



Trabuco Canyon Water District
Trabuco Canyon, California

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2022 and 2021





Mission Statement

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

Board of Directors

Stephen Dopudja, President

Edward Mandich, Vice-President

Glenn Acosta, Director

Donald Chadd, Director

Michael Safranski, Director

District Management

Fernando Paludi, General Manager

Michael Perea, Assistant General Manager

Cindy Byerrum, District Treasurer

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

TRABUCO CANYON WATER DISTRICT
For the Fiscal Years Ended June 30, 2022 and 2021
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Introductory Section

STAFF MEMBERS

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



BOARD OF DIRECTORS

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

January 17, 2023

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

It is my pleasure to submit the Trabuco Canyon Water District's (District) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022 (FY 2022). The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited with generally accepted auditing standards.

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

The District's financial statements have been audited by Nigro and Nigro, PC, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2022 are free of material misstatement. The independent audit involved examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unmodified opinion which states that the District's financial statements for the fiscal year ended June 30, 2022 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

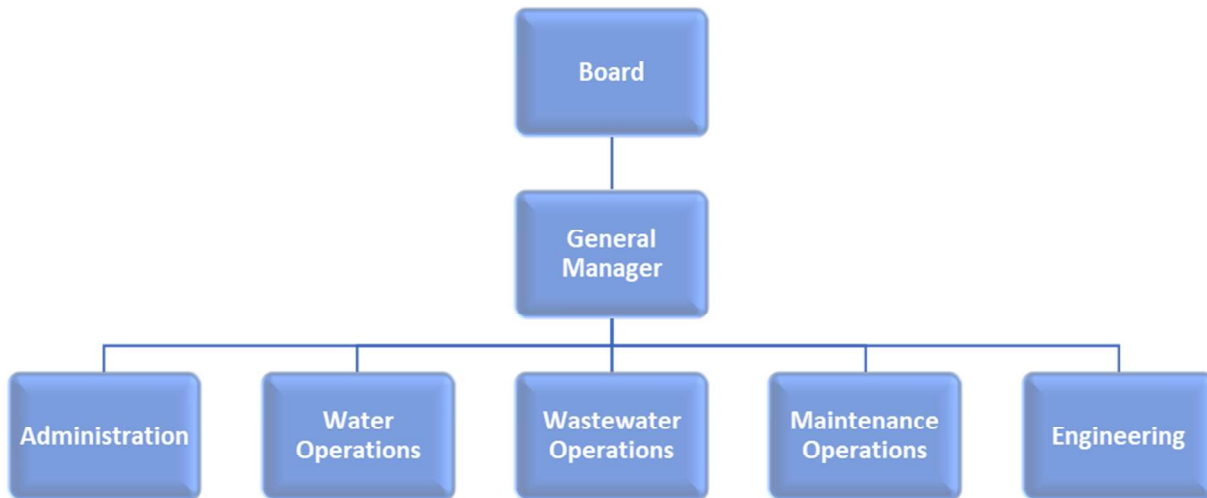
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The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

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

District Organizational Structure and Leadership

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

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



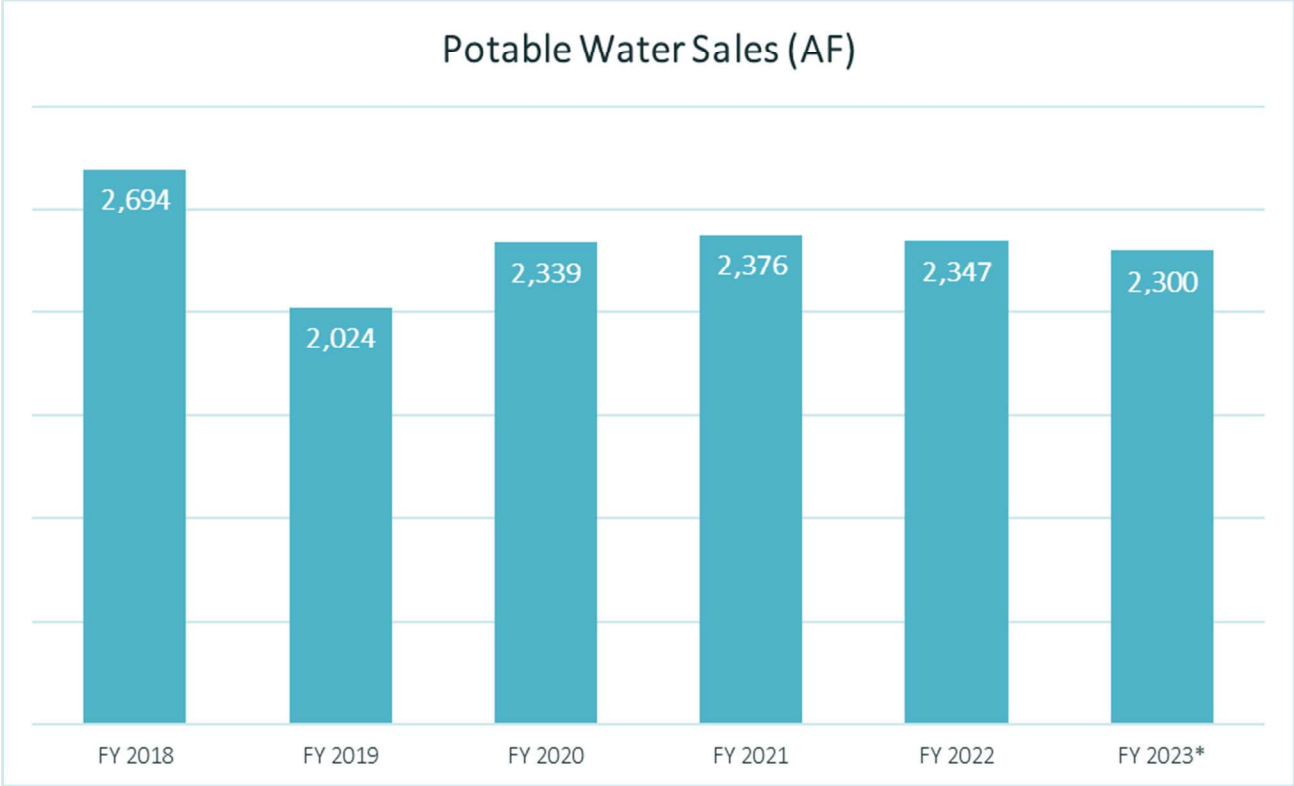
District Services

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

Residential customers represent approximately 96% of the District's potable water customer accounts and consume approximately 72% of the potable water produced annually by the District. The District currently operates a drinking water filtration plant and two groundwater wells with a combined production capacity of 900 gallons per minute. Additionally, the District is the permitted distributor of recycled water from the Robinson Ranch Wastewater Treatment Plant. The number of District potable water connections did not increase in FY 2022.

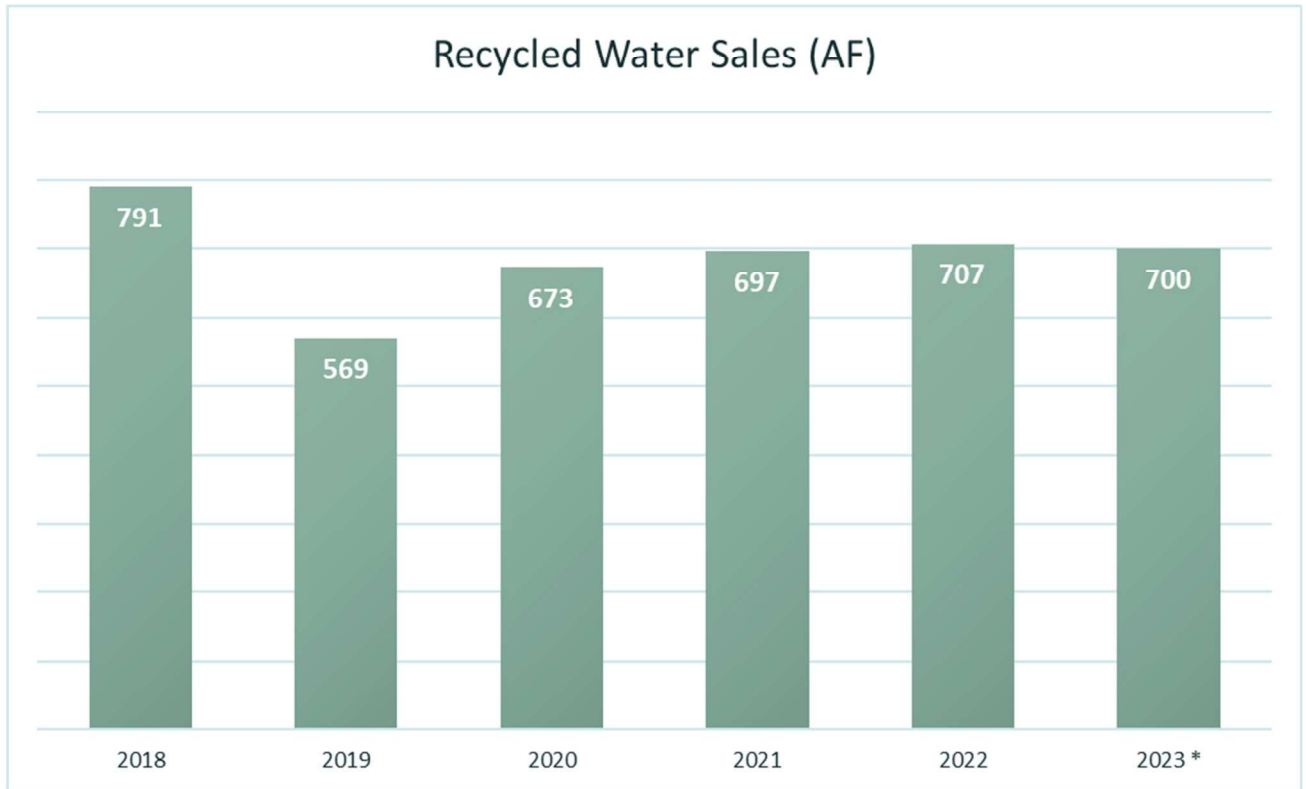
The District's annual water-related revenues are predominantly variable and correlated to the volume of water sold to homes, business, and other users. Sales of potable or drinking water for

indoor and outdoor use, including landscape irrigation, comprise nearly two-thirds of all revenue from customer charges. After dropping significantly in FY 2019, water sales have increased during the recent cycle of hot, dry climate. For FY 2023, sales are projected to decrease 1% in response to drought awareness and corresponding conservation efforts.



**Projected potable water sales in AF*

The District beneficially reuses 100% of the sewage or wastewater collected within its service territory, east of Plano Trabuco Road. This “recycled water” produced at the Robinson Ranch Wastewater Treatment Plant is augmented by natural urban runoff captured through a network of basins and Dove Canyon Lake and used for landscape irrigation by several Homeowners Associations (HOAs). Recycled water represents 100% conservation of potable or drinking water supplies, which would otherwise be used for irrigation purposes. Recycled water supplies are limited and carefully managed by District operations personnel to maximize its benefit. Similar to demand for potable water, demand for recycled water reached a low point in FY 2019 but increased in FY 2020 and has remained steady through FY 2022. Demand is projected to decrease to 700 acre-feet during the budget year in recognition of drought awareness and conservation in irrigation use.



**Projected recycled water sales in AF*

Water Use Efficiency Programs

The District is committed to promoting and supporting efficient water use by its customers and demonstrates this commitment by reducing water waste, providing ongoing education and awareness of available financial incentives, and performing water use consultations. In early 2023, the District will complete the service area-wide installation of smart water meters and launch the consumption data access portal for all residential customers to monitor their water use in near-real time.

Local Economic Condition and Outlook

Since FY 2022, the District has been impacted by unanticipated price inflation and global supply chain disruptions that have delayed equipment procurement and driven up the cost of labor, materials, and equipment for District operating and capital projects. As a result, the District has been forced to scale back rehabilitation of aging infrastructure and defer certain projects to future budget cycles.

The Governor declared a statewide drought emergency during 2021 and has called for all Californians to voluntarily reduce water consumption by 15%. The District has responded by declaring a Water Shortage Stage 2, which calls for measures targeting up to 20% conservation. Despite this downward pressure on revenue from water sales, the District is committed to maintaining reliable service to all our customers within the constraints of our drought response mandates.

Major Planned Initiatives and Significant Projects

During FY 2023, the District expects to complete several important capital projects intended to modernize operations, refurbish and replace capital assets, and improve customer service:

- Final phase of the District’s Supervisory Control and Data Acquisition (SCADA) System upgrade - a three-year, \$3 million project to improve communication, security, and data management throughout the water, wastewater, and recycled water distribution systems.
- Implementation of a new Computerized Maintenance Management System (CMMS) software and database that will facilitate proactive maintenance operations of District facilities and assets.
- Completion of a Facilities Master Plan to address the District’s water, wastewater, and recycled water system needs over a 25-year planning horizon. The Plan also includes a condition assessment of all District operating assets, some of which have been in continuous operation since the 1960s, and a ten-year Capital Improvement Program with recommended projects to ensure the District continues to provide safe, reliable, and efficient services to its customers.
- Implementation of a \$1.7 million Automated Meter Reading (AMR)/Advanced Metering Infrastructure (AMI) program to convert all residential water meters to “smart meters” that will benefit both the District and our customers by automating the collection of near-real time consumption data – resulting in early leak detection and greater water use awareness.

To ensure that The District can continue to provide safe and reliable services in light of historic inflation and capital investment obligations, the District is developing a new financial plan. The financial plan will serve as a basis for setting water, sewer, and recycled water rates that recover the cost of providing those services and maintain adequate financial reserves.

FY 2022 Accomplishments

Notable accomplishments across the District from FY 2022 include:

- Promoted automated bill payment options to residential customers and increased the use of such options by approximately 30%
- Secured \$10 million in short-term financing for capital projects, as a bridge to longer-term financing in conjunction with a new financial plan and rate study
- Initiated a new Financial Plan and Cost of Service study to develop a proposed rate schedule to be considered for implementation in FY 2023
- Secured nearly \$600,000 in grant funding for District projects and equipment, including \$500,000 towards the AMR/AMI meter project, and nearly \$100,000 for a portable emergency generator to increase preparedness of District facilities against power shut offs and wildfire threats
- Completed improvement projects to Golf Club Sewer Lift Station including a station bypass and motor control center (MCC) replacement
- Completed the installation of a new MCC and other electrical upgrades at El Toro Sewer Lift Station
- Prepared and approved a sub-area master plan for the proposed Saddleback Meadows development of 181 single family homes

- Received recognition from the District’s insurer, ACWA/JPIA, for achieving loss ratios of 20% or less in each of three insurance programs in which the District participates
- Hosted “Water Awareness Day 2022” on May 21, 2022 to celebrate 60 years of service and educate District customers regarding District services and water use efficiency

Internal Control Structure

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

Budgetary Control

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

Investment Policy

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

Independent Audit and Financial Reporting

The State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Nigro & Nigro, PC has conducted the audit of the District’s financial statements for FY 2022. Their unmodified Independent Auditor’s Report appears in the Financial Section.

Risk Management

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

Other References

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

Awards and Acknowledgement

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

A Certificate of Achievement is valid for a period of one year. We believe that this ACFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine our eligibility for the 2020 fiscal year.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "F. Paludi". The signature is fluid and cursive, with a large initial "F" and a period at the end.

Fernando Paludi, P.E.
General Manager

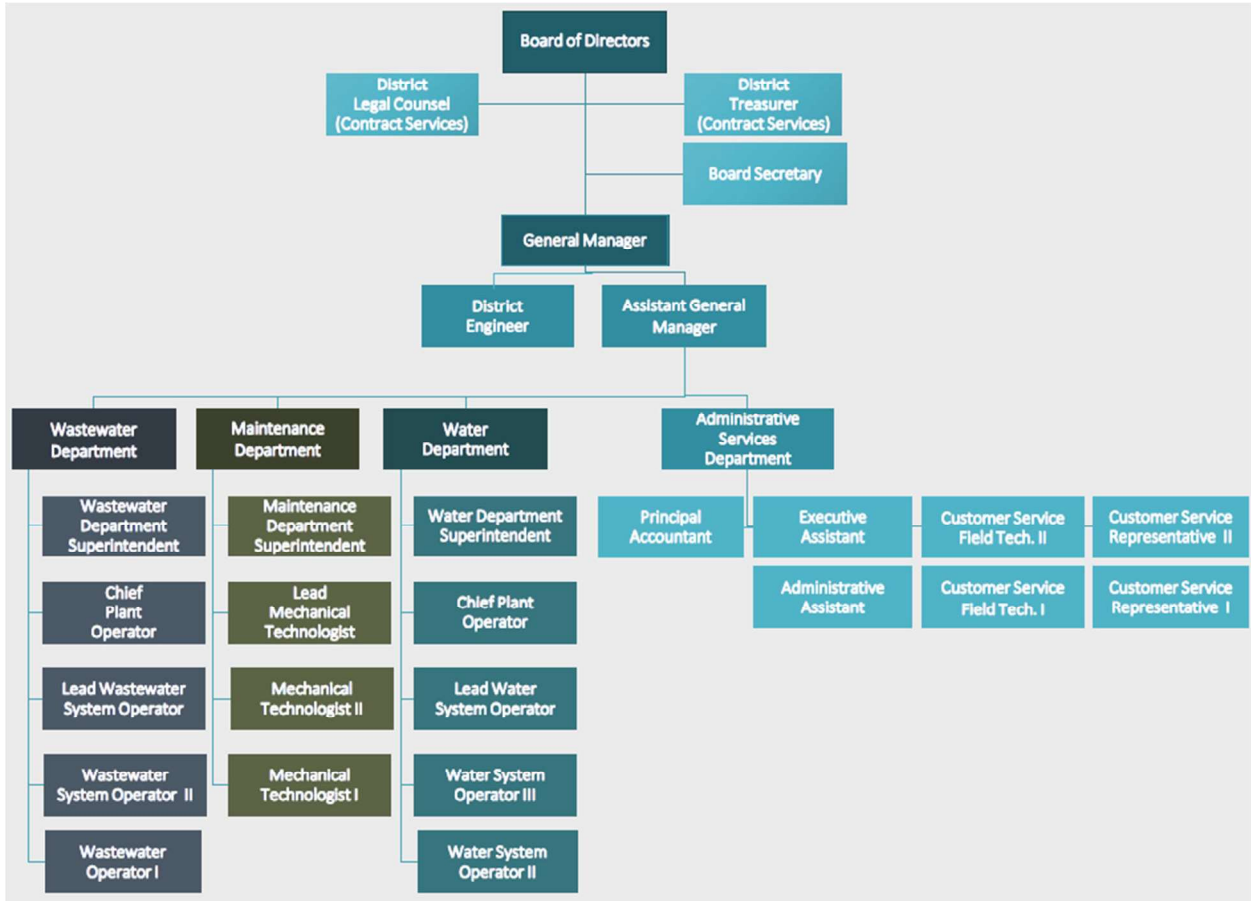
A handwritten signature in black ink, appearing to read "Cindy Byerrum". The signature is cursive and written in a slightly slanted, upward direction.

Cindy Byerrum, CPA
District Treasurer

TRABUCO CANYON WATER DISTRICT

Organizational Chart

June 30, 2022



Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Trabuco Canyon Water District
Trabuco Canyon, California

Opinion

We have audited the accompanying financial statements of the Trabuco Canyon Water District (District), which comprise the balance sheets as of June 30, 2022 and 2021, and related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2022 and 2021, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As described in Notes 1 and 5 to the financial statements, as of July 1, 2020, the Agency adopted new accounting guidance, GASB Statement 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 Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated January 17, 2023, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Murrieta, California
January 17, 2023

TRABUCO CANYON WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2022 and 2021

Management's Discussion and Analysis (MD&A) offers readers of Trabuco Canyon Water District's (District's) financial statements a narrative overview of the District's financial activities for the years ended June 30, 2022 and 2021. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In fiscal year 2022, the District's net position decreased 7.19%, or \$3,617,916 from the prior year's net position of \$50,317,353 to \$46,699,437, as a result of the year's operations.
- In fiscal year 2021, the District's net position decreased 4.42%, or \$2,323,468 from the prior year's net position of \$52,640,821 to \$50,317,353, as a result of the year's operations.
- In fiscal year 2022, operating revenues increased by 1.00%, or \$89,571 from \$8,929,020 to \$9,018,591, from the prior year, primarily due to increases in water consumption sales as well as increases in other water service charges and reclaimed water sales.
- In fiscal year 2021, operating revenues increased by 8.88%, or \$727,945 from \$8,201,075 to \$8,929,020, from the prior year, primarily due to increases in water consumption sales as well as increases in other water, sewer, reclaimed and recycled service charges.
- In fiscal year 2022, operating expenses before depreciation expense decreased by 4.43% or \$518,443 from \$11,710,353 to \$11,191,910, from the prior year, primarily due to decreases in sewer operation costs related to reduced repairs and maintenance expenses, and general and administrative expenses.
- In fiscal year 2021, operating expenses before depreciation expense increased by 8.71% or \$938,319 from \$10,772,034 to \$11,710,353, from the prior year, primarily due to increases in costs for source of supply, transmission and distribution, and general and administrative expenses.

REQUIRED FINANCIAL STATEMENTS

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

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

TRABUCO CANYON WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2022 and 2021

FINANCIAL ANALYSIS OF THE DISTRICT

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

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

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

Condensed Balance Sheets

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>June 30, 2020</u>	<u>Change</u>
Assets:					
Current assets	\$ 1,816,129	\$ 3,646,458	\$ (1,830,329)	\$ 10,188,899	\$ (6,542,441)
Non-current assets	12,644,370	5,221,939	7,422,431	\$ 3,254,760	\$ 1,967,179
Capital assets, net	<u>49,313,230</u>	<u>50,053,318</u>	<u>(740,088)</u>	<u>47,295,351</u>	<u>2,757,967</u>
Total assets	<u>63,773,729</u>	<u>58,921,715</u>	<u>4,852,014</u>	<u>60,739,010</u>	<u>(1,817,295)</u>
Deferred outflows of resources	<u>1,411,844</u>	<u>1,486,262</u>	<u>(74,418)</u>	<u>1,277,369</u>	<u>208,893</u>
Total assets and deferred outflows of resources	<u>\$ 65,185,573</u>	<u>\$ 60,407,977</u>	<u>\$ 4,777,596</u>	<u>\$ 62,016,379</u>	<u>\$ (1,608,402)</u>
Liabilities:					
Current liabilities	\$ 2,735,477	\$ 3,727,201	\$ (991,724)	\$ 3,066,128	\$ 661,073
Non-current liabilities	<u>13,565,271</u>	<u>5,975,665</u>	<u>7,589,606</u>	<u>6,060,462</u>	<u>(84,797)</u>
Total liabilities	<u>16,300,748</u>	<u>9,702,866</u>	<u>6,597,882</u>	<u>9,126,590</u>	<u>576,276</u>
Deferred inflows of resources	<u>2,387,080</u>	<u>387,758</u>	<u>1,999,322</u>	<u>248,968</u>	<u>138,790</u>
Net position:					
Net investment in capital assets	44,617,301	47,913,266	(3,295,965)	44,976,850	2,936,416
Restricted	5,292,370	5,104,320	188,050	3,254,760	1,849,560
Unrestricted	<u>(3,210,234)</u>	<u>(2,700,233)</u>	<u>(510,001)</u>	<u>4,409,211</u>	<u>(7,109,444)</u>
Total net position	<u>46,699,437</u>	<u>50,317,353</u>	<u>(3,617,916)</u>	<u>52,640,821</u>	<u>(2,323,468)</u>
Total liabilities, deferred outflows of resources and net position	<u>\$ 65,387,265</u>	<u>\$ 60,407,977</u>	<u>\$ 4,979,288</u>	<u>\$ 62,016,379</u>	<u>\$ (1,608,402)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$46,699,437 and \$50,317,353 as of June 30, 2022 and June 30, 2021, respectively.

TRABUCO CANYON WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2022 and 2021

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Balance Sheets (continued)

By far the largest portion of the District's net position (96% and 95% as of June 30, 2022 and 2021, respectively) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of year 2022, the District showed a negative (deficit) balance in its unrestricted net position of (\$3,210,234) which was due to the estimated \$3,939,488 amount for the net pension and net OPEB liabilities and their related deferred outflows/inflows. At the end of year 2021, the District showed a negative (deficit) balance in its unrestricted net position of (\$2,700,233) which was due to the estimated \$4,008,843 amount for the net pension and net OPEB liabilities and their related deferred outflows/inflows.

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>June 30, 2020</u>	<u>Change</u>
Operating revenues	\$ 9,018,591	\$ 8,929,020	\$ 89,571	\$ 8,201,075	\$ 727,945
Operating expenses	<u>(11,191,910)</u>	<u>(11,710,353)</u>	<u>518,443</u>	<u>(10,772,034)</u>	<u>(938,319)</u>
Operating income before depreciation	(2,173,319)	(2,781,333)	608,014	(2,570,959)	(210,374)
Depreciation expense	<u>(4,129,429)</u>	<u>(3,689,570)</u>	<u>(439,859)</u>	<u>(3,428,661)</u>	<u>(1,148,693)</u>
Operating income	(6,302,748)	(6,470,903)	168,155	(5,999,620)	938,319
Non-operating revenues(expenses), net	<u>1,861,731</u>	<u>2,147,079</u>	<u>(285,348)</u>	<u>6,580,323</u>	<u>(4,433,244)</u>
Capital contributions	<u>823,101</u>	<u>2,000,356</u>	<u>(1,177,255)</u>	<u>2,233,563</u>	<u>(233,207)</u>
Change in net position	(3,617,916)	(2,323,468)	(1,294,448)	2,814,266	(4,853,992)
Net position:					
Beginning of year	<u>50,317,353</u>	<u>52,640,821</u>	<u>(2,323,468)</u>	<u>49,826,555</u>	<u>2,814,266</u>
End of year	<u>\$ 46,699,437</u>	<u>\$ 50,317,353</u>	<u>\$ (3,617,916)</u>	<u>\$ 52,640,821</u>	<u>\$ (2,039,726)</u>

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

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

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

In 2021, the District's net position decreased 4.42%, or \$2,323,468 from the prior year's net position of \$52,640,821 to \$50,317,353, as a result of the year's operations.

The following table presents the detailed breakdown of the information presented in the condensed summary.

TRABUCO CANYON WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2022 and 2021

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Revenues

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Operating revenues:					
Water consumption sales	\$ 3,995,932	\$ 3,758,473	\$ 237,459	\$ 3,165,259	\$ 593,214
Water service charges	1,150,052	1,059,237	90,815	1,033,023	26,214
Sewer service charges	1,881,560	1,955,995	(74,435)	1,918,114	37,881
Reclaimed water sales	716,515	613,962	102,553	541,972	71,990
Recycled water sales	222,925	245,799	(22,874)	181,116	64,683
Wholesale water sales - BTP	865,032	1,278,778	(413,746)	1,210,433	68,345
Other operating revenues	186,575	16,776	169,799	151,158	(134,382)
Total operating revenues	<u>9,018,591</u>	<u>8,929,020</u>	<u>89,571</u>	<u>8,201,075</u>	<u>727,945</u>
Non-operating revenues:					
Property taxes	2,077,576	2,048,224	29,352	1,936,412	111,812
Investment earnings	(109,229)	29,813	(139,042)	119,066	(89,253)
Rental revenue	27,064	27,064	-	24,112	2,952
Capacity assignment revenue	-	-	-	4,526,000	(4,526,000)
Other non-operating revenues	205,537	106,338	99,199	48,064	58,274
Total non-operating revenues	<u>2,200,948</u>	<u>2,211,439</u>	<u>(10,491)</u>	<u>6,653,654</u>	<u>(4,442,215)</u>
Total revenues	<u>\$ 11,219,539</u>	<u>\$ 11,140,459</u>	<u>\$ 79,080</u>	<u>\$ 14,854,729</u>	<u>\$ (3,714,270)</u>

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

In fiscal year 2021, operating revenues increased by 8.88%, or \$727,945 from \$8,201,075 to \$8,929,020, from the prior year, primarily due to increases in water consumption sales as well as increases in other water, sewer, reclaimed and recycled service charges. Non-operating revenues decreased by \$4,442,215 due to the one-time capacity assignment revenue of \$4,526,000 in fiscal year 2020.

TRABUCO CANYON WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2022 and 2021

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Expenses

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Operating expenses:					
Source of supply	\$ 3,724,291	\$ 3,631,094	\$ 93,197	3,150,263	480,831
Pumping and power	283,159	295,308	(12,149)	252,227	43,081
Water treatment	266,246	346,674	(80,428)	303,281	43,393
Transmission and distribution	224,226	278,777	(54,551)	149,577	129,200
Sewer operations	443,417	760,445	(317,028)	770,329	(9,884)
Reclaimed operations	250,643	162,089	88,554	110,299	51,790
Recycled operations	250,711	164,044	86,667	129,746	34,298
General and administrative	5,749,217	6,071,922	(322,705)	5,906,312	165,610
Total operating expenses	<u>11,191,910</u>	<u>11,710,353</u>	<u>(518,443)</u>	<u>10,772,034</u>	<u>938,319</u>
Depreciation expense	4,129,429	3,689,570	439,859	3,428,661	260,909
Non-operating expenses:					
Interest expense	102,610	51,932	50,678	60,635	(8,703)
Cost of debt issuance	84,501	-	84,501	850	(850)
Property tax administration expense	11,508	12,428	(920)	11,846	582
Uncollectable federal grant	140,598	-	140,598	-	-
Total non-operating expenses	<u>339,217</u>	<u>64,360</u>	<u>274,857</u>	<u>73,331</u>	<u>(8,971)</u>
Total expenses	<u>\$ 15,660,556</u>	<u>\$ 15,464,283</u>	<u>\$ 196,273</u>	<u>\$ 14,274,026</u>	<u>\$ 929,348</u>

In fiscal year 2022, operating expenses before depreciation expense decreased by 4.43% or \$518,443 from \$11,710,353 to \$11,191,910, from the prior year, primarily due to decreases in sewer operation costs related to reduced repairs and maintenance expenses, and general and administrative expenses. Non-operating expenses increased by \$274,857 due to an increase in interest expense and a one-time uncollectable federal grant expense of \$140,598.

In fiscal year 2021, operating expenses before depreciation expense increased by 8.71% or \$938,319 from \$10,772,034 to \$11,710,353, from the prior year, primarily due to increases in costs for source of supply, transmission and distribution, and general and administrative expenses. Total expenses increased by \$929,348.

Capital Assets

	<u>Balance June 30, 2022</u>	<u>Balance June 30, 2021</u>	<u>Balance June 30, 2020</u>
Capital assets:			
Non-depreciable assets	\$ 3,630,311	\$ 2,407,104	\$ 5,335,924
Depreciable assets	122,571,597	121,073,132	113,393,594
Accumulated depreciation	<u>(76,888,678)</u>	<u>(73,426,918)</u>	<u>(71,434,167)</u>
Total capital assets, net	<u>\$ 49,313,230</u>	<u>\$ 50,053,318</u>	<u>\$ 47,295,351</u>

At June 30, 2022 and 2021, the District's investment in capital assets amounted to \$49,313,230 and \$50,053,318 (net of accumulated depreciation), respectively. Capital asset additions for 2022 amounted to \$3,389,341 for various projects and equipment. See Note 6 for further information.

TRABUCO CANYON WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2022 and 2021

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Debt Administration

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

	Balance	Balance	Balance
Long-term debt:	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Loans payable	<u>\$ 11,957,505</u>	<u>\$ 2,140,052</u>	<u>\$ 2,318,501</u>

For the years ended June 30, 2022 and 2021, long-term debt increased by \$9,817,453 and decreased by \$178,449, respectively. See Note 8 for further information.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

CONDITIONS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION

The District's Board of Directors and management considered many factors when setting the fiscal year 2022 user fees and charges. A projection is made on the acre feet of water that will be purchased and sold. The District also looks at the increased cost of the source of supply. Since the District heavily relies on imported water, the costs are directly passed through by Metropolitan Water District. Some are fixed costs that do not vary depending upon the amount of water sold. Other expenses are budgeted individually to account for increases in such things as vehicle expenses and insurance coverages. The District's customer base has not changed significantly; therefore, revenue and costs are more easily projected. Questions concerning the information about the economic analysis, revenue and expense assumptions, and other budgetary process parameters utilized in the annual budget preparation can be obtained from the District's Finance Officer.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

TRABUCO CANYON WATER DISTRICT
Balance Sheets
June 30, 2022 and 2021

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2022</u>	<u>2021</u>
Current assets:		Restated
Cash and cash equivalents (Note 2)	\$ 200,527	\$ 2,055,746
Accrued interest receivable	4,271	2,069
Accounts receivable, net (Note 4)	1,177,530	1,101,812
Accounts receivable - due from other governments	-	140,598
Lease receivable (Note 5)	27,195	22,979
Other receivables	311,459	246,451
Prepaid expenses	95,147	76,803
Total current assets	1,816,129	3,646,458
Non-current assets:		
Restricted – cash and cash equivalents (Note 2 and 3)	12,535,603	5,100,793
Restricted – accrued interest receivable (Note 3)	18,343	3,527
Lease receivable - (Note 5)	90,424	117,619
Net OPEB asset (Note 9)	201,692	-
Capital assets – not being depreciated (Note 6)	3,630,311	2,407,104
Capital assets – being depreciated, net (Note 6)	45,682,919	47,646,214
Total non-current assets	62,159,292	55,275,257
Total assets	63,975,421	58,921,715
Deferred outflows of resources:		
Deferred amounts related to net OPEB obligation (Note 9)	553,614	418,881
Deferred amounts related to net pension liability (Note 10)	858,230	1,067,381
Total deferred outflows of resources	1,411,844	1,486,262
Total assets and deferred outflows of resources	\$ 65,387,265	\$ 60,407,977
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,402,684	\$ 3,341,665
Deposits and unearned revenues	184,584	203,261
Long-term liabilities – due within one year:		
Compensated absences (Note 7)	55,369	91,520
Loans payable (Note 8)	92,840	90,755
Total current liabilities	2,735,477	3,727,201
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 7)	102,828	169,963
Loans payable (Note 8)	11,864,665	2,049,297
Net OPEB obligation (Note 9)	-	356,590
Net pension liability (Note 10)	1,597,778	3,399,815
Total non-current liabilities	13,565,271	5,975,665
Total liabilities	16,300,748	9,702,866
Deferred inflows of resources:		
Deferred amounts related to leases (Note 5)	108,256	135,320
Deferred amounts related to net OPEB obligation (Note 9)	747,880	185,600
Deferred amounts related to net pension liability (Note 10)	1,530,944	66,838
Total deferred inflows of resources	2,387,080	387,758
Net position:		
Net investment in capital assets (Note 11)	44,617,301	47,913,266
Restricted (Note 3)	5,292,370	5,104,320
Unrestricted (Defecit) (Note 12)	(3,210,234)	(2,700,233)
Total net position	46,699,437	50,317,353
Total liabilities, deferred inflows of resources and net position	\$ 65,387,265	\$ 60,407,977

TRABUCO CANYON WATER DISTRICT*Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2022 and 2021*

	<u>2022</u>	<u>2021</u>
Operating revenues:		Restated
Water consumption sales	\$ 3,995,932	\$ 3,758,473
Water service charges	1,150,052	1,059,237
Sewer service charges	1,881,560	1,955,995
Reclaimed water sales	716,515	613,962
Recycled water sales	222,925	245,799
Wholesale water sales – Baker Treatment Plant	865,032	1,278,778
Other operating revenues	186,575	16,776
Total operating revenues	<u>9,018,591</u>	<u>8,929,020</u>
Operating expenses:		
Source of supply	3,724,291	3,631,094
Pumping and power	283,159	295,308
Water treatment	266,246	346,674
Transmission and distribution	224,226	278,777
Sewer operations	443,417	760,445
Reclaimed operations	250,643	162,089
Recycled operations	250,711	164,044
General and administrative	5,749,217	6,071,922
Total operating expenses	<u>11,191,910</u>	<u>11,710,353</u>
Operating loss before depreciation	(2,173,319)	(2,781,333)
Depreciation expense	(4,129,429)	(3,689,570)
Operating loss	<u>(6,302,748)</u>	<u>(6,470,903)</u>
Non-operating revenues(expenses):		
Property taxes	2,077,576	2,048,224
Investment earnings	(109,229)	29,813
Rental revenue	27,064	27,064
Interest expense	(102,610)	(51,932)
Cost of debt issuance	(84,501)	-
Property tax administration charge	(11,508)	(12,428)
Uncollectable capital grants	(140,598)	-
Other non-operating revenues	205,537	106,338
Total non-operating revenues(expenses), net	<u>1,861,731</u>	<u>2,147,079</u>
Change in net position before capital contributions	<u>(4,441,017)</u>	<u>(4,323,824)</u>
Capital contributions:		
Water reliability and emergency storage fees	823,101	822,779
Capital grants	-	99,751
Contributed capital – other	-	1,077,826
Total capital contributions	<u>823,101</u>	<u>2,000,356</u>
Change in net position	(3,617,916)	(2,323,468)
Net position:		
Beginning of year, as restated (Note 13)	50,317,353	52,640,821
End of year	<u>\$ 46,699,437</u>	<u>\$ 50,317,353</u>

TRABUCO CANYON WATER DISTRICT
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		Restated
Cash receipts from customers and others	\$ 9,133,445	\$ 9,709,071
Cash paid to employees for salaries and wages	(2,594,683)	(2,413,438)
Cash paid to vendors and suppliers for materials and services	(9,761,402)	(8,591,954)
Net cash used in operating activities	<u>(3,222,640)</u>	<u>(1,296,321)</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	2,062,116	2,092,916
Net cash provided by non-capital financing activities	<u>2,062,116</u>	<u>2,092,916</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,389,341)	(6,494,378)
Capacity assignment revenue	-	4,526,000
Capital grants	-	2,628,732
Capital contributions	823,101	1,900,605
Proceeds from loan payable	9,915,499	-
Principal paid on long-term debt	(182,547)	(178,449)
Interest paid on long-term debt	(102,610)	(51,932)
Net cash provided by (used in) capital and related financing activities	<u>7,064,102</u>	<u>2,330,578</u>
Cash flows from investing activities:		
Change in investments	(197,740)	533
Investment earnings	(126,247)	27,771
Net cash provided by investing activities	<u>(323,987)</u>	<u>28,304</u>
Net increase(decrease) in cash and cash equivalents	5,579,591	3,155,477
Cash and cash equivalents:		
Beginning of year	7,156,539	4,001,062
End of year	<u>\$ 12,736,130</u>	<u>\$ 7,156,539</u>
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 200,527	\$ 2,055,746
Restricted – cash and cash equivalents	12,535,603	5,100,793
Total cash and cash equivalents	<u>\$ 12,736,130</u>	<u>\$ 7,156,539</u>

TRABUCO CANYON WATER DISTRICT
Statements of Cash Flows (continued)
For the Fiscal Year Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$ (6,302,748)	\$ (6,470,903)
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	4,129,429	3,689,570
Rental and contract revenue	27,064	27,064
Other non-operating revenues	205,537	106,338
Change in assets - (increase)decrease:		
Accounts receivable, net	(75,718)	(58,888)
Lease receivable	22,979	(140,598)
Other receivables	(65,008)	846,135
Prepaid expenses	(18,344)	20,339
Change in deferred outflows of resources - (increase)decrease		
Deferred amounts related to net OPEB obligation	(134,733)	(1,961)
Deferred amounts related to net pension liability	209,151	(206,932)
Change in liabilities - increase(decrease):		
Accounts payable and accrued expenses	(938,981)	723,152
Deposits and unearned revenues	(18,677)	(76,789)
Compensated absences	(103,286)	36,292
Net OPEB obligation	(356,590)	(176,998)
Net pension liability	(1,802,037)	249,068
Change in deferred inflows of resources - increase(decrease)		
Deferred amounts related to leases	(27,064)	135,320
Deferred amounts related to net OPEB obligation	562,280	87,745
Deferred amounts related to net pension liability	1,464,106	(84,275)
Total adjustments	<u>3,080,108</u>	<u>5,174,582</u>
Net cash used in operating activities	<u>\$ (3,222,640)</u>	<u>\$ (1,296,321)</u>

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

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

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

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

B. Basis of Presentation, Basis of Accounting

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

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

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

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

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

1. Cash and Cash Equivalents

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

2. Investments

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

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

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

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

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

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

3. Restricted Assets

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

4. Receivables and Allowance for Doubtful Accounts

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

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

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

5. Prepaids

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

6. Lease Receivable and Deferred Inflows of Resources

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

7. Capital Assets

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

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

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

9. Compensated Absences

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

10. Pensions

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

The following timeframes are used for pension reporting:

	<u>2022</u>	<u>2021</u>
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Measurement Period	July 1, 2020 to June 30, 2021	July 1, 2019 to June 30, 2020

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

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

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

11. Postemployment Benefits Other Than Pensions (OPEB)

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

The following timeframes are used for OPEB reporting:

	<u>2022</u>	<u>2021</u>
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Measurement Period	July 1, 2020 to June 30, 2021	July 1, 2019 to June 30, 2020

12. Net Position

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

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

D. Use of Estimates

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

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

E. Property Taxes

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

The property tax calendar is as follows:

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

F. New Pronouncements – Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2022, the District has implemented a new pronouncement as follows:

GASB Statement No. 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement were effective for reporting periods beginning after December 15, 2019. However, GASB Statement No. 95 postponed its effective date by 18 months due to the COVID-19 pandemic and its effect on the audit/accounting industry. The District adopted the Statement as of July 1, 2021. See Note 5 for the effect of this Statement.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

<u>Description</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Cash and cash equivalents	\$ 200,527	\$ 2,055,746
Restricted – cash and cash equivalents	12,535,603	5,100,793
Total cash and cash equivalents	\$ 12,736,130	\$ 7,156,539

Cash and cash equivalents consisted of the following:

<u>Description</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Cash on hand	\$ 416	\$ 450
Demand deposits held with financial institutions	1,294,996	732,131
Local Agency Investment Fund (LAIF)	11,440,718	6,423,958
Total cash and cash equivalents	\$ 12,736,130	\$ 7,156,539

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Demand Deposits with Financial Institutions

At June 30, 2022 and 2021, the carrying amount of the District's demand deposits were \$1,294,996 and \$732,131, respectively, and the financial institution's balances were \$1,510,902 and \$737,775, respectively. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

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

Custodial Credit Risk

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

Local Agency Investment Fund (LAIF)

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

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2022, and 2021, the District held \$11,440,718 and \$6,423,958 in LAIF, respectively.

Concentration of Credit Risk

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 3 – RESTRICTED – ASSETS AND RESTRICTED – NET POSITION

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

<u>Description</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Restricted – cash and cash equivalents	\$ 12,535,603	\$ 5,100,793
Restricted - accrued interest receivable	18,343	3,527
Total restricted assets	\$ 12,553,946	\$ 5,104,320

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

<u>Description</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Unspent proceeds from loan issuance	\$ 7,261,576	\$ -
Developer and other capital improvements	1,243,335	1,241,880
Water reliability and emergency storage	4,049,035	3,862,440
Total restricted assets	12,553,946	5,104,320
Less: Unspent proceeds from loan issuance	(7,261,576)	-
Total restricted – net position	\$ 5,292,370	\$ 5,104,320

NOTE 4 – ACCOUNTS RECEIVABLE, NET

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

<u>Description</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Accounts receivable	\$ 1,296,566	\$ 1,177,071
Allowance for doubtful accounts	(119,036)	(75,259)
Total accounts receivable, net	\$ 1,177,530	\$ 1,101,812

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

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

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

Changes in the District’s lease receivable for the year ended June 30, 2021 was as follows:

<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2021</u>
Cellular antenna site rental	\$ 162,385	\$ -	\$ (21,787)	\$ 140,598

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 5 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

The District is reporting a total lease receivable of \$117,619 and \$140,598 and a total related deferred inflows of resources of \$108,256 and \$135,320 for the years ending June 30, 2022 and 2021, respectively. Also, the District is reporting total lease revenue of \$22,979 and \$21,787 and interest revenue of \$2,602 and \$3,049 related to lease payments received for the years ending June 30, 2022 and 2021, respectively.

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

Cellular Antenna Site Rental

The District, on July 1, 2020, renewed a continuous lease for 72 months as lessor for the use of a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$162,385. As of June 30, 2022, the value of the lease receivable was \$117,619. The lease is required to make monthly fixed payments of \$2,070 for the first 12-month period, then increasing 3.0% per year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resource was \$108,256 as of June 30, 2022. The District recognized lease revenue of \$22,979 and interest revenue of \$2,602 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	27,195	2,106	29,301
2024	28,631	1,549	30,180
2025	30,122	963	31,085
2026	<u>31,671</u>	<u>347</u>	<u>32,018</u>
Total	117,619	<u>\$ 4,965</u>	<u>\$ 122,584</u>
Current	<u>(27,195)</u>		
Long-term	<u>\$ 90,424</u>		

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

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

Changes in the District’s deferred inflows of resources related to leases for June 30, 2021 is as follows:

<u>Description</u>	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2021</u>
Cellular antenna site rental	<u>\$ 162,385</u>	<u>\$ -</u>	<u>\$ (27,065)</u>	<u>\$ 135,320</u>

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 5 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

The amounts reported as deferred inflows of resources related to leases for the year ended June 30, 2022, will be amortized in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Inflows of Resources
2023	\$ 27,064
2024	27,064
2025	27,064
2026	27,064
Total	\$ 108,256

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

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

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (continued)

Changes in capital assets for the fiscal year ended June 30, 2021, were as follows:

Description	Balance July 1, 2020	Additions	Deletions/ Transfers	Balance June 30, 2021
Non-depreciable assets:				
Land	\$ 2,339,113	\$ -	\$ -	\$ 2,339,113
Construction-in-process	2,996,811	4,137,281	(7,066,101)	67,991
Total non-depreciable assets	5,335,924	4,137,281	(7,066,101)	2,407,104
Depreciable assets:				
Water transmission and distribution system	55,665,198	3,937,174	(987,831)	58,614,541
Recycled water and wastewater system	55,086,321	3,830,205	(755,829)	58,160,697
Structures and improvements	1,609,622	15,149	-	1,624,771
Machinery and equipment	1,032,453	1,640,670	-	2,673,123
Total depreciable assets	113,393,594	9,423,198	(1,743,660)	121,073,132
Accumulated depreciation:				
Water transmission and distribution system	(32,894,822)	(1,644,599)	987,831	(33,551,590)
Recycled water and wastewater system	(36,872,437)	(1,763,464)	708,988	(37,926,913)
Structures and improvements	(1,202,630)	(59,869)	-	(1,262,499)
Machinery and equipment	(464,278)	(221,638)	-	(685,916)
Total accumulated depreciation	(71,434,167)	(3,689,570)	1,696,819	(73,426,918)
Total depreciable assets, net	41,959,427	5,733,628	(46,841)	47,646,214
Total capital assets, net	\$ 47,295,351	\$ 9,870,909	\$ (7,112,942)	\$ 50,053,318

In fiscal year 2021, major capital asset additions amounted to \$6,494,378, and depreciation expense amounted to \$3,689,570.

NOTE 7 – COMPENSATED ABSENCES

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

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

Changes in compensated absences amounts for the year ended June 30, 2021, were as follows:

Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year	Due in More Than One Year
\$ 225,191	\$ 251,901	\$ (215,609)	\$ 261,483	\$ 91,520	\$ 169,963

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 8 – LOANS PAYABLE

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

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

Changes in loans payable amounts for the year ended June 30, 2021, were as follows:

Loans Payable	Balance			Balance June 30, 2021	Current Portion	Long-term Portion
	July 1, 2020	Additions	Deductions			
SRF Loan Payable	\$ 2,318,501	\$ -	\$ (178,449)	\$ 2,140,052	\$ 90,755	\$ 2,049,297

2011 State Revolving Fund Loan

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

Fiscal Year	Principal	Interest	Total
2023	92,840	22,351	115,191
2024	188,872	41,509	230,381
2025	193,209	37,172	230,381
2026	197,647	32,734	230,381
2027	202,186	28,195	230,381
2028-2032	<u>1,082,751</u>	<u>69,153</u>	<u>1,151,904</u>
Total	1,957,505	\$ 231,114	\$ 2,188,619
Current	<u>(92,840)</u>		
Long-term	<u>\$ 1,864,665</u>		

2022 – Loan Payable

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Summary

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

Description	2022	2021
OPEB related deferred outflows	\$ 553,614	\$ 418,881
Net other post-employment benefits obligation(asset)	(201,692)	356,590
OPEB related deferred inflows	747,880	185,600

A. General Information about the OPEB Plan

Plan Description

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

Employees Hired Prior to April 1, 2014

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

Employees Hired on or After April 1, 2014

The District's contribution is 100% of the coverage level elected by the retiree up to the 100/90 State Annuitant rates multiplied by a vesting schedule (below). 100/90 amount is 100% of the weighted average of single coverage and 90% of the weighted average of the additional premium for two party and family coverage for the 4 PEMHCA plans with the highest State enrollment in the prior year. The 100/90 State Annuitant rates are published each year. The current 2019 monthly rates are \$734 single, \$1,398 two-party and \$1,788 family and the 2021 monthly rates are \$767 single, \$1,461 two-party and \$1,868 family.

Employees Covered

As of the June 30, 2021 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

	2021	2020
Inactive plan members or beneficiaries currently receiving benefit payments	9	7
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Active plan members	21	20
Total	30	27

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

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

A. General Information about the OPEB Plan (continued)

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's Board of Directors. Currently, contributions are not required from plan members. The District has been typically funding this OPEB plan on a pay-as-you-go basis; however, contributions have been made to a CalPERS CERBT OPEB Trust.

Contributions

Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the District. For fiscal year ended June 30, 2021, the measurement period, the District's contributions totaling \$160,346 included \$0 placed in its CERBT OPEB Trust, \$134,348 in current year premium payments, and an implied subsidy of \$25,998.

Accounting for the Plan

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

Method Used to Value Investments

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

B. Net OPEB Liability

The District's total OPEB liability was measured as of June 30, 2021 and was determined by 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 otherwise specified:

	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2021	June 30, 2020
Measurement Date	June 30, 2021	June 30, 2020
Actuarial Cost Method	Entry age normal, level percentage of payroll	Entry age normal, level percentage of payroll
Asset Valuation Method	Market value of assets as of the measurement date	Market value of assets as of the measurement date
Actuarial Assumptions:		
Discount Rate	6.75%	7.00%
Long-Term Expected Rate of Return on Investments	6.75%	7.00%
Inflation	2.50%	2.75%
Payroll increases	2.75%	2.75%
Healthcare Trend Rates	6.50% trending down 0.25% annually to 4.50% in 2029+	6.50% trending down 0.25% annually to 4.50% in 2029+
Morbidity	Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019	Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019
Mortality	Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019	Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019
Disability	Not Valued	Not Valued
Retirement	CalPERS Public Agency Miscellaneous 2.5% @55 and 2% @62	CalPERS Public Agency Miscellaneous 2.5% @55 and 2% @62
Percent Married	85% of future retirees would enroll a spouse	85% of future retirees would enroll a spouse

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

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

B. Net OPEB Liability (continued)

Actuarial Assumptions (continued)

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

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

Discount Rate

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

C. Changes in the Net OPEB Liability

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

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

TRABUCO CANYON WATER DISTRICT
Notes to Financial Statements
June 30, 2022 and 2021

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

C. Changes in the Net OPEB Liability (continued)

The changes in the total OPEB liability for June 30, 2021, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2020 (Measurement date June 30, 2019)	\$ 3,011,438	\$ 2,477,851	\$ 533,587
Changes for the year:			
Service cost	103,022	-	103,022
Interest	213,932	-	213,932
Differences in experience	(123,689)	-	(123,689)
Changes in assumption	-	-	-
Employer contributions	-	281,864	(281,864)
Net investment income	-	89,611	(89,611)
Benefit payments	(118,587)	(118,587)	-
Administrative expenses	-	(1,213)	1,213
Net changes	74,678	251,675	(176,997)
Balance at June 30, 2021 (Measurement date June 30, 2020)	\$ 3,086,116	\$ 2,729,526	\$ 356,590

Changes of Assumptions

In fiscal year 2020-21, the measurement period, discount rate decreased to 6.75% and inflation decreased to 2.50%.

Change of Benefit Terms

In fiscal year 2020-21, the measurement period, there were no changes to the actuarial assumptions.

Subsequent Events

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

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

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

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

1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
\$ 196,265	\$ (201,692)	\$ (535,503)

Sensitivity of the Net OPEB liability(asset) to changes in the discount rate for the fiscal year ended June 30, 2021:

1% Decrease 6.0%	Discount Rate 7.0%	1% Increase 8.0%
\$ 777,832	\$ 356,590	\$ 8,913

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

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

C. Changes in the Net OPEB Liability (continued)

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

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

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

Healthcare Cost		
7.5% Decreasing to 5.5%	6.5% Decreasing to 4.5%	5.5% Decreasing to 3.5%
\$ (591,896)	\$ (201,692)	\$ 274,113

Sensitivity of the Net OPEB liability(asset) to changes in the healthcare trend rate for June 30, 2021:

Healthcare Cost		
7.5% Decreasing to 5.5%	6.5% Decreasing to 4.5%	5.5% Decreasing to 3.5%
\$ (60,106)	\$ 356,590	\$ 874,184

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

For the fiscal year ended June 30, 2022, and 2021, the District recognized OPEB expense of \$29,615 and \$134,888, respectively.

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

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

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

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

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions made after the measurement date	\$ 226,102	\$ -
Changes in assumptions	-	(75,654)
Differences between expected and actual experience	123,874	(109,946)
Differences between projected and actual earnings on OPEB plan investments	68,905	-
Total Deferred Outflows/(Inflows) of Resources	\$ 418,881	\$ (185,600)

The differences between projected and actual earnings on plan investments is amortized over five years. The District reported \$160,346 and \$226,102 in 2022 and 2021, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2023, and 2022, respectively.

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

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in fiscal year 2022 as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 2,259
2023	13,053
2024	15,145
2025	11,028
2026	(6,855)
Thereafter	(27,451)
Total	\$ 7,179

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 10 – PENSION PLAN

Summary

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

Description	2022	2021
Pension related deferred outflows	\$ 858,230	\$ 1,067,381
Net pension liability	1,597,778	3,399,815
Pension related deferred inflows	1,530,944	66,838

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

A. General Information about the Pension Plan

The Plan

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

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.0%
Required member contribution rates	8.000%	6.750%
Required employer contribution rates – FY 2021	13.457%	7.686%
Required employer contribution rates – FY 2020	12.431%	7.863%

Plan Description

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 10 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

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

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

At June 30, 2020 measurement date, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	14	8	22
Transferred and terminated members	25	6	31
Retired members and beneficiaries	12	-	12
Total plan members	51	14	65

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

Benefits Provided

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 10 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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.

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

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

Contributions for the year ended June 30, 2021, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 649,647	\$ 59,249	\$ 708,896

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

Proportionate Share of Net Pension Liability and Pension Expense

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2021, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 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 plans relative to the projected contributions of all participating employers, actuarially determined.

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

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 10 – PENSION PLAN (continued)

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

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

The following table shows the District’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2021:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2021</u>	<u>Fiscal Year Ending June 30, 2020</u>	
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
Percentage of Risk Pool Net Pension Liability	0.080601%	0.078680%	0.001921%
Percentage of Plan Net Pension Liability	0.031247%	0.030748%	0.000499%

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

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

The District’s proportionate share percentage of the net pension liability for the June 30, 2020, measurement date was as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2019 (Measurement Date)	<u>\$ 11,720,295</u>	<u>\$ 8,569,548</u>	<u>\$ 3,150,747</u>
Balance as of June 30, 2020 (Measurement Date)	<u>\$ 13,700,289</u>	<u>\$ 10,300,474</u>	<u>\$ 3,399,815</u>
Change in Plan Net Pension Liability	<u>\$ 1,979,994</u>	<u>\$ 1,730,926</u>	<u>\$ 249,068</u>

TRABUCO CANYON WATER DISTRICT*Notes to Financial Statements**June 30, 2022 and 2021*

NOTE 10 – PENSION PLAN (continued)**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)****Proportionate Share of Net Pension Liability and Pension Expense (continued)**

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

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

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$666,757. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflow: of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	\$ 708,896	\$ -
Difference between actual and proportionate share of employer contributions	-	(37,588)
Adjustment due to differences in proportions	82,285	(5,001)
Differences between expected and actual experience	175,203	-
Differences between projected and actual earnings on pension plan investments	100,997	-
Changes in assumptions	-	(24,249)
Total Deferred Outflows/(Inflows) of Resources	\$ 1,067,381	\$ (66,838)

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 10 – PENSION PLAN (continued)

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

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

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

An amount of \$487,803 and \$708,896 for 2022, and 2021, respectively, were reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023 and 2022, respectively.

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

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2022	\$ (221,163)
2023	(253,734)
2024	(300,175)
2025	(385,443)
Total	<u>\$ (1,160,515)</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2021 will be recognized as a reduction to pension expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2022	\$ 53,587
2023	110,686
2024	78,933
2025	48,441
Total	<u>\$ 291,647</u>

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 10 – PENSION PLAN (continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020, total pension liability. The June 30, 2021, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations 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 table below reflects long-term expected real rate of return by asset class.

Investment Type	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	<u>100.0%</u>		

¹ An expected inflation of 2.0% is used for years 1-10.

² An expected inflation of 2.9% is used for years 11+.

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 10 – PENSION PLAN (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 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

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

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

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

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

Changes in the discount rate for the year ended June 30, 2021, was as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate	Current Discount	Discount Rate +
	- 1%	Rate 7.15%	1%
	6.15%		8.15%
CalPERS – Miscellaneous Plan	5,222,989	\$ 3,399,815	\$ 1,893,383

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plans

At June 30, 2022, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2022.

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 11 – NET INVESTMENT IN CAPITAL ASSETS

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

Description	June 30, 2022	June 30, 2021
Net investment in capital assets:		
Capital assets – not being depreciated	3,630,311	2,407,104
Capital assets, net – being depreciated	45,682,919	47,646,214
Loans payable – current portion	(92,840)	(90,755)
Loans payable – non-current portion	(11,864,665)	(2,049,297)
Unspent proceeds from loan issuance (Note 3)	7,261,576	-
Total net investment in capital assets	\$ 44,617,301	\$ 47,913,266

NOTE 12 – NET ASSETS – UNRESTRICTED (DEFICIT)

As of June 30, 2022 and 2021, the District had an unrestricted net position deficit of (\$3,210,234) and (\$2,700,233), respectively. Due to the nature of the deficit from the implementation of GASB Statements No. 68 (net pension liability) and No. 75 (net OPEB obligation) in the prior fiscal years, the District will continue to make its actuarial determined contributions to CalPERS and annually review its outstanding net pension and net OPEB obligations funding requirements for future periods to reduce its deficit position.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

Beginning net position as of July 1, 2020 was restated by \$0, for the District's retroactive restatement for the adoption of *GASB No. 87 - Leases* as noted below as the lease started on July 1, 2020:

Description	Balance
Net position:	
Beginning of year, as previously stated	\$ 52,640,821
Lease receivable	162,385
Deferred amounts related to leases	(162,385)
Net adjustment	-
Beginning of year, as restated	<u>\$ 52,640,821</u>

Beginning net position as of July 1, 2021 was restated by \$5,278, for the District's restatement for the adoption of *GASB No. 87 - Leases* as noted below as the lease continued through July 1, 2021:

Description	Balance
Net position:	
Beginning of year, as previously stated	\$ 50,312,075
Lease receivable	140,598
Deferred amounts related to leases	(135,320)
Net adjustment	5,278
Beginning of year, as restated	<u>\$ 50,317,353</u>

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 14 – DEFERRED COMPENSATION SAVINGS PLAN

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

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

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

NOTE 15 – RISK MANAGEMENT POOL

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

A. Entity	ACWA-JPIA
B. Purpose	To pool member contributions and realize the advantages of self-insurance
C. Participants	As of September 30, 2021 – 396 member districts
D. Governing board	Nine representatives employed by members
E. Condensed financial information	September 30, 2021
Audit signed	March 30, 2022
Statement of financial position:	
Total assets	<u>\$ 271,770,359</u>
Deferred outflows	<u>1,189,142</u>
Total liabilities	<u>123,558,690</u>
Deferred inflows	<u>(409,721)</u>
Net position	<u>\$ 149,810,532</u>
Statement of revenues, expenses and changes in net position:	
Total revenues	\$ 200,883,781
Total expenses	<u>(174,760,456)</u>
Change in net position	26,123,325
Beginning – net position	<u>123,687,207</u>
Ending – net position	<u>\$ 149,810,532</u>
F. Member agencies share of year-end financial position	Not Calculated

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 15 – RISK MANAGEMENT POOL (continued)

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

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

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

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

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

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

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

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

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

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

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Economic Dependency

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

Excluded Leases – Short-Term Leases and De Minimis Leases

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

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

Grant Awards

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

Construction Contracts

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

Litigation

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

NOTE 17 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 17, 2023, the date which the financial statements were available to be issued.

Required Supplementary Information

TRABUCO CANYON WATER DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability For the Years Ended June 30, 2022 and 2021

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

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

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

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

There were no changes in assumptions.

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

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

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

There were no significant changes in assumptions.

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

There were no significant changes in assumptions.

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

There were no significant changes in assumptions.

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

There were no significant changes in assumptions.

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

TRABUCO CANYON WATER DISTRICT

Schedule of the District's Contributions to the Defined Benefit Pension Plan For the Years Ended June 30, 2022 and 2021

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2014	\$ 255,864	\$ (255,864)	\$ -	1,619,883	15.80%
June 30, 2015	265,436	(265,436)	-	1,659,539	15.99%
June 30, 2016	264,450	(264,450)	-	1,602,525	16.50%
June 30, 2017	278,521	(278,521)	-	1,688,233	16.50%
June 30, 2018	301,990	(301,990)	-	1,537,659	19.64%
June 30, 2019	347,954	(347,954)	-	1,695,414	20.52%
June 30, 2020	417,043	(417,043)	-	2,011,870	20.73%
June 30, 2021	469,516	(708,896)	(239,380)	2,133,046	22.01%
June 30, 2022	487,803	(487,803)	-	2,185,024	22.32%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2014	June 30, 2011	Entry Age	Market Value	2.75%	7.65%
June 30, 2015	June 30, 2012	Entry Age	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2013	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2015	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2016	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2017	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2018	Entry Age	Market Value	2.50%	7.15%
June 30, 2022	June 30, 2019	Entry Age	Market Value	2.50%	7.15%

Amortization Method

Level percentage of payroll, closed

Salary Increases

Depending on age, service, and type of employment

Investment Rate of Return

Net of pension plan investment expense, including inflation

Retirement Age

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

Mortality

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

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

TRABUCO CANYON WATER DISTRICT

Schedule of Changes in the District's Net OPEB Liability and Related Ratios For the Years Ended June 30, 2022 and 2021

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

Notes to Schedule:

Benefit Changes:

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

Changes in Assumptions:

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

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

TRABUCO CANYON WATER DISTRICT

Schedule of the District Contributions to the Other Post-Employment Benefits (OPEB) Plan For the Years Ended June 30, 2022 and 2021

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

Notes to Schedule:

Valuation Date	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
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	20-years	20-years	20-years	20-years	20-years
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value
Discount rate	7.00%	7.00%	7.00%	7.00%	7.00%
Inflation	2.75%	2.75%	2.50%	2.75%	2.75%
Payroll increases	2.75%+Merit	2.75%+Merit	2.75%+Merit	3.00%	3.00%
Mortality	(2)	(2)	(2)	(2)	(2)
Morbidity	(3)	(3)	(3)	(3)	(3)
Disability	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued
Retirement	(4)	(4)	(4)	(4)	(4)
Percent Married	85%	85%	85%	85%	85%
Healthcare trend rates	(5)	(5)	(5)	(5)	(5)

(1) Closed period, level percent of pay

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

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

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

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

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

Supplementary Information

TRABUCO CANYON WATER DISTRICT
Balance Sheets – Combined – Internal Funds
June 30, 2022 (With Comparative Amounts as of June 30, 2021)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water	Sewer	Recycled Water	Reclaimed Water	2022	2021
Current assets:						
Cash and cash equivalents	\$ (701,321)	\$ 1,432,901	\$ (937,818)	\$ 406,765	\$ 200,527	\$ 2,055,746
Accrued interest receivable	-	3,425	423	423	4,271	2,069
Accounts receivable, net	810,562	208,908	30,303	127,757	1,177,530	1,101,812
Accounts receivable - due from other governments	-	-	-	-	-	140,598
Lease receivable	27,195	-	-	-	27,195	22,979
Other receivables	42,714	266,691	1,976	78	311,459	246,451
Prepaid expenses	33,563	33,356	14,114	14,114	95,147	76,803
Total current assets	212,713	1,945,281	(891,002)	549,137	1,816,129	3,646,458
Non-current assets:						
Restricted – cash and cash equivalents	11,225,469	1,310,134	-	-	12,535,603	5,100,793
Restricted - accrued interest receivable	15,759	2,584	-	-	18,343	3,527
Lease receivable	90,424	-	-	-	90,424	117,619
Net OPEB asset	141,184	50,424	5,042	5,042	201,692	-
Capital assets – not being depreciated	2,002,401	1,488,698	69,606	69,606	3,630,311	2,407,104
Capital assets – being depreciated, net	25,639,707	16,056,125	2,799,323	1,187,764	45,682,919	47,646,214
Total non-current assets	39,114,944	18,907,965	2,873,971	1,262,412	62,159,292	55,275,257
Total assets	39,327,657	20,853,246	1,982,969	1,811,549	63,975,421	58,921,715
Deferred outflows of resources:						
Deferred amounts related to net OPEB obligation	387,530	138,402	13,841	13,841	553,614	418,881
Deferred amounts related to net pension liability	600,761	214,557	21,456	21,456	858,230	1,067,381
Total deferred outflows of resources	988,291	352,959	35,297	35,297	1,411,844	1,486,262
Total assets and deferred outflows of resources	\$ 40,315,948	\$ 21,206,205	\$ 2,018,266	\$ 1,846,846	\$ 65,387,265	\$ 60,407,977
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION						
Current liabilities:						
Accounts payable and accrued expenses	\$ 1,733,460	\$ 538,934	\$ 65,145	\$ 65,145	\$ 2,402,684	\$ 3,341,665
Deposits and unearned revenues	52,474	130,582	764	764	184,584	203,261
Long-term liabilities – due within one year:						
Compensated absences	35,814	15,917	1,819	1,819	55,369	91,520
Loans payable	92,840	-	-	-	92,840	90,755
Total current liabilities	1,914,588	685,433	67,728	67,728	2,735,477	3,727,201
Non-current liabilities:						
Long-term liabilities – due in more than one year:						
Compensated absences	66,511	29,559	3,379	3,379	102,828	169,963
Loans payable	8,864,665	2,500,000	250,000	250,000	11,864,665	2,049,297
Net OPEB obligation	-	-	-	-	-	356,590
Net pension liability	1,118,445	399,445	39,944	39,944	1,597,778	3,399,815
Total non-current liabilities	10,049,621	2,929,004	293,323	293,323	13,565,271	5,975,665
Total liabilities	11,964,209	3,614,437	361,051	361,051	16,300,748	9,702,866
Deferred inflows of resources:						
Deferred amounts related to leases	108,256	-	-	-	108,256	135,320
Deferred amounts related to net OPEB obligation	523,517	186,969	18,697	18,697	747,880	185,600
Deferred amounts related to net pension liability	1,071,661	382,735	38,274	38,274	1,530,944	66,838
Total deferred inflows of resources	1,703,434	569,704	56,971	56,971	2,387,080	387,758
Net position:						
Net investment in capital assets	24,831,085	16,159,917	2,618,929	1,007,370	44,617,301	47,913,266
Restricted	5,094,746	197,624	-	-	5,292,370	5,104,320
Unrestricted	(3,277,526)	664,523	(1,018,685)	421,454	(3,210,234)	(2,700,233)
Total net position	26,648,305	17,022,064	1,600,244	1,428,824	46,699,437	50,317,353
Total liabilities, deferred inflows of resources and net position	\$ 40,315,948	\$ 21,206,205	\$ 2,018,266	\$ 1,846,846	\$ 65,387,265	\$ 60,407,977

TRABUCO CANYON WATER DISTRICT

Schedule of Revenues, Expenses and Changes in Net Position – Combined – Internal Funds For the Year Ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)

	Water	Sewer	Recycled Water	Reclaimed Water	2022	2021
Operating revenues:						
Water consumption sales	\$ 3,995,932	\$ -	\$ -	\$ -	\$ 3,995,932	\$ 3,758,473
Water service charges	1,150,052	-	-	-	1,150,052	1,059,237
Sewer service charges	-	1,881,560	-	-	1,881,560	1,955,995
Reclaimed water sales	-	-	-	716,515	716,515	613,962
Recycled water sales	-	-	222,925	-	222,925	245,799
Wholesale water sales – BTP	865,032	-	-	-	865,032	1,278,778
Other operating revenues	144,517	40,104	-	1,954	186,575	16,776
Total operating revenues	6,155,533	1,921,664	222,925	718,469	9,018,591	8,929,020
Operating expenses:						
Source of supply	3,724,291	-	-	-	3,724,291	3,631,094
Pumping and power	283,159	-	-	-	283,159	295,308
Water treatment	266,246	-	-	-	266,246	346,674
Transmission and distribution	224,226	-	-	-	224,226	278,777
Sewer operations	-	443,417	-	-	443,417	760,445
Reclaimed operations	-	-	-	250,643	250,643	162,089
Recycled operations	-	-	250,711	-	250,711	164,044
General and administrative	3,709,929	1,679,734	178,614	180,940	5,749,217	6,071,922
Total operating expenses	8,207,851	2,123,151	429,325	431,583	11,191,910	11,710,353
Operating income(loss) before depreciation	(2,052,318)	(201,487)	(206,400)	286,886	(2,173,319)	(2,781,333)
Depreciation expense	(2,038,187)	(1,829,927)	(172,507)	(88,808)	(4,129,429)	(3,689,570)
Operating income(loss)	(4,090,505)	(2,031,414)	(378,907)	198,078	(6,302,748)	(6,470,903)
Non-operating revenues(expenses):						
Property taxes	1,038,788	1,038,788	-	-	2,077,576	2,048,224
Investment earnings	(74,323)	(30,518)	(2,194)	(2,194)	(109,229)	29,813
Rental revenue	27,064	-	-	-	27,064	27,064
Interest expense	(86,178)	(13,694)	(1,369)	(1,369)	(102,610)	(51,932)
Cost of debt issuance	(59,150)	(21,125)	(2,113)	(2,113)	(84,501)	-
Property tax administration charge	(5,754)	(5,754)	-	-	(11,508)	(12,428)
Uncollectable FEMA receivable	(140,598)	-	-	-	(140,598)	-
Transfers In/(Out)	2,252	(1,689)	33,006	(33,569)	-	-
Other non-operating revenues	152,494	46,441	3,301	3,301	205,537	106,338
Total non-operating revenues(expenses), net	854,595	1,012,449	30,631	(35,944)	1,861,731	2,147,079
Change in net position before capital contribs.	(3,235,910)	(1,018,965)	(348,276)	162,134	(4,441,017)	(4,323,824)
Capital contributions:						
Water reliability and emergency storage fees	823,101	-	-	-	823,101	822,779
Capital grants	-	-	-	-	-	99,751
Contributed capital – other	-	-	-	-	-	1,077,826
Total capital contributions	823,101	-	-	-	823,101	2,000,356
Change in net position	(2,412,809)	(1,018,965)	(348,276)	162,134	(3,617,916)	(2,323,468)
Net position:						
Beginning of year	29,061,114	18,041,029	1,948,520	1,266,690	50,317,353	52,640,821
End of year	<u>\$ 26,648,305</u>	<u>\$ 17,022,064</u>	<u>\$ 1,600,244</u>	<u>\$ 1,428,824</u>	<u>\$ 46,699,437</u>	<u>\$ 50,317,353</u>

Statistical Section

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

Schedule 1

	Fiscal Year				
	2022	2021	2020	2019	2018
Changes in Net Position					
Operating Revenues (see Schedule 2)	\$ 9,018,591	\$ 8,929,020	\$ 8,201,075	\$ 7,449,430	\$ 8,576,910
Operating Expenses (see Schedule 3)	(15,321,339)	(15,399,923)	(14,200,695)	(12,936,937)	(13,182,333)
Operating Income (Loss)	(6,302,748)	(6,470,903)	(5,999,620)	(5,487,507)	(4,605,423)
Nonoperating Revenues (Expenses)					
Property Taxes	2,077,576	2,048,224	1,936,412	1,768,140	1,629,212
Special Assessments For Debt Service	-	-	-	-	-
Investment Earnings	(109,229)	26,763	119,066	228,244	149,070
Rental Revenue	27,064	24,836	24,112	23,410	22,728
Interest Expense	(102,610)	(51,932)	(60,635)	(121,869)	(176,023)
Amortization Of Bond Discount	-	-	-	-	-
Debt Administration Expense	(84,501)	-	(850)	(7,214)	(6,468)
Property Tax Administration Charge	(11,508)	(12,428)	(11,846)	(11,467)	(12,142)
Capacity Assignment Revenue	-	-	4,526,000 ⁽¹⁾	-	-
Other Non-Operating Revenue	205,537	106,338	48,064	94,192	103,154
Other Non-Operating Expense	(140,598) ⁽²⁾	-	-	-	(50,000) ⁽³⁾
Total Non-Operating, Net	1,861,731	2,141,801	6,580,323	1,973,436	1,659,531
Net Income (Loss) before Capital Contributions	(4,441,017)	(4,329,102)	580,703	(3,514,071)	(2,945,892)
Capital Contributions					
Water Reliability and Emergency Storage Fees	823,101	822,779	833,511	854,770	962,266
Capital Grants	-	99,751	1,400,052	48,109	1,695,352
Developer Impact Fees	-	-	-	-	-
Contributed Capital - Other	-	1,077,826	-	-	-
Total Capital Contributions	823,101	2,000,356	2,233,563	902,879	2,657,618
Increase (Decrease) in Net Position	(3,617,916)	(2,328,746)	2,814,266	(2,611,192)	(288,274)
Net Position at Beginning of Year	50,312,075	52,640,821	49,826,555	52,437,747	53,097,067
Prior Period Adjustments (PPA)	5,278 ⁽⁴⁾	-	-	-	(371,046) ⁽⁵⁾
Net Position at End of Year	46,699,437	50,312,075	52,640,821	49,826,555	52,437,747
Net Position, Restated by Component					
Net Investment in Capital Assets	37,355,725	47,913,266	44,976,850	43,977,274	44,564,894
Restricted	5,345,912	5,104,320	3,254,760	6,426,257	7,312,853
Unrestricted	3,997,800	(2,705,511)	4,409,211	(576,976)	560,000
Total Net Position	\$ 46,699,437	\$ 50,312,075	\$ 52,640,821	\$ 49,826,555	\$ 52,437,747

Source: TCWD Accounting Department

Notes

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

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

⁽³⁾ Reimbursement of \$50K to developer per contractual obligations.

⁽⁴⁾ PPA related to implementation of GASB 87.

⁽⁵⁾ PPA related to implementation of GASB 75.

⁽⁶⁾ PPA related to implementation of GASB 68 and 71.

⁽⁷⁾ Prior years may be reclassified to conform to current year presentation.

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

Schedule 1

	Fiscal Year				
	2017	2016	2015	2014	2013
Changes in Net Position					
Operating Revenues (see Schedule 2)	\$ 6,778,177	\$ 5,193,572	\$ 5,840,472	\$ 6,180,929	\$ 5,747,798
Operating Expenses (see Schedule 3)	(10,763,964)	(9,832,913)	(10,316,721)	(10,191,660)	(9,962,566)
Operating Income (Loss)	<u>(3,985,787)</u>	<u>(4,639,341)</u>	<u>(4,476,249)</u>	<u>(4,010,731)</u>	<u>(4,214,768)</u>
Nonoperating Revenues (Expenses)					
Property Taxes	1,519,447	1,482,960	1,378,635	1,294,601	1,643,817
Special Assessments For Debt Service	-	-	828,076	1,491,391	3,875,069
Investment Earnings	59,342	41,324	23,520	27,050	35,321
Rental Revenue	23,116	21,424	23,217	24,788	21,559
Interest Expense	(227,674)	(277,950)	(364,859)	(501,724)	(770,062)
Amortization Of Bond Discount	-	-	-	(44,018)	(44,018)
Debt Administration Expense	(4,714)	(38,202)	(114,814)	(71,858)	(172,730)
Property Tax Administration Charge	(8,346)	(12,330)	(16,687)	(19,517)	(27,619)
Capacity Assignment Revenue	-	-	-	-	-
Other Non-Operating Revenue	42,169	19,900	90,411	64,899	100,833
Other Non-Operating Expense	-	-	-	-	-
Total Non-Operating, Net	<u>1,403,340</u>	<u>1,237,126</u>	<u>1,847,499</u>	<u>2,265,612</u>	<u>4,662,170</u>
Net Income (Loss) before Capital Contributions	<u>(2,582,447)</u>	<u>(3,402,215)</u>	<u>(2,628,750)</u>	<u>(1,745,119)</u>	<u>447,402</u>
Capital Contributions					
Water Reliability and Emergency Storage Fees	930,279	905,772	908,667	904,001	912,554
Capital Grants	103,668	23,804	46,157	-	-
Developer Impact Fees	1,822,446	782,108	1,155,097	-	-
Contributed Capital - Other	-	-	-	-	-
Total Capital Contributions	<u>2,856,393</u>	<u>1,711,684</u>	<u>2,109,921</u>	<u>904,001</u>	<u>912,554</u>
Increase (Decrease) in Net Position	<u>273,946</u>	<u>(1,690,531)</u>	<u>(518,829)</u>	<u>(841,118)</u>	<u>1,359,956</u>
Net Position at Beginning of Year	52,823,121	54,513,652	56,845,558	57,686,676	56,326,720
Prior Period Adjustments (PPA)	-	-	(1,813,077) ⁽⁶⁾	-	-
Net Position at End of Year	<u><u>53,097,067</u></u>	<u><u>52,823,121</u></u>	<u><u>54,513,652</u></u>	<u><u>56,845,558</u></u>	<u><u>57,686,676</u></u>
Net Position, Restated by Component					
Net Investment in Capital Assets	41,957,303	42,059,413	40,817,878	38,519,396	36,342,833
Restricted	7,364,937	5,401,951	12,099,753	11,053,442	10,585,082
Unrestricted	3,774,827	5,361,757	1,596,021	7,272,720	10,758,761
Total Net Position	<u><u>\$ 53,097,067</u></u>	<u><u>\$ 52,823,121</u></u>	<u><u>\$ 54,513,652</u></u>	<u><u>\$ 56,845,558</u></u>	<u><u>\$ 57,686,676</u></u>

Source: TCWD Accounting Department

Notes

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

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

⁽³⁾ Reimbursement of \$50K to developer per contractual obligations.

⁽⁴⁾ PPA related to implementation of GASB 87.

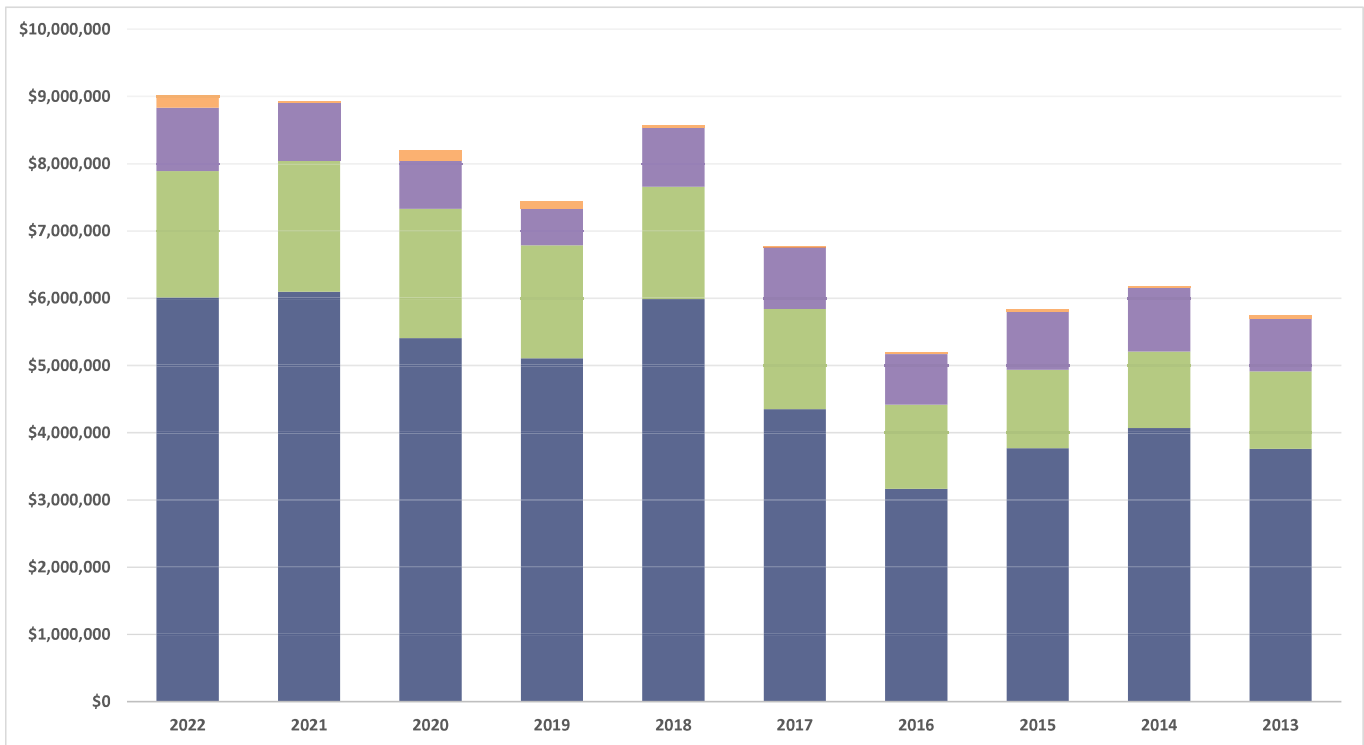
⁽⁵⁾ PPA related to implementation of GASB 75.

⁽⁶⁾ PPA related to implementation of GASB 68 and 71.

⁽⁷⁾ Prior years may be reclassified to conform to current year presentation.

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

Fiscal Year	Water Service / Consumption Charges ⁽¹⁾	Sewer Service Charges	Reclaimed / Recycled Water	Other Service Charges	Total Operating Revenues
2022	\$ 6,011,016	\$ 1,881,560	\$ 939,440	\$ 186,575 ⁽²⁾	\$ 9,018,591
2021	6,096,488	1,955,995	859,761	16,776 ⁽³⁾	8,929,020
2020	5,408,715	1,918,114	723,088	151,158	8,201,075
2019	5,104,538	1,680,061	550,646	114,185 ⁽⁴⁾	7,449,430
2018	5,983,945	1,670,020	886,517	36,428	8,576,910
2017	4,349,376	1,490,075	912,854	25,872	6,778,177
2016	3,166,148	1,249,959	751,903	25,562	5,193,572
2015	3,767,975	1,163,483	874,333	34,681	5,840,472
2014	4,068,433	1,136,613	946,503	29,380	6,180,929
2013	3,757,140	1,153,676	790,974	46,008	5,747,798



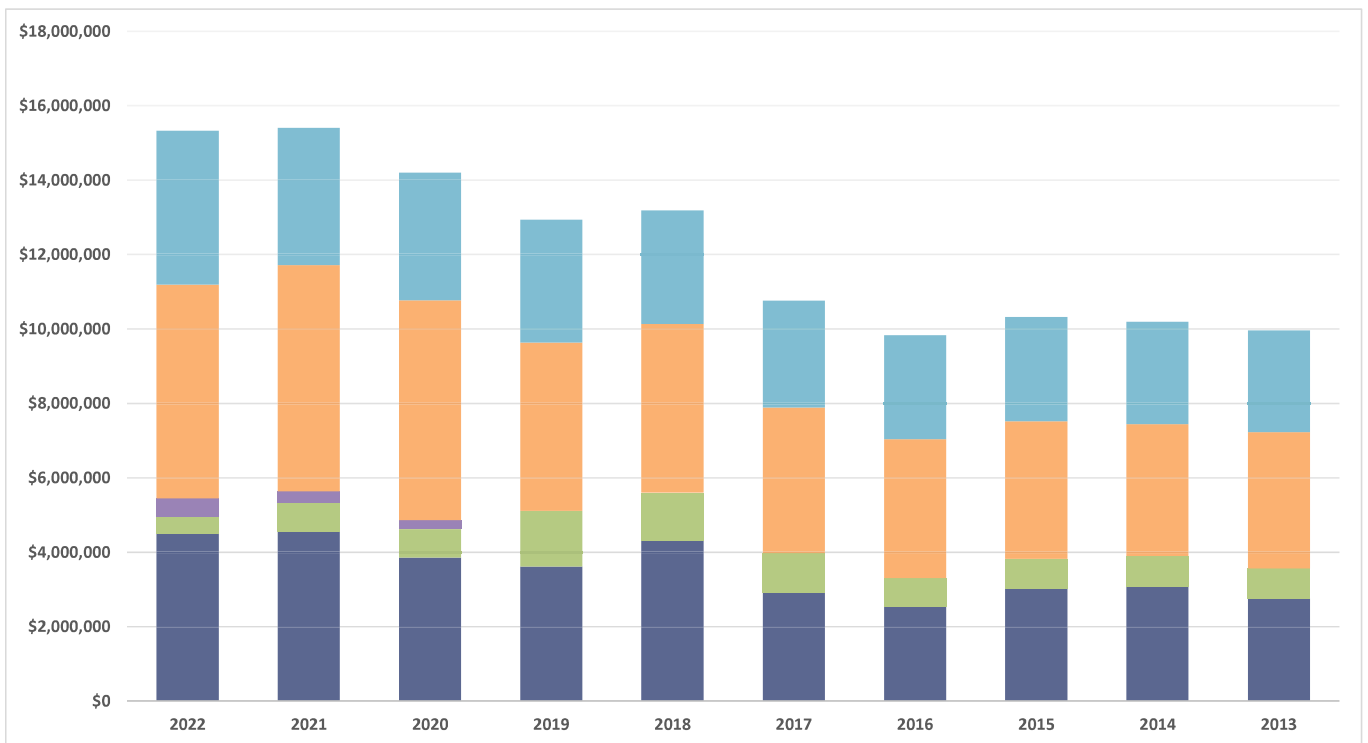
Source: TCWD Accounting Department

Notes

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

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

Fiscal Year	Water Operations (1)	Sewer Operations	Reclaimed/ Recycled Operations (2)	General and Administrative	Depreciation	Total Operating Expenses
2022	\$ 4,497,922	\$ 443,417	\$ 501,354	\$ 5,749,217	\$ 4,129,429	\$ 15,321,339
2021	4,551,853	760,445	326,133	6,071,922	3,689,570	15,399,923
2020	3,855,348	770,329	240,045	5,906,312	3,428,661	14,200,695
2019	3,617,223	1,489,840	-	4,525,647	3,304,227	12,936,937
2018	4,306,455	1,299,408	-	4,525,688	3,050,782	13,182,333
2017	2,922,897	1,050,686	-	3,911,503	2,878,878	10,763,964
2016	2,550,223	749,329	-	3,737,082	2,796,279	9,832,913
2015	3,029,004	787,243	-	3,702,536	2,797,938	10,316,721
2014	3,080,530	824,410	-	3,535,240	2,751,480	10,191,660
2013	2,754,684	803,821	-	3,669,817	2,734,244	9,962,566



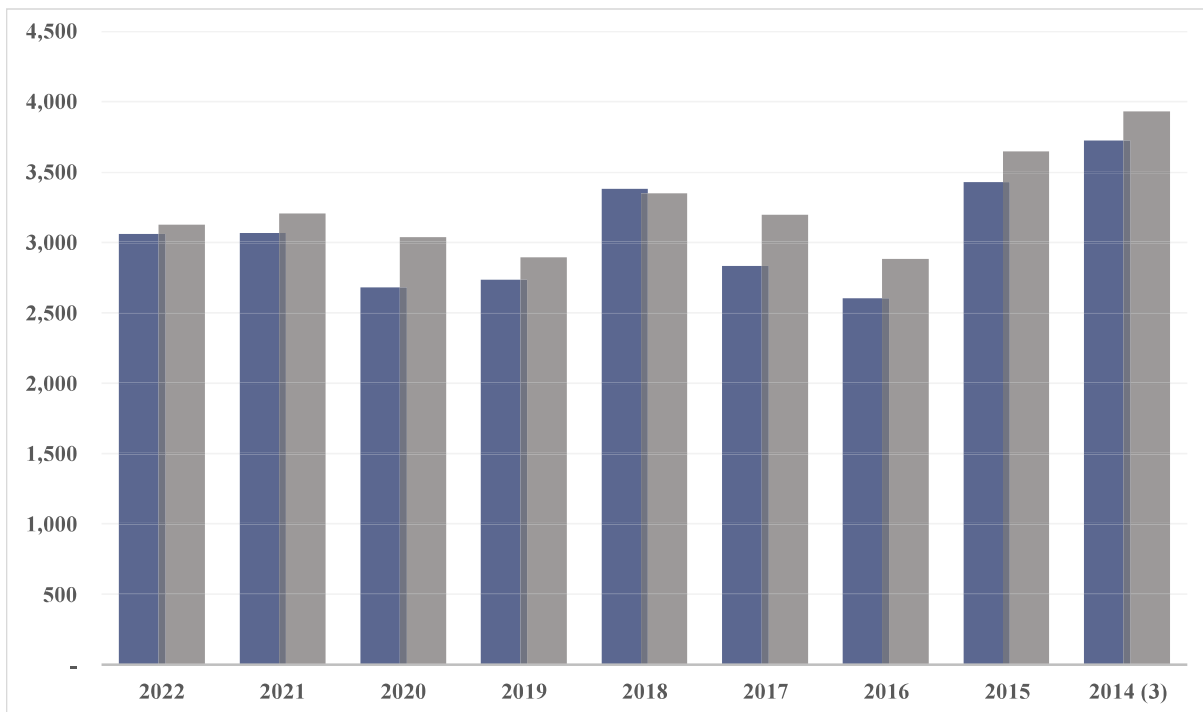
Source: TCWD Accounting Department

Notes

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

Trabuco Canyon Water District
Revenue Base
For the Past Nine Fiscal Years

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



Source: TCWD Accounting Department

Notes

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

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

(3) Utility billing system implementation occurred between 2012 and 2013 and FY 2013 sales data was not readily available.

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

	Fiscal Year																
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022							
Potable Water Consumption per Hundred Cubic Feet (HCF)																	
SF Residential - Tier 1	\$ 2.19	\$ 2.19	\$ 2.19	\$ 2.19	\$ 2.30	\$ 2.42	\$ 2.55	\$ 2.68	\$ 2.50	\$ 2.70							
SF Residential - Tier 2	2.24	2.24	2.24	2.43	2.56	2.69	2.83	2.98	3.18	3.44							
SF Residential - Tier 3	2.30	2.30	2.30	4.84	5.09	5.35	5.62	5.91	6.04	6.53							
SF Residential - Tier 4	2.79	2.79	2.79	5.99	6.29	6.61	6.95	7.30	7.85	8.48							
SF Residential - Tier 5	3.34	3.34	3.34	<i>*Tiered rates restructured beginning in Fiscal Year 2016</i>													
SF Residential - Tier 6	3.95	3.95	3.95														
SF Residential - Tier 7	4.70	4.70	4.70														
SF Residential - Tier 8	5.57	5.57	5.57														
Multi-Family	2.64	2.64	2.64	2.52	2.65	2.79	2.93	3.08	2.93	3.17							
Irrigation - HOAs	2.91	2.91	2.91	2.99	3.14	3.30	3.47	3.65	4.16	4.50							
Irrigation - Commercial	3.02	3.02	3.02	2.99	3.14	3.30	3.47	3.65	4.16	4.50							
Commercial	2.76	2.76	2.76	2.64	2.78	2.92	3.07	3.23	3.22	3.48							
Agriculture - Tier 1 - Jan-Jun	2.45	2.45	2.45	3.05	3.21	3.38	3.55	3.73	5.28	5.71							
Agriculture - Tier 2 - Jan-Jun	3.30	3.30	3.30	<i>*Tiered rates restructured beginning in Fiscal Year 2016</i>													
Agriculture - Tier 3 - Jan-Jun	3.85	3.85	3.85														
Agriculture - Tier 4 - Jan-Jun	4.39	4.39	4.39														
Agriculture - Tier 5 - Jan-Jun	4.93	4.93	4.93														
Agriculture - Tier 1 - Jul-Dec	2.45	2.45	2.45	<i>*Tiered rates restructured beginning in Fiscal Year 2016</i>													
Agriculture - Tier 2 - Jul-Dec	3.48	3.48	3.48														
Agriculture - Tier 3 - Jul-Dec	4.19	4.19	4.19														
Agriculture - Tier 4 - Jul-Dec	4.91	4.91	4.91														
Agriculture - Tier 5 - Jul-Dec	5.64	5.64	5.64	<i>*Tiered rates restructured beginning in Fiscal Year 2016</i>													
Construction	3.64	3.64	3.64														
											3.84	4.04	4.25	4.47	4.70	3.72	4.02
Recycled Water Consumption per Hundred Cubic Feet (HCF)																	
Non-Domestic - Dove	\$ 2.37	\$ 2.37	\$ 2.37	\$ 2.37	\$ 2.37	\$ 2.37	\$ 2.37	\$ 2.40	\$ 2.71	\$ 2.99							
Non-Domestic - Golf Course	2.49	2.49	2.49	2.41	2.41	2.41	2.41	2.50	2.71	2.99							
Non-Domestic - Other	2.49	2.49	2.49	2.41	2.41	2.41	2.41	2.41	2.71	2.99							
Monthly Fixed Service Charge by Meter																	
5/8 inch	\$ 8.25	\$ 8.25	\$ 8.25	\$ 13.70	\$ 14.39	\$ 15.11	\$ 15.87	\$ 16.67	\$ 18.03	\$ 19.48							
3/4 inch	10.76	10.76	10.76	13.70	14.39	15.11	15.87	16.67	18.03	19.48							
1 inch	16.77	16.77	16.77	19.73	20.72	21.76	22.85	24.00	26.31	28.42							
1 1/2 inch	31.78	31.78	31.78	36.06	37.87	39.77	41.76	43.85	47.01	50.78							
2 inch	49.79	49.79	49.79	53.50	56.18	58.99	61.94	65.04	71.85	77.60							
3 inch	91.83	91.83	91.83	110.25	115.77	121.56	127.64	134.03	150.51	162.56							
4 inch	151.87	151.87	151.87	191.82	201.42	211.50	222.08	233.19	266.43	287.75							
6 inch	302.00	302.00	302.00	476.92	500.77	525.81	552.11	579.72	668.01	721.46							
10 inch	482.14	482.14	482.14	1,245.08	1,307.34	1,372.71	1,441.35	1,513.42	1,744.41	1,883.97							
Hydrant Meter	56.90	56.90	56.90	111.05	116.61	122.45	128.58	135.01	150.51	162.56							
Monthly Water Reliability and Emergency Storage Charge																	
5/8 inch	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.04	\$ 16.04	\$ 16.04							
3/4 inch	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.04	16.04	16.04							
1 inch	26.39	26.39	26.39	26.39	26.39	26.39	26.39	25.25	25.25	25.25							
1 1/2 inch	39.59	39.59	39.59	39.59	39.59	39.59	39.59	38.48	38.48	38.48							
2 inch	52.78	52.78	52.78	52.78	52.78	52.78	52.78	51.30	51.30	51.30							
3 inch	79.17	79.17	79.17	79.17	79.17	79.17	79.17	76.95	76.95	76.95							
4 inch	105.56	105.56	105.56	105.56	105.56	105.56	105.56	102.60	102.60	102.60							
6 inch	158.34	158.34	158.34	158.34	158.34	158.34	158.34	153.90	153.90	153.90							
1 1/2 inch Non-Domestic	33.64	33.64	33.64	33.64	33.64	33.64	33.64	32.70	32.70	32.70							
2 inch Non-Domestic	44.86	44.86	44.86	44.86	44.86	44.86	44.86	43.60	43.60	43.60							
3 inch Non-Domestic	67.30	67.30	67.30	67.30	67.30	67.30	67.30	65.42	65.42	65.42							
4 inch Non-Domestic	89.73	89.73	89.73	89.73	89.73	89.73	89.73	87.21	87.21	87.21							
10 inch Non-Domestic	224.32	224.32	224.32	224.32	224.32	224.32	224.32	218.03	218.03	218.03							

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

Notes

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

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

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Monthly Wastewater Service Charge										
Single Family Residential	\$ 19.80	\$ 19.80	\$ 19.80	\$ 24.47	\$ 28.15	\$ 29.57	\$ 31.06	\$ 32.62	\$ 35.20	\$ 37.32
Multi-Family Residential - 1"	11.58	11.58	11.58	24.47	28.15	29.57	31.06	32.62	26.99	28.61
Multi-Family Residential - 1 1/2"	22.56	22.56	22.56	24.47	28.15	29.57	31.06	32.62	26.99	28.61
Billing & Customer Service Charge										
5/8 inch	\$ 5.00	\$ 5.00	\$ 5.00	\$ 4.64	\$ 5.34	\$ 5.61	\$ 5.90	\$ 6.20	\$ 4.58	\$ 4.85
3/4 inch	7.19	7.19	7.19	4.64	5.34	5.61	5.90	6.20	4.58	4.85
1 inch	11.58	11.58	11.58	4.64	5.34	5.61	5.90	6.20	4.58	4.85
1 1/2 inch	22.56	22.56	22.56	4.64	5.34	5.61	5.90	6.20	4.58	4.85
2 inch	35.74	35.74	35.74	4.64	5.34	5.61	5.90	6.20	4.58	4.85
3 inch	66.48	66.48	66.48	4.64	5.34	5.61	5.90	6.20	4.58	4.85
4 inch	110.40	110.40	110.40	4.64	5.34	5.61	5.90	6.20	4.58	4.85
6 inch	220.19	220.19	220.19	4.64	5.34	5.61	5.90	6.20	4.58	4.85
8 inch	351.94	351.94	351.94	4.64	5.34	5.61	5.90	6.20	4.58	4.85
Volumetric Rate per Hundred Cubic Feet (HCF)										
Commercial - Low	\$ 1.92	\$ 1.92	\$ 1.92	\$ 3.28	\$ 3.78	\$ 3.97	\$ 4.17	\$ 4.38	\$ 5.05	\$ 5.36
Commercial - Medium	2.72	2.72	2.72	5.28	6.08	6.39	6.71	7.05	6.41	6.80
Commercial - High	4.30	4.30	4.30	8.00	9.20	9.66	10.15	10.66	8.39	8.90

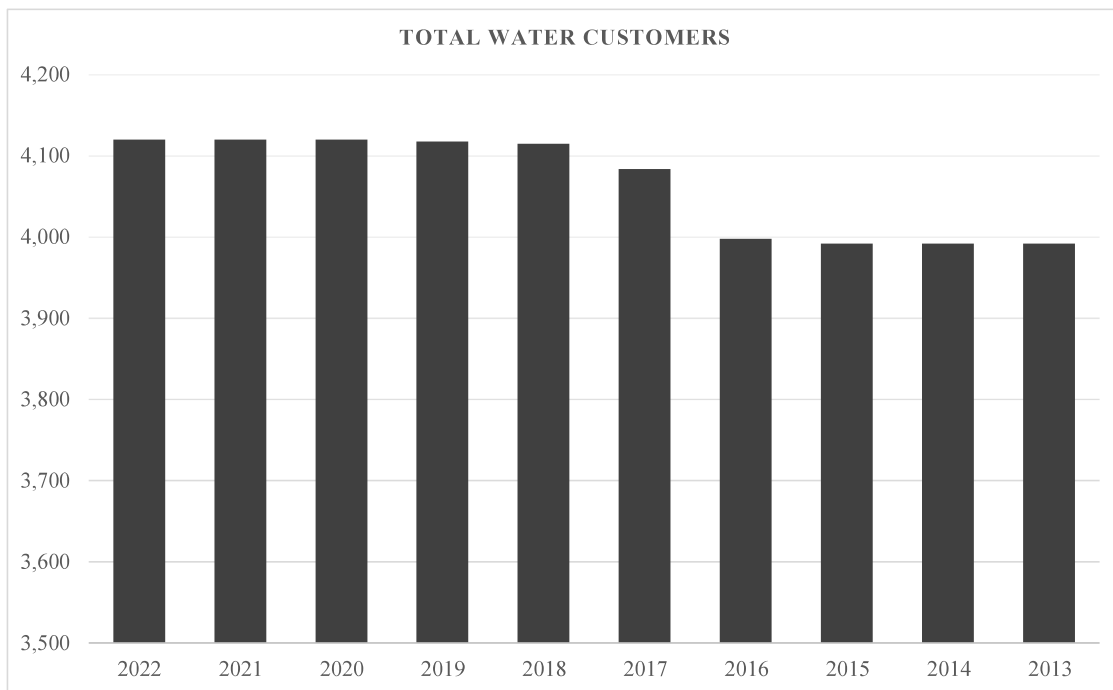
Source: Trabuco Canyon Water District Board of Directors Approved Rate Ordinances and Resolutions

Notes

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

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

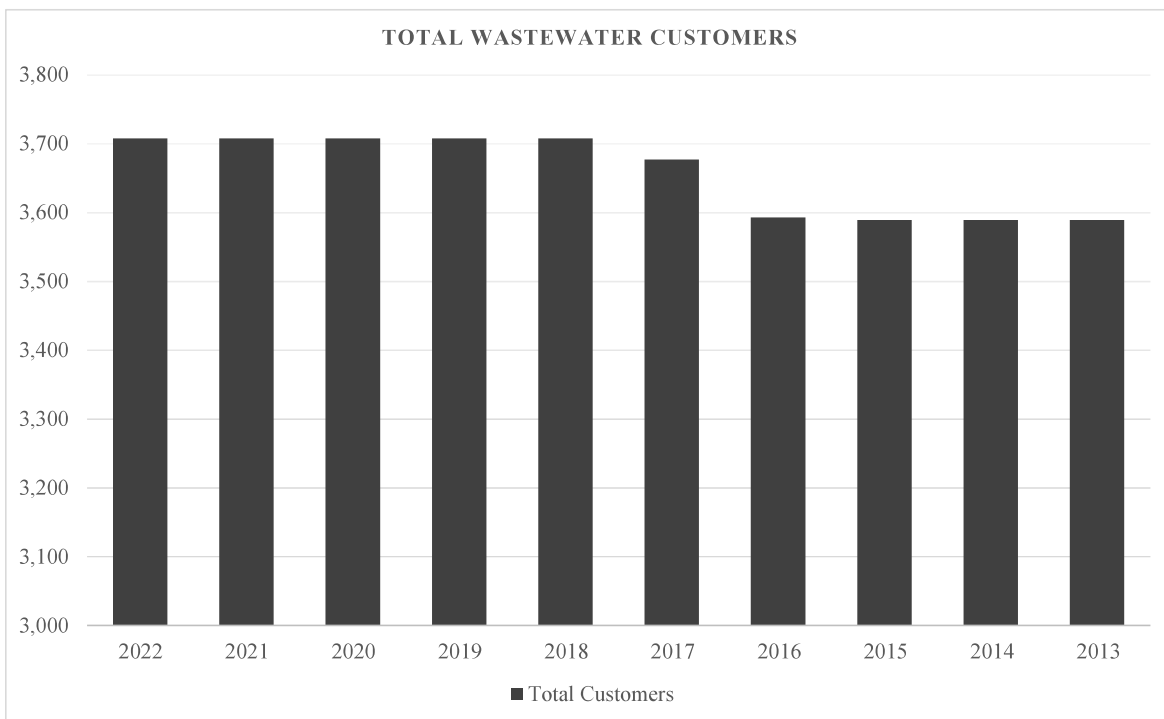
Fiscal Year	Residential	Agriculture	Landscape	Commercial	Wholesale	Total Customers
2022	3,927	5	106	81	1	4,120
2021	3,927	5	106	81	1	4,120
2020	3,927	5	106	81	1	4,120
2019	3,927	5	104	81	1	4,118
2018	3,927	5	101	81	1	4,115
2017	3,897	5	101	80	1	4,084
2016	3,814	5	100	79	-	3,998
2015	3,810	5	98	79	-	3,992
2014	3,810	5	98	79	-	3,992
2013	3,810	5	98	79	-	3,992



Source: TCWD Accounting Department

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

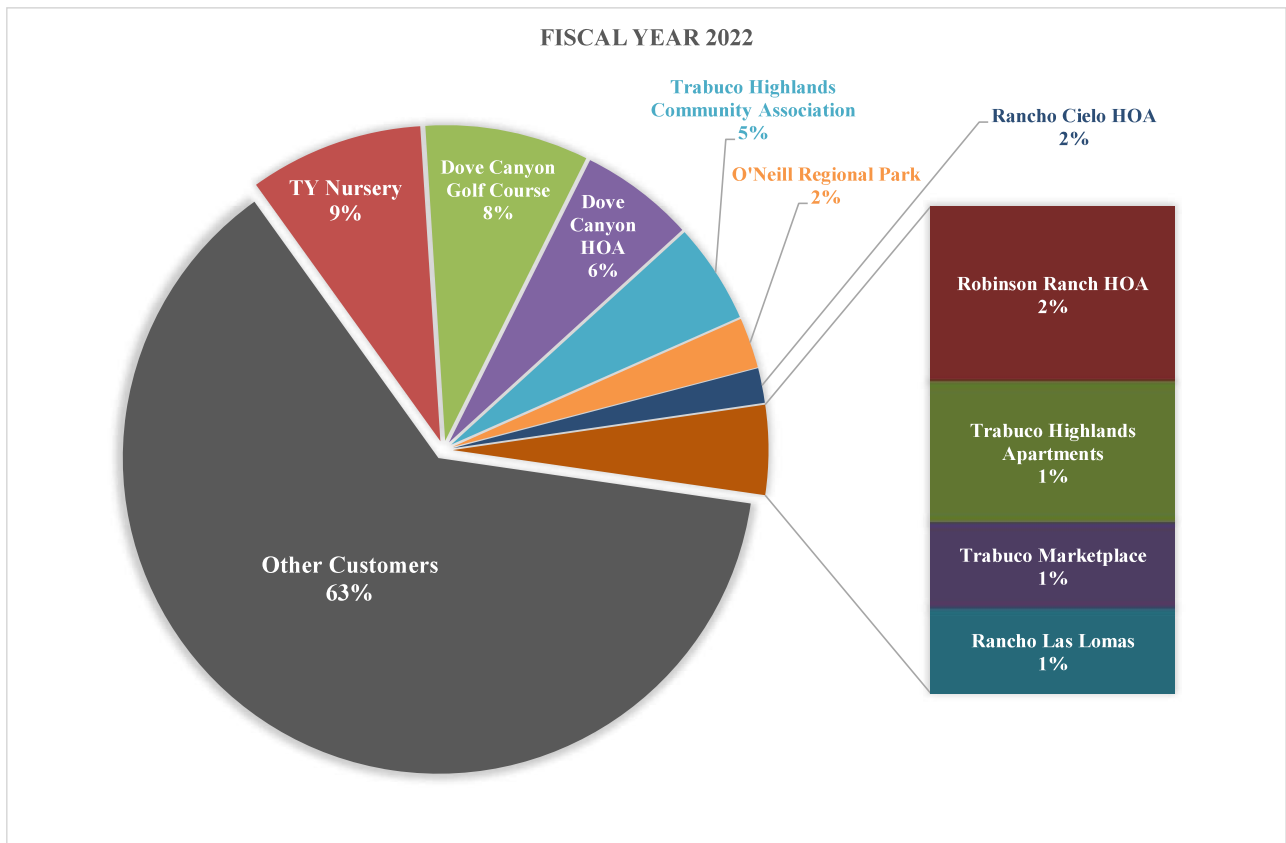
Fiscal Year	Residential	Commercial	Total Customers
2022	3,664	44	3,708
2021	3,664	44	3,708
2020	3,664	44	3,708
2019	3,664	44	3,708
2018	3,664	44	3,708
2017	3,634	43	3,677
2016	3,551	42	3,593
2015	3,547	42	3,589
2014	3,547	42	3,589
2013	3,547	42	3,589



Source: TCWD Accounting Department

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

Customer	2022		2014 ⁽¹⁾	
	Water Sold (AF) ⁽²⁾	Percentage of Total	Water Sold (AF) ⁽²⁾	Percentage of Total
1 TY Nursery	272.8	8.9%	243.9	6.5%
2 Dove Canyon Golf Course	256.7	8.4%	371.6	10.0%
3 Dove Canyon HOA	179.7	5.9%	237.2	6.4%
4 Trabuco Highlands Community Association	156.5	5.1%	169.3	4.5%
5 O'Neill Regional Park	79.0	2.6%	52.9	1.4%
6 Rancho Cielo HOA	54.1	1.8%	82.8	2.2%
7 Robinson Ranch HOA	50.8	1.7%	66.0	1.8%
8 Trabuco Highlands Apartments	40.6	1.3%	50.8	1.4%
9 Trabuco Marketplace	24.9	0.8%	16.5	0.4%
10 Rancho Las Lomas	24.5	0.8%	35.3	0.9%
	1,139.5	37.2%	1,326.4	35.6%



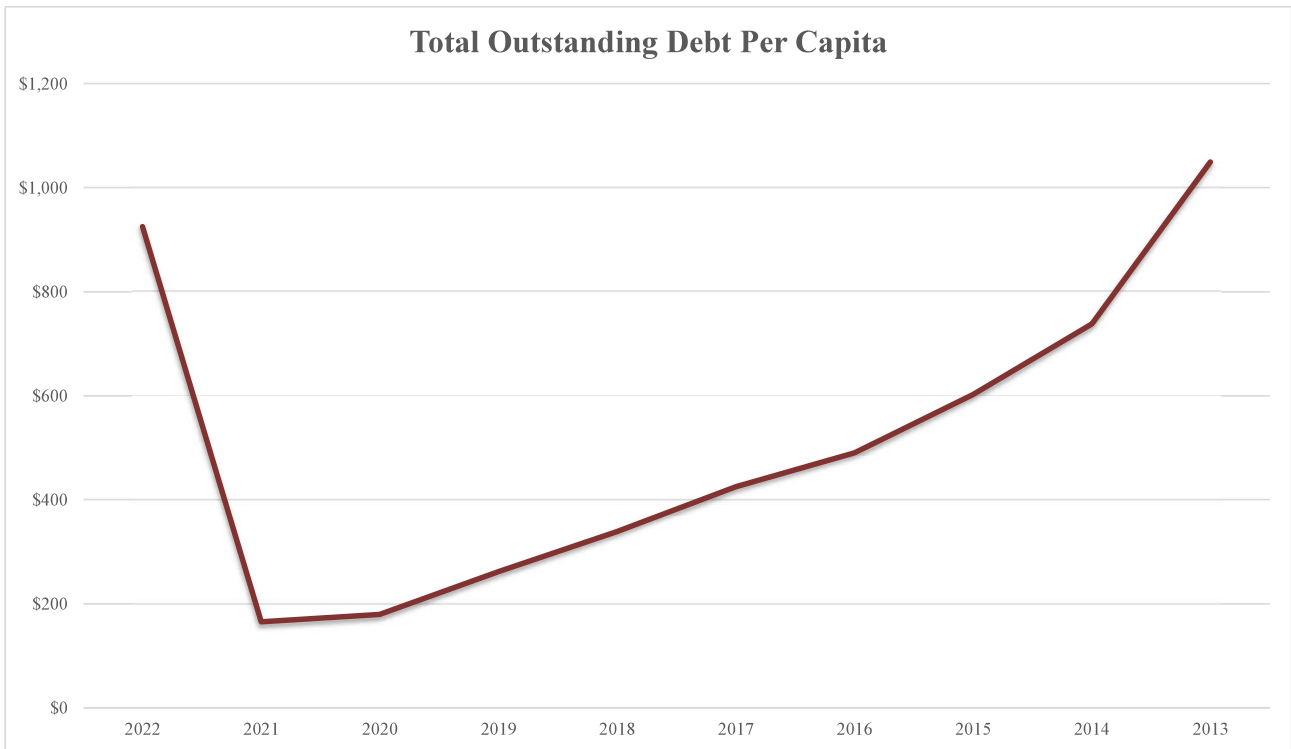
Source: TCWD Accounting Department

Notes

⁽¹⁾ Utility billing system implementation occurred in 2012 and 2013. FY 2013 sales data not readily available. FY 2014 used for comparison.

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

Fiscal Year	Refunding Revenue Bonds	2011 State Revolving Fund Loan	Bank of The West Loan Payable	Total Debt Outstanding	Per Capita ⁽¹⁾	As a Share of Personal Income ⁽²⁾
2022	\$ -	\$1,957,505	\$10,000.00 (3)	\$11,957,50	\$ 925.43	1.10%
2021	-	2,140,052	-	2,140,052	165.63	0.20%
2020	-	2,318,501	-	2,318,501	179.44	0.25%
2019	890,000	2,492,943	-	3,382,943	261.82	0.37%
2018	1,711,898	2,663,469	-	4,375,367	338.62	0.51%
2017	2,493,795	2,912,107	-	5,405,902	425.26	0.68%
2016	3,235,693	2,993,121	-	6,228,814	489.99	0.82%
2015	4,502,362	3,152,418	-	7,654,780	602.17	1.02%
2014	5,998,345	3,384,683	-	9,383,028	738.12	1.30%
2013	9,884,328	3,460,363	-	13,344,691	1,049.77	1.91%



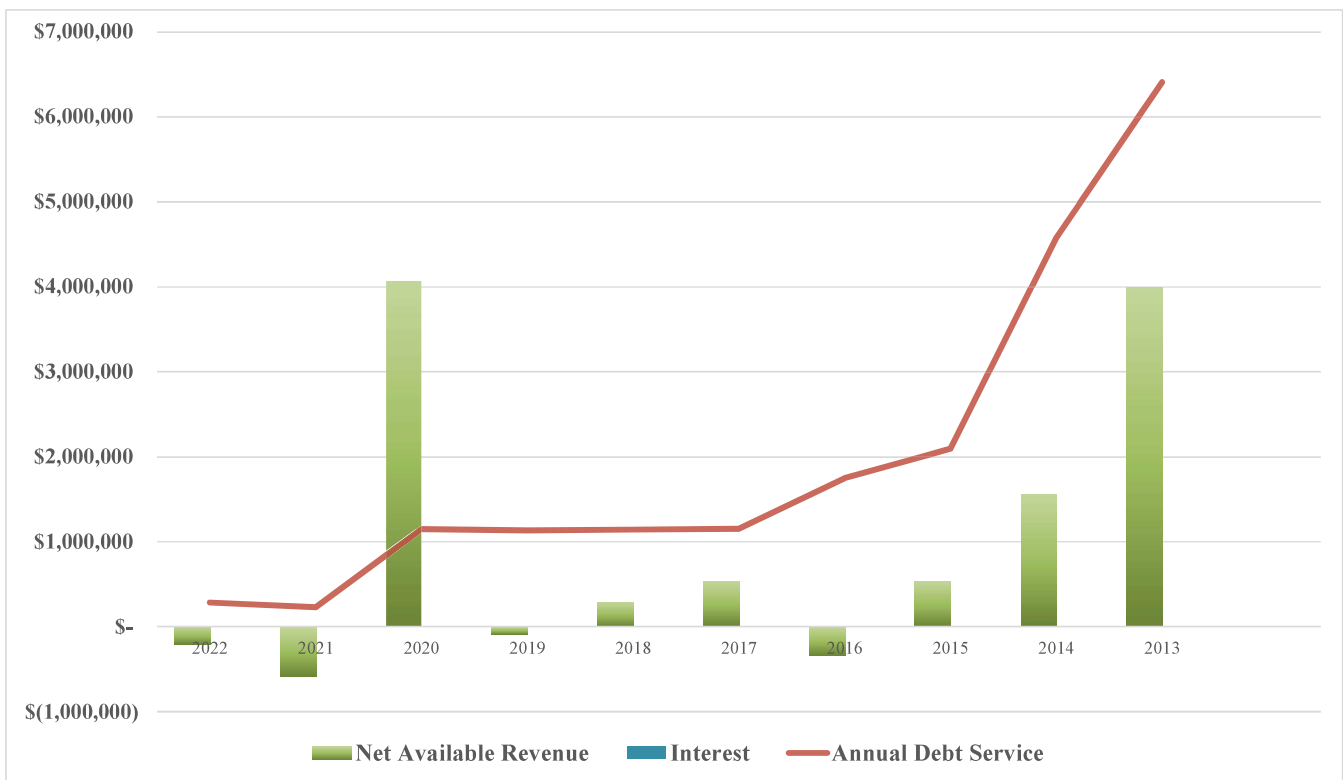
Source: TCWD Accounting Department

Notes

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

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

Fiscal Year	Revenues ⁽¹⁾	Expenses ⁽²⁾	Net Available Revenue	Debt Service			Coverage Ratio
				Principal	Interest	Annual Total	
2022	\$11,328,76	\$11,537,74	\$(208,978)	\$ 182,547	\$ 102,610	\$ 285,157	(0.73)
2021	11,135,181	11,722,781	(587,600)	178,449	51,932	230,381	(2.55)
2020	14,854,729	10,784,730	4,069,999	1,062,473	85,053	1,147,526 ⁽³⁾	3.55
2019	9,563,416	9,651,391	(87,975)	993,601	141,233	1,134,834	(0.08)
2018	10,481,074	10,200,161	280,913	949,816	194,123	1,143,939	0.25
2017	8,422,251	7,898,146	524,105	906,116	244,487	1,150,603	0.46
2016	6,759,180	7,087,166	(327,986)	1,437,498	309,268	1,746,766 ⁽⁴⁾	(0.19)
2015	8,184,331	7,650,284	534,047	1,693,962	400,922	2,094,884 ⁽⁵⁾	0.25
2014	9,083,658	7,531,555	1,552,103	4,005,680	572,818	4,578,498	0.34
2013	11,424,397	7,428,671	3,995,726	5,638,807	770,062	6,408,869	0.62



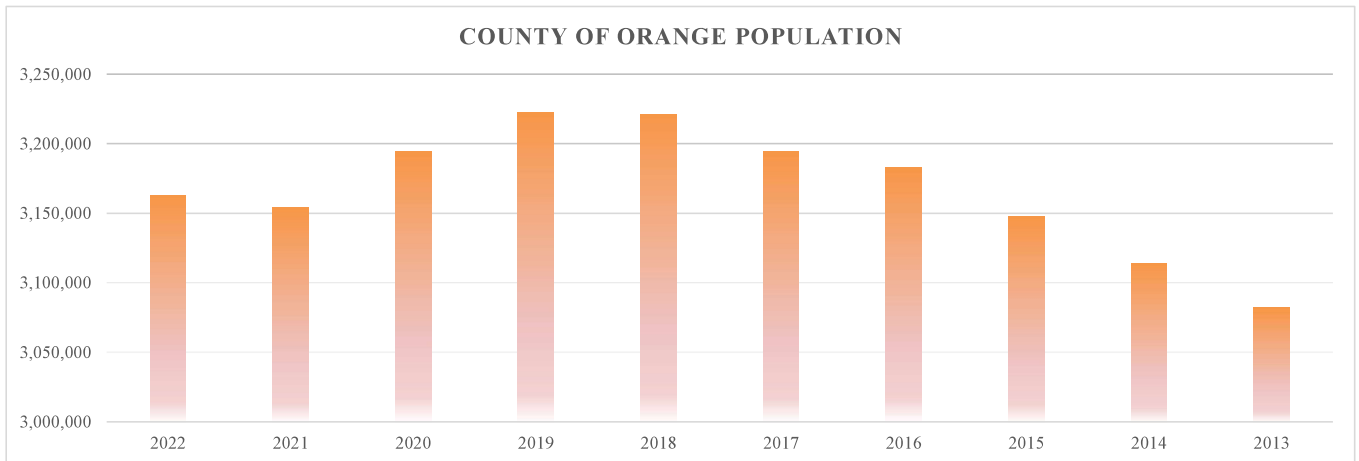
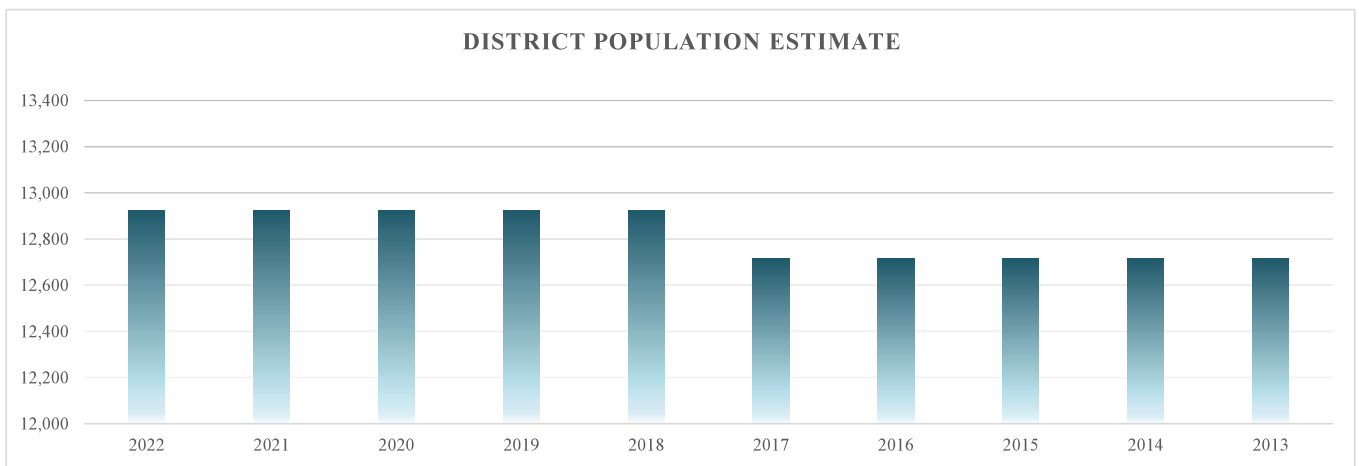
Source: TCWD Accounting Department

Notes

- ⁽¹⁾ Revenues include operating and non-operating revenues.
- ⁽²⁾ Expenses include operating and non-operating expenses less depreciation, amortization and interest.
- ⁽³⁾ 1994 Series C Revenue Refunding Bonds fully repaid during FY 2020.
- ⁽⁴⁾ 1994 Series A Revenue Refunding Bonds fully repaid during FY 2016.
- ⁽⁵⁾ 1994 Series B Revenue Refunding Bonds fully repaid during FY 2015.

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

Fiscal Year	District	County of Orange Data ⁽²⁾			
	Population Estimate ⁽¹⁾	Unemployment Rate	Population	Personal Income	Per Capita Personal Income
2022	12,921	2.8%	3,162,245	267,143,000	84,479
2021	12,921	6.3%	3,153,764	258,933,000	82,103
2020	12,921	12.3%	3,194,332	226,531,000	70,917
2019	12,921	3.0%	3,222,498	230,180,000	71,429
2018	12,921	3.1%	3,221,103	215,479,000	66,896
2017	12,712	4.2%	3,194,024	199,492,000	62,458
2016	12,712	4.4%	3,183,011	190,978,000	59,999
2015	12,712	4.0%	3,147,655	185,500,000	58,933
2014	12,712	5.4%	3,113,991	177,412,900	56,973
2013	12,712	6.7%	3,081,804	168,966,400	54,827



Source: California Department of Finance and California Labor Market Info

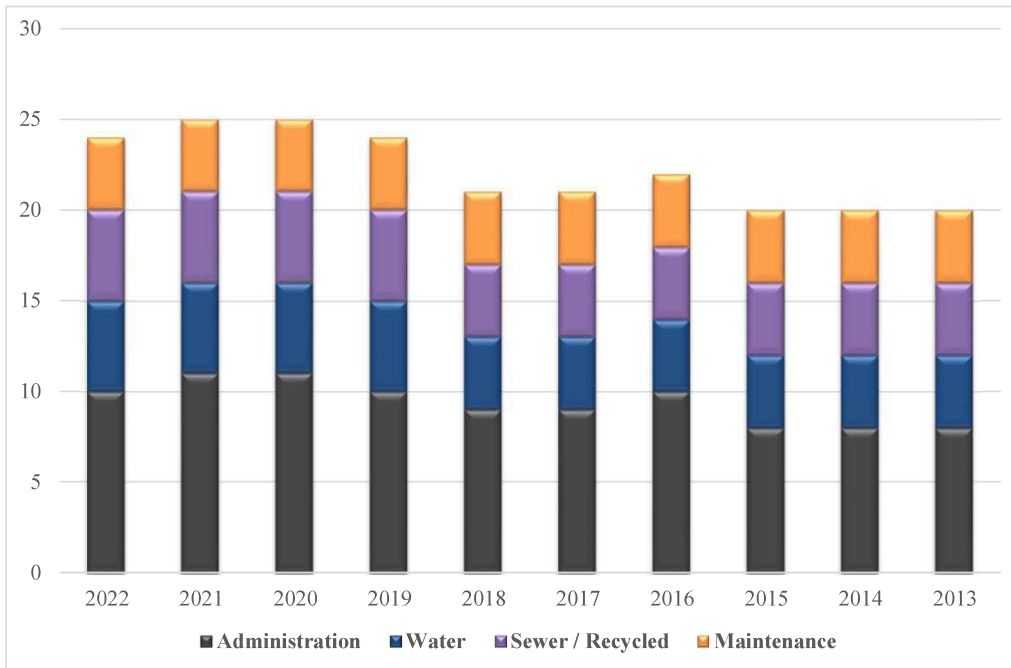
Notes

⁽¹⁾ Population estimate is based on TCWD's Urban Water Management Plan which is updated every five years

⁽²⁾ Certain economic indicators such as unemployment rate and personal income are not calculated separately for TCWD. Therefore, TCWD has chosen to use the County of Orange data, which is representative of the conditions and experiences of TCWD.

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

Full-time Equivalent Employees by Department					
Fiscal Year	Administration	Water	Sewer / Recycled	Maintenance	Total
2022	10	5	5	4	24
2021	11	5	5	4	25
2020	11	5	5	4	25
2019	10	5	5	4	24
2018	9	4	4	4	21
2017	9	4	4	4	21
2016	10	4	4	4	22
2015	8	4	4	4	20
2014	8	4	4	4	20
2013	8	4	4	4	20



Source: Trabuco Canyon Water District Accounting Department and Operations Department

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

TCWD SERVICE AREA	Fiscal Year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Number of Water Connections	4,092	4,092	4,092	4,090	4,087	4,056	3,970	3,964	3,964
Number of Sewer Connections	3,708	3,708	3,708	3,708	3,707	3,681	3,591	3,585	3,585
Number of Recycled Water Connections	28	28	28	28	28	28	28	28	28
Approximate Area (Square Miles)	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200
Number of Pump Stations	9	9	9	9	9	9	9	9	9
Number of Reservoirs	8	8	8	8	8	8	8	8	8
Number of Wells	2	2	2	2	2	2	2	2	2
Number of Water Treatment Plants	1	1	1	1	1	1	1	1	1
Number of Sewage Treatment Plants	1	1	1	1	1	1	1	1	1
Miles of Pipeline	66	66	66	66	66	66	66	66	66
System Capacity									
Imported (Acre-Feet)	4,343	4,343	4,343	4,343	4,343	4,343	4,343	4,343	4,343
Imported (Billion Gallons)	1.42	1.42	1.42	1.42	1.42	1.42	1.42	1.42	1.42
Water Demand									
Imported (Acre-Feet)	3,777	4,083	3,703	3,776	4,483	3,290	2,604	3,431	3,725
Imported (Billion Gallons)	1.23	1.33	1.21	1.23	1.46	1.07	0.85	1.12	1.21

Source: Trabuco Canyon Water District Accounting Department and Operations Department

Other Independent Auditors' Reports



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

Board of Directors
Trabuco Canyon Water District
Trabuco Canyon, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Trabuco Canyon Water District (District), which comprise the balance sheet as of June 30, 2022, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 17, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Murrieta, California
January 17, 2023