

**NOTICE OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
FINANCE COMMITTEE**

**November 30, 2018
8:30 a.m.**

NOTICE IS HEREBY GIVEN that a Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was called by the Chairman to be held on **November 30, 2018** at **8:30 a.m.** at the SOCWA Administrative Office located at 34156 Del Obispo Street, Dana Point, California.

THE SOCWA MEETING ROOM IS WHEELCHAIR ACCESSIBLE. IF YOU REQUIRE ANY SPECIAL DISABILITY RELATED ACCOMMODATIONS (I.E., ACCESS TO AN AMPLIFIED SOUND SYSTEM, ETC.) PLEASE CONTACT THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY SECRETARY'S OFFICE AT (949) 234-5421 AT LEAST TWENTY-FOUR (24) HOURS PRIOR TO THE SCHEDULED MEETING. THIS AGENDA CAN BE OBTAINED IN ALTERNATE FORMAT UPON WRITTEN REQUEST TO THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY'S SECRETARY AT LEAST TWENTY-FOUR (24) HOURS PRIOR TO THE SCHEDULED MEETING.

AGENDA EXHIBITS AND OTHER WRITINGS THAT ARE DISCLOSABLE PUBLIC RECORDS DISTRIBUTED TO ALL, OR A MAJORITY OF, THE MEMBERS OF THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY FINANCE COMMITTEE IN CONNECTION WITH A MATTER SUBJECT TO DISCUSSION OR CONSIDERATION AT AN OPEN MEETING OF THE FINANCE COMMITTEE ARE AVAILABLE FOR PUBLIC INSPECTION IN THE AUTHORITY OFFICE, 34156 DEL OBISPO STREET, DANA POINT, CA ("AUTHORITY OFFICE"). IF SUCH WRITINGS ARE DISTRIBUTED TO MEMBERS OF THE FINANCE COMMITTEE LESS THAN TWENTY-FOUR (24) PRIOR TO THE MEETING, THEY WILL BE AVAILABLE IN THE RECEPTION AREA OF THE AUTHORITY OFFICE AT THE SAME TIME AS THEY ARE DISTRIBUTED TO THE FINANCE COMMITTEE MEMBERS, EXCEPT THAT, IF SUCH WRITINGS ARE DISTRIBUTED IMMEDIATELY PRIOR TO, OR DURING, THE MEETING, THEY WILL BE AVAILABLE IN THE FINANCE COMMITTEE MEETING ROOM.

AGENDA

- 1. Call Meeting to Order**
- 2. Pledge of Allegiance**
- 3. Public Comments**

THOSE WISHING TO ADDRESS THE FINANCE COMMITTEE ON ANY ITEM LISTED ON THE AGENDA SHOULD SUBMIT A "REQUEST TO BE HEARD" FORM TO THE CLERK OF THE BOARD BEFORE THE PRESIDING OFFICER ANNOUNCES THAT AGENDA ITEM. YOUR NAME WILL BE CALLED TO SPEAK AT THAT TIME.

NOTICE OF SPECIAL MEETING – FINANCE COMMITTEE

November 30, 2018

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4. Monthly Financial Report for October 2018

- a) Summary of Disbursements
 - October 2018 (Exhibit A)
- b) Schedule of Funds Available for Reinvestment (Exhibit B)
- c) Schedule of Cash and Investments (Exhibit C)
- d) Capital Schedule (Exhibit D)
 - Capital Projects – Graph (Exhibit D-1)
- e) Budget vs. Actual Expenses:
 - Operations and Environmental Summary (Exhibit E-1)
 - Environmental Safety Costs Summary (Exhibit E-1.2)
 - Engineering Budget vs. Actual (Exhibit E-2)
 - Administration Budget vs. Actual (Exhibit E-3)
 - Information Technology (IT) Budget vs. Actual (Exhibit E-4)

Recommendation:

Staff recommends that the Finance Committee recommends to the Board of Directors to ratify the Summary of Disbursements for October 2018 totaling \$2,317,205 and to receive and file the Financial Reports as submitted.

5. Pun Group Presentation of FY Ending June 30, 2018, SOCWA Audited Financial Statements

Recommendation:

1. Receive a report to the Finance Committee on Consideration of the FY Ended June 30, 2018 Audited Financial Statements;
2. Receive Presentation and Q&A with The Pun Group; and
3. Finance Committee to recommend to the Board of Directors to receive and file the Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2018, including the Governance Letter as prepared by The Pun Group;

6. Finance Department – Update on Open Financial Items

Recommendation: Information, discussion and recommendation to the Board.

7. Adjournment

I hereby certify that the foregoing Notice was personally emailed or mailed to each member of the SOCWA Finance Committee at least 24 hours prior to the scheduled time of the Special Meeting referred to above.

I hereby certify that the foregoing Notice was posted at least 24 hours prior to the time of the above-referenced Finance Committee at the usual agenda posting location of the South Orange County Wastewater Authority and at www.socwa.com.

Dated this 21st day of November 2018.



Betty C. Burnett, General Manager/Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

Agenda Item

4

Legal Counsel Review: N/A

Meeting Date: November 30, 2018

TO: Finance Committee
FROM: Betty Burnett, General Manager
STAFF CONTACT: Mary Carey, Finance Controller
SUBJECT: Financial Matters – Month of October 2018 Financials

Summary/Discussion

SOCWA staff is directed by SOCWA Investment Policy to provide the schedule of cash and investments to the Board of Directors monthly.

The following selected financial reports are routinely provided to the Board of Directors.

- a) Summary of Disbursements
 - October 2018 (Exhibit A)
- b) Schedule of Funds Available for Reinvestment (Exhibit B)
- c) Schedule of Cash and Investments (Exhibit C)
- d) Capital Schedule (Exhibit D)
 - Capital Projects – Graph (Exhibit D-1)
- e) Budget vs. Actual Expenses:
 - Operations and Environmental Summary (Exhibit E-1)
 - Environmental Safety Costs Summary (Exhibit E-1.2)
 - Engineering Budget vs. Actual (Exhibit E-2)
 - Administration Budget vs. Actual (Exhibit E-3)
 - Information Technology (IT) Budget vs. Actual (Exhibit E-4)

Fiscal impact

During the month of October 2018, total disbursements were \$2,317,205 and are summarized in the attached Exhibit A. The attached Exhibits B, C, D and E are informational reports only.

Recommendation

Staff recommends that the Finance Committee recommend to the Board of Directors to ratify the Summary of Disbursements for the period from October 1, 2018 through October 31, 2018, totaling \$2,317,205 (attached as Exhibit A), and to receive and file the October 2018 Financial Reports as submitted.

**South Orange County Wastewater Authority
Summary of Disbursements for October 2018
Staff Recommendation of Fiscal Matters**

	<u>Actual</u>
General Fund	(687,969)
PC 2 - Jay B. Latham Plant	(636,892)
PC 3 - SOCWA Plant/PCA AWT	-
PC 5 - San Juan Creek Ocean Outfall	(18,771)
PC 8 - Pretreatment Program	(5,569)
PC 12 SO - Water Reclamation Permits	(5,302)
PC 15 - Coastal Treatment Plant/AWT	(298,579)
PC 17 - Joint Regional Wastewater Reclamation	(651,340)
PC 21 - Effluent Transmission Main	(1,452)
PC 24 - Aliso Creek Ocean Outfall	(11,330)
Total	<u><u>(\$2,317,205)</u></u>

**SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
SCHEDULE OF FUNDS AVAILABLE FOR REINVESTMENT
as of October 31, 2018**

CASH IN BANK: (BEGINNING BAL.)	376,413
L.A.I.F. FUNDS: (BEGINNING BAL.)	13,350,262
DEPOSITS, TRANSFERS & ADJUSTMENTS:	4,718,433
FUND REQUIREMENTS:	
BILLS FOR CONSIDERATION	(2,317,205)
	\$ 16,127,903

In accordance with Government Code 53646(c), since all funds are placed in the State LAIF, staff has included in the Financial Packet, the most current statement from the State LAIF, in lieu of the report required by Government Code 53646(b)(1).

In accordance with requirements of the Government Code and the I hereby certify that:

- 1). All investment actions executed since the last report have been the Investment Policy.
- 2). SOCWA does not have sufficient funds currently on hand to for the next six months (see note) due to the fact that SOCWA funds on a quarterly basis only.

Betty Burnett
General Manager

Note: Operational funds are collected on a quarterly basis at the beginning of the quarter. Capital funds are collected on a quarterly basis in connection with projected needs. Member agencies have pledged to have funds available to meet all obligations.

**South Orange County Wastewater Authority
Schedule of Cash and Investments
as of October 31, 2018**

MVA	\$ 2,657,490	(A)
A/P Checking	\$ 51,471	(B)
Payroll Checking	\$ 165,661	(C)
State LAIF	\$ 13,253,282	(D)
Total Cash in Bank	16,127,903	
Petty Cash	\$ 1,600	(E)
Total Operating Cash	16,129,503	
OPEB Trust	\$ 4,967,718	(F)
Total Cash and Investments	\$ 21,097,221	

Notes:

- (A) Interest bearing account; all cash receipts are deposited in this account.
- (B) Accounts Payable Checks are drawn against this account; money is transferred to this account from the LAIF account.
- (C) Payroll including payroll taxes and related liabilities are drawn against this account; money is transferred to this account from the LAIF account.
- (D) LAIF balance.
- (E) Cash on hand with GM's office and held by Chief Operators at each Treatment facility.
- (F) OPEB Trust Fund; these funds can only be used for Retiree Health Benefits.

**South Orange County Wastewater Authority
Capital Projects Summaries
as of October 31, 2018**

Description	FY 2018-19 Budget vs. Actual Spending							Past Due by Fiscal Year				
	Capital Budget	Fiscal Year Spending	(Over)/ Under Budget	% Expended	Member Agency Billed	Member Agency Collections	Current Receivables	Past Due Amount FY 18/19	FY 18/19 Unpaid Amounts	FY 17/18 Unpaid Amounts	FY 16/17 Unpaid Amounts	Total Past Due Amount
PC 2-JB Latham PC 3A	7,390,500	637,596	6,752,903	8.6%	623,007	623,007						
PC 5-San Juan Creek Outfall	205,148	153	204,995	0.1%	102,574	102,574						
PC 15-Coastal	9,976,376	398,330	9,578,046	4.0%	1,428,984	1,362,981		66,003	66,003	732,878	649,490	1,448,371
PC 17-Regional	5,045,535	123,370	4,922,164	2.4%	2,179,143	2,179,143						
PC 21 Effluent Transmission	371,500	64,242	307,258	17.3%	214,752	161,064	53,688					
PC 24 Aliso Creek Outfall	135,000	245	134,755	0.2%	135,001	135,001						
Total Large Capital	23,124,057	1,223,936	21,900,121	5.3%	4,683,461	4,563,770	53,688	66,003	66,003	732,878	649,490	1,448,371
Non-Capital Engineering	44,500	20,817	23,683	46.8%	43,000	43,000		-	-	585	21,831	22,416
Small Internal Capital	2,011,000	443,100	1,567,900	22.0%	1,005,500	963,740		41,760	41,760	169,648	84,550	295,958
Total Capital	25,179,557	1,687,853	23,491,704	6.7%	5,731,961	5,570,510	53,688	107,763	107,763	903,111	755,871	1,766,745

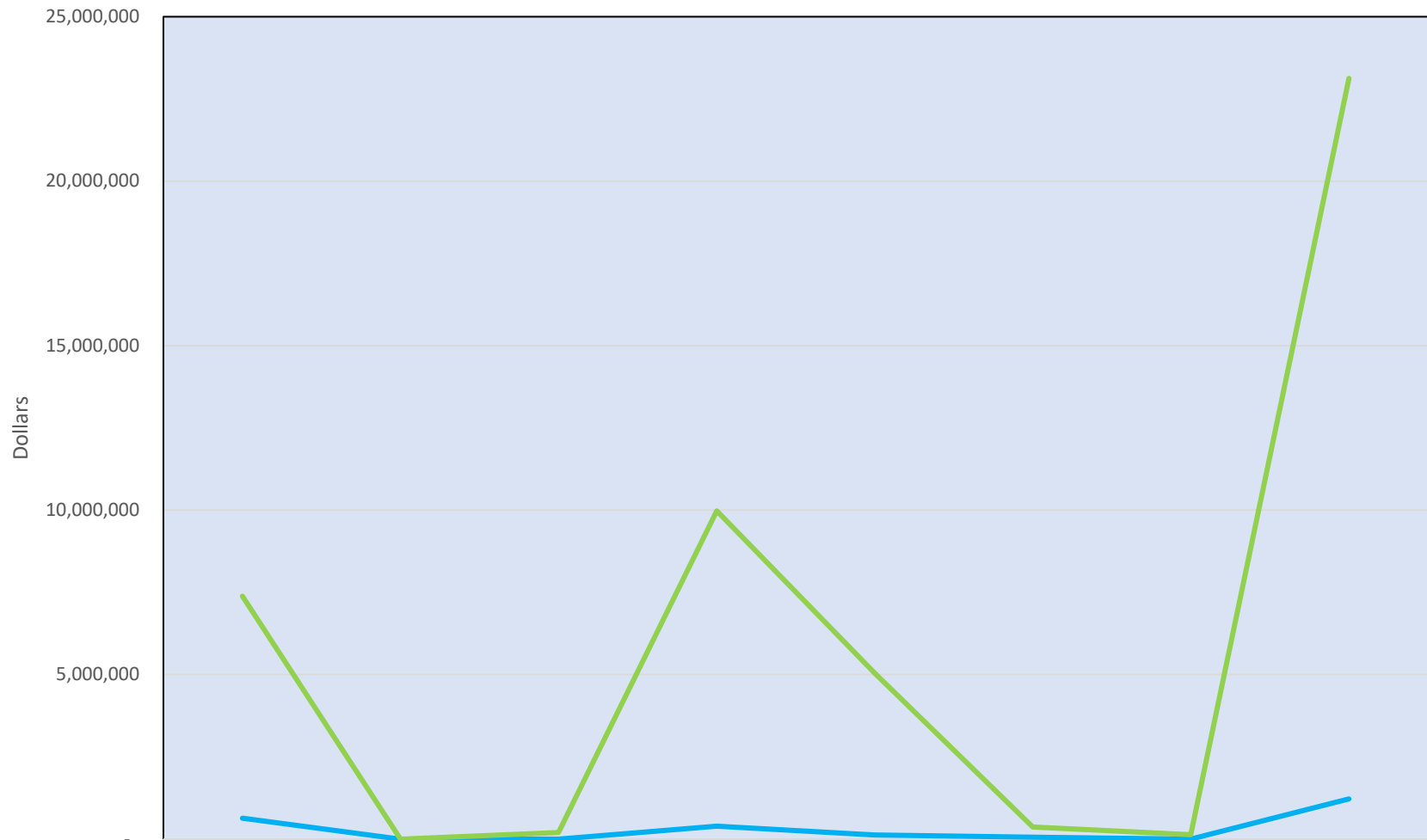
(1) Schedule for Past Due Amounts as of October 31, 2018

Description	Past Due Amount MNWD	Past Due Amount IRWD	Past Due Amount TOTAL
PC 15-Coastal	1,448,371		1,448,371
PC 21-Effluent Transmission			-
PC 24-Aliso Creek Outfall			-
Total Large Capital	1,448,371	-	1,448,371
Non-Capital Engineering	22,416		22,416
Small Internal Capital	295,958		295,958
Total Capital	1,766,745	-	1,766,745

(2) Balances due are for PC 15 Coastal Treatment Plant.

Large Capital Projects Fiscal Year '18-19 Budget vs. Year-to-Date Actual Spending as of 10/31/2018

D-1



	PC 2-JB Latham	PC 3A	PC 5-San Juan Creek Outfall	PC 15-Coastal	PC 17-Regional	PC 21 Effluent Transmission	PC 24 Aliso Creek Outfall	Total Large Capital
Spent - YTD	637,596	-	153	398,330	123,370	64,242	245	1,223,936
Capital Budget 17-18	7,390,500	-	205,148	9,976,376	5,045,535	371,500	135,000	23,124,057

**South Orange County Wastewater Authority
O & M & Environmental Safety Costs Summary**

Exhibit E-1

For the Period Ended October 31, 2018

	FY 2018-19 Budget	Actual	(Over)/Under Budget	% Expended	
Salary and Fringe					
5000--***	Regular Salaries-O&M	4,510,404	1,415,170	3,100,151	31.3%
5001--***	Overtime Salaries-O&M	115,036	65,908	49,128	57.3% (1)
5306--***	Scheduled Holiday Work	49,860	6,401	43,459	12.8%
5315--***	Comp Time - O&M	1,828	-	1,828	0.0%
5401--***	Fringe Benefits IN to PC's & Depts.	3,247,504	1,015,382	2,232,122	31.3%
5700--***	Standby Pay	69,292	22,880	46,412	33.0%
	Total Payroll Costs	7,993,924	2,525,742	5,473,099	31.6%
Other Expenses					
5002--***	Electricity	1,055,968	502,263	553,705	47.6% (2)
5003--***	Natural Gas	148,532	69,725	78,807	46.9% (3)
5004--***	Potable & Reclaimed Water	69,012	25,253	43,759	36.6%
5005--***	Co-generation Power Credit	(250,012)	(60,855)	(189,157)	24.3%
5006--***	Chlorine/Sodium Hypochlorite	489,012	256,308	232,704	52.4% (4)
5007--***	Polymer Products	658,028	170,405	487,623	25.9%
5008--***	Ferric Chloride	265,000	103,338	161,662	39.0%
5009--***	Odor Control Chemicals	163,008	46,394	116,614	28.5%
5010--***	Other Chemicals - Misc.	5,000	-	5,000	0.0%
5011--***	Laboratory Services	41,696	19,949	21,747	47.8%
5012--***	Grit Hauling	134,008	31,950	102,058	23.8%
5013--***	Landscaping	185,008	57,727	127,281	31.2%
5014--***	Engineering - Misc.	175,004	11,473	163,531	6.6%
5015--***	Management Support Services	363,936	7,071	356,865	1.9%
5016--***	Audit - Environmental	500	-	500	0.0%
5017--***	Legal Fees	23,020	29,169	(6,149)	126.7%
5018--***	Public Notices/ Public Relations	2,008	-	2,008	0.0%
5019--***	Contract Services Misc.	375,012	100,550	274,462	26.8%
5021--***	Small Vehicle Expense	21,024	10,949	10,075	52.1% (5)
5022--***	Miscellaneous Expense	18,488	6,460	12,028	34.9%
5023--***	Office Supplies - All	38,004	12,828	25,176	33.8%
5024--***	Petroleum Products	59,980	8,029	51,951	13.4%
5025--***	Uniforms	37,016	13,014	24,002	35.2%
5026--***	Small Vehicle Fuel	35,680	7,230	28,450	20.3%
5027--***	Insurance - Property/Liability	185,132	72,519	112,613	39.2% (6)
5028--***	Small Tools & Supplies	85,664	16,723	68,941	19.5%
5030--***	Trash Disposal	6,992	1,434	5,558	20.5%
5031--***	Safety Program & Supplies	106,396	40,785	65,611	38.3%
5032--***	Equipment Rental	7,008	600	6,408	8.6%
5033--***	Recruitment	3,024	-	3,024	0.0%
5034--***	Travel Expense/Tech. Conferences	72,068	30,141	41,927	41.8% (7)
5035--***	Training Expense	63,380	2,464	60,916	3.9%
5036--***	Laboratory Supplies	90,328	33,025	57,303	36.6%
5037--***	Office Equipment	24,996	3,178	21,818	12.7%
5038--***	Permits	415,952	18,720	397,232	4.5%
5039--***	Membership Dues/Fees	11,920	4,974	6,946	41.7% (8)
5044--***	Offshore Monitoring	36,000	15,679	20,321	43.6% (9)
5045--***	Offshore Biochemistry - 20B	110,000	-	110,000	0.0%
5046--***	Effluent Chemistry	28,004	21,657	6,347	77.3% (10)
5047--***	Access Road Expenses	48,000	3,200	44,800	6.7%
5048--***	Storm Damage	20,008	469	19,539	2.3%
5049--***	Biosolids Disposal	1,639,008	346,357	1,292,651	21.1%
5050--***	Contract Services Generators	21,004	325	20,679	1.5%
5052--***	Janitorial Services	100,024	24,606	75,418	24.6%
5053--***	Contract Serv - Digester Cleaning - 29E	60,000	-	60,000	0.0%
5054--***	Diesel Truck Maint	41,004	10,841	30,163	26.4%
5055--***	Diesel Truck Fuel	14,004	3,063	10,941	21.9%
5056--***	Maintenance Equip. & Facilities (Solids)	338,000	190,866	147,134	56.5% (11)
5057--***	Maintenance Equip. & Facilities (Liquids)	591,996	211,997	380,000	35.8%
5058--***	Maintenance Equip. & Facilities (Common)	76,004	24,831	51,173	32.7%
5059--***	Maintenance Equip. & Facilities (Co-Gen)	1,135,016	143,826	991,190	12.7%
5060--***	Maintenance Equip. & Facilities (AWT)	72,000	30,430	41,570	42.3% (12)
5061--***	Mileage	2,036	724	1,312	35.6%
5067--***	Port Cleaning	35,000	-	35,000	0.0%
5068--***	MNWD Potable Water Supplies & Svcs.	24,484	13,965	10,519	57.0%
5069--***	Misc-Capital-Dilution & Metering Study	7,996	-	7,996	0.0%
5076--***	SCADA Infrastructure	57,000	306	56,694	0.5%
5077--***	IT Direct	-	2,216	(2,216)	0.0%
5101--***	Employee Recognition	1,004	-	1,004	0.0%
5105--***	Co-Generation Power Credit - Offset	249,972	60,855	189,117	24.3%
5303--***	Group Insurance Waiver	10,824	4,874	5,950	45.0%
5305--***	Medicare Tax Payments for Employees	9,452	1,853	7,599	19.6%
5309--***	Operating Leases	31,004	5,914	25,090	19.1%
5705--***	Monthly Car Allowance	25,376	9,949	15,427	39.2%
5706--***	Effluent Pond Cleaning	90,000.00	-	90,000	0.0%
6500--***	IT Allocations in to PC's & Depts.	646,448	230,172	416,276	35.6%
	Total Other Expenses	10,707,660	3,013,113	7,694,547	28.1%
		18,701,584	5,538,855	13,162,729	29.6%

- (1) Elevated overtime costs are associated with several ongoing construction, repair projects at the plants and PC15 litigation support.
- (2) Electricity costs have been elevated due to delays in completing the new Engine project at RTP.
- (3) The plants continue to see decreases in wastewater flows and loads leading to less digester gas for the new engines and increased natural gas usage.
- (4) Bleach usage has been elevated in the first quarter due to elevated recycled water use and decreased flows to the plant causing partial nitrification that consumes elevated levels of bleach in the disinfection process. O&M staff is planning to remove one aeration tank from service to reduce nitrification. The change is planned for November 2018 to minimize potential disruptions to the delivery of recycled water during peak Summer and Fall months.
- (5) New vehicles were outfitted with gear for use by field staff elevated expenses for the first quarter, expenses are planned to level off.
- (6) Insurance - Several policies are paid in the first quarter of the Fiscal Year, expenses are planned to level off.
- (7) Two of the three planned major conferences were attended by staff in the first quarter of the Fiscal Year including WEFTEC and HACHWIMS, expenses are planned to level off.
- (8) Staff membership dues were due in July, expenses are planned to level off.
- (9) Annual Kelp Survey as Required by NPDES permit, expenses are planned to level off.
- (10) Annual Kelp Survey as Required by NPDES permit, expenses are planned to level off.
- (11) Solids expenses included the planned major overhaul of Centrifuge #2 at JBL, expenses are planned to level off.
- (12) Several failed valves were replaced at RTP that could not wait until the annual AWT maintenance shutdown in January.

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended October 31, 2018

Exhibit E-1.2

	FY 2018-19 Budget	Actual	(Over)/Under Budget	% Expended	
02 - Jay B. Latham Plant					
Salary and Fringe					
02-5000-01-**-**	Regular Salaries-O&M	1,319,268	405,067	915,001	30.6%
02-5000-02-**-**	Regular Salaries-O&M	153,668	53,087	100,581	34.5%
02-5001-01-**-**	Overtime Salaries-O&M	32,000	17,261	14,739	53.9% (1)
02-5001-02-**-**	Overtime Salaries-O&M	908	134	774	14.8%
02-5302-01-01-00	Performance Based Merit Pay	-	-	0	0.0%
02-5306-01-**-**	Scheduled Holiday Work	11,988	2,682	9,306	22.4%
02-5306-02-**-**	Scheduled Holiday Work	2,744	195	2,549	7.1%
02-5315-02-**-**	Comp Time - O&M	752	-	752	0.0%
02-5401-01-**-**	Fringe Benefits IN to PC's & Depts.	949,876	291,072	658,804	30.6%
02-5401-02-**-**	Fringe Benefits IN to PC's & Depts.	110,644	38,223	72,421	34.5%
02-5700-01-**-**	Standby Pay	27,048	9,003	18,046	33.3%
	Total Payroll Costs	2,608,896	816,724	1,792,173	31.3%
Other Expenses					
02-5002-01-**-**	Electricity	374,976	147,259	227,717	39.3%
02-5003-01-**-**	Natural Gas	120,024	54,318	65,706	45.3% (2)
02-5004-01-**-**	Potable & Reclaimed Water	20,008	7,612	12,396	38.0%
02-5006-01-**-**	Chlorine/Sodium Hypochlorite	28,000	-	28,000	0.0%
02-5007-01-**-**	Polymer Products	250,008	50,408	199,600	20.2%
02-5008-01-**-**	Ferric Chloride	105,004	37,293	67,711	35.5%
02-5009-01-**-**	Odor Control Chemicals	28,004	8,947	19,057	31.9%
02-5010-01-**-**	Other Chemicals - Misc.	1,000	-	1,000	0.0%
02-5011-02-**-**	Laboratory Services	10,692	4,624	6,069	43.2%
02-5012-01-**-**	Grit Hauling	50,004	14,525	35,479	29.0%
02-5013-01-**-**	Landscaping	50,004	17,681	32,323	35.4% (3)
02-5014-01-**-**	Engineering - Misc.	30,004	4,747	25,257	15.8%
02-5015-01-**-**	Management Support Services	50,004	-	50,004	0.0%
02-5015-02-**-**	Management Support Services	9,000	5,865	3,135	65.2% (4)
02-5017-01-**-**	Legal Fees	4,992	473	4,519	9.5%
02-5019-01-**-**	Contract Services Misc.	115,004	25,842	89,162	22.5%
02-5021-01-**-**	Small Vehicle Expense	8,004	5,672	2,332	70.9% (5)
02-5022-01-**-**	Miscellaneous Expense	8,000	2,418	5,582	30.2%
02-5023-01-**-**	Office Supplies - All	27,000	6,440	20,560	23.9%
02-5024-01-**-**	Petroleum Products	15,992	4,704	11,288	29.4%
02-5025-01-**-**	Uniforms	13,004	5,125	7,879	39.4%
02-5026-01-**-**	Small Vehicle Fuel	14,980	4,244	10,736	28.3%
02-5027-01-**-**	Insurance - Property/Liability	60,832	24,060	36,772	39.6% (6)
02-5027-02-**-**	Insurance - Property/Liability	4,632	-	4,632	0.0% (6)
02-5028-01-**-**	Small Tools & Supplies	40,004	3,795	36,209	9.5%
02-5030-01-**-**	Trash Disposal	2,000	531	1,469	26.6%
02-5031-02-**-**	Safety Program & Supplies	34,704	17,293	17,411	49.8% (7)
02-5032-01-**-**	Equipment Rental	3,000	600	2,400	20.0%
02-5033-01-**-**	Recruitment	1,024	-	1,024	0.0%
02-5034-01-**-**	Travel Expense/Tech. Conferences	14,372	12,742	1,630	88.7% (8)
02-5034-02-**-**	Travel Expense/Tech. Conferences	4,504	3,072	1,432	68.2% (8)
02-5035-01-**-**	Training Expense	11,676	1,600	10,076	13.7%
02-5035-02-**-**	Training Expense	14,512	-	14,512	0.0%
02-5036-02-**-**	Laboratory Supplies	14,296	5,338	8,958	37.3%
02-5037-01-**-**	Office Equipment	13,000	725	12,525	5.6%
02-5038-02-**-**	Permits	22,432	16,877	5,555	75.2% (9)
02-5039-01-**-**	Membership Dues/Fees	4,480	1,477	3,003	33.0%
02-5039-02-**-**	Membership Dues/Fees	3,560	801	2,759	22.5%
02-5049-01-**-**	Biosolids Disposal	600,000	95,199	504,801	15.9%
02-5050-01-**-**	Contract Services Generators	9,000	325	8,675	3.6%
02-5052-01-**-**	Janitorial Services	40,004	11,094	28,910	27.7%
02-5053-01-**-**	Contract Serv - Digester Cleaning - 2¢	60,000	-	60,000	0.0%
02-5054-01-**-**	Diesel Truck Maint	20,996	3,893	17,103	18.5%
02-5055-01-**-**	Diesel Truck Fuel	6,000	1,525	4,475	25.4%
02-5056-01-**-**	Maintenance Equip. & Facilities (Solic	142,004	108,630	33,374	76.5% (10)
02-5057-01-**-**	Maintenance Equip. & Facilities (Liqui	246,996	95,328	151,668	38.6% (10A)
02-5058-01-**-**	Maintenance Equip. & Facilities (Com	27,000	12,235	14,765	45.3% (10A)
02-5059-01-**-**	Maintenance Equip. & Facilities (Co-C	485,004	66,680	418,324	13.7%
02-5061-01-**-**	Mileage	1,024	-	1,024	0.0%
02-5061-02-**-**	Mileage	1,012	221	791	21.9%
02-5076-01-**-**	SCADA Infrastructure	19,000	306	18,694	1.6%
02-5077-01-**-**	IT Direct	-	1,153	(1,153)	0.0%
02-5303-01-**-**	Group Insurance Waiver	3,604	1,218	2,386	33.8%
02-5305-01-**-**	Medicare Tax Payments for Employee	3,864	1,228	2,636	31.8%
02-5309-01-**-**	Operating Leases	25,004	5,914	19,090	23.7%
02-5705-01-**-**	Monthly Car Allowance	8,416	4,784	3,632	56.8%
02-5705-02-00-00	Monthly Car Allowance	-	1,422	(1,422)	0.0%
02-6500-01-**-**	IT Allocations in to PC's & Depts.	189,104	65,000	124,104	34.4%
02-6500-02-**-**	IT Allocations in to PC's & Depts.	22,024	8,451	13,573	38.4%
	Total Other Expenses	3,492,792	981,986	2,510,806	28.1%
	Total Expenses	6,101,688	1,798,709	4,302,979	29.5%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended October 31, 2018

Exhibit E-1.2

		FY 2018-19 Budget	Actual	(Over)/Under Budget	% Expended
05 - San Juan Creek Ocean Outfall					
Salary and Fringe					
05-5000-01-**-**	Regular Salaries-O&M	1,848	-	1,848	0.0%
05-5000-02-**-**	Regular Salaries-O&M	122,124	25,344	96,780	20.8%
05-5001-01-**-**	Overtime Salaries-O&M	1,004	-	1,004	0.0%
05-5001-02-**-**	Overtime Salaries-O&M	112	226	(114)	202.2%
05-5306-02-**-**	Scheduled Holiday Work	740	-	740	0.0%
05-5401-01-**-**	Fringe Benefits IN to PC's & Depts.	1,328	-	1,328	0.0%
05-5401-02-**-**	Fringe Benefits IN to PC's & Depts.	87,924	18,248	69,676	20.8%
	Total Payroll Costs	215,080	43,819	171,261	20.4%
Other Expenses					
05-5002-01-**-**	Electricity	1,004	-	1,004	0.0%
05-5003-01-**-**	Natural Gas	512	-	512	0.0%
05-5014-01-**-**	Engineering - Misc.	10,000	-	10,000	0.0%
05-5015-02-**-**	Management Support Services	9,404	300	9,104	3.2% (11)
05-5017-01-00-00	Legal Fees	-	233	(233)	0.0%
05-5017-02-**-**	Legal Fees	2,000	-	2,000	0.0%
05-5026-01-**-**	Small Vehicle Fuel - 37A	512	-	512	0.0%
05-5027-01-**-**	Insurance - Property/Liability	100	-	(2,028)	0.0% (6)
05-5027-02-**-**	Insurance - Property/Liability	5,656	2,128	3,528	37.6% (6)
05-5031-02-**-**	Safety Supplies	1,004	-	1,004	0.0%
05-5034-02-**-**	Travel Expense/Tech. Conferences	4,456	2,330	2,126	52.3% (8)
05-5035-02-**-**	Training Expense	564	-	564	0.0%
05-5036-02-**-**	Laboratory Supplies	19,236	6,616	12,620	34.4%
05-5038-02-**-**	Permits	155,000	-	155,000	0.0%
05-5044-02-**-**	Offshore Monitoring	18,000	7,840	10,160	43.6% (12)
05-5045-02-**-**	Offshore Biochemistry - 20B	64,996	-	64,996	0.0%
05-5046-02-**-**	Effluent Chemistry	14,000	10,331	3,669	73.8% (13)
05-5058-01-**-**	Maintenance Equip. & Facilities (Com	1,004	-	1,004	0.0%
05-5069-02-**-**	Misc-Capital-Dilution & Metering Stud	7,996	-	7,996	0.0%
05-5101-02-**-**	Employee Recognition	1,004	-	1,004	0.0%
05-5305-02-**-**	Medicare Tax Payments for Employee	2,460	-	2,460	0.0%
05-5705-02-**-**	Monthly Car Allowance	4,204	-	4,204	0.0%
05-6500-01-**-**	IT Allocations in to PC's & Depts.	268	595	(327)	222.0%
05-6500-02-**-**	IT Allocations in to PC's & Depts.	17,504	4,554	12,950	26.0%
	Total Other Expenses	340,884	34,927	305,957	10.2%
	Total Expenses	555,964	78,745	477,219	14.2%
08 - Pre Treatment					
Salary and Fringe					
08-5000-02-**-**	Regular Salaries-O&M	80,312	25,457	54,855	31.7%
08-5001-02-**-**	Overtime Salaries-O&M	1,380	-	1,380	0.0%
08-5306-02-**-**	Scheduled Holiday Work	200	-	200	0.0%
08-5401-02-**-**	Fringe Benefits IN to PC's & Depts.	57,824	18,329	39,495	31.7%
	Total Payroll Costs	139,716	43,786	95,930	31.3%
Other Expenses					
08-5011-02-**-**	Laboratory Services	3,000	110	2,890	3.7% (14)
08-5015-02-**-**	Management Support Services	4,004	906	3,098	22.6%
08-5016-02-**-**	Audit - Environmental	500	-	500	0.0%
08-5017-02-**-**	Legal Fees	2,008	158	1,851	7.8%
08-5018-02-**-**	Public Notices/ Public Relations	2,008	-	2,008	0.0%
08-5021-02-**-**	Small Vehicle Expense - 31A	1,016	-	1,016	0.0%
08-5022-02-**-**	Miscellaneous Expense	1,496	-	1,496	0.0%
08-5026-02-**-**	Small Vehicle Fuel - 37A	1,196	-	1,196	0.0%
08-5027-02-**-**	Insurance - Property/Liability	2,016	741	1,275	36.8% (6)
08-5028-02-**-**	Small Tools & Supplies	6,648	686	5,962	10.3%
08-5034-02-**-**	Travel Expense/Tech. Conferences	4,248	-	4,248	0.0% (8)
08-5035-02-**-**	Training Expense	3,872	-	3,872	0.0%
08-5038-02-**-**	Permits and Fines	10,012	-	10,012	0.0%
08-5039-02-**-**	Membership Dues/Fees	324	102	222	31.5%
08-6500-02-**-**	IT Allocations in to PC's & Depts.	11,516	4,418	7,098	38.4%
	Total Other Expenses	53,864	7,121	46,743	13.2%
	Total Expenses	193,580	50,907	142,673	26.3%
12 - Water Reclamation Permits					
Salary and Fringe					
12-5000-02-**-**	Regular Salaries-O&M	30,396	12,186	18,210	40.1%
12-5401-02-**-**	Fringe Benefits IN to PC's & Depts.	21,880	8,774	13,106	40.1%
	Total Payroll Costs	52,276	20,960	31,316	40.1%
Other Expenses					
12-5015-02-**-**	Management Support Services	130,516	-	130,516	0.0%
12-5017-02-**-**	Legal Fees	2,004	1,872	132	93.4%
12-5027-02-**-**	Insurance - Property/Liability	1,000	807	193	80.7% (6)
12-5034-02-**-**	Travel Expense/Tech. Conferences	2,240	58	2,182	2.6% (8)
12-5038-02-**-**	Permits	18,488	-	18,488	0.0%
12-6500-02-**-**	IT Allocations in to PC's & Depts.	4,356	2,486	1,870	57.1%
	Total Other Expenses	158,604	5,223	153,381	3.3%
	Total Expenses	210,880	26,183	184,697	12.4%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended October 31, 2018

Exhibit E-1.2

		FY 2018-19 Budget	Actual	(Over)/Under Budget	% Expended
15 - Coastal Treatment Plant					
Salary and Fringe					
15-5000-01-**-**	Regular Salaries-O&M	774,276	232,541	541,735	30.0%
15-5000-02-**-**	Regular Salaries-O&M	123,172	46,179	76,993	37.5%
15-5001-01-**-**	Overtime Salaries-O&M	20,008	7,796	12,212	39.0% (16)
15-5001-02-**-**	Overtime Salaries-O&M	1,244	411	833	33.0%
15-5306-01-**-**	Scheduled Holiday Work	3,520	787	2,733	22.4%
15-5306-02-**-**	Scheduled Holiday Work	3,028	156	2,872	5.1%
15-5401-01-**-**	Fringe Benefits IN to PC's & Depts.	557,484	167,429	390,055	30.0%
15-5401-02-**-**	Fringe Benefits IN to PC's & Depts.	88,688	33,249	55,439	37.5%
15-5700-01-**-**	Standby Pay	16,900	1,950	14,950	11.5%
	Total Payroll Costs	1,588,320	490,498	1,097,822	30.9%
Other Expenses					
15-5002-01-**-**	Electricity	297,000	81,446	215,554	27.4%
15-5003-01-**-**	Natural Gas	2,996	176	2,820	5.9%
15-5004-01-**-**	Potable & Reclaimed Water	13,004	9,070	3,934	69.7% (17)
15-5006-01-**-**	Chlorine/Sodium Hypochlorite	100,004	32,600	67,404	32.6%
15-5007-01-**-**	Polymer Products	2,008	-	2,008	0.0%
15-5008-01-**-**	Ferric Chloride	30,996	9,205	21,791	29.7%
15-5009-01-**-**	Odor Control Chemicals	85,004	18,773	66,231	22.1%
15-5011-02-**-**	Laboratory Services	11,500	6,501	4,999	56.5%
15-5012-01-**-**	Grit Hauling	30,004	5,870	24,134	19.6%
15-5013-01-**-**	Landscaping	60,008	9,379	50,629	15.6%
15-5014-01-**-**	Engineering - Misc.	5,000	2,351	2,649	47.0%
15-5014-02-**-**	Engineering - Misc.	15,000	-	15,000	0.0%
15-5015-01-**-**	Management Support Services	5,000	-	5,000	0.0%
15-5015-02-**-**	Management Support Services	5,000	-	5,000	0.0%
15-5017-01-**-**	Legal Fees	5,000	18,590	(13,590)	371.8%
15-5019-01-**-**	Contract Services Misc.	110,000	36,071	73,929	32.8%
15-5021-01-**-**	Small Vehicle Expense	6,004	1,042	4,962	17.3%
15-5022-01-**-**	Miscellaneous Expense	2,996	1,155	1,841	38.6%
15-5023-01-**-**	Office Supplies - All	4,004	1,908	2,096	47.6%
15-5024-01-**-**	Petroleum Products	2,000	-	2,000	0.0%
15-5025-01-**-**	Uniforms	6,004	1,644	4,360	27.4%
15-5026-01-**-**	Small Vehicle Fuel	6,004	269	5,735	4.5%
15-5027-01-**-**	Insurance - Property/Liability	23,088	12,051	11,037	52.2% (6)
15-5027-02-**-**	Insurance - Property/Liability	3,348	-	3,348	0.0% (6)
15-5028-01-**-**	Small Tools & Supplies	11,000	4,038	6,962	36.7%
15-5030-01-**-**	Trash Disposal	2,996	422	2,574	14.1%
15-5031-02-**-**	Safety Program & Supplies	34,692	9,334	25,358	26.9%
15-5032-01-**-**	Equipment Rental	1,000	-	1,000	0.0%
15-5033-01-**-**	Recruitment	1,000	-	1,000	0.0%
15-5034-01-**-**	Travel Expense/Tech. Conferences	14,372	3,336	11,036	23.2% (8)
15-5034-02-**-**	Travel Expense/Tech. Conferences	4,500	458	4,042	10.2% (8)
15-5035-01-**-**	Training Expense	11,668	866	10,802	7.4%
15-5035-02-**-**	Training Expense	1,984	-	1,984	0.0%
15-5036-02-**-**	Laboratory Supplies	14,496	5,351	9,145	36.9%
15-5037-01-**-**	Office Equipment	2,000	-	2,000	0.0%
15-5038-02-**-**	Permits	22,000	472	21,528	2.1%
15-5039-01-**-**	Membership Dues/Fees	968	937	31	96.8% (19)
15-5039-02-00-00	Membership Dues/Fees	-	171	(171)	0.0%
15-5047-01-**-**	Access Road Expenses	48,000	3,200	44,800	6.7%
15-5048-01-**-**	Storm Damage	20,008	469	19,539	2.3%
15-5049-01-**-**	Biosolids Disposal - 21B	125,004	-	125,004	0.0%
15-5050-01-**-**	Contract Services Generators - 29A	4,004	-	4,004	0.0%
15-5052-01-**-**	Janitorial Services	20,008	3,732	16,276	18.7%
15-5054-01-**-**	Diesel Truck Maint	1,004	115	889	11.4%
15-5055-01-**-**	Diesel Truck Fuel - 37B	1,004	-	1,004	0.0%
15-5057-01-**-**	Maintenance Equip. & Facilities (Liqui	175,000	30,868	144,132	17.6%
15-5058-01-**-**	Maintenance Equip. & Facilities (Com	21,000	95	20,905	0.5%
15-5060-01-**-**	Maintenance Equip. & Facilities (AWT	36,000	6,071	29,929	16.9%
15-5061-01-00-00	Mileage	-	154	(154)	0.0%
15-5076-01-**-**	SCADA Infrastructure	19,000	-	19,000	0.0%
15-5077-01-00-00	IT Direct	-	1,063	(1,063)	0.0%
15-5303-01-**-**	Group Insurance Waiver	3,600	1,218	2,382	33.8%
15-5303-02-00-00	Group Insurance Waiver	-	208	(208)	0.0%
15-5305-01-**-**	Medicare Tax Payments for Employee	2,996	587	2,409	19.6%
15-5705-01-**-**	Monthly Car Allowance	1,368	1,422	(54)	103.9%
15-6500-01-**-**	IT Allocations in to PC's & Depts.	110,988	36,852	74,136	33.2%
15-6500-02-**-**	IT Allocations in to PC's & Depts.	17,656	7,810	9,846	44.2%
	Total Other Expenses	1,560,288	367,372	1,192,916	23.5%
	Total Expenses	3,148,608	857,870	2,290,738	27.2%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended October 31, 2018

Exhibit E-1.2

		FY 2018-19 Budget	Actual	(Over)/Under Budget	% Expended
17 - Joint Regional Wastewater Reclamation and Sludge Handling					
Salary and Fringe					
17-5000-01-**-**	Regular Salaries-O&M	1,527,884	493,895	1,033,989	32.3%
17-5000-02-**-**	Regular Salaries-O&M	248,800	95,638	153,162	38.4%
17-5001-01-**-**	Overtime Salaries-O&M	55,008	39,210	15,798	71.3% (20)
17-5001-02-**-**	Overtime Salaries-O&M	2,704	618	2,086	22.8%
17-5306-01-**-**	Scheduled Holiday Work	22,004	2,231	19,773	10.1%
17-5306-02-**-**	Scheduled Holiday Work	5,316	350	4,966	6.6%
17-5315-02-**-**	Comp Time - O&M	1,076	-	1,076	0.0%
17-5401-01-**-**	Fringe Benefits IN to PC's & Depts.	1,100,068	352,640	747,428	32.1%
17-5401-02-**-**	Fringe Benefits IN to PC's & Depts.	179,132	68,859	110,273	38.4%
17-5700-01-**-**	Standby Pay	25,344	11,928	13,417	47.1%
	Total Payroll Costs	3,167,336	1,065,369	2,101,967	33.6%
Other Expenses					
17-5002-01-**-**	Electricity	381,988	273,557	108,431	71.6% (21)
17-5003-01-**-**	Natural Gas	25,000	15,231	9,769	60.9% (2)
17-5004-01-**-**	Potable & Reclaimed Water	36,000	8,571	27,429	23.8%
17-5005-01-**-**	Co-generation Power Credit	(250,012)	(60,855)	(189,157)	24.3%
17-5006-01-**-**	Chlorine/Sodium Hypochlorite	361,008	223,708	137,300	62.0% (22)
17-5007-01-**-**	Polymer Products	406,012	119,998	286,014	29.6%
17-5008-01-**-**	Ferric Chloride	129,000	56,840	72,160	44.1% (23)
17-5009-01-**-**	Odor Control Chemicals	50,000	18,674	31,326	37.3%
17-5010-01-**-**	Other Chemicals - Misc.	4,000	-	4,000	0.0%
17-5011-02-**-**	Laboratory Services	16,504	8,715	7,789	52.8%
17-5012-01-**-**	Grit Hauling - 21A	54,000	11,555	42,445	21.4%
17-5013-01-**-**	Landscaping	74,996	30,667	44,329	40.9%
17-5014-01-**-**	Engineering - Misc.	7,500	2,801	4,699	37.3%
17-5014-02-**-**	Engineering - Misc.	25,000	-	25,000	0.0%
17-5015-01-**-**	Management Support Services	110,000	-	110,000	0.0%
17-5015-02-**-**	Management Support Services	13,500	-	13,500	0.0%
17-5017-01-**-**	Legal Fees	5,008	233	4,776	4.6%
17-5019-01-**-**	Contract Services Misc.	150,008	38,408	111,600	25.6%
17-5021-01-**-**	Small Vehicle Expense	6,000	4,235	1,765	70.6% (5)
17-5022-01-**-**	Miscellaneous Expense	5,996	2,887	3,109	48.1%
17-5023-01-**-**	Office Supplies - All	7,000	4,480	2,520	64.0%
17-5024-01-**-**	Petroleum Products	41,988	3,324	38,664	7.9%
17-5025-01-**-**	Uniforms	18,008	6,245	11,763	34.7%
17-5026-01-**-**	Small Vehicle Fuel	12,988	2,718	10,270	20.9%
17-5027-01-**-**	Insurance - Property/Liability	72,004	30,260	41,744	42.0% (6)
17-5027-02-**-**	Insurance - Property/Liability	6,856	-	6,856	0.0% (6)
17-5028-01-**-**	Small Tools & Supplies	28,012	8,204	19,808	29.3%
17-5030-01-**-**	Trash Disposal	1,996	481	1,515	24.1%
17-5031-02-**-**	Safety Program & Supplies	35,000	14,157	20,843	40.4%
17-5032-01-**-**	Equipment Rental	3,008	-	3,008	0.0%
17-5033-01-**-**	Recruitment	1,000	-	1,000	0.0%
17-5034-01-**-**	Travel Expense/Tech. Conferences	14,384	4,812	9,572	33.5% (8)
17-5034-02-**-**	Travel Expense/Tech. Conferences	4,496	1,000	3,496	22.2% (8)
17-5035-01-**-**	Training Expense	13,672	-	13,672	0.0%
17-5035-02-**-**	Training Expense	4,912	-	4,912	0.0%
17-5036-02-**-**	Laboratory Supplies	22,740	8,693	14,047	38.2%
17-5037-01-**-**	Office Equipment	9,996	2,282	7,714	22.8%
17-5037-02-00-00	Office Equipment	-	171	(171)	0.0%
17-5038-02-**-**	Permits	40,016	1,371	38,645	3.4%
17-5039-01-**-**	Membership Dues/Fees	2,588	933	1,655	36.1%
17-5039-02-00-00	Membership Dues/Fees	-	553	(553)	0.0%
17-5049-01-**-**	Biosolids Disposal	914,004	251,158	662,846	27.5%
17-5050-01-**-**	Contract Services Generators - 29A	8,000	-	8,000	0.0%
17-5052-01-**-**	Janitorial Services	40,012	9,781	30,231	24.4%
17-5054-01-**-**	Diesel Truck Maint	19,004	6,833	12,171	36.0%
17-5055-01-**-**	Diesel Truck Fuel	7,000	1,538	5,462	22.0%
17-5056-01-**-**	Maintenance Equip. & Facilities (Solic	195,996	81,977	114,019	41.8% (10B)
17-5057-01-**-**	Maintenance Equip. & Facilities (Liqui	170,000	86,059	83,941	50.6% (10A)
17-5058-01-**-**	Maintenance Equip. & Facilities (Com	26,000	12,501	13,499	48.1% (10A)
17-5059-01-**-**	Maintenance Equip. & Facilities (Co-C	650,012	77,145	572,867	11.9%
17-5060-01-**-**	Maintenance Equip. & Facilities (AWT	36,000	24,360	11,640	67.7% (24)
17-5061-01-00-00	Mileage	-	296	(296)	0.0%
17-5061-02-00-00	Mileage	-	53	(53)	0.0%
17-5068-02-**-**	MNWD Potable Water Supplies & Sv	24,484	13,965	10,519	57.0%
17-5076-01-**-**	SCADA Infrastructure	19,000	-	19,000	0.0%
17-5105-01-**-**	Co-Generation Power Credit - Offset	249,972	60,855	189,117	24.3%
17-5303-01-00-00	Group Insurance Waiver	-	1,080	(1,080)	0.0%
17-5303-02-**-**	Group Insurance Waiver	3,620	1,011	2,609	27.9%
17-5305-01-00-00	Medicare Tax Payments for Employee	-	39	(39)	0.0%
17-5305-02-**-**	Medicare Tax Payments for Employee	132	-	132	0.0%
17-5309-01-**-**	Operating Leases	6,000	-	6,000	0.0%
17-5705-01-**-**	Monthly Car Allowance	7,192	900	6,292	12.5%
17-5705-02-**-**	Monthly Car Allowance	4,196	1,422	2,774	33.9%
17-5706-01-**-**	Effluent Pond Cleaning	90,000	-	90,000	0.0%
17-6500-01-**-**	IT Allocations in to PC's & Depts.	219,084	81,039	138,045	37.0%
17-6500-02-**-**	IT Allocations in to PC's & Depts.	35,660	14,293	21,367	40.1%
	Total Other Expenses	4,677,540	1,572,449	3,105,091	33.6%
	Total Expenses	7,844,876	2,636,768	5,208,108	33.6%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended October 31, 2018

Exhibit E-1.2

		FY 2018-19 Budget	Actual	(Over)/Under Budget	% Expended
21 - Effluent Transmission Main					
Salary and Fringe					
21-5000-01-**-**	Regular Salaries-O&M	500	-	500	0.0%
21-5401-01-**-**	Fringe Benefits IN to PC's & Depts.	360	-	360	0.0%
	Total Payroll Costs	860	-	860	0.0%
Other Expenses					
21-5014-02-**-**	Engineering - Misc.	62,496	1,575	60,921	2.5%
21-5015-01-**-**	Management Support Services	2,500	-	2,500	0.0%
21-5019-02-00-00	Contract Services Misc. - 29	-	228	(228)	0.0%
21-5027-02-00-00	Insurance - Property/Liability	-	252	(252)	0.0% (6)
	Total Other Expenses	64,996	2,055	62,941	3.2%
	Total Expenses	65,856	2,055	63,801	3.1%
23 - North Coast Interceptor					
Other Expenses					
23-5017-01-00-00	Legal Fees	-	7,378	(7,378)	0.0%
	Total Other Expenses	-	7,378	(7,378)	0.0%
	Total Expenses	-	7,378	(7,378)	0.0%
24 - Aliso Creek Ocean Outfall					
Salary and Fringe					
24-5000-01-**-**	Regular Salaries-O&M	3,408	89	3,319	2.6%
24-5000-02-**-**	Regular Salaries-O&M	124,748	25,688	99,060	20.6%
24-5001-01-**-**	Overtime Salaries-O&M	512	-	512	0.0%
24-5001-02-**-**	Overtime Salaries-O&M	156	252	(96)	161.3%
24-5306-01-**-**	Scheduled Holiday Work	88	-	88	0.0%
24-5306-02-**-**	Scheduled Holiday Work	232	-	232	0.0%
24-5401-01-**-**	Fringe Benefits IN to PC's & Depts.	2,452	64	2,388	2.6%
24-5401-02-**-**	Fringe Benefits IN to PC's & Depts.	89,844	18,495	71,349	20.6%
	Total Payroll Costs	221,440	44,587	176,853	20.1%
Other Expenses					
24-5002-01-**-**	Electricity	1,000	-	1,000	0.0%
24-5014-02-**-**	Engineering - Misc.	20,004	-	20,004	0.0%
24-5015-01-**-**	Management Support Services	2,500	-	2,500	0.0%
24-5015-02-**-**	Management Support Services	22,508	-	22,508	0.0%
24-5017-02-**-**	Legal Fees	2,008	233	1,776	11.6%
24-5027-01-**-**	Insurance - Property/Liability	100	-	0	0.0% (6)
24-5027-02-**-**	Insurance - Property/Liability	5,500	2,220	3,280	40.4% (6)
24-5031-02-**-**	Safety Supplies	996	-	996	0.0%
24-5034-02-**-**	Travel Expense/Tech. Conferences	4,496	2,332	2,164	51.9% (8)
24-5035-02-**-**	Training Expense	520	-	520	0.0%
24-5036-02-**-**	Laboratory Supplies	19,560	7,026	12,534	35.9%
24-5038-02-**-**	Permits	148,004	-	148,004	0.0%
24-5044-02-**-**	Offshore Monitoring	18,000	7,840	10,160	43.6% (12)
24-5045-02-**-**	Offshore Biochemistry - 20B	45,004	-	45,004	0.0%
24-5046-02-**-**	Effluent Chemistry	14,004	11,326	2,678	80.9% (13)
24-5058-01-**-**	Maintenance Equip. & Facilities (Com	1,000	-	1,000	0.0%
24-5067-02-**-**	Port Cleaning	35,000	-	35,000	0.0%
24-6500-01-**-**	IT Allocations in to PC's & Depts.	3,364	354	3,010	10.5%
24-6500-02-**-**	IT Allocations in to PC's & Depts.	14,924	4,320	10,604	28.9%
	Total Other Expenses	358,692	35,652	323,040	9.9%
	Total Expenses	580,132	80,239	499,893	13.8%
	SOCWA TOTAL	18,701,584	5,538,855	13,162,729	29.6%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended October 31, 2018

Exhibit E-1.2

FY 2018-19 Budget	Actual	(Over)/Under Budget	% Expended
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- (1) JBL has had several overnight construction and repair projects in the first quarter requiring elevated overtime.
- (2) The plants continue to see decreases in wastewater flows and loads leading to less digester gas for the new engines and increased natural gas usage.
- (3) Several large trees were removed that were in danger of falling to the adjacent properties, expenses are planned to level off.
- (4) This includes the ADS Flow Monitoring. The FY19/20 budget will be updated to reflect this new cost.
- (5) New vehicles were outfitted with gear for use by field staff elevating expenses for the first quarter, expenses are planned to level off.
- (6) Insurance - Several policies are paid in the first quarter of the Fiscal Year, expenses are planned to level off.
- (7) The first quarter includes the purchase of new boots per the Employee Manual, expenses are planned to level off.
- (8) Two of the three planned major conferences were attended by staff in the first quarter of the Fiscal Year including WEFTEC and HACHWIMS, expenses are planned to level off.
- (9) Half of SOCWA's permits are renewed in July of each year, expenses are planned to level off.
- (10) Solids expenses included the planned major overhaul of Centrifuge #2 in July, expenses are planned to level off.
- (10A) Liquids and Common expenses included several large repairs in anticipation of the upcoming winter weather, expenses are planned to level off.
- (10B) Solids at RTP included a large emergency repair of the hot water system, expenses are planned to level off.
- (11) ADS Special Study to investigate proposed dumping in San Clemente; pass through cost.
- (12) Annual Kelp Survey as Required by NPDES permit, expenses are planned to level off.
- (13) Annual Kelp Survey as Required by NPDES permit, expenses are planned to level off.
- (14) These are pass through costs that will be billed to the agencies directly and reversed.
- (15) Not Used
- (16) SCE transformer replacement elevated overtime in the first quarter.
- (17) Water use is higher than planned to meet a new recommendation for odor scrubber operations to reduce equipment fouling.
- (18) Not Used
- (19) Several staff membership dues were paid in July, expenses are planned to level off.
- (20) Overtime is elevated due to new engine startup and commissioning needs.
- (21) Electricity costs have been elevated due to delays in completing the new Engine project.
- (22) Bleach usage was up in the first quarter due to peak recycled water use and decreased flows to the plant causing partial nitrification that consumes higher than normal amounts of bleach in the disinfection process. O&M staff is planning to remove one aeration tank from service to reduce nitrification. The change is planned for November 2018 to minimize potential disruptions to the delivery of recycled water during peak Summer and Fall months.
- (23) Ferric chloride demands have been higher than estimated by the new engine design engineer for the gas cleaning system needs.
- (24) Several failed valves were replaced at RTP that could not wait until the annual AWT maintenance shutdown in Janua

South Orange County Wastewater Authority
Budget vs. Actual Comparison - Engineering
For the Period Ended October 31, 2018

Exhibit E-2

		FY 2018-19 Budget	Actual	(Over)/Under Budget	% Expended
Salary and Fringe					
-5000--**-00	Regular Salaries-O&M	199,834	68,588	131,245	34.3%
01-5001-03-00-00	Overtime Salaries-O&M	-	-	0	0.0%
-5306--**-00	Scheduled Holiday Work	-	-	0	0.0%
01-5401-03-00-00	Fringe Benefits IN to PC's & Depts.	143,880	49,384	94,497	34.3%
	Total Payroll Costs	343,714	117,972	225,742	34.3%
Other Expenses					
01-5015-03-00-00	Management Support Services	7,500	-	7,500	0.0%
01-5022-03-00-00	Miscellaneous Expense	3,060	-	3,060	0.0%
01-5023-03-00-00	Office Supplies - All	200	-	200	0.0%
01-5031-03-00-00	Safety Supplies	-	145	(145)	0.0%
01-5034-03-00-00	Travel Expense/Tech. Conferences	6,659	3,379	3,280	50.7%
01-5035-03-00-00	Training Expense	4,000	-	4,000	0.0%
01-5037-03-00-00	Office Equipment	5,000	1,890	3,111	37.8%
01-5039-03-00-00	Membership Dues/Fees	2,025	-	2,025	0.0%
01-5061-03-00-00	Mileage	300	-	300	0.0%
01-5301-03-00-00	Vehicle Pay	4,200	-	4,200	0.0%
01-5309-03-00-00	Operating Leases	20,637	1,674	18,963	8.1%
01-5705-03-00-00	Monthly Car Allowance	-	1,422	(1,422)	0.0%
01-5802-03-00-00	Shipping/Freight	300	-	300	0.0%
01-6500-03-00-00	IT Allocations in to PC's & Depts.	59,860	20,563	39,297	34.4%
	Total Other Expenses	113,741	29,072	84,669	25.6%
Total Expenses		457,455	147,044	310,411	32.1%

The costs in this department will vary based on the amount of work required to support Capital Projects vs. Non-Capital Projects.

**South Orange County Wastewater Authority
Budget vs. Actual Comparison - Administration**

Exhibit E-3

For the Period Ended October 31, 2018

		FY 2018-19 Budget	Actual	(Over)/Under Budget	% Expended
Salary and Fringe					
01-6000-04-00-00	Regular Salaries-Admin or IT	985,352	305,921	679,432	31.0%
01-6001-04-00-00	Overtime Salaries-Admin or IT	12,000	5,078	6,922	42.3%
01-6315-04-00-00	Comp Time - Admin	10,000	-	10,000	0.0%
01-6401-04-00-00	Fringe Benefits IN to ADMIN or IT	709,453	220,271	489,182	31.0%
	Total Payroll Costs	1,716,805	531,270	1,185,535	30.9%
Other Expenses					
01-5018-04-00-00	Public Notices/ Public Relations	1,400	-	1,400	0.0%
01-6101-04-00-00	HR Recruitment & Employee Relations	21,200	6,557	14,643	30.9%
01-6102-04-00-00	Subscriptions	3,243	1,379	1,864	42.5%
01-6200-04-00-00	Management Support Services	112,500	80,462	32,038	71.5%
01-6201-04-00-00	Audit	40,000	15,000	25,000	37.5%
01-6202-04-00-00	Legal	250,000	70,643	179,357	28.3%
01-6204-04-00-00	Postage	2,319	670	1,649	28.9%
01-6223-04-00-00	Office Supplies - Admin	8,471	2,461	6,010	29.0%
01-6224-04-00-00	Office Equipment Admin or IT	8,000	351	7,649	4.4%
01-6234-04-00-00	Memberships & Trainings	89,520	11,452	78,068	12.8%
01-6239-04-00-00	Travel & Conference	20,800	8,445	12,355	40.6%
01-6240-04-00-00	Scholarship Sponsorship	1,000	-	1,000	0.0%
01-6310-04-00-00	Miscellaneous	20,000	7,983	12,017	39.9%
01-6311-04-00-00	Mileage	1,000	528	472	52.8%
01-6317-04-00-00	Contract Services Misc	4,936	1,580	3,356	32.0%
01-6500-04-00-00	IT Allocations in to PC's & Depts.	141,240	39,153	102,087	27.7%
01-6601-04-00-00	Shipping/Freight	1,500	974	526	64.9%
01-6705-04-00-00	Monthly Car Allowance	12,000	4,062	7,938	33.8%
	Total Other Expenses	739,130	251,699	487,431	34.1%
	Total Expenses	2,455,935	782,969	1,672,966	31.9%

South Orange County Wastewater Authority
Budget vs. Actual Comparison-IT
For the Period Ended October 31, 2018

Exhibit E-4

		FY 2018-19 Budget	Actual	(Over)/Under	% Expended
Salary & Fringe					
01-6000-05-00-00	Regular Salaries-Admin or IT	93,378	27,773	65,605	29.7%
01-6001-05-00-00	Overtime Salaries-Admin or IT	3,082	1,222	1,859	39.7%
01-6315-05-00-00	Comp Time - IT	2,332	-	2,332	0.0%
01-6401-05-00-00	Fringe Benefits IN to ADMIN or IT	67,232	19,997	47,235	29.7%
	Total Salary & Fringe	166,024	48,992	117,032	29.5%
Other Expenses					
01-5028-05-00-00	Small Tools & Supplies	1,000	-	1,000	0.0%
01-5035-05-00-00	Training Expense	12,000	-	12,000	0.0%
01-5037-05-00-00	Office Equipment	400	-	400	0.0%
01-6200-05-00-00	Management Support Services	64,500	450	64,051	0.7%
01-6234-05-00-00	Memberships & Trainings	2,750	96	2,654	3.5%
01-6239-05-00-00	Travel & Conference	4,210	-	4,210	0.0%
01-6300-05-00-00	Software Maintenance Agreements	98,893	38,631	60,262	39.1%
01-6301-05-00-00	Hardware Maintenance Agreements	11,657	873	10,784	7.5%
01-6302-05-00-00	Cloud Subscriptions (Internet)	45,800	72,125	(26,325)	157.5%
01-6303-05-00-00	Telecommunications	129,940	36,076	93,864	27.8%
01-6305-05-00-00	IT Professional Services	157,000	31,671	125,329	20.2%
01-6306-05-00-00	Small Hardware Purchases (< \$5k)	46,800	39,659	7,141	84.7%
01-6307-05-00-00	Small Software Purchases & Licenses (<\$5k)	43,735	7,463	36,272	17.1%
01-6308-05-00-00	IT Memberships	160	-	160	0.0%
01-6309-05-00-00	Operating Leases	55,200	13,334	41,866	24.2%
01-6310-05-00-00	Miscellaneous	5,000	-	5,000	0.0%
01-6312-05-00-00	Computer & Photocopy Supplies	2,275	519	1,756	22.8%
01-6601-05-00-00	Shipping/Freight	276	-	276	0.0%
	Total Other Expenses	681,596	240,897	440,700	35.3%
	Total Expenses before Allocation	847,620	289,889	557,731	34.2%
IT Allocations (Out) to PC's & Depts					
01-6400-05-00-00	IT Allocations (OUT) to PC's & Depts.	(847,620)	(289,889)	(557,731)	34.2%
	Total IT Allocations (Out) to PC's & Depts	(847,620)	(289,889)	(557,731)	34.2%

Agenda Item

5

Legal Counsel Review: N/A

Meeting Date: November 30, 2018

TO: Finance Committee

FROM: Betty Burnett, General Manager

STAFF CONTACT: Mary Carey, Finance Controller

SUBJECT: Pun Group FY Ending June 30, 2018, SOCWA Audited Financial Statements

Summary/Discussion

The Pun Group will attend the Finance Committee meeting on November 30, 2018 and provide an overview of the draft Financial Statements for the FY Ending June 30, 2018. Highlights are:

- GASB 75 implementation (Retiree Health), increased liabilities by \$4.8 million (Report Attachment 1).
- FY 2016-17 Financial Statements were restated to record GASB 75.
- GASB 68 (Net Pension Liability) increased \$1.9 million primarily due to CalPERS lowering their discount rate (Report Attachment 2).
- Capital assets increased \$14.8 million.
- Construction-in-progress (CIP) increased \$8.5 million.

Total liabilities are \$26 million, an increase of \$4.1 million or 19% from \$21.7 million in FY 2016-17 due to retiree health and pension liabilities discussed above.

Attached for the review of the Board and the Finance Committee are:

1. Draft Financial Statements and Independent Auditor's Report for the year ended June 30, 2018 (Report Attachment 3*).

(* The attached Draft does not include PC 23. Also, the notes to the Financial Statements, except for Note 4 – Capital Assets, will be provided under separate cover via email prior to the November 30th meeting. As of November 23, 2018, the Draft is pending Partner review at The Pun Group and further information will be provided via email prior to the 11/30/18 Finance Committee Meeting).

Recommendation

1. Receive a report to the Finance Committee for Consideration of the FY Ended June 30, 2018 Audited Financial Statements;
2. Receive Presentation and Q&A with The Pun Group; and
3. Finance Committee to recommend to the Board of Directors to receive and file the Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2018, including the Governance Letter as prepared by The Pun Group.

Report Attachment 1



nyhart

GASB No. 75 ACTUARIAL VALUATION

**Fiscal Year Ending June 30, 2018
(Measured at June 30, 2018)**

South Orange County Wastewater Authority

Nyhart Actuary & Employee Benefits
530 B Street, Ste. 900, San Diego, CA 92101
(619) 239-0831 - www.nyhart.com

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Ms. Mary Carey
South Orange County Wastewater Authority
34156 Del Obispo Street
Dana Point, CA 92629

11/6/2018

This report summarizes the GASB actuarial valuation for the South Orange County Wastewater Authority's Other Post Employment Benefit (OPEB) for the fiscal year ending June 30, 2018 (measured at June 30, 2018). Nyhart prepared this report to meet employer financial accounting requirements under Governmental Accounting Standards Board (GASB) Statement No. 75 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions). To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 75.

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate, other economic assumptions, and demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

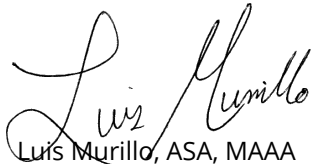
Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period and roll-forward techniques); and changes in plan provisions or applicable law.


We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.


Luis Murillo, ASA, MAAA
Consulting Actuary


Randy Gomez, FSA, MAAA
Consulting Actuary

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
Valuation Results Summary

As of Valuation Date: January 1, 2017

	Explicit	Implicit	Total
Present Value of Employer Contributions			
Actives	\$ 5,984,996	\$ 726,651	\$ 6,711,647
Retirees	4,431,301	335,033	4,766,334
Total	\$ 10,416,297	\$ 1,061,684	\$ 11,477,981

Total (Accrued) OPEB Liability			
Actives	\$ 4,078,555	\$ 517,073	\$ 4,595,628
Retirees	4,431,301	335,033	4,766,334
Total	\$ 8,509,856	\$ 852,106	\$ 9,361,962

	Explicit	Implicit	Total
Projected Employer Contributions			
2017	\$ 347,324	\$ 76,610	\$ 423,934
2018	397,095	79,860	476,955
2019	439,515	88,505	528,020
2020	492,680	93,673	586,353
2021	527,156	95,853	623,009
2022	573,421	124,161	697,582
2023	619,493	129,995	749,488
2024	644,728	105,192	749,920
2025	699,235	117,149	816,384
2026	739,311	113,727	853,038

Actuarial Assumptions as of Valuation Date

Inflation	2.75%
Salary increases	3.00%
Discount rate	7.00%

Plan Membership

Inactive plan members or beneficiaries currently receiving benefits	31
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	58
	89

Net OPEB Liability

The components of the Net OPEB Liability at June 30,

	2018
Total OPEB Liability	\$ 10,182,408
Plan fiduciary net position	(4,823,410)
Net OPEB Liability	\$ 5,358,998
Plan fiduciary net position as a % of the Total OPEB Liability	47.37%
OPEB Expense for the Fiscal Year Ended June 30,	\$ 646,160

Actuarial Assumptions

The Total OPEB Liability was determined using the following actuarial assumptions.

Inflation	2.75%
Salary increases	3.00%
Investment rate of return	7.00%
Discount rate	7.00%

Plan Membership

The Total OPEB Liability was determined based on the plan membership as of January 1,

	2017
Inactive plan members or beneficiaries currently receiving benefits	31
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	58
	89

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
Statement of Fiduciary Net Position

	June 30, 2018
Assets	
Cash and deposits	N/A
Securities lending cash collateral	N/A
Total cash	N/A
Receivables:	
Contributions	N/A
Due from broker for investments sold	N/A
Investment income	N/A
Accrued Income	N/A
Total receivables	N/A
Investments:	
Fixed Income	N/A
Equities	N/A
Cash	N/A
0	N/A
Total investments	N/A
Total assets	N/A
Liabilities	
Payables:	
Investment management fees	N/A
Due to broker for investments purchased	N/A
Collateral payable for securities lending	N/A
Other	N/A
Total liabilities	N/A
Net position restricted for OPEB	\$ 4,823,410

Note: This information will be provided separately from PARS.

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
Statement of Changes in Fiduciary Net Position

Additions	<u>June 30, 2018</u>
Contributions:	
Employer	\$ 585,582
Member	0
Nonemployer Contributing Entity	0
Total contributions	<u>\$ 585,582</u>
Investment income:	
Net increase in fair value of investments	\$ 348,619
Interest and dividends	0
Less investment expense, other than from securities lending	0
Net income other than from securities lending	<u>\$ 348,619</u>
Securities lending income	0
Less securities lending expense	0
Net income from securities lending	<u>\$ 0</u>
Net investment income	<u>\$ 348,619</u>
Other	0
Total additions	<u>\$ 934,201</u>
Deductions	
Benefit payments	\$ 354,582
Administrative expense	26,133
Investment Fees	0
Total deductions	<u>\$ 380,715</u>
Net increase in net position	<u>\$ 553,486</u>
Net position restricted for OPEB	
Beginning of year	<u>\$ 4,269,924</u>
End of year	<u>\$ 4,823,410</u>

Note: The employer contributions include retiree benefit payments inclusive of subsidy not reimbursed from the trust.

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
Schedule of Changes in Net OPEB Liability and Related Ratios

Total OPEB Liability	2018
Service cost	\$ 256,866
Interest	677,737
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions	0
Benefit payments, including refunds of member contributions	(354,582)
Net change in Total OPEB Liability	<u>580,021</u>
Total OPEB Liability - beginning	<u>9,602,387</u>
Total OPEB Liability - ending (a)	<u>\$ 10,182,408</u>
Plan fiduciary net position	
Contributions - employer	585,582
Contributions - member	0
Contributions - nonemployer contributing member	0
Net investment income	348,619
Benefit payments, including refunds of member contributions	(354,582)
Administrative expenses	(26,133)
Other	0
Net change in plan fiduciary net position	<u>\$ 553,486</u>
Plan fiduciary net position - beginning	<u>4,269,924</u>
Plan fiduciary net position - ending (b)	<u>\$ 4,823,410</u>
Net OPEB Liability - ending (a) - (b)	<u>\$ 5,358,998</u>
Plan fiduciary net position as a percentage of the total OPEB liability	47.4%
Covered - employee payroll	Not Applicable
Net OPEB Liability as percentage of covered-employee payroll	Not Applicable

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
OPEB Expense

Service cost	\$	256,866
Interest on Total OPEB Liability		677,737
Projected earnings on OPEB plan investments		(306,065)
Reduction for contributions from active employees		0
OPEB plan administrative expense		26,133
Changes of benefit terms		0
Other changes		0
Current period recognition of deferred outflows/(inflows) of resources		
Differences between Expected & Actual Experience in measurement of the Total OPEB Liability		0
Changes of assumptions		0
Differences between Projected & Actual Earnings on OPEB Plan Investments		(8,511)
Annual OPEB Expense	\$	646,160

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

		Initial Balance	Amortization Period	Annual Recognition	06/30/2018 Balance
Differences between expected and actuarial experience in measurement of the Total OPEB Liability for the period ending:					
June 30, 2018	\$	0	N/A	\$ 0	\$ 0
Total				<u>\$ 0</u>	<u>\$ 0</u>

		Initial Balance	Amortization Period	Annual Recognition	06/30/2018 Balance
Changes of assumptions for the period ending:					
June 30, 2018	\$	0	N/A	\$ 0	\$ 0
Total				<u>\$ 0</u>	<u>\$ 0</u>

		Initial Balance	Amortization Period	Annual Recognition	06/30/2018 Balance
Differences between projected and actual earnings on OPEB plan investments for the period ending:					
June 30, 2018	\$	(42,554)	5	\$ (8,511)	\$ (34,043)
Total				<u>\$ (8,511)</u>	<u>\$ (34,043)</u>

The balances as of June 30, 2018 of the deferred outflows/(inflows) of resources will be recognized in OPEB expense for the measurement period ending June 30,

2019	\$	(8,511)
2020	\$	(8,511)
2021	\$	(8,511)
2022	\$	(8,510)
2023	\$	0
Thereafter	\$	0

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
Schedule of Contributions

This schedule is not required for plans not funding actuarially determined contributions.

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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Fixed Income	35.0%	1.50%
Equities	60.0%	5.75%
Cash	5.0%	0.00%
Total	100.0%	

Long-term expected rate of return is 7.00%.

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
Valuation Data

The valuation was based on the census furnished to us by SOCWA. The following tables display the age distribution for retirees and the age/service distribution for active employees as of the Valuation Date.

Age Distribution of Eligible Retired Participants & Beneficiaries

Age	Total
<55	0
55-59	8
60-64	8
65-69	6
70-74	6
75-79	3
80+	<u>0</u>
Total:	31
Average Age:	65.0
Average Retirement Age:	59.0

Age/Service Distribution of Eligible Active Employees

Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
20-24	1									1
25-29	6	2								8
30-34	2	2								4
35-39	4	0	2							6
40-44	2	0	0							2
45-49	2	0	3	0	1	1				7
50-54	2	0	2	2	4	3	1			14
55-59	2	1	1	3	0	1	4			12
60-64	1	1	0	0	0	0	2			4
65-69	0	0	0	0	0	0	0	0		0
70+	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total:	22	6	8	5	5	5	7	0	0	58
Average Age:	46.2									
Average SOCWA Service:	12.8									
Average CalPERS Service:	14.5									

**Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
Benefit Provisions**

This study analyzes the retiree health benefits of SOCWA. The retiree health benefits provided to retirees are basically a continuation of the plans for active employees. Our findings and assumptions are based on the plans and rates effective January 1, 2017.

All permanent full-time and part-time employees working at least half-time are offered a choice of medical (including prescription drug coverage) plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). SOCWA currently pays an amount each year that is based on a percentage (currently 98%) of the average of all health plans (excluding the PERS Care Plan) made available to SOCWA employees through the CalPERS Health Program. Any premium costs above this amount are paid for by the employee. Alternatively, the employee may elect a cash-in-lieu option of \$200/month but opt back into the health plan at any time before retirement during an enrollment period. SOCWA offers the same medical plans to eligible retirees except once retirees are eligible for Medicare, the retiree must join a Medicare HMO or Supplement Plan with Medicare being the primary payer.

Eligibility for retiree health benefits requires retirement from SOCWA on or after age 50 with at least 5 years of PERS service (SOCWA service for employees hired after October 5, 2007). Eligible employees must retire (commence pension payment) with CalPERS within 120 days of separation from service. Eligible retirees receive a similar contribution towards benefits as active employees. Retiree benefits are paid for the lifetime of the retiree, spouse or surviving spouse and to age 26 for dependents.

Premium Rates

SOCWA participates in the CalPERS Health Program, a community-rated program for its medical coverage. The following tables summarize the current monthly premiums for the primary medical plans in which the retirees are enrolled. All premiums are effective for the 2017 calendar year.

2017 Other So. Cal. Region	Kaiser	BS HMO	PERS Care	PERS Choice	PERS Select
Retiree Only	\$ 599.54	\$ 778.45	\$ 802.24	\$ 714.43	\$ 633.46
Retiree Plus Spouse	\$1,199.08	\$1,556.90	\$1,604.48	\$1,428.86	\$1,266.92
Retiree Plus Family	\$1,558.80	\$2,023.97	\$2,085.82	\$1,857.52	\$1,647.00
Retiree Only- Medicare	\$ 300.48	N/A	\$ 389.76	\$ 353.63	\$ 353.63
Retiree Plus Spouse - Medicare	\$ 600.96	N/A	\$ 779.52	\$ 707.26	\$ 707.26

**Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
Benefit Provisions**

2017 Other So. Cal. Region (Continued)	Sharp HMO	UHC HMO	Anthem HMO Select	Anthem HMO Traditional	Health Net Salud	Health Net Smart Care
Retiree Only	\$ 614.46	\$ 549.76	\$ 659.03	\$ 799.15	\$ 473.46	\$ 537.20
Retiree Plus Spouse	\$1,228.92	\$1,099.52	\$1,318.06	\$1,598.30	\$ 946.92	\$1,074.40
Retiree Plus Family	\$1,597.60	\$1,429.38	\$1,713.48	\$2,077.79	\$1,231.00	\$1,396.72
Retiree Only- Medicare	N/A	\$ 324.21	N/A	N/A	N/A	N/A
Retiree Plus Spouse - Medicare	N/A	\$ 648.42	N/A	N/A	N/A	N/A

The liabilities set forth in this report are based on the actuarial assumptions described in this section.

Fiscal Year: July 1st to June 30th

Valuation Date: January 1, 2017

Measurement Date: June 30, 2018 for FYE2018

Funding Practice: SOCWA has established a funding policy of making \$250,000 contribution to the Trust and continuing to make the pay-go contributions directly (outside of the Trust) until the plan reaches a fully funded status.

Asset Return: 7.0% per annum; assumes the SOCWA invests in PARS Balanced HighMark Plus asset allocation.

Discount Rate: 7.0%. Based on the current funding practice and the actuarial assumptions used, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Inflation: 2.75% per annum

Salary Increases: 3.0% per annum, in aggregate

Pre-retirement Turnover: According to the termination rates under the most recent CalPERS pension plan valuation. Sample rates for Miscellaneous employees are as follows:

Service	Entry Age			
	20	30	40	50
0	17.42%	16.06%	14.68%	13.32%
5	8.68%	7.11%	5.54%	0.97%
10	6.68%	5.07%	0.71%	0.38%
15	5.03%	3.47%	0.23%	0.04%
20	3.70%	0.21%	0.05%	0.01%
25	2.29%	0.05%	0.01%	0.01%
30	0.05%	0.01%	0.01%	0.01%

Pre-retirement Mortality: According to the pre-retirement mortality rates under the most recent CalPERS pension plan valuation. Sample deaths per 1,000 employees applicable to Miscellaneous employees are as follows:

Age	Males	Females
25	0.4	0.2
30	0.5	0.3
35	0.6	0.4
40	0.8	0.5
45	1.1	0.7
50	1.6	1.0
55	2.3	1.4
60	3.1	1.8

Post-retirement Mortality: According to the post-retirement mortality rates under the most recent CalPERS pension plan valuation. Sample deaths per 1,000 employees applicable to non-disabled current retirees and all future retirees are as follows:

Age	Males	Females
55	6.0	4.2
60	7.1	4.4
65	8.3	5.9
70	13.1	9.9
75	22.1	17.2
80	39.0	29.0
85	69.7	52.4
90	129.7	98.9

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
Actuarial Assumptions and Methods

Retirement Rates:

According to the retirement rates under the most recent CalPERS pension plan valuation. Sample retirement rates for employees under the 2.5% @55 formula are as follows:

Age	Service at Retirement				
	15	20	25	30	35
50-51	1.9%	2.9%	4.9%	9.4%	10.0%
52	2.0%	3.0%	5.0%	9.5%	10.1%
53	2.5%	3.6%	5.8%	10.4%	11.0%
54	5.0%	6.6%	9.1%	14.2%	15.2%
55	11.5%	14.2%	17.9%	24.1%	26.3%
56	7.8%	9.8%	12.8%	18.4%	19.9%
57	7.7%	9.7%	12.8%	18.3%	19.8%
58	8.3%	10.4%	13.6%	19.2%	20.8%
59	9.8%	12.3%	15.7%	21.6%	23.5%
60	11.5%	14.2%	17.9%	24.1%	26.3%
61	12.4%	15.3%	19.1%	25.5%	27.8%
62	16.6%	20.2%	24.8%	31.9%	35.0%
63	15.5%	18.9%	23.3%	30.2%	33.1%
64	15.3%	18.7%	23.1%	29.9%	32.8%
65	20.2%	24.5%	29.7%	37.4%	41.2%
66	22.6%	27.2%	32.9%	41.1%	45.2%
67	18.9%	22.9%	27.9%	35.4%	38.9%
68	16.8%	20.4%	25.0%	32.2%	35.3%
69	18.9%	22.9%	27.9%	35.4%	38.9%
70	20.9%	25.3%	30.6%	38.5%	42.4%
71	18.8%	22.8%	27.7%	35.2%	38.7%
72	18.2%	22.1%	27.0%	34.3%	37.7%
73	12.8%	15.7%	19.6%	26.0%	28.5%
74	9.3%	11.6%	14.9%	20.7%	22.5%
75	100.0%	100.0%	100.0%	100.0%	100.0%

* The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
Actuarial Assumptions and Methods

Sample retirement rates for employees under the 2.0% @55 formula are as follows:

Age	Service at Retirement				
	15	20	25	30	35
50	2.1%	2.5%	2.7%	3.1%	3.5%
51	1.7%	2.0%	2.1%	2.5%	2.8%
52	1.9%	2.3%	2.5%	2.8%	3.2%
53	2.3%	2.7%	3.0%	3.4%	3.9%
54	3.8%	4.5%	5.1%	5.9%	6.8%
55	7.4%	8.8%	10.0%	11.7%	13.2%
56	6.3%	7.5%	8.5%	10.0%	11.3%
57	6.7%	8.1%	9.1%	10.7%	12.1%
58	7.4%	8.9%	10.0%	11.8%	13.4%
59	8.6%	10.3%	11.8%	13.8%	15.6%
60	10.3%	12.3%	13.9%	16.4%	18.6%
61	12.4%	14.8%	16.8%	19.9%	22.4%
62	17.8%	21.4%	24.3%	28.8%	32.4%
63	17.4%	20.8%	23.7%	28.1%	31.7%
64	16.6%	19.9%	22.7%	26.8%	30.2%
65	23.8%	28.5%	32.5%	38.6%	43.5%
66	20.3%	24.3%	27.6%	32.8%	36.9%
67	18.9%	22.5%	25.6%	30.4%	34.3%
68	17.0%	20.4%	23.2%	27.4%	30.9%
69	17.4%	20.9%	23.8%	28.2%	31.7%
70	20.0%	24.0%	27.2%	32.3%	36.4%
71	16.4%	19.8%	22.5%	26.6%	29.9%
72	16.9%	20.2%	23.0%	27.2%	30.7%
73	13.2%	15.8%	17.9%	21.2%	23.9%
74	15.6%	18.6%	21.2%	25.1%	28.2%
75	100.0%	100.0%	100.0%	100.0%	100.0%

* The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
Actuarial Assumptions and Methods

Sample retirement rates for employees under the 2.0% @62 formula are as follows:

Age	Service at Retirement				
	15	20	25	30	35
50	1.5%	1.8%	1.9%	2.1%	2.3%
51	1.4%	1.6%	1.7%	1.9%	2.1%
52	1.7%	2.0%	2.2%	2.4%	2.6%
53	1.5%	1.7%	2.0%	2.1%	2.2%
54	2.3%	2.5%	2.9%	3.1%	3.4%
55	3.5%	4.0%	4.5%	4.9%	5.4%
56	2.8%	3.3%	3.6%	4.0%	4.4%
57	3.8%	4.3%	4.9%	5.3%	5.8%
58	4.3%	4.9%	5.5%	6.1%	6.7%
59	5.4%	6.1%	6.8%	7.6%	8.3%
60	9.2%	10.5%	11.7%	13.0%	14.2%
61	11.8%	13.4%	14.9%	16.6%	18.2%
62	19.8%	22.4%	25.0%	28.0%	30.7%
63	20.7%	23.4%	26.1%	29.2%	32.1%
64	19.3%	21.8%	24.4%	27.1%	29.8%
65	25.5%	28.7%	32.1%	35.8%	39.3%
66	19.2%	21.7%	24.3%	27.0%	29.7%
67	23.8%	27.0%	30.1%	33.7%	36.9%
68	17.4%	19.6%	21.9%	24.5%	26.8%
69	18.5%	20.9%	23.4%	26.1%	28.6%
70	19.7%	22.2%	24.8%	27.7%	30.4%
71	16.5%	18.8%	20.9%	23.3%	25.6%
72	18.2%	20.6%	22.9%	25.5%	28.1%
73	13.8%	15.7%	17.5%	19.5%	21.4%
74	15.6%	17.7%	19.7%	21.9%	24.1%
75	100.0%	100.0%	100.0%	100.0%	100.0%

* The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Participation Rates: 100% of eligible active employees are assumed to elect medical coverage at retirement. Future retirees are assumed to elect coverage similar to current retirees. Actual plan coverage is used for current retirees.

Spouse Coverage: 65% of future retirees are assumed to elect coverage for their spouse. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage and spouse ages are used for current retirees.

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)
Actuarial Assumptions and Methods

Dependent Coverage: Not explicitly valued.

Claim Cost Development: The valuation claim costs are based on the premiums paid for medical insurance coverage. The City participates in CalPERS, a community rated plan. Past valuations assumed the City was exempt from the valuation of any medical plan implicit rate subsidy. An implicit rate subsidy can exist when the non-Medicare rates for retirees are the same as for active employees. Since non-Medicare eligible retirees are typically much older than active employees, their actual medical costs are typically higher than for active employees. The current valuation contains an estimate of the implicit rate subsidy.

Medical Trend Rates: Medical costs are adjusted in future years by the following trends:

Year	PPO	HMO
2017	Actual	Actual
2018	7.0%	6.5%
2019	6.5%	6.0%
2020	6.0%	5.5%
2021	5.5%	5.0%
2022+	5.0%	5.0%

Actuarial Cost Method: The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the "cost" is based on the projected benefit expected to be paid at retirement.

The EAN normal cost equals the level annual amount of contribution from the employee's date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. As required by GASB 75, the normal cost is calculated to remain level as a percentage of pay. The EAN actuarial accrued liability or total OPEB liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs.

All eligible employees and participating retirees and spouses as of the measurement date listed in the data provided by the SOCWA were included in the valuation in accordance with the provisions of the Plan.

Market Value of Assets: Eligible plan assets will be valued on a market value basis

Report Attachment 2



**South Orange County Wastewater Authority
CalPERS Miscellaneous Pension Plans**

June 30, 2018
Consolidated GASB 68 Reporting Information
CalPERS Risk Pools

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November 9, 2018

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Net Pension Liability

Applicable Dates and Periods

	June 30, 2018 Employer Fiscal Year
■ Measurement date (MD)	June 30, 2017
■ Measurement period	July 1, 2016 to June 30, 2017
■ Actuarial valuation date	June 30, 2016



Net Pension Liability

Basis of Report

This report presents employer-specific amounts for reporting in accordance with Governmental Accounting Standards Board Statement No. 68 (GASB 68) for CalPERS public agency cost-sharing plans. Our calculations are based on information provided in actuarial valuation reports prepared by CalPERS and on the "Schedules of Employer Allocations and Collective Pension Amounts", prepared by CalPERS and audited by MGO. We have followed the methodology described in that report and in other CalPERS publications including the GASB 68 Guide for Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plans. It was not part of the scope of this project, nor was information available, to review the census data, actuarial calculations or the actuarial assumptions used to prepare those reports. CalPERS reports used for our calculations are available at: <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>

Additional information to be presented in each agency's Notes and RSI can be found on CalPERS website in the CalPERS Risk Pool reports as of the June 30, 2017

Measurement Date:

<https://www.calpers.ca.gov/docs/forms-publications/gasb-68-accounting-valuation-miscellaneous-risk-pool-2017.pdf>

<https://www.calpers.ca.gov/docs/forms-publications/gasb-68-accounting-valuation-safety-risk-pool-2017.pdf>



Net Pension Liability

Proportionate Share of Net Pension Liability/(Asset)

	Fiscal Year Ending	
	June 30, 2018	June 30, 2017
■ Total	\$ 13,410,437	\$ 11,549,944

See page 14 for supporting detail.



Note Disclosures

Proportionate Share of Net Pension Liability/(Asset)

	Percentage Share of Plan		Change: Increase/ (Decrease)
	6/30/2018	6/30/2017	
■ Measurement Date	6/30/2017	6/30/2016	
■ Percentage of Plan (PERF C) NPL	0.135223%	0.133478%	0.001745%

See page 14 for supporting detail.



Note Disclosures

**Sensitivity of Proportionate Share of Net Pension Liability (Asset)
to Changes in the Discount Rate**

	Discount Rate		
	6.15% (1% Decrease)	7.15% (Current Rate)	8.15% (1% Increase)
■ Measurement Date	6/30/2017		
■ Fiscal Year End	6/30/2018		
■ Net Pension Liability	\$ 20,284,099	\$ 13,410,437	\$ 7,717,545

See page 15 for supporting detail.



Note Disclosures

Pension Expense (Income) for Fiscal Year

	2017/18
■ Total pension expense for fiscal year	\$ 2,462,341

See page 25 for supporting detail.



Deferred Outflows/Inflows Balances at June 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
■ Differences between expected and actual experience *	\$ 16,806	\$ 240,782
■ Changes of assumptions *	2,085,275	159,004
■ Net differences between projected and actual earnings on plan investments *	471,603	-
■ Change in employer's proportion **	401,701	-
■ Differences between the employer's contributions and the employer's proportionate share of contributions***	-	398,252
■ Pension contributions subsequent to measurement date	1,094,606	-
■ Total	<u>4,069,991</u>	<u>798,038</u>

* Supporting detail on page 16.

** Supporting detail on page 19.

*** Supporting detail on page 23.



**Recognition of Deferred Outflows and Inflows of Resources
in Future Pension Expense**

	Deferred Outflows/(Inflows) of Resources
■ Fiscal Year Ending June 30:	
● 2019	\$ 598,726
● 2020	1,183,322
● 2021	675,298
● 2022	(280,000)
● 2023	-
● Thereafter	-

Supporting detail on page 24.



Required Supplementary Information

**Schedule of Authority's Proportionate Share
of the Plan's (PERF C) Net Pension Liability**

	Fiscal Year End	
	6/30/18	6/30/17
■ Measurement Date	6/30/17	6/30/16
■ Authority's proportion of the net pension liability	0.135223%	0.133478%
■ Authority's proportionate share of the net pension liability	\$ 13,410,437	\$ 11,549,944
■ Authority's covered-employee payroll *	5,784,596	5,616,113
■ Authority's proportionate share of the net pension liability as a percentage of covered-employee payroll	231.83%	205.66%
■ Plan's fiduciary net position as a percentage of the plan's total pension liability **	73.31%	74.06%

* For the year ending on the measurement date.

** Supporting detail on page 11.



Required Supplementary Information

Schedule of the Authority's Contributions

Contributions for the fiscal year ending:	6/30/18	6/30/17
■ Actuarially determined contribution	\$ 1,094,606	\$ 1,019,645
■ Contributions in relation to the actuarially determined contribution	<u>1,094,606</u>	<u>1,019,645</u>
■ Contribution deficiency (Excess)	-	-
■ Authority's covered-employee payroll *	6,083,399	5,784,596
■ Contributions as a percentage of covered-employee payroll	17.99%	17.63%

* For the fiscal year ending on the date shown.



Data as of 6/30/17 Measurement Date

	Miscellaneous Risk Pool	Safety Risk Pool	Total
■ Employer Allocation Basis*			
Total Pension Liability, Deferred Outflows/Inflows of Resources	0.31201%	N/A	N/A
Fiduciary Net Postion	0.30281%	N/A	N/A
■ Data from Risk Pool Reports for Measurement Date June 30, 2017			
Total Pension Liability	\$ 16,016,547,402	\$ 21,144,800,930	\$ 37,161,348,332
(1) Fiduciary Net Postion	12,074,499,781	15,169,595,595	27,244,095,376
Net Pension Liability	3,942,047,621	5,975,205,335	9,917,252,956
Funded Percentage	N/A	N/A	73.31%
■ Sensitivity			
(2) NPL @ 6.15% discount rate	6,145,073,915	8,933,723,800	
(1) + (2) TPL @ 6.15% discount rate	18,219,573,696	24,103,319,395	
(3) NPL @ 8.15% discount rate	2,117,461,486	3,556,764,052	
(1) + (3) TPL @ 8.15% discount rate	14,191,961,267	18,726,359,647	
■ Collective Pension Expense	719,747,608	821,201,709	



■ Deferred Outflows (Inflows) Balances at 6/30/17 Measurement Date (MD)			
MD			
2015	Differences between expected and actual experience	5,386,488	(14,938,762) N/A
2016	Differences between expected and actual experience	(1,748,446)	(1,161,475) N/A
2017	Differences between expected and actual experience	(75,422,914)	61,751,204 N/A
2015	Change in Assumptions	(50,961,251)	(68,708,811) N/A
2017	Change in Assumptions	668,335,902	895,547,724 N/A
2014	Differences between projected and actual earnings on plan investments	(182,199,414)	(240,108,472) N/A
2015	Differences between projected and actual earnings on plan investments	228,591,004	299,224,112 N/A
2016	Differences between projected and actual earnings on plan investments	463,720,662	593,173,409 N/A
2017	Differences between projected and actual earnings on plan investments	(358,962,225)	(457,024,585) N/A
■ Other			
	Aggregate Employer Contributions	456,855,300	523,503,441 N/A
	Expected Average Remaining Service Lifetime (EARSL)		N/A 3.8
	Future Recognition of Deferred Amounts		
	Measurement Date		
	2018	162,080,465	250,533,588 N/A
	2019	390,163,188	574,494,600 N/A
	2020	234,236,710	356,982,303 N/A
	2021	(89,740,557)	(114,256,147) N/A

*From the report: <https://www.calpers.ca.gov/docs/forms-publications/gasb-68-public-agency-schedules-2017.pdf>



Supporting Calculations

Employer Contributions during Year

	Fiscal Year Paid:	
	2017/18	2016/17
■ Misc Tier 1	\$ 862,885	n/a
■ Misc Tier 2	87,986	n/a
■ Misc PEPRAs	143,735	n/a
■ Total	1,094,606	1,019,645 *

* From the Authority's 2017 Basic Financial Statements.



Supporting Calculations

Proportionate Share of Net Pension (Liability)/Asset

	Fiscal Year Ending 6/30/2018		
	Measurement Date 6/30/2017		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
■ Authority % *	0.312010%	0.302810%	
■ Total Misc Risk Pool *	\$ 16,016,547,402	\$ 12,074,499,781	N/A
■ Authority's Proportionate Share	49,973,230	36,562,793	\$ 13,410,437
■ Total PERF-C NPL *	N/A	N/A	9,917,252,956
■ Authority's Proportionate Share of	N/A	N/A	0.135223%

* Supporting detail on page 11.



Supporting Calculations

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

	Discount Rate		
	6.15%	7.15%	8.15%
■ Measurement Date	6/30/2017		
■ Fiscal Year End	6/30/2018		
■ Miscellaneous			
Risk Pool Total Pension Liability *	\$ 18,219,573,696	\$ 16,016,547,402	\$ 14,191,961,267
Employer's TPL Proportion	<u>0.312010%</u>	<u>0.312010%</u>	<u>0.312010%</u>
Proportionate share of TPL	\$ 56,846,892	\$ 49,973,230	\$ 44,280,338
Less: Proportionate share of FNP **	<u>36,562,793</u>	<u>36,562,793</u>	<u>36,562,793</u>
Net Pension Liability	20,284,099	13,410,437	7,717,545

* Supporting detail on page 11.

** Supporting detail on page 14.



Supporting Calculations

Total Risk Pool Deferred Outflows/(Inflows)

Measurement Date	Item	Misc Risk Pool*	Employer Amount (0.31201%)**	Employer Deferred Outflow	Employer Deferred (Inflow)
Differences between Actual and Expected Experience					
2015		\$ 5,386,488	\$ 16,806	\$ 16,806	-
2016		(1,748,446)	(5,455)	-	(5,455)
2017		(75,422,914)	<u>(235,327)</u>	<u>-</u>	<u>(235,327)</u>
Actual and Expected Experience			(223,976)	16,806	(240,782)
Changes of assumptions					
2015		(50,961,251)	(159,004)	-	(159,004)
2017		668,335,902	<u>2,085,275</u>	<u>2,085,275</u>	<u>-</u>
Total Assumptions Change			1,926,271	2,085,275	(159,004)
Net Difference between Projected and Actual Return on Investments					
2014 to 2017		151,150,027	471,603	471,603	-

* Supporting detail on page 12. ** Supporting detail on page 11.



Supporting Calculations

Change in Proportion Calculation

	Unrecognized Differences between Expected and Actual Experience	Unrecognized Changes in Assumptions	Unrecognized Net Difference Between Projected and Actual Earnings on Investments	Total Pension Liability	Fiduciary Net Position	Total
■ Miscellaneous Risk Pool						
Net deferral at 6/30/2016 MD	\$ 9,342,656	\$(114,662,816)	\$ 596,781,896	\$(14,397,353,530)	\$ 10,923,476,287	
Employer proportion at 6/30/2017 MD*	<u>0.312010%</u>	<u>0.312010%</u>	<u>0.312010%</u>	<u>0.312010%</u>	<u>0.302810%</u>	
Employer amount using 6/30/2017 basis	29,150	(357,759)	1,862,019	(44,921,183)	33,077,379	(10,310,394)
Employer balances at 6/30/2016 MD	<u>25,463</u>	<u>(312,513)</u>	<u>1,626,531</u>	<u>(44,672,109)</u>	<u>33,122,165</u>	<u>(10,210,463)</u>
Difference	(3,687)	45,246	(235,488)	249,074	44,786	99,931

* Supporting detail on page 11.



Supporting Calculations

Change in Proportion

Calculation at June 30, 2018 financial statement date

	2014 Measurement Date	2015 Measurement Date	2016 Measurement Date	2017 Measurement Date	Total
Balance reported at June 30, 2017	\$ 2,517	\$ 428,698	\$ 218,437	\$ 99,931 *	
Remaining Amortization Years	0.8 years	1.8 years	2.7 years	3.8 years	
Current Year Amortization	(2,517)	(238,165)	(80,902)	(26,298)	(347,882)
Balance reported at June 30, 2018	-	190,533	137,535	73,633	401,701

* Balance at July 1, 2017, after 6/30/17 reporting date.



Supporting Calculations

Recognition Schedule for Deferred Outflows/Inflows at June 30, 2018 Employer-Specific Deferral: Change in Proportions

	Initial Recognition Period				Total
	2014/15	2015/16	2016/17	2017/18	
■ Measurement Period	2013/14	2014/15	2015/16	2016/17	
■ Initial amount	\$ 11,958	\$ 905,028	\$ 299,339	\$ 99,931	
■ Initial recognition period	3.8 years	3.8 years	3.7 years	3.8 years	
■ Amount recognized in FY pension expense					
● 2014/15 (3rd prior year)	3,147	N/A	N/A	N/A	3,147
● 2015/16 (2nd prior year)	3,147	238,165	N/A	N/A	241,312
● 2016/17 (Prior year)	3,147	238,165	80,902	N/A	322,214
● 2017/18 (Current year)	2,517	238,165	80,902	26,298	347,882
● 2018/19	-	190,533	80,902	26,298	297,733
● 2019/20	-	-	56,633	26,298	82,931
● 2020/21	-	-	-	21,037	21,037
● Total	11,958	905,028	299,339	99,931	1,316,256
■ Deferred Outflows at FYE 6/30/2018	-	190,533	137,535	73,633	401,701
■ Deferred Inflows at FYE 6/30/2018	-	-	-	-	-



Supporting Calculations

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Supporting Calculations

Difference in Actual Contribution and Proportionate Share of Contribution Calculation

	<u>Miscellaneous</u>
(1) Aggregate employer contributions for FY 2017 (see p.12)	\$ 456,855,300
(2) Employer proportion (FNP %) (see p. 11)	0.302810%
(3) Proportionate share of aggregate Employer contribution (1) * (2)	1,383,404
(4) Actual Contribution for Measurement Period 2016/2017	1,019,645
(5) Difference (4) - (3)	(363,759)



Supporting Calculations

Difference in Actual Contributions and Proportionate Share of Contributions

Calculation at June 30, 2018 financial statement date

	2014 Measurement Date	2015 Measurement Date	2016 Measurement Date	2017 Measurement Date	Total
Balance reported at June 30, 2017	29,289	(176,979)	(81,893)	(363,759) *	(593,342)
Remaining Amortization Years	0.8 years	1.8 years	2.7 years	3.8 years	
Current Year Amortization	(29,289)	98,322	30,331	95,726	195,090
Balance reported at June 30, 2018	-	(78,657)	(51,562)	(268,033)	(398,252)

* Balance at July 1, 2017, after 6/30/17 reporting date.



Supporting Calculations

Recognition Schedule for Deferred Outflows/Inflows at June 30, 2018 Employer-Specific Deferral: Difference Between Actual & Proportionate Share of Employer Contributions

	Initial Recognition Period				Total
	2014/15	2015/16	2016/17	2017/18	
■ Measurement Period	2013/14	2014/15	2015/16	2016/17	
■ Initial amount	\$ 139,119	\$ (373,623)	\$ (112,224)	\$ (363,759)	
■ Initial recognition period	3.8 years	3.8 years	3.7 years	3.8 years	
■ Amount recognized in FY pension expense					
● 2014/15 (3rd prior year)	36,610	N/A	N/A	N/A	36,610
● 2015/16 (2nd prior year)	36,610	(98,322)	N/A	N/A	(61,712)
● 2016/17 (Prior year)	36,610	(98,322)	(30,331)	N/A	(92,043)
● 2017/18 (Current year)	29,289	(98,322)	(30,331)	(95,726)	(195,090)
● 2018/19	-	(78,657)	(30,331)	(95,726)	(204,714)
● 2019/20	-	-	(21,231)	(95,726)	(116,957)
● 2020/21	-	-	-	(76,581)	(76,581)
● Total	139,119	(373,623)	(112,224)	(363,759)	(710,487)
■ Deferred Outflows at FYE 6/30/2018	-	-	-	-	-
■ Deferred Inflows at FYE 6/30/2018	-	(78,657)	(51,562)	(268,033)	(398,252)



Supporting Calculations

Recognition of Deferrals in Future Pension Expense

Measurement Period Ending June 30:	Fiscal Year Ending June 30:	Miscellaneous Risk Pool Amount			Employer Specific Amounts		Total
		Risk Pool Amount*	Applicable Percentage**	Authority's Proportionate Share	Change in Proportion***	Difference Between Actual and Proportionate Share of Contributions****	
■ 2018	■ 2019	\$162,080,465	0.312010%	\$ 505,707	\$ 297,733	\$ (204,714)	\$ 598,726
■ 2019	■ 2020	390,163,188	0.312010%	1,217,348	82,931	(116,957)	1,183,322
■ 2020	■ 2021	234,236,710	0.312010%	730,842	21,037	(76,581)	675,298
■ 2021	■ 2022	(89,740,557)	0.312010%	(280,000)	-	-	(280,000)
■ 2022	■ 2023	-	0.312010%	-	-	-	-
■ Thereafter	■ Thereafter	-	0.312010%	-	-	-	-

* See page 12.

** See page 11.

*** See page 19.

**** See page 23.



Supporting Calculations

GASB 68 Balance Equation for Pension Expense

	Fiscal year ending		Change
	6/30/2017	6/30/2018	
■ Measurement date	6/30/2016	6/30/2017	
■ Total pension liability	\$ 44,672,109	\$ 49,973,230	\$ 5,301,121
■ Fiduciary net position	<u>33,122,165</u>	<u>36,562,793</u>	<u>3,440,628</u>
■ Net pension liability (asset)	11,549,944	13,410,437	1,860,493
■ Deferred inflows of resources	542,096	798,038	255,942
■ Deferred outflows of resources *	(2,301,646)	(2,975,385)	(673,739)
■ Contributions in the measurement period	<u>-</u>	<u>1,019,645</u>	<u>1,019,645</u>
■ Net balance sheet impact	9,790,394	12,252,735	2,462,341
■ Pension Expense (Income)			2,462,341
■ Difference			-

* The deferral for contributions after the measurement date is excluded.



Supporting Calculations

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Journal Entries

Beginning Balances

Following summarizes the beginning balances from the 2016 measurement date *

	Debit	Credit
Differences between expected and actual experience	\$ 25,463	\$ -
Changes of assumptions	-	312,513
Net differences between projected and actual earnings on plan investments	1,626,531	-
Change in employer's proportion	649,652	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	229,583
Pension contributions subsequent to measurement date	1,019,645	-
Net Pension Liability	-	11,549,944
Net Impact	8,770,749	-
<i>Check</i>	<i>12,092,040</i>	<i>12,092,040</i>

* Recorded at 6/30/17 fiscal year end.



Journal Entries

Employer Contributions

Following records the impact of employer contributions

	Debit	Credit
Net pension liability	\$ 1,019,645	
Deferred outflow of resources - pension contributions FY 2017		\$ 1,019,645
Deferred outflow of resources - pension contributions FY 2018	1,094,606	
Pension Expense		1,094,606
<i>Check</i>	<i>2,114,251</i>	<i>2,114,251</i>



Journal Entries

Summary Journal Entries - CY Pension Expense

Following records the impact of current year pension expense

	Debit	Credit
Deferred Outflows of resources - actuarial	\$ 2,085,275	\$ 1,411,536
Deferred Inflows of resources - actuarial	153,509	409,451
Pension Expense/Credit	2,462,341	-
Net pension liability	-	2,880,138
 <i>Check</i>	 4,701,125	 4,701,125

See pages 32 and 31 ("Subtotal" row) for details.



Journal Entries

Ending Balances at June 30, 2018

	Debit	Credit
Differences between expected and actual experience	\$ 16,806	\$ 240,782
Changes of assumptions	2,085,275	159,004
Net differences between projected and actual earnings on plan investments	471,603	-
Change in employer's proportion	401,701	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	398,252
Pension contributions subsequent to measurement date	1,094,606	-
Net Pension Liability (NPL)	-	13,410,437
Net Impact	10,138,484	-
 <i>Check</i>	 14,208,475	 14,208,475
Total pension expense/(income) for FYE 2018	2,462,341	-



Reconciliation of Deferred Outflows

Deferred Outflows	Opening Balance (Debit)	Journal Entry- Debit	Journal Entry - Credit	Ending Balance (Debit)
Differences between actual and expected experience	\$ 25,463	\$ -	\$ (8,657)	\$ 16,806
Change in assumptions	-	2,085,275	-	2,085,275
Differences between projected and actual earnings on plan investments	1,626,531	-	(1,154,928)	471,603
<u>Employer Specific</u>				
Change in employer's proportion	649,652	-	(247,951)	401,701
Differences between the employer's contributions and the employer's proportionate share of contributions	-	-	-	-
Subtotal	2,301,646	2,085,275	(1,411,536)	2,975,385
Contributions after the Measurement Date	1,019,645	1,094,606	(1,019,645)	1,094,606
Total Deferred Outflows	3,321,291	3,179,881	(2,431,181)	4,069,991

Note "Changes" for Risk Pool deferrals equals total change from prior year to current year. "Changes" for employer-specific deferrals includes recognition of previous deferral or establishment of new deferral.



Reconciliation of Deferred Inflows

Deferred Inflows	Opening Balance (Credit)	Journal Entry- Credit	Journal Entry - Debit	Ending Balance (Credit)
Differences between actual and Expected Experience	\$ -	\$ (240,782)	\$ -	\$ (240,782)
Change in assumptions	(312,513)	-	153,509	(159,004)
Differences between projected and actual earnings on plan investments	-	-	-	-
<u>Employer Specific</u>				
Change in employer's proportion	-	-	-	-
Differences between the employer's contributions and the employer's proportionate share of contributions	(229,583)	(168,669)	-	(398,252)
Total Deferred Inflows	(542,096)	(409,451)	153,509	(798,038)

Note "Changes" for Risk Pool deferrals equals total change from prior year to current year. "Changes" for employer-specific deferrals includes recognition of previous deferral or establishment of new deferral.



Reconciliation of Deferred Outflows/(Inflows)

Summary of Balances

	Fiscal year ending	
	6/30/2017	6/30/2018
■ Measurement date	6/30/2016	6/30/2017
■ Total pension liability	\$ (44,672,109)	\$ (49,973,230)
■ Fiduciary net position	<u>33,122,165</u>	<u>36,562,793</u>
■ Net pension (liability)/asset	(11,549,944)	(13,410,437)
■ Deferred inflows of resources	(542,096)	(798,038)
■ Deferred outflows of resources	<u>3,321,291</u>	<u>4,069,991</u>
■ Net balance sheet impact	(8,770,749)	(10,138,484)

Deferred Outflows includes contributions after the measurement date.



Report Attachment 3

**South Orange County
Wastewater Authority**

Dana Point, California

**Financial Statements and
Independent Auditors' Report**

For the Year Ended June 30, 2018

DRAFT 11/23/2018

DRAFT 11/23/2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

This section of the financial statements of the South Orange County Wastewater Authority (Authority) is management's overview of “**Key/Significant**” items included in the statements and analysis of the Authority's financial activities for the fiscal year ended June 30, 2018. The information here is to be considered in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

	Changes in Net Position Year Ended June 30					
	2018	2017	GASB 75 Implementation FY 2017 Impact	Restated FY 2017	Dollar Change +/(-)	Percentage Change +/(-)
Net Position	\$127,152,449	\$130,862,190	(\$4,744,703)	\$126,117,487	\$1,034,962	0.8%
Capital Assets:						
Capital Assets Not Depreciated:						
Construction-in-Progress	20,833,802	27,159,497		27,159,497	(6,325,696)	-23.3%
Land	14,402,224	14,402,224		14,402,224		
Total Capital Assets Not Depreciated	35,236,026	41,561,721		41,561,721	(6,325,696)	-15.2%
Depreciable Capital Assets:						
All Classes of Depreciable Capital Assets	294,970,825	280,203,940		280,203,940	14,766,886	5.3%
Accumulated Depreciation	(198,952,950)	(192,356,990)		(192,356,990)	(6,595,960)	3.4%
Depreciable Capital Assets Net Book Value	96,017,875	87,846,950		87,846,950	8,170,926	9.3%
Total Capital Assets Net Book Value	131,253,901	129,408,671		129,408,671	1,845,231	1.4%
Liabilities:						
GASB 45-Net OPEB Liability Position	-	587,760	(587,760)	-	-	
GASB 75-Net OPEB Liability Position	5,358,998		5,332,463	5,332,463	26,535	0.5%
GASB 68-Net Pension Liability	13,410,437	11,549,944		11,549,944	1,860,493	16.1%
Compensated Absences	620,032	653,282		653,282	(33,250)	-5.1%
Deferred Outflows/(Inflows):						
GASB-68 Deferred Outflows/(Inflows)	3,271,953	2,779,195		2,779,195	492,758	17.7%
GASB-45 Deferred Outflows/(Inflows)	(34,043)				(34,043)	

The Authority's Net Position increased \$1 million or .8 % primarily due to:

- Implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), added \$4.8 million unfunded Retiree Health Liability to move from GASB 45 to GASB 75; total liability is \$5.4 million.
- GASB 68 Net Pension Liability, unfunded, increased \$1.9 million to \$13.4 million.

Construction-in-Progress (CIP) decreased \$6.3 million primarily due to \$14.8 million in capital assets placed in service as follows:

Treatment Facility	Acquisition Amount
PC 2, JB Latham Plant	8,984,088
PC 17, Joint Regional Reclamation Plant	2,330,348
PC 23, North Coast Interceptor	1,735,552
PC 15, Coastal Treatment Plant	1,635,214
IT	81,684
Total Acquisitions	14,766,886

The Acquisition Assets categories are:

Asset Category	Acquisition Amount
Machinery and Equipment	9,358,209
Infrastructure	3,281,240
Building Improvements	1,463,184
Computer Hardware	235,258
Buildings	194,074
Vehicles	116,778
Computer Software	95,466
Furniture and Fixtures	22,677
Total Acquisitions	14,766,886

Construction-in-Progress additions were \$8.5 million as follows:

Treatment Facility	CIP Additions Amount
PC 2, JB Latham Plant	\$2.1 million
PC 15, Coastal Treatment Plant	\$2.5 million
PC 17, Joint Regional Reclamation Plant	\$3.9 million
Total CIP Additions	\$8.5 million

Significant CIP Projects were:

FY 2017-18 Significant Capital Projects	CIP Addition Amount
PC 2, JB Latham Plant:	
Facility Improvements B - Basin Upgrades (2018)	568,041
Facility Improvements B - DAFT and Ancillary Solids Improvement	287,349
Facility Improvements - Solids Area (2015)	162,656
Aeration/Cogeneration Design/Construction (2009)	85,007
PC 15, Coastal Treatment Plant:	
Facility Improvements Project Design (2018)	651,114
Export Sludge Pump Addition (2017)	253,685
AWT Backwash Pump Replacement (2016)	169,400
Stanley Expansion	123,339
East Primary/Aeration Grating Rebate and Concrete Repair	119,735
Basins Between HW Bldg. and Primary Basin Grating Rebate	115,877
Applied Water Pump System Replacement (AWT) (2017)	113,089
Export Sludge System (1997)	86,643
Applied Water VFD Pump Panel and Electrical (AWT) (2018)	82,823
PC 17, Joint Regional Reclamation Plant	
Co-Gen Sys Retrofit (formerly Siloxane) (2015)	1,112,726
Influent Junction Structure Gate Replacement (2016)	371,598
Influent Manholes 1 and 2 and Sewer Rehabilitation (2016)	367,154
Switchgear Upgrade (2006)	247,956
Grit Basin Drop Gate and Weir Replacement (2016)	158,344
Primary Inlet Drop Gate Replacement (2016)	150,637
Stanley Expansion	143,072
Develop Buried Piping Reconstruction Master Plan (2017)	108,425
SCADA Improvements (2017)	95,817
AWT No.2 Upgrade Design (2017)	81,713
Various PC's and Capital Projects	2,805,559
Total CIP Additions	8,461,758

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority operates as a Joint Powers Authority and is accounted for as an Enterprise Fund, using the full accrual basis of accounting. As an enterprise fund, the Authority's basic financial statements are comprised of two components:

- Financial Statements
- Notes to the Financial Statements.

The report also contains other supplementary information about the Operations and Maintenance (O&M) budgets, in addition to the basic financial statements.

In accordance with GASB Statement No. 34, the Authority's financial statements include:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements.

The statement of revenues, expenses, and changes in net position accounts for the current year's revenues and expenses. This statement reflects the overall activity of the Authority, related to normal operations of all facilities.

NET POSITION

To begin our analysis, a summary of the Authority's Statement of Net position is presented as Chart 1, Chart 2, Chart 3, Table 1, Table 2, Table 3 and Table 4.

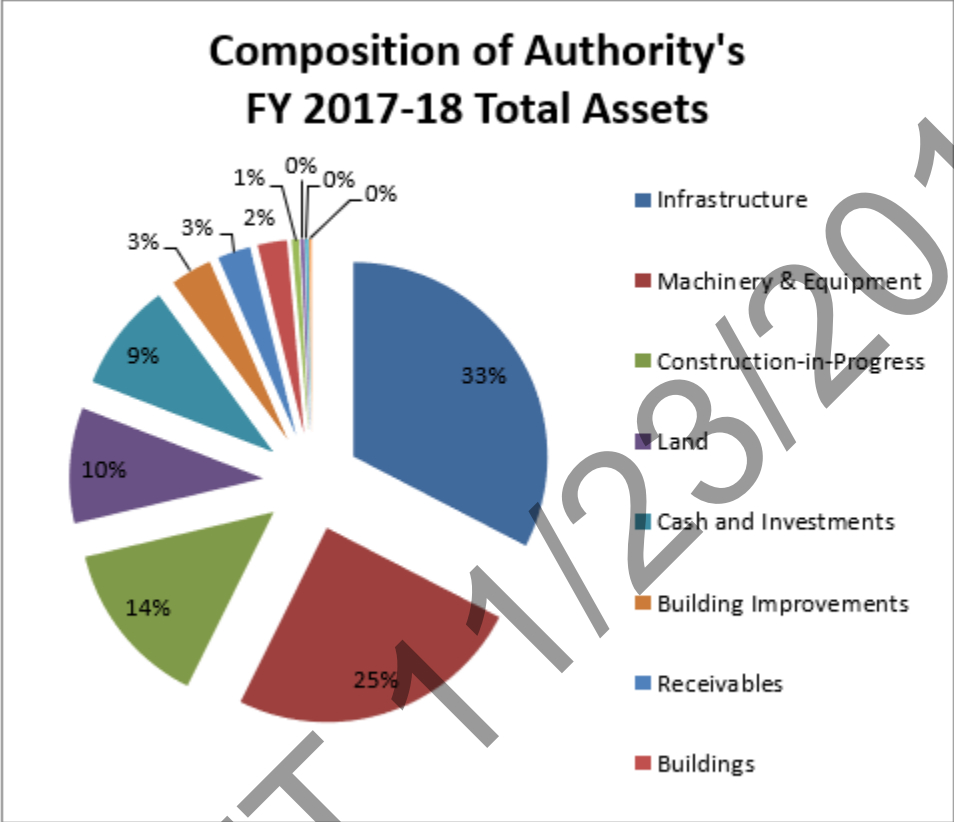
The Authority's recorded investment in capital assets increased \$14.8 million (as detailed in above schedules). Total capital assets by category are as follows:

Table 1

SOCWA's Total Capital Assets FY 2017-18		
Asset Category	\$ Amount	% Total
Infrastructure	48,779,298	37.2%
Machinery & Equipment	37,055,331	28.2%
Construction-in-Progress	20,833,802	15.9%
Land	14,402,224	11.0%
Building Improvements	5,179,648	3.9%
Buildings	3,673,353	2.8%
Computer Hardware	730,665	0.6%
Vehicles	406,343	0.3%
Computer Software	154,691	0.1%
Furniture and Fixtures	38,547	0.0%
Total Capital Assets	131,253,901	100.0%

The above assets are Net Book Value (net of accumulated depreciation) for depreciable capital assets.

Chart 1

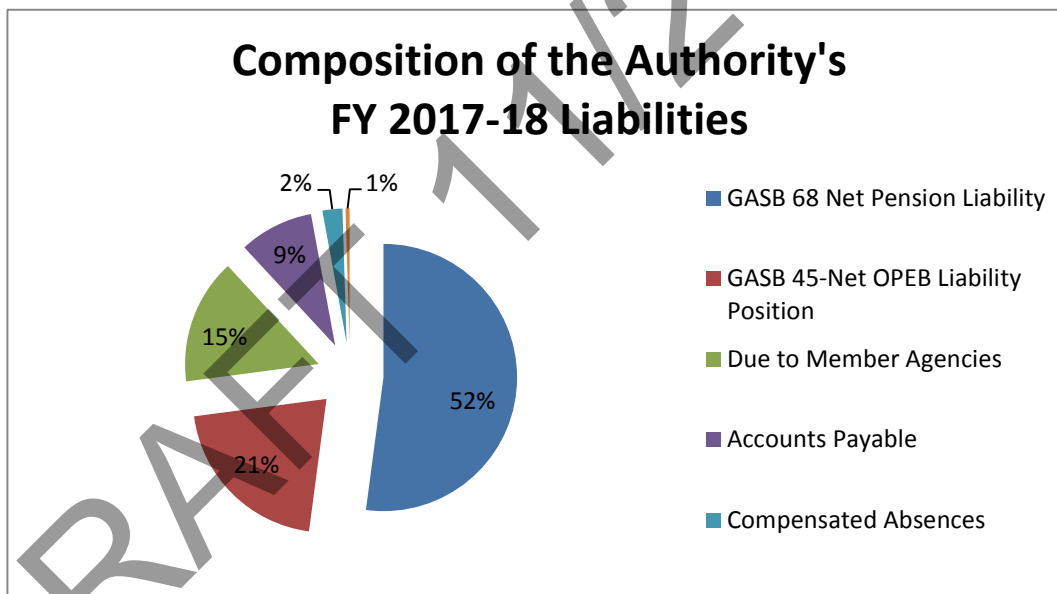


90% of the Authority's assets are as follows:

Major Assets	% Mix
Infrastructure	32.6%
Machinery & Equipment	24.8%
Construction-in-Progress	13.9%
Land	9.6%
Cash and Investments	9.1%
Total	90.0%

Table 2		
SOCWA's Total Liabilities FY 2017-18		
Liability Type	\$ Amount	% Total
GASB 68 Net Pension Liability	\$13,410,437	52.1%
GASB 45-Net OPEB Liability Position	5,358,998	20.8%
Due to Member Agencies	3,910,599	15.2%
Accounts Payable	2,314,106	9.0%
Compensated Absences	620,032	2.4%
Accrued Payroll Liabilities	127,396	0.5%
Total Liabilities	\$25,741,567	100.0%

Chart 2



SOCWA's liabilities increased \$4.1 million or 19% from \$21.7 million in FY 2016-17 to \$25.7 million in FY 2017-18 primarily due to:

- GASB 75, retiree health, implementation, \$4.8 million
- GASB 68, net pension liability, change primarily due to CalPERS lowering the discount rate, \$1.9 million.

Table 3 Condensed Statement of Net Position						
	Fiscal Year Ending 6/30/2018	Fiscal Year Ending 6/30/2017	GASB 75 Implementation FY 2017 Impact	Restated 2017	Dollar Change + / (-)	Percentage Change + / (-)
Current Assets	\$18,402,205	\$15,609,499		\$15,609,499	\$2,792,706	17.9%
Non-Current Assets:						
Capital Assets not being depreciated	35,236,026	41,561,721		41,561,721	(6,325,696)	-15.2%
Capital Assets net of accum. depreciation	96,017,875	87,846,950		87,846,950	8,170,926	9.3%
Total Capital Assets	131,253,901	129,408,671		129,408,671	1,845,230	
Total Assets	149,656,106	145,018,170		145,018,170	4,637,936	3.2%
GASB 68-Deferred Outflows	4,069,991	3,321,291		3,321,291	748,700	22.5%
Current Liabilities	6,746,223	4,458,739		4,458,739	2,287,484	51.3%
Non-Current Liabilities	18,995,344	12,476,437	4,744,703	17,221,140	1,774,204	10.3%
Total Liabilities	25,741,567	16,935,176	4,744,703	21,679,879	4,061,688	18.7%
GASB 68-Deferred Inflows	798,038	542,096		542,096	255,942	47.2%
GASB 45-Deferred Inflows	34,043				34,043	
Net Position:						
Net Investment in Capital Asset	131,253,901	129,408,671		129,408,671	1,845,230	1.4%
Restricted for Project Committees	(4,101,452)	1,453,519		(3,291,184)	(810,268)	24.6%
Total Net Position	\$127,152,449	\$130,862,189	\$0	\$126,117,487	\$1,034,962	0.8%

The Authority has total assets of \$150 million as of June 30, 2018. This represents an increase of \$4.7 million or 3.2% over FY 2016-17 total assets of \$145 million as of June 30, 2017.

The increase is primarily due to the Authority's continued investment in Capital Improvement Projects, \$8.5 million, as discussed above.

Current assets change is a timing difference.

Deferred Outflows and Deferred Inflows

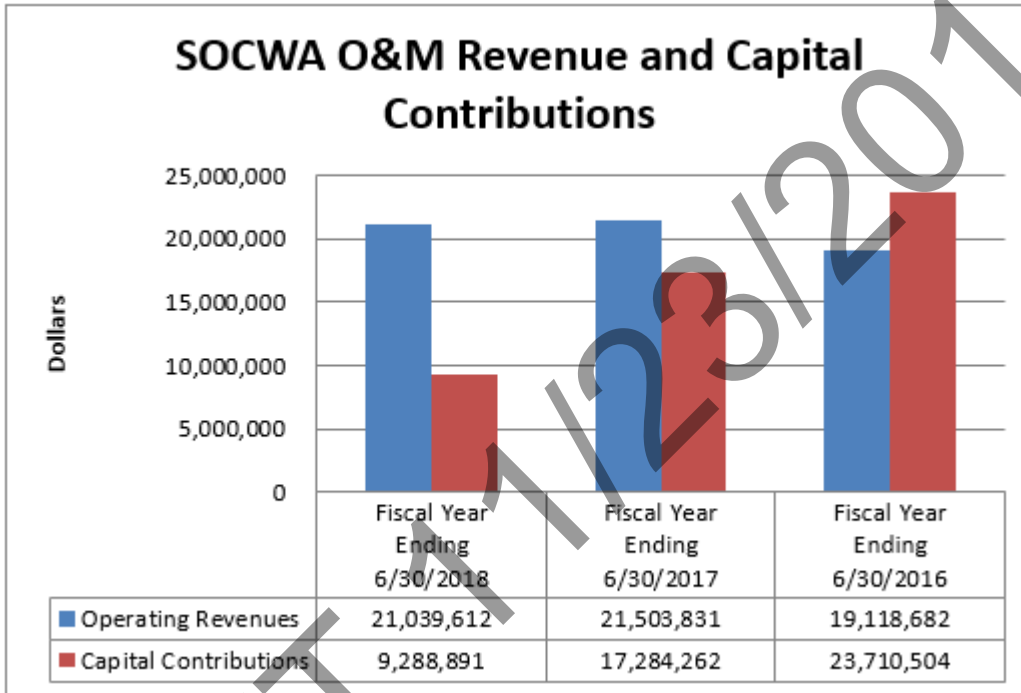
GASB 68, net pension liability, Deferred Outflows and Inflows change is a positive \$493 thousand impact on net position.

GASB 75, retiree health liability, Deferred Inflows is a \$34 thousand reduction in net position

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Chart 3

Statement of Revenues, Expenses and Changes in Net Position



O&M revenue requirements decreased \$0.5 million to \$21 million over FY 2016-17 revenue of \$21.5 million, a -2.2% change, primarily due to cost control measures.

Capital Contributions declined in FY 2017-18, \$8 million, a 46.3% decline due to a multiyear large capital project completion at JBL, Aeration/Cogeneration/Construction (2009).

Table 4				
Condensed Statement of Revenues, Expenses and Changes in Net Position				
	Fiscal Year Ending 6/30/2018	Fiscal Year Ending 6/30/2017	Dollar Change +/-	Percentage Change +/-
Operating Revenues	\$21,039,612	\$21,503,831	(\$464,219)	-2.2%
Operating Expenses	20,934,082	\$19,302,692	\$1,631,390	8.5%
Depreciation Expense	6,722,059	\$6,291,302	\$430,757	6.8%
Non-Operating Expenses/(Income)	1,637,401	\$113,220	\$1,524,181	
Total Expenses	29,293,542	25,707,214	3,586,328	14.0%
Capital Contributions	9,288,891	\$17,284,262	(\$7,995,371)	-46.3%
Current Year Change in Net Position	1,034,961	13,080,879	(12,045,918)	-92.1%
Beginning Net Position (Restated)	130,862,189	\$117,781,310	13,080,879	11.1%
Add Current Year Change	(3,709,740)	\$13,080,879	(16,790,619)	-128.4%
Net Position before extraordinary items	127,152,449	130,862,189	(3,709,740)	-2.8%
Ending Net Position	127,152,449	130,862,189	(3,709,740)	-2.8%

While the Statement of Net Position shows the change in Financial Position, the Statement of Revenue, Expenses and Changes in Net Position provides answers as to the nature and source of these changes.

The Authority's Operating Revenue of \$21 million decreased \$464 thousand or 2% primarily due to cost control measures.

The Authority continues to follow Cost Control Measures implemented by the Management Team.

Some of the Cost Control Measurements are:

- hiring of less senior level personnel in all departments,
- combination of positions,
- implementation of 2% @ 62 pension plan tier
- creation of PARS Trust Fund to help contain OPEB increasing costs.

Capital Contributions declined in FY 2017-18, \$8 million, a 46.3% decline due to a multiyear large capital project completion at JBL, Aeration/Cogeneration/Construction (2009).

FY 2017-18 Operating Results contributed \$1 million to Net Position.

SUPPLEMENTARY INFORMATION

Capital Assets

The Authority's investment in capital assets increased \$8.5 million, while \$14.8 million capital assets were placed in service and moved from construction in progress to fixed assets during the fiscal year ending June 30, 2018.

Long Term Debt

Long-term debt for SOCWA consists of three items:

1. Compensated absences as of June 30, 2018:
 - a. Current Portion, payable within one year, \$394,123
 - b. Long Term Portion, future benefit, greater than one year, \$225,909
 - c. Total Liability (Current and Long Term), \$620,032.

SOCWA accrues the liability for unpaid leave that is payable upon an employee's termination. These amounts are adjusted each year.

2. OPEB (Other Post-Employment Benefits)/Retiree Health (GASB 75, as of June 30, 2018, the Net OPEB liability is \$5,358,998.

3. GASB 68 Net Pension Liability as of June 30, 2018:

- The Net Pension Liability is \$13,410,437, an increase of \$1,860,493 or 16%, over FY 2017 liability of \$11,549,444 primarily due to CalPERS reduction in their discount rate.
- The Authority has three Benefit Levels as follows:

Benefit Levels			
Benefit Level	Enroll Effective Date	Formula	Member Rate
Tier One	1/16/1978	2.5% @55	8.00%
Tier Two	2/13/2011	2% @ 55	7.00%
Tier Three	1/1/2013	2% @ 62	6.25%

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FINANCIAL STATEMENTS

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South Orange County Wastewater Authority
Statement of Net Position
June 30, 2018

ASSETS	
Current assets:	
Cash and investments (Note 3)	\$ 13,557,237
Receivables:	
Accounts	1,660,444
Due from Member Agencies	2,433,322
Interest	52,302
Total receivable, net	<u>4,146,068</u>
Inventories	494,032
Prepaid Items	204,867
Total current assets	<u>18,402,204</u>
Noncurrent asset (Note 4):	
Capital assets, nondepreciable	34,971,452
Capital assets, depreciable, net	94,284,038
Total current assets	<u>129,255,490</u>
Total assets	<u>147,657,694</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pensions related deferred outflows of resources	4,069,991
Total deferred outflows of resources	<u>4,069,991</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	2,314,106
Due to Member Agencies	3,910,599
Accrued payroll and related liabilities	127,396
Compensated absences - due within one year (Note 5)	394,123
Total current liabilities	<u>6,746,224</u>
Noncurrent liabilities:	
Compensated absences - due in more than one year (Note 5)	225,909
Net OPEB liability	5,358,998
Net Pension liability	13,410,437
Total noncurrent liabilities	<u>18,995,344</u>
Total liabilities	<u>25,741,568</u>
 DEFERRED INFLOWS OF RESOURCES	
Pensions related deferred inflows of resources	468,013
Additional deferred inflows of resources	330,025
OPEB related deferred inflows of resources	34,043
Total deferred inflows of resources	<u>832,081</u>
 NET POSITION	
Net investment in capital assets	129,255,490
Unrestricted	(4,101,454)
Total net position	<u>\$ 125,154,036</u>

South Orange County Wastewater Authority
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2018

OPERATING REVENUES:

O&M Member Agency Assessments	
City of Laguna Beach	1,991,775
City of San Clemente	156,322
City of San Juan Capistrano	2,158,791
Emerald Bay Service District	125,522
El Toro Water District	804,371
Irvine Ranch Water District	167,911
Moulton Niguel Water District	8,501,212
South Coast Water District	3,394,390
Santa Margarita Water District	1,897,222
Trabuco Canyon Water District	56,154
Total O&M Member Agency Assessments	19,253,670
Total Operating Revenues	19,253,670

OPERATING EXPENSES:

O&M, Environmental, Compliance and Safety	16,437,739
Engineering after capital transfer	414,966
Administration	2,400,967
Depreciation and Amortization	6,586,584
Total Operating Expenses	25,840,256
Operating Income/(Loss)	(6,586,586)

NON-OPERATING REVENUES (EXPENSES):

Interest income	166,452
Gain on Sale of Capital Assets	6,297
Other revenues	147,161
GASB 68 and GASB 75 Expense	(1,957,310)
Total Non-Operating Expenses	(1,637,400)

CAPITAL CONTRIBUTIONS AND TRANSFERS:

Member Agency Assessments:	
City of Laguna Beach	1,221,424
City of San Clemente	2,556
City of San Juan Capistrano	973,822
Emerald Bay Service District	93,615
El Toro Water District	266,044
Irvine Ranch Water District	83,500
Moulton Niguel Water District	3,825,793
South Coast Water District	2,119,393
Santa Margarita Water District	702,744
Total Member Agency Assessments	9,288,891
Total Capital Contributions and Transfers	9,288,891

Change in Net Position	1,064,905
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NET POSITION:

Beginning of year, as restated (Note 10)	124,089,131
End of year	\$ 125,154,036

South Orange County Wastewater Authority
Statement of Cash Flows
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash receipts from Member Agencies	\$ 17,292,729
Cash payments to suppliers for Operations	(10,328,481)
Cash payments to employees for Services	(6,874,969)
Cash payments for General and Administrative Expenses	(1,241,804)
Net cash (used in) operating activities	<u>(1,152,525)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital Contributions from Member Agencies	9,461,829
Acquisition of capital assets	(7,841,167)
Net cash provided by capital and related financing activities	<u>1,620,662</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Received	
Net cash provided by investing activities	<u>139,406</u>
Net change in cash and cash equivalents	<u>139,406</u>

CASH AND CASH EQUIVALENTS:

Beginning of year	12,949,694
End of year	<u>\$ 13,557,237</u>
	(0)

**RECONCILIATION OF NET OPERATING LOSS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating (Loss)	\$ (8,569,673)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation	6,586,584
Changes in operating assets and liabilities:	
Accounts receivable	(591,162)
Due from member agencies	(1,363,503)
Inventory	(83,166)
Deposits	19,500
Prepaid Items	(139,785)
Deferred Outflows	(748,700)
Accounts payable	(368,581)
Due to Member Agencies	2,551,758
Accrued Payroll Liabilities	24,735
Compensated Absences	(33,250)
Net Other Postemployment Benefits	(587,760)
Net Pension Liability	1,860,493
Deferred Inflows	289,985
Net cash (used in) operating activities	<u>\$ (1,152,525)</u>

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2018

Last Ten Fiscal Years

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

	June 30, 2015 ¹	June 30, 2016	June 30, 2017
Authority's proportion of the net pension liability/(asset)	0.13190%	0.13350%	0.13520%
Authority's proportionate share of the net pension liability/(asset)	\$ 9,054,535	\$ 11,549,944	\$ 13,410,437
Authority's covered payroll	\$ 5,452,666	\$ 5,616,113	\$ 5,784,596
Authority's proportionate share of the net pension liability/(asset) as a percentage of covered employee payroll	166.06%	205.66%	231.83%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	78.43%	74.15%	73.31%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

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**South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Contributions
For the Year Ended June 30, 2018**

Last Ten Fiscal Years

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

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

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" are not considered separately financed specific liabilities.

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: No changes were noted.

Agenda Item

6

Legal Counsel Review: No

Meeting Date: November 30, 2018

TO: Finance Committee
FROM: Betty Burnett, General Manager
STAFF CONTACT: Mary Carey, Finance Controller
SUBJECT: Update on Open Financial Items

Summary/Discussion

The Goals for FY 2018-19 for the General Manager as set by the Board of Directors include two important items involving financial reporting, including:

1. Report to the Board each month on the cash roll forward beginning at the November 2018 meeting.
2. Complete the prior year's Use Audits and Supplemental Schedules by the end of December 2018.

After some discussion with the Finance Controller, the General Manager seeks to clarify with the Finance Committee and the Board of Directors the completion time frame for the above objectives, as follows:

- For the report of cash roll forward, the Finance Controller believes that the monthly change in cash on hand can be lacking in enough information to make the reporting meaningful to the member agencies, due to the progress on capital work and due to the variability in the payments from contractors and suppliers to capital work. In addition, the member agencies are invoiced quarterly for capital work, therefore, the Finance Controller recommends a more meaningful reporting schedule would be quarterly reporting of the cash roll forward. Quarterly reporting would occur in the second month following the close of the quarter in order to give time for more of the expected invoicing to be received and processed.
- For the preparation of Supplemental Schedules, the Finance Controller reports that the 2017-18 Supplemental Schedules will include the up to date distribution of unfunded liabilities in the percentages agreed upon by the board. Because the prior years' cumulate to FY 2017-18 there is limited value in producing past Supplemental Schedules and staff would like to stay current in each fiscal year going forward but forego producing the Supplemental Schedules for the past fiscal years 2015-16 and 2016-17.

Recommended Action:

Finance Committee discussion and recommendation to the Board as to these two adjustments to General Manager goals.