

SOCWA

Preliminary FY 2021-22 Financials

- ❖ **PC 10 San Clemente Land Outfall**
- ❖ **Use Audit Including Capital and Cash Roll Forward**
- ❖ **Net Pension & Net OPEB Liabilities by Member Agency**
- ❖ **Supplemental Financial Statements by Member Agency**

**Finance Committee
October 18, 2022**

Agenda Item 6

PC 10 San Clemente Land Outfall

PC 10 San Clemente Land Outfall Capital Assets

Date of Completion: July 9, 1981
 Asset Category: Infrastructure
 Useful Life : 75 years

	As of June 30, 2021				As of June 30, 2022			
	Annual Depreciation	Costs	Accumulated Depreciation	Net Book Value (NBV)	Additions	Deletions	Depreciation Expense	Balance
Design Costs		\$145,694						
Construction Costs		\$2,959,087						
Total	\$41,397	\$3,104,781	(\$1,655,883)	\$1,448,898			\$41,397	\$1,407,501
Asset added in 2018; 75 years life								
WRP Outfall Discharge Line	3,007.00	225,521.50	(9,020.86)	216,500.64			3,007.00	213,493.64
Total Fixed Assets	\$44,404	\$3,330,303	(\$1,664,904)	\$1,665,398	0.00	0.00	\$44,404	\$1,620,994
					Accum. Depr.		(\$1,709,308)	

- ❖ **Project Committee No. 10 was formed for the purpose of the design, construction, and operation of a Coast Highway Land Outfall to be funded and used by the City of Clemente.**
- ❖ **Members of the Committee are Santa Margarita Water District and the City of San Clemente. On June 30, 1982, the only member to have contributed and to be participating is the City of San Clemente.**

PC 10 San Clemente Land Outfall Consolidation with SOCWA

	SOCWA Actual 6/30/2022	PC23 Actual 6/30/2022	PC10 Actual 6/30/2022	Consolidated Actual 6/30/2022	Consolidated Actual (Pr Pd Adj) 6/30/2021	Consolidated Actual (Orig) 6/30/2021	YOY Chg	YOY % Chg
ASSETS								
Current Assets								
Cash and Investments	\$10,485,283			\$10,485,283	\$15,190,921	\$15,190,921	(\$4,705,638)	-30.98%
Receivables, net								
Accounts	56,072			56,072	59,478	59,478	(3,406)	-5.73%
Due from Member Agencies	840,732			840,732	1,280,615	1,280,615	(439,883)	-34.35%
Total Receivables, net	896,804			896,804	1,340,093	1,340,093	(443,289)	-33.08%
LAIF Interest Receivable	19,358			19,358	10,300	10,300	9,058	87.94%
Prepaid items	290,794			290,794	198,709	198,709	92,085	46.34%
Total Current Assets	\$11,692,239			\$11,692,239	\$16,740,023	\$16,740,023	(\$5,047,784)	-30.15%
Noncurrent Assets								
Capital Assets Not Depreciated								
Land	\$14,402,224			\$14,402,224	\$14,402,224	\$14,402,224	\$0	0.00%
Construction in Progress	15,505,903	314,051.34		15,819,954	17,614,929	17,614,929	(1,794,974)	-10.19%
Total Capital Assets Not Depreciated	\$29,908,127	314,051.34		\$30,222,178	\$32,017,153	\$32,017,153	(\$1,794,975)	-5.61%
Capital Assets								
Assets	\$354,306,880	\$4,171,069.26	\$3,330,303	\$361,808,251	\$344,633,374	\$341,303,072	\$17,174,877	4.98%
Accumulated Depreciation	(228,740,034)	(\$440,564.71)	(1,709,308)	(230,889,907)	(222,244,938)	(220,580,034)	(8,644,969)	3.89%
Total Capital Assets	\$125,566,845	\$3,730,504.55	\$1,620,994	\$130,918,344	\$122,388,436	\$120,723,037	\$8,529,909	6.97%
Total Noncurrent Assets	\$155,474,972	\$4,044,555.89	\$1,620,994	\$161,140,523	\$154,405,589	\$152,740,191	\$6,734,934	4.36%
Total ASSETS	\$167,167,211	\$4,044,555.89	\$1,620,994	\$172,832,761	\$171,145,612	\$169,480,214	\$1,687,149	0.99%

**Prior Period Adjustment required for
Comparative Financial Statements**

Agenda Item 7

**Preliminary FY 2021-2022 Use Audit
Including Capital and Cash Roll Forward**

FY 2021-22 Preliminary USE AUDIT Summary

Actual Spending and Actual Usage								
O&M			Small Capital ²	Large Capital ³	Non-Capital ⁴	Non-Capital Misc. ⁵	Total	
FY 2021-22 Budget ¹	FY 2021-22 Actual	(Over)/Under Budget	(Over)/Under Budget	(Over)/Under Budget	(Over)/Under Budget	(Over)/Under Budget	USE Audit Results	
SOCWA by Member Agency								
City of Laguna Beach	\$2,364,580	\$2,179,567	\$185,013	\$155,816	\$21,250	\$2,082	\$320	\$364,479
City of San Clemente	236,448	182,040	54,408	(12,500)	(338)	-	-	41,570
City of San Juan Capistrano	2,048,256	2,138,571	(90,315)	(13,514)	21,174	(2,868)	1,936	(83,587)
El Toro Water District	972,988	884,248	88,740	(2,273)	1,916	5,130	582	94,096
Emerald Bay Service District	183,452	154,451	29,001	12,173	1,621	81	16	42,894
Irvine Ranch Water District	233,568	166,373	67,195	(11,853)	-	-	-	55,342
Moulton Niguel Water District	9,511,328	9,411,942	99,386	48,355	60,403	36,099	3,100	247,344
Santa Margarita Water District	2,975,156	3,029,218	(54,062)	(66,822)	19,342	(1,613)	1,456	(101,699)
South Coast Water District	4,220,728	4,127,834	92,894	127,100	(2,680)	(1,013)	1,812	218,113
Trabuco Canyon Water District	24,068	22,534	1,534					1,534
Total Member Agency	\$22,770,572	\$22,296,778	\$473,794	\$236,482	\$122,690	\$37,899	\$9,223	\$880,087

- ❖ Actual Spending, \$22,296,778, is the Authority's Operating Revenue for FY 2021-22 before consolidation with PC 23, North Coast Interceptor (NCI) and PC 10, San Clemente Land Outfall.
- ❖ Spending was only 2% below the Budget; the Board approved additional expenditures, \$597 thousand, which are not included in the above Budget.
- ❖ Net Refund Due (O&M, Small Capital, Large Capital, Non-Capital Engineering and Non-Capital Miscellaneous) is \$880 thousand.

Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2022

	SOCWA Actual 6/30/2022	PC23 Actual 6/30/2022	PC10 Actual 6/30/2022	Consolidated Actual 6/30/2022
OPERATING REVENUES				
O & M Member Agency Assessments				
City of Laguna Beach	\$2,179,567	\$953,651		\$3,133,218
City of San Clemente	182,040			182,040
City of San Juan Capistrano	2,138,571			2,138,571
El Toro Water District	884,248			884,248
Emerald Bay Service District	154,451			154,451
Irvine Ranch Water District	166,373			166,373
Moulton Niguel Water District	9,411,942			9,411,942
Santa Margarita Water District	3,029,218			3,029,218
South Coast Water District	4,127,834			4,127,834
Trabuco Canyon Water District	22,534			22,534
Total O & M Member Agency Assessments	\$22,296,778	\$953,651		\$23,250,429

Consolidated Revenue is \$23,250,429 including PC 23 NCI; there is no Revenue for PC 10 San Clemente Land Outfall.

Usage Variance Calculation

1. The budget is prepared based on **estimated** flows, solids loading, labor usage, etc. and is reviewed with each agency as the budget is prepared.
2. Actual expenses are allocated based on **actual** flows, solids loading, labor usage, etc.
3. The difference between #1 and #2 is the usage variance.

Variance due to (Increased)/Decreased Usage (flows, solids loading, labor usage, etc.) compared to Budget:

Member Agency	O&M Variance Analysis		
	Usage Variance	Spending Variance	Total Variance
	(Used More)/ Used Less \$	(Spent More)/ Spent Less \$	Total Variance
City of Laguna Beach	\$135,812	\$49,200	\$185,013
City of San Clemente	49,488	4,920	54,408
City of San Juan Capistrano	(132,934)	42,619	(90,315)
El Toro Water District	68,495	20,245	88,740
Emerald Bay Service District	25,184	3,817	29,001
Irvine Ranch Water District	62,336	4,860	67,195
Moulton Niguel Water District	(98,519)	197,905	99,386
Santa Margarita Water District	(115,967)	61,905	(54,062)
South Coast Water District	5,072	87,822	92,894
Trabuco Canyon Water District	1,033	501	1,534
Total Member Agency	(\$0)	\$473,794	\$473,794

Cash Roll Forward as of June 30, 2022

	6/30/2021	6/30/2022	Change +/-	% Change
Cash on Hand (GL Balance)¹	\$15,190,921	\$10,485,283	(\$4,705,638)	-31.0%
Accounts Payable	(5,882,659)	(2,451,972)		
Accrued Payroll	(224,996)	(245,023)		
Accounts Receivable	59,478	56,072		
PTO Reserves	(877,242)	(815,201)		
Due to Mbr Agency	(4,096,390)	(1,720,819)		
Due From Mbr Agency	1,280,615	840,732		
Mbr Agency Refund held for FY 19-20				
LAIF Fair Value Adjustment	(1,156)	117,343		
Prepaid	198,709	290,794		
Petty Cash		(1,600)		
Deposits				



Cash decreased by \$4.7MM, or 31%, due to completion and progress on Capital Projects.

	6/30/2021	6/30/2022	Change +/-	% Change
Available Cash	\$5,647,281	\$6,555,608		
Large Capital Cash as of June 30th 2017, 2018, 2019, 2020, 2021, 2022	6,973,860	6,545,659	(428,202)	-6.1%
Non Capital Engineering Cash Balance				
Moulton Niguel Non Capital Engineering Accounts Receivable				
Moulton Niguel Large Capital Accounts Receivable				
Use Audit Settlement	(1,511,608)	(122,690)		
Use Audit Settlement				
Total Large Capital Cash	5,462,252	6,422,969		
Small Capital Carryover	161,729			
Non-Capital Carryover	203,442			
Non-Capital Misc. Carryover	132,113	90,000		
Cash Collected for PC 2 Zephyr Wall				
Other misc., fringe adj, interest adj, etc.	1,001			
Small Capital Cash Collected in Excess of Expenditures	547,506			
Non Capital Cash Collected in Excess of Expenditures	9,110			
Non Capital Misc Cash Collected in Excess of Expenditures	52,266			
O&M Cash Collected in Excess of Expenditures	215,060			
O&M, Small Cap, Non-Cap, Non-Cap Misc Use Audit Settlement	(1,304,166)			
O&M, Small Cap, Non-Cap, Non-Cap Misc Cash Collected in Excess of Expenditures				
Net Cash as of June 30th 2017, 2018, 2019, 2020, 2021, 2022	5,480,313	6,512,969		
Difference	\$166,969	\$42,640		



Large Capital Cash decreased by \$428k or 6%.

Additional Cash as of June 30, 2022

6/30/2021

6/30/2022

Additional Cash Is:		
Prior Balance	\$549,996	\$166,969
Payment to Member Agencies	(549,996)	(166,969)
County of Orange Bankruptcy Payment		
County of Orange Admin Fees		
County of Orange Access Maintenance		
City of Laguna Niguel Heat Transfer		
SMWD Lab Fees		
Coke machine		
FEMA Reimbursement		
CA State Cost Reimbursement		
Interest Income Received	74,802	21,004
Recycling Income	2,947	2,599
PC 23 Admin Payment	5,300	5,450
Mutual Omaha Refund		
Interest received for 4th qtr	83,920	10,300
LAIF Interest Adj.		
Grant Revenue SoCal Edison		
Other misc. expenses		(2,413)
Sale of Fixed Assets		5,700
Other misc adjustments		
Total Other Cash	\$166,969	\$42,640

Additional Cash is primarily
LAIF Interest Income.

Interest decreased in line
with reduced Cash Balances.

Agenda Item 8

Net OPEB & Net Pension Liability by Member Agency

Net OPEB Liability Increased by \$806k, or 19.5%, due to Financial Markets Loss

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

Description	2022	2021	2020	2019	Change between 2022 and 2021	
					\$ +/-	% Change
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019		
Total OPEB Liability ¹	(\$10,676,580)	(\$10,799,701)	(\$10,959,190)	(\$9,885,778)	\$123,121	-1.1%
Fiduciary net position ²	5,727,973	6,657,222	5,270,639	5,137,817	(929,249)	-14.0%
Net OPEB (liability)	(\$4,948,607)	(\$4,142,479)	(\$5,688,551)	(\$4,747,961)	(\$806,128)	19.5%
% Funded	53.6%	61.6%	48.1%	52.0%	-8.0%	

¹Total OPEB Liability decreased by \$123 thousand due to Retirees' selection of lower-cost health insurance plans.

²PARS OPEB Savings decreased by \$929 thousand or 14% due to Financial Markets Loss.

Net OPEB Liability by Member Agency

	2017	2018	2019	2020	2021	2022	YOY \$ Chg	YOY % Chg
Net OPEB Liability								
City of Laguna Beach	\$61,896	\$569,189	\$507,678	\$607,975	\$443,509	\$530,711	\$87,202	19.7%
City of San Clemente	3,934	35,969	31,867	38,255	28,294	34,436	6,142	21.7%
City of San Juan Capistrano	60,740	553,617	493,339	593,104	432,158	513,820	81,662	18.9%
Emerald Bay Service District	2,714	24,712	21,894	25,932	19,284	23,237	3,953	20.5%
El Toro Water District	21,087	191,387	168,146	199,495	143,948	170,577	26,629	18.5%
Irvine Ranch Water District	4,493	41,272	36,299	43,309	31,420	37,318	5,898	18.8%
Moulton Niguel Water District	267,246	2,425,942	2,143,835	2,552,258	1,845,317	2,189,183	343,866	18.6%
South Coast Water District	107,302	983,972	875,880	1,060,131	777,717	935,794	158,077	20.3%
Santa Margarita Water District	58,318	532,388	468,504	567,080	420,042	512,582	92,541	22.0%
Trabuco Canyon Water District	31.21	550.79	518.22	1,012.11	790.54	948.43	158	20.0%
Total	\$587,760	\$5,358,998	\$4,747,961	\$5,688,551	\$4,142,479	\$4,948,607	\$806,128	19.5%
% Change Year-Over-Year	-21.2%	811.8%	-11.4%	19.8%	-27.2%	19.5%		

Net OPEB Liability Allocation

%'s²

City of Laguna Beach	10.53%	10.62%	10.69%	10.69%	10.71%	10.72%	0.02%
City of San Clemente	0.67%	0.67%	0.67%	0.67%	0.68%	0.70%	0.01%
City of San Juan Capistrano	10.33%	10.33%	10.39%	10.43%	10.43%	10.38%	-0.05%
Emerald Bay Service District	0.46%	0.46%	0.46%	0.46%	0.47%	0.47%	0.00%
El Toro Water District	3.59%	3.57%	3.54%	3.51%	3.47%	3.45%	-0.03%
Irvine Ranch Water District	0.76%	0.77%	0.76%	0.76%	0.76%	0.75%	0.00%
Moulton Niguel Water District	45.47%	45.27%	45.15%	44.87%	44.55%	44.24%	-0.31%
South Coast Water District	18.26%	18.36%	18.45%	18.64%	18.77%	18.91%	0.14%
Santa Margarita Water District	9.92%	9.93%	9.87%	9.97%	10.14%	10.36%	0.22%
Trabuco Canyon Water District	0.00	0.00	0.00	0.00	0.00	0.02%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%

There is no significant change in allocation %'s by Member Agency.

¹ Prior to GASB 75 implementation, FY 2018, only a portion of the OPEB liability was recorded in the Net Position Statement. GASB 75 required the recognition of the Full Net OPEB Liability. The decreases in FY's 2016 and 2017 are primarily due to \$500k contributions to the PARS Trust each year. FY 2019 decrease is due to Asset Gains. Fiscal year 2020 increase, \$941 thousand, is due to assumptions change and normal costs accruals. Fiscal year 2021 decrease, \$1.5 million, is due to Asset Gains, \$1.4 million or 26% return on investment. Fiscal year 2022 increase, \$880 thousand, is due to Asset Losses, \$929 thousand, or 14%.

² Distribution by Member Agency is based on a Board Approved Actuarial Methodology.

Net Pension Liability by Member Agency

	2015	2016	2017	2018	2019	2020	2021	2022	YOY \$ Chg	YOY % Chg
Net Pension Liability										
City of Laguna Beach	\$707,518	\$950,501	\$1,216,301	\$1,424,347	\$1,409,954	\$1,534,919	\$1,662,452	\$992,808	(\$669,645)	-40.3%
City of San Clemente	47,198	61,300	77,311	90,008	88,503	96,580	106,056	64,420	(41,637)	-39.3%
City of San Juan Capistrano	703,507	936,034	1,193,586	1,385,379	1,370,129	1,497,375	1,619,904	961,210	(658,694)	-40.7%
Emerald Bay Service District	31,672	41,975	53,337	61,839	60,806	65,469	72,283	43,469	(28,814)	-39.9%
El Toro Water District	244,130	324,911	414,375	478,930	466,984	503,652	539,574	319,100	(220,474)	-40.9%
Irvine Ranch Water District	53,099	69,383	88,286	103,279	100,812	109,341	117,775	69,812	(47,963)	-40.7%
Moulton Niguel Water District	3,077,442	4,124,557	5,251,583	6,070,714	5,953,985	6,443,537	6,916,993	4,095,331	(2,821,662)	-40.8%
South Coast Water District	1,245,892	1,644,626	2,108,568	2,462,306	2,432,546	2,676,449	2,915,197	1,750,601	(1,164,596)	-39.9%
Santa Margarita Water District	683,820	901,247	1,145,985	1,332,256	1,301,158	1,431,672	1,574,485	958,894	(615,591)	-39.1%
Trabuco Canyon Water District			613	1,378	1,439	2,555	2,963	1,774	(1,189)	-40.1%
Total	\$6,794,277	\$9,054,535	\$11,549,944	\$13,410,437	\$13,186,316	\$14,361,551	\$15,527,683	\$9,257,418	(\$6,270,265)	-40.4%

% Change Year-Over-Year² 33.27% 27.56% 16.11% -1.67% 8.91% 8.12% -40.38%

Net Pension Liability

Allocation %'s³

City of Laguna Beach	10.41%	10.50%	10.53%	10.62%	10.69%	10.69%	10.71%	10.72%
City of San Clemente	0.69%	0.68%	0.67%	0.67%	0.67%	0.67%	0.68%	0.70%
City of San Juan Capistrano	10.35%	10.34%	10.33%	10.33%	10.39%	10.43%	10.43%	10.38%
Emerald Bay Service District	0.47%	0.46%	0.46%	0.46%	0.46%	0.46%	0.47%	0.47%
El Toro Water District	3.59%	3.59%	3.59%	3.57%	3.54%	3.51%	3.47%	3.45%
Irvine Ranch Water District	0.78%	0.77%	0.76%	0.77%	0.76%	0.76%	0.76%	0.75%
Moulton Niguel Water District	45.29%	45.55%	45.47%	45.27%	45.15%	44.87%	44.55%	44.24%
South Coast Water District	18.34%	18.16%	18.26%	18.36%	18.45%	18.64%	18.77%	18.91%
Santa Margarita Water District	10.06%	9.95%	9.92%	9.93%	9.87%	9.97%	10.14%	10.36%
Trabuco Canyon Water District			0.01%	0.01%	0.01%	0.02%	0.02%	0.02%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

¹Prior to GASB 68 Implementation, FY 2015, the net pension liability was not reported in the Statement of Net Position; the annual required contribution was included in the Notes to the Financial Statements.

²The year-over-year changes are due to changes in CalPERS methodology in 2016; financial market returns less than 7.65% in 2017, and the discount rate decreased from 7.65% to 7.15% in 2018. Fiscal year 2020 increase, \$1.2 million, is due to CalPERS method change and assets and non-assets loss. Fiscal year 2021 increase, \$1.2 million, is due to Assets Loss, 4.7% return on investments vs. targeted 7.15%. The current year decrease, \$6.3 million, or 40%, is due to Assets Gain, 21.3% return on investment.

³Distribution by Member Agency is based on a Board Approved Actuarial Methodology.

Agenda Item 9

Supplemental Financial Statement

**As of and For the Year
Ended June 30, 2022**

Cash by Member Agencies

Cash and Investments by Member Agency									
FY 2021-22									
Member Agency	Cash Roll Forward Balances				O&M Use Audit	Compensated Absences	Other Cash	Total	Agency %
	Large Capital	Small Capital	Non- Capital	Non-Capital Misc.					
City of Laguna Beach	\$810,220	\$155,816	\$2,082	\$5,270	\$185,013	\$88,802	\$3,483	\$1,250,683	
City of San Clemente	9,551	(12,500)		7,479	54,408	6,738	43	65,719	
City of San Juan Capistrano	453,437	(13,514)	(2,868)	6,922	(90,315)	84,324	3,024	441,010	
Emerald Bay Service District	59,909	12,173	81	367	29,001	4,191	230	105,953	
El Toro Water District	508,660	(2,273)	5,130	7,917	88,740	24,026	3,750	635,951	
Irvine Ranch Water District	246,192	(11,853)		7,092	67,195	5,699	1,240	315,566	
Moulton Niguel Water District	3,067,141	48,355	36,099	29,812	99,386	321,204	23,023	3,625,021	
South Coast Water District	899,765	127,100	(1,013)	12,963	92,894	174,109	4,978	1,310,797	
Santa Margarita Water District	490,784	(66,822)	(1,613)	21,400	(54,062)	105,595	2,868	498,149	
Trabuco Canyon Water District					1,534	512	2	2,048	
Total	\$6,545,659	\$236,482	\$37,899	\$99,223	\$473,794	\$815,201	\$42,640	\$8,250,896	78.7%
Cash for Accounts Payable, Payroll Accrual, Prepaid Expense & oth AR								2,234,386	21.3%
Total Cash								\$10,485,283	100.0%

78.7% of the Authority's Cash is identified to the Member Agencies; the remainder is primarily cash needed for AP which is unpaid items in Cash Roll Fwd. and O&M, by PC and Member Agency.

Questions and Comments from SMWD

Question 1 – Agenda Item #6:

Can you send me the PC 10 Agreement and any amendments, I don't recall SMWD being a member as noted in the staff report.

Answer:

SMWD was a member agency of SERRA.

The comment was taken from Notes to SERRA Financial Statement, June 30, 1982.

Please see excerpts from SERRA and San Clemente Operations and Maintenance Agreement, the Full Agreement is attached (sent to SMWD 10-17-2022)

Draft #3

FEB 12 2001

OPERATIONS AND MAINTENANCE AGREEMENT BETWEEN
THE SOUTH EAST REGIONAL RECLAMATION AUTHORITY
AND THE CITY OF SAN CLEMENTE FOR THE SAN
CLEMENTE LAND OUTFALL

THIS AGREEMENT is made and entered into this 13th
day of May, 1982, by and between the SOUTH EAST
REGIONAL RECLAMATION AUTHORITY, a joint powers agency of the
State of California, hereinafter referred to as "SERRA," and
the City of San Clemente, a municipal corporation, hereinafter
referred to as "City";

4. SERRA shall retain ownership and control of
the Facilities but City agrees to operate and maintain same
in good repair while this Agreement is in effect. At the
time this Agreement is terminated by either party, City
shall return the Facilities to SERRA in the same condition
as when possession was taken by City, less normal wear
during the term of this Agreement.

SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

5. **FIXED ASSETS**

The original acquisition and joint construction project costs of the facilities are not reflected on the financial statements but are recorded and depreciated on the books of the individual member agencies (See Note 2). Changes in the other fixed assets for the year ending June 30, 2002 are as follows:

	Beginning Transfers from AWMA/SERRA	Additions	Deletions & Completed Projects	Ending Balance
JB Latham Plant				
Land	\$ 653,224			\$ 653,224
Plant Equipment	1,714,075	\$ 243,579		1,957,654
Improvements	18,143,642		\$ 720,550	18,864,192
Reclamation Study	134,095			134,095
Construction in Progress	878,943	1,637,506	(720,550)	1,795,899
Total	21,523,979	1,881,085	-	23,405,064
San Juan Creek Outfall				
Equipment	95,881	5,389		101,270
Surge Tower	124,255			124,255
E.P.S.	2,239,240			2,239,240
Total	2,459,376	5,389	-	2,464,765
Coastal Treatment Plant				
Equipment	355,719	82,878		438,597
Improvements	2,790,744		1,040,277	3,831,021
Financed Facility	3,869,518			3,869,518
Construction in Progress	1,929,046	574,034	(1,040,277)	1,462,803
Total	8,945,027	656,912	-	9,601,939
Regional Treatment Plant				
Equipment	2,081,219	158,369		2,239,588
Plant Projects	10,558,343		27,591	10,585,934
Heat Transfer Facility	314,917			314,917
Construction in Progress	291,047	724,575	(27,591)	988,031
Total	13,245,526	882,944	-	14,128,470
Effluent Transmission Main				
Equipment	26,250			26,250
Improvements		204,541		204,541
Total	26,250	204,541	-	230,791
North Coast Interceptor				
Financed Facility	3,486,805			3,486,805
Aliso Creek Outfall				
Outfall Equipment	12,965	5,953		18,918
Outfall Improvements	627,737			627,737
Construction in Progress	24,530	117,260		141,790
Total	665,232	123,213	-	788,445
Agency Management				
Equipment	118,436	4,022	(34,158)	88,300
Pre-treatment				
Equipment	38,715	33,432		72,147
TOTAL ASSETS	50,509,346	3,791,538	(34,158)	54,266,726
Accumulated Depreciation	18,665,503	2,129,605	(21,918)	20,773,190
NET FIXED ASSETS	\$ 31,843,843			\$ 33,493,536

See Accompanying Independent Auditors' Report

SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

does not have a separately elected governing body and does not meet the definition of a component unit. South Orange County Wastewater Authority, as legally defined, meets the criteria of an other stand-alone government, and as such, is accounted for and reported on as though it were a primary government. The financial reporting entity, therefore, consists of the other stand-alone government, all component units of which the other stand-alone government is financially accountable and any other organizations for which the nature and significance of their relationship with the other stand-alone government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The scope of this report extends exclusively to the financial information presented for SOCWA as a primary government.

SOCWA is the contract operator for the 3A Wastewater Treatment Plant (see note 12). The 3A plant is not a component unit of SOCWA and is not included as part of the SOCWA financial reporting entity.

SOCWA is accounted for on the flow of economic resources measurement focus utilizing the full accrual basis of accounting. Under this method, assets and revenues are recorded when earned, and liabilities and expenses are recorded when the related obligations are incurred.

Expenses are applied directly against related member agencies' deposits. Expenses are allocated between member agencies based on liquids, solids, and common ownership, on metered flows and measured usage, on non-potable water production, on actual costs, or per approved budgeted allocations. Interest earned on member deposits is allocated to the member agencies on a monthly basis according to their percentage of remaining deposit balance to total investments. Year-end operating surplus balances are refunded to member agencies or added to their reserves. Other reserves consist of the unexpended deposit reserve for multi-year capital rehabilitation expenditures, and the reserve for emergency repairs (See note 11).

The original completed joint construction project costs of all original facilities constructed or acquired by AWMA and SERRA were charged back to member agencies when construction was completed. The completed assets were to be capitalized on the records of the member agencies (except for the City of Laguna Beach's portion of the North Coast Interceptor and Coastal Treatment Plant that was financed with revenue bonds, see Note 7). After completion of the original facilities, all subsequent capital projects incurred on the original facilities and equipment purchased have been capitalized and depreciated. Depreciation on assets that have been capitalized were computed and recorded using the straight-line method with asset lives ranging from 4 to 50 years.

For purposes of the statement of cash flows, SOCWA considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Inventories are valued at a weighted-average cost on a first-in first-out (FIFO) basis. Inventories are recorded as expenses when consumed for financial statement purposes but recorded as expenses when purchased for determining member agencies' allocations.

SOCWA has opted to apply all of the GASB pronouncements, but not apply any FASB Statements and Interpretations issued after November 30, 1989.

See Accompanying Independent Auditors' Report

Question 2 – Agenda Item #6:

Does this result in a material or significant finding for the audit? How will the auditors be reporting this?

Answer:

The addition of PC 10 Assets will not result in a Modified Opinion. The Auditors will report the assets as a prior year adjustment, discussed in the report on internal controls.

As of this writing, the Authority has completed an “Exit Conference” with the Auditors and their comments are:

**South Orange County Wastewater Authority
For the Fiscal Year Ended June 30, 2022
Year End Status Memo
October 12, 2022**

PROCEDURES PERFORMED:

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation.

Our audit procedures did not disclose any items that would be considered significant deficiencies or material weaknesses.

Comment 1 – Agenda Item #7:

Preliminary Draft Use Audit, FY 2021-22-Budget vs. Actual

No comments– we asked our questions as part of the first pass. I will be listening into other member agency’s comments

Answer:

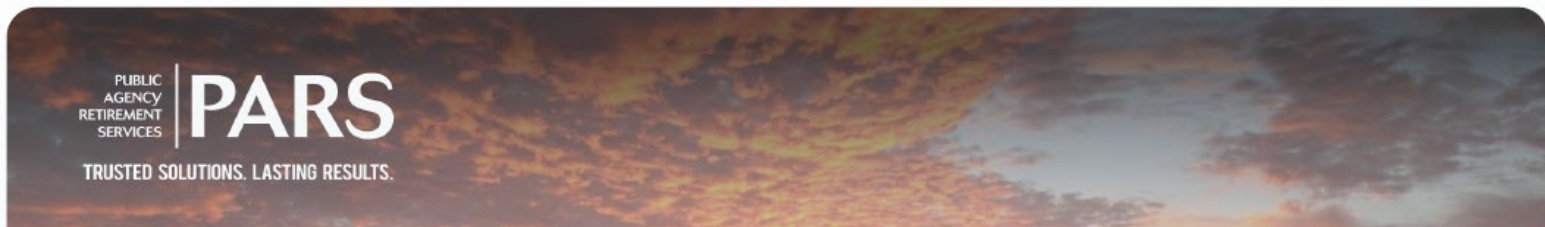
There were no questions from other Member Agencies.

Question 3 – Agenda Item #8:

For Net OPEB, shall we expect to experience similar decreased value of assets in the next year?

Answer:

Please see the following “Economic Review” discussion from the PARS Annual Review Meeting held on July 29, 2022.



Economic Review

- Aggressive fiscal policy...stoking inflation
- Monetary policy changing...pullback on QE
- Rate hikes to curb inflation expectations
- Vaccines & now antiviral pills...even as covid surges possible light at the end of the covid tunnel?
- Eventually global economies will improve...but Beijing lockdowns and the Moscow war hampering global recovery
- Recession risks rising as yield curve steepens and inverts
- Risks: Inflation...Inflation...inflation...still more covid hurdles; Fed tapering & Russian aggression with Ukraine & NATO; China slowing

Question 4 – Agenda Item #9:

When will we see the draft financial statements?

Answer:

The Annual Comprehensive Financial Report (ACFR) will be available late November or early December.

Comment 2 – Agenda Item #10:

Cost of Service Restructure Opportunities for SOCWA

I'm not sure I follow – I'll be listening and asking questions for clarification