



Santa Ana Watershed
Project Authority

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended
June 30, 2022 and 2021

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Santa Ana Watershed Project Authority
Riverside, CA

Annual Comprehensive Financial Report

For the Fiscal Year
Ended June 30, 2022

Prepared by the
Finance Department

11615 Sterling Avenue, Riverside California 92503

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Table of Contents

INTRODUCTORY SECTION

Transmittal Letter	i
Authority Service Area Map	xv
Certificate of Achievement for Excellence in Financial Reporting	xvi
Authority Officials	xvii
Organizational Chart	xviii

FINANCIAL SECTION

Independent Auditor's Report.....	1
Management's Discussion and Analysis	5

Basic Financial Statements:

Statements of Net Position – Proprietary Funds	18
Statements of Revenues, Expenses, and Changes in Net Position - Proprietary Funds.....	20
Statements of Cash Flows – Proprietary Funds	21
Statements of Fiduciary Net Position - Fiduciary Fund	23
Statements of Changes in Fiduciary Net Position – Fiduciary Fund	24
Notes to the Basic Financial Statements	25

Required Supplementary Information

Schedules of Changes in the Net OPEB Liability and Related Ratios.....	59
Schedules of OPEB Plan Contributions	60
Schedules of Proportionate Share of the Net Pension Liability.....	61
Schedules of Pension Plan Contributions	62

Supplementary Information

Combining Schedule of Net Position – Enterprise Funds	65
Combining Schedule of Revenues, Expenses, and Changes in Net Position – Enterprise Funds	67

Combining Schedule of Net Position – Capital Projects Activities	68
Combining Schedule of Revenues, Expenses, and Changes in Net Position – Capital Projects Activities	72

STATISTICAL SECTION

Table I – Net Position by Component	77
Table II – Changes in Net Position	78
Table III – Revenues by Source	79
Table IV – Expenses by Function	80
Chart I – Combined Expenses and Revenues	81
Table V – Wastewater Discharge by Type	82
Table VI – Summary of Wastewater Treatment Rates	83
Table VII – Principal Sewer Customers	84
Table VIII – Debt Coverage Ratio	85
Table IX – Debt Service Payment Schedule	86
Chart II – Debt Service Payment Schedule	87
Table X – Ratio of Outstanding Debt by Type	88
Chart III – Outstanding Debt Per Capita	88
Chart IV – Capital Spending	89
Chart V – Total Debt to Assets	89
Table XI – Demographic and Economic Statistics	90
Table XII – Principal Employers	90
Table XIII – Number of Employees	91
Chart VI – Total Employees	91
Table XIV – Operating and Capital Indicators	92



STATISTICAL SECTION



Santa Ana Watershed Project Authority

OVER 50 YEARS OF INNOVATION, VISION, AND WATERSHED LEADERSHIP

December 20, 2022

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") Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

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 Fedak & Brown LLP, 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, 2022, 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, 2022, are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

Marco Tule
Chair
Inland Empire
Utilities Agency

Bruce Whitaker
Vice Chair
Orange County
Water District

Mike Gardner
Secretary-Treasurer
Western Municipal
Water District

June D. Hayes
Commissioner
San Bernardino Valley
Municipal Water District

David J. Slawson
Commissioner
Eastern Municipal
Water District

Jeffrey J. Mosher
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 includes the western portion of San Bernardino and Riverside Counties, the 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 51-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 (IRWP)

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.

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

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 2020, 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. Because of the Inland Empire's economic structure and composition of jobs across different sectors of the local economy, its recovery will outpace California and the entire nation. In 2021 and 2022, jobs were added, businesses reopened or have started for the first time, and households and workers continue recovering from the COVID-19 recession. Economic activity from housing sales, durable goods orders, consumer spending, and payroll employment, have started to bounce back. Economists predict a strong recovery during the latter part of 2022, with near full recovery by mid-2023.

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 2022 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 quickly acquired the necessary computer hardware and software for a rapid and nearly seamless transition. As of June 30, 2022, public meetings are still being conducted through Zoom and staff continue to work from home a few days per week. Some of the major initiatives and accomplishments for fiscal year 2022 are listed on the following pages.

Brine Line Enterprise

Engineering

- Prepared a Request for Proposal (RFP) for the Brine Line Reserve Policy to review reserve targets, including setting minimum and target levels and combining reserves as needed. Conducted several workshops with Member Agency staff to review preliminary findings and recommendations.
- Commenced work on modifying 14 maintenance access structures (MAS) within Prado Basin to be watertight. Completed the modification of 9 of the 14 MAS.
- Responded to the Reach V Brine Line Spill in the City of Lake Elsinore. Completed clean-up and repair of the Brine Line, biological assessment and completed and submitted a Spill Report Technical Memorandum to the Regional Water Quality Control Board.
- Prepared a cost sharing agreement between Valley District, Rialto Bioenergy Facility, and SAWPA for the Aqua Mansa Lateral in the City of Rialto.
- Prepared the Capacity Lease Agreement with EMWD to provide treatment and disposal capacity for the new Perris II Desalter.
- Worked with the City of Chino and to prepare preliminary design plans for the relocation of the Brine Line on Reach IV-A Upper due to the proposed Caltrans improvements to Route 71.
- Prepared scope of work for the Brine Line Master Plan.
- Continued to implement the Pretreatment Program (PTP). Performed 50 on-site discharger inspections, 170 monitoring (or sampling) events at discharger locations, 57 monitoring (or sampling) events at the Santa Ana Regional Interceptor (SARI) Metering Station, issued 1 new permit, and reissued 26 existing permits.
- Submitted and updated Draft 4 of Ordinance No. 9 to Orange County Sanitation District along with an Emergency Discharge Plan.
- Completed the Semi-Annual Brine Line Audit. Prepared individual agency audit reports with no major findings.
- Continued to coordinate efforts that represent SAWPA's interests with Orange County Sanitation District through the Joint Policy Committee and the Joint Operations Committee.

Operations

- Prepared RFP for On-call Line Cleaning services for critical locations on the Brine Line, siphons and to respond to emergencies.
- Conducted an internal audit of the Sewer System Management Plan. Prepared Audit Report summarizing the findings and recommendations. Began implementation of the recommendations.
- Received 3,050 USA Dig Alert tickets. Of those, 130 tickets were marked in the field. The remaining tickets were "no conflict" and did not require field markings.
- Installed 5 new ring and cover assemblies on Reach IV-D.
- Rehabilitated 3 MAS on Reach 4A Upper to address corrosion issues.
- Installed bridges in Prado Basin to allow right-of-way maintenance and MAS inspection.
- Inspected 35 MAS on Reach 4B.
- Inspected 42 MAS on Reach 4A Upper.
- Inspected 10 MAS on Reach 4A Lower.

- Inspected 10 MAS on Reach 4D.
- Maintained Brine Line Operations Center (BLOC).
- Overhauled a total of 54 air release and vacuum valves.
- Completed inspection of 13,000 linear feet on Reach IV-A.
- Completed line cleaning of 16,000 linear feet on Reach IV-A.

OWOW Program

Project Agreement (PA) 22 Committee – Water Use Efficiency

- Completed the aerial flights for the upper Santa Ana River Watershed. This is the first component of the Proposition 1 Round 1 Integrated Regional Watershed Management (IRWM) grant funded project known as the Santa Ana River Watershed-wide Water Budget Decision Support tool.
- Completed processing of the Orange County and upper watershed imagery data creating orthophotographs to be used in the landscape analysis by the US Bureau of Reclamation.
- Initiated efforts to analyze imagery to identify and measure irrigated and irrigable outdoor landscape as part of an enhanced landscape measurement tool through the US Bureau of Reclamation.

Disadvantaged Community Involvement (DACI) Grant Program

- Completed all work associated with the 2016 Proposition 1 IRWM funded DACI grant program.
- Received approval from the Department of Water Resources (DWR) for the Final Grant Completion Report and paid all remaining grant retention.
- Received an award of \$5 million in grant funding from DWR through the 2021 Urban and Multi-benefit Drought Relief Grant Program. The grant will be used to help in the implementation of projects to support the Disadvantaged Community Involvement Program.

Santa Ana River Conservation and Conjunctive Use Program (SARCCUP)

- Executed new task order with Woodard & Curran for continued programmatic support of SARCCUP.
- Held PA 23 Committee meetings throughout the fiscal year, as well as bi-weekly staff-level SARCCUP planning meetings. Began discussions with the Committee in April 2022 that the SARCCUP project would need additional time beyond the deadline of September 2023.
- Recommended to the PA 23 Committee that the grant agreement be extended to July 2025 in order to complete various components of SARCCUP that were experiencing delays. This time extension was approved by both the PA 23 Committee and by the DWR.

OWOW and IRWM Support

- Held a series of workshops to educate stakeholders who might submit project applications through the Call for Projects for Proposition 1 Round 2 IRWM funding. Developed rating and ranking criteria for the Call for Projects which was adopted by the OWOW Steering Committee and SAWPA Commission.
- Held the first of four participatory budgeting workshops for the Call for Projects for Proposition 1 Round 2 IRWM grant funding.

- Managed 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.
- Developed an RFP with the funding parties to solicit proposals from interested consultants as JM Consultants retired at the end of the fiscal year June 30, 2022. Two proposals were received, and a contract was executed with WSC, Inc.
- Engaged with DWR to influence future grant solicitation under Proposition 1 IRWM Implementation to best serve the OWOW Program and the watershed wide stakeholders.

Proposition 1 IRWM Implementation Grants

Santa Ana River Watershed Weather Modification (Cloud Seeding) Pilot Project

- Received Commission authorization to hire consultant, North American Weather Consultants, to conduct the setup and operations of the four-year weather modification pilot project for the Santa Ana River Watershed. The seeding operations were rescheduled to start on November 15, 2023, due to challenges in executing 10 seeding site agreements with local agencies and private parties.
- Received proposals from four independent research firms to conduct validation support for the four-year pilot project to ensure the annual results are confirmed. Proposals were reviewed by SAWPA and its member agencies with contracting of preferred validation firm in the next fiscal year.
- Completed SAWPA grant application to secure 50% funding for the four-year pilot project. The project will be included among 12 other projects that will be submitted to DWR for grant funding under Proposition 1 Round 2 IRWM Implementation grant program.

Stakeholder Partnering (Roundtables)

Santa Ana Fish Conservation Team

- Held successful Riverwalk in October 2021 with approximately 40 volunteers, the longest running voluntary annual habitat assessment conducted in Southern California for an aquatic species.
- Compiled and tabulated all historical Riverwalk data including an analysis of the past years data sets. Worked on updating the Riverwalk ranking methodology that is used to score each of the Riverwalk data points' habitat quality.
- Worked with OCWD, SBVMWD, Riverside County Parks, and other stakeholders on applying for the 2021 Urban and Multi-benefit Drought Relief Grant for the Sunnyslope Creek Native Fish Drought Response Project. The SAWPA Commission approved the application in November 2021. It was unfortunately not funded by DWR through their grant program.
- 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 3 Turf Removal and Replacement Project Agreement with the City of Riverside to implement the removal and replacement of 100,000 sq. ft. of turf grass from the Eastside Climate Collaborative project area located with the City of Riverside.

This work is funded through a grant awarded to the City of Riverside from the California Strategic Growth Council (SGC) for the development and implementation of neighborhood-level climate sustainability plans through the Transformative Climate Communities (TCC) Program.

- Finalized an agreement with Riverside Public Utilities to provide an additional dollar per square foot of turf removed for up to \$100,000 for the project.

Basin Monitoring Program Task Force

- Completed 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 to POTWs discharge permitting under drought cycles. Amendment was approved by the Santa Ana Regional Board in December 2021 and by the State Water Resources Control Board (SWRCB) in June 2022.
- Commenced work on the planning priorities for the development of a revised approach to the Triennial Ambient Water Quality Update and Annual Santa Ana River Water Quality Reports to be in conformance with the new Salt & Nutrient Management Plans under the 2018 SWRCB Recycled Water Policy Amendment. This work was based on a competitive RFP and work commenced under a contract with West Yost Consulting.
- Prepared and submitted the 2021 Annual Report of Santa Ana River Water Quality to stakeholders and Regional Board staff.

Southern California Salinity Coalition (SCSC)

- Provided funding support to OCWD and the Los Angeles County Sanitation District for research projects on more efficient reverse osmosis technologies and brine management studies respectively.
- Commenced planning for a future Southern California Salinity Summit scheduled for October 26, 2022.
- Awarded fellowship grants for continued research on salinity management technologies as part of the SCSC student fellowship grant of \$10,000 per year.

Lake Elsinore and San Jacinto Watersheds Authority (LESIWA)

- Prepared and submitted the 2020-2021 Lake Elsinore & Canyon Lakes (LE & CL) Total Maximum Daily Load (TMDL) Compliance Assessment Report to the Regional Board.
- Prepared and submitted the 2020-2021 Annual LE & CL TMDL Water Quality Monitoring Report to the Regional Board in November 2021.
- Implemented successful alum application to Canyon Lake in October 2021 to reduce the phosphorus content, reduce algae, and help meet the TMDL targets for the lake.
- Prepared and approved the fiscal year 2022-2023 Budget for the Lake Elsinore & Canyon Lake TMDL Task Force in February 2022.
- Supported the City of Lake Elsinore in multiple grant applications to provide funding to support algae removal and harvesting.

Middle Santa Ana River (MSAR) TMDL Task Force

- Prepared and approved the fiscal year 2021-2022 Budget for the MSAR TMDL Task Force.
- Completed the fiscal year 2021-2022 MSAR TMDL Compliance Monitoring and submitted a final report to Regional Board in June 2022.

- Initiated effort to prepare the 2023 MSAR Triennial Report which is due to the Regional Board in February 2023.

Regional WQ Monitoring Task Force

- Completed the dry weather monitoring component of the 2020 Santa Ana River Bacteria Water Quality Monitoring Program in November 2021.
- Prepared and submitted the 2021 Final Santa Ana River Bacteria Water Quality Monitoring Program to the Regional Board in June 2022.

Emerging Constituents Program Task Force

- Assembled and evaluated the 2021 emerging constituent water quality data from local publicly owned treatment works (POTW) and in-stream sources to construct data tables for the 2021 annual report.
- Produced final Emerging Constituents Program: Compilation of Santa Ana River Watershed Surface Water Per and Poly Fluoroalkyl (PFAS) Data for the Watershed and submitted it to the Regional Board in April 2022.
- Supported continued public outreach and articles on the safety of public drinking water through consultant, DeGrave Communications.

Forest First

- Conferred with the US Forest Service hydrologist about a planned feasibility study to investigate weather augmentation of water supply through cloud seeding.
- Coordinated with SBVMWD on a partnership with the agency regarding the Headwaters Resiliency Partnership Task Force. SAWPA worked with SBVMWD to draft programmatic goals and long-term objectives for the task force. The letter agreement will define SAWPA's role in the partnership.
- Worked with the Cleveland and San Bernardino National Forests to resign the Forest First Memorandum of Understanding (MOU).

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 the new California mitigation banking rules.
- Began coordinating with the Inland Empire Resource Conservation District on a \$150,000 five-year project to treat and remove Arundo Donax from various waterways in the upper Santa Ana River Watershed, is known as the Headwaters Project. The project will use the contact list and new outreach material and 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.

PFAS Regional Analysis Phase I

- Prepared an RFP for consultant support to conduct a PFAS Regional Analysis Phase I for the Upper Santa Ana River Watershed. Proposal was developed with the SAWPA member agencies and Orange County Sanitation District. Based on review of proposals, a proposal was recommended and a contract for Phase I was approved by the SAWPA Commission with CDM Smith.

- Work will include data collection and data gap analysis, predictive PFAS modeling evaluation and scoping for future phases of work.

Technology

- Installed new multi-factor authentication to support secure remote work environment.
- Improved SAWPA websites by upgrading to most current versions of software to increase security and editing abilities.
- Improved network security by penetration tests and internal phishing campaigns.
- Continued improvements in OnBase workflow by adding additional documents to support office efficiency.
- 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.
- Updated geographic information system (GIS) server software.
- Rewrote Dig-Alert app with new scripting language.
- Updated structured query language (SQL) server software using a new version to increase support and security.
- Investigated drone usage for Engineering and Planning projects.
- Provided OWOW support for new commercial and industrial meter area project.

Administration

- Began implementation of Greenshades human resources information system (HRIS) software to replace manual human resources and payroll/accounting processes for employee onboarding, benefit administration, employee data and file management, and documentation workflow.
- Implemented PlanetBids to expand outreach on construction bids and requests for proposals to better manage the bidding and insurance certification process.
- Replaced the manual employment application with an online application for job applicants.

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 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, Fedak & Brown LLP, has conducted the audit of the Authority's financial statements. Their unmodified (clean) Independent Auditor's 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 annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the thirteenth year that the Authority has achieved this prestigious award. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive 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 annual comprehensive financial report continues to meet the programs requirements and will submit our current June 30, 2022, 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, 2021. 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

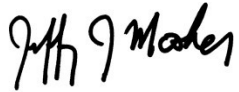
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Authority's Finance Department. We also would like to express our appreciation to the other Authority Departments for their cooperation, assistance, and support.

We further acknowledge the thorough and professional manner in which our auditors, Fedak & Brown LLP, conducted the audit.

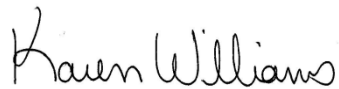
Additionally, we would like to acknowledge the Board of Commissioners for their continued support of the Authority's goal of sound accountable financial management, and for

maintaining the highest standards of professionalism in the management of the Authority's finances. We truly appreciate their unfailing interest and support.

Respectfully submitted,

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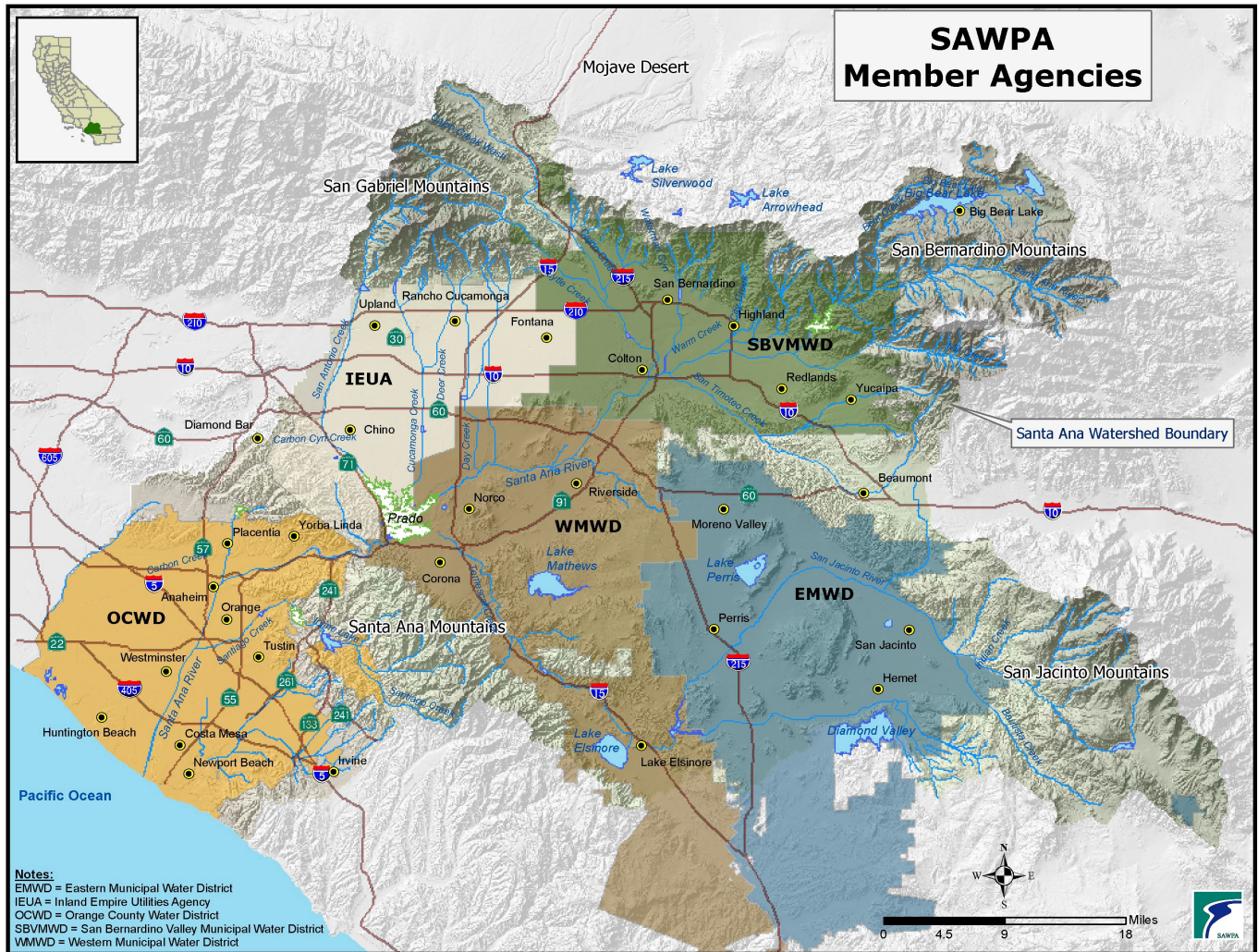
Jeffrey Mosher
General Manager

A handwritten signature in black ink, appearing to read "Karen Williams". The signature is written in a cursive, slightly stylized font.

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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

Santa Ana Watershed Project Authority

Authority Officials

Board of Commissioners

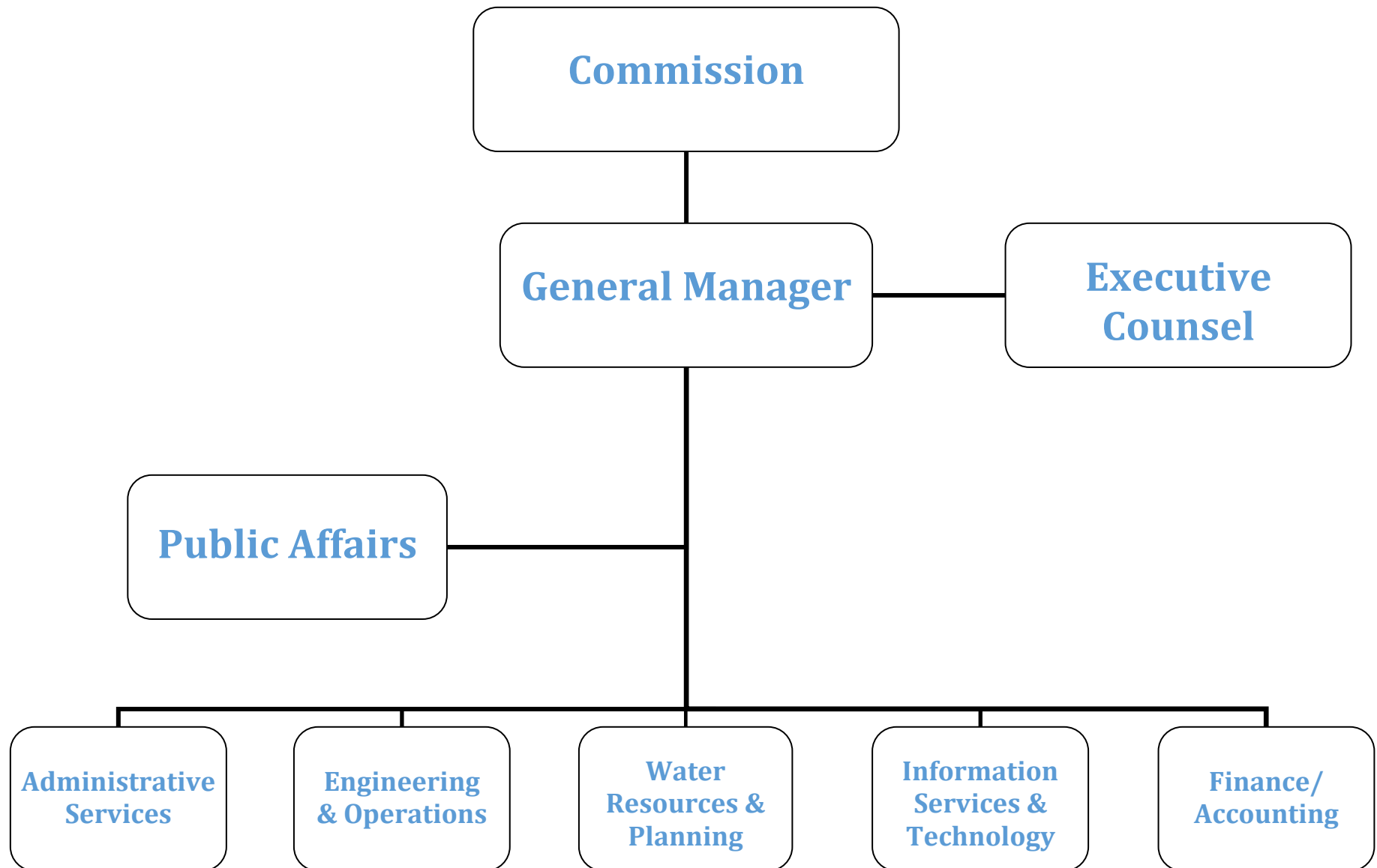
Marco Tule	Chair	IEUA
Bruce Whitaker	Vice Chair	OCWD
Mike Gardner	Secretary/Treasurer	WMWD
David J. Slawson	Commission Member	EMWD
June D. Hayes	Commission Member	SBVMWD

Management Staff

Jeffrey Mosher	General Manager
Karen Williams	Deputy General Manager/Chief Financial Officer
David Ruhl	Executive Manager of Engineering & Operations
Mark Norton	Water Resources and Planning Manager
Edina Goode	Administrative Services Manager
Dean Unger	IS and Technology Manager
Lagerlof LLP	Executive Counsel

Santa Ana Watershed Project Authority

Organizational Chart



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FINANCIAL SECTION



Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Andy Beck, CPA

Fedak & Brown LLP

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Independent Auditor's Report

Board of Commissioners
Santa Ana Watershed Project Authority
Riverside, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Santa Ana Watershed Project Authority (Authority) as of and for the year ended June 30, 2022, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special District's. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Independent Auditor's Report, continued

Emphasis of Matter

As discussed in Note 1.C to the financial statements, in June 30, 2022, the Authority adopted new accounting guidance *Governmental Accounting Standards Board Statement No. 87*.

As part of our audit of the June 30, 2022, financial statements, we audited the adjustments described in Note 11 to the financial statements. Adjustments were recognized for the Authority's lessee agreements. As a result of the implementation for the Authority's lessee agreements, the Authority recorded right to use assets included as part of capital assets, lease payables, recorded amortization expense, reclassified a portion of its equipment lease expense to interest expense, and has recorded prior period adjustments to restate net position as of July 1, 2021. Please see Note 11 for further information. 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 and the required supplementary 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Supplementary Information

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

The supplementary information of combining schedules is 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Independent Auditor's Report, continued

Supplementary Information, continued

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 a report dated December 20, 2022, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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. This report can be found at the end of this report.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

December 20, 2022

The intent of the Management Discussion and Analysis is to provide highlights of the financial activities for the fiscal year ended June 30, 2022, 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 2022 continued to be 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 \$78.4 million at June 30, 2022, by \$73.3 million at June 30, 2021, and by \$73.3 million at June 30, 2020.

Statements of Net Position

For the Fiscal Years Ended June 30, 2022, 2021, and 2020

	Fiscal Year End June 30,				
	2022	As Restated 2021	Increase/ (Decrease)	As Restated 2020	Increase/ (Decrease)
Assets					
Current	\$82,300,170	\$74,685,030	\$7,615,140	\$72,721,514	\$1,963,516
Non-current	1,293,019	-	1,293,019	-	-
Capital	96,912,667	102,321,074	(5,408,407)	107,566,415	(5,245,341)
Total Assets	180,505,856	177,006,104	3,499,752	180,287,929	(3,281,825)
Deferred Outflows	2,592,450	2,600,028	(7,578)	4,124,487	(1,524,459)
Liabilities					
Current	20,660,188	15,769,785	4,890,403	14,829,082	940,703
Non-current	82,891,595	88,892,726	(6,001,131)	95,779,906	(6,887,180)
Total Liabilities	103,551,783	104,662,511	(1,110,728)	110,608,988	(5,946,477)
Deferred Inflows	1,153,595	1,618,116	(464,521)	477,719	1,140,397
Net Position					
Net investment in capital assets	73,427,321	76,739,960	(3,312,639)	79,824,095	(3,084,135)
Restricted	2,960,560	2,960,560	-	2,960,560	-
Unrestricted (Deficit)	2,005,047	(6,375,015)	8,380,062	(9,458,946)	3,083,931
Total Net Position	\$78,392,928	\$73,325,505	\$5,067,423	\$73,325,708	(\$203)

The following denotes explanations on some of the changes between fiscal years 2022 and 2021, as compared in the table above.

- The \$7.6 million increase in Current Assets is primarily due to increases in cash and cash equivalents and accounts receivable grants. Increase in cash is primarily due to the increase in net position of \$5.1 million in 2022. The grant agreement for Proposition 1 Round I projects, which included eight projects, was signed at the end of fiscal year 2021. By fiscal year 2022 many of the projects were well under way and project proponents started invoicing for project costs.
- The \$1.3 million increase in Non-current Assets is due to current year changes in the pension and other post-employment benefit related to balances.
- The \$5.4 million decrease in Capital Assets is due to an offset of depreciation and amortization to property, plant, and equipment during fiscal year 2022.
- The \$4.9 million increase in Current Liabilities is due to program implementation of Proposition 1 Round I projects. With the grant agreement being signed at the end of fiscal year 2021, many of the eight new projects began construction and started billing those costs.
- The \$6.0 million decrease in Non-current 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 2021 and 2020, as compared in the table above.

- The \$2.0 million increase in Current Assets is due to an increase in Accounts Receivable for Proposition 1 grant funds for capital projects. The grant agreement for Proposition 1 Round I projects was signed in fiscal year 2021 and project proponents started invoicing for project costs.
- The \$5.2 million decrease in Capital Assets is due to an offset of depreciation and amortization to property, plant, and equipment.
- The \$0.9 million increase in Current Liabilities is due to final invoices for the Proposition 1 Disadvantaged Communities grant being received. This grant was completed in this fiscal year, with only staff costs to complete the final invoice to the Department of Water Resources (DWR) remaining.
- The \$6.9 million decrease in Non-current 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, 2022, 2021, and 2020, Net Investment in Capital Assets consisted of the following:

Net Investment in Capital Assets (In Millions)

	2022	As Restated 2021	As Restated 2020
Property, Plant & Equipment	\$159.7	\$159.7	\$159.6
Accumulated Depreciation	(84.6)	(81.0)	(77.1)
Wastewater Treatment & Disposal Rights	55.6	55.6	55.6
Accumulated Amortization	(34.2)	(32.4)	(30.9)
Construction in Process	0.4	0.4	0.4
Related Payables and Loans, Net of Discounts	(23.5)	(25.6)	(27.6)
Total	\$73.4	\$76.7	\$79.8

Restricted

At June 30, 2022, Restricted Net Position of \$3.0 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 State Revolving Fund (SRF) reserve requirement. Please see Note 10 of the Notes to Financial Statements for further information.

Unrestricted

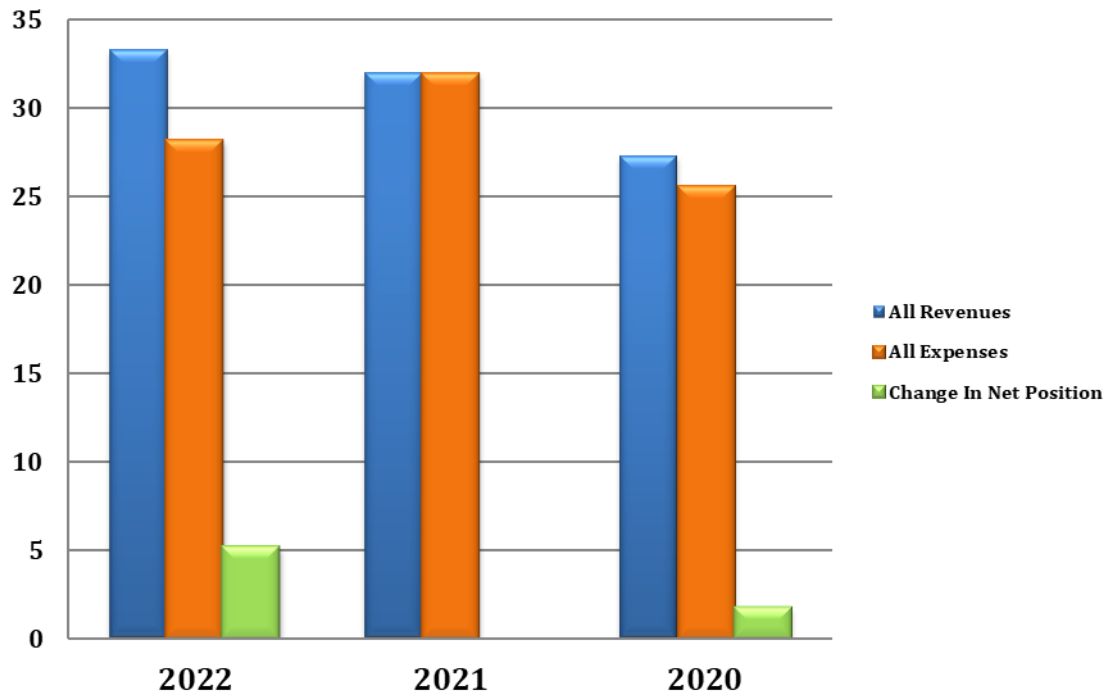
At June 30, 2022, the Authority had an unrestricted net position of \$2.0 million. The Authority possesses \$62.7 million in unearned revenues being realized over a 50-year period of approximately \$2.5 million per year.

Change in Net Position

In fiscal year ended June 30, 2022, net position increase by \$5.1 million primarily due to an increase of \$4.0 million in current year adjustments to the net pension and other post-employment benefit liabilities and related deferrals due to the realization of investment gains by the CalPERS pension fund, a decrease of \$2.4 million in studies and planning costs, and a decrease in operating, which were offset by decreases of \$0.4 million in wastewater treatment and disposal revenue, \$0.4 million in member contributions, \$1.1 million in

intergovernmental revenue, offset by an increase of \$0.8 million in investment fair value year end adjustments and a decrease of \$0.9 million in grant program expenses as compared to the prior year.

Change in Net Position (in millions)



Statements of Revenues, Expenses, and Changes in Net Position

For the Fiscal Years Ended June 30, 2022, 2021, and 2020

Fiscal Year End June 30,					
	2022	As Restated 2021	Increase/ (Decrease)	As Restated 2020	Increase/ (Decrease)
Operating Revenues:					
WWT & Disposal	\$12,040,521	\$12,476,856	(\$436,335)	\$11,547,220	\$929,636
WWT & Disposal Capacity Rights	2,510,154	2,510,154	-	2,510,154	-
Program Administration	191,841	201,354	(9,513)	193,692	7,662
Other Operating Revenues	5,716	3,832	1,884	-	3,832
Total Operating Revenues	14,748,232	15,192,196	(443,964)	14,251,066	941,130
Non-operating Revenues:					
Member Contributions	1,581,845	1,993,632	(411,787)	2,105,955	(112,323)
Intergovernmental	13,673,784	14,765,698	(1,091,914)	9,466,587	5,299,111
Pension Income – GASB 68	3,816,733	-	3,816,733	-	-
OPEB Income – GASB 75	204,395	-	204,395	-	-
Investment Income/(expense), net of fair value	(724,549)	73,038	(797,587)	1,496,354	(1,423,316)
Total Non-operating Revenues	18,552,208	16,832,368	1,719,840	13,068,896	3,763,472
Total Revenues	33,300,440	32,024,564	1,275,876	27,319,962	4,704,602
Operating Expenses:					
WWT and Disposal	6,863,027	7,055,339	(192,312)	6,670,902	384,437
General, Admin, and Overhead	523,272	762,713	(239,441)	989,568	(226,855)
Studies and Planning Costs	2,578,723	5,020,667	(2,441,944)	4,396,714	623,953
Depreciation	3,693,764	3,840,251	(146,487)	3,770,450	69,801
Amortization of WWT and Disposal Rights	1,714,643	1,556,010	158,633	1,400,918	155,092
Total Operating Expenses	15,373,429	18,234,980	(2,861,551)	17,228,552	1,006,428
Non-operating Expenses:					
Interest Expense	537,720	588,663	(50,943)	644,339	(55,676)
Loss On Disposal of Assets	-	-	-	3,640	(3,640)
Grant Program Expenses	12,321,868	13,201,124	(879,256)	7,677,198	5,523,926
Total Non-operating Expenses	12,859,588	13,789,787	(930,199)	8,325,177	5,464,610
Total Expenses	28,233,017	32,024,767	(3,791,750)	25,553,729	6,471,038
Change in Net Positions	5,067,423	(203)	5,067,626	1,766,233	(1,766,436)
Beginning Net Position	73,325,505	73,325,708	(203)	71,559,476	1,766,232)
Ending Net Position	\$78,392,928	\$73,325,505	\$5,067,423	\$73,325,708	(\$203)

Revenues

Combined revenues for the fiscal year 2022 totaled \$33.3 million, an increase of \$1.3 million, or 3.9%, more than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2022 and 2021.

- The \$0.4 million decrease in Waste Water Treatment and Disposal is due to lower biochemical oxygen demand (BOD) and total suspended solids (TSS) concentrations which resulted in lower costs from the prior year.
- The \$1.1 million decrease in Intergovernmental is due to the Proposition 1 DACI grant and Proposition 84 Round II grant projects being completed in fiscal year 2021.
- The \$3.8 million increase in Pension Income – GASB 68 is due to realized investment gains in the CalPERS pension fund cost-sharing pools which were allocated proportionally across the agencies in the Pool.
- The \$0.8 million decrease in Investment Income is due a decrease in the current unrealized market value of investments.

Combined revenues for the fiscal year 2021 totaled \$32 million, an increase of \$4.7 million, or 17.2%, more than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2021 and 2020.

- The \$0.9 million increase in Waste Water Treatment and Disposal is due to increases in flow, truck discharge, and biochemical oxygen demand (BOD) and total suspended solids (TSS) concentrations from the prior year as well as slight rate increases for each.
- The \$5.3 million increase in Intergovernmental is due to an increase in the Proposition 1 Capital Projects and Proposition 84 Round II and Final Round Projects. Proposition 1 Capital Projects grant began in fiscal year 2021. Proposition 84 Round II and Final Round projects are completing construction and invoicing for final costs.
- The \$1.4 million decrease in Investment Income is due to the final Treasury Strip maturities being received in fiscal year 2020 along with steep decreases in interest rates brought on by the COVID-19 induced recession.

Expenses

Combined expenses for the fiscal year 2022 totaled \$28.2 million, a decrease of \$3.8 million, or 11.8% less than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2022 and 2021.

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

- The \$2.4 million decrease in Studies and Planning Costs is due to the completion of the Rock Removal Project completed by Orange County Sanitation District in fiscal year 2021 and the completion of the Proposition DACI grant. Capital project costs for the Brine Line in fiscal year 2022 were minimal resulting in the difference between the two years.
- The \$0.9 million decrease in Grant Program Expenses is due to the Proposition 1 DACI Grant and Proposition 84 Round II grant projects being completed in fiscal year 2021.

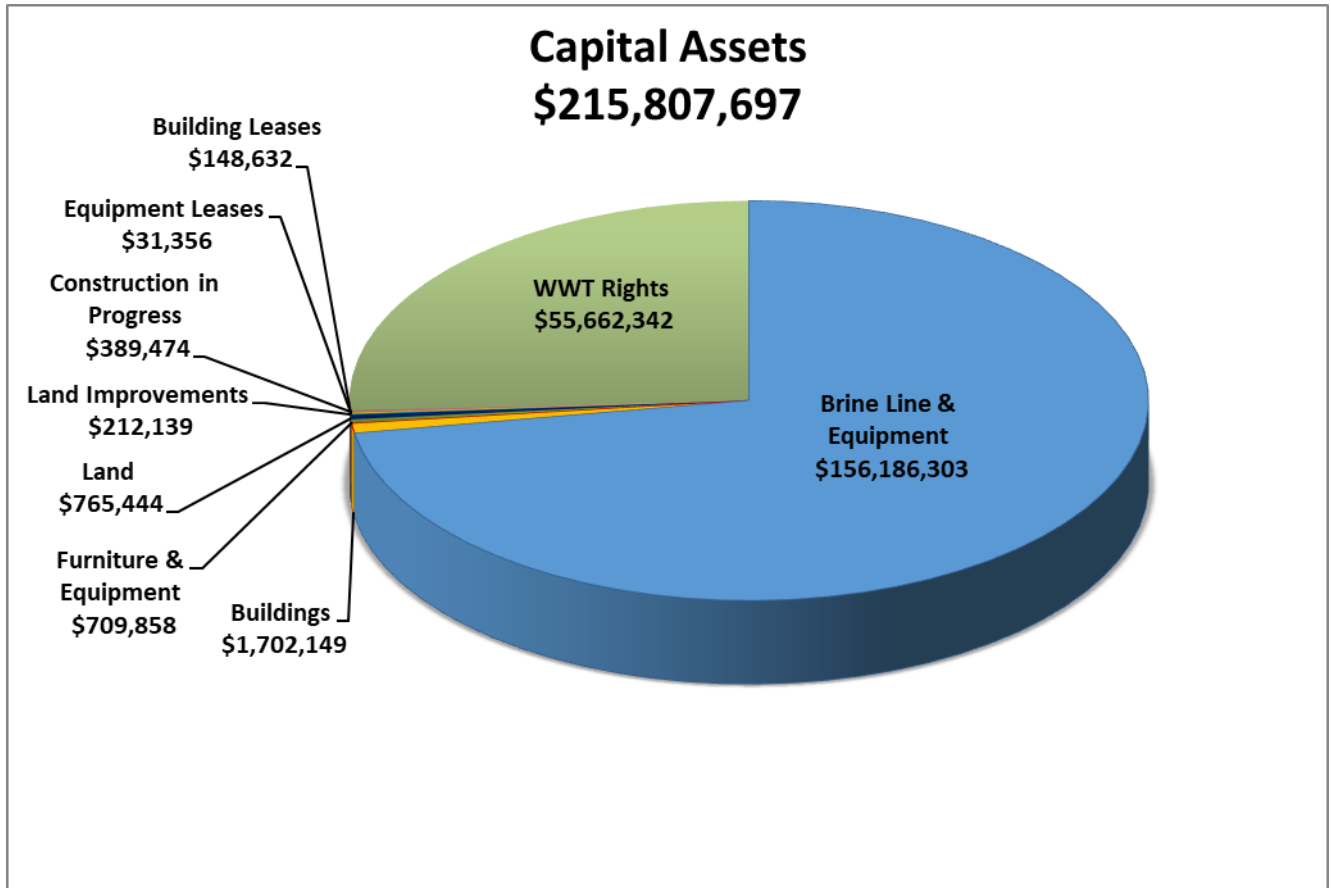
Combined expenses for the fiscal year 2021 totaled \$32 million, a decrease of \$6.5 million, or 25.3% less than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2021 and 2020.

- The \$0.4 million increase in Waste Water Treatment and Disposal Costs is due to increases in biochemical oxygen demand (BOD) and total suspended solids (TSS) concentrations from the prior year.
- The \$0.6 million increase in Studies and Planning Costs is due to the Rock Removal Project completed by Orange County Sanitation District. This project was completed in fiscal year 2020 with invoices being received in fiscal year 2021.
- The \$5.5 million increase in Grant Program Expenses is due to the Proposition 1 Grant, Round I Capital Projects and Proposition 84 Round II and Final Round Projects. Most of the DACI grant program tasks were completed in fiscal year 2020.

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, 2022; 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 8 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. The Corps anticipates raising Prado Dam spillway by approximately 20 feet. All Brine Line Maintenance Access Structures (MAS) will need to be watertight up to the flood storage elevation of 566 feet. There are 14 MAS that need to be modified and watertight. Modification of the MAS commenced in 2022 and will be completed 2023.

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-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 fiscal year 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 with the long-term solution to begin around fiscal year 2027 through 2030.

Reach IV was constructed in 1975 and is the oldest part of the system. A condition assessment is necessary to understand the reliability and performance of Reach IV. An assessment can identify potential issues and actions needed to extend the remaining useful life of the system. The condition assessment is planned for fiscal year 2023.

A portion of Reach IV-B was constructed with 36" cement-mortar lined ductile iron pipe (DIP) in the late 1990s and is over 20 years old. A condition assessment is necessary to understand the reliability and performance of Reach IV-B. Corrosion (both external and internal) is the main factor that can affect the structural integrity of the pipe. Over time defects in the lining system can develop due to excessive wear, scaling, water chemistry, and various cleaning methods. An assessment of the condition of the lining system and pipe can identify potential issues and actions needed to extend the remaining useful life of the system. The condition assessment 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, a loan from the SWRCB for the Reach V Capital Repairs project, and leases payable. 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, 2022, 2021, and 2020, the Authority made all of the scheduled principal payments on these debts as follows:

Debt Service	2022	As Restated 2021	As Restated 2020
SWRCB TVRI Line	\$875,862	\$1,074,263	\$1,046,108
SWRCB Reach IV-A & IV-B	767,442	747,995	729,040
SWRCB Reach V Capital Repairs	400,176	392,714	385,392
Leases Payable	52,288	43,631	28,197

These payments decreased the outstanding balance in long-term debt by \$2.1 million. For more detailed information refer to Note 6 of the Notes to Financial Statements.

Fiscal Year 2022-2023 Budget

Economic and Financial Factors

As the Inland Empire moves past the economic pressures brought on by the COVID-19 downturn, forecasts show that we are poised for steady economic growth in the coming years. As one of California's fastest growing population and economic centers before the pandemic, the strength, resilience, and diversity of the regional economy helped avoid a far more serious recession. While there are still significant challenges ahead, there are also many opportunities. The strength of the logistics sector has and will continue to provide a competitive advantage, with the surge in e-commerce and goods movement generally since the start of the pandemic. The sector continues to add thousands of jobs each year. Other sectors such as hospitality and tourism have not fared as well. With pandemic-related closures and staffing shortages these sectors have seen a much slower recovery. Overall, the region should regain all pre-pandemic employment losses by mid-2023.

As we begin the biennial budget process for fiscal year 2024 and 2025, 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.

Basic Financial Statements

Santa Ana Watershed Project Authority
Statement of Net Position – Proprietary Funds
June 30, 2022

	Business-type Activities <u>Enterprise Fund</u> <u>2022</u>
Current assets:	
Cash and cash equivalents (note 2)	\$ 53,398,185
Cash and cash equivalents – held for mitigation (note 2)	856,186
Investments (note 2)	6,450,116
Interest receivable	96,874
Accounts receivable	2,206,951
Accounts receivable – grants	16,921,886
Notes receivable	9,469
Prepaid expenses and other assets	449,943
Mitigation credits (note 3)	<u>1,910,560</u>
Total current assets	<u>82,300,170</u>
Non-current assets:	
Capital assets not being depreciated (note 4)	1,154,918
Depreciable capital assets, net (note 4)	95,757,749
Net OPEB asset (note 7)	187,301
Net pension asset (note 8)	<u>1,105,718</u>
Total non-current assets	<u>98,205,686</u>
Total assets	<u>180,505,856</u>
Deferred outflows of resources:	
Deferred OPEB outflows of resources (note 7)	283,933
Deferred pension outflows of resources (note 8)	<u>2,308,517</u>
	\$ <u>2,592,450</u>

Continued on next page

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Statement of Net Position – Proprietary Funds, continued
June 30, 2022

	Business-type Activities Enterprise Fund
	<u>2022</u>
Current liabilities:	
Accounts payable and accrued expenses	\$ 18,817,339
Accrued salaries and wages	195,397
Accrued interest payable	192,970
Customer deposits	15,628
Long-term liabilities – due within one year:	
Compensated absences (note 5)	200,307
Leases payable (note 6)	43,372
Loans payable (note 6)	1,195,175
Total current liabilities	<u>20,660,188</u>
Non-current liabilities:	
Unearned revenue (note 9)	60,177,414
Long-term liabilities due in more than one year:	
Compensated absences (note 5)	467,382
Leases payable (note 6)	13,485
Loans payable (note 6)	22,233,314
Total non-current liabilities	<u>82,891,595</u>
Total liabilities	<u>103,551,783</u>
Deferred inflows of resources:	
Deferred OPEB inflows of resources (note 7)	535,497
Deferred pension inflows of resources (note 8)	618,098
	<u>1,153,595</u>
Net position: (note 10)	
Net Investment in capital assets	73,427,321
Restricted for:	
SRF Reach IV-A & IV-B reserve requirement	1,050,000
Mitigation	1,910,560
Unrestricted	2,005,047
Total net position	<u>\$ 78,392,928</u>

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	Business-Type Activities Enterprise Fund
	<u>2022</u>
Operating revenues:	
Wastewater treatment and disposal	\$ 12,040,521
Wastewater treatment and disposal – capacity rights	2,510,154
Program administration	191,841
Other	<u>5,716</u>
Total operating revenues	<u>14,748,232</u>
Operating expenses:	
Wastewater treatment and disposal	6,863,027
General and administrative	523,272
Studies and planning costs	<u>2,578,723</u>
Total operating expenses:	<u>9,965,022</u>
Operating income before depreciation and amortization	<u>4,783,210</u>
Depreciation and amortization expense	(3,693,764)
Amortization of disposal rights	<u>(1,714,643)</u>
Total depreciation and amortization	<u>(5,408,407)</u>
Operating income (loss)	<u>(625,197)</u>
Non-operating revenues (expenses):	
Member contributions	1,581,845
Intergovernmental	13,673,784
Pension income – GASB 68 (note 7)	3,816,733
OPEB income – GASB 75 (note 8)	204,395
Investment (expense) earnings, net of fair value	(724,549)
Grant program expenses	(12,321,868)
Interest expense	<u>(537,720)</u>
Total non-operating revenues, net	<u>5,692,620</u>
Change in net position	5,067,423
Net position – beginning of year, as restated – (note 11)	<u>73,325,505</u>
Net position – end of year	<u>\$ 78,392,928</u>

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	Business-type Activities Enterprise Fund 2022
Cash flows from operating activities:	
Cash received from customers	\$ 12,231,113
Cash payments to employees	(3,407,764)
Cash payments to suppliers	(4,900,643)
Cash provided by operating activities	3,922,706
Cash flows from non-capital financing activities:	
Member contributions	1,581,845
Other governments	9,667,254
Grant program expenses	(12,321,868)
Cash (used in) provided by non-capital financing activities	(1,072,769)
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	(2,095,768)
Interest paid on long-term debt	(566,601)
Cash used in capital and related financing activities	(2,662,369)
Cash flows from investing activities:	
Purchase of investments	(2,226,857)
Proceeds from sale of investments	7,069,116
Interest received	288,362
Cash provided by investing activities	5,130,621
Net increase in cash and cash equivalents	5,318,189
Cash and cash equivalent – beginning of year	48,936,182
Cash and cash equivalent – end of year	\$ 54,254,371
Reconciliation of cash and cash equivalents to the Statements of Net Position	
Cash and cash equivalents	53,398,185
Cash and cash equivalents – restricted	856,186
Total cash and cash equivalents	\$ 54,254,371

Continued on next page

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Statement of Cash Flows – Proprietary Funds, continued
For the Fiscal Year Ended June 30, 2022

	Business-type Activities <u>Enterprise Fund</u> <u>2022</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (625,197)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities	
Depreciation and amortization	3,693,764
Amortization of disposal rights	1,714,643
Changes in assets and liabilities:	
(Increase) decrease in assets	
Accounts receivable	(25,193)
Notes receivable	2,600
Prepaid expenses and other assets	(101,870)
Net OPEB asset	(187,301)
Net pension asset	(1,105,718)
(Increase) decrease in deferred OPEB outflows	1,555
(Increase) decrease in deferred pension outflows	6,023
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	5,728,775
Accrued salaries and wages	24,072
Customer deposits	15,628
Compensated absences	26,766
Unearned revenue	(2,510,154)
Net OPEB liability	(400,332)
Net pension liability	(1,870,834)
Increase (decrease) in deferred OPEB inflows	381,683
Increase (decrease) in deferred pension inflows	(846,204)
Cash provided by operating activities	\$ <u>3,922,706</u>
Non-cash investing, capital, and financing transactions:	
Change in fair value of investments	\$ <u>1,071,944</u>

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Statement of Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2022

	<u>Custodial Fund</u>
	<u>Legal Defense Fund</u>
	<u>2022</u>
Assets:	
Cash and cash equivalents	\$ 467,289
Interest receivable	<u>312</u>
Total assets	<u>467,601</u>
Liabilities:	
Other liabilities	<u>-</u>
Total liabilities	<u>-</u>
Net position:	
Restricted for:	
Legal defense	<u>467,601</u>
Total net position	<u>\$ 467,601</u>

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2022

	<u>Custodial Fund</u>
	<u>Legal Defense Fund</u>
	<u>2022</u>
Additions:	
Investment earnings	\$ 529
Total additions	\$ 529
Deductions:	
Administrative expenses	-
Total deductions	-
Net increase in fiduciary net position	529
Net position – beginning of year	467,072
Net position – end of year	\$ 467,601

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Santa Ana Watershed Project Authority (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 of powers common to public agencies, for the 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 Government 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 operations are accounted for on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, 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 Project Activities – Record the activity of the various capital improvement projects 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 project and enterprise activities.

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

The Authority also has the following Fiduciary Funds:

Custodial Funds – Custodial funds are utilized to record monies held on behalf of others in a fiduciary capacity. The Authority has one custodial fund:

The Legal Defense Agency 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.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies continued

B. Basis of Accounting and Measurement Focus

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. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

C. Financial Reporting

Operating revenues and expenses, 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. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income, and interest expense, result from non-exchange transactions, in which, the Authority gives (receives) value without directly receiving (giving) value in exchange.

The Authority's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Authority's proprietary fund.

The Authority has adopted the following GASB pronouncements in the current year:

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies continued

C. Financial Reporting

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of Annual Comprehensive Financial Report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for Annual Comprehensive Financial Report sounds like a profoundly objectionable racial slur. This Statement’s introduction of the new term is founded on a commitment to promoting inclusiveness.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

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

4. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

5. 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.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position continued

6. 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.

7. Prepaid Expenses

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

8. Mitigation Credits

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

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Authority policy has set the capitalization threshold for capitalizing equipment purchases at \$5,000. Donated assets are recorded at estimated cost at the date of donation. 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 on a straight-line basis over the estimated useful lives of the assets as follows:

- | | |
|----------------------------------|---------------|
| • Building and improvements | 40 years |
| • Land improvements | 15 – 20 years |
| • Furniture and office equipment | 3 years |
| • Brine Line and equipment | 25 years |

The Authority capitalizes a portion of general and administration expenses and interest expense relating to certain long-term projects.

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 right was acquired. The current contract expires April 26, 2046.

Leased building and equipment right-to-use assets are amortized on straight-line basis over the life of the lease term.

10. Deferred Outflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents an acquisition of net assets applicable to future periods and, therefore, will *not* be recognized as an outflow of resources (expenditure) until that time.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position continued

10. Deferred Outflows of Resources continued

The Authority has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net OPEB liability. This amount will be amortized-in-full against the net OPEB liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits.

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net difference between the projected and actual earnings on investments of the pension plan's fiduciary net position. This amount is amortized over a five-year period.
- Deferred outflow for the net difference between actual contributions and the proportionate share of employer contribution which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with pension.

11. 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 pro-rated basis based on the actual number of hours worked.

Authority policy requires employees to pass a probationary period prior to payment for accrued vacation hours. Employees cannot accrue more than 36 vacation days (324 hours) total.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position continued

12. Postemployment Benefits Other than Pensions (OPEB)

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

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation date: June 30, 2021
- Measurement date: June 30, 2021
- Measurement period: July 1, 2020 to June 30, 2021

13. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Authority's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation date: June 30, 2020
- Measurement date: June 30, 2021
- Measurement period: July 1, 2020 to June 30, 2021

14. Unearned Revenue

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

15. Leases Payable

Leases payable are measured at the present value of payments expected to be paid during the lease term.

16. Deferred Inflows of Resources

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of net assets applicable to future periods and, therefore, will *not* be recognized as an inflow of resources (revenue) until that time.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position continued

16. Deferred Inflows of Resources, continued

The Authority has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the net change in assumptions which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with post-employment benefits.
- Deferred inflow for the net difference between the projected and actual earnings on investments of the other post-employment benefits plan's fiduciary net position. This amount is amortized over a five-year period.

Pensions

- Deferred inflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with pension.
- Deferred inflow as a result of the net change in proportions of the net pension liability which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with pension.

17. 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 non-capital assets are considered non-operating revenue.

18. 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 statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the Statement of Revenues, Expenses, and Changes in Net Position.

19. Budgetary Policies

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

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position continued

20. 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 do not meet the definition of *restricted* or *net investment in capital assets*.

21. Reclassifications

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

(2) Cash and Investments

Cash and investments as of June 30 are classified in the Statement of Net Position as follows:

	<u>2022</u>
Statement of Net Position:	
Cash and cash equivalents	\$ 53,398,185
Cash and investments – restricted	856,186
Investments	<u>6,450,116</u>
Total cash and investments	<u><u>\$ 60,704,487</u></u>
Statement of Fiduciary Net Position:	
Cash and investments	<u>467,289</u>
Total cash and investments	<u><u>\$ 61,171,776</u></u>

Cash and investments as of June 30 consist of the following:

	<u>2022</u>
Cash on hand	\$ 500
Deposits with financial institutions	3,656,761
Investments	<u>57,514,515</u>
Total cash and investments	<u><u>\$ 61,171,776</u></u>

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States 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 days	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.

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 at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(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 do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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 balances, 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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is 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.

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 bank balances, 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.

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

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(2) Cash and Investments, continued

Investment maturities as of June 30, 2022, were as follows:

Investment Types	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25-60 Months
U.S. Treasury Notes	\$ 1,829,571	-	-	1,829,571
U.S. Government Sponsored Agency Securities	2,884,103	-	992,026	1,892,077
LAIF	51,064,399	51,064,399	-	-
Medium-Term Corporate Notes	997,552	497,037	500,515	-
Negotiable Certificates of Deposit	738,890	495,549	-	243,341
	<u>\$ 57,514,515</u>	<u>52,056,985</u>	<u>1,492,541</u>	<u>3,964,989</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Per the Authority's investment policy, credit risk is mitigated by investing in safe securities, and diversifying the investment portfolio so the failure of one issuer would not materially affect the Authority's cash flow. 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.

Credit ratings of investments as of June 30, 2022, were as follows:

Investment Types	Total	Minimum Legal Rating	Rating as of Year End			Not Rated
			AAA	AA+	A+	
U.S. Treasury Notes	\$ 1,829,571	N/A	-	-	-	1,829,571
U.S. Government Sponsored Agency Securities	2,884,103	N/A	2,884,103	-	-	-
LAIF	51,064,399	N/A	-	-	-	51,064,399
Medium-Term Corporate Notes	997,552	N/A	-	497,037	500,515	-
Negotiable Certificates of Deposit	738,890	AAA	-	-	-	738,890
	<u>\$ 57,514,515</u>		<u>2,884,103</u>	<u>497,037</u>	<u>500,515</u>	<u>53,632,860</u>

Concentration of Credit Risk

The Authority's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The Authority's deposit portfolio with governmental agencies, LAIF, is 89% as of June 30, 2022, of the Authority's total depository and investment portfolio.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(2) Cash and Investments, continued

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

Investment Types	Total	Fair Value Measurement at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 1,829,571	1,829,571	-	-
U.S. Government Sponsored Agency Securities	2,884,103	-	2,884,103	-
Medium-Term Corporate Notes	997,552	-	997,552	-
Negotiable Certificates of Deposit	738,890	-	738,890	-
	6,450,116	1,829,571	4,620,545	-
Investments not subject to fair value hierarchy:				
Local Agency Investment Fund	51,064,399			
Total	\$ 57,514,515			

The Authority has the following recurring fair value measurements as of June 30, 2022:

- U.S. treasury note securities of \$1,829,571 are valued using quoted market prices (Level 1 inputs).
- U.S. governmental sponsored agency securities of \$2,884,103 are valued using a matrix pricing model (Level 2 inputs).
- Medium-term corporate note obligations of \$997,552 are valued using a matrix pricing model (Level 2 inputs).
- Negotiable certificates-of-deposit of \$738,890 are valued using a matrix pricing model (Level 2 inputs).
- Local agency investment funds of \$51,064,399 are valued at amortized cost and are not subject to fair value hierarchy.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(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 were as follows:

	Balance			Balance
	2021	Additions	Deletions	2022
\$	1,910,560	-	-	1,910,560

(4) Capital Assets

Changes in capital assets for 2022 were as follows:

	As Restated			
	2021	Additions	Disposals	2022
Capital assets not being depreciated:				
Land	\$ 765,444	-	-	765,444
Construction-in-progress	389,474	-	-	389,474
Total capital assets not being depreciated	1,154,918	-	-	1,154,918
Capital assets being depreciated and amortized:				
Land improvements	212,139	-	-	212,139
Buildings	1,702,149	-	-	1,702,149
Furniture and equipment	709,858	-	-	709,858
Brine Line and equipment	156,186,303	-	-	156,186,303
Wastewater treatment and disposal rights	55,662,342	-	-	55,662,342
Building leases	148,632	-	-	148,632
Equipment leases	31,356	-	-	31,356
Total capital assets being depreciated and amortized	214,652,779	-	-	214,652,779
Less accumulated depreciation and amortization:				
Land improvements	(111,116)	(15,130)	-	(126,246)
Buildings	(1,070,155)	(53,283)	-	(1,123,438)
Furniture and equipment	(364,845)	(66,590)	-	(431,435)
Brine Line and equipment	(79,380,308)	(3,507,150)	-	(82,887,458)
Wastewater treatment and disposal rights amort.	(32,486,272)	(1,714,643)	-	(34,200,915)
Building leases	(71,967)	(43,772)	-	(115,739)
Equipment leases	(1,960)	(7,839)	-	(9,799)
Total accumulated depreciation and amortization	(113,486,623)	(5,408,407)	-	(118,895,030)
Depreciable capital assets, net	101,166,156	(5,408,407)	-	95,757,749
Total capital assets, net	\$ 102,321,074	(5,408,407)	-	96,912,667

There were no major non-depreciable or depreciable / amortizable capital asset additions or deletions during the fiscal year ended 2022, respectively.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(5) Compensated Absences

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

The changes to compensated absences balances at June 30 were as follows:

Balance 2021	Earned	Taken	Balance 2022	Current Portion	Long-term Portion
\$ 640,923	452,232	(425,466)	667,689	200,307	467,382

(6) Long-term Debt

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

	As Restated 2021	Additions	Principal Pmts Amortization	2022	Current Portion	Long-Term Portion
SWRCB Brine Line Reach V Loans:						
Loan I	\$ 329,048	-	(329,048)	-	-	-
Loan II & III	264,710	-	(264,710)	-	-	-
Loan V	282,104	-	(282,104)	-	-	-
Total SWRCB Brine Line Reach V Loans	875,862	-	(875,862)	-	-	-
State Revolving Fund Loan:						
Reach IV-A & IV-B	10,647,337	-	(767,442)	9,879,895	787,396	9,092,499
SWRCB Inland Empire Brine Line:						
Reach V Loans:						
Loan I	13,948,770	-	(400,176)	13,548,594	407,779	13,140,815
Total loans payable	25,471,969	-	(2,043,480)	23,428,489	1,195,175	22,233,314
Leases payable:						
Konica Minolta	28,939	-	(7,654)	21,285	7,800	13,485
Building 1	45,736	-	(22,002)	23,734	23,734	-
Building 2	34,470	-	(22,632)	11,838	11,838	-
Total leases payable	109,145	-	(52,288)	56,857	43,372	13,485
Total long-term debt	\$ 25,581,114	-	(2,095,768)	23,485,346	1,238,547	22,246,799

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 matured on October 5, 2021. The loan was paid in full as of the end of the fiscal year.

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 matured on October 5, 2021. As of June 30, 2021, the loan was paid in full.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(6) Long-term Debt, continued

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 matured on September 11, 2020. The loan was paid in full

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 matured on October 5, 2021. The loan was paid in full as of the end of the fiscal year.

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.

Future principal and interest obligations on the loan as of June 30, are as follows:

Fiscal Year	Principal	Interest	Total
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	850,424	193,850	1,044,274
2027	872,535	171,739	1,044,274
2028-2032	4,714,990	506,376	5,221,366
2033	1,017,809	26,463	1,044,272
Total	9,879,895	1,607,110	11,487,005
Less current portion	(787,396)		
Total non-current	\$ 9,092,499		

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 commenced on March 31, 2019, at the rate of 1.90%, and will mature on March 31, 2048.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(6) Long-term Debt, continued

SWRCB Inland Empire Brine Line Reach V Loans - Loan 1, continued

Future principal and interest obligations on the loan as of June 30, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 407,779	257,423	665,202
2024	415,527	249,675	665,202
2025	423,422	241,780	665,202
2026	431,467	233,735	665,202
2027	439,665	225,538	665,203
2028-2032	2,326,849	999,163	3,326,012
2033-2037	2,556,461	769,552	3,326,013
2038-2042	2,808,730	517,282	3,326,012
2043-2047	3,085,894	240,119	3,326,013
2048	652,800	12,403	665,203
Total	13,548,594	3,746,670	17,295,264
Less current portion	(407,779)		
Total non-current	\$ 13,140,815		

Konica Minolta Lease

In January 2021, the Authority entered into an agreement with Konica Minolta, to lease copier equipment for use in the Authority's administrative office. Terms of the agreement commenced on January 1, 2021, for a period of 48 months, with rent due monthly at \$678 per month for the entire lease term.

Following the guidelines set forth by GASB Statement No. 87, the Authority has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 1.90%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease principal and interest obligations on the lease as of June 30, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 7,800	337	8,137
2024	7,950	187	8,137
2025	5,535	41	5,576
Total	21,285	565	21,850
Less current portion	(7,800)		
Total non-current	\$ 13,485		

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(6) Long-term Debt, continued

Building 1 Lease

In July 2020, the Authority renewed an agreement with Biltmore Riverside I, LLC to rent building space for the purpose of providing a headquarters building for Authority operations. Terms of the agreement commenced on July 1, 2020, for a period of 36 months, with base rent due monthly at \$1,782 per month, for months 1-12, \$1,890 per month, for months 13-24, and \$1,998 for months 25-36.

Following the guidelines set forth by GASB Statement No. 87, the Authority has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 1.90%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease principal and interest obligations on the lease as of June 30, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 23,734	245	23,979
Total	23,734	245	23,979
Less current portion	(23,734)		
Total non-current	\$ -		

Building 2 Lease

In July 2020, the Authority renewed an agreement with Biltmore Riverside I, LLC to rent building space for the purpose of providing a separate operations building. Terms of the agreement commenced on January 1, 2020, for a period of 36 months, with base rent due monthly at \$1,746 per month, for months 1-12, \$1,865 per month, for months 13-24, and \$1,984 for months 25-36.

Following the guidelines set forth by GASB Statement No. 87, the Authority has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 1.90%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease principal and interest obligations on the lease as of June 30, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 11,838	66	11,904
Total	11,838	66	11,904
Less current portion	(11,838)		
Total non-current	\$ -		

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(7) Other Post-Employment Benefits (OPEB) Plan

Plan Description

The Authority defined benefit post-employment healthcare plan, SAWPA Post Employment Healthcare Plan (SPHP), provides medical benefits to eligible retired Authority employees and spouses. SHPHP 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 an Annual Comprehensive Financial Report (ACFR). The ACFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS ACFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Benefits Provided

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.

Funding Policy

The contribution requirements of plan members and the Authority are established and may be amended by the Authority. The Authority contributes the entire premium cost up to a predetermined cap. The 2022 monthly cap per retiree amounted to \$1,944. Employees hired on or after July 1, 2005, are not eligible to receive employer subsidized postemployment medical benefits.

Employees Covered by Benefit Terms

Membership in the OPEB plan consisted of the following members as of June 30:

	2022
Inactive employees or beneficiaries	
currently receiving benefit payments	7
Inactive employees entitled to but	
not yet receiving benefit payments	-
Active employees	7
Total plan membership	<u>14</u>

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(7) Other Post-Employment Benefits (OPEB) Plan, continued

Contributions

The annual contribution is based on the actuarially determined contribution. For the fiscal years ended June 30, 2022 and 2021, the Authority's cash contributions were \$46,871 and \$54,138, respectively in payments to the trust.

As of the fiscal year ended June 30, the contributions were as follows:

	<u>2022</u>
Contributions to trust by – employer	\$ <u>46,871</u>
Total employer paid contributions	\$ <u>46,871</u>

Actuarial Assumptions and Other Inputs

The net OPEB liability in the June 30, 2021, actuarial valuation, which was measured at June 30, 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.39 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	6.73 percent
Mortality Rate ⁽¹⁾	Derived using CalPERS Membership Data for all funds
Pre-Retirement Turnover ⁽²⁾	Derived using CalPERS Membership Data for all funds
Healthcare cost trend rates	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.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(7) Other Post-Employment Benefits (OPEB) Plan, continued

Actuarial Assumptions and Other Inputs, continued

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset are summarized in the following table for measurement period June 30, 2021:

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	43.00%	5.43%
Fixed income	49.00%	1.63%
REITS	8.00%	5.06%
Total	100.00%	

Discount Rate

As of June 30, 2022, the discount rate used to measure the net OPEB liability was 6.73 percent. 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.

Changes in the Net OPEB Liability

Changes in the net OPEB liability for the year ended June 30, were as follows:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2021	\$ 2,090,421	1,690,089	400,332
Changes for the year:			
Service cost	20,942	-	20,942
Interest	138,454	-	138,454
Differences between expected and actual experience	176,449	-	176,449
Changes in assumptions or other inputs	(424,697)	-	(424,697)
Employer contributions	-	164,101	(164,101)
Net investment income	-	335,301	(335,301)
Benefit payments	(109,963)	(109,963)	-
Administrative expenses	-	(621)	621
Net change	(198,815)	388,818	(587,633)
Balance at June 30, 2022	\$ 1,891,606	2,078,907	(187,301)

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(7) Other Post-Employment Benefits (OPEB) Plan, continued

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

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

As of June 30, 2022, the discount rate comparison was the following:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB liability	\$ 38,955	(187,301)	(376,192)

Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

As of June 30, 2022, the healthcare cost trend rate comparison was the following:

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB liability	\$ (387,898)	(187,301)	54,155

For the year ended June 30, 2022, the Authority recognized OPEB income of \$157,524. The Authority records OPEB expense (income) adjustments within the general and administrative portion of operating expense following *GASB Statement No. 75* guidance. In 2022, due to the significance of the amount, an OPEB credit of \$204,395 was recorded as non-operating revenue.

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

As of June 30, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	\$ 46,871	-
Change of assumptions	-	(371,565)
Difference between expected and actual experience	237,062	-
Net difference between projected and actual earnings on investments	-	(163,932)
Total	\$ 283,933	(535,497)

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(7) Other Post-Employment Benefits (OPEB) Plan, continued

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

As of June 30, 2022, employer OPEB contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$46,871 will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2023.

As of June 30, 2022, there were amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB which are required to be recognized in OPEB expense over future periods, respectively. OPEB related amounts will be recognized as pension expense as follows.

Fiscal Year Ending June 30,	Deferred Net Outflows(Inflows) of Resources
2023	\$ (95,223)
2024	(119,004)
2025	(40,249)
2026	(43,959)
2027	-
Thereafter	-

See the Required Supplementary Information section for the Required Supplementary Schedules.

(8) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Authority's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(8) Defined Benefit Pension Plan, continued

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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 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 each plan are applied as specified by the Public Employees' Retirement Law. Classic Plan members are eligible for one-year final compensation and a 3.0% cost of living adjustment.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Authority's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013, are eligible for the Authority's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

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

	Miscellaneous	
	Classic	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 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	1.4% to 2.0%	1.0% to 2.0%
Required employee contribution rates	6.91%	7.25%
Required employer contribution rates	11.66%	7.70%

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 the July 1, following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. 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.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(8) Defined Benefit Pension Plan, continued

Contributions, continued

For the fiscal years ended June 30, the contributions were as follows:

	<u>2022</u>
Contributions – employer	\$ <u>567,850</u>

Net Pension Liability

As of the fiscal year ended June 30, the Authority reported net pension liabilities for its proportionate share of the net pension liability of the Plan were as follows:

	<u>2022</u>
Proportionate share of net pension (asset)	\$ <u>(1,105,718)</u>

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Authority's change in the proportionate share of the pension liability for the Plan as of the fiscal year end June 30, was as follows:

	<u>Proportionate Share</u>
Proportion – June 30, 2021	0.01719 %
Change in proportion	<u>(0.03763)</u>
Proportion – June 30, 2022	<u>(0.02044) %</u>

As a result of the adjustment for the GASB 68 pronouncement at June 30, 2022, the Authority recognized pension income of \$3,248,883. The Authority records pension expense (income) adjustments within the general and administrative portion of operating expense following *GASB Statement No. 68* guidance. In 2022, due to the significance of the amount, a pension credit of \$3,816,733 was recorded as non-operating revenue.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(8) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

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

Description	June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date at June 30	\$ 567,850	-
Net, differences between actual and expected experience	-	(123,995)
Net, changes in assumptions	-	-
Net, differences between projected and actual earnings on plan investments	965,233	-
Net, differences between actual contributions and proportionate share of contributions	775,434	-
Net, change due to differences in proportion of net pension liability	-	(494,103)
Total	<u>\$ 2,308,517</u>	<u>(618,098)</u>

As of June 30, 2022, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$567,850 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023.

As a result of the implementation of the GASB 68 at June 30, 2022, the Authority recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

Fiscal Year Ending June 30,	Deferred Net Outflows(Inflows) of Resources
2023	\$ 323,629
2024	308,912
2025	259,143
2026	230,885
2027	-
Thereafter	-

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(8) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities were determined as of June 30, 2020, which were rolled forward to June 30, 2021, using the following actuarial assumptions:

Actuarial assumptions:

Discount rate	7.15%
Inflation	2021 – 2.50%
Salary increase	Varies by Entry Age and Service
Investment Rate of Return	7.15 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial Experience Survey assumptions were based	2021 – 1997–2015 2017 – 1997–2011
Post Retirement Benefit	2021 – 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' specific 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 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

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.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(8) Defined Benefit Pension Plan, continued

Discount Rate, continued

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 (11-60 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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.

As of June 30, 2022, the target allocation and the long-term expected real rate of return by asset class were as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Years 11+</u>
Global Equity	50.00 %	4.80 %	5.38 %
Global Fixed Income	28.00	1.00	2.62
Private Equity	8.00	6.30	7.23
Real Asset	13.00	3.75	4.93
Liquidity	1.00	0.00	(0.92)
Total	<u>100.00 %</u>		

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

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

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(8) Defined Benefit Pension Plan, continued

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

As of June 30, 2022, the discount rate comparison was the following:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Authority's net pension liability	\$ 1,958,829	(1,105,718)	(3,639,136)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See the Required Supplementary Information section for the Required Supplementary Schedules.

Payable to the Pension Plan

As of June 30, 2022 and 2021, the Authority reported no payables for the outstanding amount of contribution to the pension plan, respectively.

(9) Unearned Revenue

The changes to deferred revenue at June 30 were as follows:

Balance 2021	Additions	Deletions	Balance 2022
\$ 62,687,568	-	(2,510,154)	60,177,414

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(10) Net Position

Calculation of net position as of June 30 was as follows:

	<u>2022</u>
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 1,154,918
Depreciable capital assets, net	95,757,749
State Revolving Fund Reach IV-A & IV-B loan payable	(9,879,895)
SWRCB Brine Line Reach V Loans Payable	(13,548,594)
Konica Minolta	(21,285)
Building 1	(23,734)
Building 2	<u>(11,838)</u>
Total net investment in capital assets	<u>73,427,321</u>
Restricted net position:	
SRF Reach IV-A & IV-B Reserve Requirement	1,050,000
Mitigation	<u>1,910,560</u>
Total net investment in capital assets	<u>2,960,560</u>
Unrestricted net position:	<u>2,005,047</u>
Total net position	<u>\$ 78,392,928</u>

(11) Adjustments to Net Position

In fiscal year 2022, the Authority implemented GASB Statement No. 87 to recognize its lessee arrangements. The Authority did not have any lessor arrangements which required restatement. As a result of the implementation, the Authority recognized the lease assets, lease payables, amortization expense, interest expense, and recorded prior period adjustments, an increase and decrease to net position, of \$602 and \$2,097 at July 1, 2020 and July 1, 2021, respectively.

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(11) Adjustments to Net Position, continued

The adjustments to net position are as follows:

	Total			Total
	Capital Project	Internal	Brine Line	Enterprise
	Funds	Administration	Enterprise	Activities
Net position at July 1, 2020	\$ 5,235,964	2,537,207	65,551,935	73,325,106
Effect of adjustment to establish right-to-use asset and lease payables as a result of GASB 87	-	-	602	602
Net position at July 1, 2020, as adjusted	5,235,964	2,537,207	65,552,537	73,325,708
Change in net position at June 30, 2021	990,282	(199,267)	(789,119)	1,896
Net position at July 1, 2021, as adjusted	6,226,246	2,337,940	64,763,418	73,327,604
Effect of adjustment for 2021 to remove previously recorded lease expense as a result of GASB 87	-	7,908	37,822	45,730
Effect of adjustment for 2021 to record interest expense – leases as a result of GASB 87	-	(414)	(1,683)	(2,097)
Effect of adjustment for 2021 to record lease amortization expense – leases as a result of GASB 87	-	(7,464)	(38,268)	(45,732)
Subtotal adjustments	-	30	(2,129)	(2,099)
Net position at June 30, 2021, as restated	\$ 6,226,246	2,337,970	64,761,289	73,325,505

(12) 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 years ended June 30, 2022, administrative services provided to LESJWA totaled \$191,841 which are included in operating revenue.

The financial statements for LESJWA are available at the Authority.

	2022
Total assets	\$ 307,760
Total liabilities	\$ 171,182
Total net position	\$ 136,578

Santa Ana Watershed Project Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2022

(13) 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 three 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.

(14) Commitments and Contingencies

Grant Awards

Grant funds received by the Authority are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Authority believes that such disallowances, 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 Santa Ana Regional Interceptor (SARI) Pipeline owned by Orange County Sanitation District. 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.

(15) Subsequent Events

Events occurring after June 30, 2022 have been evaluated for possible adjustment to the financial statements or disclosure as of December 20, 2022, which is the date the financial statements were available to be issued.

Required Supplementary Information

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Santa Ana Watershed Project Authority
Schedules of Changes in the Net OPEB Liability and Related Ratios
As of June 30, 2022
Last Ten Years*

	Measurement Dates				
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability					
Service cost	\$ 20,942	19,944	28,540	27,181	26,828
Interest	138,454	135,129	127,527	122,126	108,355
Employer contributions	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	176,449	(4,080)	298,861	(4,383)	22,281
Changes of assumptions or other inputs	(424,697)	-	(248,125)	-	103,114
Benefit payments	<u>(109,963)</u>	<u>(95,452)</u>	<u>(75,336)</u>	<u>(57,035)</u>	<u>(55,611)</u>
Net change in total OPEB liability	(198,815)	55,541	131,467	87,889	204,967
Total OPEB liability – beginning	<u>2,090,421</u>	<u>2,034,880</u>	<u>1,903,413</u>	<u>1,815,524</u>	<u>1,610,557</u>
Total OPEB liability – ending	<u>1,891,606</u>	<u>2,090,421</u>	<u>2,034,880</u>	<u>1,903,413</u>	<u>1,815,524</u>
Plan fiduciary net position					
Contribution – employer	164,101	169,930	149,059	129,352	121,424
Net investment income	335,301	84,799	100,148	73,974	79,164
Benefit payments	(109,963)	(95,452)	(75,336)	(57,035)	(55,611)
Administrative expense	<u>(621)</u>	<u>(759)</u>	<u>(298)</u>	<u>(643)</u>	<u>(572)</u>
Net change in plan fiduciary net position	388,818	158,518	173,573	145,648	144,405
Plan fiduciary net position – beginning	<u>1,690,089</u>	<u>1,531,571</u>	<u>1,357,998</u>	<u>1,212,350</u>	<u>1,067,945</u>
Plan fiduciary net position – ending	<u>2,078,907</u>	<u>1,690,089</u>	<u>1,531,571</u>	<u>1,357,998</u>	<u>1,212,350</u>
Net OPEB (asset) liability	\$ <u>(187,301)</u>	<u>400,332</u>	<u>503,309</u>	<u>545,415</u>	<u>603,174</u>
Covered payroll	\$ <u>1,182,249</u>	<u>1,379,767</u>	<u>1,336,336</u>	<u>1,238,555</u>	<u>1,156,128</u>
Total OPEB liability as a percentage of covered payroll	<u>-15.84%</u>	<u>29.01%</u>	<u>37.66%</u>	<u>44.04%</u>	<u>52.17%</u>

Notes to Schedule

Valuation dates June 30, 2021 June 30, 2021 June 30, 2019 June 30, 2017 June 30, 2017

Methods and assumptions used to determine contribution rates:

Single and agent employers	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value	Market value
Inflation	2.39%	2.39%	2.26%	2.26%	2.25%
Salary increases	3.25%	3.25%	3.25%	3.25%	3.25%
Investment rate of return	6.73%	6.73%	6.73%	6.73%	6.73%
Mortality, retirement, disability					
Termination	(3)	(3)	(3)	(2)	(2)
Other information	(4)	(4)	(4)	(4)	(4)

(1) Level percentage of payroll, closed 30 year period.

(2) Pre-retirement mortality based on CalPERS 2014 Employee Mortality Tables, Post-retirement mortality rates based on CalPERS 2014 Employee Mortality Tables.

(3) Pre-retirement mortality probability based on 2017 CalPERS Experience Study covering CalPERS participants.

Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

(4) N/A

*The Authority has presented information for those years for which information is available until a full 10-year trend is compiled.

Santa Ana Watershed Project Authority
Schedules of OPEB Plan Contributions
As of June 30, 2022
Last Ten Years*

Description	Fiscal Years Ended				
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 99,262	60,264	73,723	72,317	65,813
Contributions in relation to the actuarially determined contribution	<u>(109,963)</u>	<u>(169,930)</u>	<u>(149,059)</u>	<u>(129,352)</u>	<u>(121,424)</u>
Contribution deficiency(excess)	\$ <u>(10,701)</u>	<u>(109,666)</u>	<u>(75,336)</u>	<u>(57,035)</u>	<u>(55,611)</u>
District's covered payroll	\$ <u>1,217,716</u>	<u>1,182,249</u>	<u>1,379,767</u>	<u>1,336,336</u>	<u>1,238,555</u>
Contribution's as a percentage of covered payroll	<u>9.03%</u>	<u>14.37%</u>	<u>10.80%</u>	<u>9.68%</u>	<u>9.80%</u>

*The Authority has presented information for those years for which information is available until a full 10-year trend is compiled.

Santa Ana Watershed Project Authority
Schedules of Proportionate Share of the Net Pension Liability
As of June 30, 2022
Last Ten Years*

Description	Measurement Dates							
	June 30, 2021	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Authority's proportion of the net pension liability	<u>-0.02044%</u>	<u>0.01719%</u>	<u>0.03983%</u>	<u>0.03788%</u>	<u>0.03755%</u>	<u>0.03588%</u>	<u>0.03274%</u>	<u>0.03487%</u>
Authority's proportionate share of the net pension liability	<u>\$ (1,105,718)</u>	<u>1,870,834</u>	<u>4,081,229</u>	<u>3,649,848</u>	<u>3,724,430</u>	<u>3,104,742</u>	<u>2,247,501</u>	<u>2,169,716</u>
Authority's covered payroll	<u>\$ 3,244,053</u>	<u>3,277,860</u>	<u>3,166,203</u>	<u>3,065,932</u>	<u>3,098,371</u>	<u>2,795,885</u>	<u>2,560,510</u>	<u>2,294,398</u>
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	<u>-34.08%</u>	<u>57.07%</u>	<u>128.90%</u>	<u>119.05%</u>	<u>120.21%</u>	<u>111.05%</u>	<u>87.78%</u>	<u>94.57%</u>
Plan's fiduciary net position as a percentage of the total pension liability	<u>104.76%</u>	<u>77.71%</u>	<u>77.73%</u>	<u>75.26%</u>	<u>73.31%</u>	<u>74.06%</u>	<u>78.40%</u>	<u>79.82%</u>

Notes to schedule:

There were no changes in benefits.

Changes in assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no changes in assumptions.

* The Authority has presented information for those years for which information is available until a full 10-year trend is compiled.

Santa Ana Watershed Project Authority
Schedules of Pension Plan Contributions
As of June 30, 2022
Last Ten Years*

Description	Fiscal Years Ended							
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 486,186	618,033	552,495	485,329	422,430	388,896	339,020	273,547
Contributions in relation to the actuarially determined contribution	(486,186)	(618,033)	(3,104,168)	(485,329)	(422,430)	(388,896)	(339,020)	(273,547)
Contribution deficiency(excess)	\$ -	-	(2,551,673)	-	-	-	-	-
Authority's covered payroll	\$ 3,177,937	3,244,053	3,277,860	3,166,203	3,065,932	3,098,371	2,795,885	2,560,510
Contribution's as a percentage of covered payroll	15.30%	19.05%	94.70%	15.33%	13.78%	12.55%	12.13%	10.68%
Notes to schedule:								
Valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Methods and assumptions used to determine contribution rates:								
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15 year Smoothed Market Method
Inflation	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.15% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level of percentage payroll, closed.

(2) Depending on age, service, and type of employment.

(3) Net of pension plan investment expense, including inflation.

(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62.

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* The Authority has presented information for those years for which information is available until a full 10-year trend is compiled.

Supplemental Information

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Santa Ana Watershed Project Authority
Combining Schedule of Net Position
Enterprise Funds
June 30, 2022

	<u>Capital Project Activities</u>	<u>Internal Administration</u>	<u>Enterprise Activities</u>	<u>Total 2022</u>
Current assets:				
Cash and cash equivalents	\$ 4,938,503	2,446,176	46,013,506	53,398,185
Cash and cash equivalents – restricted	856,186	-	-	856,186
Investments	-	-	6,450,116	6,450,116
Interest receivable	5,765	10,026	81,083	96,874
Accounts receivable	-	3,661	2,203,290	2,206,951
Accounts receivable – grants	16,259,113	662,773	-	16,921,886
Notes receivable – current portion	9,469	-	-	9,469
Prepaid expenses and other assets	-	197,765	252,178	449,943
Mitigation credits	1,910,560	-	-	1,910,560
Due from other funds	-	12,072	-	12,072
Total current assets	<u>23,979,596</u>	<u>3,332,473</u>	<u>55,000,173</u>	<u>82,312,242</u>
Non-current assets:				
Capital assets not being depreciated	389,474	445,436	320,008	1,154,918
Depreciable capital assets, net	-	906,179	94,851,570	95,757,749
Net OPEB asset	-	187,301	-	187,301
Net pension asset	-	1,105,718	-	1,105,718
Total non-current assets	<u>389,474</u>	<u>2,644,634</u>	<u>95,171,578</u>	<u>98,205,686</u>
Total assets	<u>24,369,070</u>	<u>5,977,107</u>	<u>150,171,751</u>	<u>180,517,928</u>
Deferred outflows of resources:				
Deferred OPEB outflows of resources	-	283,933	-	283,933
Deferred pension outflows of resources	-	2,308,517	-	2,308,517
	<u>\$ -</u>	<u>2,592,450</u>	<u>-</u>	<u>2,592,450</u>

Continued on next page.

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Combining Schedule of Net Position - Continued
Enterprise Funds
June 30, 2022

	<u>Capital Project Activities</u>	<u>Internal Administration</u>	<u>Enterprise Activities</u>	<u>Total 2022</u>
Current liabilities:				
Accounts payable and accrued expenses	\$ 18,110,618	93,783	612,938	18,817,339
Accrued salaries and wages	-	195,397	-	195,397
Accrued interest payable	-	-	192,970	192,970
Customer deposits	-	-	15,628	15,628
Due to other funds	12,072	-	-	12,072
Long-term liabilities – due within one year:				
Compensated absences	-	200,307	-	200,307
Leases payable	-	13,736	29,636	43,372
Loans payable	-	-	1,195,175	1,195,175
Total current liabilities	<u>18,122,690</u>	<u>503,223</u>	<u>2,046,347</u>	<u>20,672,260</u>
Non-current liabilities:				
Unearned revenue	-	-	60,177,414	60,177,414
Long-term liabilities due in more than one year:				
Compensated absences	-	467,382	-	467,382
Leases payable	-	13,485	-	13,485
Loans payable	-	-	22,233,314	22,233,314
Total non-current liabilities	<u>-</u>	<u>480,867</u>	<u>82,410,728</u>	<u>82,891,595</u>
Deferred inflows of resources:				
Deferred OPEB inflows of resources	-	535,497	-	535,497
Deferred pension inflows of resources	-	618,098	-	618,098
	<u>-</u>	<u>1,153,595</u>	<u>-</u>	<u>1,153,595</u>
Net position:				
Net investment in capital assets	389,474	1,324,394	71,713,453	73,427,321
Restricted for:				
SRF Reach IV-A & IV-B reserve requirement	-	-	1,050,000	1,050,000
Mitigation	1,910,560	-	-	1,910,560
Unrestricted	<u>3,946,346</u>	<u>5,107,478</u>	<u>(7,048,777)</u>	<u>2,005,047</u>
Total net position	<u>\$ 6,246,380</u>	<u>6,431,872</u>	<u>65,714,676</u>	<u>78,392,928</u>

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Enterprise Funds
For the Year Ended June 30, 2022

	Capital Project Activities	Internal Administration	Enterprise Activities	Total 2022
Operating revenues:				
Wastewater treatment and disposal	\$ -	-	12,040,521	12,040,521
Wastewater treatment and disposal - capacity rights	-	-	2,510,154	2,510,154
Program administration	191,841	-	-	191,841
Other	-	5,716	-	5,716
	<u>191,841</u>	<u>5,716</u>	<u>14,550,675</u>	<u>14,748,232</u>
Total operating revenues	<u>191,841</u>	<u>5,716</u>	<u>14,550,675</u>	<u>14,748,232</u>
Operating expenses:				
Wastewater treatment and disposal	-	-	6,863,027	6,863,027
General and administrative and overhead	-	523,272	-	523,272
Studies and planning costs	2,578,723	-	-	2,578,723
	<u>2,578,723</u>	<u>523,272</u>	<u>6,863,027</u>	<u>9,965,022</u>
Total operating expenses:	<u>2,578,723</u>	<u>523,272</u>	<u>6,863,027</u>	<u>9,965,022</u>
Operating (loss) income before depreciation and amortization	(2,386,882)	(517,556)	7,687,648	4,783,210
Depreciation and amortization	-	(150,320)	(3,543,444)	(3,693,764)
Amortization – disposal rights	-	-	(1,714,643)	(1,714,643)
	<u>-(2,386,882)</u>	<u>-(667,876)</u>	<u>2,429,561</u>	<u>-(625,197)</u>
Net (loss) income	<u>-(2,386,882)</u>	<u>-(667,876)</u>	<u>2,429,561</u>	<u>-(625,197)</u>
Non-operating revenues (expenses):				
Member contributions	865,000	716,845	-	1,581,845
Intergovernmental	13,087,951	585,833	-	13,673,784
Pension income – GASB 68	-	3,816,733	-	3,816,733
OPEB income – GASB 75	-	204,395	-	204,395
Investment earnings (expense), net of fair value	18,463	24,565	(767,577)	(724,549)
Grant program expenditures	(11,736,023)	(585,845)	-	(12,321,868)
Interest expense	-	(653)	(537,067)	(537,720)
Other	-	-	-	-
	<u>2,235,391</u>	<u>4,761,873</u>	<u>-(1,304,644)</u>	<u>5,692,620</u>
Total non-operating revenues, net	<u>2,235,391</u>	<u>4,761,873</u>	<u>-(1,304,644)</u>	<u>5,692,620</u>
Total (loss) income before transfers	<u>-(151,491)</u>	<u>4,093,997</u>	<u>1,124,917</u>	<u>5,067,423</u>
Transfers	<u>171,625</u>	<u>(95)</u>	<u>-(171,530)</u>	<u>-</u>
Change in net position	<u>20,134</u>	<u>4,093,902</u>	<u>953,387</u>	<u>5,067,423</u>
Net position – beginning of year, as restated – (note 11)	<u>6,226,246</u>	<u>2,337,970</u>	<u>64,761,289</u>	<u>73,325,505</u>
Net position – end of year, as restated	<u>\$ 6,246,380</u>	<u>6,431,872</u>	<u>65,714,676</u>	<u>78,392,928</u>

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Combining Schedule of Net Position
Capital Projects Activities
June 30, 2022

	Brine Line Protection Project	Reach IV-D Corrosion Repair	Basin Planning
Current assets:			
Cash and cash equivalents	\$ -	-	203,524
Cash and cash equivalents – restricted	-	-	-
Interest receivable	-	-	546
Accounts receivable – grants	-	-	-
Accounts receivable – other	-	-	-
Mitigation credits	-	-	-
Total current assets	-	-	204,070
Non-current assets:			
Capital assets not being depreciated	-	389,474	-
Total assets	-	389,474	204,070
Current liabilities:			
Accounts payable	-	-	13,759
Accrued interest payable	-	-	-
Due to other funds	-	-	-
Total liabilities	-	-	13,759
Net position:			
Net investment in capital assets	-	389,474	-
Restricted	-	-	-
Unrestricted	-	-	190,311
Total net position	\$ -	389,474	190,311

Continued on next page.

See accompanying notes to the basic financial statements

<u>Watershed Management Plan</u>	<u>Basin Monitoring Program Task Force</u>	<u>PFAS Study</u>	<u>Weather Modification</u>	<u>Santa Ana River Fish Conservation</u>	<u>MSAR TMDL Task Force</u>
362,121	427,355	-	-	109,611	377,555
-	-	-	-	-	-
911	950	-	-	233	809
4,022	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>367,054</u>	<u>428,305</u>	<u>-</u>	<u>-</u>	<u>109,844</u>	<u>378,364</u>
-	-	-	-	-	-
<u>367,054</u>	<u>428,305</u>	<u>-</u>	<u>-</u>	<u>109,844</u>	<u>378,364</u>
31,568	99,648	-	-	863	4,243
-	-	-	-	-	-
-	-	111	295	-	-
<u>31,568</u>	<u>99,648</u>	<u>111</u>	<u>295</u>	<u>863</u>	<u>4,243</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>335,486</u>	<u>328,657</u>	<u>(111)</u>	<u>(295)</u>	<u>108,981</u>	<u>374,121</u>
<u>335,486</u>	<u>328,657</u>	<u>(111)</u>	<u>(295)</u>	<u>108,981</u>	<u>374,121</u>

Continued on next page.

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Combining Schedule of Net Position - Continued
Capital Project Activities
June 30, 2022

	Regional Water Quality Monitoring Task Force	Arundo Management & Habitat Restoration	Emerging Constituents Task Force
Current assets:			
Cash and cash equivalents	\$ 74,517	-	86,595
Cash and cash equivalents – restricted	-	856,186	-
Interest receivable	322	1,794	200
Accounts receivable – grants	-	-	-
Accounts receivable – other	-	-	-
Mitigation credits	-	1,910,560	-
Total current assets	74,839	2,768,540	86,795
Non-current assets:			
Capital assets not being depreciated	-	-	-
Total assets	74,839	2,768,540	86,795
Current liabilities:			
Accounts payable	43,174	-	2,917
Accrued interest payable	-	-	-
Due to other funds	-	-	-
Total liabilities	43,174	-	2,917
Net position:			
Net investment in capital assets	-	-	-
Restricted	-	1,910,560	-
Unrestricted	31,665	857,980	83,878
Total net position	\$ 31,665	2,768,540	83,878

Continued on next page.

See accompanying notes to the basic financial statements

<u>Energy Water DAC Grant Project</u>	<u>Prop 1 DACI Grant</u>	<u>Lake Elsinore Management</u>	<u>Prop 84 Grant Projects</u>	<u>Prop 1 Grant Projects</u>	<u>Total 2022</u>
-	-	-	3,143,793	153,432	4,938,503
-	-	-	-	-	856,186
-	-	-	-	-	5,765
3,553	-	-	11,841,030	4,410,508	16,259,113
-	-	9,469	-	-	9,469
-	-	-	-	-	1,910,560
<u>3,553</u>	<u>-</u>	<u>9,469</u>	<u>14,984,823</u>	<u>4,563,940</u>	<u>23,979,596</u>
-	-	-	-	-	389,474
<u>3,553</u>	<u>-</u>	<u>9,469</u>	<u>14,984,823</u>	<u>4,563,940</u>	<u>24,369,070</u>
-	-	25	13,456,813	4,457,608	18,110,618
-	-	-	-	-	-
<u>3,553</u>	<u>-</u>	<u>8,113</u>	<u>-</u>	<u>-</u>	<u>12,072</u>
<u>3,553</u>	<u>-</u>	<u>8,138</u>	<u>13,456,813</u>	<u>4,457,608</u>	<u>18,122,690</u>
-	-	-	-	-	389,474
-	-	-	-	-	1,910,560
-	-	1,331	1,528,010	106,332	3,946,346
<u>-</u>	<u>-</u>	<u>1,331</u>	<u>1,528,010</u>	<u>106,332</u>	<u>6,246,380</u>

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Capital Project Activities
For the Fiscal Year Ended June 30, 2022

	Brine Line Protection Project	Reach IV-D Corrosion Repair	Basin Planning
Operating revenues:			
Other	-	-	-
Total operating revenues	-	-	-
Operating expenses:			
Studies and planning costs	171,530	-	430,431
Total operating expenses	171,530	-	430,431
Net income (loss)	(171,530)	-	(430,431)
Non-operating revenues (expenses):			
Member contributions	-	-	420,000
Intergovernmental	-	-	-
Investment earnings, net of fair value	-	-	2,185
Grant program expenditures	-	-	-
Total non-operating revenues (expense)	-	-	422,185
Total income (loss) before transfers	(171,530)	-	(8,246)
Transfers	171,530	-	-
Changes in net position	-	-	(8,246)
Net position – beginning of year	-	389,474	198,557
Net position – end of year	\$ -	389,474	190,311

Continued on next page.

See accompanying notes to the basic financial statements

<u>Watershed Management Plan</u>	<u>Basin Monitoring Program Task Force</u>	<u>PFAS Study</u>	<u>Weather Modification</u>	<u>Santa Ana River Fish Conservation</u>	<u>MSAR TMDL Task Force</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>540,723</u>	<u>424,013</u>	<u>111</u>	<u>295</u>	<u>27,612</u>	<u>74,609</u>
<u>540,723</u>	<u>424,013</u>	<u>111</u>	<u>295</u>	<u>27,612</u>	<u>74,609</u>
<u>(540,723)</u>	<u>(424,013)</u>	<u>(111)</u>	<u>(295)</u>	<u>(27,612)</u>	<u>(74,609)</u>
425,000	-	-	-	10,000	-
67,900	474,067	-	-	19,000	266,079
3,297	2,831	-	-	641	2,157
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>496,197</u>	<u>476,898</u>	<u>-</u>	<u>-</u>	<u>29,641</u>	<u>268,236</u>
(44,526)	52,885	(111)	(295)	2,029	193,627
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,625)</u>
(44,526)	52,885	(111)	(295)	2,029	79,002
<u>380,012</u>	<u>275,772</u>	<u>-</u>	<u>-</u>	<u>106,952</u>	<u>295,119</u>
<u>335,486</u>	<u>328,657</u>	<u>(111)</u>	<u>(295)</u>	<u>108,981</u>	<u>374,121</u>

Continued on next page.

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position - Continued
Capital Project Activities
For the Fiscal Year Ended June 30, 2022

	Regional Water Quality Monitoring Task Force	Arundo Management & Habitat Restoration	Emerging Constituents Task Force
Operating revenues:			
Other	\$ -	-	-
Total operating revenues	-	-	-
Operating expenses:			
Studies and planning costs	507,407	58,870	95,295
Total operating expenses	507,407	58,870	95,295
Net income (loss)	(507,407)	(58,870)	(95,295)
Non-operating revenues (expenses):			
Member contributions	-	-	-
Intergovernmental	192,220	-	113,009
Investment earnings, net of fair value	1,649	5,074	629
Grant program expenditures	-	-	-
Total non-operating revenues (expense)	193,869	5,074	113,638
Total income (loss) before transfers	(313,538)	(53,796)	18,343
Transfers	114,625	-	-
Changes in net position	(198,913)	(53,796)	18,343
Net position – beginning of year	230,578	2,822,336	65,535
Net position – end of year	\$ 31,665	2,768,540	83,878

Continued on next page.

See accompanying notes to the basic financial statements

Energy Water DAC Grant Project	Prop 1 DACI Grant	Lake Elsinore Management	Prop 84 Grant Projects	Prop 1 Grant Projects	Total 2022
-	-	191,841	-	-	191,841
-	-	191,841	-	-	191,841
12,739	33,246	201,842	-	-	2,578,723
12,739	33,246	201,842	-	-	2,578,723
(12,739)	(33,246)	(10,001)	-	-	(2,386,882)
-	-	10,000	-	-	865,000
12,739	33,428	-	8,157,164	3,752,345	13,087,951
-	-	-	-	-	18,463
-	-	-	(7,811,116)	(3,924,907)	(11,736,023)
12,739	33,428	10,000	346,048	(172,562)	2,235,391
-	182	(1)	346,048	(172,562)	(151,491)
-	197	-	(102)	-	171,625
-	379	(1)	345,946	(172,562)	20,134
-	(379)	1,332	1,182,064	278,894	6,226,246
-	-	1,331	1,528,010	106,332	6,246,380

See accompanying notes to the basic financial statements

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INTRODUCTORY SECTION

Statistical Section

This part of the Authority's annual comprehensive 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

Page No.

Financial Trends 77 - 78

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

Revenue Capacity 79 - 84

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

Debt Capacity 85 - 89

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 90

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

Operating Information 91 - 92

This schedule contains 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**

	2022	2021 ⁽¹⁾	2020 ⁽¹⁾	2019	2018	2017	2016	2015	2014	2013
Net Investment in Capital Assets	\$73,427,321	\$76,739,960	\$79,824,095	\$82,216,012	\$85,226,499	\$90,622,870	\$84,798,833	\$82,709,425	\$80,456,568	\$81,274,020
Restricted	2,960,560	2,960,560	2,960,560	2,960,560	2,960,560	3,921,155	3,923,403	3,969,074	4,167,861	4,232,102
Unrestricted	2,005,047	(6,375,015)	(9,458,946)	(13,617,096)	(19,510,100)	(24,155,787)	(21,554,491)	(21,643,941)	(20,734,190)	(17,845,678)
Total Net Position	\$78,392,928	\$73,325,505	\$73,325,708	\$71,559,476	\$68,676,959	\$70,388,238	\$67,167,745	\$65,034,558	\$63,890,239	\$67,660,444

(1) As restated for GASB Statement No. 87 Leases.

Source: Santa Ana Watershed Project Authority

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

Fiscal Year	Operating Revenue ⁽²⁾	Operating Expense ⁽³⁾	Operating Income/(Loss)	Total Non-Operating Revenue/(Expense)	Income/(Loss) Before Capital Contributions	Special Items ⁽⁴⁾⁽⁵⁾	Change in Net Position
2022	\$14,748,232	\$15,373,429	(\$625,197)	\$1,671,492	\$1,046,295	\$4,021,128	\$5,067,423
2021 ⁽¹⁾	15,192,196	18,234,980	(3,042,784)	3,042,581	(203)	-	(203)
2020 ⁽¹⁾	14,251,066	17,228,552	(2,977,486)	4,743,719	1,766,233	-	1,766,233
2019	15,050,312	17,097,853	(2,047,541)	4,930,058	2,882,517	-	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	-	3,220,493
2016	12,049,027	12,762,714	(713,687)	2,846,874	2,133,187	-	2,133,187
2015	11,731,196	13,057,424	(1,326,228)	2,470,547	1,144,319	-	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	-	601,280

(1) As restated for GASB Statement No. 87 Leases.

(2) See Table III for details of revenues.

(3) See Table IV for details of expenses.

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

(5) Pension and Other Post-Employment Benefits related adjustments sourcing from current year valuations prepared by CalPERS and the Authority's OPEB actuaries and are due to CalPERS realized gains on investments and actuarial determined changes which affected the pension cost share pool and CERBT OPEB trust participants.

Source: Santa Ana Watershed Project Authority

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

Operating Revenues					Non-Operating Revenues						
Fiscal Year	WWT & Disposal	WWT & Disposal Capacity Rights	Other Operating	Total Operating Revenue	Member Contributions	Inter Governmental	Pension/ OPEB Income	Investment Income/Expense, net of fair value	Gain on Disposal of Asset	Total Non-Operating Income	Combined Revenue
2022	\$12,040,521	\$2,510,154	\$197,557	\$14,748,232	\$1,581,845	\$13,673,784	\$4,021,128	(\$724,549)	\$-	\$18,552,208	\$33,300,440
2021 ⁽¹⁾	12,476,856	2,510,154	205,186	15,192,196	1,993,632	14,765,698	-	73,038	-	16,832,368	32,024,564
2020 ⁽¹⁾	11,547,220	2,510,154	193,692	14,251,066	2,105,955	9,466,587	-	1,496,354	-	13,068,896	27,319,962
2019 ⁽²⁾	12,334,346	2,510,154	205,812	15,050,312	1,909,415	29,011,794	-	1,660,061	-	32,581,270	47,631,582
2018	10,935,848	2,510,154	219,498	13,665,500	2,303,325	3,413,408	-	326,487	-	6,043,220	19,708,720
2017	11,273,024	2,519,533	204,904	13,997,461	2,307,624	4,795,478	-	193,157	-	7,296,259	21,293,720
2016	9,323,505	2,519,748	205,774	12,049,027	1,730,491	2,765,270	-	567,709	1,123	5,064,593	17,113,620
2015	8,958,914	2,510,154	262,128	11,731,196	1,806,745	1,257,581	-	432,179	1,123	3,497,628	15,228,824
2014	8,575,085	2,510,154	158,191	11,243,430	1,771,587	843,283	-	457,867	13,021	3,085,758	14,329,188
2013	9,170,287	2,510,154	220,420	11,980,861	1,829,845	1,432,832	-	343,591	-	3,606,268	15,507,129

(1) As Restated for GASB Statement No. 87 Leases.

(2) GASB Statement No. 84 implemented in FYE 2021. FYE 2020 and 2019 were restated, however, prior years were not restated as the information was not readily available.

Source: Santa Ana Watershed Project Authority

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

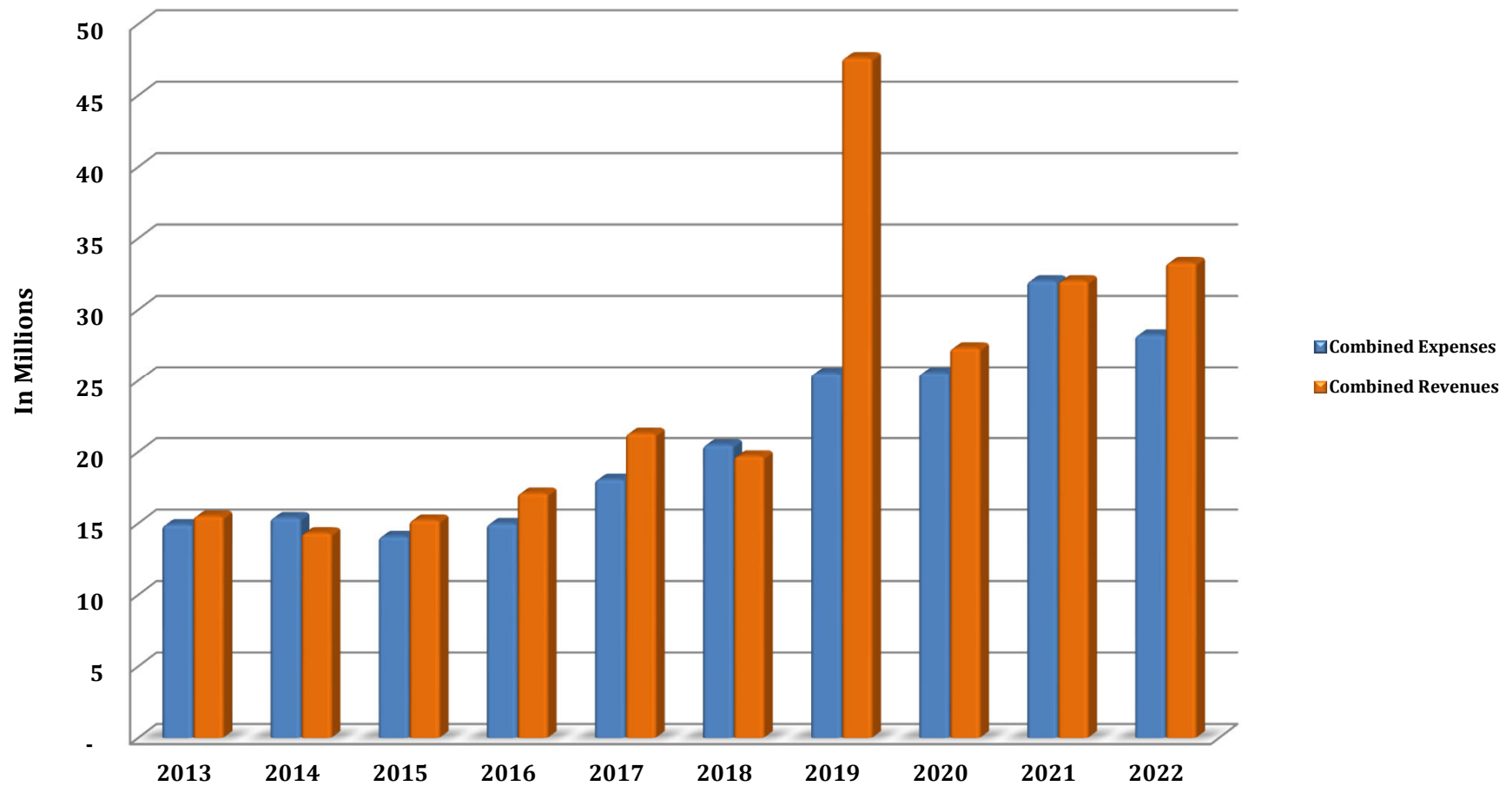
Operating Expenses								
Fiscal Year	WWT & Disposal	General & Admin	Studies & Planning Costs	Depreciation	Amortization of WWT Rights	Total Operating Expenses	Total Non-Operating Expenses	Combined Expenses
2022	\$6,863,027	\$523,272	\$2,578,723	\$3,693,764	\$1,714,643	\$15,373,429	\$12,859,588	\$28,233,017
2021 ⁽¹⁾⁽²⁾	7,055,339	762,713	5,020,667	3,840,251	1,556,010	18,234,980	13,789,787	32,024,767
2020 ⁽¹⁾⁽²⁾	6,670,902	989,568	4,396,714	3,770,450	1,400,918	17,228,552	8,325,177	25,553,729
2019 ⁽²⁾	6,545,654	1,326,428	4,082,052	3,742,801	1,400,918	17,097,853	8,423,326	25,521,179
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

(1) As restated for GASB Statement No. 87 Leases.

(2) GASB Statement No. 84 implemented in FYE 2021. FYE 2020 and 2019 were restated, however, prior years were not restated as the information was not readily available.

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	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Industrial *	222.0080	187.3816	181.3119	146.2297	142.6609	182.3629	176.0173	149.1266	149.7733	153.7463
Domestic *	459.4311	372.6175	345.2252	365.5703	571.6977	605.6648	539.1186	686.9780	817.2502	854.2526
Power Plant *	136.2439	159.5573	174.6108	182.3315	168.1869	211.0939	203.7717	255.9079	238.1875	285.4555
Water Supply/Desalter *	3,169.4397	3,206.6906	3,286.5031	2,977.7296	2,862.8002	2,832.6086	2,789.4969	2,894.5452	2,698.2170	2,728.7335
Temp/Emergency *	1.5160	2.4556	5.4886	13.8265	0.0000	12.9104	4.7210	6.9285	10.6266	7.9366
Truck Discharge *	46.6620	40.6385	31.8486	32.1043	36.2431	29.9249	34.3066	27.2869	23.3557	30.6147
Total	4,035.3007	3,969.3411	4,024.9882	3,717.7919	3,781.5888	3,874.5655	3,747.4321	4,020.7731	3,937.4103	4,060.7392

* 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)
2022	\$1,018	\$329	\$460	\$150	\$6,654	\$13,505	(1)	n/a	n/a	n/a	\$0.016
2021 ⁽²⁾	1,018	329	460	150	6,654	13,505	(4)	n/a	n/a	n/a	\$0.016
2021 ⁽³⁾	979	316	442	150	6,398	12,985	(5)	n/a	n/a	n/a	0.015
2020	979	316	442	150	6,398	12,985	(6)	n/a	n/a	n/a	0.015
2019	946	307	429	150	6,217	12,607	(6)	n/a	n/a	n/a	0.015
2018	901	307	429	150	5,921	12,007	(7)	0.017	0.035	(8)	0.012
2017	858	307	429	150	5,639	11,433	(7)	0.016	0.033	(9)	0.011
2016	817	301	420	150	5,370	10,888	(7)	0.015	0.032	(10)	0.010
2015	777	295	411	150	5,114	10,369	(7)	0.015	0.031	(11)	0.010
2014	736	266	395	150	4,870	9,875	(7)	0.015	0.031	(12)	0.010
2013	794	253	376	150	4,083	8,749	(7)	0.015	0.030	(13)	0.010

* MGD – million gallons per day

- 1) Fiscal year 2022 rates from July 1, 2021 through June 30, 2022. Non-brine truck rate dischargers will be charged based on actual BOD and TSS concentrations over 100 mg/l using the following components: \$0.016 per gallon, \$0.78/pound of BOD, and \$0.745/pound of TSS.
- 2) Fiscal year 2021 rates from January 1, 2021 through June 30, 2021.
- 3) Fiscal year 2021 rates from July 1, 2020 through December 31, 2020.
- 4) Fiscal year 2021 January 1, 2021 through June 30, 2021. - Non-brine truck rate dischargers will be charged based on actual BOD and TSS concentrations over 100 mg/l using the following components: \$0.016 per gallon, \$0.78/pound of BOD, and \$0.745/pound of TSS.
- 5) Fiscal year 2021 July 1, 2020 through December 31, 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.
- 6) Fiscal year 2019 and fiscal year 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.
- 7) 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.
- 8) Fiscal year 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.
- 9) Fiscal year 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.
- 10) Fiscal year 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.
- 11) Fiscal year 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.
- 12) Fiscal year 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.
- 13) Fiscal year 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.

Source: Santa Ana Watershed Project Authority

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

Fiscal Year 2021-22

Customer Name	Discharge in MG ⁽¹⁾	Percentage of Total Discharge
Chino Desalter I	812.0654	20.1%
Temescal Desalter	631.0573	15.6%
Perris Desalter	512.3942	12.7%
Chino Desalter II	422.1133	10.5%
Menifee Desalter	301.4627	7.5%
JCSD – Etiwanda ⁽²⁾	289.9486	7.2%
Yucaipa Valley Water District	205.8787	5.1%
Arlington Desalter	188.4891	4.7%
Mountainview Power Plant	130.7877	3.2%
JCSD – Wineville ⁽²⁾	70.1543	1.7%
Total Principal Customers	3,564.3513	87.3%
Other Customers	470.9494	12.7%
Total Discharge	4,035.3007	100.0%

Fiscal Year 2012-13

Customer Name	Discharge in MG ⁽¹⁾	Percentage of Total Discharge
Chino Desalter I	738.6391	18.2%
Temescal Desalter	601.7590	14.8%
Chino Desalter II	438.6995	10.8%
Arlington Desalter	347.3243	8.6%
Menifee Desalter	301.4954	7.4%
Perris Desalter	284.2546	7.0%
JCSD – Etiwanda ⁽²⁾	271.1948	6.7%
California Rehabilitation Center	175.6489	4.3%
Chino Institute for Women	158.8173	3.9%
Mountainview Power Plant	152.3468	3.8%
Total Principal Customers	3,470.1797	85.5%
Other Customers	590.5595	14.5%
Total Discharge	4,060.7392	100.00%

(1) MG – million gallons

(2) 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 ⁽³⁾	Member Loans ⁽⁴⁾	Leases Payable ⁽¹⁾	Total Debt	
2022	\$28,233,017	\$2,608,439	\$-	\$53,234	\$2,661,673	9.4%
2021 ⁽¹⁾⁽²⁾	32,024,767	2,835,753	-	53,601	2,889,354	9.0%
2020 ⁽¹⁾⁽²⁾	25,553,729	2,835,753	-	28,957	2,864,710	11.2%
2019 ⁽¹⁾	25,521,179	2,835,753	-	-	2,835,753	11.1%
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%

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:

(1) As restated for GASB Statement No. 87 Leases.

(2) GASB Statement No. 84 implemented in FYE 2021. FYE 2020 and 2019 were restated, however, prior years were not restated as the information was not readily available. Combined Expenses includes Proposition 1 and 84 pass throughs for those years.

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

(4) Repurchase of Pipeline Capacity from Orange County Water District.

Source: Santa Ana Watershed Project Authority

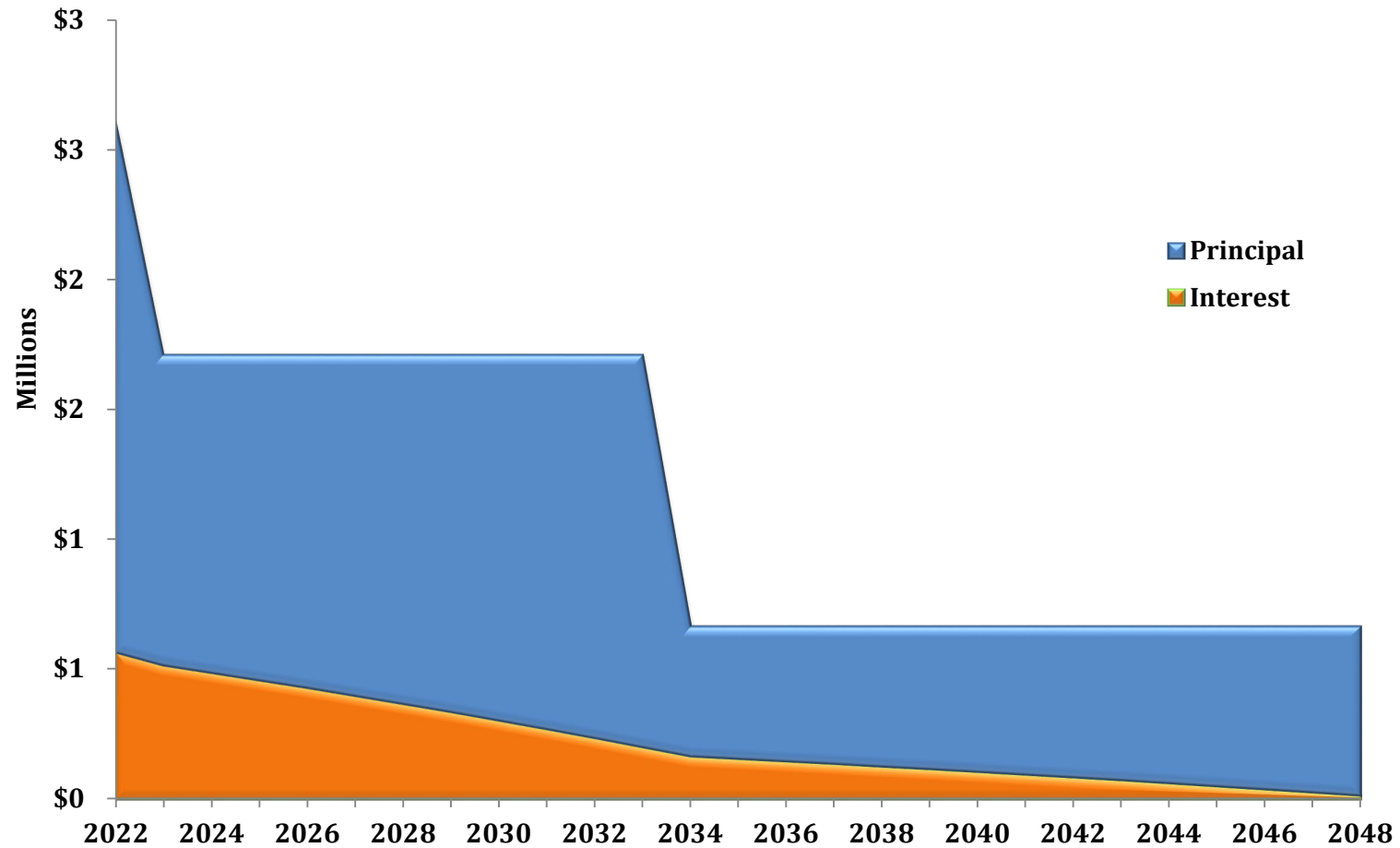
**Table IX - Debt Service Payment Schedule
Fiscal Years 2022- 2048**

Fiscal Year	Interest	Principal	Total Payment	Remaining Principal
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

Does not include future lease payments.

Source: Santa Ana Watershed Project Authority

Chart II - Debt Service Payment Schedule
Fiscal Years 2022 - 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	Leases Payable ⁽¹⁾	Total Debt	Percentage of Personal Income ⁽²⁾	Debt Per Capita ⁽³⁾
2022	\$23,428,489	\$-	\$56,857	\$23,485,346	0.38%	\$9.64
2021 ⁽¹⁾	25,471,969	-	109,145	25,581,114	0.42%	10.42
2020 ⁽¹⁾	27,686,941	-	55,379	27,742,320	0.47%	11.36
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	0.67%	14.43

(1) As restated for GASB Statement No. 87 Leases.

(2) 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.

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

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

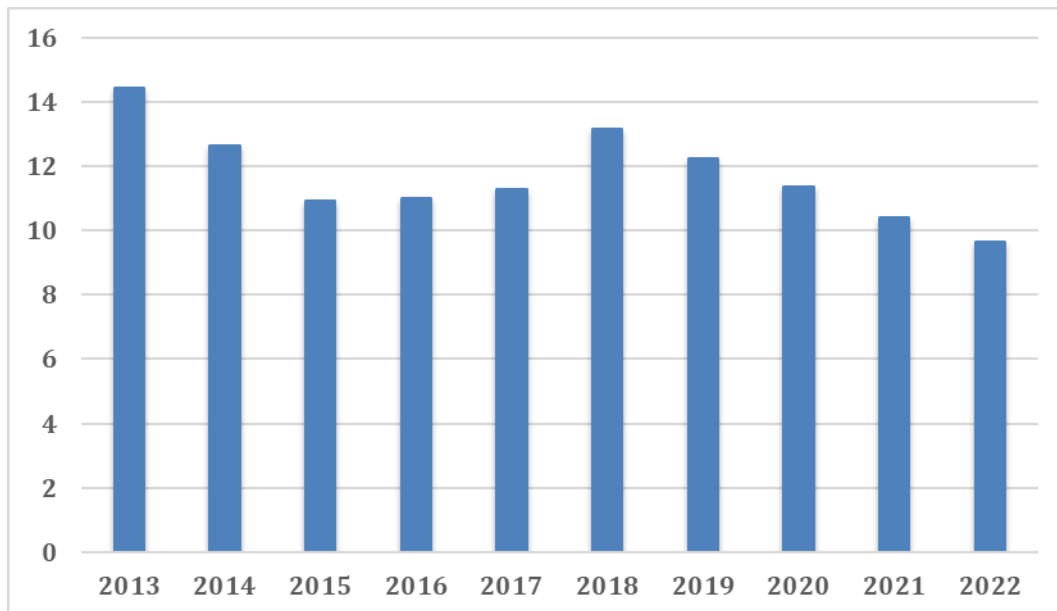


Chart IV – Capital Spending
Last Ten Fiscal Years

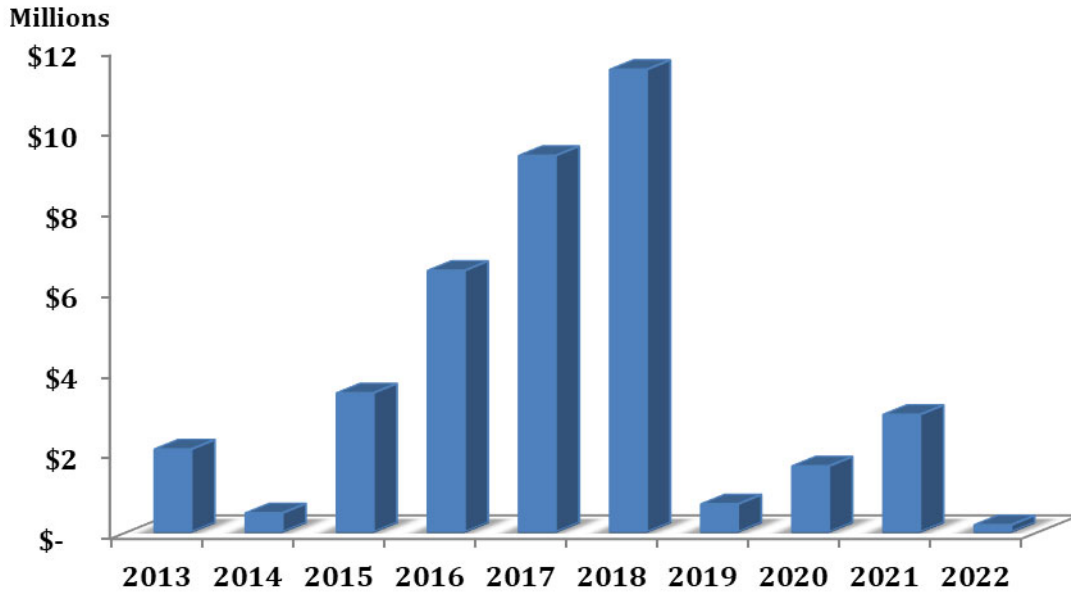
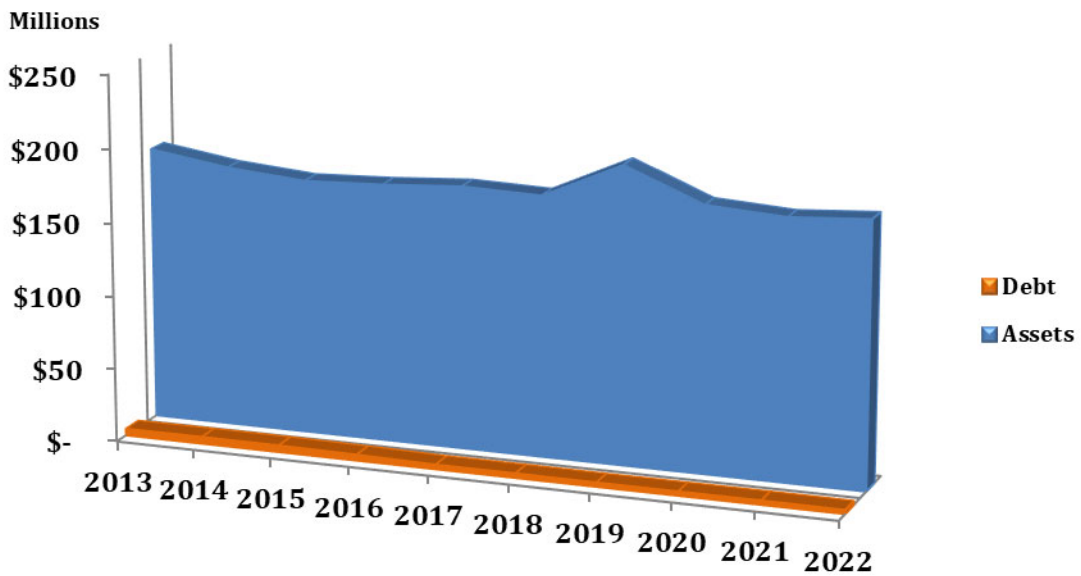


Chart V – Total Debt to Assets
Last Ten Fiscal Years



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
2022	2,435,525	\$6,224,569,480	\$39,850 (2)	4.0% 4.0%
2021	2,454,453	6,089,509,285	38,822 (5)	7.9% 8.0%
2020	2,442,304	5,905,881,400	37,951 (5)	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%

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

(2) Projected based on a ten-year average.

(3) Source: January Revised Estimates, State Department of Finance.

(4) Source: CA Employment Development Department and US Dept. of Labor. County data as of June 2022.

(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, 2021 (1)			June 30, 2012 (1)		
Employer	No of Employees	% of Total Labor Force	Employer	No of Employees	% of Total Labor Force
County of Riverside	22,952	2.2%	County of Riverside	19,150	2.3%
Amazon	10,500	1.0%	March Air Reserve Base	9,000	1.1%
March Air Reserve Base	9,600	0.9%	Stater Brothers Markets	6,900	0.8%
University of California, Riverside	8,909	0.9%	University of California, Riverside	5,790	0.7%
Stater Brothers Markets	8,304	0.8%	Wal-Mart	5,360	0.7%
Moreno Valley Unified School District	6,250	0.6%	Corona-Norco Unified School District	4,686	0.6%
Kaiser Permanente	5,780	0.6%	Pechanga Resort & Casino	4,000	0.5%
Corona-Norco Unified School District	5,478	0.5%	Kaiser Permanente	4,000	0.5%
Hemet Unified School District	4,460	0.4%	Riverside Unified School District	3,796	0.5%
Ross Dress for Less	4,313	0.4%	Moreno Valley Unified School District	3,500	0.4%
Total	86,546	8.3%	Total	66,182	8.1%

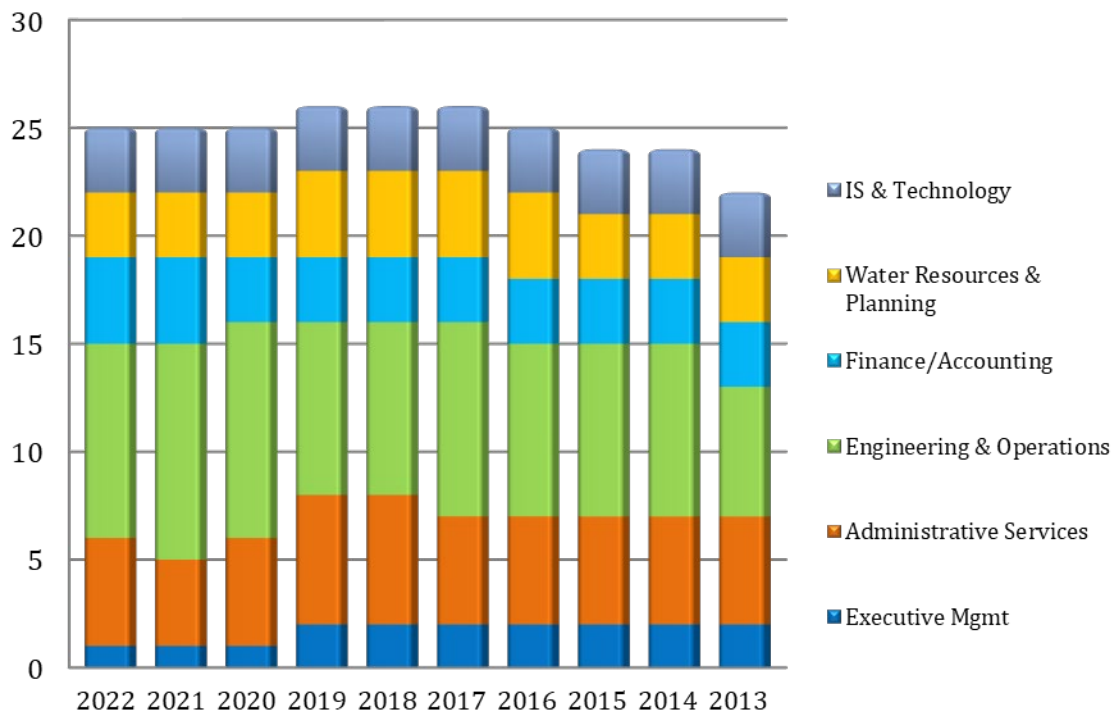
Sources: (1) County of Riverside Annual Consolidated Financial Report. Data presented is the most current available at the time of preparation of this report.

Table XIII - Number of Employees
Last Ten Fiscal Years

Department	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Executive Management	1	1	1	2	2	2	2	2	2	2
Administrative Services	5	4	5	6	6	5	5	5	5	5
Engineering & Operations	9	10	10	8	8	9	8	8	8	6
Finance/Accounting	4	4	3	3	3	3	3	3	3	3
Water Resources & Planning	3	3	3	4	4	4	4	3	3	3
Information Systems & Technology	3	3	3	3	3	3	3	3	3	3
Total	25	25	25	26	26	26	25	24	24	22

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**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Meter Connections	43	43	43	40	41	51	48	48	50	50
Number of Air Release Valves	63	63	63	63	63	63	65	65	65	65
Miles of Sewer Lines	73	73	73	73	73	73	73	73	73	73
Total Flows for Fiscal Years (MG)	4,035.30	3,969.34	4,024.99	3,717.79	3,781.59	3,874.56	3,747.43	4,020.77	3,937.41	4,060.74
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



Santa Ana Watershed
Project Authority

SANTA ANA WATERSHED PROJECT AUTHORITY

11615 Sterling Avenue ▪ Riverside ▪ California ▪ 92503
www.sawpa.org ▪ (951) 354-4220