



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020 and 2019

11615 Sterling Avenue • Riverside • California • 92503
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Santa Ana Watershed Project Authority
Riverside, CA

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2020 and 2019

Prepared by the
Finance Department

11615 Sterling Avenue, Riverside California 92503

951.354.4220 www.sawpa.org

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Introductory Section





Santa Ana Watershed Project Authority

OVER 50 YEARS OF INNOVATION, VISION, AND WATERSHED LEADERSHIP

December 01, 2020

To the Chair of the Board of Commissioners, Members of the Commission, and Member Agencies of the Santa Ana Watershed Project Authority (SAWPA):

We are pleased to present the Santa Ana Watershed Project Authority's (hereinafter referred to as "the Authority") Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020.

The report was prepared by the Authority's Finance Department following the guidelines recommended by the Governmental Accounting Standards Board (GASB) and generally accepted accounting principles (GAAP). Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including disclosures, rests with the Authority's management. We believe the data, as presented, is accurate in all material respects, and that it is presented in a manner that provides a fair representation of the financial position and results of operation of the Authority. Included are all disclosures we believe necessary to enhance your understanding of the financial condition of the Authority.

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

The Authority's financial statements have been audited by Teaman, Ramirez & Smith, Inc., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Authority's financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

David J. Slawson
Chair
Eastern Municipal
Water District

Kati Parker
Vice Chair
Inland Empire
Utilities Agency

Denis R. Bilodeau, P.E.
Secretary-Treasurer
Orange County
Water District

Brenda Dennstedt
Commissioner
Western Municipal
Water District

T. Milford Harrison
Commissioner
San Bernardino Valley
Municipal Water District

Richard E. Haller, P.E.
General Manager

Reporting Entity and Its Services

Governmental Structure

The Authority was first formed in 1968 as a planning agency, and reformed in 1972, with a mission to plan and build facilities to protect the water quality of the Santa Ana River Watershed (hereinafter referred to as “the Watershed”). The Authority is a Joint Powers Authority (JPA), comprised of the five largest water agencies in the Watershed: Eastern Municipal Water District (EMWD), Inland Empire Utilities Agency (IEUA), Orange County Water District (OCWD), San Bernardino Valley Municipal Water District (SBVMWD), and Western Municipal Water District (WMWD).

Service Area

The Watershed spans approximately 2,840 square miles, and spans the western portion of San Bernardino and Riverside Counties, northern portion of Orange County, as well as a small eastern sliver of Los Angeles County. It is home to over 6 million people. The Watershed, and the State as a whole, is facing many challenges in guaranteeing sufficient, high-quality water for the ever-growing population of the region. The Authority works with planners, scientists, water experts, design and construction engineers, and other government agencies to identify issues and develop innovative solutions to resolve many water-related problems.

Vision

The Authority’s vision is a sustainable Santa Ana River Watershed that provides clean and reliable water resources for a vibrant economy and high quality of life for all, while maintaining healthy ecosystems and open space opportunities.

A successful Authority provides value to its member agencies and to the Watershed as a whole by facilitating collaboration across boundaries to address common goals and tackle problems that are larger than any individual entity.

Mission

The Authority strives to make the Santa Ana River Watershed sustainable through fact-based planning and informed decision-making; regional and multi-jurisdictional coordination; and the innovative development of policies, programs, and projects. Our mission is accomplished through a number of specific functions:

- Maintaining peace in the Watershed;
- Facilitating conflict resolution through collaborative processes;
- Preparing an integrated watershed-wide water management plan that provides a unified vision for the Watershed;
- Operating the Inland Empire Brine Line to convey salt out of the Watershed and support economic development;
- Developing water-related initiatives, particularly those that require the participation of several entities;
- Identifying, pursuing, securing, and administering supplemental funds for the Watershed; and
- Influencing legislation for the benefit of the Watershed.

Our Values

Our strategy and day-to-day operations are guided by values strongly held by our member agencies, management, and staff:

Leadership in the development and advancement of a vision and plan for a sustainable Watershed, and in the incorporation of new paradigms for water and watershed planning.

Collaboration and cooperation among member agencies and other stakeholders in the Watershed toward the formulation and implementation of solutions to watershed-wide, multi-jurisdictional problems.

Creativity in the pursuit of new approaches to watershed planning, the use of new technologies, and the enhancement of a new water ethic in the Watershed.

Fact-based decision-making to identify neutral and transparent solutions that maximize the benefit to the entire Watershed.

Respect for all voices and perspectives in the Watershed to develop sound solutions and maximize consensus building.

Transparency, integrity and professionalism to maintain the respect and trust of our partners, and to attract and retain talented and committed individuals to our organization.

The Authority uses a three-pronged approach to accomplish our mission with the services it offers, which are listed below.

Inland Empire Brine Line

The Authority's enterprise includes ownership and operation of the Inland Empire Brine Line (Brine Line). The 73-mile long regional brine line is designed to convey 30 million gallons per day of non-reclaimable wastewater from the upper Santa Ana River Basin to the Pacific Ocean for disposal, after treatment. The Brine Line is currently used for: 1) the disposal of high Total Dissolved Solids (TDS) brine from brackish groundwater desalter operations and power plants within the region; 2) the disposal of industrial wastewater that is unacceptable for discharge into local wastewater treatment facilities, usually because of high concentrations of TDS from commercial and industrial facilities; and 3) the disposal of domestic or industrial wastewater that is managed by public agencies and which meets standards of local treatment facilities. Some users of the Brine Line have temporary or emergency needs and connect to the system for a fixed term. The Brine Line protects the water quality of the Santa Ana River, a major water source for Orange County groundwater basins.

This 47-year old utility was built as the fundamental method of salt export for the region. Historic import of water for agricultural purposes has increased the salinity of many groundwater basins within the Watershed. Removing salt by means of the Brine Line allows the Watershed to work towards achieving salt balance – a key Watershed goal and indicator of sustainability. Salt is removed from brackish groundwater by reverse osmosis desalters, which discharge the concentrated brine into the Brine Line. The treated water from the desalters is delivered for consumption as potable water. Brine disposal will be essential to support water recycling efforts and economic growth within the Watershed.

Integrated Regional Watershed Planning

SAWPA has been involved in watershed and integrated water resource planning since its formation. The latest plan adopted in February 2019 is the Santa Ana Watershed Integrated Regional Water Management Plan (IRWMP) called the One Water One Watershed (OWOW) Plan Update 2018. The plan reflects a decentralized stakeholder involvement process that includes the participation of multiple agency and non-profit staff, local experts and interested volunteers from a broad range of fields and locations across the Watershed. This regional plan serves as a milestone of extraordinary collaboration and vision that will be used to address water challenges over the next two decades. The plan addresses climate change; water supply reliability; water and land use; water quality improvement; flood control and stormwater runoff; water use efficiency; water recycling; parks, recreation and open space; environmental justice; and environment and habitat. Through this integration of water resource management strategies along with workgroups (or pillars) designated for each strategy, scarce resources will be leveraged and cost-effective solutions will be developed to address a multiplicity of water challenges using an integrated multi-beneficial approach.

Another major component of the IRWM program under Proposition 1 is the Disadvantaged Communities Involvement (DCI) program, which SAWPA administers. This program aims to determine the strengths and needs of disadvantaged, economically distressed and underrepresented communities in the watershed through engagement and education, uncover and share the needs and capacities within the water agencies and communities, and support the technical planning to address these water needs in preparation of future implementation. Through partnership with several nonprofit organizations, the DCI team in this watershed has collected one-on-one and group interview data through an ethnographically informed process to better understand strengths and needs. When complete, this program is anticipated to be a model for pre-planning inclusion, education, and responsiveness on behalf of water agencies to address water needs of these communities across the State.

Roundtables

The Authority has taken the lead role in establishing effective regional partnerships with the Regional Water Quality Control Board and other stakeholders in the Watershed to solve water quality problems, as well as water and natural resource problems. The Authority serves as the administrator/facilitator and creates a neutral venue for a number of efforts bringing together many agencies and organizations to address and solve a multiplicity of problems through integration and innovation.

Economic Conditions and Outlook

Local Economy

All in all, the Inland Empire turned in a strong performance in 2019, but has slowed down in 2020 due to COVID-19. It is projected that we will have a “V” shaped recovery and the economy is showing signs of improvement. Economic forecasters expect the economy to continue to improve and remain strong in the coming years due to the availability of land, the ideal location for commerce, a relatively strong manufacturing base, and affordable housing.

Sound Financial Policies

The Authority continues to manage funds to ensure financial stability and demonstrate responsible stewardship by sustaining reasonable rates for customers, containing costs through careful planning, preserving investments, safeguarding reserves, and active debt management.

Financial Planning

The Commission approves a biennial operating budget as a management tool. The budget is developed with input from the various departments within the organization and adopted prior to the start of each fiscal year. Monthly comparison reports of budget to actual are prepared, and quarterly budget to actual results by fund type are provided to and discussed with the Commission, along with financial position and other key performance information.

Reserves Policy

The Authority adopted a reserve policy, which states the purpose, source, and funding limits for each of its designated reserves. The reserves are essential for maintaining liquidity in the marketplace, which enables the Authority to access the lowest cost-of-capital borrowing opportunities.

Investment Policy

The Authority invests its funds in instruments permitted by California Government Code sections 53601 et seq., and in accordance with its investment policy. The investment objectives of the Authority are to first preserve capital, followed by maintaining liquidity, and finally, maximizing the rate of return without compromising the first two objectives.

Debt Administration

The Authority actively manages its debt portfolio, seeking to minimize its total debt costs. This goal is met by the use of state revolving fund (SRF) loans to fund part of its capital projects. Reserves will also be used to fund capital projects.

Major Initiatives and Accomplishments

Fiscal year 2019-20 was an eventful year to say the least. While the Authority administered the day-to-day operations of the JPA, operated the Brine Line Enterprise and Capital Improvement Program, administered the OWOW Program, including several grant programs, served as the Lake Elsinore & San Jacinto Watersheds Authority administrator, conducted regional planning activities, and facilitated many stakeholder task force work groups all while dealing with a global pandemic.

In March 2020 due to an ongoing COVID-19 pandemic, the California Governor and the Riverside County Public Health Officer issued orders mandating a stay at home policy and temporarily modifying Brown Act meeting requirements. SAWPA prepared and implemented a COVID-19 response plan which implemented employee protection and safety practices. Most employees began working from home using remote computer access. SAWPA's Information Technology Department rapidly acquired the necessary computer hardware and software for a rapid and nearly seamless transition. Many Brine Line customers saw short

term flow reductions into the Brine Line. Overall, as of June 30, 2020, only minor revenue and expense impacts were observed. Some of the major initiatives and accomplishments for FYE 2020 are listed below.

Brine Line Enterprise

Engineering

- Completed the Reach V Rehabilitation and Improvement Project, Reaches 2 and 3.
- Completed the Reach V public relations program. Program was appreciated and commended by the community impacted by the Reach V work.
- Issued a request for proposal (RFQ) for Technical Writer/Grant Writer, conducted interviews, and short listed consultants approved by the Commission.
- Prepared RFP for engineering services to prepare work plan to address pipeline corrosion on portions of Reach 4D. Hired consultant to implement and investigate the work on Reach 4D, and coordinated shutdown of all brine dischargers on Reach 4D and 4E. Completed condition assessment and technical memorandum on findings from field investigation as well as rehabilitation recommendations.
- Conducted public hearing and adopted Ordinance No. 8 and Resolution 2017-11 establishing local limits.
- Continued to implement the SAWPA Pretreatment Program (PTP). Performed 88 on-site discharger inspections, 130 monitoring (or sampling) events, and reissued 19 existing permits. Additionally, 75 permits were amended to incorporate the new SAWPA local limits, 7 permits were closed, and 2 new permits were issued.
- Completed policy and procedures update and submitted draft to Orange County Sanitation District (OCSD) for review including: collection station memorandum of understanding (MOU) draft, Brine Line Stormwater Policy draft, request for permit duration increase, and submittal of the liquid wastehauler permit template.
- Prepared plans and specifications for the Santa Ana Sucker Habitat Project. Received public works bids and elected to self-perform construction.
- Evaluated the impacts from the proposed US Army Corps of Engineers Alcoa Dike Project to the Brine Line Reach 4B lower and California Rehabilitation Center (CRC) lateral.
- Represented SAWPA's interests in completion of the plans and specifications for the OCSD Santa Ana Regional Interceptor (SARI) Rock Removal Project in Orange County resulting in apparent low bid 40% less than engineer's estimate.
- Conducted 25 quality assurance site visits.
- Successfully completed coordination efforts with OCSD staff preparing Amendment No. 2 to the 1972 Waste Water Capacity Agreement approved by the Commission and coordinated efforts with OCSD staff and Orange County Flood Control District in paying off the \$10 million loan deposit.

Operations

- Received 3,632 USA Dig Alert tickets, of those, 108 tickets were marked in the field. The remaining tickets were "no conflict" and did not require field markings.
- Received 149 service requests that were completed.
- One maintenance access structure (MAS) on Reach 4A Lower were rehabilitated to address corrosion issues.
- A total of three MAS frames and covers were adjusted to grade.

- Installed bridges in Prado Basin to allow right-of-way maintenance and MAS inspection.
- Inspected 9 MAS on Reach 4B Lower.
- Inspected all 18 MAS on Reach 4A Lower.
- Maintained Brine Line Operations Center (BLOC).
- Overhauled a total of 54 air release and vacuum valves.
- Completed inspection of 35,000 linear feet on Reach 4D.

OWOW Program

PA 22 Committee – Water Use Efficiency

- Completed geocoding project with 17 retail water agencies who signed up to work with the project consultant, Miller Spatial, to provide water meter and North American Industry Classification System (NAICS) geocoding services. This involved several meetings with the Miller Spatial project manager and company owner to ensure they had the resources and time to complete their contracted scope of creating modified water budgets for 17 retail agencies as defined under Proposition 84 Emergency Drought Grant Program.
- Began drafting final report for Proposition 84 Emergency Drought Grant Program reflecting effective management and implementation of all \$12.86 million in grant funding and \$7.1 million in match for 33 different tasks that this project entailed.
- Submitted successful WaterSMART application to the Bureau of Reclamation for the Santa Ana River Watershed-Wide Water Budget Decision Support Tool. MOU with Reclamation was developed with Reclamation to support investigation of aerial imagery options with the SAWPA Information System/Information Technology (IS/IT) Department and then conducted analysis of imagery for water budget creation.

DWR Disadvantaged Community Involvement Grant Program

- Finalized execution of Department of Water Resources (DWR) Agreement Amendment and Sub-agreement Amendments with partners (California State University, Local Government Commission, California Rural Water Association, Water Education Foundation, and University of California, Irvine (UCI)). Amendment reflected time extension to implement the Technical Assistance task.
- Finalized execution of partner sub-agreements for 16 Technical Assistance projects.
- Completed Santa Ana River Watershed Community Water Experience: An Ethnographic Strengths and Needs Assessment based on work of non-profit partners with UCI partner as lead for the report.
- Provided translation services to support public outreach information to disadvantaged and underrepresented communities in the watershed.

Santa Ana River Conservation and Conjunctive Use Program (SARCCUP)

- Led negotiations with DWR on the amendment request for SARCCUP Amendment No. 2 getting DWR management's approval on the two-year schedule increase. Planning staff worked with Woodard and Curran over several months to finalize the amendment request which was submitted and approved by DWR.
- Executed new task order with Woodard & Curran for continued programmatic support of SARCCUP.

One Water One Watershed (OWOW) and Integrated Regional Water Management (IRWM) Support

- Managed new Roundtable of Regions contract with JM Consultants and served on the Roundtable of Regions Steering Committee. Successfully managed this project by ensuring the 12 funding partners are kept apprised of the contract and ensuring JM Consultants completed tasks on time and within budget.
- Submitted the Proposition 1 Round 1 IRWM Application to DWR. After submission, the Planning Department led the process to answer DWR's various questions and responded to the Draft Funding Award as well as coordinating with DWR on the Final Funding. Full award was announced by DWR on June 4, 2020.
- Preparation began for the Santa Ana River Watershed Sustainability Assessment Report for the year 2019 using the indicators and approach defined in the OWOW Plan Update 2018. Work involved updating and developing new measures to track progress across the watershed for the 12 indicators.

Proposition 1 IRWM Implementation Grants

- Worked with Engineering Department to begin the process of preparing the DWR agreement and sub-agreements, updated scope of work, schedule and cost breakdown, and California Environmental Quality Act (CEQA) documents with 10 project proponents under this grant award.
- Engaged with DWR to influence future grant solicitation under Proposition 1 IRWM Implementation to best serve the OWOW Program and the watershed wide stakeholders.

Santa Ana River Watershed Weather Augmentation (Cloud Seeding) Feasibility Study

- Hired consultant, North American Weather Consultants, to conduct a feasibility analysis of weather augmentation for the Santa Ana River Watershed.
- Completed Task 1 and 2 Milestone Report and presented results to potentially impacted and interested agencies and organizations in watershed as well as the SAWPA Commission.

Stakeholder Partnering (Roundtables)

Santa Ana Fish Conservation Team

- Held successful Riverwalk in November 2019 with approximately 40 volunteers, the longest running voluntary annual habitat assessment conducted in Southern California for an aquatic species.
- Compiled and tabulated all 2019 Riverwalk data including a first-ever analysis of all 14 years of the dataset.
- Worked with Santa Ana Watershed Association (SAWA) to replant/manage 0.3 acres of vegetation as part of the mitigation for the habitat project constructed by the team near the Van Buren Boulevard Bridge.

Water Energy Community Action Network (WECAN)

- Finalized the WECAN Phase 2 Project with West Valley Water District.
- Worked with the City of Riverside to include a new WECAN Phase 3 Project component in the City of Riverside Transformative Climate Communities grant application. That

application was submitted to the Strategic Growth Council on February 28, 2020. Received confirmation that the grant was awarded in June 2020.

Basin Monitoring Program Task Force

- Completed update to the Santa Ana River Wasteload Allocation model using consultant, Geoscience Support Services Incorporated.
- Completed and submitted Triennial Ambient Water Quality Update for the period of 1999 to 2018 under contract with WSC Consulting.
- Prepared preliminary work for a Regional Board Basin Plan Amendment reflecting Santa Ana River Wasteload Allocation Model results and modifications to the recycled water permits to reflect longer averaging periods under drought cycles.
- Prepared and submitted the 2019 Annual Report of Santa Ana River Water Quality to stakeholders and Regional Board staff.

Southern California Salinity Coalition (SCSC)

- Executed funding support for a research effort being conducted by the San Diego County Water Authority (SDCWA). The project builds on Water Research Foundation (WRF) study to examine the impacts of adding ocean desalination water into water supply at different supply blends throughout SDCWA's service area.
- Embarked on an update of its logo, website and outreach materials to support an expanded membership in SCSC and greater exposure of the organization's mission and goals.

Lake Elsinore and San Jacinto Watersheds Authority (LESJWA)

- Prepared and submitted the 2019-2020 Annual Lake Elsinore and Canyon Lakes (LE & CL) total maximum daily load (TMDL) Water Quality Monitoring Report to the Regional Board.
- Implemented successful alum applications to Canyon Lake in September 2019 and April 2020 to reduce the phosphorus content, reduce algae, and help meet the TMDL targets for the lake.
- Prepared and approved the FY 2020-21 budget for the Lake Elsinore & Canyon lake TMDL Task Force in March 2020.

Middle Santa Ana River TMDL

- Completed synoptic study to evaluate the effectiveness of the Comprehensive Bacteria Reduction Plans (CBRPs) implemented by MS4 (Municipal Separate Storm Sewer System) programs.
- Prepared and approved the FY 2020-21 budget for the Middle Santa Ana River Pathogen TMDL Task Force, January 2020.

Regional WQ Monitoring Task Force

- Completed the Dry Weather monitoring component of the 2019 Santa Ana River Bacteria Water Quality Monitoring Program in November 2019.
- Prepared and submitted the 2019 Final Santa Ana River Bacteria Water Quality Monitoring Program to Regional Board in June 2019.

Emerging Constituents Program Task Force

- Assembled and evaluated 2019 emerging constituent water quality data from local publicly owned treatment works (POTW) and in-stream sources to construct data tables for the 2019 annual report.
- Produced final 2019 voluntary emerging constituents (EC/PFAS) sampling report for the watershed and submitted to the Regional Board in April 2020.
- Supported continued public outreach and articles on the safety of public drinking water through consultant, DeGrave Communications.

Forest First

- Conferred with US Forest Service hydrologist about a planned feasibility study to investigate weather augmentation of water supply through cloud seeding.
- Held a Forest First Workgroup meeting on August 21, 2019 whereby Dr. Lorie Srivastava presented her results from research focused on economically evaluating raw water on forest lands.

Imported Water Recharge Workgroup

- Merged Imported Water Recharge Group as a subcommittee under the Basin Monitoring Program Task Force for improved efficiency and possible future modeling cost savings.
- Supported efforts to revise the Cooperative Agreement with the execution of Amendment No. 1 to the Agreement. This amendment provides more time for recharge reporting and groundwater modeling reports thereby streamlining efforts.

Arundo Removal and Habitat Management

- Coordinated with the Riverside County Regional Park and Open-Space District on exploring options to certify the Santa Ana River Mitigation Bank under new California mitigation banking rules.
- Began outreach to landowners for a headwaters project using the contact list and new outreach material. The headwaters project will cover removal of approximately 300 acres in the upper watershed in order to control Arundo seedlings before they wash down to the lower watershed.

Technology

- Installed new hardware to support secure remote work environment.
- Improved SAWPA website for accessibility issues.
- Improved network security by penetration tests and internal phishing campaigns.
- Continued improvements in OnBase workflow by adding additional documents to support office efficiency.
- Implemented in-pipe metering dashboard in coordination with Engineering and other Agencies.
- Provided Planning with maps and data to support the various task groups and projects.
- Supported Finance through updates to Great Plains (GP) financial accounting system and Journyx, the timekeeping system.
- Reviewed and issued new procurement of copiers and scanners.
- Updated geographic information system (GIS) server software.
- Updated structured query language (SQL) server software.
- Investigated drone usage for Engineering and Planning projects.

- Provided OWOW support for new commercial and industrial meter area project.

Accounting System

The Finance Department is responsible for providing financial services for the Authority, including financial accounting and reporting, payroll, accounts payable and receivable, custody and investment of funds, billing and collection of wastewater charges, and other revenues. The Authority accounts for its activities as an enterprise fund and prepares its financial statements on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when incurred. It is the intent of the Board of Commissioners to manage the Authority's operations as a business, thus matching revenues against the cost of providing services.

Internal Controls

The Authority operates within a system of internal accounting controls established and is continually reviewed by management to provide reasonable assurance that assets are adequately safeguarded and transactions are recorded in accordance with Authority policies and procedures. When establishing and reviewing controls, management must consider the cost of the control and the value of the benefit derived from its utilization. Management normally maintains or implements only those controls for which its value adequately exceeds its cost. Recent audits have not noted any weaknesses in internal controls.

Audit and Financial Reporting

State Law requires the Agency to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Teaman, Ramirez & Smith, Inc., has conducted the audit of the Authority's financial statements. Their unmodified (clean) Independent Auditors' Report appears in the Financial Section.

Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the eleventh year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of only one year.

We believe that our current comprehensive annual financial report continues to meet the programs requirements and will submit our current June 30, 2020, report to the GFOA to determine its eligibility for a certificate.

The GFOA presented a Distinguished Budget Presentation Award to the Authority for the two-year Budget beginning July 1, 2019. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operating guide, as a financial plan, and as a communication device.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Authority's Finance Department. We also would like to express our appreciation to the other Authority Departments for their cooperation, assistance, and support.

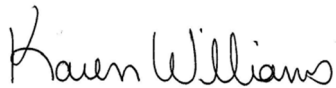
We further acknowledge the thorough and professional manner in which our auditors, Teaman, Ramirez & Smith, Inc., conducted the audit.

Additionally, we would like to acknowledge the Board of Commissioners for their continued support of the Authority's goal of sound accountable financial management, and for maintaining the highest standards of professionalism in the management of the Authority's finances. We truly appreciate their unfailing interest and support.

Respectfully submitted,

A handwritten signature in cursive script that reads "Richard E. Haller".

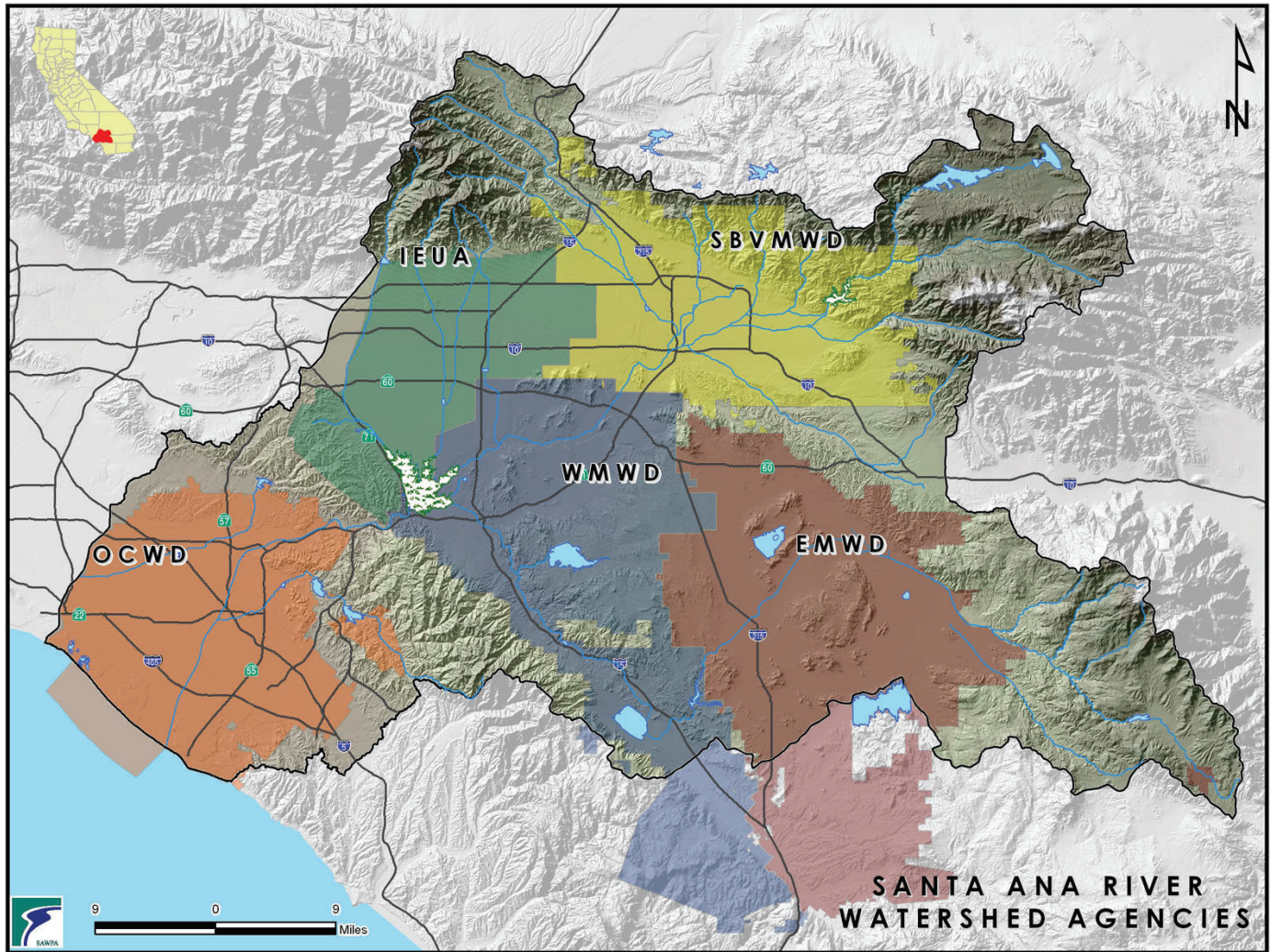
Richard Haller
General Manager

A handwritten signature in cursive script that reads "Karen Williams".

Karen Williams
Deputy General Manager/Chief Financial Officer

Santa Ana Watershed Project Authority

Authority Service Area Map



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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Santa Ana Watershed Project Authority
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

Santa Ana Watershed Project Authority

Authority Officials

Board of Commissioners

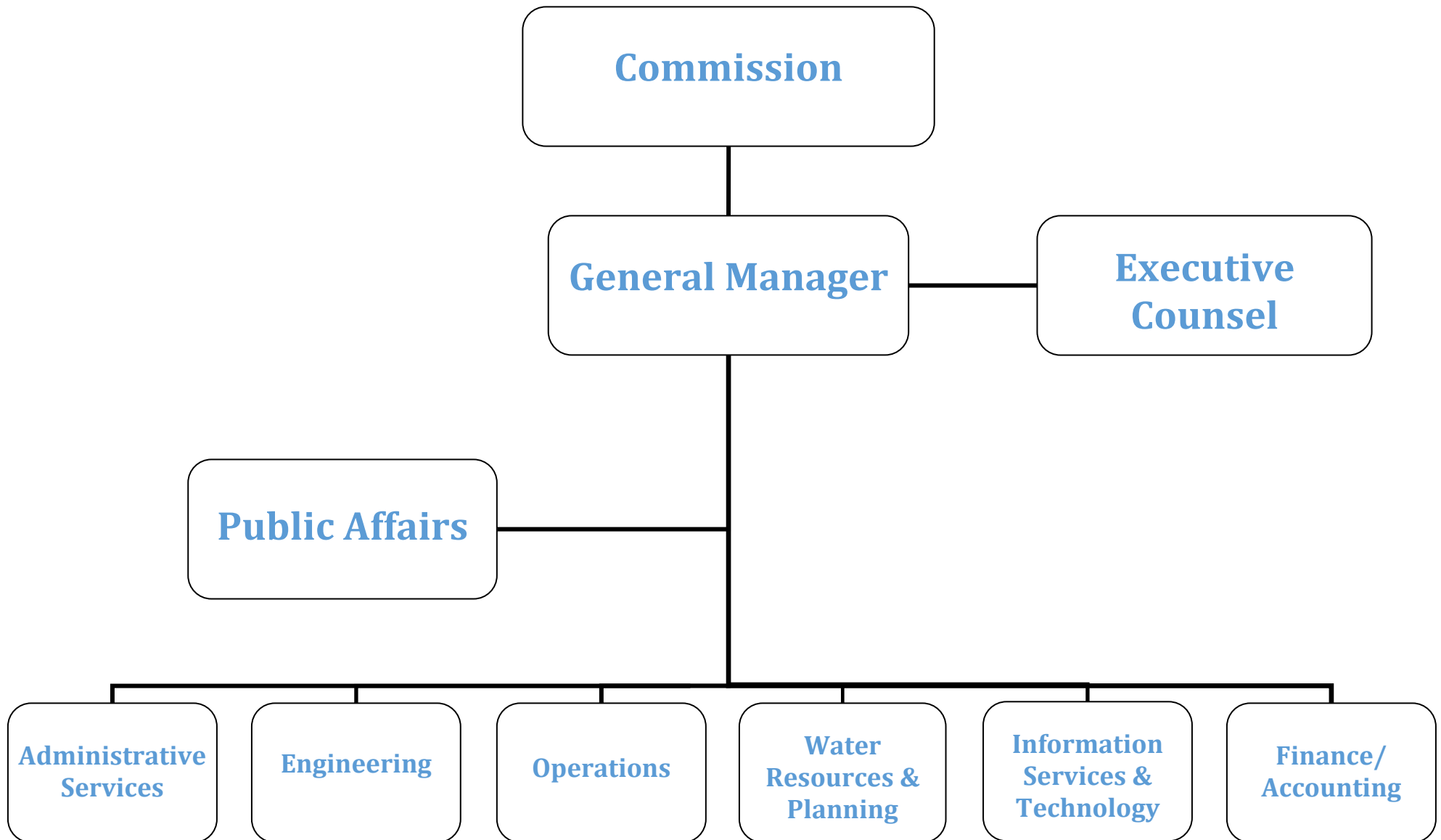
David J. Slawson	Chair	EMWD
Kati Parker	Vice Chair	IEUA
Kelly E. Rowe	Secretary/Treasurer	OCWD
T. Milford Harrison	Commission Member	SBVMWD
Brenda Dennstedt	Commission Member	WMWD

Management Staff

Richard Haller	General Manager
Kelly Berry	Administrative Services Manager/Clerk of the Board
Karen Williams	Deputy General Manager/Chief Financial Officer
Dean Unger	IS and Technology Manager
David Ruhl	Manager of Engineering
Carlos Quintero	Manager of Operations
Mark Norton	Water Resources and Planning Manager
Lagerlof LLP	Executive Counsel

Santa Ana Watershed Project Authority

Organizational Chart



Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Santa Ana Watershed Project Authority
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of the Santa Ana Watershed Project Authority (the "Authority"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the California State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of the Santa Ana Watershed Project Authority as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the basic financial statements, as of June 30, 2020, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - pension, the schedule of changes in the net OPEB liabilities and related ratios, and the schedule of contributions - OPEB, identified as Required Supplementary Information (RSI) in accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, combining schedules, and statistical section are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Seaman Ramirez & Smith, Llc.

Riverside, California
November 23, 2020

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The intent of the Management Discussion and Analysis is to provide highlights of the financial activities for the fiscal year ended June 30, 2020, of the Santa Ana Watershed Project Authority (the "Authority"). Readers are encouraged to read this section in conjunction with the transmittal letter and the accompanying basic financial statements.

The Authority

The Authority was formed in 1972 pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise powers common to public agencies. The Authority was formed for the purpose of undertaking projects for water quality control and protection as well as pollution abatement in the Santa Ana River Watershed.

The Authority's five member agencies are Eastern Municipal Water District (EMWD), Inland Empire Utilities Agency (IEUA), Orange County Water District (OCWD), San Bernardino Valley Municipal Water District (SBVMWD), and Western Municipal Water District (WMWD).

Overview of the Financial Statements

The Authority is a special purpose government (special district) engaged only in activities that support themselves through user charges and member contributions. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board (GASB).

These financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable data about the Authority's financial condition and operating results. They are the (1) Statement of Net Position; (2) Statement of Revenues, Expenses and Changes in Net Position; and (3) Statement of Cash Flows.

The Statement of Net Position presents information on all the Authority's assets, deferred inflow of resources, liabilities, and deferred outflow of resources, with the differences between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

The Statement of Cash Flows conveys to financial statement users how the Authority managed cash resources during the year. This statement converts the change in net position presented on the Statement of Revenues, Expenses and Changes in Net Position into actual cash provided by and used for operations. The Statement of Cash Flows also details how the Authority obtains cash through financing and investing activities, and how cash is spent for these purposes.

Summary Financial Information and Analysis

While fiscal year 2020 was challenging with the global pandemic COVID-19, the Authority's financial operations remained sound. The Statement of Net Position remains strong, providing a foundation for continued growth within the Authority's service area. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$73.3 million at June 30, 2020, by \$71.5 million at June 30, 2019, and by \$68.7 million at June 30, 2018.

Statements of Net Position

For the Fiscal Years Ended June 30, 2020, 2019, and 2018

Fiscal Year End June 30,					
	2020	2019	Increase/ (Decrease)	2018	Increase/ (Decrease)
Assets					
Current	\$64,394,667	\$64,863,786	(\$469,119)	\$60,081,766	\$4,782,020
Noncurrent	1,154,918	1,150,720	4,198	1,003,811	146,909
Capital	106,357,102	110,912,773	(4,555,671)	115,988,540	(5,075,767)
Total Assets	171,906,687	176,927,279	(5,020,592)	177,074,117	(146,838)
Deferred Outflows	4,218,310	1,482,258	2,736,052	1,621,887	(139,629)
Liabilities					
Current	6,482,912	6,492,607	(9,695)	5,009,098	1,483,509
Noncurrent	95,745,437	100,020,142	(4,274,705)	104,691,573	(4,671,431)
Total Liabilities	102,228,349	106,512,749	(4,284,400)	109,700,671	(3,187,922)
Deferred Inflows	571,542	337,312	234,230	318,374	18,938
Net Position					
Net Investment in Capital	79,825,079	82,216,012	(2,390,933)	85,226,499	(3,010,487)
Assets					
Restricted	2,960,560	2,960,560	-	2,960,560	-
Unrestricted (Deficit)	(9,460,533)	(13,617,096)	4,156,563	(19,510,100)	5,893,004
Total Net Position	\$73,325,106	\$71,559,476	\$1,765,630	\$68,676,959	\$2,882,517

The following denotes explanations on some of the changes between fiscal years 2020 and 2019, as compared in the table above.

- The \$0.5 million decrease in Current Assets is due to the maturity of Treasury Strips and other investments combined with a reduction in Accounts Receivable for grant funds.
- The \$4.6 million decrease in Capital Assets is due to an offset of depreciation and amortization to property, plant, and equipment.
- The \$4.3 million decrease in Noncurrent Liabilities is due primarily to the amortization of pipeline and wastewater treatment rights combined with a decrease in long-term debt from scheduled debt service payments.

The following denotes explanations on some of the changes between fiscal years 2019 and 2018, as compared in the table above.

- The \$4.8 million increase in Current Assets is due to the receipt of SRF Loan funds for the Reach V Capital Repair Project and a decrease in grants receivable for Proposition 84 grant projects. Retention was released for many of the Round I projects.
- The \$5 million decrease in Capital Assets is due to removing obsolete or inactive assets from the balance sheet and an offset of depreciation and amortization to property, plant, and equipment.
- The \$1.5 million increase in Current Liabilities is due to an increase in costs for the Proposition 1 DACI grant, Proposition 84 Drought Round, and 2015 Final Round projects.
- The \$4.7 million decrease in Noncurrent Liabilities is due primarily to the amortization of pipeline and wastewater treatment rights combined with a decrease in long-term debt from scheduled debt service payments.

Category of Net Position

The Authority is required to present its net position in three categories: (1) Net Investment in Capital Assets; (2) Restricted; and (3) Unrestricted.

Net Investment in Capital Assets

At June 30, 2020, 2019, and 2018, Net Investment in Capital Assets consisted of the following:

Net Investment in Capital Assets
(In Millions)

	2020	2019	2018
Property, Plant & Equipment	\$159.9	\$159.2	\$159.2
Accumulated Depreciation	(77.1)	(73.4)	(70.0)
Wastewater Treatment & Disposal Rights	55.6	55.6	55.6
Accumulated Amortization	(30.9)	(29.5)	(28.1)
Construction in Process	0.4	0.4	0.2
Related Payables and Loans, Net of Discounts	(27.7)	(29.9)	(31.7)
Total	\$79.8	\$82.2	\$85.2

Restricted

At June 30, 2020, Restricted Net Position of \$3 million is legally restricted by contract to fund additional Arundo Management and Habitat Restoration projects within the Santa Ana River Watershed and by the State Water Resources Control Board (SWRCB) for the SRF Loan reserve requirement.

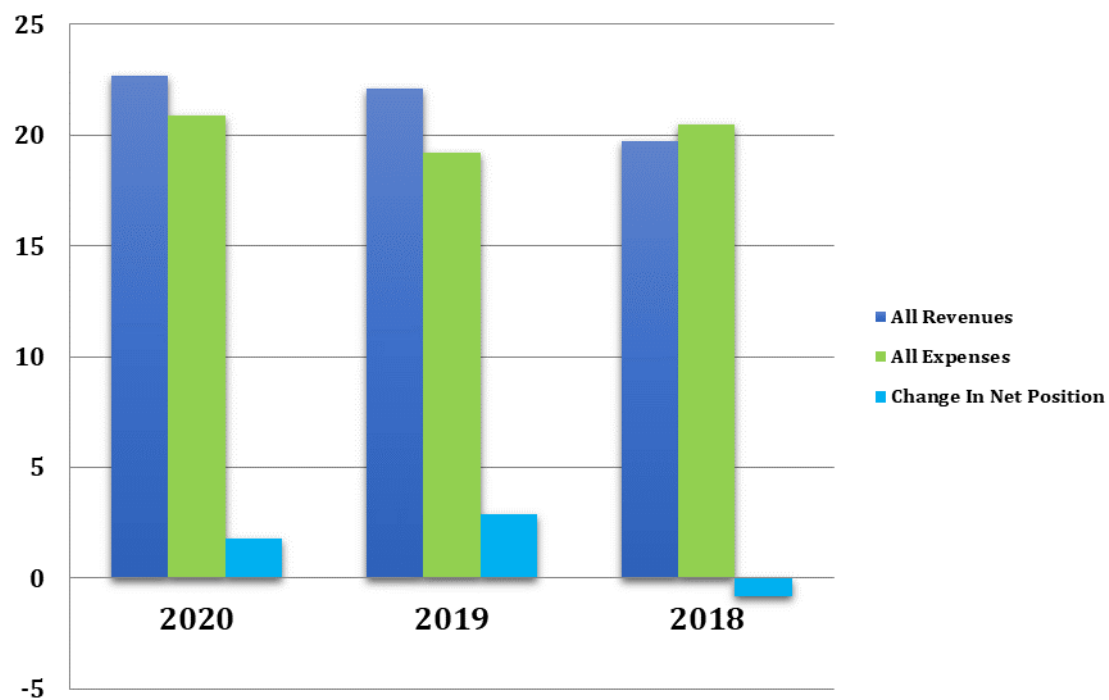
Unrestricted

At June 30, 2020, the Authority had an unrestricted net deficit of \$9.5 million. However, the Authority does possess \$65.2 million in unearned revenues being realized over a 50 year period of approximately \$2.5 million per year.

Change in Net Position

Overall, the fiscal year ended June 30, 2020, brought an increase in net position of \$1.8 million, a \$1.1 million decrease from the previous year. The primary reason for this increase over the prior year was due to an increase of \$0.6 million in total revenues and an increase of \$1.7 million in total expenses for FYE 2020.

Change in Net Position (in millions)



Statements of Revenues, Expenses, and Changes in Net Position

For the Fiscal Years Ended June 30, 2020, 2019, and 2018

	Fiscal Year End June 30,				
	2020	2019	Increase/ (Decrease)	2018	Increase/ (Decrease)
Operating Revenues:					
WWT & Disposal	\$11,547,220	\$12,334,346	(\$787,126)	\$10,935,848	\$1,398,498
WWT & Disposal Capacity Rights	2,510,154	2,510,154	-	2,510,154	-
Other Operating Revenues	193,692	205,812	(12,120)	219,498	(13,686)
Total Operating Revenues	14,251,066	15,050,312	(799,246)	13,665,500	1,384,812
Nonoperating Revenues:					
Member Contributions	2,105,955	1,909,415	196,540	2,303,325	(393,910)
Intergovernmental	4,834,793	3,490,615	1,344,178	3,413,408	77,207
Investment Income	1,496,354	1,660,061	(163,707)	326,487	1,333,574
Total Nonoperating Revenues	8,437,102	7,060,091	1,377,011	6,043,220	1,016,871
Total Revenues	22,688,168	22,110,403	577,765	19,708,720	2,401,683
Operating Expenses:					
WWT and Disposal	6,682,965	6,545,654	137,311	5,841,074	704,580
General, Admin, and Overhead	989,568	1,326,428	(336,860)	1,429,043	(102,615)
Studies and Planning Costs	4,396,714	4,082,052	314,662	7,186,572	(3,104,520)
Depreciation	3,759,571	3,742,801	16,770	3,355,132	387,669
Amortization of WWT and Disposal Rights	1,400,918	1,400,918	-	1,400,918	-
Total Operating Expenses	17,229,736	17,097,853	131,883	19,212,739	(2,114,886)
Nonoperating Expenses:					
Interest Expense	643,758	713,448	(69,690)	487,975	225,473
Loss On Disposal of Assets	3,640	-	3,640	-	-
Grant Program Expenses	3,045,404	1,416,585	1,628,819	791,862	624,723
Total Nonoperating Expenses	3,692,802	2,130,033	1,562,769	1,279,837	850,196
Total Expenses	20,922,538	19,227,886	1,694,652	20,492,576	(1,264,690)
Change in Net Positions	1,765,630	2,882,517	(1,116,887)	(783,856)	3,666,373
Beginning Net Position *	71,559,476	68,676,959	2,882,517	70,388,238	(783,856)
Prior Period Adjustments	-	-	-	(927,423)	(927,423)
Ending Net Position	\$73,325,106	\$71,559,476	\$1,765,630	\$68,676,959	\$2,882,517

* GASB No. 75 implemented in FYE 2018. Prior years were not restated as the information was not readily available.

Revenues

Combined revenues for the fiscal year 2020 totaled \$22.7 million, an increase of \$0.6 million, or 2.6%, more than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2020 and 2019.

- The \$0.8 million decrease in Waste Water Treatment and Disposal is due to decreases in biochemical oxygen demand (BOD) and total suspended solids (TSS) concentrations from the prior year.
- The \$1.3 million increase in Intergovernmental is due to an increase in the Proposition 1 DACI Grant. Most of the DACI grant program tasks were completed in FYE 2020.

Combined revenues for the fiscal year 2019 totaled \$22.1 million, an increase of \$2.4 million, or 12.2%, more than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2019 and 2018.

- The \$1.4 million increase in Waste Water Treatment and Disposal is due to increases in BOD and TSS concentrations from the prior year.
- The \$1.3 million increase in Investment Income is due to higher interest rates and increased market value of investments in FYE 2019.

Expenses

Combined expenses for the fiscal year 2020 totaled \$20.9 million, an increase of \$1.7 million, or 8.8% less than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2020 and 2019.

- The \$1.6 million increase in Grant Program Expenses is due to the Proposition 1 DACI Grant. Most of the DACI grant program tasks were completed in FYE 2020.

Combined expenses for the fiscal year 2019 totaled \$19.2 million, a decrease of \$1.3 million, or 6.2% less than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2019 and 2018.

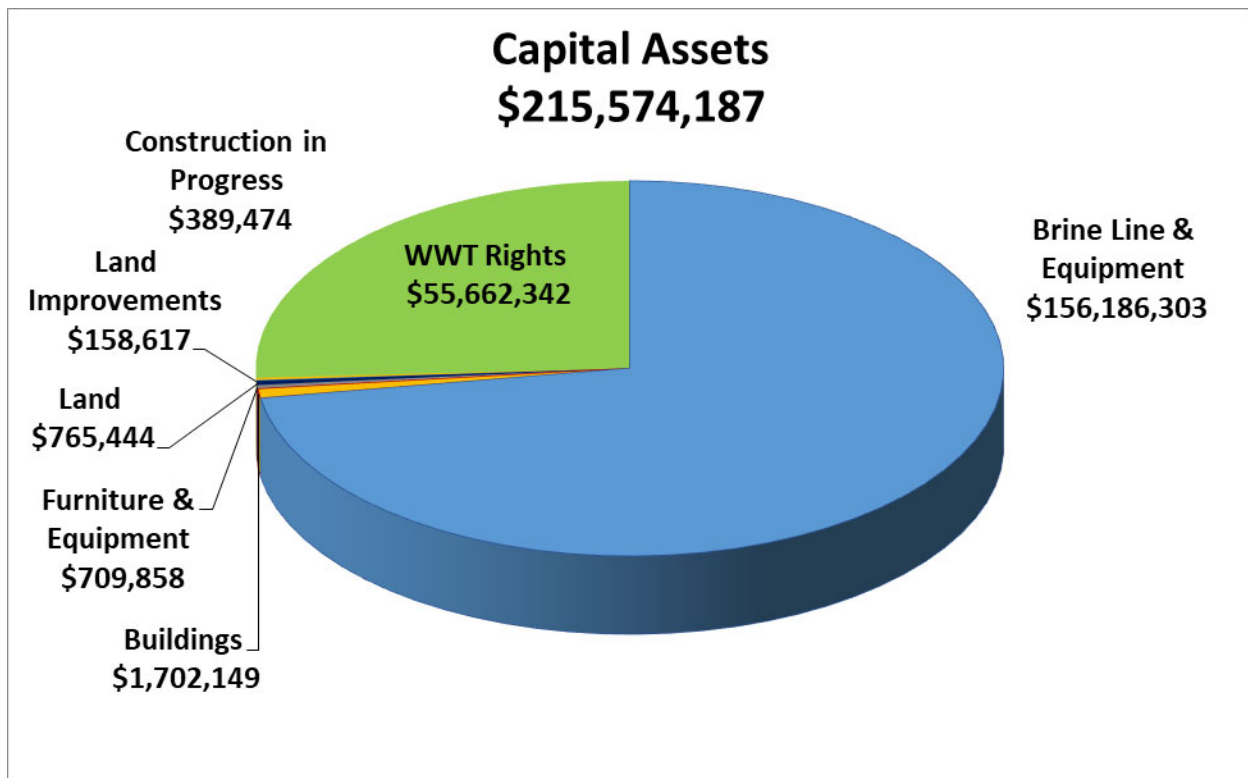
- The \$0.7 million increase in Waste Water Treatment and Disposal is due to increases in BOD and TSS concentrations from the prior year and increases in the brine line rates.
- The \$3.1 million decrease in Studies and Planning Costs is due to the competition of the Reach V Capital Repair Project in FYE 2018 and most of the work for the Water Energy DAC Grant being completed in the prior year.

- The \$0.6 million increase in Grant Program Expenses is due to the Proposition 84 Drought projects being wrapped up this year with the grant contract expiring in December 2019, and many of the 2015 Final Round projects having begun implementation.

Capital Assets

Existing Capital Assets

The following chart is the composition of the Authority's total capital assets, not including depreciation and amortization, as of June 30, 2020; additional information can be found in Note 4 of the Notes to Financial Statements.



A comparison of the changes by major category between the current and prior fiscal years is provided in the Category of Net Position section on page 4 of this report.

Future Capital Improvements

The capital improvements program (CIP) includes annual capital repairs to correct pipeline and MAS defects identified during closed circuit television (CCTV) and direct visual inspection. The repairs include items such as sealing pipe joints with major groundwater infiltration, repairing MAS and pipe corrosion protection (plastic "T-Lok" type liner), and completing repairs where structure corrosion has occurred.

As part of the U.S. Army Corps of Engineers (Corps) Santa Ana River Mainstem Project to increase the flood control storage behind Prado Dam there are several dikes and levees being constructed to protect existing infrastructure. The Alcoa Dike is being constructed to protect developments and private property in the area. The Alcoa Dike is located in the City of Corona east of the Corona Airport. The alignment of the Dike crosses the Brine Line at two locations, along Butterfield Drive which impacts Lower Reach IV-B and Auburndale Street which impacts the CRC Lateral.

Due to the load of the proposed Dike and the potential for settlement of up to 6.5 inches, it was determined that about 480 feet of the Brine Line needs to be replaced and protected on Reach IV-B and about 160 feet of the CRC Lateral needs to be replaced and protected. Design of the recommended protection/relocation methods was completed in FYE 2020. Award and construction of the project is planned for FY 2021.

The Euclid Avenue Maintenance Access Structure Rehabilitation (MAS) Project includes the modification or sealing of five (5) MAS on Reach IV-D along Euclid Avenue to withstand pressurization without allowing a sanitary sewer overflow or infiltration from historically high Prado Reservoir levels. The project also includes the removal of one MAS on Reach IV-A along Euclid Avenue due to significant concrete deterioration. A new 12-foot fabricated pipe fitting will replace the demolished MAS. Design of the recommended modifications was completed in FYE 2020. Award and construction of the project is planned for FY 2021.

The Brine Line Reach 4D was constructed in the early 1990's, and runs from the intersection with Reach 4A in the City of Chino approximately 21 miles East to the intersection with Reach 4E in the City of Rialto. About seven miles of the Brine Line Reach 4D consists of T-Lok Lined 42-inch reinforced concrete pipe (RCP). The T-Lok lining is a polyvinyl chloride (PVC) lining on the interior circumference of the pipe that provides a protective corrosion barrier between the flow and concrete pipe. The T-Lok lining on this portion of the Brine Line was installed on the upper 270 degrees of the pipeline leaving the invert or bottom 90 degrees of the pipe unlined. Low flows during the initial years of operation placed the flow line below the termination of the T-Lok liner and exposed the concrete to corrosion and uplifting of the T-Lok liner. A consultant was hired in March 2018 to conduct a pipeline condition assessment, evaluate the condition and remaining useful life of this portion of the Reach 4D pipeline, and prepare the Reach 4D Work Plan. The pipeline field investigation work was completed in May 2018. The Work Plan completed in mid FYE 2019 includes an evaluation of potential repair methods, near, mid and long term recommended actions to monitor the condition of the Brine Line and provide repairs as necessary in the future, and a schedule and cost estimate for the proposed recommendations. The near term recommended field investigation work was completed in May 2019. The Near-Term Recommended Inspections Data Analysis and Summary Report was completed in FYE 2020. The Near-Term Actions Summary Report concluded that the findings presented in the Reach 4D Work Plan remain valid and the recommendations provided remain unchanged. The mid-term recommended field investigation work is planned for fiscal year 2023.

Long-Term Debt

The Authority's long-term debt consists of four loans from the SWRCB for construction of Reach V of the Brine Line, a loan from the SWRCB for repairs of Reach IV-A and IV-B, and a loan from the SWRCB for the Reach V Capital Repairs project. In 2018, the loan from a member agency for the repurchase of wastewater capacity and treatment/disposal rights and the contractual obligation due to a related joint powers authority were paid in full.

During the fiscal years ended June 30, 2020, 2019, and 2018, the Authority made all of the scheduled principal payments on these debts as follows:

Debt Service	2020	2019	2018
SWRCB TVRI Line	\$1,046,108	\$1,018,693	\$991,996
SWRCB Reach IVA & IVB	729,040	710,565	692,558
SWRCB Reach V Capital Repairs	385,392	433,019	-
OCWD Repurchase of Wastewater Rights	-	-	336,085
WRCRWA* Contractual Obligation	-	-	519,182

*West Riverside County Regional Wastewater Authority

These payments decreased the outstanding balance in long-term debt by \$2.2 million. For more detailed information refer to Note 6 of the Notes to Financial Statements.

Fiscal Year 2020-2021 Budget

Economic and Financial Factors

Prior to the COVID-19 induced recession of 2020, the Inland Empire's economy was strong. The pandemic-linked closures caused major damage to the economy. Consumer spending cratered in March, at a pace never experienced before and unemployment numbers rose from 50-year lows to 80-year highs in a matter of weeks. Fortunately, the economy seems to be on the path to recovery. Since the 2nd quarter, economic activity from housing sales, durable goods orders, consumer spending, and payroll employment, have bounced back sharply. Economists predict a strong recovery during the latter part of 2020, with near full recovery in 2021.

As we begin the biennial budget process for FYE 2022 and 2023, we realize that many of our member agencies have suffered during the recession of 2020. With that in mind, staff will look for ways to reduce our budget while remaining effective and efficient. By optimizing operational processes and implementing a number of cost-cutting measures, we

hope to reduce costs and pass those savings on to our member agencies through reduced fees and member contributions.

The Authority is faced with a \$60 million Capital Improvement Program over the next 25 years. To ensure that there will be funds available to implement the program, the Authority conducted a long-term financial plan and rate model for the Brine Line. This model has served as a financial planning tool to ensure sufficient revenues are collected for operating needs, capital needs, and the funding of a long-term capital repair and replacement reserve.

Management is unaware of any other conditions that could have a significant past, present, or future impact on the Authority's current financial position, net position, or operating results.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for the Board of Commissioners, customers, investors, creditors, and other interested parties. Questions concerning any information provided in the report or requests for additional information should be addressed to the Authority's Finance Department, 11615 Sterling Avenue, Riverside, CA 92503.

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BASIC FINANCIAL STATEMENTS

Santa Ana Watershed Project Authority
Statements of Net Position
Proprietary Fund
June 30, 2020 and 2019

	Business-Type Activities Enterprise Fund	
	2020	2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 45,880,641	\$ 45,496,851
Cash and Cash Equivalents - Restricted (Note 2)	958,564	950,955
Investments (Note 2)	11,493,118	12,374,662
Interest Receivable	152,478	265,417
Accounts Receivable	1,947,096	1,934,937
Accounts Receivable - Grants	1,685,547	1,617,042
Notes Receivable - Other	18,785	80,940
Prepaid Items and Other Assets	347,878	232,422
Mitigation Credits (Note 3)	1,910,560	1,910,560
Total Current Assets	64,394,667	64,863,786
Noncurrent Assets:		
Capital Assets (Note 4):		
Not Being Depreciated	1,154,918	1,150,720
Being Depreciated, Net of Accumulated Depreciation and Amortization	106,357,102	110,912,773
Total Noncurrent Assets	107,512,020	112,063,493
Total Assets	171,906,687	176,927,279
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts from Pension Plans	3,825,434	1,286,579
Deferred Amounts from OPEB Plan	392,876	195,679
Total Deferred Outflows of Resources	\$ 4,218,310	\$ 1,482,258

The accompanying notes are an integral part of this statement.

Santa Ana Watershed Project Authority
Statements of Net Position - Continued
Proprietary Fund
June 30, 2020 and 2019

	Business-Type Activities Enterprise Fund	
	2020	2019
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,640,290	\$ 3,702,529
Accrued Salaries and Wages	157,207	153,801
Accrued Interest Payable	256,114	287,613
Long-Term Liabilities - Due Within One Year:		
Compensated Absences (Note 5)	214,330	188,125
Loans Payable (Note 6)	2,214,971	2,160,539
Total Current Liabilities	6,482,912	6,492,607
Noncurrent Liabilities:		
Unearned Revenue (Note 7)	65,188,826	67,698,980
Long-Term Liabilities - Due in More than One Year:		
Compensated Absences (Note 5)	500,103	438,957
Loans Payable (Note 6)	25,471,970	27,686,942
Net Pension Liability (Note 10)	4,081,229	3,649,848
Net OPEB Liability (Note 11)	503,309	545,415
Total Noncurrent Liabilities	95,745,437	100,020,142
Total Liabilities	102,228,349	106,512,749
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts From Pension Plans	349,158	298,841
Deferred Amounts from OPEB Plan	222,384	38,471
Total Deferred Inflows of Resources	571,542	337,312
NET POSITION (NOTE 8)		
Net Investment in Capital Assets	79,825,079	82,216,012
Restricted for:		
SRF Reach IVA & IVB Reserve Requirement	1,050,000	1,050,000
Mitigation	1,910,560	1,910,560
Unrestricted	(9,460,533)	(13,617,096)
Total Net Position	\$ 73,325,106	\$ 71,559,476

The accompanying notes are an integral part of this statement.

Santa Ana Watershed Project Authority
Statements of Revenues, Expenses and Changes in Net Position
Proprietary Fund

For the Fiscal Years Ended June 30, 2020 and 2019

	Business-Type Activities Enterprise Fund	
	2020	2019
OPERATING REVENUES		
Wastewater Treatment and Disposal	\$ 11,547,220	\$ 12,334,346
Wastewater Treatment and Disposal - Capacity Rights	2,510,154	2,510,154
Other	193,692	205,812
Total Operating Revenues	14,251,066	15,050,312
OPERATING EXPENSES		
Wastewater Treatment and Disposal	6,682,965	6,545,654
General and Administrative and Overhead	989,568	1,326,428
Studies and Planning Costs	4,396,714	4,082,052
Total Operating Expenses	12,069,247	11,954,134
Operating Income (Loss) Before Depreciation and Amortization	2,181,819	3,096,178
Depreciation	(3,759,571)	(3,742,801)
Amortization	(1,400,918)	(1,400,918)
Operating Income (Loss)	(2,978,670)	(2,047,541)
NON-OPERATING REVENUES (EXPENSES)		
Member Contributions	2,105,955	1,909,415
Intergovernmental	4,834,793	3,490,615
Investment Earnings	1,496,354	1,660,061
Interest Expense	(643,758)	(713,448)
Grant Program Expenses	(3,045,404)	(1,416,585)
Gain/Loss on Disposal of Assets	(3,640)	-
Total Non-operating Revenues (Expenses)	4,744,300	4,930,058
Change in Net Position	1,765,630	2,882,517
Net Position - Beginning of Year	71,559,476	68,676,959
Net Position - End of Year	\$ 73,325,106	\$ 71,559,476

The accompanying notes are an integral part of this statement.

Santa Ana Watershed Project Authority
Statements of Cash Flows
Proprietary Fund
For the Fiscal Years Ended June 30, 2020 and 2019

	Business-Type Activities Enterprise Fund	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 11,790,908	\$ 17,518,498
Cash Paid to Employees	(5,905,597)	(3,807,014)
Cash Paid to Suppliers	(8,363,135)	(6,479,547)
Net Cash Provided By (Used For) Operating Activities	(2,477,824)	7,231,937
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Member Contributions	2,105,955	1,909,415
Other Governments	4,766,288	5,997,414
Grant Program Expenses	(3,045,404)	(1,416,585)
Net Cash Provided By (Used For) Noncapital and Related Financing Activities	3,826,839	6,490,244
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(609,016)	(214,861)
Proceeds from Loans Payable	-	159,895
Principal Payments on Long-term Debt	(2,160,540)	(2,162,277)
Interest Paid on Long-term Debt	(675,257)	(868,231)
Gain/Loss on Disposal of Fixed Asset	(3,640)	-
Net Cash Provided By (Used For) Capital and Related Financing Activities	(3,448,453)	(3,085,474)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,996,991)	(1,028,500)
Proceeds from Sale of Investments	2,878,535	6,034,269
Interest Received	1,609,293	1,570,069
Net Cash Provided By (Used For) Investing Activities	2,490,837	6,575,838
Net Decrease in Cash and Cash Equivalents	391,399	17,212,545
Cash and Cash Equivalents - Beginning of Year	46,447,806	29,235,261
Cash and Cash Equivalents - End of Year	<u>\$ 46,839,205</u>	<u>\$ 46,447,806</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents	\$ 45,880,641	\$ 45,496,851
Cash and Cash Equivalents - Restricted	958,564	950,955
Total Cash and Cash Equivalents	<u>\$ 46,839,205</u>	<u>\$ 46,447,806</u>

The accompanying notes are an integral part of this statement.

Santa Ana Watershed Project Authority
Statements of Cash Flows - Continued
Proprietary Fund
For the Years Ended June 30, 2020 and June 30, 2019

	Business-Type Activities Enterprise Fund	
	2020	2019
Reconciliation of Operating Income (Loss) to Net Cash Provided		
By (Used For) Operating Activities:		
Operating Income (Loss)	\$ (2,978,670)	\$ (2,047,541)
Adjustments:		
Depreciation	3,759,571	3,742,801
Amortization	1,400,918	1,400,918
Change in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:		
(Increase) Decrease in Accounts Receivable	(12,159)	4,825,033
(Increase) Decrease in Prepaid Items and Other Assets	(115,456)	19,609
(Increase) Decrease in Notes Receivable	62,155	163,307
(Increase) Decrease in Deferred Outflows of Resources from Pension Plans	(2,538,855)	159,194
(Increase) Decrease in Deferred Outflows of Resources from OPEB Plan	(197,197)	(19,565)
Increase (Decrease) in Accounts Payable	(62,239)	1,571,171
Increase (Decrease) in Accrued Salaries and Wages	3,406	16,394
Increase (Decrease) in Customer Deposits	-	(10,000)
Increase (Decrease) in Compensated Absences	87,351	34,173
Increase (Decrease) in Unearned Revenue	(2,510,154)	(2,510,154)
Increase (Decrease) in Net Pension Liability	431,381	(74,582)
Increase (Decrease) in Net OPEB Liability	(42,106)	(57,759)
Increase (Decrease) in Deferred Inflows of Resources from Pension Plans	50,317	(15,427)
Increase (Decrease) in Deferred Inflows of Resources from OPEB Plans	183,913	34,365
Net Cash Provided By (Used For) Operating Activities	<u>\$ (2,477,824)</u>	<u>\$ 7,231,937</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Net increase in the fair value of investments	\$ 396,234	\$ 497,681

The accompanying notes are an integral part of this statement.

Santa Ana Watershed Project Authority
Statements of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2020 and 2019

	Total Agency Funds	
	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 466,361	\$ 458,596
Accounts Receivable - Grants	<u>8,325,260</u>	<u>25,209,477</u>
Total Assets	<u><u>\$ 8,791,621</u></u>	<u><u>\$ 25,668,073</u></u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	<u>\$ 8,325,260</u>	<u>\$ 25,209,477</u>
Total Current Liabilities	<u>8,325,260</u>	<u>25,209,477</u>
Noncurrent Liabilities:		
Deposits - Legal Defense	<u>466,361</u>	<u>458,596</u>
Total Noncurrent Liabilities	<u>466,361</u>	<u>458,596</u>
Total Liabilities	<u><u>\$ 8,791,621</u></u>	<u><u>\$ 25,668,073</u></u>

The accompanying notes are an integral part of this statement.

Santa Ana Watershed Project Authority
Comprehensive Annual Financial Report
For the Fiscal Years Ended
June 30, 2020 and 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Organization and Purpose

The Santa Ana Watershed Project Authority (“the Authority”) was reformed in 1972 pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise of powers common to public agencies, for purpose of undertaking projects for water quality control and protection and pollution abatement in the Santa Ana River Watershed. The five member agencies are the Orange County Water District, Inland Empire Utilities Agency (formerly Chino Basin Municipal Water District), Eastern Municipal Water District, San Bernardino Valley Municipal Water District, and Western Municipal Water District. The Board of Commissioners is the governing body of the Authority. Each member of the Authority appoints, by resolution of its governing body, one member of its governing body to act as its Commissioner on the Board.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standard Board (GASB) Statements have been considered and there are no agencies or entities which should be presented with the Authority.

The Authority’s enterprise activities are accounted for on the basis of funds, each of which is considered a separate accounting entity. The operations of each activity are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses. Authority resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The Authority’s various funds are grouped as follows:

Capital Projects Activities - Record the activity of the various capital improvement projects and programs undertaken by the Authority.

Internal Administration - Reflect the grouping of general and administration expenses and department overhead costs. Reported amounts are net of allocations made in support of capital projects and enterprise activities.

Santa Ana Watershed Project Authority
Comprehensive Annual Financial Report
For the Fiscal Years Ended
June 30, 2020 and 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A) Organization and Purpose - Continued

Enterprise Activities - Reflect operations of the Inland Empire Brine Line System (Brine Line) pipelines.

The Authority also has the following Fiduciary Funds:

Agency Funds - Agency funds are utilized to record monies held on behalf of others in a fiduciary capacity. The Authority has two agency funds:

The Legal Defense Fund - This fund was established in conjunction with the Environmental Protection Agency in connection with potential third-party lawsuits arising from the discharge of effluent which originates from the Stringfellow Hazardous Waste Site, while the facility is operated by the Environmental Protection Agency or its agents under the use permit.

The Integrated Regional Water Management Program (Prop 84 Capital Projects) - This fund was established to account for pass-through monies of the Authority's member and other agencies.

B) Basis of Presentation

The Authority reports its activities as an enterprise fund, which is a Proprietary type fund used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the cost of providing services on a continuing basis be financed or recovered primarily through user charges, capital grants, and similar funding.

C) Measurement Focus and Basis of Accounting

"Measurement focus" is a term used to describe *which* transactions are recorded within the various financial statements. "Basis of accounting" refers to *when* transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus", and the "accrual basis of accounting". Under the economic measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether

Santa Ana Watershed Project Authority
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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Measurement Focus and Basis of Accounting - Continued

current or noncurrent) associated with these activities are included on the statements of net position.

The Statements of Revenues, Expenses and Changes in Net Position, present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

D) New Accounting Pronouncements

Current Year Standards

- GASB 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*, , effective for periods beginning after June 15, 2018. Currently, this Standard has no effect on the Authority.
- GASB 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective immediately.

Pending Accounting Standards

GASB has issued the following statements, which may impact the Authority's financial reporting requirements in the future:

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2019*.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2021*.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020*.
- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for fiscal years beginning after December 15, 2019*.

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pending Accounting Standards – Continued

- GASB 91 - *Conduit Debt Obligations*, effective for fiscal years beginning December 15, 2021*.
- GASB 92 - *Omnibus*, effective for fiscal years beginning June 15, 2021*.
- GASB 93 – *Replacement of Interbank Offered Rates*, effective for fiscal years beginning June 15, 2021*.
- GASB 94 – *Public and Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for fiscal years beginning June 15, 2022.
- GASB 96 – *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022.
- GASB 97 – *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for fiscal years beginning after June 15, 2021.

*These GASB Statements original effective dates were postponed by GASB Statement No. 95.

E) Deferred Outflows / Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The Authority has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions and OPEB is equal to employer contributions made after the measurement date of the net pension liability and OPEB, as applicable.

Santa Ana Watershed Project Authority
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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E) Deferred Outflows / Inflows of Resources – Continued

- Deferred outflows related to pensions and OPEB are for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB through the plans.
- Deferred outflows related to pensions and OPEB are for differences between projected and actual earning on pensions and OPEB through the plans. These amounts are amortized over 5 years.
- Deferred outflows related to pensions and OPEB are for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Authority has the following items that qualify for reporting in this category:

- Deferred inflows related to pensions and OPEB are for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflows from pensions and OPEB resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB through the plans.
- Deferred inflows related to pensions and OPEB plans for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount is amortized over a closed period equal to the average

Santa Ana Watershed Project Authority
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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E) Deferred Outflows / Inflows of Resources – Continued

of the expected remaining service lives of all employees that are provided with pensions and OPEB through the plans.

F) Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Authority's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied; however it is at the Board of Commissioners' discretion.

G) Operating Revenues and Expenses

Operating revenues, such as wastewater treatment and wastewater disposal, capacity rights, and contractual services, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values.

Revenues not included in the above category are reported as nonoperating revenues. Nonoperating revenues such as a grant funding, member contributions, and investment earnings, result from nonexchange transactions or ancillary activities in which the Authority gives (receives) value without directly receiving (giving) value in exchange.

Operating expenses include wastewater treatment and disposal, studies and planning costs, management, administration, and depreciation/amortization on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

Santa Ana Watershed Project Authority
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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H) Cash and Cash Equivalents

Substantially all the Authority's cash is invested in interest bearing cash accounts. The Authority considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

I) Investments and Investment Policy

The Authority has adopted an investment policy directing the Authority's Chief Financial Officer to deposit funds in financial institutions.

Investments are stated at their fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for the fiscal year. Investment earnings include interest earnings, changes in market value, and any gains or losses realized upon the liquidation or sale of investments.

J) Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as capital projects or debt service. These assets are for the benefit of a specified purpose and, as such, are legally or contractually restricted by an external third-party agreement.

K) Accounts Receivable

The Authority extends credit in the normal course of operations. Management deems all accounts receivable as collectible at year end. Accordingly, an allowance for doubtful accounts has not been recorded.

L) Prepaid Items

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

Santa Ana Watershed Project Authority
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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M) Mitigation Credits

Mitigation credits are recorded at cost and are purchased and used by those agencies or businesses needing habitat mitigation within the Watershed for specific development projects.

N) Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated assets are recorded at acquisition value at the date of contribution. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	40 Years
Land Improvements	15-20 Years
Furniture and Office Equipment	3 Years
Brine Line and Equipment	25 Years

Wastewater treatment and disposal rights are included as capital assets and are capitalized at cost. Amortization is computed using the straight-line method over the remaining life of the Authority's contract with the Orange County Sanitation District for the acquisition of the rights at the time the rights were acquired. The current contract expires April 26, 2046.

Santa Ana Watershed Project Authority
Comprehensive Annual Financial Report
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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O) Compensated Absences

The Authority's policy is to pay out sick leave time accrued upon retirement, death or termination on a variable scale of 15% to 60% based on years of service. Each full-time employee accrues 96 hours of sick time per year. The liability for this benefit has been accrued in these financial statements.

Employees of the Authority are entitled to paid vacation depending on length of service. Vacation is accrued for full-time employees beginning on the first day of full-time employment, and ranges from 12 to 22 days per year based on longevity with the Authority. Part-time employees accrue vacation on a prorated basis on the actual number of hours worked.

Authority policy requires employees to pass a probationary period prior to payment for accrued vacation hours. An employee may not accrue more than 36 vacation days (324 hour) total.

P) Unearned Revenue

Unearned revenue represents advance payments received for wastewater treatment and disposal capacity rights sold, which are being recognized as revenue as the services are provided.

Q) Capital Contributions

Capital contributions consist of grants awarded and contributions received for the acquisition and/or construction of capital assets. Contributions received for studies, planning, administration, and other noncapital assets are considered nonoperating revenue.

R) Capital and Operating Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a capital or operating grant receivable on the Statements of Net Position and as capital grant contribution or operating grant revenue, as appropriate, on the Statements of Revenues, Expenses and Changes in Net Position.

Santa Ana Watershed Project Authority
Comprehensive Annual Financial Report
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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

S) Budgetary Policies

The Authority adopts a biennial non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period.

T) Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- Restricted Net Position - This component of net position consists of constraints placed on net position use imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This component of net position consists of net position that does not meet the definition of *net investment in capital assets or restricted*.

U) Pensions

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

Santa Ana Watershed Project Authority
Comprehensive Annual Financial Report
For the Fiscal Years Ended
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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

V) Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

June 30, 2020

Valuation Date: June 30, 2018

Measurement Date: June 30, 2019

Measurement Period: July 1, 2018 to
June 30, 2019

June 30, 2019

Valuation Date: June 30, 2017

Measurement Date: June 30, 2018

Measurement Period: July 1, 2017 to
June 30, 2018

W) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain report amounts and disclosures. Accordingly, actual results could differ from the estimates.

X) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Santa Ana Watershed Project Authority
Comprehensive Annual Financial Report
For the Fiscal Years Ended
June 30, 2020 and 2019

2) CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

	2020	2019
Statement of Net Position:		
Cash and Cash Equivalents	\$ 45,880,641	\$45,496,851
Cash and Cash Equivalents - Restricted	958,564	950,955
Investments	11,493,118	12,374,662
	<hr/>	<hr/>
Total Cash and Investments	58,332,323	58,822,468
Statement of Fiduciary Assets and Liabilities - Agency Funds:		
Cash and Investments	466,361	458,596
	<hr/>	<hr/>
Total Cash and Investments	<u>\$ 58,798,684</u>	<u>\$59,281,064</u>

Cash and investments consist of the following:

	2020	2019
Cash on Hand	\$ 500	\$ 500
Deposits with Financial Institutions	389,538	1,660,149
Investments	58,408,646	57,620,415
	<hr/>	<hr/>
Total Cash and Investments	<u>\$ 58,798,684</u>	<u>\$ 59,281,064</u>

Investments in LAIF are considered highly liquid, and deposits can be converted to cash within 24 hours without loss of interest. As of June 30, 2020, and 2019, the LAIF pools had a weighted average maturity of the following:

	2020	2019
California Local Agency Investment Fund (LAIF)	191 days	173 days

Santa Ana Watershed Project Authority
Comprehensive Annual Financial Report
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2) CASH AND INVESTMENTS - Continued

Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized by the Authority in accordance with the California Government Code (or the Authority's Investment Policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S Treasury Bills, Notes and Bonds	5 years	None	N/A
U.S. Government Sponsored Agency Securities	5 years	None	None
Mutual Funds	90 days	15%	None
Municipal Bonds	5 years	None	None
Banker's Acceptances	180 years	40%	30%
Commercial Paper	270 days	15%	*
Negotiable Certificates of Deposit	5 years	30%	\$250,000
Repurchase Agreements	1 year	None	None
Medium-Term Corporate Notes	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	N/A
Collateralized Bank Deposits	5 years	25%	None

N/A - Not Applicable

*10% of outstanding paper of an issuing corporation.

Santa Ana Watershed Project Authority
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2) CASH AND INVESTMENTS - Continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the Authority's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit), and the Authority's investment policy that requires no more than two-thirds of the Authority's deposits in a depository shall be collateralized by mortgage-backed securities, with the remainder to be secured by non-mortgage-backed securities. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the Authority's bank deposits, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Authority's name.

Investment in State Investment Pool

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this Pool is reported in the accompanying financial statements based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Santa Ana Watershed Project Authority
Comprehensive Annual Financial Report
For the Fiscal Years Ended
June 30, 2020 and 2019

2) CASH AND INVESTMENTS - Continued

Interest Rate Risk

Interest rate risk is the risk where changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair cash values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity date.

Maturities of investments and cash equivalents as of June 30, 2020 and June 30, 2019, were as follows:

2020

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
U.S. Treasury Strips	\$ 2,509,603	\$ 1,010,312	\$ -	\$ 3,519,915
U.S. Government Sponsored Agency Securities	2,014,007	2,563,165	1,077,964	5,655,136
LAIF	46,449,167	-	-	46,449,167
Medium-Term Corporate Notes	-	-	1,071,145	1,071,145
Negotiable Certificates of Deposit	971,283	247,000	495,000	1,713,283
	<u>\$ 51,944,060</u>	<u>\$ 3,820,477</u>	<u>\$ 2,644,109</u>	<u>\$ 58,408,646</u>

2019

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
U.S. Treasury Strips	\$ 1,385,794	\$ 2,488,750	\$ 987,109	\$ 4,861,653
U.S. Government Sponsored Agency Securities	997,642	1,994,013	2,500,738	5,492,393
LAIF	44,787,157	-	-	44,787,157
Medium-Term Corporate Notes	504,840	-	523,660	1,028,500
Negotiable Certificates of Deposit	706,712	496,000	248,000	1,450,712
	<u>\$ 48,382,145</u>	<u>\$ 4,978,763</u>	<u>\$ 4,259,507</u>	<u>\$ 57,620,415</u>

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2) CASH AND INVESTMENTS - Continued

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's Investment Policy, or debt agreements and the actual rating as of year-end for each investment type. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, LAIF are not rated.

Credit ratings by Standard & Poor's of investments and cash equivalents as of June 30, 2020, and June 30, 2019 were as follows:

2020

Investment Type		Medium Legal Rating	Exempt From Disclosure	Ratings as of Year End			Not Rated
				AAA	AA+	A+	
U.S. Treasury Strips	\$ 3,519,915	N/A	\$	\$ -	\$ -	\$ -	\$ 3,519,915
U.S. Government Sponsored Agency Securities	5,655,136	N/A	-	5,655,136	-	-	-
LAIF	46,449,167	N/A	-	-	-	-	46,449,167
Medium-Term Corporate Notes	1,071,145	N/A	-	-	527,903	543,242	-
Negotiable Certificates of Deposit	1,713,283	N/A	-	-	-	-	1,713,283
Total	<u>\$ 58,408,646</u>		<u>\$ -</u>	<u>\$ 5,655,136</u>	<u>\$ 527,903</u>	<u>\$ 543,242</u>	<u>\$ 51,682,365</u>

2019

Investment Type		Medium Legal Rating	Exempt From Disclosure	Ratings as of Year End			Not Rated
				AA+	AA-	A+	
U.S. Treasury Strips	\$ 4,861,653	N/A	\$ 4,861,653	\$ -	\$ -	\$ -	\$ -
U.S. Government Sponsored Agency Securities	5,492,393	N/A	-	5,492,393	-	-	-
LAIF	44,787,157	N/A	-	-	-	-	44,787,157
Medium-Term Corporate Notes	1,028,500	N/A	-	-	-	1,028,500	-
Negotiable Certificates of Deposit	1,450,712	N/A	-	-	-	-	1,450,712
Total	<u>\$ 57,620,415</u>		<u>\$ 4,861,653</u>	<u>\$ 5,492,393</u>	<u>\$ -</u>	<u>\$ 1,028,500</u>	<u>\$ 46,237,869</u>

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2) CASH AND INVESTMENTS - Continued

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total investments. The Authority has no investments that represent 5% or more of total Authority investments invested in one issuer.

Fair Value Measurements

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly. *Level 2* inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

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2) CASH AND INVESTMENTS - Continued

Fair Value Measurements - Continued

Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Uncategorized investments do not fall under the fair value hierarchy as there is no active market for the investments.

Level 3 inputs are unobservable inputs for the asset or liability.

The Authority has the following recurring fair value measurements as of June 30, 2020 and June 30, 2019:

2020

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Strips	\$ -	\$ 3,519,915	\$ -	\$ 3,519,915
U.S. Government Sponsored Agency Securities	-	5,655,136	-	5,655,136
Medium-Term Corporate Notes	-	1,071,145	-	1,071,145
Negotiable Certificates of Deposit	-	1,713,283	-	1,713,283
 Total Investments	 \$ -	 \$ 11,959,479	 \$ -	 11,959,479
 Local Agency Investment Fund*				 46,449,167
 Total Investment Portfolio				 <u>\$ 58,408,646</u>

*Not subject to fair value measurement hierarchy.

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2) CASH AND INVESTMENTS - Continued

Fair Value Measurements - Continued

2019

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Strips	\$ -	\$ 4,861,653	\$ -	\$ 4,861,653
U.S. Government Sponsored Agency Securities	-	5,492,393	-	5,492,393
Medium-Term Corporate Notes	-	1,028,500	-	1,028,500
Negotiable Certificates of Deposit	-	1,450,712	-	1,450,712
 Total Investments	 \$ -	 \$ 12,833,258	 \$ -	 12,833,258
 Local Agency Investment Fund*				 44,787,157
 Total Investment Portfolio				 \$ 57,620,415

*Not subject to fair value measurement hierarchy.

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3) MITIGATION CREDITS

On March 17, 2000, the State of California voted to approve Proposition 13, the Costa-Machado Water Act of 2000 containing the Southern California Integrated Watershed Program (SCIWP), providing \$235 million for local grant assistance. The State Legislature appropriated the funds to the State Water Resource Control Board (SWRCB) to be allocated to the Authority for projects to rehabilitate and improve the Santa Ana River Watershed.

On April 23, 2003, as part of the SCIWP, the Authority purchased 100 acres of mitigation credits from the Riverside County Regional Park and Open Space District. These credits are purchased and used by those needing habitat mitigation within the Watershed for specific development projects.

The changes to mitigation credits at June 30, 2020 and June 30, 2019 were as follows:

2020

<u>Balance 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2020</u>
\$ 1,910,560	\$ -	\$ -	\$ 1,910,560

2019

<u>Balance 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2019</u>
\$ 1,910,560	\$ -	\$ -	\$ 1,910,560

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4) CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2020 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 765,444	\$ -	\$ -	\$ 765,444
Construction in Progress	385,276	10,304	(6,106)	389,474
Total Capital Assets, Not Being Depreciated	<u>1,150,720</u>	<u>10,304</u>	<u>(6,106)</u>	<u>1,154,918</u>
Capital Assets, Being Depreciated				
Land Improvements	158,617	-	-	158,617
Buildings	1,454,558	254,886	(7,295)	1,702,149
Furniture and Equipment	480,058	273,120	(43,320)	709,858
Brine Line and Equipment	156,113,457	82,252	(9,406)	156,186,303
Wastewater Treatment and Disposal Rights	<u>55,662,342</u>	<u>-</u>	<u>-</u>	<u>55,662,342</u>
Total Capital Assets, Being Depreciated	<u>\$213,869,032</u>	<u>\$ 610,258</u>	<u>\$ (60,021)</u>	<u>\$214,419,269</u>
Less Accumulated Depreciation				
Land Improvements	\$ (95,050)	\$ (4,426)	\$ -	\$ (99,476)
Buildings	(976,306)	(42,421)	1,855	(1,016,872)
Furniture and Equipment	(291,608)	(48,223)	43,320	(296,511)
Brine Line and Equipment	(72,063,951)	(3,664,501)	9,406	(75,719,046)
Accumulated Amortization	<u>(29,529,344)</u>	<u>(1,400,918)</u>	<u>-</u>	<u>(30,930,262)</u>
Total Accumulated Depreciation	<u>(102,956,259)</u>	<u>(5,160,489)</u>	<u>54,581</u>	<u>(108,062,167)</u>
Total Capital Assets Being Depreciated, Net	<u>110,912,773</u>	<u>(4,550,231)</u>	<u>(5,440)</u>	<u>106,357,102</u>
Total Capital Assets, Net	<u>\$112,063,493</u>	<u>\$ (4,539,927)</u>	<u>\$ (11,546)</u>	<u>\$107,512,020</u>

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4) CAPITAL ASSETS – Continued

Changes in capital assets for the year ended June 30, 2019 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 765,444	\$ -	\$ -	\$ 765,444
Construction in Progress	238,367	146,909	-	385,276
Total Capital Assets, Not Being Depreciated	<u>1,003,811</u>	<u>146,909</u>	<u>-</u>	<u>1,150,720</u>
Capital Assets, Being Depreciated				
Land Improvements	158,617	-	-	158,617
Buildings	1,454,558	-	-	1,454,558
Furniture and Equipment	532,845	59,427	(112,214)	480,058
Brine Line and Equipment	156,279,568	43,436	(209,547)	156,113,457
Wastewater Treatment and Disposal Rights	<u>55,662,342</u>	<u>-</u>	<u>-</u>	<u>55,662,342</u>
Total Capital Assets Being Depreciated	<u>\$214,087,930</u>	<u>\$ 102,863</u>	<u>\$ (321,761)</u>	<u>\$213,869,032</u>
Less Accumulated Depreciation				
Land Improvements	\$ (90,625)	\$ (4,425)	\$ -	\$ (95,050)
Buildings	(938,757)	(37,549)	-	(976,306)
Furniture and Equipment	(368,501)	(35,321)	112,214	(291,608)
Brine Line and Equipment	(68,573,081)	(3,665,506)	174,636	(72,063,951)
Accumulated Amortization	<u>(28,128,426)</u>	<u>(1,400,918)</u>	<u>-</u>	<u>(29,529,344)</u>
Total Accumulated Depreciation	<u>(98,099,390)</u>	<u>(5,143,719)</u>	<u>286,850</u>	<u>(102,956,259)</u>
Total Capital Assets Being Depreciated, Net	<u>115,988,540</u>	<u>(5,040,856)</u>	<u>(34,911)</u>	<u>110,912,773</u>
Total Capital Assets, Net	<u>\$116,992,351</u>	<u>\$ (4,893,947)</u>	<u>\$ (34,911)</u>	<u>\$112,063,493</u>

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5) COMPENSATED ABSENCES

Compensated absences comprise of unpaid vacation and sick leave which is accrued as earned.

The changes to compensated absences balances at June 30, 2020 and 2019 were as follows:

	Balance 2019	Earned	Taken	Balance 2020	Current Portion	Long-term Portion
Compensated Absences	\$ 627,082	\$ 462,720	\$ (375,369)	\$ 714,433	\$ 214,330	\$ 500,103

	Balance 2018	Earned	Taken	Balance 2019	Current Portion	Long-term Portion
Compensated Absences	\$ 592,909	\$ 471,054	\$ (436,881)	\$ 627,082	\$ 188,125	\$ 438,957

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6) LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2020, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<i>SWRCB Brine Line Reach V Loans</i>				
<i>(Direct Borrowings):</i>				
Loan I	\$ 961,675	\$ -	\$ (312,100)	\$ 649,575
Loan II & III	774,174	-	(251,463)	522,711
Loan IV	435,337	-	(214,557)	220,780
Loan V	825,047	-	(267,988)	557,059
Total SWRCB Brine Line Reach V Loans	<u>2,996,233</u>	<u>-</u>	<u>(1,046,108)</u>	<u>1,950,125</u>
<i>State Revolving Fund Loan</i>				
<i>(Direct Borrowing):</i>				
Reach IVA & IVB	<u>12,124,372</u>	<u>-</u>	<u>(729,040)</u>	<u>11,395,332</u>
<i>SWRCB Inland Empire Brine Line</i>				
<i>Reach V Loans (Direct Borrowing):</i>				
Loan I	<u>14,726,876</u>	<u>-</u>	<u>(385,392)</u>	<u>14,341,484</u>
Total Long-term Debt	29,847,481	\$ -	\$(2,160,540)	27,686,941
Less: Current Portion	<u>(2,160,539)</u>			<u>(2,214,971)</u>
Long-term Portion	<u>\$27,686,942</u>			<u>\$25,471,970</u>

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6) LONG-TERM DEBT - Continued

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<i>SWRCB Brine Line Reach V Loans</i> <i>(Direct Borrowings):</i>				
Loan I	\$ 1,265,570	\$ -	\$ (303,895)	\$ 961,675
Loan II & III	1,019,265	-	(245,091)	774,174
Loan IV	643,848	-	(208,511)	435,337
Loan V	1,086,243	-	(261,196)	825,047
Total SWRCB Brine Line Reach V Loans	<u>4,014,926</u>	<u>-</u>	<u>(1,018,693)</u>	<u>2,996,233</u>
<i>State Revolving Fund Loan</i> <i>(Direct Borrowing):</i>				
Reach IVA & IVB	<u>12,834,937</u>	<u>-</u>	<u>(710,565)</u>	<u>12,124,372</u>
<i>SWRCB Inland Empire Brine Line</i> <i>Reach V Loans (Direct Borrowing):</i>				
Loan I	<u>15,000,000</u>	<u>159,895</u>	<u>(433,019)</u>	<u>14,726,876</u>
Total Long-term Debt	31,849,863	<u>\$ 159,895</u>	<u>\$(2,162,277)</u>	29,847,481
Less: Current Portion	<u>(2,107,050)</u>			<u>(2,160,539)</u>
Long-term Portion	<u>\$29,742,813</u>			<u>\$27,686,942</u>

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6) LONG-TERM DEBT - Continued

Direct Borrowings and Direct Placements

The Authority's total outstanding loans are from direct borrowings and direct placements. There are no provisions for the outstanding loans in the event of default and no assets were held as collateral.

State Water Resources Control Board - Brine Line Reach V Loan No. I

This loan, in the amount of \$5,089,798, was for the construction of Reach V of the Brine Line Pipeline. Annual principal and interest payments of \$338,065, at the rate of 2.70%, commenced on October 5, 2002, and will mature on October 5, 2021.

For the Year Ended June, 30,	Principal	Interest	Total
2021	320,527	17,538	338,065
2022	329,048	8,886	337,934
Total	649,575	<u>\$ 26,424</u>	<u>\$ 675,999</u>
Less: Current Portion	<u>(320,527)</u>		
Total Noncurrent	<u>\$ 329,048</u>		

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6) LONG-TERM DEBT - Continued

State Water Resources Control Board - Brine Line Reach V Loan No. II and III

This loan, in the amount of \$4,187,933, was for the construction of Reach V of the Brine Line Pipeline. Annual principal and interest payments of \$271,592, at the rate of 2.60%, commenced on October 5, 2002, and will mature on October 5, 2021.

For the Year Ended June, 30,	Principal	Interest	Total
2021	258,001	13,591	271,592
2022	264,710	6,882	271,592
Total	522,711	\$ 20,473	\$ 543,184
Less: Current Portion	(258,001)		
 Total Noncurrent	 \$ 264,710		

State Water Resources Control Board - Brine Line Reach V Loan No. IV

This loan, in the amount of \$3,373,815, was for the construction of Reach V of the Brine Line Pipeline. Annual principal and interest payments of \$227,181, at the rate of 2.90%, commenced on September 11, 2001, and will mature on September 11, 2020.

For the Year Ended June, 30,	Principal	Interest	Total
2021	220,780	6,401	227,181
Total	220,780	\$ 6,401	\$ 227,181
Less: Current Portion	(220,780)		
 Total Noncurrent	 \$ -		

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6) LONG-TERM DEBT - Continued

State Water Resources Control Board - Brine Line Reach V Loan No. V

This loan, in the amount of \$4,455,792, was for the construction of Reach V of the Brine Line Pipeline. Annual principal and interest payments of \$289,439, at the rate of 2.90%, commenced on October 5, 2004, and will mature on October 5, 2021.

For the Year Ended June, 30,	Principal	Interest	Total
2021	274,955	14,484	289,439
2022	282,104	7,333	289,437
Total	557,059	\$ 21,817	\$ 578,876
Less: Current Portion	(274,955)		
Total Noncurrent	\$ 282,104		

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6) LONG-TERM DEBT - Continued

State Revolving Fund Loan - Reach IV-A and IV-B

On April 13, 2011, the Authority entered into a loan agreement to receive up to \$16,850,337 from the California State Water Resources Control Board to repair the existing brine disposal pipeline to extend its useful life of the Inland Empire Brine Line upstream of Prado Dam. Terms of the loan call for annual principal and interest payments of \$1,044,273 based on the net loan amount of \$16,850,337, at the rate of 2.60%, commenced on December 29, 2013, and will mature on December 29, 2032.

<u>For the Year Ended June, 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	747,994	296,279	1,044,273
2022	767,442	276,831	1,044,273
2023	787,396	256,877	1,044,273
2024	807,868	236,405	1,044,273
2025	828,873	215,400	1,044,273
2026-2030	4,479,052	742,315	5,221,367
2031-2033	2,976,707	129,650	3,106,357
Total	11,395,332	<u>\$ 2,153,757</u>	<u>\$ 13,549,089</u>
Less: Current Portion	<u>(747,994)</u>		
Total Noncurrent	<u>\$ 10,647,338</u>		

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6) LONG-TERM DEBT - Continued

SWRCB Inland Empire Brine Line Reach V Loans - Loan 1

On May 14, 2014, the Authority entered into a loan agreement to receive up to \$15,000,000 from the California State Water Resources Control Board to repair the existing brine disposal pipeline to extend the useful life of the Inland Empire Brine Line. Terms of the loan call for annual principal and interest payments of \$665,202 commencing on March 31, 2019, at the rate of 1.9%, and maturing March 31, 2048.

For the Year Ended June, 30,	Principal	Interest	Total
2021	392,714	272,488	665,202
2022	400,176	265,027	665,203
2023	407,779	257,423	665,202
2024	415,527	249,675	665,202
2025	423,422	241,780	665,202
2026-2030	2,240,887	1,085,126	3,326,013
2031-2035	2,462,015	863,997	3,326,012
2036-2040	2,704,965	621,047	3,326,012
2041-2045	2,971,889	354,123	3,226,012
2046-2048	1,922,110	73,498	1,995,608
Total	14,341,484	\$ 4,284,184	\$18,625,668
Less: Current Portion	(392,714)		
Total Noncurrent	\$ 13,948,770		

7) UNEARNED REVENUE

The changes in unearned revenue at June 30, 2020 and 2019 were as follows:

Balance 2019	Additions	Deletions	Balance 2020
\$ 67,698,980	\$ -	\$ 2,510,154	\$ 65,188,826

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7) UNEARNED REVENUE - Continued

Balance 2018	Additions	Deletions	Balance 2019
\$ 70,209,134	\$ -	\$ 2,510,154	\$ 67,698,980

8) NET POSITION

Calculation of net position as of June 30, 2020 and 2019 were as follows:

	2020	2019
Net Investment in Capital Assets:		
Capital Assets - Not Being Depreciated	\$ 1,154,918	\$ 1,150,720
Depreciable Capital Assets, Net	106,357,102	110,912,773
SWRCB Brine Line Reach V Loans Payable	(1,950,125)	(2,996,233)
SRF Reach IVA & IVB Loan Payable	(11,395,332)	(12,124,372)
SWRCB Brine Line Reach V Loans Payable	(14,341,484)	(14,726,876)
Total Net Investment in Capital Assets	<u>79,825,079</u>	<u>82,216,012</u>
Restricted Net Position:		
SRF Reach IVA & IVB Reserve Requirement	1,050,000	1,050,000
Mitigation	1,910,560	1,910,560
Total Restricted	<u>2,960,560</u>	<u>2,960,560</u>
Unrestricted Net Position	<u>(9,460,533)</u>	<u>(13,617,096)</u>
Total Net Position	<u>\$ 73,325,106</u>	<u>\$ 71,559,476</u>

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9) JOINT VENTURES

Lake Elsinore & San Jacinto Watersheds Authority (LESJWA)

The Authority is a member of LESJWA, a Joint Powers Authority created on March 8, 2000, for the purpose of implementing projects and programs to improve the two watersheds in order to preserve agricultural land, protect wildlife habitat, protect and enhance recreational resources, and improve lake water quality, for the benefit of the general public. Other members include the City of Canyon Lake, the City of Lake Elsinore, Elsinore Valley Municipal Water District, and the County of Riverside. Each member agency appoints one Director and one alternate to serve on the Board, with both also on the member's agency's board. Each member agency has agreed to make contributions for construction and operations, if necessary.

Upon dissolution of LESJWA, each member agency will receive its proportionate or otherwise defined share of the assets, and each member agency will contribute its proportionate or otherwise defined share of any enforceable liabilities incurred.

The Authority conducts the administrative function of LESJWA, which reimburses the Authority based on invoices for administrative services provided. During the year ended June 30, 2020 and 2019, administrative services provided to LESJWA totaled \$191,265 and \$193,588, respectively, which is included in operating revenue.

The financial statements for LESJWA are available from the Authority.

As of June 30, 2020 and 2019, LESJWA had assets, liabilities and deferred inflows of resources and net position as follows:

	<u>2020</u>	<u>2019</u>
Total Assets	<u>\$ 305,549</u>	<u>\$ 607,750</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 134,423</u>	<u>\$ 262,951</u>
Net Position	<u>\$ 171,126</u>	<u>\$ 344,799</u>

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10) DEFINED BENEFIT PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Authority's 2% at 55 (Classic) and 2% at 62 (PEPRA) Miscellaneous Employee Pension Plans, cost-sharing multiple-employer employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

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10) DEFINED BENEFIT PENSION PLANS - Continued

A. General Information about the Pension Plans - Continued

Benefits Provided - Continued

The Plans' provisions and benefits in effect at June 30, 2020 and 2019, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50 - 63	52 - 67
Monthly Benefits, as a % of Eligible Compensation	1.426% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rates	7%	7.25%
Required Employer Contribution Rates:		
Normal Cost Rate	11.120%	7.191%
Payment of Unfunded Liability	\$ 237,191	\$ 6,312

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Authority contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

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10) DEFINED BENEFIT PENSION PLANS – Continued

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

As of June 30, 2020 and 2019, the Authority reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<u>2020</u>	<u>2019</u>
Miscellaneous	\$ 4,081,229	\$ 3,649,848

The Authority's net pension liability was measured as of June 30, 2019 and 2018, and the total pension liabilities used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017, rolled forward to June 30, 2019 and 2018, using standard update procedures. The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The changes in the Authority's proportionate share of the collective net pension liabilities were as follows:

	<u>2020</u>	<u>2019</u>
Beginning of Measurement Period	0.03788%	0.03756%
Ending of Measurement Period	<u>0.03983%</u>	<u>0.03788%</u>
Change - Increase (Decrease)	<u><u>0.00195%</u></u>	<u><u>0.00032%</u></u>

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10) DEFINED BENEFIT PENSION PLANS - Continued

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

For the year ended June 30, 2020, the Authority recognized pension expense of \$503,309. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,104,168	\$ -
Differences between expected and actual experience	283,459	(21,962)
Changes in assumptions	194,612	(68,988)
Change in employer's proportion	243,195	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(186,855)
Net differences between projected and actual earnings on plan investments	-	(71,353)
Total	<u>\$ 3,825,434</u>	<u>\$ (349,158)</u>

For the year ended June 30, 2019, the Authority recognized pension expense of \$554,514. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 485,329	\$ -
Differences between expected and actual experience	140,038	(47,654)
Changes in assumptions	416,094	(101,976)
Change in employer's proportion	227,074	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(149,211)
Net differences between projected and actual earnings on plan investments	18,044	-
Total	<u>\$ 1,286,579</u>	<u>\$ (298,841)</u>

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10) DEFINED BENEFIT PENSION PLANS – Continued

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

\$3,104,168 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amount
2021	\$ 332,681
2022	(12,597)
2023	37,606
2024	14,418
2025	-
Thereafter	-

\$485,329 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amount
2020	\$ 393,496
2021	235,225
2022	(93,485)
2023	(32,827)
2024	-
Thereafter	-

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10) DEFINED BENEFIT PENSION PLANS - Continued

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

Actuarial Assumptions

For the measurement periods ended June 30, 2019 and 2018, the total pension liabilities were determined by rolling forward the June 30, 2018 and 2017 total pension liabilities determined in the June 30, 2018 and 2019 actuarial accounting valuation. The June 30, 2019 and 2018 total pension liabilities, was based on the following actuarial methods and assumptions:

Valuation Dates	June 30, 2019 and 2018
Measurement Dates	June 30, 2019 and 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.5% (2019) and 2.5% (2018)
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

* The mortality table used was developed based on CalPERS' special data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found at the CalPERS website. .

All other actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

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10) DEFINED BENEFIT PENSION PLANS - Continued

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

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2019 and 2018 measurement dates was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB 68 Crossover Testing Report" that can be obtained from the CalPERS website.

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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10) DEFINED BENEFIT PENSION PLANS - Continued

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

Long-term Expected Rate of Return - Continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

2020

Asset Class ^(a)	New Strategic Allocation	Real Return Years 1 - 10 ^(b)	Real Return Years 11+ ^(c)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%		-0.92%
	<hr/>		
Total	<u>100%</u>		

(a) In the System's CAFR, fixed income is included in Global Debt Securities; liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

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10) DEFINED BENEFIT PENSION PLANS - Continued

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

Long-term Expected Rate of Return - Continued

2019

Asset Class ^(a)	New Strategic Allocation	Real Return Years 1 - 10 ^(b)	Real Return Years 11+ ^(c)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%		-0.92%
Total	100%		

(a) In the System's CAFR, fixed income is included in Global Debt Securities; liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

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

The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plans, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

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10) DEFINED BENEFIT PENSION PLANS – Continued

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

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate - Continued

	2020	2019
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 6,696,816	\$ 6,043,266
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 4,081,229	\$ 3,649,848
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 1,922,246	\$ 1,674,120

Pension Plans Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plans

At June 30, 2020 and 2019, the Authority had no outstanding amount of contributions to the pension plans required for the years ended June 30, 2020 and 2019.

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11) OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description and Benefits Offered

The Authority defined benefit post-employment healthcare plan, SAWPA Post Employment Healthcare Plan (SPHP), provides medical benefits to eligible retired Authority employees and spouses. The Authority's employees hired prior to July 1, 2005, who retire at age 58 or older with a minimum of ten years of service with the Authority are eligible for lifetime medical benefits. Benefits are also provided to spouses. Employees hired on or after July 1, 2005, are not eligible to receive employer subsidized post-employment medical benefits. The Authority contributes the entire premium cost up to a predetermined cap. The cap is defined as the Kaiser Family premium rate. The 2020 monthly cap per retiree is \$1,782. SPHP is part the Public Agency portion of the California Employers' Retiree Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System.

CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. SPHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Authority resolution. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

The contribution requirements of plan members and the Authority are established and may be amended by the Commission. The Authority contributes the entire premium cost up to a predetermined cap. The 2020 calendar cap is \$1,782 per month. Employees hired on or after July 1, 2005, are not eligible to receive employer subsidized postemployment medical benefits.

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11) OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

Employees Covered

As of the June 30 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

	<u>2019</u>	<u>2018</u>
Active employees	9	9
Inactive employees or beneficiaries currently receiving benefits	5	5
Inactive employees entitled to, but not yet receiving benefits	-	-
Total	<u>14</u>	<u>14</u>

Contributions

The annual contribution is based on the actuarially determined contribution. For the fiscal years ended June 30, 2020 and 2019, the Authority's cash contributions were \$74,390 and \$72,317, respectively in payments to the trust.

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11) OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

<u>Actuarial Assumptions</u>	(Measurement Periods June 30, 2019 and 2018)
-------------------------------------	--

Discount Rate	6.73%
Inflation	2.26%
Salary Increases	3.25% plus merit
Investment Rate of Return	6.73%
Mortality Rate ⁽¹⁾	Derived using CalPERS Membership Data for all funds
Pre-Retirement Turnover ⁽²⁾	Derived using CalPERS Membership Data for all funds
Healthcare Trend Rate	5.00% Medicare and 7.75% Non-Medicare

Notes:

⁽¹⁾Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

⁽²⁾The pre-retirement turnover information was developed based on CalPERS specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

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

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11) OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

Net OPEB Liability - Continued

and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset are summarized in the following table for measurement periods June 30, 2019 and 2018:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	43.0%	5.43%
Fixed Income	49.0%	1.63%
REITs	8.0%	5.06%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.73 percent for the measurement periods June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projects benefit payments to determine the total OPEB liability.

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11) OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

Changes in the OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2019 <i>(Valuation Date June 30, 2018)</i>	<u>\$ 1,903,413</u>	<u>\$ 1,357,998</u>	<u>\$ 545,415</u>
Changes Recognized for the Measurement Period:			
Service Cost	28,540	-	28,540
Interest	127,527	-	127,527
Differences between expected and actual experience	298,861	-	298,861
Changes of Assumptions	(248,125)	-	(248,125)
Contribution - Employer	-	149,059	(149,059)
Net Investment Income	-	100,148	(100,148)
Benefit Payments	(75,336)	(75,336)	-
Administrative Expense	-	(298)	298
	<u>131,467</u>	<u>173,573</u>	<u>(42,106)</u>
Balance at June 30, 2020 <i>(Measurement Date June 30, 2019)</i>	<u><u>\$ 2,034,880</u></u>	<u><u>\$ 1,531,571</u></u>	<u><u>\$ 503,309</u></u>

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11) OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

Changes in the OPEB Liability - Continued

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2018 <i>(Valuation Date June 30, 2018)</i>	<u>\$ 1,815,524</u>	<u>\$ 1,212,350</u>	<u>\$ 603,174</u>
Changes Recognized for the Measurement Period:			
Service Cost	27,181	-	27,181
Interest	122,126	-	122,126
Differences between expected and actual experience	(4,383)	-	(4,383)
Changes of Assumptions	-	-	-
Contribution - Employer	-	129,352	(129,352)
Net Investment Income	-	73,974	(73,974)
Benefit Payments	(57,035)	(57,035)	-
Administrative Expense	-	(643)	643
Net Changes	<u>87,889</u>	<u>145,648</u>	<u>(57,759)</u>
Balance at June 30, 2019 <i>(Measurement Date June 30, 2018)</i>	<u>\$ 1,903,413</u>	<u>\$ 1,357,998</u>	<u>\$ 545,415</u>

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

The following presents the net OPEB liability of the Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30, 2019 and 2018:

	1% Decrease (5.73%)	Current Discount Rate (6.73%)	1% Increase (7.73%)
2019			
Net OPEB Liability	\$ 291,662	\$ 503,309	\$ 757,193
2018			
Net OPEB Liability	\$ 341,773	\$ 545,415	\$ 788,787

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11) OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

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

The following presents the net OPEB liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019 and 2018:

	1% Decrease (4.00%)	Current Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
2019			
Net OPEB Liability	\$ 771,304	\$ 503,309	\$ 281,284
2018			
Net OPEB Liability	\$ 811,148	\$ 545,415	\$ 325,864

OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report that may be obtained from the California Public Employees Retirement System Executive Office, 400 P Street, Sacramento, California 95814.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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11) OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

Recognition of Deferred Outflows and Deferred Inflows of Resources - Continued

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL)

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

For the fiscal year ended June 30, 2020, the Authority recognized OPEB expense of \$84,424. As of fiscal year ended June 30, 2020, the Authority reported deferred outflows of resources related to OPEB from the following services:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 74,478	\$ -
Changes in assumptions	-	218,391
Differences between expected and actual experience in the measurement of the total OPEB liability	318,398	2,873
Net differences between projected and actual earnings on OPEB plan investments	-	1,120
Total	<u>\$ 392,876</u>	<u>\$ 222,384</u>

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11) OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - Continued

The \$74,478 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the subsequent fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30,	Deferred Outflow/(Inflows) of Resources
2021	\$ 31,882
2022	31,880
2023	28,721
2024	3,531
2025	-
Thereafter	-

For the fiscal year ended June 30, 2019, the Authority recognized OPEB expense of \$87,800. As of fiscal year ended June 30, 2019, the Authority reported deferred outflows of resources related to OPEB from the following services:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 73,723	\$ -
Changes in assumptions	-	34,843
Differences between expected and actual experience in the measurement of the total OPEB liability	117,044	3,628
Net differences between projected and actual earnings on OPEB plan investments	4,912	-
Total	<u>\$ 195,679</u>	<u>\$ 38,471</u>

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11) OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - Continued

The \$73,723 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30,	Deferred Outflow/(Inflows) of Resources
2020	\$ 21,814
2021	21,814
2022	21,812
2023	18,653
2024	(608)
Thereafter	-

12) RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance policies from independent third parties. Settled claims have been immaterial and have not exceeded insurance coverage for the past four years.

On February 22, 1986, the Authority became self-insured with respect to its comprehensive liability coverage for toxic waste handling as allowed under California Government Code, Section 990. Coverage includes occurrences and incidents resulting in liability to the Authority, its Commissioners, officers, employees and agents. There are no outstanding claims pending.

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13) COMMITMENTS AND CONTINGENCIES

Grant Awards

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

Litigation

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

Other Commitments and Contingencies

The Authority is contractually obligated to pay a pro rata share of capital costs associated with the maintenance of the Santa Ana Regional Interceptor (SARI) Pipeline owned by OCSD. Within the SARI pipeline, the Authority's portion is referred to as the Inland Empire Brine Line. The percentage varies with each Reach of the SARI.

In addition, there is a capital project estimated at \$3 million for which the Authority could potentially be responsible for 76 percent of the related costs.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The pandemic continued subsequent to year end with certain restrictions required by the Governor of California, as well as local governments, which may affect revenue sources and also caused subsequent stock market volatility. The duration of the pandemic and the impact of COVID-19 on the Authority's operational and financial performance is uncertain at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Santa Ana Watershed Project Authority
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Years*
As of June 30, 2020 and 2019

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Position Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.03487%	\$ 2,169,716	\$ 2,294,398	94.57%	79.82%
2016	0.03274%	\$ 2,247,501	\$ 2,560,510	87.78%	78.40%
2017	0.03588%	\$ 3,104,742	\$ 2,795,885	111.05%	74.06%
2018	0.03755%	\$ 3,724,430	\$ 3,098,371	120.21%	73.31%
2019	0.0378.8%	\$ 3,649,848	\$ 3,065,932	119.05%	75.26%
2020	0.03983%	\$ 4,081,229	\$ 3,166,203	128.90%	77.73%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

For the 2020 and 2019 fiscal years, there were no changes. For the 2018 fiscal year, the accounting discount rate reduced from 7.65% to 7.15%. For the 2016 fiscal year, amounts reported reflect an adjustment to the discount rate of 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

Santa Ana Watershed Project Authority
Schedule of Contributions - Pension
Last Ten Years*
As of June 30, 2020 and 2019

Fiscal Year	Contractually Required Contribution (Actuarially Determined)	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 273,547	\$ (273,547)	\$ -	\$ 2,560,510	10.68%
2016	\$ 339,020	\$ (339,020)	\$ -	\$ 2,795,885	12.13%
2017	\$ 388,896	\$ (388,896)	\$ -	\$ 3,098,371	12.55%
2018	\$ 422,430	\$ (422,430)	\$ -	\$ 3,065,932	13.78%
2019	\$ 485,329	\$ (485,329)	\$ -	\$ 3,166,203	15.33%
2020	\$ 552,495	\$ (3,104,168)	\$ (2,551,673)	\$ 3,277,860	94.70%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age**
Amortization Method	Level Percent of Payroll, Closed**
Asset Valuation Method	Market Value***
Inflation	2.5%**
Salary Increases	Depending on Age, Service, and Type of Employment**
Investment Rate of Return	7.50%, Net of Pension Plan Investment, Including Inflation**
Retirement Age	50 for All Plans with the Exception of 52 for Miscellaneous PEPRA 2% at 62**
Mortality	Mortality Assumptions are Based on Mortality Rates Resulting from the Most Recent CalPERS Experience Study Adopted by the CalPERS Board**

* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

** The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended July 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15-year Smoothed Market Method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

Santa Ana Watershed Project Authority
Schedule of Changes in the Net OPEB Liability and Related Ratios for
Measurement Periods Ended June 30,

Measurement Period	2019	2018
Total OPEB Liability		
Service Cost	\$ 28,540	\$ 27,181
Interest on the Total OPEB Liability	127,527	122,126
Differences between Expected and Actual Experience	298,861	(4,383)
Changes in Assumptions	(248,125)	-
Changes in Benefit Terms	-	-
Benefit Payments	(75,336)	(57,035)
	<hr/>	<hr/>
Net Change in Total OPEB Liability	131,467	87,889
Total OPEB Liability - Beginning	1,903,413	1,815,524
	<hr/>	<hr/>
Total OPEB Liability - Ending (a)	\$ 2,034,880	\$ 1,903,413
	<hr/>	<hr/>
Plan Fiduciary Net Position		
Contribution - Employer	\$ 149,059	\$ 129,352
Net Investment Income	100,148	73,974
Benefit Payments	(75,336)	(57,035)
Administrative Expense	(298)	(643)
	<hr/>	<hr/>
Net Change in Plan Fiduciary Net Position	173,573	145,648
Plan Fiduciary Net Position - Beginning	1,357,998	1,212,350
	<hr/>	<hr/>
Plan Fiduciary Net Position - Ending (b)	\$ 1,531,571	\$ 1,357,998
	<hr/>	<hr/>
Net OPEB Liability - Ending (a)-(b)	\$ 503,309	\$ 545,415
	<hr/>	<hr/>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	75%	71%
Covered-Employee Payroll	\$ 1,336,336	\$ 1,238,555
Net OPEB Liability as a Percentage of Covered-Employee Payroll	38%	44%

Santa Ana Watershed Project Authority
Schedule of Contributions - OPEB
Last Ten Fiscal Years'

Measurement Period	2017
Total OPEB Liability	
Service Cost	\$ 26,828
Interest on the Total OPEB Liability	108,355
Differences between Expected and Actual Experience	22,281
Changes in Assumptions	103,114
Changes in Benefit Terms	-
Benefit Payments	(55,611)
	<hr/>
Net Change in Total OPEB Liability	204,967
Total OPEB Liability - Beginning	1,610,557
	<hr/>
Total OPEB Liability - Ending (a)	\$ 1,815,524
	<hr/>
Plan Fiduciary Net Position	
Contribution - Employer	\$ 121,424
Net Investment Income	79,164
Benefit Payments	(55,611)
Administrative Expense	(572)
	<hr/>
Net Change in Plan Fiduciary Net Position	144,405
Plan Fiduciary Net Position - Beginning	1,067,945
	<hr/>
Plan Fiduciary Net Position - Ending (b)	\$ 1,212,350
	<hr/>
Net OPEB Liability - Ending (a)-(b)	\$ 603,174
	<hr/> <hr/>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	66.78%
Covered-Employee Payroll	\$ 1,156,128
Net OPEB Liability as a Percentage of Covered-Employee Payroll	52.17%

Notes to Schedule:

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available. Contributions are determined by an actuarial valuation based on eligible participants' estimated benefits.

Santa Ana Watershed Project Authority
Schedule of Contributions - OPEB
Last Ten Fiscal Years'

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2018	\$ 65,813	\$ (121,424)	\$ (55,611)	\$ 1,238,555	9.8%
2019	\$ 72,317	\$ (129,352)	\$ (57,035)	\$ 1,336,336	9.7%
2020	\$ 73,723	\$ (149,059)	\$ (75,336)	\$ 1,379,767	10.8%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Years 2020 and 2019 were from the June 30, 2018 actuarial valuation, respectively.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market value
Inflation	2.25%
Payroll Growth	3.25% plus merit
Investment Rate of Return	6.73% per annum
Healthcare Cost-trend Rates	5.00% Medicare and 7.75% Non-Medicare
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

Historical information is required only for measurement periods for which GASB 75 is applicable.

Future years' information will be displayed up to 10 years as information becomes available.

Contributions are determined by an actuarial valuation based on an eligible participants estimated benefits.

SUPPLEMENTARY SCHEDULES

Santa Ana Watershed Project Authority
Combining Schedule of Net Position
Enterprise Funds
June 30, 2020

	Capital Projects Activities	Internal Administration	Enterprise Activities	Totals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,635,592	\$ 2,240,225	\$ 41,004,824	\$ 45,880,641
Cash and Cash Equivalents - Restricted	958,564	-	-	958,564
Investments	-	-	11,493,118	11,493,118
Interest Receivable	8,920	10,539	133,019	152,478
Accounts Receivable	-	375	1,946,721	1,947,096
Accounts Receivable - Grants	752,535	328,427	604,585	1,685,547
Accounts Receivable - Other	18,785	-	-	18,785
Prepaid Items and Other Assets	-	162,300	185,578	347,878
Mitigation Credits	1,910,560	-	-	1,910,560
Due from Other Funds	-	140,559	-	140,559
	<u>6,284,956</u>	<u>2,882,425</u>	<u>55,367,845</u>	<u>64,535,226</u>
Total Current Assets				
	<u>6,284,956</u>	<u>2,882,425</u>	<u>55,367,845</u>	<u>64,535,226</u>
Non-current Assets:				
Capital Assets:				
Not Being Depreciated	389,474	445,436	320,008	1,154,918
Being Depreciated, Net of Accumulated Depreciation and Amortization	-	1,097,095	105,260,007	106,357,102
	<u>389,474</u>	<u>1,542,531</u>	<u>105,580,015</u>	<u>107,512,020</u>
Total Non-current Assets				
	<u>389,474</u>	<u>1,542,531</u>	<u>105,580,015</u>	<u>107,512,020</u>
Total Assets	<u>6,674,430</u>	<u>4,424,956</u>	<u>160,947,860</u>	<u>172,047,246</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amounts from Pension Plans	-	3,825,434	-	3,825,434
Deferred Amounts from OPEB Plan	-	392,876	-	392,876
	<u>-</u>	<u>392,876</u>	<u>-</u>	<u>392,876</u>
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 4,218,310</u>	<u>\$ -</u>	<u>\$ 4,218,310</u>

Santa Ana Watershed Project Authority
Combining Schedule of Net Position - Continued
Enterprise Funds
June 30, 2020

	Capital Projects Activities	Internal Administration	Enterprise Activities	Totals
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 2,102,939	\$ 78,339	\$ 1,459,012	\$ 3,640,290
Accrued Salaries and Wages	-	157,207	-	157,207
Accrued Interest Payable	66	-	256,048	256,114
Due to Other Funds	140,559	-	-	140,559
Long-term Liabilities - Due Within One Year:				
Compensated Absences	-	214,330	-	214,330
Loans Payable	-	-	2,214,971	2,214,971
Total Current Liabilities	2,243,564	449,876	3,930,031	6,623,471
Noncurrent Liabilities:				
Unearned Revenue	-	-	65,188,826	65,188,826
Long-term Liabilities - Due in More Than One Year:				
Compensated Absences	-	500,103	-	500,103
Loans Payable	-	-	25,471,970	25,471,970
Net Pension Liability	-	4,081,229	-	4,081,229
Net OPEB Liability	-	503,309	-	503,309
Total Noncurrent Liabilities	-	5,084,641	90,660,796	95,745,437
Total Liabilities	2,243,564	5,534,517	94,590,827	102,368,908
DEFERRED INFLOWS OF RESOURCES				
Deferred Amount from Pension Plans	-	349,158	-	349,158
Deferred Amount from OPEB Plan	-	222,384	-	222,384
Total Deferred Inflows of Resources	-	571,542	-	571,542
NET POSITION				
Net Investment in Capital Assets	389,474	1,542,531	77,893,074	79,825,079
Restricted for:				
SRF Reach IVA & IVB Reserve Requirement	-	-	1,050,000	1,050,000
Mitigation	1,910,560	-	-	1,910,560
Unrestricted	2,130,832	994,676	(12,586,041)	(9,460,533)
Total Net Position	\$ 4,430,866	\$ 2,537,207	\$ 66,357,033	\$ 73,325,106

Santa Ana Watershed Project Authority
Combining Schedule of Revenues, Expenses and Changes in Net Position
Enterprise Funds
For the Year Ended June 30, 2020

	Capital Projects Activities	Internal Administration	Enterprise Activities	Totals
OPERATING REVENUES				
Wastewater Treatment and Disposal	\$ -	\$ -	\$ 11,547,220	\$ 11,547,220
Wastewater Treatment and Disposal - Capacity Rights	-	-	2,510,154	2,510,154
Other	191,267	2,425	-	193,692
Total Operating Revenues	191,267	2,425	14,057,374	14,251,066
OPERATING EXPENSES				
Wastewater Treatment and Disposal	-	-	6,682,965	6,682,965
General and Administrative and Overhead	-	989,568	-	989,568
Studies and Planning Costs	4,396,714	-	-	4,396,714
Total Operating Expenses	4,396,714	989,568	6,682,965	12,069,247
Operating Income (Loss) Before Depreciation and Amortization	(4,205,447)	(987,143)	7,374,409	2,181,819
Depreciation	-	(98,292)	(3,661,279)	(3,759,571)
Amortization	-	-	(1,400,918)	(1,400,918)
Operating Income (Loss)	(4,205,447)	(1,085,435)	2,312,212	(2,978,670)
NONOPERATING REVENUES (EXPENSES)				
Member Contributions	925,000	676,965	503,990	2,105,955
Intergovernmental	3,656,438	400,080	778,275	4,834,793
Investment Earnings	57,486	57,131	1,381,737	1,496,354
Interest Expense	-	-	(643,758)	(643,758)
Grant Program Expenses	(2,152,930)	(400,021)	(492,453)	(3,045,404)
Gain/Loss on Disposal of Assets	-	(5,440)	1,800	(3,640)
Total Nonoperating Revenues (Expenses)	2,485,994	728,715	1,529,591	4,744,300
Income (Loss) Before Transfers	(1,719,453)	(356,720)	3,841,803	1,765,630
TRANSFERS	1,704,583	1,599,764	(3,304,347)	-
Changes in Net Position	(14,870)	1,243,044	537,456	1,765,630
Net Position - Beginning of Year	4,445,736	1,294,163	65,819,577	71,559,476
Net Position - End of Year	\$ 4,430,866	\$ 2,537,207	\$ 66,357,033	\$ 73,325,106

Santa Ana Watershed Project Authority
Combining Schedule of Net Position
Capital Projects Activities
June 30, 2020

	Brine Line Protection Project	Basin Planning	Watershed Management Plan
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,365,419	\$ 273,319	\$ 260,162
Cash and Cash Equivalents - Restricted	-	-	-
Interest Receivable	-	1,322	1,216
Accounts Receivable - Grants	-	-	-
Accounts Receivable - Other	-	-	-
Mitigation Credits	-	-	-
	<u>1,365,419</u>	<u>274,641</u>	<u>261,378</u>
Total Current Assets			
Noncurrent Assets:			
Capital Assets:			
Not Being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>1,365,419</u>	<u>274,641</u>	<u>261,378</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,365,419	14,758	20,657
Accrued Interest Payable	-	-	-
Due to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,365,419</u>	<u>14,758</u>	<u>20,657</u>
NET POSITION			
Net Investment in Capital Assets	-	-	-
Restricted for Mitigation	-	-	-
Unrestricted	<u>-</u>	<u>259,883</u>	<u>240,721</u>
Total Net Position	<u>\$ -</u>	<u>\$ 259,883</u>	<u>\$ 240,721</u>

Basin Monitoring Prg. Task Force	Santa Ana River Fish Conservation	MSAR TMDL Task Force	RWQ Monitoring Task Force	Arundo Mgmt. & Habitat Restoration
\$ 144,459	\$ 127,925	\$ 154,901	\$ 295,065	\$ -
-	-	-	-	958,564
750	454	597	1,174	3,331
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,910,560
<u>145,209</u>	<u>128,379</u>	<u>155,498</u>	<u>296,239</u>	<u>2,872,455</u>
-	-	-	-	-
-	-	-	-	-
<u>145,209</u>	<u>128,379</u>	<u>155,498</u>	<u>296,239</u>	<u>2,872,455</u>
18,531	592	4,195	48,852	-
-	-	-	-	-
-	-	-	-	-
<u>18,531</u>	<u>592</u>	<u>4,195</u>	<u>48,852</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	1,910,560
<u>126,678</u>	<u>127,787</u>	<u>151,303</u>	<u>247,387</u>	<u>961,895</u>
<u>\$ 126,678</u>	<u>\$ 127,787</u>	<u>\$ 151,303</u>	<u>\$ 247,387</u>	<u>\$ 2,872,455</u>

Santa Ana Watershed Project Authority
Combining Schedule of Net Position - Continued
Capital Projects Activities
June 30, 2020

	Water Energy DAC Grant	Emerging Constituents Task Force	Lake Elsinore Management
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 14,342	\$ -
Cash and Cash Equivalents - Restricted	-	-	-
Interest Receivable	-	76	-
Accounts Receivable - Grants	-	-	-
Accounts Receivable - Other	-	-	18,785
Mitigation Credits	-	-	-
	<hr/>	<hr/>	<hr/>
Total Current Assets	-	14,418	18,785
	<hr/>	<hr/>	<hr/>
Noncurrent Assets:			
Capital Assets:			
Not Being Depreciated	-	-	-
	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets	-	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	-	14,418	18,785
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	587	-
Accrued Interest Payable	-	-	66
Due to Other Funds	-	-	17,387
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	-	587	17,453
	<hr/>	<hr/>	<hr/>
NET POSITION			
Net Investment in Capital Assets	-	-	-
Restricted for Mitigation	-	-	-
Unrestricted	-	13,831	1,332
	<hr/>	<hr/>	<hr/>
Total Net Position	\$ -	\$ 13,831	\$ 1,332
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<u>Reach IV-D Corrosion Repair</u>	<u>Prop 1 DACI Grant</u>	<u>Totals</u>
\$ -	\$ -	\$ 2,635,592
-	-	958,564
-	-	8,920
-	752,535	752,535
-	-	18,785
-	-	1,910,560
<u>-</u>	<u>752,535</u>	<u>6,284,956</u>
 389,474	 -	 389,474
<u>389,474</u>	<u>-</u>	<u>389,474</u>
 389,474	 752,535	 6,674,430
<u>389,474</u>	<u>752,535</u>	<u>6,674,430</u>
 -	 629,348	 2,102,939
-	-	66
-	123,172	140,559
<u>-</u>	<u>123,172</u>	<u>140,559</u>
 0	 752,520	 2,243,564
<u>0</u>	<u>752,520</u>	<u>2,243,564</u>
 389,474	 -	 389,474
-	-	1,910,560
-	15	2,130,832
<u>-</u>	<u>15</u>	<u>2,130,832</u>
<u>\$ 389,474</u>	<u>\$ 15</u>	<u>\$ 4,430,866</u>

Santa Ana Watershed Project Authority
Combining Schedule of Revenues, Expenses and Changes in Net Position
Capital Projects Activities
For the Year Ended June 30, 2020

	Brine Line Protection Project	Basin Planning	Watershed Management Plan
OPERATING REVENUES			
Other	\$ -	\$ -	\$ -
Total Operating Revenues	-	-	-
OPERATING EXPENSES			
Studies and Planning Costs	1,632,075	413,031	499,854
Total Operating Expenses	1,632,075	413,031	499,854
Operating Loss	(1,632,075)	(413,031)	(499,854)
NONOPERATING REVENUES (EXPENSES)			
Member Contributions	-	455,000	450,000
Intergovernmental	-	-	2,976
Investment Earnings	-	8,625	8,892
Grant Program Expenses	-	-	-
Total Nonoperating Revenues (Expenses)	-	463,625	461,868
Income (Loss) Before Transfers	(1,632,075)	50,594	(37,986)
TRANSFERS	1,677,145	-	-
Changes in Net Position	45,070	50,594	(37,986)
Net Position - Beginning of Year	(45,070)	209,289	278,707
Net Position - End of Year	\$ -	\$ 259,883	\$ 240,721

<u>Basin Monitoring Prg. Task Force</u>	<u>Santa Ana River Fish Conservation</u>	<u>MSAR TMDL Task Force</u>	<u>RWQ Monitoring Task Force</u>	<u>Arundo Mgmt. & Habitat Restoration</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>503,640</u>	<u>23,753</u>	<u>259,295</u>	<u>347,286</u>	<u>12,729</u>
<u>503,640</u>	<u>23,753</u>	<u>259,295</u>	<u>347,286</u>	<u>12,729</u>
<u>(503,640)</u>	<u>(23,753)</u>	<u>(259,295)</u>	<u>(347,286)</u>	<u>(12,729)</u>
-	10,000	-	-	-
352,016	19,000	412,032	300,520	-
7,432	2,373	4,071	6,315	17,863
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>359,448</u>	<u>31,373</u>	<u>416,103</u>	<u>306,835</u>	<u>17,863</u>
<u>(144,192)</u>	<u>7,620</u>	<u>156,808</u>	<u>(40,451)</u>	<u>5,134</u>
<u>-</u>	<u>-</u>	<u>(132,344)</u>	<u>132,344</u>	<u>-</u>
<u>(144,192)</u>	<u>7,620</u>	<u>24,464</u>	<u>91,893</u>	<u>5,134</u>
<u>270,870</u>	<u>120,167</u>	<u>126,839</u>	<u>155,494</u>	<u>2,867,321</u>
<u>\$ 126,678</u>	<u>\$ 127,787</u>	<u>\$ 151,303</u>	<u>\$ 247,387</u>	<u>\$ 2,872,455</u>

Santa Ana Watershed Project Authority
Combining Schedule of Revenues, Expenses and Changes in Net Position - Continued
Capital Projects Activities
For the Year Ended June 30, 2020

	<u>Water Energy DAC Grant</u>	<u>Emerging Constituents Task Force</u>	<u>Lake Elsinore Management</u>
OPERATING REVENUES			
Other	\$ -	\$ -	\$ 191,267
Total Operating Revenues	-	-	191,267
OPERATING EXPENSES			
Studies and Planning Costs	9,189	98,719	201,297
Total Operating Expenses	9,189	98,719	201,297
Operating Loss	(9,189)	(98,719)	(10,030)
NONOPERATING REVENUES (EXPENSES)			
Member Contributions	-	-	10,000
Intergovernmental	(18,884)	40,001	-
Investment Earnings	1,175	740	-
Grant Program Expenses	-	-	-
Total Nonoperating Revenues (Expenses)	(17,709)	40,741	10,000
Income (Loss) Before Transfers	(26,898)	(57,978)	(30)
TRANSFERS	(20,601)	-	-
Changes in Net Position	(47,499)	(57,978)	(30)
Net Position - Beginning of Year	47,499	71,809	1,362
Net Position - End of Year	\$ -	\$ 13,831	\$ 1,332

<u>Reach IV-D Corrosion Repair</u>	<u>Prop 1 DACI Grant</u>	<u>Totals</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,267</u>
<u>-</u>	<u>-</u>	<u>191,267</u>
<u>-</u>	<u>395,846</u>	<u>4,396,714</u>
<u>-</u>	<u>395,846</u>	<u>4,396,714</u>
<u>-</u>	<u>(395,846)</u>	<u>(4,205,447)</u>
-	-	925,000
-	2,548,777	3,656,438
-	-	57,486
<u>-</u>	<u>(2,152,930)</u>	<u>(2,152,930)</u>
<u>-</u>	<u>395,847</u>	<u>2,485,994</u>
-	1	(1,719,453)
<u>48,039</u>	<u>-</u>	<u>1,704,583</u>
48,039	1	(14,870)
<u>341,435</u>	<u>14</u>	<u>4,445,736</u>
<u>\$ 389,474</u>	<u>\$ 15</u>	<u>\$ 4,430,866</u>

Santa Ana Watershed Project Authority
Combining Schedule of Net Position
Enterprise Activities
June 30, 2020

	Prop 84 Drought & Final Round	Brine Line Enterprise	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 652,501	\$ 40,352,323	\$ 41,004,824
Investments	-	11,493,118	11,493,118
Interest Receivable	-	133,019	133,019
Accounts Receivable	-	1,946,721	1,946,721
Accounts Receivable - Grants	604,585	-	604,585
Prepaid Items and Other Assets	-	185,578	185,578
Total Current Assets	<u>1,257,086</u>	<u>54,110,759</u>	<u>55,367,845</u>
Noncurrent Assets:			
Capital Assets:			
Not Being Depreciated	-	320,008	320,008
Being Depreciated, Net of Accumulated Depreciation and Amortization	<u>-</u>	<u>105,260,007</u>	<u>105,260,007</u>
Total Noncurrent Assets	<u>-</u>	<u>105,580,015</u>	<u>105,580,015</u>
Total Assets	<u>1,257,086</u>	<u>159,690,774</u>	<u>160,947,860</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	451,988	1,007,024	1,459,012
Accrued Interest Payable	-	256,048	256,048
Long-term Liabilities - Due Within One Year:			
Loans Payable	<u>-</u>	<u>2,214,971</u>	<u>2,214,971</u>
Total Current Liabilities	<u>451,988</u>	<u>3,478,043</u>	<u>3,930,031</u>
Noncurrent Liabilities:			
Unearned Revenue	-	65,188,826	65,188,826
Long-term Liabilities - Due in More Than One Year:			
Loans Payable	<u>-</u>	<u>25,471,970</u>	<u>25,471,970</u>
Total Noncurrent Liabilities	<u>-</u>	<u>90,660,796</u>	<u>90,660,796</u>
Total Liabilities	<u>451,988</u>	<u>94,138,839</u>	<u>94,590,827</u>
NET POSITION			
Net Investment in Capital Assets	-	77,893,074	77,893,074
Restricted for:			
SRF Reach IVA & IVB Reserve Requirement	-	1,050,000	1,050,000
Unrestricted	<u>805,098</u>	<u>(13,391,139)</u>	<u>(12,586,041)</u>
Total Net Position	<u>\$ 805,098</u>	<u>\$ 65,551,935</u>	<u>\$ 66,357,033</u>

Santa Ana Watershed Project Authority
Combining Schedule of Revenues, Expenses and Changes in Net Position
Enterprise Activities
For the Year Ended June 30, 2020

	Prop 84 Drought & Final Round	Brine Line Enterprise	Totals
OPERATING REVENUES			
Wastewater Treatment and Disposal	\$ -	\$ 11,547,220	\$ 11,547,220
Wastewater Treatment and Disposal - Capacity Rights	-	2,510,154	2,510,154
Total Operating Revenues	-	14,057,374	14,057,374
OPERATING EXPENSES			
Wastewater Treatment and Disposal	-	6,682,965	6,682,965
Total Operating Expenses	-	6,682,965	6,682,965
Operating Income (Loss) Before Depreciation and Amortization	-	7,374,409	7,374,409
Depreciation	-	(3,661,279)	(3,661,279)
Amortization	-	(1,400,918)	(1,400,918)
Operating Income (Loss)	-	2,312,212	2,312,212
NONOPERATING REVENUES (EXPENSES)			
Member Contributions	503,990	-	503,990
Intergovernmental	778,275	-	778,275
Investment Earnings	-	1,381,737	1,381,737
Investment Expense	-	(643,758)	(643,758)
Grant Program Expenses	(492,453)	-	(492,453)
Gain/Loss on Disposal of Fixed Asset	-	1,800	1,800
Total Nonoperating Revenues (Expenses)	789,812	739,779	1,529,591
Income Before Transfers	789,812	3,051,991	3,841,803
TRANSFERS	-	(3,304,347)	(3,304,347)
Changes in Net Position	789,812	(252,356)	537,456
Net Position - Beginning of Year	15,286	65,804,291	65,819,577
Net Position - End of Year	<u>\$ 805,098</u>	<u>\$ 65,551,935</u>	<u>\$ 66,357,033</u>

Santa Ana Watershed Project Authority
Combining Statements of Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2020

	Legal Defense Fund	Integrated Regional Management Program Prop 84 Capital Projects	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 466,361	\$ -	\$ 466,361
Accounts Receivable - Grants	-	8,325,260	8,325,260
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 466,361</u>	<u>\$ 8,325,260</u>	<u>\$ 8,791,621</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ -	\$ 8,325,260	\$ 8,325,260
	<u> </u>	<u> </u>	<u> </u>
Total Current Liabilities	<u>-</u>	<u>8,325,260</u>	<u>8,325,260</u>
Noncurrent Liabilities:			
Deposits - Legal Defense	466,361	-	466,361
	<u> </u>	<u> </u>	<u> </u>
Total Noncurrent Liabilities	<u>466,361</u>	<u>-</u>	<u>466,361</u>
Total Liabilities	<u>\$ 466,361</u>	<u>\$ 8,325,260</u>	<u>\$ 8,791,621</u>

Santa Ana Watershed Project Authority
Combining Statements of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
LEGAL DEFENSE FUND				
Current Assets:				
Cash and Cash Equivalents	\$ 458,596	\$ 7,765	\$ -	\$ 466,361
Total Assets	<u>\$ 458,596</u>	<u>\$ 7,765</u>	<u>\$ -</u>	<u>\$ 466,361</u>
Noncurrent Liabilities:				
Deposits - Legal Defense	\$ 458,596	\$ 7,765	\$ -	\$ 466,361
Total Liabilities	<u>\$ 458,596</u>	<u>\$ 7,765</u>	<u>\$ -</u>	<u>\$ 466,361</u>
INTEGRATED REGIONAL WATER MANAGEMENT PROGRAM - PROP 84 CAPITAL PROJECTS				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 20,665,352	\$ 20,665,352	\$ -
Account Receivable - Grants	25,209,477	30,371,958	47,256,175	8,325,260
Total Assets	<u>\$ 25,209,477</u>	<u>\$ 51,037,310</u>	<u>\$ 67,921,527</u>	<u>\$ 8,325,260</u>
Current Liabilities:				
Accounts Payable	\$ 25,209,477	\$ (47,847,608)	\$ (30,963,391)	\$ 8,325,260
Total Liabilities	<u>\$ 25,209,477</u>	<u>\$ (47,847,608)</u>	<u>\$ (30,963,391)</u>	<u>\$ 8,325,260</u>
TOTAL AGENCY FUNDS				
Current Assets:				
Cash and Cash Equivalents	\$ 458,596	\$ 20,673,117	\$ 20,665,352	\$ 466,361
Accounts Receivable - Grants	25,209,477	30,371,958	47,256,175	8,325,260
Total Assets	<u>\$ 25,668,073</u>	<u>\$ 51,045,075</u>	<u>\$ 67,921,527</u>	<u>\$ 8,791,621</u>
Current Liabilities:				
Accounts Payable	\$ 25,209,477	\$ (47,847,608)	\$ (30,963,391)	\$ 8,325,260
Noncurrent Liabilities:				
Deposits - Legal Defense	458,596	7,765	-	466,361
Total Liabilities	<u>\$ 25,668,073</u>	<u>\$ (47,839,843)</u>	<u>\$ (30,963,391)</u>	<u>\$ 8,791,621</u>

Statistical Section



Statistical Section

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate revenues.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other agencies.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the service the Authority provides.

**Table I – Net Position by Component
Last Ten Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net Investment in Capital Assets	\$79,825,079	\$82,216,012	\$85,226,499	\$90,622,870	\$84,798,833	\$82,709,425	\$80,456,568	\$81,274,020	\$80,560,654	\$81,597,589
Restricted	2,960,560	2,960,560	2,960,560	3,921,155	3,923,403	3,969,074	4,167,861	4,232,102	4,263,626	3,347,218
Unrestricted	(9,460,533)	(13,617,096)	(19,510,100)	(24,155,787)	(21,554,491)	(21,643,941)	(20,734,190)	(17,845,678)	(17,765,116)	(19,325,941)
Total Net Position	\$73,325,106	\$71,559,476	\$68,676,959	\$70,388,238	\$67,167,745	\$65,034,558	\$63,890,239	\$67,660,444	\$67,059,164	\$65,618,866

Source: Santa Ana Watershed Project Authority

**Table II – Changes in Net Position
Last Ten Fiscal Years**

Fiscal Year	Operating Revenue (1)	Operating Expense (2)	Operating Income/(Loss)	Total Non Operating Revenue/ (Expense)	Income/(Loss) Before Capital Contributions	Special Items (3)	Change in Net Position
2020	\$14,251,066	\$17,229,736	(\$2,978,670)	\$4,744,300	\$1,765,630	\$0	\$1,765,630
2019	15,050,312	17,097,853	(2,047,541)	4,930,058	2,882,517	0	2,882,517
2018	13,665,500	19,212,739	(5,547,239)	4,763,383	(783,856)	(927,423)	(1,711,279)
2017	13,997,461	14,881,490	(884,029)	4,104,522	3,220,493	0	3,220,493
2016	12,049,027	12,762,714	(713,687)	2,846,874	2,133,187	0	2,133,187
2015	11,731,196	13,057,424	(1,326,228)	2,470,547	1,144,319	0	1,144,319
2014	11,243,430	14,527,075	(3,283,645)	2,219,169	(1,064,476)	(2,705,729)	(3,770,205)
2013	11,900,861	14,312,673	(2,411,812)	3,013,092	601,280	0	601,280
2012	12,739,489	14,859,529	(2,120,040)	3,394,668	1,274,628	0	1,274,628
2011	13,743,782	16,662,206	(2,918,424)	2,776,443	(141,981)	0	(141,981)

(1) See Table III for details of revenues.

(2) See Table IV for details of expenses.

(3) Reduction of net position from implementation of GASB 68 and GASB 75.

Source: Santa Ana Watershed Project Authority

Table III – Revenues by Source
(Excluding Capital Contributions and Special Items)
Last Ten Fiscal Years

Operating Revenues						NonOperating Revenues						
Fiscal Year	WWT & Disposal	WWT & Disposal Capacity Rights	Program Admin	Other Operating	Total Operating Revenue	Member Contributions	Inter Governmental	Investment Income	Gain on Disposal of Asset	Other Non Operating Income	Total Non Operating Income	Combined Revenue
2020	\$11,547,220	\$2,510,154	\$0	\$193,692	\$14,251,066	\$2,105,955	\$4,834,793	\$1,496,354	\$0	\$0	\$8,437,102	\$22,688,168
2019	12,334,346	2,510,154	0	205,812	15,050,312	1,909,415	3,490,615	1,660,061	0	0	7,060,091	22,110,403
2018	10,935,848	2,510,154	0	219,498	13,665,500	2,303,325	3,413,408	326,487	0	0	6,043,220	19,708,720
2017	11,273,024	2,519,533	0	204,904	13,997,461	2,307,624	4,795,478	193,157	0	0	7,296,259	21,293,720
2016	9,323,505	2,519,748	0	205,774	12,049,027	1,730,491	2,765,270	567,709	1,123	0	5,064,593	17,113,620
2015	8,958,914	2,510,154	0	262,128	11,731,196	1,806,745	1,257,581	432,179	1,123	0	3,497,628	15,228,824
2014	8,575,085	2,510,154	0	158,191	11,243,430	1,771,587	843,283	457,867	13,021	0	3,085,758	14,329,188
2013	9,170,287	2,510,154	0	220,420	11,900,861	1,829,845	1,432,832	343,591	0	0	3,606,268	15,507,129
2012	10,053,123	2,481,109	0	205,257	12,739,489	1,697,194	2,563,956	1,058,984	2,223	0	5,322,357	18,061,846
2011	10,989,257	2,467,971	268,253	18,301	13,743,782	1,646,170	1,542,723	1,178,639	0	42,000	4,409,532	18,153,314

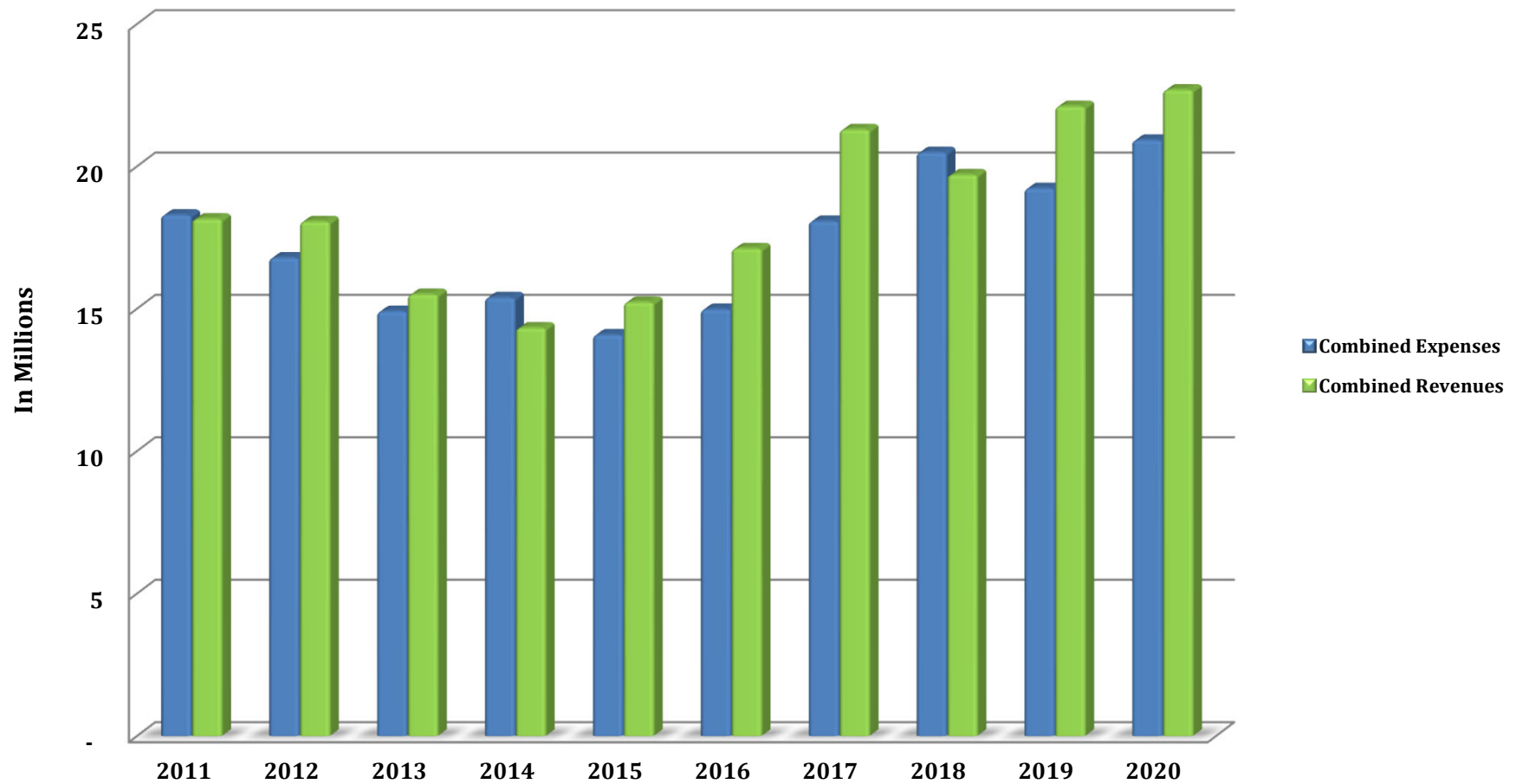
Source: Santa Ana Watershed Project Authority

**Table IV – Expenses by Function
Last Ten Fiscal Years**

Operating Expenses								
Fiscal Year	WWT & Disposal	General & Admin	Studies & Planning Costs	Depreciation	Amortization of WWT Rights	Total Operating Expenses	Total Non Operating Expenses	Combined Expenses
2020	\$6,682,965	\$989,568	\$4,396,714	\$3,759,571	\$1,400,918	\$17,229,736	\$3,692,802	\$20,922,538
2019	6,545,654	1,326,428	4,082,052	3,742,801	1,400,918	17,097,853	2,130,033	19,227,886
2018	5,841,074	1,429,043	7,186,572	3,355,132	1,400,918	19,212,739	1,279,837	20,492,576
2017	6,421,150	591,686	3,293,487	3,174,253	1,400,914	14,881,490	3,191,737	18,073,227
2016	6,434,652	270,613	1,485,977	3,170,554	1,400,918	12,762,714	2,217,719	14,980,433
2015	6,222,868	678,992	1,604,703	3,149,943	1,400,918	13,057,424	1,027,081	14,084,505
2014	6,864,435	487,308	2,636,556	3,137,858	1,400,918	14,527,075	866,589	15,393,664
2013	6,686,530	588,883	2,501,681	3,134,661	1,400,918	14,312,673	593,176	14,905,849
2012	7,356,155	1,125,143	2,244,658	2,732,655	1,400,918	14,859,529	1,927,689	16,787,218
2011	7,491,739	838,929	4,287,122	2,643,498	1,400,918	16,662,206	1,633,089	18,295,295

Source: Santa Ana Watershed Project Authority

Chart I - Combined Expenses and Revenues
Last Ten Fiscal Years



**Table V - Wastewater Discharge by Type
Last Ten Fiscal Years**

Discharge Type	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Industrial *	190.4205	146.2297	158.8551	182.3629	176.0173	149.1266	149.7733	153.7463	235.2575	233.8056
Domestic *	370.4246	365.5703	594.2034	605.6648	539.1186	686.9780	817.2502	854.2526	1,027.1307	1,015.4773
Power Plant *	165.5022	182.3315	151.9927	211.0939	203.7717	255.9079	238.1875	285.4555	362.7061	346.2390
Water Supply/Desalter *	3,260.4603	2,977.7296	2,838.0161	2,832.6086	2,789.4969	2,894.5452	2,698.2170	2,728.7335	2,657.6589	2,702.2033
Temp/Emergency *	6.3320	13.8265	2.2784	12.9104	4.7210	6.9285	10.6266	7.9366	5.0106	20.1418
Truck Discharge *	31.8486	32.1043	36.2431	29.9249	34.3066	27.2869	23.3557	30.6147	42.3407	43.2777
Total	4,042.9882	3,717.7919	3,781.5888	3,874.5655	3,747.4321	4,020.7731	3,937.4103	4,060.7392	4,330.1045	4,361.1447

* MGD = million gallons per day

Source: Santa Ana Watershed Project Authority

**Table VI - Summary of Wastewater Treatment Rates
Last Ten Fiscal Years**

Fiscal Year	Flow per MGD*	BOD Charge (1,000 lbs)	TSS Charge (1,000 lbs)	Minimum Flow Charge	Monthly Fixed Pipeline Charge	Monthly Fixed Treatment Charge	Truck – Non-Brine (per gallon)	Truck – Tier 1 (per gallon)	Truck – Tier 2 (per gallon)	Truck – Tier 3 (per gallon)	Truck – Brine (per gallon)
2020	\$979.00	\$316.00	\$442.00	\$150.00	\$6,398.00	\$12,985.00	(a)	n/a	n/a	n/a	\$0.015
2019	946.00	307.00	429.00	150.00	6,217.00	12,607.00	(a)	n/a	n/a	n/a	0.015
2018	901.00	307.00	429.00	150.00	5,921.00	12,007.00	(b)	0.017	0.035	(c)	0.012
2017	858.00	307.00	429.00	150.00	5,639.00	11,433.00	(b)	0.016	0.033	(d)	0.011
2016	817.00	301.00	420.00	150.00	5,370.00	10,888.00	(b)	0.015	0.032	(e)	0.010
2015	777.00	295.00	411.00	150.00	5,114.00	10,369.00	(b)	0.015	0.031	(f)	0.010
2014	736.00	266.00	395.00	150.00	4,870.00	9,875.00	(b)	0.015	0.031	(g)	0.010
2013	794.00	253.00	376.00	150.00	4,083.00	8,749.00	(b)	0.015	0.030	(h)	0.010
2012	830.00	225.00	335.00	150.00	3,430.00	7,868.00	(b)	0.014	0.029	(i)	0.010
2011	891.00	312.00	462.00	150.00	2,710.00	6,775.00	(b)	0.015	0.032	(j)	0.010

* MGD – million gallons per day

- (a) FYE 2019 and FYE 2020 - Non-brine truck rate dischargers will be charged based on actual BOD and TSS concentrations over 100 mg/l using the following components: \$0.015 per gallon, \$0.75/pound of BOD, and \$0.716/pound of TSS.
- (b) Non-brine truck rate was divided into three tiers based on BOD and TSS Concentrations. Tier 1 = 100 to 999 mg/l, Tier 2 = 1,000 to 2,499 mg/l, and Tier 3 = 2,500 mg/l and higher.
- (c) FYE 2018 – Tier 3 dischargers will be charged based on actual concentrations of the waste discharged using the following components: \$0.0029/gallon, \$0.729/pound of BOD, and \$0.695/pound of TSS.
- (d) FYE 2017 – Tier 3 dischargers will be charged based on actual concentrations of the waste discharged using the following components: \$0.0027/gallon, \$0.695/pound of BOD, and \$0.662/pound of TSS.
- (e) FYE 2016 – Tier 3 dischargers will be charged based on actual concentrations of the waste discharged using the following components: \$0.0026/gallon, \$0.694/pound of BOD, and \$0.661/pound of TSS.
- (f) FYE 2015 – Tier 3 dischargers will be charged based on actual concentrations of the waste discharged using the following components: \$0.0026/gallon, \$0.687/pound of BOD, and \$0.652/pound of TSS.
- (g) FYE 2014 – Tier 3 dischargers will be charged based on actual concentrations of the waste discharged using the following components: \$0.0026/gallon, \$0.658/pound of BOD, and \$0.636/pound of TSS.
- (h) FYE 2013 - Tier 3 dischargers will be charged based on the actual concentration of the waste discharged using the following components: \$0.0026/gallon, \$0.645/pound of BOD, and \$0.617/pound of TSS.
- (i) FYE 2012 - Tier 3 dischargers will be charged based on the actual concentration of the waste discharged using the following components: \$0.0026/gallon, \$0.617/pound of BOD, and \$0.576/pound of TSS.
- (j) FYE 2011 - Tier 3 dischargers will be charged based on the actual concentration of the waste discharged using the following components: \$0.0025/gallon, \$0.672/pound of BOD, and \$0.683/pound of TSS.

Source: Santa Ana Watershed Project Authority

**Table VII - Principal Sewer Customers
Current Fiscal Year and Nine Years Prior**

Fiscal Year 2019-20

Customer Name	Discharge in MG*	Percentage of Total Discharge
Chino Desalter I	743.5375	18.47%
Chino Desalter II	627.8745	15.60%
Temescal Desalter	580.6306	14.43%
Perris Desalter	461.8701	11.48%
Arlington Desalter	340.6981	8.46%
Menifee Desalter	328.6157	8.16%
JCSD – Etiwanda **	205.8357	5.11%
Mountainview Power Plant	157.5441	3.91%
Yucaipa Valley Water District	142.0501	3.53%
Chino Institute for Women	82.6589	2.05%
Total Principal Customers	3,671.3153	91.21%
Other Customers	353.6729	8.79%
Total Discharge	4,024.9882	100.00%

Fiscal Year 2010-11

Customer Name	Discharge in MG*	Percentage of Total Discharge
Chino Desalter I	702.1083	16.10%
Temescal Desalter	595.5962	13.66%
Chino Desalter II	464.8863	10.66%
JCSD – Etiwanda **	399.969	9.17%
Menifee Desalter	334.0304	7.66%
Arlington Desalter	300.5585	6.89%
Perris Desalter	288.1966	6.61%
California Rehabilitation Center	229.2935	5.26%
Inland Empire Energy Center	203.5135	4.67%
Chino Institute for Women	143.2430	3.28%
Total Principal Customers	3,661.3953	83.95%
Other Customers	699.7494	16.05%
Total Discharge	4,361.1447	100.00%

* MG – million gallons

** Jurupa Community Services District (JCSD) connections.

Source: Santa Ana Watershed Project Authority

**Table VIII - Debt Coverage Ratio
Last Ten Fiscal Years**

Fiscal Year	Debt Service Requirements				Debt to Expense Ratio
	Combined Expenses	SRF Loans *	Member Loans **	Total Debt	
2020	\$20,922,538	\$2,835,753	\$-	\$2,835,753	13.6%
2019	19,227,886	2,835,753	-	2,835,753	14.7%
2018	20,492,576	2,704,270	356,250	3,060,520	14.9%
2017	18,073,226	2,704,475	356,250	3,060,725	16.9%
2016	14,980,433	3,618,242	356,250	3,974,492	26.5%
2015	14,084,505	4,152,560	356,250	4,508,810	32.0%
2014	15,393,664	4,222,260	356,250	4,578,510	29.7%
2013	14,905,849	4,179,190	356,250	4,535,440	30.4%
2012	16,787,218	4,179,191	356,250	4,535,441	27.0%
2011	18,295,295	4,179,191	356,250	4,535,441	24.8%

The Authority does not receive property tax. All revenues are collected through rates and fees or agency contributions.

The Authority does not have any outstanding Revenue Bonds. The only debt of the Authority is SRF and member agency loans.

Notes:

* *State Revolving Fund (SRF) Loans for construction of the Brine Line.*

** *Repurchase of Pipeline Capacity from Orange County Water District.*

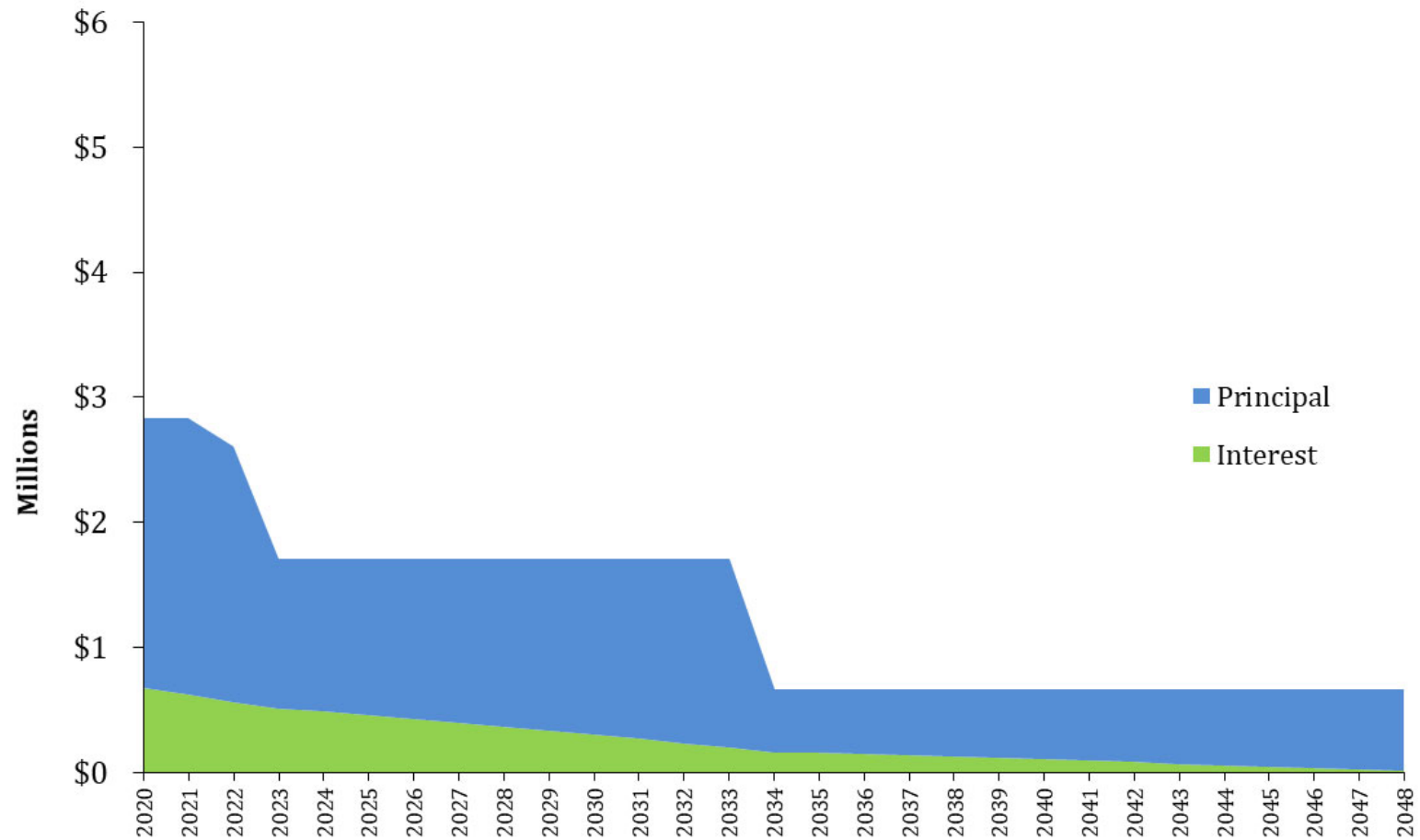
Source: Santa Ana Watershed Project Authority

**Table IX - Debt Service Payment Schedule
Fiscal Years 2020- 2048**

Fiscal Year	Interest	Principal	Total Payment	Remaining Principal
2020	\$675,214	\$2,160,539	\$2,835,753	\$27,686,941
2021	620,782	2,214,971	2,835,753	25,471,969
2022	564,959	2,043,480	2,608,439	23,428,489
2023	514,301	1,195,175	1,709,476	22,233,314
2024	486,080	1,223,395	1,709,476	21,009,919
2025	457,181	1,252,295	1,709,476	19,757,624
2026	427,585	1,281,891	1,709,476	18,475,734
2027	397,276	1,312,199	1,709,476	17,163,534
2028	366,237	1,343,239	1,709,476	15,820,295
2029	334,449	1,375,027	1,709,476	14,445,268
2030	301,894	1,407,582	1,709,476	13,037,686
2031	268,553	1,440,923	1,709,476	11,596,763
2032	234,407	1,475,068	1,709,476	10,121,695
2033	199,437	1,510,039	1,709,476	8,611,656
2034	163,621	501,581	665,203	8,110,075
2035	154,091	511,111	665,203	7,598,964
2036	144,380	520,822	665,203	7,078,142
2037	134,485	530,718	665,203	6,547,424
2038	124,401	540,801	665,203	6,006,622
2039	114,126	551,077	665,203	5,455,546
2040	103,655	561,547	665,203	4,893,999
2041	92,986	572,217	665,203	4,321,782
2042	82,114	583,089	665,203	3,738,693
2043	71,035	594,167	665,203	3,144,526
2044	59,746	605,457	665,203	2,539,069
2045	48,242	616,960	665,203	1,922,109
2046	36,520	628,682	665,203	1,293,427
2047	24,575	640,627	665,203	652,799
2048	12,403	652,799	665,203	0

Source: Santa Ana Watershed Project Authority

Chart II – Debt Service Payment Schedule
Fiscal Years 2020 - 2048

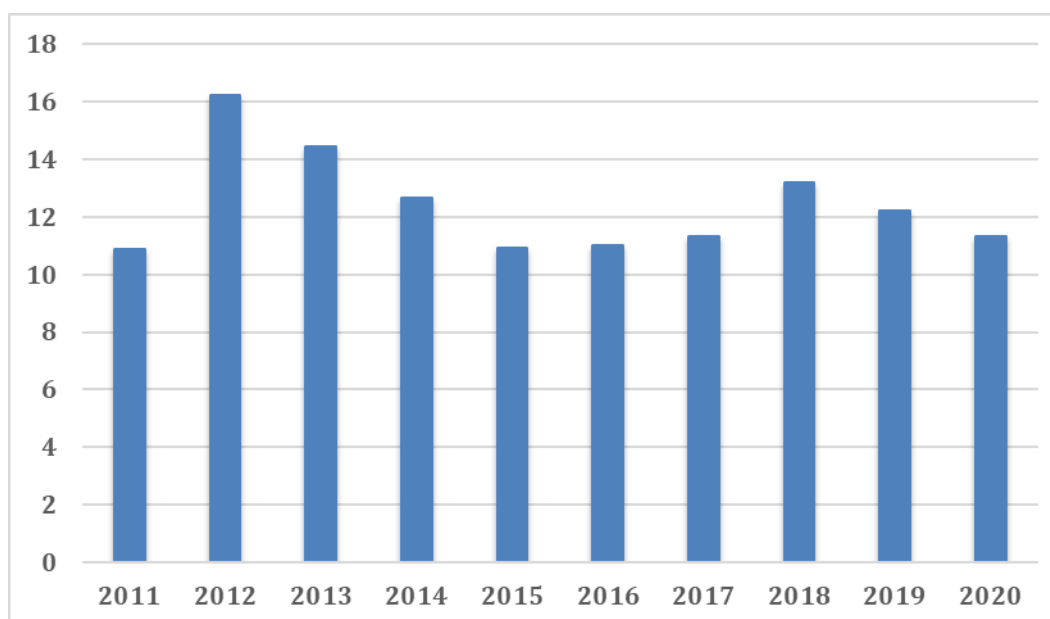


Source: Santa Ana Watershed Project Authority

**Table X – Ratio of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	SRF Loans	Member Loans	Total Debt	Percentage of Personal Income (1)	Debt Per Capita (2)
2020	\$27,686,941	\$-	\$27,686,941	0.47%	\$11.34
2019	29,847,481	-	29,847,481	0.52%	12.23
2018	31,849,863	-	31,849,863	0.57%	13.18
2017	26,087,852	855,267	26,943,119	0.50%	11.30
2016	24,184,502	1,677,567	25,862,069	0.50%	11.02
2015	22,740,274	2,468,160	25,208,434	0.49%	10.92
2014	25,629,872	3,228,436	28,858,308	0.58%	12.66
2013	28,574,379	3,959,716	32,534,095	.067%	14.43
2012	31,494,836	4,663,261	36,158,097	0.79%	16.23
2011	18,766,947	5,340,266	24,107,213	0.56%	10.87

**Chart III – Outstanding Debt Per Capita
Last Ten Fiscal Years**



(1) Based upon Riverside County personal income amounts.

See the personal income amounts on the Demographics and Economic Statistics schedule. Amounts for prior years are updated with the most recent available information.

(2) Based upon approximate population of Riverside County. See the Demographics and Economic Statistics schedule for amounts.

Chart IV – Capital Spending Last Ten Fiscal Years

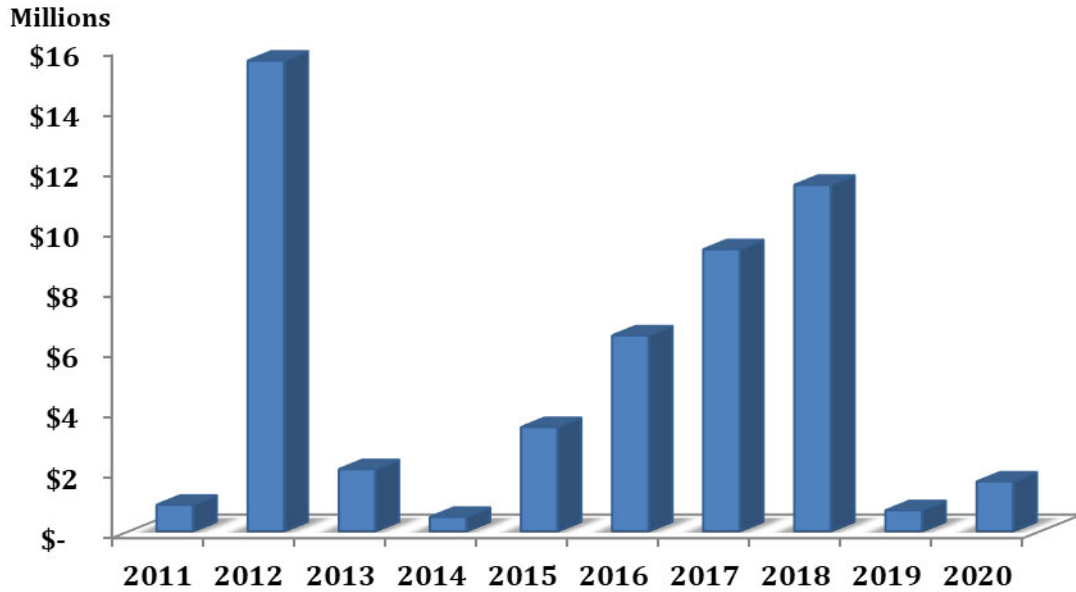
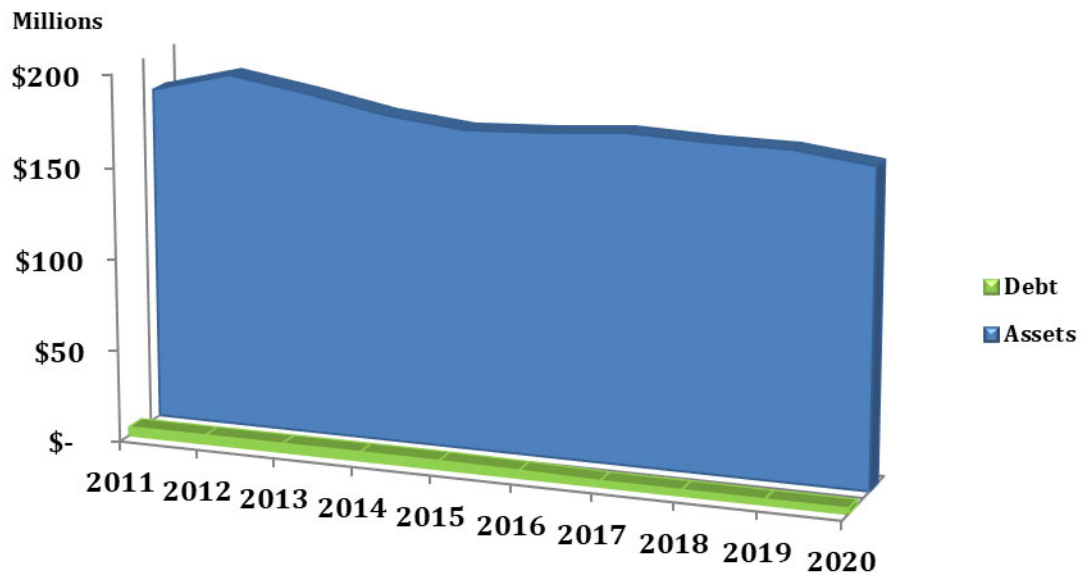


Chart V – Total Debt to Assets Last Ten Fiscal Years



Source: Santa Ana Watershed Project Authority

**Table XI - Demographic and Economic Statistics
Last Ten Calendar Years**

Fiscal Year	Population County (3)	Personal Income (1)	County Per Capita Personal Income	Unemployment Rate (June) ⁴	
				County	State
2020	2,442,304	\$5,905,881,400	\$37,907 (2)	14.8 (6)	15.1 (6)
2019	2,440,124	5,693,835,260	37,074 (5)	3.6	4.1
2018	2,415,955	5,547,654,496	36,149 (5)	4.8	4.5
2017	2,384,783	5,363,874,000	35,286 (5)	5.7	4.7
2016	2,347,828	5,203,504,800	34,506 (5)	6.7	5.4
2015	2,308,441	5,122,926,900	34,359 (5)	6.6	6.3
2014	2,279,967	4,994,193,600	33,836 (5)	8.4	7.4
2013	2,255,059	4,868,571,400	33,278 (5)	9.2	8.5
2012	2,227,577	4,602,590,000	31,742 (5)	11.8	10.7
2011	2,217,778	4,294,524,500	29,927 (5)	13.3	11.8

(1) Projected personal income based on Riverside County Per Capital Personal Income.

(2) Projected based on a 10 year average.

(3) Source: California, State Department of Finance.

(4) Source: CA Employment Development Department and US Dept. of Labor. County data as of June 2019.

(5) Source: County of Riverside Comprehensive Annual Financial Report.

(6) Unemployment rate spiked during fiscal year 2020 due to the economic impact of COVID-19.

**Table XII - Principal Employers
Last Ten Fiscal Years**

June 30, 2019 (1)			June 30, 2010 (2)		
Employer	No of Employees	% of Total Labor Force	Employer	No of Employees	% of Total Labor Force
County of Riverside	21,672	2.1%	County of Riverside	18,456	2.0%
Amazon	10,500	1.0%	Stater Bros. Markets	18,000	2.0%
U.C. Riverside	9,770	0.9%	Abbott Vascular	12,000	1.3%
March Air Reserve Base	9,600	0.9%	March Air Reserve Base	8,750	1.0%
Stater Bros. Markets	8,304	0.8%	U.C. Riverside	6,657	0.7%
Hemet School District	7,046	0.7%	Riverside Unified School District	5,099	0.6%
Kaiser Permanente	5,700	0.5%	Pechanga Resort & Casino	4,800	0.5%
Pechanga Resort & Casino	5,078	0.5%	Riverside Community College	3,753	0.4%
Walmart	4,931	0.5%	Kaiser Permanente	3,200	0.4%
Total	82,601	7.9%	Total	85,215	9.4%

Sources: (1) County of Riverside Economic Development Agency. Data presented is the most current available at the time of preparation of this report.

(2) The Business Press 2010 Book of Lists.

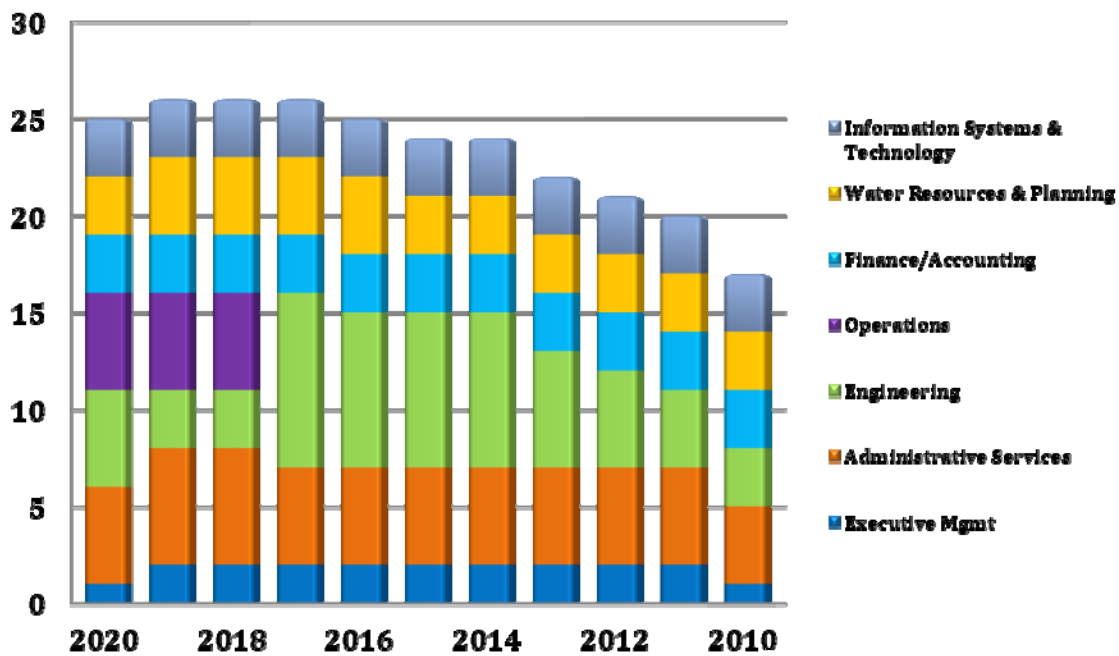
Table XIII - Number of Employees
Last Ten Fiscal Years

Department	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Executive Management	1	2	2	2	2	2	2	2	2	2
Administrative Services	5	6	6	5	5	5	5	5	5	5
Engineering	5	3	3	9	8	8	8	6	5	4
Operations *	5	5	5	0	0	0	0	0	0	0
Finance/Accounting	3	3	3	3	3	3	3	3	3	3
Water Resources & Planning	3	4	4	4	4	3	3	3	3	3
Information Systems & Technology	3	3	3	3	3	3	3	3	3	3
Total	25	26	26	26	25	24	24	22	21	20

*Engineering and Operations Department was split in FYE 2018

Notes: All managers are included with their divisions. Temporary and Interns are not included.

Chart VI – Total Employees
Last Ten Fiscal Years



Source: Santa Ana Watershed Project Authority

**Table XIV - Operating and Capital Indicators
Last Ten Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Meter Connections	43	40	41	51	48	48	50	50	50	45
Number of Air Release Valves	63	63	63	63	65	65	65	65	65	62
Miles of Sewer Lines	73	73	73	73	73	73	73	73	73	73
Total Flows for Fiscal Years (MG)	4,025.18	3,717.7919	3,774.5718	3,874.5655	3,747.4321	4,020.7731	3,937.4103	4,060.7392	4,330.1045	4,361.1447
Owned Treatment Capacity (MGs)	17	17	17	17	17	17	17	17	17	17

Miscellaneous Statistics

Year of Formation: 1972
 Governing Body: 5-Member Board of Commissioners (1 from each Member Agency elected Board of Directors)
 Form of Government: Joint Powers Authority
 Staff: 25 full-time equivalent employees
 Authority: Section 6500 et. Seq. Government Code
 Service: Waste Disposal, Watershed Planning, Task Force Facilitation
 Service Area (square miles): 2,840
 Total Population Served: Approximately 6 million

Source: Santa Ana Watershed Project Authority



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