



**FINANCE/AUDIT COMMITTEE MEETING AGENDA
TRABUCO CANYON WATER DISTRICT
32003 DOVE CANYON DRIVE, TRABUCO CANYON, CA
VIDEO/AUDIO BROADCAST MEETING – DECEMBER 9, 2020 AT 1:00 PM**

COMMITTEE MEMBERS

Don Chadd, Committee Chair
Michael Safranski, Committee Member

DISTRICT STAFF

Fernando Paludi, General Manager
Michael Perea, District Secretary
Cindy Byerrum, District Treasurer
Karen Warner, Senior Accountant

AGENDA NOTE:

Meeting attendees should be aware that the meetings of the Board of Directors are, as required by law, open to the public and the District has very limited powers to regulate who attends Board meetings.

CONFERENCE CALL INFORMATION

Due to the spread of COVID-19 and as authorized by the Governor's Executive Order, Trabuco Canyon Water District will be holding all upcoming public meetings by Go To Meeting, and will be available by either computer or telephone audio as follows:

Computer Audio: *You can join the meeting from your computer, tablet, or smartphone by clicking on the following link: <https://global.gotomeeting.com/join/349651253>*

Telephone Audio: *1 866 899 4679 (Toll Free)*

Access Code: *349-651-253*

Persons desiring to monitor the Board meeting agenda items may download the Board meeting agenda and documents on the internet at www.tcwd.ca.gov.

You may submit public comments by email to the Board at mperea@tcwd.ca.gov. In order to be part of the record, emailed comments on meeting agenda items must be received by the District, at the referenced e-mail address, not later than 10:00 a.m. (PDT) on the day of the meeting.

CALL MEETING TO ORDER

VISITOR PARTICIPATION

Members of the public wishing to address the Committee regarding a particular item on the agenda are requested to complete a speaker card and submit it to staff. The Committee Chair will call on the visitor following the Committee's discussion about the matter. Committees do not constitute a quorum of the Board of Directors and Committee Members cannot make decisions on matters. The Committee makes recommendations only to the Board of Directors. Members of the public will be given the opportunity to speak to the Committee prior to making a recommendation on the matter. For persons desiring to make verbal comments and utilizing a translator to present their comments into English reasonable time accommodations, consistent with State law, shall be provided. Please limit comments to three minutes.

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING AGENDA | DECEMBER 9, 2020**

ORAL COMMUNICATION

Members of the public who wish to make comment on matters not appearing on the agenda are invited to identify themselves and encouraged to make comment at this time. The Committee Chair will call on the visitor following the Committee's discussion about the matter. Committees do not constitute a quorum of the Board of Directors and Committee Members cannot make decision on matters. The Committee makes recommendations only to the Board of Directors. Under the requirements of State Law, Committee Members cannot take action on items not identified on the agenda and will not make decisions on such matters. The Committee Chair may direct District Staff to follow up on issues as may be deemed appropriate. For persons desiring to make verbal comments and utilizing a translator to present their comments into English reasonable time accommodations, consistent with State law, shall be provided. Please limit comments to three minutes.

COMMITTEE MEMBER COMMENTS

REPORT FROM THE GENERAL MANAGER

FINANCIAL MATTERS

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

RECOMMENDED ACTION:

Approve the following Finance/Audit Committee Meeting Recap(s) and recommend that the Board receive and file the same. (Consent Calendar):

1. November 10, 2020

ITEM 2: RATIFICATION OF DIRECTORS' FEES AND EXPENSES, TENTATIVE FUTURE MEETINGS/ATTENDANCE

RECOMMENDED ACTION:

Recommend the Board of Directors ratify the Directors' fees and expenses for November 2020 and tentative future meetings/attendance. (Consent Calendar)

ITEM 3: TRABUCO CANYON WATER DISTRICT ANNUAL FINANCIAL REPORT (AUDIT) FOR FISCAL YEAR ENDING JUNE 30, 2020

RECOMMENDED ACTION(S)

Committee to receive information concerning Trabuco Canyon Water District's Annual Financial Report (Audit) for Fiscal Year Ending June 30, 2020 and recommend that the Board receive and file the Audit Report (Action Calendar.)

ITEM 4: OTHER MATTERS

RECOMMENDED ACTION:

Hear Other Matters from the General Manager or District Staff.

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING AGENDA | DECEMBER 9, 2020**

ITEM 5: FINANCIAL REPORT

A) PRESENTATION OF UNAUDITED FINANCIAL STATEMENTS

RECOMMENDED ACTION:

Recommend that the Board receive and file the preliminary unaudited financial statements for October 2020 (Consent Calendar).

B) BILLS FOR CONSIDERATION

RECOMMENDED ACTION:

Approve and ratify the bills for consideration and warrant register and recommend that the Board ratify payment of the Bills for Consideration for December 9, 2020 as presented. (Consent Calendar).

ADJOURNMENT

AVAILABILITY OF AGENDA MATERIALS

Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Trabuco Canyon Water District Finance/Audit Committee in connection with a matter subject to discussion or consideration at an open meeting of the Finance/Audit Committee are available for public inspection at the Trabuco Canyon Water District Administrative Facility, 32003 Dove Canyon Drive, Trabuco Canyon, California (District Administrative Facility) or will be posted online on the District's website located at www.tcwd.ca.gov. If such writings are distributed to members of the Committee less than 72 hours prior to the meeting, they will be available online at www.tcwd.ca.gov at the same time as they are distributed to the Committee, except that, if such writings are distributed immediately prior to or during the meeting, they will be posted online on the District's website located at www.tcwd.ca.gov.

COMPLIANCE WITH THE REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE SECTION 54954.2

In compliance with California law and the Americans with Disabilities Act, if you need special disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, or if you need the agenda provided in an alternative format, please contact the District Secretary at (949) 858-0277, at least 48 hours in advance of the scheduled Board meeting. Notification at least 48 hours prior to the meeting will assist the District in making reasonable arrangements to accommodate your request. The Board Meeting Room is wheelchair accessible.

The District may conduct future meetings electronically (via teleconferencing) during the current ongoing emergency situation.

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | DECEMBER 9, 2020**

FINANCIAL MATTERS

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

RECOMMENDED ACTION:

Approve the following Finance/Audit Committee Meeting Recap(s) and recommend that the Board receive and file the same. (Consent Calendar):

1. *November 10, 2020*

CONTACTS (staff responsible): PALUDI/PEREA



TRABUCO CANYON WATER DISTRICT FINANCE/AUDIT COMMITTEE MEETING RECAP | NOVEMBER 10, 2020

DIRECTORS PRESENT

Director Don Chadd, Committee Chair
Director Mike Safranski, Committee Member

STAFF PRESENT

Fernando Paludi, General Manager
Michael Perea, Assistant General Manager / Board Secretary
Karen Warner, Senior Accountant
Lisa Marie Sangi, Administrative Assistant

STAFF PRESENT VIA CONFERENCE CALL

Lorrie Lausten, District Engineer

PUBLIC PRESENT VIA CONFERENCE CALL

There was one caller.

CALL MEETING TO ORDER

Director Chadd called the November 10, 2020 Finance/Audit Committee Meeting to order at 1:02 P.M.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

No comments were received.

REPORT FROM THE GENERAL MANAGER

No comments were received.

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

Mr. Paludi presented the Finance/Audit Committee Meeting Recap for Committee review in accordance with the agenda.

RECOMMENDED ACTION:

The Committee recommended that the Finance/Audit Committee Meeting Recap be forwarded to the Board of Directors for approval (Consent Calendar).

ITEM 2: RATIFICATION OF DIRECTORS' FEES AND EXPENSES, TENTATIVE FUTURE MEETINGS/ATTENDANCE

Mr. Paludi presented the Directors' Fees and Expenses Report and Tentative Future Meetings/Attendance Report for Committee consideration and review. Director Chadd commented that the Director Meeting with the General Manager on October 20, 2020 did not occur, and he requested that it be removed from his schedule.

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | NOVEMBER 10, 2020**

RECOMMENDED ACTION:

The Committee recommended that the Directors' Fees and Expenses Report for October 2020, and the Tentative Future Meetings/Attendance Report be forwarded to the Board of Directors for ratification (Consent Calendar).

ITEM 3: DISCUSSION AND ACTION ON CONTRACT CHANGE ORDER NO. 2 FOR RAFTELIS FINANCIAL CONSULTANTS FOR TRABUCO CANYON WATER DISTRICT'S RATE ANALYSIS FOR WATER, WASTEWATER, AND NON-DOMESTIC WATER RATES AND CHARGES AND RELATED MATTERS

Mr. Paludi presented this matter for Committee review, and he reported that Raftelis Financial Consultants (Raftelis) had submitted a contract change order for additional work related to the changes in the rate model and the development of the Notice of Public Hearing. Discussion occurred concerning project costs to date and notification requirement compliance.

RECOMMENDED ACTION(S):

The Committee recommended the Board of Directors authorize the General Manager to execute the Raftelis Financial Consultants Contract Change Order No. 2 in the amount of \$8,950 (Action Calendar).

ITEM 4: DISCUSSION AND ACTION ON COMMON INTEREST AGREEMENT REGARDING THE ALLEN MCCOLLOCH PIPELINE SALE AGREEMENT TO METROPOLITAN WATER DISTRICT

Mr. Paludi presented this matter for Committee review, and he provided a brief overview of the issues leading to the development of the common interest agreement. Mr. Paludi indicated that participant agencies have raised certain issues and questions related to the sale of the Allen McColloch Pipeline (AMP) to Metropolitan Water District of Southern California (MET), and that Municipal Water District of Southern California (MWDOC) is working with their General Legal Counsel has prepared a legal analysis of the matter and recommends a participant agency meeting to determine if there are any necessary changes to be made to the agreement. Mr. Paludi recommended that the Board of Directors approve and authorize the execution of the Common Interest Agreement Regarding the Allen McColloch Pipeline Sale Agreement to Metropolitan Water District.

RECOMMENDED ACTION(S):

The Committee recommended the Board of Directors authorize the General Manager to execute the Common Interest Agreement Regarding the Allen McColloch Pipeline Sale Agreement to Metropolitan Water District (Action Calendar).

ITEM 5: OTHER MATTERS

Mr. Paludi provided a brief update concerning the Public Hearing for the proposed Water, Wastewater, and Recycled Water Rates and Charges scheduled for December 16, 2020, and he reminded the Committee that the District's Administration Facility will be closed in observance of the Veteran's Day Holiday on November 11, 2020.

RECOMMENDED ACTION:

No action was taken.

ITEM 6: FINANCIAL REPORT

Ms. Warner presented the preliminary unaudited financials for September 2020 for Committee consideration.

STATEMENT OF REVENUES AND EXPENSES

Operating Revenue, Residential Water Revenue

Ms. Warner reported that this line item was slightly lower than the previous month due to lower water demands, but that the year to date was higher than anticipated.

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | NOVEMBER 10, 2020**

Operating Revenue, Baker Treatment Plant Water Sales

Ms. Warner reported that this line item was higher than the prior month due to increased water sales to the City of San Clemente.

Operating Revenue, Interest Revenue

Ms. Warner reported that this line item was lower than anticipated due to lowered interest rates.

Operating Expenses, Total Operating Expenses

Ms. Warner reported that this line item was higher than the prior month, but that the year to date was as anticipated.

RESTRICTED ASSETS REPORT & INVESTMENT SCHEDULE

Ms. Warner reviewed the District's reserve account levels and investment schedule for the month of September.

RECOMMENDED ACTION:

The Committee signed the bills for consideration and the warrant register and recommended that the Board ratify payment of the bills for consideration for November 10, 2020 as presented (Consent Calendar).

ADJOURNMENT

Director Chadd adjourned the November 10, 2020 Finance/Audit Committee Meeting at 1:15 PM.

DRAFT

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | DECEMBER 9, 2020**

FINANCIAL MATTERS

ITEM 2: RATIFICATION OF DIRECTORS' FEES AND EXPENSES, TENTATIVE FUTURE MEETINGS/ATTENDANCE

Directors' Fees and Expenses

Consistent with Board policy, Directors are reimbursed for expenses incurred while serving in their capacity as Directors. Additionally, Directors earn a per diem stipend for attendance at meetings or functions in a Director capacity. The attached spreadsheet provides a recap of the meetings, seminars, and/or conferences attended by Directors including direct reimbursables paid to each Director.

Future Meetings

Future meetings are identified for reference and designated directors are anticipated to attend. In the event an unanticipated meeting occurs that requires attendance by a director, the meeting attendance will be subsequently presented to the Board of Directors for ratification.

RECOMMENDED ACTION:

Recommend that the Board ratify the Directors' fees and expenses for November 2020 and tentative future meetings/attendance. (Consent Calendar)

EXHIBIT(S):

1. Directors' Fees and Expenses Report for November 2020
2. Directors' Tentative Future Meetings/Attendance – Calendar Year 2020.

CONTACTS (staff responsible): PALUDI/PEREA

**TRABUCO CANYON WATER DISTRICT
DIRECTORS' FEES AND EXPENSES MONTHLY REPORT | NOVEMBER 2020**


MEETING DESCRIPTION	ACOSTA	CHADD	DOPUDJA	MANDICH	SAFRANSKI
DISTRICT MEETINGS					
Engineering/Operational Committee Meeting			11/04/20	11/04/20	
Finance/Audit Committee Meeting		11/10/20			11/10/20
Individual Meeting with General Manager	11/16/20	11/17/20	11/18/20	11/16/20	11/13/20
Regular Board Meeting		11/18/20	11/18/20	11/18/20	11/18/20
REPRESENTATIVE MEETINGS					
City of Rancho Santa Margarita City Council Meeting	11/12/20				
Independent Special Districts of Orange County - Executive Committee	11/03/20				
South Orange County Agencies Group Meeting		11/24/20			
South Orange County Wastewater Authority (SOCWA) Regular Board Meeting			11/05/20		
Water Advisory Committee of Orange County Meeting (WACO)	11/06/20				
NUMBER OF MEETINGS ATTENDED	4	4	3	3	3
FEES (\$125 per each meeting*)	\$500.00	\$500.00	\$375.00	\$375.00	\$375.00
DIRECT REIMBURSABLE EXPENSES					
DIRECT REIMBURSABLE EXPENSES TOTALS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
INDIRECT REIMBURSABLE EXPENSES					
INDIRECT REIMBURSABLE EXPENSES TOTALS					
TOTAL	\$500.00	\$500.00	\$375.00	\$375.00	\$375.00
<i>* Maximum per diem per day is one; maximum per diems per month is 10</i>					

DIRECTOR SIGNATURE

TRABUCO CANYON WATER DISTRICT | 2020 PUBLIC MEETING AND CONFERENCE CALENDAR

2020													
LINE ITEM	MEETING DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
DISTRICT PUBLIC MEETINGS													
1	Executive Committee Meeting	01/08/20			TBD			TBD			TBD		
2	Engineering/Operational Committee Meeting	01/08/20	02/05/20	03/04/20	04/01/20	05/06/20	06/03/20	07/01/20	08/05/20	09/02/20	10/07/20	11/04/20	12/02/20
3	Finance/Audit Committee Meeting	01/08/20	02/12/20	03/11/20	04/08/20	05/13/20	06/10/20	07/08/20	08/12/20	09/09/20	10/14/20	11/10/20	12/09/20
4	Regular Board Meeting	01/15/20	02/19/20	03/18/20	04/15/20	05/20/20	06/17/20	07/15/20	08/19/20	09/16/20	10/21/20	11/18/20	12/16/20
5	District Properties Ad Hoc Committee Meeting	-	-	-	-	-	-	-	-	-	-	-	-
PUBLIC MEETINGS													
6	City of RSM City Council Meeting - Meeting No. 1	01/08/20	02/12/20	03/11/20	04/08/20	05/13/20	06/10/20	07/08/20	08/12/20	09/09/20	10/14/20	11/11/20	12/09/20
7	City of RSM City Council Meeting - Meeting No. 2	01/22/20	02/26/20	03/25/20	04/22/20	05/27/20	06/24/20	07/22/20	08/26/20	09/23/20	10/28/20	11/25/20	12/23/20
8	Independent Special Districts of Orange County Meeting	01/07/20	02/04/20	03/03/20	04/07/20	05/05/20	06/02/20	07/07/20	08/04/20	09/01/20	10/06/20	11/03/20	12/01/20
9	Independent Special Districts of Orange County Meeting	01/30/20	-	-	04/30/20	-	-	07/30/20	-	-	10/29/20	-	-
10	Orange County Local Agency Formation Commission (OC LAFCO)	01/08/20	02/12/20	03/11/20	04/08/20	05/13/20	06/10/20	07/08/20	08/12/20	09/09/20	10/14/20	11/11/20	12/09/20
11	Santiago Aqueduct Commission Meeting	-	-	-	-	-	06/18/20	-	-	09/17/20	-	-	12/17/20
12	South Orange County Water Agencies Group Meeting*	01/28/20	-	03/24/20	-	05/26/20	-	07/28/20	-	09/22/20	-	11/24/20	-
13	South Orange County Wastewater Authority Regular Board Meeting	01/09/20	02/06/20	03/05/20	04/02/20	05/07/20	06/04/20	07/02/20	08/06/20	09/03/20	10/01/20	11/05/20	12/03/20
14	Water Advisory Committee of Orange County	01/03/20	02/07/20	03/06/20	04/03/20	05/01/20	06/05/20	07/03/20	08/07/20	09/04/20	10/02/20	11/06/20	12/04/20
CONFERENCES													
15	ACWA Spring Conference - Monterey, CA					5/5 - 5/8							
16	ACWA Fall Conference - Indian Wells, CA												12/1 - 12/4
17	CSDA Annual Conference - Palm Desert, CA								8/24 - 8/27				
18	CSDA GM Leadership Summit - Newport Beach, CA						6/28 - 6/30						
19	CSDA SDLA Conference - San Diego, CA				4/19 - 4/22								

LEGEND

 District Observed Holiday - Reschedule Meeting
 *4th Tuesday of the Odd Numbered Month

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | DECEMBER 9, 2020**

FINANCIAL MATTERS

ITEM 3: TRABUCO CANYON WATER DISTRICT ANNUAL FINANCIAL REPORT (AUDIT) FOR FISCAL YEAR ENDING JUNE 30, 2020

At the May 16, 2018 Regular Board Meeting, the Board of Directors authorized the Interim General Manager to contract with Davis Farr, LLC to provide auditing services for years ending June 30, 2018, 2019, and 2020 for the Trabuco Canyon Water District (“District”), the Trabuco Canyon Public Financing Authority (“TCPFA”), and the Trabuco Canyon Improvement Corporation (“TCIC”). The District’s Rules and Regulations, Section 8.8, includes subsections on the annual independent audit and auditor where the independent auditor is selected by the Board based on upon such criteria as the Board shall direct. As the auditor works for the Board, not District staff, the Board and its Finance/Audit Committee are an integral part of the financial auditing and review process.

The District Treasurer and District staff have worked with Davis Farr, LLC to prepare the Annual Financial Report (Audit) for Fiscal Year Ending June 30, 2020, which is included for Committee consideration and review. Additional information regarding the financial audit process may be provided at the time of the meeting.

FUNDING SOURCE:

Not applicable

FISCAL IMPACT:

Contract for Three-Year Period: \$88,330

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDED ACTION(S)

Committee to receive information concerning Trabuco Canyon Water District’s Annual Financial Report (Audit) for Fiscal Year Ending June 30, 2020 and recommend that the Board receive and file the Audit Report (Action Calendar).

EXHIBITS:

1. DRAFT Trabuco Canyon Water District Annual Financial Report (Audit) for Fiscal Year Ending June 30, 2020
2. DRAFT Trabuco Canyon Water District Audit Communications for Fiscal Year Ending June 30, 2020

CONTACTS (staff responsible): PALUDI/PEREA/BYERRUM

TRABUCO CANYON WATER DISTRICT

Annual Financial Report

Year ended June 30, 2020



Board of Directors as of June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Michael Safranski	President	Elected	12/19 - 12/23
Don Chadd	Vice-President	Elected	12/19 - 12/23
Glenn Acosta	Director	Elected	12/19 - 12/23
Stephen Dopudja	Director	Elected	12/16 - 12/20
Edward Mandich	Director	Elected	12/19 - 12/23

**Trabuco Canyon Water District
Fernando Paludi General Manager
32003 Dove Canyon Drive
Trabuco Canyon, California 92679
(949) 858-0277 – www.tcwd.ca.gov**

**Trabuco Canyon Water District
Annual Financial Report
For the Years Ended June 30, 2020**

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Independent Auditor's Report

To the Board of Directors
of the Trabuco Canyon Water District
Trabuco Canyon, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Trabuco Canyon Water District (District), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2020 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the Trabuco Canyon Water District
Trabuco Canyon, California

Report on Summarized Comparative Information

We have previously audited the Trabuco Canyon Water District's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, Schedule of the District's Contributions to the Pension Plan, Schedule of Changes in Net OPEB Liability and Related Ratios and Schedule of OPEB Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Trabuco Canyon Water Districts basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Directors
of the Trabuco Canyon Water District
Trabuco Canyon, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
December 1, 2020

Trabuco Canyon Water District Management's Discussion and Analysis For the Year Ended June 30, 2020

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Trabuco Canyon Water District (District) introduces the financial statements of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2020, the District's net position increased 5.65% or \$2,814,266 to \$52,640,821. This change in net position is primarily driven by capital contributions associated with the forfeiture of asset capacity of \$4,526,000 and increased capital contributions.
- In 2020, the District's operating revenues increased 10.09%, or \$751,645, primarily due to a \$240,341 increase in water consumption sales and a \$238,053 increase in sewer service charges.
- In 2020, the District's operating expenses increased 11.50%, or \$1,108,224, primarily due to increases of \$898,010 for general & administrative, \$274,303 for source of supply, and \$138,609 for pumping. Notably, these increases were offset by decreases of \$74,532 in sewer operations and \$149,422 for transmission and distribution.
- In 2020, the District utilized \$4,325,961 in cash for construction and acquisition of new capital assets. This is offset by capital contributions received of \$1,347,472.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The financial statements are comprised of two components: 1) financial statements and, 2) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

The financial statements are designed to provide readers with a broad overview of the District's finances in a manner related to that of a private-sector business.

The *balance sheet* first presents information on District assets combined with deferred outflows of resources. This section is followed by District liabilities and deferred inflows of resources. The difference is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents a more detailed change in net position during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses are reported in this statement for items related to cash flows experienced in previous or future fiscal periods (e.g., prepaid insurance or earned but unused vacation leave).

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, non-capital financing activities, capital and related financing activities and investing activities. In addition, it provides a reconciliation of the statement back to cash and cash equivalents.

Trabuco Canyon Water District
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2020

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. The District's net position, or the difference between assets and liabilities, can be viewed as a measure of the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, natural disasters, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

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

Condensed Balance Sheets

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Current assets	\$ 10,188,899	\$ 3,897,714	\$ 6,291,185	161.41%
Restricted assets	3,254,760	7,429,487	(4,174,727)	-56.19%
Capital assets, net	<u>47,295,351</u>	<u>46,398,051</u>	<u>897,300</u>	1.93%
Total assets	60,739,010	57,725,252	3,013,758	5.22%
Deferred outflows of resources	<u>1,277,369</u>	<u>1,126,152</u>	<u>151,217</u>	13.43%
Total assets and deferred outflows of resources	<u>\$ 62,016,379</u>	<u>\$ 58,851,404</u>	<u>\$ 3,164,975</u>	5.38%
Liabilities:				
Current liabilities	\$ 3,066,128	\$ 2,935,657	\$ 130,471	4.44%
Noncurrent liabilities	<u>6,060,462</u>	<u>5,892,648</u>	<u>167,814</u>	2.85%
Total liabilities	9,126,590	8,828,305	298,285	3.38%
Deferred inflows of resources	<u>248,968</u>	<u>196,544</u>	<u>52,424</u>	26.67%
Net position:				
Net investment in capital assets	44,976,850	43,977,274	999,576	2.27%
Restricted	3,254,760	6,426,257	(3,171,497)	-49.35%
Unrestricted	<u>4,409,211</u>	<u>(576,976)</u>	<u>4,986,187</u>	-864.19%
Total net position	<u>52,640,821</u>	<u>49,826,555</u>	<u>2,814,266</u>	5.65%
Total liabilities, deferred inflows and net position	<u>\$ 62,016,379</u>	<u>\$ 58,851,404</u>	<u>\$ 3,164,975</u>	5.38%

Trabuco Canyon Water District
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2020

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$52,640,821 as of June 30, 2020.

By far the largest portion of the District's net position (85% as of June 30, 2019) reflects its investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

As of June 30, 2020, the District showed a balance in its restricted net position of \$3,254,760, which is restricted for future capital projects and debt service repayments.

As of June 30, 2020, the District shows a positive balance in unrestricted net position of \$4,409,211. This balance indicates that District liabilities, deferred inflows of resources, restricted net position, and the net investment in capital assets have created a surplus in unrestricted net position. This surplus in unrestricted net position is available for future years.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
Operating revenues	\$ 8,201,075	\$ 7,449,430	\$ 751,645	10.09%
Non-operating revenues	6,653,654	2,113,986	4,539,668	214.74%
Total revenues	14,854,729	9,563,416	5,291,313	55.33%
Expenses:				
Operating expenses	10,772,034	9,632,710	1,139,324	11.83%
Depreciation	3,428,661	3,304,227	124,434	3.77%
Non-operating expenses	73,331	140,550	(67,219)	-47.83%
Total expenses	14,274,026	13,077,487	1,196,539	9.15%
Capital contributions	2,233,563	902,879	1,330,684	147.38%
Change in net position	2,814,266	(2,611,192)	5,425,458	207.78%
Net position:				
Beginning of year	49,826,555	52,437,747	(2,611,192)	-4.98%
End of year	\$ 52,640,821	\$ 49,826,555	\$ 2,814,266	5.65%

The statement of revenues, expenses, and changes in net position shows how the District's net position changes during the fiscal year. In the case of the District, net position increased by \$2,814,266 to \$52,640,821 largely driven by a \$4,520,385 increase in non-operating revenues and increased capital contributions, which was offset by \$1,119,6629 in higher total expenses..

Trabuco Canyon Water District
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2020

Revenues

Operating revenues:	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>	<u>% Change</u>
Water consumption sales	\$ 3,165,259	\$ 2,966,405	\$ 198,854	6.70%
Water service charges	1,033,023	973,161	59,862	6.15%
Sewer service charges	1,918,114	1,680,061	238,053	14.17%
Reclaimed water sales	541,972	444,032	97,940	22.06%
Recycled water sales	181,116	106,614	74,502	69.88%
Wholesale water sales – BTP	1,210,433	1,164,972	45,461	3.90%
Other service charges	<u>151,158</u>	<u>114,185</u>	<u>36,973</u>	32.38%
Total operating revenues	8,201,075	7,449,430	751,645	10.09%
Non-operating revenues:				
Property taxes	1,936,412	1,768,140	168,272	9.52%
Investment earnings	119,066	228,244	(109,178)	-47.83%
Rental revenue	24,112	23,410	702	3.00%
Capacity assignment revenue	4,526,000	-	4,526,000	100.00%
Other non-operating revenue	<u>48,064</u>	<u>94,192</u>	<u>(46,128)</u>	-48.97%
Total non-operating revenues	<u>6,653,654</u>	<u>2,113,986</u>	<u>4,539,668</u>	214.74%
Total revenue	<u>\$ 14,854,729</u>	<u>\$ 9,563,416</u>	<u>\$ 5,291,313</u>	55.33%

In fiscal year 2020, operating revenues increased by 10.09%, or \$751,645, primarily due to a \$240,341 increase in water consumption sales, a \$238,053 increase in sewer services charges and a \$120,006 increase in water service charges.

In fiscal year 2020, non-operating revenues increased by \$4,525,081 primarily due to the receipt of capital contributions associated with the forfeiture of asset capacity by another agency.

Trabuco Canyon Water District
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2020

Expenses

Operating expenses:	June 30, 2020	June 30, 2019	Change	% Change
Source of supply	\$ 3,150,263	\$ 2,846,965	\$ 303,298	10.65%
Pumping	252,227	497,539	(245,312)	-49.31%
Water treatment	303,281	56,539	246,742	436.41%
Transmission and distribution	149,577	216,180	(66,603)	-30.81%
Sewer operations	770,329	1,489,840	(719,511)	-48.29%
Reclaimed operations	110,299	-	110,299	100.00%
Recycled operations	129,746	-	129,746	100.00%
General and administrative	5,906,312	4,525,647	1,380,665	30.51%
Total operating expenses	10,772,034	9,632,710	1,139,324	11.83%
Depreciation	3,428,661	3,304,227	124,434	3.77%
Non-operating expenses:				
Interest expense	60,635	121,869	(61,234)	-50.25%
Debt administration expense	850	7,214	(6,364)	-88.22%
Property tax administration charge	11,846	11,467	379	3.31%
Total non-operating expenses	73,331	140,550	(67,219)	-47.83%
Total expenses	\$ 14,274,026	\$ 13,077,487	\$ 1,196,539	9.15%

In fiscal year 2020, operating expenses increased by 11.50%, or \$1,108,224, primarily due to a \$900,133 increase in general and administrative costs and \$274,303 in source of supply costs. These increases were offset by decreases of \$74,532 in sewer operations and \$149,422 in transmission and distribution expenses.

In fiscal year 2020, non-operating expenses decreased by \$50,706 due to a reduction in interest expense of \$61,234. During fiscal year 2019-20 the District retired the 1994 Series C refunding revenue bonds and will no longer incur interest expense on the retired obligation. In addition, the District continues to pay off the 2011 State revolving fund loan and should continue to see a decrease in interest expense annually.

Trabuco Canyon Water District
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2020

Capital Asset Administration

<u>Description</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Non-depreciable assets	\$ 5,335,924	\$ 2,819,033
Depreciable assets	113,393,595	111,814,889
Accumulated depreciation	<u>(71,434,168)</u>	<u>(68,235,870)</u>
Total capital assets, net	<u>\$ 47,295,351</u>	<u>\$ 46,398,052</u>

In 2020, the District utilized \$4,325,961 in cash to construct new capital assets for the District's infrastructure or provide new equipment for District operations, while depreciation expense for the year totaled \$3,428,661. The capital asset activities of the District are summarized above and described in greater detail in Note 5 to the basic financial statements.

Debt Administration

<u>Description</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Bonds payable, net	\$ -	\$ 890,000
Loans payable	<u>2,318,501</u>	<u>2,492,943</u>
Total long-term debt	<u>\$ 2,318,501</u>	<u>\$ 3,382,943</u>

The debt administration activities of the District are summarized above and described in greater detail in Note 7 to the basic financial statements.

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position or operating results based on past, present and future events.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager, at 32003 Dove Canyon Drive, Trabuco Canyon, California 92679, (949) 858-0277.

BASIC FINANCIAL STATEMENTS

Trabuco Canyon Water District
Statement of Net Position
June 30, 2020

(with prior year data for informational purposes)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
Current assets:		
Cash and investments (Note 2)	\$ 760,643	\$ 1,326,418
Accrued interest receivable	25	3,582
Accounts receivable – water sales and services, net (Note 4)	1,042,924	911,843
Accounts receivable – due from other governments	2,669,579	1,269,527
Accounts receivable – other	5,618,586	244,640
Prepaid items	97,142	141,704
Total current assets	10,188,899	3,897,714
Non-current assets:		
Restricted – cash and investments (Note 2 and 3)	3,240,419	7,388,423
Restricted – accrued interest receivable (Note 3)	14,341	41,064
Capital assets – not being depreciated (Note 5)	5,335,924	2,819,033
Capital assets – being depreciated, net (Note 5)	41,959,427	43,579,018
Total non-current assets	50,550,111	53,827,538
Total assets	60,739,010	57,725,252
Deferred outflows of resources:		
Deferred amounts related to net pension liability (Note 8)	860,449	869,316
Deferred amounts related to OPEB liability (Note 9)	416,920	256,836
Total deferred outflows of resources	1,277,369	1,126,152
Total assets and deferred outflows of resources	\$ 62,016,379	\$ 58,851,404
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,618,513	\$ 1,081,004
Deposits and unearned revenue	280,050	706,383
Accrued interest payable	-	27,146
Long-term liabilities – due within one year:		
Compensated absences (Note 6)	78,817	58,651
Bonds payable (Note 7)	-	890,000
Loans payable (Note 7)	88,748	172,473
Total current liabilities	3,066,128	2,935,657
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 6)	146,374	108,922
Loans payable (Note 7)	2,229,753	2,320,470
Net pension liability (Note 8)	3,150,747	2,892,988
Net other post-employment benefits liability (Note 9)	533,588	570,268
Total non-current liabilities	6,060,462	5,892,648
Total liabilities	9,126,590	8,828,305
Deferred inflows of resources:		
Deferred amounts related to net pension liability (Note 8)	151,113	155,790
Deferred amounts related to OPEB liability (Note 9)	97,855	40,754
Total deferred inflows of resources	248,968	196,544
Net position:		
Net investment in capital assets (Note 10)	44,976,850	43,977,274
Restricted – capital projects	3,254,760	6,426,257
Unrestricted	4,409,211	(576,976)
Total net position	52,640,821	49,826,555
Total liabilities, deferred inflows of resources and net position	\$ 62,016,379	\$ 58,851,404

See accompanying Notes to the Basic Financial Statements.

Trabuco Canyon Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ending June 30, 2020
(with prior year data for informational purposes)

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Water consumption sales	\$ 3,165,259	\$ 2,966,405
Water service charges	1,033,023	973,161
Sewer service charges	1,918,114	1,680,061
Reclaimed water sales	541,972	444,032
Recycled water sales	181,116	106,614
Wholesale water sales – Baker Treatment Plant	1,210,433	1,164,972
Other service charges	151,158	114,185
Total operating revenues	<u>8,201,075</u>	<u>7,449,430</u>
Operating expenses:		
Source of supply	3,150,263	2,846,965
Pumping	252,227	497,539
Water treatment	303,281	56,539
Transmission and distribution	149,577	216,180
Sewer operations	770,329	1,489,840
Reclaimed operations	110,299	-
Recycled operations	129,746	-
General and administrative	5,906,312	4,525,647
Total operating expenses	<u>10,772,034</u>	<u>9,632,710</u>
Operating (loss) before depreciation	(2,570,959)	(2,183,280)
Depreciation expense	<u>(3,428,661)</u>	<u>(3,304,227)</u>
Operating (loss)	<u>(5,999,620)</u>	<u>(5,487,507)</u>
Non-operating revenues(expenses):		
Property taxes	1,936,412	1,768,140
Investment earnings	119,066	228,244
Rental revenue	24,112	23,410
Interest expense	(60,635)	(121,869)
Debt administration expense	(850)	(7,214)
Property tax administration charge	(11,846)	(11,467)
Capacity assignment revenue	4,526,000	-
Other non-operating revenue	48,064	94,192
Total non-operating revenues, net	<u>6,580,323</u>	<u>1,973,436</u>
Net (loss) before capital contributions	580,703	(3,514,071)
Capital contributions:		
Water reliability and emergency storage fees	833,511	854,770
Capital grants	1,400,052	48,109
Total capital contributions	<u>2,233,563</u>	<u>902,879</u>
Change in net position	2,814,266	(2,611,192)
Net position:		
Beginning of year	<u>49,826,555</u>	<u>52,437,747</u>
End of year	<u>\$ 52,640,821</u>	<u>\$ 49,826,555</u>

See accompanying Notes to the Basic Financial Statements.

Trabuco Canyon Water District
Statements of Cash Flows
For the Year Ending June 30, 2020
(with prior year data for informational purposes)

	2020	2019
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 7,937,690	\$ 7,607,024
Cash paid to employees for salaries and wages	(2,071,512)	(1,931,372)
Cash paid to vendors and suppliers for materials and services	(8,522,307)	(7,498,624)
Net cash (used in) operating activities	(2,656,129)	(1,822,972)
Cash flows from non-capital financing activities:		
Proceeds from property taxes	1,936,412	1,768,140
Property tax administration charge	(11,846)	(11,467)
Net cash provided by non-capital financing activities	1,924,566	1,756,673
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(4,325,961)	(2,586,510)
Capital contributions	833,511	854,770
Cash received from developers for capital purposes	513,961	-
Capital grants	-	48,109
Debt administration charges	(850)	(7,214)
Principal paid	(1,064,442)	(995,526)
Interest paid	(87,781)	(143,929)
Net cash (used in) capital and related financing activities	(4,131,562)	(2,830,300)
Cash flows from investing activities:		
Proceeds from investment earnings	149,346	230,648
Net cash provided by investing activities	149,346	230,648
Net increase (decrease) in cash and cash equivalents	(4,713,779)	(2,665,951)
Cash and cash equivalents		
Beginning of year	8,714,841	11,380,792
End of year	\$ 4,001,062	\$ 8,714,841
Reconciliation of cash and cash equivalents:		
Cash and investments	\$ 760,643	\$ 1,326,418
Restricted – cash and investments	3,240,419	7,388,423
Total cash and cash equivalents	\$ 4,001,062	\$ 8,714,841

See accompanying Notes to the Basic Financial Statements.

Trabuco Canyon Water District
Statements of Cash Flows (Continued)
For the Year Ending June 30, 2020
(with prior year data for informational purposes)

	2020	2019
Reconciliation of operating (loss) to net cash (used in) operating activities:		
Operating (loss)	\$ (5,999,620)	\$ (5,487,507)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation expense	3,428,661	3,304,227
Rental revenue	24,112	23,410
Other non-operating expense	#REF!	-
Other non-operating revenue	48,064	94,192
Changes in assets – (increase)decrease:		
Accounts receivable – water sales and services, net	(131,081)	497,648
Accounts receivable – other	(132,304)	(82,329)
Prepaid items	44,562	(18,264)
Change in deferred outflows of resources – (increase)decrease:		
Deferred amounts related to net pension liability	8,867	199,986
Deferred amounts related to other post-employment benefits liability	(160,084)	(20,406)
Changes in liabilities – increase(decrease):		
Accounts payable and accrued expenses	1,537,509	22,477
Deposits and unearned revenue	(1,655,936)	(257,725)
Compensated absences	57,618	1,139
Net other post-employment benefits liability	(36,680)	(107,848)
Net pension liability	257,759	(39,300)
Change in deferred inflows of resources – increase(decrease):		
Deferred amounts related to net pension liability	(4,677)	49,736
Deferred amounts related to other post-employment benefits liability	57,101	(2,408)
Total adjustments	#REF!	3,664,535
Net cash (used in) operating activities	#REF!	\$ (1,822,972)

There were no significant non-cash investing, capital and financing activities for the years ended June 30, 2020 and 2019.

**Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020**

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The Trabuco Canyon Water District (District) was organized in January 1962, under provisions of the County Water District Act (Sections 30000 et. seq. of the Water Code of the State of California). The District is governed by a Board of Directors made up of five members elected by the qualified voters in the District. The purpose of the District is to finance, construct, operate and maintain a water system and wastewater system to serve properties within the District's boundaries. The Trabuco Canyon Water District includes the accounts of the District, Trabuco Canyon Improvement Corporation and Trabuco Canyon Public Financing Authority as blended component units.

The Trabuco Canyon Public Financing Authority (Authority) was organized on August 8, 1993, pursuant to the Government Code of the State of California (Title 1, Division 7 Section 6500 of the California Government Code), as a Joint Powers Agency, solely for the purpose of providing financial assistance to the District.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Complete financial statements for the Authority are available at the District's office or upon request of the District's Treasurer at 32003 Dove Canyon Drive, Trabuco Canyon, California 92679.

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), 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.

The financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. 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.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, will not be recognized as revenue until that time.

Financial Reporting

The District'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 District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's enterprise fund.

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 and liabilities 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 most likely will differ from those estimates.

Cash and Cash Equivalents

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

Investments

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

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

Property Taxes

Property taxes receivable at year-end are related to property taxes collected by the County of Orange, which have not been credited to the District as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

The County of Orange Assessor’s Office assesses all real and personal property within the County each year. The County of Orange Auditor-Controller’s Office bills and collects the District’s share of property taxes and assessments. The County of Orange Treasurer’s Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Prepaid Items

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

Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value 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 recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Water transmission and distribution system	5 to 40 years
Wastewater system	4 to 40 years
Structures and improvements	10 to 30 years
Machinery equipment	3 to 15 years

Construction-in-Process

The costs associated with developmental stage projects are accumulated in an in-progress account until the project is fully developed. Once the project is complete and in use, the entire cost of the project is transferred to a capital asset account and depreciated over its estimated useful life.

Compensated Absences

The District's policy is to permit employees to accumulate earned vacation up to a total of 240 hours with amounts exceeding the limit being paid out as part of the employee's regular compensation. Upon termination of employment, employees are paid all unused vacation and forfeit any unused sick time. Upon retirement employees are paid all unused vacation and 50% of any unused sick time.

Pensions

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

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

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

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s plan (OPEB Plan), the assets of which are held by the California Employers’ Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

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 outstanding against the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

Water Sales and Sewer Services

Water sales and sewer services are billed on a monthly cyclical basis and recognize the respective revenues when they are earned.

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Comparative Financial Statements and Reclassifications

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain amounts presented in the prior year financial statements have been reclassified in order to be consistent with the current year's presentation.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Cash and investments	\$ 760,643
Restricted - cash and investments	<u>3,240,419</u>
Total cash and investments	<u><u>\$ 4,001,062</u></u>

Cash and investments as of June 30, 2020 consisted of the following:

Cash on hand	\$ 500
Deposits with financial institutions	606,381
Investments	<u>3,394,181</u>
Total cash and investments	<u><u>\$ 4,001,062</u></u>

Demand Deposits

At June 30, 2020 the carrying amount of the District's demand deposits was \$606,381 and the financial institution balance was \$1,274,583. The \$668,203 net differences as of June 30, 2020 represent outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District’s investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District’s bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. 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).

Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District’s investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table below.

Investments

Investments as of June 30, 2020 consisted of the following:

<u>Type of Investments</u>	<u>Measurement Input</u>	<u>Credit Rating</u>	<u>June 30, 2020 Fair Value</u>	<u>Maturity 12 Months or less</u>
Local Agency Investment Fund (LAIF)	n/a*	n/a	\$ 3,394,181	3,394,181
Total investments			<u>\$ 3,394,181</u>	<u>3,394,181</u>

*investments not required to be measured at fair value

Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 – Cash and Investments (Continued)

Authorized Investments and Investment Policy

The table below identifies the investment types that are authorized for Trabuco Canyon by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of Trabuco Canyon, rather than the general provision of the California Government Code or Trabuco Canyon’s investment policy.

<u>Authorized Investment Type</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	Yes	5 year	None	None
U.S. agency securities	Yes	5 year	None	None
Bankers acceptances	Yes	180 days	15%	5%
California municipal obligations	Yes	5 year	10%	5%
State municipal obligations	Yes	5 year	10%	5%
Commercial paper	Yes	270 days	25%	10%
Certificates of deposits	Yes	5 year	30%	5%
Repurchase agreements	No	1 year	None	None
Reverse repurchase agreements	No	92 days	20% of base value	None
Medium-term notes	Yes	5 year	30%	5%
Mutual funds	No	N/A	20%	10%
Money market mutual funds	Yes	N/A	20%	10%
Mortgage pass-through securities	No	5 year	20%	None
LAIF	Yes	N/A	None	None
Supranational	Yes	5 year	30%	None

Investment in California – Local Agency Investment Fund (LAIF)

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the entity’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. Further information about LAIF is available on the California State Controller’s website: www.treasurer.ca.gov/pmia-laif/

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 2 – Cash and Investments (Continued)

Investment in California – Local Agency Investment Fund (LAIF) (Continued)

The District’s investments with LAIF at June 30, 2020 included a portion of the pool funds invested in structured notes and asset-backed securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

The District had \$3,394,181 invested in LAIF. The LAIF fair value factor of 1.004912795 was used to calculate the fair value of the investments in LAIF as of June 30, 2020.

Concentration of Credit Risk

The District’s investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District’s total investments that are subject to disclosure.

Note 3 – Restricted Assets

Restricted assets as of June 30, 2020 are classified in the accompanying financial statements as follows:

Restricted - cash and investments	\$ 3,240,419
Restricted - accrued interest receivable	<u>14,341</u>
 Total restricted assets	 <u><u>\$ 3,254,760</u></u>

Restricted assets for the year ended June 30, 2020 were restricted as follows:

Proceeds for water reliability and emergency storage	\$ 630,272
Proceeds for developer and other capital improvements	1,577,184
Proceeds from debt service	<u>1,047,304</u>
 Total restricted assets	 <u><u>\$ 3,254,760</u></u>

Note 4 – Accounts Receivable

Accounts receivable for the year ended June 30, 2020 consisted of the following:

Accounts receivable - water sales and services	\$ 1,103,819
Allowance for doubtful accounts	<u>(60,895)</u>
 Accounts receivable - water sales and services, net	 <u><u>\$ 1,042,924</u></u>

Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 5 – Capital Assets

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

	Balance July 1, 2019	Additions	Deletions/ Transfers	Balance June 30, 2020
Non-depreciable Assets:				
Land and land rights	\$ 2,339,113	\$ -	\$ -	\$ 2,339,113
Construction-in-process	479,920	2,891,351	(374,460)	2,996,811
Total Non-depreciable Assets	2,819,033	2,891,351	(374,460)	5,335,924
Depreciable Assets:				
Water transmission and distribution system	55,358,268	330,445	(23,515)	55,665,198
Recycled Water and Wastewater system	53,916,514	1,376,657	(206,850)	55,086,321
Structures and improvements	1,609,622	-	-	1,609,622
Machinery and equipment	930,485	101,969	-	1,032,454
Total Depreciable Assets	111,814,889	1,809,071	(230,365)	113,393,595
Accumulated Depreciation:				
Water transmission and distribution system	(31,315,364)	(1,602,971)	23,513	(32,894,822)
Recycled Water and Wastewater system	(35,488,034)	(1,591,253)	206,850	(36,872,437)
Structures and improvements	(1,140,248)	(62,382)	-	(1,202,630)
Machinery and equipment	(292,224)	(172,055)	-	(464,279)
Total Accumulated Depreciation	(68,235,870)	(3,428,661)	230,363	(71,434,168)
Total Depreciable Assets, net	43,579,019	(1,619,590)	(2)	41,959,427
Total Capital Assets, net	\$ 46,398,052	\$ 1,271,761	\$ (374,462)	\$ 47,295,351

Construction-In-Process

The construction-in-process balances at June 30, 2020 were as follows:

Project Description	June 30, 2020
Supervisory Control and Data Acquisition Upgrades	\$ 605,308
Recycled Water Pump Stations Replacement	581,090
Ridgeline Pump Station Improvements	1,372,830
Various other minor projects	437,583
Total construction-in-process	\$ 2,996,811

Note 6 – Compensated Absences

Changes in compensated absences for the year ending June 30, 2020 was as follows:

Balance July 1, 2019	Earned	Taken	Balance June 30, 2020	Current Portion	Non-current Portion
\$ 167,573	\$ 203,993	\$ (146,375)	\$ 225,191	\$ 78,817	\$ 146,374

Note 7 – Long-Term Debt

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Amount Due Within One Year	Amount Due In More Than One Year
Bonds Payable:						
1994 Series C refunding revenue bonds	\$ 890,000	-	(890,000)	-	-	-
Total Bonds Payable	890,000	-	(890,000)	-	-	-
Loans Payable:						
2011 State revolving fund loan	2,492,943	-	(174,442)	2,318,501	88,748	2,229,753
Total Loans Payable	2,492,943	-	(174,442)	2,318,501	88,748	2,229,753
Total Long-Term Debt	\$ 3,382,943	-	(1,064,442)	2,318,501	88,748	2,229,753

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 7 – Long-Term Debt (Continued)

2011 State Revolving Fund Loan

In fiscal year 2011, the District and the State of California, Department of Public Health, entered into a contract for a construction loan in the amount of \$3,694,264 under the Safe Drinking Water State Revolving Fund Law of 1977. The purpose of the loan was to assist the District in financing construction of the Trabuco Creek Wells Facility, which will enable the District to meet the State of California’s safe drinking water standards. The loan proceeds were disbursed to the District based upon project expenditures submitted. The final construction costs totaled and submitted were \$3,682,316, which was \$11,948 less than the original contracted amount. The loan is scheduled to mature in fiscal year 2032. Principal and interest installments are payable each fiscal year at a rate of 2.2836% on July 1st and January 1st. Annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 88,748	53,947	142,695
2022	180,486	49,895	230,381
2023	184,631	45,750	230,381
2024	188,842	41,509	230,351
2025	193,209	37,172	230,381
2026-2030	1,034,681	117,225	1,151,906
2031-2032	<u>447,904</u>	<u>12,858</u>	<u>460,762</u>
Total	<u>\$ 2,318,501</u>	<u>358,356</u>	<u>2,676,857</u>

Note 8 – Net Pension Liability and Defined Benefit Pension Plan

General Information about the Pension Plans

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	<u>Miscellaneous Plans</u>	
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0 @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.0%
Required member contribution rates	7.948%	6.750%
Required employer contribution rates	11.763%	7.363%

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Plan Description

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

Members Covered by Benefit Terms

At June 30, 2018 (Valuation Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	14	5	19
Transferred and terminated members	28	-	28
Retired members and beneficiaries	9	-	9
Total plan members	51	5	56

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees’ Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member’s highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.65 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ending June 30, 2018 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRM Miscellaneous Plan are based above in the Plans Description schedule.

Contributions for the year ended June 30, 2020 consisted of the following:

<u>Contribution Type</u>	<u>Miscellaneous Plans</u>		<u>Total</u>
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>	
Contributions – employer	\$ 378,621	38,422	417,043
Contributions – members	121,191	32,983	154,174
Total contributions	\$ 499,812	71,405	571,217

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ending June 30, 2019 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.5% 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 probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Preretirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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*.

The table below reflects 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. These geometric rates of return are net of administrative expenses.

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	<u>100.00%</u>		

¹ An expected inflation rate-of-return of 2.0% is used for years 1 – 10.

² An expected inflation rate-of-return of 2.92% is used for years 11+.

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 8– Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

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

The following presents the District’s proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate for the June 30, 2019 Valuation Date as follows:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% 8.15%</u>
CalPERS – Miscellaneous Plan	\$ 4,727,163	\$ 3,150,747	\$ 1,849,528

Pension Plan Fiduciary Net Position

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

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2020:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2018 (Measurement Date)	\$ 11,119,446	8,226,458	2,892,988
Balance as of June 30, 2019 (Measurement Date)	11,720,295	8,569,548	3,150,747
Change in Plan Net Pension Liability	\$ 600,849	343,090	257,759

The District’s proportionate share of the net pension liability for the June 30, 2019 measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2020</u>	<u>Fiscal Year Ending June 30, 2019</u>	
Measurement Date	June 30, 2019	June 30, 2018	
Percentage of Risk Pool Net Pension Liability	0.030750%	0.030020%	0.000730%

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 8– Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

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

For the year ended June 30, 2020 the District recognized pension expense in the amounts of \$678,990 for the CalPERS Miscellaneous Plan.

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

The expected average remaining service lifetime (EARSL) for PERF C for the measurement date ending June 30, 2019 is 3.8 years, which was obtained by dividing the total service years of 530,470 (the sum of remaining service lifetimes of the active employees) by 140,593 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members’ probability of decrementing due to an event other than receiving a cash refund.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 417,043	\$ -
Difference between actual and proportionate share of employer contributions	-	14,561
Adjustment due to differences in proportions	74,331	11,252
Differences between expected and actual experience	218,833	16,955
Differences between projected and actual earnings on pension plan investments	-	55,085
Changes in assumptions	<u>150,242</u>	<u>53,260</u>
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 860,449</u>	<u>\$ 151,113</u>

The District will recognize \$417,043 reported as deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2021, as noted above.

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 8– Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 261,514
2022	(18,098)
2023	37,747
2024	<u>11,130</u>
Total	<u>\$ 292,293</u>

Note 9 – Net Other Post-Employment Benefits Liability

Plan Description

The District has established a Retiree Healthcare Plan (Plan), an agent multiple-employer defined benefit retiree healthcare plan. The Plan provides employees who retire directly from the District, at a minimum age of 55, that are vested in their CalPERS pension benefit and commence payment of their pension benefit upon retirement with the District with the following benefits. For employees hired prior to April 1, 2014 The District’s financial obligation is to pay for the retiree and eligible dependent coverage up to a monthly maximum which is targeted at the PERS Choice Plan at the family coverage level (currently \$1,857.52 and scheduled to decrease to \$1,817.30 effective January 1, 2018). The District’s contribution will continue for the lifetime of the retiree and any surviving eligible spouse. For employees hired on or after April 1, 2014 the District’s contribution is 100% of the coverage level elected by the retiree up to the 100/90 State Annuitant rates multiplied by a vesting schedule. 100/90 amount is 100% of the weighted average of single coverage and 90% of the weighted average of the additional premium for two party and family coverage for the 4 PEMHCA plans with the highest State enrollment in the prior year.

Employees Covered

As of the June 30, 2019 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	20
Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to, but not yet receiving benefits	<u>-</u>
Total	<u>27</u>

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 9 – Net Other Post-Employment Benefits Obligation (Continued)

Contributions

The Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the District's cash contributions were \$163,277 in payments to the trust, \$88,706 cash paid for benefits and the estimated implied subsidy was \$23,367 resulting in total payments of \$275,350. In Fiscal Year 2016, joined the California Employers' Retiree Benefit Trust (CERBT), an OPEB trust administrator and affiliate program of CalPERS, for the purpose of prefunding obligations for past services.

Net OPEB Liability

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

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	7.00%, assuming actuarially determined contributions funded into CERBT Investment Strategy 1
Mortality Rate ⁽¹⁾	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover ⁽²⁾	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	7.0% HMO & 7.5% PPO decreasing to 4.5% HMO & 4.5% PPO over future periods

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.

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 9 – Net Other Post-Employment Benefits Obligation (Continued)

Net OPEB Liability (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Assets Class	Strategy 1	
	Target Allocation	Long-Term expected real Rate of return
Global Equities	59.00%	5.50%
US Fixed Income	25.00%	2.35%
Inflation Assets	5.00%	1.50%
Commodities	3.00%	1.75%
REITs	8.00%	3.65%
Total	<u>100%</u>	

* Long-term expected rate of return is 7.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 9 – Net Other Post-Employment Benefits Obligation (Continued)

Changes in the OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2019 (Measurement Date June 30, 2018)	\$ 2,738,770	2,168,502	570,268
Changes recognized for the measurements period:			
Service cost	101,477	-	101,477
Interest	195,787	-	195,787
Differences between expected and actual experience	159,266	-	159,266
Changes of assumptions	(97,270)	-	(97,270)
Contributions - employer	-	259,180	(259,180)
Net investment income	-	137,226	(137,226)
Benefit payments	(86,591)	(86,591)	-
Administrative expense	-	(466)	466
Net Changes	272,669	309,349	(36,680)
Balance at June 30, 2020 (Measurement Date June 30, 2019)	\$ 3,011,439	2,477,851	533,588

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

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

	Current Discount Rate	
1% Decrease 6.00%	7.00%	1% Increase 8.00%
\$ 956,013	\$ 533,588	\$ 185,961

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

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

	Current Healthcare Cost Trend Rate	
1% Decrease 5.5% decreasing to 3.5%	6.5% decreasing to 4.5%	1% Increase 7.5% decreasing to 5.5%
\$ 144,077	\$ 533,588	\$ 1,016,143

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 9 – Net Other Post-Employment Benefits Obligation (Continued)

OPEB Plan Fiduciary Net Position

The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees’ Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94429-2703.

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected Average Remaining Service Lifetime (EARSL)

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$138,032. As of fiscal year ended June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made Subsequent to Measurement Date	\$ 275,350	-
Differences between expected and actual experience	141,570	-
Changes in Assumptions	-	(86,461)
Net Difference in Earnings on Plan Investments	-	(11,394)
Total	\$ 416,920	(97,855)

The \$275,350 reported as deferred inflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2020	\$ (1,879)
2021	(1,881)
2022	8,913
2023	11,005
2024	6,888
Thereafter	20,668
Total	\$ 43,714

**Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 10 – Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2020 consisted of the following:

Capital assets – not being depreciated	\$ 5,335,924
Capital assets – being depreciated, net	41,959,427
Loans payable – current	(88,748)
Loans payable – noncurrent	<u>(2,229,753)</u>
Total net investment in capital assets	<u><u>\$ 44,976,850</u></u>

Note 11 – Risk Management

The District 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 District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2020 the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees’ errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit at \$1,000,000 per occurrence. The JPIA purchases additional excess coverage layers: \$60 million per occurrence for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$100 million per occurrence, subject to a \$2,500 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$50 million per occurrence, subject to various deductibles depending on the type of equipment.
- Dam failure liability coverage up to \$5.0 million per occurrence; the ACWA/JPIA is self-insured up to \$50,000 and excess insurance coverage has been purchased.
- Workers’ compensation insurance up to California statutory limits for all work-related injuries/illnesses covered by California law. The ACWA/JPIA is self-insured up to \$2.0 million and excess insurance coverage has been purchased.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District’s insurance coverage during the years ending June 30, 2020. Liabilities are recorded when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payables as of June 30, 2020.

Trabuco Canyon Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 12 – Commitments and Contingencies

Economic Dependency

The District purchases a majority of its source of supply from the Santiago Aqueduct Commission. Interruption of this source would impact the District negatively.

Grant Awards

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

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions.

Litigation

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

REQUIRED SUPPLEMENTARY INFORMATION

**Trabuco Canyon Water District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2020**

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	June 30, 2019¹	June 30, 2018¹	June 30, 2017¹	June 30, 2016¹	June 30, 2015¹	June 30, 2014¹
District's Proportion of the Net Pension Liability	0.078680%	0.076763%	0.074380%	0.028990%	0.029498%	0.024334%
District's Proportionate Share of the Net Pension Liability	\$ 3,150,747	2,892,988	2,932,288	2,508,531	2,024,702	1,514,199
District's Covered Payroll	1,768,682	1,688,233	1,650,240	1,718,534	1,668,480	1,619,883
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	<u>178.14%</u>	<u>171.36%</u>	<u>177.69%</u>	<u>145.97%</u>	<u>121.35%</u>	<u>93.48%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>77.73%</u>	<u>73.98%</u>	<u>74.06%</u>	<u>74.06%</u>	<u>76.75%</u>	<u>83.03%</u>

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Summary of Changes of Benefits or Assumptions:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separate financed employer-specific liabilities.

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

**Trabuco Canyon Water District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2020**

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	2019-20¹	2018-19¹	2017-18¹	2016-17¹	2015-16¹	2014-15¹	2013-14¹
Actuarially Determined Contribution ² Contribution in Relation to the Actuarially Determined Contribution ²	\$ 417,043	347,954	301,990	278,521	264,450	265,436	255,864
	<u>(417,043)</u>	<u>(347,954)</u>	<u>(301,990)</u>	<u>(278,521)</u>	<u>(264,450)</u>	<u>(265,436)</u>	<u>(255,864)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's Covered Payroll	<u>\$ 1,985,268</u>	<u>1,768,682</u>	<u>1,688,233</u>	<u>1,650,240</u>	<u>1,718,534</u>	<u>1,668,479</u>	<u>1,619,883</u>
Contributions as a Percentage of Covered Payroll	<u>21.01%</u>	<u>19.67%</u>	<u>17.89%</u>	<u>16.88%</u>	<u>15.39%</u>	<u>15.91%</u>	<u>15.80%</u>

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

Notes to schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2020 were from the June 30, 2017 public agency valuations.

Fiscal Year End:	6/30/2020
Valuation Date:	6/30/2017
Methods and assumptions used to determine contributions rates:	
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.250%
Project Salary Increase	Varies by entry age and service
Inflation	2.63%
Payroll Growth	2.88%

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Changes in Assumptions: At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent will be used and a rate of 2.50 percent in the following valuation.

Trabuco Canyon Water District
Schedule of Changes in Net OPEB Liability and Related Ratios
for the Measurement Periods Ended June 30

Measurement Period	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 101,477	98,521	\$ 92,077
Interest on the total OPEB liability	195,787	181,652	167,849
Actual and expected experience difference	159,266	-	-
Changes in assumptions	(97,270)	-	-
Changes in benefit terms	-	-	-
Benefit payments	(86,591)	(75,817)	(62,564)
Net change in total OPEB liability	272,669	204,356	197,362
Total OPEB liability - beginning	2,738,769	2,534,413	2,337,052
Total OPEB liability - ending (a)	\$ 3,011,438	2,738,769	\$ 2,534,414
Plan Fiduciary Net Position			
Contribution - employer	\$ 259,180	245,243	\$ 175,489
Net investment income	137,226	146,228	168,197
Benefit payments	(86,591)	(75,817)	(62,564)
Administrative expense	(467)	(993)	(852)
Other expense	-	(2,457)	-
Net change in plan fiduciary net position	309,348	312,204	280,270
Plan fiduciary net position - beginning	2,168,502	1,856,298	1,576,028
Plan fiduciary net position - ending (b)	\$ 2,477,850	2,168,502	\$ 1,856,298
Net OPEB liability - ending (a)-(b)	\$ 533,588	570,267	\$ 678,116
Plan fiduciary net position as a percentage of the total OPEB liability	82.28%	79.18%	73.24%
Covered-employee payroll	\$ 1,985,268	1,668,352	\$ 1,688,233
Net OPEB liability as a percentage of covered-employee payroll	26.88%	34.18%	40.17%

Notes to Schedule:

Changes in assumptions. The discount rate was changed from 7.28 percent (net of administrative expense) to 7.00 percent for the measurement period ended June 30, 2017.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

SUPPLEMENTARY INFORMATION

Trabuco Canyon Water District
Schedule of Net Position - Combined
June 30, 2020
(with prior year data for informational purposes)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water Fund	Sewer Fund	Recycled Water Fund	Reclaimed Water Fund	2020 Total	2019 Total
Current assets:						
Cash and investments	\$ 760,643	-	-	-	760,643	1,326,418
Accrued interest receivable	25	-	-	25	25	3,582
Accounts receivable – water sales and services, net	743,163	167,094	27,116	105,551	1,042,924	911,843
Accounts receivable – due from other governments	2,669,579	-	-	-	2,669,579	1,269,527
Accounts receivable – other	832,772	4,784,704	1,110	-	5,618,586	244,640
Prepaid items	34,420	37,220	24,322	1,180	97,142	141,704
Due from other funds	1,950,934	-	-	-	1,950,934	3,357,670
Total current assets	6,991,536	4,989,018	52,548	106,731	12,139,833	7,255,384
Non-current assets:						
Restricted – cash and investments	2,609,422	630,997	-	-	3,240,419	7,388,423
Restricted – accrued interest receivable	13,513	828	-	-	14,341	41,064
Capital assets – not being depreciated	3,616,510	991,102	364,156	364,156	5,335,924	2,819,033
Capital assets – being depreciated, net	23,257,630	15,307,993	2,581,409	812,395	41,959,427	43,579,018
Total non-current assets	29,497,075	16,930,920	2,945,565	1,176,551	50,550,111	53,827,538
Total assets	36,488,611	21,919,938	2,998,113	1,283,282	62,689,944	61,082,922
Deferred outflows of resources:						
Deferred amounts related to net pension liability	602,314	215,113	21,511	21,511	860,449	869,316
Deferred amounts related to OPEB liability	291,843	104,231	10,423	10,423	416,920	256,836
Total deferred outflows of resources	894,157	319,344	31,934	31,934	1,277,369	1,126,152
Total assets and deferred outflows of resources	\$ 37,382,768	22,239,282	3,030,047	1,315,216	63,967,313	62,209,074
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION						
Current liabilities:						
Accounts payable and accrued expenses	\$ 1,762,942	523,605	214,638	117,328	2,618,513	1,081,004
Deposits and unearned revenue	119,978	153,286	3,393	3,393	280,050	706,383
Accrued interest payable	-	-	-	-	-	27,146
Due to other funds	-	1,431,399	491,608	27,927	1,950,934	3,357,670
Long-term liabilities – due within one year:						
Compensated absences	57,815	17,231	1,885	1,885	78,817	58,651
Bonds payable	-	-	-	-	-	890,000
Loans payable	88,748	-	-	-	88,748	172,473
Total current liabilities	2,029,483	2,125,521	711,524	150,533	5,017,062	6,293,327
Non-current liabilities:						
Long-term liabilities – due in more than one year:						
Compensated absences	107,370	32,001	3,502	3,502	146,374	108,922
Loans payable	2,229,753	-	-	-	2,229,753	2,320,470
Net pension liability	2,205,523	787,687	78,769	78,768	3,150,747	2,892,988
Net other post-employment benefits liability	373,511	133,397	13,340	13,340	533,588	570,268
Total non-current liabilities	4,916,157	953,085	95,611	95,610	6,060,462	5,892,648
Total liabilities	6,945,640	3,078,606	807,135	246,143	11,077,524	12,185,975
Deferred inflows of resources:						
Deferred amounts related to net pension liability	105,779	37,778	3,778	3,778	151,113	155,790
Deferred amounts related to OPEB liability	68,499	24,464	2,446	2,446	97,855	40,754
Total deferred inflows of resources	174,278	62,242	6,224	6,224	248,968	196,544
Net position:						
Net investment in capital assets	24,555,639	16,299,095	2,945,565	1,176,551	44,976,850	43,977,274
Restricted – capital projects	2,609,422	630,997	-	-	3,240,419	6,426,257
Unrestricted	3,097,789	2,168,342	(728,877)	(113,702)	4,423,552	(576,976)
Total net position	30,262,850	19,098,434	2,216,688	1,062,849	52,640,821	49,826,555
Total liabilities, deferred inflows of resources and net position	\$ 37,382,768	22,239,282	3,030,047	1,315,216	63,967,313	62,209,074

Trabuco Canyon Water District
Schedule of Revenues, Expenses, and Changes in Net Position - Combined
For the Year Ending June 30, 2020
(with prior year data for informational purposes)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Recycled Water Fund</u>	<u>Reclaimed Water Fund</u>	<u>2020</u>	<u>2019</u>
Operating revenues:						
Water consumption sales	\$ 3,165,259	-	-	-	3,165,259	2,966,405
Water service charges	1,033,023	-	-	-	1,033,023	973,161
Sewer service charges	-	1,918,114	-	-	1,918,114	1,680,061
Reclaimed water sales	-	-	-	541,972	541,972	444,032
Recycled water sales	-	-	181,116	-	181,116	106,614
Wholesale water sales – Baker Treatment Plant	1,210,433	-	-	-	1,210,433	1,164,972
Other service charges	67,827	20,656	1,048	61,627	151,158	114,185
Total operating revenues	5,476,542	1,938,770	182,164	603,599	8,201,075	7,449,430
Operating expenses:						
Source of supply	3,150,263	-	-	-	3,150,263	2,846,965
Pumping	252,227	-	-	-	252,227	497,539
Water treatment	303,281	-	-	-	303,281	56,539
Transmission and distribution	149,577	-	-	-	149,577	216,180
Sewer operations	-	770,329	-	-	770,329	1,489,840
Reclaimed operations	-	-	-	110,299	110,299	-
Recycled operations	-	-	129,746	-	129,746	-
General and administrative	4,301,252	991,871	326,909	286,280	5,906,312	4,525,647
Total operating expenses	8,156,600	1,762,200	456,655	396,579	10,772,034	9,632,710
Operating (loss) before depreciation	(2,680,058)	176,570	(274,491)	207,020	(2,570,959)	(2,183,280)
Depreciation expense	(1,761,669)	(1,513,468)	(111,528)	(41,996)	(3,428,661)	(3,304,227)
Operating (loss)	(4,441,727)	(1,336,898)	(386,019)	165,024	(5,999,620)	(5,487,507)
Non-operating revenues(expenses):						
Property taxes	968,206	968,206	-	-	1,936,412	1,768,140
Investment earnings	112,857	6,209	-	-	119,066	228,244
Rental revenue	24,112	-	-	-	24,112	23,410
Interest expense	(55,939)	-	(2,348)	(2,348)	(60,635)	(121,869)
Debt administration expense	(425)	(425)	-	-	(850)	(7,214)
Property tax administration charge	(5,923)	(5,923)	-	-	(11,846)	(11,467)
Other non-operating revenue	13,125	19,149	15,491	299	48,064	94,192
Total non-operating revenues, net	1,056,013	987,216	13,143	(2,049)	2,054,323	1,973,436
Net (loss) before capital contributions	(3,385,714)	(349,682)	(372,876)	162,975	(3,945,297)	(3,514,071)
Capital contributions:						
Water reliability and emergency storage fees	833,511	-	-	-	833,511	854,770
Capital buyout	-	4,526,000	-	-	4,526,000	-
Capital grants	1,400,052	-	-	-	1,400,052	48,109
Total capital contributions	2,233,563	4,526,000	-	-	6,759,563	902,879
Other financing sources:						
Transfers in	623,297	-	2,589,564	899,874	4,112,735	854,770
Transfers out	-	(4,112,735)	-	-	(4,112,735)	48,109
Total other financing sources	623,297	(4,112,735)	2,589,564	899,874	-	902,879
Change in net position	(528,854)	63,583	2,216,688	1,062,849	2,814,266	(2,611,192)
Net position:						
Beginning of year	30,791,704	19,034,851	-	-	49,826,555	52,437,747
End of year	\$ 30,262,850	19,098,434	2,216,688	1,062,849	52,640,821	49,826,555

TRABUCO CANYON WATER DISTRICT

Audit Communications

Year ended June 30, 2020

Trabuco Canyon Water District

Audit Communications

Year ended June 30, 2020

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REQUIRED AUDIT COMMUNICATIONS

Board of Directors
Trabuco Canyon Water District
Trabuco Canyon, California

We have audited the financial statements of Trabuco Canyon Water District (District) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year ended June 30, 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Judgments concerning which capital project expenditures should be capitalized and depreciated versus expensed in the financial statements and judgments concerning which projects should be placed in service.
- Judgements involving the estimated net pension liability
- Judgements involving the estimated net OPEB liability

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of Pension Liability and Other Post-Employment Benefits Obligation in Note 8 and Note 9, respectively, to the financial statements due to nature of the underlying information.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 1, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Pension schedules and Other Post-Employment Benefits schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Trabuco Canyon Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Davis Farr LLP

Irvine, California
December 1, 2020

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Trabuco Canyon Water District
Trabuco Canyon, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Trabuco Canyon Water District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of

our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Davis Farr LLP

Irvine, California
December 1, 2020

Trabuco Canyon Water District
New Accounting Standards Not Yet Effective
Year ended June 30, 2020

GASB Statement No. 84: *Fiduciary activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The standard will be effective for the fiscal year ending June 30, 2021.

GASB 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 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It established a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources.

The standard will be effective for the fiscal year ending June 30, 2022.

GASB Statement No. 90: *Majority Equity Interests*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

The standard will be effective for the fiscal year ending June 30, 2021.

GASB Statement No. 91: *Conduit Debt Obligations*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement clarifies the existing definition of a conduit debt obligation, establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improving required note disclosures.

The standard will be effective for the fiscal year ending June 30, 2023.

Trabuco Canyon Water District
New Accounting Standards Not Yet Effective
Year ended June 30, 2020

GASB Statement No. 92: *Omnibus 2020*

This Statement addresses a variety of topics and includes specific provisions about the reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan, the applicability of GASB Statement No. 73 to reporting assets accumulated for postemployment benefits, applicability of certain requirements of GASB 84 to postemployment benefit arrangements, measurement of liabilities related to asset retirement obligations, and reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.

The standard will be effective for the fiscal year ending June 30, 2022.

GASB Statement No. 93: *Replacement of Interbank Offered Rates*

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

The standard will generally be effective for the fiscal year ending June 30, 2021.

GASB Statement No. 94: *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

The standard will generally be effective for the fiscal year ending June 30, 2023.

Trabuco Canyon Water District
New Accounting Standards Not Yet Effective
Year ended June 30, 2020

GASB Statement No. 96: *Subscription-Based Information Technology Arrangements*

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The standard will generally be effective for the fiscal year ending June 30, 2023.

GASB Statement No. 97: *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The standard will generally be effective for the fiscal year ending June 30, 2022.

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | DECEMBER 9, 2020**

FINANCIAL MATTERS

ITEM 4: OTHER MATTERS

Other financial matters may have arisen after the posting of the agenda and will be brought forward for discussion and/or information at the time of the Finance/Audit Committee Meeting.

RECOMMENDED ACTION:

Hear Other Matters from the General Manager or District Staff.

CONTACTS (staff responsible): PALUDI/PEREA

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | DECEMBER 9, 2020**

FINANCIAL MATTERS

ITEM 5: FINANCIAL REPORT

A) PRESENTATION OF PRELIMINARY UNAUDITED FINANCIAL STATEMENTS

The following preliminary unaudited financial statements are included for Committee review:

- Statement of Revenues and Expenses
- Comparative Balance Sheet
- Restricted Assets Report
- Investment Schedule
- Summary of Checking Account Activity

RECOMMENDED ACTION:

Committee to recommend that the Board receive and file the preliminary unaudited financial statements for October 2020 (Consent Calendar).

B) BILLS FOR CONSIDERATION

The total of the bills for consideration will be presented at the time of the November 10, 2020 Finance/Audit Committee Meeting.

RECOMMENDED ACTION:

Committee to approve and ratify the bills for consideration and warrant register and recommend that the Board ratify payment of the Bills for Consideration for November 10, 2020 as presented (Consent Calendar).

CONTACTS (staff responsible): PALUDI/PEREA/WARNER



Trabuco Canyon Water District

Statement of Revenues & Expenses

FY 2020-21 (Unaudited)

	October 2020	September 2020	Current YTD	Annual Budget	33% YTD	Prior YTD
1 Operating Revenue						
2 Residential Water	\$ 371,868	\$ 384,517	\$ 1,496,409	\$ 3,497,400	43%	\$ 1,269,004
3 Business & Industrial Water	14,974	16,672	56,499	150,300	38%	52,375
4 Irrigation Water	63,727	124,735	384,251	823,400	47%	292,121
5 Stand-by	3,417	3,417	13,667	41,000	33%	9,367
6 Sanitation Revenue	145,915	143,211	573,096	1,859,400	31%	556,460
7 Recycled & Reclaimed Revenue	103,569	102,403	419,129	725,000	58%	376,278
8 Baker Treatment Plant Water Sales	106,366	175,496	401,405	1,469,100	27%	329,340
9 Other Operating Revenue	340	357	2,261	164,600	1%	80,625
10 Total Operating Revenue	810,176	950,809	3,346,717	8,730,200	38%	2,965,570
11 Non-Operating Revenue						
12 Property Tax Unrestricted	142,283	142,283	569,133	1,707,400	33%	558,000
13 Interest Revenue	633	12,445	14,120	100,600	14%	35,804
14 Development Services	-	-	-	-	0%	100
15 Sale of Fixed Asset	42,952	-	42,952	50,000	86%	-
16 Other Non-Operating Revenue	5,762	2,070	13,659	70,600	19%	32,089
17 Total Non-Operating Revenue	191,630	156,798	639,864	1,928,600	33%	625,992
18 Total Revenues	1,001,806	1,107,607	3,986,580	10,658,800	37%	3,591,562
19 Operating Expenses						
20 Source of Supply	255,167	244,968	820,450	2,198,100	37%	851,299
21 Baker Treatment SOS Costs	84,837	164,120	366,760	1,155,300	32%	279,487
22 Water Related Expense	208,819	191,660	688,369	1,946,900	35%	462,137
23 Sanitation Expense	192,876	96,637	475,422	1,168,400	41%	552,436
24 Recycled Expense	24,726	22,252	89,211	225,300	40%	91,434
25 Reclaimed Expense	22,821	20,347	81,591	221,400	37%	75,815
26 Salaries & Benefits	283,143	302,311	1,177,839	3,684,700	32%	1,119,145
27 OPEB Trust Contributions & Paygo	7,063	7,063	28,577	91,000	31%	30,074
28 Board Expense	9,083	9,029	36,904	114,400	32%	38,000
29 Total Operating Expenses	1,088,536	1,058,386	3,765,122	10,805,500	35%	3,499,827
30 Non-Operating Expenses						
31 Principal and Interest Expense	19,198	19,198	76,794	230,300	33%	76,794
32 Non-Operating Expense	849	65	920	3,600	26%	1,839
33 Total Non-Operating Expenses	20,048	19,263	77,714	233,900	33%	78,633
Net Income Before OPEB, Depreciation &						
34 Capital Contributions	(106,778)	29,958	143,745	(380,600)		13,102
35 WRES Fees for Capital	68,491	68,406	273,659	834,300	33%	282,054
36 Developer Impact Fees	-	-	-	-	0%	-
37 Other Capital Contributions	-	-	-	-	0%	-
38 Total Capital Contributions	68,491	68,406	273,659	834,300	33%	282,054
39 Net Income	\$ (38,287)	\$ 98,364	\$ 417,404	\$ 453,700	92%	\$ 295,156

*No assurance is provided on these financial statements. The financial statements do not include a statement of cash flows. Substantially all disclosures required by accounting principles generally accepted in the U.S. are not included.

** Baker Treatment Plant O&M revenues and expenses are billed quarterly. As a result the % of budget may appear skewed until billing occurs.



Trabuco Canyon Water District
Balance Sheet - Comparative
As of October 31, 2020
(Unaudited)

	October 2020	September 2020	October 2019
1 Assets			
2 Current Assets			
3 Cash	\$ 1,025,394	\$ 582,608	\$ 484,197
4 Accounts Receivable, Net	2,165,143	4,946,769	2,509,239
5 Property Tax Receivable	1,714,867	1,718,981	1,665,637
6 Prepaid Expenses	357,687	371,873	348,529
7 Total Current Assets	5,263,090	7,620,231	5,007,602
8 Total Restricted Assets (see Schedule A)	8,146,036	6,127,690	6,283,026
10 Utility Plant			
11 Utility Plant, at Cost	115,729,687	116,126,899	114,286,621
12 Accumulated Depreciation	(72,158,739)	(72,318,615)	(69,351,921)
13 Construction in Progress	3,201,513	3,115,934	727,512
14 Total Utility Plant	46,772,461	46,924,218	45,662,212
15 Other Assets			
16 Due from BTP	1,341,533	1,373,240	1,715,919
17 Deferred Outflow (Pension Related)	1,179,514	1,179,514	1,126,151
18 Total Other Assets	2,521,047	2,552,754	2,842,070
19 Total Assets	\$ 62,702,633	\$ 63,224,894	\$ 59,794,909
20 Liabilities & Retained Earnings			
21 Current Liabilities			
22 Accounts Payable	\$ 1,759,558	\$ 1,752,730	\$ 1,087,271
23 Due to Internal Financing Fund	1,341,533	1,373,240	1,715,919
24 Accrued Expenses	381,853	349,328	290,774
25 Deferred Property Tax Revenue	1,165,600	1,311,300	1,134,733
26 Total Current Liabilities	4,648,543	4,786,599	4,228,696
27 Liabilities to be Paid from Restricted Assets			
28 Accrued Bond Interest	17,648	13,236	18,976
29 Current Portion-Long Term Debt	178,449	178,449	172,473
30 Refundable Deposits	13,500	13,500	11,000
31 Developer Deposits	83,726	110,793	461,616
32 Total Liabilities to be Paid from Restricted Assets	293,323	315,979	664,065



Trabuco Canyon Water District
Balance Sheet - Comparative
As of October 31, 2020
(Unaudited)

	October 2020	September 2020	October 2019
33 Long Term Debt			
34 Accrued Post Employment Benefits	533,587	533,587	570,267
35 Accrued Pension Liability	3,301,860	3,301,860	3,089,532
36 State Revolving Fund Loan	2,140,052	2,140,052	2,320,470
37 Total Long Term Debt	5,975,499	5,975,499	5,980,269
38 Total Liabilities	10,917,365	11,078,076	10,873,030
39 Fund Balance			
40 Invested in Capital Net of Related Debt	44,436,312	44,592,481	43,150,292
41 Restricted for Debt Service	225,136	219,142	201,273
42 Legally Restricted	4,399,129	2,395,813	2,954,978
43 Designated by Board	3,402,609	3,402,609	2,995,477
44 Unrestricted	(677,918)	1,536,772	(380,141)
45 Total Fund Balance	51,785,268	52,146,818	48,921,879
46 Total Liabilities and Fund Balance	\$ 62,702,633	\$ 63,224,894	\$ 59,794,909



Trabuco Canyon Water District
Restricted Assets Report
As of October 31, 2020
(Unaudited)

	October 2020	September 2020	October 2019
1 LAIF Accounts (at Cost)			
2 Internal Financing	\$ (840,499)	\$ (2,863,970)	\$ (3,173,937)
3 Capital Improvement Charges	-	-	811,987
4 Water Storage Facilities	1,051,427	1,051,427	1,051,427
5 Sanitation Capital Improvement	326,587	391,521	691,366
6 WRES - Rose Canyon/Lang Wells	1,187,356	1,150,394	985,613
7 WRES - Reservoir/Distribution Improvements	2,597,997	2,590,340	2,513,636
8 RD#5	76,261	76,102	74,886
9 Developer Deposits	-	-	391,589
10 LAIF Interim Sewage	119,162	110,126	117,584
11 Water Rate Stabilization Funds	684,080	684,080	607,500
12 Sewer Rate Stabilization Funds	726,160	726,160	265,000
13 Working Capital Funds	1,975,776	1,975,776	1,733,144
14 Market Value Over/(Under) Cost	16,593	16,593	11,960
15 State Revolving Fund			
16 Cash in CB&T Reserved for SRF Loan	225,136	219,142	201,272
17 Total Restricted Assets	\$ 8,146,036	\$ 6,127,690	\$ 6,283,026



Trabuco Canyon Water District
Investment Schedule
As of October 31, 2020
(Unaudited)

DESCRIPTION	RATE	COST	MARKET	% OF TOTAL
District Investments in the California Local Agency				
1 Water Storage Fees	0.620%	\$ 1,051,427	\$ 1,055,753	13%
2 Sanitation Capital Improvement	0.620%	326,587	327,931	4%
3 Trabuco Creek Wells	0.620%	1,187,356	1,192,242	15%
4 Reservoir/Distribution	0.620%	2,597,997	2,608,687	33%
5 RD#5	0.620%	76,261	76,575	1%
6 LAIF Interim Sewage	0.620%	119,162	119,652	2%
7 Water Rate Stabilization Funds	0.620%	684,080	686,895	9%
8 Sewer Rate Stabilization Funds	0.620%	726,160	729,148	9%
9 Working Capital Funds	0.620%	1,975,776	1,983,905	25%
10 Internal Financing	0.620%	(840,499)	(843,957)	-11%
Total District Investments		\$ 7,904,307	\$ 7,936,829	100%

** A negative number indicates the use of reserves to fund operations.*

*** Market values are adjusted on a quarterly basis and recorded in the District's financials statements at the end of the quarter.*

CERTIFICATION

I certify that (1) all investment actions executed since the last report have been made in full compliance with the District's Investment Policy and, (2) the District will meet its expenditure obligations for the next six months as required by California Government Code Sections 53646(b)(2) and (3), respectively.

Cindy Byerrum, CPA

Contract CPA and Treasurer



Trabuco Canyon Water District
Checking Account Activity
October 2020
(Unaudited)

Inflows	Current Month	Year to Date
Utility Billing Collections	\$ 835,851	\$ 3,110,868
Tax Receipts	4,108	55,515
Transfer From LAIF	500,000	1,000,000
FEMA Reimbursement	2,528,981	2,528,981
Miscellaneous	321,191	4,975,522
Total Inflows	4,190,131	11,670,886
Outflows		
Vouchers	768,524	3,883,936
Payroll	234,550	1,000,057
Transfer to LAIF	2,500,000	5,500,000
Miscellaneous & Online Payments	389,480	1,313,579
Total Outflows	3,892,554	11,697,571
Net Change in Checking Account	297,577	(26,685)
Beginning Checking Account	731,157	1,055,418
Ending Checking Account	\$ 1,028,733	\$ 1,028,733