

EAST ORANGE COUNTY WATER DISTRICT

Financial Statements

Year ended June 30, 2022

Our Mission Statement

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

Board of Directors as of June 30, 2022

Name	Title	Elected / Appointed	Current Term
Douglass S. Davert	President	Elected	12/20 - 12/24
George A. Murdoch	Vice President	Elected	12/18 - 12/22
Richard Bell	Director	Elected	12/18 - 12/22
Marilyn T. Thoms	Director	Elected	05/22 - 12/22
John L. Sears	Director	Elected	12/20 - 12/24

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

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EAST ORANGE COUNTY WATER DISTRICT

Financial Statements

Year ended June 30, 2022

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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the financial statements of the East Orange County Water District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

The financial statements for the year ended June 30, 2022 reflect certain prior period adjustments as described further in note 11 to the financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

The District's 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 District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
February 8, 2023

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2022

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the East Orange County Water District (District) introduces the financial statements of the District for the year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2022, the District's net position increased \$2,274,877 of which \$1,556,355 is primarily due to an increase in total revenues offset by a slight increase in overall expenses from fiscal year 2021. The District's net position was also positively affected by an adjustment of \$718,522 to reverse prior year depreciation of capacity rights.
- In 2022, operating revenues increased by \$2,746,473 due primarily to an increase in wholesale water demand and water rate increases.
- In 2022, operating expenses increased by \$1,917,921 due primarily to an increase in source of supply, pumping, and salaries and benefits.

Overview of the Financial Statements

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

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

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

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

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

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2022

Notes to the Basic Financial Statements

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Financial Analysis of the District

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

These two statements report the District's *net position* and changes in them. One can think of the District's net position – the difference between assets and liabilities – as a way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, natural disasters, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Condensed Statement of Net Position

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
Assets:			
Current assets	\$ 77,006,194	83,497,147	(6,490,953)
Capital assets, net	26,782,242	16,729,948	10,052,294
Total assets	<u>103,788,436</u>	<u>100,227,095</u>	<u>3,561,341</u>
Deferred outflows of resources	<u>1,106,477</u>	<u>803,776</u>	<u>302,701</u>
Total assets and deferred outflows of resources	<u>\$ 104,894,913</u>	<u>101,030,871</u>	<u>3,864,042</u>
Liabilities:			
Current liabilities	\$ 5,086,601	2,945,454	2,141,147
Noncurrent liabilities	18,052,000	19,181,333	(1,129,333)
Total liabilities	<u>23,138,601</u>	<u>22,126,787</u>	<u>1,011,814</u>
Deferred inflows of resources	<u>872,507</u>	<u>295,156</u>	<u>577,351</u>
Net position:			
Investment in capital assets	18,990,434	16,729,948	2,260,486
Restricted	41,924,822	46,465,539	(4,540,717)
Unrestricted	19,968,549	15,413,441	4,555,108
Total net position	<u>80,883,805</u>	<u>78,608,928</u>	<u>2,274,877</u>
Total liabilities, deferred inflows and net position	<u>\$ 104,894,913</u>	<u>101,030,871</u>	<u>3,864,042</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$80,883,805 as of June 30, 2022.

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2022

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the exceeded liabilities and deferred inflows of resources by \$80,883,805 as of June 30, 2022.

The District's investment in capital assets over net position of 23% at June 30, 2022 reflects its investment in capital assets net of accumulated depreciation. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

The District's restricted net position of \$41,924,822 as of June 30, 2022 is restricted for future sewer system capital replacement and maintenance costs.

At the end of fiscal year 2022, the District shows a positive balance in its unrestricted net position of \$19,968,549 that may be utilized in future years. The Board of Directors has taken action to reserve aspects of the unrestricted net position for specified purposes such as asset replacement, rate stabilization, growth accommodation and emergency reserves. The District has committed to the following internal funds and objectives:

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

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
Revenues:			
Operating Revenues	\$ 15,376,016	12,629,543	2,746,473
Non-operating revenues	582,960	2,037,048	(1,454,088)
Total revenues	<u>15,958,976</u>	<u>14,666,591</u>	<u>1,292,385</u>
Expenses:			
Operating expenses	12,780,482	10,862,561	1,917,921
Depreciation	1,067,048	1,096,590	(29,542)
Non-operating revenues (expenses)	637,085	1,664,535	(1,027,450)
Total expenses	<u>14,484,615</u>	<u>13,623,686</u>	<u>860,929</u>
Change in net position before capital contributions	<u>1,474,361</u>	<u>1,042,905</u>	<u>431,456</u>
Capital Contributions	<u>81,994</u>	<u>262,457</u>	<u>(180,463)</u>
Change in net position	<u>1,556,355</u>	<u>1,305,362</u>	<u>250,993</u>
Net position:			
Beginning of year (as restated) (Note 11)	79,327,450	77,303,566	2,023,884
End of year	<u>\$ 80,883,805</u>	<u>78,608,928</u>	<u>2,274,877</u>

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2022

The Statement of Revenues, Expenses, and Changes in Net Position show how the District's net position changes during the fiscal year. In the case of the District, net position increased by \$1,556,355 as of June 30, 2022.

Revenues

Operating Revenues:	June 30, 2022	June 30, 2021	Change
Water use sales:			
Wholesale	\$ 8,558,584	5,874,598	2,683,986
Retail	1,644,013	2,013,200	(369,187)
Fixed water service charges	1,994,631	637,245	1,357,386
Capacity and connection fees	-	815,122	(815,122)
Sewer use fees	3,093,772	3,101,177	(7,405)
Connection fees	33,405	148,526	(115,121)
Other service charges	51,611	39,675	11,936
Total operating revenue	15,376,016	12,629,543	2,746,473
Non-operating revenues:			
Property taxes	1,905,287	1,832,792	72,495
Rental income - cellular antennas	173,090	131,492	41,598
Investment earnings (loss)	(1,793,085)	27,206	(1,820,291)
Other Revenues	299,432	42,132	257,300
Gain (loss) on sale of asset	(1,764)	3,426	(5,190)
Total non-operating revenues	582,960	2,037,048	(1,454,088)
Total revenue	\$ 15,958,976	14,666,591	1,292,385

In 2022, operating revenues increased by \$2,746,473 due primarily to an increase in wholesale water sales and fixed water service charges. Due to reporting a loss on investments in 2022, non-operating revenues decreased by \$1,454,088.

Expenses

Operating Expenses:	June 30, 2022	June 30, 2021	Change
Source of Supply	\$ 10,054,006	7,300,958	2,753,048
Pumping	25,447	23,327	2,120
Transmission and distribution	466,081	1,610,839	(1,144,758)
Sewer system maintenance	201,442	264,243	(62,801)
Salaries and Benefits	1,061,144	-	1,061,144
General and administrative	972,362	1,663,194	(690,832)
Total operating expenses	12,780,482	10,862,561	1,917,921
Depreciation	1,067,048	1,096,590	(29,542)
Non-operating expenses:			
Other expenses	184,299	1,424,151	(1,239,852)
Interest expense	452,786	240,384	212,402
Total expenses	\$ 14,484,615	13,623,686	860,929

In 2022 operating expenses increased by \$1,917,921 primarily due to increases in source of supply, pumping costs, and salaries and benefits. During fiscal year 2021/22 the District split out financial groupings for salaries and benefits which was previously grouped within general and administrative and transmission and distribution categories.

EAST ORANGE COUNTY WATER DISTRICT

Management’s Discussion and Analysis

Year ended June 30, 2022

Capital Asset Administration

Capital assets as of June 30th are as follows:

<u>Description</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Non-depreciable assets	\$ 12,240,716	4,417,763
Depreciable assets	28,532,842	27,172,937
Accumulated depreciation *	<u>(15,102,408)</u>	<u>(14,142,230)</u>
Total capital assets, net	<u>\$ 25,671,150</u>	<u>\$ 17,448,470</u>

* Restated June 30, 2021 accumulated depreciation as capacity right assets are considered non-depreciable assets as discussed in note 11. Capacity rights were also recategorized from depreciable assets to non-depreciable assets in the table above.

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

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

The District has adopted its Fiscal Year 2022-2023 Budget with expected revenues of \$17,924,500 over expected expenses of \$14,656,000.

Contacting the District’s Financial Management Team

This financial report is designed to provide the District’s funding sources, customers, stakeholders and other interested parties with an overview of the District’s financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District’s General Manager, David Youngblood, at (714) 538-5815.

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BASIC FINANCIAL STATEMENTS

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EAST ORANGE COUNTY WATER DISTRICT
Statement of Net Position
June 30, 2022
(with comparative information as of June 30, 2021)

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and investments (Note 2)	\$ 30,486,217	61,264,705
Restricted cash and investments (Note 2)	41,924,822	19,150,212
Accrued interest receivable	201,423	127,635
Accounts receivable – services, net (Note 3)	4,121,634	2,764,327
Deposit receivable	-	20,980
Property taxes receivable	53,420	51,790
Lease receivable (Note 10)	125,871	-
Prepaid expenses	41,555	70,721
Water-in-storage inventory	51,252	46,777
Total current assets	77,006,194	83,497,147
Noncurrent assets:		
Lease receivable (Note 10)	432,707	-
Net pension asset (Note 6)	678,385	-
Capital assets – not being depreciated (Note 4)	12,240,716	3,474,443
Capital assets – being depreciated, net (Note 4)	13,430,434	13,255,505
Total noncurrent assets	26,782,242	16,729,948
Total assets	103,788,436	100,227,095
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension related (Note 6)	1,106,477	803,776
Total deferred outflows of resources	1,106,477	803,776
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 3,794,135	1,720,596
Accrued interest payable	34,465	35,998
Accrued salaries and benefits	34,994	22,351
Due to other governments	7,824	-
Compensated absences (Note 5)	121,162	98,044
Deposits and unearned revenue	234,021	227,465
Long-term liabilities - due within one year (Note 5)	860,000	841,000
Total current liabilities	5,086,601	2,945,454
Noncurrent liabilities:		
Net pension liability (Note 6)	-	269,333
Long-term liabilities - due in more than one year (Note 5)	18,052,000	18,912,000
Total noncurrent liabilities	18,052,000	19,181,333
Total liabilities	23,138,601	22,126,787
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Lease related (Note 10)	542,686	-
Pension related (Note 6)	329,821	295,156
Total deferred inflows of resources	872,507	295,156
<u>NET POSITION</u>		
Net investment in capital assets	18,990,434	16,729,948
Restricted	41,924,822	46,465,539
Unrestricted	19,968,549	15,413,441
Total net position	\$ 80,883,805	78,608,928

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2022
(with comparative information for the year ended June 30, 2021)

	2022	2021
Operating revenues:		
Water use sales	\$ 10,202,597	7,887,798
Fixed water service charges	1,994,631	637,245
Capacity and connection fees	-	815,122
Sewer use fees	3,093,772	3,101,177
Connection fees	33,405	148,526
Other service charges	51,611	39,675
	15,376,016	12,629,543
Total operating revenues		
Operating expenses:		
Source of supply	10,054,006	7,300,958
Pumping	25,447	23,327
Transmission and distribution	466,081	1,610,839
Sewer system maintenance	201,442	264,243
Salaries and benefits	1,061,144	-
General and administrative	972,362	1,663,194
	12,780,482	10,862,561
Total operating expenses		
Operating income (loss) before depreciation	2,595,534	1,766,982
Depreciation expense	(1,067,048)	(1,096,590)
	1,528,486	670,392
Operating income (loss)		
Non-operating revenues (expenses):		
Property taxes	1,905,287	1,832,792
Lease income	173,090	131,492
Investment earnings (loss)	(1,793,085)	27,206
Other revenues	299,432	42,132
Other expenses	(184,299)	(1,424,151)
Gain (loss) on sale of asset	(1,764)	3,426
Interest Expense	(452,786)	(240,384)
	(54,125)	372,513
Total non-operating revenues, net		
Change in net position before capital contributions	1,474,361	1,042,905
Capital contributions:		
Capital contributions from developers	81,994	262,457
	81,994	262,457
Total capital contributions		
Change in net position	1,556,355	1,305,362
Net position:		
Beginning of year (as restated) (Note 11)	79,327,450	77,303,566
End of year	\$ 80,883,805	78,608,928

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Statement of Cash Flows
Year ended June 30, 2022
(with comparative data for the year ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash receipts from customers for sales and services	\$ 14,018,709	11,328,713
Cash paid to employees for salaries and benefits	(1,836,009)	(1,635,103)
Cash paid to vendors and suppliers for materials and services	(9,877,276)	(10,867,032)
Net cash provided by operating activities	<u>2,305,424</u>	<u>(1,173,422)</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	<u>1,903,657</u>	<u>1,824,585</u>
Net cash provided by non-capital financing activities	<u>1,903,657</u>	<u>1,824,585</u>
Cash flows from capital and related financing activities:		
Payments from lease receivable	157,198	-
Proceeds from disposal of capital assets	4,280	3,886
Acquisition and construction of capital assets	(9,213,780)	(1,735,070)
Principal paid on capital debt	(841,000)	(367,000)
Interest paid on long-term debt	(452,786)	(240,384)
Proceeds from loan agreement	-	20,120,000
Net cash provided by (used in) capital and related financing activities	<u>(10,346,088)</u>	<u>17,781,432</u>
Cash flows from investing activities:		
Interest on investments	518,955	315,891
Proceeds from sale of investments	19,318,198	7,148,327
Purchase of investments	(21,385,909)	(7,312,878)
Net cash used in by investing activities	<u>(1,548,756)</u>	<u>151,340</u>
Net increase (decrease) in cash and investments	<u>(7,685,763)</u>	<u>18,583,935</u>
Cash and cash equivalents:		
Beginning of year	<u>20,577,606</u>	<u>1,993,671</u>
End of year	<u>\$ 12,891,843</u>	<u>20,577,606</u>
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Position:		
Cash and investments	72,411,039	80,414,917
Less long-term investments	59,519,196	59,837,311
Cash and cash equivalents at end of year	<u>\$ 12,891,843</u>	<u>\$ 20,577,606</u>

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Statement of Cash Flows (Continued)
Year ended June 30, 2022
(with comparative data for the year ended June 30, 2021)

	2022	2021
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,528,486	<u>670,392</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,067,048	1,096,590
Other revenues	299,432	42,132
Rental income	-	131,492
Other expenses	(184,299)	(1,424,151)
Changes in assets – (increase) decrease:		
Accounts receivable – services, net	(1,357,307)	(1,300,830)
Accounts receivable – other	20,980	(16,085)
Prepaid expenses	29,166	21,156
Water-in-storage inventory	(4,475)	(16,734)
Change in deferred outflows of resources – (increase) decrease:		
Pension related deferred outflows of resources	(302,701)	(101,791)
Changes in liabilities – increase (decrease):		
Accounts payable and other accrued liabilities	2,073,539	(118,890)
Accrued interest payable	(1,533)	35,998
Accrued salaries and benefits	12,643	6,767
Compensated absences	23,118	(38,568)
Deposits and unearned revenue	6,556	510
Due to other governments	7,824	(830)
Net pension liability	(947,718)	(389,157)
Change in deferred inflows of resources – increase (decrease):		
Pension related deferred inflows of resources	<u>34,665</u>	<u>228,577</u>
Total adjustments	<u>776,938</u>	<u>(1,843,814)</u>
Net cash provided by operating activities	<u>\$ 2,305,424</u>	<u>(1,173,422)</u>
Noncash investing, capital and financing activities:		
Unrealized gain (loss) from investments	\$ (2,385,828)	586,824
Capital contributions	81,994	262,457

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Custodial Funds
Statement of Fiduciary Net Position
June 30, 2022

ASSETS

Current assets:

Investments (Note 2):

Money Market Mutual Funds	\$ 31,263
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Total assets	31,263
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LIABILITIES

Current liabilities:

Accounts payable	-
------------------	---

Total liabilities	-
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NET POSITION

Restricted	31,263
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Total net position	\$ 31,263
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See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Custodial Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2022

	Custodial Fund 2022
Additions:	
Parcel assessments	\$ 45,242
Total additions	45,242
Deductions:	
Administrative fees	12,452
Interest expenses	40,071
Total deductions	52,523
Change in net position	(7,281)
Net position:	
Beginning of year	38,544
End of year	\$ 31,263

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

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

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

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

Financial Reporting

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

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered, primarily through user charges (water sales and services) or similar funding. The District segregates its Wholesale and Retail Zone accounting internally as separate entities. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

The District also reports the following Fiduciary Fund types:

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

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

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

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

Deferred Outflows of Resources represent outflows of resources (consumption of net assets) that apply to future periods and that, therefore, will not be recognized as an expense until that time. The District has one item that qualifies for reporting in this category, outflows related to pensions.

Deferred Inflows of Resources represent inflows of resources (acquisition of net assets) that apply to future periods and that, therefore, will not be recognized as revenue until that time. The District has two items that qualifies for reporting in this category, inflows related to pensions and leases.

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results most likely will differ from those estimates.

Comparative Financial Statements and Reclassifications

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

Cash and Cash Equivalents

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Investments

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

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

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

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

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

Accounts Receivable

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

Property Taxes

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

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

The County of Orange Assessor’s Office assesses all real and personal property within the County each year. The County of Orange Auditor-Controller’s Office bills and collects the District’s share of property taxes and assessments. The County of Orange Treasurer’s Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent (1%) of countywide assessed valuations.

Prepaid Expenses

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Water-In-Storage Inventory

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

Capital Assets

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

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

Construction-in-Process

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

Compensated Absences

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

Pensions

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. The following timeframes are used for pension reporting:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Measurement period	July 1, 2020 to June 30, 2021

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

Net Position

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

Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The net position of Improvement District No. 1 is considered restricted.

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

Water Use Sales – Wholesale and Retail

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Capital Contributions

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

(2) Cash and Investments

Financial Statement Classification:

Current:	
Cash and cash equivalents	\$ 660,560
Investments	59,387,460
Subtotal current	<u>60,048,020</u>
Restricted:	
Cash and cash equivalents	12,231,283
Investments	131,736
Subtotal restricted	<u>12,363,019</u>
Fiduciary Funds:	
Investments	31,263
Total Cash and Investments	<u>\$ 72,442,302</u>

Cash and investments as of June 30, 2022, consisted of the following:

Cash on hand	\$ 250
Demand deposits held with financial institutions	12,891,593
Investments	59,550,459
Total cash and investments	<u>\$ 72,442,302</u>

Demand Deposits

At June 30, 2022, the carrying amount of the District's demand deposits were \$12,891,593, and the financial institution balance was \$13,977,333. The respective net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(2) Cash and Investments (Continued)

The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

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

Investments

The District's investments as of June 30, 2022 were as follows:

Investments	Measurement Input	Credit Rating	Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	Uncategorized	Not Rated	\$ 20,458,690	20,458,690	-	-
PARS Pooled Trust	Uncategorized	Not Rated	131,734	131,734	-	-
U.S. Treasury notes	Level 2	AAA	27,968,408	3,224,305	12,964,890	11,779,213
Governmental agency securities	Level 2	AAA	7,232,680	1,390,306	4,358,639	1,483,735
Corporate bonds	Level 2	A to A+	2,064,604	790,471	336,227	937,906
Money Market	Uncategorized	AAA	26,445	26,445	-	-
Negotiable certificates-of-deposit	Level 2	N/A	1,636,635	240,408	144,758	1,251,469
Total investments			\$ 59,519,196	26,262,359	17,804,514	15,452,323

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(2) Cash and Investments (Continued)

The District’s investments in Fiduciary Fund as of June 30, 2022 were as follows:

Investments	Measurement Input	Credit Rating	Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 60 Months
Money Market	Uncategorized	AAA	\$ 31,263	31,263	-	-
Total investments			\$ 31,263	31,263	-	-

Authorized Investments and Investment Policy

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

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

Investment in State Investment Pool

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District’s investments with LAIF at June 30, 2022 included a portion of the pool funds invested in structured notes and asset-backed securities.

Investment in Public Agency Retirement Fund

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

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

The District had \$20,458,690 invested in LAIF. The LAIF fair value factor of .987125414 was used to calculate the fair value of the investments in LAIF as of June 30, 2022.

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(2) Cash and Investments (Continued)

Fair Value Measurement Input

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2022, the District's investment in the LAIF was not rated as noted in the table on previous page.

Interest Rate Risk

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

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represent 5% or more of the District's total cash and investment portfolio except for those investments in U.S. Treasury securities, mutual funds, and external investment pools.

(3) Accounts Receivable – Services, Net

Accounts receivable consisted of the following at June 30, 2022:

<u>Description</u>	
Accounts receivable – services	\$ 4,130,638
Allowance for doubtful accounts	<u>(24,298)</u>
Accounts receivable – services, net	<u><u>\$ 4,106,340</u></u>

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(4) Capital Assets

Changes in capital assets for the year ended June 30, 2022, were as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Non-depreciable assets:				
Land and easements	\$ 579,284	-	-	579,284
Capacity rights	943,320	-	-	943,320
Construction-in-process	2,895,159	9,504,207	(1,681,254)	10,718,112
Total non-depreciable assets	4,417,763	9,504,207	(1,681,254)	12,240,716
Depreciable assets:				
Transmission and distribution system	16,758,764	767,080	(78,405)	17,447,439
Structures and improvements	8,628,869	318,543	(3,206)	8,944,206
Equipment	1,785,304	387,196	(31,303)	2,141,197
Total depreciable assets	27,172,937	1,472,819	(112,914)	28,532,842
Accumulated Depreciation:				
Transmission and distribution system	9,808,791	598,964	(72,361)	10,335,394
Structures and improvements	3,658,147	231,501	(3,206)	3,886,442
Equipment	675,292	236,583	(31,303)	880,572
Accumulated depreciation	* 14,142,230	1,067,048	(106,870)	15,102,408
Total depreciable assets, net	13,030,707	405,771	(6,044)	13,430,434
Total capital assets, net	\$ 17,448,470	9,909,978	(1,687,298)	25,671,150

* - Restated beginning balance of accumulated depreciation as the capacity right assets are considered non-depreciable assets.

(5) Long-term Liabilities

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due in One Year
Long-term liabilities:					
Compensated absences	\$ 98,044	133,535	(110,417)	121,162	-
2020 Installment purchase agreement	19,753,000	-	(841,000)	18,912,000	860,000
Total long-term liabilities	\$ 19,851,044	133,535	(951,417)	19,033,162	860,000

Installment Purchase Agreement

On December 1, 2020, the District entered into an Installment Purchase Agreement in the amount of \$20,120,000 with Sterling National Bank with interest at 2.30% used to finance the "2020 Project" which involves three capital improvement projects to comply with California Environmental Quality Act. The three capital improvement projects being financed are Vista Panorama Reservoir Replacement, VanderWerff Well Replacement, and Capacity Reliability Augmentation Project. Annual principal payments plus interest are due through June 2040. Future long-term maturities as of June 30, 2022, are as follows:

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(5) Long-term Liabilities (Continued)

Year ending June 30,	Principal	Interest	Totals
2023	\$ 860,000	434,976	1,294,976
2024	880,000	415,196	1,295,196
2025	900,000	394,956	1,294,956
2026	921,000	374,256	1,295,256
2027	942,000	353,073	1,295,073
2028 - 2032	5,044,000	1,430,301	6,474,301
2033 - 2037	5,652,000	822,871	6,474,871
2038 - 2040	3,713,000	172,086	3,885,086
	<u>\$ 18,912,000</u>	<u>4,397,715</u>	<u>23,309,715</u>

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

The Plans Description Schedule

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

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.00%	2.00%
Required member contribution rates	7.000%	6.750%
Required employer contribution rates – FY 2021	8.650%	7.590%

Plan Description

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Members Covered by Benefit Terms

At June 30, 2021 (Measurement Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	6	7	13
Transferred and terminated members	8	4	12
Retired members and beneficiaries	7	1	8
Total plan members	<u>21</u>	<u>12</u>	<u>33</u>

Benefits Provided

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

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

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

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

Contributions

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

Contributions for the year ended June 30, 2022 were as follows:

Contribution Type	Total
Contributions – employer	\$ 127,579
Contributions – members	141,806
Total contributions	<u>\$ 269,385</u>

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability (Asset)

For the measurement period ending June 30, 2021 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2020 pension liability (asset).

The June 30, 2021 total pension liability (asset) was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on Purchasing Power applies, 2.50% thereafter

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Discount Rate

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

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

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

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

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

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

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

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
CalPERS – Miscellaneous Plan	<u>\$ (95,314)</u>	<u>(678,385)</u>	<u>(1,160,401)</u>

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Pension Plan Fiduciary Net Position

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

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

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2022:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2020 (Measurement Date)	3,958,156	3,688,823	269,333
Balance as of June 30, 2021 (Measurement Date)	4,416,168	5,094,553	(678,385)
Change in Plan Net Pension Liability (Asset)	<u>\$ 458,012</u>	<u>1,405,730</u>	<u>(947,718)</u>

The District’s proportionate share of the net pension liability (asset) for the June 30, 2021 measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2021	
Measurement Date	June 30, 2021	June 30, 2020	
Percentage of Risk Pool Net Pension Liability (Asset)	-0.012540%	0.002480%	-0.015020%

For the year ended June 30, 2022, the District recognized pension expense/(credit) in the amounts of (\$1,088,176) for the CalPERS Miscellaneous Plan.

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	\$ 127,579	-
Difference between actual and proportionate share of employer contributions	379,731	5,360
Adjustment due to differences in proportions	6,973	248,387
Differences between expected and actual experience	-	76,074
Differences between projected and actual earnings on pension plan investments	592,194	-
Changes in assumptions	-	-
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 1,106,477</u>	<u>329,821</u>

The District will recognize \$127,579 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2023, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

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

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2023	\$ 160,746
2024	165,128
2025	159,551
2026	163,652
Total	<u>\$ 649,077</u>

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(7) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in the California Public Employees Retirement System (CalPERS) Section 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for California public employees that elect to participate in the Program. This Program is established pursuant to sections 21670 through 21685 of the Government Code of the State of California and is intended to constitute an "eligible deferred compensation plan" within the meaning of Section 457 of the Federal Internal Revenue Code. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

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

(8) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2022, the District participated in the liability and property programs of the ACWA/JPIA as follows:

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(8) Risk Management (continued)

There have been no losses or claims in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2022, 2021 and 2020. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). No claims payable is recorded as of June 30, 2022.

(9) Commitments and Contingencies

Construction Contracts

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

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes that there are no legal matters that will materially affect its financial condition.

(10) Lease Receivables

The District is a lessor in 2 noncancellable leases for use of District property for cellular antennas. The current terms of both leases are periods of five years with options to extend beyond the 5-year period. The leases are required to make fixed monthly escalating payments starting at \$1,00 per month to \$6,439 per year. The District recognized \$141,309 in lease revenue and \$16,436 in interest revenue during the current fiscal year related to these agreements. As of June 30, 2022, the lease receivable is \$558,578 and deferred inflows of resources is \$542,686.

(11) Prior period adjustment

There was a prior period adjustment in the amount of \$718,522 to re-capture depreciation for Capacity Rights purchased in 1964 that should have been classified as a non-depreciable asset.

REQUIRED SUPPLEMENTARY INFORMATION

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

Measurement Date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
District's Proportion of the Net Pension Liability	0.002480%	0.002480%	0.019830%	0.019150%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ (678,385)	\$ 269,333	\$ 658,490	582,611
District's Covered Payroll	\$ 1,322,992	\$ 1,101,431	\$ 886,564	703,788
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	-51.28%	24.45%	74.27%	82.78%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	93.20%	93.20%	81.54%	81.99%

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

Summary of Changes of Benefits or Assumptions:

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

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

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

Measurement Date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's Proportion of the Net Pension Liability	0.017840%	0.005772%	0.004970%	0.006416%
District's Proportionate Share of the Net Pension Liability	600,628	\$ 499,435	341,116	399,219
District's Covered Payroll	570,254	\$ 439,988	446,749	424,397
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	105.33%	113.51%	76.36%	94.07%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	78.98%	74.06%	78.40%	83.03%

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

Summary of Changes of Benefits or Assumptions:

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

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

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

Fiscal Year:	2021-22	2020-21	2019-20	2018-19
Actuarially Determined Contribution	\$ 127,579	\$ 451,154	\$ 580,137	96,026
Contribution in Relation to the Actuarially Determined Contribution	(127,579)	(451,154)	(580,137)	(96,026)
Contribution Deficiency (Excess)	\$ -	-	-	-
District's Covered Payroll	\$ 1,531,885	\$ 1,322,992	\$ 1,101,431	886,564
Contributions as a Percentage of Covered Payroll	8.33%	34.10%	52.67%	10.83%

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

Notes to schedule:

Fiscal Year End: 6/30/2022
Valuation Date: 6/30/2020

Methods and assumptions used to determine contributions rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.15%
Project Salary Increase	Varies by entry age and service
Inflation	2.50%
Payroll Growth	2.75%

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

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

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

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

Fiscal Year:	2017-18	2016-17	2015-16	2014-15
Actuarially Determined Contribution	69,318	56,240	\$ 40,547	33,913
Contribution in Relation to the Actuarially Determined Contribution	(69,318)	(56,240)	(40,547)	(33,913)
Contribution Deficiency (Excess)	-	\$ -	-	-
District's Covered Payroll	703,788	570,254	\$ 439,988	446,749
Contributions as a Percentage of Covered Payroll	9.85%	9.86%	9.22%	7.59%

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

Notes to schedule:

Fiscal Year End: 6/30/2022
Valuation Date: 6/30/2020

Methods and assumptions used to determine contributions rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.15%
Project Salary Increase	Varies by entry age and service
Inflation	2.50%
Payroll Growth	2.75%

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

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SUPPLEMENTARY INFORMATION

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EAST ORANGE COUNTY WATER DISTRICT
Combining Schedule of Net Position
June 30, 2022

<u>ASSETS</u>	Wholesale	Retail	ID No. 1	Internal Balances	Total
Current assets:					
Cash and investments	\$ 8,477,461	6,181,501	15,827,255	-	30,486,217
Restricted cash and investments	52,694	2,515,185	39,356,943	-	41,924,822
Accrued interest receivable	25,809	1,080	174,534	-	201,423
Accounts receivable – services, net	3,431,289	758,263	29,343	(97,261)	4,121,634
Property taxes receivable	13,574	7,620	32,226	-	53,420
Lease receivable	125,871	-	-	-	125,871
Prepaid expenses	12,647	13,466	15,442	-	41,555
Water-in-storage inventory	48,509	2,743	-	-	51,252
Total current assets	<u>12,187,854</u>	<u>9,479,858</u>	<u>55,435,743</u>	<u>(97,261)</u>	<u>77,006,194</u>
Non-current assets:					
Lease receivable	432,707	-	-	-	432,707
Net pension asset	320,605	320,605	37,175	-	678,385
Capital assets – not being depreciated	1,481,832	2,976,730	7,782,154	-	12,240,716
Capital assets – being depreciated, net	3,947,644	5,067,701	4,415,089	-	13,430,434
Total non-current assets	<u>6,182,788</u>	<u>8,365,036</u>	<u>12,234,418</u>	<u>-</u>	<u>26,782,242</u>
Total assets	<u>18,370,642</u>	<u>17,844,894</u>	<u>67,670,161</u>	<u>(97,261)</u>	<u>103,788,436</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Pension related	522,921	522,921	60,635	-	1,106,477
Total deferred outflows of resources	<u>522,921</u>	<u>522,921</u>	<u>60,635</u>	<u>-</u>	<u>1,106,477</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and other accrued liabilities	\$ 2,735,455	454,719	701,222	(97,261)	3,794,135
Accrued interest payable	-	6,893	27,572	-	34,465
Accrued salaries and benefits	7,074	7,565	20,355	-	34,994
Due to other governments	-	-	7,824	-	7,824
Compensated absences	20,220	25,246	75,696	-	121,162
Deposits and unearned revenue	50	218,169	15,802	-	234,021
Long-term liabilities - due within one year	-	172,000	688,000	-	860,000
Total current liabilities	<u>2,762,799</u>	<u>884,592</u>	<u>1,536,471</u>	<u>(97,261)</u>	<u>5,086,601</u>
Non-current liabilities:					
Long-term liabilities - due in more than one year	-	3,610,400	14,441,600	-	18,052,000
Total non-current liabilities	<u>-</u>	<u>3,610,400</u>	<u>14,441,600</u>	<u>-</u>	<u>18,052,000</u>
Total liabilities	<u>2,762,799</u>	<u>4,494,992</u>	<u>15,978,071</u>	<u>(97,261)</u>	<u>23,138,601</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Lease related	542,686	-	-	-	542,686
Pension related	155,873	155,873	18,075	-	329,821
Total deferred inflows of resources	<u>698,559</u>	<u>155,873</u>	<u>18,075</u>	<u>-</u>	<u>872,507</u>
Total liabilities and deferred inflows of resources	<u>3,461,358</u>	<u>4,650,865</u>	<u>15,996,146</u>	<u>(97,261)</u>	<u>24,011,108</u>
<u>NET POSITION</u>					
Net Investment in capital assets	5,429,476	6,750,869	6,810,089	-	18,990,434
Restricted	52,694	2,515,185	39,356,943	-	41,924,822
Unrestricted	9,950,035	4,450,896	5,567,618	-	19,968,549
Total net position	<u>\$ 15,432,205</u>	<u>13,716,950</u>	<u>51,734,650</u>	<u>-</u>	<u>80,883,805</u>

EAST ORANGE COUNTY WATER DISTRICT
Combining Schedule of Revenues, Expenses, and Change in Net Position
Year ended June 30, 2022

	Wholesale	Retail	ID No. 1	Internal Balances	Total
Operating revenues:					
Water use sales	\$ 9,572,245	1,644,013	-	(1,013,661)	10,202,597
Fixed water service charges	994,548	1,075,075	-	(74,992)	1,994,631
Sewer use fees	-	-	3,093,772	-	3,093,772
Connection fees	20,548	12,857	-	-	33,405
Other service charges	-	8,829	42,782	-	51,611
Total operating revenues	10,587,341	2,740,774	3,136,554	(1,088,653)	15,376,016
Operating expenses:					
Source of supply:					
Water purchases	9,567,833	1,013,661	-	(1,088,653)	9,492,841
Standby service charges	80,007	18,501	-	-	98,508
Capacity and connection fees	398,115	56,491	-	-	454,606
Replenishment assessment	-	8,051	-	-	8,051
Total source of supply	10,045,955	1,096,704	-	(1,088,653)	10,054,006
Pumping	-	25,447	-	-	25,447
Transmission and distribution	345,733	120,348	-	-	466,081
Sewer system maintenance	-	-	201,442	-	201,442
Salaries and benefits	(242,524)	(58,757)	1,362,425	-	1,061,144
General and administrative	286,846	316,340	369,176	-	972,362
Total operating expenses	10,436,010	1,500,082	1,933,043	(1,088,653)	12,780,482
Operating income(loss) before depreciation	151,331	1,240,692	1,203,511	-	2,595,534
Depreciation	(410,967)	(241,927)	(414,154)	-	(1,067,048)
Operating income(loss)	(259,636)	998,765	789,357	-	1,528,486
Non-operating revenues(expenses):					
Property taxes	991,692	511,960	401,635	-	1,905,287
Lease income	173,090	-	-	-	173,090
Investment earnings	(170,468)	26,757	(1,649,374)	-	(1,793,085)
Other revenues	31,837	240,819	26,776	-	299,432
Other expenses	(33,132)	(10,896)	(140,271)	-	(184,299)
Gain (loss) on sale of asset	(3,904)	2,140	-	-	(1,764)
Interest Expense	-	(90,557)	(362,229)	-	(452,786)
Total non-operating revenues, net	989,115	680,223	(1,723,463)	-	(54,125)
Capital contributions:					
Capital contributions from developers	389	35,153	46,452	-	81,994
Total capital contributions	389	35,153	46,452	-	81,994
Change in net position	729,868	1,714,141	(887,654)	-	1,556,355
Net position:					
Beginning of year, as restated	14,702,337	12,002,809	52,622,304	-	79,327,450
End of year	\$ 15,432,205	13,716,950	51,734,650	-	80,883,805