

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022



South Orange County Wastewater Authority
34156 DEL OBISPO STREET, DANA POINT, CALIFORNIA 92629



South Orange County Wastewater Authority

Annual Comprehensive Financial Report
For the Years Ended June 30, 2023 and 2022

Prepared By:
The Finance Department
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**South Orange County Wastewater Authority
Annual Comprehensive Financial Report
For the Years Ended June 30, 2023 and 2022**

Table of Contents

INTRODUCTORY SECTION (Unaudited)

Letter of Transmittal	i-xv
Government Finance Officers Association - Certificate of Achievement for Excellence in Financial Reporting - June 30, 2022	xvi
Service Area Map with Communities and Member Agencies Served	xvii
Organization Chart	xviii
Board of Directors	xix

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis - Required Supplementary Information (Unaudited)	5
Basic Financial Statements:	
Statements of Net Position	25
Statements of Revenues, Expenses, and Changes in Net Position	26
Statements of Cash Flows	27
Notes to the Financial Statements	33
Required Supplementary Information (Unaudited):	
Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios	64
Schedule of the Authority's Contributions - Pensions	66
Schedule of Changes in Net OPEB Liability and Related Ratios	68
Schedule of the Authority's Contributions - OPEB	70

STATISTICAL SECTION (Unaudited)

Summary of Statistical Section	75
Financial Trend:	
Net Position by Component - Last 10 Fiscal Years	76
Capital and Intangible Assets by Component - Last 10 Fiscal Years	78
Chart - Net Investment in Capital Assets, Lease and Subscription Assets - Last 10 Fiscal Years	81
Long-Term Liabilities by Component - Last 10 Fiscal Years	82
Net Pension (CalPERS) Liability by Member Agency - Last 7 Fiscal Years	85
Chart - Net Pension Liability by Member Agency - Last 7 Fiscal Years	85
Net OPEB (Retiree Health) Liability by Member Agency - Last 10 Fiscal Years	86
Chart - OPEB (Retiree Health) Liability by Member Agency - Last 10 Fiscal Years	87
Long-Term Compensated Absences Liability by Member Agency - Last 10 Fiscal Years	88
Changes in Net Position - Last 10 Fiscal Years	90
Revenue Capacity:	
Chart - Operating Revenue and Capital Contributions - Last 10 Fiscal Years	92
Chart - Operating Revenue & Capital Contributions by Principal Users - Last 10 Fiscal Years	94
Grant Revenue - Received for Eight, Non-consecutive Years.....	95
Demographic Information:	
Demographic and Economic Statistics - Last 10 Fiscal Years	97
Employment by Industry - Current Fiscal Year and Nine Years Ago.....	98

**South Orange County Wastewater Authority
Annual Comprehensive Financial Report
For the Years Ended June 30, 2023 and 2022**

Table of Contents (Continued)

STATISTICAL SECTION (Unaudited) (Continued)

Operating Information:	
Personnel Trends by Department - Last 7 Fiscal Years	99
O&M Cost Drivers - Last 5 Fiscal Years	100
O&M Expenditures by Project Committee Fiscal Year 2023 (O&M Dept.)	102
O&M Expenditures by Project Committee Fiscal Year 2022 (O&M Dept.)	104
O&M Expenditures by Project Committee and Member Agency Fiscal Year 2023	106
O&M Expenditures by Project Committee and Member Agency Fiscal Year 2022	108
O&M Expenditures/Operating Revenue by Project Committee and Meml.....	110
O&M Expenditures/Operating Revenue by Project Committee and Member Agency Fiscal Year 2022	112
Operating and Capacity Indicators - Last 10 Fiscal Years	114
Member Agency Flows and Solids Trend (Cost Allocation %) - Last 10 Fiscal Years	115
Member Agency Flows and Solids Trend (MGD) - Last 10 Fiscal Years	116
Chart - PC 2 JB Latham Treatment Plant Flows from Member Agencies - Last 10 Fiscal Years.....	118
Chart - PC 2 JB Latham Treatment Plant Solids Loading (Pounds) from Member Agencies - Last 10 Fiscal Years	119
Chart - PC 15 Coastal Treatment Plant Flows from Member Agencies - Last 10 Fiscal Years	120
Chart - PC 17 Regional Treatment Plant Solids Loading (Pounds) from Member Agencies - Last 10 Fiscal Years.....	121
Capital Assets, net of depreciation and amortization - Last 10 Fiscal Years	122

OTHER REPORT

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	127
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**INTRODUCTORY
SECTION**
(UNAUDITED)

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South Orange County Wastewater Authority

November 16, 2023

The Honorable Board of Directors
South Orange County Wastewater Authority
34156 Del Obispo Street
Dana Point, California 92629

Honorable Chairman and Members of the Board of Directors:

We are pleased to present the South Orange County Wastewater Authority's (Authority or SOCWA) Annual Comprehensive Financial Report (ACFR) for the Fiscal Years ended June 30, 2023, and 2022.

We believe the report presented is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position, the changes in financial position, and cash flows of the Authority, and that all disclosures necessary to enable the reader to gain the maximum understanding of the Authority's financial position and activity have been included. Additionally, the financial section of the report provides a detailed discussion and analysis of the Authority's financial condition, informs readers about SOCWA services, provides information on capital projects, discusses current issues, and provides financial and demographic trend information. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority.

The ACFR follows the financial reporting requirements established by the Governmental Accounting Standards Board of the United States (GASB).

The Reporting Entity^{1,2,3&4}

SOCWA, a public entity, was formed on July 1, 2001, by a Joint Exercise of Powers Agreement ("JPA") amongst:

- City of Laguna Beach (CLB)
- City of San Clemente (CSC)
- City of San Juan Capistrano (SJC)¹
- El Toro Water District (ETWD)
- Emerald Bay Services District (EBSD)
- Irvine Ranch Water District (IRWD)²
- Moulton Niguel Water District (MNWD)
- Santa Margarita Water District (SMWD)
- South Coast Water District (SCWD)
- Trabuco Canyon Water District (TCWD)^{3,4}

In accordance with the JPA Agreement and State Law, "...[T]he records, and accounts of the Authority shall be audited annually by an independent public accountant and copies of such reports shall be filed with the State Controller, Orange County Auditor, and each Member Agency within six (6) months of the end of the Fiscal Year under examination".

¹ Effective November 15, 2021, SJC's ownership capacity and ongoing financial obligations were assumed by the SMWD.

² Effective July 1, 2023, IRWD's ownership capacity and ongoing financial obligations were assumed by the ETWD.

³ Effective July 1, 2023, TCWD (May 4, 2023, agreement date) withdrew from SOCWA. This included TCWD paying a lump sum for past and future financial ongoing JPA obligations to SOCWA.

⁴ Effective July 1, 2023, TCWD contracts with SOCWA to reimburse SOCWA for expenses associated with ongoing permitting services and participation in bulk chemical contract purchases.

The Pun Group, LLP, a certified public accounting firm, performed the financial audits for the Fiscal Years Ended June 30, 2023, and 2022. Their unmodified (clean) opinion has been included as the first component of the financial section of the ACFR. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than an absolute assurance that the financial statements are free of any material misstatements.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with the letter.

Authority Overview



Mission

SOCWA's mission is to collect, treat, beneficially reuse, and dispose of wastewater in a manner that protects and respects the environment, maintains the public's health, and meets local, state, and federal regulations.

SOCWA's Purpose

SOCWA was created on July 1, 2001, to facilitate and manage the collection, transmission, treatment, and disposal of wastewater for more than 500,000 homes and businesses across South Orange County. SOCWA also manages the production of recycled water for irrigation and commercial uses, which saves approximately 1.8 billion gallons of domestic water each year, which is equivalent to 5,593 acre-feet of water.

SOCWA is a Joint Powers Authority with nine (9) Member Agencies², consisting of local retail water agencies and cities that provide retail potable water, recycled water, and sewer collection system services to their residents. SOCWA operates three treatment plants and two ocean outfalls. Additionally, SOCWA manages multiple programs to meet the needs of its Member Agencies and the requirements of the Clean Water Act and applicable National Pollutant Discharge Elimination System (NPDES) permits.

²See footnotes 1 through 4; as of July 1, 2023, SOCWA has seven (7) Member Agencies. For consistency with the timeframe of the ACFR, this letter refers to the nine (9) Member Agencies of SOCWA during the Fiscal Year ended June 30, 2023.

SOCWA has no taxing authority, and nearly all funding for its operations comes directly from contributions from the nine (9) Member Agencies within the JPA.

Governance

South Orange County Wastewater Authority “SOCWA” is a Joint Powers Authority representing nine (9) Member Agencies, each of whom provides a governing representative to SOCWA’s Board of Directors. Although SOCWA’s Member Agencies vary in size and participation, each agency has one equal vote. The Board works to fulfill SOCWA’s purpose and mission, while balancing the interests of their respective agencies. The Board elects two (2) of its members in June of each year to serve one-year terms as Chairman and Vice Chairman. Board of Directors meetings are scheduled the first Thursday of every month at 8:30 a.m. to be held at the SOCWA Administrative Office. SOCWA also receives input from its Engineering and Finance Committees, which are comprised of representatives selected from its nine (9) Member Agencies.

Budget Process

The Authority prepares and adopts an Annual Budget. The Budget reflects the Authority’s initiatives and priorities for the coming year and beyond. The Budget includes operations and maintenance (O&M) and capital expenditures. The Budget includes the following described tables addressing a one-year operating Budget with an additional four (4) years of spending forecast and an additional year of forecasted capital expenditures.

The Budget tables include the following Budget Summaries:

- Total Budget by Member Agency
- 5-Year Budget by Member Agency - Including Unfunded Accrued Pension Liability (UAL) and Other Post-Employment Benefits (OPEB)
- 5-Year Budget by Member Agency - Including Administration, Residual Engineering, and General Fund Allocation (w/o UAL and OPEB)
- 5-Year Budget by Member Agency with UAL and OPEB Costs Distributed using Board Approved Actuarial Methodology
- 5-Year UAL and OPEB Costs and Distribution Percentages
- 5-Year Cost Drivers Prioritized by Major Expenditures
- Guide to Budget Book
- Budget Assumptions
- Summary of Cost Allocations Approaches by Project Committee
- Total 5-Year Labor Plan
- Fringe Benefits Pool and Rate - FY 2023-24 through FY 2027-28 Budget
- Organization Chart

Budget Detail

- For each annual period of the Budget, quarterly detail by Project Committee and Member Agency
- Five years of line-item detail for O&M, Environmental & Safety Departments by Project Committee
- Five years of line-item detail for Administration and General Fund expenses
- Five years of line-item detail for Residual Engineering expenses
- Five years of line-item detail for IT expenses
- Flows and solids loading percentages and distributions of expense by allocation to Liquids, Solids, Common, and AWT with distributions shown to each Member Agency using the current Fiscal Year’s projected flow and solids loading

The Capital Budget tables include one year plus an additional year of forecast for the following:

- Capital Budget Summary with 1-year Forecast by Member Agency
- Capital Budget w/1-Year Forecast, w/Non-Capital Engineering, Non-Capital Miscellaneous, and Small Capital by Member Agency
- Quarterly Capital Projects detail
- Non-Capital Engineering detail and Non-Capital Miscellaneous detail
- Small Capital Projects detail
- Total Capital Projects detail by Member Agency
- Additional Year of projected Quarterly Capital Projects detail by Project Committee

Each Budget serves as the Authority's financial planning and fiscal control mechanism. Budgets are adopted on a basis consistent with governmental U.S. Generally Accepted Accounting Principles (GAAP). Budgetary controls are set at the Project Committee level and are maintained to ensure compliance with the Project Committees Budgets approved by the Board of Directors. The Authority's Budget is a detailed operating plan that identifies estimated costs, with Member Agencies providing revenue to cover costs. Each Budget includes the projects, services, and activities to be carried out during the Fiscal Year.

Budget control is maintained by presenting monthly financial reports to internal management and the Board. The Board receives operational performance data and Budget vs. Actual reporting, as follows:

- Summary of Disbursements
- Schedule of Funds Available for Reinvestment, including Cash and Investments
- Capital Schedule and Capital Project Graph with Budget vs. Actual expenditures
- Budget vs. Actual for:
 - Operations and Environmental Summary and by Project Committee
 - Residual Engineering, after transfer to Capital Projects
 - Administration
 - Information Technology (IT)

The Budget also represents a process wherein policy decisions made by the Board of Directors are adopted, implemented, and controlled. As an example, each Budget states: All Budgets since inception reflect the costs of direct use and costs allocated by capacity ownership for capital improvements, repairs and replacements necessary to operate within legal compliance requirements, and accepted industry standards." The signature authority levels authorized for expenditures are in conformance with SOCWA's Uniform Purchasing Policy and Procedures. Budget approval authorizes staff to contract for services, acquire supplies, and pay vendors and expenses within the Functional Departments and Project Committees.

Economic Condition and Outlook

The wastewater industry is presently being shaped by local, regional, statewide, and national issues and trends. These wide-ranging economic, regulatory, and environmental influences as to the future impact on SOCWA are explained in more detail in the following sections:

Cost Pressures

- **Financial:** SOCWA works closely with its nine (9) Member Agencies to align operating budgets and capital programs to meet the needs of the community served by each Project Committee, and, as a result, SOCWA's revenues are supportable by the Member Agencies' financial and long-term planning. In the aftermath of the COVID-19 Pandemic, there are residual supply chain delays and an inflationary economic environment that have resulted in a spiked increase in utilities, chemicals, maintenance and biosolids hauling costs. The Authority's Member Agencies bear the cost increases.

The accrued unfunded net pension liability (UAL) continues to fluctuate due to the volatility in financial markets.

- **Infrastructure:** SOCWA continues investing in capital infrastructure for its communities, \$9.6 million for the current year and \$15.4 million in the prior year.
- **Regulatory:** Advancing initiatives of the State Water Resources Control Board and Air Resources Board continue to drive costs for California Sanitation Agencies. SOCWA's Ocean Outfall NPDES permits were renewed in May 2022, and costs for environmental permit requirements and water quality fees increased by \$315 thousand in Fiscal Year 2022. The cost increases continue into the current year, with year-over-year increases in permit fees close to 8% and additional NPDES testing requirements are driving cost increases in laboratory supplies. SOCWA has continued active participation in developing wastewater science including a collaborative wastewater-based epidemiology pilot project to study SARS-COV-2 occurrence within two wastewater treatment plants.
- **Energy and Resources:** SOCWA continued the operation of its co-generation engine installations at two of its three treatment plants, which provide some measure of local control over energy production costs. As a result, SOCWA produced over 11.5 million kWh of its own power utilizing methane gas from its treatment systems valued at over \$2 million. The Authority has received \$2.6 million in incentive payments from Southern California Edison and San Diego Gas and Electric (SDG&E), electricity providers, through their Self-Generation Incentive Program (SGIP).
- **Population Growth:** The population of California is expected to reach 51 million by the year 2060. Population growth will drive a statewide need to treat an additional 800 million gallons per day of wastewater, thus requiring planned system expansions and/or new plants at various locations throughout the state. Due to lower wastewater flows in recent years to treatment facilities, which is resulting from consumer conservation programs, SOCWA retains more than adequate plant capacity utilizing only 40% to 65% of overall available capacity.
- **Drought and Water Resource Strategies:** Continued demand for water, coupled with ongoing drought conditions, will impact overall water management costs, resulting in a more directed focus on "water resource" strategies across California. Locally, groundwater basin desalination plants have been effective in helping to clean up high-saline groundwater supplies. Water managers are responding with year-round storage for recycled wastewater and studying options for greater recharge, as well as planning for indirect and direct reuse to turn available wastewater into a commodity.
- **Employee Salaries and Benefits:** Strong retirement trends mean that public agency employers must remain competitive against other public or private providers of wastewater services.

- Technology: Cybersecurity remains a top priority for SOCWA due to the emerging threat actors that target government facilities. SOCWA continues to implement advanced artificial intelligence software to mitigate large-scale threat actors and control business-related traffic through virtual private networks and firewall control procedures. Best in practice group policy control procedures and internal cybersecurity training are utilized for internal controls.
 - The Authority started the process of outsourcing payroll to ADP to enhance the security of the payment systems, automate the generation of required financial reports, and help ensure compliance with new and changing payroll labor laws and regulations.
 - Environmental compliance data is transmitted electronically through the California Integrated Water Quality System (CIWQS) as required under the National Pollution Discharge Elimination System. Additionally, all investigative orders and volumetric flows for recycled water projects are transmitted electronically through the Geo tracker website through the State Water Resources Control Board.
 - The Annual Financial Statements Audit has been completed electronically and remotely for the past four (4) years due to the Authority's automated and cloud-based financial system.

Long-Term Financial Planning

Because of the nature of its structure and mission, the organization does not have the traditional customer base that characterizes water, sanitation, or other special districts. The organization's customers are limited to the following:

- Each of SOCWA's nine (9) Member Agencies are distinguished by membership in one or more Project Committees, or by issues and needs for which the organization provides a level of service or assists in providing a resolution.

SOCWA participates in Board-level discussions and committees regarding the future demands for wastewater treatment, water recycling/reuse, and cost management.

- Commercial/industrial or institutional businesses engage with SOCWA under the jurisdiction of the organization's Pretreatment Program. These businesses may include auto repair shops, some light industrial, dry-cleaning establishments, and hospitals that obtain permits from SOCWA. Pretreatment program permittees receive SOCWA inspections and assistance with Best Management Practices as a part of the required permit compliance process.
- SOCWA serves cities and private communities by permitting the diversion of non-point source urban runoff that would otherwise impact our local beach resources.

Internal Controls

SOCWA's management is responsible for establishing and maintaining the internal control structure that protects the assets of the Authority from loss, theft, or misuse. The internal control structure ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

SOCWA's internal control structure is designed to provide reasonable assurances that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

Investment Policy

The Board of Directors annually adopts an Investment Policy that conforms to California State Law, SOCWA ordinances and resolutions, prudent money management, and the “prudent person” standards. The objectives of the Investment Policy are safety, liquidity, and yield. SOCWA’s funds are routinely invested in the State Treasurer’s Local Agency Investment Fund (LAIF).

Infrastructure



Guarding the environment and creating new water supplies requires operating advanced wastewater treatment facilities. SOCWA’s three conventional activated sludge treatment facilities can treat upwards of 26 million gallons of wastewater per day. Historically, about half of this water is treated for recycled water use. The balance is treated and discharged miles off our coast through two ocean outfalls.

Coastal Treatment Plant



Facts

- Location: 28303 Alicia Parkway, Laguna Niguel, CA 92677 (adjacent to the City of Laguna Beach, CA)
- Receives Flows From: South Coast Water District, City of Laguna Beach, and Emerald Bay Services District
- Type of Facility: Conventional activated sludge treatment facility
- Total Capacity: 6.7 million gallons per day
- Average Capacity Used Today: 2.9 million gallons per day
- Year Built: 1983
- Recycled Water Production: Up to 1.5 million gallons per day

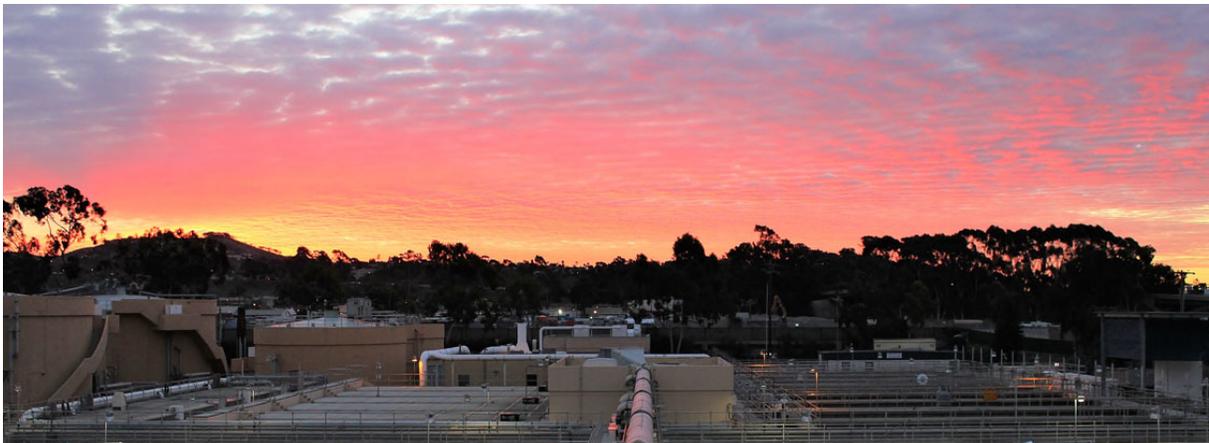
Wastewater Treatment Processes

- Screening
- Grit removal
- Primary clarification
- Secondary treatment
- Secondary clarification
- Tertiary treatment

Interesting Facts

- The Coastal Treatment Plant shares a boundary with the County of Orange owned and operated Aliso and Wood Canyons Wilderness Park.
- SOCWA has a responsibility to guard this natural environment and implement measures to ensure SOCWA's co-existence near the park is protective of the natural environment.

JB Latham Treatment Plant



Facts

- Location: 34156 Del Obispo Street, Dana Point, CA 92629 (adjacent to SOCWA headquarters building)
- Receives Flows From: City of San Juan Capistrano, Moulton Niguel Water District, Santa Margarita Water District, South Coast Water District
- Type of Facility: Conventional activated sludge treatment facility
- Total Capacity: 13 million gallons per day
- Average Capacity Used Today: Approx. 6 million gallons per day
- Year Built: 1964

Wastewater Treatment Plant Processes

- Screening
- Grit removal
- Primary clarification
- Secondary treatment
- Secondary clarification
- Anaerobic digestion
- Solids dewatering

Interesting Facts

- The JB Latham Plant produces energy that is used on-site
- Approximately 40 percent of the power needed is produced from methane gas, a byproduct of the treatment process
- SOCWA was awarded approximately \$1 million in grant funding for on-site energy production
- Hundreds of students and interested residents toured the JB Latham facility each year and SOCWA looks forward to restarting facility tours for the public
- JB Latham was awarded the best medium-sized plant in the state by the California Water Environment Association in 2017

Regional Treatment Plant



Facts

- Location: 29201 La Paz Road, Laguna Niguel, CA 92677 (adjacent to County Regional Park)
- Receives Flows Primarily from Moulton Niguel Water District
- Total Capacity:
 - Liquid waste: 12 million gallons per day
 - Solid waste: 20 million gallons per day
- Average Capacity Used Today: 7.3 million gallons per day
- Recycled Water Production: Up to 7.3 million gallons per day
- Year Built: 1982

Wastewater Treatment Plant Processes

- Screening
- Grit removal
- Primary clarification
- Secondary treatment
- Secondary clarification
- Tertiary Treatment
- Anaerobic digestion
- Solids dewatering

Interesting Facts

- The Regional Plant produces its own energy to save energy and costs
- Approximately 82 percent of the power needs are produced on-site from methane gas for beneficial reuse, that is a byproduct of the treatment process
- SOCWA was awarded approximately \$1.8 million in grant funding for on-site energy production
- Tours of the facility are planned to restart in the coming calendar year
- Houses the regional laboratory that analyzes over 25,000 compliance, process control, and drinking water samples per Fiscal Year
- Some of the biosolids from these plants – also known as residual solids – are trucked off-site to a composting facility. Composted biosolids can be land-applied to help grow non-food crops such as cotton and alfalfa

Aliso Creek Ocean Outfall



The Aliso Creek Outfall discharges highly treated wastewater 1.5 miles off the Orange County coast in accordance with strict State and Federal laws. The San Diego Regional Water Quality Control Board governs this discharge process. SOCWA holds a National Pollution Discharge Elimination System (NPDES) permit, which must be renewed by the Regional Board by application filed every five years.

Interesting Facts

- Year Built: 1979
- Length: 1.5 Miles (8,700') off Aliso Creek Beach at a depth of 195 feet
- Capacity Used Today: 11.97 million gallons per day
- Ocean Water Quality Monitoring Sites: 13
- Ocean Monitoring Frequency: Once per month
- Beach Water Quality Monitoring Sites: 12
- Beach Monitoring Frequency: Weekly
- Annual Water Quality Samples: Nearly 2,500

San Juan Creek Ocean Outfall



The San Juan Creek Ocean Outfall discharges highly treated wastewater 2.2 miles off the Orange County coast in accordance with strict state and federal laws. The Regional Water Quality Control Board governs this discharge process. SOCWA holds a National Pollution Discharge Elimination System (NPDES) permit, which must be renewed by application to the Regional Board filed every five years.

San Juan Creek Ocean Outfall Continued:

Interesting Facts

- Year Built: 1978
- Length: 2.2 Miles (10,334') off Doheny State Beach at a depth of 100 feet
- Capacity Used Today: 11.59million gallons per day
- Ocean Water Quality Monitoring Sites: 13
- Ocean Monitoring Frequency: Monthly
- Beach Water Quality Monitoring Sites: 9
- Beach Monitoring Frequency: Weekly
- Annual Water Quality Samples: Nearly 2,500

Capital Projects



SOCWA undertakes large and small capital projects to ensure the reliability of our infrastructure. These improvements protect the environment by allowing for the continued safe treatment and disposal of wastewater. The Fiscal Year 2022-23 was focused on completing the capital improvements started in the Fiscal Year 2020-21 and prior.

A summary of work now underway and planned for each plant includes:

J.B. Latham Treatment Plant Improvements 2022-23

Construction continued on the Package B Improvements Project that began in August 2019 with an estimated construction value of \$18.5 million. The construction work includes rehabilitation to the dissolved air floatation system, including tanks and thickened waste activated sludge pumps; primary and secondary sedimentation upgrades including influent and effluent channel improvements, sludge collection and scum skimmer upgrades; Digester mixing system upgrades and heat exchanger and recirculation pump replacement; boiler replacement; MCC system upgrades; concrete repairs and safety improvements throughout the plant.

Coastal Treatment Plant Improvements 2022-23

Capital pre-purchases were completed for Aeration Diffuser upgrades, \$354 thousand, with the construction installation anticipated in Fiscal Year 2023-24.

Regional Treatment Plant Miscellaneous Improvements 2022-23

Construction continued on the Aeration Diffuser Replacement Project, valued at \$1.8 million. The Project included replacing panel air diffusers in all six aeration basins with disc diffusers. The Project goal is to improve treatment efficiency and lower energy consumption. Four of the six basins were completed in Fiscal Year 2022; work continued on two basins in the current year, an investment of \$649 thousand.

SOCWA Small Capital Program

SOCWA continued to invest \$1.5 million in small capital improvements in Fiscal Year 2022-23, and \$1.8 million, including \$300 thousand from the prior year, became a part of capitalized assets. There are two primary benefits to small capital investments. The first benefit is that the Treatment Plants are maintained in a state of readiness. Staff plans for the replacement of ailing equipment and new technologies are installed for improved operations. Secondly, obsolete, or unsupported equipment is replaced to avoid catastrophic issues, and safety hazards are mitigated in a timely fashion. Attention to maintenance and operational investment assists SOCWA with right sizing its capital program by keeping critical equipment in good repair.

SOCWA Member Agencies

SOCWA is a Joint Powers Authority working to fulfill the wastewater needs of its nine (9) member agencies.

 The logo for El Toro Water District features the text "EL TORO WATER DISTRICT" in a blue arc at the top. Below the text is a blue wavy line representing water, and a solid blue semi-circle at the bottom.	 The logo for Irvine Ranch Water District consists of a stylized graphic of three overlapping shapes in blue, purple, and green, resembling a flower or a water droplet. Below the graphic, the text "Irvine Ranch" is written in a blue serif font, and "WATER DISTRICT" is written in a smaller blue sans-serif font below it.
<p>El Toro Water District</p>	<p>Irvine Ranch Water District</p>
 The logo for the City of Laguna Beach is a circular seal. The outer ring contains the text "CITY OF LAGUNA BEACH" at the top and "CALIFORNIA" at the bottom. Inside the ring, there is a landscape illustration of a beach, ocean, and hills. Text within the seal includes "HOME OF THE FESTIVAL OF ARTS AND PARTIAL OF THE MASTERS" and "INCORPORATED 1917".	 The logo for Moulton Niguel Water District features a stylized blue "m" shape above the text "moulton niguel water district" in a blue sans-serif font.
<p>City of Laguna Beach</p>	<p>Moulton Niguel Water District</p>
 The logo for the City of San Clemente is a circular seal. The outer ring contains the text "CITY OF SAN CLEMENTE" at the top and "CALIFORNIA" at the bottom. Inside the ring, there is a landscape illustration of a beach, ocean, and hills. Text within the seal includes "THE HISTORIC VILLAGE OF THE 1920s".	 The logo for South Coast Water District is a circular seal with a blue and green gradient. It features a white bird in flight, a white wave, and two white sailboats on the water. The text "SOUTH COAST WATER DISTRICT" is written across the center in a white serif font.
<p>City of San Clemente</p>	<p>South Coast Water District</p>

	
<p>Trabuco Canyon Water District</p>	<p>Santa Margarita Water District</p>
	
	<p>Emerald Bay Service District</p>

Community Outreach



Through its Member Agencies, SOCWA maintains information to inform its local communities about the importance and proper use of the sanitary sewer system. Through education and outreach, we can all work together to keep our beaches and communities clean.

Community Events

Historically, SOCWA attended public outreach opportunities such as the Dana Point Festival of the Whales and the annual California Coastal Cleanup Day. SOCWA also regularly provides tours of its facilities for local schools and summer learning programs.

Independent Audit

State Law and the Authority's Joint Powers Agreement (JPA) require SOCWA to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm, The Pun Group, LLP, has conducted the audit of the Authority's financial statements for Fiscal Year 2023 and 2022. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the Authority's financial statements as of June 30, 2023 and 2022, were fairly presented in conformity with accounting principles generally accepted in the United States of America.

Other References

More information is contained in the Authority's management discussion and analysis and the notes to the basic financial statements found in the Financial Section of this report.

ACFR Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its Annual Comprehensive Financial Report for the Fiscal Year ending June 30, 2022. This was the fourth consecutive year that SOCWA received this prestigious award. In order to be awarded a Certificate of Achievement, the Authority had to publish an easily readable and efficiently organized Report that satisfied both generally accepted accounting principles and applicable legal requirements.

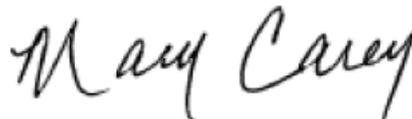
A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished by the combined efforts of the Authority's staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the service of the Authority's Member Agencies. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of South Orange County Wastewater Authority's fiscal policies.

Respectfully submitted,



Jim Burror, Acting General Manager



Mary Carey, Finance Controller



Government Finance Officers Association

Certificate of
Achievement
for Excellence
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**South Orange County Wastewater Authority
California**

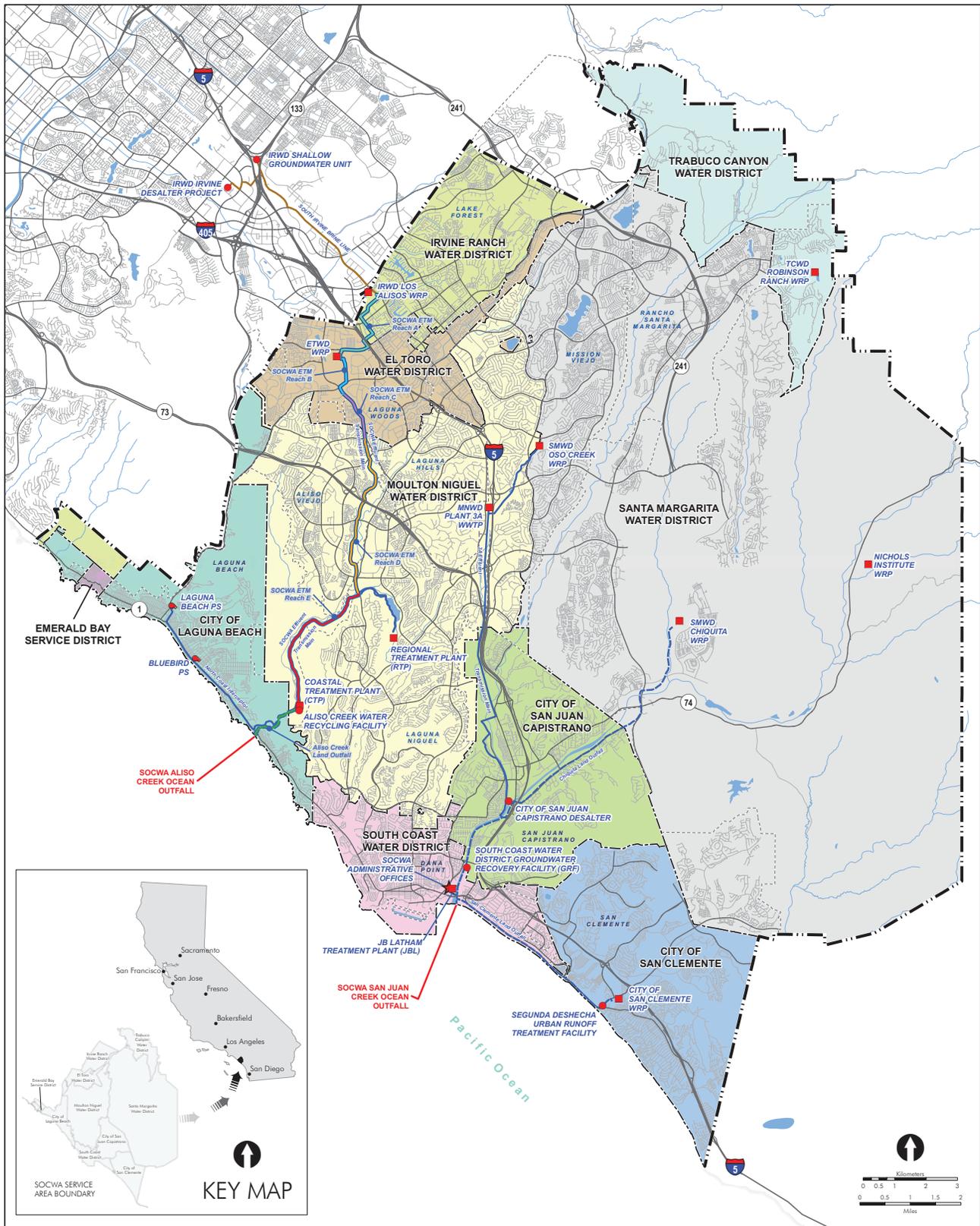
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

SOCWA SERVICE AREA MAP



Document Name: SOCWA Service Area Map 1/11/17.mxd
Date Saved: 3/6/2018

- Member Agencies**
- City of Laguna Beach
 - City of San Clemente
 - City of San Juan Capistrano
 - El Toro Water District
 - Emerald Bay Service District
 - Irvine Ranch Water District
 - Moulton Niguel Water District
 - Santa Margarita Water District
 - South Coast Water District
 - Trabuco Canyon Water District

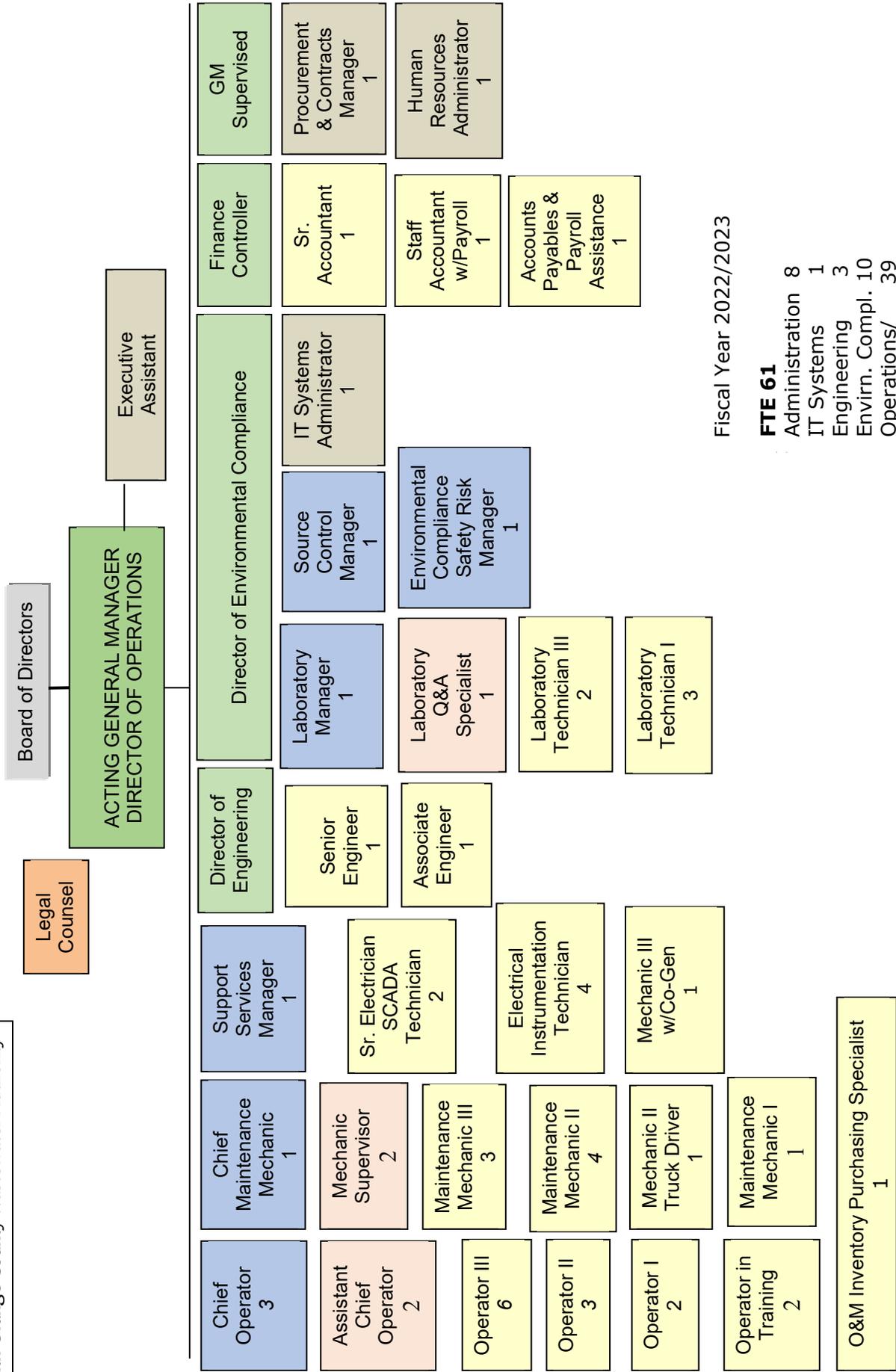
- Facilities**
- ★ SOCWA Administrative Offices
 - Desalter/Treatment Facility
 - Pump Station
 - Treatment Facility
 - Transmission Line
 - South Irvine Brine Line
 - - - Land Outfall
 - Ocean Outfall

- SOCWA Effluent Transmission Line**
- ETL - Reach A
 - ETL - Reach B
 - ETL - Reach C
 - ETL - Reach D
 - ETL - Reach E
 - Aliso Creek Land Outfall

- Boundary Lines**
- SOCWA Boundary Line
 - City Boundary
 - Member Agency Boundary
 - Waterbody
 - Creek/Stream



FY 2022-23 Organization Chart



Fiscal Year 2022/2023

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

Board of Directors



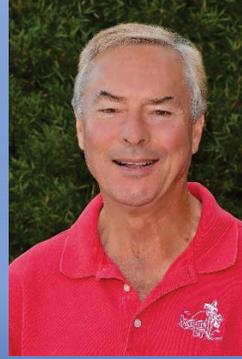
Matt Collings
Moulton Niguel Water

Chairman of the Board



Stephen Dopudja¹
Trabuco Canyon Water
District

Vice Chairman



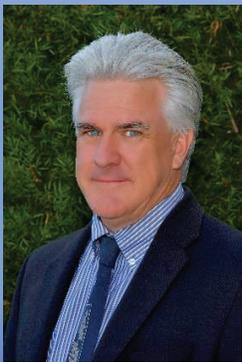
Mike Dunbar
Emerald Bay Service
District

Director



Kathryn Freshley
El Toro Water District

Director



Dan Ferons²
Santa Margarita Water
District

Director



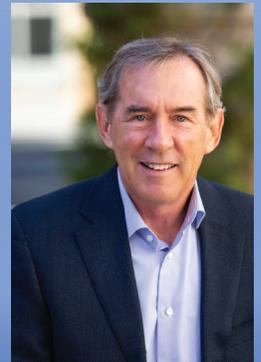
Frank Ury²
Santa Margarita Water
District

Director



Toni Iseman³
City of Laguna Beach

Director



Bob Whalen³
City of Laguna Beach

Director



Doug Reinhart
Irvine Ranch Water
District

Director



Scott Goldman
South Coast Water
District

Director



Dave Rebensdorf
City of San Clemente

Director



¹Director Stephen Dopudja served on SOCWA's Board from July 2022 through May 2023.

²Director Dan Ferons served on SOCWA's Board from July 2022 through January 2023; Director Frank Ury joined the Board in January 2023.

³Director Toni Iseman served on SOCWA's Board from July 2022 through February 2023; Director Bob Whalen joined the Board in March 2023.

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the South Orange County Wastewater Authority (the "Authority") as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

To the Board of Directors
of the South Orange County Wastewater Authority
Dana Point, California
Page 3

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

The PwC Group, LLP

Santa Ana, California
November 16, 2023

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South Orange County Wastewater Authority Management's Discussion and Analysis (Unaudited) For the Years Ended June 30, 2023 and 2022

This section of South Orange County Wastewater Authority's (Authority or SOCWA) financial statements presents an analysis of the Authority's financial performance during the Fiscal Year ended June 30, 2023, in comparison to Fiscal Year ended June 30, 2022. This information is presented in conjunction with the transmittal letter in the Introductory Section, and with the basic financial statements and related notes, which follow this section.

Overview of the Authority's Financial Statements

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

Basic Financial Statements

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Financial Analysis of the Authority

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

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

Financial Highlights for Fiscal Years 2023 and 2022

At June 30, 2023, the Authority's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$148 million (net position), which is at the prior year's restated net position balance.

The Authority restated Fiscal Year 2022 net position, an increase of \$8.9 thousand from \$147.57 million to \$147.58 due to implementing GASB 96, right-to-use subscription assets.

The current year's net position was significantly reduced by the Net Pension Liability of \$18.3 million. The liability increased by \$9 million or 98%, primarily due to CalPERS risk pool's asset loss in fiscal year 2021-22, a negative 7.5% return on investments versus the targeted 7.15% gain.

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

The net impact to net position related to net pension liability and pensions related deferred outflows and inflows of resources is an increase of \$2.7 million or 18%.

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

	2023	2022	2021	Change between 2023 and 2022	% Change +/(-)	Change between 2022 and 2021	% Change +/(-)
Net Pension Liability	(\$18,292,931)	(\$9,257,418)	(\$15,527,683)	(\$9,035,513)	97.6%	\$6,270,265	-40.4%
Deferred Outflows of Resources	7,609,730	3,049,739	3,278,060	4,559,991	149.5%	(\$228,321)	-7.0%
Deferred Inflows of Resources	(1,600,313)	(8,772,697)	(771,287)	7,172,384	-81.8%	(8,001,410)	1037.4%
Total	<u>(\$12,283,514)</u>	<u>(\$14,980,376)</u>	<u>(\$13,020,910)</u>	<u>\$2,696,862</u>	<u>-18.0%</u>	<u>(\$1,959,466)</u>	<u>15.0%</u>

Fiscal Year 2022 net impact on net position related to net pension liability and pension related deferred outflows and inflows resources was a reduction of \$1.9 million due to financial market fluctuations.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

The decrease in capital assets and intangible assets, net of \$3.5 million or 2.7%, also reduced net position. New acquisitions of \$6.2 million were added; most notable were JB Latham Plant Package B Daft, \$1.3 million; a Digester System, \$768 thousand; and a Boiler System, \$690 thousand. The Regional Treatment plant added an Aeration Tank System, \$1.0 million. Offsetting the additions, all the Regional Treatment Plant Advanced Water Treatment Facilities (AWT) capital assets, \$793 thousand, net, were transferred to Moulton Niguel Water District due to their assuming responsibility for operating and maintaining the facilities. In addition, accumulated depreciation exceeded the acquisition of new assets by \$2.6 million due to the age of most of the Authority's assets.

Capital Assets, depreciable, and Intangible Assets						
	2023					
	Balance July 1, 2022	Additions	¹ AWT transfer to MNWD	Balance June 30, 2023	Change + / (-)	% Change
Capital assets, depreciable	\$361,808,251	6,234,978	(\$1,742,463)	\$366,300,766	\$4,492,515	1.2%
Accumulated depreciation	(230,889,904)	(8,870,751)	949,507	(238,811,151)	(7,921,247)	3.4%
Capital assets, depreciable, net	\$130,918,347	(\$2,635,773)	(\$792,956)	\$127,489,617	(\$3,428,731)	-2.6%
Intangible assets, net	289,246	(95,733)	0	193,513	(95,733)	-33.1%
	<u>\$131,207,594</u>	<u>(\$2,731,505)</u>	<u>(\$792,956)</u>	<u>\$127,683,130</u>	<u>(\$3,524,464)</u>	-2.7%

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

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

- Offsetting the decrease in the current year's capital assets and intangible assets, depreciable, net was increases in construction-in-progress (CIP) and total receivables, net.

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

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

Construction-in-progress (CIP)							
2023							
	Balance July 1, 2022	Expenditures	Assets placed in-service	¹ AWT transfer to MNWD	Balance June 30, 2023	Change + / (-)	% Change
CIP	\$15,819,954	9,615,766	(6,068,152)	(462,232)	\$18,905,336	\$3,085,382	19.5%

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

Fiscal Year 2022 CIP decreased, \$1.8 million or 10%, due to completed assets, \$17.2 million, exceeding expenditures on in-process work, \$15.4 million.

Construction-in-progress (CIP)						
2022						
	Balance July 1, 2021	Expenditures	Assets placed in-service	Balance June 30, 2022	Change + / (-)	% Change
CIP	\$17,614,929	15,379,902	(17,174,877)	\$15,819,954	(\$1,794,975)	-10.2%

Total receivables, net increased by \$965 thousand or 105%, primarily due to late-in-the-year billings for additional funding of operating expenses, \$610 thousand, and the \$316 thousand increase in due from Member Agencies. The Authority's operating expenses and capital contributions are paid by its Member Agencies; the due from and due to Member Agencies is the difference between budgeted amounts billed to the agencies and the fiscal year actuals. The current year's budget required additional funding due to an inflationary environment; therefore, the actual expenses align with the budget, resulting in a decrease in due from Member Agencies.

Total receivable, net				
June 30				
	2023	2022	Change + / (-)	% Change
Receivables:				
Accounts	\$666,353	\$56,072	\$610,281	1088.4%
Due from Member Agencies	1,156,744	840,732	316,012	37.6%
Interest	57,590	19,358	38,232	197.5%
Total receivable, net	<u>\$1,880,687</u>	<u>\$916,162</u>	<u>\$964,525</u>	105.3%

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

- Cash decreased by \$1.1 million, or 10.7%, due to the near completion of the large-scale facilities improvements' large capital projects.
- The current year's net increase in total assets and deferred outflows is \$3.8 million or 2.2% in comparison to the prior year.
- Total liabilities, \$30.8 million, increased by \$11 million or 56% from the prior year's balance of \$19.7 million, significantly reducing net position. The change is primarily due to the increase in net pension liability, \$9.0 million or 98%, to the current year's balance of \$18.3 million, as discussed earlier.

Fiscal Year 2022 total liabilities decreased \$11.4 million or 36.6%, primarily due to the reduction in net pension liability, \$6.3 million, resulting from CalPERS financial markets gain.

	Liabilities						
	June 30						
	2023	2022	2021	Change between 2023 and 2022	% Change +/(-)	Change between 2022 and 2021	% Change +/(-)
Current liabilities							
Accounts payable	\$3,185,397	\$2,451,972	\$5,882,659	\$733,425	29.9%	(\$3,430,687)	-58.3%
Due to Member Agencies	2,843,664	1,720,819	4,096,390	1,122,845	65.3%	(2,375,571)	-58.0%
Accrued payroll and related liabilities	544,810	245,023	224,996	299,787	122.4%	20,027	8.9%
Compensated absences-due within one year	477,071	197,365	259,406	279,706	141.7%	(62,041)	-23.9%
Leased liabilities	43,496	53,887	65,202	(10,391)	-19.3%	(11,315)	-17.4%
Total current liabilities	\$7,094,438	\$4,669,066	\$10,528,653	\$2,425,372	51.9%	(\$5,859,587)	-55.7%
Noncurrent liabilities							
Compensated absences-due in more than one year	\$303,682	\$617,836	\$617,836	(\$314,154)	-50.8%		
Accrued payroll related liabilities-due in more than one year	140,014			140,014			
Net other postemployment benefits liability	4,774,637	4,948,607	4,142,479	(173,970)	-3.5%	806,128	19.5%
Net pension liability	18,292,931	9,257,418	15,527,683	9,035,513	97.6%	(6,270,265)	-40.4%
Leased liabilities	145,814	229,570	283,457	(83,756)	-36.5%	(53,887)	-19.0%
Total noncurrent liabilities	\$23,657,078	\$15,053,431	\$20,571,455	\$8,603,647	57.2%	(\$5,518,024)	-26.8%
Total liabilities	\$30,751,516	\$19,722,497	\$31,100,108	\$11,029,019	55.9%	(\$11,377,611)	-36.6%

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

Fiscal Year 2022 net pension liability, \$9.3 million, decreased by \$6.3 million or 40.4% in the current year primarily due to the Authority's pension plan administrator, CalPERS, Risk Pool's asset gain in Fiscal Year 2021, 21.3% return on investments vs. targeted 7.15%. (The target rate is before administrative expenses.)

Net Pension Liability Fiscal Year Ended June 30

Description	2023	2022	2021	2020	2019	Change between 2023 and 2022	
						\$ +/(-)	%
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018		
Total pension liability	(\$66,443,205)	(\$62,175,535)	(\$59,026,089)	(\$55,450,648)	(\$52,230,824)	(\$4,267,670)	6.9%
Fiduciary net position	48,150,274	52,918,317	43,498,406	41,089,097	39,044,508	(4,768,043)	-9.0%
Net pension (liability)	(\$18,292,931)	(\$9,257,218)	(\$15,527,683)	(\$14,361,551)	(\$13,186,316)	(\$9,035,713)	97.6%
% Funded	72.5%	85.1%	73.7%	74.1%	74.8%	-12.6%	

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

Accounts Payable increased by \$733 thousand or 30%, primarily due to accruals for large capital Package B Facilities Improvement Projects completed, and the contract change orders are still in negotiation.

Due to Member Agencies increased by \$1.1 million or 65% primarily due to additional funding and billings for operating expenses caused by an inflationary environment, \$614 thousand; close out of the Regional Treatment Plant AWT Facilities capital projects due to the transfer of operations and maintenance to the Moulton Niguel Water District, \$357 thousand; and completed small capital projects at the Coastal Treatment Plant that came in under budget, \$347 thousand.

Accrued payroll and related liabilities, \$545 thousand current and \$140 thousand due in more than one year increased by \$440 thousand primarily due to accrued payments covering eighteen months in the future.

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

At June 30, 2022, Net other post-employment benefits liability (OPEB), retiree health, \$4.9 million, increased by \$806 thousand or 19.5% primarily due to financial market fluctuations. The asset loss was \$929 thousand, a 14% decrease from the prior year.

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

Description	2023	2022	2021	2020	2019	Change between 2023 and 2022	
						\$ +/-	% Change
Measurement date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019		
Total OPEB Liability	(\$10,993,133)	(\$10,676,580)	(\$10,799,701)	(\$10,959,190)	(\$9,885,778)	(\$316,553)	3.0%
Fiduciary net position	6,218,496	5,727,973	6,657,222	5,270,639	5,137,817	490,523	8.6%
Net OPEB (liability)	(\$4,774,637)	(\$4,948,607)	(\$4,142,479)	(\$5,688,551)	(\$4,747,961)	\$173,970	-3.5%
% Funded	56.6%	53.6%	61.6%	48.1%	52.0%	2.9%	

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

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

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

- At June 30, 2023, the Authority's pension-related deferred outflows net of contributions made after the measurement date were \$7.6 million, an increase of \$4.6 million or 150% primarily due to CalPERS negative return on investments in fiscal year 2021-22. Deferred inflows were \$1.6 million, a decrease of \$7.2million also due to CalPERS unfavorable Fiscal Year 2021-22 financial returns.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

Deferred Outflows/Inflows Balances at June 30, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
■ Differences between expected and actual experience *	\$ 367,358	(246,040)
■ Changes of assumptions *	1,874,493	-
■ Net differences between projected and actual earnings on plan investments *	3,350,779	-
■ Change in employer's proportion **	74,531	(515,557)
■ Differences between the employer's contributions and the employer's proportionate share of contributions***	-	(838,716)
■ Pension contributions subsequent to measurement date	1,942,569	-
■ Total	<u>7,609,730</u>	<u>(1,600,313)</u>

- The current year's net increase in total liabilities and deferred inflows is \$3.8 million or 13% in comparison to the prior year.
- At June 30, 2022, the Authority's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$148 million, (net position), which is an increase of \$5.8 million or 4.1% over the 2021 Fiscal Year-end restated balance of \$142 million.

The Authority restated Fiscal Year 2021 to add San Clemente Land Outfall capital assets, \$1.7 million, net and lease assets, net and lease liabilities, a reduction of \$1.7 thousand.

The net position increase in Fiscal Year 2022 is primarily due to capital assets, depreciable, net growth, \$8.5 million or 7%, and a reduction in net pension liability, \$6.3 million or 40%.

The capital assets growth represents completed assets placed in service from the large-scale facilities improvement projects at the Authority's three Treatment Plants, JB Latham, Project Committee (PC) 2, \$8.2 million, Coastal, PC 15, \$6.6 million, and Regional, PC 17, \$1.9 million.

- Offsetting the increase in capital assets, depreciable, net were reductions in cash, construction-in-progress (CIP), and total receivables, net.
- Cash decreased by \$4.7 million, or 31%, due to progress on large capital projects.

CIP decreased by \$1.8 million or 10% due to completed assets, \$17.2 million, exceeding expenditures on in-process work, \$15.4 million.

South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022

Total receivable, net decreased by \$434 thousand primarily due to the decrease in due from Member Agencies, \$440 thousand. The current year's actuals were very close to budget; therefore, the due from Member Agencies decreased compared to the prior year.

- The net increase in Fiscal Year 2022 total assets and deferred outflows is \$1.7 million or .9% compared to the prior year.
- The remaining increase in Fiscal Year 2022 net position is a decrease in liabilities, \$11.4 million or 36.6%, offset by increased deferred inflows, \$7.3 million or 294%. The change is primarily due to a \$6.3 million decrease in net pension liability resulting from CalPERS favorable financial returns in Fiscal year 2021, 21.3% return on investments vs. a targeted 7.15% return.

Accounts payable decreased by \$3.4 million or 58%, primarily due to the timing of completed work or receipts of purchased items.

Due to Member Agencies increased by \$2.4 million or 58%, because the Authority's actual operating expenses and capital contributions on completed projects were close to budget.

Net other post-employment benefits liability (OPEB), retiree health, \$4.9 million, increased by \$806 thousand or 19.5% due to financial market fluctuations. The asset loss was \$929 thousand, a 14% decrease from the prior year.

- The net decrease in Fiscal year 2022 total liabilities and deferred inflows is \$4.1 million or 12.3% compared to the prior year.

South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022

Net Position

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

Condensed Statement of Net Position

	Fiscal Year 6/30/2023	¹ Fiscal Year 6/30/2022	¹ Fiscal Year 6/30/2021	Change between 2023 and 2022		Change between 2022 and 2021	
				\$ +/-	% Change	\$ +/-	% Change
Current Assets	\$11,575,704	\$11,692,239	\$16,740,023	(\$116,534)	-1.0%	(\$5,047,784)	-30.2%
Non-Current Assets:							
Capital Assets not being depreciated	33,307,560	30,222,178	32,017,153	3,085,382	10.2%	(1,794,975)	-5.6%
Capital Assets, depreciable, net ¹	127,683,130	131,207,594	122,735,344	(3,524,464)	-2.7%	8,472,250	6.9%
Total Capital Assets¹	160,990,690	161,429,771	154,752,497	(439,081)	-0.3%	6,677,274	4.3%
Total Assets¹	172,566,394	173,122,010	171,492,520	(555,616)	-0.3%	1,629,490	1.0%
GASB 68-Deferred Outflows	7,609,730	3,049,739	3,278,060	4,559,991	149.5%	(228,321)	-7.0%
GASB 75-Deferred Outflows	658,890	863,519	591,534	(204,629)	-23.7%	271,985	46.0%
Current Liabilities	7,094,438	4,669,066	10,528,653	2,425,372	51.9%	(5,859,586)	-55.7%
Non-Current Liabilities	23,657,078	15,053,431	20,571,455	8,603,647	57.2%	(5,518,024)	-26.8%
Total Liabilities	30,751,516	19,722,497	31,100,108	11,029,019	55.9%	(11,377,610)	-36.6%
GASB 68-Deferred Inflows	1,600,313	8,772,697	771,287	(7,172,384)	-81.8%	8,001,410	1037.4%
GASB 75-Deferred Inflows	900,489	960,508	1,697,105	(60,019)	-6.2%	(736,597)	-43.4%
Net Position:							
Net Investment in Capital Assets	160,801,380	161,146,314	154,403,838	(344,934)	-0.2%	6,742,476	4.4%
Unrestricted (deficit)	(13,218,684)	(13,566,748)	(12,958,883)	348,064	-2.6%	(607,865)	4.7%
Total Net Position¹	\$147,582,696	\$147,579,566	\$141,793,614	\$3,130	0.0%	\$5,785,952	4.1%

¹Fiscal Year 2021 capital assets, depreciable, net, were restated to include the addition of San Clemente Land Outfall capital assets, \$1.7 million, net, and the addition of intangible assets and liabilities, net impact, a reduction of \$1.7 thousand. In fiscal year 2022 the change in net position was restated, an increase of \$8.9 thousand, due to implementing GASB 96, right-to-use subscription assets.

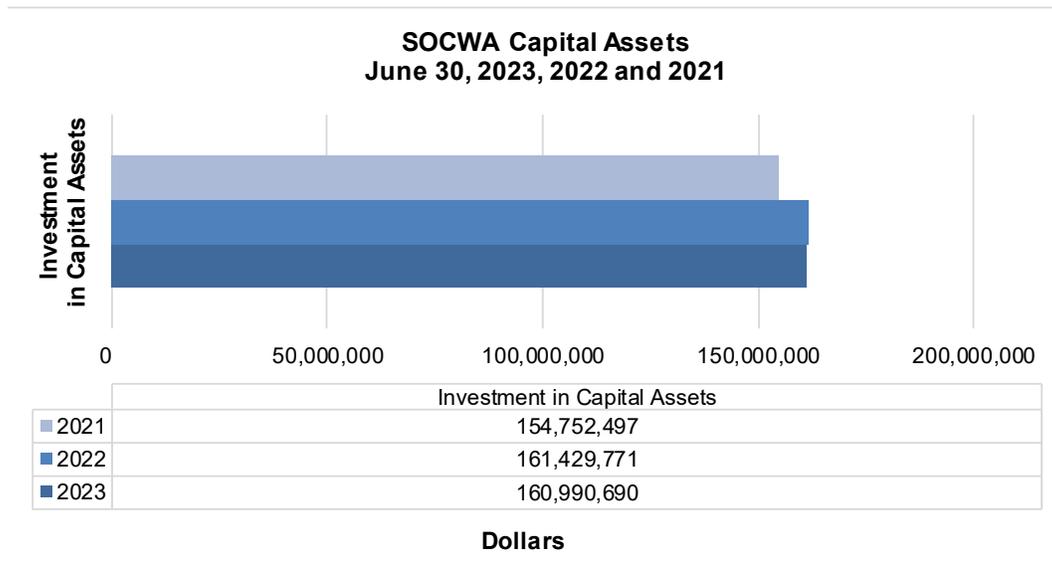
As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$147.6 million, \$147.6 million, and \$141.8 million as of June 30, 2023, 2022, and 2021, respectively.

The net position unrestricted deficit of \$13.2 million decreased \$348 thousand in the current year primarily due to the net impact of net pension liability growth of \$9 million, offset by pension-related deferred outflows increase of \$4.6 million, and pension-related deferred inflows reduction of \$7.2 million, contributing a combined net increase in net position of \$2.7 million or 18%. The fluctuations in the liability and deferred outflows and inflows are primarily due to CalPERS's unfavorable financial market returns in Fiscal Year 2021-22.

**South Orange County Wastewater Authority
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

At the end of Fiscal Year 2022, the net position unrestricted deficit, \$13.6 million, increased \$608 thousand primarily due to the Authority’s total deferred inflows, \$9.7 million, which increased \$7.3 million or 294% due to CalPERS changes in assumptions. Offsetting the growth in deferred inflows were reduced total liabilities, \$11.4 million or 36.6%, primarily due to net pension liability, \$9.3 million, a reduction of \$6.3 million due to CalPERS assets gain.

The largest portions of the Authority’s net position (109.0%, 109.2% and 108.9% as of June 30, 2023, 2022, and 2021, respectively) reflects the Authority’s net investment in capital assets. The Authority uses these capital assets to provide services to Member Agencies communities within the Authority’s service area.



Change in Net Position

	June 30			Change between 2023 and 2022	% Change +/(–)	Change between 2022 and 2021	% Change +/(–)
	2023	2022 ¹	2021 ¹				
Beginning Net Position ¹	\$147,579,566	\$141,793,614	\$139,175,615	\$5,785,952	4.1%	\$2,618,000	1.9%
Income/(Loss) before contributions	(7,416,933)	(9,768,002)	(8,915,534)	2,351,069	-24.1%	(852,469)	9.6%
Capital contributions	7,420,063	15,553,954	11,533,533	(8,133,891)	-52.3%	4,020,421	34.9%
Change in net position	3,130	5,785,952	2,617,999	(5,782,822)	-99.9%	3,167,953	121.0%
Ending Net Position ¹	\$147,582,696	\$147,579,566	\$141,793,614	\$3,130	0.0%	\$5,785,952	4.1%

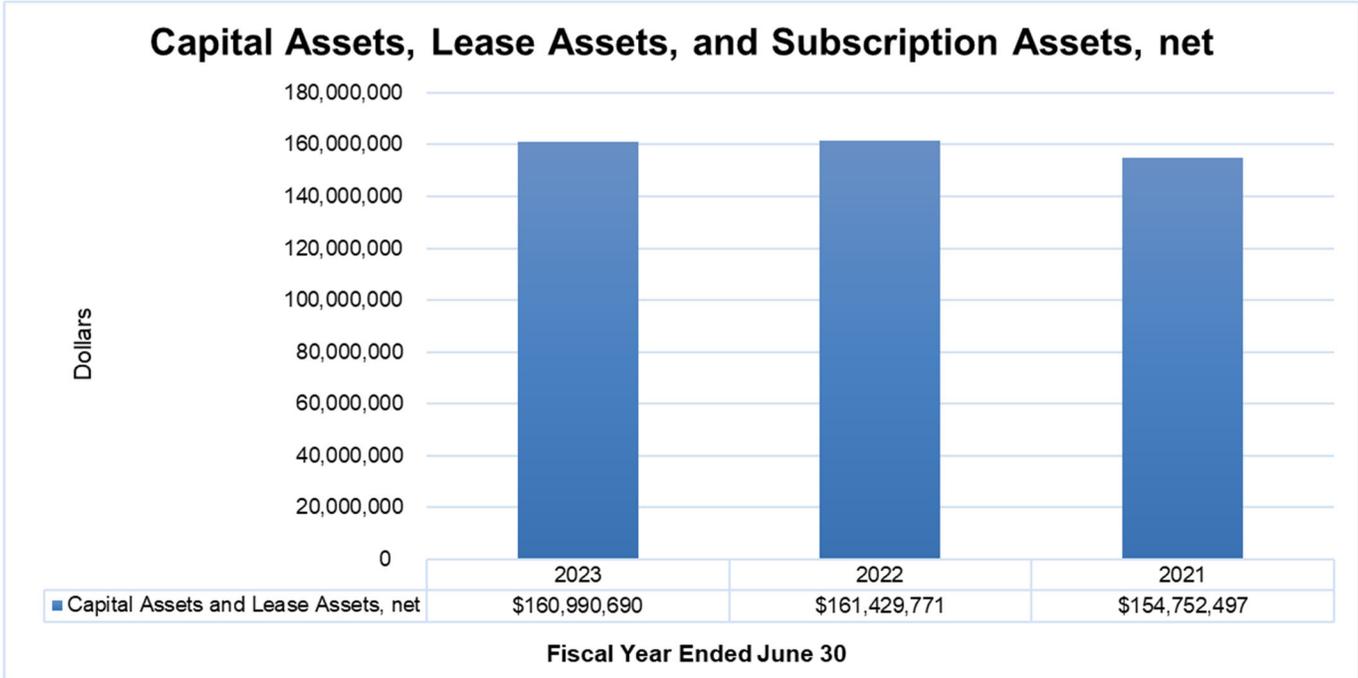
¹Fiscal Year 2021 beginning net position was restated to include the addition of San Clemente Land Outfall capital assets, \$1.7 million, net, and intangible assets and liabilities, a net reduction of \$1,750. Fiscal Year 2020 capital assets, net was also restated to add San Clemente Land Outfall capital assets, \$1.7 million. In fiscal year 2022 the change in net position was restated, an increase of \$8.9 thousand due to implementing GASB 96, right-to-use subscription assets.

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

**South Orange County Wastewater Authority
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

Capital Assets

At the end of Fiscal Years 2023, 2022 and 2021, the Authority’s capital assets, net amounted to \$161 million, \$161.4 million, and \$154.8 million, respectively, (net of accumulated depreciation and amortization). Capital assets include land, construction-in-progress, buildings, building improvements, computer hardware and software, furniture and fixtures, infrastructure, machinery and equipment, vehicles, lease assets, and subscription assets.



**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

Changes in capital assets were as follows:

	Capital Assets						
	June 30			Change between 2023 and 2022	% Change	Change between 2022 and 2021	% Change
	2023	2022 ¹	2021 ¹				
Capital assets, not depreciated:							
Land	\$ 14,402,224	\$ 14,402,224	\$ 14,402,224				
Construction in Progress	18,905,336	15,819,954	17,614,929	3,085,382	19.5%	-1,794,975	-10.2%
Total Capital assets, not depreciated	33,307,560	30,222,178	32,017,153	3,085,382	10.2%	-1,794,975	-5.6%
Capital assets and intangible, being depreciated and amortized:							
Capital assets and intangible assets, gross ¹	366,536,550	362,230,831	343,382,025	4,305,719	1.2%	18,848,806	5.5%
Accumulated depreciation and amortization ¹	-238,853,420	-231,023,238	-220,646,681	-7,830,182	3.4%	-10,376,558	4.7%
Total Capital assets and intangible, being depreciated and amortized ¹	127,683,130	131,207,593	122,735,344	-3,524,463	-2.7%	8,472,249	6.9%
Total capital assets and intangible, net ¹	\$160,990,690	\$161,429,771	\$154,752,497	\$ (439,082)	-0.3%	\$ 6,677,274	4.3%
Accumulated depreciation and amortization % capital assets and lease assets, gross	65.2%	63.8%	64.3%				

¹Fiscal Year 2021 capital assets, depreciable, net, were restated to include the addition of San Clemente Land Outfall capital assets, \$1.7 million, net, and lease assets were added, \$347 thousand, net. In fiscal year 2022 intangible assets were restated due to implementing GASB 96, right-to-use subscription assets, an increase of \$8.9 thousand.

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

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

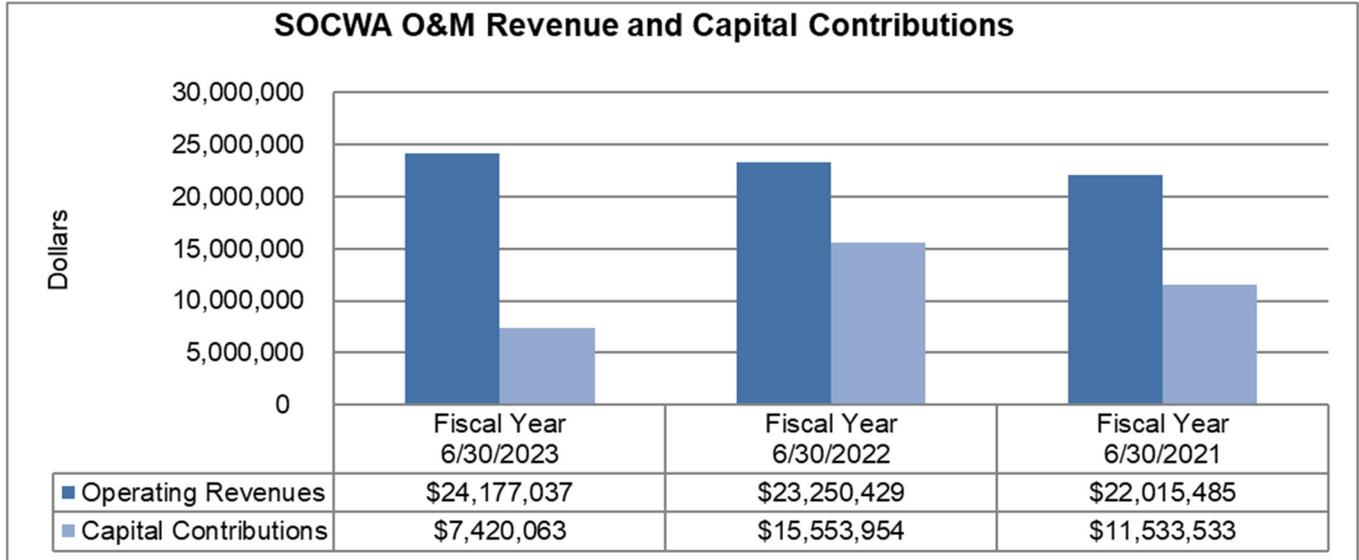
In Fiscal year 2022, capital assets, being depreciated and amortized, increased by \$8.5 million or 6.9% in the current year primarily due to completed assets placed in service from the large-scale facilities improvement projects at the three treatment plants.

Accumulated depreciation and amortization % capital assets, gross, increased to 65.2% from 63.8% due to the transfer of assets.

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

**South Orange County Wastewater Authority
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

Revenues



The principal operating revenues for SOCWA are charges to the Member Agencies for services. Operating revenue for Fiscal Year 2023 was \$24.2 million, an increase of \$927 thousand or 4% from Fiscal Year 2022 operating revenue of \$23.3 million, primarily due to inflationary cost increases.

Operating revenue for Fiscal Year 2022 was \$23.3 million, an increase of \$1.2 million or 5.6% from Fiscal Year 2021 operating revenue of \$22 million, primarily due to inflationary cost increases and operating expenses that were moved from Fiscal Year 2021 to help mitigate the financial strain of the COVID-19 pandemic.

Capital contributions in the current year were \$7.4 million, a decrease of \$8.1 million or 52% from Fiscal Year 2022 contributions of \$15.6 million. The change is due to progress and some completions on multi-year facilities improvement projects at the three treatment plants.

Capital contributions in Fiscal Year 2022 were \$15.6 million, an increase of \$4 million or 34.9% from Fiscal Year 2021 contributions of \$11.5 million. The change is due to work on multi-year facilities improvement projects at the three treatment plants.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

Changes in revenues were as follows:

South Orange County Wastewater Authority							
Revenues							
	June 30			Change between 2023 and 2022	% Change +/(-)	Change between 2022 and 2021	% Change +/(-)
	2023	2022	2021				
Operating Revenues:							
O&M Member Agency Assessments ¹	\$24,177,037	\$23,250,429	\$22,015,485	\$926,608	4.0%	\$1,234,945	5.6%
Non-Operating Revenues							
Interest Income ²	131,414	(78,137)	86,258	209,551	-268.2%	(\$164,394)	-190.6%
Lease assets interest expense	(4,027)	(3,113)	(3,746)	(914)	29.3%	\$633	
Loss on sale of capital assets	(1,214,914)						
Grant Revenue ³	444,175	384,130	148,623	60,044	15.6%	235,507	158.5%
Other revenues	35,655	13,749	8,248	21,906	159.3%	5,501	66.7%
Total Non-Operating Revenues	(607,697)	316,629	239,382	290,588	91.8%	77,247	32.3%
Capital Contributions							
Capital Contributions ⁴	7,420,063	15,553,954	11,533,533	(8,133,891)	-52.3%	4,020,421	34.9%
Total Capital Contributions	7,420,063	15,553,954	11,533,533	(8,133,891)	-52.3%	4,020,421	34.9%
Total Revenues	\$30,989,403	\$39,121,013	\$33,788,400	(\$6,916,696)	-17.7%	\$5,332,613	15.8%

¹O&M Member Agency Assessments in the current year increased by \$927 thousand or 4% from Fiscal Year 2022 operating revenue of \$23.3 million, primarily due to inflationary cost increases.

Operating revenue for Fiscal Year 2022 was \$23.3 million, an increase of \$1.2 million or 5.6% from Fiscal Year 2021 operating revenue of \$22 million, primarily due to inflationary cost increases and operating expenses that were moved from Fiscal Year 2021 to help mitigate the financial strain of the COVID-19 pandemic.

²Interest income, \$131 thousand, increased by \$210 thousand or 268% in the current year due to financial markets gain.

Fiscal Year 2022 Interest income, \$39 thousand, decreased by \$47 thousand or 54.5% in the current year due to reduced cash requirements for capital projects, and it has been netted with the LAIF fair market value adjustment, a reduction of \$117 thousand.

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

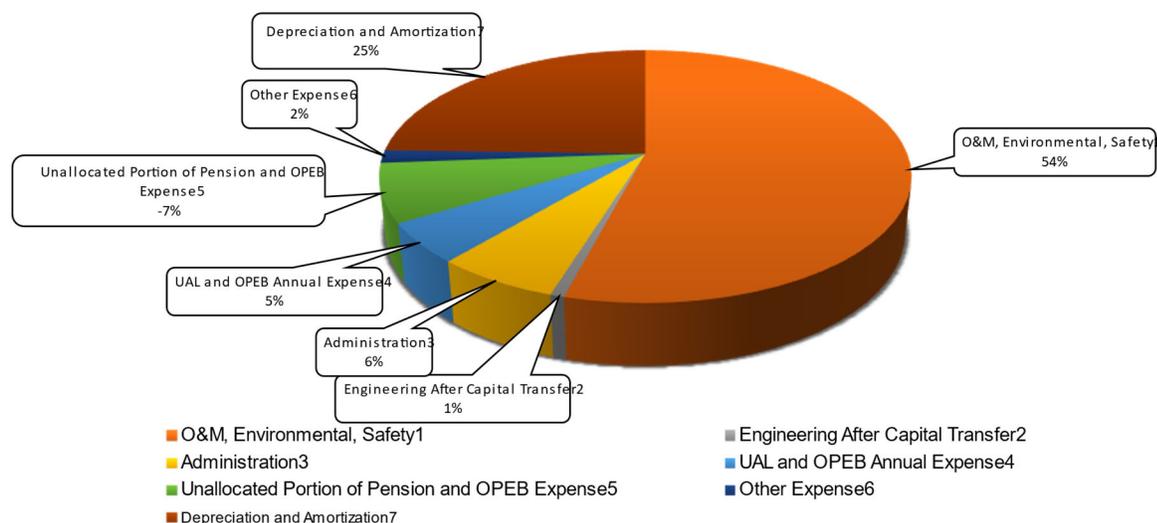
⁴Capital Contribution in the current year were \$7.4 million, a decrease of \$8.1 million or 52% from Fiscal Year 2022 contributions of \$15.6 million. The change is due to progress and some completions on multi-year facilities improvement projects at the three treatment plants.

Fiscal year 2022 Capital Contributions, \$15.6 million, increased by \$4 million or 34.9% in the current year due to work on the large-scale facilities improvement projects at the three treatment plants.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

Expenses

For the Year Ended June 30, 2023



Changes in expenses were as follows:

	Expenses			Change between 2023 and 2022	% Change +/(-)	Change between 2022 and 2021	% Change +/(-)
	June 30						
	2023	2022	2021				
Operating Expenses:							
O&M, Environmental, Safety ¹	\$19,722,115	\$18,543,813	\$18,026,588	\$1,178,302	6.4%	\$517,225	2.9%
Engineering After Capital Transfer ²	264,024	342,971	293,908	(78,947)	-23.0%	49,063	16.7%
Administration ³	2,333,340	2,143,248	2,161,324	190,092	8.9%	(18,076)	-0.8%
UAL and OPEB Annual Expense ⁴	1,857,596	1,639,829	1,457,381.03	217,767	13.3%	182,448.07	
Unallocated Portion of Pension and OPEB Expense ⁵	(2,726,222)	1,757,012	642,193	(4,483,234)	-255.2%	1,114,819	173.6%
Other Expense ⁶	591,358	196,534	876,478	394,824	200.9%	(679,944)	-77.6%
Depreciation and Amortization ⁷	8,944,062	8,711,653	7,712,530	232,409	2.7%	999,123	13.0%
Total Operating Expenses	\$30,986,273	\$33,335,060	\$31,170,402	(\$2,348,787)	-7.0%	\$2,164,658	6.9%

¹O&M increased by \$1.18 million or 6.4% in the current year due to inflationary costs increases.

O&M increased by \$517 thousand or 2.9% in Fiscal Year 2022 due to inflationary costs increases and expenses moved from Fiscal Year 2021 to mitigate the financial strain related to the COVID-19 pandemic.

²The Engineering change from year to year is primarily related to the amount of staff time spent on large capital projects.

³Administration increase is primarily Board matters.

⁴UAL and OPEB annual expense increases are primarily due to fluctuations in the financial markets.

⁵Unallocated portion of Pension and OPEB expense are due to fluctuations in the financial markets.

⁶Other expenses are primarily Non-Capital Engineering expenses, additional cash payments to member agencies, LAIF fair market value adjustment and GASB 87 lease accounting reduction in lease expense. The amounts will vary based on activity.

⁷Depreciation change from year to year is primarily due to new acquisitions.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year 6/30/2023	Fiscal Year 6/30/2022 ⁶	Fiscal Year 6/30/2021 ⁶	Change between 2023 and 2022		Change between 2022 and 2021	
				\$ +/-	% Change	\$ +/-	% Change
Operating Revenues							
O&M Member Agency Assessments ¹	\$24,177,037	\$23,250,429	\$22,015,485	\$926,608	4.0%	\$1,234,945	5.6%
Operating Expenses ²	22,042,211	24,623,407	23,457,872	(2,581,196)	-10.5%	1,165,535	5.0%
Depreciation Expense	8,944,062	8,711,653	7,712,530	232,409	2.7%	999,123	13.0%
Non-Operating Expenses/(Income) ³	607,697	(316,629)	(239,383)	924,326	-291.9%	(77,246)	32.3%
Total Expenses	31,593,970	33,018,431	30,931,019	(1,424,461)	-4.3%	2,087,412	6.7%
Capital Contributions ⁴	7,420,063	15,553,954	11,533,533	(8,133,891)	-52.3%	4,020,421	34.9%
Current Year Change in Net Position⁵	\$3,130	\$5,785,952	\$2,617,999	(\$5,782,823)	-99.9%	\$3,167,953	121.0%
Beginning Net Position (Restated) ⁶	\$147,579,566	\$141,793,614	\$139,175,615	\$5,785,952	4.1%	\$2,617,998	1.9%
Add Current Year Change	3,130	5,785,952	2,617,999	(5,782,823)	-99.9%	3,167,953	121.0%
Net Position before extraordinary items ⁶	\$147,582,696	\$147,579,566	\$141,793,614	\$3,130	0.0%	\$5,785,952	4.1%
Ending Net Position⁵	\$147,582,696	\$147,579,566	\$141,793,614	\$3,130	0.0%	\$5,785,952	4.1%

¹O&M Member Agency Assessments in the current year increased by \$927 thousand or 4% from Fiscal Year 2022 operating revenue of \$23.3 million, primarily due to inflationary cost increases.

Fiscal Year 2022 Member Agency Assessments increased by \$1.2 million or 5.6% due to inflation, and operating expenses moved from Fiscal Year 2021 to help mitigate the financial strain related to the COVID-19 pandemic.

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

³Non-Operating Income, \$607 thousand, is primarily grant revenue, \$444 thousand, from the electric companies for in-house generation of electricity. The amounts vary based on the amount of energy that is produced.

⁴Capital Contributions in the current year were \$7.4 million, a decrease of \$8.1 million or 52% from Fiscal Year 2022 contributions of \$15.6 million. The change is due to progress and some completions on multi-year facilities improvement.

Fiscal year 2022 Capital Contributions, \$15.6 million, increased by \$4 million or 34.9% in the current year due to work on large-scale facilities improvement projects at the three treatment plants.

⁵Net position change in the current year, \$3,130 decreased by \$5.8 million or 100% primarily due to reduced capital contributions as the facilities improvement projects are near completion.

Fiscal Year 2022 Net Position change, \$5.8 million, increased by \$3.2 million or 121% primarily due to capital contributions for facilities improvement projects.

⁶Fiscal Year 2021 beginning net position was restated to include the addition of San Clemente Land Outfall capital assets, \$1.7 million, net, and intangible assets and liabilities, a net reduction of \$1,750. Fiscal Year 2020 capital assets, net was also restated to add San Clemente Land Outfall capital assets, \$1.7 million. In fiscal year 2022 the change in net position was restated due to implementing GASB 96, right-to-use subscription assets.

**South Orange County Wastewater Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022**

Debt Administration

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

Economic Factors and Next Year's Budget

The Board of Directors adopted the Authority's 2023-2024 budget on June 1, 2023. The approval of the budget provides funding for the Authority's operating and capital costs for the 2023-2024 fiscal year.

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

Requests for Information

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

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Basic Financial Statements

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South Orange County Wastewater Authority
Statements of Net Position
June 30, 2023 and 2022

ASSETS	2023	2022 (As restated)
Current assets:		
Cash and investments (Note 3)	\$ 9,367,605	\$ 10,485,283
Receivables:		
Accounts	666,353	56,072
Due from Member Agencies	1,156,744	840,732
Interest	57,590	19,358
Total receivable, net	<u>1,880,687</u>	<u>916,162</u>
Prepaid items	<u>327,412</u>	<u>290,794</u>
Total current assets	<u>11,575,704</u>	<u>11,692,239</u>
Noncurrent asset:		
Capital assets:		
Nondepreciable (Note 4)	33,307,560	30,222,178
Depreciable, net (Note 4)	127,489,617	130,918,347
Intangible assets, net (Note 4)	<u>193,513</u>	<u>289,246</u>
Total noncurrent assets	<u>160,990,690</u>	<u>161,429,771</u>
Total assets	<u>172,566,394</u>	<u>173,122,010</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions (Note 8)	7,609,730	3,049,739
Other postemployment benefits (Note 7)	<u>658,890</u>	<u>863,519</u>
Total deferred outflows of resources	<u>8,268,620</u>	<u>3,913,258</u>
LIABILITIES		
Current liabilities:		
Accounts payable	3,185,397	2,451,972
Due to Member Agencies	2,843,664	1,720,819
Accrued payroll and related liabilities	544,810	245,023
Compensated absences - due within one year (Note 5)	477,071	197,365
Lease liability - due within one year (Note 6)	<u>43,496</u>	<u>53,887</u>
Total current liabilities	<u>7,094,438</u>	<u>4,669,066</u>
Noncurrent liabilities:		
Accrued payroll and related liabilities - due in more than one year	140,014	-
Compensated absences - due in more than one year (Note 5)	303,682	617,836
Lease liability - due in more than one year (Note 6)	145,814	229,570
Net other postemployment benefits liability (Note 7)	4,774,637	4,948,607
Net pension liability (Note 8)	<u>18,292,931</u>	<u>9,257,418</u>
Total noncurrent liabilities	<u>23,657,078</u>	<u>15,053,431</u>
Total liabilities	<u>30,751,516</u>	<u>19,722,497</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions (Note 8)	1,600,313	8,772,697
Other postemployment benefits (Note 7)	<u>900,489</u>	<u>960,508</u>
Total deferred inflows of resources	<u>2,500,802</u>	<u>9,733,205</u>
NET POSITION		
Net investment in capital assets	160,801,380	161,146,314
Unrestricted (deficit)	<u>(13,218,684)</u>	<u>(13,566,748)</u>
Total net position	<u>\$ 147,582,696</u>	<u>\$ 147,579,566</u>

South Orange County Wastewater Authority
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	2023	2022 (As restated)
OPERATING REVENUES:		
O&M Member Agency Assessments :		
City of Laguna Beach	\$ 2,909,957	\$ 3,133,218
City of San Clemente	192,034	182,040
City of San Juan Capistrano	2,056,766	2,138,571
Emerald Bay Service District	158,963	154,451
El Toro Water District	1,057,721	884,248
Irvine Ranch Water District	176,261	166,373
Moulton Niguel Water District	9,689,775	9,411,942
South Coast Water District	4,146,365	4,127,834
Santa Margarita Water District	3,756,078	3,029,218
Trabuco Canyon Water District	33,117	22,534
Total O&M Member Agency Assessments	<u>24,177,037</u>	<u>23,250,429</u>
Total Operating Revenues	<u>24,177,037</u>	<u>23,250,429</u>
OPERATING EXPENSES:		
O&M, Environmental, Compliance and Safety	19,722,115	18,543,813
Engineering after capital transfer	264,024	342,971
Administration	2,333,340	2,143,248
Unallocated portion of pension and OPEB expense (credit)	(868,626)	3,396,841
Other expense	591,358	196,534
Depreciation and amortization	8,944,062	8,711,653
Total Operating Expenses	<u>30,986,273</u>	<u>33,335,060</u>
Operating (Loss)	<u>(6,809,236)</u>	<u>(10,084,631)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income (investment loss)	131,414	(78,137)
Interest expense	(4,027)	(3,113)
Loss on sale of capital assets	(1,214,914)	-
Other revenues	479,830	397,879
Total Non-Operating Revenue (Expenses)	<u>(607,697)</u>	<u>316,629</u>
CAPITAL CONTRIBUTIONS FROM MEMBER AGENCIES:		
Member Agency Assessments:		
City of Laguna Beach	667,029	2,569,736
City of San Clemente	165,555	20,318
City of San Juan Capistrano	1,587,857	1,862,928
Emerald Bay Service District	33,553	201,544
El Toro Water District	185,129	68,091
Irvine Ranch Water District	84,778	18,945
Moulton Niguel Water District	1,904,403	5,778,969
South Coast Water District	1,702,445	3,526,656
Santa Margarita Water District	1,089,314	1,506,767
Total Member Agency Assessments	<u>7,420,063</u>	<u>15,553,954</u>
Total Capital Contributions from Member Agencies	<u>7,420,063</u>	<u>15,553,954</u>
Change in Net Position	3,130	5,785,952
NET POSITION:		
Beginning of year, as Restated (note 11)	147,579,566	141,793,614
End of year	<u>\$ 147,582,696</u>	<u>\$ 147,579,566</u>

See accompanying Notes to the Financial Statements.

South Orange County Wastewater Authority
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from Member Agencies	\$ 23,250,744	\$ 23,693,718
Cash payments to vendors and suppliers for operations	(12,788,488)	(23,300,509)
Cash payments to employees for services	(9,754,940)	(5,506,243)
Net cash provided by (used in) operating activities	707,316	(5,113,034)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from grant revenue	479,830	397,879
Net cash provided by noncapital financing activities	479,830	397,879
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Contributions received from Member Agencies for capital use	7,420,063	15,553,954
Acquisition of capital assets	(9,782,592)	(15,379,902)
Proceed from sale of capital assets	62,697	-
Principal paid on leases and subscription	(94,147)	(74,227)
Interest paid on leases and subscription	(4,027)	(3,113)
Net cash provided by (used in) capital and related financing activities	(2,398,006)	96,712
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment earnings (loss)	93,182	(87,195)
Net cash provided by (used in) investing activities	93,182	(87,195)
Net change in cash and cash equivalents	(1,117,678)	(4,705,638)
CASH AND CASH EQUIVALENTS:		
Beginning of year	10,485,283	15,190,921
End of year	<u>\$ 9,367,605</u>	<u>\$ 10,485,283</u>
RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net Operating (Loss)	\$ (6,809,236)	\$ (10,084,631)
Adjustments to reconcile net operating (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,944,062	8,711,653
Changes in operating assets and liabilities:		
Accounts receivable	(610,281)	3,406
Due from Member Agencies	(316,012)	439,883
Prepaid items	(36,618)	(92,085)
Pensions related deferred outflows of resources	(4,559,991)	228,321
OPEB related deferred outflows of resources	204,629	(271,985)
Accounts payable	733,425	(3,430,687)
Due to Member Agencies	1,122,845	(2,375,571)
Accrued payroll liabilities	439,801	20,027
Compensated absences	(34,448)	(62,041)
Net OPEB liability	(173,970)	806,128
Net pension liability	9,035,513	(6,270,265)
Pensions related deferred inflows of resources	(7,172,384)	8,001,410
OPEB related deferred inflows of resources	(60,019)	(736,597)
Net cash provided by (used in) operating activities	\$ 707,316	\$ (5,113,034)
NON CASH ITEM FROM INVESTING ACTIVITIES		
Unrealized gain (loss) on investments	\$ 11,585	\$ (117,343)

See accompanying Notes to the Financial Statements.

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Notes to the Basic Financial Statements

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South Orange County Wastewater Authority
Index to the Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

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

Note 1 – Reporting Entity.....	33
Note 2 – Summary of Significant Accounting Policies	33
Note 3 – Cash and Investments.....	40
Note 4 – Capital Assets	43
Note 5 – Compensated Absences	45
Note 6 – Lease and Subscription Liability.....	45
Note 7 – Other Postemployment Benefits	46
Note 8 – Defined Benefit Pension Plan.....	52
Note 9 – Risk Management	59
Note 10 – Net Position.....	60
Note 11 – Commitment and Contingencies.....	60
Note 12 – Restatement of 2022 Financial Statements.....	61

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South Orange County Wastewater Authority
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 1 – Reporting Entity

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

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

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

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

The Authority is comprised of the following nine member agencies:

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

The City of San Juan Capistrano ("CSJC") was separated from the Authority on September 15, 2021.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Cash, Cash Equivalents, and Investments

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

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

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

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

Inventories

Inventories of standby spare parts were consumed and/or reclassified to capital asset based on a fiscal year 2020 technical review that determined:

- Repairable spare parts are classified as other non-current assets similar to property, plant and equipment, rather than inventory because such parts are repaired and re-used over a long period of time, between three and ten years, the same period over which such parts are amortized.
- The Authority's purchased spare parts and standby equipment, once installed, will have a service life that exceeds 1 year.
- The parts are also standalone assets that meet the Authority's capitalization thresholds.

Prepaid Items

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

Capital Assets

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

Lease Asset and Liabilities

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

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

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

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

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

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

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

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Compensated Absences

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

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

Pensions

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

For the Year Ended	June 30, 2023	June 30, 2022
Valuation Date	June 30, 2021	June 30, 2020
Measurement Date	June 30, 2022	June 30, 2021
Measurement Period	July 1, 2021 to June 30, 2022	July 1, 2020 to June 30, 2021

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

Other Postemployment Benefits

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

The following timeframes are used for OPEB reporting:

For the Year Ended	June 30, 2023	June 30, 2022
Valuation Date	January 1, 2023	December 31, 2020
Measurement Date	June 30, 2023	June 30, 2022
Measurement Period	July 1, 2022 to June 30, 2023	July 1, 2021 to June 30, 2022

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

Net Position

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

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

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

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

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

Basis for Member Assessments

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

During the year ended June 30, 2023, the City of San Juan Capistrano O&M and capital Member Agency Assessments in the amounts of \$2,056,722 and \$1,587,857, respectively were paid by the Santa Margarita Water District.

Use of Estimates

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

Implementation of New GASB Pronouncements

During fiscal year ended June 30, 2023, the Authority implemented the following new GASB pronouncement:

May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96), to provide guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- -an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation of this Statement had a moderate effect on the Authority's financial statements for the fiscal year ended June 30, 2023.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 3 – Cash and Investments

At June 30, 2023 and 2022, the Authority's cash and investments were comprised of the following:

	June 30, 2023	June 30, 2022
Petty cash	\$ 1,600	\$ 1,600
Demand deposits	999,850	1,486,885
Local Agency Investments Fund	8,366,155	8,996,798
Total cash and investments	\$ 9,367,605	\$ 10,485,283

A. Demand Deposits

At June 30, 2023 and 2022, the carrying amount of demand deposit was \$999,850 and \$1,486,885, respectively. Bank balances at that date were \$1,174,308 and \$1,713,935, the total amount of which was fully insured and/or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below.

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

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

B. Investments

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

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

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 3 – Cash and Investments (Continued)

C. Investment in Local Agency Investment Fund

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

- **Government Securities Structured Notes** – debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- **Asset-Backed Securities** – the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

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

As of June 30, 2023 and 2022, the Authority had \$8,366,155 and \$8,996,798 invested in LAIF, which had invested 2.78% and 1.88% of the pool investment funds as of June 30, 2023 and 2022, in Government Securities Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The credit quality rating of LAIF is unrated as of June 30, 2023 and 2022.

D. Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2023 and 2022, the Authority's investment portfolio consisted of \$8,366,155 and \$8,996,798 invested in the State of California Local Agency Investment Fund, which is valued at amortized cost and "uncategorized" under the fair value hierarchy.

E. Risk Disclosures

Disclosures Relating to Interest Rate Risk

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 3 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2023 and 2022, the Authority's investment portfolio consisted of \$8,366,155 and \$8,996,798 invested in the State of California Local Agency Investment Fund, which is not rated.

Disclosures Relating to Custodial Credit Risk

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 4 – Capital Assets

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

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

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 4 – Capital Assets (Continued)

The summary of changes in capital assets and lease assets for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions (As Restated)	Deletions	Transfer	June 30, 2022 (As Restated)
Capital assets, not depreciated					
Land	\$ 14,402,224	\$ -	\$ -		\$ 14,402,224
Construction In Progress	17,614,929	15,379,902	-	(17,174,877)	15,819,954
Total capital assets, not depreciated	32,017,153	15,379,902	-	(17,174,877)	30,222,178
Capital assets, being depreciated					
Buildings	10,727,125	-	-	-	10,727,125
Buildings Improvements	13,185,016	-	-	821,176	14,006,192
Computer Hardware	1,655,943	-	-	68,598	1,724,541
Computer Software	299,703	-	-	-	299,703
Furniture and Fixtures	160,036	-	-	-	160,036
Infrastructure	171,868,935	-	-	6,371,252	178,240,187
Machinery and Equipment	145,257,142	-	-	9,849,267	155,106,409
Vehicles	1,479,474	-	-	64,584	1,544,058
Total capital assets, being depreciated	344,633,374	-	-	17,174,877	361,808,251
Less accumulated depreciation					
Buildings	(7,570,869)	(173,321)	-	-	(7,744,190)
Buildings Improvements	(4,232,359)	(516,708)	-	-	(4,749,067)
Computer Hardware	(1,211,552)	(251,560)	-	-	(1,463,112)
Computer Software	(178,313)	(25,359)	-	-	(203,672)
Furniture and Fixtures	(164,408)	4,372	-	-	(160,036)
Infrastructure	(121,198,557)	(3,318,503)	-	-	(124,517,060)
Machinery and Equipment	(86,740,404)	(4,276,849)	-	-	(91,017,253)
Vehicles	(948,477)	(87,037)	-	-	(1,035,514)
Total accumulated depreciation	(222,244,939)	(8,644,965)	-	-	(230,889,904)
Total capital assets, being depreciated, net	122,388,435	(8,644,965)	-	17,174,877	130,918,347
Intangible assets, being amortized:					
Right-to-use lease assets	413,555	-	-	-	413,555
Right-to-use subscription assets	-	9,025	-	-	9,025
Total lease assets	413,555	9,025	-	-	422,580
Less accumulated amortization					
Right-to-use lease assets	(66,646)	(66,646)	-	-	(133,292)
Right-to-use subscription assets	-	(42)	-	-	(42)
Total accumulated amortization	(66,646)	(66,688)	-	-	(133,334)
Total intangible assets, being amortized, net	346,909	(57,663)	-	-	289,246
Total capital assets, net	\$ 154,752,497	\$ 6,677,274	\$ -	\$ -	\$ 161,429,771

Depreciation and amortization expense for the year ended June 30, 2022 were \$8,711,653.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 5 – Compensated Absences

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

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

The summary of changes in compensated absences for the year ended June 30, 2022 was as follows:

	Balance	Additions	Deletions	Balance	Classification	
	July 1, 2021			June 30, 2022	Current	Long-term
Compensated absences	\$ 877,242	\$ 580,637	\$ (642,678)	\$ 815,201	\$ 197,365	\$ 617,836

Note 6 – Lease and Subscription Liability

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

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

A summary of changes in lease and subscription liability debt for the year ended June 30, 2022 is as follows:

	Balance	Additions	Deletions	Balance	Due within	Due in More
	July 1, 2021	(As Restated)	(As Restated)	June 30, 2022	One Year	Than One Year
Lease liability	\$ 348,659	\$ -	\$ (65,202)	\$ 283,457	\$ 53,887	\$ 229,570
Subscription liability	-	9,025	(9,025)	-	-	-
Total	\$ 348,659	\$ 9,025	\$ (74,227)	\$ 283,457	\$ 53,887	\$ 229,570

Lease Liability

The Authority has entered into leases for building space and equipment use. The terms of the agreements range from 25 to 60 months. The calculated interest rates used were from 0.6870% to 3.4450%. At June 30, 2023 and 2022, the outstanding balance of the leases is \$189,310 and \$283,457, respectively.

Principal and interest payments to maturity as of June 30, 2023 are as follows:

Year Ending	Principal	Interest	Total
June 30,			
2024	\$ 43,496	\$ 2,031	\$ 49,462
2025	44,820	1,553	49,462
2026	46,190	1,075	49,462
2027	41,018	592	49,462
2028	13,786	125	37,096
Total	\$ 189,310	\$ 5,376	\$ 234,944

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 6 – Lease and Subscription Liability (Continued)

Subscription Liability

The Authority has entered into subscriptions for information technology arrangements. The term of the arrangement was 36 months with implicit rate of 2.184%. The Authority paid the subscription at the inception of subscription arrangement; therefore, there were no subscription liability at June 30, 2023 and 2022.

Note 7 – Other Postemployment Benefits (“OPEB”)

General Information about the OPEB

Plan Description and Eligibility

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

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

Employees Covered by Benefit Terms

At the June 30, 2023 and June 30, 2022, year-end dates, the following employees were covered by the benefit terms under the OPEB Plan:

	2023	2022
Active employees	54	64
Inactive employees or beneficiaries currently receiving benefits	50	50
Inactive employees entitled to, but not yet receiving benefits	-	-
Total	104	114

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)

General Information about the OPEB (Continued)

Contribution

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

Net OPEB Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

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

Actuarial Cost Method	Entry Age Normal			
Actuarial Assumptions:				
Discount Rate	6.50%			
Salary increases	2.80% per year with the 2021 CalPERS merit scale The payroll growth rates are based on the 2021 CalPERS pension plan valuation.			
Turnover	The termination rates are based on the rates under the 2021 experience study for the CalPERS pension plan.			
Mortality	General: SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021. Surviving Spouses: SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021 .			
Healthcare Trend Rate				
	2023	6.50%	2028	5.25%
	2024	6.25%	2029	5.00%
	2025	6.00%	2030	4.75%
	2026	5.75%	2031+	4.50%
	2027	5.50%		

Change of Assumption

For the January 1, 2023 and December 31, 2020 valuation, the discount rate remained at 6.50 percent. For measurement period ended June 30, 2023, inflation was changed from 2.75% to 2.80%. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

There were no changes of assumption during the measurement period June 30, 2022.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)

Net OPEB Liability (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investment is assumed to be 6.50%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.75%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan’s target asset allocation as of June 30, 2023 and 2022 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return¹</u>
Fixed Income	35%	N/A
Equities	60%	N/A
Cash	5%	N/A
Total	<u>100%</u>	<u>6.50</u>

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

Discount Rate

The discount rate used to measure the 2023 and 2022 total OPEB liability were 6.50 percent for both years.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)

Change in the Net OPEB Liability

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

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

The following table shows the changes in net OPEB liability recognized over the measurement period of July 1, 2021 to June 30, 2022.

	2022		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)=(a)-(b)
Balance at June 30, 2021	\$ 10,799,701	\$ 6,657,222	\$ 4,142,479
Changes Recognized for the Measurement Period:			
Service Cost	226,409	-	226,409
Interest on the total OPEB liability	695,353	-	695,353
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(377,647)	-	(377,647)
Changes in assumptions	-	-	-
Contribution from the employer	-	667,236	(667,236)
Net investment income	-	(891,743)	891,743
Administrative expenses	-	(37,506)	37,506
Benefit payments	(667,236)	(667,236)	-
Net changes during July 1, 2021 to June 30, 2022	(123,121)	(929,249)	806,128
Balance at June 30, 2022 (Measurement Date)	\$ 10,676,580	\$ 5,727,973	\$ 4,948,607

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)

Change in the Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in Discount Rate

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current discount rate, for the measurement periods ended June 30, 2023 and 2022:

Measurement Date	Plan’s Net OPEB Liability		
	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
	(5.50%)	(6.50%)	(7.50%)
June 30, 2023	\$ 6,013,883	\$ 4,774,637	\$ 3,574,421
June 30, 2022	\$ 6,265,966	\$ 4,948,607	\$ 3,860,444

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

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current healthcare cost trend rates, for the measurement periods ended June 30, 2023 and 2022:

Measurement Date	Plan’s Net OPEB Liability		
	Trend -1%	Current Trend Rate	Trend +1%
	5.50% decreasing to 3.50%	6.50% decreasing to 4.50%	7.50% decreasing to 5.50%
June 30, 2023	\$ 3,469,407	\$ 4,774,637	\$ 6,171,255
June 30, 2022	\$ 3,645,571	\$ 4,948,607	\$ 6,556,074

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)

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

For the years ended June 30, 2023 and 2022, the Authority recognized OPEB expense in the amounts of \$681,060 and \$464,782, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 186,082	\$ (92,197)	\$ 375,132	\$ -
Difference between expected and actual experience	193,675	(808,292)	-	(960,508)
Differences between projected and actual earnings on OPEB plan investments	279,133	-	488,387	-
Total	<u>\$ 658,890</u>	<u>\$ (900,489)</u>	<u>\$ 863,519</u>	<u>\$ (960,508)</u>

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

<u>2023</u>		<u>2022</u>	
<u>Year Ending June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>	<u>Year Ending June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (44,952)	2023	\$ 123,821
2025	(84,064)	2024	(27,070)
2026	131,770	2025	(66,182)
2027	(132,884)	2026	149,651
2028	(102,321)	2027	(115,000)
Thereafter	(9,148)	Thereafter	(162,209)
Total	<u>\$ (241,599)</u>	Total	<u>\$ (96,989)</u>

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

The Authority contributes to the California Public Employees’ Retirement System (“CalPERS”), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2021 and 2020 Annual Actuarial Valuation Reports. These reports and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

Employees Covered by Benefit Terms

At June 30, 2021 and 2020 valuation dates, the following employees were covered by the benefit terms:

	2021			2020		
	Tier 1	Tier 2	PEPRA	Tier 1	Tier 2	PEPRA
Active employees	15	8	37	15	8	36
Transferred and terminated employees	15	1	6	18	1	3
Separated	14	0	8	15	0	6
Retired Employees and Beneficiaries	88	0	0	84	0	0
Total	132	9	51	132	9	45

Benefit Provided

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

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

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 8 – Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	2022		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.000%	2.000%	1.000 % to 2.500%
Require employee contribution rates	8.000%	7.000%	6.750%
Required employer contribution rates	12.200%	10.880%	7.590%

Contributions

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

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2021 and 2020 valuations were rolled forward to determine the June 30, 2022 and 2021 total pension liabilities, based on the following actuarial methods and assumptions:

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 8 – Defined Benefit Pension Plan (Continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

Actuarial Cost Method

Actuarial Assumption:	Entry Age Actuarial Cost Method
Discount Rate	6.90% for June 30, 2022 and 7.15% for June 30, 2021
Inflation	2.30%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

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

The mortality table used in 2021 was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Change of Assumption

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension and fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

In 2021, there were no changes of assumptions.

Long-Term Expected Rate of Return

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 8 – Defined Benefit Pension Plan (Continued)

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

Long-Term Expected Rate of Return (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

2022		
Asset Class	Assumed Asset Allocation	Real Return ^{1,2}
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

¹ An expected inflation of 2.30% used

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

2021			
Asset Class ¹	Assumed Asset Allocation	Real Return Yyears 1-10 ²	Real Return Yyears 11+ ³
Public Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100.00%		

¹ In the CalPERS' Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period

³ An expected inflation of 2.92% used for this period

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 8 – Defined Benefit Pension Plan (Continued)

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

Discount Rate

The discount rate used to measure the June 30, 2022 and 2021 total pension liability were 6.90% and 7.15%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability of the Plan as of the measurement date at June 30, 2022 and 2021, calculated using the discount rates of 6.90% and 7.15% for the June 30, 2022 and 2021 Measurement Date, respectively, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90% and 6.15%) or 1 percentage-point higher (7.90% and 8.15%) than the current rate:

Measurement Date	Plan's Aggregate Net Pension Liability/(Asset)																
	Discount Rate	Current Discount	Discount Rate														
	-1% (5.90%)	Rate (6.90%)	+1% (7.90%)														
June 30, 2022	27,350,338	18,292,931	10,840,933														
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="3" style="text-align: center; border-bottom: 1px solid black;">Measurement Date</th> <th colspan="3" style="text-align: center; border-bottom: 1px solid black;">Plan's Aggregate Net Pension Liability/(Asset)</th> </tr> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Discount Rate</th> <th style="text-align: center; border-bottom: 1px solid black;">Current Discount</th> <th style="text-align: center; border-bottom: 1px solid black;">Discount Rate</th> </tr> <tr> <th style="text-align: center; border-bottom: 1px solid black;">-1% (6.15%)</th> <th style="text-align: center; border-bottom: 1px solid black;">Rate (7.15%)</th> <th style="text-align: center; border-bottom: 1px solid black;">+1% (8.15%)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">June 30, 2021</td> <td style="text-align: right;">\$ 17,466,537</td> <td style="text-align: right;">\$ 9,257,418</td> <td style="text-align: right;">\$ 2,471,058</td> </tr> </tbody> </table>				Measurement Date	Plan's Aggregate Net Pension Liability/(Asset)			Discount Rate	Current Discount	Discount Rate	-1% (6.15%)	Rate (7.15%)	+1% (8.15%)	June 30, 2021	\$ 17,466,537	\$ 9,257,418	\$ 2,471,058
Measurement Date	Plan's Aggregate Net Pension Liability/(Asset)																
	Discount Rate	Current Discount	Discount Rate														
	-1% (6.15%)	Rate (7.15%)	+1% (8.15%)														
June 30, 2021	\$ 17,466,537	\$ 9,257,418	\$ 2,471,058														

Pension Plan Fiduciary Net Position

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 8 – Defined Benefit Pension Plan (Continued)

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

Proportionate Share of Net Pension Liability and Pension Expense

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2021 (Valuation Date)	\$ 62,175,735	\$ 52,918,317	\$ 9,257,418
Balance at June 30, 2022 (Measurement Date)	66,443,205	48,150,274	18,292,931
Net changes during 2021-2022	4,267,470	(4,768,043)	9,035,513
Balance at June 30, 2020 (Valuation Date)	\$ 59,026,089	\$ 43,498,406	\$ 15,527,683
Balance at June 30, 2021 (Measurement Date)	62,175,735	52,918,317	9,257,418
Net changes during 2020-2021	3,149,646	9,419,911	(6,270,265)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement periods ended June 30, 2022 and 2021, respectively.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2021 and 2020). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2022 and 2021). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2022 and 2021 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2021-2022 and 2020-2021).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 8 – Defined Benefit Pension Plan (Continued)

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

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

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

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

2023		2022	
Measurement Date		Measurement Date	
June 30, 2021	0.17117%	June 30, 2020	0.14271%
June 30, 2022	0.15837%	June 30, 2021	0.17117%
Change - Increase (Decrease)	-0.01280%	Change - Increase (Decrease)	0.02846%

For the year ended June 30, 2023 and 2022, the Authority recognized pension expense (credit) in the amounts of \$(754,286) and \$3,743,103, respectively.

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the measurement date ended June 30, 2022 and 2021 are both 3.7 years, which was obtained by dividing the total service years of 574,665 and 561,622 (the sum of remaining service lifetimes of the active employees) by 153,587 and 150,648 (the total number of participants: active, inactive, and retired), respectively.

At June 30, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 1,942,569	\$ -	\$ 1,783,637	\$ -
Changes of assumptions	1,874,493	-	-	-
Difference between expected and actual experience	367,358	(246,040)	1,038,120	-
Projected earnings on pension plan investments under/(in excess of) actual earnings	3,350,779	-	-	(8,081,236)
Adjustment due to differences in proportions		-	227,982	(31,530)
Change in employer's proportion	74,531	(515,557)	-	-
Employer's actual contributions in excess of/(under) employer's proportionate share of contribution	-	(838,716)	-	(659,931)
Total	\$ 7,609,730	\$ (1,600,313)	\$ 3,049,739	\$ (8,772,697)

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 8 – Defined Benefit Pension Plan (Continued)

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

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

Deferred outflows of resources related to pensions resulting from the Authority's contributions made subsequent to the measurement date in the amount of \$1,942,569 and \$1,783,637 will be recognized as a reduction of the collective net pension liability in the years ending June 30, 2024 and 2023, respectively.

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

2023		2022	
Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources Miscellaneous	Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources Miscellaneous
2024	\$ 850,256	2023	\$ (1,656,966)
2025	749,832	2024	(1,736,662)
2026	417,309	2025	(1,879,730)
2027	2,049,451	2026	(2,233,237)
2028	-	2027	-
Thereafter	-	Thereafter	-
Total	<u>\$ 4,066,848</u>	Total	<u>\$ (7,506,595)</u>

Note 9 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has joined the California Sanitation Risk Management Authority ("CSRMA"), a public entity risk pool currently operating as a common risk management and insurance program for 62-member sanitation districts. The Authority pays an annual premium to CSRMA for its general insurance coverage. The agreement for formation of the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process.

At June 30, 2023 and 2022, the Authority's participation in the insurance with California Sanitation Risk Management Authority, CSRMA, a pooled liability program, was as follows:

- **Workers' Compensation** – the Authority is self-insured through the CSRMA up to \$1,000,000 and \$750,000 per occurrence with a \$0 deductible at June 30, 2023 and 2022, respectively. Excess insurance up to the statutory limits per occurrence has been purchased. Excess insurance of \$1,000,000 for employer's liability has also been purchased for both years ended June 30, 2023 and 2022.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 9 – Risk Management (Continued)

- General Liability (including errors and omissions ("E&O") and employment practices liability ("EPL")) - the Authority is insured through the CSRMA at first layer coverage of \$500,000 (\$100,000 for EPL) with a \$25,000 deductible (\$2,500 for E&O). Excess insurance is purchased by CSRMA at two levels: \$10,000,000 and \$15,500,000 per occurrence for both years ended June 30, 2023 and 2022. .

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

For property and pooled liability insurance, the premiums paid fiscal year ended June 30, 2023 and 2022 totaled \$626,896 and \$410,049, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10 – Net Position

A. Net Investments in Capital Assets

The following is the calculation of net investment in capital assets at June 30, 2023 and 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Capital Assets, net of		
accumulated depreciation and amortization	160,990,690	161,429,771
Less: outstanding principal on capital related debt	<u>(189,310)</u>	<u>(283,457)</u>
Net investments in capital assets	<u>160,801,380</u>	<u>161,146,314</u>

B. Unrestricted Net Position

The Authority had deficit net position of \$(13,218,864) and \$(13,566,748) at June 30, 2023, and 2022. The deficit was mainly due to the reporting of the net other postemployment benefits liability and the net pension liability. The net other postemployment benefits liability were \$4,774,637 and \$4,948,607 at June 30, 2023 and 2022, respectively. The net pension liability were \$18,292,931 and \$9,257,418 at June 30, 2023 and 2022, respectively.

Note 11 – Commitment and Contingencies

A. General Lawsuits

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

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 11 – Commitment and Contingencies (Continued)

B. Commitments

The Authority had several outstanding or planned construction and other projects as of June 30, 2023 and 2022. These projects are evidenced by contractual commitments within engineering related services and the outstanding balance as of June 30, 2023 and 2022 was \$12,848,222 and \$12,354,074, respectively.

Note 12 – Restatement of 2022 Financial Statements

As a result of implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, the restatements of 2022 Financial Statements are as follows:

	Statement of Net Position				
	<u>Intangible Assets</u>	<u>Total Net Position</u>			
As previously reported at June 30, 2022	\$ 280,263	\$ 147,570,583			
Subscription assets, net	8,983	8,983			
As restated at June 30, 2022	<u>\$ 289,246</u>	<u>\$ 147,579,566</u>			

	Net Position			Statement of Cash Flows	
	<u>Operating Expenses: Administration</u>	<u>Operating Expenses: Depreciation and Amortization</u>	<u>Change in Net Position</u>	<u>Cash payments to vendors and suppliers for operations</u>	<u>Principal paid on leases and subscription</u>
As previously reported for the year ended June 30, 2022	\$ 2,152,273	\$ 8,711,611	\$ 5,776,969	\$ (23,309,534)	\$ (65,202)
Subscription assets	(9,025)	42	8,983	9,025	(9,025)
As restated for the year ended June 30, 2022	<u>\$ 2,143,248</u>	<u>\$ 8,711,653</u>	<u>\$ 5,785,952</u>	<u>\$ (23,300,509)</u>	<u>\$ (74,227)</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 Years Ended June 30, 2023 and 2022

Last Ten Fiscal Years

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

For the measurement date:	<u>June 30, 2014¹</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Authority's proportion of the net pension liability/(asset)	<u>0.10903%</u>	<u>0.13190%</u>	<u>0.13350%</u>	<u>0.13522%</u>	<u>0.13684%</u>
Authority's proportionate share of the net pension liability/(asset)	<u>\$ 6,794,277</u>	<u>\$ 9,054,535</u>	<u>\$ 11,549,944</u>	<u>\$ 13,410,437</u>	<u>\$ 13,186,316</u>
Authority's covered payroll	<u>\$ 5,215,673</u>	<u>\$ 5,452,666</u>	<u>\$ 5,616,113</u>	<u>\$ 5,784,596</u>	<u>\$ 6,083,399</u>
Authority's proportionate share of the net pension liability/(asset) as a percentage of covered payroll	<u>130.27%</u>	<u>166.06%</u>	<u>205.66%</u>	<u>231.83%</u>	<u>216.76%</u>
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	<u>83.03%</u>	<u>78.43%</u>	<u>74.15%</u>	<u>73.31%</u>	<u>74.75%</u>

¹ The required supplementary information are intended to show information for ten years. The tenth year information will be displayed as it becomes available.

**South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)**

**Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)
For the Years Ended June 30, 2023 and 2022**

Last Ten Fiscal Years

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

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

**South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Contributions - Pensions
For the Years Ended June 30, 2023 and 2022**

Last Ten Fiscal Years

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

Fiscal year end	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Actuarially determined contribution ²	\$ 759,739	\$ 780,373	\$ 495,877	\$ 521,940	\$ 1,094,606
Contribution in relation to the actuarially determined contribution ²	<u>(759,739)</u>	<u>(780,373)</u>	<u>(1,121,220)</u>	<u>(1,019,645)</u>	<u>(1,094,606)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (625,343)</u>	<u>\$ (497,705)</u>	<u>\$ -</u>
Authority's covered payroll ³	<u>\$ 5,215,673</u>	<u>\$ 5,452,666</u>	<u>\$ 5,616,113</u>	<u>\$ 5,784,596</u>	<u>\$ 6,083,399</u>
Contributions as a percentage of covered payroll	<u>14.57%</u>	<u>14.31%</u>	<u>19.96%</u>	<u>17.63%</u>	<u>17.99%</u>

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

² Includes one year's payroll growth using 2.80% payroll growth assumption from fiscal year ended June 30, 2022 to June 30, 2023.

Notes to Schedule

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

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

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Contributions - Pensions (Continued)
For the Years Ended June 30, 2023 and 2022

Last Ten Fiscal Years

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

Fiscal year end	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Actuarially determined contribution	\$ 1,297,346	\$ 1,441,008	\$ 1,620,095	\$ 1,783,637	\$ 1,942,569
Contribution in relation to the actuarially determined contribution ²	<u>(1,297,346)</u>	<u>(1,441,008)</u>	<u>(1,620,095)</u>	<u>(1,783,637)</u>	<u>(1,942,569)</u>
Contribution deficiency/(excess)	<u>\$ -</u>				
Authority's covered payroll	<u>\$ 6,456,681</u>	<u>\$ 6,456,681</u>	<u>\$ 6,607,567</u>	<u>\$ 6,633,831</u>	<u>\$ 6,819,578</u>
Contributions as a percentage of covered payroll	<u>20.09%</u>	<u>22.32%</u>	<u>24.52%</u>	<u>26.89%</u>	<u>28.49%</u>

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Years Ended June 30, 2023 and 2022

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Measurement period	<u>2017-2018¹</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Total OPEB Liability:					
Service Cost	\$ 256,866	\$ 274,847	\$ 231,479	\$ 264,352	\$ 226,409
Interest	677,737	713,467	692,192	710,590	695,353
Changes of benefit terms	-	(42,119)	-	-	-
Differences between expected and actual experience	-	(822,505)	-	(840,089)	(377,647)
Changes of assumptions	-	109,406	607,338	297,733	-
Contribution from the employer	-	-	-	-	-
Benefit payments, including refunds of member contributions	(354,582)	(529,726)	(457,597)	(592,075)	(667,236)
Net change in Total OPEB Liability	580,021	(296,630)	1,073,412	(159,489)	(123,121)
Beginning of Year	9,602,387	10,182,408	9,885,778	10,959,190	10,799,701
End of Year	\$ 10,182,408	\$ 9,885,778	\$ 10,959,190	\$ 10,799,701	\$ 10,676,580
Plan Fiduciary Net Position:					
Employer contribution	\$ 585,582	\$ 529,726	\$ 457,597	\$ 592,075	\$ 667,236
Employee contributions	-	-	-	-	-
Contributions - nonemployer contributing member	-	-	-	-	-
Net investment income	348,619	341,412	163,035	1,420,672	(891,743)
Benefit payments	(354,582)	(529,726)	(457,597)	(592,075)	(667,236)
Administrative expenses	(26,133)	(27,005)	(30,213)	(34,089)	(37,506)
Net changes in Fiduciary Net Position	553,486	314,407	132,822	1,386,583	(929,249)
Beginning of Year	4,269,924	4,823,410	5,137,817	5,270,639	6,657,222
End of Year	\$ 4,823,410	\$ 5,137,817	\$ 5,270,639	\$ 6,657,222	\$ 5,727,973
Net OPEB Liability	\$ 5,358,998	\$ 4,747,961	\$ 5,688,551	\$ 4,142,479	\$ 4,948,607
Fiduciary Net Position as a percentage of Total OPEB Liability	47.37%	51.97%	48.09%	61.64%	53.65%
Covered Employee Payroll	\$ 6,083,399	\$ 6,456,681	\$ 6,456,681	\$ 6,607,567	\$ 6,812,966
Net OPEB Liability as a percentage of Covered Employee Payroll	88.09%	73.54%	88.10%	62.69%	72.64%

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

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios (Continued)
For the Years Ended June 30, 2023 and 2022

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB") (Continued)

	2022-2023
Measurement period	
Total OPEB Liability:	
Service Cost	\$ 226,817
Interest	685,995
Changes of benefit terms	-
Differences between expected and actual experience	217,884
Changes of assumptions	(103,722)
Contribution from the employer	-
Benefit payments, including refunds of member contributions	(710,421)
Net change in Total OPEB Liability	316,553
Beginning of Year	10,676,580
End of Year	\$ 10,993,133
Plan Fiduciary Net Position:	
Employer contribution	\$ 710,421
Employee contributions	-
Contributions - nonemployer contributing member	-
Net investment income	524,077
Benefit payments	(710,421)
Administrative expenses	(33,554)
Net changes in Fiduciary Net Position	490,523
Beginning of Year	5,727,973
End of Year	\$ 6,218,496
Net OPEB Liability	\$ 4,774,637
Fiduciary Net Position as a percentage of Total OPEB Liability	56.57%
Covered Employee Payroll	\$ 6,850,169
Net OPEB Liability as a percentage of Covered Employee Payroll	69.70%

**South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Contributions - OPEB
For the Years Ended June 30, 2023 and 2022**

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

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

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

Notes to Schedule

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

**South Orange County Wastewater Authority
 Required Supplementary Information (Unaudited)
 Schedule of the Authority's Contributions - OPEB (Continued)
 For the Years Ended June 30, 2023 and 2022**

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB") (Continued)

Fiscal year end	<u>2022-2023</u>
Actuarially Determined	
Employer Contribution	\$ 648,238
Contributions in relation to the actuarially determined contribution	<u>(710,421)</u>
Contribution deficiency (excess)	<u>\$ (62,183)</u>
 Covered Employee Payroll	 6,850,169
 Contributions as a percentage of covered-employee payroll	 10.37%

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**STATISTICAL
SECTION
(UNAUDITED)**

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South Orange County Wastewater Authority

Summary of Statistical Section

For the Year Ended June 30, 2023

This section of the Authority's Annual Comprehensive Financial Report presents a historical view of the Authority's financial information over time to assist the reader in understanding what the information in the financial statements, note disclosures, and supplementary information says about SOCWA's overall financial condition.

Statistical Section

Contents

Financial Trend

Net Position by Component - Last 10 Fiscal Years	76
Capital and Intangible Assets by Component - Last 10 Fiscal Years	78
Chart - Net Investment in Capital Assets, Lease and Subscription Assets - Last 10 Fiscal Years	81
Long-Term Liabilities by Component - Last 10 Fiscal Years	82
Net Pension (CalPERS) Liability by Member Agency - Last 7 Fiscal Years	85
Chart - Net Pension Liability by Member Agency - Last 7 Fiscal Years	85
Net OPEB (Retiree Health) Liability by Member Agency - Last 10 Fiscal Years	86
Chart - OPEB (Retiree Health) Liability by Member Agency - Last 10 Fiscal Years	87
Long-Term Compensated Absences Liability by Member Agency - Last 10 Fiscal Years	88
Changes in Net Position - Last 10 Fiscal Years	90

Revenue Capacity

These schedules provides the Authority's historical revenue from its ten Member Agencies based on their usage of SOCWA's services.

Chart - Operating Revenue and Capital Contributions - Last 10 Fiscal Years	92
Chart - Operating Revenue & Capital Contributions by Principal Users - Last 10 Fiscal Years	94
Grant Revenue - Received for Eight, Non-consecutive Years ¹	95

Debt Capacity

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

Demographic Information

This schedule offers demographic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Demographic and Economic Statistics - Last 10 Fiscal Years	97
Employment by Industry - Current Fiscal Year and Nine Years Ago.....	98

Operating Information

These schedules contain detailed information on the Authority's Cost by Project Committee, Member Agencies historical usage (flows and solids loading) and capital investments over time.

Personnel Trends by Department - Last 7 Fiscal Years	99
O&M Cost Drivers - Last 5 Fiscal Years	100
O&M Expenditures by Project Committee Fiscal Year 2023 (O&M Dept.)	102
O&M Expenditures by Project Committee Fiscal Year 2022 (O&M Dept.)	104
O&M Expenditures by Project Committee and Member Agency Fiscal Year 2023	106
O&M Expenditures by Project Committee and Member Agency Fiscal Year 2022	108
O&M Expenditures/Operating Revenue by Project Committee and Member Agency Fiscal Year 2023	110
O&M Expenditures/Operating Revenue by Project Committee and Member Agency Fiscal Year 2022	112
Operating and Capacity Indicators - Last 10 Fiscal Years	114
Member Agency Flows and Solids Trend (Cost Allocation %) - Last 10 Fiscal Years	115
Member Agency Flows and Solids Trend (MGD) - Last 10 Fiscal Years	116
Chart - PC 2 JB Latham Treatment Plant Flows from Member Agencies - Last 10 Fiscal Years.....	118
Chart - PC 2 JB Latham Treatment Plant Solids Loading (Pounds) from Member Agencies - Last 10 Fiscal Years.....	119
Chart - PC 15 Coastal Treatment Plant Flows from Member Agencies - Last 10 Fiscal Years	120
Chart - PC 17 Regional Treatment Plant Solids Loading (Pounds) from Member Agencies - Last 10 Fiscal Years.....	121
Capital Assets, net of depreciation and amortization - Last 10 Fiscal Years	122

South Orange County Wastewater Authority
Net Position by Component
Last Ten Fiscal Years

Assets:	2014	2015	2016	2017	2018
Current Assets	\$ 8,936,134	\$ 10,463,647	\$ 7,716,490	\$ 15,609,499	\$ 18,402,205
Non-Current Assets: ¹					
Capital Assets not being depreciated	3,651,753	24,535,630	34,442,532	41,561,721	35,236,026
Capital Assets net of accum. depreciation	55,136,928	74,636,169	89,985,929	87,846,950	96,017,875
Intangible asset, net of accum. depreciation					
Total Non-Current Assets	58,788,681	99,171,799	124,428,461	129,408,671	131,253,901
Total Assets	67,724,815	109,635,446	132,144,951	145,018,170	149,656,106
Deferred Outflows of Resources:²					
GASB 68-Deferred Outflows		813,449	1,712,209	3,321,291	4,069,991
GASB 75-Deferred Outflows					
Liabilities:					
Current Liabilities	4,159,458	7,707,754	4,534,783	4,458,739	6,746,223
Non-Current Liabilities	1,339,077	8,266,057	10,225,917	12,476,437	18,995,344
Total Liabilities	5,498,535	15,973,811	14,760,700	16,935,176	25,741,567
Deferred Inflows of Resources:²					
GASB 68-Deferred Inflows		2,409,966	1,315,151	542,096	798,038
GASB 75-Deferred Inflows					34,043
Net Position:³					
Investment in capital assets	58,788,681	99,171,799	124,428,461	129,408,671	131,253,901
Unrestricted (deficit)	3,437,599	(7,106,681)	(6,647,151)	1,453,519	(4,101,452)
Total Net Position²	\$ 62,226,280	\$ 92,065,118	\$ 117,781,310	\$ 130,862,190	\$ 127,152,449

¹ Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, \$39 million and \$9.3 million respectively. The \$39 million included addition of land, \$13.7 million, for the Coastal and Regional Treatment Plants.

² GASB 65 modified the presentation of the statement of net position. Deferred Outflows of resources and Deferred Inflows of resources are reported prospectively from fiscal year 2015.

³ Beginning net position was restated for fiscal years 2016, 2017 and 2018 for the addition of the assets (discussed above) in 2015 and 2016 and GASB 75 implementation July 1, 2017, adding \$4.7 million in long term liabilities (OPEB) to the statement. Fiscal Year 2022 beginning net position was restated for San Clemente Land Outfall, \$1.7 million, depreciable, net and Lease Assets, a net impact reduction of \$1.8 thousand. Fiscal Year 2020 beginning net position was restated for GASB 96, subscription assets, an increase of \$8.9 thousand.

South Orange County Wastewater Authority
Net Position by Component
Last Ten Fiscal Years

Assets:	2019	2020	2021	2022	2023
Current Assets	\$ 22,755,001	\$ 23,520,570	\$ 16,740,023	\$ 11,692,239	\$ 11,575,704
Non-Current Assets: ¹					
Capital Assets not being depreciated	26,740,102	37,674,285	32,017,153	30,222,178	33,307,560
Capital Assets net of accum. depreciation	103,900,486	99,979,624	122,388,435	130,918,347	127,489,617
Intangible asset, net of accum. depr			346,909	289,246	193,513
Total Capital Assets	130,640,588	137,653,909	154,752,497	161,429,771	160,990,690
Total Assets	153,395,589	161,174,479	171,492,520	173,122,010	172,566,394
Deferred Outflows of Resources:²					
GASB 68-Deferred Outflows	3,475,719	3,355,343	3,278,060	3,049,739	7,609,730
GASB 75-Deferred Outflows	82,055	646,800	591,534	863,519	658,890
Liabilities:					
Current Liabilities	6,041,550	5,783,848	10,528,653	4,669,066	7,094,438
Non-Current Liabilities	18,200,914	20,348,151	20,571,455	15,053,431	23,657,078
Total Liabilities	24,242,464	26,132,000	31,100,108	19,722,497	30,751,516
Deferred Inflows of Resources:²					
GASB 68-Deferred Inflows	1,078,306	1,167,555	771,287	8,772,697	1,600,313
GASB 75-Deferred Inflows	646,185	411,253	1,697,105	960,508	900,489
Net Position:³					
Investment in capital assets	130,640,588	137,653,909	154,752,497	161,146,314	160,801,380
Unrestricted (deficit)	345,820	(188,096)	(12,958,883)	(13,566,748)	(13,218,684)
Total Net Position²	\$ 130,986,408	\$ 137,465,813	\$ 141,793,614	\$ 147,579,566	\$ 147,582,696

¹ Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, \$39 million and \$9.3 million respectively. The \$39 million included addition of land, \$13.7 million, for the Coastal and Regional Treatment Plants.

² GASB 65 modified the presentation of the statement of net position. Deferred Outflows of resources and Deferred Inflows of resources are reported prospectively from fiscal year 2015.

³ Beginning net position was restated for fiscal years 2016, 2017 and 2018 for the addition of the assets (discussed above) in 2015 and 2016 and GASB 75 implementation July 1, 2017, adding \$4.7 million in long term liabilities (OPEB) to the statement. Fiscal Year 2022 beginning net position was restated for San Clemente Land Outfall, \$1.7 million, depreciable, net and Lease Assets, a net impact reduction of \$1.8 thousand. Fiscal Year 2023 beginning net position was restated for GASB 96, subscription assets, an increase of \$8.9 thousand.

**South Orange County Wastewater Authority
Capital and Intangible Assets by Component
Last Ten Fiscal Years**

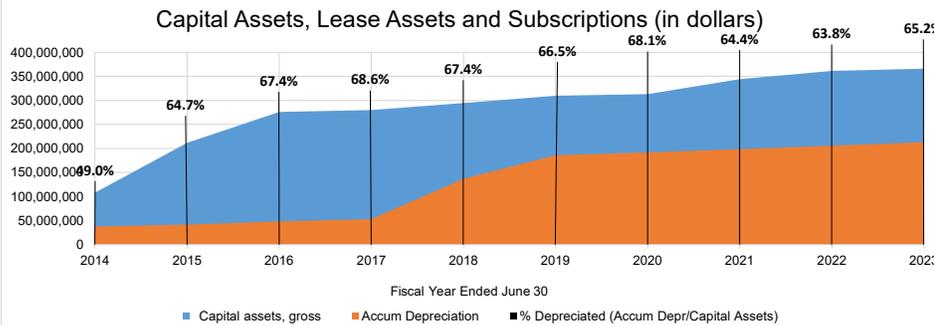
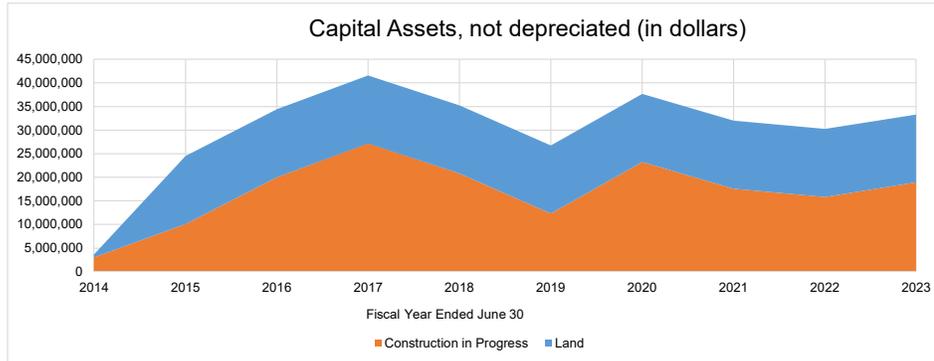
	2014	2015	2016	2017	2018
Capital assets, not depreciated					
Land ¹	\$653,224	\$14,402,224	\$14,402,224	\$14,402,224	\$14,402,224
Construction in Progress	2,998,529	10,133,406	20,040,308	27,159,497	20,833,802
Total capital assets, not depreciated	3,651,753	24,535,630	34,442,532	41,561,721	35,236,026
Capital assets, being depreciated¹					
Capital assets, gross	108,025,409	211,676,952	276,051,617	280,203,940	294,970,825
Accum. depreciation	(52,888,481)	(137,040,783)	(186,065,688)	(192,356,990)	(198,952,950)
Total capital assets, being depreciated	55,136,928	74,636,169	89,985,929	87,846,950	96,017,875
Intangible assets, being ammortized¹					
Right-to-use lease assets					
Right-to-use subscription assets					
Accum. ammortization					
Total intangible assets, being ammortized					
Total capital and intangible assets, net	\$58,788,681	\$99,171,799	\$124,428,461	\$129,408,671	\$131,253,901

Accumulated depreciation % capital assets, gross²	49.0%	64.7%	67.4%	68.6%	67.4%
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¹ Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, \$39 million and \$9.3 million respectively. The \$39 million included the addition of land, \$13.7 million, for the Coastal and Regional Treatment Plants. Fiscal Year 2021 added San Clemente Land Outfall, \$1.7 million, depreciable, net, and Lease Assets, net, \$347 thousand. Fiscal Year 2022 added GASB 96, subscription assets, an increase of \$8.9 thousand.

² SOCWA's capital assets averaged 49% depreciated prior to FY 2015; the addition of jointly constructed assets in fiscal years 2015 and 2016 increased the average to 67% due to the age of the assets. Increased acquisitions in fiscal years 2021 and 2022 decreased the average percent depreciated.

Source: South Orange County Wastewater Authority Audited Financial Statements.



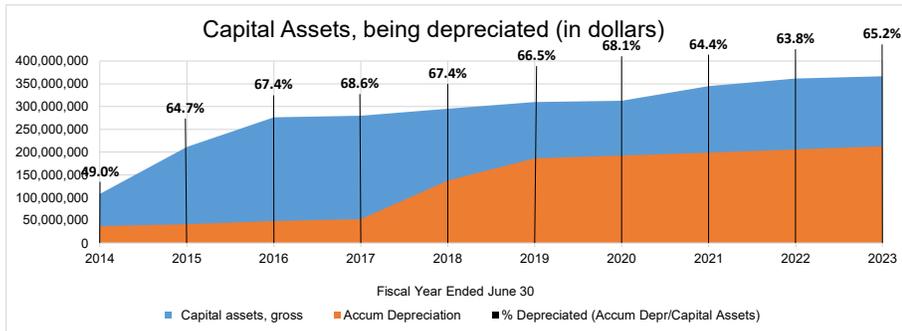
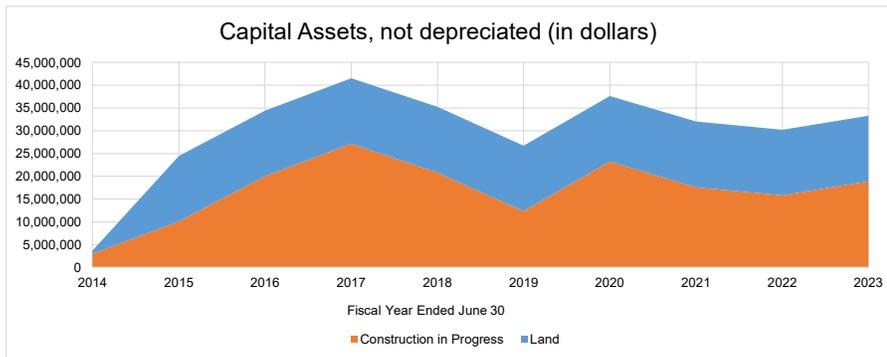
**South Orange County Wastewater Authority
Capital and Intangible Assets by Component
Last Ten Fiscal Years**

	2019	2020	2021	2022	2023
Capital assets, not depreciated					
Land ¹	\$14,402,224	\$14,402,224	\$14,402,224	\$14,402,224	\$14,402,224
Construction in Progress	12,337,878	23,272,061	17,614,929	15,819,954	18,905,336
Total capital assets, not depreciated	26,740,102	37,674,285	32,017,153	30,222,178	33,307,560
Capital assets, being depreciated¹					
Capital assets, gross	309,716,685	312,958,179	344,633,374	361,808,251	366,300,766
Accum. depreciation	(205,816,199)	(212,978,554)	(222,244,939)	(230,889,904)	(238,811,149)
Total capital assets, being depreciated	103,900,486	99,979,624	122,388,435	130,918,347	127,489,617
Intangible assets, being ammortized¹					
Right-to-use lease assets			413,555	413,555	226,759
Right-to-use subscription assets				9,025	9,025
Accum. depreciation			(66,646)	(133,334)	(42,271)
Total intangible assets			346,909	289,246	193,513
Total capital and intangible assets, net	\$130,640,588	\$137,653,909	\$154,752,497	\$161,429,771	\$160,990,690
Accumulated depreciation % capital assets, gross²	66.5%	68.1%	64.4%	63.8%	65.2%

¹ Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, \$39 million and \$9.3 million respectively. The \$39 million included the addition of land, \$13.7 million, for the Coastal and Regional Treatment Plants. Fiscal Year 2021 added San Clemente Land Outfall, \$1.7 million, depreciable, net, and Lease Assets, net, \$347 thousand. Fiscal Year 2022 added GASB 96, subscription assets, an increase of \$8.9 thousand.

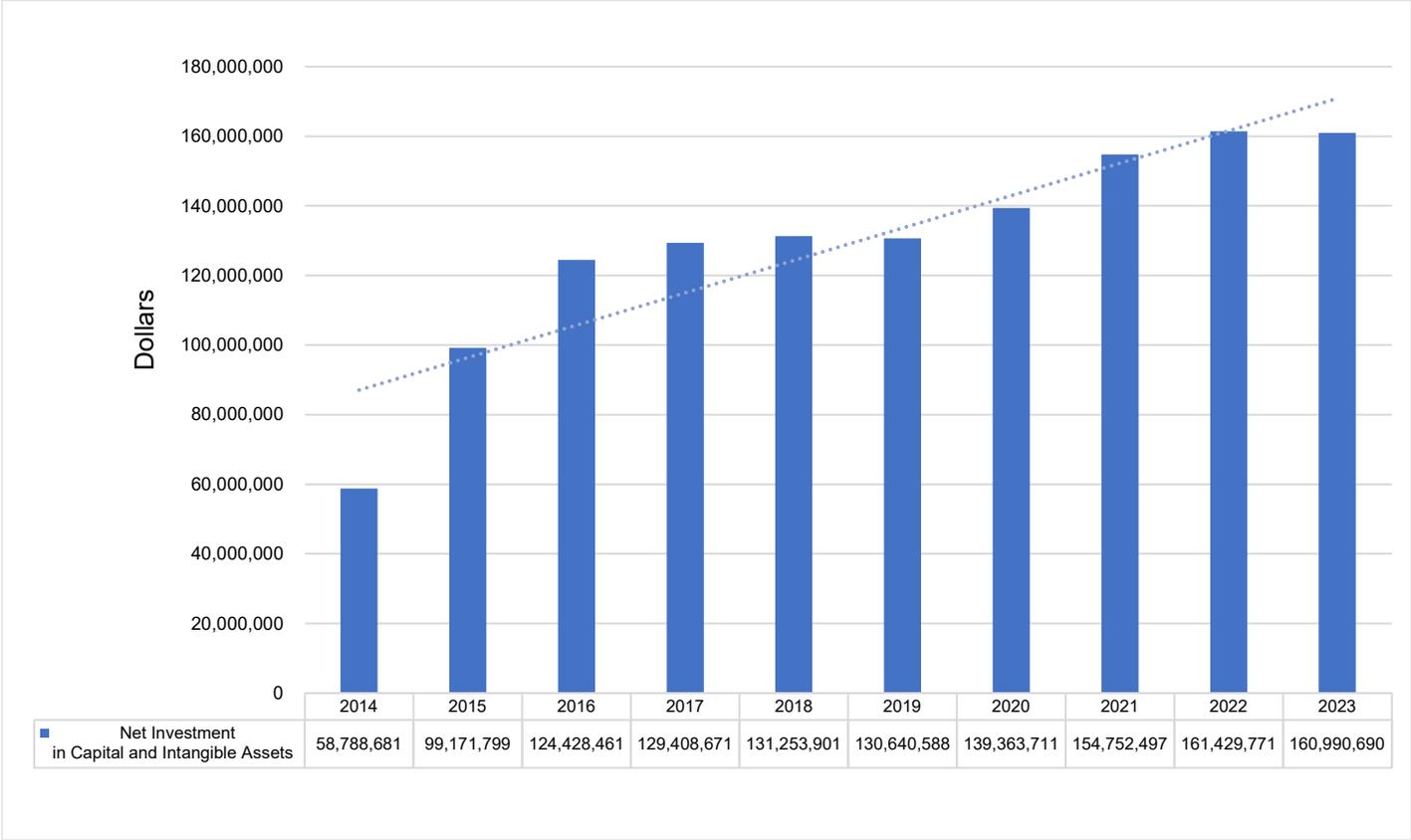
² SOCWA's capital assets averaged 49% depreciated prior to FY 2015; the addition of jointly constructed assets in fiscal years 2015 and 2016 increased the average to 67% due to the age of the assets. Increased acquisitions in fiscal years 2021 and 2022 decreased the average percent depreciated.

Source: South Orange County Wastewater Authority Audited Financial Statements.



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South Orange County Wastewater Authority Net Investment in Capital Assets, Lease and Subscription Assets Last Ten Fiscal Years



**South Orange County Wastewater Authority
Long-Term Liabilities by Component
Last Ten Fiscal Years**

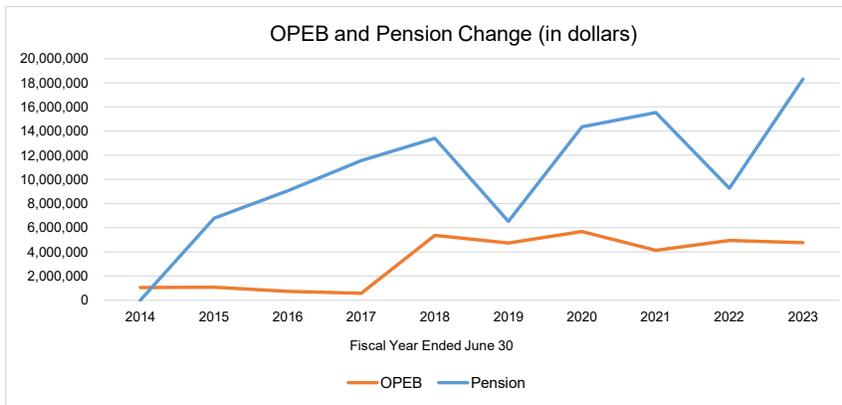
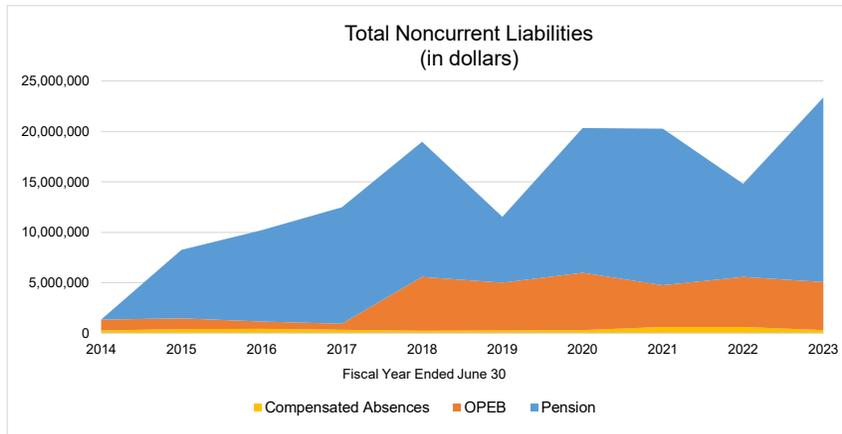
	2014	2015	2016	2017	2018
Non-Current Liabilities					
Compensated absences-due in more than one year	\$286,758	\$387,876	\$425,420	\$338,733	\$225,909
Accrued payroll related liabilities-due in more than one year					
Net other postemployment benefits liability (OPEB) ¹	1,052,319	1,083,904	745,962	587,760	5,358,998
Net pension liability ²	-	6,794,277	9,054,535	11,549,944	13,410,437
Leased liabilities-due in more than one year ³					
Total noncurrent liabilities⁴	\$1,339,077	\$8,266,057	\$10,225,917	\$12,476,437	\$18,995,344

¹ GASB 75 implementation on July 1, 2017, recorded full long term net OPEB liability, an additional \$4.7 million.

² GASB 68 implementation in 2015, recorded long term net Pension liability, \$6.8 million.

³ GASB 87, lease accounting, implementation in fiscal year 2021, added long-term liabilities in the amounts of \$283 thousand and \$230 thousand in fiscal years 2021 and 2022, respectively.

⁴ Fiscal Year 2022 decrease of \$5.5 million or 27% is primarily due to the reduction in net pension liability, \$6.3 million or 40%, driven by CalPERS favorable financial markets gains. The current year increase of \$8.6 million or 57% is driven by the increase in net pension liability, \$9 million or 98% due to financial markets loss.



Source: South Orange County Wastewater Authority Audited Financial Statements.

**South Orange County Wastewater Authority
Long-Term Liabilities by Component
Last Ten Fiscal Years**

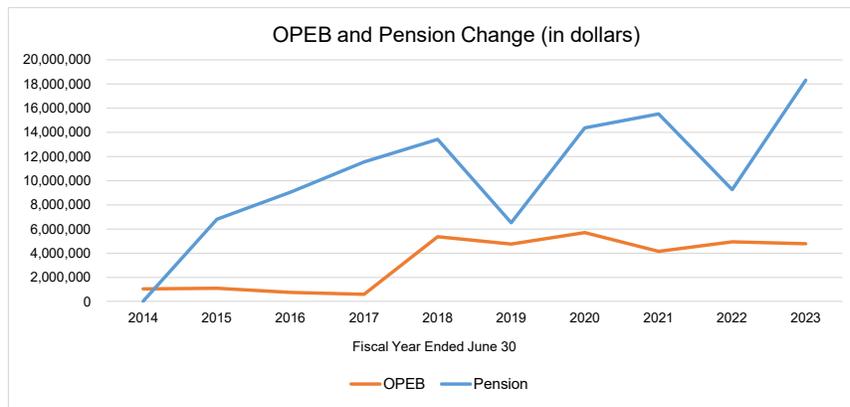
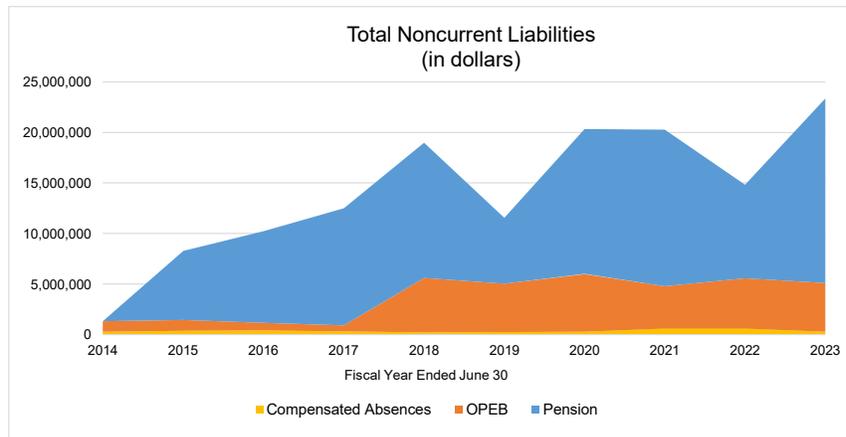
	2019	2020	2021	2022	2023
Non-Current Liabilities					
Compensated absences-due in more than one year	\$266,637	\$298,049	\$617,836	\$ 617,836	\$ 303,682
Accrued payroll related liabilities-due in more than one year					\$ 140,014
Net other postemployment benefits liability (OPEB) ¹	4,747,961	5,688,551	4,142,479	4,948,607	4,774,637
Net pension liability ²	13,186,316	14,361,551	15,527,683	9,257,418	18,292,931
Leased liabilities-due in more than one year ³			283,457	229,570	145,814
Total noncurrent liabilities⁴	\$18,200,914	\$20,348,151	\$20,571,455	\$15,053,431	\$23,657,078

¹GASB 75 implementation on July 1, 2017, recorded full long term net OPEB liability, an additional \$4.7 million.

²GASB 68 implementation in 2015, recorded long term net Pension liability, \$6.8 million.

³GASB 87, lease accounting, implementation in fiscal year 2021, added long-term liabilities in the amounts of \$283 thousand and \$230 thousand in fiscal years 2021 and 2022, respectively.

⁴Fiscal Year 2022 decrease of \$5.5 million or 27% is primarily due to the reduction in net pension liability, \$6.3 million or 40%, driven by CalPERS favorable financial markets gains. The current year increase of \$8.6 million or 57% is driven by the increase in net pension liability, \$9 million or 98% due to financial markets loss.



Source: South Orange County Wastewater Authority Audited Financial Statements.

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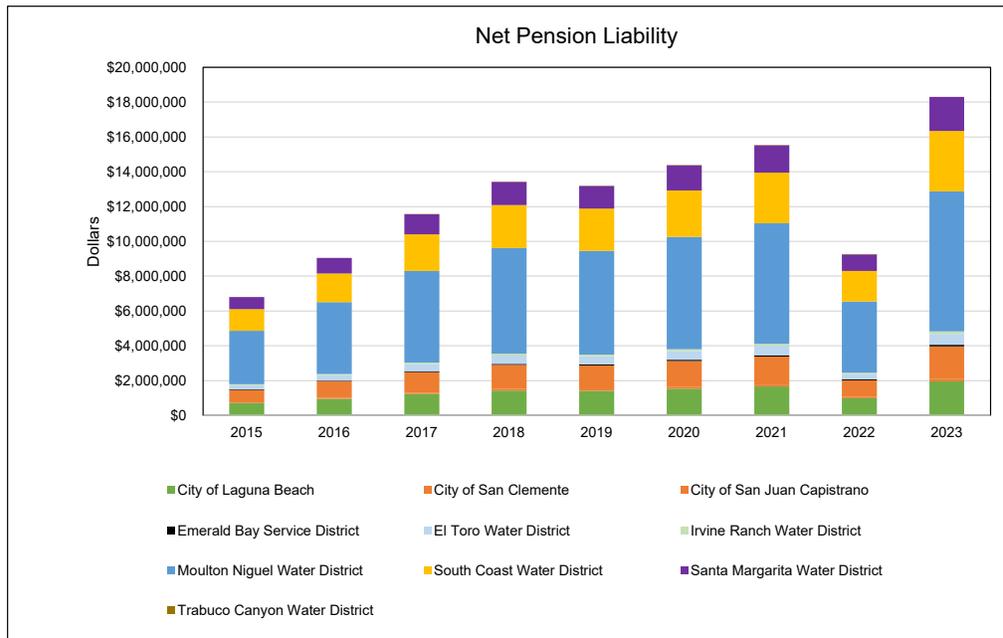
**South Orange County Wastewater Authority
Net Pension (CalPERS) Liability by Member Agency
Last Nine Fiscal Years¹**

	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	\$1,961,317
City of San Clemente	47,198	61,300	77,311	90,008	88,503	96,580	106,056	64,420	128,064
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	1,878,892
Emerald Bay Service District	31,672	41,975	53,337	61,839	60,806	65,469	72,283	43,469	86,164
El Toro Water District	244,130	324,911	414,375	478,930	466,984	503,652	539,574	319,100	628,885
Irvine Ranch Water District	53,099	69,383	88,286	103,279	100,812	109,341	117,775	69,812	136,659
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	8,046,395
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	3,469,036
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	1,957,518
Trabuco Canyon Water District			613	1,378	1,439	2,555	2,963	1,774	
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	\$18,292,931
% Change Year-Over-Year²		33.27%	27.56%	16.11%	-1.67%	8.91%	8.12%	-40.38%	97.60%
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%	10.72%
City of San Clemente	0.69%	0.68%	0.67%	0.67%	0.67%	0.67%	0.68%	0.70%	0.70%
City of San Juan Capistrano	10.35%	10.34%	10.33%	10.33%	10.39%	10.43%	10.43%	10.38%	10.27%
Emerald Bay Service District	0.47%	0.46%	0.46%	0.46%	0.46%	0.46%	0.47%	0.47%	0.47%
El Toro Water District	3.59%	3.59%	3.59%	3.57%	3.54%	3.51%	3.47%	3.45%	3.44%
Irvine Ranch Water District	0.78%	0.77%	0.76%	0.77%	0.76%	0.76%	0.76%	0.75%	0.75%
Moulton Niguel Water District	45.29%	45.55%	45.47%	45.27%	45.15%	44.87%	44.55%	44.24%	43.99%
South Coast Water District	18.34%	18.16%	18.26%	18.36%	18.45%	18.64%	18.77%	18.91%	18.96%
Santa Margarita Water District	10.06%	9.95%	9.92%	9.93%	9.87%	9.97%	10.14%	10.36%	10.70%
Trabuco Canyon Water District	0.00%	0.00%	0.01%	0.01%	0.01%	0.02%	0.02%	0.02%	0.00%
Total	100.00%	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%. Fiscal Year 2022 decrease, \$6.3 million, or 40%, is due to Assets Gain, 21.3% return on investment. The current year increased by \$9 million due to financial markets loss.

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



**South Orange County Wastewater Authority
Net OPEB (Retiree Health) Liability by Member Agency
Last Ten Fiscal Years¹**

	2014	2015	2016	2017	2018
Net OPEB Liability					
City of Laguna Beach	\$108,208	\$112,872	\$78,307	\$61,896	\$569,189
City of San Clemente	7,449	7,530	5,050	3,934	35,969
City of San Juan Capistrano	109,758	112,232	77,116	60,740	553,617
Emerald Bay Service District	4,920	5,053	3,458	2,714	24,712
El Toro Water District	37,653	38,946	26,768	21,087	191,387
Irvine Ranch Water District	8,218	8,471	5,716	4,493	41,272
Moulton Niguel Water District	474,017	490,950	339,804	267,246	2,425,942
South Coast Water District	195,200	198,760	135,493	107,302	983,972
Santa Margarita Water District	106,898	109,091	74,250	58,318	532,388
Trabuco Canyon Water District				31.21	550.79
Total	\$1,052,319	\$1,083,904	\$745,962	\$587,760	\$5,358,998

% Change Year-Over-Year

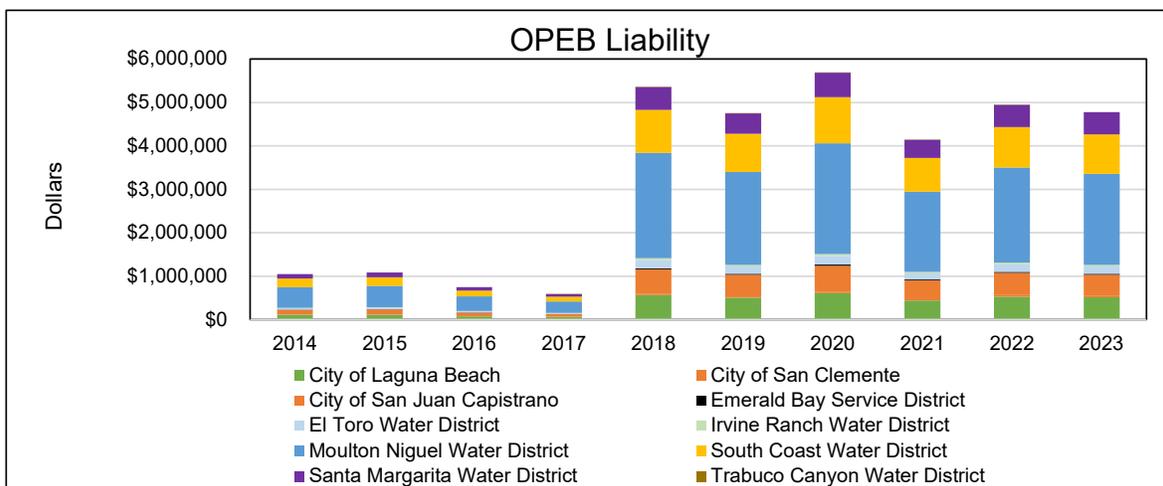
	3.00%	-31.18%	-21.21%	811.77%
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Net OPEB Liability Allocation %'s²

City of Laguna Beach	10.28%	10.41%	10.50%	10.53%	10.62%
City of San Clemente	0.71%	0.69%	0.68%	0.67%	0.67%
City of San Juan Capistrano	10.43%	10.35%	10.34%	10.33%	10.33%
Emerald Bay Service District	0.47%	0.47%	0.46%	0.46%	0.46%
El Toro Water District	3.58%	3.59%	3.59%	3.59%	3.57%
Irvine Ranch Water District	0.78%	0.78%	0.77%	0.76%	0.77%
Moulton Niguel Water District	45.04%	45.29%	45.55%	45.47%	45.27%
South Coast Water District	18.55%	18.34%	18.16%	18.26%	18.36%
Santa Margarita Water District	10.16%	10.06%	9.95%	9.92%	9.93%
Trabuco Canyon Water District	0.00%	0.00%	0.00%	0.01%	0.01%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

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 FYs 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%. The current year's decrease of \$174 thousand is due to financial markets gain.

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



South Orange County Wastewater Authority
Net OPEB (Retiree Health) Liability by Member Agency
Last Ten Fiscal Years¹

	2019	2020	2021	2022	2023
Net OPEB Liability					
City of Laguna Beach	\$507,678	\$607,975	\$443,509	\$530,711	\$511,923
City of San Clemente	31,867	38,255	28,294	34,436	33,426
City of San Juan Capistrano	493,339	593,104	432,158	513,820	490,410
Emerald Bay Service District	21,894	25,932	19,284	23,237	22,490
El Toro Water District	168,146	199,495	143,948	170,577	164,145
Irvine Ranch Water District	36,299	43,309	31,420	37,318	35,669
Moulton Niguel Water District	2,143,835	2,552,258	1,845,317	2,189,183	2,100,189
South Coast Water District	875,880	1,060,131	777,717	935,794	905,453
Santa Margarita Water District	468,504	567,080	420,042	512,582	510,932
Trabuco Canyon Water District	518.22	1,012.11	790.54	948.43	
Total	\$4,747,961	\$5,688,551	\$4,142,479	\$4,948,607	\$4,774,637

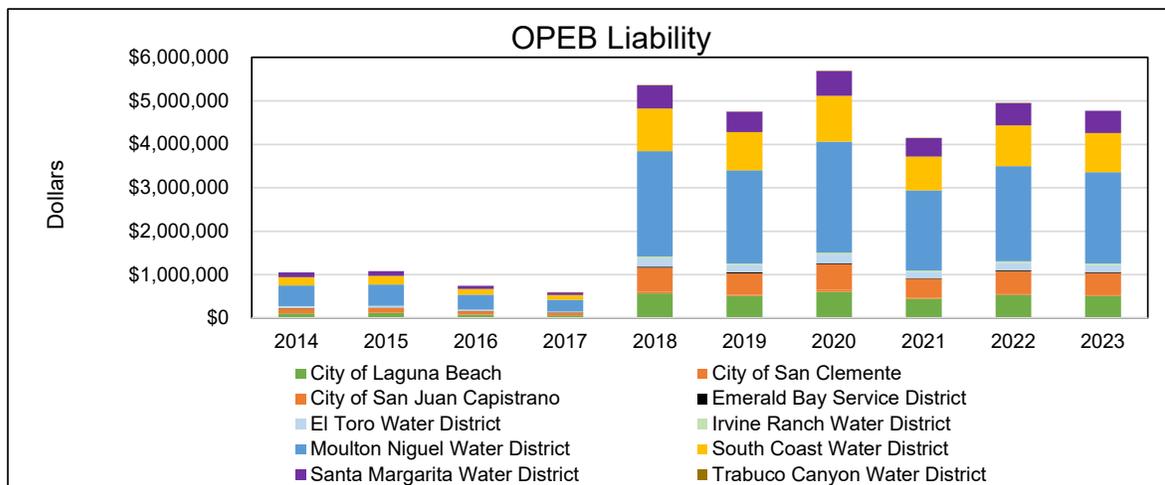
% Change Year-Over-Year	-11.40%	19.81%	-27.18%	19.46%	-3.52%
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Net OPEB Liability Allocation %'s²

City of Laguna Beach	10.69%	10.69%	10.71%	10.72%	10.72%
City of San Clemente	0.67%	0.67%	0.68%	0.70%	0.70%
City of San Juan Capistrano	10.39%	10.43%	10.43%	10.38%	10.27%
Emerald Bay Service District	0.46%	0.46%	0.47%	0.47%	0.47%
El Toro Water District	3.54%	3.51%	3.47%	3.45%	3.44%
Irvine Ranch Water District	0.76%	0.76%	0.76%	0.75%	0.75%
Moulton Niguel Water District	45.15%	44.87%	44.55%	44.24%	43.99%
South Coast Water District	18.45%	18.64%	18.77%	18.91%	18.96%
Santa Margarita Water District	9.87%	9.97%	10.14%	10.36%	10.70%
Trabuco Canyon Water District	0.00	0.00	0.00	0.00	-
Total	100.00%	100.00%	100.00%	100.00%	100.00%

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 FYs 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%. The current year's decrease of \$174 thousand is due to financial markets gain.

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



South Orange County Wastewater Authority
Long-Term Compensated Absences Liability by Member Agency
Last Ten Fiscal Years

	2014	2015	2016	2017	2018
<u>Compensated Absences Liability</u>¹					
City of Laguna Beach	\$ 30,541	\$ 44,404	\$ 48,768	\$ 38,635	\$ 25,906
City of San Clemente	1,786	2,294	2,311	1,808	1,300
City of San Juan Capistrano	29,159	38,277	42,168	33,858	23,119
Emerald Bay Service District	1,294	1,832	1,944	1,495	995
El Toro Water District	10,528	13,944	15,493	12,267	7,867
Irvine Ranch Water District	2,486	3,507	3,108	2,392	1,635
Moulton Niguel Water District	132,131	180,293	201,539	159,079	102,026
South Coast Water District	51,947	67,000	71,307	58,332	41,698
Santa Margarita Water District	26,885	36,326	38,782	30,785	21,245
Trabuco Canyon Water District		-	-	81	118
Total	\$ 286,758	\$ 387,876	\$ 425,420	\$ 338,733	\$ 225,909
% Change Year-Over-Year²	-13.67%	35.26%	9.68%	-20.38%	-33.31%
<u>Compensated Absences Liability</u>					
<u>Allocation %'s³</u>					
City of Laguna Beach	10.65%	11.45%	11.46%	11.41%	11.47%
City of San Clemente	0.62%	0.59%	0.54%	0.53%	0.58%
City of San Juan Capistrano	10.17%	9.87%	9.91%	10.00%	10.23%
Emerald Bay Service District	0.45%	0.47%	0.46%	0.44%	0.44%
El Toro Water District	3.67%	3.59%	3.64%	3.62%	3.48%
Irvine Ranch Water District	0.87%	0.90%	0.73%	0.71%	0.72%
Moulton Niguel Water District	46.08%	46.48%	47.37%	46.96%	45.16%
South Coast Water District	18.12%	17.27%	16.76%	17.22%	18.46%
Santa Margarita Water District	9.38%	9.37%	9.12%	9.09%	9.40%
Trabuco Canyon Water District	0.00%	0.00%	0.00%	0.02%	0.05%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

¹Paid time off (PTO) is earned based on the Authority's Memorandum of Understanding (MOU).

²The year-over-year change is based on current year accruals, time taken and accumulated sick pay and vacation termination pay.

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

South Orange County Wastewater Authority
Long-Term Compensated Absences Liability by Member Agency
Last Ten Fiscal Years

	2019	2020	2021	2022	2023
<u>Compensated Absences Liability</u>¹					
City of Laguna Beach	\$ 30,978	\$ 34,160	\$ 68,835	\$ 68,835	\$ 33,088
City of San Clemente	1,716	2,050	4,593	4,593	2,591
City of San Juan Capistrano	28,373	32,429	67,664	67,664	28,512
Emerald Bay Service District	1,199	1,272	3,014	3,014	1,685
El Toro Water District	8,849	9,266	18,429	18,429	9,252
Irvine Ranch Water District	2,016	2,224	4,319	4,319	2,023
Moulton Niguel Water District	115,337	124,882	252,440	252,440	118,442
South Coast Water District	52,781	61,129	129,021	129,021	63,060
Santa Margarita Water District	25,222	30,399	69,125	69,125	44,869
Trabuco Canyon Water District	167	236	396	396	160
Total	<u>\$ 266,637</u>	<u>\$ 298,049</u>	<u>\$ 617,836</u>	<u>\$ 617,836</u>	<u>\$ 303,682</u>

% Change Year-Over-Year²	18.03%	11.78%	107.29%	0.00%	-50.85%
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Compensated Absences Liability

Allocation %'s³

City of Laguna Beach	11.62%	11.46%	11.14%	11.14%	10.90%
City of San Clemente	0.64%	0.69%	0.74%	0.74%	0.85%
City of San Juan Capistrano	10.64%	10.88%	10.95%	10.95%	9.39%
Emerald Bay Service District	0.45%	0.43%	0.49%	0.49%	0.55%
El Toro Water District	3.32%	3.11%	2.98%	2.98%	3.05%
Irvine Ranch Water District	0.76%	0.75%	0.70%	0.70%	0.67%
Moulton Niguel Water District	43.26%	41.90%	40.86%	40.86%	39.00%
South Coast Water District	19.79%	20.51%	20.88%	20.88%	20.77%
Santa Margarita Water District	9.46%	10.20%	11.19%	11.19%	14.78%
Trabuco Canyon Water District	0.06%	0.08%	0.06%	0.06%	0.05%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

¹Paid time off (PTO) is earned based on the Authority's Memorandum of Understanding (MOU).

²The year-over-year change is based on current year accruals, time taken and accumulated sick pay and vacation termination pay.

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

South Orange County Wastewater Authority
Changes in Net Position
Last Ten Fiscal Years

	2014	2015	2016	2017	2018
OPERATING REVENUES:					
O & M Member Agency Assessments:					
City of Laguna Beach	\$2,228,378	\$2,189,193	\$2,669,450	\$4,256,568	\$3,777,716
City of San Clemente	157,434	159,023	96,253	148,306	156,322
City of San Juan Capistrano	1,710,710	1,862,939	1,868,009	2,010,978	2,158,791
Emerald Bay Service District	119,130	98,927	85,067	82,404	125,522
El Toro Water District	743,418	710,624	731,459	729,960	804,371
IRWD (c.o. El Toro W.D.)	203,745	171,629	127,723	286,204	167,911
Moulton Niguel Water District	8,256,502	8,555,725	8,393,893	8,559,434	8,501,212
South Coast Water District	2,501,605	2,625,103	3,317,016	3,513,544	3,394,390
Santa Margarita Water District	1,829,807	1,798,366	1,808,872	1,893,657	1,897,223
Trabuco Canyon Water District	6,253	18,938	20,940	22,776	56,154
Total	17,756,982	18,190,467	19,118,682	21,503,831	21,039,612
YOY Change %	-1.7%	2.4%	5.1%	12.5%	10.0%
OPERATING EXPENSES¹:					
O&M & Environmental, Compliance & Safety	18,116,350	18,891,983	16,437,673	16,587,654	18,118,149
Engineering After Capital Transfer			199,826	344,018	414,966
Administration			1,739,067	1,997,037	2,400,967
UAL and OPEB Annual Expense					
Unallocated portion of pension and OPEB expense			496,896	412,761	1,428,313
Other expense				(38,779)	655,096
Depreciation and amortization	4,379,786	4,176,643	5,846,601	6,291,302	6,595,960
Total Operating Expenses	22,496,136	23,068,626	24,720,063	25,593,994	29,613,451
Operating Income/(Loss)	(4,739,154)	(4,878,159)	(5,601,381)	(4,090,163)	(8,573,839)
NON-OPERATING REVENUES (EXPENSES):					
Interest Income	12,365	15,563	24,587	70,550	166,452
Interest Expense					
Loss on Sale of Capital Assets					
Other revenues (expenses)	2,452,726	(83,810)	(1,588,490)	(183,770)	153,458
Total Non-Operating Revenues (Expenses)	2,465,091	(68,247)	(1,563,903)	(113,220)	319,910
CAPITAL CONTRIBUTIONS:					
Member Agency Assessments:					
City of Laguna Beach	1,184,967	449,398	1,003,741	1,619,449	1,221,424
City of San Clemente			33,240	45,521	2,556
City of San Juan Capistrano	484,573	1,055,676	4,019,148	1,712,604	973,822
Emerald Bay Service District	92,521	32,966	64,516	111,491	93,615
El Toro Water District	43,387	164,962	1,034,636	1,174,974	266,044
IRWD (c.o. El Toro W.D.)			16,440	53,205	83,500
Moulton Niguel Water District	2,068,320	3,510,937	9,854,276	7,832,747	3,825,793
South Coast Water District	1,586,074	1,230,279	4,085,001	3,313,938	2,119,393
Santa Margarita Water District	287,889	755,778	3,599,506	1,420,333	702,744
Total Capital Contributions	5,747,731	7,199,996	23,710,504	17,284,262	9,288,891
YOY Change %	31.0%	25.3%	229.3%	-27.1%	-60.8%
Change in Net Position²	3,473,668	2,253,590	16,545,220	13,080,880	1,034,962
NET POSITION					
Beginning of year, as restated ²	58,752,612	89,811,528	101,236,090	117,781,310	126,117,487
End of year	\$62,226,280	\$92,065,118	\$117,781,310	\$130,862,190	\$127,152,449

¹O&M Operating Expenses were not reported by functional department (O&M, Admin and Engineering) prior to FY 2016.

² Beginning net position was restated for fiscal years 2016, 2017 and 2018 for the addition of the assets (discussed above) in 2015 and 2016

and GASB 75 implementation July 1, 2017, adding \$4.7 million in long term liabilities (OPEB) to the statement. Fiscal Year 2022 beginning net position was restated for San Clemente Land Outfall, \$1.7 million, depreciable, net and Lease Assets, a net impact reduction of \$1.8 thousand. Fiscal Year 2023 beginning net position was restated for GASB 96, subscription assets, an increase of \$8.9 thousand.

Source: South Orange County Wastewater Authority Audited Financial Statements.

South Orange County Wastewater Authority
Changes in Net Position
Last Ten Fiscal Years

	2019	2020	2021	2022	2023
OPERATING REVENUES:					
O & M Member Agency Assessments:					
City of Laguna Beach	\$3,079,457	\$3,712,839	\$2,631,349	\$3,133,218	\$2,909,957
City of San Clemente	155,352	155,766	172,941	182,040	192,034
City of San Juan Capistrano	2,262,176	2,198,165	2,134,243	2,138,571	2,056,766
Emerald Bay Service District	147,131	149,324	166,819	154,451	158,963
El Toro Water District	875,388	937,053	883,973	884,248	1,057,721
IRWD (c.o. El Toro W.D.)	163,057	160,524	167,760	166,373	176,261
Moulton Niguel Water District	8,895,527	8,993,369	9,259,287	9,411,942	9,689,775
South Coast Water District	3,799,657	3,736,264	3,857,757	4,127,834	4,146,365
Santa Margarita Water District	1,532,718	2,357,682	2,671,575	3,029,218	3,756,078
Tabuco Canyon Water District	34,905	54,975	69,781	22,534	33,117
Total	20,945,369	22,455,960	22,015,485	23,250,429	24,177,037
YOY Change %	-0.4%	7.2%	-2.0%	5.6%	4.0%
OPERATING EXPENSES¹:					
O&M & Environmental, Compliance & Safety	17,558,573	18,500,935	18,026,588	18,543,813	19,722,115
Engineering After Capital Transfer	457,175	395,760	293,908	342,971	264,024
Administration	2,360,182	2,359,761	2,161,324	2,143,248	2,333,340
UAL and OPEB Annual Expense			1,457,381	1,639,829	1,857,596
Unallocated portion of pension and OPEB expense	569,469	1,525,773	642,193	1,757,012	(2,726,222)
Other expense	558,258	1,337,225	945,119	196,534	591,357
Depreciation and amortization	6,863,249	7,162,355	7,601,480	8,711,653	8,944,062
Total Operating Expenses	28,366,905	31,281,809	31,127,994	33,335,060	30,986,273
Operating Income/(Loss)	(7,421,536)	(8,825,849)	(9,112,509)	(10,084,631)	(6,809,236)
NON-OPERATING REVENUES (EXPENSES):					
Interest Income	363,429	488,972	86,258	(78,137)	131,414
Interest Expense				(3,113)	(4,027)
Loss on Sale of Capital Assets					(1,214,914)
Other revenues (expenses)	1,401,953	228,412	156,871	397,879	479,830
Total Non-Operating Revenues (Expenses)	1,765,382	717,384	243,129	316,629	(607,697)
CAPITAL CONTRIBUTIONS:					
Member Agency Assessments:					
City of Laguna Beach	315,736	2,037,256	1,492,976	2,569,736	667,029
City of San Clemente	(1,854)	13,298	217,472	20,318	165,555
City of San Juan Capistrano	1,196,079	1,208,118	2,235,172	1,862,928	1,587,857
Emerald Bay Service District	24,398	155,641	120,325	201,544	33,553
El Toro Water District	178,986	498,765	(146,180)	68,091	185,129
IRWD (c.o. El Toro W.D.)	174,768	180,705	47,159	18,945	84,778
Moulton Niguel Water District	4,364,986	6,978,710	2,283,485	5,778,969	1,904,403
South Coast Water District	2,368,447	2,631,719	3,065,431	3,526,656	1,702,445
Santa Margarita Water District	868,568	883,659	2,217,693	1,506,767	1,089,314
Total Capital Contributions	9,490,114	14,587,871	11,533,533	15,553,954	7,420,063
YOY Change %	2.2%	53.7%	-20.9%	34.9%	-52.3%
Change in Net Position²	3,833,959	6,479,406	2,664,153	5,785,952	3,130
NET POSITION					
Beginning of year, as restated ²	127,152,449	130,986,408	137,465,813	141,793,614	147,579,566
End of year	\$130,986,408	\$137,465,813	\$140,129,966	\$147,579,566	\$147,582,696

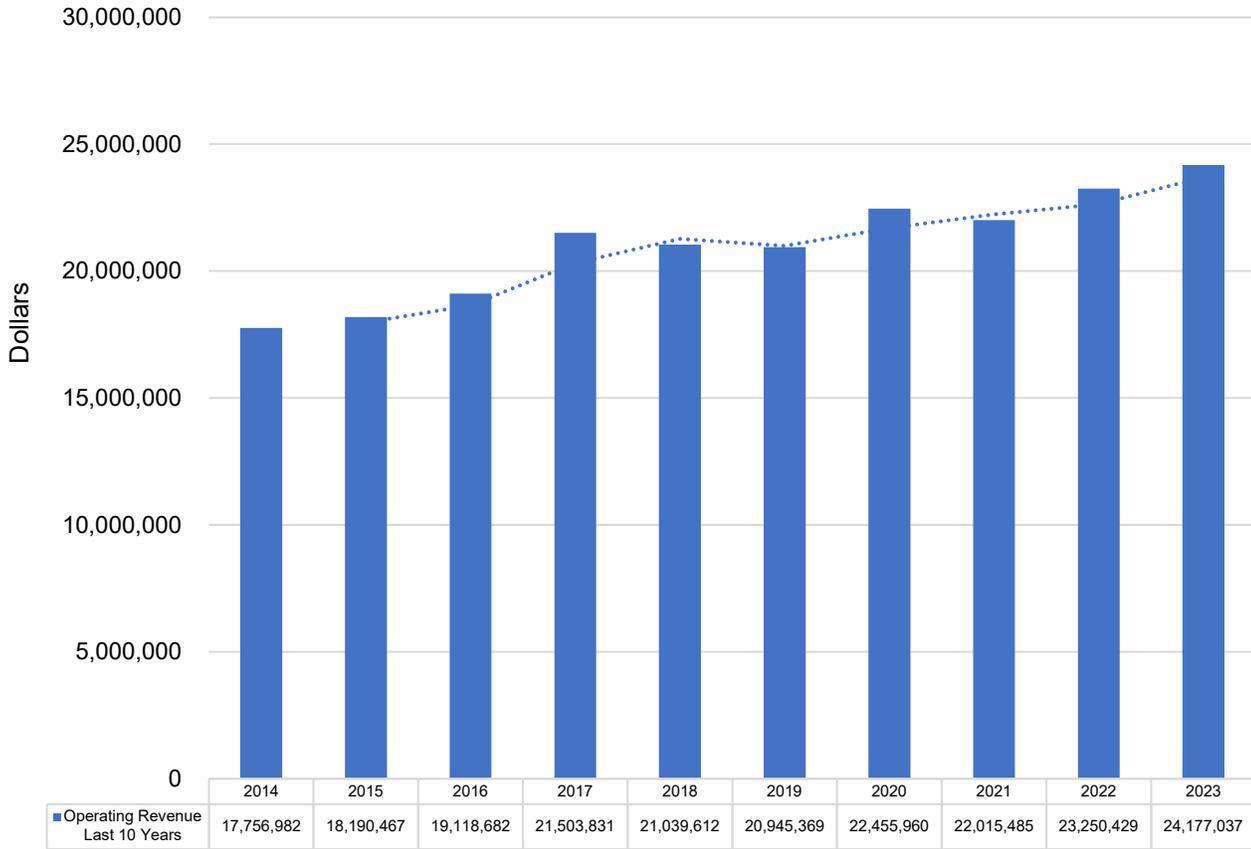
¹O&M Operating Expenses were not reported by functional department (O&M, Admin and Engineering) prior to FY 2016.

² Beginning net position was restated for fiscal years 2016, 2017 and 2018 for the addition of the assets (discussed above) in 2015 and 2016 and GASB 75 implementation July 1, 2017, adding \$4.7 million in long term liabilities (OPEB) to the statement. Fiscal Year 2022 beginning net position was restated for San Clemente Land Outfall, \$1.7 million, depreciable, net and Lease Assets, a net impact reduction of \$1.8 thousand. Fiscal Year 2023 beginning net position was restated for GASB 96, subscription assets, an increase of \$8.9 thousand.

Source: South Orange County Wastewater Authority Audited Financial Statements.

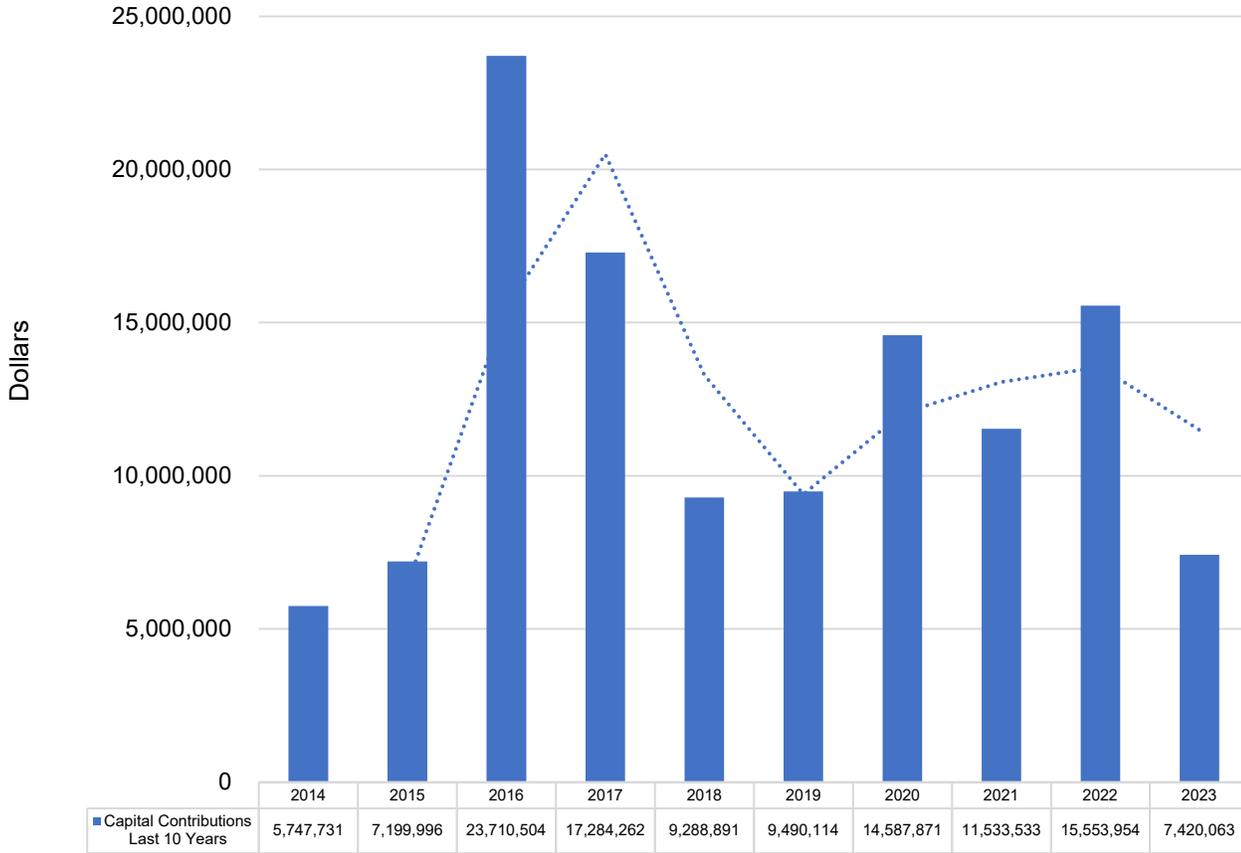
**South Orange County Wastewater Authority
Operating Revenue and Capital Contributions
Last Ten Fiscal Years**

Operating Revenue Last Ten Fiscal Years

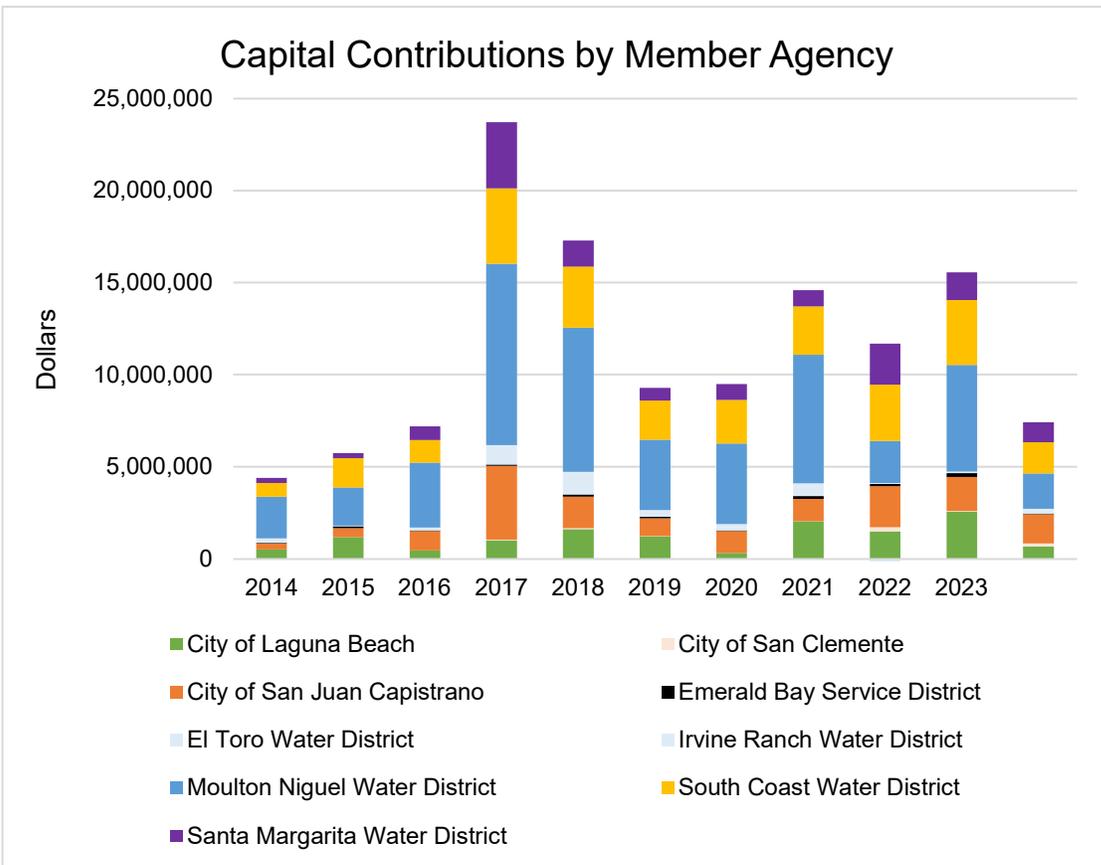
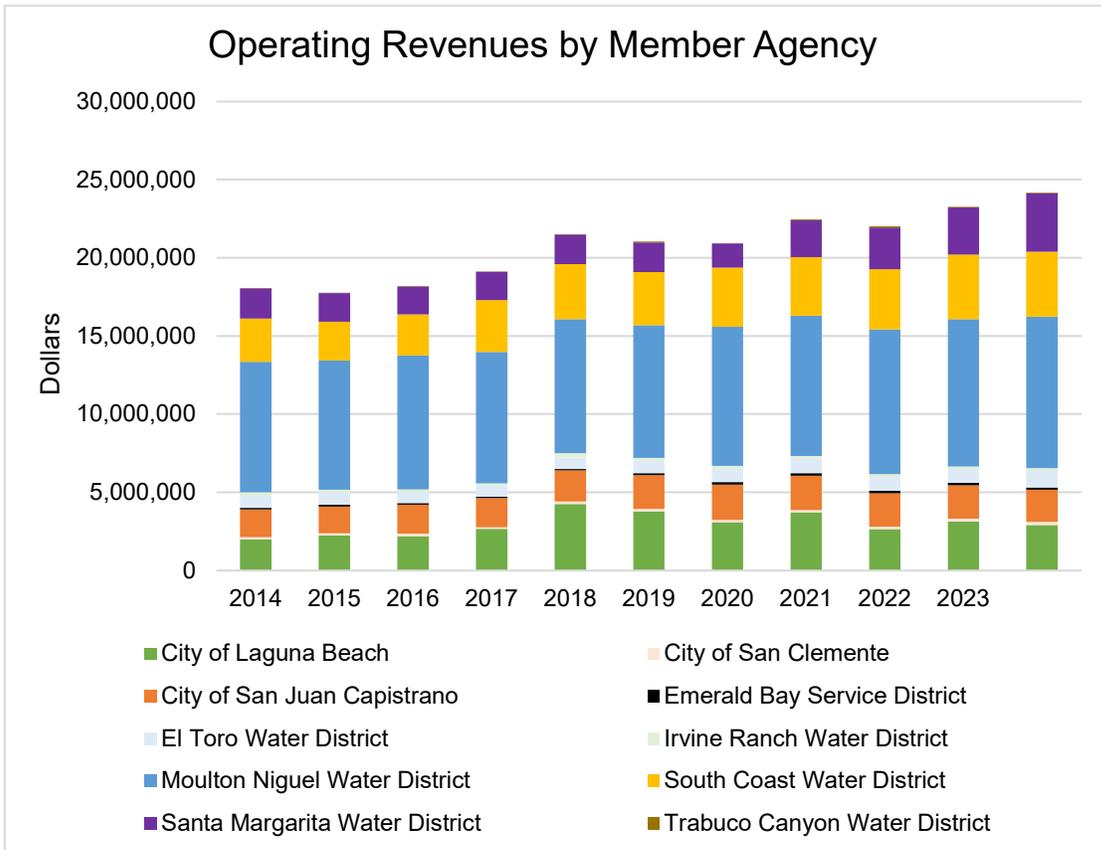


**South Orange County Wastewater Authority
Operating Revenue and Capital Contributions (Continued)
Last Ten Fiscal Years**

Capital Contributions Last Ten Fiscal Years



South Orange County Wastewater Authority Operating Revenue & Capital Contributions by Principal Users Last Ten Fiscal Years



**South Orange County Wastewater Authority
Grant Revenue
Received for Eight, Non-consecutive Years¹**

Source of Funds	2014	2015	2017	2019	2020	2021	2022	2023	Total
Southern California Edison and SDG&E Co-Gen Projects ²	\$ -	\$ -	\$ -	\$ 1,384,094	\$ 193,138	\$ 148,623	\$ 384,130	\$ 444,175	\$ 2,554,160
CA Environment Assoc.	-	-	1,500	-	-	-	-	-	1,500
Proposition 84 Funds	12,110	25,842	-	-	-	-	-	-	37,952
Prop 50 Funds-Export Sludge	2,427,081	-	-	-	-	-	-	-	2,427,081
Total Grant Revenue	\$2,439,191	\$ 25,842	\$ 1,500	\$1,384,094	\$ 193,138	\$ 148,623	\$ 384,130	\$ 444,175	\$ 5,020,694

¹Grant funds were received in eight of the last ten years.

²Fiscal years 2019 through 2023 grants are incentive payments from Southern California Edison and SDG&E, electricity providers, through their Self-Generation Incentive Program (SGIP); the Authority invested in capital projects that enabled in-house production of energy.

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South Orange County Wastewater Authority
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Median Age	Per Capita Income (in dollars)	Median Household Income (in dollars)	Unemployment Rate (%)
2014	621,706	36.7	54,594	73,827	5.5
2015	632,435	37.1	57,110	76,061	4.5
2016	643,742	37.3	61,178	78,002	4.0
2017	656,021	37.5	62,763	81,642	3.5
2018	663,978	37.5	65,400	86,031	2.9
2019	847,313	37.9	66,708	87,752	2.8
2020	864,838	38.4	62,440	108,187	6.1
2021	880,141	41.9	64,584	119,188	6.2
2022	895,444	37.9	66,263	123,359	4.8
2023	900,369	38.3	70,901	129,897	3.7

Sources: South Orange County Wastewater Authority used data from FYE 2014 - 2023 Annual Comprehensive Financial Reports for the cities served by the authority; this is a representative segment of those communities: Lake Forest, Mission Viejo, Rancho Santa Margarita, Laguna Beach, Dana Point, Aliso Viejo, San Juan Capistrano, San Clemente, Laguna Niguel, and Laguna Hills.

**South Orange County Wastewater Authority
Employment by Industry
Current Year and Nine Years Ago**

2022

<u>Rank</u>	<u>Employer</u>	<u>Operating City ¹</u>	<u>Number of Employees²</u>	<u>Percent of Each City's Employment²</u>
1	Capistrano Unified School District	City of San Juan Capistrano	3,992	23.4%
2	Mission Hospital Regional Medical Center	City of Mission Viejo	2,764	5.68%
3	Applied Medical	City of Rancho Santa Margarita	2,400	7.66%
4	United States Government	City of Laguna Niguel	2,000	5.87%
5	MemorialCare Saddleback Medical Center	City of Laguna hills	1,838	10.88%
6	MicroVention	City of Aliso Viejo	1,700	6.87%
7	Saddleback College	City of Mission Viejo	1,429	2.93%
8	Oakley Inc.	City of Lake Forest	1,275	2.69%
9	United Parcel Service	City of Aliso Viejo	1,200	4.85%
10	Monarch Beach Resort	City of Dana Point	1,200	10.10%

2013

<u>Rank</u>	<u>Employer</u>	<u>Operating City ¹</u>	<u>Number of Employees²</u>	<u>Percent of Each City's Employment²</u>
1	Mission Hospital Regional Medical Center	City of Mission Viejo	2,500	4.44%
2	Oakley Inc.	City of Lake Forest	2,291	4.90%
3	Saddleback College	City of Mission Viejo	1,877	3.33%
4	Panasonic Avionics	City of Lake Forest	1,724	3.68%
5	Applied Medical	City of Rancho Santa Margarita	1,698	10.49%
6	Saddleback Valley Unified School District	City of Mission Viejo	1,245	2.21%
7	O'Connell Landscape	City of Rancho Santa Margarita	1,033	6.38%
8	MemorialCare Saddleback Medical Center	City of Laguna hills	1,020	5.86%
9	United Parcel Service	City of Aliso Viejo	1,000	5.67%
10	Loan Depot	City of Lake Forest	869	1.86%

¹ Principal Employers represents blended most recent available data from cities that South Orange County Wastewater Authority Serves; Lake Forest, Mission Viejo, Rancho Santa Margarita, Laguna Beach, Dana Point, Aliso Viejo, San Juan Capistrano, San Clemente, Laguna Niguel, and Laguna Hills.

² South Orange County Wastewater Authority used data from FYE 2013 - 2022 Annual Comprehensive Financial Reports for the cities served by the authority; this is a representative segment of those communities: Lake Forest, Mission Viejo, Rancho Santa Margarita, Laguna Beach, Dana Point, Aliso Viejo, San Juan Capistrano, San Clemente, Laguna Niguel, and Laguna Hills.

**South Orange County Wastewater Authority
Personnel Trends by Department
Last Seven Fiscal Years**

Headcount							
Department	2017	2018	2019	2020	2021	2022	2023
Operations	39	42	39	37	39	39	37
Environmental Compliance & Safety	10	9	9	9	10	10	10
Engineering	3	3	3	3	3	2	2
Administration	7	9	9	9	8	8	8
IT	1	1	1	1	1	1	1
Total	60	64	61	59	61	60	58

Source: South Orange County Wastewater Authority Payroll Department.

South Orange County Wastewater Authority
O&M Cost Drivers - Last Five Fiscal Years
Cost Drivers Prioritized by Major Expenditures
(SOCWA's Total Cost Base)

Expenses/Costs:	2019		2020		2021	
	Amount	Mix %	Amount	Mix %	Amount	Mix %
Payroll Costs Including Fringe Benefits ¹	\$9,961,588	49.6%	\$10,395,879	48.1%	\$9,257,678	43.0%
UAL & OPEB					1,457,381	6.8%
Chemicals ²	1,567,210	7.8%	1,697,189	8.1%	1,991,025	9.3%
Utilities	1,679,008	8.4%	1,569,259	7.5%	1,590,105	7.4%
Biosolids Hauling and Disposal	1,381,075	6.9%	1,466,713	7.0%	1,465,691	6.8%
Maintenance - Equip. & Facilities ³	1,917,785	9.6%	2,046,663	9.8%	1,867,698	8.7%
IT	544,825	2.7%	640,077	3.1%	557,392	2.6%
Environmental & Safety	934,829	4.7%	1,094,494	5.3%	1,066,875	5.0%
Engineering Misc	34,824	0.2%	848	0.0%	-	0.0%
Management Support Services	367,347	1.8%	423,130	2.0%	572,600	2.7%
IT Direct	2,216		12,672	0.1%	11,508	0.1%
Contract Services - Misc	302,907	1.5%	283,191	1.4%	303,258	1.4%
Audit & Legal ⁴	372,347	1.9%	335,332	1.6%	450,844	2.1%
Facilities	251,002	1.3%	277,115	1.3%	343,448	1.6%
Insurance	203,645	1.0%	261,406	1.3%	276,867	1.3%
Grit Hauling	114,827	0.6%	138,647	0.7%	127,842	0.6%
Engineering transfer to Capital	(330,809)	-1.6%	(377,921)	-1.8%	(431,664)	-2.0%
Other Miscellaneous	\$759,166	3.8%	\$577,503	4.6%	\$597,468	2.8%
Total SOCWA Cost Base	\$20,063,792	100.0%	\$20,842,196	100.0%	\$21,506,016	100.0%
Cost Drivers	18,388,492		19,334,253		19,826,446	
% Total Cost Base	91.7%		92.8%		92.2%	

Over 90% of SOCWA's Cost Base (Total Costs) are in the above highlighted group.

¹ Payroll costs including fringe benefits, UAL & OPEB are 50% of the Authority's Total Cost Base.

² Chemical, fuel, and utilities increased with inflation and supply chain disruptions.

³ Completed both 30k and 40k Cogen services for the Fiscal Year.

⁴ Audit and Legal costs increases are Board matters.

South Orange County Wastewater Authority
O&M Cost Drivers - Last Five Fiscal Years (Continued)
Cost Drivers Prioritized by Major Expenditures
(SOCWA's Total Cost Base)

Expenses/Costs:	2022		2023		Total 5 Years	
	Amount	Mix %	Amount	Mix %	Amount	Mix %
Payroll Costs Including Fringe Benefits ¹	\$9,414,994	42.2%	\$9,508,434	40.4%	\$48,538,574	44.8%
UAL & OPEB	1,639,829	7.4%	1,857,596	7.9%	4,954,806	4.6%
Chemicals ²	2,266,775	10.2%	2,527,417	10.7%	10,049,615	9.3%
Utilities	1,701,678	7.6%	1,964,456	8.3%	8,504,505	7.9%
Biosolids Hauling and Disposal	1,616,875	7.3%	1,731,672	7.4%	7,662,027	7.1%
Maintenance - Equip. & Facilities ³	1,945,146	8.7%	1,930,305	8.2%	9,707,598	9.0%
IT	521,498	2.3%	475,921	2.0%	2,739,713	2.5%
Environmental & Safety	1,105,205	5.0%	1,085,106	4.6%	5,286,509	4.9%
Engineering Misc	-	0.0%	-	0.0%	35,673	0.0%
Management Support Services	151,187	0.7%	240,540	1.0%	1,754,804	1.6%
IT Direct	2,107	0.0%	43,180	0.2%	71,683	0.1%
Contract Services - Misc	341,743	1.5%	288,899	1.2%	1,519,996	1.4%
Audit & Legal ⁴	424,556	1.9%	480,409	2.0%	2,063,488	1.9%
Facilities	314,008	1.4%	278,452	1.2%	1,464,025	1.4%
Insurance	410,049	1.8%	463,720	2.0%	1,615,686	1.5%
Grit Hauling	167,805	0.8%	149,857	0.6%	698,977	0.6%
Engineering transfer to Capital	(394,227)	-1.8%	(302,304)	-1.3%	(1,836,924)	-1.7%
Other Miscellaneous	\$667,552	3.0%	808,739	3.4%	\$3,410,429	3.2%
Total SOCWA Cost Base	\$22,296,778	100.0%	\$23,532,399	100.0%	\$108,241,182	100.0%
Cost Drivers	20,363,186		21,321,447		99,233,824	
% Total Cost Base	91.3%		90.6%		91.7%	

Over 90% of SOCWA's Cost Base (Total Costs) are in the above highlighted group.

¹ Payroll costs including fringe benefits, UAL & OPEB are 50% of the Authority's Total Cost Base.

² Chemical, fuel, and utilities increased with inflation and supply chain disruptions.

³ Completed both 30k and 40k Cogen services for the Fiscal Year.

⁴ Audit and Legal costs increases are Board matters.

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2023 (O&M Dept.)

	PC 02	PC 12	PC 05	PC 15	PC 17
Salary and Fringe					
Regular Salaries-O&M	\$ 1,546,812	\$ 69,816	\$ 95,861	\$ 884,597	\$ 1,676,248
Overtime Salaries-O&M	54,606	-	296	18,702	51,977
Scheduled Holiday Work	28,653	-	88	8,306	29,543
Comp Time - O&M	13,977	-	-	9,853	11,011
Fringe Benefits IN to PC's & Depts.	888,524	40,104	55,064	508,133	962,875
Standby Pay	26,163	-	-	10,433	31,265
Total Payroll Costs	2,558,734	109,919	151,309	1,440,023	2,762,919
Other Expenses					
Electricity	781,719	-	-	352,638	235,336
Natural Gas	238,372	-	-	6,310	266,198
Potable & Reclaimed Water	31,110	-	-	22,839	29,934
Co-generation Power Credit	-	-	-	-	(1,135,051)
Chlorine/Sodium Hypochlorite	45,281	-	-	112,284	247,215
Polymer Products	383,325	-	-	-	561,070
Ferric Chloride	309,333	-	-	158,554	523,522
Odor Control Chemicals	35,572	-	-	55,478	68,824
Laboratory Services	7,785	-	-	7,840	15,930
Grit Hauling	92,189	-	-	20,202	37,466
Landscaping	74,833	-	-	47,966	64,614
Management Support Services	36,080	2,226	47,060	11,495	14,495
Legal Fees	27,210	1,400	1,565	1,565	19,490
Contract Services Misc.	93,289	-	-	96,420	93,458
Small Vehicle Expense	11,120	-	-	4,795	11,864
Miscellaneous Expense	906	-	36	569	2,132
Office Supplies - All	16,388	-	-	5,551	11,336
Petroleum Products	8,883	-	-	7,003	11,074
Uniforms	42,116	-	-	13,175	41,791
Small Vehicle Fuel	8,307	-	-	3,335	7,910
Insurance - Property/Liability	164,189	3,707	15,589	69,131	192,847
Small Tools & Supplies	26,457	-	-	11,217	43,050
Trash Disposal	2,020	-	-	3,282	4,492
Safety Program & Supplies	36,321	-	-	22,490	48,910
Equipment Rental	274	-	-	-	14,605
Recruitment	1,301	-	-	104	2,841
Travel Expense/Tech. Conferences	6,836	866	3,150	2,586	6,713
Training Expense	18,234	-	31	13,417	16,860
Laboratory Supplies	22,642	-	44,075	31,438	32,963
Office Equipment	454	-	-	2,745	2,464
Permits	24,528	25,470	273,143	8,898	27,970
Membership Dues/Fees	4,077	-	62	2,540	4,410
Offshore Monitoring	-	-	54,314	-	-
Effluent Chemistry	-	-	35,635	-	-
Access Road Expenses	-	-	-	739	-
Storm Damage	-	-	-	9,662	-
Biosolids Disposal	630,733	-	-	-	1,100,939
Contract Services Generators	15,907	-	-	4,051	-
Janitorial Services	37,807	-	-	14,384	29,054
Contract Serv - Digester Cleaning - 29E	33,762	-	-	-	-
Diesel Truck Maint	19,802	-	-	13	20,400
Diesel Truck Fuel	5,298	-	-	3,515	7,047
Maintenance Equip. & Facilities (Solids)	161,766	-	-	-	139,380
Maintenance Equip. & Facilities (Liquids)	201,741	-	-	111,380	195,954
Maintenance Equip. & Facilities (Common)	56,072	-	4,497	10,109	21,471
Maintenance Equip. & Facilities (Co-Gen)	259,117	-	-	-	715,536
Maintenance Equip. & Facilities (AWT)	-	-	-	26,063	25,826
Mileage	1,826	-	-	421	2,104
MNWD Potable Water Supplies & Svcs.	-	-	-	-	27,288
SCADA Infrastructure	18,964	-	-	18,964	18,964
IT Direct	14,061	-	-	13,941	15,179
Co-Generation Power Credit - Offset	-	-	-	-	1,135,051

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2023 (O&M Dept.)

	PC 02	PC 12	PC 05	PC 15	PC 17
Group Insurance Waiver	6,078	-	-	3,475	6,120
Medicare Tax Payments for Employees	-	-	-	1,522	-
Operating Leases	16,118	-	-	-	-
Monthly Car Allowance	17,211	-	-	4,216	8,917
Verily Stipends - WastewaterSCAN Monitoring	(12,450)	-	-	(12,450)	(12,450)
Zephyr Wall Costs Share - O&M	(14,321)	-	-	-	-
IT Allocations in to PC's & Depts.	175,363	8,910	10,876	98,164	187,306
Total Other Expenses	4,196,007	42,579	490,033	1,404,037	5,170,820
Sub-Total Expenses	6,754,741	152,499	641,342	2,844,061	7,933,738
PC 23, NCI					
Total O&M	\$ 6,754,741	\$ 152,499	\$ 641,342	\$ 2,844,061	\$ 7,933,738

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2023 (O&M Dept.) (Continued)

	PC 23	PC 24	PC 08	SOCWA
Salary and Fringe				
Regular Salaries-O&M	\$ -	\$ 90,168	\$ 104,990	\$ 4,468,491
Overtime Salaries-O&M	-	376	-	125,957
Scheduled Holiday Work	-	178	-	66,767
Comp Time - O&M	-	336	19	35,195
Fringe Benefits IN to PC's & Depts.	-	51,794	60,309	2,566,803
Standby Pay	-	-	-	67,860
Total Payroll Costs	-	142,852	165,318	7,331,074
Other Expenses				
Electricity	-	-	-	1,369,693
Natural Gas	-	-	-	510,880
Potable & Reclaimed Water	-	-	-	83,883
Co-generation Power Credit	-	-	-	(1,135,051)
Chlorine/Sodium Hypochlorite	-	-	-	404,780
Polymer Products	-	-	-	944,395
Ferric Chloride	-	-	-	991,409
Odor Control Chemicals	-	-	-	159,874
Laboratory Services	-	-	-	31,555
Grit Hauling	-	-	-	149,857
Landscaping	-	-	-	187,413
Management Support Services	-	51,639	-	162,995
Legal Fees	-	1,565	605	53,401
Contract Services Misc.	-	-	-	283,167
Small Vehicle Expense	-	-	-	27,779
Miscellaneous Expense	-	-	-	3,643
Office Supplies - All	-	-	-	33,276
Petroleum Products	-	-	-	26,959
Uniforms	-	-	-	97,082
Small Vehicle Fuel	-	-	-	19,552
Insurance - Property/Liability	-	13,680	4,576	463,720
Small Tools & Supplies	-	-	2,444	83,169
Trash Disposal	-	-	-	9,794
Safety Program & Supplies	-	-	-	107,722
Equipment Rental	-	-	-	14,879
Recruitment	-	-	-	4,246
Travel Expense/Tech. Conferences	-	3,608	1,955	25,715
Training Expense	-	31	1,239	49,811
Laboratory Supplies	-	41,393	-	172,511
Office Equipment	-	-	-	5,663
Permits	-	228,285	-	588,295
Membership Dues/Fees	-	62	452	11,605
Offshore Monitoring	-	50,394	-	104,708
Effluent Chemistry	-	16,181	-	51,815
Access Road Expenses	-	-	-	739
Storm Damage	-	-	-	9,662
Biosolids Disposal	-	-	-	1,731,672
Contract Services Generators	-	-	-	19,958
Janitorial Services	-	-	-	81,245
Contract Serv - Digester Cleaning - 29E	-	-	-	33,762
Diesel Truck Maint	-	-	-	40,215
Diesel Truck Fuel	-	-	-	15,860
Maintenance Equip. & Facilities (Solids)	-	-	-	301,146
Maintenance Equip. & Facilities (Liquids)	-	-	-	509,074
Maintenance Equip. & Facilities (Common)	-	1,394	-	93,543
Maintenance Equip. & Facilities (Co-Gen)	-	-	-	974,653
Maintenance Equip. & Facilities (AWT)	-	-	-	51,889
Mileage	-	-	-	4,351
MNWD Potable Water Supplies & Svcs.	-	-	-	27,288
SCADA Infrastructure	-	-	-	56,892
IT Direct	-	-	-	43,180
Co-Generation Power Credit - Offset	-	-	-	1,135,051

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2023 (O&M Dept.) (Continued)

	PC 23	PC 24	PC 08	SOCWA
Group Insurance Waiver	-	-	-	15,674
Medicare Tax Payments for Employees	-	-	-	1,522
Operating Leases	-	-	-	16,118
Monthly Car Allowance	-	-	-	30,344
Verily Stipends - WastewaterSCAN Monitoring	-	-	-	(37,350)
Zephyr Wall Costs Share - O&M	-	-	-	(14,321)
IT Allocations in to PC's & Depts.	-	11,726	11,660	504,005
Total Other Expenses	-	419,958	22,930	11,746,365
Sub-Total Expenses	-	562,811	188,248	19,077,439
PC 23, NCI				644,674
Total O&M	\$ 644,674	\$ 562,811	\$ 188,248	\$ 19,722,113

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2022 (O&M Dept.)

	PC 02	PC 12	PC 05	PC 15	PC 17
Salary and Fringe					
Regular Salaries-O&M	\$ 1,534,572	\$ 25,279	\$ 120,491	\$ 893,154	\$ 1,541,417
Overtime Salaries-O&M	71,013	-	444	29,583	35,934
Scheduled Holiday Work	33,446	-	350	16,934	35,314
Comp Time - O&M	18,730	-	-	8,793	7,375
Fringe Benefits IN to PC's & Depts.	871,332	14,353	68,415	507,134	875,219
Standby Pay	27,983	-	-	9,133	30,745
Total Payroll Costs	2,557,076	39,632	189,699	1,464,731	2,526,004
Other Expenses					
Electricity	583,342	-	-	303,510	353,719
Natural Gas	197,626	-	-	4,228	187,221
Potable & Reclaimed Water	25,246	-	-	24,958	21,827
Co-generation Power Credit	-	-	-	-	(1,061,264)
Chlorine/Sodium Hypochlorite	20,825	-	-	100,305	500,081
Polymer Products	315,754	-	-	-	514,091
Ferric Chloride	245,786	-	-	75,572	366,706
Odor Control Chemicals	25,738	-	-	46,042	40,368
Laboratory Services	9,519	-	-	9,030	13,041
Grit Hauling	100,013	-	-	21,416	46,375
Landscaping	69,440	-	-	68,982	86,465
Management Support Services	37,338	2,379	41,732	1,125	10,625
Legal Fees	4,541	7,676	-	18,911	70,060
Contract Services Misc.	110,512	-	-	103,351	122,233
Small Vehicle Expense	11,553	-	-	5,861	14,080
Miscellaneous Expense	2,389	-	-	808	1,327
Office Supplies - All	17,534	-	-	4,757	9,263
Petroleum Products	717	-	-	4,717	10,073
Uniforms	33,751	-	-	8,477	32,123
Small Vehicle Fuel	6,953	-	-	3,165	8,246
Insurance - Property/Liability	145,112	1,831	13,598	63,756	169,102
Small Tools & Supplies	27,911	-	-	4,223	30,407
Trash Disposal	3,765	-	-	2,706	1,922
Safety Program & Supplies	42,187	-	-	14,415	31,216
Equipment Rental	6,324	-	-	-	20,421
Recruitment	970	-	-	100	2,000
Travel Expense/Tech. Conferences	845	221	921	180	1,834
Training Expense	9,925	-	720	6,937	10,716
Laboratory Supplies	16,374	-	39,863	22,102	21,409
Office Equipment	5,892	-	-	4,953	7,737
Permits	26,401	24,491	237,612	6,451	27,744
Membership Dues/Fees	3,473	-	225	5,282	10,243
Offshore Monitoring	-	-	46,452	-	-
Effluent Chemistry	-	-	14,580	-	-
Access Road Expenses	-	-	-	1,861	-
Biosolids Disposal	729,710	-	-	10,308	876,857
Contract Services Generators	12,739	-	-	-	4,145
Janitorial Services	39,457	-	-	13,045	28,224
Contract Serv - Digester Cleaning - 29E	46,498	-	-	-	-
Diesel Truck Maint	11,113	-	-	-	19,341
Diesel Truck Fuel	3,147	-	-	-	8,138
Maintenance Equip. & Facilities (Solids)	148,906	-	572	-	184,216
Maintenance Equip. & Facilities (Liquids)	207,282	-	-	190,848	230,760
Maintenance Equip. & Facilities (Common)	57,545	-	375	17,830	32,351
Maintenance Equip. & Facilities (Co-Gen)	289,386	-	-	-	520,060
Maintenance Equip. & Facilities (AWT)	-	-	-	33,451	31,564
Mileage	763	-	-	391	868
MNWD Potable Water Supplies & Svcs.	-	-	-	-	40,151

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2022 (O&M Dept.)

	PC 02	PC 12	PC 05	PC 15	PC 17
Education Reimbursement	-	-	-	-	551
SCADA Infrastructure	27,137	-	-	27,137	27,137
IT Direct	2,033	-	-	37	37
Co-Generation Power Credit - Offset	-	-	-	-	1,061,264
Group Insurance Waiver	5,815	-	-	3,752	7,089
Medicare Tax Payments for Employees	-	-	-	2,118	-
Monthly Car Allowance	22,888	-	-	4,216	9,240
Zephyr Wall Costs Share - O&M	(8,147)	-	-	-	-
IT Allocations in to PC's & Depts.	172,503	4,872	15,936	117,826.57	186,925
Total Other Expenses	3,876,532	41,470	412,586	1,359,142	4,950,331
Sub-Total Expenses	6,433,607	81,103	602,285	2,823,872	7,476,335
PC 23, NCI					
Total O&M	\$ 6,433,607	\$ 81,103	\$ 602,285	\$ 2,823,872	\$ 7,476,335

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2022 (O&M Dept.) (Continued)

	PC 21	PC 23	PC 24	PC 08	SOCWA
Salary and Fringe					
Regular Salaries-O&M	\$ 286	\$ -	\$ 109,303	\$ 104,071	\$ 4,328,572
Overtime Salaries-O&M	-	-	1,178	-	138,152
Scheduled Holiday Work	-	-	350	-	86,393
Comp Time - O&M	-	-	-	419	35,317
Fringe Benefits IN to PC's & Depts.	162	-	62,062	59,091	2,457,768
Standby Pay	-	-	-	-	67,861
Total Payroll Costs	448	-	172,892	163,581	7,114,063
Other Expenses					
Electricity	-	-	-	-	1,240,571
Natural Gas	-	-	-	-	389,075
Potable & Reclaimed Water	-	-	-	-	72,031
Co-generation Power Credit	-	-	-	-	(1,061,264)
Chlorine/Sodium Hypochlorite	-	-	-	-	621,211
Polymer Products	-	-	-	-	829,845
Ferric Chloride	-	-	-	-	688,063
Odor Control Chemicals	-	-	-	-	112,148
Laboratory Services	-	-	-	-	31,591
Grit Hauling	-	-	-	-	167,805
Landscaping	-	-	-	-	224,888
Management Support Services	-	-	25,298	-	118,496
Legal Fees	-	7,063	-	4,695	112,945
Contract Services Misc.	-	-	-	-	336,097
Small Vehicle Expense	-	-	-	-	31,494
Miscellaneous Expense	-	-	-	41	4,565
Office Supplies - All	-	-	-	-	31,555
Petroleum Products	-	-	-	-	15,508
Uniforms	-	-	-	-	74,351
Small Vehicle Fuel	-	-	-	303	18,667
Insurance - Property/Liability	10	-	12,308	4,331	410,049
Small Tools & Supplies	-	-	-	2,033	64,574
Trash Disposal	-	-	-	-	8,394
Safety Program & Supplies	-	-	-	-	87,818
Equipment Rental	-	-	-	-	26,745
Recruitment	-	-	-	-	3,070
Travel Expense/Tech. Conferences	-	-	1,971	3,153	9,125
Training Expense	-	-	720	450	29,469
Laboratory Supplies	-	-	30,046	-	129,793
Office Equipment	-	-	-	-	18,582
Permits	-	-	223,079	-	545,780
Membership Dues/Fees	-	-	225	438	19,885
Offshore Monitoring	-	-	46,762	-	93,213
Effluent Chemistry	-	-	15,613	-	30,193
Access Road Expenses	-	-	-	-	1,861
Biosolids Disposal	-	-	-	-	1,616,875
Contract Services Generators	-	-	-	-	16,884
Janitorial Services	-	-	-	-	80,726
Contract Serv - Digester Cleaning - 29E	-	-	-	-	46,498
Diesel Truck Maint	-	-	-	-	30,454
Diesel Truck Fuel	-	-	-	-	11,285
Maintenance Equip. & Facilities (Solids)	-	-	-	-	333,694
Maintenance Equip. & Facilities (Liquids)	-	-	-	-	628,890
Maintenance Equip. & Facilities (Common)	-	-	-	-	108,101
Maintenance Equip. & Facilities (Co-Gen)	-	-	-	-	809,446
Maintenance Equip. & Facilities (AWT)	-	-	-	-	65,015
Mileage	-	-	-	-	2,022
MNWD Potable Water Supplies & Svcs.	-	-	-	-	40,151

South Orange County Wastewater Authority
O&M Expenditures by Project Committee Fiscal Year 2022 (O&M Dept.) (Continued)

	PC 21	PC 23	PC 24	PC 08	SOCWA
Education Reimbursement	-	-	-	-	551
SCADA Infrastructure	-	-	-	-	81,411
IT Direct	-	-	-	-	2,107
Co-Generation Power Credit - Offset	-	-	-	-	1,061,264
Group Insurance Waiver	-	-	-	-	16,657
Medicare Tax Payments for Employees	-	-	-	-	2,118
Monthly Car Allowance	-	-	-	-	36,344
Zephyr Wall Costs Share - O&M	-	-	-	-	(8,147)
IT Allocations in to PC's & Depts.	-	-	16,235	12,807	527,106
Total Other Expenses	10	7,063	372,256	28,252	11,047,642
Sub-Total Expenses	458	7,063	545,149	191,833	18,161,705
PC 23, NCI		382,108			382,108
Total O&M	\$ 458	\$ 389,171	\$ 545,149	\$ 191,833	\$ 18,543,813

South Orange County Wastewater Authority
O&M Expenditures/Operating Revenue by Project Committee and Member Agency¹
Fiscal Year 2023

	City of Laguna Beach	City of San Clemente	City of San Juan Capistrano	El Toro Water District	Emerald Bay Service District
USE AUDIT (Actual Costs) by Project Committee & Member Agency					
<u>Project Committee</u>					
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ 1,537,810	\$ -	\$ -
PC 5 - San Juan Creek Ocean Outfall	-	106,591	71,061	-	-
PC 8 - Pretreatment Program	6,798	31,142	6,176	3,553	2,880
PC 12 SO- Water Reclamation Permits	-	-	18,887	-	-
PC 15 - Coastal Treatment Plant/AWT	1,203,057	-	-	-	58,030
PC 17 - Joint Regional Wastewater	542,492	-	-	764,713	22,846
PC 24 - Aliso Creek Ocean Outfall	61,909	-	-	91,749	4,390
Sub-Total	1,814,255	137,733	1,633,934	860,015	88,146
PC 23, NCI	644,674				
Total O&M	\$ 2,458,929	\$ 137,733	\$ 1,633,934	\$ 860,015	\$ 88,146

¹ SOCWA's operating expenses are covered by its ten Member Agencies, therefore, Operating Revenue is equal to Operating Expenses before PC 23 (NCI), unallocated portion of pension and OPEB, other expenses and depreciation and amortization.

South Orange County Wastewater Authority
O&M Expenditures/Operating Revenue by Project Committee and Member Agency¹ (Continued)
Fiscal Year 2023

	Irvine Ranch Water District	Moulton Niguel Water District	Santa Margarita Water District	South Coast Water District	Trabuco Canyon Water District	Total
USE AUDIT (Actual Costs) by Project Committee & Member Agency						
<u>Project Committee</u>						
PC 2 - Jay B. Latham Plant	\$ -	\$ 1,125,686	\$ 2,772,126	\$ 1,319,118	\$ -	\$ 6,754,741
PC 5 - San Juan Creek Ocean Outfall	-	99,472	284,243	79,975	-	641,342
PC 8 - Pretreatment Program	22,210	33,889	50,592	31,010	-	188,248
PC 12 SO- Water Reclamation Permits	-	46,256	50,229	19,087	18,040	152,499
PC 15 - Coastal Treatment Plant/AWT	-	185,148	-	1,397,826	-	2,844,061
PC 17 - Joint Regional Wastewater	-	6,172,527	-	431,161	-	7,933,739
PC 24 - Aliso Creek Ocean Outfall	88,697	246,782	-	69,282	-	562,810
Sub-Total	110,907	7,909,760	3,157,190	3,347,459	18,040	19,077,439
PC 23, NCI						644,674
Total O&M	\$ 110,907	\$ 7,909,760	\$ 3,157,190	\$ 3,347,459	\$ 18,040	\$ 19,722,113

¹ SOCWA's operating expenses are covered by its ten Member Agencies, therefore, Operating Revenue is equal to Operating Expenses before PC 23 (NCI), unallocated portion of pension and OPEB, other expenses and depreciation and amortization.

South Orange County Wastewater Authority
O&M Expenditures/Operating Revenue by Project Committee and Member Agency¹
Fiscal Year 2022

	City of Laguna Beach	City of San Clemente	City of San Juan Capistrano	El Toro Water District	Emerald Bay Service District
USE AUDIT (Actual Costs) by Project Committee & Member Agency					
<u>Project Committee</u>					
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ 1,643,566	\$ -	\$ -
PC 5 - San Juan Creek Ocean Outfall	-	97,738	65,159	-	-
PC 8 - Pretreatment Program	8,536	34,601	7,459	6,327	2,532
PC 12 SO- Water Reclamation Permits	-	-	9,412	-	-
PC 15 - Coastal Treatment Plant/AWT	1,185,562	-	-	-	60,688
PC 17 - Joint Regional Wastewater	496,545	-	-	616,522	22,269
PC 21 Effluent Transmission Main	-	-	-	188	-
PC 23 North Coast Interceptor	7,063	-	-	-	-
PC 24 - Aliso Creek Ocean Outfall	59,966	-	-	88,870	4,252
Sub-Total	1,757,671	132,339	1,725,595	711,907	89,741
PC 23, NCI	382,108				
Total O&M	\$ 2,139,779	\$ 132,339	\$ 1,725,595	\$ 711,907	\$ 89,741

¹ SOCWA's operating expenses are covered by its ten Member Agencies, therefore, Operating Revenue is equal to Operating Expenses before PC 23 (NCI), unallocated portion of pension and OPEB, other expenses and depreciation and amortization.

South Orange County Wastewater Authority
O&M Expenditures/Operating Revenue by Project Committee and Member Agency¹ (Continued)
Fiscal Year 2022

	Irvine Ranch Water District	Moulton Niguel Water District	Santa Margarita Water District	South Coast Water District	Trabuco Canyon Water District	Total
USE AUDIT (Actual Costs) by Project Committee & Member Agency						
<u>Project Committee</u>						
PC 2 - Jay B. Latham Plant	\$ -	\$ 1,217,649	\$ 2,192,654	\$ 1,379,738	\$ -	\$ 6,433,607
PC 5 - San Juan Creek Ocean Outfall	-	91,210	260,635	87,543	-	602,285
PC 8 - Pretreatment Program	20,879	33,392	46,722	31,386	-	191,833
PC 12 SO- Water Reclamation Permits	-	25,607	25,659	10,908	9,517	81,103
PC 15 - Coastal Treatment Plant/AWT	-	190,959	-	1,386,664	-	2,823,872
PC 17 - Joint Regional Wastewater	-	5,939,024	-	401,976	-	7,476,335
PC 21 Effluent Transmission Main	188	83	-	-	-	458
PC 23 North Coast Interceptor	-	-	-	-	-	7,063
PC 24 - Aliso Creek Ocean Outfall	85,914	239,038	-	67,108	-	545,148
Sub-Total	106,980	7,736,962	2,525,670	3,365,323	9,517	18,161,705
PC 23, NCI						382,108
Total O&M	\$ 106,980	\$ 7,736,962	\$ 2,525,670	\$ 3,365,323	\$ 9,517	\$ 18,543,813

¹ SOCWA's operating expenses are covered by its ten Member Agencies, therefore, Operating Revenue is equal to Operating Expenses before PC 23 (NCI), unallocated portion of pension and OPEB, other expenses and depreciation and amortization.

**South Orange County Wastewater Authority
Operating and Capacity Indicators
Last Ten Fiscal Years**

Performance Indicators

Facility/Indicator	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Wastewater Flow (mgd) ¹										
JB Latham Treatment Plant	9.24	8.51	6.83	6.64	6.06	6.51	6.58	7.09	7.50	6.82
Coastal Treatment Plant	3.23	3.13	2.98	3.00	2.77	2.91	2.71	2.69	2.71	2.88
Regional Treatment Plant	8.71	8.11	7.63	7.75	7.77	7.72	7.78	7.75	7.38	6.79
Recycled Water Production (AF/d)										
Coastal Treatment Plant	2.91	3.14	3.25	3.29	3.43	2.23	3.50	3.01	3.67	2.92
Regional Treatment Plant	19.50	18.86	14.75	14.51	16.69	13.81	12.80	15.46	16.22	15.06
Ocean Outfall Discharges (mgd)										
San Juan Creek Ocean Outfall	15.92	13.40	11.51	11.33	10.73	12.34	13.41	11.27	10.75	11.09
Aliso Creek Ocean Outfall	11.99	10.28	11.40	10.71	9.13	10.94	10.95	9.01	8.36	11.89

¹ mgd = million gallons per day

Source: South Orange County Wastewater Authority Operations Department

South Orange County Wastewater Authority
Member Agency Flows and Solids Trend (Cost Allocation %)
(O&M Costs Distribution by Member Agencies Percentages based on Actual Usage)
Last Ten Fiscal Years

Treatment Facilities ¹	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
PC 2 JB Latham										
Liquids										
City of San Juan Capistrano	33.44%	34.81%	31.77%	31.96%	36.57%	35.38%	32.37%	31.15%	28.78%	23.93%
Moulton Niguel Water District	21.29%	21.52%	20.50%	21.10%	23.64%	23.92%	21.30%	19.76%	18.68%	15.37%
Santa Margarita Water District	23.06%	20.99%	21.96%	21.31%	12.13%	11.81%	21.74%	25.33%	31.02%	42.04%
South Coast Water District	22.21%	22.67%	25.77%	25.63%	27.66%	28.89%	24.59%	23.76%	21.53%	18.66%
Total	100.00%									

Solids										
City of San Juan Capistrano	30.00%	32.44%	24.48%	24.54%	23.90%	29.65%	26.23%	24.08%	21.47%	18.91%
Moulton Niguel Water District	19.98%	21.46%	26.33%	18.70%	21.06%	20.05%	17.25%	15.27%	17.83%	15.43%
Santa Margarita Water District	30.30%	27.97%	27.19%	33.82%	36.96%	23.37%	32.96%	37.66%	40.25%	47.38%
South Coast Water District	19.72%	18.13%	22.00%	22.94%	18.08%	26.92%	23.56%	23.00%	20.44%	18.28%
Total	100.00%									

PC 15 Coastal

Liquids										
City of Laguna Beach	60.20%	60.15%	59.16%	59.00%	57.72%	60.23%	60.90%	58.11%	53.81%	54.71%
Emerald Bay Service District	1.90%	1.83%	1.71%	1.67%	1.78%	1.88%	2.18%	2.89%	2.36%	2.22%
Moulton Niguel Water District ²	-	-	-	-	-	-	-	-	-	-
South Coast Water District	37.91%	38.03%	39.13%	39.33%	40.50%	37.89%	36.91%	38.99%	43.83%	43.07%
Total	100.00%									

PC 17 Regional

Liquids										
City of Laguna Beach	0.17%	0.23%	0.16%	0.16%	0.80%	0.11%	0.10%	0.10%	0.11%	0.09%
El Toro Water District	0.21%	0.19%	0.18%	0.18%	0.27%	0.92%	0.20%	0.20%	0.24%	0.23%
Emerald Bay Service District	0.01%	0.01%	0.01%	0.00%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%
Moulton Niguel Water District	99.51%	99.55%	99.55%	99.55%	98.36%	98.92%	99.67%	99.66%	99.57%	99.62%
South Coast Water District	0.10%	0.02%	0.10%	0.10%	0.56%	0.04%	0.04%	0.04%	0.07%	0.06%
Total	100.00%									

Solids										
City of Laguna Beach	13.11%	13.13%	12.30%	12.48%	16.06%	15.34%	12.87%	12.46%	13.13%	11.89%
El Toro Water District	15.70%	15.28%	14.18%	13.99%	14.90%	15.15%	16.11%	14.71%	15.19%	16.08%
Emerald Bay Service District	0.41%	0.40%	0.36%	0.38%	0.50%	0.48%	0.46%	0.62%	0.58%	0.49%
Moulton Niguel Water District	62.53%	62.90%	65.04%	64.52%	58.06%	59.40%	62.78%	63.90%	60.45%	62.10%
South Coast Water District	8.25%	8.30%	8.12%	8.62%	10.48%	9.64%	7.79%	8.32%	10.66%	9.45%
Total	100.00%									

¹ Flows and Solids costs fluctuate by member agencies based on annual usage, a member agency's assessments will increase if their usage exceeds budget or a refund is provided to member agencies if flows are below budget. O&M costs are of a fixed nature, therefore, if there are significant reductions in usage by an agency, the remaining agencies individual assessments will be increased to absorb the costs. Budget vs. Actual usage is reported in the annual Use Audit Report.

² Moulton Niguel Water District has owned capacity in the Coastal treatment Plant but does not send flows to the facility.

South Orange County Wastewater Authority
Member Agency Flows and Solids Trend (MGD)
Last Ten Fiscal Years

JB Latham Plant (JBL) Flows (MGD) By Member Agency - PC2

Fiscal Year	CSJC	MNWD	SCWD	SMWD
2014	3.136	1.936	1.937	2.231
2015	3.031	1.805	1.824	1.849
2016	2.170	1.400	1.760	1.500
2017	2.121	1.400	1.701	1.414
2018	2.166	1.400	1.639	0.718
2019	2.070	1.400	1.690	0.691
2020	2.128	1.400	1.616	1.429
2021	2.208	1.400	1.684	1.795
2022	2.157	1.400	1.614	2.325
2023	2.180	1.400	1.700	3.830

Coastal Treatment Plant (CTP) Flows (MGD) By Member Agency - PC15

Fiscal Year	CLB	EBSD	MNWD	SCWD
2014	1.943	0.061	-	1.224
2015	1.882	0.057	-	1.190
2016	1.760	0.051	-	1.164
2017	1.770	0.050	-	1.180
2018	1.596	0.049	-	1.120
2019	1.620	0.050	-	1.019
2020	1.652	0.059	-	1.001
2021	1.566	0.078	-	1.051
2022	1.459	0.064	-	1.188
2023	1.527	0.062	-	1.202

JB Latham Plant (JBL) Solids By Member Agency - PC2 (lbs/day)

Fiscal Year	CSJC	MNWD	SCWD	SMWD
2014	8,526	5,589	5,589	8,712
2015	8,847	5,769	4,792	7,509
2016	5,722	6,155	5,143	6,352
2017	5,767	6,142	5,391	6,203
2018	5,815	5,124	4,399	8,992
2019	5,706	3,859	5,181	4,497
2020	5,914	3,890	5,311	7,431
2021	6,318	4,006	6,035	9,882
2022	6,339	5,264	6,035	11,883
2023	6,442	5,257	6,227	16,141

South Orange County Wastewater Authority
Member Agency Flows and Solids Trend (MGD) (Continued)
Last Ten Fiscal Years

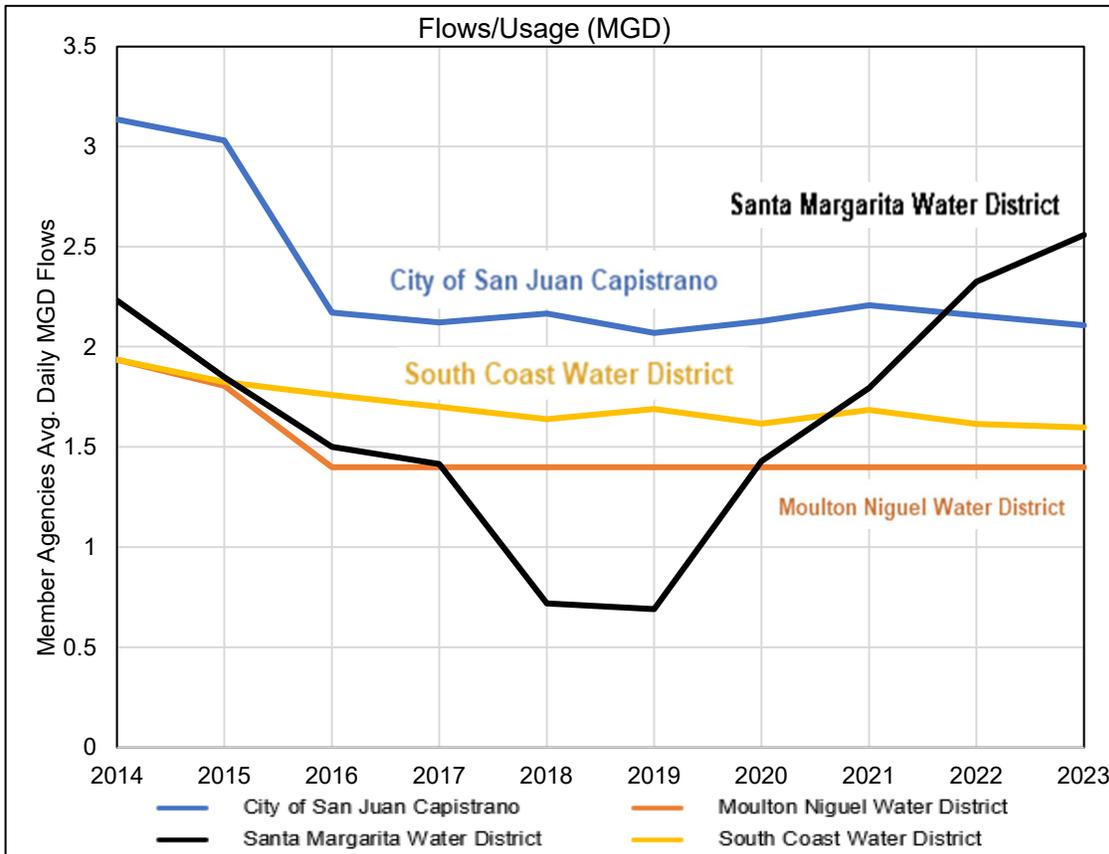
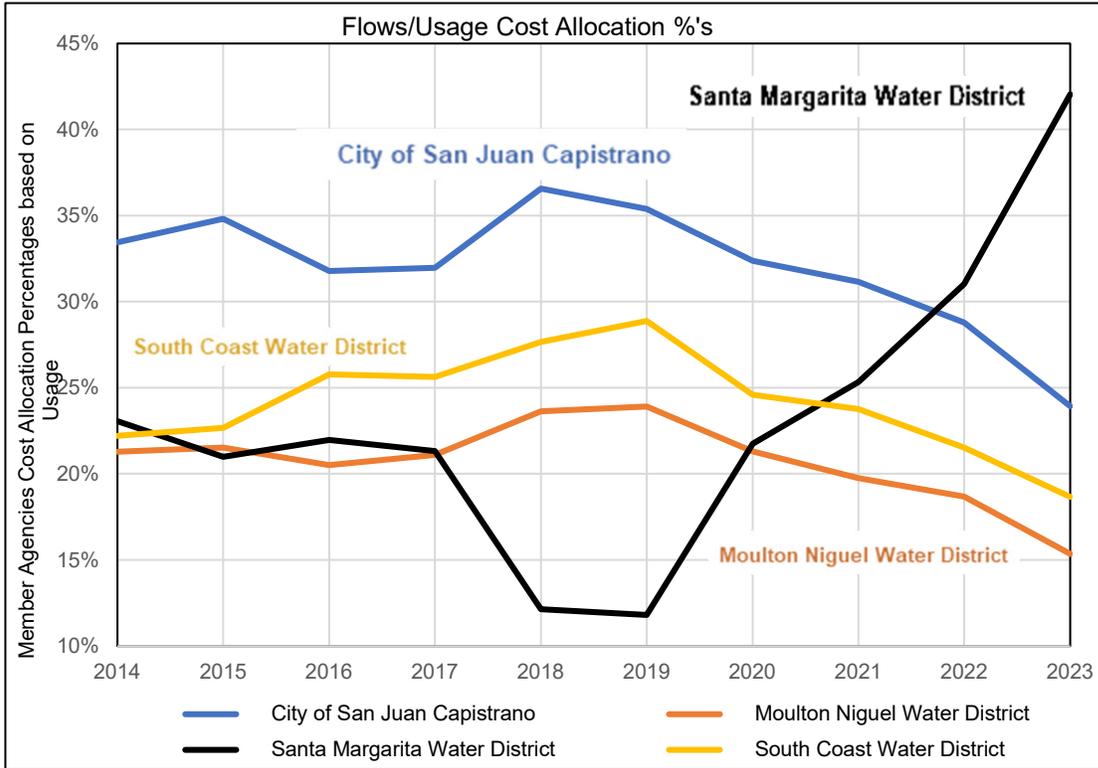
Regional Treatment Plant (RTP) **Flows** (MGD) By Member Agency - PC17

Fiscal Year	CLB	EBSB	ETWD	MNWD	SCWD
2014	0.015	0.001	0.018	8.713	0.009
2015	0.019	0.001	0.015	8.112	0.002
2016	0.014	0.000	0.016	7.629	0.010
2017	0.012	0.000	0.014	7.750	0.008
2018	0.062	0.000	0.020	7.730	0.043
2019	0.009	0.000	0.014	7.607	0.003
2020	0.008	0.000	0.016	7.789	0.003
2021	0.008	0.000	0.015	7.722	0.003
2022	0.008	0.000	0.018	7.353	0.005
2023	0.010	0.000	0.020	7.540	0.000

Regional Treatment Plant (RTP) **Solids** By Member Agency - PC17 (lbs/day)

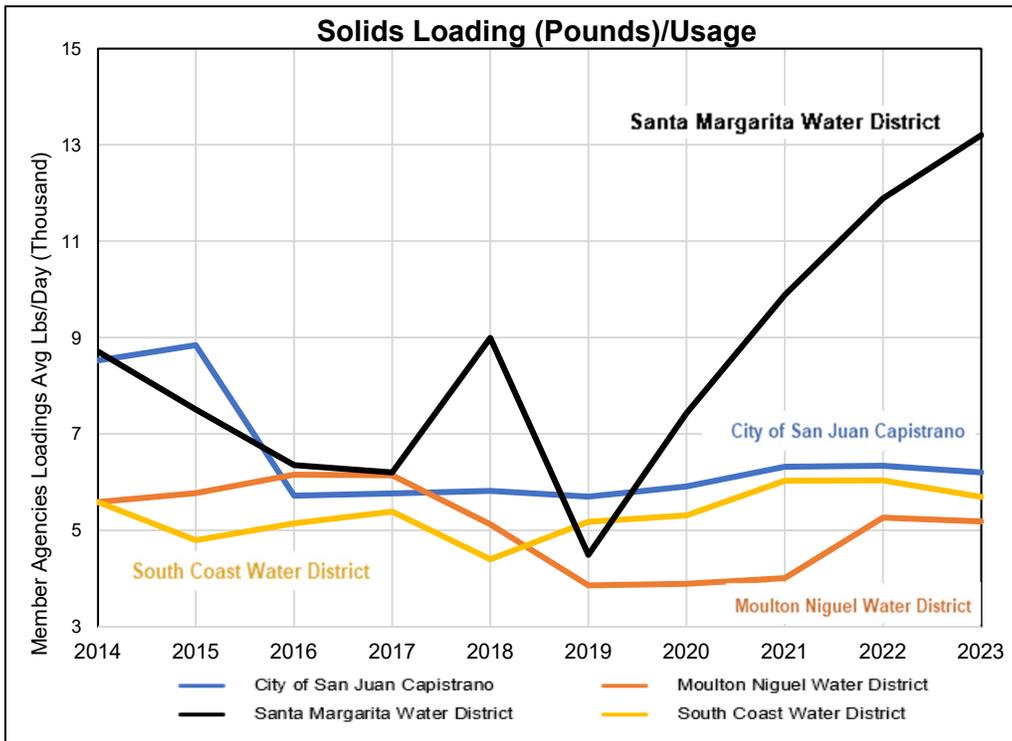
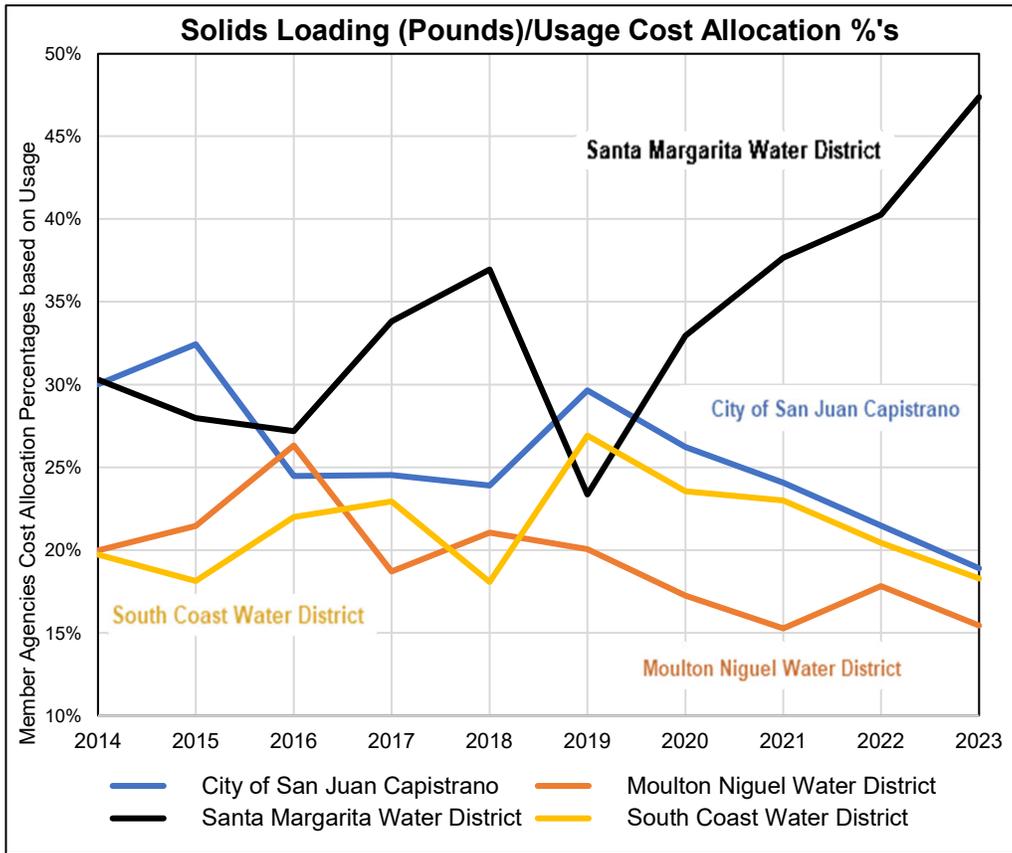
Fiscal Year	CLB	EBSB	ETWD	MNWD	SCWD
2014	4,635	146	5,717	22,776	2,919
2015	4,924	150	5,915	24,350	3,113
2016	5,605	295	5,726	26,258	4,480
2017	5,133	158	5,755	26,532	3,546
2018	6,368	196	5,909	23,024	4,157
2019	5,770	180	5,701	22,346	3,626
2020	4,632	166	5,799	22,598	2,803
2021	4,514	224	5,330	23,155	3,016
2022	4,549	200	5,262	20,943	3,693
2023	4,186	171	5,661	21,865	3,327

South Orange County Wastewater Authority PC 2 JB Latham Flows from Member Agencies ¹ Actual Cost Allocation Percentages and MGD by Member Agency Last Ten Fiscal Years



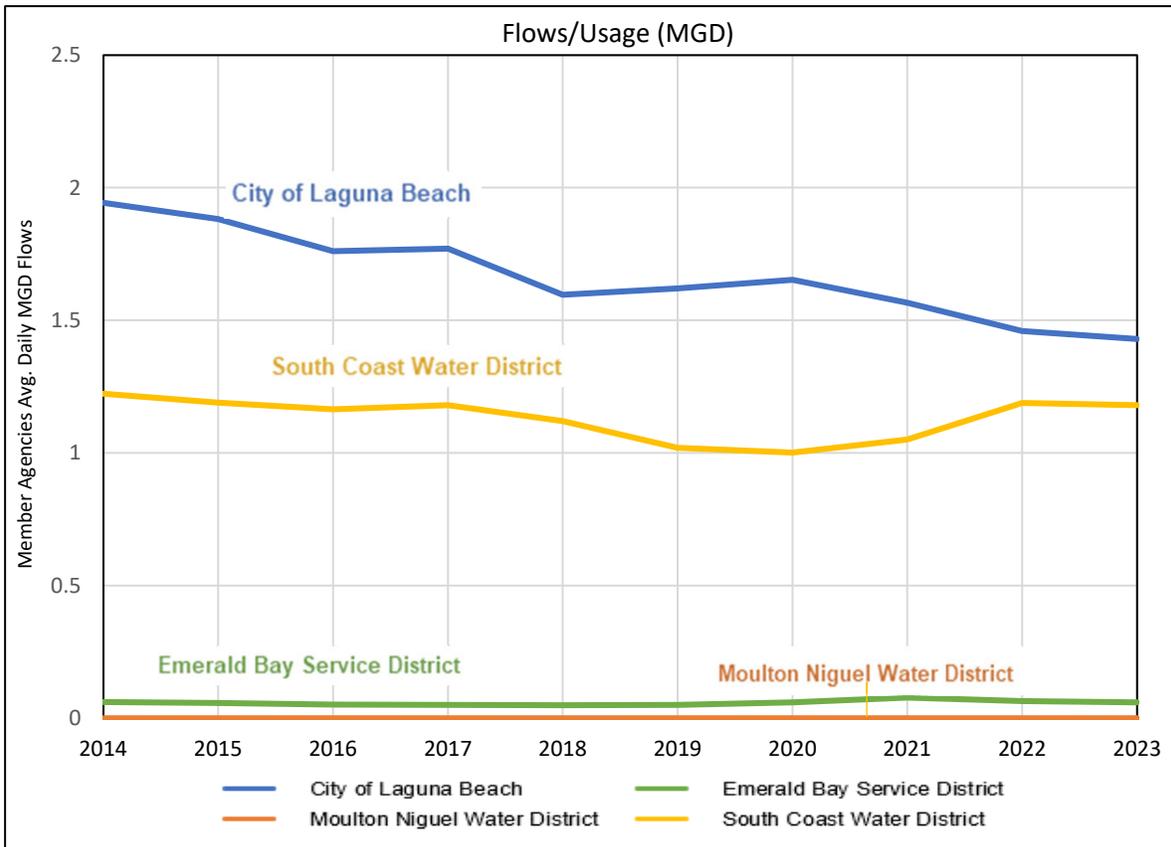
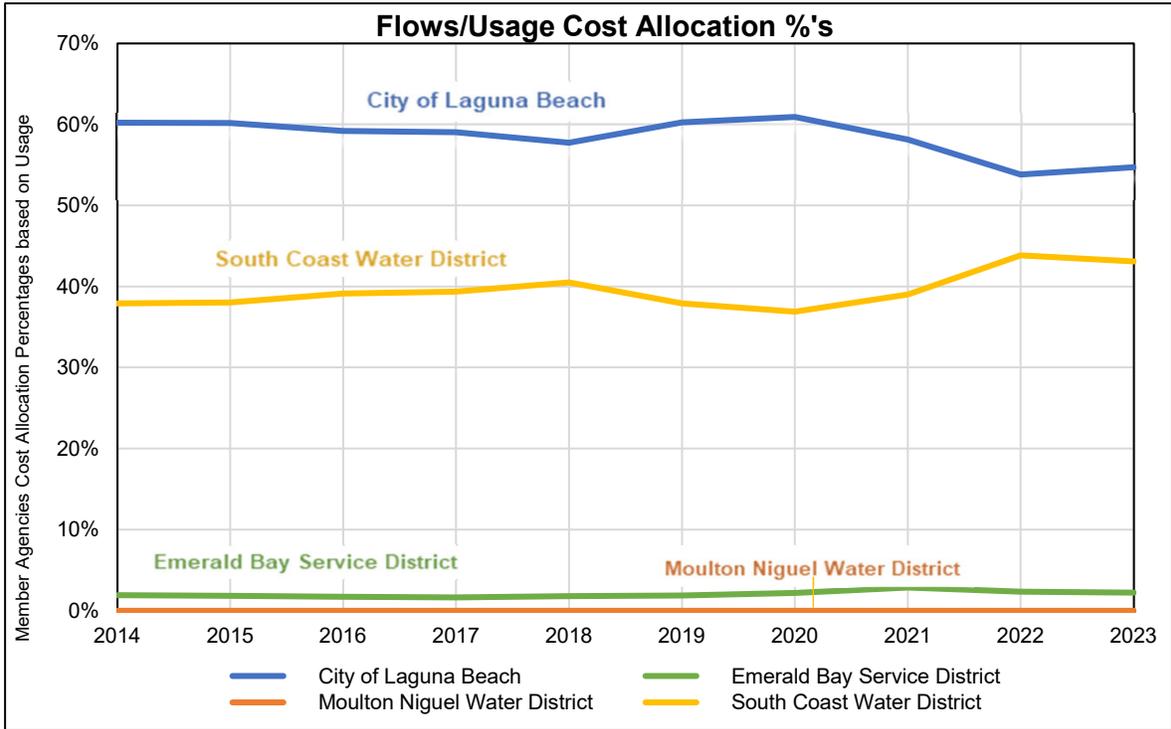
¹ Flows sent to PC 2 JB Latham Plant on average have been gradually reducing over the past ten years. This is due to an overall climate change, drought, and water conservation in California.

**South Orange County Wastewater Authority
 PC 2 JB Latham Solids Loading (Pounds) from Member Agencies ¹
 Actual Cost Allocation Percentages and Loadings by Member Agency
 Last Ten Fiscal Years**



¹ Overall, loadings at PC 2 J B Latham Plant have been stable, on average, for the past ten years. This is due to a constant increase in population, the number of households and businesses served by J B Latham Plant did not change in prior years.

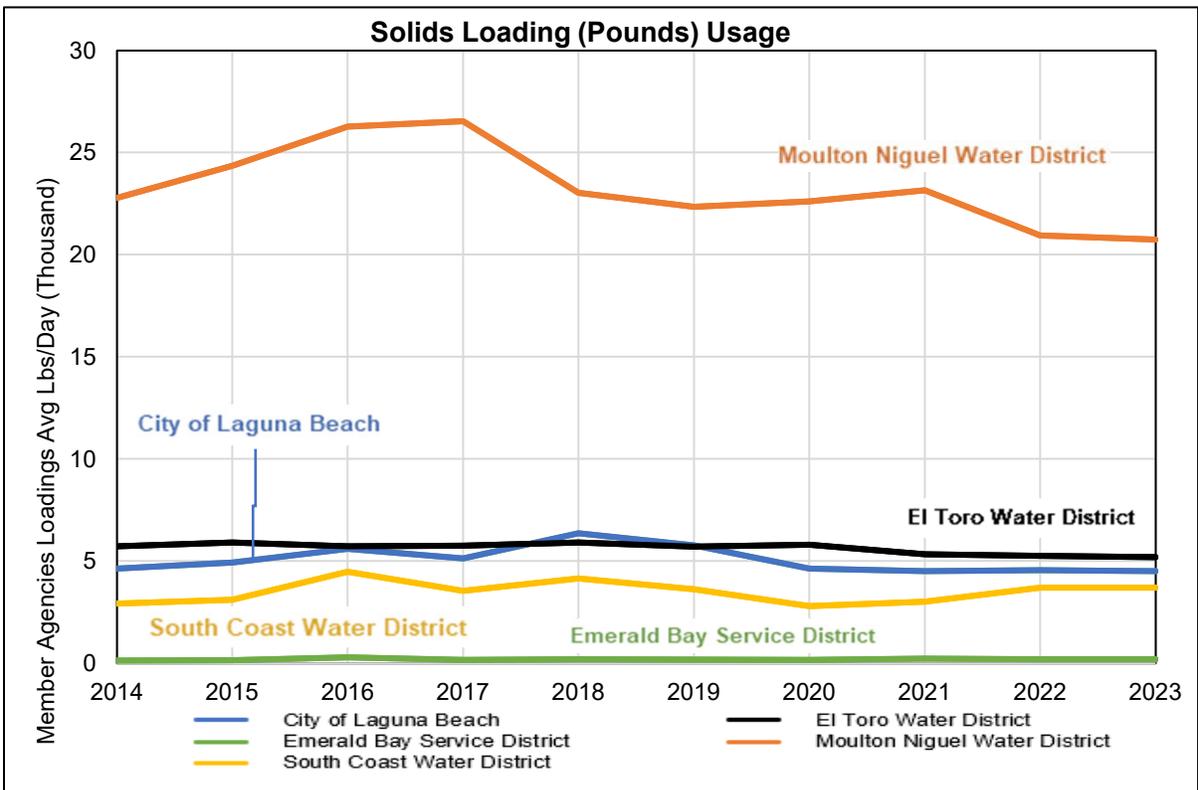
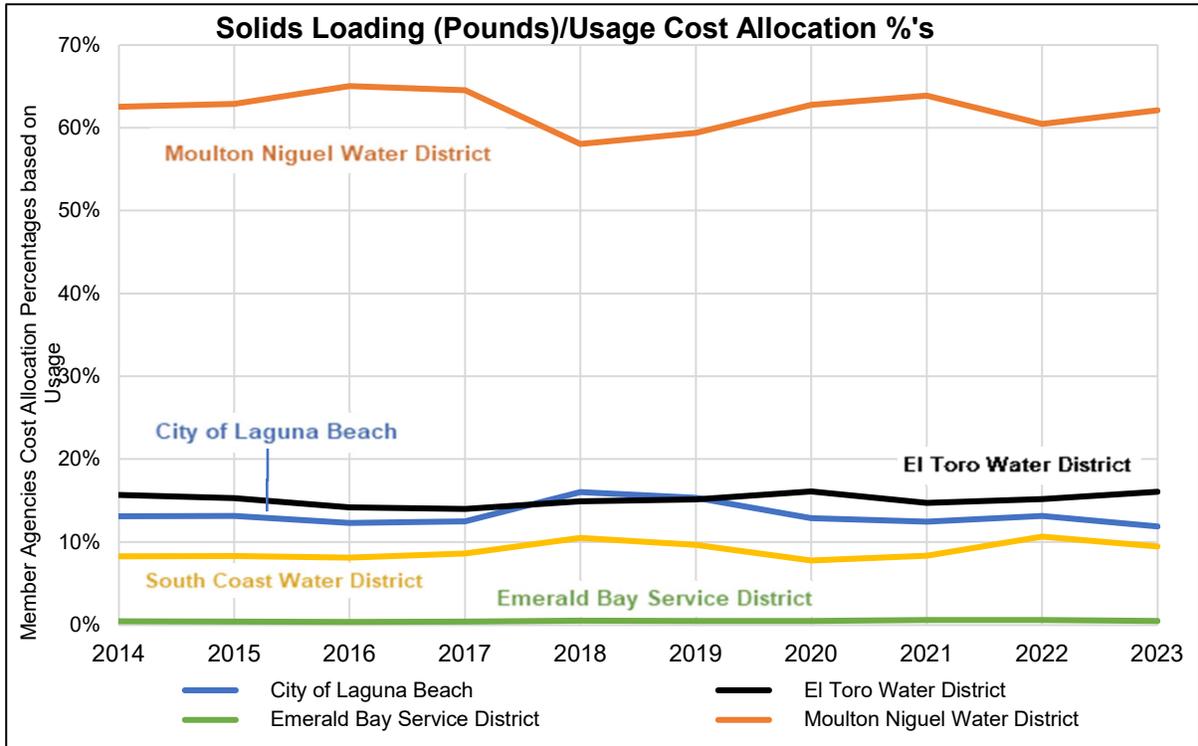
**South Orange County Wastewater Authority
 PC 15 Coastal Treatment Plant Flows from Member Agencies ¹
 Actual Cost Allocation Percentages and MGD
 Last Ten Fiscal Years**



¹ Flows sent to PC 15 Coastal Treatment Plant on average have been gradually reducing over the past ten years. This is due to an overall climate change, drought, and water conservation in California.

South Orange County Wastewater Authority

PC 17 Regional Treatment Plant Solids Loading (Pounds) from Member Agencies ¹ Actual Cost Allocation Percentages and MGD Last Ten Fiscal Years

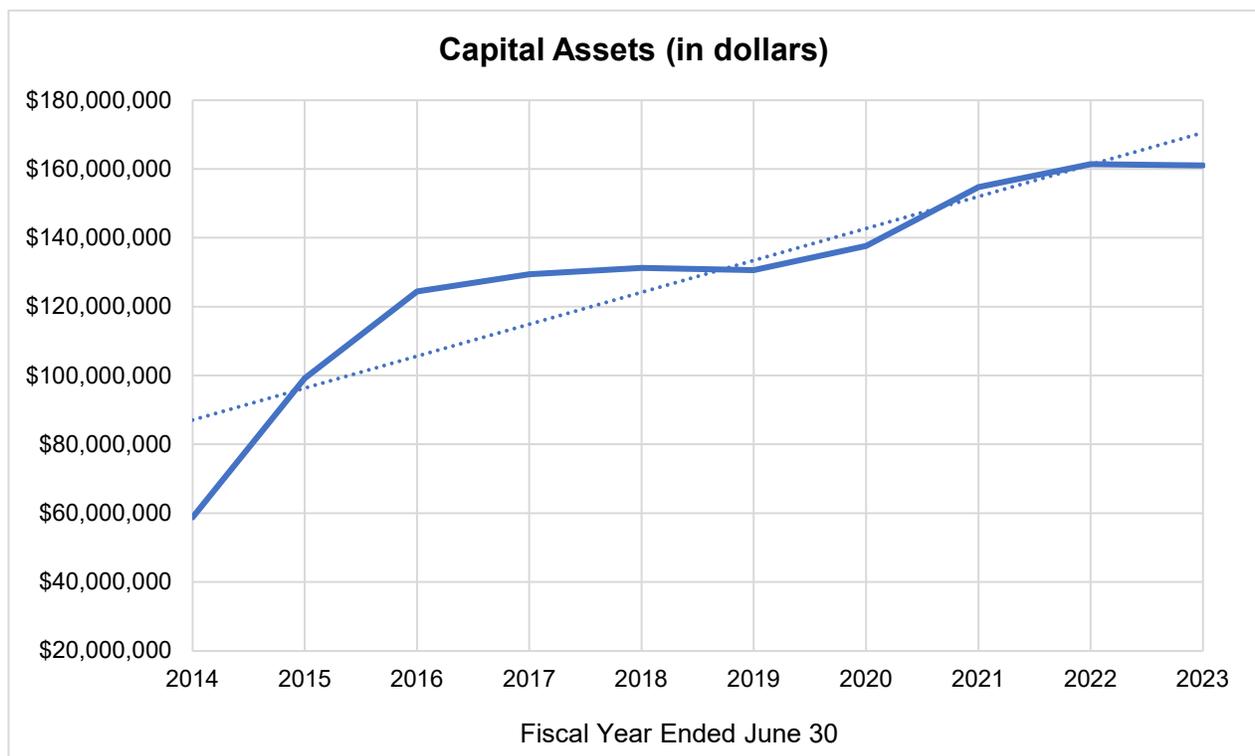


¹ On average, solids loadings at PC 17 Regional Treatment Plant have been stable for the past ten years. This is due to constant population, the number of households and businesses served by Regional Treatment Plant did not change in prior years.

South Orange County Wastewater Authority
Capital Assets, net of depreciation and amortization
Last Ten Fiscal Years¹
(In Dollars)

	Facilities & Improvements	Buildings	Building Improvements	Computer Hardware	Computer Software	Furniture and Fixtures
2014	47,860,250					
2015		2,353,781	2,855,317	303,400	23,022	315
2016		6,901,703	4,007,930	1,213,568	29,756	-
2017		3,650,045	4,016,833	641,680	68,195	20,052
2018		3,673,353	5,179,648	730,665	154,691	38,547
2019		3,499,987	4,944,951	634,925	172,107	34,176
2020		3,329,621	4,675,844	529,927	146,750	-
2021		3,156,256	9,299,566	444,391	121,391	-
2022		2,982,934	9,147,974	261,429	105,057	-
2023		2,810,109	9,228,757	568,428	70,672	-

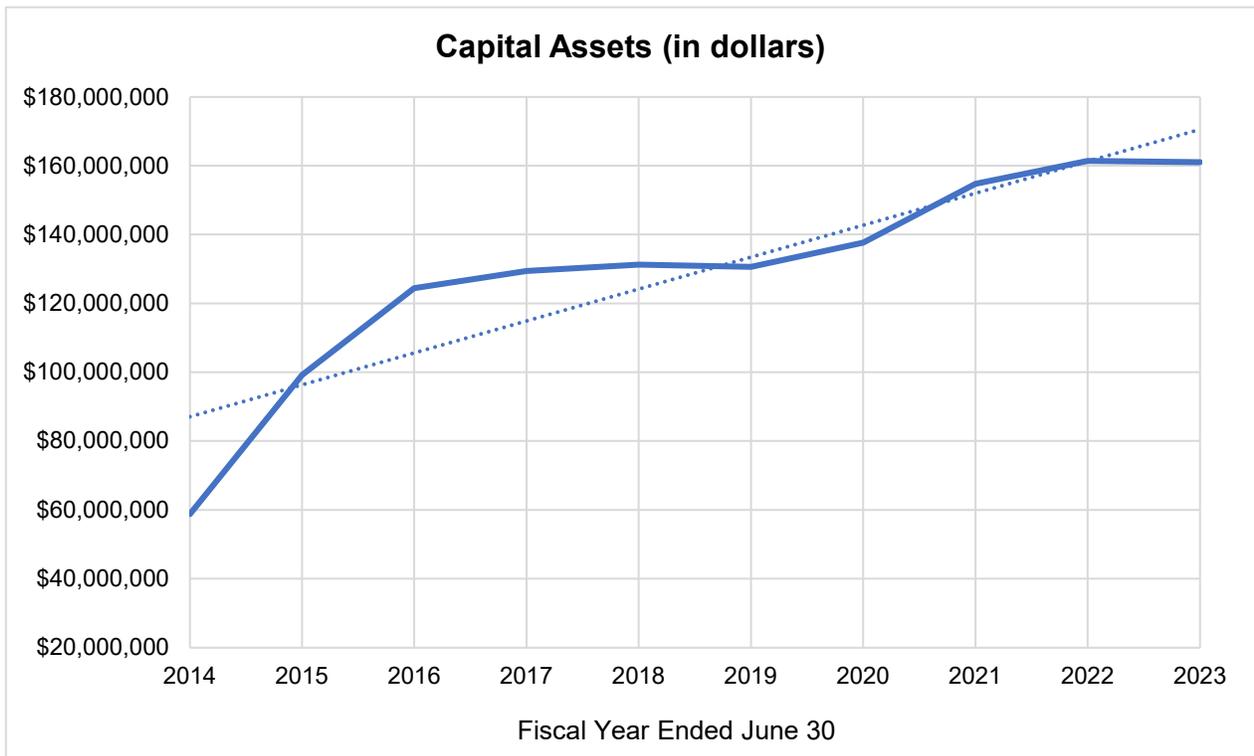
¹ Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, \$39 million and \$9.3 million respectively. The \$39 million included the addition of land, \$13.7 million, for the Coastal and Regional Treatment Plants. Fiscal Year 2021 added San Clemente Land Outfall, \$1.7 million, depreciable, net, and Lease Assets, net, \$347 thousand. Fiscal Year 2022 added GASB 96, subscription assets, an increase of \$8.9 thousand.



South Orange County Wastewater Authority
Capital Assets, net of depreciation and amortization (Continued)
Last Ten Fiscal Years¹
(In Dollars)

	Infrastructure	Machinery & Equipment	Vehicles	Not Being Depreciated		Capital Assets, Net of Depreciation
				Land	Construction in Progress	
2014		7,228,416		653,224	3,046,791	58,788,681
2015	50,949,009	18,134,894	16,431	14,402,224	10,133,406	99,171,799
2016	46,827,515	30,769,322	236,135	14,402,224	20,040,308	124,428,461
2017	48,412,433	30,695,780	341,932	14,402,224	27,159,497	129,408,671
2018	48,779,298	37,055,331	406,342	14,402,224	20,833,802	131,253,901
2019	46,701,904	47,456,249	456,186	14,402,224	12,337,878	130,640,588
2020	44,571,238	46,265,231	461,014	14,402,224	23,272,061	137,653,909
2021	50,666,006	58,516,737	530,997	14,402,224	17,614,929	154,752,497
2022	53,723,123	64,478,530	508,545	14,402,224	15,819,954	161,429,771
2023	51,087,323	63,498,217	419,624	14,402,224	18,905,336	160,990,690

¹ Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, \$39 million and \$9.3 million respectively. The \$39 million included the addition of land, \$13.7 million, for the Coastal and Regional Treatment Plants. Fiscal Year 2021 added San Clemente Land Outfall, \$1.7 million, depreciable, net, and Lease Assets, net, \$347 thousand. Fiscal Year 2022 added GASB 96, subscription assets, an increase of \$8.9 thousand.



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Other Report

SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (“*Government Auditing Standards*”), the financial statements of the business-type activities of the South Orange County Wastewater Authority (the “Authority”), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated November 16, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

The PwC Group, LLP

Santa Ana, California
November 16, 2023