621,706	36.7	54,594	73,827	5.5
2015	632,435	37.1	57,110	76,061	4.5
2016	643,742	37.3	61,178	78,002	4.0
2017	656,021	37.5	62,763	81,642	3.5
2018	663,978	37.5	65,400	86,031	2.9
2019	847,313	37.9	66,708	87,752	2.8
2020	864,838	38.4	62,440	108,187	6.1
2021	880,141	41.9	64,584	119,188	6.2

Sources: South Orange County Wastewater Authority used data from FYE 2012 - 2021 Annual Comprehensive Financial Reports for the cities served by the authority; this is a representative segment of those communities: Lake Forest, Mission Viejo, Rancho Santa Margarita, Laguna Beach, Dana Point, Aliso Viejo, San Juan Capistrano, San Clemente, Laguna Niguel, and Laguna Hills.

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

FY 2021

<u>Rank</u>	<u>Employer</u>	<u>Operating City ¹</u>	<u>Number of Employees²</u>	<u>Percent of Each City's Employment²</u>
1	Capistrano Unified School District	City of San Juan Capistrano	3,841	23.4%
2	Mission Hospital Regional Medical Center	City of Mission Viejo	2,764	5.52%
3	Applied Medical	City of Rancho Santa Margarita	2,700	4.28%
4	United States Government	City of Laguna Hills	2,200	6.59%
5	Saddleback Memorial Medical Center	City of Mission Viejo	1,685	10.60%
6	Saddleback College	City of Mission Viejo	1,429	2.57%
7	O'Connell Landscape	City of Rancho Santa Margarita	1,000	3.19%
8	United Parcel Service	City of Aliso Viejo	1,000	4.04%
9	VMS INC - Golden Rain	City of Laguna Woods	1,000	0.22%
10	Saddleback Valley Unified School District	City of Mission Viejo, Laguna Hills	914	1.94%

FY 2012

<u>Rank</u>	<u>Employer</u>	<u>Operating City ¹</u>	<u>Number of Employees²</u>	<u>Percent of Each City's Employment²</u>
1	Capistrano Unified School District	City of San Juan Capistrano	4,228	24.87%
2	First Team San Clemente Real Estate	City of San Clemente	4,060	13.01%
3	ICU Medical	City of San Clemente	2,216	7.10%
4	Saddleback College	City of Mission Viejo	1,909	3.45%
5	Applied Medical	City of Rancho Santa Margarita	1,698	10.49%
6	Mission Hospital Regional Medical Center	City of Mission Viejo	1,349	2.30%
7	Saddleback Memorial Medical Center	City of Mission Viejo, Laguna Hills	1,020	6.22%
8	Saddleback Valley Unified School District	City of Mission Viejo, Laguna Hills	1,245	2.25%
9	O'Connell Landscape	City of Rancho Santa Margarita	1,033	3.73%
10	UPS	City of Aliso Viejo	1,000	5.67%

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

² South Orange County Wastewater Authority used data from FYE 2012 - 2021 Annual Comprehensive Financial Reports for the cities served by the authority; this is a representative segment of those communities: Lake Forest, Mission Viejo, Rancho Santa Margarita, Laguna Beach, Dana Point, Aliso Viejo, San Juan Capistrano, San Clemente, Laguna Niguel, and Laguna Hills.

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

Headcount						
Department	2017	2018	2019	2020	2021	2022
Operations	39	42	39	37	39	39
Environmental Compliance & Safety	10	9	9	9	10	10
Engineering	3	3	3	3	3	2
Administration	7	9	9	9	8	8
IT	1	1	1	1	1	1
Total	60	64	61	59	61	60

Source: South Orange County Wastewater Authority Payroll Department.

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

Expenses/Costs:	2018		2019		2020	
	Amount	Mix %	Amount	Mix %	Amount	Mix %
Payroll Costs Including Fringe Benefits ¹	\$9,613,475	49.9%	\$9,961,588	49.6%	\$10,395,879	49.9%
UAL & OPEB ¹	-	-	-	-	-	-
Chemicals ²	1,500,539	7.8%	1,567,210	7.8%	1,697,189	8.1%
Utilities ²	1,996,791	10.4%	1,679,008	8.4%	1,569,259	7.5%
Biosolids Hauling and Disposal ²	1,322,804	6.9%	1,381,075	6.9%	1,466,713	7.0%
Maintenance - Equip. & Facilities ²	1,439,933	7.5%	1,917,785	9.6%	2,046,663	9.8%
IT	610,194	3.2%	544,825	2.7%	640,077	3.1%
Environmental & Safety	724,059	3.8%	934,829	4.7%	1,094,494	5.3%
Engineering Misc	44,434	0.2%	34,824	0.2%	848	0.0%
Management Support Services	296,315	1.5%	367,347	1.8%	423,130	2.0%
IT Direct	500	0.0%	2,216	0.0%	12,672	0.1%
Contract Services - Misc	282,098	1.5%	302,907	1.5%	283,191	1.4%
Audit & Legal	360,983	1.9%	372,347	1.9%	335,332	1.6%
Facilities	195,862	1.0%	251,002	1.3%	277,115	1.3%
Insurance ²	208,092	1.1%	203,645	1.0%	261,406	1.3%
Grit Hauling ²	121,142	0.6%	114,827	0.6%	138,647	0.7%
Engineering transfer to Capital	(320,695)	-1.7%	(330,809)	-1.6%	(377,921)	-1.8%
Other Miscellaneous	\$857,147	4.5%	\$759,166	3.8%	\$577,503	2.8%
Total SOCWA Cost Base	\$19,253,672	100.0%	\$20,063,792	100.0%	\$20,842,196	100.0%
Cost Drivers	17,548,544		18,388,492		19,334,253	
% Total Cost Base	91.1%		91.7%		92.8%	

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

¹Payroll costs, including fringe benefits, UAL, and OPEB, average 50% of the Authority's Total Cost Base.

²Costs increased across the board due to the current inflationary economy.

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

Expenses/Costs:	2021		2022		Total 5 Years	
	Amount	Mix %	Amount	Mix %	Amount	Mix %
Payroll Costs Including Fringe Benefits ¹	\$9,257,678	43.0%	\$9,414,994	42.2%	\$48,643,614	46.8%
UAL & OPEB ¹	1,457,381	6.8%	1,639,829	7.4%	3,097,211	3.0%
Chemicals ²	1,991,025	9.3%	2,266,775	10.2%	9,022,737	8.7%
Utilities ²	1,590,105	7.4%	1,701,678	7.6%	8,536,840	8.2%
Biosolids Hauling and Disposal ²	1,465,691	6.8%	1,616,875	7.3%	7,253,159	7.0%
Maintenance - Equip. & Facilities ²	1,867,698	8.7%	1,945,146	8.7%	9,217,226	8.9%
IT	557,392	2.6%	521,498	2.3%	2,873,986	2.8%
Environmental & Safety	951,151	4.4%	986,120	4.4%	4,690,652	4.5%
Engineering Misc	-	0.0%	-	0.0%	80,107	0.1%
Management Support Services	572,600	2.7%	151,187	0.7%	1,810,579	1.7%
IT Direct	9,669	0.0%	2,107	0.0%	27,163	0.0%
Contract Services - Misc	297,793	1.4%	341,743	1.5%	1,507,731	1.5%
Audit & Legal	450,844	2.1%	424,556	1.9%	1,944,062	1.9%
Facilities	343,448	1.6%	314,008	1.4%	1,381,434	1.3%
Insurance ²	276,867	1.3%	410,049	1.8%	1,360,058	1.3%
Grit Hauling ²	127,842	0.6%	167,805	0.8%	670,262	0.6%
Engineering transfer to Capital	(431,664)	-2.0%	(394,227)	-1.8%	(1,855,315)	-1.8%
Other Miscellaneous	\$720,496	3.4%	\$786,637	3.5%	\$3,700,949	3.6%
Total SOCWA Cost Base	\$21,506,016	100.0%	\$22,296,778	100.0%	\$103,962,455	100.0%
Cost Drivers	19,710,722		20,244,101		95,226,111	
% Total Cost Base	91.7%		90.8%		91.6%	

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

¹Payroll costs, including fringe benefits, UAL, and OPEB, average 50% of the Authority's Total Cost Base.

²Costs increased across the board due to the current inflationary economy.

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2022

	PC 02	PC 12	PC 05	PC 15	PC 17
Salary and Fringe					
Regular Salaries-O&M	\$ 1,534,572	\$ 25,279	\$ 120,491	\$ 893,154	\$ 1,541,417
Overtime Salaries-O&M	71,013	-	444	29,583	35,934
Scheduled Holiday Work	33,446	-	350	16,934	35,314
Comp Time - O&M	18,730	-	-	8,793	7,375
Fringe Benefits IN to PC's & Depts.	871,332	14,353	68,415	507,134	875,219
Standby Pay	27,983	-	-	9,133	30,745
Total Payroll Costs	2,557,076	39,632	189,699	1,464,731	2,526,004
Other Expenses					
Electricity	583,342	-	-	303,510	353,719
Natural Gas	197,626	-	-	4,228	187,221
Potable & Reclaimed Water	25,246	-	-	24,958	21,827
Co-generation Power Credit	-	-	-	-	(1,061,264)
Chlorine/Sodium Hypochlorite	20,825	-	-	100,305	500,081
Polymer Products	315,754	-	-	-	514,091
Ferric Chloride	245,786	-	-	75,572	366,706
Odor Control Chemicals	25,738	-	-	46,042	40,368
Laboratory Services	9,519	-	-	9,030	13,041
Grit Hauling	100,013	-	-	21,416	46,375
Landscaping	69,440	-	-	68,982	86,465
Management Support Services	37,338	2,379	41,732	1,125	10,625
Legal Fees	4,541	7,676	-	18,911	70,060
Contract Services Misc.	110,512	-	-	103,351	122,233
Small Vehicle Expense	11,553	-	-	5,861	14,080
Miscellaneous Expense	2,389	-	-	808	1,327
Office Supplies - All	17,534	-	-	4,757	9,263
Petroleum Products	717	-	-	4,717	10,073
Uniforms	33,751	-	-	8,477	32,123
Small Vehicle Fuel	6,953	-	-	3,165	8,246
Insurance - Property/Liability	145,112	1,831	13,598	63,756	169,102
Small Tools & Supplies	27,911	-	-	4,223	30,407
Trash Disposal	3,765	-	-	2,706	1,922
Safety Program & Supplies	42,187	-	-	14,415	31,216
Equipment Rental	6,324	-	-	-	20,421
Recruitment	970	-	-	100	2,000
Travel Expense/Tech. Conferences	845	221	921	180	1,834
Training Expense	9,925	-	720	6,937	10,716
Laboratory Supplies	16,374	-	39,863	22,102	21,409
Office Equipment	5,892	-	-	4,953	7,737
Permits	26,401	24,491	237,612	6,451	27,744
Membership Dues/Fees	3,473	-	225	5,282	10,243
Offshore Monitoring	-	-	46,452	-	-
Effluent Chemistry	-	-	14,580	-	-
Access Road Expenses	-	-	-	1,861	-
Biosolids Disposal	729,710	-	-	10,308	876,857
Contract Services Generators	12,739	-	-	-	4,145
Janitorial Services	39,457	-	-	13,045	28,224
Contract Serv - Digester Cleaning - 29E	46,498	-	-	-	-
Diesel Truck Maint	11,113	-	-	-	19,341
Diesel Truck Fuel	3,147	-	-	-	8,138
Maintenance Equip. & Facilities (Solids)	148,906	-	572	-	184,216
Maintenance Equip. & Facilities (Liquids)	207,282	-	-	190,848	230,760
Maintenance Equip. & Facilities (Common)	57,545	-	375	17,830	32,351
Maintenance Equip. & Facilities (Co-Gen)	289,386	-	-	-	520,060
Maintenance Equip. & Facilities (AWT)	-	-	-	33,451	31,564
Mileage	763	-	-	391	868
MNWD Potable Water Supplies & Svcs.	-	-	-	-	40,151

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2022

	PC 02	PC 12	PC 05	PC 15	PC 17
Education Reimbursement	-	-	-	-	551
SCADA Infrastructure	27,137	-	-	27,137	27,137
IT Direct	2,033	-	-	37	37
Co-Generation Power Credit - Offset	-	-	-	-	1,061,264
Group Insurance Waiver	5,815	-	-	3,752	7,089
Medicare Tax Payments for Employees	-	-	-	2,118	-
Monthly Car Allowance	22,888	-	-	4,216	9,240
Zephyr Wall Costs Share - O&M	(8,147)	-	-	-	-
IT Allocations in to PC's & Depts.	172,503	4,872	15,936	117,826.57	186,925
Total Other Expenses	3,876,532	41,470	412,586	1,359,142	4,950,331
Sub-Total Expenses	6,433,607	81,103	602,285	2,823,872	7,476,335
PC 23, NCI					
Total O&M	\$ 6,433,607	\$ 81,103	\$ 602,285	\$ 2,823,872	\$ 7,476,335

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2022 (Continued)

	PC 21	PC 23	PC 24	PC 08	SOCWA
Salary and Fringe					
Regular Salaries-O&M	\$ 286	\$ -	\$ 109,303	\$ 104,071	\$ 4,328,572
Overtime Salaries-O&M	-	-	1,178	-	138,152
Scheduled Holiday Work	-	-	350	-	86,393
Comp Time - O&M	-	-	-	419	35,317
Fringe Benefits IN to PC's & Depts.	162	-	62,062	59,091	2,457,768
Standby Pay	-	-	-	-	67,861
Total Payroll Costs	448	-	172,892	163,581	7,114,063
Other Expenses					
Electricity	-	-	-	-	1,240,571
Natural Gas	-	-	-	-	389,075
Potable & Reclaimed Water	-	-	-	-	72,031
Co-generation Power Credit	-	-	-	-	(1,061,264)
Chlorine/Sodium Hypochlorite	-	-	-	-	621,211
Polymer Products	-	-	-	-	829,845
Ferric Chloride	-	-	-	-	688,063
Odor Control Chemicals	-	-	-	-	112,148
Laboratory Services	-	-	-	-	31,591
Grit Hauling	-	-	-	-	167,805
Landscaping	-	-	-	-	224,888
Management Support Services	-	-	25,298	-	118,496
Legal Fees	-	7,063	-	4,695	112,945
Contract Services Misc.	-	-	-	-	336,097
Small Vehicle Expense	-	-	-	-	31,494
Miscellaneous Expense	-	-	-	41	4,565
Office Supplies - All	-	-	-	-	31,555
Petroleum Products	-	-	-	-	15,508
Uniforms	-	-	-	-	74,351
Small Vehicle Fuel	-	-	-	303	18,667
Insurance - Property/Liability	10	-	12,308	4,331	410,049
Small Tools & Supplies	-	-	-	2,033	64,574
Trash Disposal	-	-	-	-	8,394
Safety Program & Supplies	-	-	-	-	87,818
Equipment Rental	-	-	-	-	26,745
Recruitment	-	-	-	-	3,070
Travel Expense/Tech. Conferences	-	-	1,971	3,153	9,125
Training Expense	-	-	720	450	29,469
Laboratory Supplies	-	-	30,046	-	129,793
Office Equipment	-	-	-	-	18,582
Permits	-	-	223,079	-	545,780
Membership Dues/Fees	-	-	225	438	19,885
Offshore Monitoring	-	-	46,762	-	93,213
Effluent Chemistry	-	-	15,613	-	30,193
Access Road Expenses	-	-	-	-	1,861
Biosolids Disposal	-	-	-	-	1,616,875
Contract Services Generators	-	-	-	-	16,884
Janitorial Services	-	-	-	-	80,726
Contract Serv - Digester Cleaning - 29E	-	-	-	-	46,498
Diesel Truck Maint	-	-	-	-	30,454
Diesel Truck Fuel	-	-	-	-	11,285
Maintenance Equip. & Facilities (Solids)	-	-	-	-	333,694
Maintenance Equip. & Facilities (Liquids)	-	-	-	-	628,890
Maintenance Equip. & Facilities (Common)	-	-	-	-	108,101
Maintenance Equip. & Facilities (Co-Gen)	-	-	-	-	809,446
Maintenance Equip. & Facilities (AWT)	-	-	-	-	65,015
Mileage	-	-	-	-	2,022
MNWD Potable Water Supplies & Svcs.	-	-	-	-	40,151

**South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2022 (Continued)**

	PC 21	PC 23	PC 24	PC 08	SOCWA
Education Reimbursement	-	-	-	-	551
SCADA Infrastructure	-	-	-	-	81,411
IT Direct	-	-	-	-	2,107
Co-Generation Power Credit - Offset	-	-	-	-	1,061,264
Group Insurance Waiver	-	-	-	-	16,657
Medicare Tax Payments for Employees	-	-	-	-	2,118
Monthly Car Allowance	-	-	-	-	36,344
Zephyr Wall Costs Share - O&M	-	-	-	-	(8,147)
IT Allocations in to PC's & Depts.	-	-	16,235	12,807	527,106
Total Other Expenses	10	7,063	372,256	28,252	11,047,642
Sub-Total Expenses	458	7,063	545,149	191,833	18,161,705
PC 23, NCI		382,108			382,108
Total O&M	\$ 458	\$ 389,171	\$ 545,149	\$ 191,833	\$ 18,543,813

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2021

	PC 02	PC 12	PC 05	PC 15	PC 17
Salary and Fringe					
Regular Salaries-O&M	\$ 1,552,919	\$ 48,369	\$ 121,774	\$ 860,165	\$ 1,558,333
Overtime Salaries-O&M	42,905	-	1,508	21,355	44,315
Scheduled Holiday Work	26,515	-	468	13,521	31,170
Comp Time - O&M	17,155	-	-	7,669	10,765
Fringe Benefits IN to PC's & Depts.	840,790	26,188	65,932	465,715	843,721
Standby Pay	27,722	-	-	11,505	28,632
Total Payroll Costs	2,508,007	74,557	189,682	1,379,930	2,516,936
Other Expenses					
Electricity	483,236	-	-	270,027	499,186
Natural Gas	125,268	-	-	2,855	126,226
Potable & Reclaimed Water	26,356	-	-	24,702	32,249
Co-generation Power Credit	-	-	-	-	(705,975)
Chlorine/Sodium Hypochlorite	8,139	-	-	85,651	396,898
Polymer Products	263,700	-	-	-	478,151
Ferric Chloride	248,629	-	-	70,296	335,777
Odor Control Chemicals	20,825	-	-	38,191	31,412
Other Chemicals - Misc.	-	-	-	426	-
Laboratory Services	6,972	-	-	9,637	10,699
Grit Hauling	59,635	-	-	26,151	42,055
Landscaping	55,718	-	-	38,107	138,489
Management Support Services	41,657	311,910	67,764	11,118	33,889
Legal Fees	4,811	9,499	1,351	9,980	15,149
Contract Services Misc.	92,976	-	-	96,991	107,827
Small Vehicle Expense	7,468	-	-	3,551	7,710
Miscellaneous Expense	3,024	-	-	882	1,449
Office Supplies - All	12,120	-	-	5,217	10,623
Petroleum Products	2,940	-	-	3,264	6,727
Uniforms	31,168	-	-	7,545	25,805
Small Vehicle Fuel	4,214	-	-	1,793	5,955
Insurance - Property/Liability	91,632	6,773	9,294	40,571	117,214
Small Tools & Supplies	31,189	-	-	8,172	28,489
Trash Disposal	2,410	-	-	1,940	2,256
Safety Program & Supplies	49,439	-	-	27,697	59,709
Equipment Rental	876	-	-	-	-
Recruitment	2,346	-	-	150	1,035
Travel Expense/Tech. Conferences	2,613	-	300	2,448	2,933
Training Expense	3,012	-	62	5,031	4,223
Laboratory Supplies	14,568	-	45,949	13,359	15,922
Office Equipment	1,634	-	-	23	23,626
Permits	39,645	20,862	211,086	5,766	28,110
Membership Dues/Fees	3,554	-	-	1,655	4,326
Offshore Monitoring	-	-	20,065	-	-
Effluent Chemistry	-	-	28,429	-	-
Access Road Expenses	-	-	-	39,072	-
Biosolids Disposal	599,711	-	-	5,625	860,355
Contract Services Generators	50	-	-	3,496	-
Janitorial Services	53,534	-	-	13,760	37,233
Contract Serv - Digester Cleaning - 29E	34,243	-	-	-	46,500
Diesel Truck Maint	7,702	-	-	5,902	15,594
Diesel Truck Fuel	3,022	-	-	-	5,350
Maintenance Equip. & Facilities (Solids)	113,322	-	552	-	222,279
Maintenance Equip. & Facilities (Liquids)	175,255	-	-	143,212	269,795
Maintenance Equip. & Facilities (Common)	39,409	-	-	6,785	98,698
Maintenance Equip. & Facilities (Co-Gen)	288,741	-	-	-	437,708

**South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2021**

	PC 02	PC 12	PC 05	PC 15	PC 17
Maintenance Equip. & Facilities (AWT)	-	-	-	17,285	54,657
Mileage	683	-	-	154	1,103
MNWD Potable Water Supplies & Svcs.	-	-	-	-	18,666
SCADA Infrastructure	21,956	-	-	21,956	21,956
IT Direct	2,143	-	-	-	7,526
Co-Generation Power Credit - Offset	-	-	-	-	705,975
Group Insurance Waiver	3,614	-	-	3,614	6,951
Medicare Tax Payments for Employees	-	-	-	1,912	-
Operating Leases	24,743	-	-	-	4,003
Monthly Car Allowance	22,888	-	-	4,216	8,432
Zephyr Wall Costs Share - O&M	(11,459)	-	-	-	-
IT Allocations in to PC's & Depts.	184,222	6,112	11,504	113,910	208,769
Sub-Total Expenses	3,305,554	355,156	396,355	1,194,094	4,919,692
PC 23, NCI					
Total O&M	\$ 5,813,561	\$ 429,713	\$ 586,037	\$ 2,574,024	\$ 7,436,628

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2021 (Continued)

	PC 21	PC 23	PC 24	PC 08	SOCWA
Salary and Fringe					
Regular Salaries-O&M	\$ 792	\$ -	\$ 118,874	\$ 96,558	\$ 4,322,121
Overtime Salaries-O&M	-	-	1,232	-	111,316
Scheduled Holiday Work	-	-	292	-	71,967
Comp Time - O&M	-	-	-	102	35,691
Fringe Benefits IN to PC's & Depts.	429	-	64,361	52,279	2,359,415
Standby Pay	-	-	-	-	67,859
Total Payroll Costs	1,221	-	184,760	148,940	7,004,033
Other Expenses					
Electricity	-	-	-	-	1,252,449
Natural Gas	-	-	-	-	254,349
Potable & Reclaimed Water	-	-	-	-	83,307
Co-generation Power Credit	-	-	-	-	(705,975)
Chlorine/Sodium Hypochlorite	-	-	-	-	490,689
Polymer Products	-	-	-	-	741,851
Ferric Chloride	-	-	-	-	654,701
Odor Control Chemicals	-	-	-	-	90,428
Other Chemicals - Misc.	-	-	-	-	426
Laboratory Services	-	-	-	-	27,308
Grit Hauling	-	-	-	-	127,842
Landscaping	-	-	-	-	232,315
Management Support Services	-	-	47,394	-	513,732
Legal Fees	-	27,650	-	3,244	71,684
Contract Services Misc.	-	-	-	-	297,793
Small Vehicle Expense	-	-	-	68	18,797
Miscellaneous Expense	-	-	-	-	5,355
Office Supplies - All	-	-	-	-	27,961
Petroleum Products	-	-	-	-	12,931
Uniforms	-	-	-	-	64,518
Small Vehicle Fuel	-	-	-	300	12,263
Insurance - Property/Liability	20	-	8,691	2,672	276,867
Small Tools & Supplies	-	-	-	2,288	70,138
Trash Disposal	-	-	-	-	6,607
Safety Program & Supplies	-	-	-	-	136,845
Equipment Rental	-	-	-	-	876
Recruitment	-	-	-	-	3,531
Travel Expense/Tech. Conferences	-	-	300	695	9,289
Training Expense	-	-	62	708	13,098
Laboratory Supplies	-	-	44,758	-	134,557
Office Equipment	-	-	-	-	25,282
Permits	-	-	200,893	-	506,362
Membership Dues/Fees	-	-	-	743	10,278
Offshore Monitoring	-	-	20,500	-	40,565
Effluent Chemistry	-	-	35,165	-	63,594
Access Road Expenses	-	-	-	-	39,072
Biosolids Disposal	-	-	-	-	1,465,691
Contract Services Generators	-	-	-	-	3,545
Janitorial Services	-	-	-	-	104,527
Contract Serv - Digester Cleaning - 29E	-	-	-	-	80,743
Diesel Truck Maint	-	-	-	-	29,197
Diesel Truck Fuel	-	-	-	-	8,372
Maintenance Equip. & Facilities (Solids)	-	-	-	-	336,152
Maintenance Equip. & Facilities (Liquids)	-	-	-	-	588,263
Maintenance Equip. & Facilities (Common)	-	-	-	-	144,891
Maintenance Equip. & Facilities (Co-Gen)	-	-	-	-	726,449

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2021 (Continued)

	PC 21	PC 23	PC 24	PC 08	SOCWA
Maintenance Equip. & Facilities (AWT)	-	-	-	-	71,943
Mileage	-	-	-	-	1,940
MNWD Potable Water Supplies & Svcs.	-	-	-	-	18,666
SCADA Infrastructure	-	-	-	-	65,868
IT Direct	-	-	-	-	9,669
Co-Generation Power Credit - Offset	-	-	-	-	705,975
Group Insurance Waiver	-	-	-	-	14,178
Medicare Tax Payments for Employees	-	-	-	-	1,912
Operating Leases	-	-	-	-	28,746
Monthly Car Allowance	-	-	-	-	35,536
Zephyr Wall Costs Share - O&M	-	-	-	-	(11,459)
IT Allocations in to PC's & Depts.	-	-	12,498	9,869	546,884
Sub-Total Expenses	20	27,650	370,261	20,588	10,589,370
PC 23, NCI		433,185			433,185
Total O&M	\$ 1,241	\$ 460,835	\$ 555,020	\$ 169,528	\$ 18,026,588

South Orange County Wastewater Authority
O&M Expenditures/Operating Revenue by Project Committee and Member Agency¹
Fiscal Year 2022

	City of Laguna Beach	City of San Clemente	City of San Juan Capistrano	El Toro Water District	Emerald Bay Service District
USE AUDIT (Actual Costs) by Project Committee & Member Agency					
<u>Project Committee</u>					
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ 1,643,566	\$ -	\$ -
PC 5 - San Juan Creek Ocean Outfall	-	97,738	65,159	-	-
PC 8 - Pretreatment Program	8,536	34,601	7,459	6,327	2,532
PC 12 SO- Water Reclamation Permits	-	-	9,412	-	-
PC 15 - Coastal Treatment Plant/AWT	1,185,562	-	-	-	60,688
PC 17 - Joint Regional Wastewater	496,545	-	-	616,522	22,269
PC 21 Effluent Transmission Main	-	-	-	188	-
PC 23 North Coast Interceptor	7,063	-	-	-	-
PC 24 - Aliso Creek Ocean Outfall	59,966	-	-	88,870	4,252
Sub-Total	1,757,671	132,339	1,725,595	711,907	89,741
PC 23, NCI					
	382,108				
Total O&M	\$ 2,139,779	\$ 132,339	\$ 1,725,595	\$ 711,907	\$ 89,741

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

South Orange County Wastewater Authority
O&M Expenditures/Operating Revenue by Project Committee and Member Agency (Continued)¹
Fiscal Year 2022

	Irvine Ranch Water District	Moulton Niguel Water District	Santa Margarita Water District	South Coast Water District	Trabuco Canyon Water District	Total
USE AUDIT (Actual Costs) by Project Committee & Member Agency						
<u>Project Committee</u>						
PC 2 - Jay B. Latham Plant	\$ -	\$ 1,217,649	\$ 2,192,654	\$ 1,379,738	\$ -	\$ 6,433,607
PC 5 - San Juan Creek Ocean Outfall	-	91,210	260,635	87,543	-	602,285
PC 8 - Pretreatment Program	20,879	33,392	46,722	31,386	-	191,833
PC 12 SO- Water Reclamation Permits	-	25,607	25,659	10,908	9,517	81,103
PC 15 - Coastal Treatment Plant/AWT	-	190,959	-	1,386,664	-	2,823,872
PC 17 - Joint Regional Wastewater	-	5,939,024	-	401,976	-	7,476,335
PC 21 Effluent Transmission Main	188	83	-	-	-	458
PC 23 North Coast Interceptor	-	-	-	-	-	7,063
PC 24 - Aliso Creek Ocean Outfall	85,914	239,038	-	67,108	-	545,148
Sub-Total	106,980	7,736,962	2,525,670	3,365,323	9,517	18,161,705
PC 23, NCI						382,108
Total O&M	\$ 106,980	\$ 7,736,962	\$ 2,525,670	\$ 3,365,323	\$ 9,517	\$ 18,543,813

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

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

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

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

South Orange County Wastewater Authority

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

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

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

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

Performance Indicators

Facility/Indicator	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Wastewater Flow (mgd) ¹										
JB Latham Treatment Plant	8.70	9.24	8.51	6.83	6.64	6.06	6.51	6.58	7.09	7.50
Coastal Treatment Plant	3.29	3.23	3.13	2.98	3.00	2.77	2.91	2.71	2.69	2.71
Regional Treatment Plant	8.98	8.71	8.11	7.63	7.75	7.77	7.72	7.78	7.75	7.38
Recycled Water Production (AF/d)										
Coastal Treatment Plant	2.69	2.91	3.14	3.25	3.29	3.43	2.23	3.50	3.01	3.67
Regional Treatment Plant	18.01	19.50	18.86	14.75	14.51	16.69	13.81	12.80	15.46	16.22
Ocean Outfall Discharges (mgd)										
San Juan Creek Ocean Outfall	17.61	15.92	13.40	11.51	11.33	10.73	12.34	13.41	11.27	10.75
Aliso Creek Ocean Outfall	12.40	11.99	10.28	11.40	10.71	9.13	10.94	10.95	9.01	8.36

¹ mgd = million gallons per day

Source: South Orange County Wastewater Authority Operations Department

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

Treatment Facilities ¹	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
PC 2 JB Latham										
Liquids										
City of San Juan Capistrano	34.56%	33.44%	34.81%	31.77%	31.96%	36.57%	35.38%	32.37%	31.15%	28.78%
Moulton Niguel Water District	17.22%	21.29%	21.52%	20.50%	21.10%	23.64%	23.92%	21.30%	19.76%	18.68%
Santa Margarita Water District	23.71%	23.06%	20.99%	21.96%	21.31%	12.13%	11.81%	21.74%	25.33%	31.02%
South Coast Water District	24.52%	22.21%	22.67%	25.77%	25.63%	27.66%	28.89%	24.59%	23.76%	21.53%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Solids										
City of San Juan Capistrano	29.86%	30.00%	32.44%	24.48%	24.54%	23.90%	29.65%	26.23%	24.08%	21.47%
Moulton Niguel Water District	19.97%	19.98%	21.46%	26.33%	18.70%	21.06%	20.05%	17.25%	15.27%	17.83%
Santa Margarita Water District	30.16%	30.30%	27.97%	27.19%	33.82%	36.96%	23.37%	32.96%	37.66%	40.25%
South Coast Water District	20.01%	19.72%	18.13%	22.00%	22.94%	18.08%	26.92%	23.56%	23.00%	20.44%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
PC 15 Coastal										
Liquids										
City of Laguna Beach	59.88%	60.20%	60.15%	59.16%	59.00%	57.72%	60.23%	60.90%	58.11%	53.81%
Emerald Bay Service District	2.13%	1.90%	1.83%	1.71%	1.67%	1.78%	1.88%	2.18%	2.89%	2.36%
Moulton Niguel Water District ²	-	-	-	-	-	-	-	-	-	-
South Coast Water District	37.99%	37.91%	38.03%	39.13%	39.33%	40.50%	37.89%	36.91%	38.99%	43.83%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
PC 17 Regional										
Liquids										
City of Laguna Beach	0.16%	0.17%	0.23%	0.16%	0.16%	0.80%	0.11%	0.10%	0.10%	0.11%
El Toro Water District	0.20%	0.21%	0.19%	0.18%	0.18%	0.27%	0.92%	0.20%	0.20%	0.24%
Emerald Bay Service District	0.01%	0.01%	0.01%	0.01%	0.00%	0.02%	0.00%	0.00%	0.00%	0.00%
Moulton Niguel Water District	99.54%	99.51%	99.55%	99.55%	99.55%	98.36%	98.92%	99.67%	99.66%	99.57%
South Coast Water District	0.10%	0.10%	0.02%	0.10%	0.10%	0.56%	0.04%	0.04%	0.04%	0.07%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Solids										
City of Laguna Beach	13.65%	13.11%	13.13%	12.30%	12.48%	16.06%	15.34%	12.87%	12.46%	13.13%
El Toro Water District	17.00%	15.70%	15.28%	14.18%	13.99%	14.90%	15.15%	16.11%	14.71%	15.19%
Emerald Bay Service District	0.49%	0.41%	0.40%	0.36%	0.38%	0.50%	0.48%	0.46%	0.62%	0.58%
Moulton Niguel Water District	60.21%	62.53%	62.90%	65.04%	64.52%	58.06%	59.40%	62.78%	63.90%	60.45%
South Coast Water District	8.66%	8.25%	8.30%	8.12%	8.62%	10.48%	9.64%	7.79%	8.32%	10.66%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

¹ Flows and Solids costs fluctuate by member agencies based on annual usage.

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

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

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

Fiscal Year	CSJC	MNWD	SCWD	SMWD
2013	3.070	1.400	2.060	2.170
2014	3.136	1.936	1.937	2.231
2015	3.031	1.805	1.824	1.849
2016	2.170	1.400	1.760	1.500
2017	2.121	1.400	1.701	1.414
2018	2.166	1.400	1.639	0.718
2019	2.070	1.400	1.690	0.691
2020	2.128	1.400	1.616	1.429
2021	2.208	1.400	1.684	1.795
2022	2.157	1.400	1.614	2.325

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

Fiscal Year	CLB	EBSD	MNWD	SCWD
2013	1.970	0.070	-	1.250
2014	1.943	0.061	-	1.224
2015	1.882	0.057	-	1.190
2016	1.760	0.051	-	1.164
2017	1.770	0.050	-	1.180
2018	1.596	0.049	-	1.120
2019	1.620	0.050	-	1.019
2020	1.652	0.059	-	1.001
2021	1.566	0.078	-	1.051
2022	1.459	0.064	-	1.188

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

Fiscal Year	CSJC	MNWD	SCWD	SMWD
2013	8,040	5,301	5,395	8,217
2014	8,526	5,589	5,589	8,712
2015	8,847	5,769	4,792	7,509
2016	5,722	6,155	5,143	6,352
2017	5,767	6,142	5,391	6,203
2018	5,815	5,124	4,399	8,992
2019	5,706	3,859	5,181	4,497
2020	5,914	3,890	5,311	7,431
2021	6,318	4,006	6,035	9,882
2022	6,339	5,264	6,035	11,883

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

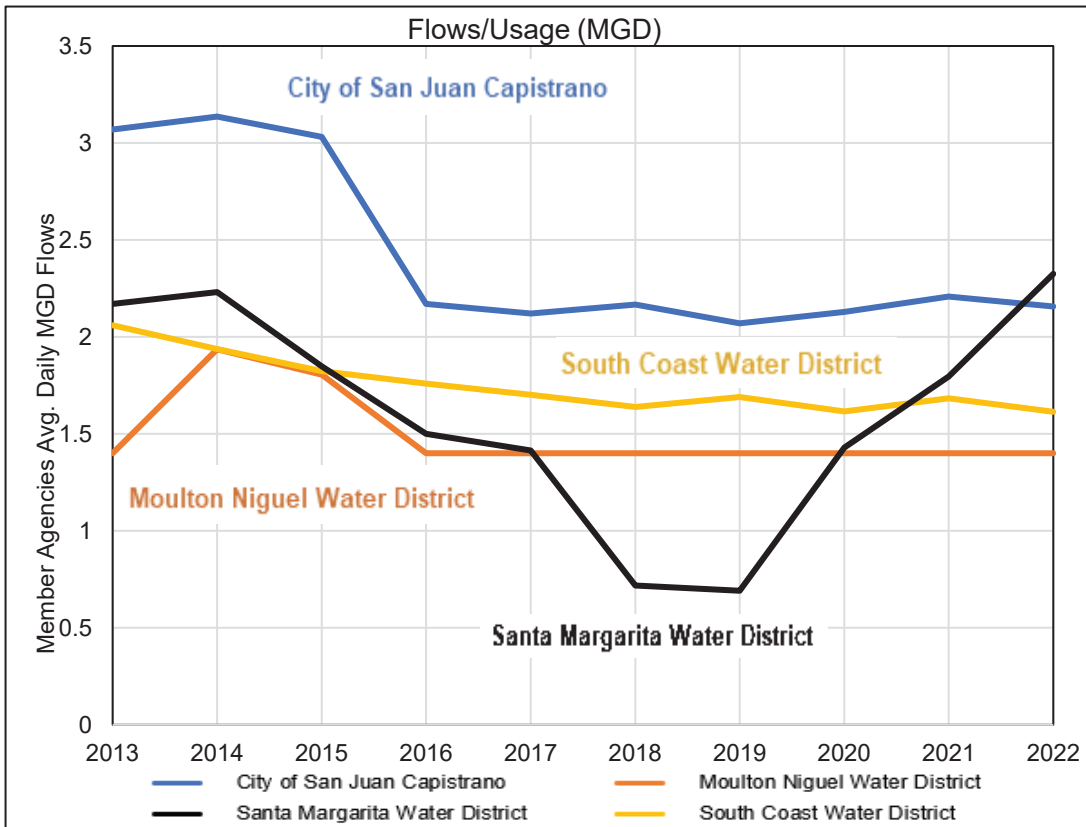
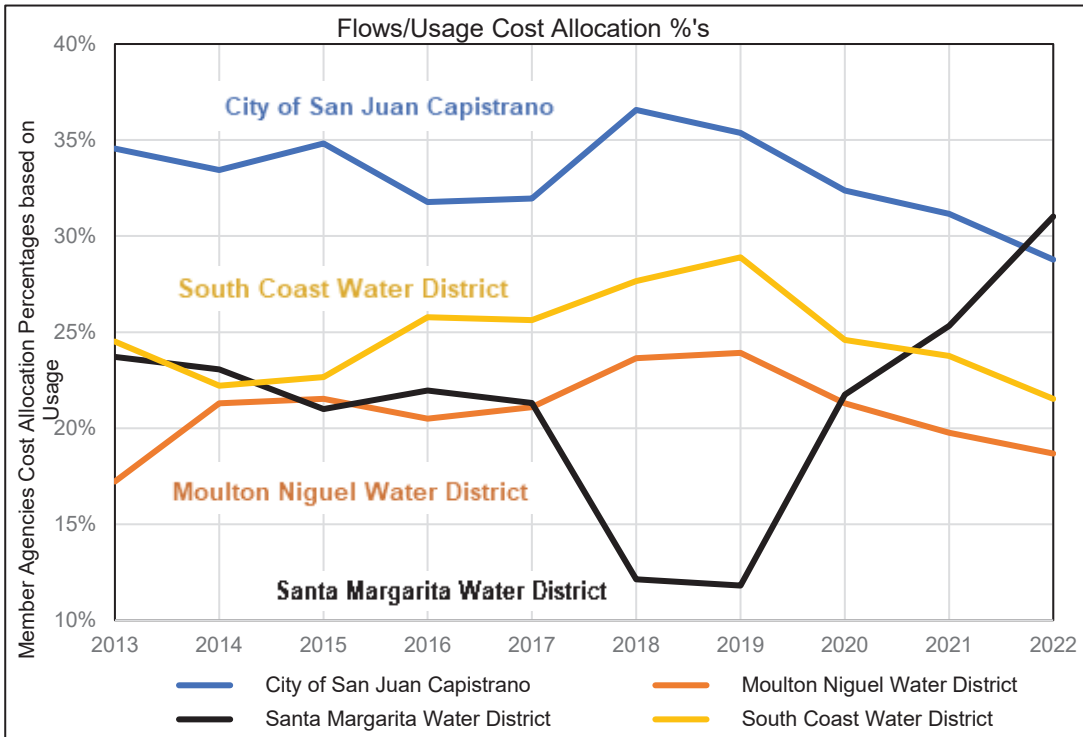
Regional Treatment Plant (RTP) **Flows** (MGD) By Member Agency - PC17

Fiscal Year	CLB	EBSB	ETWD	MNWD	SCWD
2013	0.014	0.001	0.018	8.975	0.009
2014	0.015	0.001	0.018	8.713	0.009
2015	0.019	0.001	0.015	8.112	0.002
2016	0.014	0.000	0.016	7.629	0.010
2017	0.012	0.000	0.014	7.750	0.008
2018	0.062	0.000	0.020	7.730	0.043
2019	0.009	0.000	0.014	7.607	0.003
2020	0.008	0.000	0.016	7.789	0.003
2021	0.008	0.000	0.015	7.722	0.003
2022	0.008	0.000	0.018	7.353	0.005

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

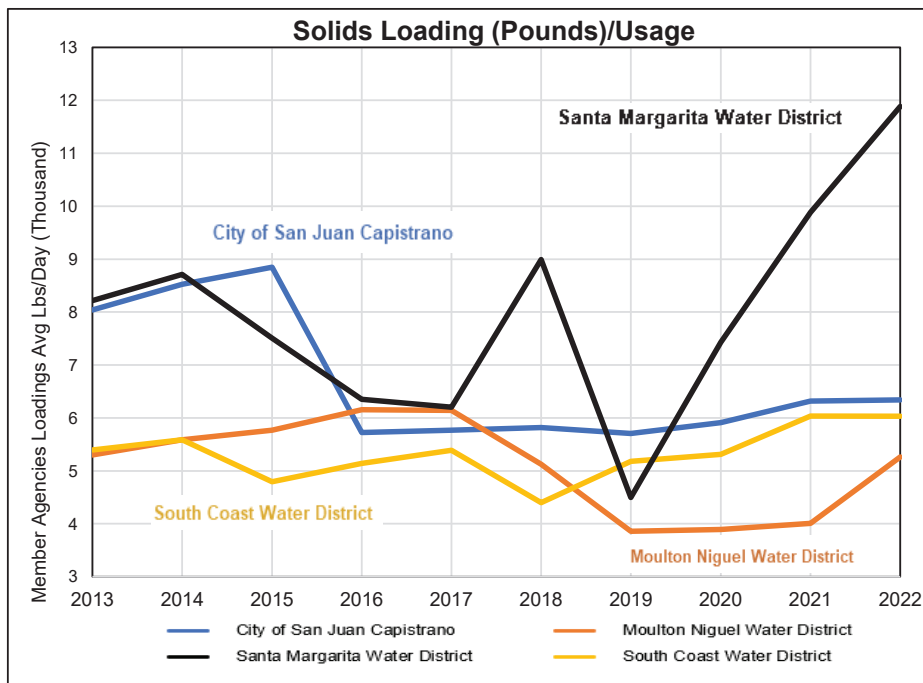
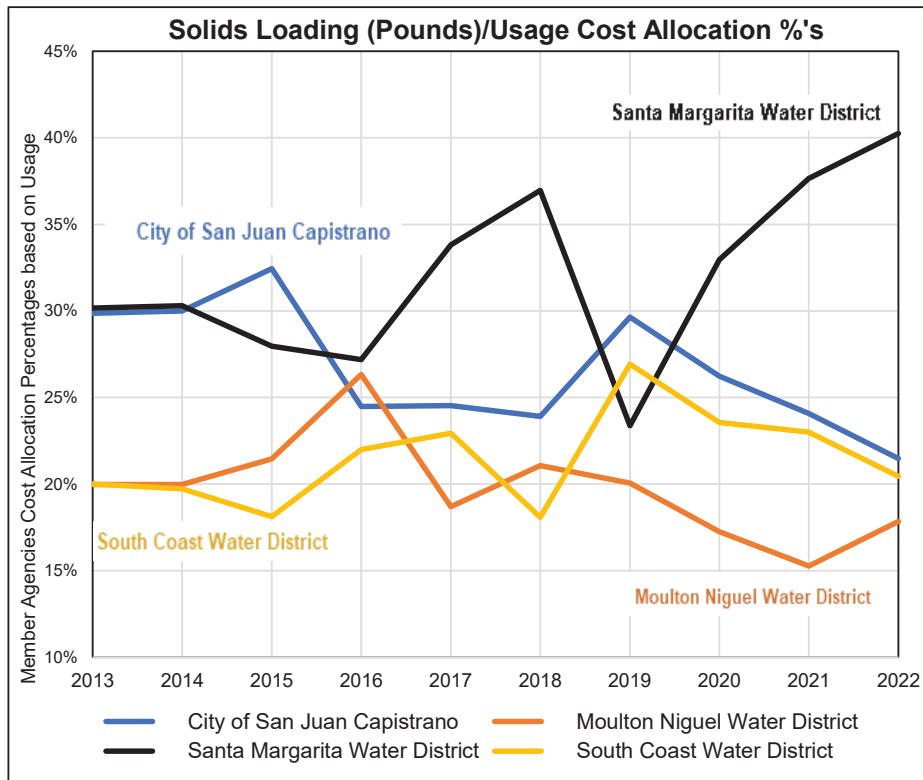
Fiscal Year	CLB	EBSB	ETWD	MNWD	SCWD
2013	4,557	162	5,845	20,700	2,892
2014	4,635	146	5,717	22,776	2,919
2015	4,924	150	5,915	24,350	3,113
2016	5,605	295	10,200	29,395	4,480
2017	5,133	158	5,755	26,532	3,546
2018	6,368	196	5,909	23,024	4,157
2019	5,770	180	5,701	22,346	3,626
2020	4,632	166	5,799	22,598	2,803
2021	4,514	224	5,330	23,155	3,016
2022	4,549	200	5,262	20,943	3,693

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



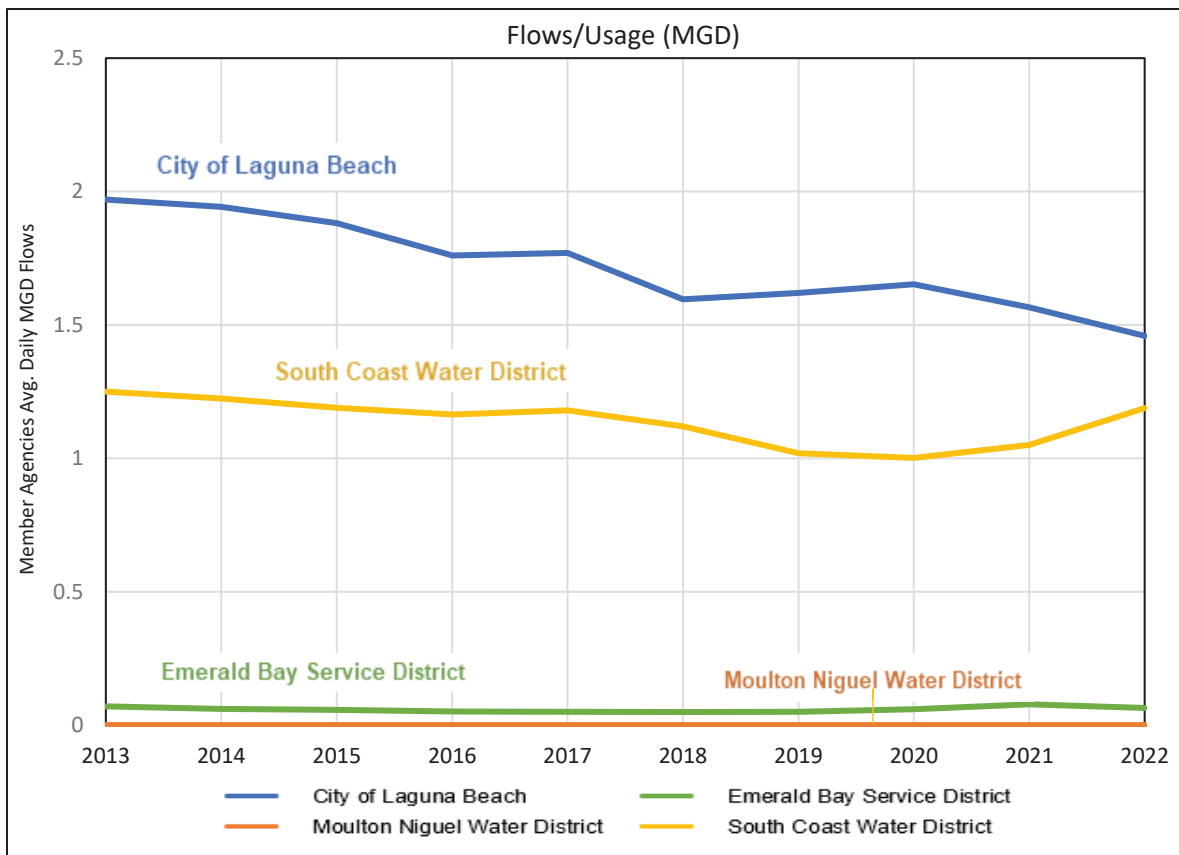
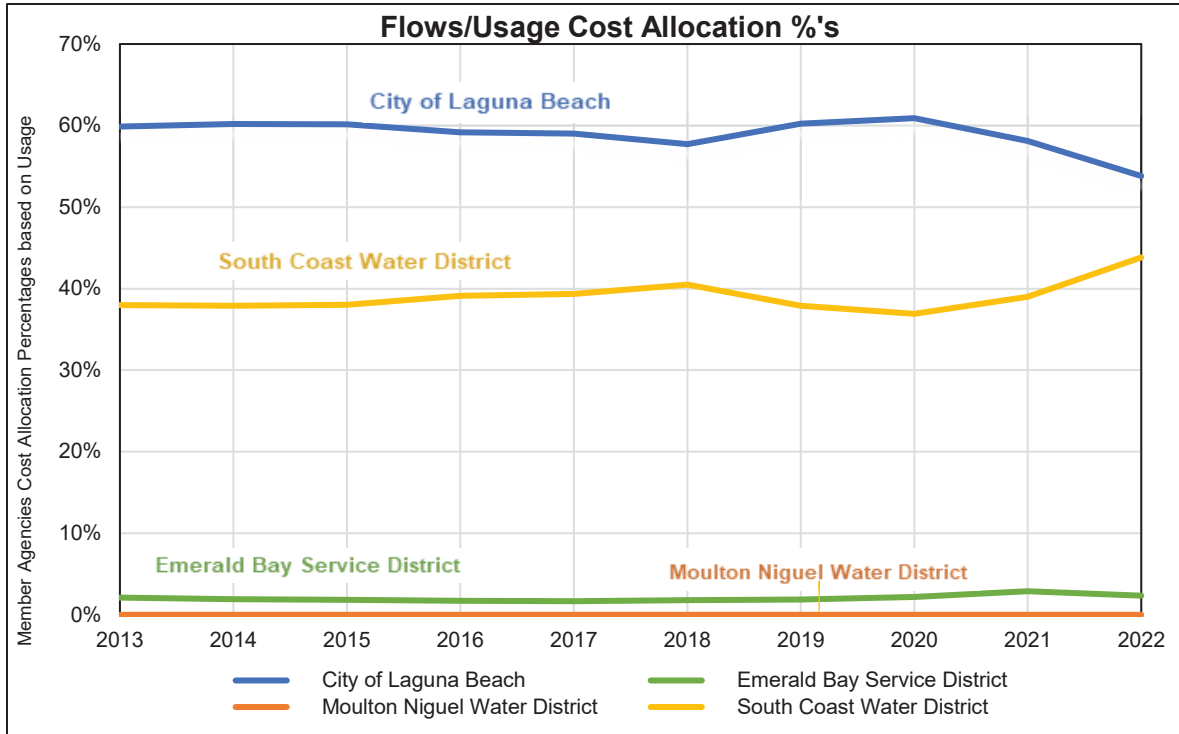
¹ Flows sent to PC 2 J B Latham Plant on average have been gradually reducing over the past ten years. This is due to an overall climate change, drought, and water conservation in California.

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



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

South Orange County Wastewater Authority
PC 15 Coastal Treatment Plant Flows from Member Agencies¹
Actual Cost Allocation Percentages and MGD
Last Ten Fiscal Years



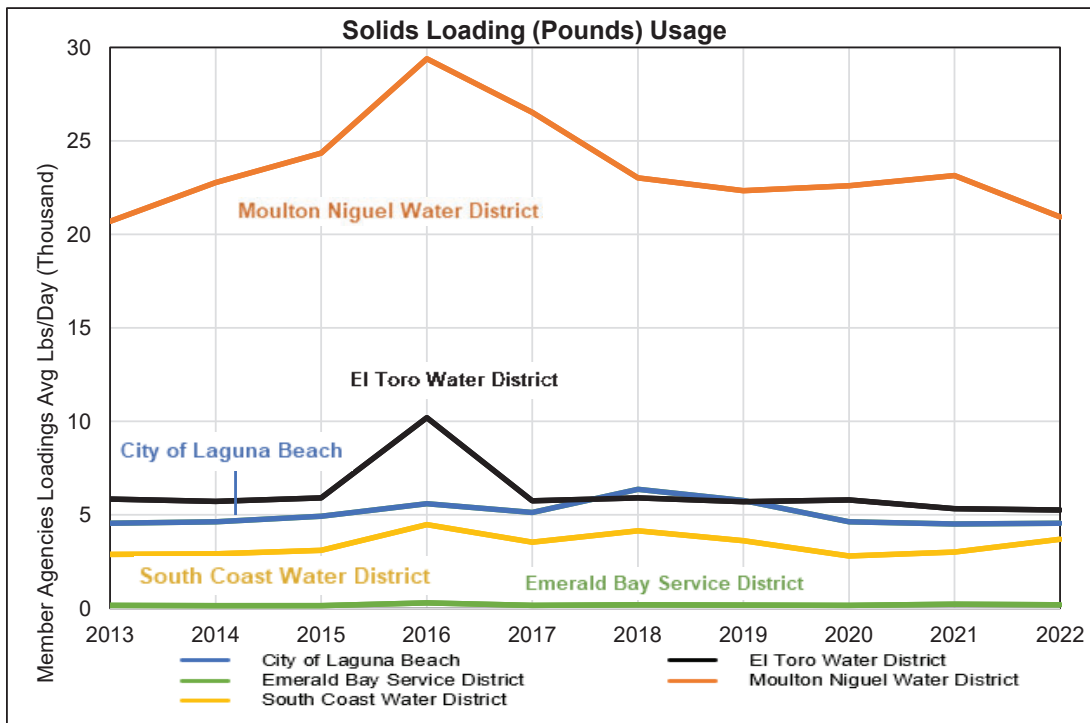
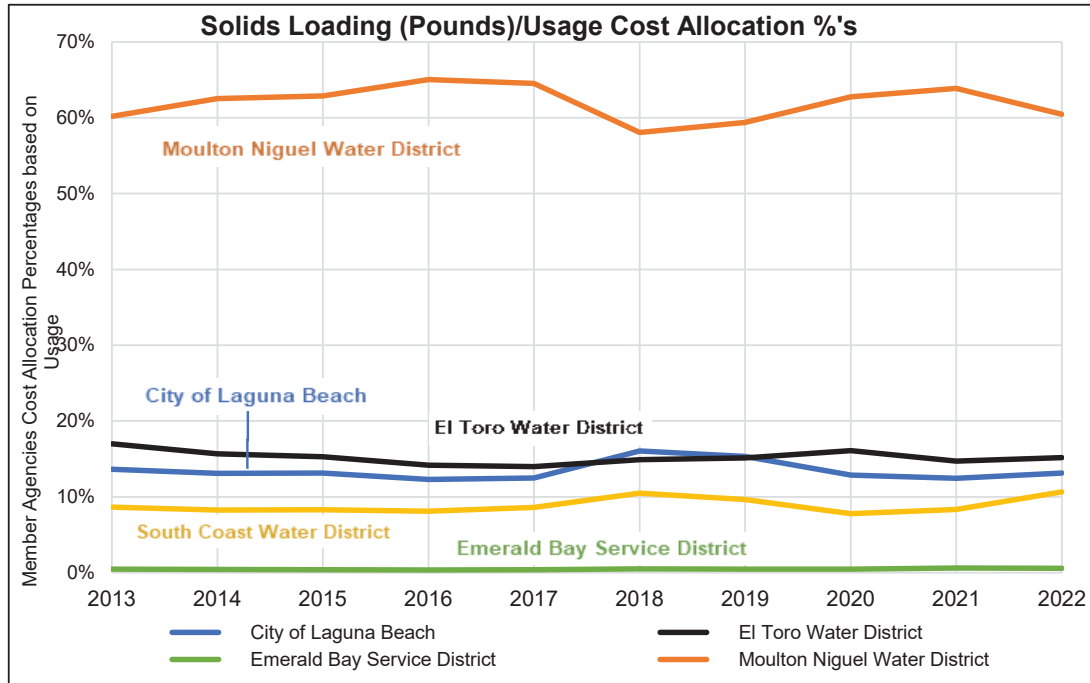
¹ Flows sent to PC 15 Coastal Treatment Plant on average have been gradually reducing over the past ten years. This is due to an overall climate change, drought, and water conservation in California.

South Orange County Wastewater Authority

PC 17 Regional Treatment Plant Solids Loading (Pounds) from Member Agencies ¹

Actual Cost Allocation Percentages and MGD

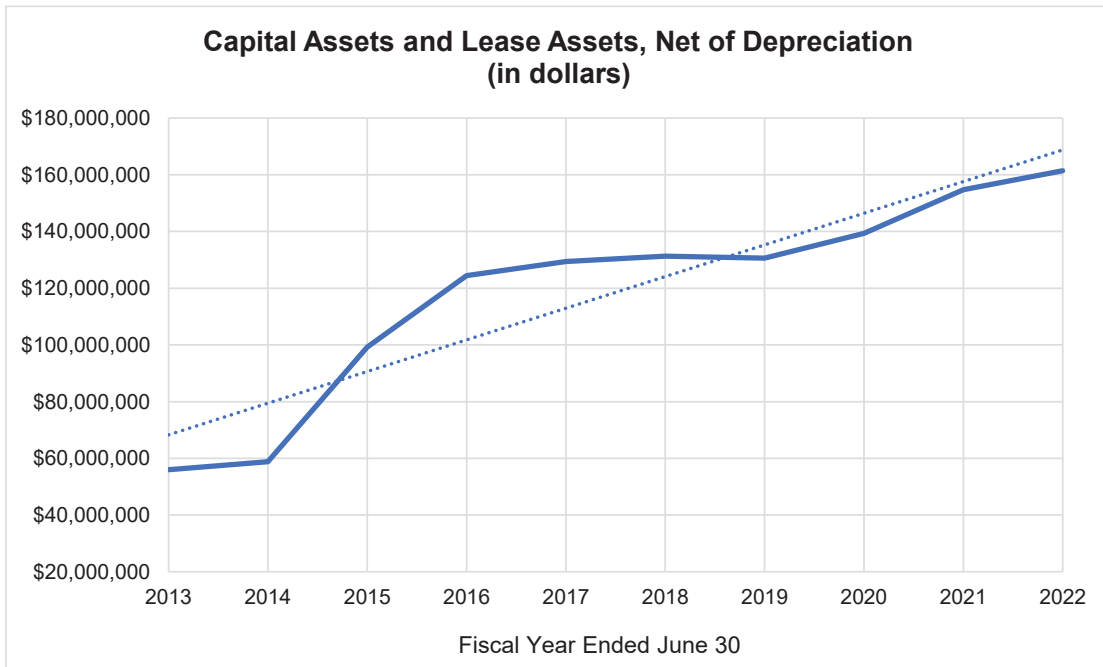
Last Ten Fiscal Years



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

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

	Facilities & Improvements	Buildings	Building Improvements	Computer Hardware	Computer Software	Furniture and Fixtures
2013	44,106,897					
2014	47,860,250					
2015		2,353,781	2,855,317	303,400	23,022	315
2016		6,901,703	4,007,930	1,213,568	29,756	
2017		3,650,045	4,016,833	641,680	68,195	20,052
2018		3,673,353	5,179,648	730,665	154,691	38,547
2019		3,499,987	4,944,951	634,925	172,107	34,176
2020		3,329,621	4,675,844	529,927	146,750	
2021		3,156,255	8,965,150	444,391	121,391	
2022		2,982,934	9,257,970	261,429	96,031	



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

				Not Being Depreciated		Capital Assets, Net of Depreciation
	Infrastructure	Machinery & Equipment	Vehicles	Land	Construction in Progress	
2013		7,816,380		653,224	3,408,139	55,984,640
2014		7,228,416		653,224	3,046,791	58,788,681
2015	50,949,009	18,134,894	16,431	14,402,224	10,133,406	99,171,799 ¹
2016	46,827,515	30,769,322	236,135	14,402,224	20,040,308	124,428,461 ²
2017	48,412,433	30,695,780	341,932	14,402,224	27,159,497	129,408,671
2018	48,779,298	37,055,331	406,342	14,402,224	20,833,802	131,253,901
2019	46,701,904	47,456,249	456,186	14,402,224	12,337,878	130,640,588
2020	46,281,040	46,265,231	461,014	14,402,224	23,272,061	139,363,711 ³
2021	50,666,008	58,851,153	530,997	14,402,224	17,614,929	154,752,497 ⁴
2022	53,723,127	64,368,573	508,546	14,402,224	15,819,954	161,420,788 ⁴

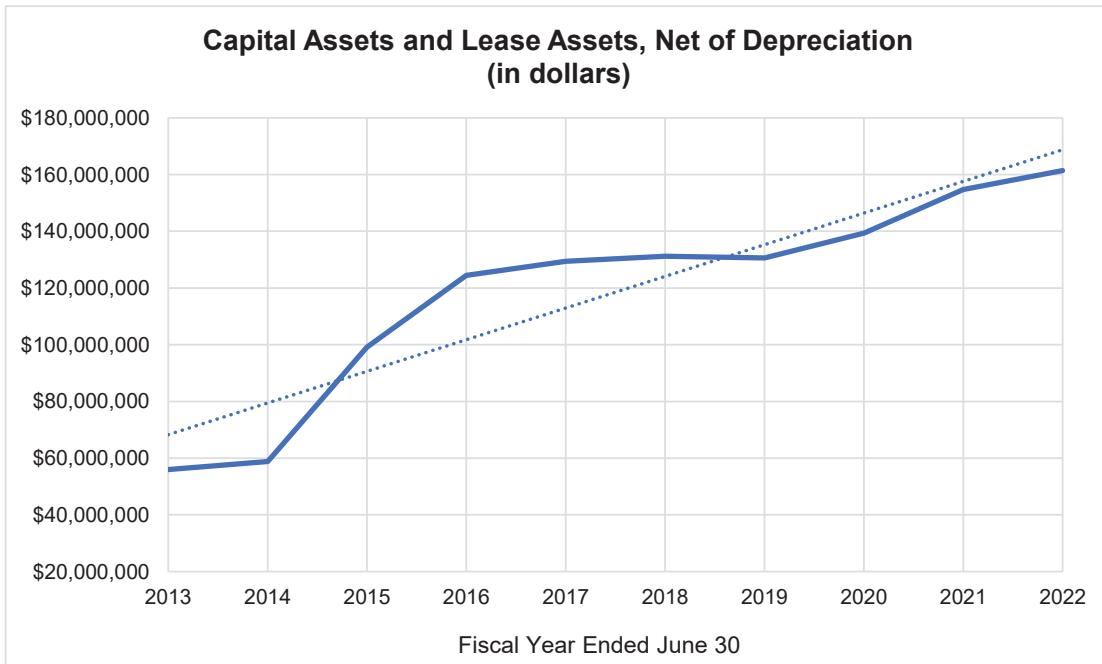
¹2015 capital assets were restated due to the addition of \$39 million in member agencies' jointly constructed assets, including land, \$13.7 million, for Coastal and Regional Treatment Plants.

²2016 capital assets were restated due to further work on adding member agencies' jointly constructed assets, \$9.3 million.

The Authority completed a full capital assets review conducted by staff and Carollo Engineers, Inc.

³PC10, San Clemente Land Outfall capital assets, restated financials in FYs 2020 and 2021, \$1.7 million, net each year.

⁴GASB 87 restated lease assets balances in FY 2020-21, \$347 million, net.



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