

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

AND

**NOTICE OF SPECIAL MEETING
BOARD OF DIRECTORS
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY**

(FOR THE PURPOSE OF ATTENDING THE SOCWA FINANCE COMMITTEE)

December 6, 2017

8:30 a.m.

NOTICE IS HEREBY GIVEN that a Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee is called by the Chairperson of the SOCWA Finance Committee to be held on **December 6, 2017, at 8:30 a.m.** at the SOCWA Administrative Office located at 34156 Del Obispo Street, Dana Point, California.

NOTICE IS HEREBY GIVEN that concurrent with the Finance Committee meeting, a Special Meeting of the Board of Directors of South Orange County Wastewater Authority (SOCWA) is called by the Chairperson of the SOCWA Board for the purpose of allowing a quorum or more of the Board Members of SOCWA to attend the Finance Committee and participate therein as observers, presenters and speakers, to be held at **8:30 a.m. on December 6, 2017**, at the SOCWA Administrative Office located at 34156 Del Obispo Street, Dana Point, California.

All meeting business will be conducted by the Members of the Finance Committee with comment or participation of SOCWA Board Members in attendance.

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

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

NOTICE OF SPECIAL MEETING – FINANCE COMMITTEE

December 6, 2017

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AGENDA

- 1. Call Meeting to Order** – The Chair of the Finance Committee will act as the Presiding Officer for this Meeting.

- 2. Public Comments**

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

- 3. Approval of Minutes**

- a) Finance Committee Minutes of 9/21/17
- b) Finance Committee Minutes of 10/31/17

- 4. Current FY General Budget of \$365,323 – Policy/Expense/Percentage Decisions**

Recommendation

- a) Presentation of Trabuco Canyon Water District
- b) Discussion and recommendations for further consideration

- 5. FY 2015-16 Audited Financial Statements Supplemental Schedules**

Recommendation

Staff recommends that the Finance Committee recommend to the Board to receive and file the FY Ending June 30, 2016 Supplemental Schedules as revised.

- 6. Infrastructure Valuation Services**

- Presentation by Carollo

Recommendation

Committee and Board Member questions and comments.

- 7. Use Audit 2016-17 Recommendation for Approval – Provided Under Separate Cover**

Recommendation

The General Manager (with report of Finance Committee Action on this item) recommends to the Board of Directors: 1) approve the Fiscal Year 2016-17 Use Audit dated December 6, 2017, 2) approve refunds for Agencies whose costs were under budget, and 3) approve billings for Agencies with additional assessments in accordance with the attached summary.

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December 6, 2017

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8. General Manager Report on Open Items

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

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

Dated this 1st day of December 2017 by



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

**MINUTES OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY**

Finance Committee

September 21, 2017

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on September 21, 2017 at 8:30 a.m. at their Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

DENNIS ERDMAN	South Coast Water District
RAY MILLER	City of San Juan Capistrano
MATT COLLINGS	Moulton Niguel Water District
TONI ISEMAN	City of Laguna Beach
DAN FERONS	Santa Margarita Water District

Absent:

FRED ADJARIAN	El Toro Water District
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Staff Present:

BETTY BURNETT	General Manager
DANITA HIRSH	Executive Assistant
MARY CAREY	Finance Controller
BRIAN PECK	Director of Engineering
JIM BURROR	Director of Operations
AMBER BAYLOR	Director of Environmental Compliance
NADIYA SZE	Senior Accountant
NADYN KIM	Accountant

Also Present:

PAT GIANNONE	Bowie, Arneson, Wiles & Giannone
DAVID BARANOWSKI	Carollo
ANN CASEY	Carollo
KENNETH PUN	The Pun Group
FRANCES KUO	The Pun Group

1. Call Meeting to Order

Chairperson Erdman called the meeting to order at 8:30 a.m.

2. Public Comments

None.

3. Month End July 31, 2017 Financials

Mary Carey, Financial Controller provided the Board with a summary of the Financials. An open discussion ensued.

ACTION TAKEN

Motion was made by Director Ferons and seconded by Director Miller to approve the Summary of Disbursements in the amount of \$ 2,827,440 for the period of July 1 through July 31, 2017, and to receive and file the Month End July 31, 2017 Financial Reports.

Motion carried:	Aye 5; Nay 0; Abstain 0; Absent 1
Director Collings	Aye
Director Erdman	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Aye
Director Adjarian	Absent

4. Infrastructure Valuation Methodology – Workshop

Mr. David Baranowski of Carollo presented the Committee with a recommended approach for performing the infrastructure audit financial analysis.

Mr. Kenneth Pun with The Pun Group, provided the Committee with an oral report on the evaluation of SOCWA'S capitalization assets. An open discussion ensued.

5. General Fund Policy on Allocation of Costs to General Fund

Ms. Burnett provide the committee with a brief summary update on the General Fund costs allocations.

Mr. Dopudja presented the Committee with a PowerPoint on Trabuco Canyon Water District's 2017/18 SOCWA Budget participation approach. An open discussion ensued.

ACTION TAKEN

There was consensus amongst the Committee Members in forwarding the agenda item on to the full Board for comments and further discussion.

6. Draft Policy Addressing the Application of the SOCWA Joint Powers Agreement for Distribution of the Costs to Member Agencies (draft policy with attachment – 2005 Capitalization Policy)

Ms. Burnett briefed the Finance Committee on the direction recommended by Director Reinhart for bringing this item back to the Finance Committee for further discussion. An open discussion ensued. The Finance Committee discussed minor amendments to the 2005 Policy.

ACTION TAKEN

There was consensus amongst the Committee Members in forwarding the 2005 Capitalization Policy with minor amendments on to the full Board for comments and further discussion.

7. Investment Policy Update

Ms. Burnett briefed the Committee with the purpose for updating the Investment Policy for Public Funds. An open discussion ensued.

ACTION TAKEN

There was consensus amongst the Committee Members to allow member's staff to review proposed updates and bring back to the Committee for action at the next meeting.

8. General Manager Report on Open Items

Ms. Burnett updated the Finance Committee on the status of Administration Legal Expenses.

Adjournment

There being no further business, Chairman Erdman adjourned the meeting at 10:20 a.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of Special Meeting of the South Orange County Wastewater Authority Finance Committee of September 21, 2017, and approved and ratified by the Board of Directors of the South Orange County Wastewater Authority.

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

**MINUTES OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY**

Finance Committee

October 31, 2017

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on October 31, 2017 at 8:30 a.m. at their Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

DENNIS ERDMAN	South Coast Water District
RAY MILLER	City of San Juan Capistrano
MATT COLLINGS	Moulton Niguel Water District
TONI ISEMAN	City of Laguna Beach
DAN FERONS	Santa Margarita Water District
FRED ADJARIAN	El Toro Water District (arrived 8:38 a.m.; seated at the Board table at 8:47 a.m.)

Staff Present:

BETTY BURNETT	General Manager
DANITA HIRSH	Executive Assistant
MARY CAREY	Finance Controller
JIM BURROR	Director of Operations
AMBER BAYLOR	Director of Environmental Compliance
NADYN KIM	Accountant

Also Present:

PAT GIANNONE	Giannone & Giannone
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1. Call Meeting to Order

Chairperson Erdman called the meeting to order at 8:30 a.m.

2. Public Comments

Mike Beanan of South Laguna Civic Association.

3. General Fund Policy on Allocation of Costs to General Fund

Mr. Dopudja of Trabuco Canyon Water District(TCWD) provided an oral update on TCWD's 2017/18 SOCWA Budget Participation Approach. An open discussion ensued.

In open discussion, there was consensus amongst the Committee Members in supporting Mr. Dopudja to work with member agencies on their level of participation.

ACTION TAKEN

There was consensus amongst the Finance Committee that the matter could be submitted directly to the Board when it was ready for consideration or returned to the Finance Committee.

4. Investment Policy Update

Ms. Burnett provided the committee with an update on the Investment Policy. An open discussion ensued.

Mr. Ferons specified revisions to the policy prior to forwarding to the Board.

ACTION TAKEN

Motion made by Director Ferons and seconded by Director Miller to recommend to the Board of Directors approval of the updated SOCWA investment Policy once revisions have been

made as specified and adoption of Resolution 2017-09, A Resolution of the South Orange County Wastewater Authority (SOCWA) Adopting Investment Policy for Public Funds.

Motion carried:	Aye 6; Nay 0; Abstain 0; Absent 0
Director Collings	Aye
Director Erdman	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Aye
Director Adjarian	Aye

5. SOCWA 457 Plan Update

Ms. Burnett provided a brief summary update on SOCWA's 457 Retirement Plans. An open discussion ensued.

ACTION TAKEN

None.

6. General Manager Report on Open Items

No items to report.

Adjournment

There being no further business, Chairman Erdman adjourned the meeting at 9:17 a.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of Special Meeting of the South Orange County Wastewater Authority Finance Committee of October 31, 2017, and approved and ratified by the Board of Directors of the South Orange County Wastewater Authority.

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

Agenda Item

Legal Counsel Review: N/A

Meeting Dates: December 6, 2017 Finance Committee
December 7, 2017 Board Meeting

DATE: December 6, 2017
TO: Finance Committee and Board of Directors
FROM: Betty Burnett, General Manager
SUBJECT: Current FY General Budget of \$365,323 – Policy/Expense/Percentage Decisions

Summary

The Board of Directors requested that the Finance Committee take up the matter of the General Budget as adopted at the June 14, 2017 Board of Directors meeting during the first quarter of fiscal year 2017-18.

At the August 29, 2017, Finance Committee the Committee discussed the matter and requested that this item return to the Finance Committee agenda at the September 21, 2017 Committee Meeting for further discussion.

On September 21, 2017, the Trabuco Canyon Water District (TCWD) representative provided a presentation on a potential approach to revising the General Budget. The Finance Committee requested that TCWD provide a presentation to the Board at the October 5, 2017 meeting and explain TCWD's conceptual approach. TCWD representatives requested more time to work on the item.

The TCWD approach would divide the items identified by MNWD as General Fund Expenses (total of \$442,962) by a fraction representing 1/47 for purposes of establishing a unit value/percent that is representative of agencies participation (units = per agency per project committee).

Staff Discussion

Board discussion on June 14, 2017 included consideration of possible policy objectives:

- 1) Prepare the General Budget as a baseline cost of legal compliance for a JPA and related costs thereto, or
- 2) Set a baseline for costs of maintaining the JPA as an organization assuming a scenario where there was no flow, or
- 3) Other

At the June 14, 2017, Board of Directors meeting the General Budget was approved based on costs and assigned equal percentages as shown in Table 1 (distributing \$365,323 in costs or \$36,532 per agency).

However, different project committees may have differing administrative support costs due to differences in purchasing and contracting needs, differences in personnel requirements, differences in board/committee level matters, outside coordination or regional effort required, etc.

A positive aspect of the TCWD approach is that it takes into account the number of project committees each member agency participates in as a factor in determining the benefit received from the JPA.

Recommendation

- 1) Presentation of Trabuco Canyon Water District
- 2) Discussion and recommendations for further consideration

Table 1

Expense	Staff Proposed % (on 6/14/17)	Staff Proposed Amount	Board Approved % on 6/14/17	Board Approved Amount 6/14/17
Public Notices	100%	\$1,400	100%	\$1,400
Office Equipment	20%	\$1,800	100%	\$8,000
Audit	50%	\$17,500	100%	\$35,000
Legal (Admin)	20%	\$18,000	40%	\$36,000
Outside Services (Records Mgt.)	100%	\$2,016	100%	\$2,016
Postage			20%	\$142
Office Supplies	20%	\$1,500	100%	\$7,500
Miscellaneous	20%	\$2,800	20%	\$2,800
IT Allocation	5.5%	\$6,109	5%	\$5,568
GM Payroll	32 hours per month	\$149,496	50%	\$266,897
Executive Asst.	48 hours per month		50%	
Finance Controller	5% of salary		5% of salary	
Total		\$184,392		\$365,323

Consistent with the terms of the JPA Agreement, the policy directing the sharing of expenses and percentages is as determined by the Board and subject to the approval of a simple majority of the Board. However, if the General Budget expenses are shared on some other basis than equal allocation among the 10-member agencies (i.e. \$36,532 per agency), then unanimous consent of all agencies is required to adopt the General Budget.



TCWD's 2017/18 SOCWA Budget Participation Update

December 6, 2017 Finance Committee

December 7, 2017 Board meeting

Summary

- At the June 14th Board Meeting SOCWA adopted a budget that increased TCWD's participation by 138%
- TCWD opposed the budget on the grounds it was hastily established without sufficient cost allocation/justification
- TCWD is committed to our participation in SOCWA, but the General Fund budget must be equitable.
- All SOCWA member agencies are committed to continue exploring concepts

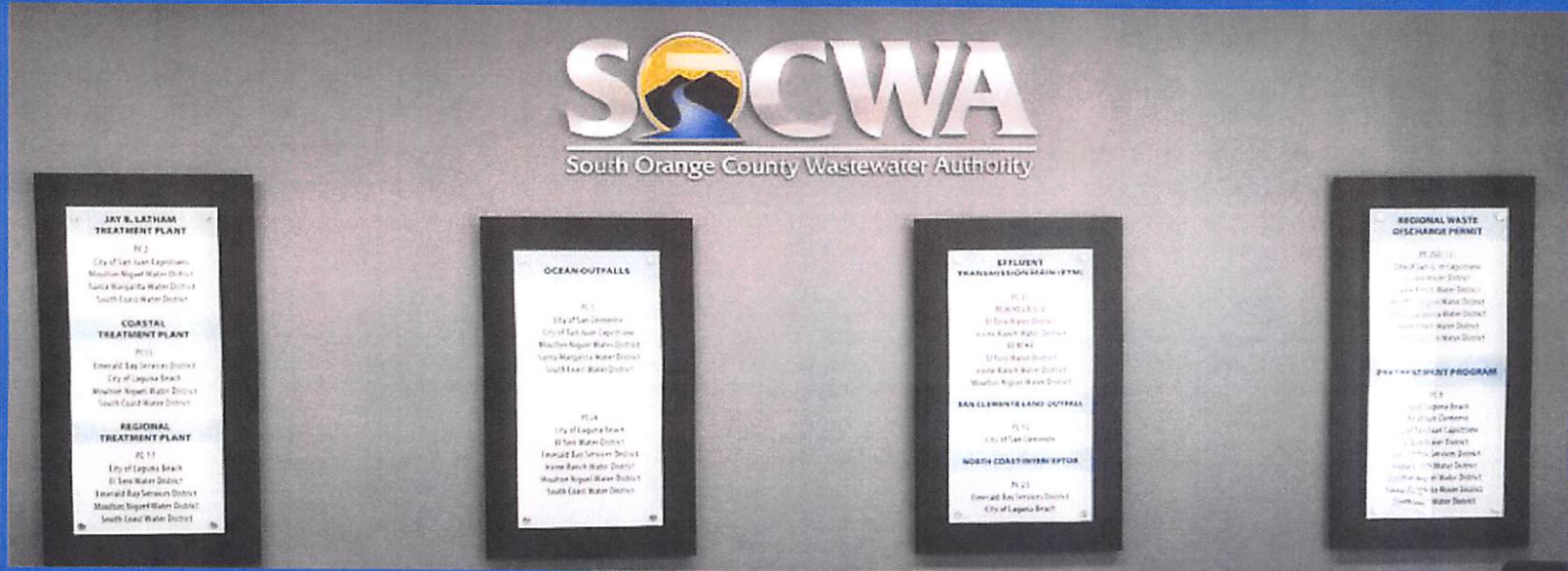
Concept

- SOCWA should provide the efficiency of a JPA
- Any agency's participation in SOCWA should provide cost benefits
- There are three main areas of SOCWA Services/Infrastructure
 - Permitting, Treatment and Outfalls
- A fair approach could be allocated based on PC participation

Reducing the Uncertainties of the Current General Fund Approach

Expense	Staff Proposed % (on 6/14/17)	Staff Proposed Amount	Board Approved % on 6/14/17	Board Approved Amount 6/14/17	Pre-Allocated Cost (\$)
Public Notices	100%	\$1,400	100%	\$1,400	\$ 1,400.00
Office Equipment	20%	\$1,800	100%	\$8,000	\$ 8,000.00
Audit	50%	\$17,500	100%	\$35,000	\$ 35,000.00
Legal (Admin)	20%	\$18,000	40%	\$36,000	\$ 90,000.00
Outside Services (Records Mgt.)	100%	\$2,016	100%	\$2,016	\$ 2,016.00
Postage			20%	\$142	\$ 710.00
Office Supplies	20%	\$1,500	100%	\$7,500	\$ 7,500.00
Miscellaneous	20%	\$2,800	20%	\$2,800	\$ 14,000.00
IT Allocation	5.5%	\$6,109	5%	\$5,568	\$111,360.00
GM Payroll	32 hours per month	\$149,496	50%	\$266,897	\$172,976.20
Executive Asst.	48 hours per month		50%		
Finance Controller	5% of salary		5% of salary		
Total		\$184,392		\$365,323	\$442,962.20

Project Committee Participation Approach



- Using the number of distinct agency participations within SOCWA
- 47 Total PC Participations

Project Committee Participation Approach

Agency	Project Committee Participation											Total PC's by Agency (#)	Total PC's by Agency (%)
	Permitting	Outfalls							Plants				
	PC2SO	PC8	PC 21 B,C &D	PC 21 E	PC 10	PC 23	PC 5	PC 24	PC2	PC 15	PC17		
El Toro Water District		1	1	1				1			1	5	10.64%
Emerald Bay Service District		1				1		1		1	1	5	10.64%
Irvine Ranch Water District	1	1	1	1				1				5	10.64%
City of Laguna Beach		1				1		1		1	1	5	10.64%
Moulton Niguel Water District	1	1		1			1	1	1	1	1	8	17.02%
City of San Clemente		1			1		1					3	6.38%
City of San Juan Capistrano	1	1					1		1			4	8.51%
Santa Margarita Water District	1	1					1		1			4	8.51%
South Coast Water District	1	1					1	1	1	1	1	7	14.89%
Trabuco Canyon Water District	1											1	2.13%
Total by PC's (#)	6	9	2	3	1	2	5	6	4	4	5	47	100.00%

- This matrix reflects the actual number of PC participations and percentages by agency within SOCWA

Proposed ETWD, EBSD, IRWD & CoLB General Fund Based on Five PC Participations

	Pre-Allocated Cost (\$)	Fixed Allocation (%)	Post-Allocated Fixed Cost (\$)	Fixed General Fund Allocation per Agency (%)	Fixed General Fund Baseline (\$)	Variable General Fund Allocation by Participation (%)	Variable General Fund by Participation (\$) ¹	Total General Fund
Public Notices	\$ 1,400.00	10.00%	\$ 140.00	10%	\$ 14.00	10.64%	\$134.04	\$ 148.04
Office Equipment	\$ 8,000.00	10.00%	\$ 800.00	10%	\$ 80.00	10.64%	\$765.96	\$ 845.96
Audit	\$ 35,000.00	10.00%	\$ 3,500.00	10%	\$ 350.00	10.64%	\$3,351.06	\$ 3,701.06
Legal (Admin)	\$ 90,000.00	10.00%	\$ 9,000.00	10%	\$ 900.00	10.64%	\$8,617.02	\$ 9,517.02
Outside Services (Records Mgt.)	\$ 2,016.00	10.00%	\$ 201.60	10%	\$ 20.16	10.64%	\$193.02	\$ 213.18
Postage	\$ 710.00	10.00%	\$ 71.00	10%	\$ 7.10	10.64%	\$67.98	\$ 75.08
Office Supplies	\$ 7,500.00	10.00%	\$ 750.00	10%	\$ 75.00	10.64%	\$718.09	\$ 793.09
Miscellaneous	\$ 14,000.00	10.00%	\$ 1,400.00	10%	\$ 140.00	10.64%	\$1,340.43	\$ 1,480.43
IT Allocation	\$ 111,360.00	10.00%	\$ 11,136.00	10%	\$ 1,113.60	10.64%	\$10,662.13	\$ 11,775.73
GM Payroll	\$ 172,976.20	10.00%	\$ 17,297.62	10%	\$ 1,729.76	10.64%	\$16,561.55	\$ 18,291.31
Executive Asst.								
Finance Controller								
						Total General Fund: \$ 46,840.90		

1. Applied to the remaining % of the Pre-Allocated Cost, after the General Fund Baseline %.

Proposed MNWD General Fund Based on Eight PC Participations

	Pre-Allocated Cost (\$)	Fixed Allocation (%)	Post-Allocated Fixed Cost (\$)	Fixed General Fund Allocation per Agency (%)	Fixed General Fund Baseline (\$)	Variable General Fund Allocation by Participation (%)	Variable General Fund by Participation (\$) ¹	Total General Fund
Public Notices	\$ 1,400.00	10.00%	\$ 140.00	10%	\$ 14.00	17.02%	\$214.47	\$ 228.47
Office Equipment	\$ 8,000.00	10.00%	\$ 800.00	10%	\$ 80.00	17.02%	\$1,225.53	\$ 1,305.53
Audit	\$ 35,000.00	10.00%	\$ 3,500.00	10%	\$ 350.00	17.02%	\$5,361.70	\$ 5,711.70
Legal (Admin)	\$ 90,000.00	10.00%	\$ 9,000.00	10%	\$ 900.00	17.02%	\$13,787.23	\$ 14,687.23
Outside Services (Records Mgt.)	\$ 2,016.00	10.00%	\$ 201.60	10%	\$ 20.16	17.02%	\$308.83	\$ 328.99
Postage	\$ 710.00	10.00%	\$ 71.00	10%	\$ 7.10	17.02%	\$108.77	\$ 115.87
Office Supplies	\$ 7,500.00	10.00%	\$ 750.00	10%	\$ 75.00	17.02%	\$1,148.94	\$ 1,223.94
Miscellaneous	\$ 14,000.00	10.00%	\$ 1,400.00	10%	\$ 140.00	17.02%	\$2,144.68	\$ 2,284.68
IT Allocation	\$ 111,360.00	10.00%	\$ 11,136.00	10%	\$ 1,113.60	17.02%	\$17,059.40	\$ 18,173.00
GM Payroll	\$ 172,976.20	10.00%	\$ 17,297.62	10%	\$ 1,729.76	17.02%	\$26,498.48	\$ 28,228.24
Executive Asst.								
Finance Controller								
						Total General Fund: \$ 72,287.66		

1. Applied to the remaining % of the Pre-Allocated Cost, after the General Fund Baseline %.

Proposed CoSC General Fund Based on Three PC Participations

	Pre-Allocated Cost (\$)	Fixed Allocation (%)	Post-Allocated Fixed Cost (\$)	Fixed General Fund Allocation per Agency (%)	Fixed General Fund Baseline (\$)	Variable General Fund Allocation by Participation (%)	Variable General Fund by Participation (\$) ¹	Total General Fund
Public Notices	\$ 1,400.00	10.00%	\$ 140.00	10%	\$ 14.00	6.38%	\$80.43	\$ 94.43
Office Equipment	\$ 8,000.00	10.00%	\$ 800.00	10%	\$ 80.00	6.38%	\$459.57	\$ 539.57
Audit	\$ 35,000.00	10.00%	\$ 3,500.00	10%	\$ 350.00	6.38%	\$2,010.64	\$ 2,360.64
Legal (Admin)	\$ 90,000.00	10.00%	\$ 9,000.00	10%	\$ 900.00	6.38%	\$5,170.21	\$ 6,070.21
Outside Services (Records Mgt.)	\$ 2,016.00	10.00%	\$ 201.60	10%	\$ 20.16	6.38%	\$115.81	\$ 135.97
Postage	\$ 710.00	10.00%	\$ 71.00	10%	\$ 7.10	6.38%	\$40.79	\$ 47.89
Office Supplies	\$ 7,500.00	10.00%	\$ 750.00	10%	\$ 75.00	6.38%	\$430.85	\$ 505.85
Miscellaneous	\$ 14,000.00	10.00%	\$ 1,400.00	10%	\$ 140.00	6.38%	\$804.26	\$ 944.26
IT Allocation	\$ 111,360.00	10.00%	\$ 11,136.00	10%	\$ 1,113.60	6.38%	\$6,397.28	\$ 7,510.88
GM Payroll	\$ 172,976.20	10.00%	\$ 17,297.62	10%	\$ 1,729.76	6.38%	\$9,936.93	\$ 11,666.69
Executive Asst.								
Finance Controller								
						Total General Fund: \$ 29,876.39		

1. Applied to the remaining % of the Pre-Allocated Cost, after the General Fund Baseline %.

Proposed CoSJC and SMWD General Fund Based on Four PC Participations

	Pre-Allocated Cost (\$)	Fixed Allocation (%)	Post-Allocated Fixed Cost (\$)	Fixed General Fund Allocation per Agency (%)	Fixed General Fund Baseline (\$)	Variable General Fund Allocation by Participation (%)	Variable General Fund by Participation (\$) ¹	Total General Fund
Public Notices	\$ 1,400.00	10.00%	\$ 140.00	10%	\$ 14.00	8.51%	\$107.23	\$ 121.23
Office Equipment	\$ 8,000.00	10.00%	\$ 800.00	10%	\$ 80.00	8.51%	\$612.77	\$ 692.77
Audit	\$ 35,000.00	10.00%	\$ 3,500.00	10%	\$ 350.00	8.51%	\$2,680.85	\$ 3,030.85
Legal (Admin)	\$ 90,000.00	10.00%	\$ 9,000.00	10%	\$ 900.00	8.51%	\$6,893.62	\$ 7,793.62
Outside Services (Records Mgt.)	\$ 2,016.00	10.00%	\$ 201.60	10%	\$ 20.16	8.51%	\$154.42	\$ 174.58
Postage	\$ 710.00	10.00%	\$ 71.00	10%	\$ 7.10	8.51%	\$54.38	\$ 61.48
Office Supplies	\$ 7,500.00	10.00%	\$ 750.00	10%	\$ 75.00	8.51%	\$574.47	\$ 649.47
Miscellaneous	\$ 14,000.00	10.00%	\$ 1,400.00	10%	\$ 140.00	8.51%	\$1,072.34	\$ 1,212.34
IT Allocation	\$ 111,360.00	10.00%	\$ 11,136.00	10%	\$ 1,113.60	8.51%	\$8,529.70	\$ 9,643.30
GM Payroll	\$ 172,976.20	10.00%	\$ 17,297.62	10%	\$ 1,729.76	8.51%	\$13,249.24	\$ 14,979.00
Executive Asst.								
Finance Controller								
						Total General Fund: \$ 38,358.64		

1. Applied to the remaining % of the Pre-Allocated Cost, after the General Fund Baseline %.

Proposed SCWD General Fund Based on Seven PC Participations

	Pre-Allocated Cost (\$)	Fixed Allocation (%)	Post-Allocated Fixed Cost (\$)	Fixed General Fund Allocation per Agency (%)	Fixed General Fund Baseline (\$)	Variable General Fund Allocation by Participation (%)	Variable General Fund by Participation (\$) ¹	Total General Fund
Public Notices	\$ 1,400.00	10.00%	\$ 140.00	10%	\$ 14.00	14.89%	\$187.66	\$ 201.66
Office Equipment	\$ 8,000.00	10.00%	\$ 800.00	10%	\$ 80.00	14.89%	\$1,072.34	\$ 1,152.34
Audit	\$ 35,000.00	10.00%	\$ 3,500.00	10%	\$ 350.00	14.89%	\$4,691.49	\$ 5,041.49
Legal (Admin)	\$ 90,000.00	10.00%	\$ 9,000.00	10%	\$ 900.00	14.89%	\$12,063.83	\$ 12,963.83
Outside Services (Records Mgt.)	\$ 2,016.00	10.00%	\$ 201.60	10%	\$ 20.16	14.89%	\$270.23	\$ 290.39
Postage	\$ 710.00	10.00%	\$ 71.00	10%	\$ 7.10	14.89%	\$95.17	\$ 102.27
Office Supplies	\$ 7,500.00	10.00%	\$ 750.00	10%	\$ 75.00	14.89%	\$1,005.32	\$ 1,080.32
Miscellaneous	\$ 14,000.00	10.00%	\$ 1,400.00	10%	\$ 140.00	14.89%	\$1,876.60	\$ 2,016.60
IT Allocation	\$ 111,360.00	10.00%	\$ 11,136.00	10%	\$ 1,113.60	14.89%	\$14,926.98	\$ 16,040.58
GM Payroll	\$ 172,976.20	10.00%	\$ 17,297.62	10%	\$ 1,729.76	14.89%	\$23,186.17	\$ 24,915.93
Executive Asst.								
Finance Controller								
						Total General Fund: \$ 63,805.41		

1. Applied to the remaining % of the Pre-Allocated Cost, after the General Fund Baseline %.

Proposed TCWD General Fund Based on One PC Participation

	Pre-Allocated Cost (\$)	Fixed Allocation (%)	Post-Allocated Fixed Cost (\$)	Fixed General Fund Allocation per Agency (%)	Fixed General Fund Baseline (\$)	Variable General Fund Allocation by Participation (%)	Variable General Fund by Participation (\$) ¹	Total General Fund
Public Notices	\$ 1,400.00	10.00%	\$ 140.00	10%	\$ 14.00	2.13%	\$26.81	\$ 40.81
Office Equipment	\$ 8,000.00	10.00%	\$ 800.00	10%	\$ 80.00	2.13%	\$153.19	\$ 233.19
Audit	\$ 35,000.00	10.00%	\$ 3,500.00	10%	\$ 350.00	2.13%	\$670.21	\$ 1,020.21
Legal (Admin)	\$ 90,000.00	10.00%	\$ 9,000.00	10%	\$ 900.00	2.13%	\$1,723.40	\$ 2,623.40
Outside Services (Records Mgt.)	\$ 2,016.00	10.00%	\$ 201.60	10%	\$ 20.16	2.13%	\$38.60	\$ 58.76
Postage	\$ 710.00	10.00%	\$ 71.00	10%	\$ 7.10	2.13%	\$13.60	\$ 20.70
Office Supplies	\$ 7,500.00	10.00%	\$ 750.00	10%	\$ 75.00	2.13%	\$143.62	\$ 218.62
Miscellaneous	\$ 14,000.00	10.00%	\$ 1,400.00	10%	\$ 140.00	2.13%	\$268.09	\$ 408.09
IT Allocation	\$ 111,360.00	10.00%	\$ 11,136.00	10%	\$ 1,113.60	2.13%	\$2,132.43	\$ 3,246.03
GM Payroll	\$ 172,976.20	10.00%	\$ 17,297.62	10%	\$ 1,729.76	2.13%	\$3,312.31	\$ 5,042.07
Executive Asst.								
Finance Controller								
						Total General Fund: \$ 12,911.88		

1. Applied to the remaining % of the Pre-Allocated Cost, after the General Fund Baseline %.

Proposed SOCWA General Fund Budgets by Agency



Proposed SOCWA General Fund Budgets per Agency's PC Participation



Project Committee Participation Approach

	Pre-Allocated Cost (\$)	Fixed Allocation (%)	Post-Allocated Fixed Cost (\$)	Fixed General Fund Allocation per Agency (%)	Fixed General Fund Baseline (\$)	Variable General Fund Allocation by Participation (%)	Variable General Fund by Participation (\$) ¹	Total General Fund
Public Notices	\$ 1,400.00	10.00%	\$ 140.00	10%	\$ 14.00	2.13%	\$26.81	\$ 40.81
Office Equipment	\$ 8,000.00	10.00%	\$ 800.00	10%	\$ 80.00	2.13%	\$153.19	\$ 233.19
Audit	\$ 35,000.00	10.00%	\$ 3,500.00	10%	\$ 350.00	2.13%	\$670.21	\$ 1,020.21
Legal (Admin)	\$ 90,000.00	10.00%	\$ 9,000.00	10%	\$ 900.00	2.13%	\$1,723.40	\$ 2,623.40
Outside Services (Records Mgt.)	\$ 2,016.00	10.00%	\$ 201.60	10%	\$ 20.16	2.13%	\$38.60	\$ 58.76
Postage	\$ 710.00	10.00%	\$ 71.00	10%	\$ 7.10	2.13%	\$13.60	\$ 20.70
Office Supplies	\$ 7,500.00	10.00%	\$ 750.00	10%	\$ 75.00	2.13%	\$143.62	\$ 218.62
Miscellaneous	\$ 14,000.00	10.00%	\$ 1,400.00	10%	\$ 140.00	2.13%	\$268.09	\$ 408.09
IT Allocation	\$ 111,360.00	10.00%	\$ 11,136.00	10%	\$ 1,113.60	2.13%	\$2,132.43	\$ 3,246.03
GM Payroll	\$ 172,976.20	10.00%	\$ 17,297.62	10%	\$ 1,729.76	2.13%	\$3,312.31	\$ 5,042.07
Executive Asst.								
Finance Controller								
						Total General Fund: \$ 12,911.88		

1. Applied to the remaining % of the Pre-Allocated Cost, after the General Fund Baseline %.

Proposed TCWD SOCWA Budget

	TCWD Total SOCWA Budgets	
	Current FY 2017-18	Final Revised FY 2017-18
O&M Environmental, Safety Expenses	\$ 24,824	9241
Member Agency Administration & Residual Engineering Expenses	\$ 2,844	\$ 2,844
Member Agency General Fund Expenses	\$ 36,532	\$ 12,911.88
TOTAL - O&M Environmental, Safety Expenses PLUS Member Agency Administration, Residual Engineering Expenses & General Fund Expenses	\$ 64,200	\$ 24,996.88

Key Considerations

- This approach is based on quantifiable metrics
- The debatable assumptions (%) that led substantial GF increase are largely replaced
- If an Agency's GF budget increased under this concept, their corresponding PC budget will decrease

Questions, Feedback & Next Steps



Agenda Item

Meeting Date: December 6, 2017

TO: Board of Directors
FROM: Betty Burnett, General Manager
STAFF CONTACT: Mary Carey, Finance Controller
SUBJECT: FY 2015-16 Audited Financial Statements Supplemental Schedules

At the June 14, 2017 Board of Directors meeting a lengthy discussion occurred regarding the differences in the Supplemental Schedules and the Changes in Net Position by Project Committee as reported in the Financial Statements and Independent Auditor's Report prepared by DavisFarr, LLP for Fiscal Year Ending June 30, 2016.

Ms. Carey committed to review the questions and provide clarification. As a result of the request for information and with the concurrence of Jennifer Farr of DavisFarr, LLP the Supplemental Schedules prepared here at SOCWA were not received and filed by the Board of Directors for the FY 2015-16 Audit.

The primary question raised was as to the difference between the Use Audit for FY 15-16 reported expenses and the Total O&M Expenses as reported in the DavisFarr audited financial statements. At the October 5, 2017 Board meeting, staff provided a summary of the adjustments for '15-'16 which will be captured and shown with the FY 2016-17 Use Audit now in preparation. The attached tables detail the two adjustments that make up the difference between the supplemental schedules and the Changes in Net Position by Project Committee:

1. The adjustment out of the PC 23 North Coast Interceptor financials in the amount of \$184,871. You may recall that PC 23 is a Project Committee of one member, the City of Laguna Beach, and the accounting is all conducted at the City, this expense is not within a SOCWA Budget, but it is still a SOCWA Project Committee and included in the SOCWA Independent Audit.
2. Staff has included the numbers coming from the Use Audit adjustment for port cleaning, additions to engineering misc. expenses, electricity billing, permit costs, overtime-salaries in O&M and other misc. expenses in the total amount of \$311,131. Detail is attached. The department codes were still being loaded to the new system when these expenses were incurred.

At the October 5, 2017 Board meeting staff requested that any additional questions related to the Supplement Schedules be submitted by agency representatives. MNWD requested a review of their June 9, 2017 correspondence (see attached) with respect to questions about the supplemental schedules. MNWD also sent a letter to SOCWA dated November 20, 2017 (see attached). Staff has reviewed the comments and submits the attached additional responses.

Recommended Action

Staff recommends that the Finance Committee recommend to the Board to receive and file the FY Ending June 30, 2016 Supplemental Schedules as revised.

Additional Responses to June 9, 2017 MNWD Correspondence
Re: Supplemental Schedules Draft for '15-'16 Audit

Staff provides the following additional information which addresses questions asked that were about the supplemental schedules prepared by SOCWA staff:

Question 12: Question requests clarification as to reported Use Audit differences in contrast to the audited financial statements.

Response: The differences between the Use Audit and the audited financial statements are as described above and shown in the attached tables.

Question 15: Question requested clarification with respect to the reference to General Fund.

Response: This portion of the staff prepared supplemental schedule is addressing the costs in administration (which includes general fund expenses), residual engineering and IT allocations into PCs and departments. The wording used is "general fund" but it includes these categories of administrative expenses. The detail as to distribution of these expenses is shown in the Use Audit with an allocation in proportion to total O&M expenses by Member Agency. In addition, the distribution by Member Agency is not within the scope of the Financial Statements Audit and is treated as a SOCWA expense in total.

Question 15a: Question is regarding the \$257,000 assigned as cash to the general fund.

Response: This amount was a staff level estimate of an amount given treatment as a whole for SOCWA "cash on hand" in the audited financial statements. For FY 15-16 an estimated distribution was made for the supplemental schedule to administration.

Question 15b: Question asks for detail of capital assets in administration.

Response: Capital Assets, 01-1560-00-00-00 Computer Hardware in the amount of \$32,541.57.

Question 15ci: Questions seeks clarification on compensated absences.

Response: Comment is correct that the amount estimated for administration did not equal the total cash collected for compensated absences. The amount is placed within the "general" or administration portion of the audited financial statements as a total "all" employee account which is broken into two parts, an estimate of usable accrual within 1 year (shorter term usage) and long term accruals likely not usable within 1 year. It is a total SOCWA obligation for work across all project committees and is treated for audit purposes as a liability for SOCWA that is accrued until used by the employee. The distribution by Project Committee occurs as the employee works and earns the benefit.

Question 15cii: Question as to net pension liability.

Response: The allocation of the whole accumulated net pension liability is made using historical percentages shown on the attached sheet. Again, this liability is given treatment as a whole for the audited financial statements and the representation by project committee is split using the percentages historically used.

Question 16: Question regarding LAIF received interest.

Response: The LAIF interest allocations were estimated. Again, for SOCWA the audited financials give treatment to interest as a whole.

Question 17: Question regarding payroll for PC 12.

Response: PC 12 did not historically have an available percentage as shown on the attached report. This may have been due to the structure not being related to a specific historically 'owned' facility. Rather PC 12 is a result of the former SOCRA, which was a standalone JPA that was incorporated into SOCWA. Current SOCWA staff would have no basis upon which to assign different percentages.

Question 18: Question regarding payroll and/or pension liability to PC 21 and 23. See above response to historical percentages to pension liability distribution for purposes of supplemental schedule reporting. Lack of reporting of payroll costs is related to lack of employee time spent on those PCs within the FY 15-16.

Question 19: Clarification of audit adjustment is requested.

Response: The amount will be shown within the 2016-17 Use Audit as being generated from the 15-16 adjustment and the amount as explained above is \$311,131.

Question 20: Administration costs allocated to PC 3.

Response: PC 3 had O&M expenses in '15-'16 which based on percentages to each agency generate an administrative expense share of \$5,121. The credit resulted from an applied \$14,269 to the same account.

Question 21: Clarify expense schedules.

Response: The expense schedules referenced are for O&M only and exclude the administration expenses described above that is why the totals are different.

Question 22: Comment regarding 3A.

Response: comment noted.

Additional Responses to November 20, 2017 MNWD Correspondence
Re: Supplemental Schedules Draft for '15-'16 Audit

Question 1: Work is ongoing to distribute cash on hand. The current approach is to use invoicing for capital collection which allocates by project and member agency at the time of collection and is recorded in the financial system in the manner invoiced.

Question 2. See response to Question 15cii for the June 9, 2017 letter. Pension Liability is paid through PERS deposits and SOCWA is presently 77.3% funded. All employees are SOCWA employees. SOCWA staff has attended CSMFO conferences whereat it has been recommended that California public agencies consider meeting all unfunded PERS obligations through savings such as the PARS (OPEB Funding) account deposits and/or through lump sum advanced deposits. The current pay-go system is effective for facilities that from a practical perspective will continue to be in service. However, SOCWA could accrue advanced deposits against estimates through the fringe pool in percentages tied to the labor expended. Other mechanisms for advance funding would be at the discretion of the Board.

Question 3: Comment noted.

Cash on Hand Discussion: Comments noted. Work is ongoing to distribute cash on hand.

Remaining Questions are answered as noted in the responses above to the June 9, 2017 letter.

			<u>Contributions</u>	<u>% of Total</u>	Allocation of <u>NPL</u>
PC 5 - Ocean Outfall (San Juan Ceek)	05-5005-05	Retirement - PERS	8,523	1%	88,943
PC 24 - Ocean Outfall (Aliso Creek)	05-5005-24	Retirement - PERS	10,233	2%	106,788
Pretreatment	05-5005-08	Retirement - PERS	20,714	3%	216,164
PC 3A - MNWD/SMWD Treatment Plant	05-5005-03	Retirement - PERS	83,120	13%	867,413
PC 15 - Coastal Treatment Plant	05-5005-15	Retirement - PERS	120,211	18%	1,254,482
Adminstration	05-5005-07	Retirement - PERS	142,867	0%	-
PC 2 - JB Latham (Dana Point) Treatment P	05-5005-02	Retirement - PERS	182,148'	28%	1,900,837
PC 17 - Regional Treatment Plant	05-5005-17	Retirement - PERS	226,114	35%	2,359,651
			793,930	100%	6,794,279

2015-16 Audit - Staff Supplemental Statements

The following demonstrates the Changes in Net Position by Project Committee reconciliation to O&M expenses by Project Committee. The Intended Use of the Change in Net Position by Project Committee is to show the Connection between the November 29, 2016 approved USE AUDIT and the Audited Financial Statements received and filed June 14, 2017.

	JB Latham Treatment Plant PC 02	Water Reclamation Permits PC 12	SOCWA Plan PCA AWT PC 03	San Juan Creek Outfall PC 05	Coastal Treatment Plant PC 15	Joint Regional Treatment Plant PC 17	Effluent Transmission PC 21	North Coast Interceptor PC 23	Aliso Creek Ocean Outfall PC 24	Pre- Treatment Program PC 08	Total
Total O&M Expenses (page 71 Audit)	5,590,465	204,417	43,956	467,833	2,835,087	6,983,008	2,697	184,871	442,693	197,218	16,932,225
1. Less PC 23, North Coast Interceptor (NCI) Net SOCWA Expenses	5,590,465	204,417	43,956	467,833	2,835,067	6,983,008	2,697	(184,871)	442,693	197,218	(184,871) (1)
2. Less Audit Adjustment	(9,117)		(0)	(63,209)	(25,667)	(115,275)	6		(95,000)	(1,416)	(309,680) (2)
Other	2	-	0	-	2	(4)	0	-	0	0	2
Reconciled O&M Expenses to Changes in Net Position	5,581,350	204,417	43,956	404,624	2,809,402	6,847,729	2,703	-	347,693	195,802	16,437,676
Schedule of Revenues, Expenses and Changes in Net Position by Project Committee (pages 58-67 Audit)	5,581,350	204,417	43,956	404,624	2,809,402	6,847,729	2,703		347,693	195,802	16,437,676 (3)
Other	0	(1)	0	0	(2)	1	0	0	(1)	0	(3)
FY 2015-16 USE AUDIT O&M Expenses (USE AUDIT Book page 9)	5,581,350	204,416	43,956	404,624	2,809,400	6,847,730	2,703	0	347,692	195,802	16,437,673 (4)

(1) PC 23 North Coast Interceptor, NCI, is included in SOCWA's Financial Statements but is not on the Authority's Books.

(2) The Audit Adjustment was recorded after the completion of the USE Audit.

(3) Pages 58-67 are the Supplemental Schedules discussed at the June 14th Board of Director's Meeting.

(4) USE AUDIT approved November 29, 2016

**South Orange County Wastewater Authority
Financial Statements Reconciliation
For the year ended June 30, 2016**

O&M Costs:

Use Audit (page 9)		16,437,673
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Less:

SCADA System movement from O&M to Capital Assets		(218,030)
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Plus:

Audit Adjustment	309,680	(1)
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SOCWA O&M Costs Per Financial Statements (Page 16 Audit Book)		16,529,324
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Plus:

NCI (PC23)	184,871	
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O&M (Page 16 Audit Book)		16,714,195
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(1) Audit Adjustment:

O&M	309,680	
Engineering After Capital Transfer	485	
Administration	965	
Total Audit Adjustment		311,131

FY 2015-16 Use Audit Adjustment

Description	Amount	
Port Cleaning	153,557	
Engineering Misc	68,286	
Electricity	41,832	
Permits	15,578	
Overtime Salaries-O&M	5,507	
Other Misc.	26,371	
	311,131	
Will be Included in USE AUDIT for FY 2016-17		

**South Orange County Wastewater Authority
FY 2015-16 USE AUDIT Adjustment**

O&M						
FY 2015-16 USE AUDIT	FY 2015-16 Adjustment	FY 2015-16 Adjusted USE AUDIT	FY 2015-16 Budget	(Over)/Under Budget	% Expended	
SOCWA by Member Agency						
City of Laguna Beach	1,927,334	33,946	1,961,280	1,990,298	29,017	98.5%
City of San Clemente	96,253	13,105	109,358	143,305	33,948	76.3%
City of San Juan Capistrano	1,868,009	15,404	1,883,413	2,238,795	355,382	84.1%
El Toro Water District	731,459	34,846	766,305	868,212	101,907	88.3%
Emerald Bay Service District	85,067	1,342	86,410	80,822	(5,588)	106.9%
Irvine Ranch Water District	127,723	25,812	153,536	241,964	88,428	63.5%
Moulton Niguel Water District	8,393,893	133,889	8,527,781	8,006,227	(521,554)	106.5%
Santa Margarita Water District	1,808,872	21,412	1,830,283	1,769,400	(60,884)	103.4%
South Coast Water District	3,317,016	31,374	3,348,390	3,236,962	(111,428)	103.4%
Trabuco Canyon Water District	20,940	-	20,940	25,640	4,700	81.7%
Total Member Agency	18,376,566	311,131	18,687,697	18,601,624	(86,073)	100.5%

SUPPLEMENTARY INFORMATION

South Orange County Wastewater Authority
Schedule of Net Position by Project Committee
As of June 30, 2016

01 - General Fund

ASSETS

Current Assets

Cash and Investments	\$ 256,928
Accounts Receivable, net	4,923
LAIF Interest Receivable	6
Prepaid items	6,687

Total Current Assets	<u>268,544</u>
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Noncurrent Assets

Capital Assets

Assets	32,540
Accumulated Depreciation	(6,876)

Total Capital Assets	<u>25,664</u>
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Total Noncurrent Assets	<u>25,664</u>
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Total ASSETS	<u>294,208</u>
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LIABILITIES

Current Liabilities

Accounts Payable	171,970
Due to Member Agencies	306
Payroll Costs Payable	50,734
Current Portion of Compensated Absences	259,347

Total Current Liabilities	<u>482,357</u>
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Noncurrent Liabilities

Long-term Portion of Compensated Absences	425,420
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Total Noncurrent Liabilities	<u>425,420</u>
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Total LIABILITIES	<u>907,777</u>
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NET POSITION

Net Investment in Capital Assets	25,664
Restricted for Project Committees	(639,233)

Total NET POSITION	<u>\$ (613,569)</u>
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(continued)

South Orange County Wastewater Authority
Schedule of Net Position by Project Committee
As of June 30, 2016

02 - Jay B. Latham Plant

ASSETS

Current Assets

Cash and Investments	\$ 1,140,169
Accounts Receivable, net	(951)
Due from Member Agencies	531,460
LAIF Interest Receivable	(1,157)
Inventories	81,456
Prepaid Items	25,782
Total Current Assets	<u>1,776,759</u>

Noncurrent Assets

Capital Assets Not Depreciated

Land	653,224
Construction in Progress	17,585,365
Total Capital Assets Not Depreciated	<u>18,238,589</u>

Capital Assets

Assets	53,742,049
Accumulated Depreciation	(38,184,968)
Total Capital Assets	<u>15,557,081</u>

Total Noncurrent Assets

33,795,670

Total ASSETS

35,572,429

DEFERRED OUTFLOWS

Deferred Outflows - Pension Contribution	265,118
Deferred Outflows - Actuarial	213,907
Total Deferred Outflows	<u>479,025</u>

LIABILITIES

Current Liabilities

Accounts Payable	736,375
Due to Member Agencies	403,698
Payroll Costs Payable	26,079
Total Current Liabilities	<u>1,166,152</u>

Noncurrent Liabilities

Net Other Postemployment Benefits	214,820
Net Pension Liability	2,533,192
Total Noncurrent Liabilities	<u>2,748,012</u>

Total LIABILITIES

3,914,164

DEFERRED INFLOWS

Deferred Inflows - Actuarial	275,607
Deferred Inflows - Additional Deferral	92,331
Total Deferred Inflows	<u>367,938</u>

NET POSITION

Net Investment in Capital Assets	33,795,670
Restricted for Project Committees	(2,026,318)
Total NET POSITION	<u><u>\$ 31,769,352</u></u>

(continued)

South Orange County Wastewater Authority
Schedule of Net Position by Project Committee
As of June 30, 2016

03 - SOCWA Plant/PCA AWT

ASSETS

Current Assets

Cash and Investments	\$ 817,306
LAIF Interest Receivable	1,370

Total Current Assets	<u>818,676</u>
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Total ASSETS	<u>818,676</u>
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DEFERRED OUTFLOWS

Deferred Outflows - Pension Contribution	120,983
Deferred Outflows - Actuarial	97,616

Total Deferred Outflows	<u>218,599</u>
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LIABILITIES

Current Liabilities

Accounts Payable	4,680
Due to Member Agencies	288,141
Payroll Costs Payable	176

Total Current Liabilities	<u>292,997</u>
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Noncurrent Liabilities

Net Other Postemployment Benefits	106,649
Net Pension Liability	1,155,983

Total Noncurrent Liabilities	<u>1,262,632</u>
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Total LIABILITIES	<u>1,555,629</u>
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DEFERRED INFLOWS

Deferred Inflows - Actuarial	125,765
Deferred Inflows - Additional Deferral	42,133

Total Deferred Inflows	<u>167,898</u>
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NET POSITION

Restricted for Project Committees	(686,252)
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Total NET POSITION	<u><u>\$ (686,252)</u></u>
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(continued)

South Orange County Wastewater Authority
Schedule of Net Position by Project Committee
As of June 30, 2016

05 - San Juan Creek Ocean Outfall

ASSETS

Current Assets

Cash and Investments	\$ 424,489
LAIF Interest Receivable	693
Prepaid Items	1,781
Total Current Assets	<u>426,963</u>

Noncurrent Assets

Capital Assets Not Depreciated	
Construction in Progress	142,926
Total Capital Assets Not Depreciated	<u>142,926</u>

Capital Assets

Assets	4,931,297
Accumulated Depreciation	(4,233,193)
Total Capital Assets	<u>698,104</u>

Total Noncurrent Assets	<u>841,030</u>
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Total ASSETS	<u>1,267,993</u>
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DEFERRED OUTFLOWS

Deferred Outflows - Pension Contribution	12,404
Deferred Outflows - Actuarial	10,009

Total Deferred Outflows	<u>22,413</u>
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LIABILITIES

Current Liabilities

Accounts Payable	10,404
Due to Member Agencies	301,465
Payroll Costs Payable	1,316
Total Current Liabilities	<u>313,185</u>

Noncurrent Liabilities

Net Other Postemployment Benefits	15,185
Net Pension Liability	118,530
Total Noncurrent Liabilities	<u>133,715</u>

Total LIABILITIES	<u>446,900</u>
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DEFERRED INFLOWS

Deferred Inflows - Actuarial	12,897
Deferred Inflows - Additional Deferral	4,321

Total Deferred Inflows	<u>17,218</u>
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NET POSITION

Net Investment in Capital Assets	841,030
Restricted for Project Committees	(14,742)

Total NET POSITION	<u>\$ 826,288</u>
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(continued)

South Orange County Wastewater Authority
Schedule of Net Position by Project Committee
As of June 30, 2016

08 - Pre Treatment

ASSETS

Current Assets

Cash and Investments	\$ 25,235
Due from Member Agencies	10,076
LAIF Interest Receivable	<u>(307)</u>
Total Current Assets	<u>35,004</u>

Noncurrent Assets

Capital Assets

Assets	79,238
Accumulated Depreciation	<u>(65,388)</u>
Total Capital Assets	<u>13,850</u>

Total Noncurrent Assets

13,850

Total ASSETS

48,854

DEFERRED OUTFLOWS

Deferred Outflows - Pension Contribution	30,148
Deferred Outflows - Actuarial	<u>24,317</u>
Total Deferred Outflows	<u>54,465</u>

LIABILITIES

Current Liabilities

Accounts Payable	4,690
Due to Member Agencies	14,820
Payroll Costs Payable	<u>1,241</u>
Total Current Liabilities	<u>20,751</u>

Noncurrent Liabilities

Net Other Postemployment Benefits	14,919
Net Pension Liability	<u>288,052</u>
Total Noncurrent Liabilities	<u>302,971</u>

Total LIABILITIES

323,723

DEFERRED INFLOWS

Deferred Inflows - Actuarial	31,357
Deferred Inflows - Additional Deferral	<u>10,499</u>
Total Deferred Inflows	<u>41,856</u>

NET POSITION

Net Investment in Capital Assets	13,850
Restricted for Project Committees	<u>(276,110)</u>
Total NET POSITION	<u><u>\$ (262,260)</u></u>

(continued)

South Orange County Wastewater Authority
Schedule of Net Position by Project Committee
As of June 30, 2016

12 - Water Reclamation Permits

ASSETS

Current Assets

Cash and Investments \$ 66,574

LAIF Interest Receivable 65

Total Current Assets 66,639

Total ASSETS 66,639

LIABILITIES

Current Liabilities

Accounts Payable 13,309

Due to Member Agencies 52,205

Payroll Costs Payable 1,039

Total Current Liabilities 66,553

Total LIABILITIES 66,553

NET POSITION

Restricted for Project Committees 86

Total NET POSITION \$ 86

(continued)

South Orange County Wastewater Authority
Schedule of Net Position by Project Committee
As of June 30, 2016

15 - Coastal Treatment Plant
ASSETS

Current Assets	
Cash and Investments	\$ 1,509,178
Accounts Receivable, net	312,800
Due from Member Agencies	344,427
LAIF Interest Receivable	3,509
Inventories	101,223
Prepaid Items	5,788
Total Current Assets	<u>2,276,925</u>

Noncurrent Assets	
Capital Assets Not Depreciated	
Land	7,160,000
Construction in Progress	1,704,561
Total Capital Assets Not Depreciated	<u>8,864,561</u>

Capital Assets	
Assets	40,532,971
Accumulated Depreciation	(20,285,818)
Total Capital Assets	<u>20,247,153</u>

Total Noncurrent Assets	<u>29,111,714</u>
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Total ASSETS	<u>31,388,639</u>
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DEFERRED OUTFLOWS

Deferred Outflows - Pension Contribution	174,969
Deferred Outflows - Actuarial	141,165

Total Deferred Outflows	<u>316,134</u>
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LIABILITIES

Current Liabilities	
Accounts Payable	563,890
Due to Member Agencies	60,149
Payroll Costs Payable	12,446
Total Current Liabilities	<u>636,485</u>

Noncurrent Liabilities	
Net Other Postemployment Benefits	125,269
Net Pension Liability	1,671,795
Total Noncurrent Liabilities	<u>1,797,064</u>

Total LIABILITIES	<u>2,433,549</u>
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DEFERRED INFLOWS

Deferred Inflows - Actuarial	181,902
Deferred Inflows - Additional Deferral	60,935

Total Deferred Inflows	<u>242,837</u>
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NET POSITION

Net Investment in Capital Assets	29,111,714
Restricted for Project Committees	(83,327)

Total NET POSITION	<u>\$ 29,028,387</u>
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(continued)

South Orange County Wastewater Authority
Schedule of Net Position by Project Committee
As of June 30, 2016

17 - Joint Regional Wastewater Reclamation and Sludge Handling

ASSETS

Current Assets

Cash and Investments	\$ 854,438
Due from Member Agencies	430,292
LAIF Interest Receivable	354
Inventories	34,750
Deposits	18,000
Prepaid Items	23,676
Total Current Assets	<u>1,361,510</u>

Noncurrent Assets

Capital Assets Not Depreciated	
Land	6,589,000
Construction in Progress	8,510,667
Total Capital Assets Not Depreciated	<u>15,099,667</u>

Capital Assets

Assets	78,690,000
Accumulated Depreciation	<u>(53,155,483)</u>
Total Capital Assets	<u>25,534,517</u>

Total Noncurrent Assets	<u>40,634,184</u>
--------------------------------	--------------------------

Total ASSETS	<u>41,995,694</u>
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DEFERRED OUTFLOWS

Deferred Outflows - Pension Contribution	329,111
Deferred Outflows - Actuarial	<u>265,548</u>

Total Deferred Outflows	<u>594,659</u>
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LIABILITIES

Current Liabilities

Accounts Payable	867,321
Due to Member Agencies	171,857
Payroll Costs Payable	<u>35,773</u>
Total Current Liabilities	<u>1,074,951</u>

Noncurrent Liabilities

Net Other Postemployment Benefits	254,276
Net Pension Liability	<u>3,144,662</u>
Total Noncurrent Liabilities	<u>3,398,938</u>

Total LIABILITIES	<u>4,473,889</u>
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DEFERRED INFLOWS

Deferred Inflows - Actuarial	342,120
Deferred Inflows - Additional Deferral	<u>114,616</u>

Total Deferred Inflows	<u>456,736</u>
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NET POSITION

Net Investment in Capital Assets	40,634,184
Restricted for Project Committees	<u>(2,974,456)</u>
Total NET POSITION	<u>\$ 37,659,728</u>

(continued)

South Orange County Wastewater Authority
Schedule of Net Position by Project Committee
As of June 30, 2016

21 - Effluent Transmission Main

ASSETS

Current Assets

Cash and Investments	\$ 368,768
LAIF Interest Receivable	16

Total Current Assets	<u>368,784</u>
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Noncurrent Assets

Capital Assets Not Depreciated	
Construction in Progress	307

Total Capital Assets Not Depreciated	<u>307</u>
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Capital Assets

Assets	14,686,827
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Accumulated Depreciation	<u>(11,805,471)</u>
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Total Capital Assets	<u>2,881,356</u>
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Total Noncurrent Assets	<u>2,881,663</u>
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Total ASSETS	<u>3,250,447</u>
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LIABILITIES

Current Liabilities

Accounts Payable	84
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Due to Member Agencies	<u>95,118</u>
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Total Current Liabilities	<u>95,202</u>
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Total LIABILITIES	<u>95,202</u>
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NET POSITION

Net Investment in Capital Assets	2,881,663
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Restricted for Project Committees	<u>273,582</u>
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Total NET POSITION	<u>\$ 3,155,245</u>
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(continued)

South Orange County Wastewater Authority
Schedule of Net Position by Project Committee
As of June 30, 2016

23 - North Coast Interceptor

ASSETS

Current Assets

Cash and Investments \$ (842)

Prepaid Items 564

Total Current Assets (278)

Noncurrent Assets

Capital Assets Not Depreciated

Construction in Progress 225,307

Total Capital Assets Not Depreciated 225,307

Capital Assets

Assets 6,816,349

Accumulated Depreciation (3,505,940)

Total Capital Assets 3,310,409

Total Noncurrent Assets 3,535,716

Total ASSETS 3,535,438

LIABILITIES

Current Liabilities

Accounts Payable (9)

Total Current Liabilities (9)

Total LIABILITIES (9)

NET POSITION

Net Investment in Capital Assets 3,535,716

Restricted for Project Committees (269)

Total NET POSITION \$ 3,535,447

(continued)

South Orange County Wastewater Authority
Schedule of Net Position by Project Committee
As of June 30, 2016

24 - Aliso Creek Ocean Outfall

ASSETS

Current Assets

Cash and Investments	\$ 315,243
LAIF Interest Receivable	385
Prepaid Items	1,336
Total Current Assets	<u>316,964</u>

Noncurrent Assets

Capital Assets Not Depreciated	
Construction in Progress	177
Total Capital Assets Not Depreciated	<u>177</u>

Capital Assets

Assets	15,872,067
Accumulated Depreciation	(11,454,246)
Total Capital Assets	<u>4,417,821</u>

Total Noncurrent Assets	<u>4,417,998</u>
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Total ASSETS	<u>4,734,962</u>
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DEFERRED OUTFLOWS

Deferred Outflows - Pension Contribution	14,894
Deferred Outflows - Actuarial	12,020

Total Deferred Outflows	<u>26,914</u>
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LIABILITIES

Current Liabilities

Accounts Payable	80,364
Due to Member Agencies	304,639
Payroll Costs Payable	1,155
Total Current Liabilities	<u>386,158</u>

Noncurrent Liabilities

Net Other Postemployment Benefits	14,844
Net Pension Liability	142,321
Total Noncurrent Liabilities	<u>157,165</u>

Total LIABILITIES	<u>543,323</u>
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DEFERRED INFLOWS

Deferred Inflows - Actuarial	15,478
Deferred Inflows - Additional Deferral	5,190

Total Deferred Inflows	<u>20,668</u>
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NET POSITION

Net Investment in Capital Assets	4,417,998
Restricted for Project Committees	(220,112)

Total NET POSITION	<u>\$ 4,197,886</u>
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(continued)

South Orange County Wastewater Authority
Schedule of Revenues, Expenses and Changes in Net Position
by Project Committee
For the year ended June 30, 2016

01 - General Fund	
OPERATING EXPENSES	
Engineering After Capital Transfer	\$ 200,311
Administration	(198,861)
SCADA System transfer to Capital	(218,030)
O&M Costs missing from Use Audit, will be allocated in 16/17	309,680
Total OPERATING EXPENSES	<u>93,100</u>
Operating Loss	<u>(93,100)</u>
NON-OPERATING REVENUES	
Other Revenues	
Interest Income	444
Other Income - Misc	18,987
Total NON-OPERATING REVENUES	<u>19,431</u>
Depreciation	2,285
CHANGE IN NET POSITION	<u><u>\$ (75,954)</u></u>

(continued)

South Orange County Wastewater Authority
Schedule of Revenues, Expenses and Changes in Net Position
by Project Committee
For the year ended June 30, 2016

02 - Jay B. Latham Plant

OPERATING REVENUES

O & M Member Agency Assessments

City of San Juan Capistrano	\$ 1,763,918
Moulton Niguel Water District	1,459,703
South Coast Water District	1,486,125
Santa Margarita Water District	<u>1,521,846</u>

Total O & M Member Agency Assessments	<u>6,231,592</u>
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Total OPERATING REVENUES	<u>6,231,592</u>
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OPERATING EXPENSES

O&M & Environmental, Compliance & Safety

City of San Juan Capistrano	1,579,860
Moulton Niguel Water District	1,307,389
South Coast Water District	1,331,054
Santa Margarita Water District	<u>1,363,047</u>

Total O&M & Environmental, Compliance & Safety	<u>5,581,350</u>
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Administration	688,065
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Depreciation	<u>1,500,584</u>
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Total OPERATING EXPENSES	<u>7,769,999</u>
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Operating Loss	<u>(1,538,407)</u>
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CAPITAL CONTRIBUTIONS AND TRANSFERS

Member Agency Assessments

City of San Juan Capistrano	3,996,988
Moulton Niguel Water District	2,939,507
South Coast Water District	3,208,525
Santa Margarita Water District	<u>3,010,929</u>

Total Member Agency Assessments	<u>13,155,949</u>
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Total CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>13,155,949</u>
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NON-OPERATING REVENUES

Other Revenues

Interest Income	<u>3,179</u>
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Total Other Revenues	<u>3,179</u>
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Total NON-OPERATING REVENUES	<u>3,179</u>
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CHANGE IN NET POSITION	<u>\$ 11,620,721</u>
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(continued)

South Orange County Wastewater Authority
Schedule of Revenues, Expenses and Changes in Net Position
by Project Committee
For the year ended June 30, 2016

03 - SOCWA Plant/PCA AWT

OPERATING REVENUES

O & M Member Agency Assessments

Moulton Niguel Water District

\$ 43,894

Santa Margarita Water District

5,183

Total O & M Member Agency Assessments

49,077

Total OPERATING REVENUES

49,077

OPERATING EXPENSES

O&M & Environmental, Compliance & Safety

Moulton Niguel Water District

39,314

Santa Margarita Water District

4,642

Total O&M & Environmental, Compliance & Safety

43,956

Administration

(9,148)

Total OPERATING EXPENSES

34,808

Operating Income

14,269

CAPITAL CONTRIBUTIONS AND TRANSFERS

Member Agency Assessments

Moulton Niguel Water District

1,134,068

South Coast Water District

(56,283)

Santa Margarita Water District

499,938

Total Member Agency Assessments

1,577,723

Total CAPITAL CONTRIBUTIONS AND TRANSFERS

1,577,723

NON-OPERATING REVENUES (EXPENSES):

Other Revenues

Interest Income

2,302

Total Other Revenues

2,302

Other Expenses

PC 3A CIP Elimination

(1,548,438)

Total Other Expenses

(1,548,438)

Total NON-OPERATING REVENUES (EXPENSES)

(1,546,136)

CHANGE IN NET POSITION

\$ 45,856

(continued)

South Orange County Wastewater Authority
Schedule of Revenues, Expenses and Changes in Net Position
by Project Committee
For the year ended June 30, 2016

05 - San Juan Creek Ocean Outfall

OPERATING REVENUES

O & M Member Agency Assessments	
City of San Clemente	\$ 78,540
City of San Juan Capistrano	67,673
Moulton Niguel Water District	71,052
South Coast Water District	62,360
Santa Margarita Water District	172,138
Total O & M Member Agency Assessments	<u>451,763</u>

Total OPERATING REVENUES	<u>451,763</u>
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OPERATING EXPENSES

O&M & Environmental, Compliance & Safety	
City of San Clemente	70,345
City of San Juan Capistrano	60,612
Moulton Niguel Water District	63,638
South Coast Water District	55,853
Santa Margarita Water District	154,176
Total O&M & Environmental, Compliance & Safety	<u>404,624</u>

Administration	43,751
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Depreciation	<u>203,053</u>
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Total OPERATING EXPENSES	<u>651,428</u>
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Operating Loss	<u>(199,665)</u>
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CAPITAL CONTRIBUTIONS AND TRANSFERS

Member Agency Assessments	
City of San Clemente	33,240
City of San Juan Capistrano	22,160
Moulton Niguel Water District	31,020
South Coast Water District	24,941
Santa Margarita Water District	88,639
Total Member Agency Assessments	<u>200,000</u>

Total CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>200,000</u>
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NON-OPERATING REVENUES

Other Revenues	
Interest Income	2,023
Total Other Revenues	<u>2,023</u>

Total NON-OPERATING REVENUES	<u>2,023</u>
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CHANGE IN NET POSITION	<u>\$ 2,358</u>
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(continued)

South Orange County Wastewater Authority
Schedule of Revenues, Expenses and Changes in Net Position
by Project Committee
For the year ended June 30, 2016

08 - Pre Treatment

OPERATING REVENUES

O & M Member Agency Assessments

City of Laguna Beach	\$ 14,617
City of San Clemente	17,712
City of San Juan Capistrano	16,621
Emerald Bay Service District	1,985
El Toro Water District	10,285
Irvine Ranch Water District	20,989
Moulton Niguel Water District	47,639
South Coast Water District	38,466
Santa Margarita Water District	50,479

Total O & M Member Agency Assessments	<u>218,793</u>
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Total OPERATING REVENUES	<u>218,793</u>
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OPERATING EXPENSES

O&M & Environmental, Compliance & Safety

City of Laguna Beach	12,930
City of San Clemente	15,864
City of San Juan Capistrano	14,887
El Toro Water District	9,212
Emerald Bay Service District	1,778
Irvine Ranch Water District	18,799
Moulton Niguel Water District	42,668
South Coast Water District	34,452
Santa Margarita Water District	45,212

Total O&M & Environmental, Compliance & Safety	<u>195,802</u>
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Administration	24,716
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Depreciation	3,451
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Total OPERATING EXPENSES	<u>223,969</u>
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Operating Income/(Loss)	<u>(5,176)</u>
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NON-OPERATING REVENUES

Other Revenues

Interest Income	132
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Total Other Revenues	<u>132</u>
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Total NON-OPERATING REVENUES	<u>132</u>
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CHANGE IN NET POSITION	<u>\$ (5,044)</u>
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(continued)

South Orange County Wastewater Authority
Schedule of Revenues, Expenses and Changes in Net Position
by Project Committee
For the year ended June 30, 2016

12 - Water Reclamation Permits

OPERATING REVENUES

O & M Member Agency Assessments

City of San Juan Capistrano	\$ 19,797
El Toro Water District	16,308
Irvine Ranch Water District	20,816
Moulton Niguel Water District	66,803
South Coast Water District	24,342
Santa Margarita Water District	59,226
Trabuco Canyon Water District	20,940

Total O & M Member Agency Assessments	<u>228,232</u>
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Total OPERATING REVENUES	<u>228,232</u>
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OPERATING EXPENSES

O&M & Environmental, Compliance & Safety

City of San Juan Capistrano	17,732
El Toro Water District	14,606
Irvine Ranch Water District	18,644
Moulton Niguel Water District	59,832
South Coast Water District	21,802
Santa Margarita Water District	53,046
Trabuco Canyon Water District	18,755

Total O&M & Environmental, Compliance & Safety	<u>204,417</u>
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Administration	<u>23,815</u>
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Total OPERATING EXPENSES	<u>228,232</u>
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Operating Income	<u>-</u>
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NON-OPERATING REVENUES

Other Revenues

Interest Income	178
Total Other Revenues	<u>178</u>

Total NON-OPERATING REVENUES	<u>178</u>
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CHANGE IN NET POSITION	<u><u>\$ 178</u></u>
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(continued)

South Orange County Wastewater Authority
Schedule of Revenues, Expenses and Changes in Net Position
by Project Committee
For the year ended June 30, 2016

15 - Coastal Treatment Plant

OPERATING REVENUES

O & M Member Agency Assessments

City of Laguna Beach	\$ 1,359,491
Emerald Bay Service District	64,430
Moulton Niguel Water District	395,640
South Coast Water District	1,333,973

Total O & M Member Agency Assessments	<u>3,153,534</u>
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Total OPERATING REVENUES	<u>3,153,534</u>
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OPERATING EXPENSES

O&M & Environmental, Compliance & Safety

City of Laguna Beach	1,202,560
Emerald Bay Service District	57,707
Moulton Niguel Water District	354,357
South Coast Water District	1,194,778

Total O&M & Environmental, Compliance & Safety	<u>2,809,402</u>
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Administration	336,621
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Depreciation	<u>1,301,134</u>
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Total OPERATING EXPENSES	<u>4,447,157</u>
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Operating Loss	<u>(1,293,623)</u>
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CAPITAL CONTRIBUTIONS AND TRANSFERS

Member Agency Assessments

City of Laguna Beach	441,569
Emerald Bay Service District	34,768
Moulton Niguel Water District	340,738
South Coast Water District	457,693

Total Member Agency Assessments	<u>1,274,768</u>
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Total CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>1,274,768</u>
--	-------------------------

NON-OPERATING REVENUES (EXPENSES)

Other Revenues

Interest Income	6,515
Other Income - Misc	825,000
Gain on Sale of Fixed Assets	7,200
Total Other Revenues	<u>838,715</u>

Other Expenses

Other	<u>(830,500)</u>
Total Other Expenses	<u>(830,500)</u>

Total NON-OPERATING REVENUES (EXPENSES)	<u>8,215</u>
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CHANGE IN NET POSITION	<u>\$ (10,640)</u>
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(continued)

South Orange County Wastewater Authority
Schedule of Revenues, Expenses and Changes in Net Position
by Project Committee
For the year ended June 30, 2016

17 - Joint Regional Wastewater Reclamation and Sludge Handling

OPERATING REVENUES	
O & M Member Agency Assessments	
City of Laguna Beach	\$ 500,985
Emerald Bay Service District	16,284
El Toro Water District	621,659
Moulton Niguel Water District	6,175,621
South Coast Water District	337,163
Total O & M Member Agency Assessments	<u>7,651,712</u>
Total OPERATING REVENUES	<u>7,651,712</u>
OPERATING EXPENSES	
O&M & Environmental, Compliance & Safety	
City of Laguna Beach	443,154
El Toro Water District	556,791
Emerald Bay Service District	14,585
Moulton Niguel Water District	5,531,254
South Coast Water District	301,945
Total O&M & Environmental, Compliance & Safety	<u>6,847,729</u>
Administration	793,406
Depreciation	2,119,162
Total OPERATING EXPENSES	<u>9,760,297</u>
Operating Loss	<u>(2,108,585)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Member Agency Assessments	
City of Laguna Beach	559,422
Emerald Bay Service District	29,553
El Toro Water District	1,018,060
Moulton Niguel Water District	5,397,980
South Coast Water District	447,048
Total Member Agency Assessments	<u>7,452,063</u>
Total CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>7,452,063</u>
NON-OPERATING REVENUES (EXPENSES):	
Other Revenues	
Interest Income	7,538
Other Income - Misc	204
Gain on Sale of Fixed Assets	11,589
Total Other Revenues	<u>19,331</u>
Total NON-OPERATING REVENUES (EXPENSES)	<u>19,331</u>
CHANGE IN NET POSITION	<u><u>\$ 5,362,809</u></u>

(continued)

South Orange County Wastewater Authority
Schedule of Revenues, Expenses and Changes in Net Position
by Project Committee
For the year ended June 30, 2016

21 - Effluent Transmission Main

OPERATING REVENUES

O & M Member Agency Assessments

El Toro Water District \$ 1,243

Irvine Ranch Water District 1,243

Moulton Niguel Water District 533

Total O & M Member Agency Assessments 3,019

Total OPERATING REVENUES 3,019

OPERATING EXPENSES

O&M & Environmental, Compliance & Safety

El Toro Water District 1,113

Irvine Ranch Water District 1,113

Moulton Niguel Water District 477

Total O&M & Environmental, Compliance & Safety 2,703

Administration 316

Depreciation 216,355

Total OPERATING EXPENSES 219,374

Operating Loss (216,355)

CAPITAL CONTRIBUTIONS AND TRANSFERS

Member Agency Assessments

El Toro Water District 12,500

Irvine Ranch Water District 12,500

Total Member Agency Assessments 25,000

Total CAPITAL CONTRIBUTIONS AND TRANSFERS 25,000

NON-OPERATING REVENUES

Other Revenues

Interest Income 1,183

Total Other Revenues 1,183

Total NON-OPERATING REVENUES 1,183

CHANGE IN NET POSITION \$ (190,172)

(continued)

South Orange County Wastewater Authority
Schedule of Revenues, Expenses and Changes in Net Position
by Project Committee
For the year ended June 30, 2016

23 - North Coast Interceptor

OPERATING REVENUES

O & M Member Agency Assessments
City of Laguna Beach

\$ 742,116

Total OPERATING REVENUES

742,116

OPERATING EXPENSES

O&M & Environmental, Compliance & Safety
City of Laguna Beach

184,871

Total O&M & Environmental, Compliance & Safety

184,871

Engineering After Capital Transfer

233,374

Administration

56,809

Depreciation

169,949

Total OPERATING EXPENSES

645,003

CHANGE IN NET POSITION

\$ 97,113

(continued)

South Orange County Wastewater Authority
Schedule of Revenues, Expenses and Changes in Net Position
by Project Committee
For the year ended June 30, 2016

24 - Aliso Creek Ocean Outfall

OPERATING REVENUES

O & M Member Agency Assessments

City of Laguna Beach	\$ 52,242
Emerald Bay Service District	2,368
El Toro Water District	81,965
Irvine Ranch Water District	84,676
Moulton Niguel Water District	133,009
South Coast Water District	34,587

Total O & M Member Agency Assessments	<u>388,847</u>
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Total OPERATING REVENUES	<u>388,847</u>
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OPERATING EXPENSES

O&M & Environmental, Compliance & Safety

City of Laguna Beach	46,211
El Toro Water District	73,412
Emerald Bay Service District	2,121
Irvine Ranch Water District	75,840
Moulton Niguel Water District	119,131
South Coast Water District	30,978

Total O&M & Environmental, Compliance & Safety	<u>347,693</u>
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Administration	38,623
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Depreciation	<u>330,629</u>
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Total OPERATING EXPENSES	<u>716,945</u>
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Operating Loss	<u>(328,098)</u>
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CAPITAL CONTRIBUTIONS AND TRANSFERS

Member Agency Assessments

City of Laguna Beach	2,750
Emerald Bay Service District	195
El Toro Water District	4,076
Irvine Ranch Water District	3,940
Moulton Niguel Water District	10,962
South Coast Water District	3,077

Total Member Agency Assessments	<u>25,000</u>
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Total CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>25,000</u>
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NON-OPERATING REVENUES (EXPENSES):

Other Revenues	1,094
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Interest Income	<u>1,094</u>
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Total Other Revenues	<u>1,094</u>
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Total NON-OPERATING REVENUES (EXPENSES)	<u>1,094</u>
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CHANGE IN NET POSITION	<u>\$ (302,004)</u>
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(continued)

South Orange County Wastewater Authority
Schedule of Capital Contributions by Project Committee and Member Agency
For the Year Ended June 30, 2016

Capital Contributions by Project Committee and Member Agency	PC 2	PC 3	PC 5	PC 15	PC 17	PC 21	PC 24	Total
City of Laguna Beach	\$ -	-	-	441,569	559,422	-	2,750	1,003,741
City of San Clemente	-	-	33,240	-	-	-	-	33,240
City of San Juan Capistrano	3,996,988	-	22,160	-	-	-	-	4,019,148
El Toro Water District	-	-	-	-	1,018,060	12,500	4,076	1,034,636
Emerald Bay Service District	-	-	-	34,768	29,553	-	195	64,516
Irvine Ranch Water District	-	-	-	-	-	12,500	3,940	16,440
Moulton Niguel Water District	2,939,507	1,134,068	31,020	340,738	5,397,980	-	10,962	9,854,276
Santa Margarita Water District	3,010,929	499,938	88,639	-	-	-	-	3,599,506
South Coast Water District	3,208,525	(56,283)	24,941	457,693	447,048	-	3,077	4,085,001
Trabuco Canyon Water District	-	-	-	-	-	-	-	0
Total Capital Contributions	\$ 13,155,949	1,577,723	200,000	1,274,769	7,452,063	25,000	25,000	23,710,504

South Orange County Wastewater Authority
Schedule of O&M Operating Expenses by Project Committee
For the Year Ended June 30, 2016

	JB Latham Treatment Plant PC 02	Water Reclamation Permits PC 12	SOCWA Plan PCA AWT PC 03	San Juan Creek Outfall PC 05	Coastal Treatment Plant PC 15
Salary and Fringe					
Regular Salaries-O&M	\$1,350,086	33,466	20,795	68,145	753,438
Overtime Salaries-O&M	41,646	-	530	3,387	11,426
Fringe Benefits IN to PC's & Depts.	1,049,637	26,104	16,220	53,153	584,252
Standby Pay	19,500	-	-	-	4,550
Total Payroll Costs	2,460,869	59,570	37,545	124,685	1,353,666
Other Expenses					
Electricity	691,961	-	-	97	218,757
Natural Gas	20,289	-	-	132	1,937
Potable & Reclaimed Water	15,979	-	-	-	13,437
Co-generation Power Credit	-	-	-	-	-
Chlorine/Sodium Hypochlorite	16,767	-	-	-	73,924
Polymer Products	301,507	-	-	-	-
Ferric Chloride	98,253	-	-	-	29,311
Odor Control Chemicals	32,820	-	-	-	79,538
Other Chemicals - Misc.	164	-	-	-	-
Laboratory Services	9,508	-	153	-	10,025
Grit Hauling	53,638	-	-	-	22,276
Landscaping	41,584	-	-	-	80,757
Engineering - Misc.	72,086	-	3,757	7,461	150,988
Management Support Services	37,321	13,600	-	-	16,607
Legal Fees	39,747	1,125	-	1,558	88,605
Contract Services Misc.	84,690	-	-	-	58,386
Postage Expense	-	-	-	-	-
Small Vehicle Expense	9,647	-	-	-	4,873
Miscellaneous Expense	10,970	-	-	-	2,398
Office Supplies - All	22,543	-	317	-	7,184
Petroleum Products	12,869	-	-	-	86
Uniforms	11,133	-	-	-	4,758
Small Vehicle Fuel	9,462	-	-	-	2,181
Insurance - Property/Liability	13,512	-	-	24,317	45,776
Small Tools & Supplies	35,285	-	-	-	8,183
Trash Disposal	1,265	-	-	-	1,153
Safety Supplies	29,505	-	121	5,468	27,582
Equipment Rental	2,533	-	-	-	274
Recruitment	780	-	-	-	-
Travel Expense/Tech. Conferences	16,505	-	-	1,302	1,845
Training Expense	28,853	-	-	-	7,028
Laboratory Supplies	9,412	-	-	9,474	10,344
Office Equipment	17,295	-	-	-	854
Permits	11,748	109,095	-	144,192	4,284
Membership Dues/Fees	7,088	-	-	-	4,751

South Orange County Wastewater Authority
Schedule of O&M Operating Expenses by Project Committee
For the Year Ended June 30, 2016

	JB Latham Treatment Plant PC 02	Water Reclamation Permits PC 12	SOCWA Plan PCA AWT PC 03	San Juan Creek Outfall PC 05	Coastal Treatment Plant PC 15
Electricity - EPS - PC 5	-	-	-	2,534	-
Offshore Monitoring	-	-	-	12,471	-
Offshore Biochemistry - 20B	-	-	-	4,190	-
Effluent Chemistry	-	-	-	15,196	-
Access Road Expenses	-	-	-	-	84,538
Bio solids Disposal	569,254	-	-	-	-
Contract Services Generators - 29A	10,127	-	-	-	3,099
Janitorial Services	11,942	-	32	-	9,919
Contract Serv - Digester Cleaning - 29E	-	-	-	-	-
Diesel Truck Maint	28,525	-	-	-	6,088
Diesel Truck Fuel	2,048	-	-	-	-
Maintenance Equip. & Facilities (Solids)	166,198	-	1,750	9,246	-
Maintenance Equip. & Facilities (Liquids)	231,731	-	61	-	128,029
Maintenance Equip. & Facilities (Common)	15,436	-	220	-	20,872
Maintenance Equip. & Facilities (Co-Gen)	76,406	-	-	-	-
Maintenance Equip. & Facilities (AWT)	-	-	-	-	21,975
Mileage	1,514	-	-	-	895
Port Cleaning	-	-	-	68,607	-
MNWD Potable Water Supplies & Svcs.	-	-	-	-	-
IT Direct	18,351	-	-	-	96,056
Employee Recognition	-	-	-	-	-
Co-Generation Power Credit - Offset	-	-	-	-	-
Non-Capital Engineering	18,851	-	-	-	-
Vehicle Pay	39	-	-	-	-
Group Insurance Waiver	1,771	-	-	-	2,400
Medicare Tax Payments for Employees	2,313	83	-	944	2,133
Operating Leases	4,515	-	-	-	-
Monthly Car Allowance	15,307	162	-	1,777	3,877
Shipping/Freight	108	-	-	-	-
IT Allocations in to PC's & Depts.	188,441	20,782	-	34,182	123,418
Total Other Expenses	3,129,596	144,847	6,411	343,148	1,481,401
Total O&M Expenses	\$5,590,465	204,417	43,956	467,833	2,835,067

1. Includes \$218,030. SCADA system computer hardware which was reclassified to Capital Assets.

Joint Regional Treatment Plant PC 17	Effluent Transmission PC 21	North Coast Interceptor PC 23	Aliso Creek Ocean Outfall PC 24	Pre- Treatment Program PC 08	Total
1,621,466	145	-	60,286	105,799	4,013,626
61,036	-	-	3,891	-	121,916
1,261,314	113	-	47,023	82,523	3,120,339
20,475	-	-	-	-	44,525
2,964,291	258	-	111,200	188,322	7,300,406
366,358	-	-	-	-	1,277,173
86,251	-	-	-	-	108,609
37,597	-	-	-	-	67,013
(489,013)	-	-	-	-	(489,013)
271,180	-	-	-	-	361,871
382,744	-	-	-	-	684,251
117,607	-	-	-	-	245,171
41,918	-	81,897	-	-	236,173
1,831	-	3,655	-	-	5,650
14,376	-	-	-	3,600	37,662
65,461	-	-	-	-	141,375
50,322	-	-	-	-	172,663
137,332	101	-	14,857	-	386,582
31,102	-	-	-	-	98,630
2,447	-	-	451	-	133,933
145,423	327	73,321	-	-	362,147
4	-	-	-	-	4
5,228	-	-	-	16	19,764
12,816	-	-	-	549	26,733
11,123	-	-	-	-	41,167
36,653	-	-	-	-	49,608
15,478	-	-	-	-	31,369
5,497	-	-	-	45	17,185
57,820	2,011	-	1,052	155	144,643
20,800	-	-	-	1,877	66,145
1,080	-	-	-	-	3,498
33,436	-	-	5,389	-	101,501
858	-	-	-	-	3,665
2,331	-	-	-	-	3,111
1,653	-	-	-	1,219	22,524
12,392	-	-	-	1,435	49,708
21,221	-	-	11,006	-	61,457
4,364	-	-	-	-	22,513
15,164	-	-	138,306	-	422,789
8,525	-	-	-	-	20,364

(Continued)

Joint Regional Treatment Plant PC 17	Effluent Transmission PC 21	North Coast Interceptor PC 23	Aliso Creek Ocean Outfall PC 24	Pre- Treatment Program PC 08	Total
-	-	-	-	-	2,534
-	-	-	12,313	-	24,784
-	-	-	-	-	4,190
-	-	-	29,576	-	44,772
-	-	-	-	-	84,538
908,443	-	-	-	-	1,477,697
6,537	-	-	-	-	19,763
10,705	-	-	-	-	32,598
34,641	-	-	-	-	34,641
21,441	-	-	-	-	56,054
7,850	-	-	-	-	9,898
209,691	-	-	-	-	386,885
169,640	-	-	-	-	529,461
21,363	-	-	-	-	57,891
136,578	-	-	-	-	212,984
41,738	-	-	-	-	63,713
2,309	-	-	-	-	4,718
-	-	-	99,050	-	167,657
16,284	-	-	-	-	16,284
160,464	-	-	-	-	274,871 (1)
236	-	-	-	-	236
489,013	-	-	-	-	489,013
-	-	25,998	-	-	44,849
-	-	-	-	-	39
1,292	-	-	-	-	5,463
1,207	-	-	-	-	6,680
-	-	-	-	-	4,515
11,931	-	-	-	-	33,054
53	-	-	-	-	161
217,922	-	-	19,493	-	604,238
3,998,717	2,439	184,871	331,493	8,896	9,631,819
6,963,008	2,697	184,871	442,693	197,218	16,932,225

**South Orange County Wastewater Authority
Fiscal Year 2015-16 O&M Operating Expenses by Project Committee
(Administration and Residual Engineering not included)**

	PC 02	PC 12	PC 03	PC 05	PC 16	PC 17	PC 21	PC 24	PC 08	SOCCA
Salary and Fringe	\$1,350,088	\$33,466	\$20,795	\$88,145	\$753,438	\$1,621,468	\$148	\$80,268	\$105,798	\$4,013,826
Residual Salaries O&M	41,646	-	630	3,387	11,426	61,036	-	3,891	-	121,917
Fringe Benefits IN to PCs & Depts.	1,049,637	26,104	16,220	53,153	584,252	1,261,314	113	47,023	82,523	3,120,339
Standby Pay	19,500	-	-	4,950	20,475	-	-	-	-	44,926
Total Payroll Costs	<u>2,480,869</u>	<u>89,570</u>	<u>37,548</u>	<u>124,888</u>	<u>1,353,669</u>	<u>2,884,281</u>	<u>269</u>	<u>111,200</u>	<u>188,322</u>	<u>7,300,407</u>
Other Expenses	691,681	-	97	218,757	366,358	-	-	-	-	1,277,173
Electricity	20,289	-	132	1,937	88,251	-	-	-	-	108,610
Natural Gas	15,979	-	-	13,437	37,597	-	-	-	-	87,013
Heating Oil & Fuel	-	-	-	-	-	-	-	-	-	87,013
Chemicals & Hypochlorite	18,787	-	-	73,924	271,180	-	-	-	-	381,871
Coagulation Power Credit	-	-	-	-	(489,013)	-	-	-	-	(489,013)
Polymer Products	301,507	-	-	-	382,744	-	-	-	-	684,250
Form Chemicals	88,253	-	-	-	117,807	-	-	-	-	245,172
Other Control Chemicals	32,820	-	-	-	41,918	-	-	-	-	154,277
Other Chemicals - Misc.	184	-	-	-	1,831	-	-	-	-	1,995
Laboratory Services	8,608	-	-	-	14,378	-	-	-	-	37,683
Grill Housing	59,638	-	-	-	65,461	-	-	-	-	141,376
Landscape	41,584	-	-	-	50,322	-	-	-	-	172,662
Engineering - Misc.	72,086	-	-	-	137,332	-	-	-	-	388,581
Management Support Services	37,321	-	-	-	31,102	-	-	-	-	88,630
Legal Fees	39,747	-	-	-	2,447	-	-	-	-	133,933
Contract Services Misc.	84,680	-	-	-	145,423	-	-	-	-	269,826
Postage Expenses	-	-	-	-	4	-	-	-	-	4
Small Vehicle Expenses	8,947	-	-	-	5,228	-	-	-	-	19,784
Miscellaneous Expenses	10,970	-	-	-	12,816	-	-	-	-	28,734
Office Supplies - All	22,643	-	-	-	11,123	-	-	-	-	41,167
Petroleum Products	12,689	-	-	-	36,653	-	-	-	-	49,608
Lubricants	11,133	-	-	-	15,478	-	-	-	-	31,370
Small Vehicle Fuel	9,482	-	-	-	5,497	-	-	-	-	17,165
Insurance - Property/Liability	13,612	-	-	-	57,820	-	-	-	-	144,644
Small Tools & Supplies	35,285	-	-	-	20,800	-	-	-	-	68,146
Trash Disposal	1,285	-	-	-	1,080	-	-	-	-	3,498
Safety Supplies	29,606	-	-	-	33,438	-	-	-	-	101,489
Equipment Rental	2,533	-	-	-	689	-	-	-	-	3,684
Reclamation	760	-	-	-	2,331	-	-	-	-	3,111
Travel Expenses/Tech. Conferences	16,005	-	-	-	1,653	-	-	-	-	22,826
Traveling Expenses	28,653	-	-	-	12,392	-	-	-	-	49,709
Laboratory Supplies	9,412	-	-	-	21,221	-	-	-	-	22,513
Office Equipment	17,255	-	-	-	4,384	-	-	-	-	22,513
Permits	11,748	-	-	-	15,184	-	-	-	-	422,788
Membership Dues/Fees	7,088	-	-	-	4,761	-	-	-	-	20,383
Electricity - EP8 - PC 5	2,534	-	-	-	-	-	-	-	-	2,534
Office Maintenance	12,471	-	-	-	-	-	-	-	-	24,784
Office Machinery - 208	4,160	-	-	-	-	-	-	-	-	4,160
Equipment Machinery	-	-	-	-	-	-	-	-	-	44,773
Access Road Expenses	569,254	-	-	-	809,443	-	-	-	-	1,477,697
Boatlifts Disposal	10,127	-	-	-	8,637	-	-	-	-	19,763
Contract Services Generators - 25A	11,942	-	-	-	10,705	-	-	-	-	32,597
Janitorial Services	-	-	-	-	9,919	-	-	-	-	34,641
Contract Serv - Disposal Cleaning - 29E	28,826	-	-	-	34,641	-	-	-	-	58,054
Disposal Truck Fuel	2,048	-	-	-	7,650	-	-	-	-	9,899
Miscellaneous Equip. & Facilities (Scales)	188,198	-	-	-	209,691	-	-	-	-	388,685
Miscellaneous Equip. & Facilities (Liquids)	231,731	-	-	-	169,640	-	-	-	-	529,481
Miscellaneous Equip. & Facilities (Common)	15,438	-	-	-	21,383	-	-	-	-	57,891
Miscellaneous Equip. & Facilities (Co-Gen)	78,406	-	-	-	138,578	-	-	-	-	212,984
Miscellaneous Equip. & Facilities (AWT)	1,514	-	-	-	2,309	-	-	-	-	4,718
Port Cleaning	-	-	-	-	-	-	-	-	-	167,657
MANWD Pumps Water Supplies & Svcs.	-	-	-	-	-	-	-	-	-	16,284
IT Dept.	19,351	-	-	-	16,284	-	-	-	-	489,013
Employee Reorganization	-	-	-	-	-	-	-	-	-	238
Co-Generation Power Credit - Offset	-	-	-	-	-	-	-	-	-	-
Non-Contract Engineering	18,851	-	-	-	-	-	-	-	-	18,851
Vehicle Pay	39	-	-	-	-	-	-	-	-	39
Group Insurance W/Driver	1,771	-	-	-	1,292	-	-	-	-	5,483
Miscellaneous Tax Payments for Employees	2,313	-	-	-	1,207	-	-	-	-	6,680
Operating Leases	4,516	-	-	-	-	-	-	-	-	4,516
Standby Car Allowances	15,307	-	-	-	11,831	-	-	-	-	33,033
Supplies/Fringe	108	-	-	-	53	-	-	-	-	162
IT Allowances to PCs & Depts.	189,441	-	-	-	217,822	-	-	-	-	804,347
Total Other Expenses	<u>3,129,888</u>	<u>20,782</u>	<u>6,411</u>	<u>34,182</u>	<u>1,481,401</u>	<u>3,898,713</u>	<u>2,438</u>	<u>331,483</u>	<u>8,897</u>	<u>9,458,947</u>
Total Expenses	<u>5,610,757</u>	<u>109,552</u>	<u>44,959</u>	<u>159,040</u>	<u>4,835,070</u>	<u>10,782,994</u>	<u>2,707</u>	<u>1,119,483</u>	<u>197,119</u>	<u>18,562,354</u>

1. Includes \$218,030, SOCCA system computer hardware which was reassigned to Other Assets.

South Orange County Wastewater Authority
Engineering Expenses
For the Year Ended June 30, 2016

Salary and Fringe	
Regular Salaries-O&M	\$ 130,251
Fringe Benefits IN to PC's & Depts.	<u>48,248</u>
Total Payroll Costs	<u>178,499</u>
 Other Expenses	
Engineering - Misc	21,608
Management Support Services	16,004
Miscellaneous Expense	121,701
Office Supplies - All	37
Travel Expense/Tech. Conferences	974
Training Expense	594
Membership Dues/Fees	862
Mileage	98
Recruitment	30,300
Operating Leases	15,348
Monthly Car Allowance	1,938
IT Allocations in to PC's & Depts.	<u>45,721</u>
Total Other Expenses	<u>122,499</u>
 Total Engineering Expenses	 <u><u>\$ 300,998</u></u>

South Orange County Wastewater Authority
Administrative Expenses
For the Year Ended June 30, 2016

Salary and Fringe	
Fringe Benefits IN to PC's & Depts.	\$ 537,570
Regular Salaries-Admin & IT	667,234
Overtime Salaries-Admin & IT	21,816
Total Payroll Costs	<u>1,226,620</u>
Other Expenses	
Public Notices/ Public Relations	1,350
Miscellaneous Expense	38,209
Office Supplies - All	2,705
Insurance - Property/Liability	1,374
Office Equipment	7,814
Earned Benefit	2,211
Recruitment & Employee Relations	22,310
Management Support Services	180,895
Audit	22,900
Legal	76,861
Postage	3,512
Board of Directors - Fees	10,854
Memberships & Trainings	57,300
Travel & Conference	24,734
Scholarship Sponsorship	1,000
Miscellaneous	18,408
Mileage	328
Contract Services Misc	4,225
IT Allocations in to PC's & Depts.	80,556
Shipping/Freight	1,067
Monthly Car Allowance	11,607
Total Other Expenses	<u>570,220</u>
Total Administrative Expenses	<u><u>\$ 1,740,032</u></u>

South Orange County Wastewater Authority
Information Technology Expenses
For the Year Ended June 30, 2016

Salary & Fringe	
Fringe Benefits IN to PC's & Depts.	\$ 52,159
Regular Salaries-Admin & IT	66,870
Overtime Salaries-Admin & IT	1,275
Total Salary & Fringe	<u>120,304</u>
Other Expenses	
Office Supplies - All	91
Small Tools & Supplies	458
Training Expense	99
Office Equipment	3,626
Mileage	83
Subscriptions	168
Management Support Services	5,021
Memberships & Trainings	13,701
Travel & Conference	1,586
Software Maintenance Agreements	74,078
Hardware Maintenance Agreements	150,043
Cloud Subscriptions (Internet)	21,049
Telecommunications	116,136
IT Professional Services	158,246
Small Hardware Purchases (< \$5k)	4,692
Small Software Purchases (< \$5k)	13,469
Operating Leases	42,880
Total Other Expenses	<u>605,426</u>
Total IT Expenses before Allocation	<u>\$ 725,730</u>
IT Allocations (OUT) to PC's & Depts.	(725,730)

South Orange County Wastewater Authority
Depreciation Summary Report
For the Year Ended June 30, 2016

Class	No. of Assets	Acquisition Value	Disposal Price	Depreciation Basis	Total Depreciation	Book Value
Building Improvements	47	10,042,279	-	10,042,279	7,558,119	2,484,160
Buildings	30	20,024,645	-	20,024,645	14,483,681	5,540,964
Computer Hardware	50	2,369,250	-	2,369,250	1,996,522	372,728
Computer Software	10	109,714	-	109,714	83,008	26,706
Furniture & Fixtures	7	116,326	-	116,326	116,326	(0)
Infrastructure	143	123,304,844	-	123,304,844	77,758,566	45,546,278
Land	4	14,402,224	-	14,402,224	-	14,402,224
Machinery & Equipment	284	58,750,579	-	58,750,579	40,213,656	18,536,923
Vehicles	34	665,702	-	665,702	487,505	178,197
GRAND TOTALS:	609	229,785,563	-	229,785,563	142,697,383	87,088,180
9 class(es) listed.						
Less Land		14,402,224	-	14,402,224	-	14,402,224
Plant and Equipment		215,383,339	-	215,383,339	142,697,383	72,685,956

OTHER INFORMATION

South Orange County Wastewater Authority
Other Information
For the year ended June 30, 2016

PROJECT COMMITTEES

The following is a description of Project Committee ("PC") activity during the fiscal year ended June 30, 2016:

Project Committee No. 2 ("PC 2") and Project Committee No. 2 Rehabilitation ("PC 2R")

PC 2 was formed for the acquisition, use, operation, maintenance and expansion of the J.B. Latham Sewage Treatment Plant. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and usage of the facilities. Standby charges are based on unused capacity. On June 30, 2016, the capacity ownership of the PC 2 members in the J.B Latham Sewage Treatment Plant, excluding the Advanced Wastewater Treatment ("AWT") project, was as follows:

Members	Liquid Capacity		Solids Handling Capacity	
	(MGD)	Percentage	(MGD)	Percentage
CSJC	4.00	30.77%	5.55	30.00%
MNWD	3.00	23.08%	4.00	21.62%
SCWD	3.75	28.84%	3.70	20.00%
SMWD	2.25	17.31%	5.25	28.38%
Total	13.00	100.00%	18.50	100.00%

MGD = Million gallons per day average dry weather flow rate

On June 29, 2000, the members entered into Amendment 2 to the PC 2 agreement to provide for the design and construction of the AWT project at the J.B. Latham Sewage Treatment Plant. The PC 2 members who funded, and therefore have capacity interest in the AWT project, are CSJC, MNWD, and SCWD.

Project Committee No. 2(SO) ("PC 2(SO)")

PC 2(SO) was formed in order to obtain a permit to discharge reclaimed water. The Authority is to hold a single producer/primary user permit and maintain waste discharge permit requirements for the production, distribution and use of reclaimed water. A portion of the costs are split equally among each member agency, part of the costs are allocated to member agencies based on non-potable water production in Region 9, and permit costs are allocated based on region. CSJC, ETWD, IRWD, MNWD, SCWD, SMWD, and TCWD are members of PC 2(SO).

Project Committee No. 3A ("PC 3A") and Project Committee No. 3A Rehabilitation ("PC 3A(R)")

The Authority provides contract operation and maintenance services for the PC 3A wastewater treatment plant and related reclamation facilities for the benefit of MNWD and SMWD. An amendment to the original agreement extended the contract to the fiscal year ending June 30, 2012. The agreement provides for subsequent extensions.

South Orange County Wastewater Authority
Other Information, Continued
For the year ended June 30, 2016

PROJECT COMMITTEES, Continued

Project Committee No. 5 ("PC 5")

PC 5 was formed for the purpose of planning, designing, constructing, operating and maintaining the San Juan Creek Ocean Outfall. On June 30, 2016, the capacity ownership of the PC 5 members in the San Juan Creek Ocean Outfall was as follows:

<u>Members</u>	<u>MGD</u>	<u>Percentage</u>
CSC	13.30	16.62%
CSJC	8.86	11.08%
MNWD	12.41	15.51%
SCWD	9.97	12.47%
SMWD	35.46	44.32%
Total	80.00	100.00%

MGD = Million gallons per day peak flow rate

Project Committee No. 15 ("PC 15") and Project Committee No. 15 Rehabilitation ("PC 15R")

PC 15 caused construction of facilities known as the Coastal Wastewater Treatment Facility to receive and treat wastewater. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and usage of the facilities. PC 15R is used to account for rehabilitation and construction projects for the Coastal Treatment Plant. On June 30, 2015, the capacity ownership of the PC 15 members in the Coastal Treatment Plant was as follows:

<u>Members</u>	<u>MGD</u>	<u>Percentage</u>
CLB	2.54	37.91%
EBSD	0.20	2.99%
SCWD	2.00	29.85%
MNWD	1.96	29.25%
Total	6.70	100.00%

MGD = Million gallons per day average dry weather flow rate

South Orange County Wastewater Authority
Other Information, Continued
For the year ended June 30, 2016

PROJECT COMMITTEES, Continued

Project Committee No. 17 ("PC 17") and Project Committee No. 17 Rehabilitation ("PC 17(R"))

PC 17 is for the operations and maintenance of the facilities known as the Regional Wastewater Treatment, Reclamation and Solids Handling Facilities ("Joint Regional Treatment Plant"). The Joint Regional Treatment Plant treats and reclaims wastewater and handles solid waste. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and of usage of the facilities. PC 17(R) is used to account for rehabilitation and construction projects for the Joint Regional Treatment Plant. On June 30, 2016, the capacity ownership of the PC 17 members in the Joint Regional Treatment Plant was as follows:

Members	Liquid Capacity		Solids Handling Capacity	
	(MGD)	Percentage	Pounds	Percentage
CLB	-	0.00%	5,605	11.22%
EBSD	-	0.00%	295	0.59%
ETWD	-	0.00%	10,200	20.41%
MNWD	12.00	100.00%	29,395	58.82%
SCWD	-	0.00%	4,480	8.96%
Total	12.00	100.00%	49,975	100.00%

MGD = Million gallons per day average dry weather flow rate

Pounds = Loadings are shown in pounds per day

Project Committee No. 21 ("PC 21")

PC 21 is for the operation and maintenance of the Effluent Transmission Main. Expenses are allocated to participating members on the basis of ownership of the facilities as follows:

Members	Reach B/C	Reach D	Reach E
ETWD	50.00%	50.00%	23.29%
IRWD	50.00%	50.00%	23.29%
MNWD	0.00%	0.00%	53.42%
Total	100.00%	100.00%	100.00%

On October 7, 1999, the title to Reach A of the Effluent Transmission Main was transferred to Los Aliso Water District (now part of IRWD) and the El Toro Pump Station was transferred to ETWD. The Alicia Parkway Pump Station is owned and operated by MNWD.

PROJECT COMMITTEES, Continued

Project Committee No. 23 ("PC 23")

PC 23 is for the operations and maintenance of the North Coast Interceptor and the Laguna Beach and Bluebird pump stations. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and usage of the facilities. The City of Laguna Beach operates and maintains the facility. Ownership of the facilities at June 30, 2016 was as follows:

South Orange County Wastewater Authority
Other Information, Continued
For the year ended June 30, 2016

<u>Members</u>	<u>Percentage</u>
CLB	95.88%
EBSO	4.12%
Total	100.00%

Project Committee No. 24 ("PC 24")

PC 24 is for the operations and maintenance of the facilities known as the Aliso Creek Land and Ocean Outfall which disposes of treated wastewater. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and usage of the facilities. On June 30, 2016, the capacity ownership in the Aliso Creek Ocean Outfall was as follows:

<u>Members</u>	<u>MGD</u>	<u>Percentage</u>
CLB	5.50	11.00%
EBSO	0.39	0.78%
ETWD	8.15	16.30%
IRWD	7.88	15.76%
MNWD	21.92	43.85%
SCWD	6.16	12.31%
Total	50.00	100.00%

MGD = Million gallons per day peak flow rate

Pre-Treatment Program

The Pre-Treatment Program was established in compliance with the Environmental Protection Agency ("EPA") to monitor the contents of industrial waste flowing from industries within the areas served by several of the member agencies.

November 20, 2017

Betty Burnett, General Manager
South Orange County Wastewater Authority
34156 Del Obispo Street
Dana Point, CA 92629

Re: FY 15-16 Supplemental Schedules

Dear Ms. Burnett:

On several occasions over the past five months Moulton Niguel Water District ("MNWD") has requested to discuss outstanding and unanswered questions on South Orange County Wastewater Authority ("SOCWA") supplemental schedules that were provided as part of the draft Fiscal Year ("FY") 15-16 audit report. Those questions are included as Enclosure 1 to this letter. On October 31, 2017, you indicated that you could not provide an estimated timeframe on when those schedules will be brought back for review. As expressed at the October 31, 2017, SOCWA Finance Committee meeting, MNWD cannot support approval of the Fiscal Year 2016-17 audit without inclusion of the supplemental schedules and responses to the related questions.

The supplemental schedules are a critical component of the audit report, as evidenced by the following comments and questions:

1. SOCWA is holding approximately \$6 million of unreconciled funds deposited by the ten member agencies, yet continues to invoice the member agencies millions of dollars each quarter.
 - a. The FY 15-16 supplemental schedules allocation of cash disagree with the presentation by Leaf & Cole, LLP, provided on May 22, 2017. Which set of information is correct, if any, and when does SOCWA intend to resolve the cash by member agency issue?
2. The supplemental schedules allocate assets and liabilities by Project Committee ("PC"). SOCWA staff had previously indicated those allocations are arbitrary. It is necessary to reflect an accurate allocation of assets and liabilities by PC.
 - a. How is the allocation of Net Pension Liability allocated across the PCs? How are those liabilities being funded? Does the Net Pension Liability rest with SOCWA as a whole or with the participating member agencies?
 - b. How is SOCWA addressing the existing unfunded liabilities with the changing conditions among SOCWA's PCs, i.e. El Toro Water District ("ETWD") participation in PC 12?
 - c. How is the Net Pension Liability associated with the General Fund being allocated and funded?

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3. SOCWA cannot exceed its proposed expenditure budget at the PC level. The consolidated audit report does not provide sufficient detail for the Board to enforce those controls.
 - a. The Use Audit or the monthly financial reports are the only other reports the Board can view that provides the level of detail necessary. However, the Use Audit is yet to be completed and SOCWA has indicated they will not be presenting the monthly financial report for some time. How does the Board plan to monitor spending by PC without these critical documents?

MNWD is aware that SOCWA intends to receive approval on the FY 16-17 audit in December. MNWD wants to be extremely clear that we do not intend to approve the FY 16-17 audit if these questions remain unanswered, nor would we approve the audit and simply ignore these questions by excluding the supplemental schedules as was done with the FY 15-16 audit. We support the desire to approve the audit in a timely manner, but not at the expense of accurate and supportable accounting. The supplemental schedules are a critical component of the audit report and cannot be dismissed by the SOCWA Board of Directors or SOCWA staff.

Cash by Member Agency

MNWD still has the following outstanding questions related to cash by member agency originally included in the enclosed letter:

15.a. The [Net Position by PC] schedules on pages 46-56 do not match the schedule provided by Leaf & Cole, LLP, on May 22, 2017, for cash by PC. There was no cash allocated to the General Fund in that presentation, yet this schedule per the draft audited statements indicates approximately \$257,000 assigned to the General Fund.

15.c. The [Net Position by PC] schedule shows that there is "\$684,767" of compensated absences allocated to the General Fund. However, the \$257,000 is not sufficient to fund these compensated absences, despite the fact that the May 22, 2017, presentation of cash by member agency indicated SOCWA was holding "\$684,765" in "reserves" for these liabilities.

16. Pages 47 and 50 – PCs 02 and 08 indicated positive cash balances of \$1,140,169 and \$25,235, respectively, yet both PCs have been allocated a negative LAIF interest receivable. Can SOCWA explain the methodology for allocating negative LAIF interest receivable to those PCs?

On May 22, 2017, the SOCWA Finance Committee received a presentation from Leaf & Cole, LLP, indicating that SOCWA held nearly \$6 million in member agency deposits. During that presentation, Leaf & Cole, LLP, stated that SOCWA used "historical records" to attempt to corroborate a \$4.1 million piece of that \$6 million balance. Upon further discussion, it was discovered that the historical records



referenced were the supplemental schedules included in past audit reports. This admission clearly suggested that SOCWA staff believed the supplemental schedules had enough merit as of May 22, 2017, to use them as "evidence" of prior reconciliations. MNWD was one of several agencies that discussed concerns with the methodology presented that day.

Just eleven calendar days later, SOCWA provided the draft audit report for FY 15-16, and the supplemental schedules therein contained significant variances from the Leaf & Cole, LLP presentation. MNWD and the SOCWA Board were told by the external auditor, Davis Farr, LLP, that the supplemental schedules are not audited and they do not give assurances on those schedules.

So, in summary, SOCWA has approximately \$6 million of unaccounted extra deposits, and relied on unsubstantiated "historical records" that SOCWA claimed were part of past audits, but that the auditors affirmed were simply provided by SOCWA and not audited. SOCWA relied on Leaf & Cole, LLP, who relied on Davis Farr, LLP, who relied on SOCWA for the unaudited schedules, demonstrating a clear lack of proper verification. Even amongst those schedules SOCWA did provide, SOCWA was unable to provide a consistent allocation of cash by member agency to either CPA firm.

On top of those issues, the supplemental schedules used in the past were unable to corroborate almost \$1 million of deposits that are completely unaccounted for. This issue could have been averted had SOCWA maintained adequate records and supplemental schedules in the past.

Supplemental Schedules and Misallocation of Net Pension Liabilities

MNWD still has the following outstanding questions related to the allocation of Net Pension Liabilities across PCs, originally included in the enclosed letter:

15.c.ii. The net pension liability is the result of future benefits to be provided to SOCWA employees. "Payroll costs payable" are allocated to the General Fund, yet there is no associated Net Pension Liability allocated to the General Fund. Please explain your reasoning for allocating the liabilities in this manner.

17. Page 51 – PC 12 has "payroll costs payable", yet no associated Net Pension Liability. Please explain your reasoning for allocating the liabilities in this manner.

18. Pages 54-55 – PCs 21 and 23 have no payroll costs or associated Net Pension Liability, yet the fact that separate funds and schedules are maintained is a clear indication that staff time is needed to track these PCs. Where is the SOCWA staff time associated with these PCs allocated? Please explain why the treatment and allocation for these items are inconsistent for PCs 21 and 23 as compared to PCs 02, 03, 05, 08, 12, 15, and 17.



In addition to those questions, and upon further review of the supplemental schedules leading up to the October 5, 2017, SOCWA Board meeting, MNWD identified the following concern. On page 48 of the supplemental schedules, SOCWA indicates that PC 3A has a \$1.2 million Net Pension Liability, yet in the FY 16-17 and FY 17-18 proposed budgets, there is no funding for PC 3A. It is not clear how the liabilities associated with SOCWA's past performance at Plant 3A is being calculated or funded. Should PC 3A indicate any Net Pension Liability since those employees were transferred to other facilities? If there is a remaining liability with PC3A, how is it being funded? MNWD would like to know how SOCWA calculated the Net Pension Liability balances that are recorded within each PC, as there does not appear to be a consistent approach or treatment.

One risk in recording assets and liabilities only at the Authority level assumes that nothing will ever change at SOCWA in relation to the PC participation, when we know that is not the case. As mentioned above, the PC 3A participants no longer utilize SOCWA as contract operators, and in the FY 17-18 Budget discussions, ETWD gave notice of an intent to withdraw from PC 12. How is SOCWA planning to obtain the funding from former or outgoing PC participants as it relates to the Net Pension Liability, or the Other Post-Employment Benefits ("OPEB") liability?

Finally, if assets and liabilities rest with individual member agencies according to each agencies' participation at the PC level, should the assets and liabilities even be reported on SOCWA's Statement of Net Position? Using PC 3A as an example, if the ownership of that liability rests with the former PC 3A participants, does SOCWA actually owe \$1.2 million towards the Net Pension Liability, or should that liability be transferred to the former participants to be recorded on their financial statements? If this is the case, SOCWA's total Net Pension Liability may have been materially overstated in past audits.

These questions are quite significant and can have far reaching consequences if not addressed. It is imperative that the SOCWA Board have a clear understanding of the current status of cash, allocations of assets and liabilities, and the implications of changing conditions within SOCWA on those allocations. These items directly reflect the importance of accurate and consistent supplemental schedules. For this reason, MNWD cannot support approval of the audit without updated supplemental schedules and the associated answers to the questions and concerns above.

Thank you,



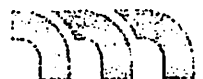
Matt Collings



Enclosures:

1. Letter dated June 9, 2017, to Ms. Betty Burnett "Financial Statements & Independent Auditor's Report FY Ending June 30, 2016"

cc: Mary Carey, SOCWA Controller
SOCWA Board of Directors
MNWD Board of Directors
Member Agency Finance Officers
Joone Lopez, MNWD General Manager
Trevor Agrelius, MNWD Controller



June 9, 2017

Betty Burnett, General Manager/Treasurer
South Orange County Wastewater Authority
34156 Del Obispo Street
Dana Point, CA 92629

Re: Financial Statements & Independent Auditor's Report FY Ending June 30, 2016

Dear Ms. Burnett:

Moulton Niguel Water District ("MNWD") received the South Orange County Wastewater Authority ("SOCWA") draft audited Financial Statements and Independent Auditor's Report for Fiscal Year ("FY") 2015-2016 on Monday, June 5, 2017. MNWD understands the importance of producing accurate and understandable financial statements for the public and each of SOCWA's ten member agencies.

We recognize SOCWA's desire to submit these financial statements to the Board on June 14, 2017. However, MNWD has concerns related to this timeline, given the significant process and reconciliation questions identified during our review of the information provided. In summary, the main concerns we have identified are:

1. The qualified opinion received by SOCWA for the second consecutive year.
2. The procedures used to reconcile and the representation of the cash by member agencies and project committees. Specifically, the several discrepancies noted between the draft audited statements and other financial reports and presentations provided during the course of the year.
3. The overall audit process, including the substantive test work and quality.

MNWD recommends having the auditor address the questions and concerns below to ensure the financial statements are accurate before they are considered by the Board for adoption. We are concerned and disappointed to see that SOCWA will again be receiving a qualified opinion on the FY 15-16 audited statements, as there were no indications given to the member agencies that this would be the case. Receiving a qualified opinion two years in a row is a cause for serious concern, and should have been discussed prior to the time the draft audited statements are being provided for consideration.

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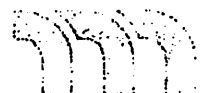
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Audit Process:

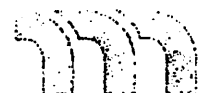
MNWD raised concerns last year related to the quality of the FY 14-15 draft audited statements and the quality of substantive test work performed in the past regarding unrecorded real property, as these deficiencies were the basis for the qualified opinion for the FY 14-15 audit. We still have those same concerns, and request additional information about the type of test work performed in specific areas, as identified below:

1. How long has the current auditor been engaged with SOCWA, including the years the auditor was formerly Mayor Hoffman McCann, P.C.? Additionally, how long has the engagement partner served in that capacity during that same time frame? Assembly Bill 1345 requires rotation every six years, and although there is no requirement to include years prior to FY 13-14, we would be interested to know that information.
2. The opinion letter on page 3 of the draft audited statements refer to "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," and states that this report is "an integral part of the audit performed in accordance with Government Auditing Standards." The letter on internal control did not mention any tests of compliance referenced in the opinion letter. We understand that the auditor is not expected to provide an opinion on compliance; however, MNWD would like to know the specific types of compliance test work performed by the auditor:
 - a. Did the auditor inspect SOCWA's purchasing policy to determine if FY 15-16 expenditures complied with that policy? The most recent purchasing policy SOCWA has provided to MNWD was approved on March 5, 2015. In Section 7 of that policy, it states that "annually, the General Manager shall update the authority levels and dollar amounts for specific positions and the same shall be submitted with the Budget Assumptions." In reviewing the FY 15-16 and FY 16-17 budgets, the spending authority was not included as part of the budget assumptions, yet we did not see this identified in the letter on internal control as a deficiency in compliance related matters. In fact, Appendix 1 of that policy indicates the spending limits are applicable to FY 14-15 only.
 - b. Did the auditor review SOCWA's Joint Exercise of Powers Agreement to determine the legal level of authority the General Manager has to transfer funds among project committees? Section 6.5 of the agreement states "no expenditures in excess of those budgeted in the General Budget or in a Project Budget shall be made without the unanimous consent and approval of the directors representing the Member Agencies affected by the budget under consideration." Additionally, pages 46-56 of the draft



audited statements indicate that the net position is restricted per project committee. Yet in the FY 15-16 Use Audit, project committees 02, 08, 15, and 17 all incurred expenditures in excess of the budget without approved budget amendments (see pages 15-15x of the final FY 15-16 Use Audit).

- c. Government Code Section 6505 requires that audited financial statements for Joint Powers Authorities be submitted to the County Auditor within 12 months after the end of the fiscal year(s) under examination. SOCWA received a letter from Mr. Eric Woolery, Orange County Auditor-Controller on March 31, 2017, indicating that the audited statements for the period ending June 30, 2015 had been submitted late. Moreover, section 10.2 of SOCWA's Joint Exercise of Powers Agreement is even more restrictive, and states that the audited financial statements "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. The submission of the audited financial statements for both FY 14-15 and FY 15-16 violated that section of the agreement, yet there was no mention of this non-compliance in the letter on internal control.
3. Can the auditor provide specific information on the substantive test work performed related to the real property additions that resulted in a \$38.9M restatement to beginning net position? Up until this time, the member agencies have received limited information regarding this restatement.
 - a. Did the auditor verify that the newly recorded values were reported to the County of Orange, which was indicated in SOCWA's response to the FY 14-15 deficiency noted in the FY 14-15 letter on internal control?
 4. SOCWA has engaged Leaf and Cole, LLP to perform procedures to substantiate SOCWA's cash on hand by member agency, project committee, and capital project. What specific procedures were performed by the auditor during the FY 15-16 audit to verify cash on hand by member agency, project committee, and capital project? What specific procedures were performed in past fiscal years, as it has been noted that the audit team has remained relatively consistent for several years?
 5. On the internal control letter, the third paragraph mentions the definition for both a significant deficiency and a material weakness, yet the last sentence states "we consider the following deficiencies to conform to that definition." It is unclear whether deficiency #1 noted was classified as a material weakness or a significant deficiency. The summary of the deficiency states that the adjustment itself was material, so we believe it to be a material weakness, but nevertheless request clarification. We'd also like to know what the dollar amount of that adjustment was, and how many projects were not properly closed by SOCWA.



6. We did not see any mention of the \$38.9M restatement to net position or the lack of historical documentation for \$23.6M listed on the internal control letter as significant deficiencies or material weaknesses. We want to understand the auditor's methodology for not including them in that letter.
7. MNWD concurs with the recommended best practices noted on Page 2 of the internal control letter. Item #1 mentions that there is a lack of proper segregation of duties related to the accounts payable process, but a compensating control will be performed going forward. Did the auditor verify that no unauthorized changes or improper payments were made during FY 15-16, and why was this not disclosed in past audits if there were not proper controls or compensating controls in place?

Draft Audited Financial Statements:

8. Page 2 – The auditor indicated the reason for the qualified opinion on the FY 15-16 audit is due to poor historical records related to \$23.6M of infrastructure capital assets. Is that \$23.6M part of the \$38.9M restatement mentioned in question #4 above? Also, given the fact that the records are not currently available, in the event the records are not retrievable, can the member agencies expect qualified opinions on future financial statements in perpetuity due to this issue? Later in the report on page 4, SOCWA indicated that the Authority will pursue further evaluation to obtain supporting detail for these assets. Can you clarify the scope of that effort?
9. Page 4 – GASB 68 Deferred Outflows should not be located under Liabilities. See page 8, as it is presented accurately on that page. Deferred Inflows are also not liabilities as indicated on page 4.
10. Page 4 – Can we get detailed information on the \$108.1M and (\$82.9M) restatements for capital asset additions indicated? MNWD previously requested this and additional information related to these restatements from the SOCWA Controller on May 9, 2017, and was told we would receive the information after the audit was finalized. This response is unacceptable, as the audit cannot be finalized until those questions are properly addressed.
11. Page 12 – The capital asset section under supplementary information indicates there was \$3.9M in construction in progress that was completed during the year; however, pages 32-35 of the FY 15-16 Use Audit only indicates \$2.9M was closed out. Can you provide additional detail to substantiate this \$1.0M discrepancy? The completed projects listed in the Use Audit were PC 17 – 3703, 3705, 3732 and PC 15 – 3535. This discrepancy directly impacts the reconciliation of cash by member agency.



12. Page 16 – We noted several differences between this Statement of Revenues, Expenses, and Changes in Net Position and the FY 15-16 Use Audit, as identified below. We hereby request any details available that might substantiate the following discrepancies:

- a. Total O&M member agency assessments per the draft audited statements is \$19.1M. Total O&M member agency receipts per the Use Audit were \$18.6M (page 1 of Use Audit). If we were to include the actual assessments after the use audit, the total assessments would be \$18.4M.
- b. Total operating expenses, excluding depreciation per the draft audited statements are \$18.9M. Total O&M expenses allocated to Member agencies per the Use Audit was \$18.4M (page 1 of the FY 15-16 Use Audit).
 - i. These items add up to \$1.2M of incorrectly applied contributions and expenses that were included as part of the Use Audit, and has direct impact on the reconciliation of cash by member agency.

13. Page 16 – We request details or explanations for the capital donations to other governments – (\$1,548,438).

- a. Page 59 indicates these expenses identified as PC 3A CIP Elimination. If these expenses were indeed CIP from previous years, they should not be recorded as FY 15-16 expenses. Rather, they should be recorded as a restatement of the beginning net position for project committee 03.

14. Page 28 – We would like to request that this schedule show the beginning balance per the ending FY 14-15 audited balance and the adjustment column, in order to track the changes made as a result of the real property additions.

15. Page 46 – The first schedule of Net Position by Project Committee that is presented is the General Fund. This is the first time a General Fund has been presented for FY 15-16 in any report provided to the member agencies. How are each of the 13 individual line items included on this schedule allocated to each member agency?

- a. The schedules on pages 46-56 do not match the schedule provided by Leaf and Cole, LLP on May 22, 2017, for cash by project committee. There was no cash allocated to the General Fund in that presentation, yet this schedule per the draft audited statements indicates approximately \$257,000 assigned to the General Fund.



- b. This schedule identifies \$32,540 in capital assets associated with the General Fund. Can you provide detail into what specific capital assets are included in this fund, what each member agency contributed to fund those assets, and how they are allocated among the member agencies on SOCWA's books?
- c. This schedule shows that there is \$684,767 of compensated absences allocated to the General Fund. However, the \$257,000 is not sufficient to fund these compensated absences, despite the fact that the May 22, 2017, presentation of cash by member agency indicated SOCWA was holding "\$684,765" in "reserves" for these liabilities.
 - i. Why is 100% of the compensated absences liability allocated to the General Fund, when the majority of the different project committees have "payroll costs payable," indicating employees are assigned to those project committees? The liability should reside within the project committee in which the employee and payroll expense are assigned. Please explain your reasoning for allocating the liabilities in this manner.
 - ii. The net pension liability is the result of future benefits to be provided to SOCWA employees. "Payroll costs payable" are allocated to the General Fund, yet there is no associated net pension liability allocated to the General Fund. Please explain your reasoning for allocating the liabilities in this manner.
- 16. Pages 47 and 50 – Project committees 02 and 08 indicate positive cash balances of \$1,140,169 and \$25,235, respectively, yet both project committees have been allocated a negative LAIF interest receivable. Can SOCWA explain the methodology for allocating negative LAIF interest receivable to those project committees?
- 17. Page 51 – Project committee 12 has "payroll costs payable", yet no associated net pension liability. Please explain your reasoning for allocating the liabilities in this manner.
- 18. Pages 54-55 – Project committees 21 and 23 have no payroll costs or associated net pension liability, yet the fact that separate funds and schedules are maintained is a clear indication that staff time is needed to track these project committees. Where is the SOCWA staff time associated with these project committees allocated? Please explain why the treatment and allocation for these items are inconsistent for project committees 21 and 23 as compared to project committees 02, 03, 05, 08, 12, 15, and 17.



19. Page 57 – MNWD requested that the Use Audit be postponed until after the FY 15-16 audit was completed to ensure costs were fully captured in the Use Audit. Our request was denied, and only here are we shown that \$309,680 was missed during the FY 15-16 Use Audit. MNWD requests more detail related to these items, and to understand how these expenses were not captured as part of SOCWA's internal control and review processes.
- a. The notes indicate that these expenses will be allocated in FY 16-17. Can you explain how you intend to allocate those expenses to the member agencies?
 - b. Furthermore, the presentation of cash by member agency given by Leaf and Cole, LLP on May 22, 2017 indicated the audit adjustment was \$311,131. Was that amount referencing these missed O&M expenses or the material audit adjustment noted by the auditors?
20. Page 59 – Why is there (\$9,148) in administration expenses allocated to project committee 03?
21. Pages 69-72 – This schedule does not include a General Fund, which is a different presentation then the schedules on pages 57-67. Furthermore, the total expenses on this schedule do not reconcile with the schedules on pages 57-67. Please explain the discrepancy in operating expenses between the two schedules.
22. Page 78 – Project committee 3A information should either be removed or reworded to indicate that SOCWA no longer provides contract operation and maintenance services for this facility.

Audit Communication Letter:

23. Page 1 – The first bullet under the most sensitive estimates section states "management judgements regarding the allocation of capital costs due to/from member agencies for various capital projects." We request clarification as to what this refers to. Our understanding of allocations for capital costs at each facility is based on ownership capacity, which is a fixed number, not an estimate.
24. Page 2 – Under the corrected and uncorrected misstatements section, the auditors mention one material adjustment was detected as a result of audit procedures. As indicated in question #6 above, we would like additional information on this material adjustment. We would also like to know why these projects were not captured during the Use Audit.



MNWD requests a report on your plan for the FY 16-17 audit. SOCWA's contract with the current auditor is limited to the FY 15-16 audit. SOCWA staff received clear direction from the Finance Committee in August 2016 to perform a full solicitation for its next round of auditing services, and to survey the auditing practices of SOCWA's member agencies as part of that process. Given the concerns raised in June 2016 regarding the discrepancies and mistakes in the FY 14-15 draft audited statements, we are concerned about the lack of response to the Finance Committee's direction.

Due to the multitude of discrepancies, MNWD does not recommend these draft audited statements for approval by the SOCWA Board of Directors until the points above are either sufficiently explained or appropriate revisions are made to the statements themselves.

Thank you,



Matt Collings

Cc: Dan Ferons, SOCWA Board Chair
Mary Carey, SOCWA Controller
Hon. Eric Woolery, County of Orange Auditor-Controller
SOCWA Finance Committee Members
SOCWA Member Agency Finance Officers
Joone Lopez, Moulton Niguel Water District General Manager
Trevor Agrelius, Moulton Niguel Water District Controller



Agenda Item

Legal Counsel Review: No

Meeting Dates: December 6, 2017 Finance Committee

December 7, 2017 Board Meeting

TO: Finance Committee and Board of Directors

FROM: Betty Burnett, General Manager

STAFF CONTACTS: Brian Peck, Mary Carey

SUBJECT: Infrastructure Valuation Services

Summary

On September 7, 2017, the Board of Directors authorized the work of Carollo Engineering to review SOCWA records, conduct field investigations and research, and prepare a valuation report for SOCWA infrastructure assets for submission to the FY 2016-17 Auditors, Pun Group. A Finance Committee workshop was held on September 21, 2017 for the purposes of discussing with Carollo Engineering and Pun Group representatives the scope of the work and the approach expected to be used to determine asset detail and value at the time of acquisition. At the workshop, Carollo Engineering and Pun Group discussed the planned work and there was general concurrence of the Finance Committee to proceed with the work.

For the December 6, 2017 Finance Committee Meeting and for the Board meeting on December 7, 2017 Carollo Engineering will provide an update on the project, and a general overview of the process is provided on the attached slides. At the meeting, Carollo will provide more specific information on the project progress with detailed valuation results for the Regional Treatment Plant. Work is proceeding with the resulting report expected for the December 14, 2017 Board meeting.

Background

With the submission of the FY 2015-16 Audit the DavisFarr audit firm recommended that SOCWA conduct an engineering valuation to provide the detail that supports the net book value of SOCWA infrastructure assets. In the past audit years, SOCWA has reported \$23.6 million in infrastructure assets and the project is important to identify the assets, determine what is in use and confirm the values.

Recommendations

Committee and Board Member questions and comments.

Infrastructure Audit Progress Update

December 6, 2017

Quick Recap of the Project

What:

- Review the assets in the financial register and update information

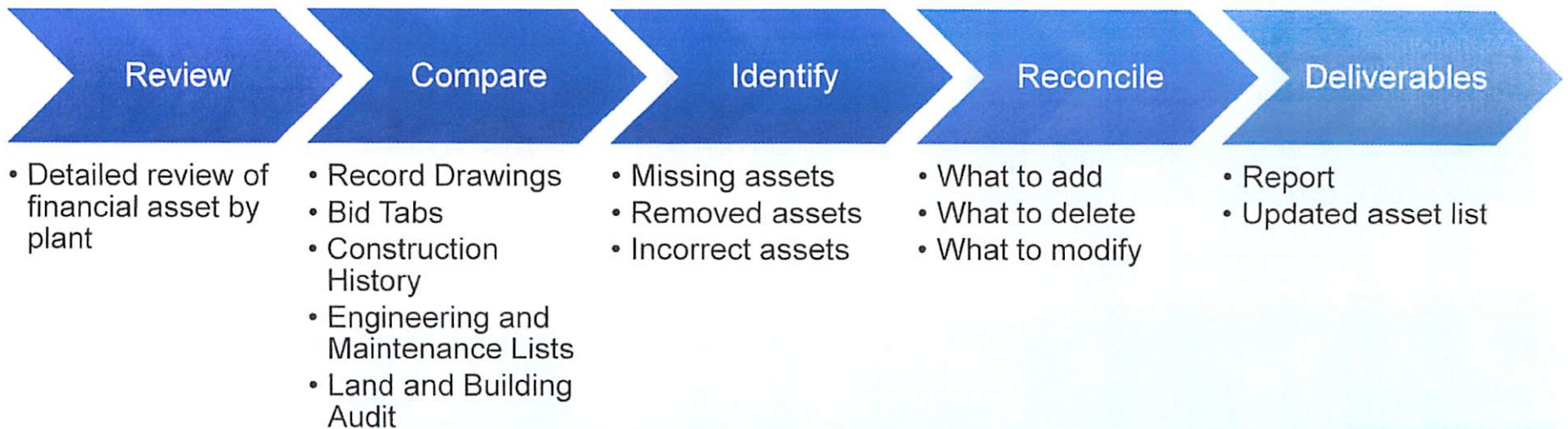
Why:

- Improve the confidence in the asset records
- Support the financial audit

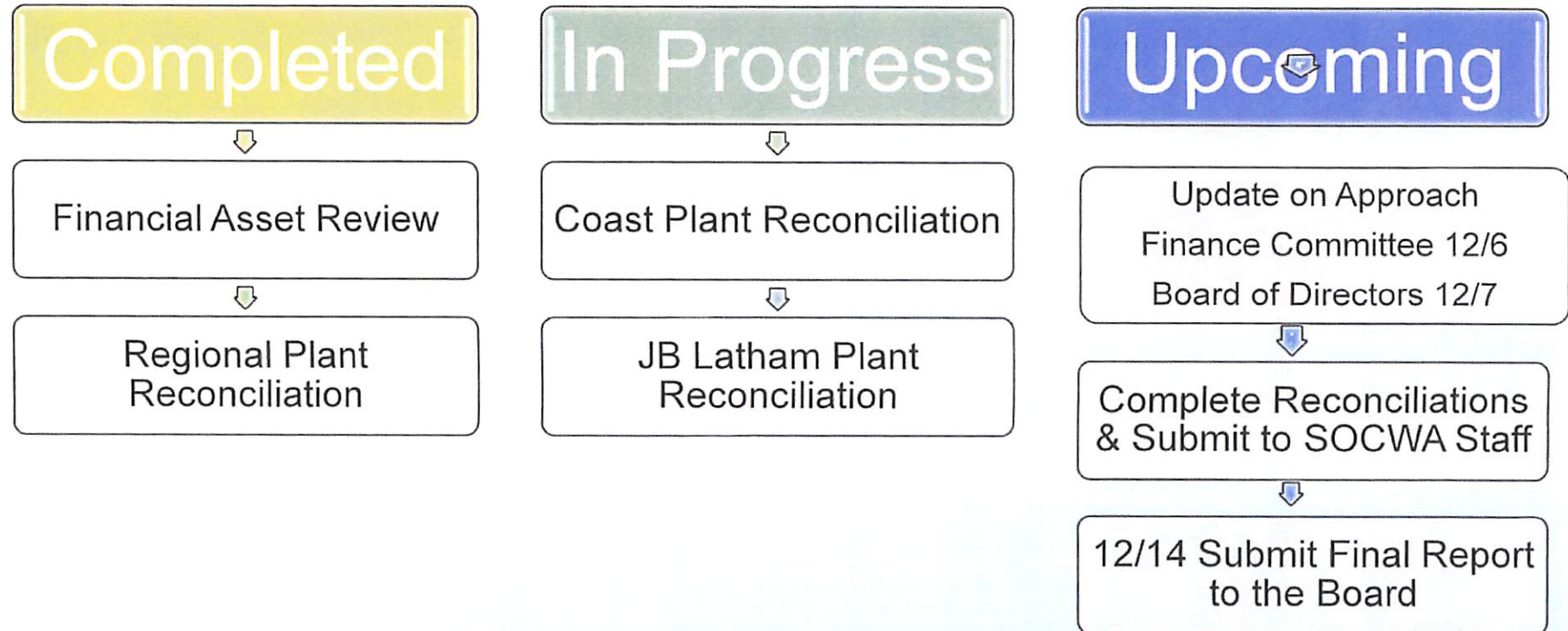
How:

- Compare the financial assets to other sources of asset information

Process Overview



Progress Update



Key Findings to this Point

A few large construction projects were missing from the financial register

- Adding new asset records so they can be tracked and disposed of in future audits. Most of the assets are fully depreciated by now.

Large construction from 1970s, 80s, and 90s are lacking detail

- Adding detail to better reflect the types of assets contained in these projects, using bid tabs to split out costs.

Some assets no longer exist

- These will be removed from the financial register.

Effect on overall value of assets is minor

Any Questions?



Questions