



**SOUTH COAST
WATER DISTRICT**
Partnering With The Community

Annual Comprehensive Financial Report

For The Year Ended June 30, 2022

With Report on Audit by Independent Certified Public Accountants

Prepared by: Finance Department

South Coast Water District | Laguna Beach, CA

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SOUTH COAST WATER DISTRICT

Partnering With The Community



Board of Directors

Rick Erkeneff
President

Dough Erdman
Vice President

Wayne Rayfield
Director

William Green
Director

Scott Goldman
Director

January 18, 2023

Members of the Board of Directors
South Coast Water District

Introduction

The Annual Comprehensive Financial Report (ACFR) of the South Coast Water District for the fiscal year ended June 30, 2022, is hereby submitted. This report was prepared pursuant to the guidelines set forth by the Governmental Accounting Standards Board (GASB).

District staff prepared this financial report in conjunction with an unmodified opinion issued by the independent audit firm Clifton Larson Allen LLP. The independent auditor's report is located at the front of the Financial Section of this document. The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

This report consists of management's representations concerning finances of the District. Consequently, management assumes responsibility for the completeness and reliability of information presented in this report. To provide a reasonable basis for making these representations, the District has established a comprehensive internal control framework that is designed to protect assets from loss, theft, or misuse, and to compile sufficient, reliable information for preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal control should not outweigh its benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. Management asserts that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to South Coast Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2021. This is the third consecutive year that the government has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

District Structure and Leadership

The District is an independent special district, which operates under the authority of Division 12, Section 30000 *et seq.* of the California Water Code. The District provides water and sewer services to the City of Dana Point and portions of the cities of Laguna Beach, San Juan Capistrano, and San Clemente. The District was established in 1932 and subsequent mergers have increased the original service area. Since March 2000, the District has been the contract operator for the former Tri-Cities Municipal Water District, now known as the Joint Regional Water Supply System (JRWSS).

A five-member Board of Directors govern the District. As of 2022, Board of Directors are elected by district from within the District's service area for staggered four-year terms. There are five districts within the service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs a full-time staff of 101 employees, including 5.5 assigned to JRWSS. The Board of Directors meets on the second and fourth Thursdays of each month. Meetings are publicly noticed, and citizens are encouraged to attend. The meetings can also be viewed real-time or on demand via the District's website, www.scwd.org.

The District provides water, sewer, or a combination of both services to residents and businesses within its service area, which includes approximately 5,300 acres of land comprising 8.8 square miles. The District serves a population of approximately 34,600 and currently provides water service through approximately 13,811 residential, commercial, and irrigation connections and 19,239 sewer connections.

District Services

Residential customers make up approximately 90% of the District's customer base for water services and consume approximately 69% of the water provided annually by the District. The District acquired 1,023 water customers in November 2021. The customers were serviced by the City of San Juan Capistrano's water infrastructure but located within the District's service area. The District purchases water from the Santa Margarita Water District (SMWD) to service the 1,023 new customers. The District obtained approximately 70.5% of its water supply from the Metropolitan Water District (MWD) through the Municipal Water District of Orange County (MWD OC), 2.8% from SMWD, 11.7% from groundwater within the area, and 15% from recycled water. During Fiscal Year (FY) 2022, the District provided 6,564 acre-feet (AF) of water to its customers.

Residential customers make up approximately 97% of the District's customer base for sewer collection services. Treatment services are provided by the South Orange County Wastewater Authority (SOCWA), a joint powers authority. The District is a member agency in SOCWA.

Economic Condition and Outlook

The District's administrative office is located within the City of Laguna Beach in Orange County, California. The service area consists of the City of Dana Point, South Laguna Beach, and portions of the cities of San Juan Capistrano and San Clemente.

The County of Orange has had a consistently strong economic base over time. The unemployment rate was 2.8% in October 2022 compared to 4.7% in October 2021. Orange County has steadily regained jobs since the onset of the COVID-19 pandemic, which is reflected in the decrease in the unemployment rate. Median household income for the City of Dana Point in 2020 was \$105,250 compared to \$78,672 for California. The median property value for the City of Dana Point in 2020 was \$923,100. Median data was obtained from the United States Census Bureau.

Tourism is a major part of the local economy due to the area's harbor, beaches, golf courses, resorts, hotels, and visitor-oriented commercial and retail establishments. Property values are high with a limited availability of space. The majority of the service area is built out, however, there are areas within the District that are experiencing redevelopment of single-family residences, condominiums, townhomes, and commercial areas that resulted in minor fluctuations in water and sewer connections in FY 2022. The economic outlook for the area is positive in the long term based on the above noted activities when considering the ongoing effects of the COVID-19 pandemic.

Water Supply

California's water supply continues to be a concern due to recent drought conditions and State mandates. Conservation efforts continue, which resulted in declining revenues for the District in prior years. In 2016, rates were revised to reflect a revenue base of approximately 60% fixed charges and 40% variable commodity rates. This was done to stabilize revenues and maintain ongoing operational and infrastructure needs. Water usage has not returned to pre-drought levels and with the current drought conditions, customers will be asked to continue to conserve water. This scenario is not expected to change in the future.

The District imports the majority of its potable water from the MWD through the MWDOC. The District purchased 4,811-acre feet (AF) of potable water from MWDOC in FY 2022, an increase of 43 AF from the prior fiscal year. The District also pumps potable groundwater from the Groundwater Reclamation Facility (GRF). The GRF produced 771-acre feet of potable water in FY 2022, a decrease of 105 AF from the prior fiscal year.

The District continues to plan and seek permits to build a 5 million gallons a day (MGD) desalination plant on District-owned property near Doheny State Beach in the City of Dana Point to provide a local source of drought-proof water and reduce dependency on imported water sources. Of the 5 MGD, the District will use 2 MGD and seek partners to acquire the remainder 3 MGD. Two local agencies have expressed interest and submitted a letter of intent. The District has been awarded a total of \$32.4 million in grants for the purpose of building a desalination plant, \$10 million from the State of California and \$22.4 million from the Federal Government. The Federal Government also approved the opportunity for the District to apply for a Water Infrastructure Finance and Innovation Act (WIFIA) loan. The District submitted the application fee for the WIFIA loan in October 2020, the application has been extended until December 2023. On October 13th, the California Coastal Commission unanimously approved a Coastal Development Permit for the building of a desalination plant and on December 14, 2022, the State Lands Commission approved a General Land Lease. The project would be a progressive design, build, operate, maintain and should the project move forward, the tentative start of construction is in the Fall of 2024 with a completion date in late 2027.

Mission/Vision Statements and Major Initiatives

Activities of the Board and staff of the District are driven by its Mission Statement: "We are entrusted by our community to provide water resources essential for sustaining life," and its Vision Statement: "Recognized as a premier water district unsurpassed in customer service, reliability, environmental stewardship, and organizational excellence." The Mission and Vision Statements dictate the following five core values of the District:

1. Accountability – We are answerable for our behavior, actions, decisions, and producing excellence in all we do.

2. Leadership – We inspire and guide individuals to work together to achieve our goals, attain excellence in our craft, and push the boundaries of innovation.
3. Customer Service – We will demonstrate outstanding customer service through dedication, respect, courteous communication, and timely response.
4. Integrity – We commit to the highest standards of ethics, professionalism, and character in working with each other and the public.
5. Teamwork – We work together collaboratively – where planning, decisions, and actions are accomplished more effectively as a group than individually.

Major Accomplishments and Future Projects

During FY 2022, the District accomplished the following:

- Started and completed milestones to a major upgrade to the Enquesta utility billing system.
- Continued with the implementation of a document management software selected in FY 2020.
- Sewer Collections video inspected 192,252 linear feet (LF) of sewer mains (27% of collection system).
- Cleaned 906,930 LF of sewer mains (103% of collection system).
- Water Distribution exercised 949 potable system isolation valves.
- Water Distribution exercised 164 recycled system isolation valves.

Major capital improvement projects in progress during FY 2022 are as follows:

- Spent approximately 47% of the Districts capital improvement budget.
- Received a \$2 million grant from the United States Bureau of Reclamation.
- Continued discussions and negotiations with the Dana Point Harbor Partners regarding the Dana Point Harbor Revitalization project.
- Completed the following construction projects:
 - a. Reservoir 2C Rehabilitation.
 - b. Lift Station No. 10 Dry Well Rehabilitation.
 - c. GRF building improvements.
 - d. Water operations Victoria Warehouse.
 - e. Sewer and Manhole lining replacements.
 - f. Awarded the second largest construction contract in the District's history for the Lift Station 2 Replacement Project totaling \$33.4 million.
- Completed the following studies/plans:
 - a. Recycled Water Roadmap.
 - b. Integrated Water Resources Plan.
 - c. Lift Station 13 Beach Erosion Study.

District priorities for FY 2023 are noted below:

FY 2023 ongoing priorities:

1. To assure adequate, reliable, and high-quality wastewater services, we will continue to execute the Tunnel Stabilization and Pipeline Replacement Project. Tunnel Stabilization will be completed by end of FY 2023 and Pipeline Replacement will be completed by FY 2024.

2. To plan for high-quality, reliable water supplies at all times, staff will continue developing partnerships and implementing the Board selected Integrated Water Resources Plan) portfolio to develop the most comprehensive water supply for the District's reliability needs. Portfolio options potentially include:
 - i. Doheny Ocean Desalination Project
 - ii. Recycled water expansion (including Indirect Potable Reuse Plan, Direct Potable Reuse increasing Title 22 recycled water uses, etc.)
 - iii. Water efficient landscape conversions (i.e., programs to include Water Saver of the Month, supplemental turf removal programs, new smart home water monitoring programs, rebate programs, etc.).
 - iv. Water banking and transfer opportunities
 - v. Brackish Groundwater expansion
 - vi. Storage/emergency supplies
3. To establish the direction of the District, we will continue in the development of a 5-year Strategic Plan, including the re-alignment of the District's Performance Indicators with the American Water Works Association (AWWA) Effective Utility Management handbook. This will involve the Board of Directors and the District Leadership team. Board and staff workshops anticipated within this priority year; full completion of this priority is estimated to occur in FY 2023.
4. To ensure industry standards are achieved in efficient and effective utility management, the District will continue to implement a Facilities Master Plan. This Plan will address safe and efficient operations, the need for employee well-being, regulatory compliance, enhanced customer service capabilities, and meet industry standards. Additionally, we will continue to rehabilitate existing District staffed facilities to support employee health and safety.

FY 2023 new priorities:

1. To assure continued organizational excellence now and for the future, we will actively encourage all staff to participate in the Professional Development Series (PDS) and expand the PDS to the leadership level. As we are re-developing the Leadership Academy and create a mentoring program, we will assure that all industry certifications are active and up to date, provide Quarterly "Lunch and Learn" opportunities, and ensure field operators have access to training and other job-related educational and cross training programs.
2. To prioritize enterprise resiliency and other security vulnerabilities, the District will continue to execute a Facilities/Cyber-Security Assessment study. This will be a broad-based look at all aspects of security as the District, including Information Technology related vulnerabilities.
3. To ensure financial viability, the District implemented the Board approved 2-year water, recycled water, and wastewater rates (FY 2022 & FY 2023). Staff will complete Board-assigned tasks including budget-based rate feasibility study, the District Reserve policy options, maintain credit rating, long term funding plans and proactively influence the future status of South Orange County Wastewater Authority (SOCWA) operations, agreements, and financial structure to ensure financial equity amongst all the stakeholders.
4. To properly appraise effective and efficient business operations, we will further develop and implement the Asset Management Program in accordance with the current Asset Management roadmap. By end of FY 2023, will initiate the toll-out/deployment of the newly procured Enterprise Asset Management software into the District's operations.

FY 2023 estimated revenues for the Water Fund are \$33.2 million and budgeted operating expenditures are \$28.6 million. The Wastewater Fund FY 2023 estimated revenues are \$23.5 million and budgeted operating expenditures are \$19.1 million. Capital projects for FY 2023 are budgeted at \$42.3 million (\$16.2 million Water Fund and \$26.1 million Wastewater Fund) and funded by revenues exceeding expenses, undesignated equity, and debt issuance. Major projects include the following:

- Wastewater Tunnel Rehabilitation and Stabilization (\$12 million).
- Lift Station 2 Rehabilitation and Replacement (\$7 million).
- EnQuesta Utility Billing Software Upgrade (\$0.6 million).
- Golden Lantern recycled water project (\$2 million).
- Mission Hospital pipeline improvements (\$1.75 million).
- Fire flow pipeline upgrades – Laguna Cliffs Marriott Phases 1 & 2 (\$1.5 million).
- Contribution to SOCWA large capital projects (\$2.7 million).

Water and Sewer Rates

In 2016, the District approved a five-year rate schedule effective from FY 2017 through FY 2021 in accordance with Proposition 218. The goals of the new rates were to simplify the existing rate structure, cover fixed costs to keep the District financially stable, fairly allocate fixed charges across all services classes, and protect against rate volatility.

During the previous drought, mandatory conservation measures resulted in lower revenues causing the District to struggle to recover fixed costs required to provide water services. In addition, costs increased for imported water, putting further stress on the District's finances. Aging reservoirs, pipelines, and pump stations need rehabilitation or replacement over time and funding for these projects is necessary. The District is also working on an additional future source of water from a desalination facility.

Three components comprise water charges:

- Variable – the price per unit of water which is billed monthly.
- Fixed – to recover fixed costs that exist without the sale of water, such as repairs, maintenance, and rehabilitation of distribution systems. Fixed charges vary by meter size and are billed annually with property taxes.
- Peak Demand – a component of the rate structure that is based on a customer's second highest usage month in the previous year. This charge reflects costs incurred to provide, transport, treat, and store water to be able to provide service for all peak demand times throughout the year. Peak demand charges are billed annually with property taxes.

Sewer rates consist of:

- Variable Block – for single family residences, based on calculated winter usage billed annually with property taxes.
- Variable Rate – for multi-family residences, based on water used billed monthly.
- Fixed – for multi-family residences, based on the number of dwelling units billed annually with property taxes.
- Low/Medium/High Strength – for commercial customers based on water usage and type of use, such as office, mixed use, and restaurants billed monthly.

During FY 2022, the average monthly water and sewer bill for residential customers using 10 one-hundred cubic-feet (CCF) including fixed charges was \$82.71(water) and \$74.94 (sewer). The average monthly bill for commercial customers using 66 CCF was \$427.07 (water) and \$561 (sewer). The fixed charges include the Peak Demand charge. For residential customers, the average monthly Peak Demand charge was \$23.34 and \$154.06 for commercial customers.

The District conducted a water rate study during FY 2021 through the Proposition 218 process. New rates were adopted through a public hearing on July 8, 2021, effective for FY 2022 and FY 2023.

Internal Control Structure

District management is responsible for the establishment and maintenance of an internal control structure that ensures that assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District Board of Directors adopts an Operating and Capital Budget every fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and financial statement presentation.

Investment Policy

The Board has adopted an Investment Policy that conforms to state law, prudent money management, and the "prudent person" standards. The objectives of the policy are safety, liquidity, and then yield. Currently, funds are invested in various securities as authorized by the policy and are managed by Chandler Asset Management.

Audit and Financial Reporting

State law and bond covenants require the District to obtain annual audits of its financial statements by an independent certified public accountant. The accounting firm of Clifton Larson Allen LLP has conducted the audit of the District's financial statements. Their unmodified (clean) Independent Auditor's Report appears in the Financial Section.

Other References

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

Acknowledgements

I wish to express my appreciation to the entire Finance and Customer Service Department staff for their contribution to the department during the year. Their efforts are reflected in this report and in other documents resulting from the annual audit process. Special thanks are due to Kelly McCann C.P.A., Accounting Manager; Jackie Tong, Senior Accountant; Elizabeth Andrew C.P.A., Part-Time Senior Accountant; Brandi Villegas, Accountant; Tina Gonzalez, Customer Service Supervisor; Jennifer Leisz, Finance Director; Monica De Cencak, Senior Payroll Accountant and Finance Analyst; and Erin Kincade, Senior Accounting Technician. Their significance in preparing final financial documents reflects the quality of this report.

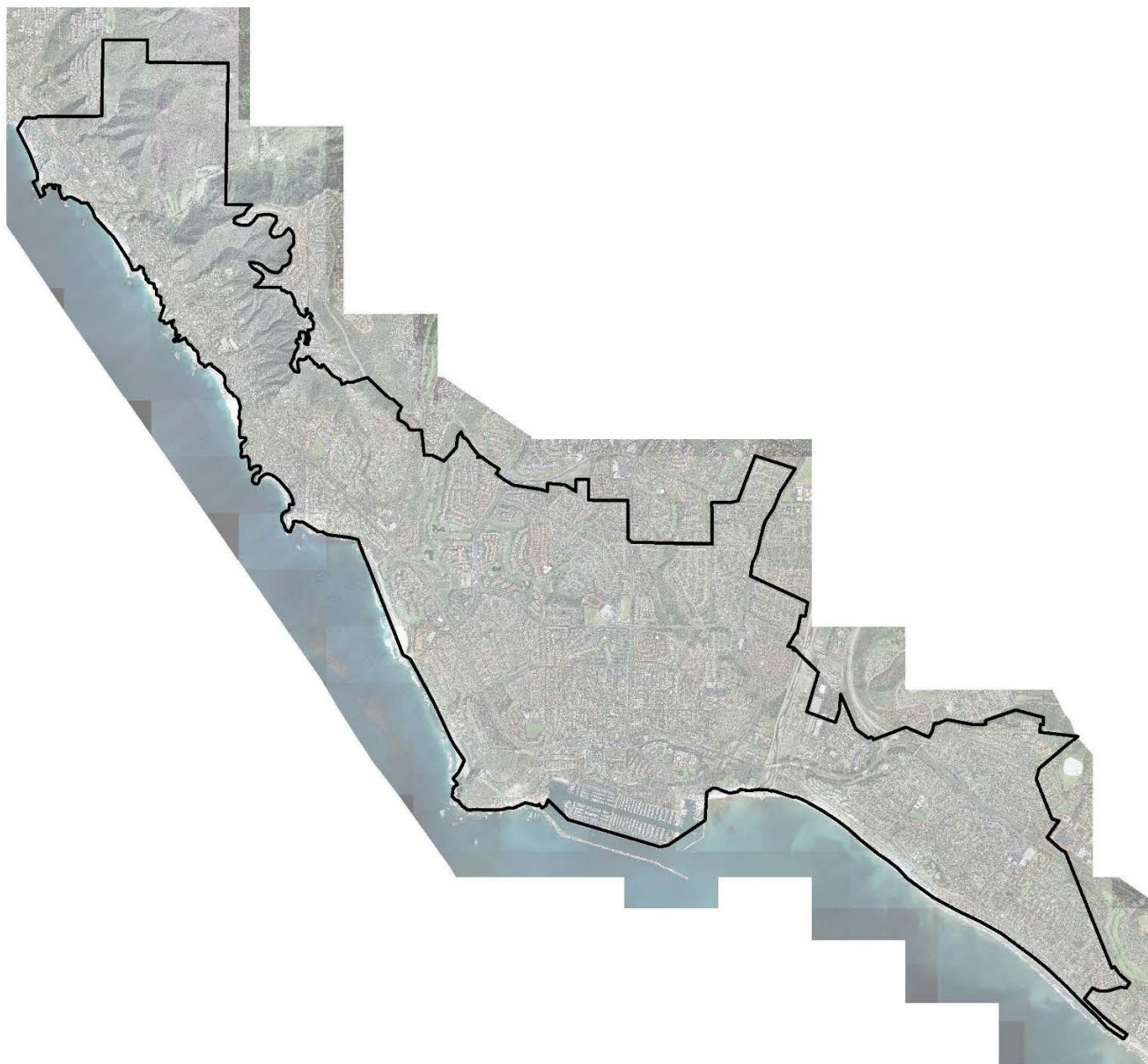
The Board of Directors are to be commended for their interest and support in conducting the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,

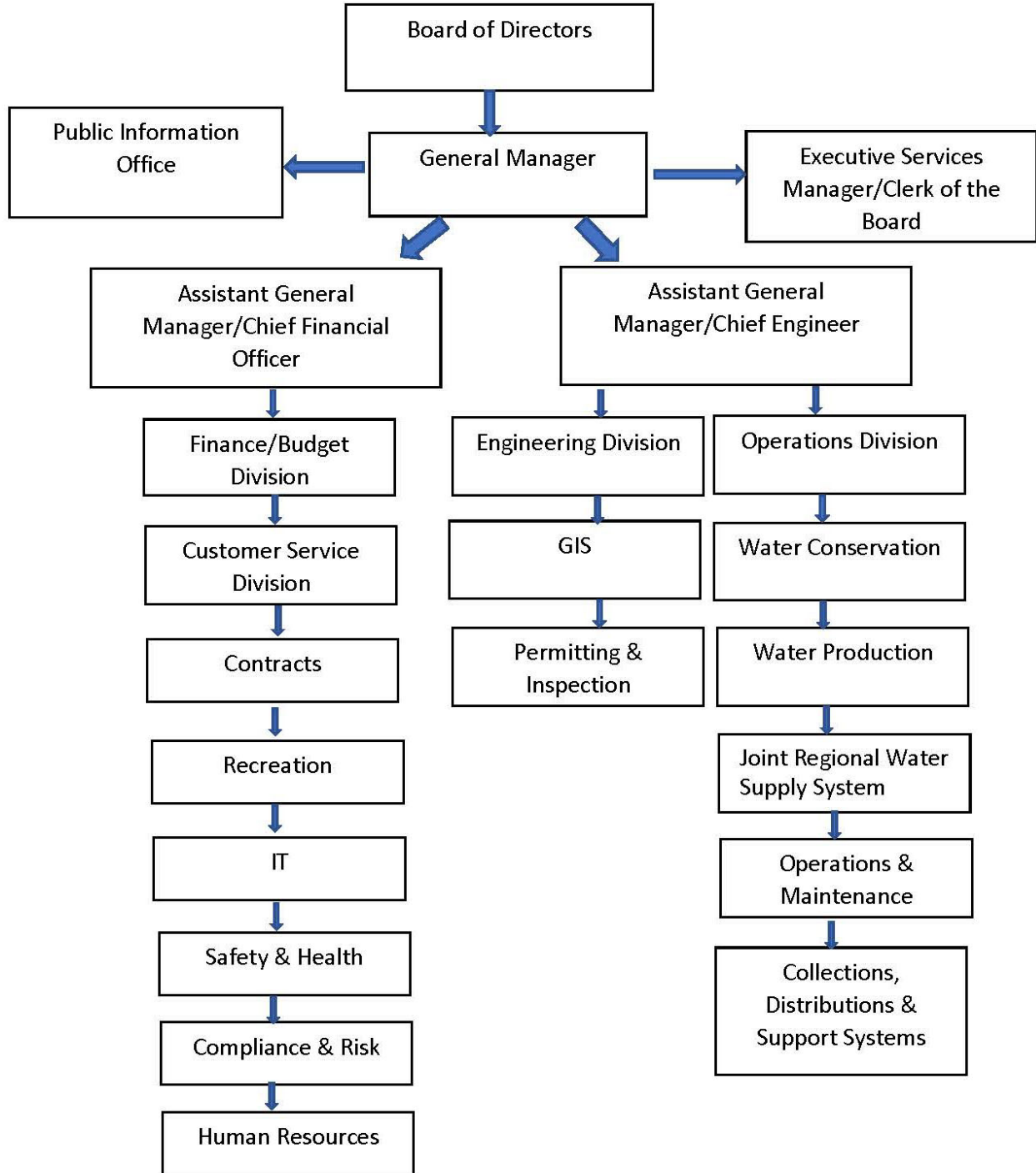


Pamela Arends-King
Assistant General Manager / Chief Financial Officer

SOUTH COAST WATER DISTRICT SERVICE AREA



South Coast Water District – Organization Chart



South Coast Water District

Board of Directors



Rick Erkeneff
President



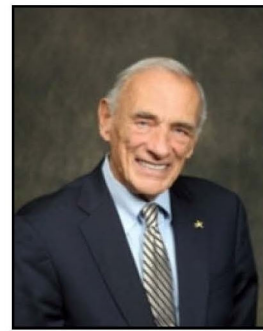
Doug Erdman
Vice President



William Green
Director



Scott Goldman
Director



Wayne Rayfield
Director

Executive Staff

General Manager
Assistant General Manager / Chief Financial Officer
Assistant General Manager / Chief Engineer

Rick Shintaku
Pamela Arends-King
Marc Serna



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**South Coast Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

Board of Directors
South Coast Water District
Laguna Beach, California

Report on the Financial Statements

Opinion

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

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

Basis for Opinion

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

Change in Accounting Principle

As described in Note 1 to the financial statements, effective July 1, 2021, the District adopted new accounting guidance, GASB No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 South Coast Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Coast Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions – pension, schedule of changes in the net OPEB liability and related ratios, and schedule of contributions – OPEB be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Coast Water District's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our 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 audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

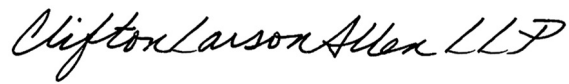
Report on Summarized Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated January 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
South Coast Water District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
January 18, 2023

**SOUTH COAST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2022**

The following discussion and analysis of the financial performance of the South Coast Water District (District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. This section should be read in conjunction with the basic financial statements, notes to the basic financial statements, and the Transmittal Letter in the Introductory Section of this report.

Financial Highlights

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$187.8 million (net position), consisting of \$116.1 million in net investment in capital assets, \$3.1 million in restricted for debt service/covenants, and \$68.5 million in unrestricted net position. This is an increase of \$10.6 million or 6% over the prior fiscal year net position of \$177.2 million.
- Total assets are \$370.3 million, an increase of \$30.8 million, or 9.1%, from the prior fiscal year. The increase in assets is primarily due to the increase in capital assets not being depreciated (construction in progress) of \$16 million due to ongoing construction for the Tunnel Rehabilitation and Sewer Pipeline Replacement project (Tunnel Project). Also contributing to the overall increase in total assets is an increase of \$14.6 million in current assets primarily due to a receivable totaling \$8.4 million for a State Revolving Fund (SRF) reimbursement and an increase in cash and investments of about \$5.4 million due to the implementation of the first year of a two-year rate increase.
- Total liabilities are \$181.5 million, an increase of \$15.5 million, or 9.4%, from the prior fiscal year. This increase is primarily due to continued funding for the Tunnel Project (\$25.1 million), which was offset by the decrease in net pension liability (\$7.6 million) and scheduled debt service payments and amortization.
- Total operating revenues are \$40.8 million, an increase of \$3.3 million, or 8.9%, from the prior fiscal year. The primary reason for the increase is due to the implementation of the first year of the adopted two-year rate increases.
- Total operating expenses are \$35.5 million, a decrease of \$5.9 million, or 14.3%, from the prior fiscal year due to the substantial decline in California Public Employees' Retirement System (CalPERS) expenses resulting from the major increase in CalPERS asset earnings in FY 2021 (basis for the valuation as of June 30, 2022). The annual adjustment for net actuarial estimated CalPERS expenses decreased \$5.4 million.
- Net income before capital contributions was \$10.5 million, up from \$3.2 million in the prior fiscal year. The primary reason for the increase is the rise in water rates and the decrease in operating expenses discussed above.

Required Financial Statements

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

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The financial statements consist of one fund for the District's activities, combining the Water and Sewer funds. The District maintains its accounting records on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer services to customers of the District are financed primarily through user charges.

The Statement of Net Position includes all investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. This statement also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing liquidity and financial flexibility.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for all current year revenues and expenses. This statement measures the performance of operations over the past year and used to determine if the District has successfully recovered all its costs through its rates and other charges. Other uses for this statement are to evaluate profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period by reporting cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities. This statement provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash balance during the reporting period.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements are on pages 21 through 57.

Financial Analysis of the District

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

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

**SOUTH COAST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2022**

The following condensed schedules contain summary financial information extracted from the basic financial statements to assist general readers in evaluating the District's overall financial position and results of operations as described in this Management's Discussion and Analysis (MD&A). Increases or decreases in these schedules can be used as performance indicators to assess whether overall financial position has improved or deteriorated. Other external factors such as changes in economic conditions, customer growth, and legislative mandates should also be considered as a part of this analysis.

Financial Position Summary

The Statement of Net Position reflects the District's financial position as of June 30, 2022. This statement includes assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position represents net worth including, but not limited to, capital contributions and investments in capital assets. A condensed summary of the District's total net position is set forth below:

| | <u>2022</u> | <u>2021</u> | <u>\$ Change</u> | <u>% Change</u> |
|---|-----------------------|-----------------------|----------------------|-----------------|
| Assets: | | | | |
| Current assets | \$ 121,011,749 | \$ 106,418,099 | \$ 14,593,650 | 13.7% |
| Capital assets: | | | | |
| Not depreciable | 108,616,458 | 92,617,202 | 15,999,256 | 17.3% |
| Being depreciated (net of accumulated depreciation) | 130,686,532 | 132,667,911 | (1,981,379) | -1.5% |
| Other assets | | | | |
| Leases Receivable | 450,314 | - | 450,314 | 0.0% |
| Investment in joint venture | 7,949,754 | 7,812,245 | 137,509 | 1.8% |
| Net OPEB Asset | 1,556,288 | - | 1,556,288 | 0.0% |
| Total assets | <u>370,271,095</u> | <u>339,515,457</u> | <u>30,755,638</u> | 9.1% |
| Deferred outflows of resources: | | | | |
| Deferred amounts on refunding, pension & OPEB | <u>5,396,752</u> | <u>5,816,147</u> | <u>(419,395)</u> | -7.2% |
| Liabilities: | | | | |
| Current liabilities | 11,476,116 | 10,480,978 | 995,138 | 9.5% |
| Non-current liabilities | 169,983,783 | 155,430,665 | 14,553,118 | 9.4% |
| Total liabilities | <u>181,459,899</u> | <u>165,911,643</u> | <u>15,548,256</u> | 9.4% |
| Deferred inflows of resources: | | | | |
| Deferred amounts on pension & OPEB | <u>6,447,561</u> | <u>2,269,294</u> | <u>4,178,267</u> | 184.1% |
| Net position: | | | | |
| Net investment in capital assets | 116,126,546 | 127,940,920 | (11,814,374) | -9.2% |
| Restricted for debt service/covenants | 3,127,385 | 2,096,140 | 1,031,245 | 49.2% |
| Unrestricted | 68,506,456 | 47,113,607 | 21,392,849 | 45.4% |
| Total net position | <u>\$ 187,760,387</u> | <u>\$ 177,150,667</u> | <u>\$ 10,609,720</u> | 6.0% |

As noted earlier, net position may serve as a useful indicator over time of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$187.8 million as of June 30, 2022. The net change between fiscal year (FY) 2022 and 2021 was an increase of \$10.6 million. There are two primary reasons for the increase in net position. First, the significant reduction in the net pension liability (CalPERS liability), resulting from the investments performing much better than expected during the measurement period of FY 2021 (basis for the valuation as of June 30, 2022), resulted in a \$6.5 million decrease in general and administrative expenses. Secondly, the District's operating revenues have increased due to a 2-year rate plan that was adopted and implemented FY 2021. This rate study increased rates over 2

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years. Revenues from operations in addition to the annual property tax revenues received exceeded the operating expenses and non-operating expenses such as debt service. Total revenues exceeded total expenditures by \$10.5 million.

Assets increased \$30.8 million, or 9.1%, from FY 2021. Current assets increased \$14.6 million primarily due to a receivable from the State of California at June 30, 2022, totaling \$8.4 million for SRF reimbursement which was received in July 2022. The remainder of the net increase was due to the increase in cash and investments of about \$5.4 million due to the implementation of the first year of a two-year rate increase. Capital assets not being depreciated increased \$16 million, or 17.3%, from the prior fiscal year due to ongoing activity on the Tunnel Project. Capital Assets being depreciated (net of accumulated depreciation) decreased \$2 million from FY 2021 primarily due to depreciation expense of \$6.5 million, offset by additions of about \$4.5 million, primarily from the investment in sewer treatment plant and infrastructure for South Orange County Wastewater Authority (SOCWA).

Liabilities increased \$15.5 million, or 9.4%, from FY 2021. Current Liabilities increased about \$1 million due to increases in accounts payable resulting from the on-going construction projects. Non-current Liabilities increased \$14.6 million from prior fiscal year. This is primarily due to the increase in continued funding of the Tunnel Project with a State Resources Funding Loan \$25.1 million. This increase was offset by the decrease in net pension liability (\$7.6 million) mostly due to higher investment income for the CalPERS risk pool (fiduciary net position) and higher investment income in the California Employers Retiree Benefit Trust (CERBT) fund, the District's additional funding mechanism for pension expenses. The Other Post-Employment Benefits (OPEB) liability of \$1.2 million on June 30, 2021, showed a decrease of \$2.8 million, resulting in a net OPEB asset of \$1.6 million at June 30, 2022. This change is mostly the result of higher net investment income. Other activity offsetting the increase in non-current liabilities were scheduled debt service payments and amortization.

By far the largest portion of the District's net position (62% as of June 30, 2022) reflects investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within its service area; consequently, these assets are *not* available for future spending.

Unrestricted net position of \$68.5 million increased \$21.4 million, or 45.4%, from prior fiscal year. This increase is mostly due to revenues exceeding expenses (\$10.5 million). The increase in unrestricted net position reflects the District's recent policy of issuing debt to fund capital projects that have a 20-year life span or more instead of paying cash for capital improvement projects. The issuance of debt for the construction of assets with a useful life of 20 years or more, allows the District to maintain an adequate unrestricted net position and meet reserve policy requirements.

**SOUTH COAST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
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Activities and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position summarizes operations during the current fiscal year. A summary of the District's changes in net position for the fiscal year ended June 30, 2022 is included below:

| | <u>2022</u> | <u>2021</u> | <u>Change</u> | |
|--|-----------------------|-----------------------|----------------------|----------|
| Revenues: | | | | |
| Operating revenues: | | | | |
| Water sales | \$ 20,594,297 | \$ 19,527,900 | \$ 1,066,397 | 5.5% |
| Sewer service charges | 17,183,484 | 15,465,736 | 1,717,748 | 11.1% |
| Recycled water | 2,664,716 | 2,179,970 | 484,746 | 22.2% |
| Recreation facilities | 333,243 | 257,294 | 75,949 | 29.5% |
| Total operating revenues | <u>40,775,740</u> | <u>37,430,900</u> | <u>3,344,840</u> | 8.9% |
| Non-operating revenues: | | | | |
| Investment income/(loss) | (899,882) | 65,916 | (965,798) | -1465.2% |
| Grant revenues | 252,183 | 1,371,927 | (1,119,744) | -81.6% |
| Property taxes - general and bond levy | 7,472,760 | 7,154,483 | 318,277 | 4.4% |
| Rental income (net of expenses) | 1,181,093 | 948,241 | 232,852 | 24.6% |
| Other revenues | 1,175,408 | 1,360,422 | (185,014) | -13.6% |
| Total non-operating revenues | <u>9,181,562</u> | <u>10,900,989</u> | <u>(1,719,427)</u> | -15.8% |
| Total revenues | <u>49,957,302</u> | <u>48,331,889</u> | <u>1,625,413</u> | 3.4% |
| Expenses: | | | | |
| Operating expenses: | | | | |
| Source of supply (purchased water) | 6,779,009 | 6,878,289 | (99,280) | -1.4% |
| Groundwater recovery facility | 1,197,018 | 1,110,828 | 86,190 | 7.8% |
| Recycled water | 1,562,009 | 1,313,227 | 248,782 | 18.9% |
| Pumping expense | 1,013,483 | 989,363 | 24,120 | 2.4% |
| Sewer treatment plant | 4,186,641 | 4,132,637 | 54,004 | 1.3% |
| Transmission and distribution | 4,421,617 | 4,520,965 | (99,348) | -2.2% |
| Operations support | 2,951,525 | 2,517,593 | 433,932 | 17.2% |
| Recreation facilities | 305,075 | 321,871 | (16,796) | -5.2% |
| Engineering and consulting | 2,078,071 | 2,110,391 | (32,320) | -1.5% |
| General and administrative | 4,471,153 | 10,926,420 | (6,455,267) | -59.1% |
| Depreciation | 6,486,096 | 6,534,708 | (48,612) | -0.7% |
| Total operating expenses | <u>35,451,697</u> | <u>41,356,292</u> | <u>(5,904,595)</u> | -14.3% |
| Non-operating expenses: | | | | |
| Interest expense | 4,055,723 | 3,509,829 | 545,894 | 15.6% |
| Loss/(Gain) on disposal of capital assets | (36,130) | 246,253 | (282,383) | -114.7% |
| Total non-operating expenses | <u>4,019,593</u> | <u>3,756,082</u> | <u>263,511</u> | 7.0% |
| Total expenses | <u>39,471,290</u> | <u>45,112,374</u> | <u>(5,641,084)</u> | -12.5% |
| Income before capital contributions | 10,486,012 | 3,219,515 | 7,266,497 | 225.7% |
| Capital contributions | 123,708 | 679,463 | (555,755) | -81.8% |
| Change in net position | 10,609,720 | 3,898,978 | 6,710,742 | 172.1% |
| Net position at beginning of year | 177,150,667 | 172,754,199 | 4,396,468 | 2.5% |
| Prior Period Adjustment | | 497,490 | 497,490 | -100.0% |
| Net position at end of year | <u>\$ 187,760,387</u> | <u>\$ 177,150,667</u> | <u>\$ 11,604,700</u> | 6.0% |

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The Statement of Revenues, Expenses, and Changes of Net Position details how net position changed during the fiscal year. The District's net position increased by \$11.6 million (6%) for the fiscal year ended June 30, 2022. A closer examination of the sources of changes in net position reveals that:

- Water sales increased almost \$1 million (5.5%) from the prior fiscal year. The primary reason for the increase in revenue is due to the implementation of the first year of a two-year rate increase. Commodity sales increased from 5,455 AF in FY 2021 to 5,508 AF in FY 2022. Fixed service charges increased \$0.2 million and Peak Demand charges increased \$0.3 million from FY 2021. Recycled water sales (982 AF) increased primarily due to the increase in commodity sales of 37 AF from FY 2021 as more businesses and homeowner associations participated in the recycled water program.
- Sewer service charges increased \$1.7 million or 11.1% from prior fiscal year. This is primarily due to the implementation of the first year of a two-year rate increase for single family, multi-family, and commercial businesses.
- Investment income decreased \$1 million, or 1,465%, from FY 2021 primarily due to the unrealized loss in investments which increased \$0.9 million from prior year. The average purchase yield on investments in FY 2022 was 0.95% compared to 0.54% in FY 2021. The average market yield on investments in FY 2022 was 1.59% compared to 0.23% in FY 2021.
- Grant revenues decreased \$1.1 million or 81.6% from the prior fiscal year due to significant grant revenue received from the United States Bureau of Reclamation in FY 2021 of \$1.3 million for reimbursement of planning costs for the desalination plant construction study.
- Total labor costs excluding benefits and overtime were \$9.1 million for FY 2022. Labor costs increased \$0.2 million from FY 2021 primarily due to vacant positions in FY 2021 that were filled in FY 2022. Employees received a cost-of-living increase of 2.2% based on CPI for FY 2022. The average merit increase was 3%.
- Purchased water expenses decreased about \$0.1 million due to a decrease in the allocation of Joint Regional Water Supply System (JRWSS) net assets for FY 2022. The adjustment declined from \$0.5 million in FY 2021 to \$0.1 million in FY 2022. This decrease in costs offset the increase in the cost of purchased water from the District's major water supplier, Municipal Water District of Orange County (MWDOC).
- Recycled water costs increased \$0.2 million during FY 2022 due to higher usage. Average monthly usage increased from 178 CCF in FY 2021 to 182 CCF in FY 2022. This activity reflects the goal of the District to continue to increase the usage of recycled water to develop a comprehensive water supply portfolio to meet the District's reliability needs and service level.
- Expenses for operations support increased \$0.4 million from the prior year due to the higher labor costs discussed above and an increase of \$0.1 million for various water conservation incentive programs coordinated through MWDOC for FY 2022, including turf removal, smart timers, and drip irrigation.

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- General and administrative costs decreased \$6.5 million (59.1%) during FY 2022 mostly due to the significant reduction in the net pension liability (CalPERS liability), resulting from the investments performing much better than expected during the measurement period of FY 2021 (basis for the valuation as of June 30, 2022).
- Interest expense increased \$0.5 million or 15.6%, from the prior fiscal year due to 2022 being the first full year of interest expense payments for the 2020A revenue bonds that were issued in October 2020.
- Capital contributions decreased \$0.6 million (81.8%) during FY 2022 mostly due to the decline in revenue from water connection fees (\$0.2 million) and sewer connection fees (\$0.3 million). One supporting factor for this drop is the decrease in remodeling of existing homes resulting from higher construction costs.

Capital Assets

Changes in capital asset amounts for FY 2022 were as follows:

| | <u>Balance 2021</u> | <u>Additions</u> | <u>Transfers/ Deletions</u> | <u>Balance 2022</u> |
|---------------------------------------|-------------------------|----------------------|---------------------------------|-------------------------|
| Capital assets: | | | | |
| Capital assets, not being depreciated | \$ 92,617,202 | \$ 20,351,597 | (4,352,341) | \$ 108,616,458 |
| Capital assets, being depreciated | 281,357,705 | 4,505,813 | (130,171) | 285,733,347 |
| Less accumulated depreciation | <u>(148,689,794)</u> | <u>(6,486,096)</u> | <u>129,075</u> | <u>(155,046,815)</u> |
| Total capital assets, net | <u>\$ 225,285,113</u> | <u>\$ 18,371,314</u> | <u>\$ (4,353,437)</u> | <u>\$ 239,302,990</u> |

At the end of FY 2022, the District's investment in capital assets was \$239 million (net of accumulated depreciation). This investment in capital assets includes land, treatment systems, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles, and construction-in-process, etc. Major capital assets projects completed in fiscal year 2022 include:

- \$2.9 million – District's share of improvements to the SOCWA coastal sewer treatment plant
- \$0.9 million – Lift station 12 / 30 acre site improvements

The activity in capital assets, not being depreciated consisted mostly of transactions for construction in progress. Additions (\$20.4 million) to construction in progress include:

- \$13.8 million – Sewer tunnel project
- \$3.1 million - District's share of wastewater treatment plant improvements
- \$1.4 million – Lift Station 2 rehabilitation
- \$0.8 million – System upgrades
- \$1.3 million – various smaller projects

Deletions/transfers from capital assets, not being depreciated of \$4.4 million include:

- \$2.9 million – District's share of completed wastewater treatment plant improvements
- \$0.9 million – Lift station 12 / 30 acres site improvements
- \$0.6 million – various smaller projects

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See Note 3 in the notes to the Basic Financial Statement for additional information regarding capital assets.

Long-Term Liabilities

Changes in long-term debt amounts for the year ended June 30, 2022 were as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| 2016 State Revolving Loan (Tunnel Project) | \$ 48,941,779 | \$ 25,087,480 | | \$ 74,029,259 |
| Notes Payable | 6,271,016 | | | 6,271,016 |
| 2016A Refunding Revenue Bonds | 8,935,000 | | (955,000) | 7,980,000 |
| 2019A Revenue Bonds | 41,680,000 | | | 41,680,000 |
| 2020A Revenue Bonds | 31,920,000 | | (545,000) | 31,375,000 |
| Subtotal | 137,747,795 | 25,087,480 | (1,500,000) | 161,335,275 |
| Add (Less): | | | | |
| 2016A Refunding Revenue Bonds Premium | 1,596,845 | | (119,389) | 1,477,456 |
| 2019A Revenue Bonds Premium | 3,413,468 | | (123,378) | 3,290,090 |
| 2020A Revenue Bonds Premium | 2,411,822 | | (82,338) | 2,329,484 |
| Total | 145,169,930 | 25,087,480 | (1,825,105) | 168,432,305 |
| Compensated Absences | 1,665,967 | 504,367 | (626,920) | 1,543,414 |
| Total | \$ 146,835,897 | \$ 25,591,847 | \$ (2,452,025) | \$ 169,975,719 |

The Tunnel Project is funded through the 2016 State Resources Funding Loan (SRF). As the District spends funds on the Tunnel Project, it submits requests for reimbursement to the State for the project costs. There are delays between requesting the reimbursement for the costs and the actual reimbursement of those costs and this can create a cash flow issue for the District since at least 60% of the Districts revenues are fixed charges and paid twice a year through the ratepayers' property tax bills, therefore, the purpose of issuing the line of credit (Notes Payable in the above chart) was to help alleviate any cash flow fluctuations due to the Tunnel Project. As of June 30, 2022, the outstanding amount of the line of credit was \$6.3 million. The SRF increased \$25.1 million due to the reimbursement of costs for the construction of the Tunnel Project.

All other activity during the fiscal year consisted of scheduled debt payments, amortization, and compensated absence usage and accruals.

Additional information regarding long-term liabilities can be found in Note 4 in Notes to Basic Financial Statements.

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Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of financial operations and condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District at 31592 West Street, Laguna Beach, California 92651 or the Finance Department at (949) 499-4555.

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BASIC FINANCIAL STATEMENTS

SOUTH COAST WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2021)

| | 2022 | 2021 |
|--|---------------|---------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| CURRENT ASSETS | | |
| Cash and Investments | \$ 57,314,660 | \$ 51,927,440 |
| Utility Accounts Receivable | 2,429,195 | 2,110,303 |
| Property Taxes Receivable | 915,309 | 442,243 |
| Grants Receivable | 158,264 | 305,256 |
| Accrued Interest Receivable | 115,353 | 78,853 |
| Other Receivables | 10,977,373 | 1,449,133 |
| Leases Receivable | 61,734 | - |
| Prepaid Expenses and Other Assets | 517,700 | 413,428 |
| Cash and Investments Restricted by Debt Agreements | 48,522,161 | 49,691,443 |
| Total Current Assets | 121,011,749 | 106,418,099 |
| NONCURRENT ASSETS | | |
| Capital Assets: | | |
| Not Being Depreciated | 108,616,458 | 92,617,202 |
| Being Depreciated (Net of Accumulated Depreciation) | 130,686,532 | 132,667,911 |
| Net Capital Assets | 239,302,990 | 225,285,113 |
| Other Assets: | | |
| Leases Receivable | 450,314 | - |
| Investment in Joint Venture | 7,949,754 | 7,812,245 |
| Net OPEB Asset | 1,556,288 | - |
| Total Noncurrent Assets | 249,259,346 | 233,097,358 |
| Total Assets | 370,271,095 | 339,515,457 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Refunding Charges | 1,409,740 | 1,532,026 |
| Pension Contributions Subsequent to Measurement Date | 1,530,643 | 1,445,111 |
| Pension Related | 1,764,264 | 2,120,886 |
| OPEB Related | 692,105 | 718,124 |
| Total Deferred Outflows of Resources | 5,396,752 | 5,816,147 |

See accompanying Notes to Basic Financial Statements.

SOUTH COAST WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2021)

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | 2022 | 2021 |
|---|----------------|----------------|
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 7,528,100 | \$ 5,855,323 |
| Accrued Salaries and Benefits | 179,690 | 660,843 |
| Advances from Developers | 51,961 | 26,095 |
| Customer Deposits | 209,375 | 243,714 |
| Accrued Interest Payable | 1,320,070 | 1,335,466 |
| Unearned Revenue | - | 196 |
| Current Portion of Bonds Payable, Net | 1,560,000 | 1,500,000 |
| Current Portion of Compensated Absences | 626,920 | 859,341 |
| Total Current Liabilities | 11,476,116 | 10,480,978 |
| NONCURRENT LIABILITIES | | |
| Loans Payable, Net | 80,300,275 | 55,212,795 |
| Bonds Payable, Net | 86,572,030 | 88,457,135 |
| Compensated Absences | 916,493 | 806,626 |
| Net Pension Liability | 2,194,985 | 9,749,879 |
| Net OPEB Liability | - | 1,204,230 |
| Total Noncurrent Liabilities | 169,983,783 | 155,430,665 |
| Total Liabilities | 181,459,899 | 165,911,643 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension Related | 3,465,523 | 1,630,002 |
| OPEB Related | 2,490,716 | 639,292 |
| Leases Related | 491,322 | - |
| Total Deferred Inflows of Resources | 6,447,561 | 2,269,294 |
| NET POSITION | | |
| Net Investment in Capital Assets | 116,126,546 | 127,940,920 |
| Restricted for Debt Service | 3,127,385 | 2,096,140 |
| Unrestricted | 68,506,456 | 47,113,607 |
| Total Net Position | \$ 187,760,387 | \$ 177,150,667 |

See accompanying Notes to Basic Financial Statements.

SOUTH COAST WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2021)

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------|-----------------------|
| OPERATING REVENUES | | |
| Water Sales | \$ 20,594,297 | \$ 19,527,900 |
| Sewer Service Charges | 17,183,484 | 15,465,736 |
| Recycled Water | 2,664,716 | 2,179,970 |
| Recreation Facilities | 333,243 | 257,294 |
| Total Operating Revenues | <u>40,775,740</u> | <u>37,430,900</u> |
| OPERATING EXPENSES | | |
| Source of Supply (Purchased Water) | 6,779,009 | 6,878,289 |
| Groundwater Recovery Facility | 1,197,018 | 1,110,828 |
| Recycled Water | 1,562,009 | 1,313,227 |
| Pumping Expense | 1,013,483 | 989,363 |
| Sewer Treatment Plant | 4,186,641 | 4,132,637 |
| Transmission and Distribution | 4,421,617 | 4,520,965 |
| Operations Support | 2,951,525 | 2,517,593 |
| Recreation Facilities | 305,075 | 321,871 |
| Engineering and Consulting | 2,078,071 | 2,110,391 |
| General and Administrative | 4,471,153 | 10,926,420 |
| Depreciation | 6,486,096 | 6,534,708 |
| Total Operating Expenses | <u>35,451,697</u> | <u>41,356,292</u> |
| INCOME (LOSS) FROM OPERATIONS | 5,324,043 | (3,925,392) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Property Taxes | 7,472,760 | 7,154,483 |
| Grants Revenue | 252,183 | 1,371,927 |
| Investment Income | (899,882) | 65,916 |
| Other Revenues | 1,175,408 | 1,360,422 |
| Rental Income | 1,181,093 | 948,241 |
| Interest Expense | (4,055,723) | (3,509,829) |
| Gain (Loss) on Disposal of Capital Assets | 36,130 | (246,253) |
| Total Nonoperating Revenues (Expenses) | <u>5,161,969</u> | <u>7,144,907</u> |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | 10,486,012 | 3,219,515 |
| CAPITAL CONTRIBUTIONS | | |
| Connection Fees | 123,708 | 679,463 |
| Total Capital Contributions | <u>123,708</u> | <u>679,463</u> |
| CHANGE IN NET POSITION | 10,609,720 | 3,898,978 |
| Net Position - Beginning of Year | 177,150,667 | 172,754,199 |
| Prior Period Adjustment | - | 497,490 |
| NET POSITION - END OF YEAR | <u>\$ 187,760,387</u> | <u>\$ 177,150,667</u> |

See accompanying Notes to Basic Financial Statements.

**SOUTH COAST WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2021)**

| | 2022 | 2021 |
|--|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers | \$ 39,292,106 | \$ 36,874,237 |
| Cash Payments to Suppliers for Goods and Services | (17,992,655) | (26,668,226) |
| Cash Payments to Employees for Services | (16,477,015) | (8,094,880) |
| Other Operating Revenues | 1,175,408 | 1,360,422 |
| Net Cash Provided by Operating Activities | 5,997,844 | 3,471,553 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Proceeds from Property Taxes | 6,999,694 | 7,125,176 |
| Net Cash Provided by Noncapital Financing Activities | 6,999,694 | 7,125,176 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisitions and Construction of Capital Assets | (20,505,066) | (21,488,252) |
| Proceeds from Capital Grant | 399,175 | 1,066,671 |
| Proceeds from Sale of Capital Assets | 37,226 | 14,550 |
| Proceeds from Bond Issuance | - | 35,315,145 |
| Proceeds from Loan | 16,689,447 | 22,052,062 |
| Repayment of Loans and Bonds | (1,500,000) | (8,326,738) |
| Interest Paid | (4,273,940) | (2,577,493) |
| Water and Sewer Connection Fees Received | 123,708 | 679,463 |
| Rental Income Received | 1,160,367 | 948,241 |
| Receipt (Return) of Customer Deposits and Developer Advances | 25,866 | (18,330) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (7,843,217) | 27,665,319 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment Redemptions and Sales | 3,779,305 | 7,474,697 |
| Investment Purchases | (5,254,934) | (7,951,856) |
| Interest Income Received | 410,262 | 619,550 |
| Net Cash Provided (Used) by Investing Activities | (1,065,367) | 142,391 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 4,088,954 | 38,404,439 |
| Cash and Cash Equivalents - Beginning of Year | 82,700,000 | 44,295,561 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 86,788,954 | \$ 82,700,000 |

See accompanying Notes to Basic Financial Statements.

SOUTH COAST WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2021)

| | 2022 | 2021 |
|---|----------------------|----------------------|
| RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Income (Loss) from Operations | \$ 5,324,043 | \$ (3,925,392) |
| Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided by Operating Activities: | | |
| Operating Activities: | | |
| Depreciation | 6,486,096 | 6,534,708 |
| Other Revenues | 1,175,408 | 1,360,422 |
| Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources: | | |
| (Increase) Decrease in Utility Accounts Receivable | (318,892) | (262,101) |
| (Increase) Decrease in Other Receivables | (1,130,207) | (284,414) |
| (Increase) Decrease in Prepaid Expenses and Other Assets | (104,272) | (132,815) |
| (Increase) Decrease in Investment in Joint Venture | (137,509) | 115,088 |
| (Increase) Decrease in Deferred Outflows of Resources | 297,109 | (1,414,305) |
| Increase (Decrease) in Accounts Payable | 1,672,777 | (1,051,528) |
| Increase (Decrease) in Accrued Salaries and Benefits | (481,153) | 100,878 |
| Increase (Decrease) in Customer Deposits | (34,339) | 15,262 |
| Increase (Decrease) in Unearned Revenue | (196) | (25,410) |
| Increase (Decrease) in Compensated Absences | (122,554) | 111,987 |
| Increase (Decrease) in Net Pension Liability | (7,554,894) | 1,446,391 |
| Increase (Decrease) in Net OPEB Liability | (2,760,518) | 39,572 |
| Increase (Decrease) in Deferred Inflows of Resources | 3,686,945 | 843,210 |
| | \$ 5,997,844 | \$ 3,471,553 |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION | | |
| Cash and Investments | \$ 57,314,660 | \$ 51,927,440 |
| Cash and Investments Restricted by Debt Agreements | 48,522,161 | 49,691,443 |
| Less: Investments with Maturities Greater than Three Months | (19,047,867) | (18,918,883) |
| | \$ 86,788,954 | \$ 82,700,000 |

See accompanying Notes to Basic Financial Statements.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Description of Reporting Entity

South Coast Water District (the District) was formed in 1932 under the California Water Code. The District serves an area of approximately 8.8 square miles, encompassing the City of Dana Point and portions of the Cities of Laguna Beach, San Clemente, and San Juan Capistrano.

Effective July 1, 1976, the District was designated as successor to the South Laguna Sanitary District for the purpose of succeeding to all rights, duties and obligations of the South Laguna Sanitary District under Orange County Reorganization No. 31. These functions are performed by the District under the title of the South Coast Water District Improvement District No. 1-S. The Improvement District serves an area of approximately 2,750 acres located within the water operation boundaries.

In February 1997, the District entered into an agreement for the District-served Laguna Sur/Monarch Point Community to be annexed by the Moulton Niguel Water District (the Reorganization RO 96-05). This reorganization was effective July 1, 1997.

In June 1998, the District was the primary filing applicant in a request for consolidation filed with the Local Agency Formation Commission of Orange County (LAFCO). In October 1998, LAFCO adopted resolution RO 97-18, effective January 1, 1999, which provided for the consolidation of the District and Capistrano Beach Water District, and the dissolution of the Dana Point Sanitary District. The District was the successor agency to this consolidation.

Following the consolidation, the District established four separate financial zones, each separately accounting for assets, reserves, bond obligations, and operations. Rates, charges, and assessments for water and sewer services varied between financial zones. Based on a Financial Equalization Study completed in 2002, the District implemented an Asset Equalization Charge and no longer maintained separate accounting by service area.

On July 1, 1999, a portion of the service area of the District that is within the City of Laguna Beach was annexed by the city for delivery of services. The agreement between the District and the City of Laguna Beach provides for the District to continue to provide both water and sewer service to this area for several years. The agreement provides for annual extensions of services unless terminated by either party.

Effective November 15, 2021, through a resolution adopted by LAFCO, the City of San Juan Capistrano (CSJC) transferred their water and wastewater services to the Santa Margarita Water District. Through this process, customers whose water service was provided by CSJC but located in the District's service area were made the District's water customers.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

A. Organization and Description of Reporting Entity (Continued)

The majority of the District's water supply is purchased from the Metropolitan Water District through the Municipal Water District of Orange County and 10% to 15% of the annual water is produced by the District's Groundwater Recovery Facility.

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

The District's reporting entity includes the South Coast Water District Financing Authority (the Financing Authority), a California nonprofit public benefit corporation, formed for the purpose of providing financial assistance to the District. Although the District and the Financing Authority are legally separate entities, the District's board of directors is financially responsible for the Financing Authority and, therefore, the accompanying financial statements include the accounts and records of the Financing Authority using the blending method as required by accounting principles generally accepted in the United States of America. There are no separate financial statements for the Financing Authority.

The South Coast Water District owns and operates the Dana Hills Tennis Center (Tennis Center). The Tennis Center operates tennis courts and related facilities, charging fees to the public.

B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation

Proprietary Fund

The District's activities are reported in an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to business enterprises, where the intent of providing goods and services to the general public on a continuing basis is financed or recovered primarily through user charges.

The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with the District's activities 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 when earned while expenses are recognized when the liability is incurred regardless of the timing of cash flow.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

**B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation
(Continued)**

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, delivering water, and collecting, treating and disposing of wastewater in connection with the District's principal ongoing operations. The District's principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Position.

C. Joint Powers Agreements

The District is a participant in both the South Orange County Wastewater Authority (SOCWA) and the San Juan Basin Authority (SJBA) for the purposes of (1) operating and maintaining wastewater delivery, treatment and disposal facilities and (2) management of regional groundwater and recycled water facilities.

South Orange County Wastewater Authority (a California Joint Powers Authority)

The District is a member of SOCWA, which collects, treats, beneficially reuses, and disposes of wastewater in South Orange County. SOCWA operates four wastewater treatment plants (WWTP) in the region. SOCWA has ten member agencies, including three cities, six water districts, and one community services district, which appoints representatives to the board of directors. The board of directors controls the operations of SOCWA, including selection of management and approval of the annual budget. SOCWA has project committees through which member agencies participate in financially supporting operations and capital investment at various levels, depending on their capacity rights. Each WWTP is a project, as well as various other physical facilities such as outfall pipelines.

The District deposits money with SOCWA to cover its share of operations and for capital in the project committees in which it participates. The District has no equity interest in SOCWA and does not receive a share of operating results. Construction deposits made to SOCWA for capital projects are recorded as capital assets. To obtain complete financial information from SOCWA please contact SOCWA's Finance Controller at 34156 Del Obispo Street, Dana Point, CA 92629.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. Joint Powers Agreements (Continued)

San Juan Basin Authority (a California Joint Powers Authority)

The District is also a member of the SJBA, which is a joint powers authority formed to secure and develop water rights for its member agencies. It currently has permits for usage of the San Juan Groundwater Basin as an underground storage reservoir. Its board of directors consists of representatives from member agencies that govern SJBA. The board of directors oversees contracts and approves the annual budget. SJBA has project committees that member agencies participate in financially at various levels based upon ownership or usage. The District deposits money with SJBA to cover its share of costs in the respective projects.

The District has no equity interest in SJBA and does not receive a share of operating results. Construction deposits made to SJBA for capital projects are recorded as capital assets. To obtain complete financial information from SJBA contact South Coast Water District's Assistant General Manager/Chief Financial Officer.

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are carried at fair value. In the financial statements, changes in fair value that occur during a fiscal year are recognized as investment income reported for the fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

E. Prepaid Expenses

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

F. Allowance for Doubtful Accounts

An allowance for doubtful accounts has not been established for utility accounts receivable, as District management believes all amounts are collectible. Accounts having balances outstanding over 60 days are not significant for the fiscal year ended June 30, 2022.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

G. Revenue Recognition

Revenues are recognized when earned and recorded as meters are read. Metered water accounts are read and billed monthly on 30-day cycles. Residential wastewater customers fixed charges are included on their property tax bills. Commercial wastewater customers fixed charges are billed on a monthly basis. In certain areas of the District, the wastewater billing is handled by another water utility agency but is estimated and accrued as revenues by the District each month. These third-party collections are forwarded to the District monthly, based on actual receipts. Unbilled water and wastewater charges are accrued for the period from the last meter reading through year-end and are included in accounts receivable. Unbilled accounts receivable amounted to \$889,489 at June 30, 2022, which is included in utility accounts receivable in the accompanying statement of net position.

H. Compensated Absences

The District has a policy whereby employees can accumulate sick leave and vacation. The sick leave is to be used for extended periods of sickness. Upon an employee's termination or retirement, a portion of the earned and accrued benefits will be paid out in cash. Upon completion of employment, employees with three years or more service will be paid for 50% of the then unused sick leave at regular payroll rates in effect at the date of the termination. The District has accounted for these future benefits by accruing the following unused sick leave and vacation costs, which are included in compensated absences in the accompanying statement of net position:

| | | |
|-------------------|----|--------------|
| Unused Sick Leave | \$ | 765,636 |
| Unused Vacation | | 777,778 |
| Total | | \$ 1,543,414 |

I. Capital Assets

Capital assets are stated at cost with an initial cost of \$5,000 or more. Contributed capital assets are recorded at acquisition value as of date received and consist primarily of potable water, recycled water, and sewer systems contributed by real estate developers. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of capital assets as follows:

| | |
|--------------------------|-------------|
| Treatment Plants | 40-50 Years |
| Buildings and Structures | 30-40 Years |
| Infrastructure | 40-50 Years |
| Machinery and Equipment | 5-10 Years |
| Vehicles | 10-15 Years |

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The category of deferred outflow of resources reported in the statement of net position is related to debt refunding, pensions, and other postemployment benefits. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows on pension and other postemployment benefits are more fully discussed in Note 8 and 9.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources reported on the statement of net position relate to pension and other postemployment benefits, which are more fully discussed in Note 8 and 9. The statement of net position also report a deferred inflow of resources related to leases which are more fully discussed in Note 3.

K. Net Position

Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted Net Position - Is reported when there are limitations imposed on use either through enabling legislation or through external restrictions imposed by creditors, grants, laws or regulations of other governments.

Unrestricted Net Position - Is the amount of net position that does not meet the definition of the two preceding categories.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

L. Net Position Flow Assumption

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

M. Property Taxes

Property tax in California is levied in accordance with Article XIIA of the state constitution at 1% of countywide assessed valuations. Property taxes collected by the levying agency are placed in a pool, and then allocated to the local governmental units. Property tax revenue is recognized in the fiscal year in which taxes are levied.

The property tax calendar is as follows:

| | |
|------------------|---|
| Lien Date: | January 1 |
| Levy Date: | July 1 |
| Due Date: | First Installment – November 10 Second Installment – February 10 |
| Delinquent Date: | First Installment – December 10 Second Installment – April 11 |

N. Pensions

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

O. Postemployment Benefits Other Than Pensions (OPEB)

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

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

P. Adoption of New Accounting Standards

GASB Statement No. 87, Leases

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and a right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The District adopted the requirement of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in the District reporting a lease receivable and deferred inflow of resources disclosed in Note 3.

Q. Leases

Lessor

The District is a lessor for a noncancellable lease of land. The District recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

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

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

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

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

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

R. Use of Estimates

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

S. Prior Year Data

Certain amounts presented in the prior year financial statements have been reclassified in order to be consistent with current year's presentation. Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|---------------------------------|------------------------------|
| Cash and Investments | \$ 57,314,660 |
| Restricted Cash and Investments | <u>48,522,161</u> |
| Total Cash and Investments | <u><u>\$ 105,836,821</u></u> |

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

| | |
|--|------------------------------|
| Cash on Hand | \$ 1,600 |
| Deposits with Financial Institutions | 1,869,882 |
| Investments | 55,443,187 |
| Investments Held by Bond Fiscal Agents | <u>48,522,160</u> |
| Total Cash and Investments | <u><u>\$ 105,836,829</u></u> |

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

The table on the following page identifies investment types available to the District as authorized by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The District's investment policy also contains certain allocation goals or targets that are viewed to be general guidelines to promote diversification, rather than restrictions. The District determines conformity to any percentage limitations or guidelines contained in its investment policy, or the California Government Code, by comparing the specified investment balance as of a given date to the total par value of the District's cash and investment portfolio as of the beginning of the fiscal year containing that date.

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

| <u>Investment Types Authorized by State Law or the District's Investment Policy</u> | <u>Maximum Maturity*</u> | <u>Maximum Percentage of Portfolio*</u> | <u>Maximum Investment in One Issuer*</u> |
|---|------------------------------|---|--|
| Municipal Bonds | 5 Years | 30% | 5% |
| U.S. Treasury Obligations | 5 Years | None | None |
| Federal Agency Securities | 5 Years | None | 25% |
| Banker's Acceptances | 180 Days | 40% | 5% |
| Commercial Paper | 270 Days | 25% | 5% |
| Negotiable Certificates of Deposit | 5 Years | 30%*** | 5%** |
| Certificates of Deposit Placement Service | 5 Years | 30%*** | N/A |
| Repurchase Agreements | 1 Year | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | \$75,000,000 |
| Medium-Term Corporate Notes | 5 Years | 30% | 5% |
| Mortgage Pass-Through Securities | 5 Years | 20% | 5% |
| Money Market Mutual Funds | N/A | 20% | None |
| Supranational Securities | 5 Years | 30% | 10% |
| Local Government Investment Pools (CAMP) | N/A | None | None |

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

** Allowed up to FDIC limit.

*** The 30% maximum percentage of portfolio is applicable to negotiable certificates of deposit and certificates of deposit placement service in aggregate.

N/A - Not Applicable

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

B. Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Investments authorized for funds held by bond trustees include U.S. Treasury obligations, U.S. government-sponsored agency securities, certificates of deposit, banker's acceptance, commercial paper, money market mutual funds, prefunded municipal bonds, investment agreements, local agency investment funds, and local government investment pools. There are no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed, or the maximum maturity of an investment, except for the maturity of commercial paper, which are limited to 270 days.

C. Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table, which shows the distribution of the District's investments by maturity as of June 30, 2022.

| Investment Type | Remaining Maturity | | | | Total |
|-----------------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|
| | 6 Months or Less | 7 to 12 Months | 13 to 24 Months | 25 to 60 Months | |
| Money Market Mutual Funds | \$ 29,808 | \$ - | \$ - | \$ - | \$ 29,808 |
| U.S. Treasury Obligations | - | - | 3,093,747 | 2,658,930 | 5,752,677 |
| Medium-Term Corporate Notes | 549,596 | 444,526 | 1,161,420 | 1,704,484 | 3,860,026 |
| Federal Agency Securities | 399,568 | 2,362,162 | 5,019,987 | 768,995 | 8,550,712 |
| Supranational Securities | - | - | 600,726 | 283,728 | 884,454 |
| CAMP | 3,172,696 | - | - | - | 3,172,696 |
| LAIF | 33,192,814 | - | - | - | 33,192,814 |
| Held by Bond Trustee: | | | | | |
| Money Market Mutual Funds | 48,522,160 | - | - | - | 48,522,160 |
| Total | \$ 85,866,642 | \$ 2,806,688 | \$ 9,875,880 | \$ 5,416,137 | \$ 103,965,347 |

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

D. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by, where applicable, the California Government Code, the District's investment policy, or debt agreements and Standard and Poor's actual rating as of year-end for each investment type:

| Investment Type | Total | Minimum Legal Rating | AAA | AA | A | Not Rated |
|-----------------------------|----------------------|----------------------------|----------------------|---------------------|---------------------|----------------------|
| Money Market | | | | | | |
| Mutual Funds | \$ 29,808 | AAA | \$ 29,808 | \$ - | \$ - | \$ - |
| Medium-Term Corporate Notes | 3,860,026 | A | - | 237,892 | 3,622,134 | - |
| Federal Agency Securities | 8,550,712 | N/A | - | 8,550,712 | - | - |
| Supranational Securities | 884,454 | N/A | 884,454 | - | - | - |
| CAMP | 3,172,696 | N/A | 3,172,696 | - | - | - |
| LAIF | 33,192,814 | N/A | - | - | - | 33,192,814 |
| Held by Bond Trustee: | | | | | | |
| Money Market Mutual Funds | 48,522,160 | AAA | 48,522,160 | - | - | - |
| Total | <u>\$ 98,212,670</u> | | <u>\$ 52,609,118</u> | <u>\$ 8,788,604</u> | <u>\$ 3,622,134</u> | <u>\$ 33,192,814</u> |

E. Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

| Issuer | Investment Type | Amount |
|------------------------|---------------------------|---------------------|
| Federal Home Loan Bank | Federal Agency Securities | <u>\$ 2,901,439</u> |

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

F. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and CAMP).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2022, all of the District's deposits were insured or collateralized as required by California law.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the District.

G. Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the state of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

H. Investment in California Asset Management Program (CAMP)

The District is a voluntary participant in CAMP that is regulated by the California Government Code. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based on the District's pro-rata share of the fair value provided by CAMP for the entire CAMP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis. CAMP invests primarily in certificates of deposit, commercial paper, and U.S. government and agency obligations.

I. Fair Value Measurement

The District categorizes its fair value measurement of investments utilizing the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of each asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets and liabilities through corroboration with market data; and Level 3 inputs are significant unobservable inputs. All investments classified in Level 2 of the fair value hierarchy are valued using specified fair market value factors or institutional bond quotes.

The District has the following recurring fair value measurements as of June 30, 2022:

| | Fair Value | Quoted Prices Level 1 | Observable Inputs Level 2 | Unobservable Inputs Level 3 |
|---|----------------|-----------------------------|---------------------------------|-----------------------------------|
| Investment Type (Subject to Hierarchy): | | | | |
| U.S. Treasury Obligations | \$ 5,752,677 | \$ - | \$ 5,752,677 | \$ - |
| Medium-Term Corporate Notes | 3,860,026 | - | 3,860,026 | - |
| Federal Agency Securities | 8,550,712 | - | 8,550,712 | - |
| Supranational | 884,454 | - | 884,454 | - |
| Total Subject to Hierarchy | 19,047,869 | \$ - | \$ 19,047,869 | \$ - |
| Uncategorized (Not Subject to Hierarchy): | | | | |
| Money Market Mutual Funds | 29,808 | | | |
| LAIF | 33,192,814 | | | |
| CAMP | 3,172,696 | | | |
| Held by Bond Trustee: | | | | |
| Money Market Mutual Funds | 48,522,160 | | | |
| Total Investment Portfolio | \$ 103,965,347 | | | |

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 LEASE RECEIVABLES

The District, acting as lessor, leases land under long-term, noncancelable lease agreements. The leases expire at various dates through 2034 and provide for renewal options ranging from up to 20 years. During the year ended June 30, 2022, the District recognized \$75,681 and \$21,453 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Total future minimum lease payments to be received under lease agreements are as follows:

| <u>Year Ending June 30.</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Payment</u> |
|-----------------------------|-------------------|-------------------|----------------------|
| 2023 | \$ 61,734 | \$ 19,104 | \$ 80,838 |
| 2024 | 48,098 | 16,712 | 64,810 |
| 2025 | 24,928 | 15,507 | 40,435 |
| 2026 | 27,597 | 14,456 | 42,053 |
| 2027 | 30,440 | 13,295 | 43,735 |
| 2028-2032 | 201,676 | 44,684 | 246,360 |
| 2033-2037 | 117,576 | 5,032 | 122,608 |
| | <u>\$ 512,049</u> | <u>\$ 128,790</u> | <u>\$ 640,839</u> |

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 CAPITAL ASSETS

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

| | Balance at June 30, 2021 | Reclassification of Asset Categories | Additions | Deletions/ Transfers | Balance at June 30, 2022 |
|---|-----------------------------|--|----------------------|-------------------------|-----------------------------|
| Capital Assets, Not Depreciated: | | | | | |
| Land and Land Rights | \$ 4,606,065 | \$ - | \$ - | \$ - | \$ 4,606,065 |
| Construction in Progress | 88,011,137 | - | 20,351,597 | (4,352,341) | 104,010,393 |
| Total Capital Assets, Not Depreciated | 92,617,202 | - | 20,351,597 | (4,352,341) | 108,616,458 |
| Capital Assets, Being Depreciated: | | | | | |
| Treatment Plants | 86,992,957 | - | 2,939,405 | - | 89,932,362 |
| Buildings and Structures | 7,278,004 | - | 294,523 | - | 7,572,527 |
| Infrastructure | 170,403,017 | - | 1,037,635 | - | 171,440,652 |
| Machinery and Equipment | 10,841,468 | - | 74,176 | - | 10,915,644 |
| Vehicles | 5,842,259 | - | 160,074 | (130,171) | 5,872,162 |
| Total Capital Assets, Being Depreciated | 281,357,705 | - | 4,505,813 | (130,171) | 285,733,347 |
| Less Accumulated Depreciation for: | | | | | |
| Treatment Plants | (47,919,430) | - | (3,225,457) | - | (51,144,887) |
| Buildings and Structures | (5,441,781) | - | (21,522) | - | (5,463,303) |
| Infrastructure | (81,782,693) | - | (2,403,012) | - | (84,185,705) |
| Machinery and Equipment | (9,573,544) | - | (389,166) | - | (9,962,710) |
| Vehicles | (3,972,346) | - | (446,939) | 129,075 | (4,290,210) |
| Total Accumulated Depreciation | (148,689,794) | - | (6,486,096) | 129,075 | (155,046,815) |
| Total Capital Assets, Being Depreciated, Net | 132,667,911 | - | (1,980,283) | (1,096) | 130,686,532 |
| Capital Assets, Net | <u>\$ 225,285,113</u> | <u>\$ -</u> | <u>\$ 18,371,314</u> | <u>\$ (4,353,437)</u> | <u>\$ 239,302,990</u> |

Depreciation expense for the depreciable capital assets was \$6,486,096 for the fiscal year ended June 30, 2022.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 LONG-TERM DEBT

The following is a summary of long-term debt at June 30, 2022:

| | Balance June 30, 2021 | Additions | Deletions | Balance June 30, 2022 | Due Within One Year |
|---------------------------|--------------------------|----------------------|-----------------------|--------------------------|------------------------|
| Direct Borrowings: | | | | | |
| State Revolving Loan - | | | | | |
| Tunnel Project | \$ 48,941,779 | \$ 25,087,480 | \$ - | \$ 74,029,259 | \$ - |
| Bank of the West | | | | | |
| Notes Payable | 6,271,016 | - | - | 6,271,016 | - |
| Bonds Payable | 82,535,000 | - | (1,500,000) | 81,035,000 | 1,560,000 |
| Plus: Unamortized Premium | 7,422,135 | - | (325,105) | 7,097,030 | - |
| Compensated Absences | 1,665,967 | 504,367 | (626,920) | 1,543,414 | 626,920 |
| Totals | <u>\$ 146,835,897</u> | <u>\$ 25,591,847</u> | <u>\$ (2,452,025)</u> | <u>\$ 169,975,719</u> | <u>\$ 2,186,920</u> |

A. State Revolving Loan – Tunnel Project

In November 2016, the District entered into an agreement with the State Water Resources Control Board for the construction of the Tunnel Stabilization and Pipeline Replacement project. The District may borrow up to the lesser of \$102,560,000 or the eligible costs of the project. At June 30, 2022, the State Water Resources Control Board had disbursed \$71,547,470 under the loan contract and added a total of \$1,472,356 of accrued interest to the principal. The loan has an interest rate of 1.7% with a repayment period of 30 years after project completion. The outstanding balance totaled \$74,029,259, which includes accrued interest of \$1,009,433, as of June 30, 2022. The District is also required to have a reserve of one year's debt service. The District's reserve of \$2,096,140 as of June 30, 2022, included in the sewer system's operating reserves, meets this requirement.

The annual requirements to service the outstanding balance at June 30, 2022, are as follows:

| Year Ending June 30, | Principal | Interest | Total Payment |
|----------------------|----------------------|----------------------|----------------------|
| 2023 | \$ - | \$ - | \$ - |
| 2024 | 1,886,048 | 1,241,337 | 3,127,385 |
| 2025 | 1,918,111 | 1,209,274 | 3,127,385 |
| 2026 | 1,950,719 | 1,176,666 | 3,127,385 |
| 2027 | 1,983,881 | 1,143,504 | 3,127,385 |
| 2028-2032 | 10,436,910 | 5,200,017 | 15,636,927 |
| 2033-2037 | 11,354,727 | 4,282,200 | 15,636,927 |
| 2038-2042 | 12,353,257 | 3,283,670 | 15,636,927 |
| 2043-2047 | 13,439,596 | 2,197,330 | 15,636,926 |
| 2048-2052 | 14,621,468 | 1,015,458 | 15,636,926 |
| 2053 | 3,075,108 | 52,277 | 3,127,385 |
| Interest Accrued* | 1,009,434 | - | 1,009,434 |
| Total | <u>\$ 74,029,259</u> | <u>\$ 20,801,733</u> | <u>\$ 94,830,992</u> |

Interest accrued to be transferred to principal for which the future debt service requirements have not been determined.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 LONG-TERM DEBT (CONTINUED)

B. Bank of the West Notes Payable

In February 2021, the District entered into a credit agreement with Bank of the West not to exceed \$10 million outstanding at any one time by the issuance of short-term promissory notes solely for the purpose of funding all or a portion of the costs of the Tunnel Project. The credit agreement contains a pledge of wastewater system revenue and all payments received by the State Water Resources Control board under the 2016 State Contract to repay the notes and allows the District to borrow funds under the note on a revolving basis. The notes bear interest at the Applicable Rate, which is the sum of the product of one-month LIBOR rate times 80% plus 0.60% per annum and matures on June 1, 2024.

The credit agreement also requires the District to fix and prescribe rates and charges for the wastewater service provided by the wastewater system to be at least sufficient to yield net revenues during each fiscal year equal to 125% of debt service payable in such fiscal year. At June 30, 2022, notes payable have a remaining outstanding balance of \$6,271,016.

C. 2016A Refunding Revenue Bonds

In October 2016, the District issued \$13,325,000 of Refunding Revenue Bonds, Series 2016A (2016A Bonds). The 2016A Bonds were issued to provide funds (1) to advance refund all of the outstanding South Coast Water District Financing Authority Refunding Revenue Bonds, Series 2010A (2010A Bonds); and (2) to pay costs of issuance of the 2016A Bonds. The 2016A Bonds proceeds were invested in an escrow fund with a trustee to pay interest and principal on the 2010A Bonds until February 1, 2020. The 2010A Bonds were redeemed in full on February 1, 2020.

The reacquisition price exceeded the net carrying amount of the old debt by \$668,860 and is amortized as interest expense over the remaining life of the 2016A Bonds. The remaining balance at June 30, 2022, is \$455,884.

The 2016A Bonds repayments include principal installments due in varying amounts from \$880,000 to \$1,295,000 annually from February 1, 2017, to February 1, 2029, with interest ranging from 2.0% to 5.0%.

Total 2016A Bonds outstanding as of June 30, 2022, net of unamortized premium, are as follows:

| | |
|--|---------------------|
| Principal Outstanding at June 30, 2022 | \$ 7,980,000 |
| Plus: Unamortized Premium | 1,477,456 |
| Net Bonds Outstanding at June 30, 2022 | <u>\$ 9,457,456</u> |

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 LONG-TERM DEBT (CONTINUED)

C. 2016A Refunding Revenue Bonds (Continued)

The annual requirements to service the outstanding Bonds at June 30, 2022, are as follows:

| <u>Year Ending June 30.</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Payment</u> |
|-----------------------------|---------------------|---------------------|----------------------|
| 2023 | \$ 995,000 | \$ 351,700 | \$ 1,346,700 |
| 2024 | 1,030,000 | 311,900 | 1,341,900 |
| 2025 | 1,085,000 | 260,400 | 1,345,400 |
| 2026 | 1,135,000 | 206,150 | 1,341,150 |
| 2027 | 1,195,000 | 149,400 | 1,344,400 |
| 2028-2029 | 2,540,000 | 153,400 | 2,693,400 |
| Total | <u>\$ 7,980,000</u> | <u>\$ 1,432,950</u> | <u>\$ 9,412,950</u> |

D. 2019A Revenue Bonds

In February 2019, the South Coast Water District Financing Authority, on behalf of the District, issued \$41,680,000 of Revenue Bonds, Series 2019A (2019A Bonds). The 2019A Bonds were issued to provide funds (1) to finance the acquisition and construction of certain improvements to the District's Water System and Wastewater System; (2) to refund all of the South Coast Water District Financing Authority Revenue Bonds, Series 2010B (2010B Bonds); and (3) to pay costs of issuance of the 2019A Bonds. The 2019A Bonds proceeds were invested in an escrow fund with a trustee to pay interest and principal on the 2010B Bonds until February 1, 2020. The 2010B Bonds were redeemed in full on February 1, 2020.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,146,131 and is amortized as interest expense over the remaining life of the 2010B Bonds. The remaining balance at June 30, 2022, is \$963,856.

The 2019A Bonds repayments include principal installments due in varying amounts from \$1,335,000 to \$3,015,000 annually from February 1, 2030, to February 1, 2049, with interest ranging from 3.5% to 5.0% subject to mandatory sinking fund redemption requirements.

Total 2019A Bonds outstanding as of June 30, 2022, net of unamortized premium, are as follows:

| | |
|--|----------------------|
| Principal Outstanding at June 30, 2022 | \$ 41,680,000 |
| Plus: Unamortized Premium | <u>3,290,090</u> |
| Net Bonds Outstanding at June 30, 2022 | <u>\$ 44,970,090</u> |

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 LONG-TERM DEBT (CONTINUED)

D. 2019A Revenue Bonds (Continued)

The annual requirements to service the outstanding 2019A Bonds at June 30, 2022, are as follows:

| <u>Year Ending June 30.</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Payment</u> |
|-----------------------------|----------------------|----------------------|----------------------|
| 2023 | \$ - | \$ 1,801,375 | \$ 1,801,375 |
| 2024 | - | 1,801,375 | 1,801,375 |
| 2025 | - | 1,801,375 | 1,801,375 |
| 2026 | - | 1,801,375 | 1,801,375 |
| 2027 | - | 1,801,375 | 1,801,375 |
| 2028-2032 | 4,215,000 | 8,803,125 | 13,018,125 |
| 2033-2037 | 8,455,000 | 7,242,525 | 15,697,525 |
| 2038-2042 | 10,270,000 | 5,423,575 | 15,693,575 |
| 2043-2047 | 12,825,000 | 2,863,250 | 15,688,250 |
| 2048-2049 | 5,915,000 | 360,600 | 6,275,600 |
| Total | <u>\$ 41,680,000</u> | <u>\$ 33,699,950</u> | <u>\$ 75,379,950</u> |

E. 2020A Revenue Bonds

In October 2020, the South Cost Water District Financing Authority, on behalf of the District, issued \$32,845,000 of Revenue Bonds, Series 2020A (2020A Bonds). The 2020A Bonds were issued to provide funds (1) to finance the acquisition and construction of certain improvements to the District's Water System and Wastewater System, and (2) to pay costs of issuance of the 2020A Bonds.

The 2020A Bonds repayments include principal installments due in varying amounts from \$925,000 to \$4,595,000 annually from February 1, 2021 to February 1, 2050, with interest ranging from 3.0% to 5.0% subject to mandatory sinking fund redemption requirements.

Total 2020A Bonds outstanding as of June 30, 2022, net of unamortized premium, are as follows:

| | |
|--|----------------------|
| Principal Outstanding at June 30, 2022 | \$ 31,375,000 |
| Plus: Unamortized Premium | <u>2,329,484</u> |
| Net Bonds Outstanding at June 30, 2022 | <u>\$ 33,704,484</u> |

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 LONG-TERM DEBT (CONTINUED)

E. 2020A Revenue Bonds (Continued)

The annual requirements to service the outstanding 2020A Bonds at June 30, 2022, are as follows:

| <u>Year Ending June 30.</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Payment</u> |
|-----------------------------|----------------------|----------------------|----------------------|
| 2023 | 565,000 | 1,005,106 | \$ 1,570,106 |
| 2024 | 590,000 | 982,506 | 1,572,506 |
| 2025 | 610,000 | 958,906 | 1,568,906 |
| 2026 | 640,000 | 934,506 | 1,574,506 |
| 2027 | 670,000 | 902,506 | 1,572,506 |
| 2028-2030 | 3,890,000 | 3,983,481 | 7,873,481 |
| 2031-2035 | 4,800,000 | 3,086,831 | 7,886,831 |
| 2036-2040 | 5,715,000 | 2,169,925 | 7,884,925 |
| 2041-2045 | 6,480,000 | 1,411,063 | 7,891,063 |
| 2046-2050 | 7,415,000 | 450,875 | 7,865,875 |
| Total | <u>\$ 31,375,000</u> | <u>\$ 15,885,705</u> | <u>\$ 47,260,705</u> |

NOTE 6 PLEDGED REVENUES

The District has pledged its revenues, net of specified operating expenses, to repay \$74,029,259 in state revolving loan, \$6,271,016 in notes payable, \$8 million in water refunding revenue bonds issued in 2016, \$41.7 million in water revenue bonds issued in 2019, and \$31.3 million in water revenue bonds issued in 2020. The loan, notes, and bonds are payable from District net revenues and are payable through 2053. Coverage of net revenues for annual principal and interest payments in future years are expected to approximate that of the current year (see below).

Debt service paid and net revenues for the year ended June 30, 2022, are as follows:

| | |
|------------------------------|----------------------|
| Gross Revenues | \$ 50,117,140 |
| Less: Excluded Revenues | <u>(375,891)</u> |
| Includable Revenues | <u>49,741,249</u> |
| All Expenses | 39,371,985 |
| Less: Excludable Expenses | <u>(10,541,819)</u> |
| Includable Expenses | <u>28,830,166</u> |
| Net Revenues | <u>\$ 20,911,083</u> |
| Debt Service | <u>\$ 5,758,542</u> |
| Coverage Percentage | 363% |
| Required Coverage Percentage | 125% |

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 INVESTMENT IN JOINT VENTURE

The District is a member in the Joint Regional Water Supply System (JRWSS), a joint venture providing potable water to its members. There are eight other members who participate in JRWSS. In a series of restructuring and consolidations, initiated in March 2000, JRWSS was formed to succeed two water districts, Tri-Cities Municipal Water District and the Coastal Municipal Water District, with substantially all assets and liabilities of predecessor districts transferred to JRWSS. The District's participation in JRWSS is accounted for as a joint venture with an equity interest and is reflected on the statement of net position as "investment in joint venture" in the amount of \$7,949,754 at June 30, 2022.

Financial information for the operation of JRWSS for the fiscal year ended June 30, 2022, is as follows:

| | |
|------------------------|----------------------|
| Total Assets | <u>\$ 34,521,626</u> |
| Total Liabilities | <u>\$ 4,063,996</u> |
| Total Net Position | <u>\$ 30,457,630</u> |
| Total Revenues | \$ 7,530,946 |
| Total Expenses | <u>(6,148,931)</u> |
| Change In Net Position | <u>\$ 1,382,015</u> |

Since March 2000, the District has been responsible for the administration and operations of JRWSS. Separate financial statements of JRWSS may be obtained at South Coast Water District, 31592 West Street, Laguna Beach, CA 92651.

NOTE 8 DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by CalPERS. Benefit provisions under the plan are established by state statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefits provisions, assumptions and membership information that can be found on the CalPERS website.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The plan provisions and benefits in effect as of fiscal year ended June 30, 2022, are summarized as follows:

| | Miscellaneous | |
|---|-----------------------------|--------------------------------|
| | Hire Date | |
| | Prior to January 1, 2013 | On or After January 1, 2013 |
| Benefit Formula | 2% @ 55 | 2% @ 62 |
| Benefit Vesting Schedule | 5 Years of Service | 5 Years of Service |
| Benefit Payments | Monthly for Life | Monthly for Life |
| Retirement Age | 50 to 55 | 52 to 67 |
| Monthly Benefits, as a Percentage of Eligible Compensation | 1.426% to 2.000% | 1.000% to 2.500% |
| Required Employee Contribution Rates | 7.00% | 6.75% |
| Required Employer Contribution Rates | 10.880% | 7.590% |

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District 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 contributions requirements are classified as plan member contributions. Contributions for the fiscal year ended June 30, 2022, included \$715,583 for the UAL and \$815,060 for the normal cost rate resulting in a total amount paid of \$1,530,643.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

As of June 30, 2022, the District reported a net pension liability of \$2,194,985 for its proportionate share of the net pension liability of the CalPERS administered miscellaneous plan.

The District's net pension liability for the plan is measured as the proportionate share of the net pension liability of the CalPERS administered miscellaneous plan. The net pension liability of the plan is measured as of June 30, 2021, and the total pension liability of the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the plan as of the measurement dates June 30, 2021 and 2020, were as follows:

| | |
|----------------------------|----------------------|
| | <u>Miscellaneous</u> |
| Proportion - June 30, 2020 | 0.23115 % |
| Proportion - June 30, 2021 | 0.11560 % |
| Decrease | <u>(0.11555)%</u> |

For the year ended June 30, 2022, the District recognized pension credit of \$3,917,641. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Pension Contributions Subsequent to Measurement Date | \$ 1,530,643 | \$ - |
| Differences between Actual and Expected Experience | 246,144 | - |
| Change in Assumptions | - | - |
| Change in Employer's Proportion | 1,518,120 | - |
| Differences between the Employer's Contributions and Proportionate Share of Contributions | - | (1,549,417) |
| Net Differences between Projected and Actual Earnings on Plan Investments | - | (1,916,106) |
| Total | <u>\$ 3,294,907</u> | <u>\$ (3,465,523)</u> |

\$1,590,643 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------|
| 2023 | \$ (420,883) |
| 2024 | (367,722) |
| 2025 | (383,140) |
| 2026 | (529,514) |
| 2027 | - |
| Thereafter | - |

Actuarial Assumptions

The total pension liability for the June 30, 2021, measurement period was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. The total pension liability was based on the following assumptions:

| | <u>Miscellaneous</u> |
|----------------------------------|--------------------------|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2021 |
| Actuarial Cost Method | Entry-Age Normal Cost |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Salary Increases | (1) |
| Mortality | (2) |
| Post Retirement Benefit Increase | (3) |

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 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 December 2017 that can be found on the CalPERS website.

(3) The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Long-Term Expected Rate of Return

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

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

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

| <u>Asset Class (a)</u> | <u>Assumed Asset Allocation</u> | <u>Real Return Years 1 to 10 (b)</u> | <u>Real Return Years 11+ (c)</u> |
|------------------------|---|--|--|
| Global Equity | 50.00 % | 4.80 % | 5.98 % |
| Fixed Income | 28.00 % | 1.00 % | 2.62 % |
| Inflation Assets | 0.00 % | 0.77 % | 1.81 % |
| Private Equity | 8.00 % | 6.30 % | 7.23 % |
| Real Assets | 13.00 % | 3.75 % | 4.93 % |
| Liquidity | 1.00 % | 0.00 % | (0.92)% |
| Total | <u>100.00 %</u> | | |

(a) In the CalPERS ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation rate of 2.0% is used for this period.

(c) An expected inflation rate of 2.92% is used for this period.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Discount Rate

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

Subsequent Events

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

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

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

The following presents the District's proportionate share of the net pension liability for the plan, calculated using the discount rate for the plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| | |
|-------------------------------|----------------------|
| | <u>Miscellaneous</u> |
| 1% Decrease | 6.15% |
| Net Pension Liability | \$ 10,967,668 |
| | |
| Current Discount Rate | 7.15% |
| Net Pension Liability | \$ 2,194,985 |
| | |
| 1% Increase | 8.15% |
| Net Pension (Asset) Liability | \$ (5,057,267) |

Pension Plans Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2022, the District had no outstanding amount of contributions to the pension plans due for the year ended June 30, 2022.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

The District provides an agent multiple-employer defined postemployment health care plan that provides postemployment health care benefits to retirees with requirements depending on the retiree's initial employment date. The plan is managed through the California Employers' Retiree Benefit Trust (CERBT).

For employees of record as of May 18, 1988, five years of full-time continuous employment with the District is required. The employee must be at least 50 years of age and have participated in the CalPERS plan for at least five years, as well as receiving service retirement benefits pursuant to the terms and conditions of the District CalPERS plan. The District provides medical insurance for the retired employee and employee's eligible spouse from the date of retirement until both become eligible to receive Medicare benefits. The obligation of the District is to provide the plan of insurance, and the specific terms and conditions may vary from time to time. Thereafter, the District pays the full premium cost of Medicare supplemental coverage. Certain retirees, who were participants in legacy benefit plans, also receive dental coverage (retiree only) for life.

For employees commencing employment subsequent to May 18, 1988, 20 years of full-time continuous employment is required. The employee must be at least 50 years of age and have participated in CalPERS for at least five years, as well as receiving service retirement benefits pursuant to CalPERS plan requirements. The District provides medical insurance for the retired employee from the date of retirement until the retired employee is eligible to receive Medicare benefits. The obligation of the District is to provide the plan of insurance, and the specific terms and conditions may vary from time to time. Thereafter, Medicare supplement insurance is provided at the District's expense. A separate financial report is not prepared for the plan.

For employees hired on or after July 1, 2020 who are at least 55 years old with a minimum of 10 years of continuous District employment, will be eligible to continue receiving medical insurance benefits, which are equal to the value of the least costing medical benefit provided to active employees, until the retiree is eligible for Medicare. For employees hired on or after July 1, 2020 who are at least 60 years old with a minimum of 15 years of continuous District employment, will be eligible to continue to receive health insurance benefits, which are equal to the value of any medical benefit provided to active employees, until the retiree is eligible for Medicare. When eligible retirees who were hired on or after July 1, 2020, reaches age 65 (Medicare age), the District will provide a reimbursement of up to \$350 per month for the costs associated with a supplemental Medicare policy.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

A. General Information about the OPEB Plan (Continued)

Employees Covered

As of measurement date June 30, 2021, the following numbers of participants were covered by the benefit terms under the plan:

| | |
|--|-------------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 39 |
| Inactive Employees or Beneficiaries Entitled to But Not Yet Receiving Benefits | - |
| Active Employees | <u>74</u> |
| Total | <u><u>113</u></u> |

Contributions

The contribution requirements of the District are established and may be amended annually by the board of directors. Currently, contributions are not required from plan members. The annual contribution is based on the actuarially determined contributions. For the fiscal year ended June 30, 2022, the District contributed \$572,000 to the trust, and the estimated implied subsidy was \$71,000, resulting in total payments of \$643,000.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Total OPEB Liability

The District's net OPEB liability is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability was measured as of June 30, 2021, using an actuarial valuation as of June 30, 2021. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

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

| | |
|---|--|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2021 |
| Actuarial Cost Method | Entry Age Normal, Level Percentage of Payroll |
| Actuarial Assumptions: | |
| Discount Rate | 6.25% |
| Long-Term Expected Rate of Return on Investments | 6.25%, Net of Investment Expenses |
| Inflation | 2.50% |
| Projected Salary Increase: | |
| Aggregate | 2.75% Annually |
| Merit | CalPERS 2000-2019 Experience Study |
| Medical Trend: | |
| Non-Medicare | 6.5% for 2023, Decreasing to 3.75% in 2076 |
| Medicare | 5.65% for 2023, Decreasing to 3.75% in 2076 |
| Mortality, Disability, Termination, and Retirement | CalPERS 2000-2019 Experience Study |
| Mortality Improvement | Postretirement Mortality Projected Fully Generational with Scale MP-2021 |

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

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Total OPEB Liability (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2021, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation CERBT - Strategy 1</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|---|---|
| CERBT: | | |
| Global Equity | 59.00% | 4.56% |
| Fixed Income | 25.00% | 0.78% |
| TIPS | 5.00% | -0.08% |
| Commodities | 3.00% | 1.22% |
| REITs | 8.00% | 4.06% |
| Total | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB plan investments was applied to all periods of the projected benefit payments to determine the total OPEB liability.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

| | Increase (Decrease) | | |
|--|-------------------------|--------------------------------|-----------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Balance at June 30, 2020 (Measurement Date) | \$ 7,833,652 | \$ 6,629,422 | \$ 1,204,230 |
| Changes in the Year: | | | |
| Service Cost | 245,176 | - | 245,176 |
| Interest on the Total OPEB Liability | 531,452 | - | 531,452 |
| Change of Benefit Terms | (78,282) | - | (78,282) |
| Actual vs. Expected Experience | (1,060,300) | - | (1,060,300) |
| Changes in Assumptions | 55,482 | - | 55,482 |
| Contribution - Employer | - | 610,943 | (610,943) |
| Net Investment Income | - | 1,845,629 | (1,845,629) |
| Benefit Payments | (410,943) | (410,943) | - |
| Administrative Expenses | - | (2,526) | 2,526 |
| Net Changes | <u>(717,415)</u> | <u>2,043,103</u> | <u>(2,760,518)</u> |
| Balance at June 30, 2021 (Measurement Date) | <u>\$ 7,116,237</u> | <u>\$ 8,672,525</u> | <u>\$ (1,556,288)</u> |

Change of Assumptions

Inflation changed from 2.75% to 2.50%, decreasing the discount rate, medical and dental trend, and aggregate pay increases by 0.25%. Discount rate was lowered based on updated capital market assumptions and lower inflation. Experience study was updated to 2000-2019 CalPERS decrement tables. Mortality improvement scale updated to Scale MP-2021.

Change in Benefit Terms

The District approved a new OPEB tier in August 2020 for employees hired on or after July 1, 2020.

Subsequent Events

CalPERS approved new CERBT asset allocations in March 2022. This is not expected to impact the expected long-term rate of return assumption for CERBT Strategy 1.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

| | 1% Decrease (5.25%) | Discount Rate (6.25%) | 1% Increase (7.25%) |
|----------------------------|------------------------|--------------------------|------------------------|
| Net OPEB (Asset) Liability | <u>\$ (705,828)</u> | <u>\$ (1,556,288)</u> | <u>\$ (2,271,408)</u> |

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

The following presents the net OPEB liability of the District as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

| | 1% Decrease (5.5%/4.65% Decreasing to 2.75%) | Current Healthcare Cost Trend Rates (6.5%/5.65% Decreasing to 3.75%) | 1% Increase (7.5%/6.65% Decreasing to 4.75%) |
|--------------------|---|---|---|
| Net OPEB Liability | <u>\$ (2,365,297)</u> | <u>\$ (1,556,288)</u> | <u>\$ (566,786)</u> |

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

For the year ended June 30, 2022, the District recognized OPEB credit of \$240,075. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| OPEB Contributions Subsequent to Measurement Date | \$ 643,000 | \$ - |
| Differences between Actual and Expected Experience | - | (1,373,125) |
| Change in Assumptions | 49,105 | (117,195) |
| Differences between Projected and Actual Earnings | - | (1,000,396) |
| Total | <u>\$ 692,105</u> | <u>\$ (2,490,716)</u> |

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

An amount of \$643,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------|
| 2023 | \$ (450,686) |
| 2024 | (437,638) |
| 2025 | (441,113) |
| 2026 | (482,539) |
| 2027 | (202,895) |
| Thereafter | (426,740) |

E. Payable to the OPEB Plan

At June 30, 2022, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

NOTE 10 DEFERRED COMPENSATION

The District offers a 457 deferred compensation plan to employees. Nationwide Retirement Solutions, Inc. acts as the third-party administrative services provider for the defined contribution plan. Employees can contribute up to the IRS determined limits to the plan. The District will match contributions up to a certain amount as determined by the District's board of directors. Distributions under the plan may generally not be made prior to the earlier of the employee's attainment of age 70½ or the employee's termination of employment. Total District contributions to the plan during fiscal year 2021-2022 were \$115,510.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. In an effort to manage its risk exposure, the District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Section 6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. On June 30, 2022, the District participated in the self-insurance programs of the Insurance Authority as follows:

- *Property Loss* – The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000. The District has the following deductibles: \$1,000 for real and personal property, mobile equipment, and licensed vehicles and trailers; \$25,000 for boiler and machinery or \$50,000 for turbine or power generation equipment; 5% of total insurable value for earthquake; and \$100,000 for flood.
- *General and Auto Liability* – The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$55,000,000. The District has no deductible.
- *Public Official's Errors and Omissions* – The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$55,000,000. The District has no deductible.
- *Underground Storage Tank Pollution Liability* – The Insurance Authority has pooled self-insurance up to \$500,000 per occurrence and has purchased excess insurance coverage up to \$3,000,000. The District has a \$10,000 deductible.
- *Crime* – The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence. The District has a \$1,000 deductible.
- *Workers' Compensation* – The Insurance Authority has pooled self-insurance up to \$2,000,000 and excess insurance coverage has been purchased up to the statutory limit with a \$4,000,000 program aggregate limit for Employer's Liability. The District has no deductible.
- *Dam Failure Liability* – The Insurance Authority has purchased insurance coverage up to \$4,000,000 per occurrence with a \$1,000,000 retention.
- *Cyber Liability* – The Insurance Authority has purchased insurance coverage up to \$5,000,000 per occurrence and up to \$5,000,000 in aggregate. The retention is based on total insurable values.

The District pays annual premiums for coverage. There have been no settlements that exceeded the District's insurance coverage and no reduction in the District insurance coverage for the past three years.

**SOUTH COAST WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 12 CONTINGENCIES AND COMMITMENTS

A. Lawsuits

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's management that resolution of these matters will not have a material adverse effect on the financial condition of the District.

B. Contract Commitments

The District had \$61,656,448 of outstanding contract commitments at June 30, 2022. The three largest contracts outstanding include:

| <u>Project</u> | <u>Contract Amount</u> | <u>Balance to Complete</u> |
|---|----------------------------|--------------------------------|
| Lift Station No. 2 Replacement Project | \$ 33,402,940 | \$ 33,402,940 |
| Tunnel Stabilization & Sewer Pipeline Replacement | 36,443,900 | 10,861,278 |
| Phase 3 Tunnel Construction Management | 4,254,722 | 3,846,875 |

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REQUIRED SUPPLEMENTARY INFORMATION

**SOUTH COAST WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS***

| Fiscal Year Ended | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|--|----------------------|----------------------|----------------------|
| Measurement Period | June 30, 2021 | June 30, 2020 | June 30, 2019 |
| Plan's Proportion of the Net Pension Liability | 0.11560% | 0.23115% | 0.20735% |
| Plan's Proportionate Share of the Net Pension Liability | \$ 2,194,985 | \$ 9,749,879 | \$ 8,303,488 |
| Plan's Covered Payroll | \$ 8,724,094 | \$ 9,095,601 | \$ 8,817,816 |
| Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 25.16% | 107.19% | 94.17% |
| Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 96.70% | 84.62% | 75.26% |

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From Fiscal Year June 30, 2019, to June 30, 2022:

There were no changes in assumptions.

*Fiscal year 2015 was the first year of implementation; therefore, only eight years are shown.

**SOUTH COAST WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
LAST TEN FISCAL YEARS***

| Fiscal Year Ended | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|--|---------------|---------------|---------------|---------------|---------------|
| Measurement Period | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Plan's Proportion of the Net Pension Liability | 0.18471% | 0.19048% | 0.31882% | 0.29779% | 0.12543% |
| Plan's Proportionate Share of the Net Pension Liability | \$ 6,961,317 | \$ 7,508,964 | \$ 11,075,496 | \$ 8,170,473 | \$ 7,805,073 |
| Plan's Covered Payroll | \$ 8,547,122 | \$ 8,688,674 | \$ 7,022,391 | \$ 6,941,886 | \$ 7,086,467 |
| Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 81.45% | 86.42% | 157.72% | 117.70% | 110.14% |
| Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 75.26% | 73.31% | 74.06% | 78.40% | 83.03% |

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From Fiscal Year June 30, 2015, to June 30, 2016:

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

From Fiscal Year June 30, 2016, to June 30, 2017:

There were no changes in assumptions.

From Fiscal Year June 30, 2017, to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

From Fiscal Year June 30, 2018, to June 30, 2019:

There were no significant changes in assumptions.

*Fiscal year 2015 was the first year of implementation; therefore, only eight years are shown.

**SOUTH COAST WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSION
LAST TEN FISCAL YEARS***

| Fiscal Year Ended | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|---|----------------------|----------------------|----------------------|
| Contractually Required Contribution (Actuarially Determined) | \$ 1,530,643 | \$ 1,445,111 | \$ 1,273,193 |
| Contributions in Relation to the Actuarially Determined Contributions | <u>(1,530,643)</u> | <u>(1,445,111)</u> | <u>(1,273,193)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 8,815,002 | \$ 8,724,094 | \$ 9,095,601 |
| Contributions as a Percentage of Covered Payroll | 17.36% | 16.56% | 14.00% |

NOTES TO SCHEDULE

| | | | |
|----------------|---------------|---------------|---------------|
| Valuation Date | June 30, 2019 | June 30, 2018 | June 30, 2017 |
|----------------|---------------|---------------|---------------|

Methods and Assumptions Used to Determine Contribution Rates:

| | | | |
|---------------------------|------------|------------|------------|
| Actuarial Cost Method | Entry Age | Entry Age | Entry Age |
| Amortization Method | (1) | (1) | (1) |
| Asset Valuation Method | Fair Value | Fair Value | Fair Value |
| Inflation | 2.500% | 2.500% | 2.625% |
| Salary Increases | (2) | (2) | (2) |
| Investment Rate of Return | 7.00% (3) | 7.00% (3) | 7.25% (3) |
| Retirement Age | (4) | (4) | (4) |
| Mortality | (5) | (5) | (5) |

(1) Level percentage of payroll, closed.

(2) Depending on age, service and type of employment.

(3) Net of pension plan investment expense, including inflation.

(4) 2% @ 55 And 2% @ 62

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

*Fiscal year 2015 was the first year of implementation; therefore, only eight years are shown.

**SOUTH COAST WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSION (CONTINUED)
LAST TEN FISCAL YEARS***

| Fiscal Year Ended | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|--------------------|--------------------|-----------------------|------------------|------------------|
| Contractually Required Contribution (Actuarially Determined) | \$ 1,053,692 | \$ 1,436,610 | \$ 1,075,499 | \$ 934,063 | \$ 937,929 |
| Contributions in Relation to the Actuarially Determined Contributions | <u>(1,053,692)</u> | <u>(1,436,610)</u> | <u>(6,075,499)</u> | <u>(934,063)</u> | <u>(937,929)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (5,000,000)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 8,817,816 | \$ 8,547,122 | \$ 8,688,674 | \$ 7,022,391 | \$ 6,941,886 |
| Contributions as a Percentage of Covered Payroll | 11.95% | 16.81% | 69.92% | 13.30% | 13.51% |

NOTES TO SCHEDULE

| Valuation Date | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 | June 30, 2012 |
|----------------|---------------|---------------|---------------|---------------|---------------|
|----------------|---------------|---------------|---------------|---------------|---------------|

Methods and Assumptions Used to Determine Contribution Rates:

| | | | | | |
|---------------------------|------------|------------|------------|------------|-----------------------------------|
| Actuarial Cost Method | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age |
| Amortization Method | (1) | (1) | (1) | (1) | (1) |
| Asset Valuation Method | Fair Value | Fair Value | Fair Value | Fair Value | 15 Year Smoothed Fair Value |
| Inflation | 2.750% | 2.750% | 2.750% | 2.750% | 2.750% |
| Salary Increases | (2) | (2) | (2) | (2) | (2) |
| Investment Rate of Return | 7.375% (3) | 7.50% (3) | 7.50% (3) | 7.50% (3) | 7.50% (3) |
| Retirement Age | (4) | (4) | (4) | (4) | (4) |
| Mortality | (5) | (5) | (5) | (5) | (5) |

(1) Level percentage of payroll, closed.

(2) Depending on age, service and type of employment.

(3) Net of pension plan investment expense, including inflation.

(4) 2% @ 55 And 2% @ 62

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

*Fiscal year 2015 was the first year of implementation; therefore, only eight years are shown.

**SOUTH COAST WATER DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS***

| Fiscal Year Ended | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|--|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Measurement Period | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |
| Total OPEB Liability: | | | | | |
| Service Cost | \$ 245,176 | \$ 242,070 | \$ 252,517 | \$ 245,162 | \$ 238,021 |
| Interest on Total OPEB Liability | 531,452 | 514,032 | 534,021 | 506,612 | 479,880 |
| Changes of Assumptions | 55,482 | (101,340) | (56,574) | - | - |
| Changes in benefit terms | (78,282) | - | - | - | - |
| Differences between Expected and Actual Experience | (1,060,300) | - | (645,038) | - | - |
| Benefit Payments | (410,943) | (388,632) | (352,626) | (353,515) | (304,511) |
| Net Change in Total OPEB Liability | (717,415) | 266,130 | (267,700) | 398,259 | 413,390 |
| Total OPEB Liability - Beginning of Year | 7,833,652 | 7,567,522 | 7,835,222 | 7,436,963 | 7,023,573 |
| Total OPEB Liability - End of Year (a) | 7,116,237 | 7,833,652 | 7,567,522 | 7,835,222 | 7,436,963 |
| Plan Fiduciary Net Position: | | | | | |
| Contributions - Employer | 610,943 | 392,500 | 637,422 | 665,097 | 596,000 |
| Net Investment Income | 1,845,629 | 225,823 | 375,599 | 408,823 | 509,829 |
| Benefit Payments | (410,943) | (388,632) | (352,626) | (353,515) | (304,511) |
| Administrative Expenses | (2,526) | (3,134) | (1,247) | (9,388) | (2,461) |
| Net Change in Plan Fiduciary Net Position | 2,043,103 | 226,557 | 659,148 | 711,017 | 798,857 |
| Plan Fiduciary Net Position - Beginning of Year | 6,629,422 | 6,402,865 | 5,743,717 | 5,032,700 | 4,233,843 |
| Plan Fiduciary Net Position - End of Year (b) | 8,672,525 | 6,629,422 | 6,402,865 | 5,743,717 | 5,032,700 |
| Net OPEB (Asset) Liability - Ending (a)-(b) | <u>\$ (1,556,288)</u> | <u>\$ 1,204,230</u> | <u>\$ 1,164,657</u> | <u>\$ 2,091,505</u> | <u>\$ 2,404,263</u> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 121.87% | 84.63% | 84.61% | 73.31% | 67.67% |
| Covered - Employee Payroll | \$ 10,058,458 | \$ 9,023,421 | \$ 9,899,581 | \$ 9,811,343 | \$ 8,688,674 |
| Net OPEB Liability as a Percentage of Covered - Employee Payroll | -15.47% | 13.35% | 11.76% | 21.32% | 27.67% |

NOTES TO SCHEDULE

Benefit Changes:

Fiscal Year June 30, 2022: District approved a new tier in August 2020 for employees hired on or after July 1, 2020.

Changes In Assumptions:

From Fiscal Year June 30, 2018, To June 30, 2019:

There were no changes in assumptions.

From Fiscal Year June 30, 2019, To June 30, 2020:

The mortality improvement scale was updated to Scale MP-2019 from MP-2017. The healthcare trend changed from 7.50% non-Medicare and 6.50% Medicare to 7.25% non-Medicare and 6.30% Medicare.

From Fiscal Year June 30, 2020, to June 30, 2021:

PPACA high cost excise tax repealed.

From Fiscal Year June 30, 2021, to June 30, 2022:

Inflation rate changed from 2.75% to 2.5%, discount rate, medical/dental trend and salary pay increases reduced by 0.25%,

Experience study updated to 2000-2019 CalPERS table and mortality scale updated to scale MP-2021

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

**SOUTH COAST WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – OPEB
LAST TEN FISCAL YEARS***

| Fiscal Year Ended | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Actuarially Determined Contribution | \$ 572,000 | \$ 557,000 | \$ 623,000 | \$ 605,000 | \$ 573,000 |
| Contributions in Relation to the Actuarially Determined Contributions | <u>(643,000)</u> | <u>(610,943)</u> | <u>(392,500)</u> | <u>(637,422)</u> | <u>(665,097)</u> |
| Contribution Deficiency (Excess) | <u>\$ (71,000)</u> | <u>\$ (53,943)</u> | <u>\$ 230,500</u> | <u>\$ (32,422)</u> | <u>\$ (92,097)</u> |
| Covered - Employee Payroll | \$ 10,906,346 | \$ 10,058,458 | \$ 9,023,421 | \$ 9,899,581 | \$ 9,811,343 |
| Contributions as a Percentage of Covered - Employee Payroll | 5.90% | 6.07% | 4.35% | 6.44% | 6.78% |

NOTES TO SCHEDULE

| | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Valuation Date | June 30, 2019 | June 30, 2019 | June 30, 2017 | June 30, 2017 | June 30, 2015 |
| Methods and Assumptions Used to Determine Contribution Rates: | | | | | |
| Actuarial Cost Method | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age |
| Amortization Method | (1) | (1) | (1) | (1) | (1) |
| Amortization Period | Three-Year | Four-Year | Seven-Year | Eight-Year | Ten-Year |
| | Average Fixed | Average Fixed | Average Fixed | Average Fixed | Average Fixed |
| Asset Valuation Method | (2) | (2) | (2) | (2) | (2) |
| Discount Rate | 6.75% | 6.75% | 6.75% | 6.75% | 7.25% |
| Inflation | 2.75% | 2.75% | 2.75% | 2.75% | 3.00% |
| Medical Trend | (5) | (5) | (4) | (4) | (3) |
| Mortality | (7) | (7) | (7) | (7) | (6) |

- (1) Level Percentage of Payroll
- (2) Investment Gains and Losses Spread over Five-Year Rolling Period
- (3) Non-Medicare - 7.0% for 2017, Decreasing to 5.0% in 2021 and Later
Medicare - 7.2% for 2017, Decreasing to 5.0% in 2021 and Later
- (4) Non-Medicare - 7.5% for 2019, Decreasing to 4.0% in 2076 and Later
Medicare - 6.5% for 2019, Decreasing to 4.0% in 2076 and Later
- (5) Non-Medicare - 7.25% for 2021, Decreasing to 4.0% in 2076 and Later
Medicare - 6.3% for 2021, Decreasing to 4.0% in 2076 and Later
- (6) CalPERS 1997-2011 Experience Study
- (7) CalPERS 1997-2015 Experience Study

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

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SUPPLEMENTARY INFORMATION

**SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2022**

| ASSETS | Water | Sewer | Total |
|---|---------------|---------------|---------------|
| CURRENT ASSETS | | | |
| Cash and Investments | \$ 26,849,416 | \$ 30,465,244 | \$ 57,314,660 |
| Utility Accounts Receivable | 1,901,407 | 527,788 | 2,429,195 |
| Property Taxes Receivable | 218,774 | 696,535 | 915,309 |
| Grants Receivable | 158,264 | - | 158,264 |
| Accrued Interest Receivable | 33,473 | 81,880 | 115,353 |
| Other Receivables | 1,518,517 | 9,458,856 | 10,977,373 |
| Leases Receivable | 61,734 | - | 61,734 |
| Prepaid Expenses and Other Assets | 270,380 | 247,320 | 517,700 |
| Cash and Investments Restricted by Debt Agreements | 12,167,416 | 36,354,745 | 48,522,161 |
| Total Current Assets | 43,179,381 | 77,832,368 | 121,011,749 |
| NONCURRENT ASSETS | | | |
| Capital Assets: | | | |
| Not Being Depreciated | 4,742,404 | 103,874,054 | 108,616,458 |
| Being Depreciated (Net of Accumulated Depreciation) | 63,026,220 | 67,660,312 | 130,686,532 |
| Net Capital Assets | 67,768,624 | 171,534,366 | 239,302,990 |
| Other Assets: | | | |
| Leases Receivable | 450,314 | - | 450,314 |
| Investment in Joint Venture | 7,949,754 | - | 7,949,754 |
| Net OPEB Asset | 846,168 | 710,120 | 1,556,288 |
| Total Noncurrent Assets | 77,014,860 | 172,244,486 | 249,259,346 |
| Total Assets | 120,194,241 | 250,076,854 | 370,271,095 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Refunding Charges | 936,196 | 473,544 | 1,409,740 |
| Pension Contributions Subsequent to Measurement Date | 803,587 | 727,056 | 1,530,643 |
| Pension Related | 926,238 | 838,026 | 1,764,264 |
| OPEB Related | 353,543 | 338,562 | 692,105 |
| Total Deferred Outflows of Resources | 3,019,564 | 2,377,188 | 5,396,752 |

**SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION (CONTINUED)
JUNE 30, 2022**

| LIABILITIES | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|----------------------|-----------------------|-----------------------|
| CURRENT LIABILITIES | | | |
| Accounts Payable | \$ 2,604,000 | \$ 4,924,100 | \$ 7,528,100 |
| Accrued Salaries and Benefits | 114,765 | 64,925 | 179,690 |
| Advances from Developers | 51,961 | - | 51,961 |
| Customer Deposits | 200,242 | 9,133 | 209,375 |
| Accrued Interest Payable | 624,504 | 695,566 | 1,320,070 |
| Current Portion of Bonds Payable, Net | 497,500 | 1,062,500 | 1,560,000 |
| Current Portion of Compensated Absences | 382,534 | 244,386 | 626,920 |
| Total Current Liabilities | <u>4,475,506</u> | <u>7,000,610</u> | <u>11,476,116</u> |
| NONCURRENT LIABILITIES | | | |
| Loans Payable | - | 80,300,275 | 80,300,275 |
| Bonds Payable, Net | 37,584,963 | 48,987,067 | 86,572,030 |
| Compensated Absences | 603,887 | 312,606 | 916,493 |
| Net Pension Liability | 1,152,367 | 1,042,618 | 2,194,985 |
| Total Noncurrent Liabilities | <u>39,341,217</u> | <u>130,642,566</u> | <u>169,983,783</u> |
| Total Liabilities | 43,816,723 | 137,643,176 | 181,459,899 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension Related | 1,819,400 | 1,646,123 | 3,465,523 |
| OPEB Related | 1,289,218 | 1,201,498 | 2,490,716 |
| Leases Related | 491,322 | - | 491,322 |
| Total Deferred Inflows Of Resources | <u>3,599,940</u> | <u>2,847,621</u> | <u>6,447,561</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 40,436,003 | 75,690,543 | 116,126,546 |
| Restricted for Debt Service | - | 3,127,385 | 3,127,385 |
| Unrestricted | 35,361,139 | 33,145,317 | 68,506,456 |
| Total Net Position | <u>\$ 75,797,142</u> | <u>\$ 111,963,245</u> | <u>\$ 187,760,387</u> |

**SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022**

| | Water | Sewer | Total |
|--|----------------------|-----------------------|-----------------------|
| OPERATING REVENUES | | | |
| Water Sales | \$ 20,594,297 | \$ - | \$ 20,594,297 |
| Sewer Service Charges | - | 17,183,484 | 17,183,484 |
| Recycled Water | 2,664,716 | - | 2,664,716 |
| Recreation Facilities | 333,243 | - | 333,243 |
| Total Operating Revenues | <u>23,592,256</u> | <u>17,183,484</u> | <u>40,775,740</u> |
| OPERATING EXPENSES | | | |
| Source of Supply (Purchased Water) | 6,779,009 | - | 6,779,009 |
| Groundwater Recovery Facility | 1,197,018 | - | 1,197,018 |
| Recycled Water | 1,562,009 | - | 1,562,009 |
| Pumping Expense | 400,080 | 613,403 | 1,013,483 |
| Sewer Treatment Plant | - | 4,186,641 | 4,186,641 |
| Transmission and Distribution | 2,408,763 | 2,012,854 | 4,421,617 |
| Operations Support | 2,034,577 | 916,948 | 2,951,525 |
| Recreation Facilities | 305,075 | - | 305,075 |
| Engineering and Consulting | 1,029,007 | 1,049,064 | 2,078,071 |
| General and Administrative | 2,978,424 | 1,492,729 | 4,471,153 |
| Depreciation | 3,999,014 | 2,487,082 | 6,486,096 |
| Total Operating Expenses | <u>22,692,976</u> | <u>12,758,721</u> | <u>35,451,697</u> |
| INCOME FROM OPERATIONS | 899,280 | 4,424,763 | 5,324,043 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Property Taxes - General and Bond Levy | 3,192,776 | 4,279,984 | 7,472,760 |
| Grants Revenue | 221,102 | 31,081 | 252,183 |
| Investment Income | (252,910) | (646,972) | (899,882) |
| Other Revenues | 851,822 | 323,586 | 1,175,408 |
| Rental Income | 1,181,093 | - | 1,181,093 |
| Interest Expense | (1,551,532) | (2,504,191) | (4,055,723) |
| Gain on Disposal of Capital Assets | 18,065 | 18,065 | 36,130 |
| Total Nonoperating Revenues (Expenses) | <u>3,660,416</u> | <u>1,501,553</u> | <u>5,161,969</u> |
| INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS | 4,559,696 | 5,926,316 | 10,486,012 |
| Transfers In | 1,596,345 | 1,570,195 | 3,166,540 |
| Transfers Out | (1,571,500) | (1,595,040) | (3,166,540) |
| CAPITAL CONTRIBUTIONS | | | |
| Connection Fees | <u>99,393</u> | <u>24,315</u> | <u>123,708</u> |
| CHANGE IN NET POSITION | 4,683,934 | 5,925,786 | 10,609,720 |
| Net Position - Beginning of Year | <u>71,113,208</u> | <u>106,037,459</u> | <u>177,150,667</u> |
| NET POSITION - END OF YEAR | <u>\$ 75,797,142</u> | <u>\$ 111,963,245</u> | <u>\$ 187,760,387</u> |

**SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

| | Water | Sewer | Total |
|---|----------------------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from Customers | \$ 22,888,966 | \$ 16,403,140 | \$ 39,292,106 |
| Cash Payments to Suppliers for Goods and Services | (12,560,296) | (5,432,359) | (17,992,655) |
| Cash Payments to Employees for Services | (9,693,043) | (6,783,972) | (16,477,015) |
| Other Operating Revenues | 851,822 | 323,586 | 1,175,408 |
| Net Cash Provided by Operating Activities | <u>1,487,449</u> | <u>4,510,395</u> | <u>5,997,844</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Proceeds from Property Taxes | 3,177,592 | 3,822,102 | 6,999,694 |
| Cash Transfers In (Out) between funds | 1,373,469 | (1,373,469) | - |
| Net Cash Provided by Noncapital Financing Activities | <u>4,551,061</u> | <u>2,448,633</u> | <u>6,999,694</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisitions and Construction of Capital Assets | (2,075,091) | (18,429,975) | (20,505,066) |
| Proceeds from Capital Grant | 368,094 | 31,081 | 399,175 |
| Proceeds from Sale of Capital Assets | 18,613 | 18,613 | 37,226 |
| Proceeds from Loan | - | 16,689,447 | 16,689,447 |
| Repayment of Loans and Bonds | (477,500) | (1,022,500) | (1,500,000) |
| Interest Paid | (1,531,248) | (2,742,692) | (4,273,940) |
| Water and Sewer Connection Fees Received | 99,393 | 24,315 | 123,708 |
| Rental Income Received | 1,160,367 | - | 1,160,367 |
| Receipt (Return) of Customer Deposits and Developer Advances | 25,866 | - | 25,866 |
| Net Cash Used by Capital and Related Financing Activities | <u>(2,411,506)</u> | <u>(5,431,711)</u> | <u>(7,843,217)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment Redemptions and Sales | 1,162,825 | 2,616,480 | 3,779,305 |
| Investment Purchases | (1,937,236) | (3,317,698) | (5,254,934) |
| Interest Income Received | 123,952 | 286,310 | 410,262 |
| Net Cash Used by Investing Activities | <u>(650,459)</u> | <u>(414,908)</u> | <u>(1,065,367)</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | 2,976,545 | 1,112,409 | 4,088,954 |
| Cash and Cash Equivalents - Beginning of Year | <u>29,018,275</u> | <u>53,681,725</u> | <u>82,700,000</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 31,994,820</u> | <u>\$ 54,794,134</u> | <u>\$ 86,788,954</u> |

**SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|--|----------------------|-----------------------|----------------------|
| RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Income from Operations | \$ 899,280 | \$ 4,424,763 | \$ 5,324,043 |
| Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities: | | | |
| Operating Activities: | | | |
| Depreciation | 3,999,014 | 2,487,082 | 6,486,096 |
| Other Revenues | 851,822 | 323,586 | 1,175,408 |
| Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources: | | | |
| (Increase) Decrease in | | | |
| Utility Accounts Receivable | (215,107) | (103,785) | (318,892) |
| Other Receivables | (493,981) | (636,226) | (1,130,207) |
| Prepaid Expenses and Other Assets | (65,310) | (38,962) | (104,272) |
| Investment in Joint Venture | (137,509) | - | (137,509) |
| Deferred Outflows of Resources | 155,983 | 141,126 | 297,109 |
| Increase (Decrease) in | | | |
| Accounts Payable | 329,623 | 1,343,154 | 1,672,777 |
| Accrued Salaries and Benefits | (278,776) | (202,377) | (481,153) |
| Customer Deposits | 5,994 | (40,333) | (34,339) |
| Unearned Revenue | (196) | - | (196) |
| Compensated Absences | (83,444) | (39,110) | (122,554) |
| Net Pension Liability | (3,966,319) | (3,588,575) | (7,554,894) |
| Net OPEB Liability | (1,449,272) | (1,311,246) | (2,760,518) |
| Deferred Inflows of Resources | 1,935,647 | 1,751,298 | 3,686,945 |
| Net Cash Provided by Operating Activities | <u>\$ 1,487,449</u> | <u>\$ 4,510,395</u> | <u>\$ 5,997,844</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION | | | |
| Cash and Investments | \$ 26,849,416 | \$ 30,465,244 | \$ 57,314,660 |
| Cash and Investments Restricted by Debt Agreements | 12,167,416 | 36,354,745 | 48,522,161 |
| Less: Investments with Maturities Greater than Three Months | <u>(7,022,012)</u> | <u>(12,025,855)</u> | <u>(19,047,867)</u> |
| Cash and Cash Equivalents | <u>\$ 31,994,820</u> | <u>\$ 54,794,134</u> | <u>\$ 86,788,954</u> |
| SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES | | | |
| Reallocation of debt between funds | <u>\$ 1,348,623</u> | <u>\$ (1,348,623)</u> | <u>\$ -</u> |

STATISTICAL SECTION (UNAUDITED)

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**SOUTH COAST WATER DISTRICT
DESCRIPTION OF STATISTICAL SECTION CONTENTS
YEAR ENDED JUNE 30, 2022**

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

Contents

| | |
|--|----|
| Financial Trends | 76 |
| These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time. | |
| Revenue Capacity | 80 |
| These schedules contain information to help the reader assess the District's most significant local revenue source from water and sewer commodity and fixed charges. | |
| Debt Capacity | 89 |
| These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. | |
| Demographic and Economic Information | 97 |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. | |
| Operating Information | 99 |
| These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs. | |

**SOUTH COAST WATER DISTRICT
NET POSITION
LAST TEN FISCAL YEARS**

| Net Position: | Fiscal Year | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2022 | 2021 | 2020 | 2019 |
| Assets : | | | | |
| Current Assets | \$ 121,011,749 | \$ 106,418,099 | \$ 66,578,752 | \$ 60,049,653 |
| Noncurrent Assets: | | | | |
| Restricted Assets | - | - | - | - |
| Net Capital Assets | 239,302,990 | 225,285,113 | 210,592,371 | 189,089,119 |
| Other Assets | 9,956,356 | 7,812,245 | 7,927,333 | 7,951,147 |
| Total Assets | <u>370,271,095</u> | <u>339,515,457</u> | <u>285,098,456</u> | <u>257,089,919</u> |
| Deferred Outflows of Resources: | | | | |
| Deferred Refunding Charges | 1,409,740 | 1,532,026 | 1,654,314 | 1,776,601 |
| Pension Contributions Subsequent to Measurement Date | 1,530,643 | 1,445,111 | 1,273,194 | 1,053,692 |
| Pension Related | 1,764,264 | 2,120,886 | 1,204,122 | 1,455,169 |
| Other Post-Employment Benefits Contributions Subsequent to Measurement Date | 692,105 | 718,124 | 392,500 | 637,422 |
| Total Deferred Outflows of Resources | <u>5,396,752</u> | <u>5,816,147</u> | <u>4,524,130</u> | <u>4,922,884</u> |
| Liabilities: | | | | |
| Current Liabilities | 11,476,116 | 10,480,978 | 14,020,195 | 11,465,539 |
| Noncurrent Liabilities | 169,983,783 | 155,430,665 | 101,422,108 | 79,153,539 |
| Total Liabilities | <u>181,459,899</u> | <u>165,911,643</u> | <u>115,442,303</u> | <u>90,619,078</u> |
| Deferred Inflows of Resources: | | | | |
| Deferred Refunding Charges | - | - | - | - |
| Pension Related | 3,465,523 | 1,630,002 | 689,762 | 609,782 |
| Other Post-Employment Benefits Related | 2,490,716 | 639,292 | 736,322 | 180,776 |
| Leases Related | 491,322 | - | - | - |
| Total Deferred Inflows of Resources | <u>6,447,561</u> | <u>2,269,294</u> | <u>1,426,084</u> | <u>790,558</u> |
| Net Position: | | | | |
| Net Investment in Capital Assets | 116,126,546 | 127,940,920 | 127,589,910 | 134,820,840 |
| Restricted for Debt Service/Covenants | 3,127,385 | 2,096,140 | 1,516,254 | 563,373 |
| Unrestricted | 68,506,456 | 47,113,607 | 43,648,035 | 35,218,954 |
| Total Net Position | <u>\$ 187,760,387</u> | <u>\$ 177,150,667</u> | <u>\$ 172,754,199</u> | <u>\$ 170,603,167</u> |

(Continued)

NOTES:

N/A - information not available.

Source: District Audited Financial Statements

**SOUTH COAST WATER DISTRICT
NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS**

| Fiscal Year | | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|
| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | |
| \$ 54,344,998 | \$ 50,040,724 | \$ 63,046,515 | \$ 67,720,317 | \$ 66,760,139 | \$ 63,144,117 | |
| - | - | - | - | - | - | |
| 165,166,397 | 155,831,742 | 144,780,028 | 142,637,218 | 138,716,648 | 134,750,686 | |
| 8,219,287 | 8,630,100 | 8,822,497 | 8,489,128 | 8,009,295 | 9,114,558 | |
| <u>227,730,682</u> | <u>214,502,566</u> | <u>216,649,040</u> | <u>218,846,663</u> | <u>213,486,082</u> | <u>207,009,361</u> | |
| 716,800 | 784,529 | - | - | - | - | |
| 1,436,610 | 6,075,499 | 934,063 | 937,929 | - | - | |
| 2,760,767 | 1,675,168 | 86,953 | 41,748 | - | - | |
| 617,000 | - | - | - | - | - | |
| <u>5,531,177</u> | <u>8,535,196</u> | <u>1,021,016</u> | <u>979,677</u> | <u>-</u> | <u>-</u> | |
| 8,026,333 | 7,811,739 | 6,214,723 | 7,421,520 | 6,483,160 | 4,982,384 | |
| <u>53,272,612</u> | <u>44,726,428</u> | <u>42,029,933</u> | <u>43,496,920</u> | <u>37,949,615</u> | <u>39,738,249</u> | |
| 61,298,945 | 52,538,167 | 48,244,656 | 50,918,440 | 44,432,775 | 44,720,633 | |
| - | - | 508,116 | 536,748 | 573,331 | 609,913 | |
| 1,368,335 | 1,355,999 | 2,078,899 | 2,755,478 | - | - | |
| 171,432 | - | - | - | - | - | |
| - | - | - | - | - | - | |
| <u>1,539,767</u> | <u>1,355,999</u> | <u>2,587,015</u> | <u>3,292,226</u> | <u>573,331</u> | <u>609,913</u> | |
| 121,807,991 | 122,393,683 | 109,822,913 | 107,007,231 | 101,766,953 | 101,642,108 | |
| 457 | 573,681 | 784,475 | 770,667 | 777,667 | 7,589,319 | |
| <u>48,614,699</u> | <u>46,176,232</u> | <u>56,230,997</u> | <u>57,537,776</u> | <u>66,710,674</u> | <u>52,447,388</u> | |
| <u>\$ 170,423,147</u> | <u>\$ 169,143,596</u> | <u>\$ 166,838,385</u> | <u>\$ 165,315,674</u> | <u>\$ 169,255,294</u> | <u>\$ 161,678,815</u> | |

**SOUTH COAST WATER DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

| Changes in Net Position: | Fiscal Year | | | |
|---|----------------------|---------------------|---------------------|-------------------|
| | 2022 | 2021 | 2020 | 2019 |
| Operating Revenues | | | | |
| Water Sales | \$ 20,594,297 | \$ 19,527,900 | \$ 18,482,268 | \$ 17,518,158 |
| Sewer Service Charges | 17,183,484 | 15,465,736 | 15,202,153 | 14,702,662 |
| Recycled Water | 2,664,716 | 2,179,970 | 1,855,007 | 1,770,840 |
| Recreation Facilities | 333,243 | 257,294 | 244,999 | 294,177 |
| Operating Expenses | | | | |
| Source of Supply (Purchased Water) | 6,779,009 | 6,878,289 | 5,549,902 | 6,085,677 |
| Groundwater Recovery Facility | 1,197,018 | 1,110,828 | 1,330,142 | 1,011,303 |
| Recycled Water | 1,562,009 | 1,313,227 | 1,015,881 | 942,374 |
| Pumping Expense | 1,013,483 | 989,363 | 1,169,994 | 1,111,566 |
| Sewer Treatment Plant | 4,186,641 | 4,132,637 | 4,551,238 | 5,400,627 |
| Transmission and Distribution | 4,421,617 | 4,520,965 | 5,431,867 | 4,854,330 |
| Operations Support | 2,951,525 | 2,517,593 | 2,612,869 | 2,932,001 |
| Recreation Facilities | 305,075 | 321,871 | 277,255 | 294,565 |
| Engineering and Consulting | 2,078,071 | 2,110,391 | 2,159,615 | 2,314,667 |
| General and Administrative | 4,471,153 | 10,926,420 | 10,977,290 | 8,216,031 |
| Depreciation | 6,486,096 | 6,534,708 | 6,583,151 | 6,259,702 |
| Income From Operations | 5,324,043 | (3,925,392) | (5,874,777) | (5,137,006) |
| Nonoperating Revenues (Expenses) | | | | |
| Property Taxes-General and Bond Levy | 7,472,760 | 7,154,483 | 6,774,772 | 6,558,495 |
| Connection Fees | - | - | - | - |
| Standby Charges | - | - | - | - |
| Investment Income | (899,882) | 65,916 | 1,556,273 | 1,412,028 |
| Other Revenues | 1,175,408 | 1,360,422 | 969,321 | 2,044,497 |
| Rental Income | 1,181,093 | 948,241 | 774,641 | 832,059 |
| Grant Revenue | 252,183 | 1,371,927 | - | - |
| Interest Expense | (4,055,723) | (3,509,829) | (2,786,364) | (2,294,818) |
| Gain (Loss) on Disposal of Capital Assets | 36,130 | (246,253) | (196,441) | (2,430,233) |
| Share of Joint Venture Income (Expenses) | - | - | (73,606) | (571,241) |
| Other Expenses | - | - | (2,042) | (404,292) |
| Total Nonoperating Revenues (Expenses) | 5,161,969 | 7,144,907 | 7,016,554 | 5,146,495 |
| Income Before Capital Contributions | 10,486,012 | 3,219,515 | 1,141,777 | 9,489 |
| Capital Contributions | 123,708 | 679,463 | 1,009,255 | 757,263 |
| Change in Net Position | \$ 10,609,720 | \$ 3,898,978 | \$ 2,151,032 | \$ 766,752 |

(Continued)

Source: District Audited Financial Statements

**SOUTH COAST WATER DISTRICT
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS**

| | | Fiscal Year | | | | | | | | | |
|----|--------------------|-------------|--------------------|------|--------------------|------|------------------|----|------------------|----|--------------------|
| | | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | | | | |
| \$ | 16,415,394 | \$ | 14,133,228 | \$ | 14,105,212 | \$ | 16,236,389 | \$ | 17,439,450 | \$ | 16,449,127 |
| | 13,839,953 | | 12,421,268 | | 12,070,688 | | 12,812,048 | | 12,210,786 | | 11,836,935 |
| | 1,907,580 | | 1,640,610 | | 1,358,360 | | 1,439,432 | | 1,411,162 | | 1,168,678 |
| | 291,564 | | 215,069 | | 208,811 | | 251,604 | | 261,269 | | 193,791 |
| | 5,804,144 | | 5,616,206 | | 5,579,348 | | 5,934,856 | | 6,172,350 | | 5,446,549 |
| | 686,714 | | 570,996 | | 437,110 | | 531,460 | | 565,177 | | 480,325 |
| | 621,481 | | 1,082,906 | | 1,024,908 | | 1,101,808 | | 716,697 | | 624,700 |
| | 1,101,671 | | 1,043,175 | | 956,397 | | 1,124,003 | | 1,067,834 | | 1,184,480 |
| | 4,421,065 | | 3,169,418 | | 2,592,137 | | 2,084,904 | | 2,125,949 | | 2,349,903 |
| | 4,217,828 | | 4,727,882 | | 4,249,310 | | 4,561,273 | | 3,861,885 | | 3,963,150 |
| | 2,409,490 | | - | | - | | - | | - | | - |
| | 365,952 | | 453,661 | | 316,364 | | 317,364 | | 256,403 | | 289,591 |
| | 2,577,966 | | 1,515,371 | | - | | - | | - | | - |
| | 7,058,374 | | 9,109,631 | | 8,523,132 | | 8,191,511 | | 9,083,167 | | 8,995,989 |
| | 6,384,604 | | 6,639,471 | | 7,367,975 | | 7,315,469 | | 7,077,400 | | 7,443,391 |
| | <u>(3,194,798)</u> | | <u>(5,518,542)</u> | | <u>(3,303,610)</u> | | <u>(423,175)</u> | | <u>395,805</u> | | <u>(1,129,547)</u> |
| | 6,332,296 | | 6,021,573 | | 6,128,107 | | 5,626,192 | | 5,376,662 | | 5,328,828 |
| | - | | - | | - | | - | | 521,160 | | 138,450 |
| | 1,605 | | 10,601 | | 8,976 | | 8,904 | | 9,141 | | 11,456 |
| | 353,704 | | 358,885 | | 290,475 | | 194,283 | | 115,022 | | 140,586 |
| | 819,595 | | 572,107 | | 624,843 | | 795,491 | | 516,430 | | 584,798 |
| | 782,842 | | 788,711 | | 785,393 | | 759,253 | | 638,688 | | 595,759 |
| | - | | - | | - | | 204,593 | | - | | - |
| | (1,337,020) | | (825,110) | | (900,665) | | (604,012) | | (831,515) | | (1,097,746) |
| | (12,354) | | (57,550) | | 26,438 | | 77,542 | | 34,869 | | 13,492 |
| | (393,387) | | (282,950) | | 183,361 | | (233,290) | | (153,024) | | (538,699) |
| | <u>(124,755)</u> | | <u>(121,012)</u> | | <u>(3,188,858)</u> | | <u>(98,819)</u> | | <u>(365,817)</u> | | <u>(108,731)</u> |
| | <u>6,422,526</u> | | <u>6,465,255</u> | | <u>3,958,070</u> | | <u>6,730,137</u> | | <u>5,861,616</u> | | <u>5,068,193</u> |
| | 3,227,728 | | 946,713 | | 654,460 | | 6,306,962 | | 6,257,421 | | 3,938,646 |
| | 745,969 | | 1,358,498 | | 868,251 | | 340,665 | | 1,319,058 | | 67,649 |
| \$ | <u>3,973,697</u> | \$ | <u>2,305,211</u> | \$ | <u>1,522,711</u> | \$ | <u>6,647,627</u> | \$ | <u>7,576,479</u> | \$ | <u>4,006,295</u> |

**SOUTH COAST WATER DISTRICT
WATER SOLD BY TYPE OF CUSTOMER (IN ACRE FEET)
LAST TEN FISCAL YEARS**

| Customer Type | Fiscal Year | | | | |
|---------------------------|--------------------|--------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Single Family Residential | 3,021 | 3,024 | 2,734 | 2,679 | 2,798 |
| Multi-Family Residential | 945 | 1,008 | 957 | 952 | 971 |
| Commercial/Industrial | 870 | 746 | 814 | 902 | 928 |
| Irrigation/Other | 1,655 | 1,623 | 1,329 | 1,332 | 1,640 |
| Total | 6,491 | 6,401 | 5,834 | 5,865 | 6,337 |

(Continued)

Source: District Billing System

**SOUTH COAST WATER DISTRICT
WATER SOLD BY TYPE OF CUSTOMER (IN ACRE FEET) (CONTINUED)
LAST TEN FISCAL YEARS**

| Fiscal Year | | | | |
|--------------------|--------------|--------------|--------------|--------------|
| 2017 | 2016 | 2015 | 2014 | 2013 |
| 2,504 | 2,350 | 3,103 | 3,185 | 3,095 |
| 960 | 961 | 1,137 | 1,153 | 1,164 |
| 914 | 917 | 1,115 | 1,089 | 1,054 |
| 1,385 | 1,402 | 1,953 | 1,980 | 1,753 |
| 5,763 | 5,630 | 7,308 | 7,407 | 7,066 |

**SOUTH COAST WATER DISTRICT
WATER RATES
LAST TEN FISCAL YEARS**

| Description | Fiscal Year | | | | |
|--|--------------------|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Potable Water: | | | | | |
| Single Family Residence (Variable) | | | | | |
| Tier 1 | \$ 2.88 | \$ 3.19 | \$ 3.10 | \$ 2.93 | \$ 2.74 |
| Tier 2 | 3.65 | 3.37 | 3.28 | 3.09 | 2.89 |
| Tier 3 | 3.75 | 3.56 | 3.46 | 3.27 | 3.05 |
| Tier 4 | - | - | - | - | - |
| Tier 5 | - | - | - | - | - |
| Multi-Family (Variable) | 3.16 | 3.22 | 3.13 | 2.95 | 2.76 |
| Commercial (Variable) | 3.22 | 3.46 | 3.36 | 3.17 | 2.96 |
| Irrigation (Variable) | | | | | |
| Tier 1 | 3.39 | 3.59 | 3.49 | 3.29 | 3.08 |
| Tier 2 | - | - | - | - | - |
| Tier 3 | - | - | - | - | - |
| Fixed Charges ² | | | | | |
| 3/4" | 340.06 | 324.10 | 314.85 | 297.25 | 278.05 |
| 1" | 598.93 | 540.20 | 524.75 | 495.40 | 463.40 |
| 1 1/2" | 995.11 | 1,080.35 | 1,049.45 | 990.80 | 926.80 |
| 2" | 1,750.86 | 1,728.55 | 1,679.10 | 1,585.25 | 1,482.85 |
| 3" | 3,890.27 | 3,781.15 | 3,673.00 | 3,467.70 | 3,243.70 |
| 4" | 8,710.18 | 6,806.05 | 6,611.35 | 6,241.85 | 5,838.65 |
| 6" | 16,890.92 | 14,044.15 | 13,642.50 | 12,880.00 | 12,048.00 |
| Peak Demand Charges (Fixed) ^{2/3} | 26.93 | 23.10 | 22.45 | 21.15 | 19.80 |
| Recycled Water: | | | | | |
| Variable Charges | 5.45 | 4.55 | 4.51 | 4.35 | 4.16 |
| Fixed Charges ² | | | | | |
| 3/4" | 340.06 | 324.10 | 314.85 | 297.25 | 278.05 |
| 1" | 598.93 | 540.20 | 524.75 | 495.40 | 463.40 |
| 1 1/2" | 995.11 | 1,080.35 | 1,049.45 | 990.80 | 926.80 |
| 2" | 1,750.86 | 1,728.55 | 1,679.10 | 1,585.25 | 1,482.85 |
| 3" | 3,890.27 | 3,781.15 | 3,673.00 | 3,467.70 | 3,243.70 |
| 4" | 8,710.18 | 6,806.05 | 6,611.35 | 6,241.85 | 5,838.65 |
| 6" | 16,890.92 | 14,044.15 | 13,642.50 | 12,880.00 | 12,048.00 |

(Continued)

NOTES:

¹ In general, variable rates for water service decreased after 2016 due to the transfer of some costs to Fixed and Peak Demand Charges in the new rate structure. Variable rates are based on usage by centum cubic feet (CCF). One CCF equals 100 cubic feet or 748 gallons.

² Fixed charges for single family residences are billed on an annual basis and collected with property tax payments.

³ This new fee is based on the second highest demand month during the preceding fiscal year.

Source: District records

**SOUTH COAST WATER DISTRICT
WATER RATES (CONTINUED)
LAST TEN FISCAL YEARS**

| | | Fiscal Year | | | | | | | |
|----|-----------|-------------|-------------------|------|-----------|------|-----------|----|-----------|
| | | 2017 | 2016 ¹ | 2015 | 2014 | 2013 | | | |
| \$ | 2.54 | \$ | 2.25 | \$ | 2.25 | \$ | 2.16 | \$ | 2.01 |
| | 2.68 | | 4.18 | | 4.18 | | 4.07 | | 3.85 |
| | 2.83 | | 6.27 | | 6.27 | | 6.10 | | 5.77 |
| | - | | 8.36 | | 8.36 | | 8.13 | | 7.69 |
| | - | | 10.45 | | 10.45 | | 10.16 | | 9.61 |
| | 2.56 | | 4.13 | | 4.13 | | 4.02 | | 3.72 |
| | 2.75 | | 4.13 | | 4.13 | | 4.02 | | 3.72 |
| | 2.85 | | 4.18 | | 4.18 | | 4.07 | | 3.85 |
| | - | | 6.27 | | 6.27 | | 6.10 | | 5.77 |
| | - | | 8.36 | | 8.36 | | 8.13 | | 7.69 |
| | 257.70 | | 294.20 | | 294.20 | | 284.62 | | 284.62 |
| | 429.50 | | 529.56 | | 529.56 | | 512.31 | | 512.31 |
| | 859.00 | | 1,182.69 | | 1,182.69 | | 1,144.17 | | 1,144.17 |
| | 1,374.35 | | 2,100.69 | | 2,100.69 | | 2,032.18 | | 2,032.18 |
| | 3,006.40 | | 4,727.83 | | 4,727.83 | | 4,573.82 | | 4,573.82 |
| | 5,411.50 | | 8,399.48 | | 8,399.48 | | 8,125.87 | | 8,125.87 |
| | 11,166.55 | | 18,896.62 | | 18,896.62 | | 18,281.07 | | 18,281.07 |
| | 18.35 | | - | | - | | - | | - |
| | 3.94 | | 3.72 | | 3.72 | | 3.62 | | 3.34 |
| | 257.70 | | - | | - | | - | | - |
| | 429.50 | | - | | - | | - | | - |
| | 859.00 | | - | | - | | - | | - |
| | 1,374.35 | | - | | - | | - | | - |
| | 3,006.40 | | - | | - | | - | | - |
| | 5,411.50 | | - | | - | | - | | - |
| | 11,166.55 | | - | | - | | - | | - |

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**SOUTH COAST WATER DISTRICT
TEN LARGEST WATER CUSTOMERS
CURRENT AND NINE YEARS AGO**

FY 2021/2022

| | <u>Customer Name</u> | <u>Business Type</u> | <u>Annual Revenues</u> | <u>% of Total Revenues</u> |
|----|---|-------------------------|------------------------|----------------------------|
| 1 | Monarch Beach Golf Links | Golf Course | \$ 630,301 | 2.71% |
| 2 | City of Dana Point | Government | 461,735 | 1.99% |
| 3 | MMB Management LLC | Residential Properties | 270,777 | 1.16% |
| 4 | Niguel Shores Community Association | Homeowners' Association | 236,111 | 1.02% |
| 5 | Laguna Beach Golf & Bungalow Village, LLC | Hotel/Golf Course | 182,320 | 0.78% |
| 6 | County of Orange | Government | 166,887 | 0.72% |
| 7 | Laguna Beach Resorts-LLC | Hotel | 161,856 | 0.70% |
| 8 | Ritz Carlton | Hotel | 128,235 | 0.55% |
| 9 | Seascape Homeowners' Association | Homeowners' Association | 122,045 | 0.52% |
| 10 | Monarch Beach Resort and Spa | Hotel | 119,552 | 0.51% |
| | | | <u>\$ 2,479,819</u> | <u>10.66%</u> |

FY 2012/2013¹

| | <u>Customer Name</u> | <u>Business Type</u> | <u>Annual Revenues</u> | <u>% of Total Revenues</u> |
|----|-------------------------------------|-------------------------|------------------------|----------------------------|
| 1 | City of Dana Point | Government | \$ 396,828 | 2.25% |
| 2 | Monarch Beach Golf Links | Golf Course | 390,185 | 2.21% |
| 3 | County of Orange | Government | 233,413 | 1.32% |
| 4 | Ritz Carlton | Hotel | 220,100 | 1.25% |
| 5 | Monarch Beach Resort and Spa | Hotel | 216,585 | 1.23% |
| 7 | Headlands Reserve-LLC | Real Estate | 195,886 | 1.11% |
| 6 | Laguna Beach Resorts-LLC | Hotel | 195,351 | 1.11% |
| 8 | Niguel Shores Community Association | Homeowners' Association | 190,415 | 1.08% |
| 9 | Seascape Homeowners' Association | Homeowners' Association | 162,491 | 0.92% |
| 10 | Niguel Beach Terrace | Homeowners' Association | 136,287 | 0.77% |
| | | | <u>\$ 2,337,541</u> | <u>13.27%</u> |

¹Does not include assessments received through property taxes.

Source: District Billing System

**SOUTH COAST WATER DISTRICT
SEWER RATES
LAST TEN FISCAL YEARS**

| Description | Fiscal Year | | | | |
|--|-------------|--------|--------|--------|--------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Single Family Residence ¹ | | | | | |
| Fixed | \$ - | \$ - | \$ - | \$ - | \$ - |
| Variable Block Rate (Fixed) ² | | | | | |
| Tier 1 - 0-5 CCF | 774.27 | 696.00 | 676.00 | 638.00 | 597.00 |
| Tier 2 - 6-10 CCF | 844.39 | 758.00 | 736.00 | 695.00 | 650.00 |
| Tier 3 - 11+ CCF | 987.20 | 868.00 | 843.00 | 796.00 | 744.00 |
| Variable | - | - | - | - | - |
| Multi-Family | | | | | |
| Variable | 1.39 | 1.30 | 1.26 | 1.19 | 1.11 |
| Fixed | 424.39 | 453.25 | 440.00 | 415.25 | 388.25 |
| Duplex | - | - | - | - | - |
| Triplex | - | - | - | - | - |
| Fourplex | - | - | - | - | - |
| Multi-Plex | - | - | - | - | - |
| Commercial | | | | | |
| Variable | | | | | |
| Low Strength | 7.99 | 8.59 | 8.34 | 7.87 | 7.36 |
| Medium Strength | 10.39 | 9.74 | 9.46 | 8.93 | 8.35 |
| High Strength | 13.88 | 12.58 | 12.22 | 11.53 | 10.78 |
| Various Business Types | - | - | - | - | - |
| Fixed | - | - | - | - | - |

(Continued)

NOTES:

¹ Fixed charges for single family residences are billed on an annual basis and collected with property tax payments. All variable rates are based on usage by centum cubic feet (CCF). One CCF equals 100 cubic feet or 748 gallons.

² This new rate includes both variable and fixed charges based on a winter quarter average (average of prior year usage during December, January, and February).

Source: District records

**SOUTH COAST WATER DISTRICT
SEWER RATES (CONTINUED)
LAST TEN FISCAL YEARS**

| | Fiscal Year | | | | |
|--------|--------------|--------------|--------------|--------------|------|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| \$ - | \$ 446.46 | \$ 446.46 | \$ 418.44 | \$ 453.37 | |
| 554.00 | - | - | - | - | - |
| 603.00 | - | - | - | - | - |
| 690.00 | - | - | - | - | - |
| - | 1.20 | 1.20 | 1.20 | 0.97 | |
| 1.03 | 1.20 | 1.20 | 1.20 | 0.97 | |
| 360.00 | - | - | - | - | - |
| - | 296.53 | 296.53 | 277.69 | 265.45 | |
| - | 309.89 | 309.89 | 290.21 | 266.90 | |
| - | 314.19 | 314.19 | 294.23 | 257.35 | |
| - | 231.91 | 231.91 | 217.18 | 197.02 | |
| 6.83 | - | - | - | - | - |
| 7.74 | - | - | - | - | - |
| 9.99 | - | - | - | - | - |
| - | 6.54 to 8.31 | 6.54 to 8.31 | 6.05 to 8.38 | 5.61 to 7.54 | |
| - | 446.46 | 446.46 | 418.44 | 453.37 | |

**SOUTH COAST WATER DISTRICT
TEN LARGEST SEWER CUSTOMERS
CURRENT AND NINE YEARS AGO**

FY 2021/2022

| | <u>Customer Name</u> | <u>Business Type</u> | <u>Annual Revenues</u> | <u>% of Total Revenues</u> |
|----|------------------------------------|-------------------------|----------------------------|--------------------------------|
| 1 | Monarch Beach Resort and Spa | Hotel | \$ 344,833 | 2.01% |
| 2 | Ritz Carlton | Hotel | 323,838 | 1.88% |
| 3 | Laguna Beach Resorts-LLC | Hotel | 280,464 | 1.63% |
| 4 | MMB Management LLC | Residential Properties | 189,218 | 1.10% |
| 5 | St Joseph Health Mission Hospital | Hospital | 171,908 | 1.00% |
| 6 | Capistrano Unified School District | Government | 138,265 | 0.80% |
| 7 | The Marina at Dana Point | Commercial/Harbor | 127,338 | 0.74% |
| 8 | Laguna Cliffs Resort | Hotel | 115,506 | 0.67% |
| 9 | County of Orange | Government | 112,099 | 0.65% |
| 10 | Hometown Laguna Terrace LLC | Homeowners' Association | 111,796 | 0.65% |
| | | | <u>\$ 1,915,265</u> | <u>11.15%</u> |

FY 2012/2013¹

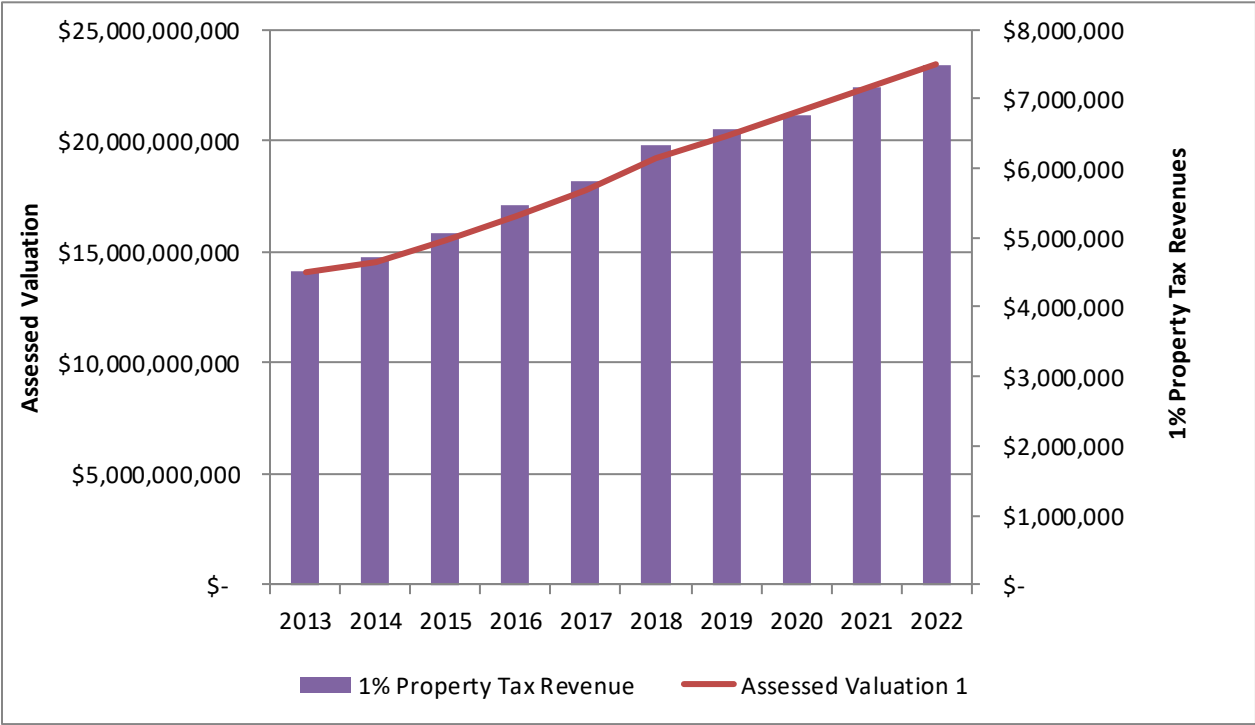
| | <u>Customer Name</u> | <u>Business Type</u> | <u>Annual Revenues</u> | <u>% of Total Revenues</u> |
|----|-----------------------------------|-------------------------|----------------------------|--------------------------------|
| 1 | Monarch Beach Resort and Spa | Hotel | \$ 278,984 | 2.36% |
| 2 | Laguna Beach Resorts-LLC | Hotel | 241,207 | 2.04% |
| 3 | Ritz Carlton | Hotel | 240,606 | 2.03% |
| 4 | St Joseph Health Mission Hospital | Hospital | 168,672 | 1.43% |
| 5 | Laguna Cliffs Resort | Hotel | 144,750 | 1.22% |
| 6 | Capo Unified School District | Government | 102,184 | 0.86% |
| 7 | County of Orange | Government | 82,635 | 0.70% |
| 8 | Beachwood Mobile Home Park | Homeowners' Association | 77,407 | 0.65% |
| 9 | Riviera Beach & Spa Resort | Hotel | 62,277 | 0.53% |
| 10 | Vintage Marina Partners-LP | Homeowners' Association | 61,699 | 0.52% |
| | | | <u>\$ 1,460,421</u> | <u>12.34%</u> |

¹Does not include assessments received through property taxes.

Source: District Billing System and Finance Department

**SOUTH COAST WATER DISTRICT
 ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE
 OF TAXABLE PROPERTY AND 1% PROPERTY TAX REVENUE
 LAST TEN FISCAL YEARS**

| Fiscal Year | Assessed Valuation ¹ | 1% Property Tax Revenue |
|-------------|---------------------------------|-------------------------|
| 2013 | \$ 14,053,005,762 | \$ 4,527,397 |
| 2014 | 14,539,050,008 | 4,724,730 |
| 2015 | 15,532,963,472 | 5,059,693 |
| 2016 | 16,621,482,278 | 5,465,332 |
| 2017 | 17,759,225,858 | 5,826,837 |
| 2018 | 19,187,754,184 | 6,328,065 |
| 2019 | 20,220,387,463 | 6,561,125 |
| 2020 | 21,318,051,681 | 6,774,773 |
| 2021 | 22,363,169,559 | 7,154,484 |
| 2022 | 23,406,201,296 | 7,472,758 |



NOTES:

¹ Estimated market values for the assessed valuation are not available.

Source: California Municipal Statistics, Inc.
 County of Orange
 District Finance Department

**SOUTH COAST WATER DISTRICT
TYPICAL TAX RATES PER \$100 ASSESSED VALUE
FISCAL YEAR ENDED JUNE 30, 2022**

| Tax Rate Area 5-031 | Rate |
|--------------------------------------|---------|
| General Tax Rate | 1.00000 |
| Laguna Beach Unified School District | 0.01018 |
| Metropolitan Water District | 0.00350 |
| Total Tax Rate | 1.01368 |

| Tax Rate Area 28-114 | Rate |
|---|---------|
| General Tax Rate | 1.00000 |
| Capistrano Unified School District SFID No. 1 | 0.00727 |
| Metropolitan Water District | 0.00350 |
| | 1.01077 |

NOTES:

The District includes 76 Tax Rate Areas. Tax Rate Areas 5-031 and 28-114 are among the largest within the District (in terms of assessed valuation) for fiscal year 2021-22. Combined, the two Tax Rate Areas account for 17.4% of the total assessed valuation of the District in fiscal year 2021-22.

Source: California Municipal Statistics, Inc.

**SOUTH COAST WATER DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
CURRENT AND NINE YEARS AGO**

FY 2021/2022

| Agency/District | Rate |
|---|-----------|
| Direct Rate: | |
| South Coast Water District | \$0.00000 |
| Overlapping Rates: | |
| Capistrano Unified School District SFID No. 1 | \$0.00727 |
| Laguna Beach Unified School District | \$0.01018 |
| Metropolitan Water District | \$0.00350 |

FY 2012/2013

| Agency/District | Rate |
|---|-----------|
| Direct Rate: | |
| South Coast Water District | \$0.00819 |
| Overlapping Rates: | |
| Capistrano Unified School District SFID No. 1 | \$0.01171 |
| Laguna Beach Unified School District | \$0.01694 |
| Metropolitan Water District | \$0.00350 |

Source: California Municipal Statistics, Inc.

**SOUTH COAST WATER DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

FY 2021/2022

| | <u>Property Owner Name</u> | <u>Business Type</u> | <u>Assessed Valuation¹</u> | <u>Percent of Total Assessed Value</u> |
|----|-----------------------------------|---------------------------------|---|--|
| 1 | World Award Group LLC | Hotel | \$ 413,057,883 | 1.79% |
| 2 | Dana Point Beach Resort LLC | Hotel | 334,895,205 | 1.45% |
| 3 | Regency Laguna LP | Hotel | 196,941,611 | 0.85% |
| 4 | Villa San Clemente | Outlet Stores | 161,876,634 | 0.70% |
| 5 | Raintree Del Prado LLC | Apartments | 44,592,723 | 0.19% |
| 6 | 27 DBV Owner LLC | Planned Residential Development | 39,780,191 | 0.17% |
| 7 | Suzanne McGill, Trust | Residential | 39,370,187 | 0.17% |
| 8 | Steven P. Martin, Trust | Residential | 35,219,104 | 0.15% |
| 9 | Camino de Estrella Dana Point LLC | Assisted Living Facility | 33,934,198 | 0.15% |
| 10 | ERGS AIM Hotel Realty LLC | Hotel | 32,689,215 | 0.14% |
| | | | <u>\$ 1,332,356,951</u> | <u>5.78%</u> |

FY 2012/2013

| | <u>Property Owner Name</u> | <u>Business Type</u> | <u>Assessed Valuation¹</u> | <u>Percent of Total Assessed Value</u> |
|----|----------------------------|-------------------------|---|--|
| 1 | MMB Management LLC | Residential Properties | \$ 320,790,007 | 2.33% |
| 2 | SHC Laguna Niguel 1 LLC | Hotel | 214,512,977 | 1.56% |
| 3 | WH MBR LLC | Golf Resort | 192,599,395 | 1.40% |
| 4 | Regency Laguna LP | Hotel | 169,672,219 | 1.23% |
| 5 | Suncal Marblehead LLC | Residential Development | 128,995,507 | 0.94% |
| 6 | Headlands Reserve LLC | Commercial | 45,914,838 | 0.33% |
| 7 | St. Apartments LLC | Apartments | 26,503,216 | 0.19% |
| 8 | Villa San Clemente LLC | Commercial | 24,632,994 | 0.18% |
| 9 | Raymond Taccolini | Residential | 24,596,501 | 0.18% |
| 10 | Theresa C. Morrison | Commercial | 23,478,219 | 0.17% |
| | | | <u>\$ 1,171,695,873</u> | <u>8.50%</u> |

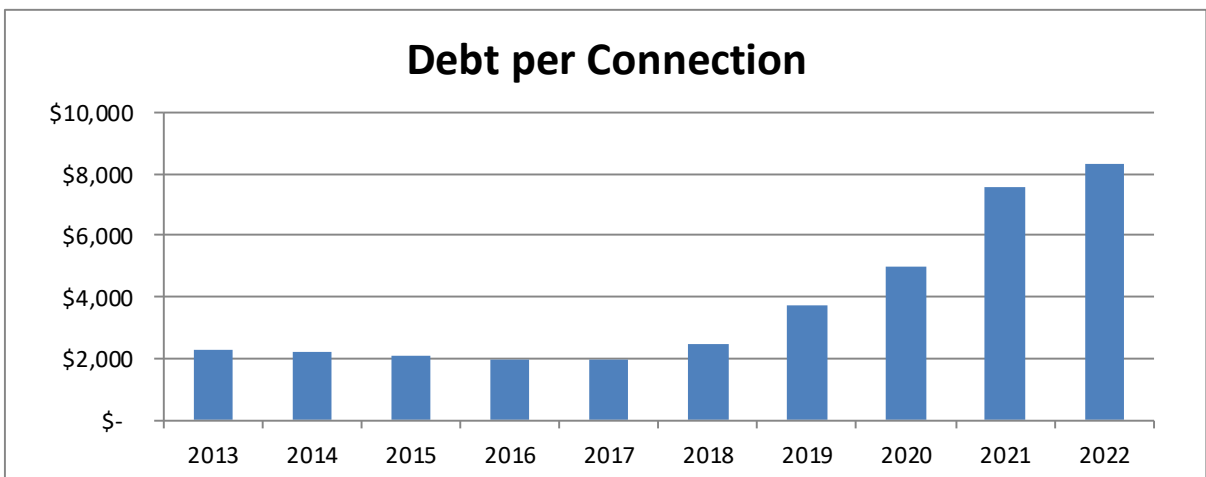
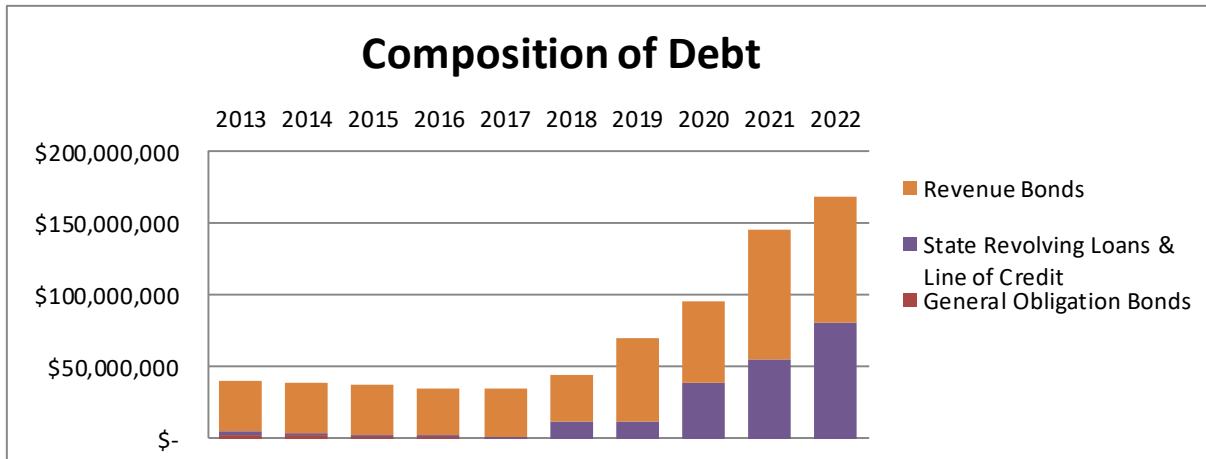
NOTES:

¹ Local secured assessed valuations

Source: California Municipal Statistics, Inc.

**SOUTH COAST WATER DISTRICT
RATIO OF OUTSTANDING DEBT
LAST TEN FISCAL YEARS**

| Fiscal Year | State Revolving Loans & Line of Credit | General Obligation Bonds | Revenue Bonds | Totals | | | |
|-------------|--|--------------------------|---------------|---------------|----------------|------------|--|
| | | | | Total Debt | Per Connection | Per Capita | |
| 2013 | \$ 2,477,818 | \$ 2,584,310 | \$ 35,699,038 | \$ 40,761,166 | \$ 2,308 | \$ 1,118 | |
| 2014 | 2,126,351 | 2,020,737 | 34,884,045 | 39,031,133 | 2,210 | 1,092 | |
| 2015 | 1,774,884 | 1,442,164 | 34,026,532 | 37,243,580 | 2,104 | 1,064 | |
| 2016 | 1,423,419 | 843,590 | 33,133,378 | 35,400,387 | 1,970 | 1,000 | |
| 2017 | 1,071,952 | 220,000 | 33,501,237 | 34,793,189 | 1,955 | 971 | |
| 2018 | 11,659,593 | - | 32,416,070 | 44,075,663 | 2,448 | 1,216 | |
| 2019 | 12,633,761 | - | 57,910,851 | 70,544,612 | 3,701 | 1,925 | |
| 2020 | 38,927,560 | - | 56,788,082 | 95,715,642 | 5,000 | 2,583 | |
| 2021 | 55,212,795 | - | 89,957,135 | 145,169,930 | 7,567 | 4,218 | |
| 2022 | 80,300,275 | - | 88,132,029 | 168,432,304 | 8,330 | 4,868 | |



Sources: District Audited Financial Statements
District billing system
Demographics data

**SOUTH COAST WATER DISTRICT
DIRECT AND OVERLAPPING DEBT
LAST TEN FISCAL YEARS**

2021-2022 Assessed Valuation: \$12,809,511,671

| | <u>Total Debt</u> <u>6/30/22</u> | <u>% Applicable</u> <u>(1)</u> | <u>District's</u> <u>Share of Debt</u> <u>6/30/22</u> |
|--|-------------------------------------|-----------------------------------|---|
| <u>Direct and Overlapping Tax and Assessment Debt:</u> | | | |
| Metropolitan Water District | \$ 20,175,000 | 0.378% | \$ 76,262 |
| Capistrano Unified School District School Facilities Improvement District No. 1 | 13,015,244 | 11.413 | 1,485,430 |
| Laguna Beach Unified School District | 14,035,000 | 19.503 | 2,737,246 |
| South Coast Water District | - | 100.00 | - |
| Dana Point Community Facilities District No. 2006-1 | 38,000,000 | 99.049 | 37,638,620 |
| City of Laguna Beach 1915 Act Bonds (Estimated) | 4,055,000 | 14.159-100.000 | 3,101,061 |
| Total Direct and Overlapping Tax and Assessment Debt | | | <u>\$ 45,038,619</u> |
| <u>Overlapping General Fund Debt:</u> | | | |
| Orange County General Fund Obligations | \$ 376,780,000 | 1.879% | \$ 7,079,696 |
| Orange County Pension Obligation Bonds | 521,784,000 | 1.879 | 9,804,321 |
| Orange County Board of Education General Fund Obligations | 11,620,000 | 1.879 | 218,340 |
| Capistrano Unified School District School District Certificates of Participation | 23,295,000 | 7.960 | 1,854,282 |
| Moulton-Niguel Water District General Fund Obligations | 53,095,000 | 1.725 | 915,889 |
| Total Overlapping General Fund Debt | | | <u>19,872,528</u> |
| Total Direct Debt | | | \$ - |
| Total Overlapping Debt | | | \$ 64,911,147 |
| Combined Total Debt | | | \$ 64,911,147 |

- (1) The percentage of overlapping debt applicable to the District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the District divided by the overlapping district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2021-2022 Assessed Valuation:

| | |
|--|-------|
| Direct Debt | 0.00% |
| Total Direct and Overlapping Tax and Assessment Debt | 0.35% |
| Combined Total Debt | 0.51% |

Source: California Municipal Statistics, Inc.

**SOUTH COAST WATER DISTRICT
DEBT COVERAGE
LAST TEN FISCAL YEARS**

| Fiscal Year | Revenues | Operating & Maint. Costs ¹ | Net Revenues | Debt Service | | | Coverage Ratio |
|----------------|---------------|--|-----------------|--------------|--------------|--------------|-------------------|
| | | | | Principal | Interest | Total | |
| 2013 | \$ 35,278,450 | \$ 23,443,418 | \$ 11,835,032 | \$ 1,721,558 | \$ 1,686,131 | \$ 3,407,689 | 3.47 |
| 2014 | 37,872,355 | 24,368,303 | 13,504,052 | 1,757,198 | 1,679,104 | 3,436,302 | 3.93 |
| 2015 | 38,071,049 | 24,410,343 | 13,660,706 | 1,814,718 | 1,618,378 | 3,433,096 | 3.98 |
| 2016 | 35,440,172 | 26,867,564 | 8,572,608 | 1,870,358 | 1,561,255 | 3,431,613 | 2.50 |
| 2017 | 36,150,005 | 27,496,480 | 8,653,525 | 2,094,758 | 1,310,775 | 3,405,533 | 2.54 |
| 2018 | 40,740,301 | 29,795,181 | 10,945,120 | 1,630,398 | 1,319,362 | 2,949,760 | 3.71 |
| 2019 | 45,132,916 | 35,392,699 | 9,740,217 | 1,273,078 | 2,028,192 | 3,301,270 | 2.95 |
| 2020 | 45,859,434 | 35,348,142 | 10,511,292 | 2,720,733 | 2,852,759 | 5,573,492 | 1.89 |
| 2021 | 47,457,452 | 35,067,837 | 12,389,615 | 1,845,000 | 3,688,635 | 5,533,635 | 2.24 |
| 2022 | 49,993,432 | 28,965,601 | 21,027,831 | 1,500,000 | 4,258,542 | 5,758,542 | 3.65 |

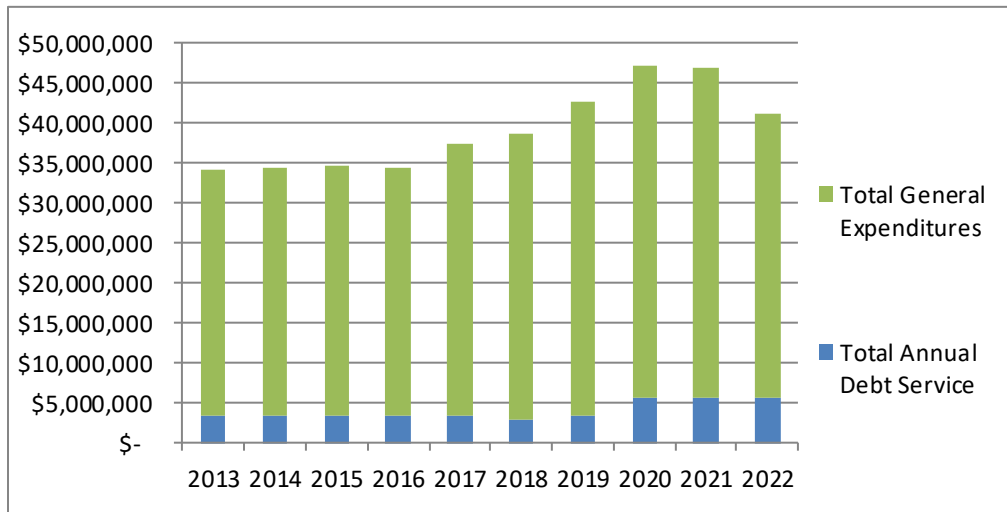
NOTES:

¹ Excludes depreciation and debt service payments

Source: Audited Financial Statements
District Finance Department

**SOUTH COAST WATER DISTRICT
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS**

| <u>Fiscal Year</u> | <u>Total Annual Debt Service</u> | <u>Total General Expenditures</u> | <u>Ratio of Total Annual Debt Service to Total General Expenditures</u> |
|--------------------|----------------------------------|-----------------------------------|---|
| 2013 | \$ 3,407,688 | \$ 30,778,078 | 11.1% |
| 2014 | 3,436,302 | 30,926,862 | 11.1% |
| 2015 | 3,433,095 | 31,162,648 | 11.0% |
| 2016 | 3,431,613 | 31,046,681 | 11.1% |
| 2017 | 3,405,533 | 33,928,717 | 10.0% |
| 2018 | 2,949,760 | 35,649,289 | 8.3% |
| 2019 | 3,301,270 | 39,422,843 | 8.4% |
| 2020 | 5,573,492 | 41,659,204 | 13.4% |
| 2021 | 5,533,635 | 41,356,292 | 13.4% |
| 2022 | 5,758,542 | 35,451,697 | 16.2% |



Source: District Finance Department
District Audited Financial Statements

**SOUTH COAST WATER DISTRICT
DEMOGRAPHICS
LAST TEN FISCAL YEARS**

South Coast Water District

| <u>Year</u> | <u>Estimated District Population</u> | <u>City of Dana Point Population¹</u> | <u>City of Dana Point Personal Income (in Millions)¹</u> | <u>Personal Income per Capita¹</u> |
|-------------|--|--|---|---|
| 2013 | 36,460 | 33,398 | \$ 1,723 | \$ 47,257 |
| 2014 | 35,732 | 33,625 | 1,699 | 47,548 |
| 2015 | 35,004 | 33,710 | 1,649 | 47,109 |
| 2016 | 35,415 | 34,264 | 1,743 | 49,216 |
| 2017 | 35,828 | 34,902 | 1,811 | 50,547 |
| 2018 | 36,240 | 34,619 | 1,841 | 50,800 |
| 2019 | 36,651 | 34,359 | 1,927 | 52,577 |
| 2020 | 37,062 | 34,139 | 2,078 | 56,068 |
| 2021 | 34,416 | 33,189 | 2,175 | 63,197 |
| 2022 | 34,600 | 32,943 ² | ³ | ³ |

County of Orange

| <u>Year</u> | <u>Population</u> | <u>Unemployment Rate</u> | <u>Personal Income (in Thousands)</u> | <u>Personal Income per Capita</u> |
|-------------|------------------------|--------------------------|---|---------------------------------------|
| 2013 | 3,081,804 | 8.5% | \$ 160,072,905 | \$ 54,827 |
| 2014 | 3,113,991 | 6.2% | 168,966,068 | 56,973 |
| 2015 | 3,147,655 | 5.4% | 177,412,900 | 58,933 |
| 2016 | 3,183,011 | 4.6% | 169,792,810 | 59,999 |
| 2017 | 3,194,024 | 3.2% | 172,509,495 | 62,458 |
| 2018 | 3,221,103 | 3.1% | 215,479,000 | 66,896 |
| 2019 | 3,222,498 | 3.0% | 230,180,000 | 71,429 |
| 2020 | 3,194,332 | 8.2% | 226,531,000 | 70,917 |
| 2021 | 3,153,764 | 4.7% | 258,933,000 | 82,103 |
| 2022 | 3,162,245 ² | 2.8% | ⁴ | ³ |

NOTES: ¹ City of Dana Point information has been used since approximately 90% of the District's customers are within its borders.

² California Department of Finance data for January 1, 2022

³ Information not available.

⁴ California Employment Development Department

Sources: District Infrastructure Master Plan Update 2017
 District 2020 Urban Water Management Plan
 City of Dana Point Comprehensive Annual Financial Reports
 County of Orange Comprehensive Annual Financial Reports
 State of California, Employment Development Department
 State of California, Department of Finance

**SOUTH COAST WATER DISTRICT
TEN LARGEST EMPLOYERS
2022 AND NINE YEARS AGO**

| Rank | Employer | 2022 ¹ | | 2013 ² | |
|------|--|-------------------|------------------------|-------------------|------------------------|
| | | Employees | % of Total Labor Force | Employees | % of Total Labor Force |
| 1 | Capistrano Unified School District | 3,841 | 32.34% | - | 0.00% |
| 2 | Waldorf Astoria Monarch Beach Resort (Former St. Regis) | 800 | 6.74% | 800 | 4.58% |
| 3 | Ritz-Carlton-Laguna Niguel | 600 | 5.05% | 750 | 4.30% |
| 4 | Marriott-Laguna Cliffs Resort | 600 | 5.05% | 350 | 2.00% |
| 5 | Montage Laguna Beach | 518 | 4.36% | - | 0.00% |
| 6 | Mission Hospital | 291 | 2.45% | - | 0.00% |
| 7 | Dana Hills High School | 200 | 1.68% | 250 | 1.43% |
| 8 | Harpoon Henry's Seafood Restaurant | 150 | 1.26% | 103 | 0.59% |
| 9 | Wind & Sea Restaurant | 150 | 1.26% | 131 | 0.75% |
| 10 | Monarch Beach & Tennis Club | 100 | 0.84% | 100 | 0.57% |
| | Total | 7,250 | 61.05% | 2,484 | 14.23% |

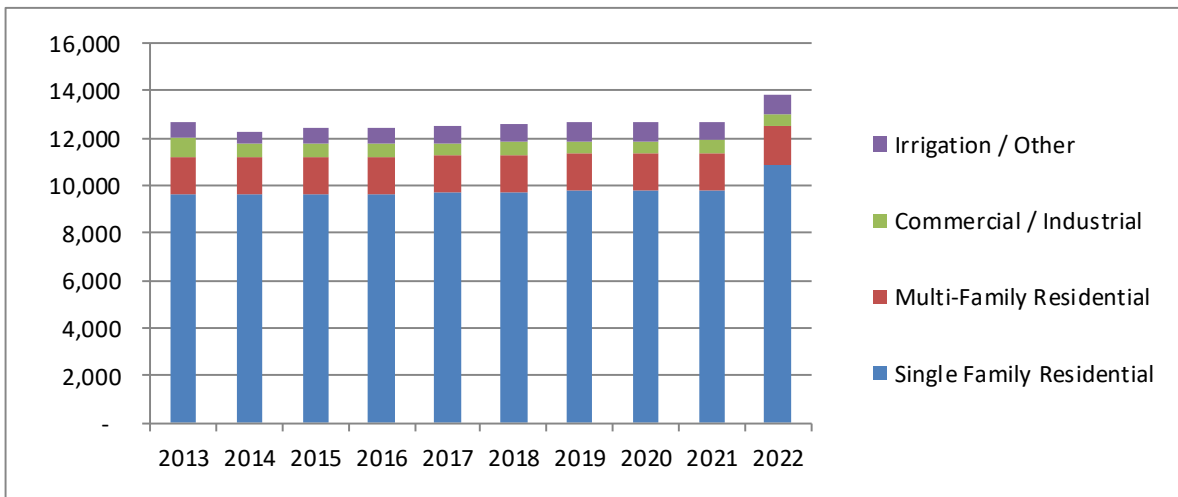
NOTES: ¹ Most current available data is from 2021 Comprehensive Annual Financial Reports of cities noted below. Labor force consists of City of Dana Point employment information.

² Data shown above for 2013 consists of information available for Fiscal Year 2021 top 10 employers only. Data for Montage Laguna Beach and Mission Hospital is not available until 2014. Only included employers reported in 2021 Comprehensive Annual Financial Reports of cities listed below.

Sources: City of Laguna Beach Annual Comprehensive Financial Reports
City of Dana Point Annual Comprehensive Financial Reports
City of San Juan Capistrano Annual Comprehensive Financial Reports
City of San Clemente Annual Comprehensive Financial Reports

**SOUTH COAST WATER DISTRICT
NUMBER OF WATER CONNECTIONS
LAST TEN FISCAL YEARS**

| Fiscal Year | Single Family Residential | Multi-Family Residential | Commercial / Industrial | Irrigation / Other | Total Connections |
|--------------------|----------------------------------|---------------------------------|--------------------------------|---------------------------|--------------------------|
| 2013 | 9,627 | 1,572 | 778 | 716 | 12,693 |
| 2014 | 9,627 | 1,579 | 525 | 548 | 12,279 |
| 2015 | 9,636 | 1,588 | 526 | 654 | 12,404 |
| 2016 | 9,637 | 1,544 | 579 | 651 | 12,411 |
| 2017 | 9,673 | 1,584 | 513 | 704 | 12,474 |
| 2018 | 9,712 | 1,588 | 513 | 801 | 12,614 |
| 2019 | 9,767 | 1,591 | 510 | 822 | 12,690 |
| 2020 | 9,777 | 1,593 | 515 | 821 | 12,706 |
| 2021 | 9,793 | 1,599 | 514 | 793 | 12,699 |
| 2022 | 10,877 | 1,602 | 536 | 796 | 13,811 |

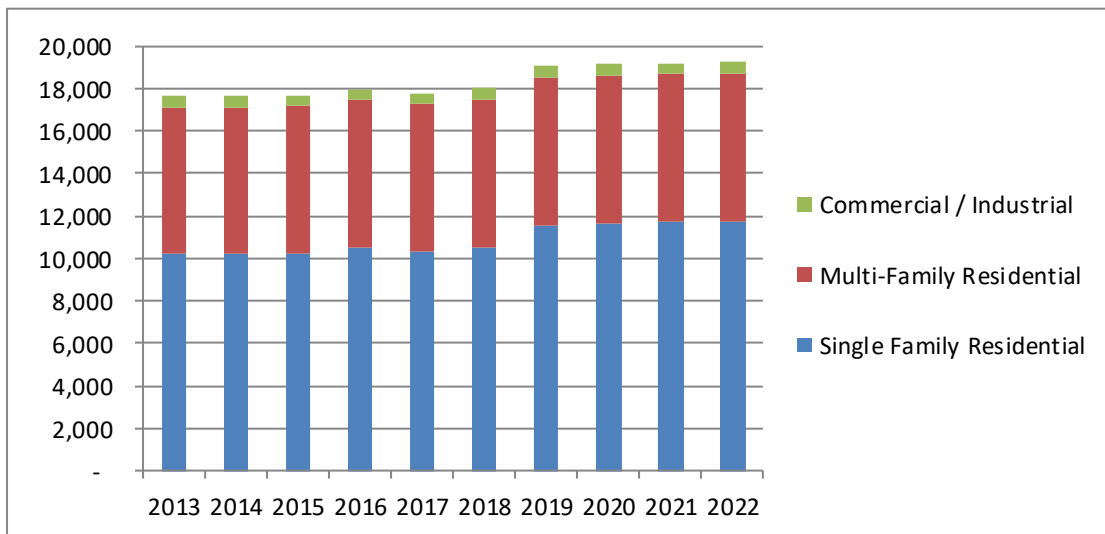


Source: District Billing System

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**SOUTH COAST WATER DISTRICT
NUMBER OF SEWER CONNECTIONS
LAST TEN FISCAL YEARS**

| Fiscal Year | Single Family Residential | Multi-Family Residential | Commercial / Industrial | Total Connections |
|--------------------|----------------------------------|---------------------------------|--------------------------------|--------------------------|
| 2013 | 10,205 | 6,917 | 536 | 17,658 |
| 2014 | 10,208 | 6,917 | 537 | 17,662 |
| 2015 | 10,209 | 6,953 | 540 | 17,702 |
| 2016 | 10,500 | 6,952 | 514 | 17,966 |
| 2017 | 10,336 | 6,951 | 514 | 17,801 |
| 2018 | 10,542 | 6,951 | 513 | 18,006 |
| 2019 | 11,591 | 6,958 | 510 | 19,059 |
| 2020 | 11,664 | 6,964 | 515 | 19,143 |
| 2021 | 11,704 | 6,967 | 514 | 19,185 |
| 2022 | 11,731 | 6,972 | 536 | 19,239 |



Source: District Billing System

**SOUTH COAST WATER DISTRICT
AVERAGE MONTHLY USAGE (IN CCF)
LAST TEN FISCAL YEARS**

| <u>Customer Type</u> | <u>Fiscal Year</u> | | | | |
|---------------------------|--------------------|-------------|-------------|-------------|-------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
| Water: | | | | | |
| Single Family Residential | 10 | 11 | 10 | 10 | 10 |
| Multi-Family Residential | 22 | 24 | 22 | 22 | 22 |
| Commercial/Industrial | 54 | 48 | 53 | 64 | 66 |
| Irrigation/Other | 66 | 70 | 59 | 80 | 98 |
| Total | <u>152</u> | <u>153</u> | <u>144</u> | <u>176</u> | <u>196</u> |
| Recycled Water: | | | | | |
| Irrigation/Other | 182 | 178 | 150 | 143 | 177 |
| Total | <u>182</u> | <u>178</u> | <u>150</u> | <u>143</u> | <u>177</u> |

(Continued)

Source: District Billing System

**SOUTH COAST WATER DISTRICT
AVERAGE MONTHLY USAGE (IN CCF) (CONTINUED)
LAST TEN FISCAL YEARS**

| Fiscal Year | | | | |
|--------------------|-------------|-------------|-------------|-------------|
| 2017 | 2016 | 2015 | 2014 | 2013 |
| 9 | 12 | 12 | 12 | 12 |
| 22 | 23 | 26 | 27 | 27 |
| 64 | 58 | 77 | 75 | 49 |
| 99 | 111 | 150 | 191 | 169 |
| <u>194</u> | <u>204</u> | <u>265</u> | <u>305</u> | <u>257</u> |
| 155 | 160 | 198 | 184 | 167 |
| <u>155</u> | <u>160</u> | <u>198</u> | <u>184</u> | <u>167</u> |

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**SOUTH COAST WATER DISTRICT
SOURCE OF SUPPLY AND WATER DELIVERIES/SALES IN ACRE FEET
LAST TEN FISCAL YEARS**

Source of Supply (in Acre Feet)

| Fiscal Year | Imported | Groundwater | Recycled | Total Supply |
|----------------|----------|-------------|----------|--------------|
| 2013 | 5,658 | 907 | 780 | 7,345 |
| 2014 | 6,067 | 764 | 891 | 7,722 |
| 2015 | 5,714 | 178 | 861 | 6,753 |
| 2016 | 4,892 | - | 822 | 5,715 |
| 2017 | 4,881 | 272 | 822 | 5,975 |
| 2018 | 4,860 | 727 | 943 | 6,530 |
| 2019 | 5,035 | 235 | 775 | 6,045 |
| 2020 | 4,470 | 847 | 802 | 6,119 |
| 2021 | 4,768 | 876 | 945 | 6,589 |
| 2022 | 4,811 | 771 | 982 | 6,564 |

Water Deliveries/Sales (in Acre Feet)

| Fiscal Year | Potable Water | Recycled Water | Total |
|-------------------|---------------|----------------|-------|
| 2013 | 6,296 | 780 | 7,076 |
| 2014 | 6,543 | 891 | 7,434 |
| 2015 | 5,788 | 861 | 6,649 |
| 2016 ² | 4,814 | 822 | 5,636 |
| 2017 | 4,947 | 822 | 5,769 |
| 2018 | 5,394 | 943 | 6,337 |
| 2019 | 5,078 | 775 | 5,853 |
| 2020 | 5,063 | 802 | 5,865 |
| 2021 | 5,455 | 945 | 6,400 |
| 2022 | 5,517 | 982 | 6,499 |

NOTES: ¹ The Groundwater Recovery Facility was not in operation during fiscal year 2015-2016 due to a lack of precipitation that resulted in low groundwater levels in the San Juan groundwater basin.

² Decreases beginning in 2016 reflect the impact of mandatory conservation measures.

Sources: District records

**SOUTH COAST WATER DISTRICT
CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS**

| Description | Fiscal Year | | | | |
|---|--------------------|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Potable System | | | | | |
| Miles of Water Line | 159 | 159 | 159 | 158 | 158 |
| Number of Storage Tanks | 13 | 13 | 13 | 13 | 13 |
| Maximum Storage (MG) | 21.9 | 21.9 | 21.9 | 21.6 | 21.6 |
| Capacity (MG) | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| Number of Pumping Plants | 9 | 9 | 9 | 9 | 9 |
| Number of Wells | 1 | 1 | 1 | 1 | 1 |
| Well Production Capacity (MGD) | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 |
| Potable Treatment Plants | 1 | 1 | 1 | 1 | 1 |
| Non-Potable and Recycled Systems | | | | | |
| Miles of Recycled Line | 21 | 21 | 21 | 17 | 17 |
| Number of Storage Tanks | 3 | 3 | 3 | 3 | 3 |
| Maximum Storage (MG) | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |
| Capacity (MG) | 4.7 | 4.7 | 4.7 | 4.7 | 4.7 |
| Number of Pumping Plants | 3 | 3 | 3 | 3 | 3 |
| Sewer System | | | | | |
| Miles of Sewer Line | 141 | 141 | 141 | 141 | 141 |
| Number of Lift Stations | 13 | 13 | 13 | 13 | 13 |

(Continued)

NOTES:

MG - Million Gallons

MGD - Million Gallons per Day

Source: District Records

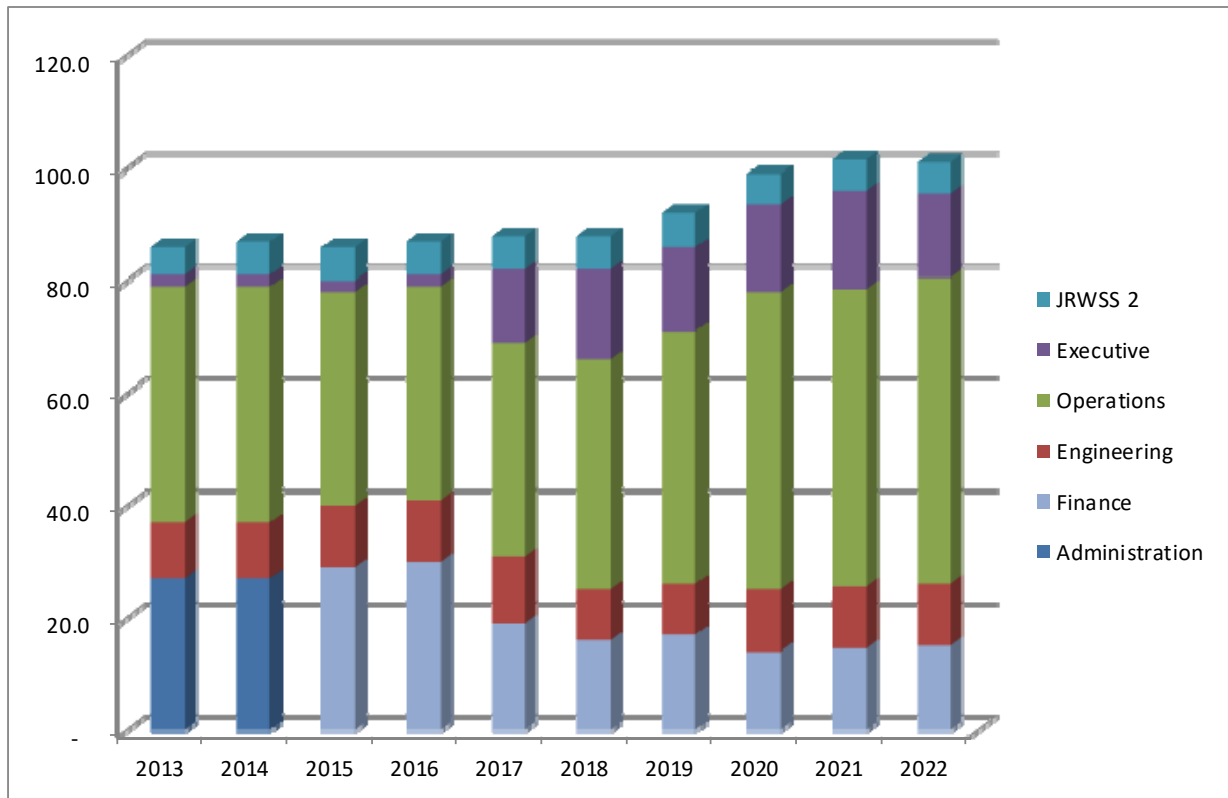
**SOUTH COAST WATER DISTRICT
CAPITAL ASSET STATISTICS (CONTINUED)
LAST TEN FISCAL YEARS**

| Fiscal Year | | | | |
|-------------|------|------|------|------|
| 2017 | 2016 | 2015 | 2014 | 2013 |
| 158 | 158 | 158 | 158 | 158 |
| 13 | 13 | 13 | 13 | 13 |
| 21.6 | 21.6 | 21.6 | 21.6 | 21.6 |
| 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| 9 | 9 | 9 | 9 | 9 |
| 1 | 1 | 1 | 1 | 1 |
| 0.85 | 0.85 | 0.85 | 0.85 | 0.85 |
| 1 | 1 | 1 | 1 | 1 |
| 17 | 17 | 16 | 15 | 15 |
| 3 | 3 | 3 | 3 | 3 |
| 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |
| 4.7 | 4.7 | 4.7 | 4.7 | 4.7 |
| 3 | 3 | 3 | 3 | 3 |
| 141 | 141 | 140 | 140 | 140 |
| 13 | 13 | 13 | 14 | 14 |

SOUTH COAST WATER DISTRICT NUMBER OF EMPLOYEES LAST TEN FISCAL YEARS

Full Time Equivalent Employees by Department ¹

| Fiscal Year | Department | | | | | | Total |
|-------------|----------------|-----------|---------|-------------|------------|--------------------|-------|
| | Administration | Executive | Finance | Engineering | Operations | JRWSS ² | |
| 2013 | 27.0 | 2.0 | - | 10.0 | 42.0 | 5.0 | 86.0 |
| 2014 | 27.0 | 2.0 | - | 10.0 | 42.0 | 6.0 | 87.0 |
| 2015 | - | 2.0 | 29.0 | 11.0 | 38.0 | 6.0 | 86.0 |
| 2016 | - | 2.0 | 30.0 | 11.0 | 38.0 | 6.0 | 87.0 |
| 2017 | - | 13.0 | 19.0 | 12.0 | 38.0 | 6.0 | 88.0 |
| 2018 | - | 16.0 | 16.0 | 9.0 | 41.0 | 6.0 | 88.0 |
| 2019 | - | 15.0 | 17.0 | 9.0 | 45.0 | 6.0 | 92.0 |
| 2020 | - | 15.5 | 14.0 | 11.0 | 53.0 | 5.5 | 99.0 |
| 2021 | - | 17.5 | 14.5 | 11.0 | 53.0 | 5.5 | 101.5 |
| 2022 | - | 15.0 | 15.0 | 11.0 | 54.5 | 5.5 | 101.0 |



NOTE:

¹ Number of employees in each department consist of authorized positions.

² Joint Regional Water Supply System personnel are employees of the District. Reimbursements are received from JRWSS

Source: District Annual Budgets