Basic Financial Statements and Independent Auditor's Report

FOR THE FISCAL YEARS ENDED June 30, 2024 and 2023

SOCWA

South Orange County Wastewater Authority

34156 DEL OBISPO STREET, DANA POINT, CALIFORNIA 92629

South Orange County Wastewater Authority
Basic Financial Statements
For the Years Ended June 30, 2024 and 2023

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California

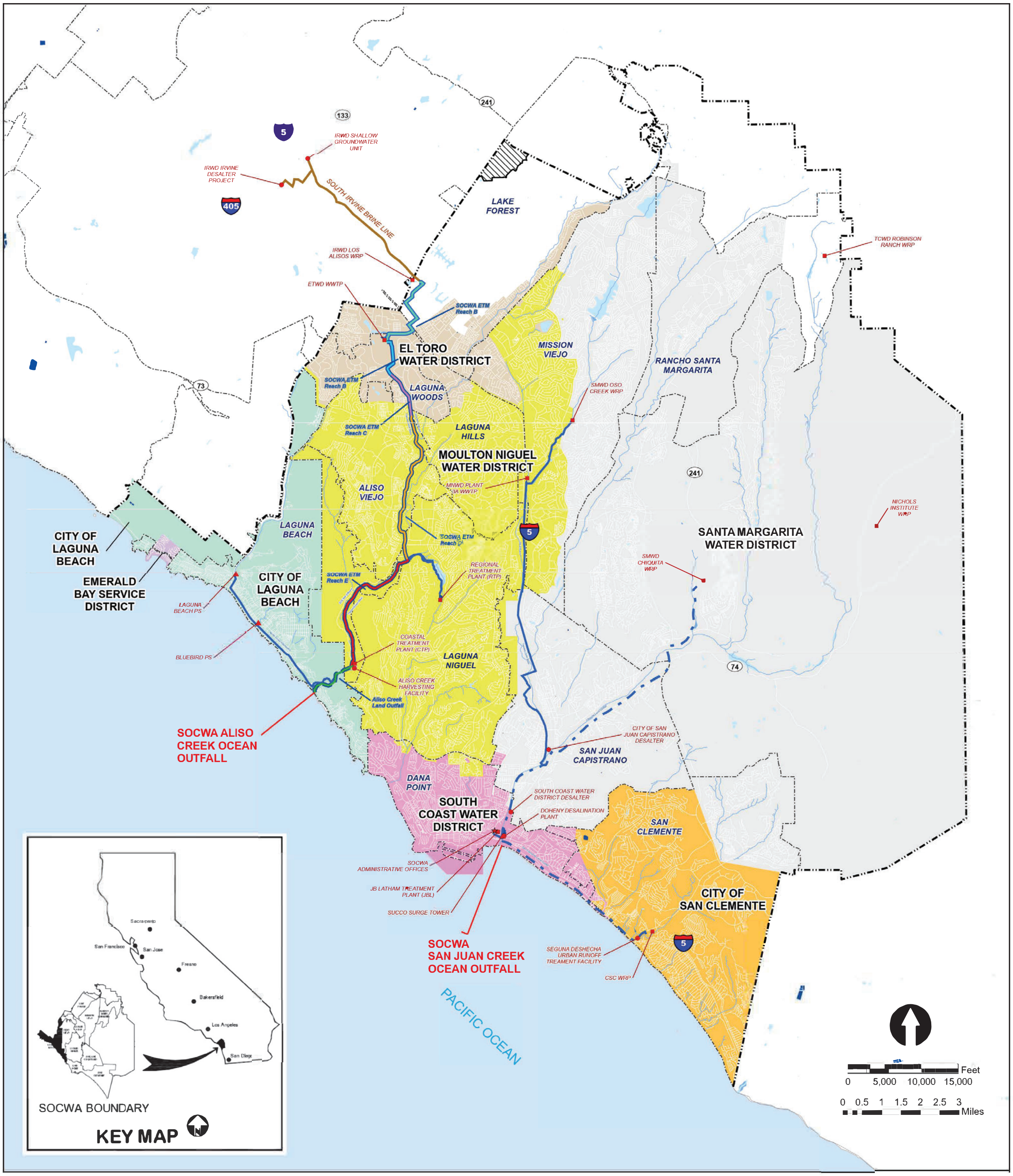
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO

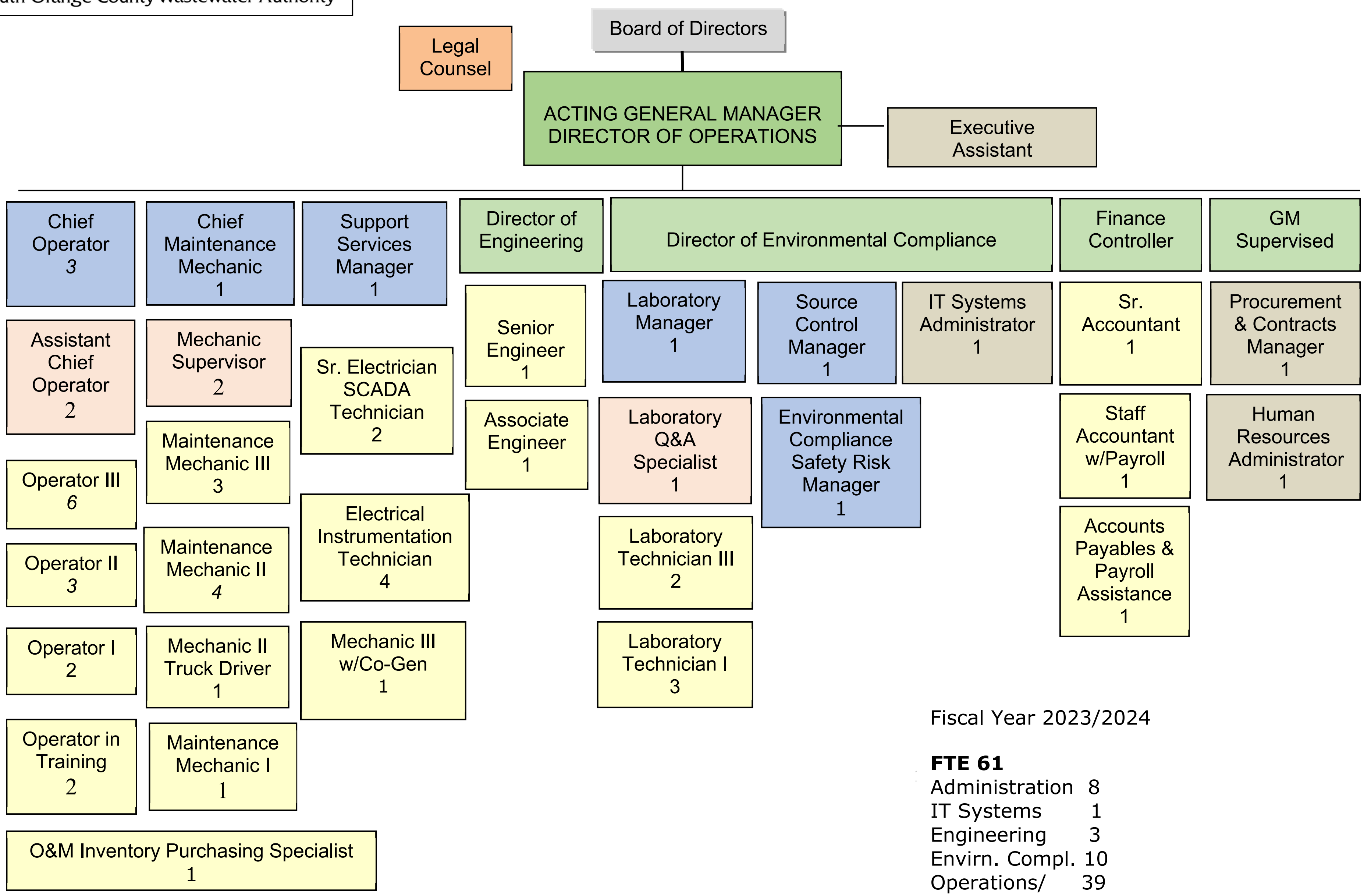
SOCWA SERVICE AREA MAP



SOCWA
South Orange County Wastewater Authority

FY 2023-24 Organization Chart

South Orange County Wastewater Authority



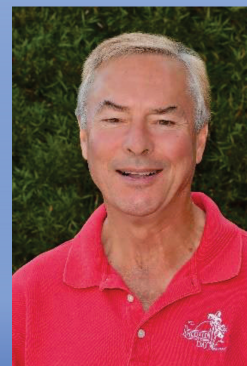
Fiscal Year 2023/2024

FTE 61
Administration 8
IT Systems 1
Engineering 3
Envirn. Compl. 10
Operations/ Maintenance 39

Board of Directors

Matt Collings
Moulton Niguel Water District
Chairman of the Board

Frank Ury
Santa Margarita Water District
Director



Mike Dunbar
Emerald Bay Service District
Director

Kathryn Freshley
El Toro Water District
Director

Bob Whalen
City of Laguna Beach
Director

Scott Goldman
South Coast Water District
Director

Dave Rebensdorf
City of San Clemente
Director

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South Orange County Wastewater Authority

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the South Orange County Wastewater Authority (the "Authority") as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2024 and 2023, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 GAAS 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 GAAS 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 Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
November 14, 2024

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This section of South Orange County Wastewater Authority's (Authority or SOCWA) financial statements presents an analysis of the Authority's financial performance during the Fiscal Year ended June 30, 2024, in comparison to Fiscal Year ended June 30, 2023. This information is presented in conjunction with the basic financial statements and related notes, which follow this section.

Overview of the Authority's Financial Statements

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

Basic Financial Statements

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Financial Analysis of the Authority

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

Financial Highlights for Fiscal Years 2024 and 2023

At June 30, 2024, the Authority's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by $148.7 million (net position), which is an increase of $1.1 million or .8% from the 2023 fiscal year-end balance. At June 30, 2023, the Authority's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by $147.6 million (net position), which is at the fiscal year 2022 year-end restated net position balance.

- The current year's Cash, $15.3 million, increased by $5.9 million or 62.9%, primarily due to in-progress large capital projects at the three treatment plants, PC 2 JB Latham, PC 15 Coastal, and PC 17 Regional. The prior year's cash decreased by $1.1 million or 10.7%' primarily due to scheduling and personnel needed to support the large capital projects.

- Fiscal Year 2024, Construction-in-Progress (CIP) increased by $1.0 million or 5.4% due to large capital work at the three treatment plants. The most significant increases for each facility were PC2 JB Latham, Facilities Improvements B-DAFT, $179 thousand, PC 15 Coastal, Drainage Pump Station, $140 thousand, and Export Sludge, $73 thousand. PC 17 Regional, Co-Generation System Modification, $122 thousand.

Construction-in-progress (CIP)

		2024				
	Balance July 1,2023	Expenditures	Assets placed in-service	Balance June 30, 2024	Change +/(-)	% Change
CIP	$18,905,336	4,797,617	(3,768,157)	$19,934,796	$1,029,460	5.4%

- The prior year CIP increased $3.1 million or 19.5%, primarily due to JB Latham Plant Facilities Improvements, Package B projects, $5.9 million, and Aeration Diffuser upgrades at the Regional Treatment Plant, $649 thousand and the Coastal Treatment Plant, $354 thousand.

  The Authority stopped work on CIP projects totaling $462 thousand, a reduction in CIP, due to the transfer of operations and maintenance of the Regional Treatment Plant AWT Facilities to the Moulton Niguel Water District.

Construction-in-progress (CIP)

		2023				
	Balance July 1,2022	Expenditures	Assets placed in-service	Balance June 30, 2023	Change +/(-)	% Change
CIP	$15,819,954	9,615,766	(6,068,152)	$18,905,336	$3,085,382	19.5%

[1]The Authority transferred ownership of the Regional Treatment Plant Advanced Water Treatment Facilities (AWT) capital assets to Moulton Niguel Water District (MNWD) on November 8, 2022. MNWD assumed responsibility for operating and maintaining the AWT Facilities on November 1, 2022.

- Offsetting the increases in Cash and CIP in the current year, accumulated depreciation and amortization exceeded new assets placed in service by $5.0 million or 4% due to the age of the Authority's Assets and the delay in completing large capital projects due to open positions in engineering. New acquisitions of $3.8 million were added; most notable were PC 15 Coastal Aeration Blower System Upgrades, $565 thousand; AWMA Road Sites Embankment, $142 thousand; and Replacement of Rotary Screen Drum, $104 thousand. PC 24 Aliso Creek Outfall Internal Seal Replacement, $383 thousand, and Outfall Ballast Repairs, $265 thousand. PC 2 JB Latham Centrate Piping Reconstruction, $235 thousand, and Pump Overhauls, $110 thousand. PC 17 Regional Digester Pump Overhaul, $68 thousand.

Capital Assets, depreciable and Intangible Assets

2024

	Balance July 1,2023	Additions	Balance June 30, 2024	Change +/(-)	% Change
Capital assets, depreciable	$366,300,766	$3,768,157	$370,068,923	$3,768,157	1.0%
Accumulated depreciation	(238,811,149)	(8,780,553)	(247,591,702)	(8,780,553)	3.7%
Capital assets, depreciable, net	$127,489,617	($5,012,396)	$122,477,221	($5,012,396)	-3.9%
Intangible Assets, net	193,513	(35,136)	158,377	(35,136)	-18.2%
Total	$127,683,131	($5,047,532)	$122,635,598	($5,047,533)	-4.0%

- Fiscal Year 2023 capital assets and intangible assets net, $128 million, decreased $3.5 million or 2.7% due to the age of the Authority's assets. New acquisitions of $6.2 million were added; most notable were JB Latham Plant Package B Daft, $1.3 million; a Digester System, $768 thousand; and a Boiler System, $690 thousand. The Regional Treatment plant added an Aeration Tank System, $1.0 million. Offsetting the additions, all the Regional Treatment Plant Advanced Water Treatment Facilities (AWT) capital assets, $793 thousand, net, were transferred to Moulton Niguel Water District due to their assuming responsibility for operating and maintaining the facilities.

Capital Assets, depreciable and Intangible Assets

2023

	Balance July 1,2022	Additions	Balance June 30, 2023	Change +/(-)	% Change
Capital assets, depreciable	$361,808,251	6,234,978	$366,300,766	$4,492,515	1.2%
Accumulated depreciation	(230,889,904)	(8,870,751)	(238,811,151)	(7,921,247)	3.4%
Capital assets, depreciable, net	$130,918,347	($2,635,773)	$127,489,617	($3,428,731)	-2.6%
Intangible Assets, net	289,246	(95,733)	193,513	(95,733)	-33.1%
	$131,207,594	($2,731,505)	$127,683,130	($3,524,464)	-2.7%

- Net Pension Liability, $19.7 million, in the current year increased by $1.4 million primarily due to the Risk Pool's fiscal year 2022-23, 5.8% return on investments (ROI) vs. the targeted 6.8% ROI. Pension-related deferred outflows and inflows of resources reduced the impact on net position by $481 thousand, to a net change of $942 thousand.

Net Pension Liability and Pensions related Deferred Outflows and Deferred Inflows of Resources as of June 30

	2024	2023	2022	Change between 2024 and 2023	% Change +/(-)	Change between 2023 and 2022	% Change +/(-)
Net Pension Liability	($19,716,589)	($18,292,931)	($9,257,418)	($1,423,658)	7.8%	($9,035,513)	97.6%
Deferred Outflows of Resources	7,507,318	7,609,730	3,049,739	(102,412)	-1.3%	$4,559,991	149.5%
Deferred Inflows of Resources	(1,016,719)	(1,600,313)	(8,772,697)	583,594	-36.5%	7,172,384	-81.8%
Total	**($13,225,990)**	**($12,283,514)**	**($14,980,376)**	**($942,476)**	**7.7%**	**$2,696,862**	**-18.0%**

- The prior year's Net Pension Liability of $18.3 million increased by $9 million or 98%, primarily due to CalPERS risk pool's asset loss in fiscal year 2021-22, a negative 7.5% ROI versus the targeted 7.15% gain.

  Offsetting the increase in net pension liability impact on net position, pensions related deferred outflows of resources increased by $4.6 million or 150% to $7.6 million. Pensions related deferred inflows of resources decreased by $7.2 million or 82 % to $1.6 million. These results are also attributable to CalPERS negative return on investments.

Total receivable, net

	June 30			
	2024	2023	Change +/(-)	% Change
Receivables:				
Accounts	$62,612	$666,353	($603,741)	-90.6%
Legal Settlement	1,060,041	0	1,060,041	100.0%
Due from Member Agencies	986,554	1,156,744	(170,190)	-14.7%
Interest	159,130	57,590	101,540	176.3%
Total receivable, net	$2,268,337	$1,880,687	$387,649	20.6%

- Fiscal Year 2024 total receivables, net, $2.3 million, increased by $388 thousand or 21%, primarily due to late-in-the-year billings to member agencies for PC 17 Regional prior years' claim settlement. The increase was offset by a reduction in Due from Member Agencies, $170 thousand. The Authority's operating expenses and capital contributions are paid by its Member Agencies; the due from and due to Member Agencies is the difference between budgeted amounts billed to the agencies and the fiscal year actuals. The actual expenses align with the budget, resulting in a decrease in due from Member Agencies. The increased interest is primarily due to the increased cash and improved interest rates.

- The prior year's total receivables, net, $1.8 million, increased by $965 thousand or 105%, primarily due to late-in-the-year billings for additional funding of operating expenses, $610 thousand, and the $316 thousand increase in due from Member Agencies, budget vs. actual variances. The budget required additional funding due to an inflationary environment; therefore, the actual expenses align with the budget, resulting in a decrease in due from Member Agencies.

- Fiscal Year 2024 total liabilities, $32.7 million, increased by $1.9 million or 6.4% from the prior year's balance of $30.8 million. The change is primarily due to the increase in net pension liability, $1.4 million or 7.8%, to the current year's balance of $19.7 million, as discussed earlier.

Liabilities
June 30

	2024	2023	2022	Change between 2024 and 2023	% Change +/(-)	Change between 2023 and 2022	% Change +/(-)
Current liabilities							
Accounts payable	$3,126,926	$3,185,397	$2,451,972	($58,471)	-1.8%	$733,425	29.9%
Legal settlement	$1,062,694			$1,062,694			
Due to Member Agencies	2,354,300	2,843,664	1,720,819	(489,363)	-17.2%	1,122,845	65.3%
Accrued payroll and related liabilities	437,393	544,810	245,023	(107,418)	-19.7%	299,787	122.4%
Compensated absences-due within one year	263,355	477,071	197,365	(213,716)	-44.8%	279,706	141.7%
Leased liabilities	49,528	43,496	53,887	6,032	13.9%	(10,391)	-19.3%
Total current liabilities	$7,294,196	$7,094,438	$4,669,066	$199,758	2.8%	$2,425,372	51.9%
Noncurrent liabilities							
Compensated absences-due in more than one year	$651,321	$303,682	$617,836	$347,638	114.5%	($314,154)	-50.8%
Accrued payroll related liabilities-due in more than one year		$140,014		(140,014)	-100.0%	140,014	
Net other postemployment benefits liability	4,963,332	4,774,637	4,948,607	188,695	4.0%	(173,970)	-3.5%
Net pension liability	19,716,589	18,292,931	9,257,418	1,423,658	7.8%	9,035,513	97.6%
Leased liabilities	105,822	145,814	229,570	(39,992)	-27.4%	(83,756)	-36.5%
Total noncurrent liabilities	$25,437,064	$23,657,078	$15,053,431	$1,779,986	7.5%	$8,603,647	57.2%
Total liabilities	$32,731,260	$30,751,516	$19,722,497	$1,979,744	6.4%	$11,029,019	55.9%

Fiscal Year 2023 total liabilities, $30.8 million, increased by $11 million or 56% from the prior year's balance of $19.7 million, significantly reducing net position. The change is primarily due to the increase in net pension liability, $9.0 million or 98%, to the current year's balance of $18.3 million, as discussed earlier.

- Net pension liability change in the current year is primarily due to financial market gains being less than the CalPERS target.

  Net pension liability change in the prior year was primarily due to financial market losses and CalPERS discount rate reduction from 7% to 6.8%.

Net Pension Liability Fiscal Year Ended June 30

Description	2024	2023	2022	2021	2020	Change between 2024 and 2023 $ +/(-)	% Change
Measurement date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019		
Total pension liability	($70,521,737)	($66,443,205)	($62,175,535)	($59,026,089)	($55,450,648)	($4,078,532)	6.1%
Fiduciary net position	50,805,148	48,150,274	52,918,317	43,498,406	41,089,097	**2,654,874**	5.5%
Net pension (liability)	($19,716,589)	($18,292,931)	($9,257,218)	($15,527,683)	($14,361,551)	($1,423,658)	7.8%
% Funded	72.0%	72.5%	85.1%	73.7%	74.1%	-0.4%	

- The Authority settled a prior year's legal claim for PC 17 Regional in the amount of $1.1 million.

- Due to Member Agencies decreased by $489 thousand or 17% due to actual expenses aligning with the budget.

- Fiscal Year 2024 net other post-employment benefits liability (OPEB), retiree health, $4.9 million, increased by $189 thousand due to higher insurance premium rates and changes to the Actuarial Medical Trend Assumptions. The PARS account ROI was 13.2%, and the account balance increased to over $7 million, which offset the increase in the total liability.

  The prior year net other post-employment benefits liability (OPEB), retiree health, $4.8 million, decreased by $174 thousand or 3.5% primarily due to financial markets gain. The asset gain was $491 thousand, an 8.6% increase from the prior year.

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

						Change between 2024 and 2023	
Description	2024	2023	2022	2021	2020	$ +/(-)	% Change
Measurement date	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020		
Total OPEB Liability	($12,001,605)	($10,993,133)	($10,676,580)	($10,799,701)	($10,959,190)	($1,008,472)	9.2%
Fiduciary net position	**7,038,273**	6,218,496	5,727,973	6,657,222	5,270,639	819,777	13.2%
Net OPEB (liability)	($4,963,332)	($4,774,637)	($4,948,607)	($4,142,479)	($5,688,551)	**($188,695)**	**4.0%**
% Funded	**58.6%**	56.6%	53.6%	61.6%	48.1%	2.1%	

- At June 30, 2024, the Authority's OPEB related deferred outflows were $1.0 million and deferred inflows were $874 thousand.

OPEB Related Deferred Outflows/Inflows Balances at June 30, 2024

As of fiscal year ending June 30, 2024	Deferred Outflows		Deferred Inflows	
Differences between expected and actual experience	$	432,967	$	(656,075)
Changes in assumptions		592,955		(80,672)
Net difference between projected and actual earnings in OPEB plan investments		0		(137,303)
Total	**$**	**1,025,922**	**$**	**(874,050)**

- At June 30, 2023, the Authority's OPEB related deferred outflows were $659 thousand and deferred inflows were $900 thousand.

OPEB Related Deferred Outflows/Inflows Balances at June 30, 2023

As of fiscal year ending June 30, 2023	Deferred Outflows		Deferred Inflows	
Differences between expected and actual experience	$	193,675	$	(808,292)
Changes in assumptions		186,082		(92,197)
Net difference between projected and actual earnings in OPEB plan investments		279,133		0
Total	**$**	**658,890**	**$**	**(900,489)**

- At June 30, 2024, the Authority's pension-related deferred outflows net of contributions made after the measurement date were $7.5 million, a decrease of $102 thousand or 1.3% primarily due to CalPERS actuarial changes in assumptions. Deferred inflows were $1.0 million, a decrease of $584 thousand or 36.5% due to financial market fluctuations.

Deferred Outflows/Inflows Balances at June 30, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
■ Differences between expected and actual experience *	$ 1,007,230	(156,246)
■ Changes of assumptions *	1,190,379	-
■ Net differences between projected and actual earnings on plan investments *	3,192,293	-
■ Change in employer's proportion **	119,252	(320,284)
■ Differences between the employer's contributions and the employer's proportionate share of contributions***	-	(540,189)
■ Pension contributions subsequent to measurement date	1,998,164	-
■ Total	7,507,318	(1,016,719)

Net Position

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

Condensed Statement of Net Position

	Fiscal Year 6/30/2024	Fiscal Year 6/30/2023	[1]Fiscal Year 6/30/2022	Change between 2024 and 2023 $ +/(-)	Change between 2024 and 2023 % Change	Change between 2023 and 2022 $ +/(-)	Change between 2023 and 2022 % Change
Current Assets	$17,828,369	$11,575,704	$11,692,239	$6,252,664	54.0%	($116,534)	-1.0%
Non-Current Assets:							
Capital Assets not being depreciated	34,337,020	33,307,560	30,222,178	1,029,460	3.1%	3,085,382	10.2%
Capital Assets and lease assets, net[1]	122,635,598	127,683,130	131,207,594	(5,047,532)	-4.0%	(3,524,464)	-2.7%
Total Capital Assets[1]	**156,972,618**	**160,990,690**	**161,429,771**	**(4,018,072)**	**-2.5%**	**(439,081)**	**-0.3%**
Total Assets[1]	**174,800,987**	**172,566,394**	**173,122,010**	**2,234,592**	**1.3%**	**(555,616)**	**-0.3%**
GASB 68-Deferred Outflows	7,507,318	7,609,730	3,049,739	(102,412)	-1.3%	4,559,991	149.5%
GASB 75-Deferred Outflows	1,025,922	658,890	863,519	367,032	55.7%	(204,629)	-23.7%
Current Liabilities	7,294,196	7,094,438	4,669,066	199,758	2.8%	2,425,372	51.9%
Non-Current Liabilities	25,437,064	23,657,078	15,053,431	1,779,986	7.5%	8,603,647	57.2%
Total Liabilities	**32,731,260**	**30,751,516**	**19,722,497**	**1,979,744**	**6.4%**	**11,029,019**	**55.9%**
GASB 68-Deferred Inflows	1,016,719	1,600,313	8,772,697	(583,594)	-36.5%	(7,172,384)	-81.8%
GASB 75-Deferred Inflows	874,050	900,489	960,508	(26,439)	-2.9%	(60,019)	-6.2%
Net Position:							
Net Investment in Capital Assets	156,788,745	160,798,675	161,146,314	(4,009,930)	-2.5%	(347,639)	-0.2%
Unrestricted (deficit)	(8,076,547)	(13,215,979)	(13,566,748)	5,139,432	-38.9%	350,769	-2.6%
Total Net Position[1]	**$148,712,198**	**$147,582,696**	**$147,579,566**	**$1,129,502**	**0.8%**	**$3,130**	**0.0%**

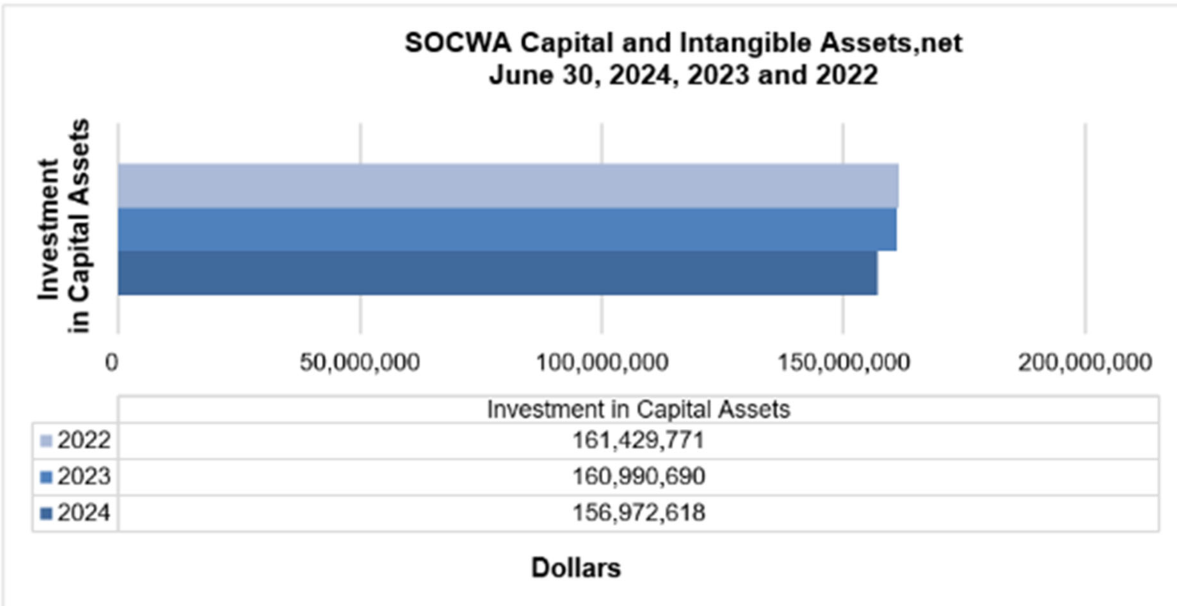
[1]In fiscal year 2022 the change in net position was restated, an increase of $8.9 thousand, due to implementing GASB 96, right-to-use subscription assets.

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $148.7 million, $147.6 million, and $147.6 million as of June 30, 2024, 2023, and 2022, respectively.

The net position unrestricted deficit of $8.1 million decreased $5.1 million in the current year primarily due to increased cash, $5.9 million, for large capital projects.

The prior year net position unrestricted deficit of $13.2 million decreased $351 thousand primarily due to the net impact of net pension liability growth of $9 million, offset by pension-related deferred outflows increase of $4.6 million, and pension-related deferred inflows reduction of $7.2 million, contributing a combined net increase in net position of $2.7 million or 18%. The fluctuations in the liability and deferred outflows and inflows are primarily due to CalPERS's unfavorable financial market returns in Fiscal Year 2021-22.

The largest portions of the Authority's net position (105.6%, 109.1% and 109.4% as of June 30, 2024, 2023, and 2022, respectively) reflects the Authority's net investment in capital and Intangible assets. The Authority uses these capital assets to provide services to Member Agencies communities within the Authority's service area.



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

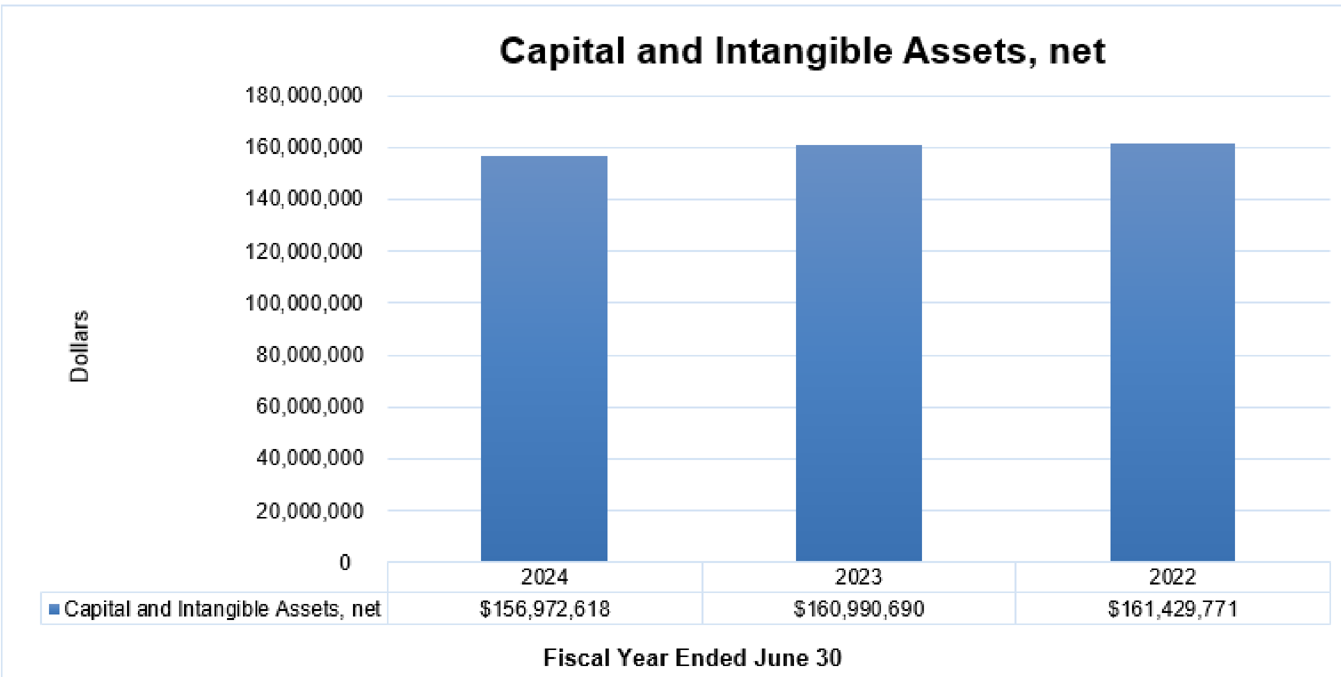
Change in Net Position

	June 30						
	2024	2023	2022[1]	Change between 2024 and 2023	% Change +/(-)	Change between 2023 and 2022	% Change +/(-)
Beginning Net Position[1]	$147,582,696	$147,579,566	$141,793,614	$3,130	0.0%	$5,785,952	4.1%
Income/(Loss) before contributions	(8,568,456)	(7,416,933)	(9,768,002)	(1,151,523)	15.5%	2,351,069	-24.1%
Capital contributions	9,697,958	7,420,063	15,553,954	2,277,895	30.7%	(8,133,891)	-52.3%
Change in net position	1,129,502	3,130	5,785,952	1,126,372	35986%	(5,782,822)	-99.9%
Ending Net Position[1]	$148,712,198	$147,582,696	$147,579,566	$1,129,502	0.8%	$3,130	0.0%

[1]In fiscal year 2022 the change in net position was restated, an increase of $8.9 thousand due to implementing GASB 96, right-to-use subscription assets.

Capital Assets

At the end of Fiscal Years 2024, 2023, and 2022, the Authority's capital and intangible assets, net, amounted to $157 million, $161 million, and $161.4 million, respectively (net of accumulated depreciation and amortization). Capital assets include land, construction-in-progress, buildings, building improvements, computer hardware and software, furniture and fixtures, infrastructure, machinery and equipment, vehicles, lease assets, and subscription assets.



Changes in capital and lease assets were as follows:

Capital Assets and Intangible Assets

	June 30						
	2024	2023	2022[1]	Change between 2024 and 2023	% Change	Change between 2023 and 2022	% Change
Capital assets, not depreciated:							
Land	$14,402,224	$14,402,224	$14,402,224				
Construction in Progress	19,934,796	18,905,336	15,819,954	$1,029,460	5.4%	$3,085,382	19.5%
Total Capital assets, not depreciated	34,337,020	33,307,560	30,222,178	1,029,460	3.1%	3,085,382	10.2%
Capital assets and intangible assets, being depreciated and amortized:							
Capital assets and intangible assets, gross1	370,319,193	366,536,550	362,230,831	3,782,643	1.0%	4,305,719	1.2%
Accumulated depreciation and amortization[1]	-247,683,595	-238,853,420	-231,023,238	-8,830,175	3.7%	-7,830,182	3.4%
Total Capital assets and intangible assets, being depreciated and amortized1	122,635,598	127,683,130	131,207,593	-5,047,532	-4.0%	-3,524,463	-2.7%
Total capital assets and intangible assets, net1	$156,972,618	$160,990,690	$161,429,771	($4,018,072)	-2.5%	($439,082)	-0.3%
Accumulated depreciation and amortization % capital assets and intangible assets, gross	66.9%	65.2%	63.8%				

[1]In fiscal year 2022 intangible assets were restated due to implementing GASB 96, right-to-use subscription assets, an increase of $8.9 thousand.

- Fiscal Year 2024, Construction-in-Progress (CIP) increased by $1.0 million or 5.4% due to large capital work at the three treatment plants. The most significant increases for each facility were PC2 JB Latham, Facilities Improvements B-DAFT, $179 thousand, PC 15 Coastal, Drainage Pump Station, $140 thousand, and Export Sludge, $73 thousand. PC 17 Regional, Co-Generation System Modification, $122 thousand.

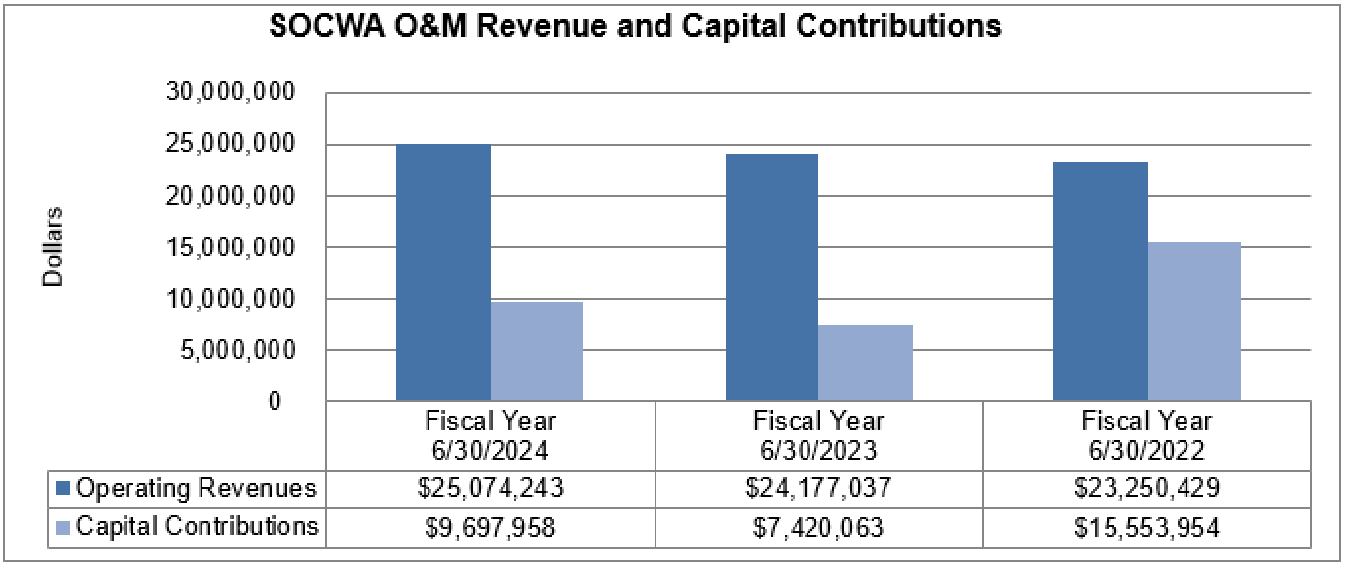
- The current year's Accumulated depreciation and amortization exceeded new assets placed in service by $5.0 million or 3.9% due to the age of the Authority's Assets and the delay in completing large capital projects due to open positions in engineering. New acquisitions of $3.8 million were added; most notable were PC 15 Coastal Aeration Blower System Upgrades, $565 thousand; AWMA Road Sites Embankment, $142 thousand; and Replacement of Rotary Screen Drum, $104 thousand. PC 24 Aliso Creek Outfall Internal Seal Replacement, $383 thousand, and Outfall Ballast Repairs, $265 thousand. PC 2 JB Latham Centrate Piping Reconstruction, $235 thousand, and Pump Overhauls, $110 thousand. PC 17 Regional Digester Pump Overhaul, $68 thousand.

- The prior year CIP increased $3.1 million or 20%, primarily due to JB Latham Plant Facilities Improvements, Package B projects, $5.9 million, and Aeration Diffuser upgrades at the Regional Treatment Plant, $649 thousand, and the Coastal Treatment Plant, $354 thousand.

- Fiscal Year 2023 decrease in capital assets being depreciated and amortized, net of $3.5 million or 2.7%, is primarily due to the transfer of the Regional Treatment Plant AWT Facilities to Moulton Niguel Water District in the amount of $793 thousand; the Agency assumed maintenance and operation of the facilities. In addition, accumulated depreciation exceeded the acquisition of new assets by $2.6 million due to the age of most of the Authority's assets.

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

Revenues



- The principal operating revenues for SOCWA are charges to the Member Agencies for services. Operating revenue for Fiscal Year 2024 was $25 million, an increase of $897 thousand or 3.7% from Fiscal Year 2023 operating revenue of $24.2 million, primarily due to inflationary cost increases.

- The increase in Fiscal Year 2023 operating revenues, $927 thousand, was also driven by inflation.

- Capital contributions in the current year were $9.7 million, an increase of $2.3 million or 31% from Fiscal Year 2023 contributions of $7.4 million. The change is due to progress and some completions on multi-year facilities improvement projects at the three treatment plants.

- Capital contributions in Fiscal Year 2023 were $7.4 million, a decrease of $8.1 million or 52% from Fiscal Year 2022 contributions of $15.6 million. The change is primarily due to a shortage in personnel needed to support the work.

Changes in revenues were as follows:

Revenues

	June 30			Change between 2024 and 2023	% Change +/(-)	Change between 2023 and 2022	% Change +/(-)
	2024	2023	2022				
Operating Revenues:							
O&M Member Agency Assessments[1]	$25,074,243	$24,177,037	$23,250,429	$897,206	3.7%	$926,608	4.0%
Non-Operating Revenues							
Interest Income[2]	561,064	131,414	(78,137)	429,650	326.9%	$209,551	-268.2%
Lease assets interest expense	(5,325)	(4,027)	(3,113)	(1,298)	32.2%	($914)	29.3%
Loss on sale of capital assets		(1,214,914)		1,214,914	-100.0%	($1,214,914)	
Grant Revenue[3]	218,959	444,175	384,130	(225,215)	-50.7%	60,044	15.6%
Severance Billings[5]	420,041			420,041			
PC 17 Claim Settlement[6]	1,062,694			1,062,694			
Other revenues	8,098	35,655	13,749	(27,557)	-77.3%	21,906	159.3%
Total Non-Operating Revenues	**2,265,531**	**(607,697)**	**316,629**	**2,873,228**	**-472.8%**	**(924,327)**	**-291.9%**
Capital Contributions							
Capital Contributions[4]	9,697,958	7,420,063	15,553,954	2,277,895	30.7%	(8,133,891)	-52.3%
Total Capital Contributions	**9,697,958**	**7,420,063**	**15,553,954**	**2,277,895**	**30.7%**	**(8,133,891)**	**-52.3%**
Total Revenues	**$37,037,731**	**$30,989,403**	**$39,121,013**	**$6,048,329**	**19.5%**	**($8,131,610)**	**-20.8%**

[1] O&M Member Agency Assessments in the current year, $25 million, increased by $897 thousand or 3.7% from Fiscal Year 2023 operating revenue of $24.2 million, primarily due to inflationary cost increases.

O&M Member Agency Assessments in the prior year, $24.2 million, increased by $927 thousand or 4% from Fiscal Year 2022 operating revenue of $24.2 million, primarily due to inflationary cost increases.

[2] Interest income, $561 thousand, increased by $430 thousand or 327% in the current year due to financial markets gains and increased cash on hand for large capital projects.

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

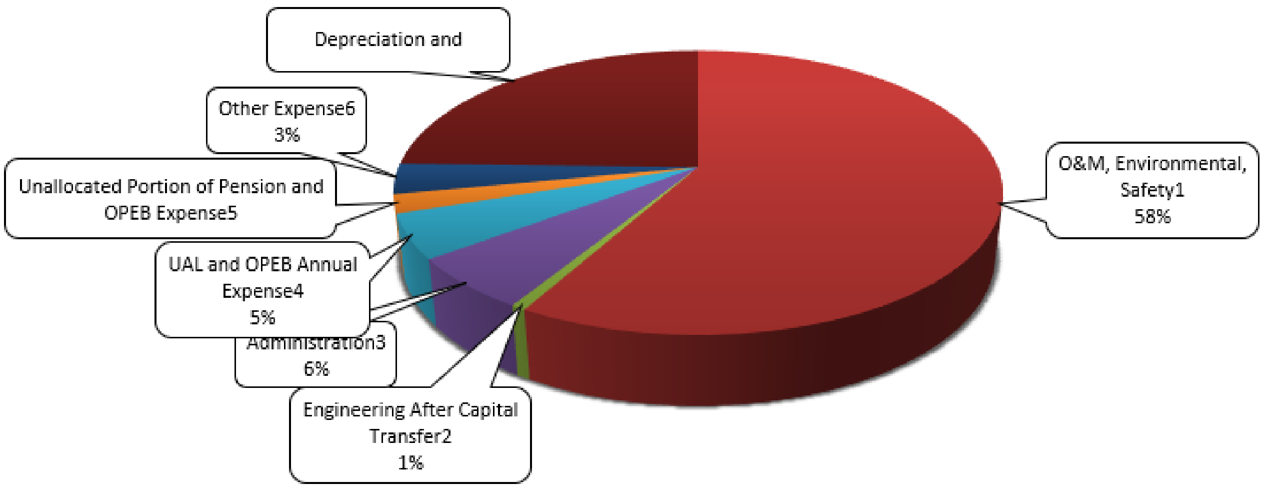
[4] Capital Contribution in the current year were $9.7 million, increased by $2.8 million or 31% from Fiscal Year 2023 contributions of $7.4 million. The change is due to progress and some completions on multi-year facilities improvement projects at the three treatment plants.

[5] Member Agencies Billings for Severance.

[6] PC 17 Regional Member Agencies Billings for a prior years' claim settlement.

Expenses

For the Year Ended June 30, 2024



Changes in expenses were as follows:

	Expenses June 30						
	2024	2023	2022	Change between 2024 and 2023	% Change +/(-)	Change between 2023 and 2022	% Change +/(-)
Operating Expenses:							
O&M, Environmental, Safety[1]	$20,869,380	$19,722,115	$18,543,813	$1,147,265	5.8%	$1,178,302	6.4%
Engineering After Capital Transfer[2]	242,668	264,024	342,971	(21,356)	-8.1%	(78,947)	-23.0%
Administration[3]	2,152,651	2,333,340	2,143,248	(180,689)	-7.7%	190,092	8.9%
UAL and OPEB Annual Expense[4]	1,809,545	1,857,596	1,639,829.10	(48,051)	-2.6%	217,766.66	13.3%
Unallocated Portion of Pension and OPEB Expense[5]	758,513	(2,726,222)	1,757,012	3,484,735	-127.8%	(4,483,234)	-255.2%
Other Expense[6]	1,245,297	591,358	196,534	653,939	110.6%	394,824	200.9%
Depreciation and Amortization[7]	8,830,175	8,944,062	8,711,653	(113,887)	-1.3%	232,409	2.7%
Total Operating Expenses	**$35,908,229**	**$30,986,273**	**$33,335,060**	**$4,921,956**	**15.9%**	**($2,348,787)**	**-7.0%**

[1]O&M increased by $1.1 million or 5.8% in the current year due to inflationary costs increases.
[2]The Engineering change from year to year is primarily related to the amount of staff time spent on large capital projects.
[3]Administration decreased by $181 thousand primarily due to legal.
[4]UAL changes are primarily due to financial markets fluctuations and OPEB is Pay Go insurance premium increases.
[5]Unallocated portion of Pension and OPEB expense are due to fluctuations in the financial markets.
[6]Other expenses are primarily Non-Capital Engineering expenses, additional cash payments to member agencies and GASB 87 lease accounting reduction in lease expense. The amounts will vary based on activity.
[7]Depreciation change from year to year is primarily due to new acquisitions.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year 6/30/2024	Fiscal Year 6/30/2023	Fiscal Year 6/30/2022[6]	Change between 2024 and 2023 $ +/(-)	% Change +/(-)	Change between 2023 and 2022 $ +/(-)	% Change +/(-)
Operating Revenues							
O&M Member Agency Assessments[1]	$25,074,243	$24,177,037	$23,250,429	$897,206	3.7%	$926,608	4.0%
Operating Expenses[2]	27,078,054	22,042,211	24,623,407	5,035,843	22.8%	(2,581,196)	-10.5%
Depreciation Expense	8,830,175	8,944,062	8,711,653	(113,887)	-1.3%	232,409	2.7%
Non-Operating Expenses/(Income)[3]	(2,265,530)	607,697	(316,629)	(2,873,227)	-472.8%	924,326	-291.9%
Total Expenses	**33,642,699**	**31,593,970**	**33,018,431**	**2,048,729**	**6.5%**	**(1,424,461)**	**-4.3%**
Capital Contributions[4]	9,697,958	7,420,063	15,553,954	2,277,895	30.7%	(8,133,891)	-52.3%
Current Year Change in Net Position[5]	**$1,129,502**	**$3,130**	**$5,785,952**	**$1,126,372**	35986.3%	**($5,782,822)**	-99.9%
Beginning Net Position (Restated)[6]	$147,582,696	$147,579,566	$141,793,614	$3,130	0.0%	$5,785,952	4.1%
Add Current Year Change	1,129,502	3,130	5,785,952	1,126,372	35986.3%	(5,782,822)	-99.9%
Net Position before extraordinary items[6]	$148,712,198	$147,582,696	$147,579,566	$1,129,502	0.8%	$3,130	0.0%
Ending Net Position[6]	**$148,712,198**	**$147,582,696**	**$147,579,566**	**$1,129,502**	**0.8%**	**$3,130**	**0.0%**

[1]O&M Member Agency Assessments in the current year, $25 million, increased by 897 thousand or 3.7% primarily due to inflationary cost increases.

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

[3]Non-Operating Income, $2.2 million, is PC 17 Members billings for a legal settlement, $1.1 million, interest income, $561 thousand, severance billings, $420 thousand, and grant revenue, $219 thousand. The grant revenue is from the electric companies for in-house generation of electricity. The amounts vary based on the amount of energy that is produced.

[4]Capital Contributions in the current year were $9.7 million, an increase of $2.3 million or 31%. The change is due to progress and some completions on multi-year facilities improvement.

[5]Net position change in the current year, $1.1 million is primarily due to increased capital contributions.

[6]In fiscal year 2022 the change in net position was restated primarily due to implementing GASB 96, right-to-use subscription assets.

Debt Administration

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

Economic Factors and Next Year's Budget

The Board of Directors adopted the Authority's 2024-2025 budget on June 6, 2024. The approval of the budget provides funding for the Authority's operating and capital costs for the 2024-2025 fiscal year.

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

Requests for Information

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

Basic Financial Statements

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South Orange County Wastewater Authority
Statements of Net Position
June 30, 2024 and 2023

ASSETS	2024	2023
Current assets:		
Cash and investments (Note 3)	$ 15,261,326	$ 9,367,605
Receivables:		
Accounts	62,612	666,353
Legal settlement (Note 10)	1,060,041	-
Due from member agencies (Note 11)	986,554	1,156,744
Interest	159,130	57,590
Total receivable, net	2,268,337	1,880,687
Prepaid items	298,706	327,412
Total current assets	17,828,369	11,575,704
Noncurrent assets:		
Capital assets:		
Nondepreciable (Note 4)	34,337,020	33,307,560
Depreciable, net (Note 4)	122,477,221	127,489,617
Intangible assets, net (Note 4)	158,377	193,513
Total noncurrent assets	156,972,618	160,990,690
Total assets	174,800,987	172,566,394
DEFERRED OUTFLOWS OF RESOURCES		
Pensions (Note 8)	7,507,318	7,609,730
Other postemployment benefits (Note 7)	1,025,922	658,890
Total deferred outflows of resources	8,533,240	8,268,620
LIABILITIES		
Current liabilities:		
Accounts payable	3,098,403	3,182,692
Legal settlement payable (Note 10)	1,062,694	-
Retention payable	28,523	2,705
Due to Member Agencies (Note 11)	2,354,300	2,843,664
Accrued payroll and related liabilities	437,393	544,810
Compensated absences - due within one year (Note 5)	263,355	477,071
Lease and SBITA liability - due within one year (Note 6)	49,528	43,496
Total current liabilities	7,294,196	7,094,438
Noncurrent liabilities:		
Accrued payroll and related liabilities - due in more than one year	-	140,014
Compensated absences - due in more than one year (Note 5)	651,321	303,682
Lease and SBITA liability - due in more than one year (Note 6)	105,822	145,814
Net other postemployment benefits liability (Note 7)	4,963,332	4,774,637
Net pension liability (Note 8)	19,716,589	18,292,931
Total noncurrent liabilities	25,437,064	23,657,078
Total liabilities	32,731,260	30,751,516
DEFERRED INFLOWS OF RESOURCES		
Pensions (Note 8)	1,016,719	1,600,313
Other postemployment benefits (Note 7)	874,050	900,489
Total deferred inflows of resources	1,890,769	2,500,802
NET POSITION		
Net investment in capital assets (Note 12)	156,788,745	160,798,675
Unrestricted (deficit)	(8,076,547)	(13,215,979)
Total net position	$ 148,712,198	$ 147,582,696

See accompanying Notes to the Financial Statements.

South Orange County Wastewater Authority
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING REVENUES:		
O&M Member Agency Assessments :		
City of Laguna Beach	$ 3,249,953	$ 2,909,957
City of San Clemente	256,108	192,034
City of San Juan Capistrano	-	2,056,766
Emerald Bay Service District	183,442	158,963
El Toro Water District	1,032,510	1,057,721
Irvine Ranch Water District	178,929	176,261
Moulton Niguel Water District	10,045,236	9,689,775
South Coast Water District	4,599,931	4,146,365
Santa Margarita Water District	5,528,134	3,756,078
Trabuco Canyon Water District	-	33,117
Total O&M Member Agency Assessments	25,074,243	24,177,037
Total Operating Revenues	25,074,243	24,177,037
OPERATING EXPENSES:		
O&M, Environmental, Compliance and Safety	20,869,380	19,722,115
Engineering after capital transfer	242,668	264,024
Administration	2,152,651	2,333,340
Unallocated portion of pension and OPEB expense (credit)	2,568,058	(868,626)
Other expense	1,245,297	591,358
Depreciation and amortization	8,830,175	8,944,062
Total Operating Expenses	35,908,229	30,986,273
Operating (Loss)	(10,833,986)	(6,809,236)
NON-OPERATING REVENUES (EXPENSES):		
Interest income (investment loss)	561,064	131,414
Interest expense	(5,325)	(4,027)
Loss on sale of capital assets	-	(1,214,914)
Severance member agency billings	420,041	-
Other revenues	1,289,750	479,830
Total Non-Operating Revenue (Expenses)	2,265,530	(607,697)
CAPITAL CONTRIBUTIONS FROM MEMBER AGENCIES:		
Member Agency Assessments and Severances:		
City of Laguna Beach	1,731,979	667,029
City of San Clemente	22,003	165,555
City of San Juan Capistrano	-	1,587,857
Emerald Bay Service District	105,539	33,553
El Toro Water District	283,382	185,129
Irvine Ranch Water District	149,523	84,778
Moulton Niguel Water District	3,214,405	1,904,403
South Coast Water District	2,074,487	1,702,445
Santa Margarita Water District	2,116,640	1,089,314
Total Member Agency Assessments and Severances	9,697,958	7,420,063
Total Capital Contributions from Member Agencies	9,697,958	7,420,063
Change in Net Position	1,129,502	3,130
NET POSITION:		
Beginning of year	147,582,696	147,579,566
End of year	$ 148,712,198	$ 147,582,696

See accompanying Notes to the Financial Statements.

South Orange County Wastewater Authority
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from member agencies	$ 25,848,174	$ 23,250,744
Cash payments to vendors and suppliers for operations	(19,711,659)	(12,788,488)
Cash payments to employees for services	(7,258,679)	(9,754,940)
Net cash provided by (used in) operating activities	(1,122,164)	707,316
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from severance member agency billings	420,041	-
Proceeds from grant revenue	1,289,750	479,830
Net cash provided by noncapital financing activities	1,709,791	479,830
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Contributions received from Member Agencies for capital use	9,697,958	7,420,063
Acquisition of capital assets	(4,797,617)	(9,782,592)
Proceed from sale of capital assets	-	62,697
Principal paid on leases and subscriptions	(48,446)	(94,147)
Interest paid on leases and subscriptions	(5,325)	(4,027)
Net cash provided by (used in) capital and related financing activities	4,846,570	(2,398,006)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment earnings	459,524	93,182
Net cash provided by (used in) investing activities	459,524	93,182
Net change in cash and cash equivalents	5,893,721	(1,117,678)
CASH AND CASH EQUIVALENTS:		
Beginning of year	9,367,605	10,485,283
End of year	$ 15,261,326	$ 9,367,605
RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net Operating (Loss)	$ (10,833,986)	$ (6,809,236)
Adjustments to reconcile net operating (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,830,175	8,944,062
Changes in operating assets and liabilities:		
Accounts receivable	603,741	(610,281)
Due from Member Agencies	170,190	(316,012)
Prepaid items	28,706	(36,618)
Pensions related deferred outflows of resources	102,412	(4,559,991)
OPEB related deferred outflows of resources	(367,032)	204,629
Accounts payable	(58,471)	733,425
Legal settlement (net)	2,653	-
Due to Member Agencies	(489,364)	1,122,845
Accrued payroll liabilities	(247,431)	439,801
Compensated absences	133,923	(34,448)
Net OPEB liability	188,695	(173,970)
Net pension liability	1,423,658	9,035,513
Pensions related deferred inflows of resources	(583,594)	(7,172,384)
OPEB related deferred inflows of resources	(26,439)	(60,019)
Net cash provided by (used in) operating activities	$ (1,122,164)	$ 707,316
NON CASH ITEM FROM INVESTING ACTIVITIES		
Capital Contributions	$ 360,157	$ -
Issuance of Subscription Liability	14,486	-
Unrealized gain (loss) on investments	11,585	(117,343)
	$ 386,228	$ (117,343)

See accompanying Notes to the Financial Statements.

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SOCWA

South Orange County Wastewater Authority

Notes to the Basic Financial Statements

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South Orange County Wastewater Authority
Index to the Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

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

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Note 1 – Reporting Entity

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

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

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

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

The Authority is comprised of the following seven member agencies as of June 30, 2024:

- City of Laguna Beach ("CLB")
- City of San Clemente ("CSC")
- Emerald Bay Service District ("EBSD")
- El Toro Water District ("ETWD")
- Moulton Niguel Water District ("MNWD")
- South Coast Water District ("SCWD")
- Santa Margarita Water District ("SMWD")

Effective November 15, 2021, the ownership capacity and ongoing financial obligation from the City of San Juan Capistrano (“CSJC”) were assumed by SMWD. CSJC’s share of the annual expense is included with the SMWD starting July 1, 2023.

Effective July 1, 2023, Irvine Ranch Water District (IRWD)'s ownership capacity and ongoing financial obligations were assumed by the ETWD. IRWD is shown as a member agency for financial tracking purposes only.

Effective July 1, 2023, the Trabuco Canyon Water District ("TCWD") withdrew from the Authority, resulting in a lump-sum payment from TCWD for past and future financial ongoing obligations to the Authority.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Cash, Cash Equivalents, and Investments

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Prepaid Items

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

Capital Assets

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable. Deferred Outflows of Resources represent a consumption of net assets that applies to future periods. Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods.

Due to Member Agencies

Due to Member Agencies represents amounts that the Authority owes to its member agencies, arising from regular business operations. These amounts reflect actual costs that are lower than the amounts invoiced based on the annual budget or Capital Projects forecast, resulting in overpayments by the member agencies. Such overpayments are treated as current liabilities, with the understanding that the Authority is accountable to settle these amounts with the respective member agencies.

Note 2 – Summary of Significant Accounting Policies (Continued)

Lease Assets and Liabilities

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

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

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

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

> The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
>
> The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

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

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

Subscription Based Information Technology Arrangements (“SBITA”) Assets and Liabilities

The Authority has a policy to recognize a SBITA liability and a right-to-use subscription asset (SBITA asset) in the financial statements with an initial, individual value of $5,000 or more with a subscription term greater than one year. At the commencement of a subscription, when the subscription asset is placed into service, the SBITA liability is measured at the present value of payments expected to be made during the subscription term. Future subscription payments are discounted using the Authority's incremental borrowing rate and the Authority recognizes amortization of the discount on the subscription liability as interest expense in subsequent financial reporting periods.

SBITA assets are measured as the sum of the initial subscription liability, payments made to the SBITA vendor before the commencement of the lease term, and capitalizable implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

Note 2 – Summary of Significant Accounting Policies (Continued)

Subscription Based Information Technology Arrangements ("SBITA") Assets and Liabilities (Continued)

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

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

The subscription term includes the period during which the Authority has a noncancelable right to use the underlying IT asset. The subscription term also includes periods covered by an option to extend if it is reasonably certain to be exercised.

Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option years that the Authority is reasonably certain to exercise. The Authority monitors changes in circumstances that would require a remeasurement of a subscription and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported along with other capital assets and subscription liabilities are reported on the statement of net position.

Compensated Absences

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

For the Year Ended	June 30, 2024	June 30, 2023
Valuation Date	June 30, 2022	June 30, 2021
Measurement Date	June 30, 2023	June 30, 2022
Measurement Period	July 1, 2022 to June 30, 2023	July 1, 2021 to June 30, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

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

Other Postemployment Benefits

For purposes of measuring the net other postemployment benefits ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's Retiree Benefits Plan ("OPEB Plan") and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan (Note 7). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are used for OPEB reporting:

For the Year Ended	June 30, 2024	June 30, 2023
Valuation Date	January 1, 2023	January 1, 2023
Measurement Date	June 30, 2024	June 30, 2023
Measurement Period	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

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

Net Position

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

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

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

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Basis for Member Assessments

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

During the year ended June 30, 2023, the City of San Juan Capistrano O&M and capital Member Agency Assessments in the amount of $2,056,766 and $1,587,857, respectively paid by the Santa Margarita Water District.

Use of Estimates

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

Implementation of New GASB Pronouncements

There is one new GASB pronouncement effective in Fiscal Year ended June 30, 2024:

GASB Statement No. 100 – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. There were no significant impacts on the Authority's financial statements.

Note 3 – Cash and Investments

At June 30, 2024 and 2023, the Authority's cash and investments were comprised of the following:

	June 30, 2024	June 30, 2023
Petty cash	$ 1,600	$ 1,600
Demand deposits	1,818,077	999,850
Local Agency Investments Fund	13,441,649	8,366,155
Total cash and investments	$ 15,261,326	$ 9,367,605

A. Demand Deposits

At June 30, 2024 and 2023, the carrying amount of demand deposits were $1,818,077 and $999,850, respectively. Bank balances at that date were $2,082,679 and $1,174,308, the total amount of which was fully insured and/or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below.

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

Note 3 – Cash and Investments (Continued)

A. Demand Deposits (Continued)

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

B. Investments

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

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

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

C. Investment in Local Agency Investment Fund

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

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

- **Asset-Backed Securities** – the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

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

As of June 30, 2024 and 2023, the Authority had $13,441,649 and $8,366,155 invested in LAIF, which had invested 3.00% and 2.78% of the pool investment funds as of June 30, 2024 and 2023, in Government Securities Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The credit quality rating of LAIF is unrated as of June 30, 2024 and 2023.

Note 3 – Cash and Investments (Continued)

D. Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2024 and 2023, the Authority's investment portfolio consisted of $13,441,649 and $8,366,155 invested in the State of California Local Agency Investment Fund, which is valued at amortized cost and “uncategorized” under the fair value hierarchy.

E. Risk Disclosures

Disclosures Relating to Interest Rate Risk

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

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

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2024 and 2023, the Authority's investment portfolio consisted of $13,441,649 and $8,366,155 invested in the State of California Local Agency Investment Fund, which is not rated.

Disclosures Relating to Custodial Credit Risk

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

Note 4 – Capital Assets

The summary of changes in capital assets for the year ended June 30, 2024 was as follows:

	Balance July 1, 2024	Additions	Deletions	Transfer	Balance June 30, 2024
Tangible capital assets, not depreciated					
Land	$ 14,402,224	$ -	$ -	$ -	$ 14,402,224
Construction In Progress	18,905,336	4,797,617	-	(3,768,157)	19,934,796
Total tangible capital assets, not depreciated	33,307,560	4,797,617	-	(3,768,157)	34,337,020
Tangible capital assets, being depreciated					
Buildings	10,727,125	-	-	-	10,727,125
Buildings Improvements	14,554,338	-	-	163,110	14,717,448
Computer Hardware	2,132,394	-	-	21,454	2,153,848
Computer Software	299,703	-	-	-	299,703
Furniture and Fixtures	160,036	-	-	-	160,036
Infrastructure	178,478,552	-	-	1,203,157	179,681,709
Machinery and Equipment	158,404,560	-	-	2,214,907	160,619,467
Vehicles	1,544,058	-	-	165,529	1,709,587
Total tangible capital assets, being depreciated	366,300,766	-	-	3,768,157	370,068,923
Less accumulated depreciation on tangible assets					
Buildings	(7,917,016)	(172,826)	-	-	(8,089,842)
Buildings Improvements	(5,286,360)	(535,385)	-	-	(5,821,745)
Computer Hardware	(1,572,991)	(146,209)	-	-	(1,719,200)
Computer Software	(229,031)	(25,359)	-	-	(254,390)
Furniture and Fixtures	(160,036)	-	-	-	(160,036)
Infrastructure	(127,391,229)	(3,274,100)	-	-	(130,665,329)
Machinery and Equipment	(95,130,051)	(4,539,892)	-	-	(99,669,943)
Vehicles	(1,124,435)	(86,782)	-	-	(1,211,217)
Total accumulated depreciation on tangible assets	(238,811,149)	(8,780,553)	-	-	(247,591,702)
Total tangible capital assets, being depreciated, net	127,489,617	(8,780,553)	-	3,768,157	122,477,221
Intangible assets, being amortized:					
Right-to-Use Lease Assets	226,759	-	-	-	226,759
Right-to-use Subscription Assets	9,025	14,486	-	-	23,511
Total lease assets	235,784	14,486	-	-	250,270
Less accumulated amortization					
Buildings Improvements	(39,221)	(45,352)	-	-	(84,573)
Equipment	(3,050)	(4,270)	-	-	(7,320)
Total accumulated amortization	(42,271)	(49,622)	-	-	(91,893)
Total intangible assets, being amortized, net	193,513	(35,136)	-	-	158,377
Total capital assets, net	$ 160,990,690	$ (4,018,072)	$ -	$ -	$ 156,972,618

Depreciation and amortization expenses for the year ended June 30, 2024 were $8,830,175.

Note 4 – Capital Assets (Continued)

The summary of changes in capital assets for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022 (As Restated)	Additions	Deletions	Transfer	Balance June 30, 2023
Tangible capital assets, not depreciated					
Land	$ 14,402,224	$ -	$ -	$ -	$ 14,402,224
Construction In Progress	15,819,954	9,615,766	(462,232)	(6,068,152)	18,905,336
Total tangible capital assets, not depreciated	30,222,178	9,615,766	(462,232)	(6,068,152)	33,307,560
Tangible capital assets, being depreciated					
Buildings	10,727,125	-	-	-	10,727,125
Buildings Improvements	14,006,192	-	-	548,146	14,554,338
Computer Hardware	1,724,541	-	(6,246)	414,099	2,132,394
Computer Software	299,703	-	-	-	299,703
Furniture and Fixtures	160,036	-	-	-	160,036
Infrastructure	178,240,187	166,826	(395,017)	466,556	178,478,552
Machinery and Equipment	155,106,409	-	(1,341,200)	4,639,351	158,404,560
Vehicles	1,544,058	-	-	-	1,544,058
Total tangible capital assets, being depreciated	361,808,251	166,826	(1,742,463)	6,068,152	366,300,766
Less accumulated depreciation on tangible assets					
Buildings	(7,744,190)	(172,826)	-	-	(7,917,016)
Buildings Improvements	(4,749,067)	(537,293)	-	-	(5,286,360)
Computer Hardware	(1,463,112)	(116,125)	6,246	-	(1,572,991)
Computer Software	(203,672)	(25,359)	-	-	(229,031)
Furniture and Fixtures	(160,036)	-	-	-	(160,036)
Infrastructure	(124,517,060)	(3,264,455)	390,286	-	(127,391,229)
Machinery and Equipment	(91,017,253)	(4,665,773)	552,975	-	(95,130,051)
Vehicles	(1,035,514)	(88,921)	-	-	(1,124,435)
Total accumulated depreciation on tangible assets	(230,889,904)	(8,870,752)	949,507	-	(238,811,149)
Total tangible capital assets, being depreciated, net	130,918,347	(8,703,926)	(792,956)	6,068,152	127,489,617
Intangible assets, being amortized:					
Right-to-Use Lease Assets	413,555	-	(186,796)	-	226,759
Right-to-use Subscription Assets	9,025	-	-	-	9,025
Total lease assets	422,580	-	(186,796)	-	235,784
Less accumulated amortization					
Buildings Improvements	(133,292)	(70,302)	164,373	-	(39,221)
Equipment	(42)	(3,008)	-	-	(3,050)
Total accumulated amortization	(133,334)	(73,310)	164,373	-	(42,271)
Total intangible assets, being amortized, net	289,246	(73,310)	(22,423)	-	193,513
Total capital assets, net	$ 161,429,771	$ 838,530	$ (1,277,611)	$ -	$ 160,990,690

Depreciation and amortization expenses for the year ended June 30, 2023 were $8,944,062.

Note 5 – Compensated Absences

The summary of changes in compensated absences for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Classification Current	Classification Long-term
Compensated absences	$ 780,753	$ 749,441	$ (615,518)	$ 914,676	$ 263,355	$ 651,321

Note 5 – Compensated Absences (Continued)

The summary of changes in compensated absences for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Classification Current	Classification Long-term
Compensated absences	$ 815,201	$ 619,464	$ (653,912)	$ 780,753	$ 477,071	$ 303,682

Note 6 – Lease and Subscription Liability

A summary of changes in lease and subscription liability for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due within One Year	Due in More Than One Year
Lease liability	$ 189,310	$ -	$ (43,496)	$ 145,814	$ 44,820	$ 100,994
Subscription liability	-	14,486	(4,950)	9,536	4,708	4,828
Total	$ 189,310	$ 14,486	$ (48,446)	$ 155,350	$ 49,528	$ 105,822

A summary of changes in lease liability for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in More Than One Year
Lease liability	$ 283,457	$ -	$ (94,147)	$ 189,310	$ 43,496	$ 145,814
Total	$ 283,457	$ -	$ (94,147)	$ 189,310	$ 43,496	$ 145,814

Lease Liability

The Authority has entered into leases for building space and equipment use. The terms of the agreements range from 25 to 60 months. The calculated interest rates used were from 0.6870% to 3.4450% At June 30, 2024 and 2023, the outstanding balance of the leases is $145,814 and $189,310, respectively.

Principal and interest payments to maturity as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 44,820	$ 1,553	$ 49,462
2026	46,190	1,075	49,462
2027	41,018	592	49,462
2028	13,786	125	37,096
Total	$ 145,814	$ 3,345	$ 185,482

Subscription Liability

The Authority has entered into subscriptions for information technology arrangements. The term of the arrangement was 36 months with implicit rate of from 2.1840% to 2.5330%. At June 30, 2024, the outstanding balance of the leases is $9,536. There was no subscription liability at June 30, 2023.

Note 6 – Lease and Subscription Liability (Continued)

Subscription Liability (Continued)

Principal and interest payments to maturity as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 4,708	$ 242	$ 49,462
2026	4,828	122	49,462
Total	$ 9,536	$ 364	$ 98,924

Note 7 – Other Postemployment Benefits ("OPEB")

General Information about the OPEB

Plan Description and Eligibility

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

All permanent full-time and part-time employees working at least half-time are offered a choice of medical (including prescription drug coverage) plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). SOCWA currently pays an amount each year that is based on a percentage of the average of all health plans (excluding the PERS Care Plan) made available to SOCWA employees through the CalPERS Health Program. Any premium costs above this amount are paid for by the employee. Alternatively, the employee may elect a cash-in-lieu option of $300/month but opt back into the health plan at any time before retirement during an enrollment period. SOCWA offers the same medical plans to eligible retirees except once retirees are eligible for Medicare, the retiree must join a Medicare HMO or Supplement Plan with Medicare being the primary payer. Employees hired on or after July 1, 2017 are only eligible for the PEMHCA minimum contribution ($157 for 2024, $151 for 2023 and $149 for 2022) and an HSA contribution. For the purposes of GASB 75, only the PEMHCA minimum contribution will be valued for these employees. The Plan does not issue a stand-alone financial report.

Employees Covered by Benefit Terms

At the June 30, 2024 and June 30, 2023, year-end dates, the following employees were covered by the benefit terms under the OPEB Plan:

Employees Covered	2024	2023
Active employees	57	54
Inactive employees or beneficiaries currently receiving benefits	50	50
Inactive employees entitled to, but not yet receiving benefits	-	-
Total	107	104

Note 7 – Other Postemployment Benefits ("OPEB") (Continued)

General Information about the OPEB (Continued)

Contribution

The Authority does not plan to make contributions to the plan trust in the near future; therefore, the Authority currently finances benefits on a pay-as-you-go basis.

Net OPEB Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The January 1, 2023 valuation was rolled forward to determine the June 30, 2024 total OPEB liability, respectively, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.50%
Payroll Growth	2.80% per year with the 2021 CalPERS merit scale The payroll growth rates are based on the 2021 CalPERS pension plan valuation.
Turnover Rate	The termination rates are based on the rates under the 2021 experience study for the CalPERS pension plan.
Mortality	General: SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021. Surviving Spouses: SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021 .
Healthcare Trend Rate	

	2024		2023
	Pre- 65	Post- 65	
2024	8.00%	6.50%	6.25%
2025	7.75%	6.25%	6.00%
2026	7.50%	6.00%	5.75%
2027	7.25%	5.75%	5.50%
2028	7.00%	5.50%	5.25%
2029	6.75%	5.25%	5.00%
2030	6.50%	5.00%	4.75%
2031	6.25%	4.75%	4.50%
2032	6.00%	4.50%	4.50%
2033	5.75%	4.50%	4.50%
2034	5.50%	4.50%	4.50%
2035	5.25%	4.50%	4.50%
2036	5.00%	4.50%	4.50%
2037	4.75%	4.50%	4.50%
2038	4.50%	4.50%	4.50%

Note 7 – Other Postemployment Benefits ("OPEB") (Continued)

Net OPEB Liability (Continued)

Change of Assumptions

Form the January 1, 2023 valuation date to the June 30, 2024 measurement date, the Authority had the following changes of assumptions:

(1) The Authority plan maximum amount for employees hired after 7/1/2017 has been updated from the CalPERS PEHMCA minimum required contribution to $200 per month. This update is reflected as a plan change for fiscal year ending June 30, 2024, and led to a slight increase in liabilities.
(2) The health care trend rates have been updated to an initial trend rate of 8.0% pre-65 and 6.50% post-65 decreasing by 0.25% annually to an ultimate rate of 4.50%. The impact of this change was an increase in liabilities.

For the January 1, 2023 valuation, the discount rate remained at 6.50%. For measurement period ended June 30, 2023, inflation remained 2.80%. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investment is assumed to be 6.50%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.75%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2024 and 2023 are summarized in the following table.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return[1]
Fixed Income	35%	N/A
Equities	60%	N/A
Cash	5%	N/A
Total	100%	6.50

[1]Based on PARS Balanced HighMark Plus (Active Strategy) long-term expected rate of return. A discount rate of 6.50% is used for this year's valuation as selected by the Authority.

Discount Rate

The discount rate used to measure the 2024 and 2023 total OPEB liability were 6.50% for both years.

Note 7 – Other Postemployment Benefits ("OPEB") (Continued)

Change in the Net OPEB Liability

The following table shows the changes in net OPEB liability recognized over the measurement period of July 1, 2023 to June 30, 2024.

	2024		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)=(a)-(b)
Balance at June 30, 2023	$ 10,993,133	$ 6,218,496	$ 4,774,637
Changes Recognized for the Measurement Periood:			
Service Cost	256,265	-	256,265
Interest on the total OPEB liability	707,487	-	707,487
Changes in benefit terms	164	-	164
Difference between expected and actual experience	292,779	-	292,779
Changes in assumptions	493,433	-	493,433
Contribution from the employer	-	745,474	(745,474)
Net investment income	-	852,011	(852,011)
Benefit payments	(741,656)	(741,656)	-
Administrative expenses	-	(36,052)	36,052
Net changes during July 1, 2023 to June 30, 2024	1,008,472	819,777	188,695
Balance at June 30, 2024 (Measurement Date)	$ 12,001,605	$ 7,038,273	$ 4,963,332

The following table shows the changes in net OPEB liability recognized over the measurement period of July 1, 2022 to June 30, 2023.

	2023		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)=(a)-(b)
Balance at June 30, 2022	$ 10,676,580	$ 5,727,973	$ 4,948,607
Changes Recognized for the Measurement Periood:			
Service Cost	226,817	-	226,817
Interest on the total OPEB liability	685,995	-	685,995
Changes in benefit terms	-	-	-
Difference between expected and actual experience	217,884	-	217,884
Changes in assumptions	(103,722)	-	(103,722)
Contribution from the employer	-	710,421	(710,421)
Net investment income	-	524,077	(524,077)
Administrative expenses	-	(33,554)	33,554
Benefit payments	(710,421)	(710,421)	-
Net changes during July 1, 2022 to June 30, 2023	316,553	490,523	(173,970)
Balance at June 30, 2023 (Measurement Date)	$ 10,993,133	$ 6,218,496	$ 4,774,637

Note 7 – Other Postemployment Benefits ("OPEB") (Continued)

Change in the Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in Discount Rate

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage- point higher (7.50 percent) than the current discount rate, for the measurement periods ended June 30, 2024 and 2023:

	Plan's Net OPEB Liabiltiy		
Measurement Date	Discount Rate -1% (5.50%)	Current Discount Rate (6.50%)	Discount Rate +1% (7.50%)
June 30, 2024	$ 6,441,475	$ 4,963,332	$ 3,737,304
June 30, 2023	$ 6,013,883	$ 4,774,637	$ 3,574,421

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

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current healthcare cost trend rates, for the measurement periods ended June 30, 2024 and 2023:

	Plan's Net OPEB Liabiltiy		
Measurement Date	Trend -1% 5.50% decreasing to 3.50%	Current Trend Rate 6.50% decreasing to 4.50%	Trend +1% 7.50% decreasing to 5.50%
June 30, 2024	$ 3,620,229	$ 4,963,332	$ 6,617,866
June 30, 2023	$ 3,469,407	$ 4,774,637	$ 6,171,255

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

For the years ended June 30, 2024 and 2023, the Authority recognized OPEB expense in the amounts of $540,698 and $681,060, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 592,955	$ (656,075)	$ 186,082	$ (92,197)
Difference between expected and actual experience	432,967	(80,672)	193,675	(808,292)
Differences between projected and actual earnings on OPEB plan investments	-	(137,303)	279,133	-
Total	$ 1,025,922	$ (874,050)	$ 658,890	$ (900,489)

Note 7 – Other Postemployment Benefits ("OPEB") (Continued)

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

2024		2023	
Year Ending June 30	Deferred Outflows/(Inflows) of Resources	Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2025	$ (95,211)	2024	$ (44,952)
2026	120,622	2025	(84,064)
2027	(144,031)	2026	131,770
2028	(113,468)	2027	(132,884)
2029	44,100	2028	(102,321)
Thereafter	339,860	Thereafter	(9,148)
Total	$ 151,872	Total	$ (241,599)

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

The Authority contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2022 and 2021 Annual Actuarial Valuation Reports. These reports and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Employees Covered by Benefit Terms

At June 30, 2022 and 2021 valuation dates, the following employees were covered by the benefit terms:

	2022			2021		
	Tier 1	Tier 2	PEPRA	Tier 1	Tier 2	PEPRA
Active employees	12	8	40	15	8	37
Transferred and terminated employees	13	1	6	15	1	6
Separated	12	0	9	14	0	8
Retired Employees and Beneficiaries	94	0	0	88	0	0
Total	131	9	55	132	9	51

Benefit Provided

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

Note 8 – Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

	2024		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.000% to 2.500%	2.000%	2.000%
Require employee contribution rates	8.000%	7.000%	7.750%
Required employer contribution rates	14.060%	12.470%	7.680%

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	2023		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.000% to 2.500%	2.000%	2.000%
Require employee contribution rates	8.000%	7.000%	6.750%
Required employer contribution rates	12.210%	10.870%	7.470%

Contributions

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

Note 8 – Defined Benefit Pension Plan (Continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2022 and 2021 valuations were rolled forward to determine the June 30, 2023 and 2022 total pension liabilities, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumption:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

[1]The mortality table used in 2023 and 2022 Measure Periods was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Change of Assumptions

There were no assumption changes in 2023.

Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014.

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.

Note 8 – Defined Benefit Pension Plan (Continued)

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

Long-Term Expected Rate of Return (Continued)

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 expected real rates of return by asset class are as follows:

2023 and 2022

Asset Class	Assumed Asset Allocation	Real Return [1,2]
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted Private Equity	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

[1] An expected inflation of 2.30% used

[2] Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the June 30, 2023 and 2022 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.

Note 8 – Defined Benefit Pension Plan (Continued)

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

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

The following presents the Authority's proportionate share of the net pension liability of the Plan as of the measurement date at June 30, 2023 and 2022, calculated using the discount rates of 6.90% for both June 30, 2023 and 2022 Measurement Dates, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
Measurement Date	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
June 30, 2023	29,254,354	19,716,589	11,866,189

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
June 30, 2022	27,350,338	18,292,931	10,840,933

Pension Plan Fiduciary Net Position

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

Proportionate Share of Net Pension Liability and Pension Expense

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2022 (Valuation Date)	$ 66,443,205	$ 48,150,274	$ 18,292,931
Balance at June 30, 2023 (Measurement Date)	70,521,737	50,805,148	19,716,589
Net changes during 2022-2023	(4,078,532)	(2,654,874)	(1,423,658)
Balance at June 30, 2021 (Valuation Date)	$ 62,175,735	$ 52,918,317	$ 9,257,418
Balance at June 30, 2022 (Measurement Date)	66,443,205	48,150,274	18,292,931
Net changes during 2021-2022	4,267,470	(4,768,043)	9,035,513

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement periods ended June 30, 2023 and 2022, respectively.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2022 and 2021). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

Note 8 – Defined Benefit Pension Plan (Continued)

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

Proportionate Share of Net Pension Liability and Pension Expense

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2023 and 2022). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2023 and 2022 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2022-2023 and 2021-2022).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

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

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

2024		2023	
Measurement Date		**Measurement Date**	
June 30, 2022	0.15837%	June 30, 2021	0.17117%
June 30, 2023	0.15804%	June 30, 2022	0.15837%
Change - Increase (Decrease)	-0.00033%	Change - Increase (Decrease)	-0.01280%

For the year ended June 30, 2024 and 2023, the Authority recognized pension expense (credit) in the amounts of $2,940,640 and $(754,286), respectively.

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

Note 8 – Defined Benefit Pension Plan (Continued)

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

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the measurement date ended June 30, 2023 and 2022 are 3.8 years and 3.7 years respectively, which was obtained by dividing the total service years of 600,538 and 574,665 (the sum of remaining service lifetimes of the active employees) by 160,073 and 153,587 (the total number of participants: active, inactive, and retired), respectively.

At June 30, 2024 and 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	$ 1,998,164	$ -	$ 1,942,569	$ -
Changes of assumptions	1,190,379	-	1,874,493	-
Difference between expected and actual experience	1,007,230	(156,246)	367,358	(246,040)
Projected earnings on pension plan investments under/(in excess of) actual earnings	3,192,293	-	3,350,779	-
Adjustment due to differences in proportions		-		-
Change in employer's proportion	119,252	(320,284)	74,531	(515,557)
Employer's actual contributions in excess of/(under) employer's proportionate share of contribution	-	(540,189)	-	(838,716)
Total	$ 7,507,318	$ (1,016,719)	$ 7,609,730	$ (1,600,313)

Deferred outflows of resources related to pensions resulting from the Authority’s contributions made subsequent to the measurement date in the amount of $1,998,164 and $1,942,569 will be recognized as a reduction of the collective net pension liability in the years ending June 30, 2025 and 2024, respectively.

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

2024		2023	
Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources Miscellaneous	Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources Miscellaneous
2025	$ 1,164,604	2024	$ 850,256
2026	827,432	2025	749,832
2027	2,408,800	2026	417,309
2028	91,599	2027	2,049,451
2029	-	2028	-
Thereafter	-	Thereafter	-
Total	$ 4,492,435	Total	$ 4,066,848

Note 9 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has joined the California Sanitation Risk Management Authority ("CSRMA"), a public entity risk pool currently operating as a common risk management and insurance program for 60-member sanitation districts. The Authority pays an annual premium to CSRMA for its general insurance coverage. The agreement for formation of the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process.

At June 30, 2024 and 2023, the Authority's participation in the insurance with California Sanitation Risk Management Authority, CSRMA, a pooled liability program, was as follows:

- Workers' Compensation – the Authority is self-insured through the CSRMA up to $1,000,000 per occurrence with a $0 deductible for both years ended June 30, 2024 and 2023, respectively. Excess insurance up to the statutory limits per occurrence has been purchased. Excess insurance of $1,000,000 for employer's liability has also been purchased for both years ended June 30, 2024 and 2023.

- General Liability (including errors and omissions ("E&O") and employment practices liability ("EPL")) - the Authority is insured through the CSRMA at first layer coverage of $500,000 ($100,000 for EPL) with a $25,000 deductible ($2,500 for E&O). Excess insurance is purchased by CSRMA at $5,000,000, part of the $10,750,000 quota-share for the year ended June 30, 2024. Excess insurance is purchased by CSRMA at two levels: $10,000,000 and $15,750,000 per occurrence for the year ended June 30, 2023.

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

For property and pooled liability insurance, the premiums paid fiscal year ended June 30, 2024 and 2023 totaled $777,471 and $626,896, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10 – Legal Settlement Receivables and Payables

The Authority has recorded a legal settlement receivable in the amount of $1,060,041 and a legal settlement payable in the amount of $1,062,094 related to anticipated settlement amounts as of June 30, 2024.

The legal settlement receivable represents the outstanding balance of the Authority’s share of recoverable costs from member agencies involved in the matter. Meanwhile, the legal settlement payable reflects Authority’s obligation to the costs of environmental remediation and associated liabilities.

Note 11 – Due From and Due To Member Agencies

The following represents the Due From Member Agencies balances as of June 30, 2024 and 2023:

Due From Member Agencies	June 30, 2024	June 30, 2023
City of Laguna Beach ("CLB")	$ 434,695	$ 131,909
City of San Clemente ("CSC")	-	2,159
City of San Juan Capistrano (“CSJC”)	-	1,439
El Toro Water District ("ETWD")	-	175,012
Emerald Bay Service District ("EBSD")	17,637	12,818
Irvine Ranch Water District ("IRWD")	-	2,047
Moulton Niguel Water District ("MNWD")	240,026	8,532
Santa Margarita Water District ("SMWD")	32,508	746,556
South Coast Water District ("SCWD")	261,688	76,272
Total Due To Member Agencies	$ 986,554	$ 1,156,744

The following represents the Due To Member Agencies balances as of June 30, 2024 and 2023:

Due To Member Agencies	June 30, 2024	June 30, 2023
City of Laguna Beach ("CLB")	$ 157,712	$ 142,066
City of San Clemente ("CSC")	30,940	30,859
City of San Juan Capistrano (“CSJC”)	-	200,803
El Toro Water District ("ETWD")	164,332	45,002
Emerald Bay Service District ("EBSD")	13,774	16,280
Irvine Ranch Water District ("IRWD")	47,490	43,861
Moulton Niguel Water District ("MNWD")	655,791	1,865,798
Santa Margarita Water District ("SMWD")	785,953	150,972
South Coast Water District ("SCWD")	498,308	320,041
Trabuco Canyon Water District ("TCWD")	-	27,982
Total Due To Member Agencies	$ 2,354,300	$ 2,843,664

Note 12 – Net Position

A. Net Investments in Capital Assets

The following is the calculation of net investment in capital assets at June 30, 2024 and 2023:

	June 30, 2024	June 30, 2023
Capital Assets, net of accumulated depreciation and amortization	$ 156,972,618	$ 160,990,690
Less: outstanding principal on capital related debt	(155,350)	(189,310)
Less: retention payable	(28,523)	(2,705)
Net investments in capital assets	$ 156,788,745	$ 160,798,675

Note 12 – Net Position (Continued)

B. Unrestricted Net Position

The Authority had a unrestricted deficit net position of $(8,076,547) and $(13,215,979) at June 30, 2024, and 2023. The deficit was mainly due to the reporting of the net other postemployment benefits liability and the net pension liability. The net other postemployment benefits liability were $4,963,332 and $4,774,637 at June 30, 2024 and 2023, respectively. The net pension liability were $19,716,589 and $18,292,931 at June 30, 2024 and 2023, respectively.

Note 13 – Commitments and Contingencies

A. General Lawsuits

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

B. Commitments

The Authority had several outstanding or planned construction and other projects as of June 30, 2024 and 2023. These projects are evidenced by contractual commitments within engineering related services and the outstanding balance as of June 30, 2024 and 2023 was $14,262,470 and $12,848,222, respectively.

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Required Supplementary Information (Unaudited)

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios
For the Years Ended June 30, 2024 and 2023

Last Ten Fiscal Years

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

For the measurement date:	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Authority's proportion of the net pension liability/(asset)	0.10903%	0.13190%	0.13350%	0.13522%	0.13684%
Authority's proportionate share of the net pension liability/(asset)	$ 6,794,277	$ 9,054,535	$11,549,944	$13,410,437	$13,186,316
Authority's covered payroll	$ 5,215,673	$ 5,452,666	$ 5,616,113	$ 5,784,596	$ 6,083,399
Authority's proportionate share of the net pension liability/(asset) as a percentage of covered payroll	130.27%	166.06%	205.66%	231.83%	216.76%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	83.03%	78.43%	74.15%	73.31%	74.75%

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios (Continued)
For the Years Ended June 30, 2024 and 2023

Last Ten Fiscal Years

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

For the measurement date:	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Authority's proportion of the net pension liability/(asset)	0.14015%	0.14271%	0.17117%	0.15837%	0.15804%
Authority's proportionate share of the net pension liability/(asset)	$ 14,361,551	$ 15,527,683	$ 9,257,418	$18,292,931	$19,716,589
Authority's covered payroll	$ 6,331,043	$ 6,456,681	$ 6,607,567	$ 6,633,831	$ 6,503,285
Authority's proportionate share of the net pension liability/(asset) as a percentage of covered payroll	226.84%	240.49%	140.10%	275.75%	303.18%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	74.10%	73.69%	85.11%	72.47%	72.04%

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Contributions - Pensions
For the Years Ended June 30, 2024 and 2023

Last Ten Fiscal Years

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

Risk Management	2014-15	2015-16	2016-17	2017-18	2018-19
Actuarially determined contribution [1]	$ 780,373	$ 495,877	$ 521,940	$ 1,094,606	$ 1,297,346
Contribution in relation to the actuarially determined contribution [1]	(780,373)	(1,121,220)	(1,019,645)	(1,094,606)	(1,297,346)
Contribution deficiency/(excess)	$ -	$ (625,343)	$ (497,705)	$ -	$ -
Authority's covered payroll [2]	$ 5,452,666	$ 5,616,113	$ 5,784,596	$ 6,083,399	$ 6,456,681
Contributions as a percentage of covered payroll	14.31%	19.96%	17.63%	17.99%	20.09%

[1] Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

[2] Includes one year's payroll growth using 2.80% payroll growth assumption from fiscal year ended June 30, 2022 to June 30, 2024.

Notes to Schedule

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

Changes of Assumptions: In 2023, there were no changes. In 2022, the discount rate was reduced from 7.15% to 6.90%. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Acutarial Assumptions. In 2019 to 2021, there were no changes. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense. In 2014, amounts reported were based on the 7.5 percent discount rate.

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Contributions - Pensions (Continued)
For the Years Ended June 30, 2024 and 2023

Last Ten Fiscal Years

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

Risk Management	2019-20	2020-21	2021-22	2022-23	2023-24
Actuarially determined contribution [1]	$ 1,441,008	$ 1,620,095	$ 1,783,637	$ 1,942,569	$ 1,981,169
Contribution in relation to the actuarially determined contribution [1]	(1,441,008)	(1,620,095)	(1,783,637)	(1,942,569)	(1,998,164)
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ 16,995
Authority's covered payroll [2]	$ 6,456,681	$ 6,607,567	$ 6,633,831	$ 6,503,285	$ 7,405,023
Contributions as a percentage of covered payroll	22.32%	24.52%	26.89%	29.87%	26.98%

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Years Ended June 30, 2024 and 2023

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Measurement period	2017-2018[1]	2018-2019	2019-2020	2020-2021	2021-2022
Total OPEB Liability:					
Service Cost	$ 256,866	$ 274,847	$ 231,479	$ 264,352	$ 226,409
Interest	677,737	713,467	692,192	710,590	695,353
Changes of benefit terms	-	(42,119)	-	-	-
Differences between expected and actual experience	-	(822,505)	-	(840,089)	(377,647)
Changes of assumptions	-	109,406	607,338	297,733	-
Contribution from the employer[2]	-	-	-	-	-
Benefit payments, including refunds of member contributions	(354,582)	(529,726)	(457,597)	(592,075)	(667,236)
Net change in Total OPEB Liability	580,021	(296,630)	1,073,412	(159,489)	(123,121)
Beginning of Year	9,602,387	10,182,408	9,885,778	10,959,190	10,799,701
End of Year	$ 10,182,408	$ 9,885,778	$ 10,959,190	$ 10,799,701	$ 10,676,580
Plan Fiduciary Net Position:					
Employer contribution	$ 585,582	$ 529,726	$ 457,597	$ 592,075	$ 667,236
Employee contributions	-	-	-	-	-
Contributions - nonemployer contributing member	-	-	-	-	-
Net investment income	348,619	341,412	163,035	1,420,672	(891,743)
Benefit payments	(354,582)	(529,726)	(457,597)	(592,075)	(667,236)
Administrative expenses	(26,133)	(27,005)	(30,213)	(34,089)	(37,506)
Net changes in Fiduciary Net Position	553,486	314,407	132,822	1,386,583	(929,249)
Beginning of Year	4,269,924	4,823,410	5,137,817	5,270,639	6,657,222
End of Year	$ 4,823,410	$ 5,137,817	$ 5,270,639	$ 6,657,222	$ 5,727,973
Net OPEB Liability	$ 5,358,998	$ 4,747,961	$ 5,688,551	$ 4,142,479	$ 4,948,607
Fiduciary Net Position as a percentage of Total OPEB Liability	47.37%	51.97%	48.09%	61.64%	53.65%
Covered Payroll[2]	$ 6,083,399	$ 6,456,681	$ 6,456,681	$ 6,607,567	$ 6,812,966
Net OPEB Liability as a percentage of Covered Payroll	88.09%	73.54%	88.10%	62.69%	72.64%

[1]Historical information is presented only for measurement periods when GASB 75 was implemented for measurement period 2017-18. Additional years' information will be displayed as it becomes available.

[2]The contribution are not based on a measure of pay.

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios (Continued)
For the Years Ended June 30, 2024 and 2023

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB") (Continued)

Measurement period	2022-2023	2023-2024
Total OPEB Liability:		
Service Cost	$ 226,817	$ 256,265
Interest	685,995	707,487
Changes of benefit terms	-	164
Differences between expected and actual experience	217,884	292,779
Changes of assumptions	(103,722)	493,433
Contribution from the employer[2]	-	-
Benefit payments, including refunds of member contributions	(710,421)	(741,656)
Net change in Total OPEB Liability	316,553	1,008,472
Beginning of Year	10,676,580	10,993,133
End of Year	$ 10,993,133	$ 12,001,605
Plan Fiduciary Net Position:		
Employer contribution	$ 710,421	$ 745,474
Employee contributions	-	-
Contributions - nonemployer contributing member	-	-
Net investment income	524,077	852,011
Benefit payments	(710,421)	(741,656)
Administrative expenses	(33,554)	(36,052)
Net changes in Fiduciary Net Position	490,523	819,777
Beginning of Year	5,727,973	6,218,496
End of Year	$ 6,218,496	$ 7,038,273
Net OPEB Liability	$ 4,774,637	$ 4,963,332
Fiduciary Net Position as a percentage of Total OPEB Liability	56.57%	58.64%
Covered Payroll[2]	$ 6,850,169	$ 7,307,632
Net OPEB Liability as a percentage of Covered Payroll	69.70%	67.92%

1Historical information is presented only for measurement periods when GASB 75 was implemented for measurement period 2017-18. Additional years' information will be displayed as it becomes available.

[2]The contribution are not based on a measure of pay.

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of Contributions - OPEB
For the Years Ended June 30, 2024 and 2023

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Fiscal year end	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Actuarially Determined Employer Contribution[2]	$ 585,582	$ 613,218	$ 631,614	$ 595,227	$ 611,596
Contributions in relation to the actuarially determined contribution	(585,582)	(529,726)	(457,597)	(592,075)	(667,236)
Contribution deficiency (excess)	$ -	$ 83,492	$ 174,017	$ 3,152	$ (55,640)
Covered Employee Payroll	6,083,399	6,456,681	6,456,681	6,607,567	6,812,966
Contributions as a percentage of covered payroll[2]	9.63%	8.20%	7.09%	8.96%	9.79%

[1] Historical information is presented only for measurement periods when GASB 75 was implemented for measurement period 2017-18. Additional years' information will be displayed as it becomes available.

[2]The contribution are not based on a measure of pay.

Notes to Schedule

Valuation date	January 1, 2023
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method:	Entry age normal level % of salary method
Asset Return:	6.50% per annum; assumes that SOCWA invests in PARS Balanced HighMark Plus asset allocation.
Salary increases:	2.80% per year with the 2021 CalPERS merit scale. The payroll growth rates are based on the 2021 CalPERS pension plan valuation.
Pre-retirement Turnover	According to the termination rates under the 2021 experience study for the CalPERS pension plan.
Mortality	General: SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021 Surviving Spouses: SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021
Retirement Rate	According to the retirement rates under the 2021 experience study for the CalPERS pension plan.
Health Care Trend Rates	Medical and prescription costs are adjusted in future years. Ranges from 6.5% to 4.5% in FYE 2023 to 2031+.

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Contributions - OPEB (Continued)
For the Years Ended June 30, 2024 and 2023

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB") (Continued)

Fiscal year end	2022-2023	2023-2024
Actuarially Determined Employer Contribution[2]	$ 648,238	$ 681,796
Contributions in relation to the actuarially determined contribution	(710,421)	(745,474)
Contribution deficiency (excess)	$ (62,183)	$ (63,678)
Covered Employee Payroll	6,850,169	7,307,632
Contributions as a percentage of covered payroll[2]	10.37%	10.20%

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Other Report

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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*

Independent Auditors' Report

To the Board of Directors
of the South Orange County Wastewater Authority
Dana Point, 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 ("Government Auditing Standards"), the financial statements of the business-type activities of the South Orange County Wastewater Authority (the "Authority"), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 14, 2024

Report on Internal Control Over Financial Reporting

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

To the Board of Directors
of the South Orange County Wastewater Authority
Dana Point, California
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority's financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

Santa Ana, California
November 14, 2024