



ORANGE COUNTY WATER DISTRICT

Fountain Valley, California

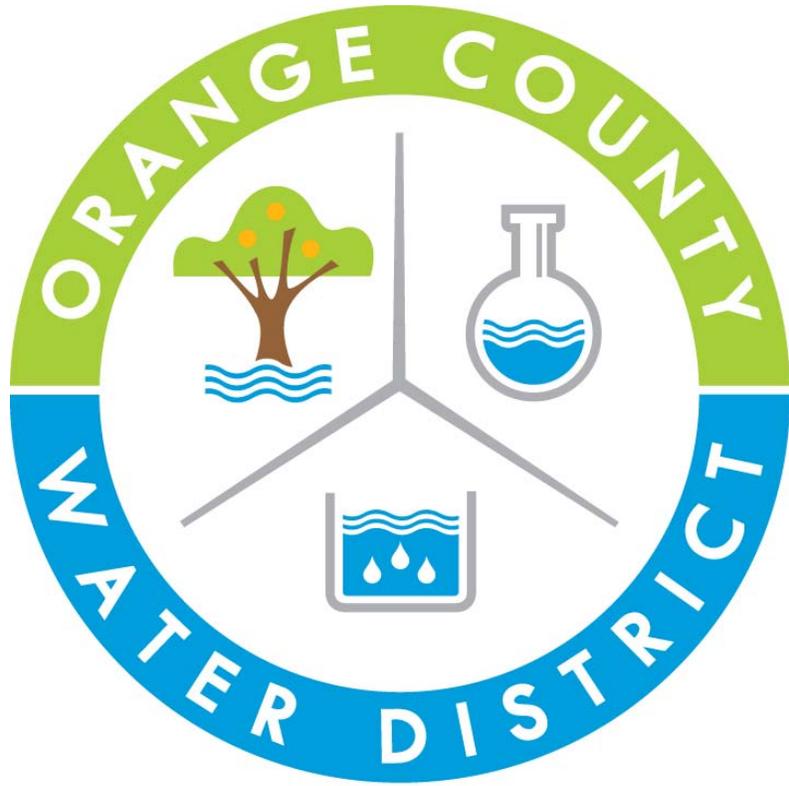


Annual Comprehensive Financial Report

For the Year Ended June 30, 2023

ORANGE COUNTY WATER DISTRICT
FOUNTAIN VALLEY, CALIFORNIA

Annual Comprehensive Financial Report
With Report on Audit By
Independent Certified Public Accountants
Year Ended June 30, 2023



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ORANGE COUNTY WATER DISTRICT
FOUNTAIN VALLEY, CALIFORNIA

Annual Comprehensive Financial Report
With Report on Audit By
Independent Certified Public Accountants

Year Ended June 30, 2023

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INTRODUCTORY SECTION

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DIRECTORS

VALERIE AMEZCUA
DENIS R. BILODEAU, P.E.
CATHY GREEN
NATALIE MEEKS
DINA L. NGUYEN, ESQ.
KELLY E. ROWE, C.E.G., C.H.
STEPHEN R. SHELDON
VAN TRAN, ESQ.
BRUCE WHITAKER
ROGER C. YOH, P.E.



ORANGE COUNTY WATER DISTRICT
ORANGE COUNTY'S GROUNDWATER AUTHORITY

OFFICERS

President
CATHY GREEN

First Vice President
DENIS BILODEAU

Second Vice President
VAN TRAN

General Manager
MICHAEL R. MARKUS, P.E., D.WRE

LETTER OF TRANSMITTAL

October 16, 2023

To the Board of Directors of the Orange County Water District:

It is our pleasure to submit the Annual Comprehensive Financial Report of the Orange County Water District (District or OCWD) for the fiscal year ended June 30, 2023. District staff worked collectively and followed guidelines set forth by the Governmental Accounting Standards Board to prepare this report. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited by Lance, Soll & Lunghard, LLP, a firm of licensed certified public accountants, in accordance with generally accepted auditing standards. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, the District has established a comprehensive framework of internal controls. The District's internal controls are designed to provide appropriate assurance that the basic financial statements will be free from material misstatements.

The goal of the independent audit was to provide reasonable assurance and not absolute assurance that the basic financial statements of the District for the fiscal year ended June 30, 2023, were free of material misstatement. The independent audit involved examining the District's records on a test basis, disclosures in the basic financial statements, assessing the accounting principles used, estimates made by management, and evaluating the overall financial statement presentation. The independent auditors rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2023, are presented fairly in conformity with GAAP.

The Management Discussion and Analysis (MD&A), which follows the Independent Auditor's Report, provides an overview and analysis of the basic financial statements, and should be read in conjunction with the financial statements.

AGENCY PROFILE

The District was formed in 1933 by a special act of the California State Legislature to protect Orange County's rights to water in the Santa Ana River. The District's primary responsibility is managing the vast groundwater basin under northern and central Orange County that supplies water to 19 cities and water districts (Producers), serving more than 2.5 million Orange County residents. The District gives the highest priority to the protection, safety, and enhancement of groundwater.

A ten-member Board of Directors (Board), seven of whom are elected directly by voters of the District, govern the District. The other three Directors are appointed by their representative city councils of Anaheim, Fullerton, and Santa Ana. The District currently has 226.5 full-time equivalent employees overseeing day-to-day activities at the direction of the General Manager.

The District Act provides for local financing of the District's operations by a combination of ad valorem taxes and water replenishment assessments. It empowers the District to levy and collect a replenishment assessment (RA) and an additional replenishment assessment (ARA) on water extracted from the groundwater basin. These monies are used to purchase supplemental water for groundwater recharge, to construct, operate, and maintain water production facilities, and to acquire water rights and spreading facilities to replenish and protect the groundwater supply of the District and for administrative purposes.

The Board also sets an annual basin equity assessment (BEA) that generally represents the difference between the cost of pumping groundwater and purchasing supplemental water. Producers annually pay the BEA on each acre-foot pumped in excess of the basin production percentage (BPP) established by the Board.

The District primarily recharges the groundwater basin with Santa Ana River flows, Groundwater Replenishment System water, and untreated water purchased from the Metropolitan Water District (MWD) of Southern California. The Santa Ana River flows valued at approximately \$143.64 million a year are essentially free to the District, less the expense to capture and percolate the water, resulting in groundwater that costs about half of the cost of MWD water imported from Northern California and the Colorado River. The Santa Ana River flows, GWRS water, and untreated MWD water are percolated into deep groundwater aquifers through spreading basins in Anaheim and Orange. By naturally filtering the water through the ground, the District saves ratepayers millions of dollars each year in water treatment costs.

The groundwater basin provides about 85% of all water used within the District's service area. With one of the most sophisticated groundwater protection programs in the country, the District uses more than 662 (owned and non-owned) wells providing more than 1,184 sampling points from which the District takes more than 18,919 water samples and conducts approximately 405,553 laboratory analyses every year.

The District's monitoring program looks for more than 500 possible contaminants, which is more than the 148 target contaminants required by health agencies.

The District currently holds rights to all Santa Ana River flows reaching Prado Dam in Riverside County (the dam is owned by the U.S. Army Corps of Engineers for flood prevention). The District owns 2,150 acres behind the dam that is used for water conservation, water quality improvement and environmental enhancement. The District saves approximately \$38.76 million a year by collecting storm water behind Prado Dam, which is recharged into the basin instead of being lost to the ocean.

The District operates the world's largest wastewater purification facility of its kind, called the Groundwater Replenishment System (GWRS). The GWRS takes highly treated sewer water destined for the ocean, purifies it to near-distilled quality, and puts it back into the groundwater basin and the District's seawater intrusion barrier. The GWRS, a joint project of the District and the Orange County Sanitation District (OCSD), produces high-quality water for approximately half of the cost of MWD water, and uses less energy than is required to import water from Northern California and the Colorado River.

Additional efforts to increase local water supplies include expanding the capacity of the existing percolation facilities, treating poor quality water to make it useable, studying methods to extend the life of water treatment filtration membranes, improving advanced purification technologies, and studying the quality of Santa Ana River water and other water-related issues. Other District activities focus on expanding the Prado wetlands, groundwater treatment at wellheads, computer modeling of the groundwater basin and conservation of endangered or threatened species.

The District continues to adopt strategies to ensure that sufficient water supplies will be available in the future to replenish, protect and maximize the use of the groundwater basin. Ensuring water quality continues to be a top priority for the District; extra effort is extended in the area of monitoring water quality and improving coastal conditions, along with sound financial choices to minimize the costs of projects. Those extra efforts are summarized in the items listed below:

Maintaining and Improving Water Quality

Drinking water in California is among the most highly regulated and safest in the world. Operating for more than fifteen years now, the GWRS brings Orange County's water quality to a higher level. The District conducts monitoring programs on behalf of the local water retailers to meet monitoring requirements implemented by the California Department of Health Services and the U.S. Environmental Protection Agency.

The District also implements additional monitoring programs for groundwater management. These programs are designed to give the District a warning of potential problems so corrective action can be taken to protect northern and central Orange County's water supply before there is a problem.

The District's organic and inorganic laboratory provides real value to local water retailers by testing all groundwater to ensure public health. The District has always maintained a proactive policy toward maintaining water quality.

Improving Coastal Conditions

Production from the basin requires coastal mitigation measures. The District has implemented various capital projects to improve coastal conditions. The District's two main objectives are to ensure high quality coastal groundwater supplies and to protect the coastal aquifer subunits from seawater intrusion through expansion of the seawater barrier.

Using the Safest and Most Cost-Effective Financing Option

The District has traditionally and successfully used long-term debt financing in the form of Certificates of Participation, Revenue refunding bonds, and low-cost State and Federal loans to pay for capital projects that have increased water production, removed pockets of contamination, increased producer pumping capacity, increased the capture of Santa Ana River flows, and prevented seawater intrusion. The District is always seeking ways to minimize capital project costs. The District was successful in securing a low-rate Water Infrastructure Finance and Innovation Act (WIFIA) loan for the partial funding of the GWRS Final Expansion project and State Revolving Fund (SRF) loan for the balance of the project and a WIFIA loan for the partial funding of the per- and polyfluoroalkyl substances (PFAS) Treatment Facilities project.

ECONOMIC CONDITION AND OUTLOOK

The District's service boundary covers virtually the entire northern half of Orange County. About 2.5 million Orange County residents rely on the groundwater basin for about 85% of their water needs. Orange County is one of the major metropolitan areas in California and the nation representing the third most populous county in the state, and fifth in the nation. Population growth is approximately 0.5% annually.

Orange County's economic growth is expected to slow and then pick up. The growth of inflation slows to a 0.4% annual rate during the second half of 2023 as factors that caused demand to grow more rapidly than supply in the rise of the pandemic continue to ease and interest rates continue to rise. Local and statewide unemployment has gone down compared to last year. The local unemployment rate in June 2023 was 3.7% versus 4.6% for California and 3.8% for the nation. The California State Budget has passed. Although the precise implications of the state budget are unclear at this time, the District is expecting no cuts in the ad valorem property tax revenues for the upcoming fiscal year (FY) 2023-24.

During the water year 2022-23, the District replenished 350,095 acre-feet (af) of water. This includes 168,005 af of Santa Ana River flows, 101,887 af of GWRS water, and 19,303 af of imported water. Other water sources include natural replenishment from rainfall that provided an additional 60,900 af of water.

Groundwater use in Orange County in the water year 2022-23 was approximately 245,202 af or 79.9 billion gallons during the water year. Groundwater met 73.3% of the water demand within District boundaries. There are challenges ahead in meeting future water demand, but with continued investment in cost-effective capital improvement projects, the District is confident that the groundwater basin can stay ahead of demand and continue to provide a reliable, high-quality water supply.

MAJOR INITIATIVES FOR THE FUTURE

The District is Planning the Following Projects for Fiscal Year 2023-2024:

The District's combined projects will provide regional, statewide and national benefits. All of these projects are an effective response to meeting the federal mandate to decrease California's dependency on imported waters from the Colorado River and the Sacramento-San Joaquin River Delta (the "Delta"). The current method of moving water through the Delta to the pumps of the California State Water Project is in jeopardy due to recent environmental rulings. OCWD's projects help to diminish the region's reliance on uncertain imported water supplies.

PFAS Treatment Systems

This project provides the design and construction of PFAS (per- and polyfluoroalkyl substances) treatment systems to eleven impacted Producers to remove PFAS from the water prior to serving to customers. Fifteen PFAS treatment systems have already been constructed and are in operation. Construction activities for sixteen treatment systems and design work for seven treatment systems are currently underway. Design and construction of PFAS treatment systems will occur over the next few years.

Water Education and Outreach Programs

The District is dedicated to the creation, promotion, and management of water education and outreach programs for the communities it serves and beyond. The goal of these programs is to educate the public about where our water comes from, highlight OCWD's groundwater management and water supply initiatives, and discuss the importance of this precious resource. OCWD has continued to build upon the success of its virtual and in-person programs, offering the flexibility of both options so people and organizations can participate at their convenience and in the method they prefer.

The components that comprise OCWD's water education and outreach programs are:

Children's Water Education Festival

In March 2023, OCWD celebrated the 26th anniversary of the Children's Water Education Festival – the nation's largest event of its kind – facilitating water education and stewardship presentations to third, fourth and fifth graders throughout Orange County. More than 4,000 students attended this year's event. Forty organizations participated in the 2023 Festival, offering 53 educational and interactive presentations to students, including eight from OCWD staff. Since its inception in 1997, more than 147,000 students have experienced this award-winning water education program.

Next Generation Water Leaders

Next Generation Water Leaders (NGWL) is OCWD's educational experience for local students in grades 6-12 offered year-round to public and private school students. This program is co-presented by OCWD and Inside the Outdoors, a hands-on environmental education program administered by the Orange County Department of Education. NGWL complements Next Generation Science Standards in California schools and is designed to inspire future water scientists, engineers, policymakers, environmentalists, and innovators. In response to schools' interest in returning to interactive programs after the COVID19 pandemic, staff created the *Next Generation Water Leaders* Traveling Scientist program, designed for in-person and live-streamed video presentations of the NGWL program for Orange County classes. During the 2022-2023 school year, NGWL facilitated 14 virtual programs reaching 476 students and their teachers.

Prado Wetlands Field Trip

OCWD and Inside the Outdoors created an educational program for third grade students. Due to COVID-19, the program was modified to a virtual field trip of the Prado Wetlands and focuses on the importance of water to our natural habitat. Inside the Outdoors provided "Prado Constructed Wetlands: Radical Riparian Restoration" virtual field trips to students while modifying all activities for live-streamed video presentations. Pre-and-post-visit activities were developed to allow student participation in class or a distance learning setting. 683 students from eight Orange County cities participated in the virtual field trips during the 2022-2023 school year.

O.C. Water Summit

Since 2008, the annual O.C. Water Summit has brought together individuals, business, community, and civic leaders to hear discussions about local water supply and water reliability challenges. The premier regional water event educates elected officials, water industry professionals and the public on what measures are in place to address these issues as well as possible solutions to future challenges. OCWD staff worked with presenters and sponsors to host the Summit on September 16, 2022, where more than 350 people attended. The 2022 Summit featured four sessions and 33 sponsors. District staff is actively planning the next Summit on October 13, 2023.

Water Advisory Committee of Orange County

The Water Advisory Committee of Orange County (WACO) was formed in 1983 to facilitate the discussion of current and emerging water issues among Orange County policymakers and water professionals. Monthly meetings are typically held on the first Friday of each month and provide attendees with an opportunity for professional networking and to receive informative presentations from water industry professionals, academics, economists, engineers, political officials, and others about key water issues affecting Orange County.

OCWD.com

As a public agency, the District's website includes extensive documents, forms for tour reservations and public records requests, audio clips of meetings, educational materials, and information that addresses how OCWD performs its duties. The website contains information that reflects OCWD's core values of transparency, sound planning, investment and financial management, high-quality water, environmental stewardship, and securing a highly reliable water supply. Over the last year, several webpages were frequently updated to address priority programs and water issues such as PFAS and the Groundwater Replenishment System.

Social Media

The District manages a robust social media program utilizing Facebook, X, formerly known as Twitter, LinkedIn, Instagram, and YouTube to further promote OCWD's projects, programs, and mission. The combined social media platforms engage more than 16,100 followers who learn about the District and local water supply. OCWD staff shares information on its platforms daily to ensure a consistent and frequent flow of communication.

Hydrospectives Newsletter

The monthly Hydrospectives newsletter provides the latest information about water quality and reliability, water reuse and supply, the watershed, and groundwater management to more than 4,100 subscribers. Each month the newsletter directs subscribers to various OCWD links.

Speakers Bureau

Through its active speakers bureau program, OCWD receives requests for representatives to go out to the community and speak to numerous organizations and schools, as well as at local, national, and international conferences. In FY 2022-23, staff and board members gave approximately 50 virtual and in-person presentations to community organizations, city councils and conferences.

Facility Tours

As a leader in water reuse and groundwater management, OCWD provides on-site tours and briefings for visitors from local colleges, water agencies, the surrounding community, and international organizations. In response to COVID-19 restrictions, in-person tours were temporarily suspended, except when deemed essential. To continue educating the public, and offering the convenience of a virtual format, OCWD is continuing to host virtual tours of the Groundwater Replenishment System through an interactive, behind-the-scenes look at the world-renowned facility. This virtual program features a video tour of the facility, followed by a live Q&A with OCWD experts. In March 2023, in-person tours resumed, while still offering the virtual format. More than 90 onsite and virtual tours were given to OCWD visitors during FY 2022-23, hosting more than 1,342 guests. Additionally, for those unable to attend a scheduled virtual or in-person tour, OCWD created on-demand tour videos that are available to view on the District's YouTube channel. To date, nearly 12,000 views have been garnered for the on-demand tour videos.

Water Webinars

OCWD has continued to build upon the success of its webinar program, first launched in May 2020, to bring water education to a broad range of stakeholders including a global audience. The District's Water Webinar series features emerging and newsworthy topics related to various aspects of water management and highlights important OCWD programs and projects that impact local water supply. Six webinars were completed in FY 2022-23. To date, OCWD has produced 28 live webinars, which have garnered approximately 15,000 views.

Media Outreach

Through its comprehensive programs spanning groundwater management, water quality, water recycling, research and development, and much more, OCWD continues to be recognized positively as a local, regional, statewide, national, and international water leader. OCWD actively writes and distributes press releases, participates in media interviews, and has been featured in thousands of print and broadcast stories such as *Orange County Register*, *Los Angeles Times*, *CBS News*, *CalMatters*, *The Epoch Times*, *ABC7*, *The Associated Press*, *The Washington Post*, *KPCC*, *MSN*, and many more. In FY 2022-23, media stories that featured OCWD had a combined reach of over 7.5 billion.

Awards & Accomplishments

OCWD is recognized globally for its leadership and innovation in water quality, water supply and reliability, groundwater management, the environment, and sound financial management. Its work has been recognized by local and international organizations and the District has received numerous awards over the years.

The following list of awards is representative of the acclaim and recognition bestowed on the District in FY 2022-23.

- Most Effective Agency on Federal Issues, Association of California Water Agencies (July 2022)
- Kevin J. Neese Award, PFAS Treatment Program, Groundwater Resources Association (September 2022)
- Water Treatment Project of the Year, American Society of Engineers – Orange County (October 2022)
- Project of the Year, Yorba Linda Water District PFAS Treatment Plant, American Society of Engineers – Orange County (October 2022)
- AMWA Platinum Award for Utility Excellence, Association of Metropolitan Water Agencies (October 2022)
- Outstanding Project Award, Yorba Linda Water District PFAS Treatment Plant, American Society of Civil Engineers – Region 9 (April 2023)
- Grand Prize for Design, Groundwater Replenishment System Final Expansion, American Academy of Environmental Engineers, and Scientists (April 2023)
- Outstanding Water/Wastewater Treatment Project, Groundwater Replenishment System Final Expansion, American Society of Engineers – Orange County (May 2023)
- Project of the Year, Groundwater Replenishment System Final Expansion, American Society of Engineers – Orange County (May 2023)
- Excellence in Innovation, Groundwater Replenishment System Final Expansion, Association of California Water Agencies (May 2023)
- Project Achievement Award, Innovation and Implementation of Technology, Groundwater Replenishment System Final Expansion, Construction Management Association of America (June 2023)

A complete list of awards dating back to 2003 can be found on the District's awards webpage.

RELEVANT FINANCIAL POLICIES

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met.

The concept of reasonable assurance recognizes that 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.

Accounting and Budgetary Policies

The District maintains its accounting records on an accrual basis. A great deal of consideration is given to the adequacy of internal accounting controls in developing and evaluating the District's accounting system. Internal accounting controls are designed to provide reasonable assurance regarding: (1) the safeguarding of District assets against theft or unauthorized use and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets.

The District's Board of Directors approves operating and capital budgets annually and allocates required funding accordingly prior to June 30 each fiscal year. The budget includes proposed expenses by department (function) and the means of financing them. Budgetary controls and evaluation are affected by comparisons of actual revenue and expenses with planned revenues and expenses for the period. The Board approves total budgeted appropriations and any amendments to the appropriations throughout the year. The District has adopted a Uniform Purchasing Policy that identifies agreed-upon purchasing standards.

Debt Management

The District's debt mainly consists of Certificates of Participation (COP), Refunding Revenue Bond (RRB), state loans, WIFIA loan, and commercial paper. The District has executed 18 issuances since 1989. Only four COP and RRB issuances are outstanding (2003A, 2017A&B, 2019A&B, C&D and 2021A) as of June 30, 2023. Other issuances are either advanced refunded, defeased, or refinanced with the help of state loans and Refunding Revenue Bonds.

During FY 2022-23, the District has drawn down \$1.72 million from the State Water Resource Control Board loans and \$115.36 million from the WIFIA loan agreement with the Environmental Protection Agency (EPA) for the construction of the final expansion of the GWRS project.

During FY 2021-22, the District issued \$94.42 million of 2021A debt to partially support the PFAS project. The District entered into a low rate WIFIA loan agreement with the Environmental Protection Agency (EPA) for the partial funding of the PFAS project, which will be used to retire the 2021A debt.

During FY 2020-21, the District entered into \$181.2 million construction installment sale agreements with the State Water Board. As of the year end June 30, 2022 the District has drawn \$124.3 million funds against these agreements. These construction loan agreements will fund part of the final expansion of the GWRS project.

During FY 2019-20, the District issued \$158.2 million of 2019C&D debt to refinance 2013A refunding revenue bonds and GWRSIE state loan debt that resulted in significant debt service savings.

During FY 2018-19, the District issued \$141.505 million of 2019A&B debt to partially support the final expansion of the GWRS project and partially refunded \$7.8 million of 2017B Certificate of Participation debt that resulted in debt service savings. The District entered into low rate WIFIA loan agreement with the Environmental Protection Agency (EPA) for the partial funding of the GWRS Final Expansion project.

During FY 2016-17, the District advance refunded \$125.985 million of 2009A Certificate of Participation debt with series 2017 A&B debt that resulted in approximately twenty million dollars in debt service savings.

During FY 2014-15, the District cash defeased \$26.8 million of 2005B Certificate of Participation debt. This resulted in a reduction of senior debt service by an average of \$3.4 million per year between FY 2015-16 and FY 2024-25 and reduced the FY 2015-16 Replenishment Assessment (RA) by \$10 per acre-foot.

During fiscal year 2013-14, the District used \$28.4 million of commercial paper debt to purchase land for the creation of La Palma basin. The District has \$12.9 million tax-exempt commercial paper debt currently outstanding from this purchase.

The District has a letter of credit and reimbursement agreement supporting a commercial paper program with Sumitomo Mitsui Banking Corporation. The District has a credit capacity of \$70.0 million less \$27.4 million outstanding commercial paper debt to meet its future financing needs through the commercial paper program. For FY 2023-24, the District has budgeted \$10 million of principal payment of commercial paper debt.

The District's rated debt obligations have received an AAA rating from Fitch Ratings and Standard & Poor's and an Aa1 rating from Moody's based on the District's long-term credit quality. The ratings mean the District is one of the highest rated water agencies in the State of California. Maintaining a high rating saves the District and local water ratepayers millions of dollars by allowing the District to borrow money more easily and at lower rates.

The high ratings reflect great confidence in the District's general and fiscal management and its leadership in the water industry. It bears truth to the District's competitive replenishment assessment rates, particularly in comparison to alternative water supply options, strong debt service coverage, and the District's ability to address Southern California's long-term water supply problems with new water projects like the GWRS.

OTHER INFORMATION

Independent Audit: The District's policy, as well as sound financial practice, requires an annual audit of financial records and transactions of all operations of the District by independent certified public accountants selected by the Board of Directors. The accounting firm of LSL CPAs was selected to perform the (FY 2022-23) audit. The auditor's opinion is included in this report.

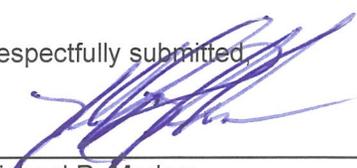
Awards: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Orange County Water District for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2022. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year. We believe our current ACFR continues to meet the Certificate of Achievement requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate of achievement.

The preparation of a comprehensive annual financial report on a timely basis is a large task, made possible only by the combined efforts of many persons. Employees of the Finance Department deserve special recognition. Without their efforts, the completion of this report would not have been possible.

We would also like to thank and recognize the members of the Board of Directors and especially the Administration and Finance Committee members for their continued support in the planning and implementation of the District's fiscal policies.

Respectfully submitted,

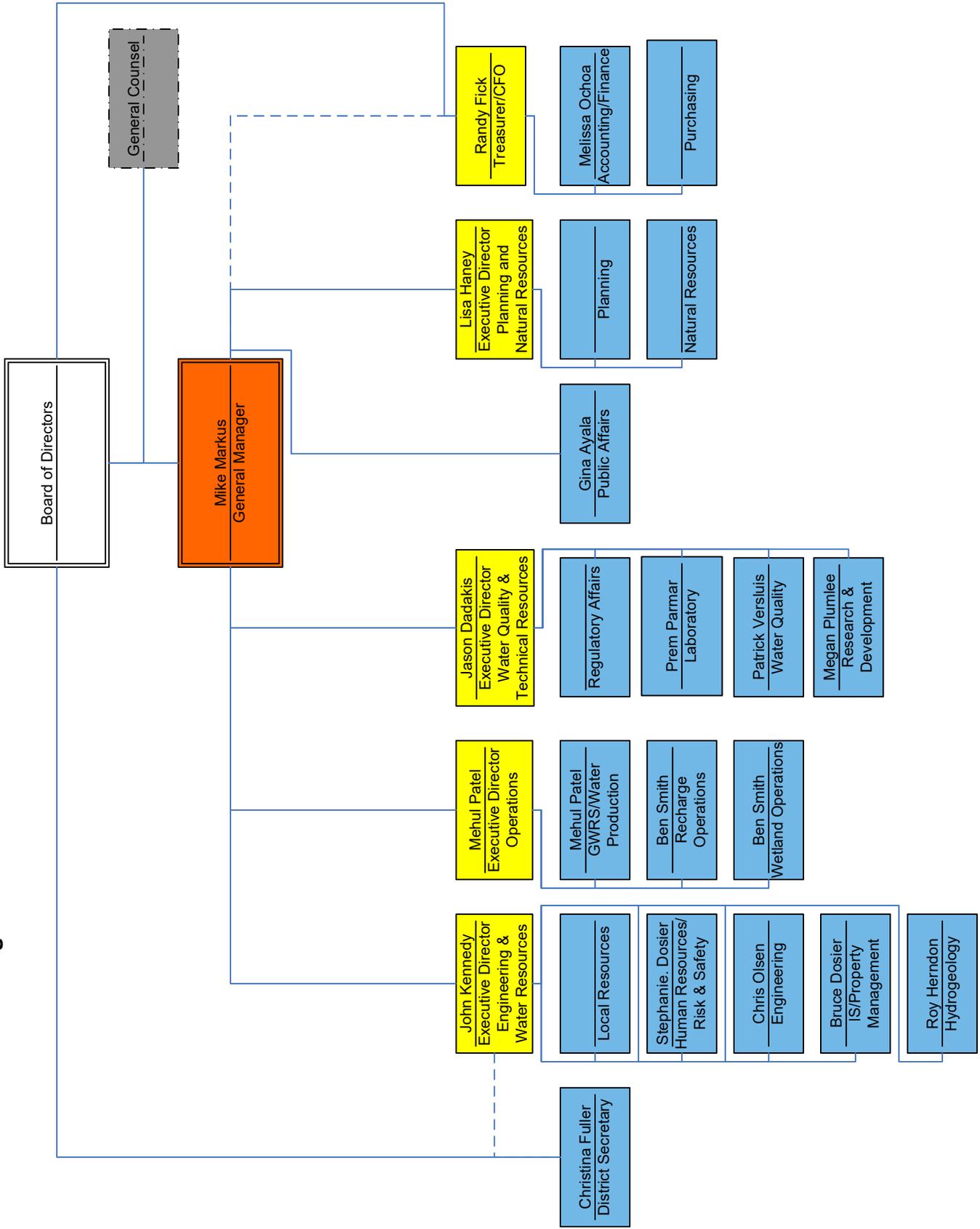


Michael R. Markus
General Manager



Randy Fick
Chief Financial Officer/Treasurer

OCWD Organizational Structure





**Orange County Water District
Comprehensive Annual Financial Report
Fiscal Year 2022-23**

Board of Directors

Dina Nguyen, Esq., Division 1

Denis Bilodeau, P.E., 1st Vice President, Division 2

Roger Yoh, P.E., Division 3

Van Tran, Esq., 2nd Vice President, Division 4

Stephen Sheldon, Division 5

Cathy Green, President, Division 6

Kelly Rowe, CFM, P.G., C.E.G., C.H., Division 7

Valerie Amezcua, Division 8

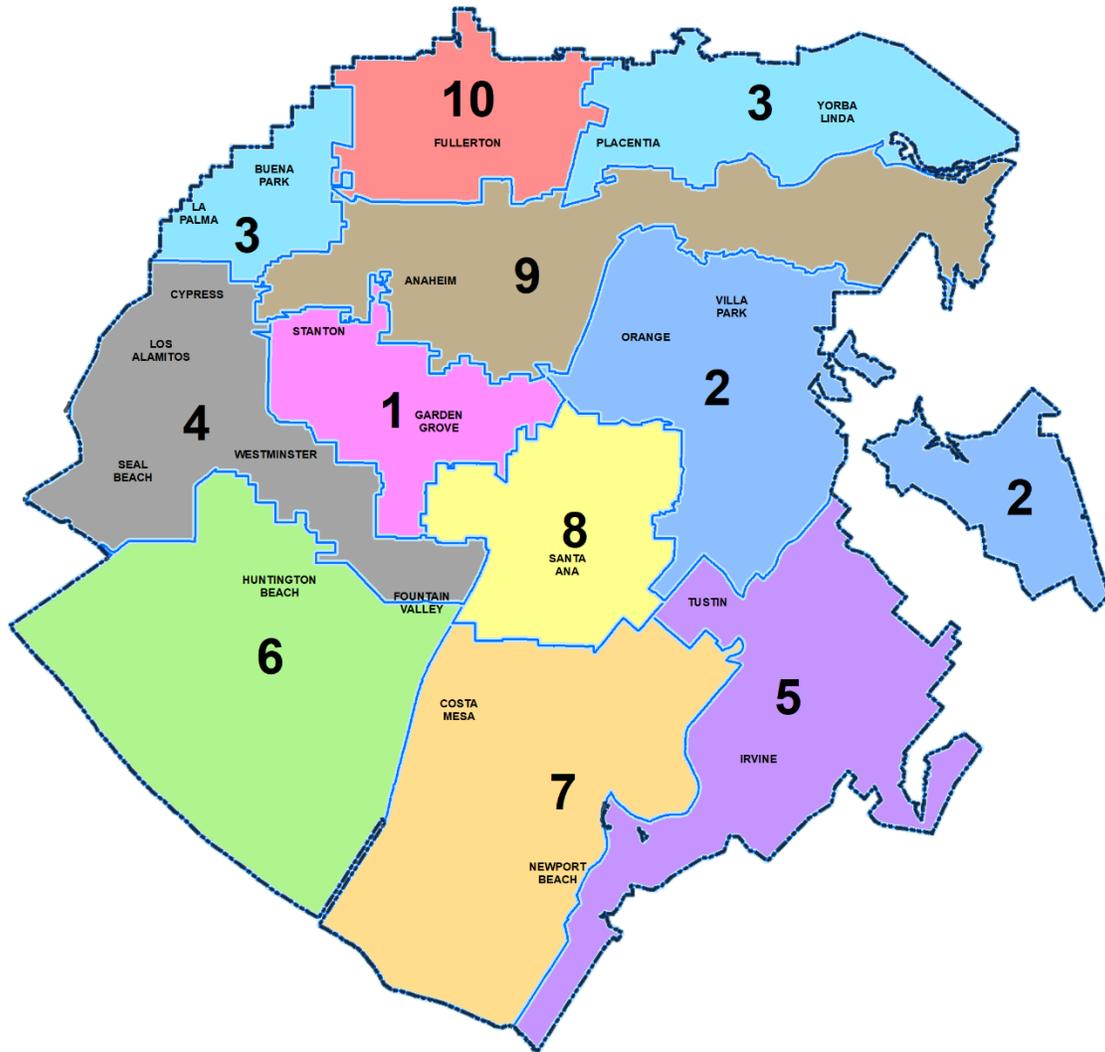
Natalie Meeks, Division 9

Bruce Whitaker, Division 10



Michael R. Markus, P.E., D.WRE, BCEE, F.ASCE.
General Manager

ORANGE COUNTY WATER DISTRICT



DISTRICT VITAL STATISTICS

Date of Enactment: 1933
 Form of Government: Special District of the State of California
 Area (square miles): 381
 Employees (full-time): 226.5

Major Groundwater Producing Agencies:

- | | |
|-----------------------------------|----------------------------|
| Anaheim, City of | Mesa Water District |
| Buena Park, City of | Newport Beach, City of |
| East Orange County Water District | Orange, City of |
| Fountain Valley, City of | Santa Ana, City of |
| Fullerton, City of | Seal Beach, City of |
| Garden Grove, City of | Serrano Water District |
| Golden State Water Company | Tustin, City of |
| Huntington Beach, City of | Westminster, City of |
| Irvine Ranch Water District | Yorba Linda Water District |
| La Palma, City of | |



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Orange County Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Orange County Water District
Fountain Valley, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Orange County Water District, (the "District"), as of and for the year ended June 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2023, and the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *State Controller's Minimum Audit Standards for California Special Districts*. 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 District 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.

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 District'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 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material



To the Board of Directors
Orange County Water District
Fountain Valley, California

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 generally accepted auditing standards, *Government Auditing Standards* and the *State Controller's Minimum Audit Standards for California Special Districts*, 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 and the other postemployment benefits schedules, as listed on the table of contents, 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.

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 opinions 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 audit 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.



To the Board of Directors
Orange County Water District
Fountain Valley, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California
October 16, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights for Year Ended June 30, 2023

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ORANGE COUNTY WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

The following summary analysis is a brief discussion of the Orange County Water District's (District) performance that provides an overview of the District's financial activities for the year ended June 30, 2023. This section should be read in conjunction with the financial statements and the notes to the financial statements, which follow this analysis.

Financial Highlights

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$472.68 million (net position), representing \$151.26 million in net investment in capital assets, \$2.89 million for restricted for construction of capital assets \$0.014 million restricted for debt service, \$1.97 million restricted for custodial costs and \$316.53 million unrestricted for operations. Net position decreased \$33.05 million or 6.53%, in 2023 over the prior year.
- In 2023, total operating revenues increased 4.52%, or \$6.25 million, from the prior year, primarily due to a \$6.13 million increase in revenues for replenishment assessments, a \$0.71 million increase in basin equity assessments and a \$0.59 million decrease in reclaimed water revenues. The Board approved the replenishment assessment rate of \$558 per acre-foot and pumping decreased 5.07% from 256,921 acre-feet to 245,202 acre-feet due to the reduction in water demands related to several groundwater producer wells that have been taken out of service due to exceeding the response level being set by the state of California for perfluorooctanoic acid ("PFOA") and perfluorooctane sulfonate ("PFOS").
- Total operating expenses increased \$13.45 million or 9.48% in 2023 due to a \$1.5 million decrease in water purchases, which is offset by the increase in water production of \$10.54 million, a \$1.93 million increase in administrative expenses, and a \$1.63 million increase in PFAS treatment systems operations and maintenance expenses. The District purchased 16,865 acre-feet of untreated imported water from the Metropolitan Water District in 2023 in anticipation of another dry year.
- The District's non-operating revenues, net of expenses increased \$17.14 million, or 113.75%, from the prior year due to an increase in investment income of \$6.76 million and an \$8.28 million decrease in the market-to-market adjustment of the District's investments in 2023.
- Total short-term debt is \$27.4 million in 2023, as compared to \$33.48 million in the prior year. The decrease of \$6.08 million or 18.15% is due to principal payments.
- Total long-term debt is \$842.43 million in 2023, as compared to \$861.30 million in the prior year. The decrease of \$18.87 million or 2.19% is primarily due to voluntary scheduled principal payments.

Overview of the Financial Statements

The District operates as a utility enterprise and presents its financial statements using the full accrual basis of accounting. The basic financial statements of the District consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position includes all District'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 creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

ORANGE COUNTY WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

The Statement of Revenues, Expenses, and Changes in Net Position provides information on the District's operations and can be used to determine whether the District has recovered its costs through its rates and other charges. This statement can also be used to determine the District credit worthiness and profitability.

The Statement of Cash Flows provides information regarding the District's cash receipts and cash payments and changes in cash resulting from operations, non-capital financing, capital and related financing, and investment activities and provides information on the sources and uses of the District's cash.

Notes to the basic financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 25 to 54 of this report.

Other information includes *required supplementary information* concerning the District's progress in funding its obligations to provide Other Post-Employment Benefits to its employees. Required supplementary information can be found on pages 56 to 57 of this report.

Financial Analysis of the District

The following Condensed Statements of Net Position and Condensed Statements of Revenues, Expenses and Changes in Net Position provide summary financial information which was extracted from the basic financial statements to assist readers in evaluating the District's overall financial position and results of operations as described in this analysis.

Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other external factors should be considered in this analysis such as changes in economic conditions, new or changed government legislation or accounting standards, population growth, and zoning.

Financial Position Summary

Table 1 - Condensed Statements of Net Position				
	Fiscal Year 2023	Fiscal Year 2022	\$ Change	% Change
Assets:				
Current assets	\$ 392,000,104	\$ 494,793,774	\$ (102,793,670)	-20.78%
Capital assets	999,829,618	967,326,441	32,503,177	3.36%
Other non-current assets	17,574,703	22,238,514	(4,663,811)	-20.97%
Total assets	1,409,404,425	1,484,358,729	(74,954,304)	-5.05%
Deferred outflows of resources	18,027,650	20,803,178	(2,775,528)	-13.34%
Liabilities:				
Current liabilities	111,912,375	107,822,066	4,090,309	3.79%
Long-term debt	807,033,007	846,454,152	(39,421,145)	-4.66%
Other long-term liabilities	12,849,648	15,863,318	(3,013,670)	-19.00%
Total liabilities	931,795,030	970,139,536	(38,344,506)	-3.95%
Deferred inflows of resources	22,961,577	29,300,800	(6,339,223)	-21.63%
Net position:				
Net investment in capital assets	151,262,495	192,992,630	(41,730,135)	-21.62%
Restricted for construction of capital assets	2,894,945	75,757,045	(72,862,100)	-96.18%
Restricted for debt service	14,435	234	14,201	6068.80%
Restricted for custodial costs	1,974,922	9,238,327	(7,263,405)	-78.62%
Unrestricted	316,528,671	227,733,335	88,795,336	38.99%
Total net position	\$ 472,675,468	\$ 505,721,571	\$ (33,046,103)	-6.53%

ORANGE COUNTY WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$472.68 million on June 30, 2023, compared with \$505.72 million on June 30, 2022. The District's net position decreased by \$33.05 million for the year.

A portion of the District's net position (32% and 38% as of June 30, 2023, and 2022, respectively) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that are still outstanding. The District uses the capital assets to provide services to its customers; consequently, these assets are not available for future spending.

The District's net position includes \$2.89 million restricted for construction of capital assets as of June 30, 2023.

At the end of the fiscal year 2023, the District reflects a balance of \$0.014 million restricted for debt service payments.

An additional portion of the District's net position of \$1.97 million and \$9.24 million as of June 30, 2023, and 2022, respectively, are for custodial costs, which represent resources that are subject to external restrictions on how they may be used.

At the end of fiscal years 2023 and 2022, the District reflects a positive balance in its unrestricted net position of \$316.53 million and \$227.73 million, respectively, which may be utilized in future years.

Activities and Changes in Net Position

Table 2 - Condensed Statements of Revenues, Expenses and Changes in Net Position				
	Fiscal Year 2023	Fiscal Year 2022	\$ Change	% Change
Operating revenues	\$ 144,651,494	\$ 138,402,212	\$ 6,249,282	4.52%
Operating expenses	155,295,626	141,847,855	13,447,771	9.48%
Operating loss	(10,644,132)	(3,445,643)	(7,198,489)	208.92%
Non-operating revenues, net of expenses	32,198,800	15,063,530	17,135,270	113.75%
Net income before capital contributions	21,554,668	11,617,887	9,936,781	85.53%
Capital contributions from other parties	641,683	11,063,991	(10,422,308)	-94.20%
Capital contributions to other parties	(55,381,034)	-	(55,381,034)	0.00%
Changes in net position	(33,184,683)	22,681,878	(55,866,561)	-246.30%
Net position, beginning of year	505,721,571	482,739,443	22,982,128	4.76%
Prior period adjustment	138,580	300,250	(161,670)	-53.85%
Net position, beginning of year restated	505,860,151	483,039,693	22,820,458	4.72%
Net position, end of year	\$ 472,675,468	\$ 505,721,571	\$ (33,046,103)	-6.53%

The statements of revenues, expenses, and changes in net position indicate how the District's net position changed during the fiscal year. The current year changes are noted below.

Total operating revenues increased \$6.25 million or 4.52% from the prior year due to the following:

- Replenishment assessments increased \$6.13 million. Total pumping decreased 5.07% from 258,013 acre-feet to 244,930 acre-feet and the board approved replenishment assessment rate increased from \$507 to \$558 per acre-foot. The reduction in groundwater pumping is primarily due to the high rainfall this year and the continued reduction in water demands related to several groundwater producer wells that have been taken out of service due to exceeding the response level being set by the state of California for perfluorooctanoic acid ("PFOA") and perfluorooctane sulfonate ("PFOS").

ORANGE COUNTY WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

- Basin Equity assessments increased by \$0.71 million due to more pumping from various coastal producers. The District received approval to increase the BPP from 77% to 85% this year to incentivize pumping.
- Reclaimed water revenues decreased by \$0.59 million from the prior year due to decreases in demand for recycled water due to wet weather.

Total operating expenses increased 9.48% or \$13.45 million from prior year due to the following:

- Water purchases decreased by \$1.50 million, as a result of the District purchasing 16,865 acre-feet of untreated imported Metropolitan Water this fiscal year to recharge the groundwater basin with the anticipation of another dry winter.
- Water production expenses increased by \$10.54 million, which is the result of increased rates and usage of electrical power and chemicals used by the Groundwater Replenishment System. For the year ending June 30, 2023, the Groundwater Replenishment System production increased from 92,561 acre-feet to 101,950 acre-feet of water.
- General and administrative expenses increased to \$1.93 million for daily operations.

The District's non-operating revenues, net of expenses, increased \$17.14 million or 113.75%, which is primarily due to a \$8.28 million decrease in market-to-market adjustments in the District's investments and a \$6.76 million increase in investment income.

In 2023, the District's capital contributions from other parties decreased by \$10.42 million from the prior year and capital contributions to other parties increased by \$55.38 million for PFAS treatment plants.

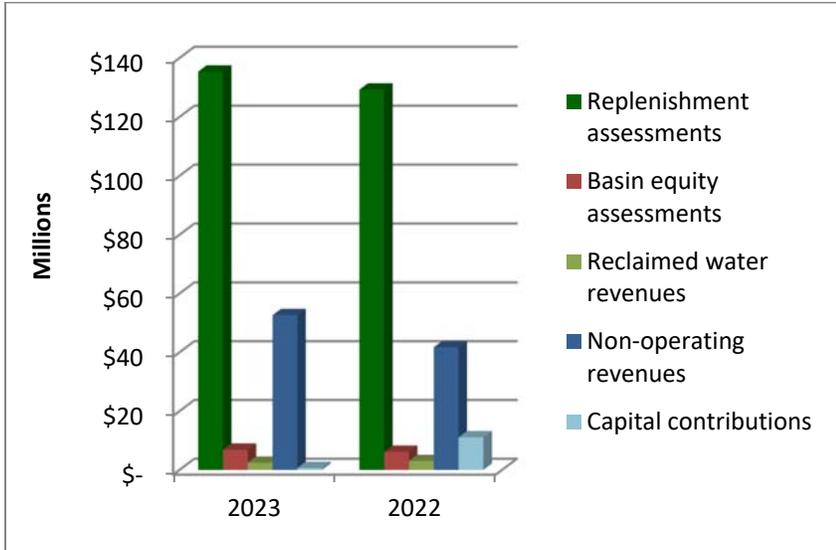
Revenues

Table 3 - Total Revenues				
	Fiscal Year 2023	Fiscal Year 2022	\$ Change	% Change
Operating revenues:				
Replenishment assessments	\$ 135,370,694	\$ 129,244,848	\$ 6,125,846	4.74%
Basin equity assessments	6,851,209	6,136,462	714,747	11.65%
Reclaimed water revenues	2,429,591	3,020,902	(591,311)	-19.57%
Total operating revenues	144,651,494	138,402,212	6,249,282	4.52%
Non-operating revenues:				
Property taxes	35,807,406	33,535,212	2,272,194	6.78%
Investment income	7,782,227	1,026,960	6,755,267	657.79%
Rental income, net of expenses	1,729,446	1,642,856	86,590	5.27%
Legal settlements, net of expenses	2,939,851	713,765	2,226,086	311.88%
Other non-operating revenues	3,659,100	3,560,332	98,768	2.77%
Operating grants	716,741	1,242,800	(526,059)	-42.33%
Total non-operating revenues	52,634,771	41,721,925	10,912,846	26.16%
Capital contributions from other parties	641,683	11,063,991	(10,422,308)	-94.20%
Total revenues	\$ 197,927,948	\$ 191,188,128	\$ 6,739,820	3.53%

In 2023, the District's total revenues increased by \$6.74 million or 3.53%, primarily due to the net effect of a \$6.13 million increase in replenishment assessments, a \$0.71 million increase in basin equity assessments, a \$0.59 million decrease in reclaimed water revenues, a \$10.91 million increase in non-operating revenues, and a \$10.42 decrease in capital contributions.

ORANGE COUNTY WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Total Revenues
(Fiscal Year 2023 and 2022)



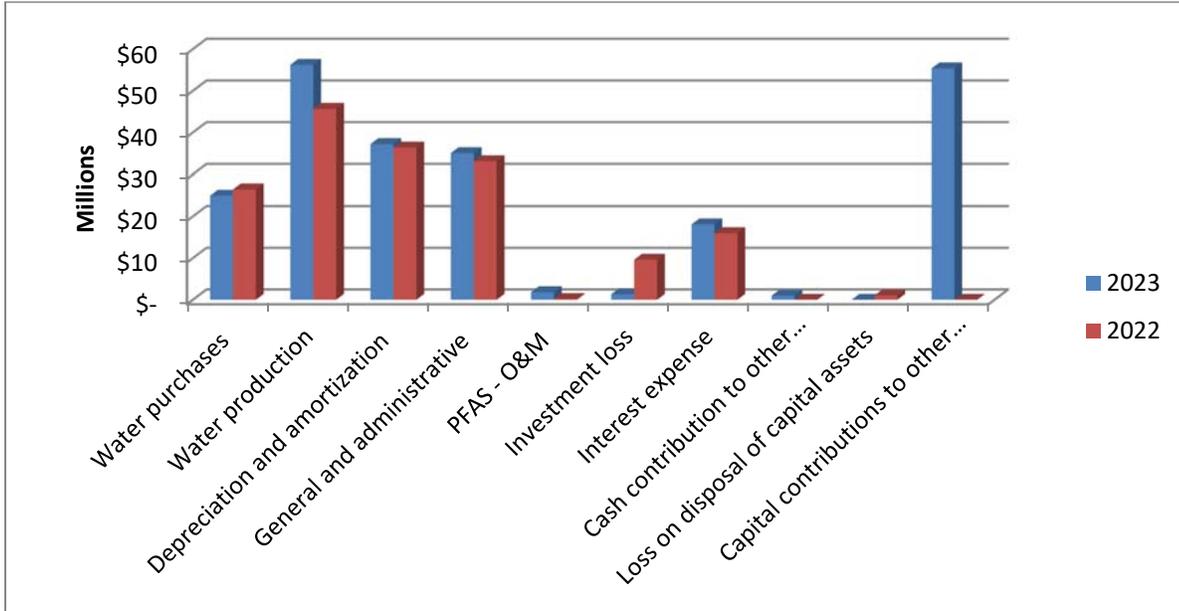
Expenses

Table 4 - Total Expenses				
	Fiscal Year 2023	Fiscal Year 2022	\$ Change	% Change
Operating expenses:				
Water purchases	\$ 24,975,628	\$ 26,478,304	\$ (1,502,676)	-5.68%
Water production	56,223,843	45,687,660	10,536,183	23.06%
Depreciation and amortization	37,228,667	36,374,752	853,915	2.35%
General and administrative	35,047,648	33,118,167	1,929,481	5.83%
PFAS - operations and maintenance	1,819,840	188,972	1,630,868	863.02%
Total operating expenses	155,295,626	141,847,855	13,447,771	9.48%
Non-operating expenses:				
Net decrease in fair market value of investments	1,344,265	9,622,761	(8,278,496)	-86.03%
Interest expense	18,089,978	15,985,087	2,104,891	13.17%
Cash contribution to City of Santa Ana	1,000,000	-	1,000,000	-
Loss on disposal of capital assets	1,728	1,050,547	(1,048,819)	-99.84%
Total non-operating expenses	20,435,971	26,658,395	(6,222,424)	-23.34%
Capital contributions to other parties	55,381,034	-	55,381,034	-
Total expenses	\$ 231,112,631	\$ 168,506,250	\$ 62,606,381	37.15%

ORANGE COUNTY WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

In 2023, the District's total expenses increased by \$62.61 million or 37.15%, mainly due to an increase in water production of \$10.54 million and a \$55.38 million increase in capital contributions to other parties.

Total Expenses
(Fiscal Year 2023 and 2022)



Capital Assets

As of the fiscal year ended June 30, 2023, the District had invested \$1,671.79 million in capital assets, including land, water rights, structures and improvements, infrastructure, equipment, construction in progress, right-to-use leased equipment, and subscription-based assets. Capital additions, net of transfers and retirements totaled \$69.23 million and \$152.39 million were made during the fiscal years ended June 30, 2023, and 2022, respectively.

In 2023, net capital assets increased by \$32.50 million or 3.36%, primarily due to the construction of the Groundwater Replenishment System Final Expansion project and the construction of the PFAS Treatment Facilities. The main reasons for these capital additions were construction in progress, equipment, structure, and infrastructure improvements on various water basin/water recycling projects in the fiscal year ended 2023.

The District added \$0.54 million in subscription-based assets, in accordance with GASB Statement No. 96.

Net capital assets retired were \$0.01 million and \$0.17 million during the years June 30, 2023, and 2022, respectively.

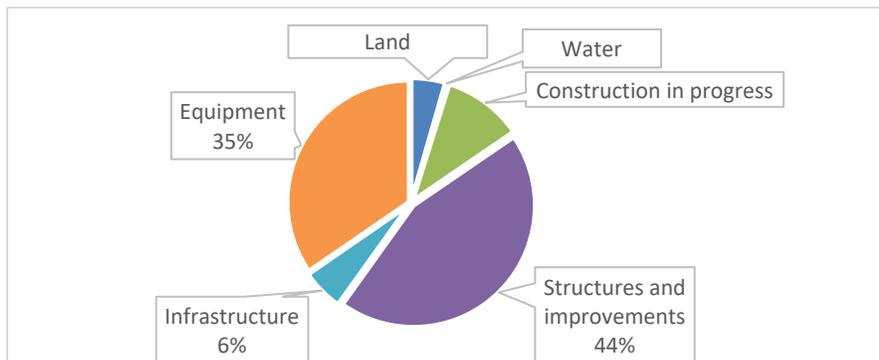
ORANGE COUNTY WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

The following is a summary of the capital assets on June 30, 2023 and June 30, 2022, respectively:

Table 5 - Capital Assets				
	Fiscal Year 2023	Fiscal Year 2022	\$ Change	% Change
Land	\$ 74,146,171	\$ 74,146,171	\$ -	0.00%
Water Rights	6,823,570	6,823,570	-	0.00%
Construction in progress	177,194,655	371,083,459	(193,888,804)	-52.25%
Structures and improvements	742,711,001	737,574,183	5,136,818	0.70%
Infrastructure	92,064,968	92,064,968	-	0.00%
Equipment	578,233,642	320,247,855	257,985,787	80.56%
Lease assets	76,688	20,413	56,275	-
Subscription based assets	541,631	-	541,631	-
Subtotal	1,671,792,326	1,601,960,619	69,831,707	4.36%
Less: accumulated depreciation/amortization	(671,962,708)	(634,634,178)	(37,328,530)	5.88%
Total capital assets, net	\$ 999,829,618	\$ 967,326,441	\$ 32,503,177	3.36%

Additional information can be found in Note 4 for Capital Assets of the notes to financial statements.

Capital Assets



Debt Administration

On June 30, 2023, the District had \$27.40 million of commercial paper short-term debt outstanding compared to \$33.48 million at the fiscal year ended June 30, 2022. This amount represents a decrease of \$6.08 million in principal payments.

On June 30, 2023, the District had \$842.43 million in long-term debt outstanding compared to \$861.30 million at the fiscal year ended June 30, 2022. It includes loans from the State of California, revenue refunding bonds, and installment purchase agreements associated with certificates of participation. This amount represents a net decrease of \$18.87 million or 2.19% from the prior year, primarily due to the construction of the Groundwater Replenishment System Final Expansion project, which consists of a \$115.36 million increase in WIFIA loan proceeds reduced by \$120.8 million for principal payments in certificates of participation and \$8.85 million of principal payments to the State Water Resource Control Board during the fiscal year.

ORANGE COUNTY WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

The following is a summary of total debt on June 30, 2023, and June 30, 2022, respectively:

Table 6 - Short-Term Debt				
	Fiscal Year 2023	Fiscal Year 2022	\$ Change	% Change
Commercial paper	27,400,000	33,476,000	(6,076,000)	-18.15%

Table 7 - Long-Term Debt				
	Fiscal Year 2023	Fiscal Year 2022	\$ Change	% Change
Certificates-of-Participation	\$ 257,021,531	\$ 376,168,826	\$ (119,147,295)	-31.67%
Revenue refunding bonds	273,201,785	281,163,924	(7,962,139)	-2.83%
State of California loans	196,845,121	203,966,837	(7,121,716)	-3.49%
WIFIA loan	115,360,165	-	115,360,165	-
Total	\$ 842,428,602	\$ 861,299,587	\$ (18,870,985)	-2.19%

The District's rated debt obligations have received the following ratings from the three major credit rating agencies:

Fitch Ratings: AAA
 Moody's: Aa1
 Standard & Poor's: AAA

Additional information can be found in Note 8 for Long-Term Debt and Note 9 for Short-Term debt of the notes to financial statements.

Next Year's Budget and Rates

The Board of Directors approved the budget for the fiscal year 2023-24. The budget included \$97.8 million for operations, \$3.5 million for PFAS O&M expenditure, \$101.1 million for capital projects, \$0.3 million for new equipment, \$6.2 million for water purchases, \$44.4 million for debt service, \$0.6 million for retiree health expenditures and \$25.2 million for Replacement and Refurbishment (R&R) fund expenditure.

The Board approved a Replenishment Assessment rate of \$624 per acre-foot or an 11.8% increase and the basin production percentage remains at 85%.

A multi-year construction-in-progress (CIP) budget of \$101.1 million was adopted. These CIP projects will be funded through long-term debt, grants, and the District will be funding \$47.7 million pay-as-you-go from the general fund.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance department, at the Orange County Water District, 18700 Ward Street, Fountain Valley, California, 92708.

BASIC FINANCIAL STATEMENTS

Statement of Net Position
Statement of Revenues, Expense, and Changes in Net Position
Statement of Cash Flows
Notes to Basic Financial Statements

ORANGE COUNTY WATER DISTRICT
Statement of Net Position
June 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

UNRESTRICTED ASSETS:

Cash and cash equivalents	\$ 61,245,251
Investments	228,281,053
Accounts receivable	72,663,787
Accrued interest receivable	1,404,759
Inventory	4,819,812
Prepaid expenses	810,495
Grants receivables	1,405,582
Current portion of notes receivable	305,640
Leases receivable, due in less than one year	1,378,042
TOTAL UNRESTRICTED ASSETS	<u>372,314,421</u>

RESTRICTED ASSETS:

Cash and cash equivalents	2,094,523
Cash with fiscal agent	16,016,885
Custodial escrow retention	1,574,275
TOTAL RESTRICTED ASSETS	<u>19,685,683</u>

TOTAL CURRENT ASSETS	<u>392,000,104</u>
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NONCURRENT ASSETS:

CAPITAL ASSETS:

Capital assets, not depreciated	258,164,396
Capital assets, depreciated, net	741,665,222
TOTAL CAPITAL ASSETS	<u>999,829,618</u>

OTHER NONCURRENT ASSETS:

Notes receivable, less current portion above	4,278,964
Leases receivable, due in more than one year	13,295,739
TOTAL OTHER NONCURRENT ASSETS	<u>17,574,703</u>

TOTAL NONCURRENT ASSETS	<u>1,017,404,321</u>
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TOTAL ASSETS	<u>1,409,404,425</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts from OPEB	4,818,115
Deferred charges on refunding	7,706,668
Derivative instruments	5,502,867
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>18,027,650</u>

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

ORANGE COUNTY WATER DISTRICT
Statement of Net Position (Continued)
June 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES:

PAYABLE FROM UNRESTRICTED CURRENT ASSETS:

Accounts payable and accrued expenses	37,632,998
Accrued interest payable	6,413,670
Grants payable	2,577,462
Deposits	82,829
Retention payable	120,022
Current portion of compensated absences	557,136
Current portion of long-term debt	35,393,278
Short-term commercial paper	27,400,000
Leases payables, due in less than one year	17,280
Subscription-related payables, due in less than one year	143,425

TOTAL PAYABLE FROM

UNRESTRICTED CURRENT LIABILITIES:

110,338,100

PAYABLE FROM RESTRICTED ASSETS:

Retentions payable	1,574,275
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TOTAL PAYABLE FROM RESTRICTED ASSETS:

1,574,275

TOTAL CURRENT LIABILITIES

111,912,375

NONCURRENT LIABILITIES:

LONG-TERM DEBT:

Certificates of participation	257,021,531
Revenue refunding bonds	273,201,785
State of California loans payable	196,845,121
WIFIA loan	115,357,848
Subtotal	842,426,285

Less: current portion above	35,393,278
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TOTAL LONG-TERM DEBT

807,033,007

OTHER NONCURRENT LIABILITIES:

Net other post-employment benefits (OPEB) liability	920,921
Accrued compensated absences	6,376,661
Liability from derivative instruments	5,502,867
Leases payable, due in more than one year	4,152
Subscriptions payable, due in more than one year	45,047

TOTAL OTHER NONCURRENT LIABILITIES

12,849,648

TOTAL NONCURRENT LIABILITIES

819,882,655

TOTAL LIABILITIES

931,795,030

DEFERRED INFLOWS OF RESOURCES

Deferred amounts from OPEB	8,335,517
Deferred charges on refunding	560,190
Deferred inflows related to leases	14,065,870

TOTAL DEFERRED INFLOWS OF RESOURCES

22,961,577

NET POSITION

Net investment in capital assets	151,262,495
Restricted for the construction of capital assets	2,894,945
Restricted for debt service	14,435
Restricted for custodial costs	1,974,922
Unrestricted	316,528,671

TOTAL NET POSITION

\$ 472,675,468

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

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ORANGE COUNTY WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

OPERATING REVENUES:	
Replenishment assessments	\$ 135,370,694
Basin equity assessments	6,851,209
Reclaimed water revenue	2,429,591
TOTAL OPERATING REVENUES	<u>144,651,494</u>
OPERATING EXPENSES:	
Water purchases	24,975,628
Water production	56,223,843
Depreciation and amortization	37,228,667
General and administrative	35,047,648
PFAS - operations and maintenance	1,819,840
TOTAL OPERATING EXPENSES	<u>155,295,626</u>
OPERATING INCOME (LOSS)	<u>(10,644,132)</u>
NONOPERATING REVENUES (EXPENSES):	
Property taxes	35,807,406
Investment income	7,782,227
Net increase (decrease) in the fair value of investments	(1,344,265)
Rental income, net of expenses	1,729,446
Legal settlements, net of expenses	2,939,851
Other nonoperating revenues, net of expenses	3,659,100
Operating grants	716,741
Interest expense	(18,089,978)
Cash contribution to City of Santa Ana	(1,000,000)
Gain (loss) on disposal of capital assets	(1,728)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>32,198,800</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	21,554,668
CAPITAL CONTRIBUTIONS FROM OTHER PARTIES	641,683
CAPITAL CONTRIBUTIONS TO OTHER PARTIES	<u>(55,381,034)</u>
CHANGES IN NET POSITION	<u>(33,184,683)</u>
NET POSITION - BEGINNING OF YEAR	505,721,571
PRIOR PERIOD ADJUSTMENT	<u>138,580</u>
NET POSITION - BEGINNING OF YEAR, AS ADJUSTED	<u>505,860,151</u>
NET POSITION - END OF YEAR	<u>\$ 472,675,468</u>

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

ORANGE COUNTY WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 158,773,717
Cash payments to suppliers for goods and services	(103,439,431)
Cash payments to employees for services	(29,100,267)
Rental income, net of expenses	1,729,446
Legal settlements, net of expenses	2,939,851
Payments received from operating grants	1,989,886
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>32,893,202</u></u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash received from property taxes	35,807,406
Cash contributions to other agencies	(1,000,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u><u>34,807,406</u></u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(124,624,845)
Capital contributions	641,683
Proceeds from sale of capital assets	2,446
Principal paid on commercial paper	(6,076,000)
Proceeds from loans payable	117,083,569
Principal paid on long-term debt	(14,842,437)
Refunding of long-term debt	(114,810,000)
Interest paid on long-term debt	(22,503,071)
Proceeds from lease receivables	1,259,949
Payments on lease and subscription-related payables	(154,949)
Other capital related activities	(2,627,007)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u><u>(166,650,662)</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment purchases	(32,050,616)
Interest on investments	6,760,221
Repayments received from notes receivable	305,640
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u><u>(24,984,755)</u></u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(123,934,809)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>204,865,743</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 80,930,934</u></u>

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

ORANGE COUNTY WATER DISTRICT
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2023

RECONCILIATION OF OPERATING LOSS TO NET	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating loss	\$ (10,644,132)
Adjustments to reconcile operating loss	
net cash provided (used) by operating activities:	
Depreciation and amortization	37,228,667
Other nonoperating revenues	2,554,100
Operating grants	1,989,886
Rental income, net of expenses	1,729,446
Legal settlements, net of expenses	2,939,851
Change in assets and liabilities	
(Increase) decrease in accounts receivables	11,854,644
(Increase) decrease in inventory	152,570
(Increase) decrease in prepaid expenses	46,880
Increase (decrease) in Deferred outflows of resources -	
Deferred amounts from OPEB	(1,784,544)
(Increase) decrease in other post-employment	
benefits (OPEB) asset	4,213,841
Increase (decrease) in accounts payable	
and accrued expenses	(5,119,301)
Increase (decrease) in retentions payable	(7,339,851)
Increase (decrease) in deposits payable	(88,635)
Increase (decrease) in accrued compensated absences	59,452
Increase (decrease) in Deferred inflows of resources -	
Deferred amounts from OPEB	(4,899,672)
Total Adjustments	<u>43,537,334</u>
 NET CASH PROVIDED (USED) BY	
OPERATING ACTIVITIES	<u>\$ 32,893,202</u>
 CASH AND CASH EQUIVALENTS -	
FINANCIAL STATEMENT CLASSIFICATION:	
Unrestricted assets	\$ 61,245,251
Restricted assets	
Cash and cash equivalents and Cash with fiscal agent	18,111,408
Custodial escrow retention	<u>1,574,275</u>
 TOTAL CASH AND CASH EQUIVALENTS-	
FINANCIAL STATEMENT CLASSIFICATION	<u>\$ 80,930,934</u>
 NONCASH INVESTING, CAPITAL	
AND FINANCING ACTIVITIES:	
Amortization of (discounts) premiums and deferred amounts on refunding	\$ (18,461,643)
Net increase (decrease) in the fair value of investments	9,622,761
Gain/(Loss) on disposal of capital assets	(1,728)
Capital contributions to other agencies	(55,381,034)
Capital contributions from other agencies	641,683

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

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NOTES TO BASIC FINANCIAL STATEMENTS

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Description of the District

The Orange County Water District (the District) was formed by a special act of the California State Legislature in 1933. The District was formed because of the heavy overdraft of the Orange County groundwater supply and excessive diversion of the Santa Ana River by users upstream from the County of Orange. The major functions of the District are the management of the Orange County groundwater basin, the conservation of the basin groundwater and the protection of Orange County's water rights in the natural flows of the Santa Ana River. The legal boundaries of the District lie wholly within the County of Orange, California. Administration and operation of the District are conducted through a Board of Directors representing ten divisions, with seven being duly elected at large and three appointed.

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

The District's reporting entity includes the Orange County Water District Public Facilities Corporation (the Public Facilities Corporation). Although the District and the Public Facilities Corporation are legally separate entities, the District's Board of Directors is financially responsible for the Public Facilities Corporation and, therefore, the accompanying financial statements include the accounts and records of the Public Facilities Corporation using the blending method a required by accounting principles generally accepted in the United States of America. There are no separate financial statements for the Public Facilities Corporation.

B. Basic Financial Statements

The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows, and the notes to the basic financial statements.

C. Measurement Focus and Basis of Accounting

Proprietary Fund

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. The basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The proprietary fund financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic resources measurement focus all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the statement of net position. The statement of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Enterprise Fund

An enterprise fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to producers for replenishment assessments, basin equity assessments, and water sales. Operating expenses for the District include water purchases, water production, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues consist of property taxes, rental income, investment income, and other miscellaneous revenues.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Net Position

In the statement of net position, net position is classified into the following categories:

- Net Investment in Capital Assets – This amount is the District's net investment in its various capital assets and includes capital assets net of accumulated depreciation/amortization and capital-related deferred outflows of resources and reduced by capital-related borrowings, payables, and deferred inflows of resources.
- Restricted – These amounts are restricted for custodial costs due to third parties, debt service, and construction of capital assets.
- Unrestricted – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted.”

E. Net Position Flow Assumption

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

F. New Accounting Pronouncements

Current Year Standards

GASB 91, Conduit Debt Obligations

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

GASB 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

GASB 96, Subscription-Based Information Technology Arrangements

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

G. Property Taxes and Assessments

Property taxes and assessments are billed by the County of Orange to property owners. The amount apportioned to the District each year is based upon the District's tax receipts for the three year period ended June 30, 1978, in relation to total County tax receipts and is adjusted annually for area growth. The District's property tax calendar for the fiscal year ended June 30, 2023, were as follows:

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

The County collects the taxes from the property owners and remits the funds to the District periodically during the year.

H. Inventory

Inventory consists primarily of supplies and parts and is valued at a weighted-average cost under the consumption method.

I. Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

J. Capital Assets

Capital assets purchased or acquired are reported at historical cost. Contributed assets are reported at the acquisition value as of the date received. During the fiscal year ended June 30, 2023, the District received capital contributions of \$641,683. Capital outlays that cost \$5,000 or more and that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation/amortization is calculated on the straight line method over the following estimated useful lives:

Structures and improvements	3 to 50 years
Infrastructure	3 to 75 years
Equipment	3 to 30 years

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has four items that qualify for reporting in this category. The first item is the deferred charge on

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to the derivative instruments' interest rate swap agreements reported at fair value. The third item is related to the OPEB equal to the employer's contributions made after the measurement date of the net OPEB liability. The fourth item is related to the OPEB resulting from the difference in projected and actual earnings on plan investments of the OPEB plan's fiduciary net position. This amount is amortized over five years.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. Two items are related to the OPEB equal to the differences between actual and expected experience and changes in assumptions. These amounts are amortized over the expected remaining service lives of all employees that are provided with retiree health care benefits through the plan. The third item is related to the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

L. Classification of Liabilities

Certain liabilities that are currently payable have been classified as "payable from restricted assets" because they will be funded from restricted assets.

M. Compensated Absences

Vested or accumulated vacation and sick leave are expensed as benefits accrue to employees.

N. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

O. Postemployment Benefits Other Than Pensions (OPEB)

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

P. Use of Estimates

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

Q. Leases

Lessee: The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District 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. The lease asset is initially measured as the initial amount of the lease liability, adjusted for

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District 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 District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The District is a lessor for a noncancellable lease of a building. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

R. Subscription-Based Information Technology Arrangements

The District is a subscriber for a noncancellable subscription of information technology services. The District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the financial statements. The District recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

amortized on a straight-line basis over its useful life. Key estimates and judgments related to subscriptions include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) lease term, and (3) subscription payments.

- The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments that the District is reasonably certain to exercise.

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

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

NOTE 2: CASH AND INVESTMENTS

Cash and investments held by the District were comprised of the following at June 30, 2023:

Financial Statements Classifications

Current:

Cash and Cash Equivalents	\$ 61,245,251
Investments:	
U.S. Government Sponsored Agency Securities	228,281,053
Restricted:	
Cash and Cash Equivalents	2,094,523
Cash with fiscal agent	16,016,885
Custodial Escrow Retention	1,574,275
Total Cash and Cash Equivalents	<u>\$ 309,211,987</u>

Cash and investments as of June 30, 2023 consisted of the following:

Cash on Hand	\$ 2,700
Deposits with Financial Institutions	12,172,719
Investments	281,019,683
Cash with fiscal agent	16,016,885
Total Cash and Investments	<u>\$ 309,211,987</u>

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

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

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Maximum Investments in One Issuer</u>
United States Treasury Obligation	5 years	No limitation	No limitation
United States Government			
Sponsored Agency Securities	5 years	No limitation	No limitation
Banker's Acceptances	180 days	15%	5%
Commercial paper	180 days	15%	5%
Collateralized Certificates of Deposit	5 years	15%	No limitation
Negotiable Certificates of Deposit	5 years	15%	No limitation
Fully Insured Deposits	5 years	15%	No limitation
Repurchase Agreements	30 days	10%	No limitation
Medium Term Notes	5 years	15%	5%
Mutual Funds	N/A	15%	10%
Asset-Backed Securities	5 years	15%	No limitation
Local Agency Investment Fund	N/A	No limitation	\$75 Million
County Pooled Investment Fund	N/A	No limitation	\$20 Million
High Grade State Municipal Bonds	N/A	15%	5%

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided by the following tables that show the distribution of the District's investments by maturity as of June 30, 2023.

<u>Investment Type</u>	<u>Total</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
United States Government Sponsored				
Agency Securities	\$ 125,003,194	\$ 19,434,074	\$ 4,692,750	\$ 100,876,370
United States Treasury Notes	103,277,862	103,277,862	-	-
Local Agency Investment Fund	33,360,070	33,360,070	-	-
Orange County Pooled Investment Fund	19,378,557	19,378,557	-	-
Total	\$ 281,019,683	\$ 175,450,563	\$ 4,692,750	\$ 100,876,370

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following tables are the Standard and Poor's credit ratings for the District's investments as of June 30, 2023.

Investment Type	Total	Minimum Legal Rating	AAA	Exempt or Not Rated
United States Government Sponsored				
Agency Securities	\$ 125,003,194	N/A	\$ -	\$ 125,003,194
United States Treasury Notes	103,277,862	N/A	-	103,277,862
Local Agency Investment Fund	33,360,070	N/A	-	33,360,070
Orange County Pooled Investment Fund	19,378,557	N/A	19,378,557	-
Total	\$ 281,019,683		\$ 19,378,557	\$ 261,641,126

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of total District investments as of June 30, 2023, are as follows:

Issuer	Investment Type	Amount	Percent of Investments
United States Treasury	United States Treasury Notes	\$ 103,277,862	36.75%
Federal Home Loan Bank	United States Government Sponsored Agency Securities	115,126,254	40.97%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty

(e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Local Agency Investment Fund (LAIF)) and Orange County Pooled Investment Fund).

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

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2023, all of the District’s deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

Investment in State Investment Pool and County Investment Pool

The District is a voluntary participant in LAIF and is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District is also a voluntary participant in the Orange County Pooled Investment Fund (OCPIF) which is a pooled investment fund program governed by the Orange County Board of Supervisors, and is administered by the Orange County Treasurer and Tax Collector. Investments in OCPIF and LAIF are highly liquid as deposits and withdrawals can be made at any time without penalty. The fair value of the District’s investment in these pools are reported in the accompanying financial statements at amounts based upon the District’s pro rata share of the fair value provided by LAIF and OCPIF for each respective portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF and OCPIF, which are recorded on an amortized cost basis.

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Deposits and securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. United States Government Sponsored Agency Securities and United States Treasury Notes classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

The District has the following recurring fair value measurements as of June 30, 2023:

<u>Investment Type</u>	<u>Total</u>	<u>Quoted Prices Level 1</u>	<u>Observable Inputs Level 2</u>
United States Government Sponsored Agency Securities	\$ 125,003,194	\$ -	\$ 125,003,194
United States Treasury Notes	<u>103,277,862</u>	<u>103,220,654</u>	<u>57,208</u>
Total Leveled Investments	228,281,056	<u>\$ 103,220,654</u>	<u>\$ 125,060,402</u>
Local Agency Investment Fund*	33,360,070		
Orange County Pooled Investment Fund*	<u>19,378,557</u>		
	<u>\$ 281,019,683</u>		

*Not subject to fair value measurement hierarchy.

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 3: RESTRICTED ASSETS

Restricted assets were provided by, and are to be used for, the following at June 30, 2023:

Funding Source	Use	Amount
Certificates of Participation:		
Proceeds and Interest Earned	Construction of GWRFE PFAS Projects	\$17,710,761
Custodial Receipts	Custodial Costs	1,974,922
		<u>\$19,685,683</u>

When both restricted and unrestricted resources are available for capital projects, the District's policy is to use restricted resources first and then use unrestricted resources, as necessary.

NOTE 4: CAPITAL ASSETS

A summary of the changes in capital assets for the fiscal year ended June 30, 2023, were as follows:

	Balance July 1, 2022	Additions	Deletions*	Transfers	Balance June 30, 2023
Capital assets, not being depreciated/amortized					
Land	\$ 74,146,171	\$ -	\$ -	\$ -	\$ 74,146,171
Water rights	6,823,570	-	-	-	6,823,570
Construction-in-progress	371,083,459	124,624,845	(55,381,034)	(263,132,615)	177,194,655
Total capital assets, not being depreciated/amortized	<u>452,053,200</u>	<u>124,624,845</u>	<u>(55,381,034)</u>	<u>(263,132,615)</u>	<u>258,164,396</u>
Capital assets, being depreciated/amortized					
Structures and improvements	737,574,183	-	-	5,136,818	742,711,001
Infrastructure	92,064,968	-	-	-	92,064,968
Equipment	320,247,855	-	(10,010)	257,995,797	578,233,642
Intangible right-to-use assets - leases	76,688	-	-	-	76,688
Intangible right-to-use assets - subscriptions	541,631	-	-	-	541,631
Total capital assets, being depreciated/amortized	<u>1,150,505,325</u>	<u>-</u>	<u>(10,010)</u>	<u>263,132,615</u>	<u>1,413,627,930</u>
Less accumulated depreciation/amortization					
Structures and improvements	(431,172,825)	(13,533,320)	-	-	(444,706,145)
Infrastructure	(27,047,323)	(2,935,938)	-	-	(29,983,261)
Equipment	(176,405,911)	(20,553,481)	5,833	-	(196,953,559)
Intangible right-to-use assets - leases	(35,778)	(18,451)	-	-	(54,229)
Intangible right-to-use assets - subscriptions	(78,037)	(187,477)	-	-	(265,514)
Total accumulated depreciation/amortization	<u>(634,739,874)</u>	<u>(37,228,667)</u>	<u>5,833</u>	<u>-</u>	<u>(671,962,708)</u>
Total capital assets, being depreciated/amortized, net	<u>515,765,451</u>	<u>(37,228,667)</u>	<u>(4,177)</u>	<u>263,132,615</u>	<u>741,665,222</u>
Total capital assets	<u>\$ 967,818,651</u>	<u>\$ 87,396,178</u>	<u>\$ (55,385,211)</u>	<u>\$ -</u>	<u>\$ 999,829,618</u>

*Deletion to construction-in-progress this year is related to a capital contribution to other agencies.

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 5: LEASES

Leases Payable

Lease liability	Balance as of July 1, 2022	Additions	Deletions	Balance as of June 30, 2023	Due within one year
Copier Lease	\$ 27,536	\$ -	\$ 14,337	\$ 13,199	\$ 13,199
Postage Machine	12,314	-	4,081	8,233	4,081
Total lease liability	\$ 39,850	\$ -	\$ 18,418	\$ 21,432	\$ 17,280

On July 1, 2020, the District entered into a 47 month lease as lessee for the use of Copier Lease. As of June 30, 2023, the value of the lease liability is \$13,199. Orange County Water District is required to make monthly fixed payments of \$1,203. The lease has an interest rate of 0.4500%. The value of the right to use the asset as of June 30, 2023 of \$56,275 with accumulated amortization of \$42,026 is included with Equipment on the Lease Class activities table found below.

On July 5, 2020, the District entered into a 60 month lease as lessee for the use of Postage Machine. As of June 30, 2023, the value of the lease liability is \$8,233. Orange County Water District is required to make monthly fixed payments of \$345. The lease has an interest rate of 0.5850%. The value of the right to use the asset as of June 30, 2023 of \$20,413 with accumulated amortization of \$12,203 is included with Equipment on the Lease Class activities table found below.

Payment requirements on the leases subsequent to June 30, 2023, are follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 17,280	\$ 67	\$ 17,347
2025	4,152	13	4,165
Total	\$ 21,432	\$ 80	\$ 21,512

Deferred Inflows Related to Leases

	Balance as of July 1, 2022	Additions	Reductions	Balance as of June 30, 2023
Deferred Inflow of related to leases	\$ 15,450,320	\$ 186,435	\$ 1,570,885	\$ 14,065,870

Leases Receivable

Leases Receivable	Balance as of July 1, 2022	Additions	Reductions	Balance as of June 30, 2023	Due within one year
Land Leases Receivable	\$ 15,933,730	\$ -	\$ 1,259,949	\$ 14,673,781	\$ 1,378,042

On July 1, 2020, the District entered into a 236 month lease as lessor for the use of Anaheim Adventure Park. As of June 30, 2023, the value of the lease receivable is \$840,621. The lessee is required to make monthly fixed payments of \$6,500. The lease has an interest rate of 1.7380%. The value of the deferred inflow of resources as of June 30, 2023 was \$789,024, and The District recognized lease revenue of \$47,341 during the fiscal year. The lessee has 2 extension options, each for 60 months. The District had a termination period of 12 months as of the lease commencement.

NOTE 5: LEASES (CONTINUED)

On July 1, 2020, the District entered into a 135 month lease as lessor for the use of Corona Recreation. As of June 30, 2023, the value of the lease receivable is \$587,599. The lessee is required to make monthly fixed payments of \$6,200. The lease has an interest rate of 1.0550%. The value of the deferred inflow of resources as of June 30, 2023 was \$579,043, and the District recognized lease revenue of \$70,187 during the fiscal year. The lessee has 1 extension option, for 60 months.

On July 1, 2020, the District entered into a 141 month lease as lessor for the use of North American Recycling. As of June 30, 2023, the value of the lease receivable is \$8,233,512. The lessee is required to make monthly fixed payments of \$70,225. The lease has an interest rate of 1.1310%. The value of the deferred inflow of resources as of June 30, 2023 was \$7,854,989, and The District recognized lease revenue of \$897,713 during the fiscal year. The lessee has 2 extension options, each for 60 months. The District had a termination period of 12 months as of the lease commencement.

On July 1, 2020, the District entered into a 27 month lease as lessor for the use of NSM Golf LLC. As of June 30, 2023, the value of the lease receivable is \$30,234. The lessee is required to make monthly fixed payments of \$9,508. The lease has an interest rate of 0.4500%. The Land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023 was \$30,192, and The District recognized lease revenue of \$119,987 during the fiscal year. The District had a termination period of 6 months as of the lease commencement.

On July 1, 2020, the District entered into a 81 month lease as lessor for the use of Harvest Landscape. As of June 30, 2023, the value of the lease receivable is \$91,251. The lessee is required to make monthly fixed payments of \$1,898. The lease has an interest rate of 0.8060%. The value of the deferred inflow of resources as of June 30, 2023 was \$88,464, and the District recognized lease revenue of \$23,591 during the fiscal year. The lessee has 1 extension options, each for 60 months. The District had a termination period of 2 months as of the lease commencement.

On July 1, 2020, the District entered into a 105 month lease as lessor for the use of Montoya Enterprise. As of June 30, 2023, the value of the lease receivable is \$112,439. The lessee is required to make monthly fixed payments of \$1,532. The lease has an interest rate of 0.9220%. The Land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023 was \$109,038, and The District recognized lease revenue of \$18,963 during the fiscal year. The lessee has 1 extension options, each for 60 months. The District had a termination period of 6 months as of the lease commencement.

On July 1, 2020, the District entered into a 322 month lease as lessor for the use of Raahauge Range. As of June 30, 2023, the value of the lease receivable is \$4,263,064. The lessee is required to make monthly fixed payments of \$17,625. The lease has an interest rate of 2.0780%. The value of the deferred inflow of resources as of June 30, 2023 was \$4,130,067, and The District recognized lease revenue of \$173,289 during the fiscal year. The lessee has 2 extension options, each for 120 months. The District had a termination period of 12 months as of the lease commencement.

On July 1, 2020, the District entered into a 36 month lease as lessor for the use of Prado Basin Duck Club. As of June 30, 2023, the value of the lease receivable is \$0. The lessee is required to make annual fixed payments of \$17,352. The lease has an interest rate

of 0.4500%. The Land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023 was \$0, and The District recognized lease revenue of \$17,726 during the fiscal year. The District had a termination period of 6 months as of the lease commencement.

On July 1, 2020, the District entered into a 48 month lease as lessor for the use of Raahaude Duck Hunting lease. As of June 30, 2023, the value of the lease receivable is \$62,522. The lessee is required to make annual fixed payments of \$59,814. The lease has an interest rate of 0.4500%. The Land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023 was \$51,607, and The District recognized lease revenue of \$51,608 during the fiscal year. The District had a termination period of 4 months as of the lease commencement.

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 5: LEASES (CONTINUED)

On July 1, 2020, the District entered into a 57 month lease as lessor for the use of Sandwood. As of June 30, 2023, the value of the lease receivable is \$261,028. The lessee is required to make monthly fixed payments of \$11,556. The lease has an interest rate of 0.9220%. The value of the deferred inflow of resources as of June 30, 2023 was \$250,291, and The District recognized lease revenue of \$143,024 during the fiscal year. The lessee has 1 extension option, for 60 months.

On July 1, 2020, The District entered into a 510 month lease as lessor for the use of Well 21 YLWD. As of June 30, 2023, the value of the lease receivable is \$120,415. The lessee is required to make annual fixed payments of \$2,418. The lease has an interest rate of 2.0780%. The value of the deferred inflow of resources as of June 30, 2023 was \$113,095, and The District recognized lease revenue of \$2,863 during the fiscal year.

On July 1, 2020, The District entered into a 555 month lease as lessor for the use of Well 22 YLWD. As of June 30, 2023, the value of the lease receivable is \$70,347. The lessee is required to make annual fixed payments of \$2,418. The lease has an interest rate of 2.0780%. The value of the deferred inflow of resources as of June 30, 2023 was \$69,311, and The District recognized lease revenue of \$1,602 during the fiscal year.

On July 1, 2020, The District entered into a 27 month lease as lessor for the use of Pheasant Hunting. As of June 30, 2023, the value of the lease receivable is \$749. The lessee is required to make monthly fixed payments of \$250. The lease has an interest rate of 0.4500%. The value of the deferred inflow of resources as of June 30, 2023 was \$749, and The District recognized lease revenue of \$2,992 during the fiscal year. The District had a termination period of 1 month as of the lease commencement.

Total Leases Receivable at June 30, 2023 are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 1,378,042	\$ 203,831	\$ 1,581,873
2025	1,290,708	187,670	1,478,378
2026	1,222,111	172,210	1,394,321
2027	1,253,557	156,657	1,410,214
2028	1,250,843	140,922	1,391,765
2029 - 2033	5,013,222	473,053	5,486,275
2034 - 2038	1,180,835	276,071	1,456,906
2039 - 2043	1,104,756	157,665	1,262,421
2044 - 2048	858,527	48,516	907,043
2049 - 2053	29,539	11,423	40,962
2054 - 2058	37,467	8,037	45,504
2059 - 2063	47,006	3,762	50,768
2064 - 2067	7,168	300	7,468
Total	<u>\$ 14,673,781</u>	<u>\$ 1,840,117</u>	<u>\$ 16,513,898</u>

NOTE 6: SUBSCRIPTION-BASED TECHNOLOGY ARRANGEMENTS

Subscription Liability	Balance as of June 30, 2022	Additions	Reductions	Balance as of June 30, 2023	Due within one year
Caltrol - Software	\$ 43,192	\$ -	\$ 18,745	\$ 24,447	\$ 24,447
Geographic Information System Software	97,266	-	48,183	49,083	49,083
KnowBe4 - Software	9,990	-	-	9,990	-
Oracle - Software	174,555	-	69,603	104,952	69,895
Total Software Subscription Liability	<u>\$ 325,003</u>	<u>\$ -</u>	<u>\$ 136,531</u>	<u>\$ 188,472</u>	<u>\$ 143,425</u>

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 6: SUBSCRIPTION-BASED TECHNOLOGY ARRANGEMENTS (CONTINUED)

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

On July 1, 2021, the District entered into a 44 month subscription for the use of Oracle - Software. An initial subscription liability was recorded in the amount of \$174,555. As of June 30, 2023, the value of the subscription liability is \$104,952. The district is required to make quarterly fixed payments of \$17,556. The subscription has an interest rate of 0.417%. The value of the right to use asset as of June 30, 2023 is \$243,955 with accumulated amortization of \$133,066.

On June 16, 2022, the District entered into a 36 month subscription for the use of Geographic Information System Software. An initial subscription liability was recorded in the amount of \$97,266. As of June 30, 2023, the value of the subscription liability is \$49,083. The district is required to make annual fixed payments of \$50,000. The subscription has an interest rate of 1.868%. The value of the right to use asset as of June 30, 2023 is \$147,266 with accumulated amortization of \$51,134.

On May 18, 2022, the District, CA entered into a 24 month subscription for the use of Caltrol - Software. An initial subscription liability was recorded in the amount of \$43,192. As of June 30, 2023, the value of the subscription liability is \$24,447. the district is required to make annual fixed payments of \$18,900. The subscription has an interest rate of 1.772%. The value of the right to use asset as of June 30, 2023 is \$130,311 with accumulated amortization of \$72,938.

On April 1, 2022, the District entered into a 36 month subscription for the use of KnowBe4 - Software. An initial subscription liability was recorded in the amount of \$20,099. As of June 30, 2023, the value of the subscription liability is \$9,990. The district is required to make tri-annual fixed payments of \$10,109. The subscription has an interest rate of 0.396%. The value of the right to use asset as of June 30, 2023 is \$20,099 with accumulated amortization of \$8,376.

Principal and Interest Requirements to Maturity

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2024	\$143,425	\$ 1,679	\$145,103
2025	45,047	173	45,220
Total	<u>\$188,472</u>	<u>\$ 1,852</u>	<u>\$190,323</u>

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 7: NOTES RECEIVABLE

In February 2018, the District entered into an agreement to provide the City of Buena Park a 0% interest loan of up to \$6,000,000 to construct the Rosecrans Booster Pump Station that will allow the City to increase groundwater utilization and give the City the ability to meet its water demands by pumping groundwater. The principal balance shall be repaid over 20 years in 20 equal installments commencing June 30, 2019. As of June 30, 2023, \$6,000,000 has been paid to the City for this loan. Notes receivable consist of the following at June 30, 2023:

Balances at June 30	\$ 4,890,244
Less Payments Received	<u>(305,640)</u>
Subtotal	4,584,604
Less Current Portion	<u>(305,640)</u>
Total Noncurrent Notes Receivable	<u>\$ 4,278,964</u>

Payment requirements on the notes receivable subsequent to June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 305,640	\$ -	\$ 305,640
2025	305,640	-	305,640
2026	305,640	-	305,640
2027	305,640	-	305,640
2028	305,640	-	305,640
Thereafter	<u>3,056,404</u>	-	<u>3,056,404</u>
Total	<u>\$ 4,584,604</u>	<u>\$ -</u>	<u>\$4,584,604</u>

NOTE 8: LONG TERM DEBT

Certificates of Participation and Refunding Revenue Bonds - Other Debt

2003A Certificates of Participation

In June 2003, the Public Facilities Corporation issued \$129,815,000 of Certificates of Participation, Series A, to assist the District in refunding the remaining portion of the 1993 Fixed Rate Revenue Certificates of Participation and to finance the cost of certain capital improvements. The certificates are obligations of the Public Facilities Corporation payable solely from payments received from the District pursuant to the Installment Purchase Agreement by and between the District and the Public Facilities Corporation.

The District has a letter of credit to support these certificates in the amount of \$131,900,000. The District is contingently liable for any amounts outstanding if drawn upon by third parties. As of June 30, 2023, there were no amounts outstanding on the letter of credit.

The 2003 Series A Certificates of Participation are due in annual installments of \$13,755,000 to \$18,535,000 from August 2035 to August 2042 with interest at an adjustable rate calculated weekly and payable monthly. The 2003A Certificates of Participation outstanding totaled \$129,815,000 as of June 30, 2023. The interest rate at June 30, 2023, was 2.85%.

NOTE 8: LONG TERM DEBT (CONTINUED)

2017A&B Refunding Revenue Bonds

In February 2017, the District issued \$115,000,000 of 2017A&B Refunding Revenue Bonds to defease the remaining \$125,985,000 of 2009A Certificates of Participation.

The 2017A & B Refunding Revenue Bonds consist of \$89,735,000 nontaxable and \$17,580,000 taxable (\$25,265,000 original amount less \$7,685,000 defeased by the 2019B Bonds, respectively, of serial bonds. The bonds accrue interest at rates between 0.82% and 5.00%, payable semiannually on August 15 and February 15, commencing August 15, 2017, and maturing on August 15, 2041, in amounts ranging from \$385,000 to \$17,845,000.

The 2017A & B Refunding Revenue Bonds outstanding totaled \$104,195,000 as of June 30, 2023.

2019A Interim Obligations and 2019B Certificates of Participation

In June 2019, the District issued \$135,000,000 of 2019A Interim Obligation Revenue Bonds and \$6,505,000 of 2019B Certificates of Participation.

The 2019A Interim Obligations were issued to finance the GWRS Final Expansion Project, which will expand the Groundwater Replenishment System (recycled water facility by 31,000 acre-feet. In July 2018, the District entered into the WIFIA Loan to provide financing for the GWRS Final Expansion Project and can draw up to \$135,000,000. Upon substantial completion of the GWRS Final Expansion Project, the District currently expects to draw on the WIFIA Loan to repay the 2019A Interim Obligations at or prior to maturity. If the WIFIA Loan proceeds are not received by the District at or prior to the maturity date of the 2019A Interim Obligations, the District would have to issue and sell refunding obligations prior to the maturity of the 2019A Interim Obligations to pay all or a portion of the 2019A Interim Obligations.

The 2019B Interim Obligations, including an original premium of \$1,813,394, were issued to refund \$7,685,000 of the 2017B Refunding Revenue Bonds. The 2019B interim obligations outstanding totaled \$6,085,000, as of June 30, 2023.

The 2019A Certificates of Participation accrue interest at a rate of 2%, payable semiannually on August 15 and February 15, commencing February 15, 2020 and maturing on August 15, 2023, with a principal balance of \$20,190,000 due on the maturity date. In February 2023, the District drew down on the WIFIA loan \$114,810,000 and refunded a portion of the 2019A interim obligations. The 2019B Certificates of Participation accrue interest at rates between 4% and 5%, payable semiannually on August 15 and February 15, commencing February 15, 2020 and maturing on August 15, 2031, in amounts ranging from \$125,000 to \$2,690,000. The 2019A Certificate of Participation outstanding totaled \$20,190,000, as of June 30, 2023.

2019C&D Refunding Revenue Bonds

In December 2019, the District issued \$99,065,000 of 2019C Refunding Revenue Bonds and \$59,135,000 of 2019D Refunding Revenue Bonds.

The 2019C Refunding Revenue Bonds, including an original premium of \$23,047,727, were issued to refund the GWRS Initial Expansion loan with the State Water Resources Control Board. The issuance proceeds were paid to the State Water Resources Control Board and, as a result, the loan is considered to be fully repaid and the related liability has been removed from the District's financial statements. The 2019C current refunding of the GWRS Initial Expansion loan did not result in a difference between the reacquisition price and the net carrying amount.

The 2019D Refunding Revenue Bonds were issued to refund the 2013A Refunding Revenue Bonds.

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 8: LONG TERM DEBT (CONTINUED)

The 2019C Refunding Revenue Bonds accrue interest at rates between 4% and 5%, payable semiannually on August 15 and February 15, commencing August 15, 2020 and maturing on August 15, 2035. The 2019D Refunding Revenue Bonds accrue interest at rates between 1.718% and 2.861%, payable semiannually on August 15 and February 15, commencing August 15, 2020 and maturing on August 15, 2033, in amounts ranging from \$420,000 to \$13,605,000. The 2019C&D Certificates of Participation outstanding totaled \$143,985,000 as of June 30, 2023.

2021A Certificates of Participation

In October 2021, the Public Facilities Corporation issued \$94,420,000 of Certificates of Participation, Series A, to assist the District in the acquisition of certain groundwater treatment facilities and pay capitalized interest with respect to the 2021 WIFIA Loan obligation. The certificates are interim obligations of the Public Facilities Corporation payable solely from payments received from the District on August 15, 2024. The 2021 COP outstanding totaled \$94,420,000 as of June 30, 2023.

The District is expected to pay the interim obligations upon substantial completion of the project. At this time the District expects to draw on the 2021 WIFIA Loan to repay the interim obligations. Interest on the obligations is payable semi-annually at 4%.

Covenants and Reserve Requirements

The 2003A, 2017A&B, 2019B, 2019C&D, and 2021A Installment Purchase Agreements require the District to prescribe, assess, and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District, are reasonably expected to be at least sufficient to yield net revenues during such fiscal year equal to 125% of debt service payable in such fiscal year. The District's ratio of net revenues to debt service for the fiscal year ended June 30, 2023 was 246%.

Other Defeased Certificates of Participation

In prior years, the District defeased certain certificates of participation, including the 1999A, 2003B, 2005B, and 2013A Certificates, by placing the proceeds of the new bonds or cash with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2023, \$110,180,000 of bonds outstanding to be paid by the escrow agent, are considered defeased.

Summary of Changes

The following is a summary of the changes in Certificates of Participation and Refunding Revenue Bonds for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
Certificates of Participation (COP) and Refunding Revenue Bonds:					
2003A COP	\$ 129,815,000	\$ -	\$ -	\$ 129,815,000	\$ -
2017AB Refunding Revenue Bonds	104,700,000	-	(505,000)	104,195,000	460,000
2019AB COP	141,245,000	-	(114,970,000)	26,275,000	20,340,000
2019CD Refunding Revenue Bonds	149,315,000	-	(5,330,000)	143,985,000	5,585,000
2021A COP	94,420,000	-	-	94,420,000	-
	<u>619,495,000</u>	-	<u>(120,805,000)</u>	<u>498,690,000</u>	<u>\$ 26,385,000</u>
Add:					
Unamortized (Discount) Premium	37,837,750		(6,304,434)	31,533,316	
Total Long-Term Liabilities	<u>\$ 657,332,750</u>	<u>\$ -</u>	<u>\$ (127,109,434)</u>	<u>\$ 530,223,316</u>	

Aggregate maturities of the Certificates of Participation, Refunding Revenue Bonds, and interest payments (using 0.70% on the 2003A variable rate debt) subsequent to June 30, 2023, are as follows:

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 8: LONG TERM DEBT (CONTINUED)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2024	\$ 26,385,000	\$ 18,035,167	\$ 44,420,167
2025	100,915,000	17,538,444	118,453,444
2026	9,785,000	13,420,079	23,205,079
2027	10,175,000	13,028,121	23,203,121
2028	11,555,000	12,589,565	24,144,565
2029-2033	103,945,000	50,793,370	154,738,370
2034-2038	116,805,000	28,951,307	145,756,307
2039-2043	119,125,000	10,915,148	130,040,148
Total	<u>\$ 498,690,000</u>	<u>\$ 165,271,201</u>	<u>\$ 663,961,201</u>

State of California Loans Payable - Direct Borrowing

Groundwater Replenishment System

In May 2006, the District entered into an agreement with the State Water Resources Control Board for the construction of the Groundwater Replenishment System (GWRS) project. The District may borrow up to \$8,659,470 or the eligible costs of the project, whichever is less. At June 30, 2023, the State Water Resources Control Board disbursed \$7,216,196 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2024. The outstanding balance totaled \$471,615 as of June 30, 2023.

GWRS Barrier Facilities

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the new injection wells. The District may borrow up to \$4,491,018 or the eligible costs of the project, whichever is less. At June 30, 2023, the State Water Resources Control Board disbursed \$3,479,837 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$635,056 as of June 30, 2023.

GWRS Pipeline Unit 1

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the first portion of the GWRS pipeline. The District may borrow up to \$5,310,891 or the eligible costs of the project, whichever is less. At June 30, 2023, the State Water Resources Control Board disbursed \$4,425,725 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$807,604 as of June 30, 2023.

GWRS Pipeline Unit 2

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the second portion of the GWRS pipeline. The District may borrow up to \$3,452,552 or the eligible costs of the project, whichever is less. At June 30, 2023, the State Water Resources Control Board disbursed \$2,877,115 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$524,916 as of June 30, 2023.

GWRS Pipeline Unit 3

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the third portion of the GWRS pipeline. The District may borrow up to \$4,137,559 or the eligible costs of the project, whichever is less. At June 30, 2023, the State Water Resources Control Board had disbursed \$3,429,338 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$593,720 as of June 30, 2023.

NOTE 8: LONG TERM DEBT (CONTINUED)

GWRS Advanced Water Treatment Facility

In June 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the new advanced wastewater treatment facility for the District's GWRS. The District may borrow up to \$136,802,193 or the eligible costs of the project, whichever is less. At June 30, 2023, the State Water Resources Control Board disbursed \$114,000,776 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2028. The outstanding balance totaled \$32,425,579 as of June 30, 2023.

Fletcher Basin

In November 2013, the District entered into an agreement with the State Water Resources Control Board for the construction of the Fletcher Basin Improvement project. The District may borrow up to \$2,879,342 or the eligible costs of the project, whichever is less. At June 30, 2023, the State Water Resources Control Board disbursed \$14,386,762 under the loan contract. The loan has an interest rate of 1.9% with a repayment period of 20 years after project completion. The outstanding balance totaled \$2,006,733 as of June 30, 2023.

Alamitos Barrier

In November 2013, the District entered into an agreement with the State Water Resources Control Board for expansion of the Alamitos Seawater Intrusion Barrier. The District may borrow up to \$14,485,000 or the eligible costs of the project, whichever is less. At June 30, 2023, the State Water Resources Control Board disbursed \$14,386,762 under the loan contract. The loan has an interest rate of 1.9% with a repayment period of 20 years after project completion. The outstanding balance totaled \$11,951,160 as of June 30, 2023.

La Palma Basin

In February 2016, the District entered into an agreement with the State Water Resources Control Board for construction of a groundwater recharge basin. The District may borrow up to \$8,570,970 or the eligible costs of the project, whichever is less. At June 30, 2023, the State Water Resources Control Board disbursed \$5,446,635 under the loan contract. The loan has an interest rate of 1.0% with a repayment period of 30 years after project completion. The outstanding balance totaled \$4,488,037 as of June 30, 2023.

Mid-Basin Centennial Park Injection

In November 2017, the District entered into an agreement with the State Water Resources Control Board for construction of four injection wells and one nested monitoring well in Centennial Park. The District may borrow up to \$18,394,813 or the eligible costs of the project, whichever is less. At June 30, 2023, the State Water Resources Control Board disbursed \$18,394,813 under the loan contract. In addition, accrued interest of \$33,961 has been added to the principal. The loan has an interest rate of 1.8% with a repayment period of 30 years after project completion. The outstanding balance totaled \$16,966,682 as of June 30, 2023.

WIFIA Loan Agreements

On August 6, 2020, the District re-executed the WIFIA Loan agreement to provide financing for the GWRS Final Expansion Project and can draw up to \$135,000,000. Upon substantial completion of the GWRS Final Expansion Project, the District currently expects to draw on the WIFIA Loan to repay the 2019A Interim Obligations prior to maturity. Upon completion of the project, principal and interest payments will commence. The loan requires net revenue equal to at least 125% of debt service payable in such fiscal year. As of June 30, 2023, total loan proceeds received were \$115,357,848.

On August 18, 2021, the District executed the WIFIA loan agreement to provide financing for the PFAS Treatment facilities project and can draw up to \$130,647,383. Upon substantial completion of the PFAS Treatment Facilities Project, the District currently expects to draw on the WIFIA loan to pay the 2021A interim obligation prior to maturity. Upon completion of the project, principal and interest payments will commence. The loan requires net revenue equal to at least 125% of debt service payable in such fiscal year. As of June 30, 2023, no loan proceeds have been drawn down.

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 8: LONG TERM DEBT (CONTINUED)

GWRS Final Expansion

The District has entered into two agreements with the State Water Resources Control Board for construction of the final expansion of the GWRS project. The District may borrow up to \$186,207,421 or the eligible costs of the project, whichever is less. The loan has an interest rate of 1.4%. The outstanding balance totaled \$125,974,019 as of June 30, 2023.

Covenants and Reserve Requirements

The Groundwater Replenishment System, GWRS Barrier Facilities, GWRS Pipeline Unit 1, GWRS Pipeline Unit 2, GWRS Pipeline Unit 3, and GWRS Advanced Water Treatment Facility loans payable require the District to prescribe, assess, and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District, are reasonably expected to be at least sufficient to yield net revenues during such fiscal year equal to 110% of debt service payable in such fiscal year.

The Fletcher Basin, Alamitos Barrier, La Palma Basin, and Mid-Basin Centennial Park Injection loans payable require the District to prescribe, assess, and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District, are reasonably expected to be at least sufficient to yield net revenues during such fiscal year equal to 125% of debt service payable in such fiscal year.

The District's ratio of net revenues to debt service for the fiscal year ended June 30, 2023 was 246%.

The Fletcher Basin, Alamitos Barrier, La Palma Basin, and Mid-Basin Centennial Park Injection loans payable require the District to have a reserve of one year's debt service. The District's reserve of \$2,037,351 as of June 30, 2023, that is included in statement of net position as Cash and Cash Equivalents and Investments, meets this requirement.

Summary of Changes

The following is a summary of the changes in loans payable to the state of California for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Repayments	Balance June 30, 2023	Due Within One Year
GWRS	\$ 933,951	\$ -	\$ (462,336)	\$ 471,615	\$ 471,615
GWRS Barrier Facilities	838,897	-	(203,841)	635,056	207,714
GWRS Pipeline Unit 1	1,066,806	-	(259,202)	807,604	264,139
GWRS Pipeline Unit 2	693,357	-	(168,441)	524,916	171,665
GWRS Pipeline Unit 3	784,024	-	(190,304)	593,720	194,056
GWRS Advanced Water Treatment Facility	38,570,232	-	(6,144,653)	32,425,579	6,255,442
Fletcher Basin	2,141,707	-	(134,974)	2,006,733	137,539
Alamitos Barrier	12,585,287	-	(634,127)	11,951,160	646,175
La Palma Basin	4,652,777	-	(164,740)	4,488,037	166,387
Mid-Basin Injection	17,451,501	-	(484,819)	16,966,682	493,546
GWRS FE1	60,071,560	836,828	-	60,908,388	-
GWRS FE2	64,176,738	888,893	-	65,065,631	-
WIFIA Loan	-	115,357,848	-	115,357,848	-
Total	\$ 203,966,837	\$ 117,083,569	\$ (8,847,437)	\$ 312,202,969	\$ 9,008,278

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 8: LONG TERM DEBT (CONTINUED)

Debt service requirements on the loans payable to the state of California subsequent to June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2024	\$ 9,008,278	\$ 1,258,781	\$ 10,267,059
2025	9,820,039	1,680,908	11,500,947
2026	12,267,054	2,663,833	14,930,887
2027	14,761,147	3,760,883	18,522,030
2028	15,232,543	3,289,487	18,522,030
2029-2033	43,668,519	14,741,263	58,409,782
2034-2038	46,306,459	11,751,991	58,058,450
2039-2043	45,327,965	8,710,497	54,038,462
2044-2048	47,166,689	5,787,258	52,953,947
2049-2053	46,952,864	2,759,175	49,712,039
2054-2057	21,691,412	317,192	22,008,604
Total	<u>\$ 312,202,969</u>	<u>\$ 56,721,268</u>	<u>\$ 368,924,237</u>

NOTE 9: SHORT TERM DEBT

Commercial Paper - Other Debt

The Public Facilities Corporation issued commercial paper from which the proceeds were used to provide capital funds for the District to purchase land and for water purchases. The commercial paper has a maximum maturity of 270 days. The District issues, annually, Tax and Revenue Anticipation Notes (TRANs), which are additionally secured by revenue to service the commercial paper. On July 1, 2022, the District issued 2022-2023 TRANs amounting to \$130.425 million to the Public Facilities Corporation, \$21 million of this TRAN is taxable and \$109.425 million tax exempt. The outstanding balance for the commercial paper totaled \$27,400,000 as of June 30, 2023.

The District has a letter of credit and reimbursement agreement in the amount of \$76,300,000 supporting the commercial paper program with Sumitomo Mitsui Banking Corporation. The District is contingently liable for any amounts outstanding if drawn upon by third parties. As of June 30, 2023, there were no amounts outstanding on the letter of credit. The following is a summary of the changes in commercial paper for the year ended June 30, 2023:

	<u>Balance</u>		<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>June 30, 2023</u>	<u>One Year</u>
Commercial Paper - Taxable	\$ 20,563,000	\$ -	\$ (6,063,000)	\$ 14,500,000
Commercial Paper - Tax Exempt	12,913,000	-	(13,000)	12,900,000
Total	<u>\$ 33,476,000</u>	<u>\$ -</u>	<u>\$ (6,076,000)</u>	<u>\$ 27,400,000</u>

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 10: COMPENSATED ABSENCES

The following is a summary of the changes in compensated absences:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within Once Year
Compensated Absences	\$ 6,874,345	\$ 3,552,968	\$ 3,493,516	\$ 6,933,797	\$ 557,136

NOTE 11: DERIVATIVE INSTRUMENTS – INTEREST RATE SWAP AGREEMENTS

Objective

The District executed two interest rate swap agreements on February 5, 2007 (the swaps) with swap provider Citibank, N.A. (counterparty), which were subsequently amended and restated as of April 1, 2008, to hedge debt service cost on a portion of the District's 2003A Adjustable Rate Refunding Certificates of Participation by achieving a synthetic fixed rate.

Details on the SWAP Agreements

Notional Amount	Fixed Rate	Original/ Refunding COP Issue	Termination Date	Initial Effective Date
\$ 58,800,000	3.314%	2003A/2005A	7/25/2037	2/7/2007
23,750,000	3.314%	2003A/2007B	8/1/2029	5/16/2007
<u>\$ 82,550,000</u>				

Terms

Under the swap agreements, the District will make a fixed rate payment to the swap counterparty at a rate of 3.314%, and then receive a variable rate payment of 56% of the monthly LIBOR rate, plus 23 basis points from the swap counterparty that would effectively offset the payment on the underlying variable rate certificates. The swaps are for a total notional amount of \$82,550,000 and terminate on various dates.

A portion of the 2003A Certificates maturity dates matches the maturity of the related swap agreements. The swaps' notional amount is equal to a portion of the principal amounts of the 2003A Certificates issued and will decline as the principal amount of the associated proportion debt declines.

NOTE 11: DERIVATIVE INSTRUMENTS – INTEREST RATE SWAP AGREEMENTS (CONTINUED)

Summary of Activities in Cash Flow Hedging Derivative Instruments

Notional Amount	Fair Value at June 30, 2022	Changes in Fair Value	Fair Value at June 30, 2023
\$ 58,800,000	\$ (7,540,365)	\$ 3,019,672	\$ (4,520,693)
23,750,000	(2,089,792)	1,107,618	(982,174)
<u>\$ 82,550,000</u>	<u>\$ (9,630,157)</u>	<u>\$ 4,127,290</u>	<u>\$ (5,502,867)</u>

As of June 30, 2023, the fair value of \$5,502,867, is reported as a deferred outflow of resources and other noncurrent liability in the statement of net position.

Credit Risk

As of June 30, 2023, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the District would be exposed to credit risk in the amount of the derivative's fair value.

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 11: DERIVATIVE INSTRUMENTS – INTEREST RATE SWAP AGREEMENTS (CONTINUED)

The swaps counterparty, Citibank N.A., has the following credit ratings:

	Standard & Poor's	Moody's
Citibank, N.A.	A+	Aa3

Basis Risk

The swaps do expose the District to basis risk, which refers to a mismatch between the interest rate received from the swap contract and the interest paid on the variable rate payments to be made on the debt. The District pays the counterparty a fixed rate and receives a variable rate based on 56% of the one-month UDS-LIBOR-BBA plus a spread of .23%, which may be different than the variable rate payments to be made on the debt. There is a risk for the District that the variable interest rate payments received from the counterparty will be less than the variable rate payments owed on the debt.

Termination Risk

The swaps may be terminated by the District or the counterparty if the other party fails to perform under the terms of the swap agreements. In addition, the District has the option to terminate the swaps upon proper notification to the counterparty. If the swaps are terminated, the District would prospectively pay the variable rates on the portion of 2003A Certificates of Participation related to the swap agreements rather than a fixed rate. The termination of the swap agreements could therefore increase the District's total debt service. Also, if at the time of the termination, the swaps have a negative fair value, the District would be liable to the counterparty for a payment equal to such negative fair value, or be paid an amount equal to a positive fair value. As of June 30, 2023, the swaps had a fair value of (\$5,502,867).

Swap Payments and Associated Debt

Using a variable rate of 0.70% for the 2003A COP as of June 30, 2023, debt service requirements of the certificates and the swap payments, assuming current interest rates remain the same for their term are as follows.

As rates vary, the variable rate interest payments and net swap payments will vary.

Year Ending June 30,	Variable rate Debt			Interest Rate Swap, Net	Fixed Debt Service
	Principal	Interest	Total Payment		
2024	-	2,352,675	2,352,675	1,753,892	4,106,567
2025	-	2,352,675	2,352,675	1,753,892	4,106,567
2026	1,625,000	2,306,363	3,931,363	3,344,366	5,650,729
2027	4,275,000	2,184,525	6,459,525	5,903,538	8,088,063
2028	5,325,000	2,032,763	7,357,763	6,840,401	8,873,163
2029-2033	34,900,000	6,060,525	40,960,525	39,418,050	45,478,575
2034-2038	36,425,000	1,956,525	38,381,525	37,883,567	39,840,092
Total	<u>\$ 82,550,000</u>	<u>\$ 19,246,050</u>	<u>\$ 101,796,050</u>	<u>\$ 96,897,705</u>	<u>\$ 116,143,755</u>

Fair Value Measurement

The model used to value the interest rate swaps is based upon well recognized financial principles, and interest rate yield curves can be validated through readily observable data by external sources. Although readily observable data is used in the valuation of the interest rate swaps, methodologies could have an effect on the estimated fair value. Accordingly, the interest rate swaps are categorized as Level 2.

NOTE 12: JOINT VENTURES

The District is a participant in the Santa Ana Watershed Project Authority (SAWPA). SAWPA is a joint venture of five water districts that provide for the construction, ownership, operation, and maintenance of facilities involved in the collection, transmission, treatment, disposal, and reclamation of sewage, wastewater, groundwater, and stormwater in the Santa Ana River Watershed area. Each participating district appoints two commissioners to SAWPA to form a governing Board of Authority. Equal contributions are made by each member district for administration and contributions are based on capacity use rights for project agreements under which capital construction is accomplished. Special projects or studies are funded by equal contributions from each district.

As of June 30, 2023, SAWPA has total assets of \$171,671,241 and total net position of \$77,762,763. The District does not have a measurable equity interest in SAWPA. The District is also a participant in other joint ventures in which the District does not have a material equity interest or material ongoing financial interest or responsibility. Separate financial statements of SAWPA can be obtained at 11615 Sterling Avenue, Riverside, California 92503.

NOTE 13: DEFINED CONTRIBUTION PENSION PLAN

The Money Purchase Plan for employees of Orange County Water District (Money Purchase Plan) is a defined contribution pension plan administered by a committee of the Board of Directors and District employees. The Money Purchase Plan covers all employees, except part-time or temporary employees, immediately upon date of hire. For the first layer, the Money Purchase Plan requires each employee, upon date of hire, to contribute monthly to a mandatory contributions account, by payroll deduction, an amount equal to the current FICA rate not limited to the FICA wage cap. The District is required to make a contribution in an amount equal to the then current Social Security contribution requirement (7.65% for the years ended December 31, 2023 and 2022) for the employer contribution. In addition, the District may elect in any year to contribute any portion or all of the participant's first layer contribution and the participant's first layer contribution shall be reduced by the amount so contributed by the District. The District elected to contribute 3% for the year ended December 31, 2022, of the participant's mandatory contribution.

Each eligible employee becomes a participant in the second layer of contribution as of the first day of the month following the completion of 12 months of covered service. The District is required to contribute 6% of the participant's total monthly compensation each month.

Employees may elect to contribute to a voluntary contribution account in the Money Purchase Plan. Voluntary contributions may be an amount not less than 2% of compensation, nor more than an amount that would cause all contributions to exceed the lesser of (a) \$61,000 for 2022 or \$58,000 for 2021 or (b) 25.00% of his or her paid compensation for the year. In addition, the District may elect in any year to contribute any portion or all of each employee's Money Purchase Plan contribution, thereby reducing the employee's Money Purchase Plan contribution by the amount contributed by the District.

The Money Purchase Plan may be amended by resolution of the Board of Directors, subject to limitations obtained in the Money Purchase Plan document. Total employer contributions to the Money Purchase Plan for the year ended June 30, 2023, were \$4,615,752.

Separate audited financial statements of the Money Purchase Plan can be obtained from the District offices at 18700 Ward Street, Fountain Valley, California 92708.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Plan Description and Benefits Provided

The District contributes to an agent multiple-employer defined benefit plan to provide postemployment health care benefits, which is administered by the District. Specifically, the District provides health insurance for its retired employees and eligible directors, their dependent spouses (if married and covered on the District’s plan at the time of retirement), or survivors in accordance with Board resolutions. The plan benefits are established and may be amended by the District, the District’s Board of Directors, and/or the employee associations. Medical coverage is provided for retired employees who are age 55 or over and who have a minimum of 12 years of service with the District. The District pays a flat dollar cap toward the premium for the retiree and the dependent coverage. Medical coverage is provided for the surviving spouse of retired employees and the surviving spouse of active employees who upon death had attained age 55 and who had a minimum of 12 years of service with the District. The District will pay the flat-dollar amount premium cap until the surviving spouse remarries, becomes enrolled under another group health plan, or cancels coverage. Employees who qualify for post-retirement health coverage must designate Medicare as their primary insurance coverage provider at the time they become eligible for Medicare (the District’s coverage will then become secondary). Retiree and survivor medical coverage for employees hired on or after July 1, 2009, will terminate upon eligibility for Medicare. The plan does not provide a publicly available financial report.

The District also elected to join the Public Agency Retirement System OPEB Trust (PARS OPEB Trust) as a means to fund the Annual Determined Contribution (ADC). The District makes quarterly contributions to the PARS OPEB Trust and pays benefits directly to the insurance provider. The PARS OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request. The PARS OPEB Trust is reported as a fiduciary fund. The plan itself does not issue a separate financial report.

Employees Covered

The following current and former employees were covered by the benefit terms under the plan as of year ended June 30, 2023:

Inactive Plan Members Currently Receiving Benefit Payments	101
Inactive Plan Members Entitled to But Not Yet Receiving Benefit Payments	-
Active Plan Members	<u>218</u>
Total Plan Participants	<u><u>319</u></u>

Accounting for the Plan

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

Method Used to Value Investments

Investments are reported at fair value, which is determined by the means of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District, District’s Board of Directors, and/or the employee associations. Currently, contributions are not required from plan members. Administrative costs of the OPEB plan are financed through investment earnings. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2023, the District’s cash contributions were \$1,598,000 in payments to the trust, administrative expenses of \$103,313, and the estimated implied subsidy was \$139,000, resulting in total payments of \$1,840,313.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Fiduciary Net Position with PARS Trust

The PARS OPEB Trust (Trust) contains assets of 164 member agencies as of June 30, 2022. The Trust invests in various investment securities including U.S. Treasury Obligations, U.S. Government Agency Issues, Corporate Debt Issues, Foreign Debt Issues, Municipal Debt Issues, Money Market Mutual Funds, Equity Mutual Funds, Fixed Income Mutual Funds, Domestic Common Stocks, and Foreign Stocks.

Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Trust manages exposure to interest rate risk by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations. Investments in the Trust mature as of June 30, 2022, as follows: 1% in one year or less, 5% in two to five years, 8% in five to ten years, 9% in more than 10 years.

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. The Trust investments are rated by Standard and Poor's or Moody's as of June 30, 2022, as follows: 6% are rated AAA; 1% are AA; 1% are A; 4% are BBB; 4% are exempt from ratings, and 90% are not rated.

Concentration of credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. At June 30, 2022, the Trust had no investments concentrated in one issuer (other than mutual funds, U.S. Treasury obligations, and corporate debt securities) that exceeded 5% of the Trust's investments.

All of the Trust's cash deposits as of June 30, 2022 of \$71,308,658, which includes the balances of all 164 member agencies, are federally insured for up to \$250,000 by the Federal Deposit Insurance Corporation. Deposits in excess of the federally insured amount are subject to custodial credit risk, which is the risk that, in the event of the failure of a depository financial institution, the Trust will not be able to recover its deposits.

Total OPEB Liability/(Asset)

The District's net OPEB liability/(asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation dated June 30, 2021, rolled forward using standard update procedures, to June 30, 2022.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age, level percentage of payroll
Actuarial Amortization	
Discount Rate	5.75%
Long-Term Expected	
Rate of Return on Investments	5.75%, net of investment expenses
General Inflation	2.50%
Payroll Increases	Aggregate increase - 2.75%
	Merit increase - CalPERS 2000-2019 experience
Medical Trend	Non-Medicare: 6.5% for 2023, decreasing to 3.75% in 2076
	Medicare (Non-Kaiser): 5.65% for 2023, decreasing to 3.75% in 2076
	Medicare (Kaiser): 4.6% for 2023, decreasing to 3.75% in 2076
Mortality, Disability, Termination, Retirement	CalPERS 2000-2019 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The actuarial assumptions used in the June 30, 2021, valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District.

The long-term expected rates of return are Bartel Associates estimates and are presented as geometric means developed over a 20-year period. The long-term expected real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Target Allocation for PARS Balanced Fund	Long-Term Expected Real Rate of Return
PARS OPEB Trust		
Global Equality	60%	4.56%
Fixed Income	35%	0.78%
Cash	5%	-0.50%
Total	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the PARS OPEB Trust investments was applied to all periods of the projected benefit payments to determine the total OPEB liability.

A. Changes in the Net OPEB Liability/(Asset)

The changes in the net OPEB liability/(asset) are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021 (measurement date)	\$ 24,167,444	\$ 27,460,364	\$ (3,292,920)
Changes in the Year:			
Service Cost	669,930	-	669,930
Interest on the total OPEB liability	1,400,193	-	1,400,193
Contributions - Employer	-	1,812,276	(1,812,276)
Net investment income	-	(3,792,072)	3,792,072
Benefit payments	(972,391)	(972,391)	-
Administrative Expenses	-	(163,922)	163,922
Net changes	1,097,732	(3,116,109)	4,213,841
Balance at June 30, 2022	\$ 25,265,176	\$ 24,344,255	\$ 920,921

Change of Assumptions

Noted no changes of assumptions since the June 30, 2021 measurement date.

ORANGE COUNTY WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate.

The following presents the net OPEB liability/(asset) of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.75%) or one percentage point higher (6.75%) than the current discount rate (5.75%):

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
Net OPEB Liability/(Asset)	\$ 4,284,779	\$ 920,921	\$ (1,878,140)

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability/(asset) of the District as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Net OPEB Liability/(Asset)	\$ (2,383,026)	\$ 920,921	\$ 4,869,082

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

For the year ended June 30, 2023, the District recognized an OPEB credit of \$663,533. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 1,840,313	\$ -
Differences Between Actual Expected Experience	-	7,913,556
Changes of assumptions	986,498	421,961
Net Differences Between Projected and Actual Earnings	1,991,304	-
Total	<u>\$ 4,818,115</u>	<u>\$ 8,335,517</u>

An amount of \$1,840,313 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30:	Amount
2024	\$ (1,374,326)
2025	(1,368,156)
2026	(1,505,657)
2027	(110,463)
2028	(999,113)
Thereafter	-

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. Payable to the OPEB Plan

At June 30, 2023, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2023.

NOTE 15: RISK MANAGEMENT

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk pooling self insurance authority, created under the provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self insured losses and to purchase excess insurance coverage.

At June 30, 2023, the District participated in the self insurance programs of the Insurance Authority as follows:

Property Loss – The Insurance Authority has pooled self-insurance up to \$143,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 (total insurable value of \$434,674,823). The District has a \$25,000 deductible for real and personal property, mobile equipment, licensed vehicles and trailers. Boiler and machinery is \$25,000 or \$50,000 depending on type of equipment.

General Liability – The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$55,000,000.

Auto Liability – The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$55,000,000.

Public Officials' Liability – The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$55,000,000.

Crime – The Insurance Authority has excess insurance coverage up to \$5,000,000. The District has a \$100,000 deductible.

Cyber Liability – The Insurance Authority has excess insurance coverage up to \$2,000,000 per occurrence and \$5,000,000 in the aggregate.

Workers' Compensation – Insured up to the statutory limit; the Insurance Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased up to the statutory limit.

Fiduciary Liability – Purchased coverage up to \$1,000,000. The District has no deductible.

The District pays annual premiums for coverage. There were no instances in the past four years when a settlement exceeded the District's coverage.

NOTE 16: COMMITMENTS AND CONTINGENCIES

Contracts and Projects

The District has entered into various contracts for the purchase of material and construction of the GWRS Final Expansion and the PFAS Treatment Facilities Projects. The amounts contracted for are based on the contractor's estimated cost of construction. At June 30, 2023, the total unpaid amount on these contracts is approximately \$14,127,805. During fiscal year ended June 30, 2023, the District has entered into various contracts for the construction and rehabilitation of various wells and basins throughout the region. At June 30, 2022, the total unpaid amount on these contracts was approximately \$56,038,663.

NOTE 15: RISK MANAGEMENT (CONTINUED)

Regulations

The California State Water Resources Control Board – Division of Drinking Water (the “Division of Drinking Water”) has established Response Levels of 10 parts per trillion (ppt) for perfluorooctanoic acid (“PFOA”) 40 ppt for perfluorooctane sulfonate (PFOS), and 5000 ppt for perfluorobutane sulfonate (PFBS); a response level for perfluorohexane sulfonate (PFHxS) is pending. PFOA, PFOS, PFBS, and PFHxS are all fluorinated organic chemicals which are part of a larger family of compounds referred to as per- and polyfluoroalkyl substances (PFAS). These substances are synthetic compounds that are unique for being water and lipid resistant and are useful for a variety of manufacturing processes, as well as industrial and commercial applications. The Division of Drinking Water recommends that water exceeding Response Levels not be served to customers. Specifically, for PFAS compound with response levels, a state law adopted in 2020 requires extensive public notification should a water system knowingly continue to serve water consistently exceeding their Response Levels. A number of Producer wells have been taken out of service due to exceeding the Response Levels until such time as additional treatment is in place.

Legal Claims and Lawsuits

Legal claims and lawsuits arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the District’s financial position.

NOTE 17: PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Technology Arrangements. Under this Statement, SBITA results in a right-to-use subscription asset and a subscription liability as well as provides capitalization criteria which includes implementation costs of a SBITA. As a result, the District recorded a prior period adjustment for \$138,580 in the statement of revenues, expenses and changes in net position.

REQUIRED SUPPLEMENTARY INFORMATION
Other Postemployment Benefits (OPEB)
Schedule of Changes in the Net OPEB Liability and Related Ratios
Schedule of Contributions – OPEB

ORANGE COUNTY WATER DISTRICT
Other Postemployment Benefits
Schedule of Changes in the Net OPEB Liability/(Asset) and Related Ratios
As of June 30, for the Last Ten Fiscal Years¹

Fiscal Year-End Measurement Date	<u>2023</u> 6/30/2022	<u>2022</u> 6/30/2021	<u>2021</u> 6/30/2020	<u>2020</u> 6/30/2019	<u>2019</u> 6/30/2018	<u>2018</u> 6/30/2017
Total OPEB Liability:						
Service cost	\$ 669,930	\$ 700,469	\$ 726,650	\$ 892,384	\$ 866,392	\$ 841,157
Interest	1,400,193	1,973,024	1,905,660	2,026,260	1,897,438	1,770,648
Differences between expected and actual experience	-	(9,049,031)	-	(3,470,681)	-	-
Changes in assumptions	-	1,389,150	(581,102)	(218,193)	-	-
Benefit payments, Including Refunds and the Implied Subsidy	(972,391)	(999,865)	(977,417)	(861,415)	(754,508)	(618,306)
Net Change in Total OPEB Liability	1,097,732	(5,986,253)	1,073,791	(1,631,645)	2,009,322	1,993,499
Total OPEB Liability - Beginning of Year	24,167,444	30,153,697	29,079,906	30,711,551	28,702,229	26,708,730
Total OPEB liability - End of Year	<u>25,265,176</u>	<u>24,167,444</u>	<u>30,153,697</u>	<u>29,079,906</u>	<u>30,711,551</u>	<u>28,702,229</u>
Plan Fiduciary Net Position						
Contribution - employer	1,812,276	1,694,236	3,223,388	\$ 7,444,619	\$ 1,784,375	\$ 1,381,609
Net investment income	(3,792,072)	5,684,052	616,176	809,641	360,155	575,402
Benefit payments, Including Refunds and the Implied Subsidy	(972,391)	(999,865)	(977,417)	(28,935)	(26,015)	(22,777)
Administrative expense	(163,922)	(149,022)	(131,376)	(861,415)	(754,508)	(618,306)
Net change in plan fiduciary net position	(3,116,109)	6,229,401	2,730,771	7,363,910	1,364,007	1,315,928
Plan fiduciary net position - beginning	<u>27,460,364</u>	<u>21,230,963</u>	<u>18,500,192</u>	<u>11,136,282</u>	<u>9,772,275</u>	<u>8,456,347</u>
Plan fiduciary net position - ending (b)	<u>24,344,255</u>	<u>27,460,364</u>	<u>21,230,963</u>	<u>18,500,192</u>	<u>11,136,282</u>	<u>9,772,275</u>
Net OPEB Liability/(Asset) - ending (a) - (b)	<u>\$ 920,921</u>	<u>\$ (3,292,920)</u>	<u>\$ 8,922,734</u>	<u>\$ 10,579,714</u>	<u>\$ 19,575,269</u>	<u>\$ 18,929,954</u>
Plan fiduciary net position as a percentage of the total OPEB liability/asset	96.4%	113.6%	70.4%	63.6%	36.3%	34.0%
Covered-employee payroll	\$ 24,989,751	\$ 25,320,721	\$ 24,822,309	\$ 24,456,567	\$ 25,040,896	\$ 23,452,614
Net OPEB liability/(asset) as a percentage of covered-employee payroll	3.7%	-13.0%	35.9%	43.3%	78.2%	80.7%

Notes to Schedule of Changes in the Net OPEB Liability/(Asset) and Related Ratios:

Changes in Assumptions:

Fiscal year June 30, 2018 to June 30, 2019: None

Fiscal year June 30, 2019 to June 30, 2020: The mortality improvement scale was updated to Scale MP-2019 from MP-2017.

Fiscal year June 30, 2020 to June 30, 2021: ACA excise tax was removed.

Fiscal year June 30, 2021 to June 30, 2022: The mortality improvement scale was updated to Scale MP-2021 from MP-2019.

Fiscal year June 30, 2022 to June 30, 2023: None

¹ Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

ORANGE COUNTY WATER DISTRICT
Other Postemployment Benefits
Schedule of Contributions
As of June 30, for the Last Ten Fiscal Years¹

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 644,000	\$ 1,598,000	\$ 1,600,000	\$ 1,706,000	\$ 1,303,932	\$ 1,300,000
Contribution in Relation to the Actuarially Determined Contributions	<u>(1,840,313)</u>	<u>(1,845,746)</u>	<u>(1,688,504)</u>	<u>(3,223,388)</u>	<u>(7,432,482)</u>	<u>(1,739,964)</u>
Contribution Deficiency (Excess)	<u>\$ (1,196,313)</u>	<u>\$ (247,746)</u>	<u>\$ (88,504)</u>	<u>\$ (1,517,388)</u>	<u>\$ (6,128,550)</u>	<u>\$ (439,964)</u>
Covered-Employee Payroll	<u>\$ 26,548,918</u>	<u>\$ 24,989,751</u>	<u>\$ 25,320,721</u>	<u>\$ 24,822,309</u>	<u>\$ 24,456,567</u>	<u>\$ 25,040,896</u>
Contributions as a percentage of Covered-Employee Payroll	6.93%	7.39%	6.67%	12.99%	30.39%	6.95%

Notes to Schedule of Plan Contributions:

Valuation Date 6/30/2021

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal, level percentage of payroll

Amortization Method Level dollar over closed 20 year period

Asset Valuation Method Investment gains/losses spread over 5-year rolling period

Discount Rate 5.75%

General Inflation 2.50%

Mortality, Disability, Termination, Retirement CalPERS 2000-2019 Experience study

Medical Trend Non-Medicare: 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Non-Kaiser): 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser): 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076

¹ Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

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STATISTICAL SECTION
Financial Trends
Revenue Capacity
Debt Capacity
Demographic and Economic Information
Operating Information

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**ORANGE COUNTY WATER DISTRICT
DESCRIPTION OF STATISTICAL SECTION CONTENTS
JUNE 30, 2023**

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

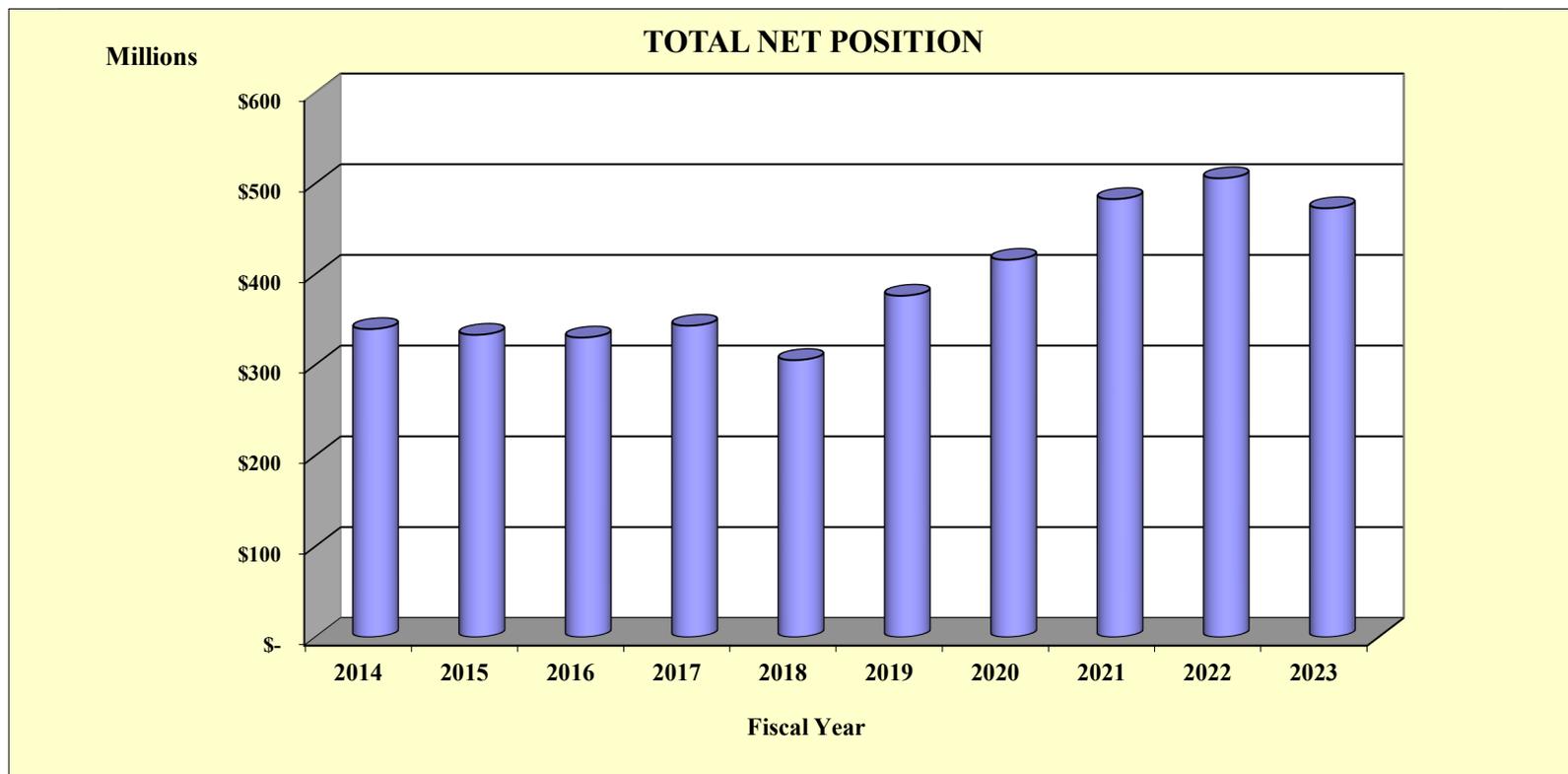
Contents:	<u>Pages</u>
Financial Trends these schedules contain trend information to help the reader understand how the District’s financial performance and well being have changed over time.....	62-65
Revenue Capacity these schedules contain information to help the reader assess the District’s most significant local revenue source, the property tax.	66-68
Debt Capacity these schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	69-72
Demographic and Economic Information these schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.	73-74
Operating Information these schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and the activities it performs.	75-78



Orange County Water District

Net Position by Component Last Ten Fiscal Years

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2014	\$ 95,168,906	\$ 17,540,437	\$ 226,680,734	\$ 339,390,077
2015	122,056,713	22,760,913	188,235,624	333,053,250
2016	135,271,635	21,404,577	173,374,582	330,050,794
2017	150,961,053	5,370,190	186,797,840	343,129,083
2018	151,082,728	66,579	154,064,265	305,213,572 (1)
2019	149,157,213	2,684,482	224,358,603	376,200,298
2020	143,502,901	11,597,226	260,734,070	415,834,197
2021	186,429,591	4,300,009	292,009,843	482,739,443
2022	192,992,630	84,995,606	227,733,335	505,721,571
2023	151,262,495	4,884,302	316,528,671	472,675,468



(1) Implementation of GASB Statement 75 resulted in a net prior period adjustment of \$16,776,446. See Note 13 in Notes to Basic Financial Statements.

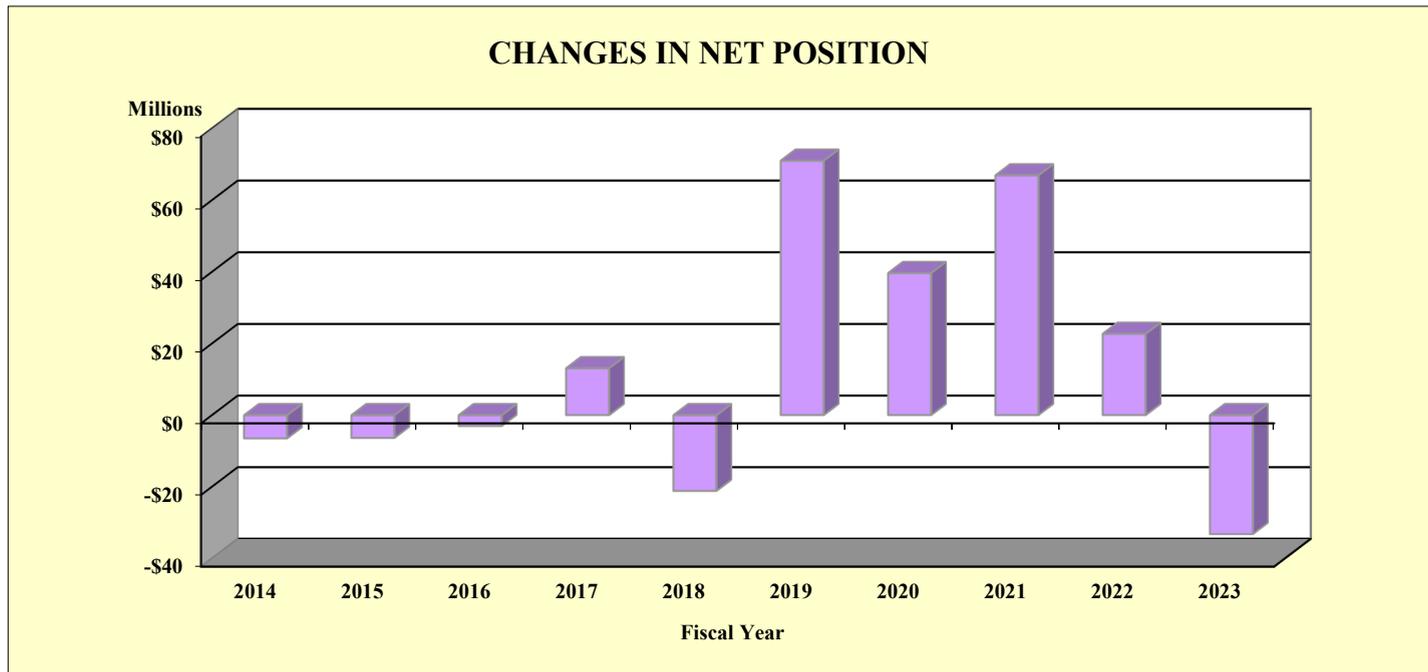
Source: OCWD Finance Department



Orange County Water District

Changes in Net Position Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Non-Operating Revenues (Expenses)	Net Income (Loss) Before Capital Contributions	Capital Contributions/Special Item	Change in Net Position
2014	\$ 105,293,285	\$ 128,519,418	\$ (23,226,133)	\$ 15,735,304	\$ (7,490,829)	\$ 1,029,678	\$ (6,461,151)
2015	103,318,416	125,845,408	(22,526,992)	15,521,237	(7,005,755)	668,928	(6,336,827)
2016	105,016,764	128,327,208	(23,310,444)	14,200,225	(9,110,219)	6,107,763	(3,002,456)
2017	137,601,758	139,491,432	(1,889,674)	13,185,798	11,296,124	1,782,165	13,078,289
2018	147,869,984	154,691,739	(6,821,755)	19,198,889	12,377,134	(33,516,199) (1)	(21,139,065)
2019	155,374,357	156,644,282	(1,269,925)	70,357,913	69,087,988	1,898,738	70,986,726
2020	146,718,494	137,094,164	9,624,330	27,098,114	36,722,444	2,911,455	39,633,899
2021	148,729,292	119,713,128	29,016,164	37,258,473	66,274,637	630,609	66,905,246
2022	138,402,212	141,847,855	(3,445,643)	15,063,530	11,617,887	11,063,991	22,681,878
2023	144,651,494	155,295,626	(10,644,132)	32,198,800	21,554,668	(54,739,351) (2)	(33,184,683)



- (1) In-lieu water was purchased with debt financing.
 (2) Capital Contributions to/from Other Parties: PFAS Treatment Facilities Projects to Yorba Linda Water District and Serrano Water District, GWRSFE Headworks Project to Orange County Sanitation District, offset by Capital Contribution from FEMA grant.

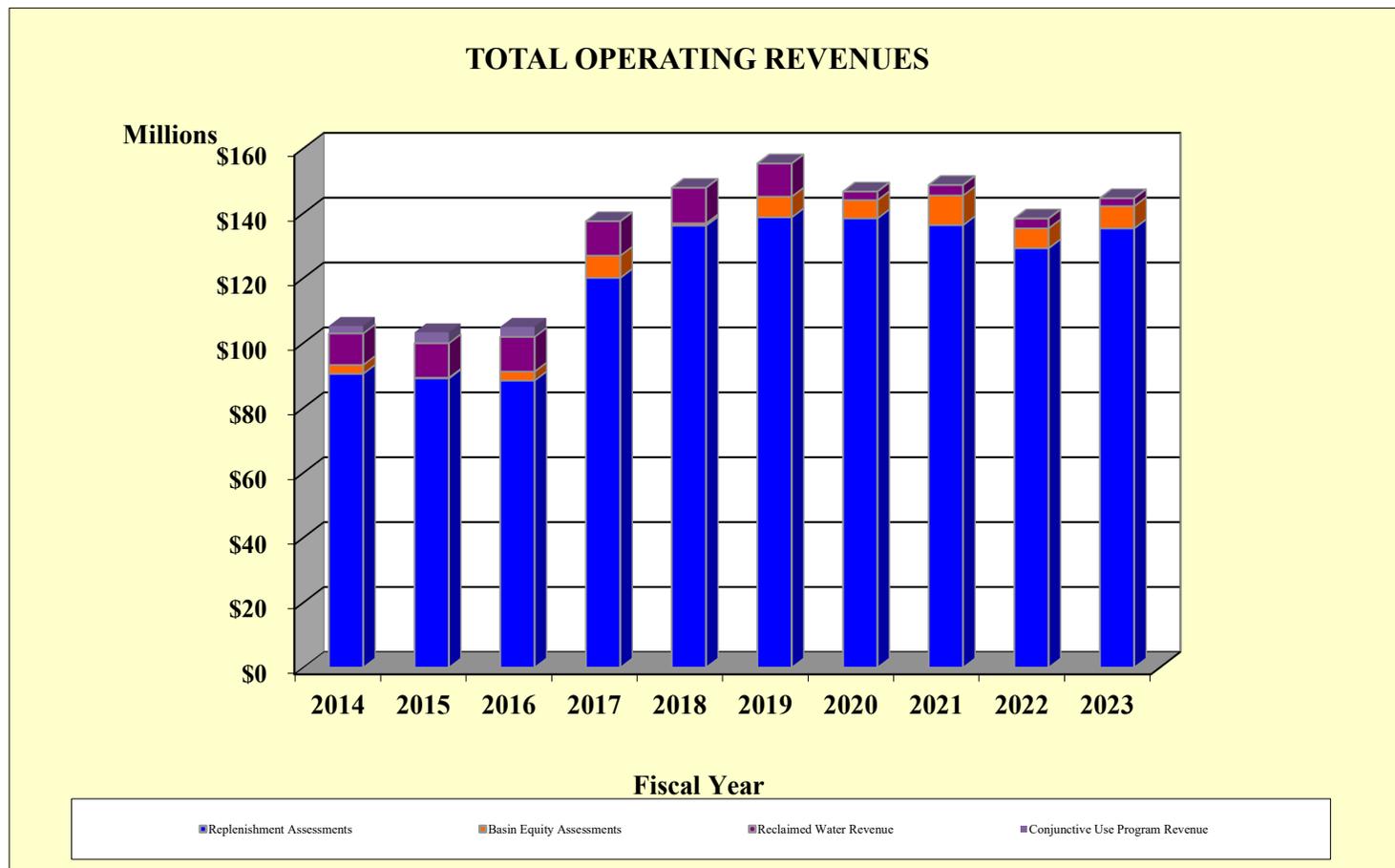
Source: OCWD Finance Department



Orange County Water District

Operating Revenues By Source Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Replenishment Assessments</u>	<u>Basin Equity Assessments</u>	<u>Reclaimed Water Revenue</u>	<u>Conjunctive Use Program Revenue</u>	<u>Total</u>	<u>Percent Change</u>
2014	\$ 90,550,510	\$ 2,733,128	\$ 9,714,520	\$ 2,295,127	\$105,293,285	-
2015	89,137,337	184,679	10,656,130	3,340,270	103,318,416	-1.9%
2016	88,464,251	2,767,818	10,699,469	3,085,226	105,016,764	1.6%
2017	120,120,803	6,833,449	10,606,006	41,500	137,601,758	31.0%
2018	136,212,805	723,321	10,933,858	-	147,869,984	7.5%
2019	138,779,385	6,384,640	10,210,332	-	155,374,357	5.1%
2020	138,444,750	5,617,151	2,656,593	-	146,718,494	-5.6%
2021	136,357,405	9,143,494	3,228,393	-	148,729,292	1.4%
2022	129,244,848	6,136,462	3,020,902	-	138,402,212	-6.9%
2023	135,370,694	6,851,209	2,429,591	-	144,651,494	4.5%



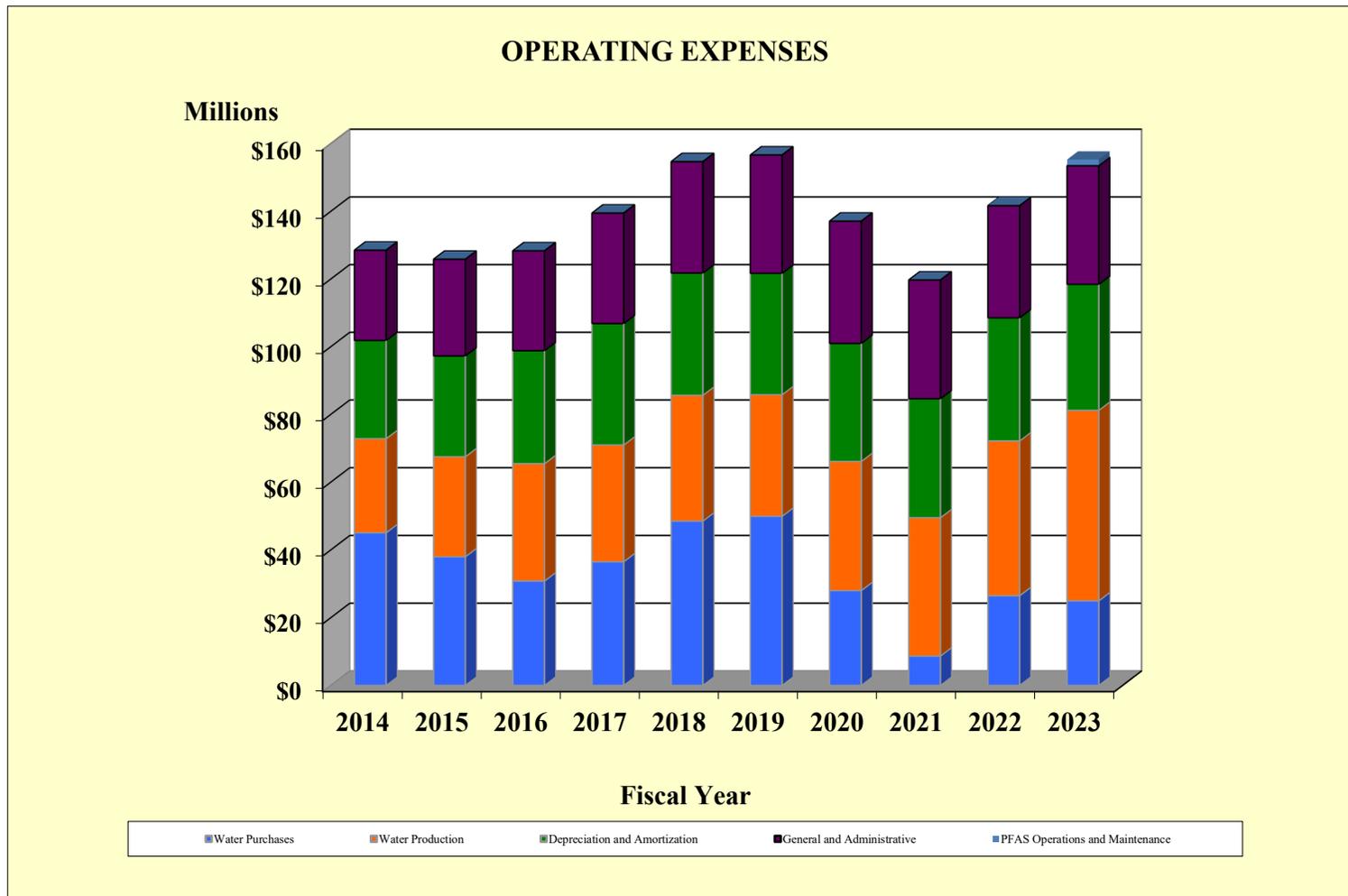
Source: OCWD Finance Department



Orange County Water District

Operating Expenses by Function Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water Purchases</u>	<u>Water Production</u>	<u>Depreciation and Amortization</u>	<u>General and Administrative</u>	<u>PFAS - Operations and Maintenance</u>	<u>Total</u>	<u>Percent Change</u>
2014	45,072,626	27,765,955	29,010,580	26,670,257	-	128,519,418	-
2015	37,973,313	29,532,369	29,760,297	28,579,429	-	125,845,408	-2.1%
2016	30,831,126	34,630,579	33,362,509	29,502,994	-	128,327,208	2.0%
2017	36,507,292	34,461,866	35,862,620	32,659,654	-	139,491,432	8.7%
2018	48,504,350	37,141,781	36,123,555	32,922,053	-	154,691,739	10.9%
2019	49,920,482	35,891,184	35,865,015	34,967,601	-	156,644,282	1.3%
2020	28,001,365	38,116,757	34,849,637	36,126,405	-	137,094,164	-12.5%
2021	8,679,073	40,829,932	35,112,462	35,091,661	-	119,713,128	-12.7%
2022	26,478,304	45,687,660	36,374,752	33,118,167	188,972	141,847,855	18.5%
2023	24,975,628	56,223,843	37,228,667	35,047,648	1,819,840	155,295,626	9.5%



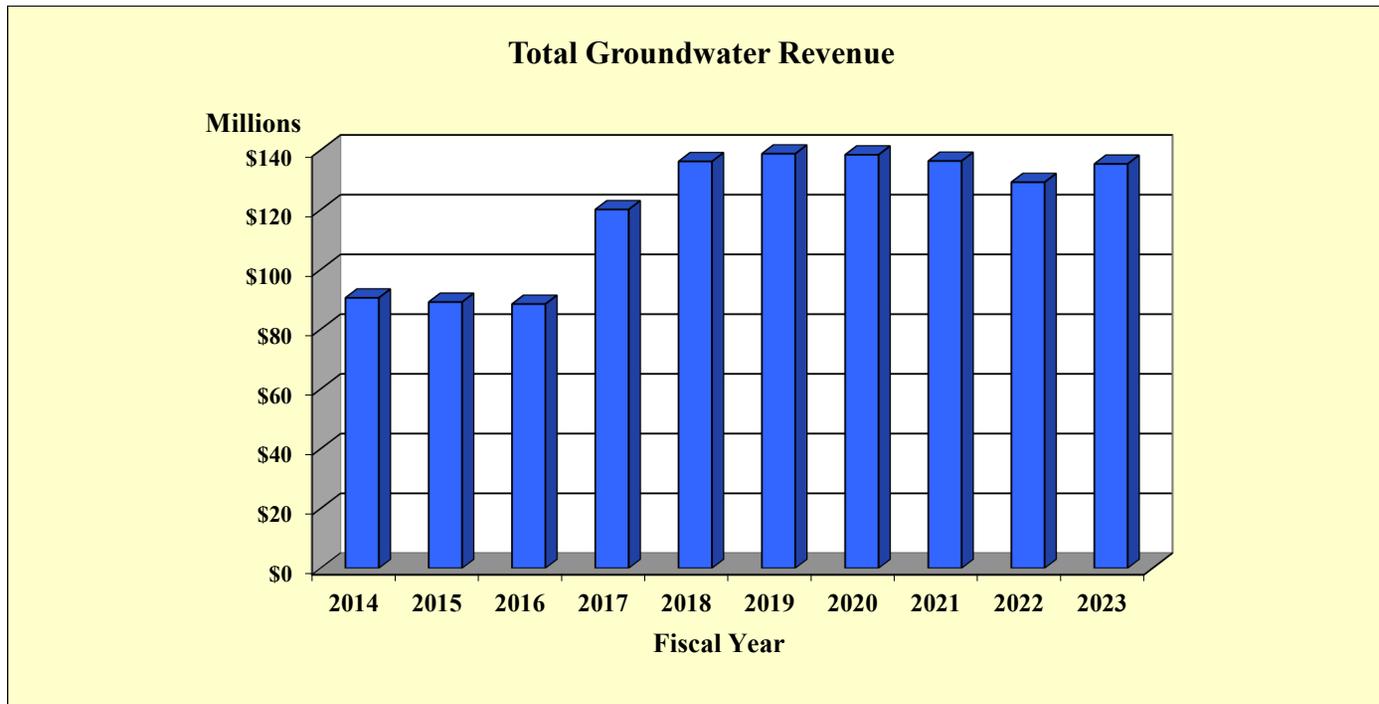
Source: OCWD Finance Department



Orange County Water District

Total Sales Acre-Feet and Revenue by Water Type Last Ten Fiscal Years

Fiscal Year	Irrigation (Acre-Feet)	Domestic (Acre-Feet)	In-Lieu Delivery (Acre-Feet)	Replenishment Assessment Revenue
2014	3,066.9	327,715.4	0.0	90,550,510
2015	2,624.6	302,634.5	0.0	89,137,337
2016	2,047.8	275,042.2	0.0	88,464,251
2017	1,589.6	300,047.8	0.0	120,120,803
2018	1,771.2	235,145.2	73,108.6	136,212,805
2019	740.1	302,756.4	0.0	138,779,385
2020	750.0	276,444.9	9,303.4	138,444,750
2021	749.4	281,043.1	0.0	136,357,405
2022	756.5	256,164.4	0.0	129,244,848
2023	527.9	244,674.5	0.0	135,370,694

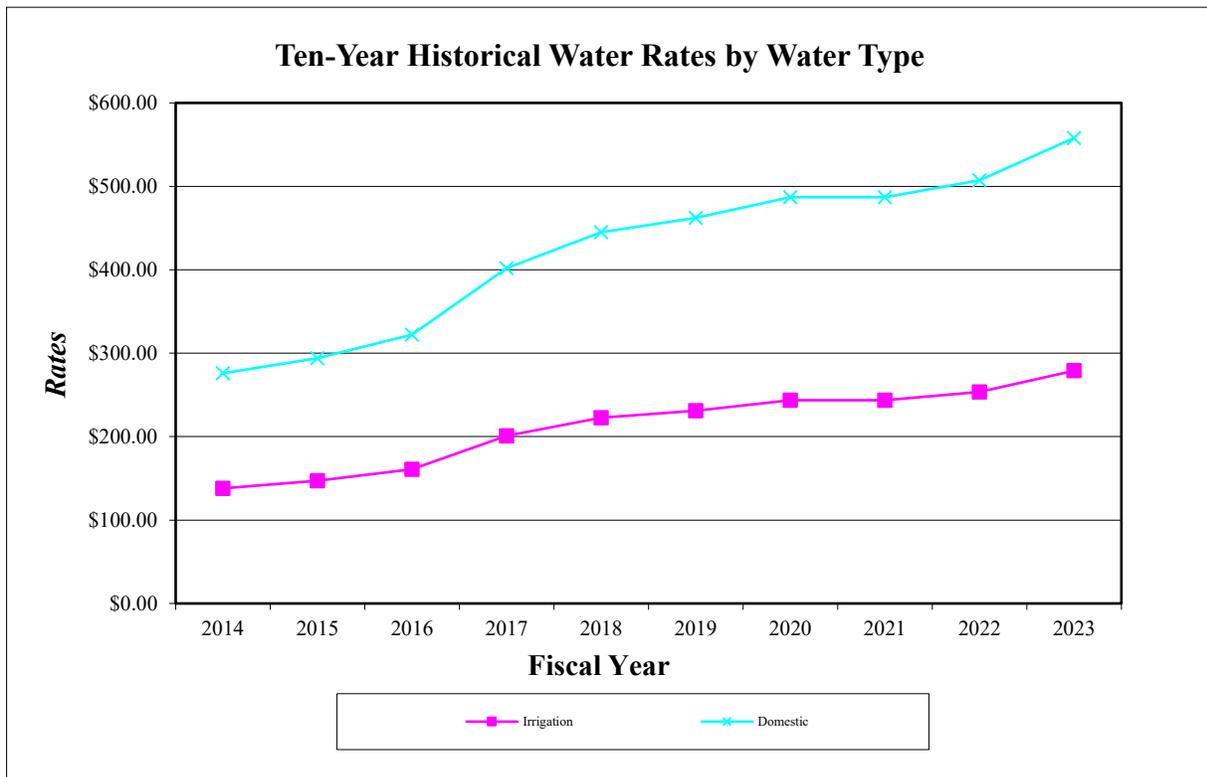




Orange County Water District

Water Rates by Water Type Last Ten Fiscal Years (\$ per Acre-Foot)

Fiscal Year	Irrigation	Domestic
2014	138.00	276.00
2015	147.00	294.00
2016	161.00	322.00
2017	201.00	402.00
2018	222.50	445.00
2019	231.00	462.00
2020	243.50	487.00
2021	243.50	487.00
2022	253.50	507.00
2023	279.00	558.00



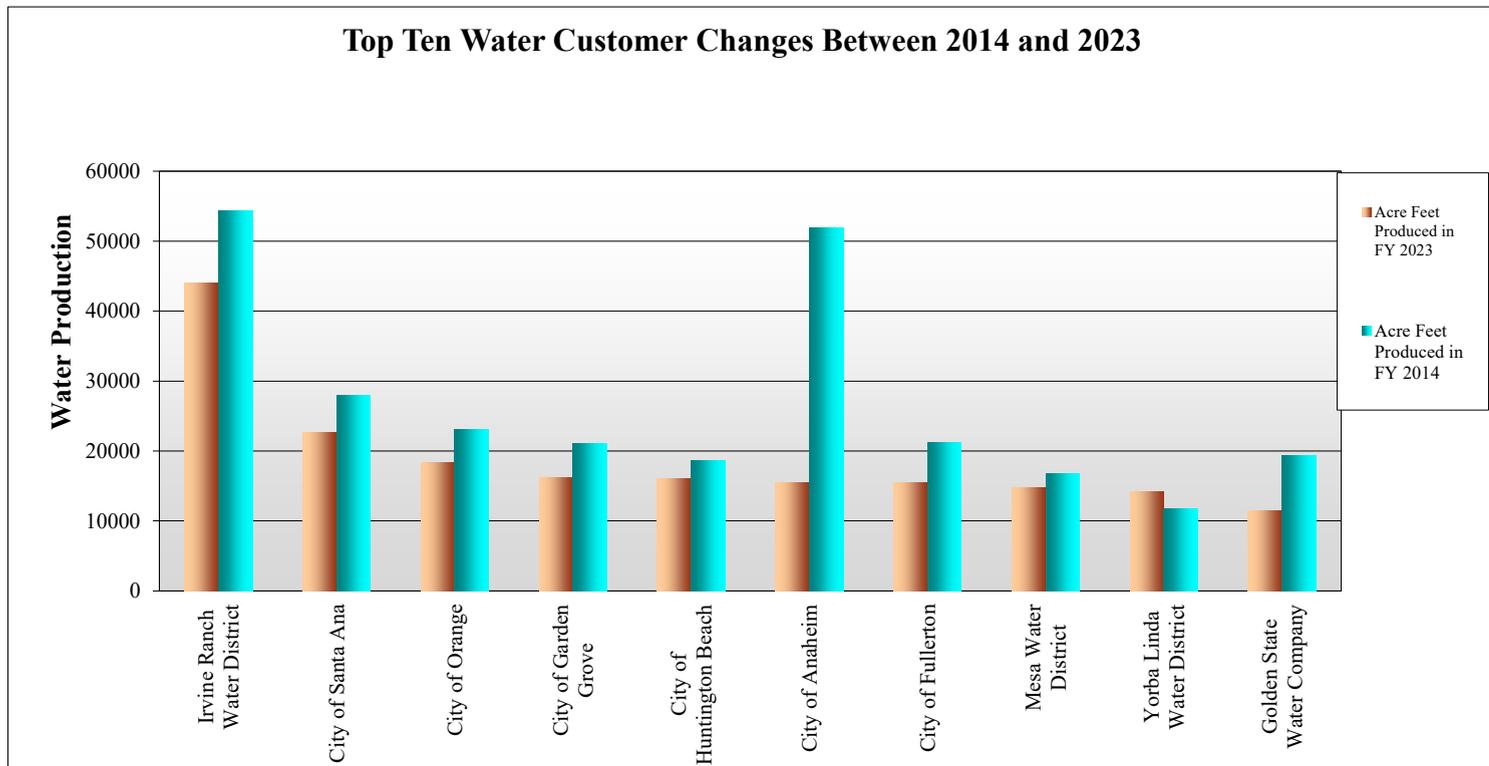
Source: OCWD Engineer's Report



Orange County Water District

Changes In Top Ten Customers' Groundwater Production Current Fiscal Year and Ten Years Ago

Member Cities & Agencies	Acre Feet Produced in FY 2023	% of Water Produced in FY 2023	Acre Feet Produced in FY 2014	% of Water Produced in FY 2014
Irvine Ranch Water District	43,964.0	23.31%	54,410.4	20.45%
City of Santa Ana	22,674.2	12.02%	27,953.5	10.50%
City of Orange	18,390.1	9.75%	23,120.8	8.69%
City of Garden Grove	16,136.2	8.55%	21,062.3	7.91%
City of Huntington Beach	16,108.6	8.54%	18,584.5	6.98%
City of Anaheim	15,482.1	8.21%	51,900.6	19.50%
City of Fullerton	15,469.5	8.20%	21,283.3	8.00%
Mesa Water District	14,777.9	7.83%	16,775.4	6.30%
Yorba Linda Water District	14,239.7	7.55%	11,713.3	4.40%
Golden State Water Company	11,393.7	6.04%	19,350.3	7.27%
Totals	188,636.0	100%	266,154.4	100%



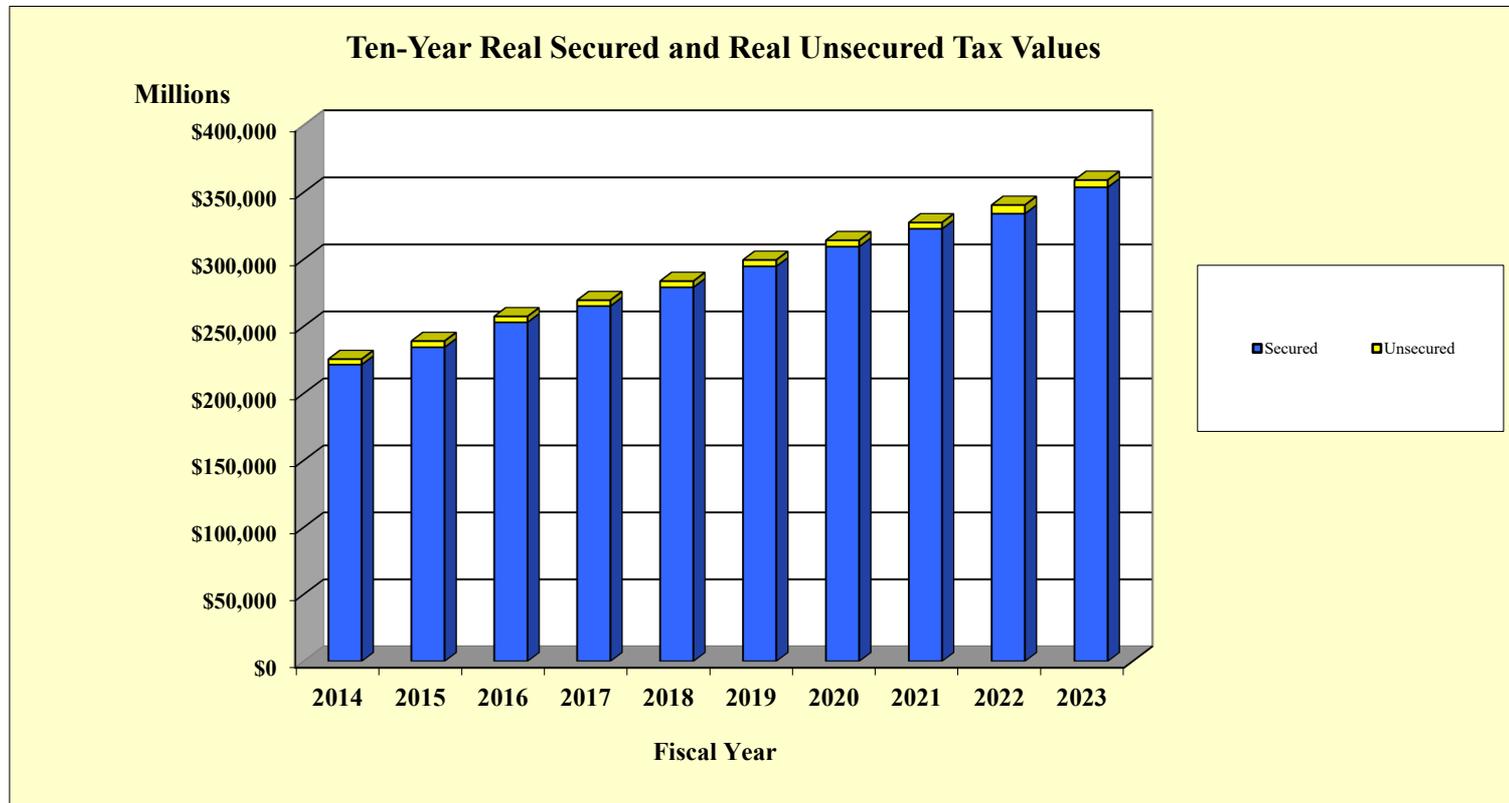
Source: OCWD Finance Department



Orange County Water District

Ten-Year Real Secured and Real Unsecured Assessed Tax Values Last Ten Fiscal Years

Fiscal Year	Real Secured	Real Unsecured	Total	Total Direct Tax Rate Percent (1)
2014	\$ 221,507,329,588	\$ 4,038,705,285	\$ 225,546,034,873	1.00
2015	234,453,148,467	4,557,572,558	239,010,721,025	1.00
2016	253,073,090,395	4,339,622,163	257,412,712,558	1.00
2017	265,209,156,713	4,287,352,070	269,496,508,783	1.00
2018	279,177,420,172	4,576,957,093	283,754,377,265	1.00
2019	294,837,523,641	4,690,290,747	299,527,814,388	1.00
2020	309,504,719,273	4,732,621,485	314,237,340,758	1.00
2021	322,834,240,610	4,637,553,818	327,471,794,428	1.00
2022	334,079,374,016	6,450,394,897	340,529,768,913	1.00
2023	353,809,054,304	5,354,956,903	359,164,011,207	1.00



- (1) In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of the property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold.

Source: County of Orange Office of Auditor/Controller-Property Tax Unit



Orange County Water District

Ten-Year Computation of Legal Debt Margin Fiscal Year 2014 Through 2023

Fiscal Year	Total Real Secured & Real Unsecured Assessed Value (1)	Legal Debt Limit (2)	Net Bonded Debt (3)	Legal Debt Margin (4)
2014	\$ 225,546,034,873	\$ 11,277,301,744	0	\$ 11,277,301,744
2015	239,010,721,025	11,950,536,051	0	11,950,536,051
2016	257,412,712,558	12,870,635,628	0	12,870,635,628
2017	269,496,508,783	13,474,825,439	0	13,474,825,439
2018	283,754,377,265	14,187,718,863	0	14,187,718,863
2019	299,527,814,388	14,976,390,719	0	14,976,390,719
2020	314,237,340,758	15,711,867,038	0	15,711,867,038
2021	327,471,794,428	16,373,589,721	0	16,373,589,721
2022	340,529,768,913	17,026,488,446	0	17,026,488,446
2023	359,164,011,207	17,958,200,560	0	17,958,200,560



- (1) Assessed Value is stated at taxable full cash value.
- (2) The Legal Debt Limit is 5% of the Assessed Value.
- (3) Net Bonded Debt is zero for the District.
- (4) Legal Debt Margin is computed by subtracting Net Bonded Debt from the Legal Debt Limit.

Source: County of Orange Office of Auditor/Controller-Property Tax Unit



Orange County Water District

*Pledged-Revenue Coverage
One Fiscal Year
Debt Service*

Fiscal Year	Revenue (1)	Less Operating & Maintenance Expenses (2)	Net Revenue	Senior Debt Service	Senior Debt Coverage	Net Revenues Available for Junior Debt Service	Junior Debt Service	Junior Debt Coverage	Total Debt Service (3)	Total Coverage
2023	190,995,205	93,651,480	97,343,725	28,399,999	3.43	68,943,726	8,945,509	7.71	37,345,508	2.61

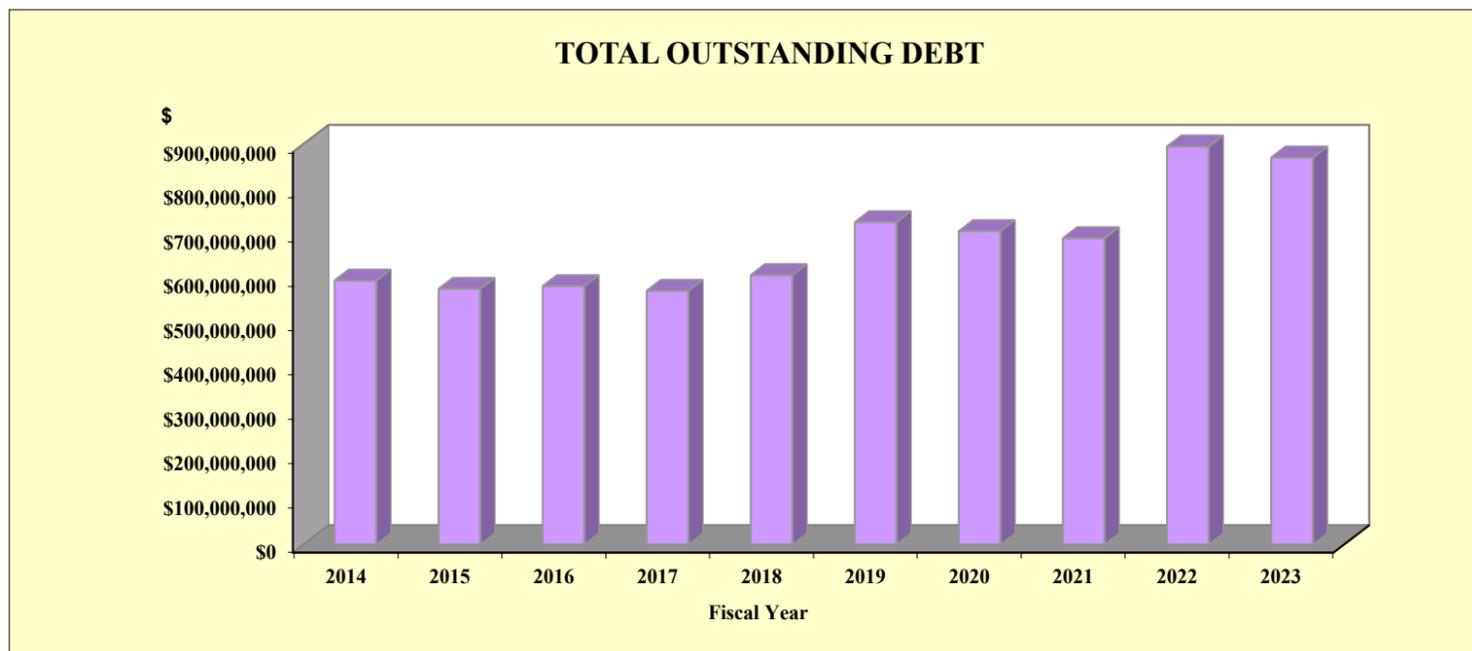
- (1) Revenues include replenishment assessment, reclaimed water revenues, conjunctive use program revenues, property tax revenue, investment income (excluding fair market value adjustment), rental income, operating income and other revenues.
- (2) Expenses exclude depreciation, amortization, water purchases, and interest expenses.
- (3) The District has executed, in total, sixteen Certificates of Participation and Revenue Refunding Bonds issuances since 1989. Only four debt issuances are outstanding (2003A, 2017A&B, 2019A&B, 2019C&D and 2021A) as of June 30, 2023. Other COP's are either advanced refunded, defeased, or refinanced with the help of the State loans, current COP's and Revenue Refunding Bonds.
- (4) A commercial paper principal payment of \$76,000 was made in August 2022 and a payment of \$6,000,000 in January 2023. These principal payments were not included in total principal payments because these were not scheduled District debt service payments.
- (5) The District has elected to show only one year of data for its pledged revenue coverage.



Orange County Water District

Ratios of Outstanding Debt Last Ten Fiscal Years

Fiscal Year	COP Debt (2)	Revenue Refunding Bonds (2)	Commercial Paper (2)	State of California Loans (2)	WIFIA Loan (2)	Total Outstanding Debt (2)	Per Capita (1) (3)	Percentage of Personal Income (1) (3)
2014	\$ 299,672,360	\$ 53,000,000	\$ 27,280,000	\$ 213,365,966	\$ -	\$ 593,318,326	\$ 190	0.336%
2015	268,478,377	53,000,000	24,613,000	228,473,759	-	574,565,136	183	0.302%
2016	267,280,690	53,000,000	20,723,000	239,600,805	-	580,604,495	184	0.294%
2017	129,815,000	188,418,466	16,813,000	235,163,138	-	570,209,604	179	0.278%
2018	129,815,000	186,765,413	52,913,000	235,978,713	-	605,472,126	190	0.285%
2019	276,523,244	176,749,315	40,713,000	230,354,520	-	724,340,079	227	0.322%
2020	275,551,903	295,103,202	36,713,000	97,089,680	-	704,457,785	221	0.292%
2021	274,455,563	288,801,064	36,713,000	88,375,897	-	688,345,524	217	0.268%
2022	376,168,826	281,163,924	33,476,000	203,966,837	-	894,775,587	284	0.345%
2023	257,021,531	273,201,785	27,400,000	196,845,121	115,357,848	869,826,285	277	0.332%



- (1) Data Source: Demographic Research Unit, California Department of Finance. Data is for the entire County of Orange. The Orange County Water District services 381 square miles or 48% of the total 799 square miles that make up the boundaries of the County of Orange.
- (2) Data Source: Orange County Water District - Finance Department
- (3) Data Source: Refer to Orange County Water District, ACFR Schedule - Demographic Statistics

Source: OCWD Finance Department



Orange County Water District

Demographic Statistics Covering The Entire County of Orange (1) Last Ten Fiscal Years

Fiscal Year	Population Estimates (2)	Total Personal Income (in Thousands)	Per Capita Personal Income	Median Family Income (4)	Unemployment Rate (5)
2014	3,122,962	\$ 176,537,358 (3)	\$ 56,529	\$ 85,313	5.7%
2015	3,144,663	190,154,400 (3)	60,469	87,942	4.7%
2016	3,160,401	197,231,809 (3)	62,407	92,063	4.3%
2017	3,180,125	204,911,755 (3)	64,435	97,012	3.8%
2018	3,186,254	212,806,994 (3)	66,789	102,047	3.2%
2019	3,185,378	224,716,133 (3)	70,546	107,171	3.0%
2020	3,180,491	241,153,117 (3)	75,823	108,243 (6)	13.4%
2021	3,167,783	256,700,438 (3)	81,035	113,908	6.9%
2022	3,151,946	259,267,442 (6)	82,256	115,047 (6)	2.9%
2023	3,137,164	261,860,117 (6)	83,470	116,198 (6)	3.7%

Notes and Data Sources

- (1) The Orange County Water District services 381 square miles or 48% of the total 799 square miles that make up the boundaries of the County of Orange.
- (2) Data Source: Demographic Research Unit, California Department of Finance.
- (3) Data Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (4) Data Source: Center for Demographic Research, California State University, Fullerton.
- (5) Data Source: State of California, Employment Development Department as of June 30 of each fiscal year.
- (6) Forecasted number based on 1% growth.

Source: OCWD Finance Department



Orange County Water District

Principal Employers Last Year and Nine Years Ago

2022

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Company	34,000	1	2.21%
University of California, Irvine	24,867	2	1.61%
County of Orange	18,000	3	1.17%
Providence Southern California	13,037	4	0.85%
Kaiser Permanente	9,592	5	0.62%
Hoag Memorial Hospital Presbyterian	7,888	6	0.51%
Albertsons Southern California Division	7,633	7	0.50%
Target Corp.	6,000	8	0.39%
Allied Universal	5,929	9	0.38%
Walmart Inc.	5,900	10	0.38%

2014

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Company	27,000	1	1.83%
University of California, Irvine	22,385	2	1.51%
County of Orange	17,628	3	1.19%
St. Joseph Health	12,227	4	0.83%
Kaiser Permanente	7,000	5	0.47%
Boeing Co.	6,890	6	0.47%
Wal-Mart Stores Inc.	6,000	7	0.41%
MemorialCare Health System	5,650	8	0.38%
Bank of America Corp.	5,500	9	0.37%
Target Corp.	5,400	10	0.37%

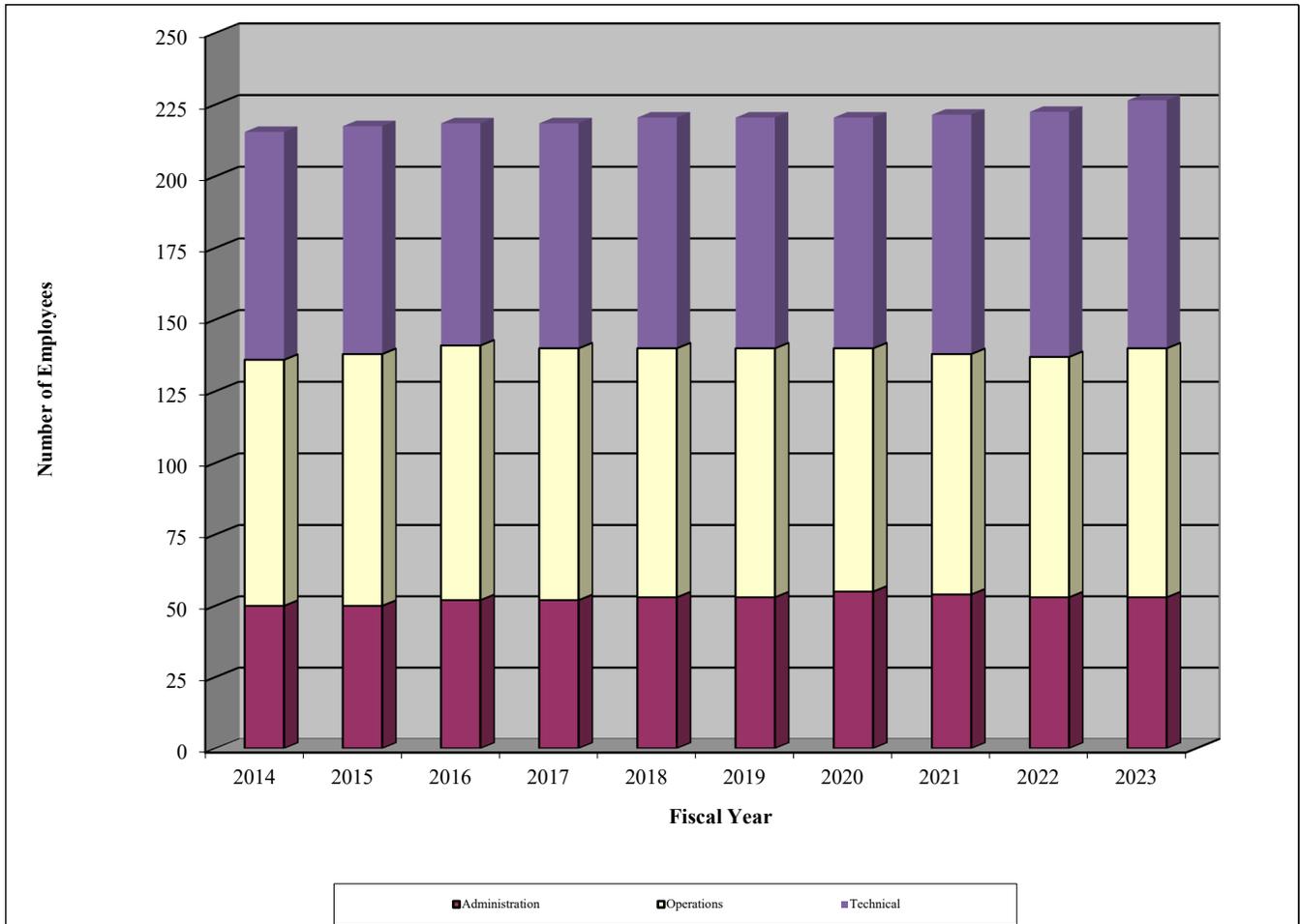


Orange County Water District

Personnel Trends Last Ten Fiscal Years

FUNCTIONS

<u>Fiscal Year</u>	<u>Administration</u>	<u>Operations</u>	<u>Technical</u>	<u>Total</u>
2014	50.0	86.0	79.5	215.5
2015	50.0	88.0	79.5	217.5
2016	52.0	89.0	77.5	218.5
2017	52.0	88.0	78.5	218.5
2018	53.0	87.0	80.5	220.5
2019	53.0	87.0	80.5	220.5
2020	55.0	85.0	80.5	220.5
2021	54.0	84.0	83.5	221.5
2022	53.0	84.0	85.5	222.5
2023	53.0	87.0	86.5	226.5



Source: OCWD Finance Department



Orange County Water District

Fiscal Year 2022-23 Groundwater Production By Agency (Acre-Feet)

City/Agency	Irrigation	Domestic	Total	% of water sold
Anaheim, City of		15,482.1	15,482.1	6.30%
Buena Park, City of		10,465.3	10,465.3	4.27%
East Orange County Water District		2.5	2.5	0.00%
County of Orange		103.5	103.5	0.04%
Fountain Valley, City of		7,854.8	7,854.8	3.20%
Fullerton, City of		15,469.5	15,469.5	6.31%
Garden Grove, City of		16,136.2	16,136.2	6.58%
Golden State Water Company		11,393.7	11,393.7	4.65%
Huntington Beach, City of		16,108.6	16,108.6	6.57%
Irvine Ranch Water District		43,964.0	43,964.0	17.93%
La Palma, City of		1,610.2	1,610.2	0.66%
Mesa Water District		14,777.9	14,777.9	6.03%
Newport Beach, City of		10,595.9	10,595.9	4.32%
Orange, City of		18,390.1	18,390.1	7.50%
Orange County Water District*		1,558.0	1,558.0	0.64%
Santa Ana, City of		22,674.2	22,674.2	9.25%
Seal Beach, City of		2,152.5	2,152.5	0.88%
Serrano Water District		1,803.6	1,803.6	0.74%
Tustin, City of		5,296.2	5,296.2	2.16%
Westminster, City of		9,499.7	9,499.7	3.87%
Yorba Linda Water District		14,239.7	14,239.7	5.81%
All Operations Other Than Above	527.9	5,096.3	5,624.2	2.29%
Totals	527.9	244,674.5	245,202.4	100%

Source: OCWD Finance Department



Orange County Water District

Demographic and Production Indicators Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Demographics										
Service Area (Square Miles)	381	381	381	381	381	381	381	381	381	358
Population Estimate (1), (2)	3,137,164	3,151,946	3,167,783	3,180,491	3,185,378	3,186,254	3,180,125	3,160,401	3,144,663	3,122,962
Median Family Income (1), (3)	\$ 116,198 (6)	\$ 115,047	\$ 113,908	\$ 108,243	\$ 107,171	\$ 102,047	\$ 97,012	\$ 92,063	\$ 87,942	\$ 85,313
Production Data (A.F.) (4)										
Groundwater										
Non-Irrigation Pumping	244,674.5 (6)	256,164.4	281,043.1	276,444.9	302,756.4	235,145.2	300,047.8	275,042.2	302,634.5	327,715.4
In-lieu Delivery	-	-	-	9,303.4	-	73,108.6	-	-	-	-
Irrigation Pumping	527.9 (6)	756.5	749.4	750.0	740.1	1,771.2	1,589.6	2,047.8	2,624.6	3,066.9
Supplemental Water										
Non-Irrigation Delivery	88,442.3 (6)	121,730.4	102,523.8	90,198.3	70,872.8	87,019.2	68,580.9	70,624.9	98,501.9	103,907.4
Conservation Credit	-	-	-	-	-	2,460.7	2,613.7	2,007.1	1,731.8	1,448.9
Irrigation Delivery	-	-	-	-	-	242.2	-	-	-	-
Non-Local Water Purchased by OCWD (A.F.) (5)										
Western Municipal Water District	-	-	-	-	-	-	-	-	-	-
Alamitos Barrier	2,993.9 (6)	2,704.0	2,617.6	2,100.0	2,015.2	912.2	1,166.1	2,398.9	2,236.3	2,370.2
Talbert Barrier - Fountain Valley	-	-	1.3	-	-	-	-	-	-	-
Talbert Barrier - Mesa Water District	3.6 (6)	14.1	15.7	2.0	20.1	18.4	7.8	7.0	17.7	6.2
Forebay Recharge	16,865.0 (6)	22,982.1	-	18,098.2	40,344.9	66,113.5	48,918.1	45,118.0	48,616.8	50,700.5
In-lieu Program	-	-	-	9,354.7	-	73,108.6	-	-	-	-
Basin Water Supply Management Program	-	-	-	-	-	-	-	-	-	-
Arlington Desalter	-	-	-	-	-	-	-	-	-	-
SARCCUP Water Bank	-	-	2,000.0	-	-	-	-	-	-	-

Notes and Data Sources:

- (1) The Orange County Water District services 381 square miles or 48% of the total 799 square miles that make up the boundaries of the County of Orange.
- (2) Data Source: Demographic Research Unit, California Department of Finance.
- (3) Data Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (4) Data Source: Appendix I, OCWD Engineer's Reports, from WY 2014 to WY 2022.
- (5) Data Source: Appendix 4, OCWD Engineer's Reports, from WY 2014 to WY 2022.
- (6) Preliminary data for WY 2023

Source: OCWD Finance Department



Orange County Water District

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	2023	2022	2021	2020	2019
Water Treatment					
Facilities (million gallons per day)					
Groundwater Replenishment System (GWRS)	130	100	100	100	100
Pipeline (miles)					
Green Acre Project Pipeline	33	33	33	33	33
GWRS Pipeline	18	15	15	15	15
Recharge					
Recharge Facilities	27	27	27	27	28
Recharge System Storage (acre-feet)	26,402	26,402	26,402	26,402	26,402
Basin Management					
Groundwater Monitoring Wells	523	522	497	482	478
Injection Wells	109	78	78	78	78
Soil Gas Monitoring Wells	10	10	10	10	10
Other Wells	16	16	16	16	16
Function	2018	2017	2016	2015	2014
Water Treatment					
Facility (million gallons per day)					
Groundwater Replenishment System (GWRS)	100	100	100	100	70
Pipeline (miles)					
Green Acre Project Pipeline	33	33	33	33	33
GWRS Pipeline	15	15	15	15	15
Recharge					
Recharge Facilities	28	28	26	26	26
Recharge System Storage (acre-feet)	26,402	26,402	26,278	26,278	26,278
Basin Management					
Groundwater Monitoring Wells	467	430	424	397	395
Injection Wells	79	81	64	60	61
Soil Gas Monitoring Wells	10	10	10	10	10
Other Wells	16	16	16	16	16

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