



**Trabuco Canyon Water District**  
Trabuco Canyon, California

**Annual Comprehensive Financial Report**

**For the Fiscal Years Ended June 30, 2023 and 2022**





# **Trabuco Canyon Water District**

## **Annual Comprehensive Financial Report For the Fiscal Years Ended June 30, 2023 and 2022**

**Trabuco Canyon Water District  
32003 Dove Canyon Drive  
Trabuco Canyon, California 92679**

**Prepared by:  
Administrative Services Division**



## **Mission Statement**

*“The Trabuco Canyon Water District’s purpose as a public service agency is to provide service to our customers which instills trust regarding the quality and quantity of the water supply, reliable service for collection, treatment, and reuse of wastewater, a work environment where safety and health of employees and customers is our paramount concern, information to our customers to foster and maintain a well-informed community and cost effective and efficient services in a courteous manner.”*

## **Board of Directors**

Stephen Dopudja, President

Edward Mandich, Vice-President

Glenn Acosta, Director

Donald Chadd, Director

Michael Safranski, Director

## **District Management**

Fernando Paludi, General Manager

Michael Perea, Assistant General Manager

Cindy Byerrum, District Treasurer

*Trabuco Canyon Water District is a public agency serving portions of the cities of Rancho Santa Margarita, Mission Viejo, Lake Forest, and unincorporated Orange County.*

**TRABUCO CANYON WATER DISTRICT**  
*For the Fiscal Years Ended June 30, 2023 and 2022*  
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## *Introductory Section*

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STAFF MEMBERS

Fernando Paludi, General Manager  
Michael Perea, District Secretary  
Cindy Byerrum, District Treasurer  
Hanson Bridgett, LLP, Legal  
Counsel



BOARD OF DIRECTORS

Stephen Dopudja, President  
Edward Mandich, Vice President  
Glenn Acosta, Director  
Don Chadd, Director  
Michael Safranski, Director

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***To the Honorable Board of Directors of the Trabuco Canyon Water District and Members of the Community***

It is my pleasure to submit the Trabuco Canyon Water District's (District) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023 (FY 2023). The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited with generally accepted auditing standards.

The District is ultimately responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures in this financial report. I believe that the data presented is accurate in all material respects. This report is designed in a manner that helps to enhance the understanding of the District's financial position and activities. The management of the District has established an internal controls framework that is designed to protect the District's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP.

The District's financial statements have been audited by Nigro and Nigro, PC, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2023 are free of material misstatement. The independent audit involved examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unmodified opinion which states that the District's financial statements for the fiscal year ended June 30, 2023 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

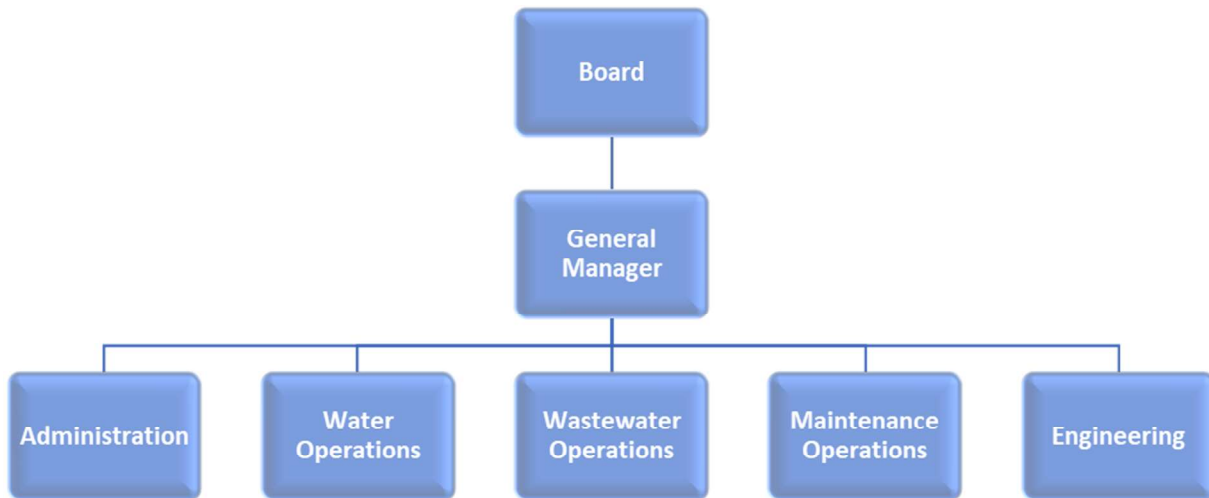
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditor's Report.

This report is organized into three sections: (1) Introductory, (2) Financial, and (3) Statistical. The Introductory section offers general information about the District's organizational structure and water and sewer systems, the economic environment, as well as the District's major initiatives and accomplishments. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis, and the financial statements with accompanying notes including required supplementary reports. The supplementary reports segment contains selected financial information in greater detail than presented in the financial statements in accordance with the District's internal fund structure. The Statistical section includes additional tables of unaudited data depicting select information about the District.

## District Organizational Structure and Leadership

The Trabuco Canyon Water District is a county water district organized in 1962 and existing pursuant to California Water Code Sections 30000 (the County Water District Law) and other applicable provisions of State law. The District serves portions of the cities of Rancho Santa Margarita, Mission Viejo, Lake Forest, and unincorporated Orange County. The District is governed by a five-member publicly elected Board of Directors. The District's Board of Directors meets on the third Thursday of each month and the public is encouraged to attend.

The General Manager administers the day-to-day operations of the District in accordance with policies established by the Board of Directors. The District employs 21 regular employees organized in five departments: Administration, Engineering, Water Operations, Wastewater Operations, and Maintenance Operations as presented below.

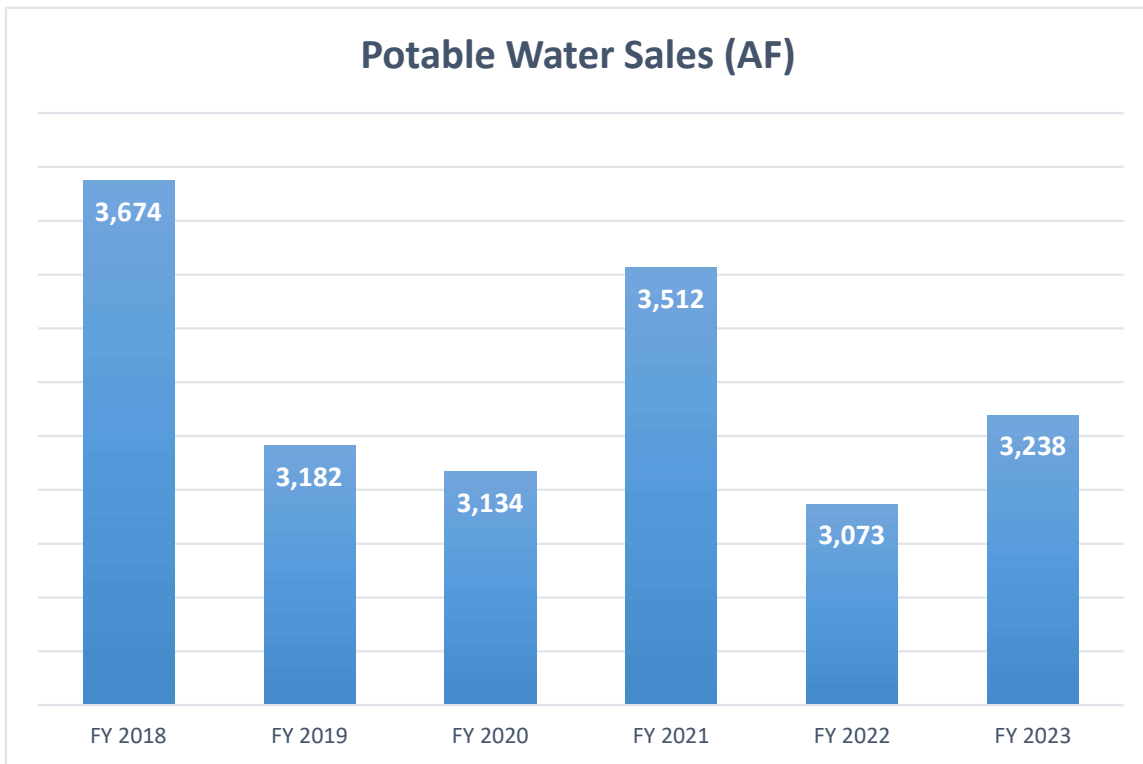


## District Services

The District is relatively small but complex in operations with a diversified portfolio of water resource management solutions and practices for the customers in its service area. In addition to the provision of safe drinking water, the District manages the sanitary sewer system in the master planned communities east of Plano Trabuco Road and is committed to water recycling and urban runoff capture and reuse to help meet commercial irrigation demand.

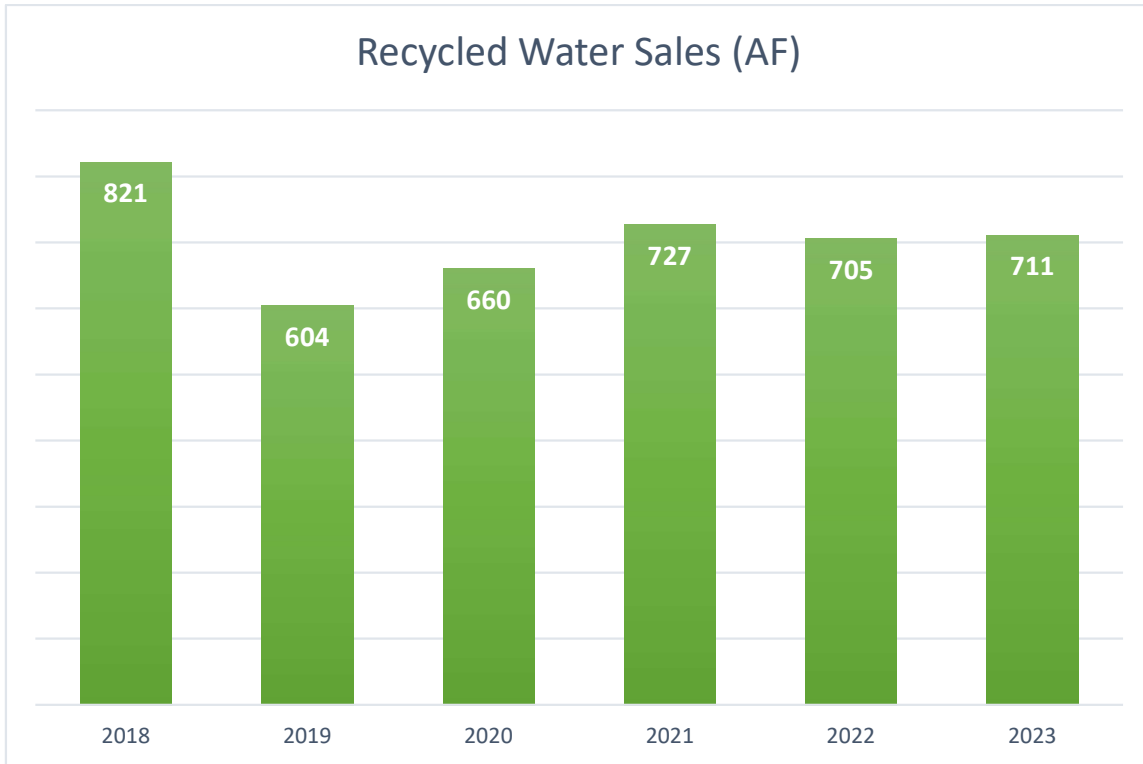
Residential customers represent approximately 96% of the District's potable water customer accounts and consume approximately 72% of the potable water produced annually by the District. The District currently operates a drinking water filtration plant and two groundwater wells with a combined production capacity of 900 gallons per minute. Additionally, the District is the permitted distributor of recycled water from the Robinson Ranch Wastewater Treatment Plant. The number of District potable water connections increased by 21 in FY 2023.

The District’s annual water-related revenues are predominantly variable and correlated to the volume of water sold to homes, business, and other users. Sales of potable or drinking water for indoor and outdoor use, including landscape irrigation, comprise nearly two-thirds of all revenue from customer charges. After dropping significantly in FY 2019, water sales have increased during the recent cycle of hot, dry climate. For FY 2023, water sales are projected to decrease 1% in response to drought awareness and corresponding conservation efforts.



The District beneficially reuses 100% of the sewage or wastewater collected within its service territory, east of Plano Trabuco Road. This “recycled water” produced at the Robinson Ranch Wastewater Treatment Plant is augmented by natural urban runoff captured through a network of basins and Dove Canyon Lake and used for landscape irrigation by several Homeowners Associations (HOAs). Recycled water represents 100% conservation of potable or drinking water supplies, which would otherwise be used for irrigation purposes. Recycled water supplies are limited and carefully managed by District operations personnel to maximize its benefit. Similar to demand for potable water, demand for recycled water reached a low point in FY 2019 but increased in FY 2020 and has remained steady through FY 2023. Demand is projected to decrease to 700 acre-feet during the budget year in recognition of anticipated wet hydrology locally that will dampen demand for irrigation water.





## Water Use Efficiency Programs

The District is committed to promoting and supporting efficient water use by its customers and demonstrates this commitment by reducing water waste, providing ongoing education and awareness of available financial incentives, and performing water use consultations. During 2023, the District completed the service area-wide installation of smart water meters and launched the on-line consumption data access portal for all residential customers to monitor their water use in near-real time. This water consumption awareness and early leak-detection capability has been proven to increase water use efficiency and conservation.

## Local Economic Condition and Outlook

The District continues to be impacted by price inflation and global supply chain disruptions that since FY 2022 have delayed equipment procurement and driven up the cost of labor, materials, and equipment for District operating and capital projects. These cost increases were not anticipated when the District’s previous rate study was undertaken and a five-year schedule of rates and charges were implemented in January 2021.

Also during FY 2023, the District completed a comprehensive condition assessment of its water and sewer infrastructure, resulting in the prioritization of the most critical repair and replacement projects to be addressed through the Capital Improvement Program over the next ten years.

Like most other water and sewer utilities in Orange County, the District’s Board of Directors was forced to address the post-pandemic economic challenges through a new financial plan and rate study initiated in FY 2023. The new rate study also incorporated the planned Capital Improvement Program expenditures resulting from the asset condition assessment in order to maintain the continued safety and reliability of TCWD’s water and sewer services. The rates and charges from the

new rate study became effective July 1, 2023 with subsequent adjustments planned for each July 1 thereafter through FY 2028.

## **Major Planned Initiatives and Significant Projects**

During FY 2024, the District expects to complete several important capital projects intended to modernize operations, refurbish and replace capital assets, and improve customer service:

- Complete final phase of the District’s Supervisory Control and Data Acquisition (SCADA) System upgrade - a three-year, \$3 million project to improve communication, security, and data management throughout the water, wastewater, and recycled water distribution systems.
- Award a \$2.0 million construction contract for the final phase of improvements to Golf Club Sewer Lift Station. Located within the Dove Canyon community, Golf Club SLS plays a critical role in pumping sewer flows received from two other stations nearly 300 ft in elevation to the Robinson Ranch Wastewater Treatment Plant (RRWWTP). When complete, the District will have invested over \$3 million in modernizing this facility for the next generation.
- Award an engineering design contract for the replacement of over one mile of potable water pipeline main within Live Oak Canyon Road between Cooks Corner and the District’s reservoir tanks at Harris Grade. The total project cost including construction is estimated to be \$2.5 million.
- Construction of several improvements within the RRWWTP, including replacement of large blowers that provide aeration for the wastewater treatment process, and the installation of new SCADA panels at several locations connected with a fiber optic network. This work is estimated to cost approximately \$1 million combined.
- Develop a Meter Downsizing Program to assist eligible single family residential customers with replacing existing water meters with smaller meters more appropriately sized to serve their property. Participating customers will reduce their monthly fixed charge obligations to the District for water service.
- Conduct a public tour of District facilities for customers to better understand water and sewer services and how ratepayer dollars are applied to infrastructure improvement projects.
- Complete two federal grant applications to the U.S. Bureau of Reclamation for District capital improvement projects. If awarded, combined grant proceeds could offset District costs by as much as \$1 million.
- Issue new debt to convert existing short-term credit line into long-term debt that will also provide additional proceeds during the current five-year rate schedule to fund capital expenses until rate revenue is sufficient on a “pay-go” basis.

## **FY 2023 Accomplishments**

Notable accomplishments across the District from FY 2023 include:

- Completed the installation of Automated Meter Reading (AMR) meters District-wide and Advanced Metering Infrastructure (AMI) network to enable near-real time collection of water consumption data by not only the District but also individual customers through on-line portals.
- Went live with the new Computerized Maintenance Management System (CMMS) software and database for facilitating and tracking maintenance of District assets

- Prepared the District’s first Annual Comprehensive Financial Report (ACFR) for the FY 2022 financial statements. The FY 2022 ACFR was awarded an Excellence in Financial Reporting award from the Government Finance Officers Association.
- Hosted “Water Awareness Day 2023” on May 6, 2023 to educate District customers regarding District services. The 2023 event set a new record for attendance.
- Completed a new Financial Plan and Cost of Service study culminating in the adoption of a five-year schedule of rates and charges to fund operating and capital expenses and achieve prudent financial reserves through FY 2028.

## **Internal Control Structure**

District management is responsible for the establishment and maintenance of an internal control structure that ensures that District assets are protected from loss, theft, or misuse. The internal control structure also warrants that adequate accounting data is 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 (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

## **Budgetary Control**

The Board of Directors approves an operating and capital budget annually at the start of each fiscal year. The budget reflects the District’s priorities and needs for the upcoming year and provides the basis for reporting and control of financial operations and accountability for the District’s activities. The budget and reporting treatment applied to the District are consistent with the accrual basis of accounting and the financial statement basis.

## **Investment Policy**

The Board of Directors has adopted an investment policy that conforms to state law and prudent money management. The objectives of the Investment Policy are safety, liquidity, and return on investment. District funds are invested in the State Treasurer’s Local Agency Investment Fund (LAIF) and checking accounts.

## **Independent Audit and Financial Reporting**

The State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Nigro & Nigro, PC has conducted the audit of the District’s financial statements for FY 2023. Their unmodified Independent Auditor’s Report appears in the Financial Section.

## **Risk Management**

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Authority). The purpose of the Authority is to arrange and administer insurance programs for the pooling of self-insured losses and to purchase excess insurance coverage, as necessary.

## Other References

More information is contained in the Management's Discussion and Analysis and in the Notes to the Basic Financial Statements found in the Financial Section of the report.

## Awards and Acknowledgement

This is the 2nd year that the District is submitting its Annual Comprehensive Financial Report (ACFR) for the Government Finance Officers Association of the United States and Canada's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this ACFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine our eligibility for the FY 2023.

Preparation of this report is the result of the collective efforts of District staff. I would like to thank the Board for their leadership and continued interest in, and support of, prudent fiscal management of the District. I would also like to extend my appreciation to all employees for their support of the District's mission, and for their dedication to providing the highest level of professionalism, teamwork, and service to our valued customers, and a special thank you to Karen Warner, Principal Accountant, who was instrumental in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "F. Paludi". The signature is fluid and cursive, with a large initial "F" and a trailing flourish.

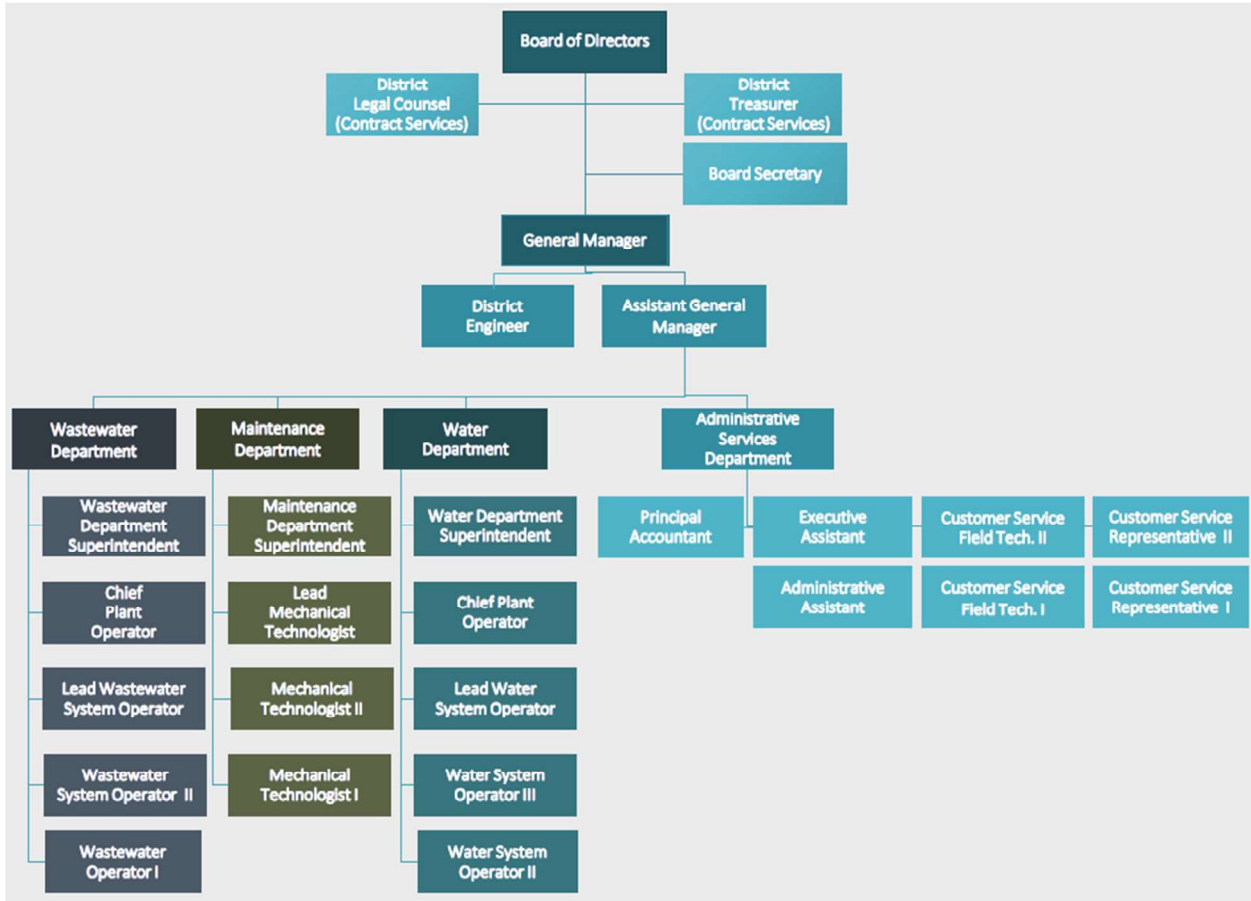
Fernando Paludi, P.E.  
General Manager

A handwritten signature in black ink, appearing to read "Cindy Byerrum". The signature is cursive and clearly legible.

Cindy Byerrum, CPA  
District Treasurer

# TRABUCO CANYON WATER DISTRICT

## Organizational Chart



**TRABUCO CANYON WATER DISTRICT**

*GFOA Certificate of Achievement for Excellence in Financial Reporting*

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Trabuco Canyon Water District  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morrill*

Executive Director/CEO

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Trabuco Canyon Water District  
Trabuco Canyon, California

### Opinion

We have audited the accompanying financial statements of the Trabuco Canyon Water District (District), which comprise the balance sheets as of June 30, 2023 and 2022, and related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and related notes to the 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 2022, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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. 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 Agency 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 opinion.

### 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 Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

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

### **Supplementary Information**

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

### **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.

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

In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 21, 2023, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Murrieta, California  
December 21, 2023

**TRABUCO CANYON WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2023 and 2022*

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Management's Discussion and Analysis (MD&A) offers readers of Trabuco Canyon Water District's (District's) financial statements a narrative overview of the District's financial activities for the years ended June 30, 2023 and 2022. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- In fiscal year 2023, the District's net position decreased 6.56%, or \$3,064,906 from the prior year's net position of \$46,699,437 to \$43,634,531, as a result of the year's operations.
- In fiscal year 2022, the District's net position decreased 7.19%, or \$3,617,916 from the prior year's net position of \$50,317,353 to \$46,699,437, as a result of the year's operations.
- In fiscal year 2023, operating revenues increased by 8.82%, or \$795,146 from \$9,018,591 to \$9,813,737, from the prior year, primarily due to increases in wholesale water sales as well as increases in water and sewer service charges.
- In fiscal year 2022, operating revenues increased by 1.00%, or \$89,571 from \$8,929,020 to \$9,018,591, from the prior year, primarily due to increases in water consumption sales as well as increases in other water service charges and reclaimed water sales.
- In fiscal year 2023, operating expenses before depreciation expense increased by 10.13% or \$1,133,474 from \$11,191,910 to \$12,325,384, from the prior year, primarily due to increases in general and administrative expenses.
- In fiscal year 2022, operating expenses before depreciation expense decreased by 4.43% or \$518,443 from \$11,710,353 to \$11,191,910, from the prior year, primarily due to decreases in sewer operation costs related to reduced repairs and maintenance expenses, and general and administrative expenses.

**REQUIRED FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

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

**TRABUCO CANYON WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2023 and 2022*

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**FINANCIAL ANALYSIS OF THE DISTRICT**

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

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

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

**Condensed Balance Sheets**

|   | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>Change</u>         | <u>June 30, 2021</u> | <u>Change</u>       |
|---|----------------------|----------------------|-----------------------|----------------------|---------------------|
| <b>Assets:</b>  |                      |                      |                       |                      |                     |
| Current assets  | \$ 3,637,958         | \$ 1,816,129         | \$ 1,821,829          | \$ 3,646,458         | \$ (1,830,329)      |
| Non-current assets  | 7,018,855            | 12,846,062           | (5,827,207)           | 5,221,939            | 7,624,123           |
| Capital assets, net   | <u>49,617,239</u>    | <u>49,313,230</u>    | <u>304,009</u>        | <u>50,053,318</u>    | <u>(740,088)</u>    |
| <b>Total assets</b>   | <u>60,274,052</u>    | <u>63,975,421</u>    | <u>(3,701,369)</u>    | <u>58,921,715</u>    | <u>5,053,706</u>    |
| <b>Deferred outflows of resources</b>                                     | <u>2,508,005</u>     | <u>1,411,844</u>     | <u>1,096,161</u>      | <u>1,486,262</u>     | <u>(74,418)</u>     |
| <b>Total assets and deferred outflows of resources</b>                    | <u>\$ 62,782,057</u> | <u>\$ 65,387,265</u> | <u>\$ (2,605,208)</u> | <u>\$ 60,407,977</u> | <u>\$ 4,979,288</u> |
| <b>Liabilities:</b>   |                      |                      |                       |                      |                     |
| Current liabilities   | \$ 2,402,381         | \$ 2,735,477         | \$ (333,096)          | \$ 3,727,201         | \$ (991,724)        |
| Non-current liabilities   | <u>16,097,840</u>    | <u>13,565,271</u>    | <u>2,532,569</u>      | <u>5,975,665</u>     | <u>7,589,606</u>    |
| <b>Total liabilities</b>  | <u>18,500,221</u>    | <u>16,300,748</u>    | <u>2,199,473</u>      | <u>9,702,866</u>     | <u>6,597,882</u>    |
| <b>Deferred inflows of resources</b>                                      | <u>647,305</u>       | <u>2,387,080</u>     | <u>(1,739,775)</u>    | <u>387,758</u>       | <u>1,999,322</u>    |
| <b>Net position:</b>  |                      |                      |                       |                      |                     |
| Net investment in capital assets  | 40,918,075           | 44,617,301           | (3,699,226)           | 47,913,266           | (3,295,965)         |
| Restricted for capital improvements                                       | 3,885,460            | 5,292,370            | (1,406,910)           | 5,104,320            | 188,050             |
| Unrestricted  | <u>(1,169,004)</u>   | <u>(3,210,234)</u>   | <u>2,041,230</u>      | <u>(2,700,233)</u>   | <u>(510,001)</u>    |
| <b>Total net position</b>   | <u>43,634,531</u>    | <u>46,699,437</u>    | <u>(3,064,906)</u>    | <u>50,317,353</u>    | <u>(3,617,916)</u>  |
| <b>Total liabilities, deferred outflows of resources and net position</b> | <u>\$ 62,782,057</u> | <u>\$ 65,387,265</u> | <u>\$ (2,605,208)</u> | <u>\$ 60,407,977</u> | <u>\$ 4,979,288</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$43,634,531 and \$46,699,437 as of June 30, 2023 and June 30, 2022, respectively.

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

**Condensed Balance Sheets (continued)**

By far the largest portion of the District's net position (94% and 96% 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 is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of year 2023, the District showed a negative (deficit) balance in its unrestricted net position of (\$1,169,004) which was due to the estimated \$2,305,533 amount for the net pension and net OPEB liabilities and their related deferred outflows/inflows. At the end of year 2022, the District showed a negative (deficit) balance in its unrestricted net position of (\$3,210,234) which was due to the estimated \$3,939,488 amount for the net pension and net OPEB liabilities and their related deferred outflows/inflows.

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

|   | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>Change</u>         | <u>June 30, 2021</u> | <u>Change</u>         |
|---|----------------------|----------------------|-----------------------|----------------------|-----------------------|
| Operating revenues                          | \$ 9,813,737         | \$ 9,018,591         | \$ 795,146            | \$ 8,929,020         | \$ 89,571             |
| Operating expenses                          | <u>(12,325,384)</u>  | <u>(11,191,910)</u>  | <u>(1,133,474)</u>    | <u>(11,710,353)</u>  | <u>518,443</u>        |
| <b>Operating income before depreciation</b> | (2,511,647)          | (2,173,319)          | (338,328)             | (2,781,333)          | 608,014               |
| Depreciation expense                        | <u>(4,357,962)</u>   | <u>(4,129,429)</u>   | <u>(228,533)</u>      | <u>(3,689,570)</u>   | <u>(439,859)</u>      |
| <b>Operating income</b>                     | (6,869,609)          | (6,302,748)          | (566,861)             | (6,470,903)          | 168,155               |
| Non-operating revenues (expenses), net      | <u>2,391,802</u>     | <u>1,861,731</u>     | <u>530,071</u>        | <u>2,147,079</u>     | <u>(285,348)</u>      |
| Capital contributions                       | <u>1,412,901</u>     | <u>823,101</u>       | <u>589,800</u>        | <u>2,000,356</u>     | <u>(1,177,255)</u>    |
| <b>Change in net position</b>               | (3,064,906)          | (3,617,916)          | 553,010               | (2,323,468)          | (1,294,448)           |
| Net position:                               |                      |                      |                       |                      |                       |
| <b>Beginning of year</b>                    | <u>46,699,437</u>    | <u>50,317,353</u>    | <u>(3,617,916)</u>    | <u>52,640,821</u>    | <u>(2,323,468)</u>    |
| <b>End of year</b>                          | <u>\$ 43,634,531</u> | <u>\$ 46,699,437</u> | <u>\$ (3,064,906)</u> | <u>\$ 50,317,353</u> | <u>\$ (3,617,916)</u> |

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years.

A closer examination of the sources of changes in net position reveals that:

In fiscal year 2023, the District's net position decreased 6.56%, or \$3,064,906 from the prior year's net position of \$46,699,437 to \$43,634,531, as a result of the year's operations.

In fiscal year 2022, the District's net position decreased 7.19%, or \$3,617,916 from the prior year's net position of \$50,317,353 to \$46,699,437, as a result of the year's operations.

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

The following tables present the detailed breakdown of the information presented in the condensed summary.

**Total Revenues**

|   | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>Increase<br/>(Decrease)</u> | <u>June 30, 2021</u> | <u>Increase<br/>(Decrease)</u> |
|---|----------------------|----------------------|--------------------------------|----------------------|--------------------------------|
| <b>Operating revenues:</b>                    |                      |                      |                                |                      |                                |
| Water consumption sales                       | \$ 3,577,112         | \$ 3,995,932         | \$ (418,820)                   | \$ 3,758,473         | \$ 237,459                     |
| Water service charges                         | 1,300,466            | 1,150,052            | 150,414                        | 1,059,237            | 90,815                         |
| Sewer service charges                         | 2,098,956            | 1,881,560            | 217,396                        | 1,955,995            | (74,435)                       |
| Reclaimed water sales                         | 634,941              | 716,515              | (81,574)                       | 613,962              | 102,553                        |
| Recycled water sales                          | 272,892              | 222,925              | 49,967                         | 245,799              | (22,874)                       |
| Wholesale water sales - Baker Treatment Plant | 1,629,310            | 865,032              | 764,278                        | 1,278,778            | (413,746)                      |
| Other operating revenues                      | <u>300,060</u>       | <u>186,575</u>       | <u>113,485</u>                 | <u>16,776</u>        | <u>169,799</u>                 |
| <b>Total operating revenues</b>               | <u>9,813,737</u>     | <u>9,018,591</u>     | <u>795,146</u>                 | <u>8,929,020</u>     | <u>89,571</u>                  |
| <b>Non-operating revenues:</b>                |                      |                      |                                |                      |                                |
| Property taxes                                | 2,203,522            | 2,077,576            | 125,946                        | 2,048,224            | 29,352                         |
| Investment earnings                           | 325,827              | (109,229)            | 435,056                        | 29,813               | (139,042)                      |
| Rental revenue                                | 27,064               | 27,064               | -                              | 27,064               | -                              |
| Other non-operating revenues                  | <u>34,966</u>        | <u>205,537</u>       | <u>(170,571)</u>               | <u>106,338</u>       | <u>99,199</u>                  |
| <b>Total non-operating revenues</b>           | <u>2,591,379</u>     | <u>2,200,948</u>     | <u>390,431</u>                 | <u>2,211,439</u>     | <u>(10,491)</u>                |
| <b>Total revenues</b>                         | <u>\$ 12,405,116</u> | <u>\$ 11,219,539</u> | <u>\$ 1,185,577</u>            | <u>\$ 11,140,459</u> | <u>\$ 79,080</u>               |

In fiscal year 2023, operating revenues increased by 8.82%, or \$795,146 from \$9,018,591 to \$9,813,737, from the prior year, primarily due to increases in wholesale water sales as well as increases in water and sewer service charges. Non-operating revenues increased by \$390,431 primarily due to an increase in investment earnings.

In fiscal year 2022, operating revenues increased by 1.00%, or \$89,571 from \$8,929,020 to \$9,018,591, from the prior year, primarily due to increases in water consumption sales as well as increases in other water service charges and reclaimed water sales. Non-operating revenues decreased by \$10,491 primarily due to a decrease in investment earnings.

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

**Total Expenses**

|                                     | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>Increase<br/>(Decrease)</u> | <u>June 30, 2021</u> | <u>Increase<br/>(Decrease)</u> |
|-------------------------------------|----------------------|----------------------|--------------------------------|----------------------|--------------------------------|
| <b>Operating expenses:</b>          |                      |                      |                                |                      |                                |
| Source of supply                    | \$ 3,325,796         | \$ 3,724,291         | \$ (398,495)                   | \$ 3,631,094         | \$ 93,197                      |
| Pumping and power                   | 279,177              | 283,159              | (3,982)                        | 295,308              | (12,149)                       |
| Water treatment                     | 351,136              | 266,246              | 84,890                         | 346,674              | (80,428)                       |
| Transmission and distribution       | 279,192              | 224,226              | 54,966                         | 278,777              | (54,551)                       |
| Sewer operations                    | 566,643              | 443,417              | 123,226                        | 760,445              | (317,028)                      |
| Reclaimed operations                | 264,100              | 250,643              | 13,457                         | 162,089              | 88,554                         |
| Recycled operations                 | 291,563              | 250,711              | 40,852                         | 164,044              | 86,667                         |
| General and administrative          | 6,967,777            | 5,749,217            | 1,218,560                      | 6,071,922            | (322,705)                      |
| <b>Total operating expenses</b>     | <u>12,325,384</u>    | <u>11,191,910</u>    | <u>1,133,474</u>               | <u>11,710,353</u>    | <u>(518,443)</u>               |
| Depreciation expense                | 4,357,962            | 4,129,429            | 228,533                        | 3,689,570            | 439,859                        |
| <b>Non-operating expenses:</b>      |                      |                      |                                |                      |                                |
| Interest expense                    | 189,447              | 102,610              | 86,837                         | 51,932               | 50,678                         |
| Cost of debt issuance               | -                    | 84,501               | (84,501)                       | -                    | 84,501                         |
| Property tax administration expense | 10,130               | 11,508               | (1,378)                        | 12,428               | (920)                          |
| Uncollectable federal grant         | -                    | 140,598              | (140,598)                      | -                    | 140,598                        |
| <b>Total non-operating expenses</b> | <u>199,577</u>       | <u>339,217</u>       | <u>(139,640)</u>               | <u>64,360</u>        | <u>274,857</u>                 |
| <b>Total expenses</b>               | <u>\$ 16,882,923</u> | <u>\$ 15,660,556</u> | <u>\$ 1,222,367</u>            | <u>\$ 15,464,283</u> | <u>\$ 196,273</u>              |

In fiscal year 2023, operating expenses before depreciation expense increased by 10.13% or \$1,133,474 from \$11,191,910 to \$12,325,384, from the prior year, primarily due to increases in general and administrative expenses. Non-operating expenses decreased by \$139,640 primarily due to a one-time uncollectable federal grant revenue of \$140,598 in the prior year.

In fiscal year 2022, operating expenses before depreciation expense decreased by 4.43% or \$518,443 from \$11,710,353 to \$11,191,910, from the prior year, primarily due to decreases in sewer operation costs related to reduced repairs and maintenance expenses, and general and administrative expenses. Non-operating expenses increased by \$274,857 due to an increase in interest expense as well as the cost of issuing debt.

**Capital Assets**

|                                  | <u>Balance<br/>June 30, 2023</u> | <u>Balance<br/>June 30, 2022</u> | <u>Balance<br/>June 30, 2021</u> |
|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <b>Capital assets:</b>           |                                  |                                  |                                  |
| Non-depreciable assets           | \$ 4,816,815                     | \$ 3,630,311                     | \$ 2,407,104                     |
| Depreciable assets               | 125,261,793                      | 122,571,597                      | 121,073,132                      |
| Accumulated depreciation         | <u>(80,461,369)</u>              | <u>(76,888,678)</u>              | <u>(73,426,918)</u>              |
| <b>Total capital assets, net</b> | <u>\$ 49,617,239</u>             | <u>\$ 49,313,230</u>             | <u>\$ 50,053,318</u>             |

At June 30, 2023 and 2022, the District's investment in capital assets amounted to \$49,617,239 and \$49,313,230 (net of accumulated depreciation), respectively. Capital asset additions for 2023 amounted to \$4,661,971 for various projects and equipment. See Note 6 for further information.

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*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended June 30, 2023 and 2022*

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

**Debt Administration**

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

| <b>Long-term debt:</b> | <b>Balance</b>       | <b>Balance</b>       | <b>Balance</b>       |
|------------------------|----------------------|----------------------|----------------------|
|                        | <b>June 30, 2023</b> | <b>June 30, 2022</b> | <b>June 30, 2021</b> |
| Loans payable          | <u>\$ 11,770,766</u> | <u>\$ 11,957,505</u> | <u>\$ 2,140,052</u>  |

For the years ended June 30, 2023 and 2022, long-term debt decreased by \$186,739 and increased by \$9,817,453, respectively. See Note 8 for further information.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

**CONDITIONS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION**

The District's Board of Directors and management considered many factors when setting the fiscal year 2023 user fees and charges. A projection is made on the acre feet of water that will be purchased and sold. The District also looks at the increased cost of the source of supply. Since the District heavily relies on imported water, the costs are directly passed through by Metropolitan Water District. Some are fixed costs that do not vary depending upon the amount of water sold. Other expenses are budgeted individually to account for increases in such things as vehicle expenses and insurance coverages. The District's customer base has not changed significantly; therefore, revenue and costs are more easily projected. Questions concerning the information about the economic analysis, revenue and expense assumptions, and other budgetary process parameters utilized in the annual budget preparation can be obtained from the District's Finance Officer.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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



# TRABUCO CANYON WATER DISTRICT

## Balance Sheets

June 30, 2023 and 2022

| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                         | <b>2023</b>          | <b>2022</b>          |
|--|----------------------|----------------------|
| <b>Current assets:</b>   |                      |                      |
| Cash and cash equivalents (Note 2)                                       | \$ 822,212           | \$ 200,527           |
| Accrued interest receivable  | 5,689                | 4,271                |
| Accounts receivable, net (Note 4)  | 1,877,325            | 1,177,530            |
| Lease receivable (Note 5)  | 28,631               | 27,195               |
| Other receivables  | 799,355              | 311,459              |
| Prepaid expenses   | 104,746              | 95,147               |
| <b>Total current assets</b>  | <b>3,637,958</b>     | <b>1,816,129</b>     |
| <b>Non-current assets:</b>   |                      |                      |
| Restricted – cash and cash equivalents (Note 2 and 3)                    | 6,931,270            | 12,535,603           |
| Restricted – accrued interest receivable (Note 3)                        | 25,792               | 18,343               |
| Lease receivable - (Note 5)  | 61,793               | 90,424               |
| Net OPEB asset (Note 9)  | -                    | 201,692              |
| Capital assets – not being depreciated (Note 6)                          | 4,816,815            | 3,630,311            |
| Capital assets – being depreciated, net (Note 6)                         | 44,800,424           | 45,682,919           |
| <b>Total non-current assets</b>  | <b>56,636,094</b>    | <b>62,159,292</b>    |
| <b>Total assets</b>  | <b>60,274,052</b>    | <b>63,975,421</b>    |
| <b>Deferred outflows of resources:</b>                                   |                      |                      |
| Deferred amounts related to net OPEB liability (Note 9)                  | 652,712              | 553,614              |
| Deferred amounts related to net pension liability (Note 10)              | 1,855,293            | 858,230              |
| <b>Total deferred outflows of resources</b>                              | <b>2,508,005</b>     | <b>1,411,844</b>     |
| <b>Total assets and deferred outflows of resources</b>                   | <b>\$ 62,782,057</b> | <b>\$ 65,387,265</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>       |                      |                      |
| <b>Current liabilities:</b>  |                      |                      |
| Accounts payable and accrued expenses                                    | \$ 2,050,388         | \$ 2,402,684         |
| Deposits and unearned revenues   | 162,994              | 184,584              |
| Long-term liabilities – due within one year:                             |                      |                      |
| Compensated absences (Note 7)  | 94,027               | 55,369               |
| Loans payable (Note 8)   | 94,972               | 92,840               |
| <b>Total current liabilities</b>   | <b>2,402,381</b>     | <b>2,735,477</b>     |
| <b>Non-current liabilities:</b>  |                      |                      |
| Long-term liabilities – due in more than one year:                       |                      |                      |
| Compensated absences (Note 7)  | 174,621              | 102,828              |
| Loans payable (Note 8)   | 11,675,794           | 11,864,665           |
| Net OPEB liability (Note 9)  | 443,127              | -                    |
| Net pension liability (Note 10)  | 3,804,298            | 1,597,778            |
| <b>Total non-current liabilities</b>                                     | <b>16,097,840</b>    | <b>13,565,271</b>    |
| <b>Total liabilities</b>   | <b>18,500,221</b>    | <b>16,300,748</b>    |
| <b>Deferred inflows of resources:</b>                                    |                      |                      |
| Deferred amounts related to leases (Note 5)                              | 81,192               | 108,256              |
| Deferred amounts related to net OPEB liability (Note 9)                  | 314,253              | 747,880              |
| Deferred amounts related to net pension liability (Note 10)              | 251,860              | 1,530,944            |
| <b>Total deferred inflows of resources</b>                               | <b>647,305</b>       | <b>2,387,080</b>     |
| <b>Net position:</b>   |                      |                      |
| Net investment in capital assets (Note 11)                               | 40,918,075           | 44,617,301           |
| Restricted for capital improvements (Note 3)                             | 3,885,460            | 5,292,370            |
| Unrestricted (Deficit) (Note 12)   | (1,169,004)          | (3,210,234)          |
| <b>Total net position</b>  | <b>43,634,531</b>    | <b>46,699,437</b>    |
| <b>Total liabilities, deferred inflows of resources and net position</b> | <b>\$ 62,782,057</b> | <b>\$ 65,387,265</b> |

## TRABUCO CANYON WATER DISTRICT

### Statements of Revenues, Expenses and Changes in Net Position For the Fiscal Years Ended June 30, 2023 and 2022

|  | <u>2023</u>          | <u>2022</u>          |
|--|----------------------|----------------------|
| <b>Operating revenues:</b>                                 |                      |                      |
| Water consumption sales                                    | \$ 3,577,112         | \$ 3,995,932         |
| Water service charges                                      | 1,300,466            | 1,150,052            |
| Sewer service charges                                      | 2,098,956            | 1,881,560            |
| Reclaimed water sales                                      | 634,941              | 716,515              |
| Recycled water sales                                       | 272,892              | 222,925              |
| Wholesale water sales – Baker Treatment Plant              | 1,629,310            | 865,032              |
| Other operating revenues                                   | <u>300,060</u>       | <u>186,575</u>       |
| <b>Total operating revenues</b>                            | <u>9,813,737</u>     | <u>9,018,591</u>     |
| <b>Operating expenses:</b>                                 |                      |                      |
| Source of supply   | 3,325,796            | 3,724,291            |
| Pumping and power  | 279,177              | 283,159              |
| Water treatment  | 351,136              | 266,246              |
| Transmission and distribution                              | 279,192              | 224,226              |
| Sewer operations   | 566,643              | 443,417              |
| Reclaimed operations                                       | 264,100              | 250,643              |
| Recycled operations  | 291,563              | 250,711              |
| General and administrative                                 | <u>6,967,777</u>     | <u>5,749,217</u>     |
| <b>Total operating expenses</b>                            | <u>12,325,384</u>    | <u>11,191,910</u>    |
| <b>Operating loss before depreciation</b>                  | <u>(2,511,647)</u>   | <u>(2,173,319)</u>   |
| Depreciation expense                                       | <u>(4,357,962)</u>   | <u>(4,129,429)</u>   |
| <b>Operating loss</b>                                      | <u>(6,869,609)</u>   | <u>(6,302,748)</u>   |
| <b>Non-operating revenues(expenses):</b>                   |                      |                      |
| Property taxes   | 2,203,522            | 2,077,576            |
| Investment earnings  | 325,827              | (109,229)            |
| Rental revenue   | 27,064               | 27,064               |
| Interest expense   | (189,447)            | (102,610)            |
| Cost of debt issuance                                      | -                    | (84,501)             |
| Property tax administration charge                         | (10,130)             | (11,508)             |
| Uncollectable capital grants                               | -                    | (140,598)            |
| Other non-operating revenues                               | <u>34,966</u>        | <u>205,537</u>       |
| <b>Total non-operating revenues(expenses), net</b>         | <u>2,391,802</u>     | <u>1,861,731</u>     |
| <b>Change in net position before capital contributions</b> | <u>(4,477,807)</u>   | <u>(4,441,017)</u>   |
| <b>Capital contributions:</b>                              |                      |                      |
| Water reliability and emergency storage fees               | 865,302              | 823,101              |
| Capital grants   | 506,804              | -                    |
| Contributed capital – other                                | <u>40,795</u>        | <u>-</u>             |
| <b>Total capital contributions</b>                         | <u>1,412,901</u>     | <u>823,101</u>       |
| <b>Change in net position</b>                              | <u>(3,064,906)</u>   | <u>(3,617,916)</u>   |
| <b>Net position:</b>                                       |                      |                      |
| Beginning of year  | <u>46,699,437</u>    | <u>50,317,353</u>    |
| End of year  | <u>\$ 43,634,531</u> | <u>\$ 46,699,437</u> |

**TRABUCO CANYON WATER DISTRICT**  
*Statements of Cash Flows*  
*For the Fiscal Years Ended June 30, 2023 and 2022*

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|  | <u>2023</u>         | <u>2022</u>          |
|--|---------------------|----------------------|
| <b>Cash flows from operating activities:</b>                                   |                     |                      |
| Cash receipts from customers and others  | \$ 8,715,271        | \$ 9,133,445         |
| Cash paid to employees for salaries and wages                                  | (2,846,507)         | (2,594,683)          |
| Cash paid to vendors and suppliers for materials and services                  | <u>(9,736,508)</u>  | <u>(9,761,402)</u>   |
| <b>Net cash used in operating activities</b>                                   | <u>(3,867,744)</u>  | <u>(3,222,640)</u>   |
| <b>Cash flows from non-capital financing activities:</b>                       |                     |                      |
| Proceeds from property taxes   | <u>2,189,440</u>    | <u>2,062,116</u>     |
| <b>Net cash provided by non-capital financing activities</b>                   | <u>2,189,440</u>    | <u>2,062,116</u>     |
| <b>Cash flows from capital and related financing activities:</b>               |                     |                      |
| Acquisition and construction of capital assets                                 | (4,661,971)         | (3,389,341)          |
| Capital grants   | 506,804             | -                    |
| Capital contributions  | 906,097             | 823,101              |
| Proceeds from loan payable   | -                   | 9,915,499            |
| Principal paid on long-term debt   | (186,739)           | (182,547)            |
| Interest paid on long-term debt  | <u>(189,447)</u>    | <u>(102,610)</u>     |
| <b>Net cash provided by (used in) capital and related financing activities</b> | <u>(3,625,256)</u>  | <u>7,064,102</u>     |
| <b>Cash flows from investing activities:</b>                                   |                     |                      |
| Change in investments  | 3,952               | (197,740)            |
| Investment earnings  | <u>316,960</u>      | <u>(126,247)</u>     |
| <b>Net cash provided by (used in) investing activities</b>                     | <u>320,912</u>      | <u>(323,987)</u>     |
| <b>Net increase(decrease) in cash and cash equivalents</b>                     | (4,982,648)         | 5,579,591            |
| <b>Cash and cash equivalents:</b>  |                     |                      |
| Beginning of year  | <u>12,736,130</u>   | <u>7,156,539</u>     |
| End of year  | <u>\$ 7,753,482</u> | <u>\$ 12,736,130</u> |
| <b>Reconciliation of cash and cash equivalents:</b>                            |                     |                      |
| Cash and cash equivalents  | \$ 822,212          | \$ 200,527           |
| Restricted – cash and cash equivalents   | <u>6,931,270</u>    | <u>12,535,603</u>    |
| <b>Total cash and cash equivalents</b>   | <u>\$ 7,753,482</u> | <u>\$ 12,736,130</u> |

**TRABUCO CANYON WATER DISTRICT**  
*Statements of Cash Flows (continued)*  
*For the Fiscal Year Ended June 30, 2023 and 2022*

|  | <u>2023</u>           | <u>2022</u>           |
|--|-----------------------|-----------------------|
| <b>Reconciliation of operating loss to net cash used in operating activities:</b>        |                       |                       |
| Operating loss   | \$ (6,869,609)        | \$ (6,302,748)        |
| <b>Adjustments to reconcile operating loss to net cash used in operating activities:</b> |                       |                       |
| Depreciation   | 4,357,962             | 4,129,429             |
| Rental and contract revenue  | 27,064                | 27,064                |
| Other non-operating revenues   | 34,966                | 205,537               |
| <b>Change in assets - (increase)decrease:</b>  |                       |                       |
| Accounts receivable, net   | (699,795)             | (75,718)              |
| Lease receivable   | 27,195                | 22,979                |
| Other receivables  | (487,896)             | (65,008)              |
| Prepaid expenses   | (9,599)               | (18,344)              |
| <b>Change in deferred outflows of resources - (increase)decrease</b>                     |                       |                       |
| Deferred amounts related to net OPEB liability   | (99,098)              | (134,733)             |
| Deferred amounts related to net pension liability  | (997,063)             | 209,151               |
| <b>Change in liabilities - increase(decrease):</b>                                       |                       |                       |
| Accounts payable and accrued expenses  | (352,296)             | (938,981)             |
| Deposits and unearned revenues   | (21,590)              | (18,677)              |
| Compensated absences   | 110,451               | (103,286)             |
| Net OPEB liability   | 644,819               | (356,590)             |
| Net pension liability  | 2,206,520             | (1,802,037)           |
| <b>Change in deferred inflows of resources - increase(decrease)</b>                      |                       |                       |
| Deferred amounts related to leases   | (27,064)              | (27,064)              |
| Deferred amounts related to net OPEB liability   | (433,627)             | 562,280               |
| Deferred amounts related to net pension liability  | (1,279,084)           | 1,464,106             |
| <b>Total adjustments</b>   | <u>3,001,865</u>      | <u>3,080,108</u>      |
| <b>Net cash used in operating activities</b>   | <u>\$ (3,867,744)</u> | <u>\$ (3,222,640)</u> |

# TRABUCO CANYON WATER DISTRICT

## *Notes to Financial Statements*

*June 30, 2023 and 2022*

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

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

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

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

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

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

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

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

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

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2023 and 2022

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

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

##### 1. Cash and Cash Equivalents

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

##### 2. Investments

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

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

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

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

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

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

##### 3. Restricted Assets

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

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

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

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2023 and 2022

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

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

##### 5. Prepays

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

##### 6. Lease Receivable and Deferred Inflows of Resources

The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

##### 7. Capital Assets

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

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

##### 8. 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 a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2023 and 2022

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

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

##### 9. Compensated Absences

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

##### 10. Pensions

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

The following timeframes are used for pension reporting:

|                    | <u>2023</u>                   | <u>2022</u>                   |
|--------------------|-------------------------------|-------------------------------|
| Valuation Date     | June 30, 2021                 | June 30, 2020                 |
| Measurement Date   | June 30, 2022                 | June 30, 2021                 |
| Measurement Period | July 1, 2021 to June 30, 2022 | July 1, 2020 to June 30, 2021 |

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



# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2023 and 2022

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

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

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

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

The following timeframes are used for OPEB reporting:

|                    | <u>2023</u>                   | <u>2022</u>                   |
|--------------------|-------------------------------|-------------------------------|
| Valuation Date     | June 30, 2021                 | June 30, 2021                 |
| Measurement Date   | June 30, 2022                 | June 30, 2021                 |
| Measurement Period | July 1, 2021 to June 30, 2022 | July 1, 2020 to June 30, 2021 |

##### 12. Net Position

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

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

#### D. Use of Estimates

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

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2023 and 2022

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

##### E. Property Taxes

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

The property tax calendar is as follows:

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

#### NOTE 2 – CASH AND CASH EQUIVALENTS

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

| <u>Description</u>                     | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
|--|----------------------|----------------------|
| Cash and cash equivalents              | \$ 822,212           | \$ 200,527           |
| Restricted – cash and cash equivalents | <u>6,931,270</u>     | <u>12,535,603</u>    |
| <b>Total cash and cash equivalents</b> | <b>\$ 7,753,482</b>  | <b>\$ 12,736,130</b> |

Cash and cash equivalents consisted of the following:

| <u>Description</u>                              | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
|---|----------------------|----------------------|
| Cash on hand                                    | \$ -                 | \$ 416               |
| Demand deposits held with financial institution | 1,003,523            | 1,294,996            |
| Local Agency Investment Fund (LAIF)             | 2,210,241            | 11,440,718           |
| California Class                                | <u>4,539,718</u>     | <u>-</u>             |
| <b>Total cash and cash equivalents</b>          | <b>\$ 7,753,482</b>  | <b>\$ 12,736,130</b> |

##### Demand Deposits with Financial Institutions

At June 30, 2023 and 2022, the carrying amount of the District's demand deposits were \$1,003,523 and \$1,294,996, respectively, and the financial institution's balances were \$985,311 and \$1,510,902, respectively. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

## TRABUCO CANYON WATER DISTRICT

### *Notes to Financial Statements*

*June 30, 2023 and 2022*

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

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

#### **Custodial Credit Risk**

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

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

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

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2023, and 2022, the District held \$2,210,241 and \$11,440,718 in LAIF, respectively.

#### **California Cooperative Liquid Assets Securities System (California CLASS)**

The California Cooperative Liquid Assets Securities System (California CLASS) is a joint exercise of powers entity authorized under Section 6509.7, California Government Code. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. California CLASS provides California public agencies with a convenient method for investing in high-quality, short- to medium-term securities carefully selected to optimize interest earnings while prioritizing safety and liquidity. The California CLASS Prime and Enhanced Cash funds offer public agencies the opportunity to strengthen and diversify their cash management programs in accordance with the safety, liquidity, and yield hierarchy that governs the investment of public funds.

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2023 and 2022

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

The management of California CLASS is under the direction of a Board of Trustees comprised of eligible Participants of the program. The Board of Trustees has appointed Public Trust Advisors, LLC to serve as the Investment Advisor and Administrator of the program and has appointed U.S. Bank as the Custodian.

The District is a voluntary participant in California CLASS. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by California CLASS for the entire California CLASS portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by California CLASS. California CLASS is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis. The California Class Prime and Enhanced Cash funds receive a credit rating of AAAM (S&P Global Ratings) and AAAsf/S1 (FitchRatings), respectively. For financial reporting purposes, the District considers California CLASS a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2023, and 2022, the District held \$4,539,718 and \$0 in California CLASS, respectively.

#### Concentration of Credit Risk

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

#### NOTE 3 – RESTRICTED – ASSETS AND RESTRICTED – NET POSITION

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

| <u>Description</u>                       | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
|--|----------------------|----------------------|
| Restricted – cash and cash equivalents   | \$ 6,931,270         | \$ 12,535,603        |
| Restricted - accrued interest receivable | 25,792               | 18,343               |
| <b>Total restricted assets</b>           | <b>\$ 6,957,062</b>  | <b>\$ 12,553,946</b> |

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

| <u>Description</u>                        | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
|---|----------------------|----------------------|
| Unspent proceeds from loan issuance       | \$ 3,071,602         | \$ 7,261,576         |
| Developer and other capital improvements  | 1,186,459            | 1,243,335            |
| Water reliability and emergency storage   | 2,699,001            | 4,049,035            |
| <b>Total restricted assets</b>            | <b>6,957,062</b>     | <b>12,553,946</b>    |
| Less: Unspent proceeds from loan issuance | <u>(3,071,602)</u>   | <u>(7,261,576)</u>   |
| <b>Total restricted – net position</b>    | <b>\$ 3,885,460</b>  | <b>\$ 5,292,370</b>  |

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2023 and 2022

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#### NOTE 4 – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net of allowance for doubtful accounts consisted of the following:

| <u>Description</u>                    | <u>June 30, 2023</u>       | <u>June 30, 2022</u>       |
|---------------------------------------|----------------------------|----------------------------|
| Accounts receivable                   | \$ 2,225,546               | \$ 1,296,566               |
| Allowance for doubtful accounts       | <u>(348,221)</u>           | <u>(119,036)</u>           |
| <b>Total accounts receivable, net</b> | <b><u>\$ 1,877,325</u></b> | <b><u>\$ 1,177,530</u></b> |

#### NOTE 5 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES

Changes in the District's lease receivable for the year ended June 30, 2023 was as follows:

| <u>Description</u>           | <u>Balance<br/>July 1, 2022</u> | <u>Additions</u> | <u>Deductions</u>  | <u>Balance<br/>June 30, 2023</u> |
|------------------------------|---------------------------------|------------------|--------------------|----------------------------------|
| Cellular antenna site rental | <u>\$ 117,619</u>               | <u>\$ -</u>      | <u>\$ (27,195)</u> | <u>\$ 90,424</u>                 |

Changes in the District's lease receivable for the year ended June 30, 2022 was as follows:

| <u>Description</u>           | <u>Balance<br/>July 1, 2021</u> | <u>Additions</u> | <u>Deductions</u>  | <u>Balance<br/>June 30, 2022</u> |
|------------------------------|---------------------------------|------------------|--------------------|----------------------------------|
| Cellular antenna site rental | <u>\$ 140,598</u>               | <u>\$ -</u>      | <u>\$ (22,979)</u> | <u>\$ 117,619</u>                |

The District is reporting a total lease receivable of \$90,424 and \$117,619 and a total related deferred inflows of resources of \$81,192 and \$108,256 for the years ending June 30, 2023 and 2022, respectively. Also, the District is reporting total lease revenue of \$27,064 and \$27,064 and interest revenue of \$2,106 and \$2,602 related to lease payments received for the years ending June 30, 2023 and 2022, respectively.

The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2.00% to discount the lease revenue to the net present value. In some cases leases contain termination clauses. In these cases the clause requires the lessee or lessor to show cause to terminate the lease. Also, certain leasing-types are considered "volatile leases." Those volatile leases were not extended past their initial lease period for financial statement recognition due to their volatility. The District's lease is summarized as follows:

#### ***Cellular Antenna Site Rental***

The District, on July 1, 2020, renewed a continuous lease for 72 months as lessor for the use of a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$162,385. As of June 30, 2023, the value of the lease receivable was \$90,424. The lease is required to make monthly fixed payments of \$2,070 for the first 12-month period, then increase 3.0% per year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resource was \$81,192 as of June 30, 2023. The District recognized lease revenue of \$27,064 and interest revenue of \$2,106 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

**TRABUCO CANYON WATER DISTRICT***Notes to Financial Statements**June 30, 2023 and 2022***NOTE 5 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)**

Minimum future lease receipts for the next four fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|--------------|
| 2024               | \$ 28,631        | \$ 1,549        | \$ 30,180    |
| 2025               | 30,122           | 963             | 31,085       |
| 2026               | 31,671           | 347             | 32,018       |
| Total              | 90,424           | \$ 2,859        | \$ 93,283    |
| Current            | <u>(28,631)</u>  |                 |              |
| Long-term          | <u>\$ 61,793</u> |                 |              |

Changes in the District’s deferred inflows of resources related to leases for June 30, 2023 is as follows:

| <u>Description</u>           | <u>Balance<br/>July 1, 2022</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance<br/>June 30, 2023</u> |
|------------------------------|---------------------------------|------------------|-------------------|----------------------------------|
| Cellular antenna site rental | \$ 108,256                      | \$ -             | \$ (27,064)       | \$ 81,192                        |

Changes in the District’s deferred inflows of resources related to leases for June 30, 2022 is as follows:

| <u>Description</u>           | <u>Balance<br/>July 1, 2021</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance<br/>June 30, 2022</u> |
|------------------------------|---------------------------------|------------------|-------------------|----------------------------------|
| Cellular antenna site rental | \$ 135,320                      | \$ -             | \$ (27,064)       | \$ 108,256                       |

The amounts reported as deferred inflows of resources related to leases for the year ended June 30, 2023, will be amortized in future periods as follows:

| <u>Amortization Period<br/>Fiscal Year Ended June 30</u> | <u>Deferred<br/>Inflows<br/>of Resources</u> |
|--|--|
| 2024   | \$ 27,064                                    |
| 2025   | 27,064                                       |
| 2026   | 27,064                                       |
| <b>Total</b>   | <u>\$ 81,192</u>                             |

**TRABUCO CANYON WATER DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2023 and 2022*

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**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Changes in capital assets for the fiscal year ended June 30, 2023, were as follows:

| Description                                | Balance<br>July 1, 2022 | Additions           | Deletions/<br>Transfers | Balance<br>June 30, 2023 |
|--|-------------------------|---------------------|-------------------------|--------------------------|
| <b>Non-depreciable assets:</b>             |                         |                     |                         |                          |
| Land                                       | \$ 2,339,113            | \$ -                | \$ -                    | \$ 2,339,113             |
| Construction-in-process                    | 1,291,198               | 4,596,646           | (3,410,142)             | 2,477,702                |
| <b>Total non-depreciable assets</b>        | <u>3,630,311</u>        | <u>4,596,646</u>    | <u>(3,410,142)</u>      | <u>4,816,815</u>         |
| <b>Depreciable assets:</b>                 |                         |                     |                         |                          |
| Water transmission and distribution system | 58,691,677              | 1,822,413           | (1,497,147)             | 59,016,943               |
| Recycled water and wastewater system       | 58,710,883              | 888,945             | (205,036)               | 59,394,792               |
| Structures and improvements                | 1,620,185               | -                   | -                       | 1,620,185                |
| Machinery and equipment                    | 3,548,852               | 764,109             | 916,912                 | 5,229,873                |
| <b>Total depreciable assets</b>            | <u>122,571,597</u>      | <u>3,475,467</u>    | <u>(785,271)</u>        | <u>125,261,793</u>       |
| <b>Accumulated depreciation:</b>           |                         |                     |                         |                          |
| Water transmission and distribution system | (34,890,472)            | (1,897,396)         | 1,497,147               | (35,290,721)             |
| Recycled water and wastewater system       | (39,715,024)            | (1,887,399)         | 205,036                 | (41,397,387)             |
| Structures and improvements                | (1,245,659)             | (74,544)            | -                       | (1,320,203)              |
| Machinery and equipment                    | (1,037,523)             | (498,623)           | (916,912)               | (2,453,058)              |
| <b>Total accumulated depreciation</b>      | <u>(76,888,678)</u>     | <u>(4,357,962)</u>  | <u>785,271</u>          | <u>(80,461,369)</u>      |
| <b>Total depreciable assets, net</b>       | <u>45,682,919</u>       | <u>(882,495)</u>    | <u>-</u>                | <u>44,800,424</u>        |
| <b>Total capital assets, net</b>           | <u>\$ 49,313,230</u>    | <u>\$ 3,714,151</u> | <u>\$ (3,410,142)</u>   | <u>\$ 49,617,239</u>     |

In fiscal year 2023, major capital asset additions amounted to \$4,661,971, and depreciation expense amounted to \$4,357,962.

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2023 and 2022

#### NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (continued)

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

| Description                                | Balance<br>July 1, 2021 | Additions           | Deletions/<br>Transfers | Balance<br>June 30, 2022 |
|--|-------------------------|---------------------|-------------------------|--------------------------|
| <b>Non-depreciable assets:</b>             |                         |                     |                         |                          |
| Land                                       | \$ 2,339,113            | \$ -                | \$ -                    | \$ 2,339,113             |
| Construction-in-process                    | 67,991                  | 3,215,492           | (1,992,285)             | 1,291,198                |
| <b>Total non-depreciable assets</b>        | <b>2,407,104</b>        | <b>3,215,492</b>    | <b>(1,992,285)</b>      | <b>3,630,311</b>         |
| <b>Depreciable assets:</b>                 |                         |                     |                         |                          |
| Water transmission and distribution system | 58,614,541              | 441,890             | (364,754)               | 58,691,677               |
| Recycled water and wastewater system       | 58,160,697              | 714,558             | (164,372)               | 58,710,883               |
| Structures and improvements                | 1,624,771               | 74,244              | (78,830)                | 1,620,185                |
| Machinery and equipment                    | 2,673,123               | 935,442             | (59,713)                | 3,548,852                |
| <b>Total depreciable assets</b>            | <b>121,073,132</b>      | <b>2,166,134</b>    | <b>(667,669)</b>        | <b>122,571,597</b>       |
| <b>Accumulated depreciation:</b>           |                         |                     |                         |                          |
| Water transmission and distribution system | (33,551,590)            | (1,703,636)         | 364,754                 | (34,890,472)             |
| Recycled water and wastewater system       | (37,926,913)            | (1,952,483)         | 164,372                 | (39,715,024)             |
| Structures and improvements                | (1,262,499)             | (61,990)            | 78,830                  | (1,245,659)              |
| Machinery and equipment                    | (685,916)               | (411,320)           | 59,713                  | (1,037,523)              |
| <b>Total accumulated depreciation</b>      | <b>(73,426,918)</b>     | <b>(4,129,429)</b>  | <b>667,669</b>          | <b>(76,888,678)</b>      |
| <b>Total depreciable assets, net</b>       | <b>47,646,214</b>       | <b>(1,963,295)</b>  | <b>-</b>                | <b>45,682,919</b>        |
| <b>Total capital assets, net</b>           | <b>\$ 50,053,318</b>    | <b>\$ 1,252,197</b> | <b>\$ (1,992,285)</b>   | <b>\$ 49,313,230</b>     |

In fiscal year 2022, major capital asset additions amounted to \$3,389,341, and depreciation expense amounted to \$4,129,429.

#### NOTE 7 – COMPENSATED ABSENCES

Changes in compensated absences amounts for the year ended June 30, 2023, were as follows:

| Balance<br>July 1, 2022 | Additions  | Deletions    | Balance<br>June 30, 2023 | Due Within<br>One Year | Due in More<br>Than One Year |
|-------------------------|------------|--------------|--------------------------|------------------------|------------------------------|
| \$ 158,197              | \$ 267,799 | \$ (157,348) | \$ 268,648               | \$ 94,027              | \$ 174,621                   |

Changes in compensated absences amounts for the year ended June 30, 2022, were as follows:

| Balance<br>July 1, 2021 | Additions  | Deletions    | Balance<br>June 30, 2022 | Due Within<br>One Year | Due in More<br>Than One Year |
|-------------------------|------------|--------------|--------------------------|------------------------|------------------------------|
| \$ 261,483              | \$ 241,934 | \$ (345,220) | \$ 158,197               | \$ 55,369              | \$ 102,828                   |



## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2023 and 2022

#### NOTE 8 – LOANS PAYABLE

Changes in loans payable amounts for the year ended June 30, 2023, were as follows:

| Loans Payable                 | Balance              |             |                     | Balance<br>June 30, 2023 | Current<br>Portion | Long-term<br>Portion |
|-------------------------------|----------------------|-------------|---------------------|--------------------------|--------------------|----------------------|
|                               | July 1, 2022         | Additions   | Deductions          |                          |                    |                      |
| SRF Loan Payable              | \$ 1,957,505         | \$ -        | \$ (186,739)        | \$ 1,770,766             | \$ 94,972          | \$ 1,675,794         |
| Bank of the West Loan Payable | 10,000,000           | -           | -                   | 10,000,000               | -                  | 10,000,000           |
| Total loans payable           | <u>\$ 11,957,505</u> | <u>\$ -</u> | <u>\$ (186,739)</u> | <u>\$ 11,770,766</u>     | <u>\$ 94,972</u>   | <u>\$ 11,675,794</u> |

Changes in loans payable amounts for the year ended June 30, 2022, were as follows:

| Loans Payable                 | Balance             |                      |                     | Balance<br>June 30, 2022 | Current<br>Portion | Long-term<br>Portion |
|-------------------------------|---------------------|----------------------|---------------------|--------------------------|--------------------|----------------------|
|                               | July 1, 2021        | Additions            | Deductions          |                          |                    |                      |
| SRF Loan Payable              | \$ 2,140,052        | \$ -                 | \$ (182,547)        | \$ 1,957,505             | \$ 92,840          | \$ 1,864,665         |
| Bank of the West Loan Payable | -                   | 10,000,000           | -                   | 10,000,000               | -                  | 10,000,000           |
| Total loans payable           | <u>\$ 2,140,052</u> | <u>\$ 10,000,000</u> | <u>\$ (182,547)</u> | <u>\$ 11,957,505</u>     | <u>\$ 92,840</u>   | <u>\$ 11,864,665</u> |

#### 2011 State Revolving Fund Loan

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

| Fiscal Year | Principal           | Interest          | Total               |
|-------------|---------------------|-------------------|---------------------|
| 2024        | \$ 94,972           | \$ 39,353         | \$ 134,325          |
| 2025        | 193,209             | 34,966            | 228,175             |
| 2026        | 197,647             | 30,478            | 228,125             |
| 2027        | 202,186             | 25,887            | 228,073             |
| 2028        | 206,829             | 21,190            | 228,019             |
| 2029-2032   | 875,923             | 35,601            | 911,524             |
| Total       | 1,770,766           | <u>\$ 187,475</u> | <u>\$ 1,958,241</u> |
| Current     | (94,972)            |                   |                     |
| Long-term   | <u>\$ 1,675,794</u> |                   |                     |

#### 2022 – Loan Payable

On February 15, 2022, the District entered into a loan payable agreement of \$10,000,000 with Bank of the West to provide funds for various capital improvement projects. The terms of the agreement provide for interest payable semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup> at a rate of 1.45% per annum. The principal of the note is payable on the maturity date of July 1, 2024, or on any date prior. This loan is considered a short-term loan agreement until other financing is secured by the District. No loan amortization schedule is available.

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2023 and 2022

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### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

#### Summary

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

| <u>Description</u>                                  | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| OPEB related deferred outflows                      | \$ 652,712  | \$ 553,614  |
| Net other post-employment benefits liability(asset) | 443,127     | (201,692)   |
| OPEB related deferred inflows                       | 314,253     | 747,880     |

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

##### Plan Description

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

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

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

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

The District's contribution is 100% of the coverage level elected by the retiree up to the 100/90 State Annuitant rates multiplied by a vesting schedule (below). 100/90 amount is 100% of the weighted average of single coverage and 90% of the weighted average of the additional premium for two party and family coverage for the 4 PEMHCA plans with the highest State enrollment in the prior year. The 100/90 State Annuitant rates are published each year. The 2022 monthly rates are \$734 single, \$1,398 two-party and \$1,788 family and the 2023 monthly rates are \$767 single, \$1,461 two-party and \$1,868 family.

##### Employees Covered

As of the June 30, 2022 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

|   | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 9           | 9           |
| Inactive plan members entitled to but not yet receiving benefit payments    | -           | -           |
| Active plan members   | 21          | 21          |
| Total   | <u>30</u>   | <u>30</u>   |

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2023 and 2022

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### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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

##### Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's Board of Directors. Currently, contributions are not required from plan members. The District has been typically funding this OPEB plan on a pay-as-you-go basis; however, the District has pre-funded contributions to the CERBT OPEB Trust and the District has been requesting reimbursement from the accumulating assets in the OPEB Trust on an annual basis.

##### Contributions

Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the District. For fiscal year ended June 30, 2022, the measurement period, the District's contributions totaling \$181,103 included \$153,958 in current year premium payments reimbursed by the CERBT OPEB Trust and an implied subsidy of \$27,145.

##### Accounting for the Plan

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

##### Method Used to Value Investments

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

#### B. Net OPEB Liability

The District's total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

##### Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|  | June 30, 2021  | June 30, 2021  |
|--|--|--|
| Valuation Date                                   | June 30, 2021  | June 30, 2021  |
| Measurement Date                                 | June 30, 2022  | June 30, 2021  |
| Actuarial Cost Method                            | Entry age normal, level percentage of payroll            | Entry age normal, level percentage of payroll            |
| Asset Valuation Method                           | Market value of assets as of the measurement date        | Market value of assets as of the measurement date        |
| Actuarial Assumptions:                           |  |  |
| Discount Rate                                    | 6.75%  | 6.75%  |
| Long-Term Expected Rate of Return on Investments | 6.75%  | 6.75%  |
| Inflation  | 2.50%  | 2.50%  |
| Payroll increases                                | 2.75%  | 2.75%  |
| Healthcare Trend Rates                           | 6.50% trending down 0.25% annually to 4.50% in 2029+     | 6.50% trending down 0.25% annually to 4.50% in 2029+     |
| Morbidity  | Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019 | Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019 |
| Mortality  | Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019 | Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019 |
| Disability                                       | Not Valued   | Not Valued   |
| Retirement                                       | CalPERS Public Agency Miscellaneous 2.5% @55 and 2% @62  | CalPERS Public Agency Miscellaneous 2.5% @55 and 2% @62  |
| Percent Married                                  | 85% of future retirees would enroll a spouse             | 85% of future retirees would enroll a spouse             |

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2023 and 2022

### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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

##### Actuarial Assumptions (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

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

##### Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the City's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### C. Changes in the Net OPEB Liability/(Asset)

The changes in the total OPEB liability for June 30, 2023, were as follows:

|  | Increase (Decrease)  |                             |                            |
|--|----------------------|-----------------------------|----------------------------|
|  | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability/(Asset) |
| <b>Balance at June 30, 2022 (Measurement date June 30, 2021)</b> | \$ 3,386,041         | \$ 3,587,733                | \$ (201,692)               |
| <b>Changes for the year:</b>                                     |                      |                             |                            |
| Service cost   | 97,230               | -                           | 97,230                     |
| Interest   | 226,428              | -                           | 226,428                    |
| Differences in experience  | -                    | -                           | -                          |
| Changes in assumption  | -                    | -                           | -                          |
| Employer contributions   | -                    | -                           | -                          |
| Net investment income  | -                    | 242,141                     | (242,141)                  |
| Investment gains and losses                                      | -                    | (722,615)                   | 722,615                    |
| Employer contributions as benefit payments                       | -                    | 160,346                     | (160,346)                  |
| Benefit payments   | (160,346)            | (160,346)                   | -                          |
| Administrative expenses  | -                    | (1,033)                     | 1,033                      |
| Net changes  | 163,312              | (481,507)                   | 644,819                    |
| <b>Balance at June 30, 2023 (Measurement date June 30, 2022)</b> | <b>\$ 3,549,353</b>  | <b>\$ 3,106,226</b>         | <b>\$ 443,127</b>          |

**TRABUCO CANYON WATER DISTRICT**

*Notes to Financial Statements*

*June 30, 2023 and 2022*

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**C. Changes in the Net OPEB Liability/(Asset) (continued)**

The changes in the total OPEB liability for June 30, 2022, were as follows:

|  | <b>Increase (Decrease)</b>      |  |                                       |
|--|---------------------------------|--|---------------------------------------|
|  | <b>Total<br/>OPEB Liability</b> | <b>Plan Fiduciary<br/>Net Position</b> | <b>Net OPEB<br/>Liability/(Asset)</b> |
| <b>Balance at June 30, 2021 (Measurement date June 30, 2020)</b> | \$ 3,086,116                    | \$ 2,729,526                           | \$ 356,590                            |
| <b>Changes for the year:</b>                                     |                                 |  |                                       |
| Service cost   | 105,855                         | -                                      | 105,855                               |
| Interest   | 216,193                         | -                                      | 216,193                               |
| Differences in experience  | 305,472                         | -                                      | 305,472                               |
| Changes in assumption  | (226,454)                       | -                                      | (226,454)                             |
| Employer contributions   | -                               | 108,754                                | (108,754)                             |
| Net investment income  | -                               | 194,837                                | (194,837)                             |
| Investment gains and losses                                      | -                               | 555,649                                | (555,649)                             |
| Employer contributions as benefit payments                       | -                               | 117,348                                | (117,348)                             |
| Benefit payments   | (117,348)                       | (117,348)                              | -                                     |
| Administrative expenses  | 16,207                          | (1,033)                                | 17,240                                |
| Net changes  | 299,925                         | 858,207                                | (558,282)                             |
| <b>Balance at June 30, 2022 (Measurement date June 30, 2021)</b> | <b>\$ 3,386,041</b>             | <b>\$ 3,587,733</b>                    | <b>\$ (201,692)</b>                   |

**Subsequent Events**

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

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

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

Sensitivity of the Net OPEB liability(asset) to changes in the discount rate for the fiscal year ended June 30, 2023:

| <b>1% Decrease<br/>5.75%</b> | <b>Discount Rate<br/>6.75%</b> | <b>1% Increase<br/>7.75%</b> |
|------------------------------|--------------------------------|------------------------------|
| \$ 855,941                   | \$ 443,127                     | \$ 96,906                    |

Sensitivity of the Net OPEB liability(asset) to changes in the discount rate for the fiscal year ended June 30, 2022:

| <b>1% Decrease<br/>5.75%</b> | <b>Discount Rate<br/>6.75%</b> | <b>1% Increase<br/>7.75%</b> |
|------------------------------|--------------------------------|------------------------------|
| \$ 196,265                   | \$ (201,692)                   | \$ (535,503)                 |

**TRABUCO CANYON WATER DISTRICT**

*Notes to Financial Statements*

*June 30, 2023 and 2022*

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**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

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

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

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

Sensitivity of the Net OPEB liability(asset) to changes in the healthcare trend rate for June 30, 2023:

| <b>Healthcare Cost</b>             |                                    |                                    |
|------------------------------------|------------------------------------|------------------------------------|
| <b>5.5% Decreasing<br/>to 3.5%</b> | <b>6.5% Decreasing<br/>to 4.5%</b> | <b>7.5% Decreasing<br/>to 5.5%</b> |
| \$ 7,703                           | \$ 443,127                         | \$ 976,193                         |

Sensitivity of the Net OPEB liability(asset) to changes in the healthcare trend rate for June 30, 2022:

| <b>Healthcare Cost</b>             |                                    |                                    |
|------------------------------------|------------------------------------|------------------------------------|
| <b>5.5% Decreasing<br/>to 3.5%</b> | <b>6.5% Decreasing<br/>to 4.5%</b> | <b>7.5% Decreasing<br/>to 5.5%</b> |
| \$ (591,896)                       | \$ (201,692)                       | \$ 274,113                         |

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

For the fiscal year ended June 30, 2023, and 2022, the District recognized OPEB expense of \$139,112 and \$29,615, respectively.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| <u>Account Description</u>   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| OPEB contributions made after the measurement date                         | \$ 27,145                                 | \$ -                                     |
| Changes in assumptions   | -   | (231,792)                                |
| Differences between expected and actual experience                         | 340,981                                   | (82,460)                                 |
| Differences between projected and actual earnings on OPEB plan investments | 284,586                                   | -  |
| <b>Total Deferred Outflows/(Inflows) of Resources</b>                      | <b>\$ 652,712</b>                         | <b>\$ (314,252)</b>                      |

**TRABUCO CANYON WATER DISTRICT**

*Notes to Financial Statements*

*June 30, 2023 and 2022*

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**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

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

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

| <u>Account Description</u>   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| OPEB contributions made after the measurement date                         | \$ 160,346                                | \$ -                                     |
| Changes in assumptions   | -   | (266,950)                                |
| Differences between expected and actual experience                         | 393,268                                   | (96,203)                                 |
| Differences between projected and actual earnings on OPEB plan investments | -   | (384,727)                                |
| <b>Total Deferred Outflows/(Inflows) of Resources</b>                      | <b>\$ 553,614</b>                         | <b>\$ (747,880)</b>                      |

The differences between projected and actual earnings on plan investments is amortized over five years. The District reported \$27,145 and \$160,346 in 2023 and 2022, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2024, and 2023, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in fiscal year 2024 as follows:

| <u>Amortization Period<br/>Fiscal Year Ended June 30</u> | <u>Deferred<br/>Outflows/(Inflows)<br/>of Resources</u> |
|--|---|
| 2024   | \$ 58,778   |
| 2025   | 54,661  |
| 2026   | 36,799  |
| 2027   | 147,908   |
| 2028   | 3,387   |
| Thereafter   | 9,802   |
| <b>Total</b>   | <b>\$ 311,335</b>                                       |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in fiscal year 2023 as follows:

| <u>Amortization Period<br/>Fiscal Year Ended June 30</u> | <u>Deferred<br/>Outflows/(Inflows)<br/>of Resources</u> |
|--|---|
| 2023   | \$ (87,837)   |
| 2024   | (85,745)  |
| 2025   | (89,862)  |
| 2026   | (107,744)   |
| 2027   | 3,385   |
| Thereafter   | 13,191  |
| <b>Total</b>   | <b>\$ (354,612)</b>                                     |

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2023 and 2022

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### NOTE 10 – PENSION PLAN

#### Summary

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

| Description                       | 2023         | 2022       |
|-----------------------------------|--------------|------------|
| Pension related deferred outflows | \$ 1,855,293 | \$ 858,230 |
| Net pension liability             | 3,804,298    | 1,597,778  |
| Pension related deferred inflows  | 251,860      | 1,530,944  |

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

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

##### The Plan

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

|   | Miscellaneous Plans         |                                |
|---|-----------------------------|--------------------------------|
|   | Classic<br>Tier 1           | PEPRA<br>Tier 2                |
|   | Prior to<br>January 1, 2013 | On or after<br>January 1, 2013 |
| Hire date   |                             |                                |
| Benefit formula                                   | 2.5% @ 55                   | 2.0% @ 62                      |
| Benefit vesting schedule                          | 5-years of service          | 5-years of service             |
| Benefits payments                                 | monthly for life            | monthly for life               |
| Retirement age                                    | 50 - 67 & up                | 52 - 67 & up                   |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.7%                | 1.0% to 2.0%                   |
| Required member contribution rates                | 8.000%                      | 6.750%                         |
| Required employer contribution rates – FY 2022    | 13.300%                     | 7.540%                         |
| Required employer contribution rates – FY 2021    | 13.457%                     | 7.686%                         |

##### Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2022 Annual Actuarial Valuation Reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications



## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2023 and 2022

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#### NOTE 10 – PENSION PLAN (continued)

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

At June 30, 2022 measurement date, the following members were covered by the benefit terms:

| Plan Members                       | Miscellaneous Plans |              | Total     |
|------------------------------------|---------------------|--------------|-----------|
|                                    | Classic Tier 1      | PEPRA Tier 2 |           |
| Active members                     | 10                  | 10           | 20        |
| Transferred and terminated members | 25                  | 7            | 32        |
| Retired members and beneficiaries  | 15                  | -            | 15        |
| <b>Total plan members</b>          | <b>50</b>           | <b>17</b>    | <b>67</b> |

At June 30, 2021 measurement date, the following members were covered by the benefit terms:

| Plan Members                       | Miscellaneous Plans |              | Total     |
|------------------------------------|---------------------|--------------|-----------|
|                                    | Classic Tier 1      | PEPRA Tier 2 |           |
| Active members                     | 12                  | 11           | 23        |
| Transferred and terminated members | 26                  | 6            | 32        |
| Retired members and beneficiaries  | 13                  | -            | 13        |
| <b>Total plan members</b>          | <b>51</b>           | <b>17</b>    | <b>68</b> |

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

##### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each Plan are applied as specified by the Public Employees' Retirement Law.

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2023 and 2022

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### NOTE 10 – PENSION PLAN (continued)

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

##### Contributions

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

Contributions for the year ended June 30, 2023, were as follows:

| Contribution Type        | Miscellaneous Plans |              | Total      |
|--------------------------|---------------------|--------------|------------|
|                          | Classic Tier 1      | PEPRA Tier 2 |            |
| Contributions – employer | \$ 475,189          | \$ 66,359    | \$ 541,548 |

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

| Contribution Type        | Miscellaneous Plans |              | Total      |
|--------------------------|---------------------|--------------|------------|
|                          | Classic Tier 1      | PEPRA Tier 2 |            |
| Contributions – employer | \$ 432,284          | \$ 55,519    | \$ 487,803 |

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

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

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2023 and 2022

### NOTE 10 – PENSION PLAN (continued)

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

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

The following table shows the District’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2023:

|   | Percentage Share of Risk Pool          |  | Change<br>Increase/<br>(Decrease) |
|---|--|--|-----------------------------------|
|   | Fiscal Year<br>Ending<br>June 30, 2023 | Fiscal Year<br>Ending<br>June 30, 2022 |                                   |
| Measurement Date                              | June 30, 2022                          | June 30, 2021                          |                                   |
| Percentage of Risk Pool Net Pension Liability | 0.081302%                              | 0.084147%                              | -0.002845%                        |
| Percentage of Plan Net Pension Liability      | 0.032935%                              | 0.029543%                              | 0.003392%                         |

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

|   | Percentage Share of Risk Pool          |  | Change<br>Increase/<br>(Decrease) |
|---|--|--|-----------------------------------|
|   | Fiscal Year<br>Ending<br>June 30, 2022 | Fiscal Year<br>Ending<br>June 30, 2021 |                                   |
| Measurement Date                              | June 30, 2021                          | June 30, 2020                          |                                   |
| Percentage of Risk Pool Net Pension Liability | 0.084147%                              | 0.080601%                              | 0.003546%                         |
| Percentage of Plan Net Pension Liability      | 0.029543%                              | 0.031247%                              | -0.001704%                        |

The District’s proportionate share percentage of the net pension liability for the June 30, 2022, measurement date was as follows:

| Plan Type and Balance Descriptions             | Plan Total<br>Pension Liability | Plan Fiduciary<br>Net Position | Change in Plan Net<br>Pension Liability |
|--|---------------------------------|--------------------------------|---|
| <b>CalPERS – Miscellaneous Plan:</b>           |                                 |                                |   |
| Balance as of June 30, 2021 (Measurement Date) | \$ 14,596,115                   | \$ 12,998,337                  | \$ 1,597,778                            |
| Balance as of June 30, 2022 (Measurement Date) | \$ 16,370,562                   | \$ 12,566,264                  | \$ 3,804,298                            |
| <b>Change in Plan Net Pension Liability</b>    | <b>\$ 1,774,447</b>             | <b>\$ (432,073)</b>            | <b>\$ 2,206,520</b>                     |

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

| Plan Type and Balance Descriptions             | Plan Total<br>Pension Liability | Plan Fiduciary<br>Net Position | Change in Plan Net<br>Pension Liability |
|--|---------------------------------|--------------------------------|---|
| <b>CalPERS – Miscellaneous Plan:</b>           |                                 |                                |   |
| Balance as of June 30, 2020 (Measurement Date) | \$ 13,700,289                   | \$ 10,300,474                  | \$ 3,399,815                            |
| Balance as of June 30, 2021 (Measurement Date) | \$ 14,596,115                   | \$ 12,998,337                  | \$ 1,597,778                            |
| <b>Change in Plan Net Pension Liability</b>    | <b>\$ 895,826</b>               | <b>\$ 2,697,863</b>            | <b>\$ (1,802,037)</b>                   |

**TRABUCO CANYON WATER DISTRICT**

*Notes to Financial Statements*

*June 30, 2023 and 2022*

**NOTE 10 – PENSION PLAN (continued)**

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

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

For the fiscal year ended June 30, 2023, the District recognized pension expense of \$471,920. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Account Description</u>  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Pension contributions made after the measurement date                         | \$ 541,548                                | \$ -                                     |
| Difference between actual and proportionate share of employer contributions   | 90,813                                    | (128,780)                                |
| Adjustment due to differences in proportions                                  | 59,860                                    | (71,912)                                 |
| Differences between expected and actual experience                            | 76,398                                    | (51,168)                                 |
| Differences between projected and actual earnings on pension plan investments | 696,846                                   | -  |
| Changes in assumptions  | 389,830                                   | -  |
| <b>Total Deferred Outflows/(Inflows) of Resources</b>                         | <b>\$ 1,855,295</b>                       | <b>\$ (251,860)</b>                      |

For the fiscal year ended June 30, 2022, the District recognized pension expense of \$359,022. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Account Description</u>  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Pension contributions made after the measurement date                         | \$ 487,803                                | \$ -                                     |
| Difference between actual and proportionate share of employer contributions   | 144,232                                   | (21,955)                                 |
| Adjustment due to differences in proportions                                  | 47,022                                    | (114,213)                                |
| Differences between expected and actual experience                            | 179,174                                   | -  |
| Differences between projected and actual earnings on pension plan investments | -   | (1,394,775)                              |
| Changes in assumptions  | -   | -  |
| <b>Total Deferred Outflows/(Inflows) of Resources</b>                         | <b>\$ 858,231</b>                         | <b>\$ (1,530,943)</b>                    |

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2023 and 2022

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### NOTE 10 – PENSION PLAN (continued)

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

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

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

An amount of \$541,548 and \$487,803 for 2023, and 2022, respectively, were reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending June 30, 2024 and 2023, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2023 will be recognized as a reduction to pension expense as follows:

| <u>Amortization Period</u><br><u>Fiscal Year Ended June 30</u> | <u>Deferred</u><br><u>Outflows/(Inflows)</u><br><u>of Resources</u> |
|--|---|
| 2024   | \$ 279,333  |
| 2025   | 234,148   |
| 2026   | 122,190   |
| 2027   | <u>426,215</u>  |
| <b>Total</b>   | <b><u>\$ 1,061,886</u></b>  |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2022 will be recognized as a reduction to pension expense as follows:

| <u>Amortization Period</u><br><u>Fiscal Year Ended June 30</u> | <u>Deferred</u><br><u>Outflows/(Inflows)</u><br><u>of Resources</u> |
|--|---|
| 2023   | \$ (221,163)  |
| 2024   | (253,734)   |
| 2025   | (300,175)   |
| 2026   | <u>(385,443)</u>  |
| <b>Total</b>   | <b><u>\$ (1,160,515)</u></b>  |

# TRABUCO CANYON WATER DISTRICT

## Notes to Financial Statements

June 30, 2023 and 2022

### NOTE 10 – PENSION PLAN (continued)

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

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

For the measurement period ending June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021, total pension liability. The June 30, 2022, total pension liability was based on the following actuarial methods and assumptions:

|                                  |   |
|----------------------------------|---|
| Actuarial Cost Method            | Entry Age Normal in accordance with the requirement of GASB Statement No. 68  |
| Actuarial Assumptions:           |   |
| Discount Rate                    | 6.90%   |
| Inflation                        | 2.30%   |
| Salary Increases                 | Varies by Entry Age and Service   |
| Mortality Rate Table             | Derived using CalPERS' Membership Data for all Funds.   |
| Post Retirement Benefit Increase | Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter |

##### Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

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

| Investment Type                  | Assumed asset allocation | Real Return <sup>1,2</sup> |
|----------------------------------|--------------------------|----------------------------|
| Global Equity - Cap-weighted     | 30.0%                    | 4.54%                      |
| Global Equity - Non-Cap-weighted | 12.0%                    | 3.84%                      |
| Private Equity                   | 13.0%                    | 7.28%                      |
| Treasury                         | 5.0%                     | 0.27%                      |
| Mortgage-backed Securities       | 5.0%                     | 0.05%                      |
| Investment Grade Corporates      | 10.0%                    | 1.56%                      |
| High Yield                       | 5.0%                     | 2.27%                      |
| Emerging Market Debt             | 5.0%                     | 2.48%                      |
| Private Debt                     | 5.0%                     | 3.57%                      |
| Real Estate                      | 15.0%                    | 3.21%                      |
| Leverage                         | -5.0%                    | -0.59%                     |
|                                  | 100.0%                   |                            |

<sup>1</sup> An expected inflation of 2.3% is used for this period.

<sup>2</sup> Figures are based on the 2021 Asset Liability Management study.

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2023 and 2022

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#### NOTE 10 – PENSION PLAN (continued)

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

###### Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

###### Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020 21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Changes in the discount rate for the year ended June 30, 2023, was as follows:

| Plan Type                    | Plan's Net Pension Liability/(Asset) |                  |                 |
|------------------------------|--------------------------------------|------------------|-----------------|
|                              | Discount Rate -                      | Current Discount | Discount Rate + |
|                              | 1%                                   | Rate 6.90%       | 1%              |
|                              | 5.90%                                |                  | 7.90%           |
| CalPERS – Miscellaneous Plan | \$ 6,035,901                         | \$ 3,804,298     | \$ 1,968,243    |

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2023 and 2022

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#### NOTE 10 – PENSION PLAN (continued)

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

Changes in the discount rate for the year ended June 30, 2022, was as follows:

| Plan Type                    | Plan's Net Pension Liability/(Asset) |                  |                 |
|------------------------------|--------------------------------------|------------------|-----------------|
|                              | Discount Rate -                      | Current Discount | Discount Rate + |
|                              | 1%<br>6.15%                          | Rate 7.15%       | 1%<br>8.15%     |
| CalPERS – Miscellaneous Plan | \$ 3,524,916                         | \$ 1,597,778     | \$ 4,640        |

##### Pension Plan Fiduciary Net Position

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

#### NOTE 11 – NET INVESTMENT IN CAPITAL ASSETS

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

| Description                                   | June 30, 2023        | June 30, 2022        |
|---|----------------------|----------------------|
| <b>Net investment in capital assets:</b>      |                      |                      |
| Capital assets – not being depreciated        | \$ 4,816,815         | \$ 3,630,311         |
| Capital assets, net – being depreciated       | 44,800,424           | 45,682,919           |
| Loans payable – current portion               | (94,972)             | (92,840)             |
| Loans payable – non-current portion           | (11,675,794)         | (11,864,665)         |
| Unspent proceeds from loan issuance (Note 3)  | <u>3,071,602</u>     | <u>7,261,576</u>     |
| <b>Total net investment in capital assets</b> | <b>\$ 40,918,075</b> | <b>\$ 44,617,301</b> |

#### NOTE 12 – NET POSITION – UNRESTRICTED (DEFICIT)

As of June 30, 2023 and 2022, the District had an unrestricted net position deficit of (\$1,169,004) and (\$3,210,234), respectively. Due to the nature of the deficit from the implementation of GASB Statements No. 68 (net pension liability) and No. 75 (net OPEB liability) in the prior fiscal years, the District will continue to make its actuarial determined contributions to CalPERS and annually review its outstanding net pension and net OPEB liability funding requirements for future periods to reduce its deficit position.



## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2023 and 2022

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#### NOTE 13 – DEFERRED COMPENSATION SAVINGS PLAN

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

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

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

#### NOTE 14 – RISK MANAGEMENT POOL

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

|   |   |
|---|---|
| <b>A. Entity</b>  | ACWA-JPIA   |
| <b>B. Purpose</b>   | To pool member contributions and realize the advantages of self-insurance |
| <b>C. Participants</b>  | As of September 30, 2022 – 396 member districts                           |
| <b>D. Governing board</b>   | Nine representatives employed by members                                  |
| <b>E. Condensed financial information</b>                           | September 30, 2022  |
| <b>Audit signed</b>   | February 7, 2023  |
| <b>Statement of financial position:</b>                             |   |
| <b>Total assets</b>   | <u>\$ 246,615,214</u>   |
| <b>Deferred outflows</b>  | <u>6,108,562</u>  |
| <b>Total liabilities</b>  | <u>137,126,606</u>  |
| <b>Deferred inflows</b>   | <u>2,813,249</u>  |
| <b>Net position</b>   | <u>\$ 112,783,921</u>   |
| <b>Statement of revenues, expenses and changes in net position:</b> |   |
| <b>Total revenues</b>   | \$ 175,619,417  |
| <b>Total expenses</b>   | <u>(212,646,028)</u>  |
| <b>Change in net position</b>                                       | (37,026,611)  |
| <b>Beginning – net position</b>                                     | <u>149,810,532</u>  |
| <b>Ending – net position</b>  | <u>\$ 112,783,921</u>   |
| <b>F. Member agencies share of year-end financial position</b>      | Not Calculated  |

## TRABUCO CANYON WATER DISTRICT

### *Notes to Financial Statements*

*June 30, 2023 and 2022*

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#### **NOTE 14 – RISK MANAGEMENT POOL (continued)**

The District participated in the self-insurance programs of the Insurance Authority as follows:

**Property Loss** - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 (total insurable value of \$48,405,017). The District has a \$2,500 deductible for buildings, personal property and fixed equipment, a \$25,000/\$50,000 deductible for accidental mechanical breakdown, a \$1,000 deductible for mobile equipment, and a \$500 deductible for licensed vehicles.

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

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

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

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

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

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

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

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

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2023, 2022, and 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2023, 2022, and 2021.

## TRABUCO CANYON WATER DISTRICT

### Notes to Financial Statements

June 30, 2023 and 2022

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#### NOTE 15 – COMMITMENTS AND CONTINGENCIES

##### **Economic Dependency**

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

##### **Excluded Leases – Short-Term Leases and De Minimis Leases**

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

##### **Grant Awards**

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

##### **Construction Contracts**

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

##### **Litigation**

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

#### NOTE 16 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 21, 2023, the date which the financial statements were available to be issued.

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***Required Supplementary Information***

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# TRABUCO CANYON WATER DISTRICT

## Schedule of the District's Proportionate Share of the Net Pension Liability For the Years Ended June 30, 2023 and 2022

### Last Ten Fiscal Years\*

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

| Measurement Date | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability |
|------------------|--|---|----------------------------|--|---|
| June 30, 2014    | 0.024334%  | \$ 1,514,199  | \$ 1,619,883               | 93.48%   | 83.03%  |
| June 30, 2015    | 0.029498%  | 2,024,702   | 1,659,539                  | 122.00%  | 76.75%  |
| June 30, 2016    | 0.028990%  | 2,508,531   | 1,602,525                  | 156.54%  | 72.83%  |
| June 30, 2017    | 0.295680%  | 2,932,288   | 1,688,233                  | 173.69%  | 72.81%  |
| June 30, 2018    | 0.030022%  | 2,892,988   | 1,537,659                  | 188.14%  | 73.98%  |
| June 30, 2019    | 0.030748%  | 3,150,747   | 1,695,414                  | 185.84%  | 73.12%  |
| June 30, 2020    | 0.031247%  | 3,399,815   | 2,011,870                  | 168.99%  | 75.18%  |
| June 30, 2021    | 0.029543%  | 1,597,778   | 2,133,046                  | 74.91%   | 89.05%  |
| June 30, 2022    | 0.032935%  | 3,804,298   | 2,185,024                  | 174.11%  | 76.76%  |

#### Notes to Schedule:

##### Benefit Changes:

There were no changes in benefits.

##### Changes in Assumptions:

##### From fiscal year June 30, 2015 and June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

##### From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

##### From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

##### From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

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

There were no significant changes in assumptions.

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

There were no significant changes in assumptions.

##### From fiscal year June 30, 2021 to June 30, 2022:

There were no significant changes in assumptions.

##### From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced to 6.90% and inflation rate to 2.30%.

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

# TRABUCO CANYON WATER DISTRICT

## Schedule of the District's Contributions to the Defined Benefit Pension Plan For the Years Ended June 30, 2023 and 2022

### Last Ten Fiscal Years\*

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

| <b>Fiscal Year</b> | <b>Actuarially<br/>Determined<br/>Contribution</b> | <b>Contributions in<br/>Relation to the<br/>Actuarially<br/>Determined<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Covered Payroll</b> | <b>Contributions<br/>as a Percentage<br/>of Covered<br/>Payroll</b> |
|--------------------|--|---|---|------------------------|---|
| June 30, 2015      | 265,436  | (265,436)   | -   | 1,659,539              | 15.99%  |
| June 30, 2016      | 264,450  | (264,450)   | -   | 1,602,525              | 16.50%  |
| June 30, 2017      | 278,521  | (278,521)   | -   | 1,688,233              | 16.50%  |
| June 30, 2018      | 301,990  | (301,990)   | -   | 1,537,659              | 19.64%  |
| June 30, 2019      | 347,954  | (347,954)   | -   | 1,695,414              | 20.52%  |
| June 30, 2020      | 417,043  | (417,043)   | -   | 2,011,870              | 20.73%  |
| June 30, 2021      | 469,516  | (708,896)   | (239,380)                                       | 2,133,046              | 22.01%  |
| June 30, 2022      | 487,803  | (487,803)   | -   | 2,185,024              | 22.32%  |
| June 30, 2023      | 541,548  | (541,548)   | -   | 2,383,857              | 22.72%  |

#### Notes to Schedule:

| <b>Fiscal Year</b> | <b>Valuation Date</b> | <b>Actuarial Cost<br/>Method</b> | <b>Asset Valuation<br/>Method</b> | <b>Inflation</b> | <b>Investment<br/>Rate of Return</b> |
|--------------------|-----------------------|----------------------------------|-----------------------------------|------------------|--------------------------------------|
| June 30, 2015      | June 30, 2012         | Entry Age                        | Fair Value                        | 2.75%            | 7.65%                                |
| June 30, 2016      | June 30, 2013         | Entry Age                        | Fair Value                        | 2.75%            | 7.65%                                |
| June 30, 2017      | June 30, 2014         | Entry Age                        | Fair Value                        | 2.75%            | 7.65%                                |
| June 30, 2018      | June 30, 2015         | Entry Age                        | Fair Value                        | 2.75%            | 7.15%                                |
| June 30, 2019      | June 30, 2016         | Entry Age                        | Fair Value                        | 2.50%            | 7.15%                                |
| June 30, 2020      | June 30, 2017         | Entry Age                        | Fair Value                        | 2.50%            | 7.15%                                |
| June 30, 2021      | June 30, 2018         | Entry Age                        | Fair Value                        | 2.50%            | 7.15%                                |
| June 30, 2022      | June 30, 2019         | Entry Age                        | Fair Value                        | 2.50%            | 7.15%                                |
| June 30, 2023      | June 30, 2020         | Entry Age                        | Fair Value                        | 2.30%            | 6.90%                                |

#### Amortization Method

Level percentage of payroll, closed

#### Salary Increases

Depending on age, service, and type of employment

#### Investment Rate of Return

Net of pension plan investment expense, including inflation

#### Retirement Age

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

#### Mortality

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

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

# TRABUCO CANYON WATER DISTRICT

## Schedule of Changes in the District's Net OPEB Liability and Related Ratios For the Years Ended June 30, 2023 and 2022

| Fiscal Year Ended  | Last Ten Fiscal Years* |                     |                   |                   |                   |                   |
|--|------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
|  | June 30, 2023          | June 30, 2022       | June 30, 2021     | June 30, 2020     | June 30, 2019     | June 30, 2018     |
| Measurement Date   | June 30, 2022          | June 30, 2021       | June 30, 2020     | June 30, 2019     | June 30, 2018     | June 30, 2017     |
| <b>Total OPEB liability:</b>   |                        |                     |                   |                   |                   |                   |
| Service cost   | \$ 97,230              | \$ 105,855          | \$ 103,022        | \$ 101,477        | \$ 98,521         | \$ 92,077         |
| Interest   | 226,428                | 216,193             | 213,932           | 195,787           | 181,652           | 167,849           |
| Changes of assumptions   | -                      | (226,454)           | -                 | (97,270)          | -                 | -                 |
| Differences between expected and actual experience                             | -                      | 305,472             | (123,689)         | 159,266           | -                 | -                 |
| Changes of benefit terms   | -                      | -                   | -                 | -                 | -                 | -                 |
| Benefit payments   | (160,346)              | (117,348)           | (118,587)         | (86,591)          | (75,817)          | (62,564)          |
| Administrative expense   | -                      | 16,207              | -                 | -                 | -                 | -                 |
| <b>Net change in total OPEB liability</b>                                      | <b>163,312</b>         | <b>299,925</b>      | <b>74,678</b>     | <b>272,669</b>    | <b>204,356</b>    | <b>197,362</b>    |
| <b>Total OPEB liability - beginning</b>  | <b>3,386,041</b>       | <b>3,086,116</b>    | <b>3,011,438</b>  | <b>2,738,769</b>  | <b>2,534,413</b>  | <b>2,337,051</b>  |
| <b>Total OPEB liability - ending</b>   | <b>3,549,353</b>       | <b>3,386,041</b>    | <b>3,086,116</b>  | <b>3,011,438</b>  | <b>2,738,769</b>  | <b>2,534,413</b>  |
| <b>Plan fiduciary net position:</b>  |                        |                     |                   |                   |                   |                   |
| Contributions - employer   | -                      | 108,754             | 281,864           | 259,180           | 245,243           | 175,489           |
| Net investment income  | 242,141                | 194,837             | 89,611            | 137,226           | 146,228           | 168,197           |
| Investment gains and losses  | (722,615)              | 555,649             | -                 | -                 | -                 | -                 |
| Employer contributions as benefit payments                                     | 160,346                | 117,348             | -                 | -                 | -                 | -                 |
| Administrative expense   | (1,033)                | (1,033)             | (1,213)           | (467)             | (993)             | (852)             |
| Other expense  | -                      | -                   | -                 | -                 | (2,457)           | -                 |
| Benefit payments   | (160,346)              | (117,348)           | (118,587)         | (86,591)          | (75,817)          | (62,564)          |
| <b>Net change in plan fiduciary net position</b>                               | <b>(481,507)</b>       | <b>858,207</b>      | <b>251,676</b>    | <b>309,348</b>    | <b>312,204</b>    | <b>280,270</b>    |
| <b>Plan fiduciary net position - beginning</b>                                 | <b>3,587,733</b>       | <b>2,729,526</b>    | <b>2,477,850</b>  | <b>2,168,502</b>  | <b>1,856,298</b>  | <b>1,576,028</b>  |
| <b>Plan fiduciary net position - ending</b>                                    | <b>3,106,226</b>       | <b>3,587,733</b>    | <b>2,729,526</b>  | <b>2,477,850</b>  | <b>2,168,502</b>  | <b>1,856,298</b>  |
| <b>District's net OPEB liability</b>   | <b>\$ 443,127</b>      | <b>\$ (201,692)</b> | <b>\$ 356,590</b> | <b>\$ 533,588</b> | <b>\$ 570,267</b> | <b>\$ 678,115</b> |
| <b>Plan fiduciary net position as a percentage of the total OPEB liability</b> | <b>87.52%</b>          | <b>105.96%</b>      | <b>88.45%</b>     | <b>82.28%</b>     | <b>79.18%</b>     | <b>73.24%</b>     |
| <b>Covered payroll</b>   | <b>2,383,857</b>       | <b>2,133,046</b>    | <b>1,753,930</b>  | <b>1,706,988</b>  | <b>1,668,352</b>  | <b>1,668,352</b>  |
| <b>District's net OPEB liability as a percentage of covered payroll</b>        | <b>18.59%</b>          | <b>-9.46%</b>       | <b>20.33%</b>     | <b>31.26%</b>     | <b>34.18%</b>     | <b>40.65%</b>     |

### Notes to Schedule:

#### Benefit Changes:

Measurement Date June 30, 2017 – There were no changes in benefits  
 Measurement Date June 30, 2018 – There were no changes in benefits  
 Measurement Date June 30, 2019 – There were no changes in benefits  
 Measurement Date June 30, 2020 – There were no changes in benefits  
 Measurement Date June 30, 2021 – There were no changes in benefits  
 Measurement Date June 30, 2022 – There were no changes in benefits

#### Changes in Assumptions:

Measurement Date June 30, 2017 – There were no changes in assumptions  
 Measurement Date June 30, 2018 – There were no changes in assumptions  
 Measurement Date June 30, 2019 – Inflation decreased to 2.50% and payroll increases include merit increases  
 Measurement Date June 30, 2020 – Inflation increased to 2.75%  
 Measurement Date June 30, 2021 – Discount rate decreased to 6.75% and inflation decreased to 2.50%  
 Measurement Date June 30, 2022 – There were no changes in assumptions

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

# TRABUCO CANYON WATER DISTRICT

## Schedule of the District Contributions to the Other Post-Employment Benefits (OPEB) Plan For the Years Ended June 30, 2023 and 2022

| Fiscal Year Ended   | Last Ten Fiscal Years* |               |               |               |               |               |
|---|------------------------|---------------|---------------|---------------|---------------|---------------|
|   | June 30, 2023          | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Actuarially determined contribution                                   | \$ 108,754             | \$ 108,754    | \$ 166,309    | \$ 172,589    | \$ 169,426    | \$ 175,489    |
| Contributions in relation to the actuarially determined contributions | (108,754)              | (108,754)     | (281,864)     | (259,180)     | (245,243)     | (175,489)     |
| Contribution deficiency (excess)                                      | \$ -                   | \$ -          | \$ (115,555)  | \$ (86,591)   | \$ (75,817)   | \$ -          |
| Covered payroll   | \$ 2,133,046           | \$ 2,133,046  | \$ 1,753,930  | \$ 1,706,930  | \$ 1,668,352  | \$ 1,668,352  |
| Contributions as a percentage of covered payroll                      | 5.10%                  | 5.10%         | 16.07%        | 15.18%        | 14.70%        | 10.52%        |

### Notes to Schedule:

| Valuation Date   | June 30, 2021 | June 30, 2021 | June 30, 2019 | June 30, 2019 | June 30, 2017 | June 30, 2017 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Methods and Assumptions Used to Determine Contribution Rates:</b> |               |               |               |               |               |               |
| Actuarial cost method  | Entry Age     | Entry Age     | Entry Age     | Entry Age     | Entry Age     | Entry Age     |
| Amortization method  | (1)           | (1)           | (1)           | (1)           | (1)           | (1)           |
| Amortization period  | 20-years      | 20-years      | 20-years      | 20-years      | 20-years      | 20-years      |
| Asset valuation method   | Fair Value    | Fair Value    | Fair Value    | Fair Value    | Fair Value    | Fair Value    |
| Discount rate  | 6.75%         | 6.75%         | 7.00%         | 7.00%         | 7.00%         | 7.00%         |
| Inflation  | 2.75%         | 2.75%         | 2.75%         | 2.50%         | 2.75%         | 2.75%         |
| Payroll increases  | 2.75%+Merit   | 2.75%+Merit   | 2.75%+Merit   | 2.75%+Merit   | 3.00%         | 3.00%         |
| Mortality  | (2)           | (2)           | (2)           | (2)           | (2)           | (2)           |
| Morbidity  | (3)           | (3)           | (3)           | (3)           | (3)           | (3)           |
| Disability   | Not Valued    | Not Valued    | Not Valued    | Not Valued    | Not Valued    | Not Valued    |
| Retirement   | (4)           | (4)           | (4)           | (4)           | (4)           | (4)           |
| Percent Married  | 85%           | 85%           | 85%           | 85%           | 85%           | 85%           |
| Healthcare trend rates   | (5)           | (5)           | (5)           | (5)           | (5)           | (5)           |

(1) Closed period, level percent of pay

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

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

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

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



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***Supplementary Information***

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**TRABUCO CANYON WATER DISTRICT**  
*Balance Sheets – Combined – Internal Funds*  
*June 30, 2023 (With Comparative Amounts as of June 30, 2022)*

| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                         | <b>Water</b>         | <b>Sewer</b>         | <b>Recycled<br/>Water</b> | <b>Reclaimed<br/>Water</b> | <b>2023</b>          | <b>2022</b>          |
|--|----------------------|----------------------|---------------------------|----------------------------|----------------------|----------------------|
| <b>Current assets:</b>   |                      |                      |                           |                            |                      |                      |
| Cash and cash equivalents  | \$ 1,598,434         | \$ (112,475)         | \$ (1,211,857)            | \$ 548,110                 | \$ 822,212           | \$ 200,527           |
| Accrued interest receivable  | -                    | 3,011                | 1,339                     | 1,339                      | 5,689                | 4,271                |
| Accounts receivable, net   | 1,410,276            | 336,105              | 31,716                    | 99,228                     | 1,877,325            | 1,177,530            |
| Accounts receivable - due from other governments                         | -                    | -                    | -                         | -                          | -                    | -                    |
| Lease receivable   | 28,631               | -                    | -                         | -                          | 28,631               | 27,195               |
| Other receivables  | 659,369              | 122,404              | 10,571                    | 7,011                      | 799,355              | 311,459              |
| Prepaid expenses   | 37,758               | 36,487               | 15,250                    | 15,251                     | 104,746              | 95,147               |
| <b>Total current assets</b>  | <b>3,734,468</b>     | <b>385,532</b>       | <b>(1,152,981)</b>        | <b>670,939</b>             | <b>3,637,958</b>     | <b>1,816,129</b>     |
| <b>Non-current assets:</b>   |                      |                      |                           |                            |                      |                      |
| Restricted – cash and cash equivalents                                   | 5,026,831            | 1,904,439            | -                         | -                          | 6,931,270            | 12,535,603           |
| Restricted - accrued interest receivable                                 | 2,362                | 23,430               | -                         | -                          | 25,792               | 18,343               |
| Lease receivable   | 61,793               | -                    | -                         | -                          | 61,793               | 90,424               |
| Net OPEB asset   | -                    | -                    | -                         | -                          | -                    | 201,692              |
| Capital assets – not being depreciated                                   | 2,578,217            | 2,059,652            | 89,473                    | 89,473                     | 4,816,815            | 3,630,311            |
| Capital assets – being depreciated, net                                  | 25,752,531           | 15,036,680           | 2,771,966                 | 1,239,247                  | 44,800,424           | 45,682,919           |
| <b>Total non-current assets</b>  | <b>33,421,734</b>    | <b>19,024,201</b>    | <b>2,861,439</b>          | <b>1,328,720</b>           | <b>56,636,094</b>    | <b>62,159,292</b>    |
| <b>Total assets</b>  | <b>37,156,202</b>    | <b>19,409,733</b>    | <b>1,708,458</b>          | <b>1,999,659</b>           | <b>60,274,052</b>    | <b>63,975,421</b>    |
| <b>Deferred outflows of resources:</b>                                   |                      |                      |                           |                            |                      |                      |
| Deferred amounts related to net OPEB obligation                          | 456,897              | 163,179              | 16,318                    | 16,318                     | 652,712              | 553,614              |
| Deferred amounts related to net pension liability                        | 1,298,704            | 463,823              | 46,383                    | 46,383                     | 1,855,293            | 858,230              |
| <b>Total deferred outflows of resources</b>                              | <b>1,755,601</b>     | <b>627,002</b>       | <b>62,701</b>             | <b>62,701</b>              | <b>2,508,005</b>     | <b>1,411,844</b>     |
| <b>Total assets and deferred outflows of resources</b>                   | <b>\$ 38,911,803</b> | <b>\$ 20,036,735</b> | <b>\$ 1,771,159</b>       | <b>\$ 2,062,360</b>        | <b>\$ 62,782,057</b> | <b>\$ 65,387,265</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>       |                      |                      |                           |                            |                      |                      |
| <b>Current liabilities:</b>  |                      |                      |                           |                            |                      |                      |
| Accounts payable and accrued expenses                                    | \$ 1,301,117         | \$ 650,409           | \$ 52,747                 | \$ 46,115                  | \$ 2,050,388         | \$ 2,402,684         |
| Deposits and unearned revenues   | 54,130               | 107,960              | 452                       | 452                        | 162,994              | 184,584              |
| Long-term liabilities – due within one year:                             |                      |                      |                           |                            |                      |                      |
| Compensated absences   | 65,503               | 23,334               | 2,595                     | 2,595                      | 94,027               | 55,369               |
| Loans payable  | 94,972               | -                    | -                         | -                          | 94,972               | 92,840               |
| <b>Total current liabilities</b>   | <b>1,515,722</b>     | <b>781,703</b>       | <b>55,794</b>             | <b>49,162</b>              | <b>2,402,381</b>     | <b>2,735,477</b>     |
| <b>Non-current liabilities:</b>  |                      |                      |                           |                            |                      |                      |
| Long-term liabilities – due in more than one year:                       |                      |                      |                           |                            |                      |                      |
| Compensated absences   | 121,649              | 43,336               | 4,818                     | 4,818                      | 174,621              | 102,828              |
| Loans payable  | 8,675,794            | 2,500,000            | 250,000                   | 250,000                    | 11,675,794           | 11,864,665           |
| Net OPEB obligation  | 310,190              | 110,781              | 11,078                    | 11,078                     | 443,127              | -                    |
| Net pension liability  | 2,663,009            | 951,075              | 95,107                    | 95,107                     | 3,804,298            | 1,597,778            |
| <b>Total non-current liabilities</b>                                     | <b>11,770,642</b>    | <b>3,605,192</b>     | <b>361,003</b>            | <b>361,003</b>             | <b>16,097,840</b>    | <b>13,565,271</b>    |
| <b>Total liabilities</b>   | <b>13,286,364</b>    | <b>4,386,895</b>     | <b>416,797</b>            | <b>410,165</b>             | <b>18,500,221</b>    | <b>16,300,748</b>    |
| <b>Deferred inflows of resources:</b>                                    |                      |                      |                           |                            |                      |                      |
| Deferred amounts related to leases                                       | 81,192               | -                    | -                         | -                          | 81,192               | 108,256              |
| Deferred amounts related to net OPEB obligation                          | 219,977              | 78,564               | 7,856                     | 7,856                      | 314,253              | 747,880              |
| Deferred amounts related to net pension liability                        | 176,302              | 62,964               | 6,297                     | 6,297                      | 251,860              | 1,530,944            |
| <b>Total deferred inflows of resources</b>                               | <b>477,471</b>       | <b>141,528</b>       | <b>14,153</b>             | <b>14,153</b>              | <b>647,305</b>       | <b>2,387,080</b>     |
| <b>Net position:</b>   |                      |                      |                           |                            |                      |                      |
| Net investment in capital assets   | 20,765,388           | 16,462,528           | 2,611,439                 | 1,078,720                  | 40,918,075           | 44,617,301           |
| Restricted for capital improvements                                      | 3,823,787            | 61,673               | -                         | -                          | 3,885,460            | 5,292,370            |
| Unrestricted   | 558,793              | (1,015,889)          | (1,271,230)               | 559,322                    | (1,169,004)          | (3,210,234)          |
| <b>Total net position</b>  | <b>25,147,968</b>    | <b>15,508,312</b>    | <b>1,340,209</b>          | <b>1,638,042</b>           | <b>43,634,531</b>    | <b>46,699,437</b>    |
| <b>Total liabilities, deferred inflows of resources and net position</b> | <b>\$ 38,911,803</b> | <b>\$ 20,036,735</b> | <b>\$ 1,771,159</b>       | <b>\$ 2,062,360</b>        | <b>\$ 62,782,057</b> | <b>\$ 65,387,265</b> |

## TRABUCO CANYON WATER DISTRICT

### Schedule of Revenues, Expenses and Changes in Net Position – Combined – Internal Funds For the Year Ended June 30, 2023 (With Comparative Amounts as of June 30, 2022)

|  | Water                | Sewer                | Recycled<br>Water   | Reclaimed<br>Water  | 2023                 | 2022                 |
|--|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| <b>Operating revenues:</b>                             |                      |                      |                     |                     |                      |                      |
| Water consumption sales                                | \$ 3,577,112         | \$ -                 | \$ -                | \$ -                | \$ 3,577,112         | \$ 3,995,932         |
| Water service charges                                  | 1,300,466            | -                    | -                   | -                   | 1,300,466            | 1,150,052            |
| Sewer service charges                                  | -                    | 2,098,956            | -                   | -                   | 2,098,956            | 1,881,560            |
| Reclaimed water sales                                  | -                    | -                    | -                   | 634,941             | 634,941              | 716,515              |
| Recycled water sales                                   | -                    | -                    | 272,892             | -                   | 272,892              | 222,925              |
| Wholesale water sales – BTP                            | 1,629,310            | -                    | -                   | -                   | 1,629,310            | 865,032              |
| Other operating revenues                               | 230,675              | 62,829               | -                   | 6,556               | 300,060              | 186,575              |
| <b>Total operating revenues</b>                        | <b>6,737,563</b>     | <b>2,161,785</b>     | <b>272,892</b>      | <b>641,497</b>      | <b>9,813,737</b>     | <b>9,018,591</b>     |
| <b>Operating expenses:</b>                             |                      |                      |                     |                     |                      |                      |
| Source of supply                                       | 3,325,796            | -                    | -                   | -                   | 3,325,796            | 3,724,291            |
| Pumping and power                                      | 279,177              | -                    | -                   | -                   | 279,177              | 283,159              |
| Water treatment  | 351,136              | -                    | -                   | -                   | 351,136              | 266,246              |
| Transmission and distribution                          | 279,192              | -                    | -                   | -                   | 279,192              | 224,226              |
| Sewer operations                                       | -                    | 566,643              | -                   | -                   | 566,643              | 443,417              |
| Reclaimed operations                                   | -                    | -                    | -                   | 264,100             | 264,100              | 250,643              |
| Recycled operations                                    | -                    | -                    | 291,563             | -                   | 291,563              | 250,711              |
| General and administrative                             | 4,428,182            | 2,087,147            | 220,779             | 231,669             | 6,967,777            | 5,749,217            |
| <b>Total operating expenses</b>                        | <b>8,663,483</b>     | <b>2,653,790</b>     | <b>512,342</b>      | <b>495,769</b>      | <b>12,325,384</b>    | <b>11,191,910</b>    |
| <b>Operating income (loss) before depreciation</b>     | <b>(1,925,920)</b>   | <b>(492,005)</b>     | <b>(239,450)</b>    | <b>145,728</b>      | <b>(2,511,647)</b>   | <b>(2,173,319)</b>   |
| Depreciation expense                                   | (2,252,688)          | (1,833,155)          | (178,098)           | (94,021)            | (4,357,962)          | (4,129,429)          |
| <b>Operating income (loss)</b>                         | <b>(4,178,608)</b>   | <b>(2,325,160)</b>   | <b>(417,548)</b>    | <b>51,707</b>       | <b>(6,869,609)</b>   | <b>(6,302,748)</b>   |
| <b>Non-operating revenues (expenses):</b>              |                      |                      |                     |                     |                      |                      |
| Property taxes   | 1,101,761            | 793,268              | 154,247             | 154,246             | 2,203,522            | 2,077,576            |
| Investment earnings                                    | 266,360              | 47,849               | 5,809               | 5,809               | 325,827              | (109,229)            |
| Rental revenue   | 27,064               | -                    | -                   | -                   | 27,064               | 27,064               |
| Interest expense                                       | (145,705)            | (36,451)             | (3,645)             | (3,646)             | (189,447)            | (102,610)            |
| Cost of debt issuance                                  | -                    | -                    | -                   | -                   | -                    | (84,501)             |
| Property tax administration charge                     | (5,890)              | (4,240)              | -                   | -                   | (10,130)             | (11,508)             |
| Uncollectable FEMA receivable                          | -                    | -                    | -                   | -                   | -                    | (140,598)            |
| Transfers In/(Out)                                     | -                    | -                    | -                   | -                   | -                    | -                    |
| Other non-operating revenues                           | 23,820               | 9,282                | 932                 | 932                 | 34,966               | 205,537              |
| <b>Total non-operating revenues (expenses), net</b>    | <b>1,267,410</b>     | <b>809,708</b>       | <b>157,343</b>      | <b>157,341</b>      | <b>2,391,802</b>     | <b>1,861,731</b>     |
| <b>Change in net position before capital contribs.</b> | <b>(2,911,198)</b>   | <b>(1,515,452)</b>   | <b>(260,205)</b>    | <b>209,048</b>      | <b>(4,477,807)</b>   | <b>(4,441,017)</b>   |
| <b>Capital contributions:</b>                          |                      |                      |                     |                     |                      |                      |
| Water reliability and emergency storage fees           | 865,302              | -                    | -                   | -                   | 865,302              | 823,101              |
| Capital grants   | 504,764              | 1,700                | 170                 | 170                 | 506,804              | -                    |
| Contributed capital – other                            | 40,795               | -                    | -                   | -                   | 40,795               | -                    |
| <b>Total capital contributions</b>                     | <b>1,410,861</b>     | <b>1,700</b>         | <b>170</b>          | <b>170</b>          | <b>1,412,901</b>     | <b>823,101</b>       |
| <b>Change in net position</b>                          | <b>(1,500,337)</b>   | <b>(1,513,752)</b>   | <b>(260,035)</b>    | <b>209,218</b>      | <b>(3,064,906)</b>   | <b>(3,617,916)</b>   |
| <b>Net position:</b>                                   |                      |                      |                     |                     |                      |                      |
| Beginning of year                                      | 26,648,305           | 17,022,064           | 1,600,244           | 1,428,824           | 46,699,437           | 50,317,353           |
| End of year  | <u>\$ 25,147,968</u> | <u>\$ 15,508,312</u> | <u>\$ 1,340,209</u> | <u>\$ 1,638,042</u> | <u>\$ 43,634,531</u> | <u>\$ 46,699,437</u> |

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***Statistical Section***

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## **TRABUCO CANYON WATER DISTRICT**

*Schedule of the District's Contributions to the Defined Benefit Pension Plan  
For the Year Ended June 30, 2023*

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The following statistical section of the District's annual comprehensive financial report presents detailed and historical information as a reference for understanding the information included in the basic financial statements, notes to financial statements, and required supplementary information.

### **Financial Trends Schedules** **Pages 52-55**

Presents information to assist the reader in understanding how the District's financial position has performed over time.

### **Revenue Capacity Schedules** **Pages 56-61**

Presents information to assist the reader in understanding the District's major revenue sources.

### **Debt Capacity Schedule** **Pages 62-63**

Presents information to assist the reader in understanding the District's current levels of outstanding debt and the ability to issue additional debt in the future.

### **Demographic and Economic Information** **Page 64**

Presents demographic and economic information to assist the reader in understanding the environment in which the District operates.

### **Operating Information** **Pages 65-66**

Presents data related to District infrastructure and services to assist the reader in understanding how District's financial information relates to services provided by the District.

**Trabuco Canyon Water District**  
**Changes in Net Position and Net Position by Component**  
**For the Past Ten Fiscal Years**

|   | Fiscal Year          |                          |                      |                          |                      |
|---|----------------------|--------------------------|----------------------|--------------------------|----------------------|
|   | 2023                 | 2022                     | 2021                 | 2020                     | 2019                 |
| <b>Changes in Net Position</b>                        |                      |                          |                      |                          |                      |
| Operating Revenues (see Schedule 2)                   | \$ 9,813,737         | \$ 9,018,591             | \$ 8,929,020         | \$ 8,201,075             | \$ 7,449,430         |
| Operating Expenses (see Schedule 3)                   | (16,683,346)         | (15,321,339)             | (15,399,923)         | (14,200,695)             | (12,936,937)         |
| <b>Operating Income (Loss)</b>                        | <b>(6,869,609)</b>   | <b>(6,302,748)</b>       | <b>(6,470,903)</b>   | <b>(5,999,620)</b>       | <b>(5,487,507)</b>   |
| <b>Nonoperating Revenues (Expenses)</b>               |                      |                          |                      |                          |                      |
| Property Taxes  | 2,203,522            | 2,077,576                | 2,048,224            | 1,936,412                | 1,768,140            |
| Special Assessments For Debt Service                  | -                    | -                        | -                    | -                        | -                    |
| Investment Earnings                                   | 325,827              | (109,229)                | 26,763               | 119,066                  | 228,244              |
| Rental Revenue  | 27,064               | 27,064                   | 24,836               | 24,112                   | 23,410               |
| Interest Expense                                      | (189,447)            | (102,610)                | (51,932)             | (60,635)                 | (121,869)            |
| Amortization Of Bond Discount                         | -                    | -                        | -                    | -                        | -                    |
| Cost of Debt Issuance                                 | -                    | (84,501)                 | -                    | (850)                    | (7,214)              |
| Property Tax Administration Charge                    | (10,130)             | (11,508)                 | (12,428)             | (11,846)                 | (11,467)             |
| Capacity Assignment Revenue                           | -                    | -                        | -                    | 4,526,000 <sup>(1)</sup> | -                    |
| Other Non-Operating Revenue                           | 34,966               | 205,537                  | 106,338              | 48,064                   | 94,192               |
| Other Non-Operating Expense                           | -                    | (140,598) <sup>(2)</sup> | -                    | -                        | -                    |
| <b>Total Non-Operating, Net</b>                       | <b>2,391,802</b>     | <b>1,861,731</b>         | <b>2,141,801</b>     | <b>6,580,323</b>         | <b>1,973,436</b>     |
| <b>Net Income (Loss) before Capital Contributions</b> | <b>(4,477,807)</b>   | <b>(4,441,017)</b>       | <b>(4,329,102)</b>   | <b>580,703</b>           | <b>(3,514,071)</b>   |
| <b>Capital Contributions</b>                          |                      |                          |                      |                          |                      |
| Water Reliability and Emergency Storage Fees          | 865,302              | 823,101                  | 822,779              | 833,511                  | 854,770              |
| Capital Grants  | 506,804              | -                        | 99,751               | 1,400,052                | 48,109               |
| Developer Impact Fees                                 | -                    | -                        | -                    | -                        | -                    |
| Contributed Capital - Other                           | 40,795               | -                        | 1,077,826            | -                        | -                    |
| <b>Total Capital Contributions</b>                    | <b>1,412,901</b>     | <b>823,101</b>           | <b>2,000,356</b>     | <b>2,233,563</b>         | <b>902,879</b>       |
| <b>Increase (Decrease) in Net Position</b>            | <b>(3,064,906)</b>   | <b>(3,617,916)</b>       | <b>(2,328,746)</b>   | <b>2,814,266</b>         | <b>(2,611,192)</b>   |
| Net Position at Beginning of Year                     | 46,699,437           | 50,312,075               | 52,640,821           | 49,826,555               | 52,437,747           |
| Prior Period Adjustments (PPA)                        | -                    | 5,278 <sup>(4)</sup>     | -                    | -                        | -                    |
| <b>Net Position at End of Year</b>                    | <b>43,634,531</b>    | <b>46,699,437</b>        | <b>50,312,075</b>    | <b>52,640,821</b>        | <b>49,826,555</b>    |
| <b>Net Position, Restated by Component</b>            |                      |                          |                      |                          |                      |
| Net Investment in Capital Assets                      | 40,918,075           | 44,617,301               | 47,913,266           | 44,976,850               | 43,977,274           |
| Restricted  | 3,885,460            | 5,292,370                | 5,104,320            | 3,254,760                | 6,426,257            |
| Unrestricted  | (1,169,004)          | (3,210,234)              | (2,705,511)          | 4,409,211                | (576,976)            |
| <b>Total Net Position</b>                             | <b>\$ 43,634,531</b> | <b>\$ 46,699,437</b>     | <b>\$ 50,312,075</b> | <b>\$ 52,640,821</b>     | <b>\$ 49,826,555</b> |

Source: TCWD Accounting Department

**Notes**

<sup>(1)</sup> FY 20 Capacity assignment revenue from another agency's forfeiture in shared plant asset with TCWD.

<sup>(2)</sup> Grant receivable realized as uncollectable during FY 22 for \$140K.

<sup>(3)</sup> Reimbursement of \$50K to developer per contractual obligations.

<sup>(4)</sup> PPA related to implementation of GASB 87.

<sup>(5)</sup> PPA related to implementation of GASB 75.

<sup>(6)</sup> PPA related to implementation of GASB 68 and 71.

<sup>(7)</sup> Prior years may be reclassified to conform to current year presentation.

PPA = Prior Period Adjustment

**Trabuco Canyon Water District**  
**Changes in Net Position and Net Position by Component**  
**For the Past Ten Fiscal Years**

|   | Fiscal Year              |               |               |                            |               |
|---|--------------------------|---------------|---------------|----------------------------|---------------|
|   | 2018                     | 2017          | 2016          | 2015                       | 2014          |
| <b>Changes in Net Position</b>                        |                          |               |               |                            |               |
| Operating Revenues (see Schedule 2)                   | \$ 8,576,910             | \$ 6,778,177  | \$ 5,193,572  | \$ 5,840,472               | \$ 6,180,929  |
| Operating Expenses (see Schedule 3)                   | (13,182,333)             | (10,763,964)  | (9,832,913)   | (10,316,721)               | (10,191,660)  |
| <b>Operating Income (Loss)</b>                        | (4,605,423)              | (3,985,787)   | (4,639,341)   | (4,476,249)                | (4,010,731)   |
| <b>Nonoperating Revenues (Expenses)</b>               |                          |               |               |                            |               |
| Property Taxes  | 1,629,212                | 1,519,447     | 1,482,960     | 1,378,635                  | 1,294,601     |
| Special Assessments For Debt Service                  | -                        | -             | -             | 828,076                    | 1,491,391     |
| Investment Earnings                                   | 149,070                  | 59,342        | 41,324        | 23,520                     | 27,050        |
| Rental Revenue  | 22,728                   | 23,116        | 21,424        | 23,217                     | 24,788        |
| Interest Expense                                      | (176,023)                | (227,674)     | (277,950)     | (364,859)                  | (501,724)     |
| Amortization Of Bond Discount                         | -                        | -             | -             | -                          | (44,018)      |
| Cost of Debt Issuance                                 | (6,468)                  | (4,714)       | (38,202)      | (114,814)                  | (71,858)      |
| Property Tax Administration Charge                    | (12,142)                 | (8,346)       | (12,330)      | (16,687)                   | (19,517)      |
| Capacity Assignment Revenue                           | -                        | -             | -             | -                          | -             |
| Other Non-Operating Revenue                           | 103,154                  | 42,169        | 19,900        | 90,411                     | 64,899        |
| Other Non-Operating Expense                           | (50,000) <sup>(3)</sup>  | -             | -             | -                          | -             |
| <b>Total Non-Operating, Net</b>                       | 1,659,531                | 1,403,340     | 1,237,126     | 1,847,499                  | 2,265,612     |
| <b>Net Income (Loss) before Capital Contributions</b> | (2,945,892)              | (2,582,447)   | (3,402,215)   | (2,628,750)                | (1,745,119)   |
| <b>Capital Contributions</b>                          |                          |               |               |                            |               |
| Water Reliability and Emergency Storage Fees          | 962,266                  | 930,279       | 905,772       | 908,667                    | 904,001       |
| Capital Grants  | 1,695,352                | 103,668       | 23,804        | 46,157                     | -             |
| Developer Impact Fees                                 | -                        | 1,822,446     | 782,108       | 1,155,097                  | -             |
| Contributed Capital - Other                           | -                        | -             | -             | -                          | -             |
| <b>Total Capital Contributions</b>                    | 2,657,618                | 2,856,393     | 1,711,684     | 2,109,921                  | 904,001       |
| <b>Increase (Decrease) in Net Position</b>            | (288,274)                | 273,946       | (1,690,531)   | (518,829)                  | (841,118)     |
| Net Position at Beginning of Year                     | 53,097,067               | 52,823,121    | 54,513,652    | 56,845,558                 | 57,686,676    |
| Prior Period Adjustments (PPA)                        | (371,046) <sup>(5)</sup> | -             | -             | (1,813,077) <sup>(6)</sup> | -             |
| <b>Net Position at End of Year</b>                    | 52,437,747               | 53,097,067    | 52,823,121    | 54,513,652                 | 56,845,558    |
| <b>Net Position, Restated by Component</b>            |                          |               |               |                            |               |
| Net Investment in Capital Assets                      | 44,564,894               | 41,957,303    | 42,059,413    | 40,817,878                 | 38,519,396    |
| Restricted  | 7,312,853                | 7,364,937     | 5,401,951     | 12,099,753                 | 11,053,442    |
| Unrestricted  | 560,000                  | 3,774,827     | 5,361,757     | 1,596,021                  | 7,272,720     |
| <b>Total Net Position</b>                             | \$ 52,437,747            | \$ 53,097,067 | \$ 52,823,121 | \$ 54,513,652              | \$ 56,845,558 |

Source: TCWD Accounting Department

**Notes**

<sup>(1)</sup> FY 20 Capacity assignment revenue from another agency's forfeiture in shared plant asset with TCWD.

<sup>(2)</sup> Grant receivable realized as uncollectable during FY 22 for \$140K.

<sup>(3)</sup> Reimbursement of \$50K to developer per contractual obligations.

<sup>(4)</sup> PPA related to implementation of GASB 87.

<sup>(5)</sup> PPA related to implementation of GASB 75.

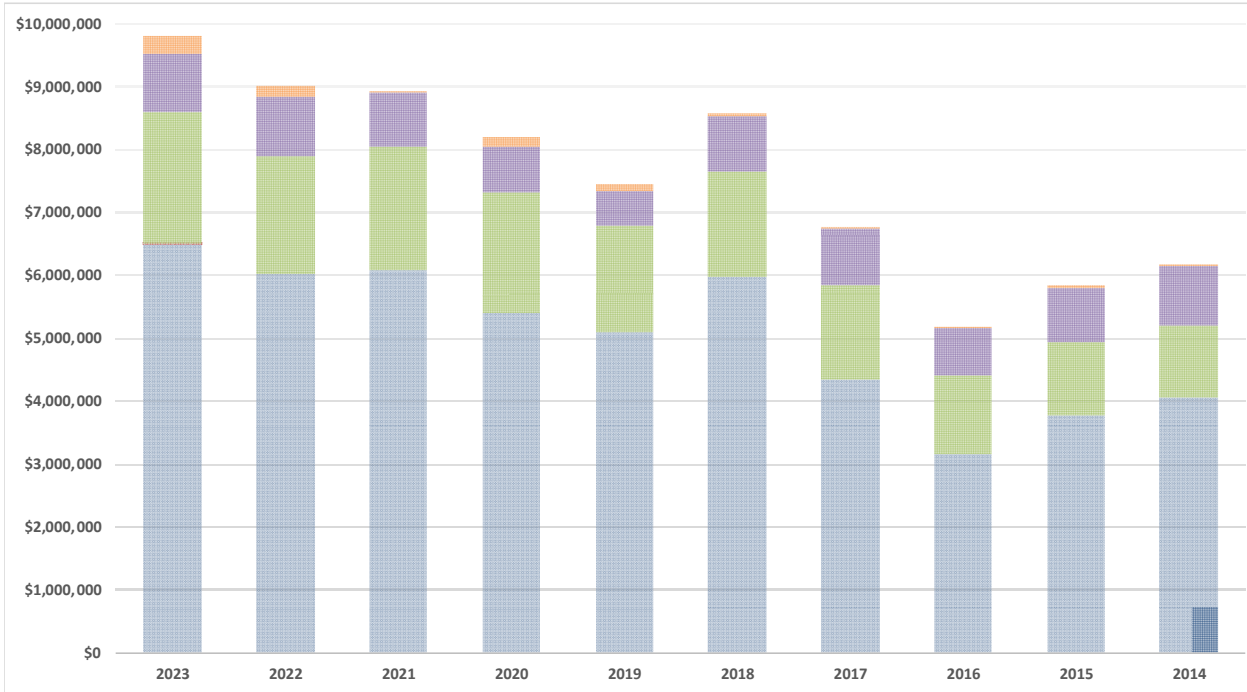
<sup>(6)</sup> PPA related to implementation of GASB 68 and 71.

<sup>(7)</sup> Prior years may be reclassified to conform to current year presentation.

PPA = Prior Period Adjustment

**Trabuco Canyon Water District  
Operating Revenues by Source  
For the Past Ten Fiscal Years**

| <b>Fiscal Year</b> | <b>Water Service / Consumption Charges <sup>(1)</sup></b> | <b>Sewer Service Charges</b> | <b>Reclaimed / Recycled Water</b> | <b>Other Service Charges</b> | <b>Total Operating Revenues</b> |
|--------------------|---|------------------------------|-----------------------------------|------------------------------|---------------------------------|
| <b>2023</b>        | \$ 6,506,888  | \$ 2,098,956                 | \$ 907,833                        | \$ 300,060                   | <b>\$ 9,813,737</b>             |
| <b>2022</b>        | 6,011,016   | 1,881,560                    | 939,440                           | 186,575 <sup>(2)</sup>       | <b>9,018,591</b>                |
| <b>2021</b>        | 6,096,488   | 1,955,995                    | 859,761                           | 16,776 <sup>(3)</sup>        | <b>8,929,020</b>                |
| <b>2020</b>        | 5,408,715   | 1,918,114                    | 723,088                           | 151,158                      | <b>8,201,075</b>                |
| <b>2019</b>        | 5,104,538   | 1,680,061                    | 550,646                           | 114,185 <sup>(4)</sup>       | <b>7,449,430</b>                |
| <b>2018</b>        | 5,983,945   | 1,670,020                    | 886,517                           | 36,428                       | <b>8,576,910</b>                |
| <b>2017</b>        | 4,349,376   | 1,490,075                    | 912,854                           | 25,872                       | <b>6,778,177</b>                |
| <b>2016</b>        | 3,166,148   | 1,249,959                    | 751,903                           | 25,562                       | <b>5,193,572</b>                |
| <b>2015</b>        | 3,767,975   | 1,163,483                    | 874,333                           | 34,681                       | <b>5,840,472</b>                |
| <b>2014</b>        | 4,068,433   | 1,136,613                    | 946,503                           | 29,380                       | <b>6,180,929</b>                |



Source: TCWD Accounting Department

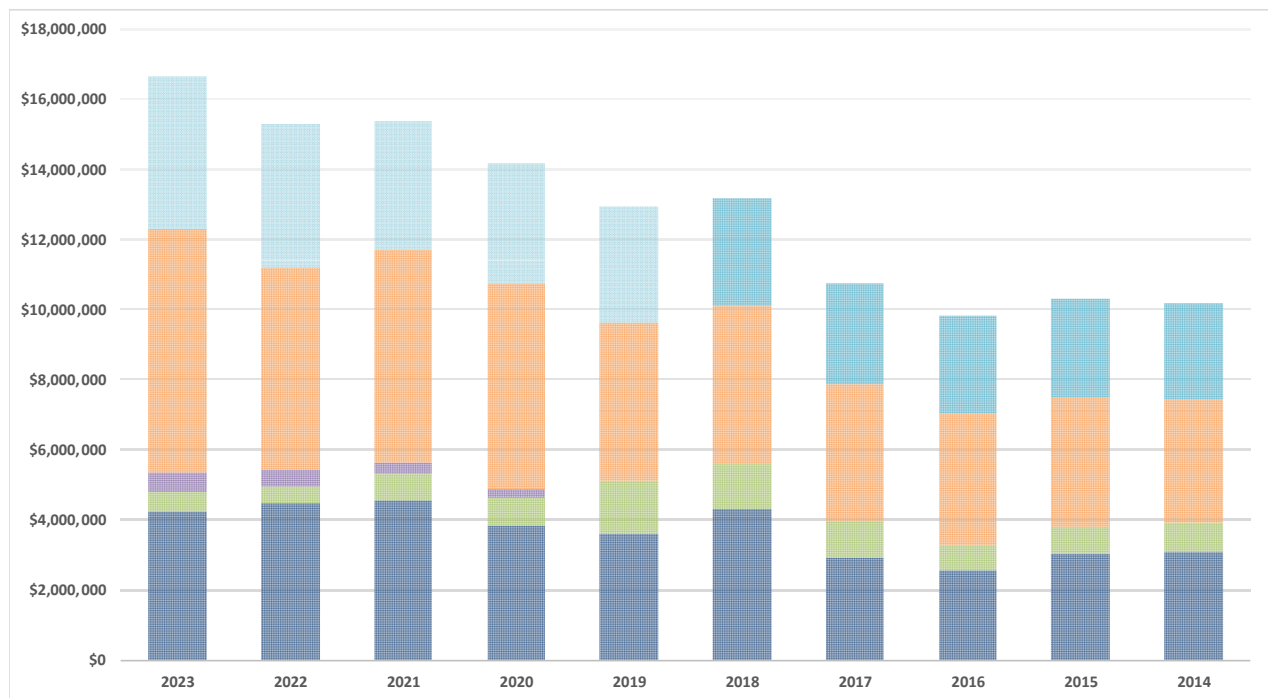
**Notes**

- <sup>(1)</sup> Water sales varies depending upon a variety of external factors beyond TCWD's control such as rainfall, population growth and supply fluctuations.
- <sup>(2)</sup> Other service charges increased due to customer late charges of \$179K, which resumed during the fiscal year.
- <sup>(3)</sup> Other service charges decreased due to the suspension of customer late charges during the COVID-19 pandemic.
- <sup>(4)</sup> Increased due to \$108K in unusual customer late charges.
- <sup>(5)</sup> Prior year revenues may be reclassified to conform to current year presentation.



### Trabuco Canyon Water District Operating Expenses by Activity For the Past Ten Fiscal Years

| Fiscal Year | Water Operations <sup>(1)</sup> | Sewer Operations | Reclaimed/ Recycled Operations <sup>(2)</sup> | General and Administrative | Depreciation | Total Operating Expenses |
|-------------|---------------------------------|------------------|---|----------------------------|--------------|--------------------------|
| <b>2023</b> | \$ 4,235,301                    | \$ 566,643       | \$ 555,663                                    | \$ 6,967,777               | \$ 4,357,962 | \$ <b>16,683,346</b>     |
| <b>2022</b> | 4,497,922                       | 443,417          | 501,354                                       | 5,749,217                  | 4,129,429    | <b>15,321,339</b>        |
| <b>2021</b> | 4,551,853                       | 760,445          | 326,133                                       | 6,071,922                  | 3,689,570    | <b>15,399,923</b>        |
| <b>2020</b> | 3,855,348                       | 770,329          | 240,045                                       | 5,906,312                  | 3,428,661    | <b>14,200,695</b>        |
| <b>2019</b> | 3,617,223                       | 1,489,840        | -   | 4,525,647                  | 3,304,227    | <b>12,936,937</b>        |
| <b>2018</b> | 4,306,455                       | 1,299,408        | -   | 4,525,688                  | 3,050,782    | <b>13,182,333</b>        |
| <b>2017</b> | 2,922,897                       | 1,050,686        | -   | 3,911,503                  | 2,878,878    | <b>10,763,964</b>        |
| <b>2016</b> | 2,550,223                       | 749,329          | -   | 3,737,082                  | 2,796,279    | <b>9,832,913</b>         |
| <b>2015</b> | 3,029,004                       | 787,243          | -   | 3,702,536                  | 2,797,938    | <b>10,316,721</b>        |
| <b>2014</b> | 3,080,530                       | 824,410          | -   | 3,535,240                  | 2,751,480    | <b>10,191,660</b>        |



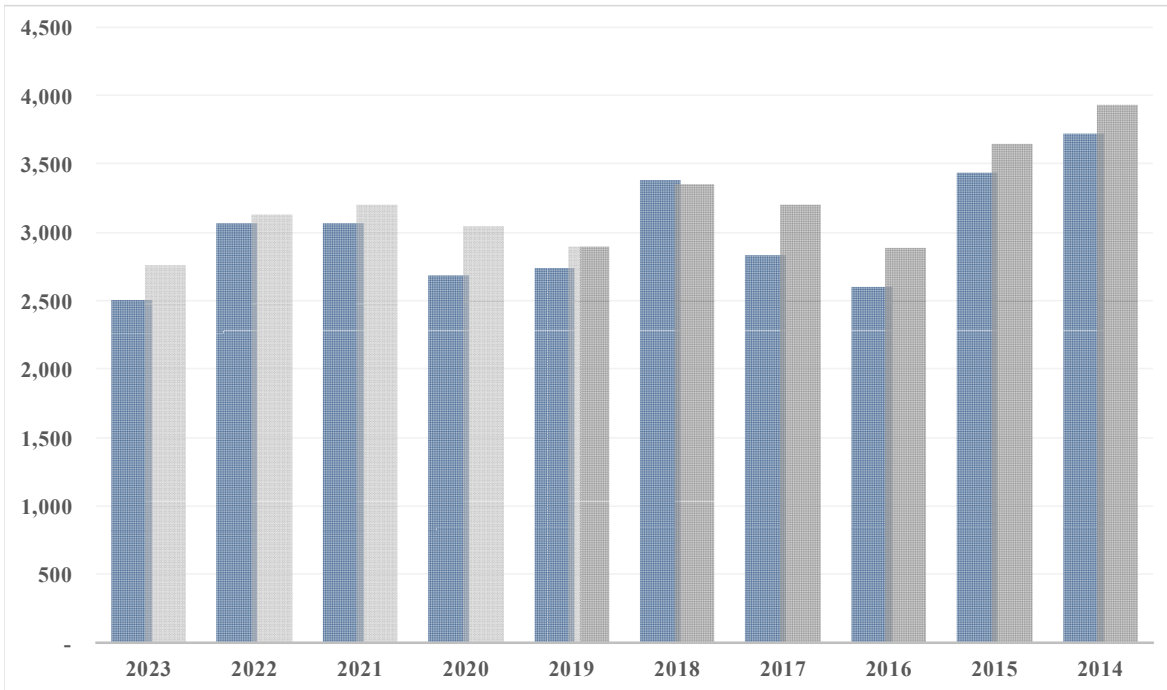
Source: TCWD Accounting Department

**Notes**

- <sup>(1)</sup> Water purchases will vary depending upon a variety of external factors beyond TCWD's control such as rainfall, population growth and supply fluctuations.
- <sup>(2)</sup> Reclaimed and Recycled expenses were separated and accounted for beginning in fiscal year 2020.
- <sup>(3)</sup> Expenses in prior years may be reclassified to conform to current year presentation.

**Trabuco Canyon Water District**  
**Revenue Base**  
**For the Past Ten Fiscal Years**

| Fiscal Year | Water Sales in Acre Feet<br>(1) | Water Produced in Acre Feet<br>(2) |
|-------------|---------------------------------|------------------------------------|
| 2023        | 2,508                           | 2,762                              |
| 2022        | 3,061                           | 3,128                              |
| 2021        | 3,069                           | 3,207                              |
| 2020        | 2,683                           | 3,039                              |
| 2019        | 2,736                           | 2,896                              |
| 2018        | 3,382                           | 3,351                              |
| 2017        | 2,835                           | 3,200                              |
| 2016        | 2,604                           | 2,885                              |
| 2015        | 3,431                           | 3,649                              |
| 2014        | 3,725                           | 3,932                              |



Source: TCWD Accounting Department

Notes

(1) Water sold will vary depending upon a variety of external factors beyond TCWD's control such as rainfall, population growth and supply fluctuations. Excludes Baker Treatment Plant wholesale water pass-through sales.

(2) Production includes both potable and non-potable water.

## Trabuco Canyon Water District Water Rates For the Past Ten Fiscal Years

|  | Fiscal Year |          |          |          |          |          |          |          |          |          |
|--|-------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|  | 2014        | 2015     | 2016     | 2017     | 2018     | 2019     | 2020     | 2021     | 2022     | 2023     |
| <b>Potable Water Consumption per Hundred Cubic Feet (HCF)</b>  |             |          |          |          |          |          |          |          |          |          |
| SF Residential - Tier 1  | \$ 2.19     | \$ 2.19  | \$ 2.19  | \$ 2.30  | \$ 2.42  | \$ 2.55  | \$ 2.68  | \$ 2.50  | \$ 2.70  | \$ 2.92  |
| SF Residential - Tier 2  | 2.24        | 2.24     | 2.43     | 2.56     | 2.69     | 2.83     | 2.98     | 3.18     | 3.44     | 3.72     |
| SF Residential - Tier 3  | 2.30        | 2.30     | 4.84     | 5.09     | 5.35     | 5.62     | 5.91     | 6.04     | 6.53     | 7.06     |
| SF Residential - Tier 4  | 2.79        | 2.79     | 5.99     | 6.29     | 6.61     | 6.95     | 7.30     | 7.85     | 8.48     | 9.16     |
| SF Residential - Tier 5  | 3.34        | 3.34     |          |          |          |          |          |          |          |          |
| SF Residential - Tier 6  | 3.95        | 3.95     |          |          |          |          |          |          |          |          |
| SF Residential - Tier 7  | 4.70        | 4.70     |          |          |          |          |          |          |          |          |
| SF Residential - Tier 8  | 5.57        | 5.57     |          |          |          |          |          |          |          |          |
| Multi-Family   | 2.64        | 2.64     | 2.52     | 2.65     | 2.79     | 2.93     | 3.08     | 2.93     | 3.17     | 4.86     |
| Irrigation - HOAs  | 2.91        | 2.91     | 2.99     | 3.14     | 3.30     | 3.47     | 3.65     | 4.16     | 4.50     | 4.86     |
| Irrigation - Commercial  | 3.02        | 3.02     | 2.99     | 3.14     | 3.30     | 3.47     | 3.65     | 4.16     | 4.50     | 4.86     |
| Commercial   | 2.76        | 2.76     | 2.64     | 2.78     | 2.92     | 3.07     | 3.23     | 3.22     | 3.48     | 3.76     |
| Agriculture - Tier 1 - Jan-Jun                                 | 2.45        | 2.45     | 3.05     | 3.21     | 3.38     | 3.55     | 3.73     | 5.28     | 5.71     | 6.17     |
| Agriculture - Tier 2 - Jan-Jun                                 | 3.30        | 3.30     |          |          |          |          |          |          |          |          |
| Agriculture - Tier 3 - Jan-Jun                                 | 3.85        | 3.85     |          |          |          |          |          |          |          |          |
| Agriculture - Tier 4 - Jan-Jun                                 | 4.39        | 4.39     |          |          |          |          |          |          |          |          |
| Agriculture - Tier 5 - Jan-Jun                                 | 4.93        | 4.93     |          |          |          |          |          |          |          |          |
| Agriculture - Tier 1 - Jul-Dec                                 | 2.45        | 2.45     |          |          |          |          |          |          |          |          |
| Agriculture - Tier 2 - Jul-Dec                                 | 3.48        | 3.48     |          |          |          |          |          |          |          |          |
| Agriculture - Tier 3 - Jul-Dec                                 | 4.19        | 4.19     |          |          |          |          |          |          |          |          |
| Agriculture - Tier 4 - Jul-Dec                                 | 4.91        | 4.91     |          |          |          |          |          |          |          |          |
| Agriculture - Tier 5 - Jul-Dec                                 | 5.64        | 5.64     |          |          |          |          |          |          |          |          |
| Construction   | 3.64        | 3.64     | 3.84     | 4.04     | 4.25     | 4.47     | 4.70     | 3.72     | 4.02     | 4.35     |
| <b>Recycled Water Consumption per Hundred Cubic Feet (HCF)</b> |             |          |          |          |          |          |          |          |          |          |
| Non-Domestic - Dove  | \$ 2.37     | \$ 2.37  | \$ 2.37  | \$ 2.37  | \$ 2.37  | \$ 2.37  | \$ 2.40  | \$ 2.71  | \$ 2.99  | \$ 3.47  |
| Non-Domestic - Golf Course                                     | 2.49        | 2.49     | 2.41     | 2.41     | 2.41     | 2.41     | 2.50     | 2.71     | 2.99     | 3.47     |
| Non-Domestic - Other   | 2.49        | 2.49     | 2.41     | 2.41     | 2.41     | 2.41     | 2.41     | 2.71     | 2.99     | 3.47     |
| <b>Monthly Fixed Service Charge by Meter</b>                   |             |          |          |          |          |          |          |          |          |          |
| 5/8 inch   | \$ 8.25     | \$ 8.25  | \$ 13.70 | \$ 14.39 | \$ 15.11 | \$ 15.87 | \$ 16.67 | \$ 18.03 | \$ 19.48 | \$ 21.04 |
| 3/4 inch   | 10.76       | 10.76    | 13.70    | 14.39    | 15.11    | 15.87    | 16.67    | 18.03    | 19.48    | 21.04    |
| 1 inch   | 16.77       | 16.77    | 19.73    | 20.72    | 21.76    | 22.85    | 24.00    | 26.31    | 28.42    | 30.70    |
| 1 1/2 inch   | 31.78       | 31.78    | 36.06    | 37.87    | 39.77    | 41.76    | 43.85    | 47.01    | 50.78    | 54.85    |
| 2 inch   | 49.79       | 49.79    | 53.50    | 56.18    | 58.99    | 61.94    | 65.04    | 71.85    | 77.60    | 83.81    |
| 3 inch   | 91.83       | 91.83    | 110.25   | 115.77   | 121.56   | 127.64   | 134.03   | 150.51   | 162.56   | 175.57   |
| 4 inch   | 151.87      | 151.87   | 191.82   | 201.42   | 211.50   | 222.08   | 233.19   | 266.43   | 287.75   | 310.77   |
| 6 inch   | 302.00      | 302.00   | 476.92   | 500.77   | 525.81   | 552.11   | 579.72   | 668.01   | 721.46   | 779.18   |
| 10 inch  | 482.14      | 482.14   | 1,245.08 | 1,307.34 | 1,372.71 | 1,441.35 | 1,513.42 | 1,744.41 | 1,883.97 | 2,034.69 |
| Hydrant Meter  | 56.90       | 56.90    | 111.05   | 116.61   | 122.45   | 128.58   | 135.01   | 150.51   | 162.56   | 175.57   |
| <b>Monthly Water Reliability and Emergency Storage Charge</b>  |             |          |          |          |          |          |          |          |          |          |
| 5/8 inch   | \$ 16.50    | \$ 16.50 | \$ 16.50 | \$ 16.50 | \$ 16.50 | \$ 16.50 | \$ 16.04 | \$ 16.04 | \$ 16.04 | \$ 16.04 |
| 3/4 inch   | 16.50       | 16.50    | 16.50    | 16.50    | 16.50    | 16.50    | 16.04    | 16.04    | 16.04    | 16.04    |
| 1 inch   | 26.39       | 26.39    | 26.39    | 26.39    | 26.39    | 26.39    | 25.25    | 25.25    | 25.25    | 25.25    |
| 1 1/2 inch   | 39.59       | 39.59    | 39.59    | 39.59    | 39.59    | 39.59    | 38.48    | 38.48    | 38.48    | 38.48    |
| 2 inch   | 52.78       | 52.78    | 52.78    | 52.78    | 52.78    | 52.78    | 51.30    | 51.30    | 51.30    | 51.30    |
| 3 inch   | 79.17       | 79.17    | 79.17    | 79.17    | 79.17    | 79.17    | 76.95    | 76.95    | 76.95    | 76.95    |
| 4 inch   | 105.56      | 105.56   | 105.56   | 105.56   | 105.56   | 105.56   | 102.60   | 102.60   | 102.60   | 102.60   |
| 6 inch   | 158.34      | 158.34   | 158.34   | 158.34   | 158.34   | 158.34   | 153.90   | 153.90   | 153.90   | 153.90   |
| 1 1/2 inch Non-Domestic  | 33.64       | 33.64    | 33.64    | 33.64    | 33.64    | 33.64    | 32.70    | 32.70    | 32.70    | 32.70    |
| 2 inch Non-Domestic  | 44.86       | 44.86    | 44.86    | 44.86    | 44.86    | 44.86    | 43.60    | 43.60    | 43.60    | 43.60    |
| 3 inch Non-Domestic  | 67.30       | 67.30    | 67.30    | 67.30    | 67.30    | 67.30    | 65.42    | 65.42    | 65.42    | 65.42    |
| 4 inch Non-Domestic  | 89.73       | 89.73    | 89.73    | 89.73    | 89.73    | 89.73    | 87.21    | 87.21    | 87.21    | 87.21    |
| 10 inch Non-Domestic   | 224.32      | 224.32   | 224.32   | 224.32   | 224.32   | 224.32   | 218.03   | 218.03   | 218.03   | 218.03   |

Source: Trabuco Canyon Water District Board of Directors Approved Rate Ordinances and Resolutions

**Notes**

- (1) The District is required to follow Proposition 218 procedures when raising or adjusting rates.
- (2) For more information on the District's rate structure, visit <https://www.tewd.ca.gov/your-water/district-rates-fees-charges>

**Trabuco Canyon Water District**  
**Wastewater Rates**  
**For the Past Ten Fiscal Years**

|   | Fiscal Year |          |          |          |          |          |          |          |          |          |
|---|-------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|   | 2014        | 2015     | 2016     | 2017     | 2018     | 2019     | 2020     | 2021     | 2022     | 2023     |
| <b>Monthly Wastewater Service Charge</b>            |             |          |          |          |          |          |          |          |          |          |
| Single Family Residential                           | \$ 19.80    | \$ 19.80 | \$ 24.47 | \$ 28.15 | \$ 29.57 | \$ 31.06 | \$ 32.62 | \$ 35.20 | \$ 37.32 | \$ 39.56 |
| Multi-Family Residential - 1"                       | 11.58       | 11.58    | 24.47    | 28.15    | 29.57    | 31.06    | 32.62    | 26.99    | 28.61    | 35.47    |
| Multi-Family Residential - 1 1/2"                   | 22.56       | 22.56    | 24.47    | 28.15    | 29.57    | 31.06    | 32.62    | 26.99    | 28.61    | 35.47    |
| <b>Billing &amp; Customer Service Charge</b>        |             |          |          |          |          |          |          |          |          |          |
| 5/8 inch  | \$ 5.00     | \$ 5.00  | \$ 4.64  | \$ 5.34  | \$ 5.61  | \$ 5.90  | \$ 6.20  | \$ 4.58  | \$ 4.85  | \$ 5.14  |
| 3/4 inch  | 7.19        | 7.19     | 4.64     | 5.34     | 5.61     | 5.90     | 6.20     | 4.58     | 4.85     | 5.14     |
| 1 inch  | 11.58       | 11.58    | 4.64     | 5.34     | 5.61     | 5.90     | 6.20     | 4.58     | 4.85     | 5.14     |
| 1 1/2 inch  | 22.56       | 22.56    | 4.64     | 5.34     | 5.61     | 5.90     | 6.20     | 4.58     | 4.85     | 5.14     |
| 2 inch  | 35.74       | 35.74    | 4.64     | 5.34     | 5.61     | 5.90     | 6.20     | 4.58     | 4.85     | 5.14     |
| 3 inch  | 66.48       | 66.48    | 4.64     | 5.34     | 5.61     | 5.90     | 6.20     | 4.58     | 4.85     | 5.14     |
| 4 inch  | 110.40      | 110.40   | 4.64     | 5.34     | 5.61     | 5.90     | 6.20     | 4.58     | 4.85     | 5.14     |
| 6 inch  | 220.19      | 220.19   | 4.64     | 5.34     | 5.61     | 5.90     | 6.20     | 4.58     | 4.85     | 5.14     |
| 8 inch  | 351.94      | 351.94   | 4.64     | 5.34     | 5.61     | 5.90     | 6.20     | 4.58     | 4.85     | 5.14     |
| <b>Volumetric Rate per Hundred Cubic Feet (HCF)</b> |             |          |          |          |          |          |          |          |          |          |
| Commercial - Low                                    | \$ 1.92     | \$ 1.92  | \$ 3.28  | \$ 3.78  | \$ 3.97  | \$ 4.17  | \$ 4.38  | \$ 5.05  | \$ 5.36  | \$ 5.69  |
| Commercial - Medium                                 | 2.72        | 2.72     | 5.28     | 6.08     | 6.39     | 6.71     | 7.05     | 6.41     | 6.80     | 7.21     |
| Commercial - High                                   | 4.30        | 4.30     | 8.00     | 9.20     | 9.66     | 10.15    | 10.66    | 8.39     | 8.90     | 9.44     |

Source: Trabuco Canyon Water District Board of Directors Approved Rate Ordinances and Resolutions

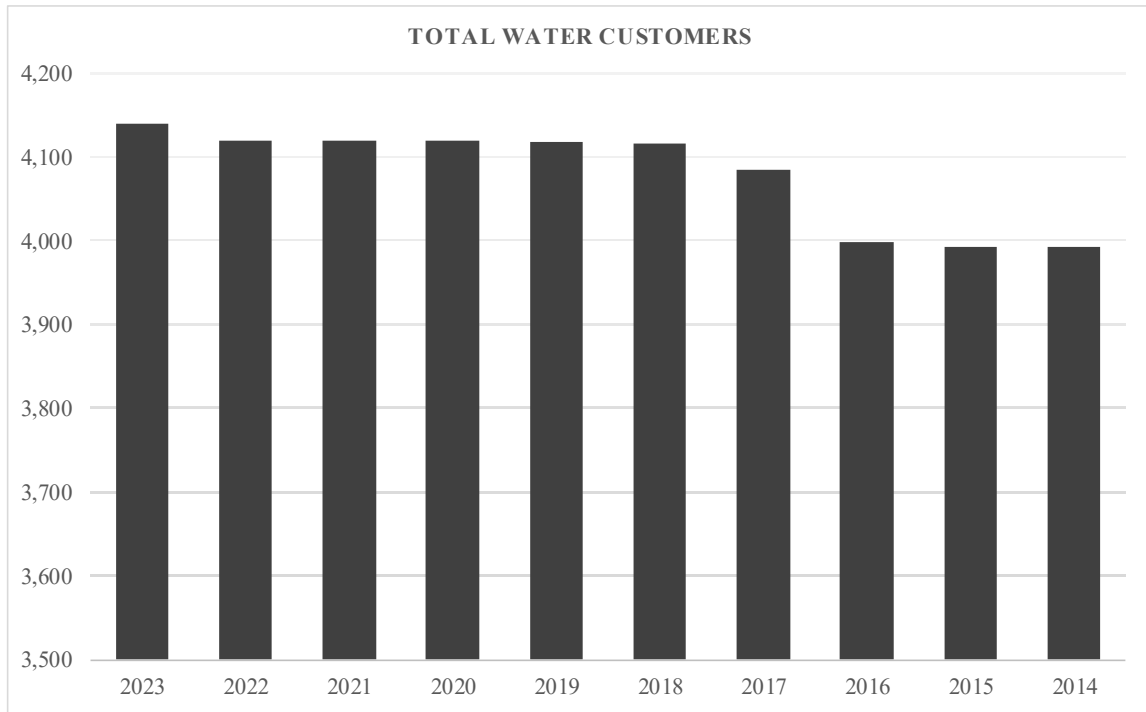
**Notes**

<sup>(1)</sup> The District is required to follow Proposition 218 procedures when raising or adjusting rates.

<sup>(2)</sup> For more information on the District's rate structure, visit <https://www.tcwd.ca.gov/your-water/district-rates-fees-charges>

**Trabuco Canyon Water District**  
**Water Customers by Type**  
**For the Past Ten Fiscal Years**

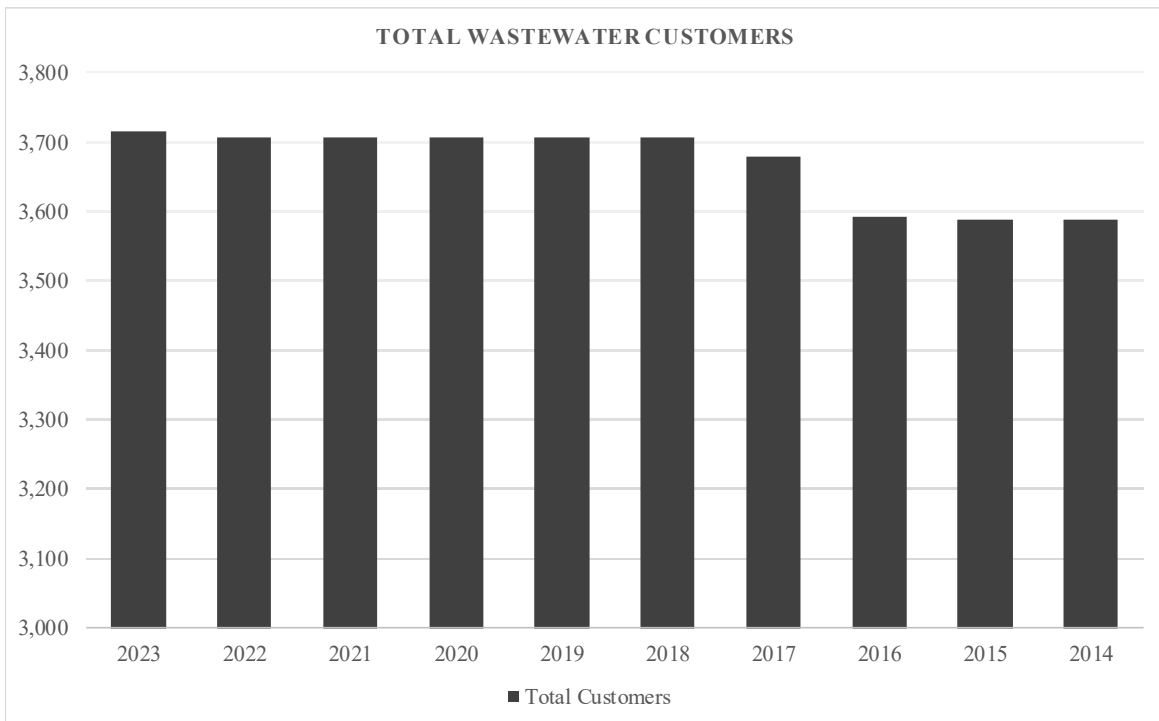
| <b>Fiscal Year</b> | <b>Residential</b> | <b>Agriculture</b> | <b>Landscape</b> | <b>Commercial</b> | <b>Wholesale</b> | <b>Total Customers</b> |
|--------------------|--------------------|--------------------|------------------|-------------------|------------------|------------------------|
| <b>2023</b>        | 3,928              | 2                  | 128              | 81                | 1                | <b>4,140</b>           |
| <b>2022</b>        | 3,927              | 5                  | 106              | 81                | 1                | <b>4,120</b>           |
| <b>2021</b>        | 3,927              | 5                  | 106              | 81                | 1                | <b>4,120</b>           |
| <b>2020</b>        | 3,927              | 5                  | 106              | 81                | 1                | <b>4,120</b>           |
| <b>2019</b>        | 3,927              | 5                  | 104              | 81                | 1                | <b>4,118</b>           |
| <b>2018</b>        | 3,927              | 5                  | 101              | 81                | 1                | <b>4,115</b>           |
| <b>2017</b>        | 3,897              | 5                  | 101              | 80                | 1                | <b>4,084</b>           |
| <b>2016</b>        | 3,814              | 5                  | 100              | 79                | -                | <b>3,998</b>           |
| <b>2015</b>        | 3,810              | 5                  | 98               | 79                | -                | <b>3,992</b>           |
| <b>2014</b>        | 3,810              | 5                  | 98               | 79                | -                | <b>3,992</b>           |



Source: TCWD Accounting Department

**Trabuco Canyon Water District  
Wastewater Customers by Type  
For the Past Ten Fiscal Years**

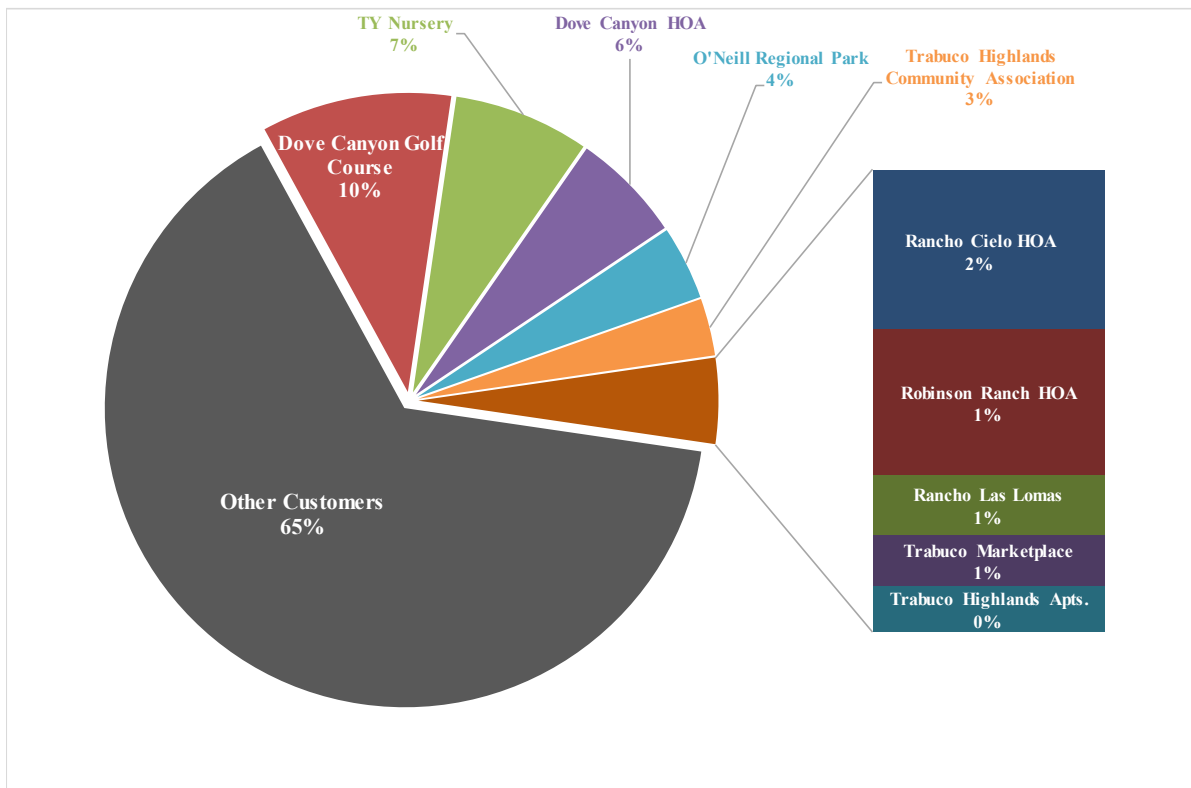
| <b>Fiscal Year</b> | <b>Residential</b> | <b>Commercial</b> | <b>Total Customers</b> |
|--------------------|--------------------|-------------------|------------------------|
| 2023               | 3,670              | 45                | <b>3,715</b>           |
| 2022               | 3,664              | 44                | <b>3,708</b>           |
| 2021               | 3,664              | 44                | <b>3,708</b>           |
| 2020               | 3,664              | 44                | <b>3,708</b>           |
| 2019               | 3,664              | 44                | <b>3,708</b>           |
| 2018               | 3,664              | 43                | <b>3,707</b>           |
| 2017               | 3,634              | 44                | <b>3,678</b>           |
| 2016               | 3,551              | 42                | <b>3,593</b>           |
| 2015               | 3,547              | 42                | <b>3,589</b>           |
| 2014               | 3,547              | 42                | <b>3,589</b>           |



Source: TCWD Accounting Department

### Trabuco Canyon Water District Principal Water Customers Current Fiscal Year and Ten Years Ago

| Customer                                  | 2023                           |                     | 2014            |                     |
|---|--------------------------------|---------------------|-----------------|---------------------|
|   | Water Sold (AF) <sup>(2)</sup> | Percentage of Total | Water Sold (AF) | Percentage of Total |
| 1 Dove Canyon Golf Course                 | 257.4                          | 10.3%               | 371.6           | 6.5%                |
| 2 TY Nursery                              | 183.4                          | 7.3%                | 243.9           | 1.4%                |
| 3 Dove Canyon HOA                         | 149.5                          | 6.0%                | 237.2           | 4.5%                |
| 4 O'Neill Regional Park                   | 99.9                           | 4.0%                | 52.9            | 2.2%                |
| 5 Trabuco Highlands Community Association | 77.8                           | 3.1%                | 169.3           | 4.9%                |
| 6 Rancho Cielo HOA                        | 40.3                           | 1.6%                | 82.8            | 1.4%                |
| 7 Robinson Ranch HOA                      | 36.7                           | 1.5%                | 66.0            | 0.9%                |
| 8 Rancho Las Lomas                        | 14.7                           | 0.6%                | 35.3            | 0.4%                |
| 9 Trabuco Marketplace                     | 13.3                           | 0.5%                | 16.5            | 1.8%                |
| 10 Trabuco Highlands Apts.                | 11.2                           | 0.4%                | 50.8            | 10.0%               |
|   | <b>884.2</b>                   | <b>35.3%</b>        | <b>1,326.4</b>  | <b>34.0%</b>        |



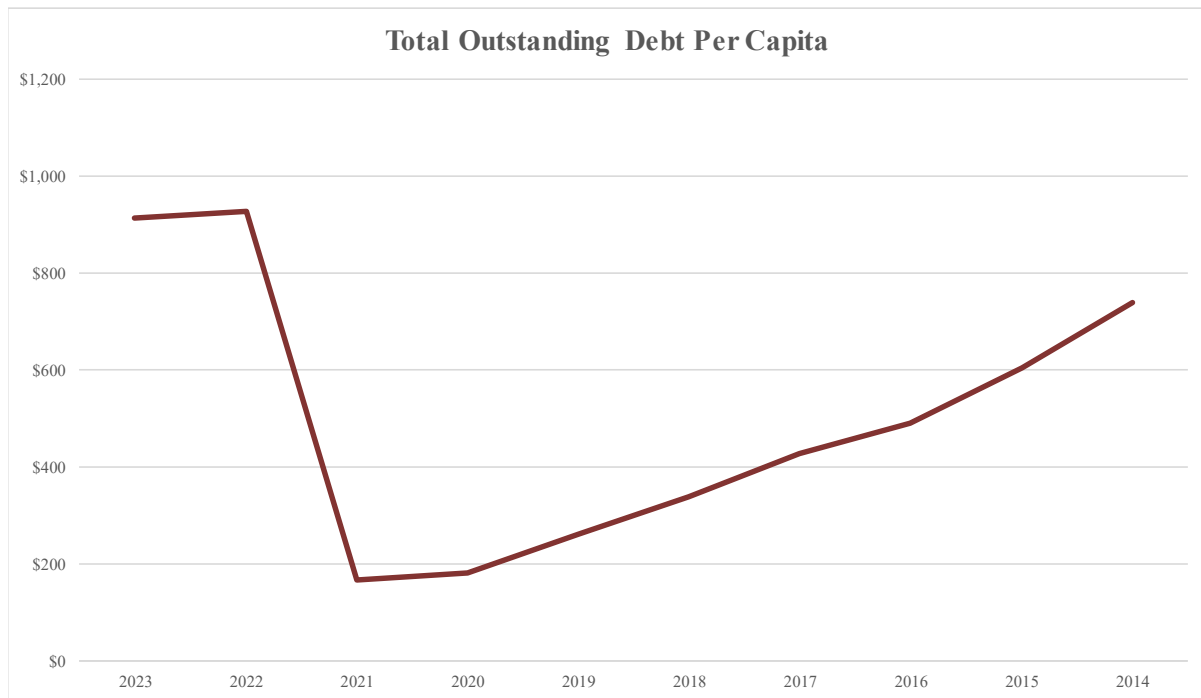
Source: TCWD Accounting Department

Notes

One Acre Foot is equivalent to approximately 325,900 gallons.

**Trabuco Canyon Water District  
Ratio of Outstanding Debt  
For the Past Ten Fiscal Years**

| <b>Fiscal Year</b> | <b>Refunding Revenue Bonds</b> | <b>2011 State Revolving Fund Loan</b> | <b>Bank of The West Loan Payable</b> | <b>Total Debt Outstanding</b> | <b>Per Capita <sup>(1)</sup></b> | <b>As a Share of Personal Income <sup>(2)</sup></b> |
|--------------------|--------------------------------|---------------------------------------|--------------------------------------|-------------------------------|----------------------------------|---|
| <b>2023</b>        | \$ -                           | \$ 1,770,766                          | \$10,000,000 (3)                     | \$11,770,766                  | <b>\$ 910.98</b>                 | <b>1.12%</b>  |
| <b>2022</b>        | -                              | 1,957,505                             | 10,000,000                           | 11,957,505                    | <b>925.43</b>                    | <b>1.10%</b>  |
| <b>2021</b>        | -                              | 2,140,052                             | -                                    | 2,140,052                     | <b>165.63</b>                    | <b>0.20%</b>  |
| <b>2020</b>        | -                              | 2,318,501                             | -                                    | 2,318,501                     | <b>179.44</b>                    | <b>0.25%</b>  |
| <b>2019</b>        | 890,000                        | 2,492,943                             | -                                    | 3,382,943                     | <b>261.82</b>                    | <b>0.37%</b>  |
| <b>2018</b>        | 1,711,898                      | 2,663,469                             | -                                    | 4,375,367                     | <b>338.62</b>                    | <b>0.51%</b>  |
| <b>2017</b>        | 2,493,795                      | 2,912,107                             | -                                    | 5,405,902                     | <b>425.26</b>                    | <b>0.68%</b>  |
| <b>2016</b>        | 3,235,693                      | 2,993,121                             | -                                    | 6,228,814                     | <b>489.99</b>                    | <b>0.82%</b>  |
| <b>2015</b>        | 4,502,362                      | 3,152,418                             | -                                    | 7,654,780                     | <b>602.17</b>                    | <b>1.02%</b>  |
| <b>2014</b>        | 5,998,345                      | 3,384,683                             | -                                    | 9,383,028                     | <b>738.12</b>                    | <b>1.30%</b>  |



Source: TCWD Accounting Department

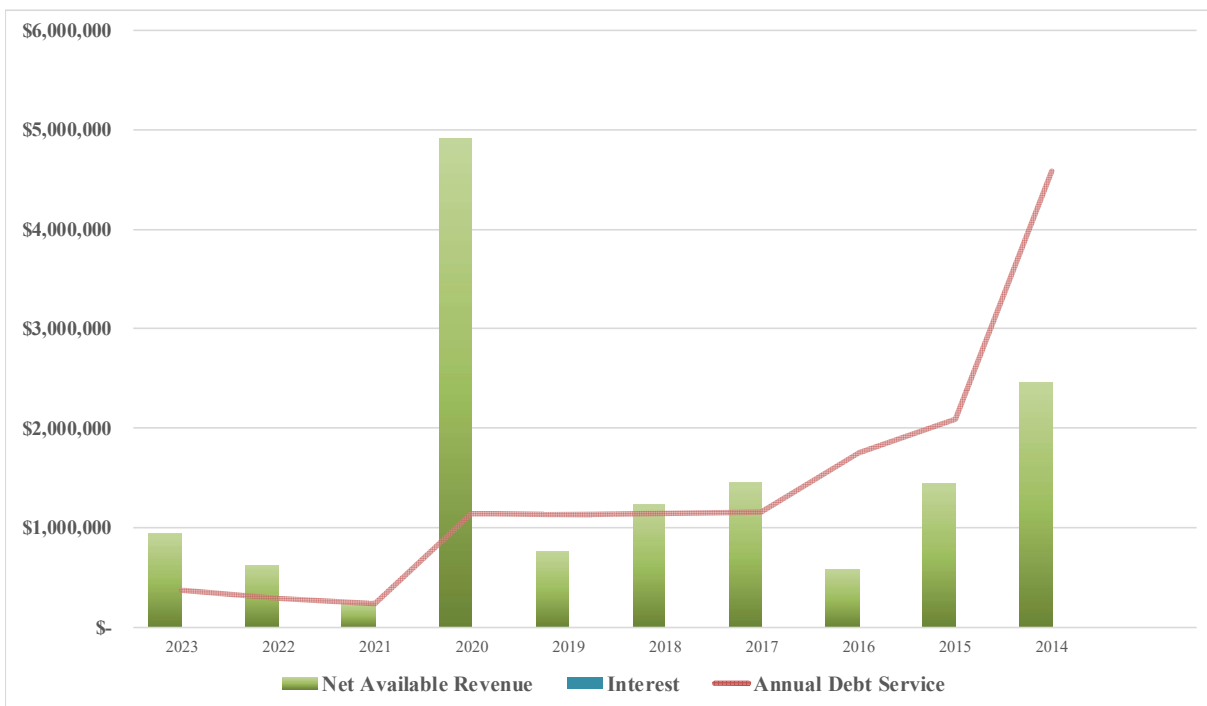
**Notes**

- <sup>(1)</sup> Population estimate for per capita figures is based on TCWD's Urban Water Management Plan which is updated every five years.
- <sup>(2)</sup> Personal income information is based on County of Orange data, which is representative of the conditions and experiences of TCWD.
- <sup>(3)</sup> The District received \$10M in loan proceeds from Bank of The West for use on capital projects during FY 2022.



### Trabuco Canyon Water District Debt Service Coverage For the Past Ten Fiscal Years

| Fiscal Year | Revenues <sup>(1),(7)</sup> | Expenses <sup>(2)</sup> | Net Available Revenue | Debt Service |            |                          | Coverage Ratio <sup>(6),(8)</sup> |
|-------------|-----------------------------|-------------------------|-----------------------|--------------|------------|--------------------------|-----------------------------------|
|             |                             |                         |                       | Principal    | Interest   | Annual Total             |                                   |
| 2023        | \$13,270,418                | \$12,335,514            | \$ 934,904            | \$ 186,739   | \$ 189,447 | \$ 376,186               | 2.49                              |
| 2022        | 12,151,869                  | 11,537,746              | 614,123               | 182,547      | 102,610    | 285,157                  | 2.15                              |
| 2021        | 11,957,960                  | 11,722,781              | 235,179               | 178,449      | 51,932     | 230,381                  | 1.02                              |
| 2020        | 15,688,240                  | 10,784,730              | 4,903,510             | 1,062,473    | 85,053     | 1,147,526 <sup>(3)</sup> | 4.27                              |
| 2019        | 10,418,186                  | 9,651,391               | 766,795               | 993,601      | 141,233    | 1,134,834                | 0.68                              |
| 2018        | 11,443,340                  | 10,200,161              | 1,243,179             | 949,816      | 194,123    | 1,143,939                | 1.09                              |
| 2017        | 9,352,530                   | 7,898,146               | 1,454,384             | 906,116      | 244,487    | 1,150,603                | 1.26                              |
| 2016        | 7,664,952                   | 7,087,166               | 577,786               | 1,437,498    | 309,268    | 1,746,766 <sup>(4)</sup> | 0.33                              |
| 2015        | 9,092,998                   | 7,650,284               | 1,442,714             | 1,693,962    | 400,922    | 2,094,884 <sup>(5)</sup> | 0.69                              |
| 2014        | 9,987,659                   | 7,531,555               | 2,456,104             | 4,005,680    | 572,818    | 4,578,498                | 0.54                              |



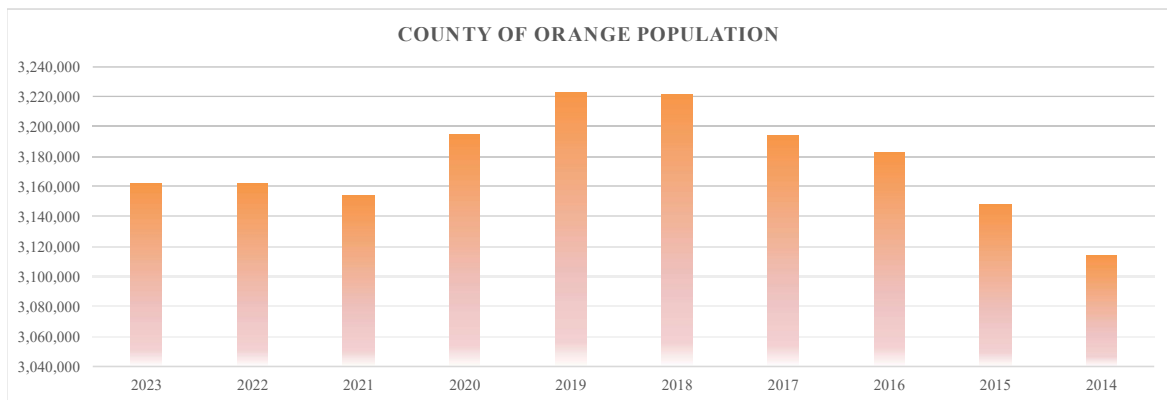
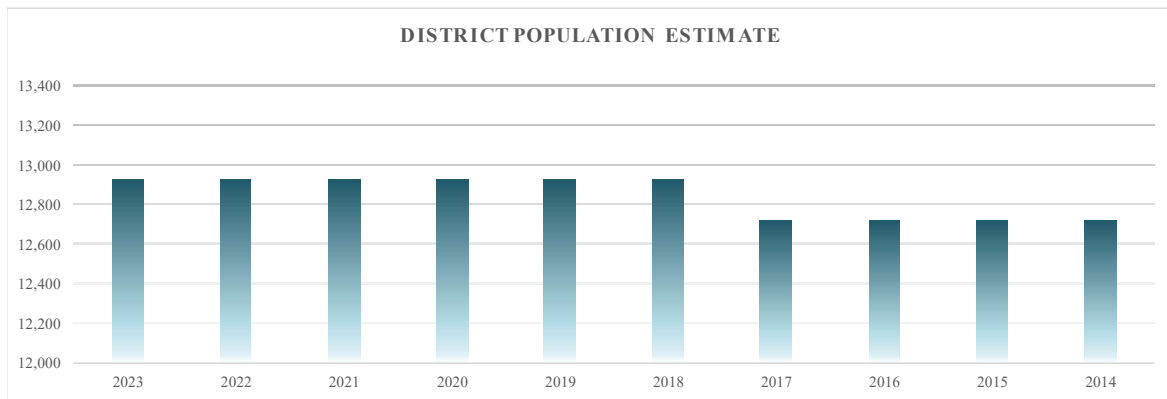
Source: TCWD Accounting Department

**Notes**

- <sup>(1)</sup> Revenues include operating and non-operating revenues.
- <sup>(2)</sup> Expenses include operating and non-operating expenses less depreciation, amortization and interest.
- <sup>(3)</sup> 1994 Series C Revenue Refunding Bonds fully repaid during FY 2020.
- <sup>(4)</sup> 1994 Series A Revenue Refunding Bonds fully repaid during FY 2016.
- <sup>(5)</sup> 1994 Series B Revenue Refunding Bonds fully repaid during FY 2015.
- <sup>(6)</sup> Above calculations are on an accrual basis, not a cash paid basis.
- <sup>(7)</sup> Above revenues include Water Reliability and Emergency Services revenues.
- <sup>(8)</sup> Above calculation is not calculated in accordance with the Bank of the West credit agreements in connection with debt service coverage requirements.

## Trabuco Canyon Water District Demographic and Economic Statistics For the Past Ten Fiscal Years

| Fiscal Year | District                           |                   | County of Orange Data <sup>(2)</sup> |                                |    | Per Capita Personal Income |
|-------------|------------------------------------|-------------------|--------------------------------------|--------------------------------|----|----------------------------|
|             | Population Estimate <sup>(1)</sup> | Unemployment Rate | Population <sup>(4)</sup>            | Personal Income <sup>(3)</sup> |    |                            |
| 2023        | 12,921                             | 3.7%              | 3,162,245                            | 256,700,438                    | \$ | 81,034                     |
| 2022        | 12,921                             | 2.8%              | 3,162,245                            | 267,143,000                    |    | 84,479                     |
| 2021        | 12,921                             | 6.3%              | 3,153,764                            | 258,933,000                    |    | 82,103                     |
| 2020        | 12,921                             | 12.3%             | 3,194,332                            | 226,531,000                    |    | 70,917                     |
| 2019        | 12,921                             | 3.0%              | 3,222,498                            | 230,180,000                    |    | 71,429                     |
| 2018        | 12,921                             | 3.1%              | 3,221,103                            | 215,479,000                    |    | 66,896                     |
| 2017        | 12,712                             | 4.2%              | 3,194,024                            | 199,492,000                    |    | 62,458                     |
| 2016        | 12,712                             | 4.4%              | 3,183,011                            | 190,978,000                    |    | 59,999                     |
| 2015        | 12,712                             | 4.0%              | 3,147,655                            | 185,500,000                    |    | 58,933                     |
| 2014        | 12,712                             | 5.4%              | 3,113,991                            | 177,412,900                    |    | 56,973                     |



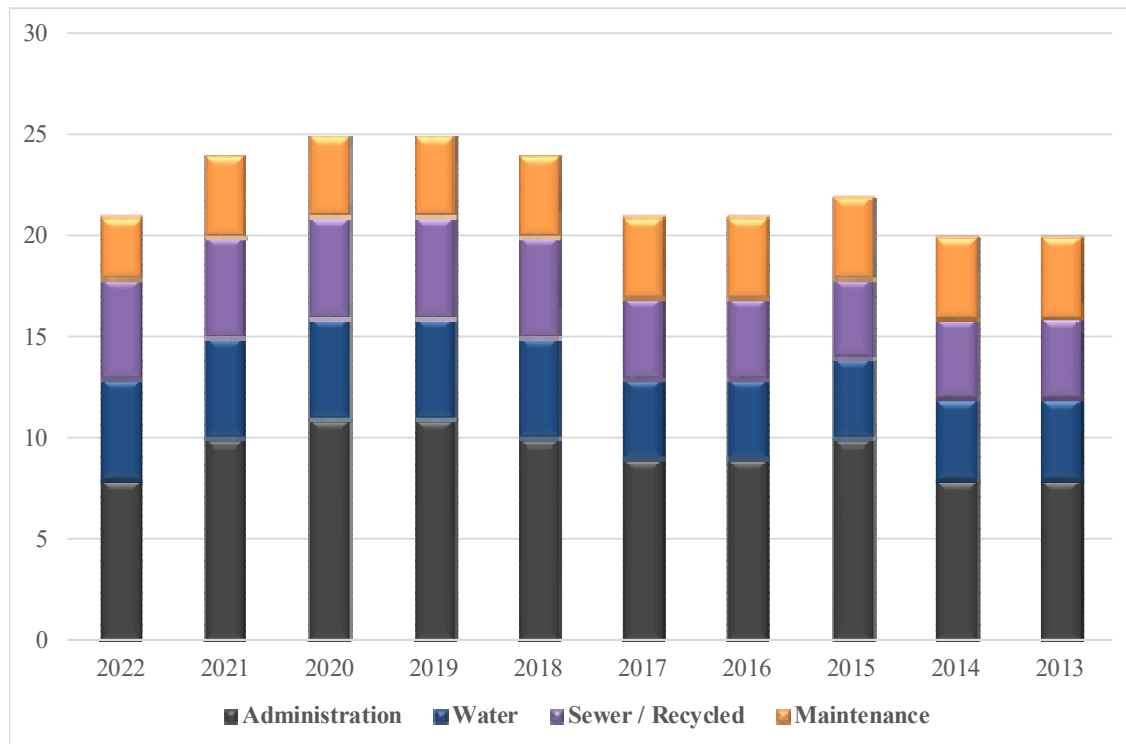
Source: California Department of Finance and California Labor Market Info

**Notes**

- <sup>(1)</sup> Population estimate is based on TCWD's Urban Water Management Plan which is updated every five years
- <sup>(2)</sup> Certain economic indicators such as unemployment rate and personal income are not calculated separately for TCWD. Therefore, TCWD has chosen to use the County of Orange data, which is representative of the conditions and experiences of TCWD.
- <sup>(3)</sup> Certain economic indicators such as unemployment rate and personal income are not calculated separately for TCWD. Therefore, TCWD has chosen to use the County of Orange data, which is representative of the conditions and experiences of TCWD.
- <sup>(4)</sup> Population estimates not available at the time this report was published.

**Trabuco Canyon Water District**  
**Personnel Trends**  
**For the Past Ten Fiscal Years**

| Fiscal Year | Full-time Equivalent Employees by Department |       |                  |             | Total |
|-------------|--|-------|------------------|-------------|-------|
|             | Administration                               | Water | Sewer / Recycled | Maintenance |       |
| 2023        | 8  | 5     | 5                | 3           | 21    |
| 2022        | 10   | 5     | 5                | 4           | 24    |
| 2021        | 11   | 5     | 5                | 4           | 25    |
| 2020        | 11   | 5     | 5                | 4           | 25    |
| 2019        | 10   | 5     | 5                | 4           | 24    |
| 2018        | 9  | 4     | 4                | 4           | 21    |
| 2017        | 9  | 4     | 4                | 4           | 21    |
| 2016        | 10   | 4     | 4                | 4           | 22    |
| 2015        | 8  | 4     | 4                | 4           | 20    |
| 2014        | 8  | 4     | 4                | 4           | 20    |



Source: Trabuco Canyon Water District Accounting Department and Operations Department

**Trabuco Canyon Water District**  
**Miscellaneous Operating Statistics**  
**For the Past Nine Fiscal Years**

| <b>TCWD SERVICE AREA</b>             | <b>Fiscal Year</b> |             |             |             |             |             |             |             |             |
|--------------------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                      | <b>2023</b>        | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
| # Water Connections                  | 4,113              | 4,092       | 4,092       | 4,092       | 4,090       | 4,087       | 4,056       | 3,970       | 3,964       |
| # Recycled Water Connections         | 27                 | 28          | 28          | 28          | 28          | 28          | 28          | 28          | 28          |
| # Water & Recycled Water Connections | 4,140              | 4,120       | 4,120       | 4,120       | 4,118       | 4,115       | 4,084       | 3,998       | 3,992       |
| Number of Sewer Connections          | 3,715              | 3,708       | 3,708       | 3,708       | 3,708       | 3,707       | 3,678       | 3,593       | 3,589       |
| Approximate Area (Square Miles)      | 8,200              | 8,200       | 8,200       | 8,200       | 8,200       | 8,200       | 8,200       | 8,200       | 8,200       |
| Number of Pump Stations              | 9                  | 9           | 9           | 9           | 9           | 9           | 9           | 9           | 9           |
| Number of Reservoirs                 | 8                  | 8           | 8           | 8           | 8           | 8           | 8           | 8           | 8           |
| Number of Wells                      | 2                  | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Number of Water Treatment Plants     | 1                  | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Number of Sewage Treatment Plants    | 1                  | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Miles of Pipeline                    | 66                 | 66          | 66          | 66          | 66          | 66          | 66          | 66          | 66          |
| <b>System Capacity</b>               |                    |             |             |             |             |             |             |             |             |
| Imported (Acre-Feet)                 | 4,343              | 4,343       | 4,343       | 4,343       | 4,343       | 4,343       | 4,343       | 4,343       | 4,343       |
| Imported (Billion Gallons)           | 1.42               | 1.42        | 1.42        | 1.42        | 1.42        | 1.42        | 1.42        | 1.42        | 1.42        |
| <b>Water Demand <sup>(1)</sup></b>   |                    |             |             |             |             |             |             |             |             |
| Imported (Acre-Feet)                 | 3,777              | 4,083       | 3,703       | 3,776       | 4,483       | 3,290       | 2,604       | 3,431       | 3,725       |
| Imported (Billion Gallons)           | 1.23               | 1.33        | 1.21        | 1.23        | 1.46        | 1.07        | 0.85        | 1.12        | 1.21        |

**Source: Trabuco Canyon Water District Accounting Department and Operations Department**

**Notes**

<sup>(1)</sup> Water demand on this schedule includes Baker Treatment Plant pass-through wholesale water.

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***Other Independent Auditors' Reports***

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

Board of Directors  
Trabuco Canyon Water District  
Trabuco Canyon, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Trabuco Canyon Water District (District), which comprise the balance sheet as of June 30, 2023, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2023.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in blue ink that reads "Nigro & Nigro, PC". The signature is written in a cursive style with a stylized "N" and "P".

Murrieta, California  
December 21, 2023