



FINANCE/AUDIT COMMITTEE MEETING AGENDA
TRABUCO CANYON WATER DISTRICT
32003 DOVE CANYON DRIVE, TRABUCO CANYON, CA
ADMINISTRATION FACILITY BOARDROOM – DECEMBER 8, 2021 AT 1:00 PM

COMMITTEE MEMBERS

Don Chadd, Committee Chair
Edward Mandich, Committee Member

DISTRICT STAFF

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

AGENDA NOTE:

Trabuco Canyon Water District will make this Finance/Audit Committee Meeting available by telephone audio as follows:

Telephone Audio: 1 (669) 900-6833 **Access Code:** 969-3001-9067

Persons desiring to monitor the Committee meeting agenda items may download the agenda and documents on the internet at www.tcwd.ca.gov. You may submit public comments by email to the Committee 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 12:00 p.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.

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

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING AGENDA | DECEMBER 8, 2021**

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, 2021

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

RECOMMENDED ACTION:

Recommend the Board of Directors approve the Directors' fees and expenses for November 2021 and tentative future meetings/attendance. (Action Calendar)

ITEM 3: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING T-MOBILE CELLULAR SITE LEASE AMENDMENT NO. 2

RECOMMENDED ACTION:

Committee to receive information at the time of the Committee Meeting and recommend the Board of Directors approve the T-Mobile West LLC Amendment No. 2 to the Site Lease Agreement (Action Calendar).

ITEM 4: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING DISTRICT RESPONSE TO ONGOING DROUGHT CONDITIONS IN CALIFORNIA

RECOMMENDED ACTION:

Committee to receive information at the time of the meeting and recommend to the Board of Directors adoption of Resolution No. 2021-1301 – Resolution of the Board of Directors of the Trabuco Canyon Water District Declaring a Level 2 Water Shortage Condition per the District's Water Shortage Contingency Plan (Action Calendar).

ITEM 5: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING ADOPTION OF A RESOLUTION AUTHORIZING AN APPLICATION TO THE DEPARTMENT OF WATER RESOURCES' 2021 URBAN AND MULTIBENEFIT DROUGHT RELIEF GRANT PROGRAM

RECOMMENDED ACTION:

Committee to receive information at the time of the meeting and recommend to the Board of Directors adoption of Resolution No. 2021-1302 – Resolution of the Board of Directors of Trabuco Canyon Water District Authorizing the Grant Application, Acceptance, and Execution for the Automatic Meter Reading/Advanced Metering Infrastructure Implementation Project (Action Calendar).

ITEM 6: TRABUCO CANYON WATER DISTRICT ANNUAL FINANCIAL REPORT (AUDIT) FOR FISCAL YEAR ENDING JUNE 30, 2021

RECOMMENDED ACTION(S)

Committee to receive information concerning Trabuco Canyon Water District's Annual Financial Report (Audit) for Fiscal Year Ending June 30, 2021 and recommend that the Board receive and file the Audit Report (Action Calendar.)

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING AGENDA | DECEMBER 8, 2021**

ITEM 7: OTHER MATTERS

RECOMMENDED ACTION:

Hear Other Matters from the General Manager or District Staff.

ITEM 8: FINANCIAL REPORT

A) PRESENTATION OF UNAUDITED FINANCIAL STATEMENTS

RECOMMENDED ACTION:

Recommend that the Board receive and file the preliminary unaudited financial statements for October 2021 (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 8, 2021 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.

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | DECEMBER 8, 2021**

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, 2021*

CONTACTS (staff responsible): PALUDI/PEREA



**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING RECAP | NOVEMBER 10, 2021**

DIRECTORS PRESENT

Director Don Chadd, Committee Chair
Director Ed Mandich, Committee Member

STAFF PRESENT

Fernando Paludi, General Manager
Michael Perea, Assistant General Manager
Karen Warner, Principal Accountant
Lorrie Lausten, District Engineer
Lisa Marie Sangi, Executive Assistant

PUBLIC PRESENT VIA CONFERENCE CALL

None

CALL MEETING TO ORDER

Director Chadd called the November 10, 2021 Finance/Audit Committee Meeting to order at 1:00 p.m.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

There were no comments received.

REPORT FROM THE GENERAL MANAGER

There were no comments 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.

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | NOVEMBER 10, 2021**

RECOMMENDED ACTION:

The Committee recommended that the Directors' Fees and Expenses Report for October 2021 and the Tentative Future Meetings/Attendance Report be forwarded to the Board of Directors for consideration as amended (Action Calendar).

ITEM 3: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING PROPOSED FISCAL YEAR 2021/2022 CAPITAL IMPROVEMENT PROGRAM BUDGET REALLOCATIONS

Mr. Paludi introduced this matter for Committee consideration, he reported this matter was reviewed with the Engineering/Operational Committee. Mr. Paludi provided an overview of the proposed budgetary changes which could potentially result in lowering the overall Capital Improvement Project (CIP) budget for the current year.

RECOMMENDED ACTION:

The Committee recommended forwarding the DRAFT Proposed Reallocated Fiscal Year 2021/2022 Capital Improvement Program Budget to the Board of Directors for consideration (Action Calendar).

ITEM 4: OTHER MATTERS

Mr. Paludi reported that District staff is currently discussing the issuance of debt consistent with the 2020 rate study with the District Treasurer and financial consultants.

RECOMMENDED ACTION:

No action was taken.

ITEM 5: FINANCIAL REPORT

Ms. Warner presented the preliminary unaudited financials for September 2021, and she highlighted the following items:

Operating Revenue, Residential Water

Ms. Warner reported that water demand for the month was lower than the prior month, but the year to date was higher than budgeted.

Operating Revenue, Irrigation Water

Ms. Warner reported that this line item was higher than the prior month due to warmer temperatures and increased sales.

Operating Revenue, Baker Treatment Plant Sales

Ms. Warner reported that this line item was higher than the prior month as the District resumed the sale of Baker Water Treatment Plant water to the City of San Clemente as the Dimension Water Treatment Plant (DWTP) Backwash Tank Rehabilitation Project has completed.

Operating Expenses, Sanitation Expenses

Ms. Warner reported that this line item was lower than the prior month, as well as lower than budgeted for the year due to fewer expenses.

RECOMMENDED ACTION:

The Committee recommended the Board of Directors receive and file the preliminary unaudited financial statements for September 2021 (Consent Calendar).

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | NOVEMBER 10, 2021**

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, 2021 as presented (Consent Calendar).

ADJOURNMENT

Director Chadd adjourned the November 10, 2021 Finance/Audit Committee Meeting at 1:14 p.m.

DRAFT

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | DECEMBER 8, 2021**

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 their 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 2021 and tentative future meetings/attendance. (Action Calendar)

EXHIBIT(S):

1. Directors' Fees and Expenses Report for November 2021
2. Directors' Tentative Future Meetings/Attendance – Calendar Year 2021.

CONTACTS (staff responsible): PALUDI/PEREA


**TRABUCO CANYON WATER DISTRICT
DIRECTORS' FEES AND EXPENSES MONTHLY REPORT | NOVEMBER 2021**

| MEETING DESCRIPTION | ACOSTA | CHADD | DOPUDJA | MANDICH | SAFRANSKI |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| DISTRICT MEETINGS | | | | | |
| Engineering/Operational Committee Meeting | | | 11/03/21 | 11/03/21 | |
| Ad Hoc Committee Meeting - Paloma Square | | | 11/04/21 | | 11/04/21 |
| Executive Committee Meeting | | 11/08/21 | 11/08/21 | | |
| Finance/Audit Committee Meeting | | 11/10/21 | | 11/10/21 | |
| Individual Meeting with General Manager | 11/15/21 | 11/15/21 | 11/16/21 | 11/15/21 | 11/17/21 |
| Regular Board Meeting | | 11/18/21 | 11/18/21 | 11/18/21 | 11/18/21 |
| REPRESENTATIVE MEETINGS | | | | | |
| City of Rancho Santa Margarita Council Meeting | 11/10/21 | | | | |
| City of Rancho Santa Margarita Council Meeting | | | | | |
| City of Rancho Santa Margarita City Planning Commission Meeting | CXL | | | | |
| Independent Special Districts of Orange County - Luncheon Meeting | | 11/02/21 | | | |
| Independent Special Districts of Orange County - Quarterly/Meeting | | | | | |
| Santiago Aqueduct Commission Meeting(SAC) | | | | | |
| South Orange County Agencies Group | | 11/23/21 | | | 11/23/21 |
| South Orange County Wastewater Authority (SOCWA) Regular Board Meeting | | | 11/04/21 | | |
| South Orange County Wastewater Authority (SOCWA) Finance Meeting | | | | | |
| South Orange County Integrated Regional Watershed Management Executive Committee | | | | 11/04/21 | |
| Water Advisory Committee of Orange County Meeting (WACO) | 11/06/21 | | | | |
| NUMBER OF MEETINGS ATTENDED | 3 | 6 | 5 | 5 | 4 |
| FEES (\$125 per each meeting*) | \$375.00 | \$750.00 | \$625.00 | \$625.00 | \$500.00 |
| 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 | \$375.00 | \$750.00 | \$625.00 | \$625.00 | \$500.00 |
| <i>* Maximum per diem per day is one; maximum per diems per month is 10</i> | | | | | |

DIRECTOR SIGNATURE _____

TRABUCO CANYON WATER DISTRICT | 2021 PUBLIC MEETING AND CONFERENCE CALENDAR

| 2021 | | | | | | | | | | | | | |
|---------------------------------|--|----------|----------|----------|----------|-------------|-------------|----------|-----------|-------------|----------|------------|----------|
| LINE ITEM | MEETING DESCRIPTION | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
| DISTRICT PUBLIC MEETINGS | | | | | | | | | | | | | |
| 1 | Executive Committee Meeting | TBD | | | TBD | | | TBD | | | TBD | | |
| 2 | Engineering/Operational Committee Meeting | 01/06/21 | 02/03/21 | 03/03/21 | 04/07/21 | 05/05/21 | 06/02/21 | 07/07/21 | 08/04/21 | 09/01/21 | 10/06/21 | 11/03/21 | 12/01/21 |
| 3 | Finance/Audit Committee Meeting | 01/13/21 | 02/10/21 | 03/10/21 | 04/14/21 | 05/12/21 | 06/09/21 | 07/14/21 | 08/11/21 | 09/08/21 | 10/13/21 | 11/10/20 | 12/08/21 |
| 4 | Regular Board Meeting | 01/20/21 | 02/17/21 | 03/17/21 | 04/21/21 | 05/19/21 | 06/16/21 | 07/21/21 | 08/18/21 | 09/15/21 | 10/20/21 | 11/17/21 | 12/15/21 |
| 5 | District Properties Ad Hoc Committee Meeting | - | - | - | - | - | - | - | - | - | - | - | - |
| PUBLIC MEETINGS | | | | | | | | | | | | | |
| 6 | City of RSM City Council Meeting - Meeting No. 1 | 01/13/21 | 02/10/21 | 03/10/21 | 04/14/21 | 05/12/21 | 06/09/21 | 07/14/21 | 08/11/21 | 09/08/21 | 10/13/21 | 11/10/21 | 12/08/21 |
| 7 | City of RSM City Council Meeting - Meeting No. 2 | 01/27/21 | 02/24/21 | 03/24/21 | 04/28/21 | 05/26/21 | 06/23/21 | 07/28/21 | 08/25/21 | 09/22/21 | 10/27/21 | 11/24/21 | 12/22/21 |
| 8 | Independent Special Districts of Orange County Meeting | 01/05/21 | 02/02/21 | 03/02/21 | 04/06/21 | 05/04/21 | 06/01/21 | 07/06/21 | 08/03/21 | 09/07/21 | 10/05/21 | 11/02/21 | 12/07/21 |
| 9 | Independent Special Districts of Orange County Meeting | 01/28/21 | - | - | 04/29/21 | - | - | 07/29/21 | - | - | 10/28/21 | - | - |
| 10 | Orange County Local Agency Formation Commission (OC LAFCO) | 01/13/21 | 02/10/21 | 03/10/21 | 04/14/21 | 05/12/21 | 06/09/21 | 07/14/21 | 08/11/21 | 09/08/21 | 10/13/21 | 11/10/21 | 12/08/21 |
| 11 | Santiago Aqueduct Commission Meeting | - | - | 03/18/21 | - | - | 06/17/21 | - | - | 09/16/21 | - | - | 12/16/21 |
| 12 | South Orange County Integrated Regional Watershed Management Executive Committee | - | - | 03/04/21 | - | 05/06/21 | - | - | 08/05/21 | - | - | 11/04/21 | - |
| 13 | South Orange County Water Agencies Group Meeting* | 01/28/21 | - | 03/25/21 | - | 05/27/21 | - | 07/22/21 | - | 09/23/21 | - | 11/25/21 | - |
| 14 | South Orange County Wastewater Authority Regular Board Meeting | 01/07/21 | 02/04/21 | 03/04/21 | 04/07/21 | 05/06/21 | 06/03/21 | 07/01/21 | 08/05/21 | 09/02/21 | 10/07/21 | 11/04/21 | 12/02/21 |
| 15 | Water Advisory Committee of Orange County | 01/01/21 | 02/05/21 | 03/05/21 | 04/02/21 | 05/07/21 | 06/04/21 | 07/02/21 | 08/07/21 | 09/03/21 | 10/01/21 | 11/06/21 | 12/04/21 |
| CONFERENCES | | | | | | | | | | | | | |
| 16 | ACWA Spring Conference - Monterey, CA | | | | | 5/11 - 5/14 | | | | | | | |
| 17 | ACWA Fall Conference - Pasadena, CA | | | | | | | | | | | 11/30 12/3 | |
| 18 | CSDA Annual Conference -Monterey, CA | | | | | | | | 8/3 - 9/2 | | | | |
| 19 | CSDA GM Leadership Summit - Olympic Valley, CA | | | | | | 6/27 - 6/29 | | | | | | |
| 20 | CSDA SDLA Conference - Lake Tahoe, CA | | | | | | | | | 9/26 - 9/29 | | | |

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

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | DECEMBER 8, 2021**

FINANCIAL MATTERS

ITEM 3: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING T-MOBILE CELLULAR SITE LEASE AMENDMENT NO. 2

Trabuco Canyon Water District (District) owns and operates two domestic water reservoirs (commonly known as the Trabuco Tanks) in the Robinson Ranch community. Since approximately 2005, the District has had an onsite lease with option agreement with T-Mobile USA communications for onsite cellular equipment, and the contractual arrangement has been managed by ATS Communications (ATS) by a separate agreement with the District. Recently, District staff and legal counsel have been working with ATS to review certain terms of the site lease agreement with T-Mobile, which has resulted in a proposed Amendment No. 2 (Exhibit 1).

FUNDING SOURCE:

Not applicable.

FISCAL IMPACT:

Potential for increased revenue due to annual rent adjustments.

ENVIRONMENTAL COMPLIANCE:

Not applicable

RECOMMENDED ACTION:

Committee to receive information at the time of the Committee Meeting and recommend the Board of Directors approve the T-Mobile West LLC Amendment No. 2 to the Site Lease Agreement (Action Calendar).

EXHIBIT(S):

1. DRAFT-Amendment No. 2 to Site Lease with Option Agreement

CONTACTS (staff responsible): PALUDI/LAUSTEN

TENANT SITE NAME: SC504 - MEANDER WATER TANK
TENANT SITE NUMBER: LA02963A
LANDLORD SITE NAME: TRABUCO RESERVOIR

AMENDMENT NO. 2 TO SITE LEASE WITH OPTION

THIS AMENDMENT NO. 2 to SITE LEASE AGREEMENT ("Amendment No. 2") is made and entered into this ____ day of _____, 2021,

BY AND BETWEEN

TRABUCO CANYON WATER DISTRICT, a public corporation, hereinafter referred to as "Landlord,"

AND

T-MOBILE WEST LLC (formerly a corporation), a Delaware limited liability company, successor in interest by merger to TMO CA/NV, LLC, successor in interest to OMNIPOINT COMMUNICATIONS INC., a subsidiary of T-Mobile USA, Inc., hereinafter referred to as "Tenant."

RECITALS

A. Landlord is the owner of that certain real property legally described in Exhibit "A" commonly known as Trabuco Reservoir located at 21194 Meander Lane, Trabuco Canyon, California 92697 (Assessor's Parcel Number 125-110-022) ("Landlord's Property") related to the Site Lease with Option agreement defined in Recital B below.

B. Landlord and Tenant are parties to that certain Site Lease with Option dated December 29, 2005, as amended by that certain First Amendment to Site Lease with Option dated January 9, 2008, ("First Amendment," and collectively, the "Lease") wherein Landlord leased to Tenant a certain portion of Landlord's Property, including any applicable non-exclusive easements for access and utilities, commonly known as Trabuco Reservoir for uses permitted under the Lease.

C. Landlord and Tenant have agreed to amend the Lease in order to allow Tenant to expand the use and size of the existing Premises, and to install and operate additional equipment and associated cables on Landlord's Property, as more particularly described in this Amendment No. 2 below.

D. Landlord and Tenant have agreed to amend the Lease to revise the Rent, and make other revisions to the Lease, all as set forth more fully below.

E. Landlord and Tenant agree to enter into this Amendment No. 2 in order to set forth terms and conditions applicable to the Lease as described below.

AGREEMENT

NOW THEREFORE, in consideration of the promises and conditions set forth herein, and for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

TENANT SITE NAME: SC504 - MEANDER WATER TANK

TENANT SITE NUMBER: LA02963A

LANDLORD SITE NAME: TRABUCO RESERVOIR

1. **Incorporation of Recitals.** The Recitals set forth above are, by this reference, hereby incorporated into this Amendment No. 2 as if fully set forth in the body hereof.
2. **Defined Terms.** Any capitalized terms used in this Amendment No. 2 that are not defined herein shall have the meanings given those terms in the Lease. Unless the context clearly indicates otherwise, all references to the "Lease" in this Amendment No. 2 shall hereinafter be deemed to refer to the Lease as amended hereby.
3. **Premises.** Section 1 of the Lease is hereby deleted in its entirety and replaced with the following:

"Landlord owns the real property legally described in Exhibit "A" commonly known as the Trabuco Reservoir Site, with a street address of 21194 Meander Lane, Trabuco Canyon, CA 92697 (Assessor's Parcel Number 125-110-022) and a water tank located thereon ("Water Tank"). Subject to the following terms and conditions, Landlord leases to Tenant that portion of Landlord's Property ("Landlord's Property") only as depicted in Exhibit "D," including any applicable non-exclusive easements for access and utilities, only as depicted on Exhibit D (the "Premises")."

4. **Premises.** Section 1 (d) of the Lease is hereby added to Section 1 of the Lease:

"(d) Tenant shall submit to Landlord plans and specifications (the "Plans") for the any proposed modification of the installation (as defined in Exhibit "C," attached hereto), together with the sum of Five Thousand and no/Dollars (\$5,000.00). Landlord shall have the sole right to approve the plans in writing. Landlord's approval must be given or denied within sixty (60) days after submission thereof by Tenant. In the event Landlord objects to Plans, Landlord's objections shall be clearly stated in writing. If Landlord objects to the Plans, Tenant shall have the right to either resubmit the Plans in accordance with same approval process as stated above, except that Tenant will not be obligated to make an additional \$5,000.00 payment for such resubmission, or terminate this Agreement."

5. **Additional Equipment.** Landlord consents to the installation and operation of additional equipment, and associated cables on Landlord's Property as described in Exhibit "C" and depicted in Exhibit "D" hereto. Exhibits "C" and "D," attached hereto, shall replace Exhibit "B" to the Lease in its entirety. Landlord's execution of this Amendment No. 2 will confirm Landlord's approval of Exhibits "C" and "D".
6. **Rent.** Section 4 of the Lease and Section 1 of the First Amendment are hereby amended and replaced entirely as follows:

"Tenant's monthly rent obligations for the Premises on Landlord's Property shall be Two Thousand Eight Hundred Dollars (\$2,800.00) per month ("Rent"), commencing on the first (1st) day of the month following the full execution of this Amendment No. 2 (the "Rent Increase Commencement Date"), and continuing on or before the fifth day of each month thereafter, in advance, during the Term of the Lease and any Renewal Term thereafter. Rent shall be payable to Trabuco Canyon Water District at Landlord's address set forth below or by electronic payment. Notwithstanding the foregoing, the Rent commencing on

the Rent Increase Commencement Date is due and owing within thirty (30) days following the Rent Increase Commencement Date.”

7. **Annual Rent Adjustment.** The second sentence of Section 5 of the Lease is hereby amended and replaced as follows:

“Commencing on January 1, 2022, and on January 1 of each year during the remaining Renewal Terms, if any, the monthly Rent shall be increased annually by three percent (3%) over the Rent paid during the previous year.”

8. **Additional Rent.** Within sixty (60) days of the Effective Date of this Second Amendment, Tenant shall pay Landlord a one-time payment of Twenty Thousand and No/100 Dollars (\$20,000.00).

9. **Improvements; Utilities; Access.** Portions of Section 7 of the Lease are amended as follows:

Section 7 (a) is hereby deleted in its entirety and replaced as follows:

“(a) Subject to Landlord's prior review and approval set forth in Section 1(d) above, Tenant shall have the right, at its sole cost and expense, to erect and maintain on the Premises improvements, personal property and facilities necessary to operate its communications system, including, without limitation, radio transmitting and receiving antennas, microwave dishes, equipment shelters and/or cabinets and related cables and utility lines and a location based system, including, without limitation, antenna(s), coaxial cable, base units, location based systems, and other associated equipment (collectively, the "Antenna Facilities"). The Antenna Facilities shall remain the exclusive property of Tenant and are not fixtures.”

Section 7(b) is amended as follows:

“Notwithstanding the foregoing and except for Section 7(f) below, following the installation of the lock system set forth in Section 7(f) below, Tenant shall not install any locking mechanism of any kind on or about the Premises or any property of Landlord, including Landlord's own access system. In the event that Tenant installs any locking mechanism on Landlord's Property, the Premises, or access system, such installation shall be a material breach of this Lease subject to penalty and immediate termination of this Lease, at Landlord's sole and absolute discretion. Tenant shall pay to Landlord a penalty of Two Thousand Five Hundred and no/dollars (\$2,500.00) per occurrence. Tenant shall have no access to Landlord's Property, including the Premises, until payment of such penalty. Landlord shall provide Tenant with written notice of such breach and penalty and/or termination together with documentary evidence of such installation.”

Section 7(f) is deleted in its entirety and replaced in full with the following:

“Landlord shall provide access to Tenant, Tenant's employees, agents, contractors and subcontractors to the Premises twenty-four (24) hours a day, seven (7) days a week. Access during normal business hours (i.e., 7:00 AM to 4:00 PM, Monday through Thursday, excluding holidays) shall be at no charge to Tenant. At any time, other than 7:00 AM to

TENANT SITE NAME: SC504 - MEANDER WATER TANK

TENANT SITE NUMBER: LA02963A

LANDLORD SITE NAME: TRABUCO RESERVOIR

4:00 PM, Monday through Thursday (“After-Hours”), **access shall be for emergency purposes only**. If Tenant requires access After-Hours for non-emergency purposes, Tenant shall reimburse Landlord any cost or expense reasonably associated with Tenant's After-Hours access and/or Tenant’s supervised access to Landlord’s Property (“Restricted Areas”).

Landlord shall install a lock system to secure Landlord’s Property. Tenant agrees to reimburse Landlord for the cost of such installation within thirty (30) days following receipt of an invoice together with reasonable supporting documentation evidencing such cost. To access the Landlord's Property, Tenant or any vendor, contractor, employee, agent or representative of Tenant must send a request by email to customerservice@tcwd.gov not less than 24 hours prior to Tenant’s requested access, except in the case of emergency the following information: (i) entity name requesting access and entity’s relationship to Tenant, (ii) anticipated time, date and duration for access, and (iii) a brief explanation of the scope of work; (iv) proof of insurance coverage for each and every person and/or entity; and, as applicable, (v) notification and accommodation for the use of heavy equipment such as cherry pickers or large vehicles commonly associated with construction activities, if any. Landlord will provide a key to the Tenant or its agents for access, which must be returned to the Landlord the same day. If Tenant or its agents do not return the key to the Landlord, then Tenant agrees to reimburse Landlord for the cost of rekeying the lock system or replacing the lock system. In case of emergency, Tenant shall call [REDACTED] for immediate access to the lock system and Premises.”

Section 7(g) is hereby added by including the following:

“Tenant shall maintain the Premises (but not the Water Tank) and Tenant’s Facilities in compliance with all applicable laws, including any applicable conditions of approval referenced above or as amended. At all times throughout the Term and Renewal Term, Tenant shall maintain, repair and secure its Antenna Facilities and all other personal property and improvements brought onto the Property in clean and safe condition. Tenant shall keep the Premises free of debris, graffiti, or nuisance condition. Tenant shall repair damage to the Premises or damage to Landlord’s Property to the extent caused by Tenant within thirty (30) days following receipt of written notice from Landlord, to ensure the Premises are safe, secure and compliant with applicable laws, rules and regulations. Notwithstanding anything to the contrary herein, if Landlord determines in its sole discretion that hazardous conditions are created by the damage, Landlord may require, immediate action or a period of less than thirty (30) days in which repairs must be completed, at Tenant’s sole cost and expense. If Landlord elects to complete repairs according to this Section 7, Tenant shall reimburse Landlord for Landlord’s associated costs within thirty (30) days of receipt of an invoice detailing such costs. Nothing herein shall require Tenant however to restore or repair any damage to the Premises caused by Landlord, or Landlord’s agents, invitees, tenants, or tenants’ contractors, subcontractors and/or employees.”

10. **Termination.** Section 8(g) is added by including the following:

“Tenant shall remove all Tenant’s Facilities, including, but not limited to, the Antenna Facilities, at its sole cost and expense not later than ninety (90) days after the expiration,

TENANT SITE NAME: SC504 - MEANDER WATER TANK
TENANT SITE NUMBER: LA02963A
LANDLORD SITE NAME: TRABUCO RESERVOIR

cancellation, or termination of the Lease. Tenant shall be responsible for paying Rent until site areas are restored and Tenant shall repair or pay for any damage to Landlord's Property caused by such removal and restore Landlord's Property to the reasonable satisfaction of the Landlord and in a manner reasonably acceptable to the General Manager, or the General Manager's designee."

Section 8(h) is hereby added as follows:

"Notwithstanding anything else to the contrary in this Lease, Landlord may terminate this Lease in the event Tenant interferes with any activity of Landlord on Landlord's Property, including, but not limited, to installation of a lock or locking mechanism in any way interfering with Landlord's access to Landlord's Property, and such interference is not resolved within forty-eight (48) hours following phone or email notification of such interference to Tenant, with a written hard copy delivered to Tenant according to the notice provisions of this Lease.,."

11. **Insurance and Subrogation and Indemnification.** Section 11(a) of the Lease is deleted in its entirety and replaced in full with the following:

"(a) **Minimum Insurance Requirements** – The Tenant shall procure and maintain for the duration of the use of the facility, insurance against claims for injuries or death to persons or damages to property which may arise from or in connection with the use of the facilities and the activities of the Tenant, guests, agents, representatives, or employees. The Tenant shall provide and maintain the following commercial general liability, automobile liability, workers' compensation and property coverage:

Coverage - Coverage shall be at least as broad as the following:

1. **General Liability** - Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 00 01) including property damage, bodily injury and personal & advertising injury with limits of at least two million dollars (\$2,000,000) per occurrence or the full per occurrence limits of the policies available, whichever is greater. If Commercial General Liability Insurance or other form with a general aggregate limit, either the general aggregate limit shall apply separately to the project/location (with the ISO CG 25 03, or ISO CG 25 04, or insurer's equivalent endorsement provided to Landlord) or the general aggregate limit shall be twice the required occurrence limit.
2. **Workers' Compensation Insurance** - The Tenant shall provide workers' compensation coverage as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.
3. **Property insurance** against all risks of loss to any Tenant improvements or betterments, at full replacement cost with no coinsurance penalty provision.

TENANT SITE NAME: SC504 - MEANDER WATER TANK

TENANT SITE NUMBER: LA02963A

LANDLORD SITE NAME: TRABUCO RESERVOIR

Required Provisions - The Commercial General Liability policy is to contain, or be endorsed to contain, the following provisions:

1. **Additional Insured Status:** Landlord, its directors, officers, employees, and authorized volunteers are to be included as additional insured (at least as broad as ISO Form CG 20 10 10 01 or CG 20 11) as respects: liability arising out of the use of the facilities, work or activities performed by or on behalf of the Tenant including materials, parts, or equipment furnished in connection with such work or operations, and automobiles owned, leased, hired or borrowed by the Tenant. The coverage shall contain no special limitations on the scope of protection afforded to Landlord, its directors, officers, employees, and authorized volunteers.
2. **Primary Coverage:** For any claims related to this facilities use, the Tenant's insurance coverage shall be primary at least as broad as ISO CG 20 01 04 13 as respects to the Landlord, its directors, officers, employees, and authorized volunteers, with respect to the acts or omissions of Tenant. Any insurance or self-insurance maintained by the Landlord, its directors, officers, employees, and authorized volunteers shall be excess of the Tenant's insurance and shall not contribute with it.

Notice of Cancellation: Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the Landlord.

Acceptability of Insurers - Insurance is to be placed with insurers having a current A.M. Best rating of no less than A-:VII or as otherwise approved by Landlord.

The Tenant agrees and he/she will comply with such provisions before commencing the Lease. All of the insurance shall be provided on policy forms and through companies satisfactory to Landlord. Failure to continually satisfy the Insurance requirements is a material breach of contract.

Verification of Coverage - Tenant shall furnish the Landlord with certificates and amendatory endorsements effecting coverage required by the above provisions. All certificates and endorsements are to be received and approved by the Landlord *at least five days* before the Tenant use of facilities commences activities.

”

12. **Notices.** Section 12 of the Lease is hereby deleted in its entirety and replaced in full with the following:

“Notices. All notices, requests, demands and other communications shall be in writing and are deemed given after deposit in the U.S. mail, certified and postage paid, or via a nationally recognized overnight courier, and shall be effective upon actual receipt or refusal as shown on the shipping receipt to the addresses set forth below. Notices will be addressed to the parties as follows:

Landlord: Trabuco Canyon Water District

TENANT SITE NAME: SC504 - MEANDER WATER TANK
TENANT SITE NUMBER: LA02963A
LANDLORD SITE NAME: TRABUCO RESERVOIR

32003 Dove Canyon Drive
Dove Canyon, CA 92679
Attn: General Manager
Re: Cellular Leases

With a Copy to: ATS Communications
4195 Chino Hills Parkway, #605
Chino Hills, CA 91709

Tenant: T-Mobile USA, Inc.
12920 SE 38th Street
Bellevue, WA 98006
Attn: Lease Compliance/Site #LA02963A

Either party hereto may change the address or persons for the giving of notice to it by thirty (30) days' prior written notice to the other as provided herein."

13. Assignment and Subleasing. Section 15 of the Lease is hereby deleted in its entirety and replaced with the following:

"(a) This Lease shall not be assigned by Tenant, except with the prior written consent of Landlord that may be withheld for any reason in the Landlord's sole discretion.

(b) Notwithstanding the foregoing, Tenant may, without Landlord's consent but upon at least sixty (60) days prior written notice to Landlord, from time to time assign this Lease in its entirety (i) to any entity which has, directly or indirectly, a fifty-one percent (51%) or greater interest in Tenant (a "Parent"), (ii) to any entity in which Tenant or a Parent has a fifty-one percent (51%) or greater interest, (iii) to any entity with a net worth of at least Twenty Million Dollars (\$20,000,000), or (iv) to any entity that acquires all or substantially all of the Tenant's assets in the market as defined by the Federal Communications Commission in which the Landlord's Property is located. Any such assignment shall not be effective unless and until the assignee executes and delivers to Landlord a written assumption of all Tenant's obligations under this Lease.

(c) Sub-leasing is strictly prohibited.

(d) Any attempted or unauthorized assignment or sub-lease shall be automatically void. The acceptance of Rent by Landlord from any person other than Tenant or an authorized assignee shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one assignment by Landlord shall not be deemed consent by Landlord to any subsequent assignment."

14. Collocation Incentive Payment. Section 22 of the First Amendment to the Lease is hereby deleted in its entirety.

15. Miscellaneous:

Section 18(k) is hereby added as follows:

TENANT SITE NAME: SC504 - MEANDER WATER TANK

TENANT SITE NUMBER: LA02963A

LANDLORD SITE NAME: TRABUCO RESERVOIR

(k) Holdover. Tenant will have no right or privilege whatsoever to use or occupy the Premises in any manner or for any purpose after this Lease expires or terminates. If Tenant continues to use or occupy the Premises after this Lease expires or terminates, then this Lease will automatically convert to a month-to-month lease on the same terms and conditions (the "Holdover Term"), except that (1) the Rent will be automatically increased to one hundred ten percent (110%) of the Rent payable in the immediately previous year (the "Holdover Fee"), and will continue to increase in accordance with Section 7 of this Second Amendment (Annual Rent Adjustment); and (2) either the Landlord or Tenant may terminate such license on thirty (30) calendar days' written notice for any or no reason. Landlord's receipt of any Holdover Fees from Tenant will not be construed to constitute Landlord's consent to such holding over by Tenant or to limit, waive, or impair, in any way, Landlord's rights or remedies under this Lease, at law or equity. Tenant shall indemnify, defend and hold harmless all Indemnified Parties from and against any loss, liability, claim, damage, cause of action, injury, cost or expense (including, without limitation, attorneys' fees and costs) arising out of, in connection with, or relating to Tenant's holding over, except to the extent arising from Landlord's gross negligence or willful misconduct. The foregoing indemnity survives termination or expiration of this Lease.

16. Continued Effect. Except as expressly amended hereby, all terms and conditions set forth in the Lease remain unmodified and in full force and effect. Nothing herein shall relieve Tenant of its obligation to comply with any and all applicable laws, and any approvals required to be obtained from any governmental authority having jurisdiction. Unless specified otherwise, any capitalized terms used herein shall have the same meaning prescribed to them in the Lease.

17. Signature Authority. The persons who have executed this Amendment No. 2 represent and warrant that they are duly authorized to execute this Amendment No. 2 in their individual or representative capacity as indicated.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment No. 2 to the Site Lease Agreement as of the date first written above.

TENANT SITE NAME: SC504 - MEANDER WATER TANK
TENANT SITE NUMBER: LA02963A
LANDLORD SITE NAME: TRABUCO RESERVOIR

LANDLORD:

TRABUCO CANYON WATER DISTRICT,
a public corporation

TENANT:

T-MOBILE WEST LLC, a Delaware limited liability company

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Approved as to Form:

TCWD General Counsel

DRAFT

TENANT SITE NAME: SC504 - MEANDER WATER TANK
TENANT SITE NUMBER: LA02963A
LANDLORD SITE NAME: TRABUCO RESERVOIR

EXHIBIT "A"

LEGAL DESCRIPTION OF LANDLORD'S PROPERTY

Landlord's Property of which Premises are a part is legally described as follows:

21194 Meander Lane, Trabuco Canyon, CA 92697 (Assessor's Parcel Number 125-110-022)

DRAFT

TENANT SITE NAME: SC504 - MEANDER WATER TANK
TENANT SITE NUMBER: LA02963A
LANDLORD SITE NAME: TRABUCO RESERVOIR

DRAFT

TENANT SITE NAME: SC504 - MEANDER WATER TANK
TENANT SITE NUMBER: LA02963A
LANDLORD SITE NAME: TRABUCO RESERVOIR

EXHIBIT "C"

DESCRIPTION OF FACILITIES TO BE INSTALLED

Description of Premises & Tenant's Facilities Pursuant to Site Lease with Option dated December 29, 2005, as amended by that certain First Amendment to Site Lease with Option dated January 9, 2008:

- A. One (1) equipment enclosure measuring approximately 10'-0" x 25'-0" (~250 Sq. Ft.) located within a chain-link fence.
- B. Up to four (4) equipment cabinets mounted on a raised concrete equipment pad within equipment enclosures.
- C. Up to eight (8) ~6' tank-mounted panel antennas (4 per sector, 2 sectors) mounted behind FRP screening.
- D. Two tank-mounted FRP antenna screens measuring approximately 14'-9" x 6'-8" each,
- E. One (1) tank-mounted vertical cable tray.
- F. Two (2) tank-top horizontal cable trays.
- G. Up to one (1) 2' diameter tank-mounted microwave antenna, mounted behind FRP screening.
- H. Underground conduits, cables, cable trays, wires, utility equipment and access necessary for the operation of the communications facilities.

Additions and Alterations to Premises & Tenant's Facilities by this Amendment No. 2 to include the following:

- 1) Remove tank-top cable trays.
- 2) Remove existing vertical cable tray.
- 3) Re-route horizontal cable tray at base of tank, mounted using magnetic attachments.
- 4) Install two (2) new vertical cable trays beneath antenna sectors.
- 5) Install Up to four (4) tank-mounted remote radio units (RRUS) at antenna level.
- 6) Install up to two (2) surge suppressor units at the antenna level.
- 7) Add new fiber cables within existing conduits and cable routes and within three (3) new magnetic tank-mounted vertical cable trays.
- 8) Remove and replace all epoxy/welded tank-mounted equipment with magnetic attachments.

TENANT SITE NAME: SC504 - MEANDER WATER TANK
TENANT SITE NUMBER: LA02963A
LANDLORD SITE NAME: TRABUCO RESERVOIR

EXHIBIT "D"

REPRESENTATION OF FACILITIES TO BE INSTALLED ON PREMISES

DRAFT

TENANT SITE NAME: SC504 - MEANDER WATER TANK
TENANT SITE NUMBER: LA02963A
LANDLORD SITE NAME: TRABUCO RESERVOIR

DRAFT

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | DECEMBER 8, 2021**

FINANCIAL MATTERS

ITEM 4: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING DISTRICT RESPONSE TO ONGOING DROUGHT CONDITIONS IN CALIFORNIA

Drought and Response Update

Due to persistent drought conditions in California and throughout most of the western United States and in light of drought response actions taken recently by Trabuco Canyon Water District's imported water suppliers, staff is recommending that the Board consider enacting the Water Shortage Contingency Plan (WSCP) adopted in June 2021.

Thus far Governor Newsom has called for voluntary conservation of at least 15% compared with 2020 consumption, although deeper cuts as well as mandatory measure are anticipated if conditions do not improve. On December 1, 2021, the Department of Water Resources (DWR) announced a zero percent initial allocation of State Project Water in anticipation of a third consecutive dry year with reservoirs at or near historic lows. Given these conditions, DWR will focus on the health and safety needs for Metropolitan Water District (MET) and the other 28 water agencies that contract to receive SWP supplies. Although Metropolitan has its own water storage reserves, over a third of its service area is supplied exclusively with SWP water and as a result, Metropolitan's Board of Directors last month declared a state of emergency for these so-called SWP exclusive areas.

In Orange County, the Board of MWD of Orange County (MWDOC) declared a WSCP Level 2 Supply Shortage in October 2021. Similar actions have also been taken by Santa Margarita Water District and Irvine Ranch Water District to reinforce the public messaging surrounding conservation to extend existing water storage levels in southern California and avoid or significantly delay more draconian restrictions on water use.

District's Proposed Response Action

In order to be responsive to the Governor's call for 15% reduction in consumption and consistent with the District's imported water suppliers and neighboring agencies, staff recommends the WSCP be implemented at a Level 2 Water Supply Shortage which targets a consumer demand reduction of up to 20%. Staff is recommending the Board adopt Resolution No. 2021-1301, included as Exhibit 1 (will be available at the time of the Committee Meeting), to implement the WSCP.

During a declared Level 2, the following water conservation requirements may be applied, in addition to Permanent Water Conservation Requirements and prohibitions against waste already in effect at all times in the District's service area:

1. Expanded public awareness including leveraging regional outreach and marketing efforts by MWDOC and MET;
2. Targeted outreach to irrigation customers using drinking water;
3. Voluntary watering day limits for lawn or landscaped area with potable water including three days per week April through October and one day per week November through March;
4. Requirement for customers to fix leaks or breaks in their systems within 48 hours of notification by the District;
5. Targeted outreach to commercial agriculture and nurseries regarding conservation measures to be taken in deeper water supply shortage levels if necessary;
6. Encouraging best practices for recreational water features such as pools and spas (description of best practices included in WSCP);
7. Eating or drinking establishments encouraged to refrain from providing drinking water unless expressly requested.

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | DECEMBER 8, 2021**

Other Related Action(s)

In a separate action, the Board will consider adopting a Water Conservation Ordinance to implement and enforce the District's water supply shortage response and ensure customer compliance. The Ordinance will be consistent with the District's WSCP and repeal existing Ordinance 2008-18 adopted in 2008.

FISCAL IMPACT

Implementing the WSCP and some or all of the shortage response actions to achieve targeted water conservation levels may result in reduced potable water consumption revenue to the District.

RECOMMENDED ACTION:

Committee to receive information at the time of the meeting and recommend to the Board of Directors adoption of Resolution No. 2021-1301 – Resolution of the Board of Directors of the Trabuco Canyon Water District Declaring a Level 2 Water Shortage Condition per the District's Water Shortage Contingency Plan (Action Calendar).

EXHIBIT(S):

1. Resolution No. 2021-1301 (will be available at the time of the Committee Meeting)

CONTACTS (staff responsible): PALUDI/PEREA

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | DECEMBER 8, 2021**

FINANCIAL MATTERS

ITEM 5: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING ADOPTION OF A RESOLUTION AUTHORIZING AN APPLICATION TO THE DEPARTMENT OF WATER RESOURCES' 2021 URBAN AND MULTIBENEFIT DROUGHT RELIEF GRANT PROGRAM

This Department of Water Resources (DWR) grant application is related to the District's Automated Meter Reading/Advanced Metering Infrastructure Implementation Project, included as part of the Capital Improvement Program for fiscal years ending 2022 and 2023. In [Month] 2020, the same project was awarded a \$500,000 grant from the United States Bureau of Reclamation and staff is in the process of working with Reclamation on their grant agreements. In [Month], the Board authorized staff to contract with Ferguson to procure and install AMR meters for all District potable water meters not yet converted, as well as the AMI and software/customer interface elements of the project. Staff does not anticipate proceeding with project implementation until Spring 2022, after the agreements with Reclamation have been executed.

The California Legislature's Budget Act of 2021 allocated \$300 million to DWR to deliver grants for interim and immediate drought relief to urban communities and for multi-benefit projects. In October 2021, DWR launched the Urban and Multi-benefit Drought Relief Program (Program) under which \$140 million will be made available to all eligible applicants, with a minimum award of \$2 million per application. The Program's Guidelines and Proposal Solicitation Package is included as Exhibit 1. District staff believes the AMR/AMI Implementation project meets the requirements of the grant program and has over \$2 million of project budget not otherwise funded by the Reclamation grant and therefore available to be covered by a DWR grant. Under the Program guidelines, there is neither a local cost share requirement nor a prohibition against mixing state and federal grant funds. Should the AMR/AMI Implementation Project be awarded under the DWR Program, the project would be almost entirely funded by grants.

DWR grant applications are due no later than December 17. Staff has enlisted Soto Resources under an existing contract to support the preparation of the application. The application requires that the Board adopt an Authorizing Resolution, included as Exhibit 2.

FISCAL IMPACT:

Preparation of the grant application will require the expenditure of approximately \$7,000 in professional services under an existing grant services support contract with Soto Resources.

RECOMMENDED ACTION:

Committee to receive information at the time of the meeting and recommend to the Board of Directors adoption of Resolution No. 2021-1302 – Resolution of the Board of Directors of Trabuco Canyon Water District Authorizing the Grant Application, Acceptance, and Execution for the Automatic Meter Reading/Advanced Metering Infrastructure Implementation Project (Action Calendar).

EXHIBIT(S):

1. 2021 Urban and Multibenefit Drought Relief Grant Program Guidelines and Proposal Solicitation Package
2. Resolution No. 2021-1302

CONTACTS (staff responsible): PALUDI/PEREA

2021
Urban and
Multibenefit
Drought Relief
Grant Program

Guidelines and
Proposal
Solicitation
Package

Published: October 2021

CALIFORNIA NATURAL RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES
DIVISION OF REGIONAL ASSISTANCE



FOREWORD

This document contains the California Department of Water Resources' (DWR) Guidelines and Proposal Solicitation Package (GL/PSP) for the Urban and Multibenefit Drought Relief Grant Program. The Program is funded by the Budget Act of 2021 (Stats. 2021, ch. 240, § 80). Applicants must read the entire document and are encouraged to read linked references and templates prior to submitting their application.

Grant Program and Drought Websites

This document, as well as other pertinent information about the Urban and Multibenefit Drought Relief Grant Program, can be found at the following link:

<https://water.ca.gov/Water-Basics/Drought/urbanmultibenefitdrought>

In addition, information about other DWR and State Agency drought efforts and funding programs can be found at the following link: <https://water.ca.gov/Water-Basics/Drought>

Contact Information

For questions about this document or the Program, please send an e-mail to: Urbandrought@water.ca.gov.

Grant Agreement

All applicants that are awarded funding will be required to enter into a grant agreement with DWR. The grant agreement template can be found at the following link:

<https://water.ca.gov/Water-Basics/Drought/urbanmultibenefitdrought>.

It is HIGHLY recommended that applicants review the grant agreement template prior to submission of their application. If applicants are not able to abide by the terms and conditions contained therein, applicants should not submit an application. Note that the agreement template is subject to change prior to agreement execution.

Application Timeline

Applications will be accepted following publication of the Final GL/PSP. Updated timelines will be posted on the following website:

<https://water.ca.gov/Water-Basics/Drought/urbanmultibenefitdrought>. Applicants are encouraged to check the website frequently for updates.

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ACRONYMS AND ABBREVIATIONS

| Abbreviation | Definition |
|---------------------|---|
| AB | Assembly Bill |
| AP | Advanced Payment |
| AWMP | Agricultural Water Management Plan |
| CASGEM | California Statewide Groundwater Elevation Monitoring |
| CEQA | California Environmental Quality Act |
| DAC | Disadvantaged Community |
| DIR | California Department of Industrial Relations |
| DWR | Department of Water Resources |
| EO | Executive Order |
| GB | Gigabyte |
| GL | Guidelines |
| GSA | Groundwater Sustainability Agency |
| GWMP | Groundwater Management Plan |
| LPS | Local Project Sponsor |
| NA | Not Applicable |
| NAHC | Native American Heritage Commission |
| PSP | Proposal Solicitation Package |
| SB | Senate Bill |
| SGMA | Sustainable Groundwater Management Act |
| URC | Underrepresented Community |
| UWMP | Urban Water Management Plan |
| Water Code | California Water Code |
| WSCP | Water Shortage Contingency Plan |

I. PURPOSE AND USE

This Guidelines and Proposal Solicitation Package (GL/PSP) establishes the process, procedures, and criteria that the Department of Water Resources (DWR) will use to implement the Urban and Multibenefit Drought Relief Grant Program (Program). The GL/PSP is a combined document that provides both general information about the Program and detailed information about the proposal solicitation. This document includes information on Program requirements, eligible applicant and project types, submittal and review of grant applications, and the grant award process. This Program is being conducted separately and independently from the [Small Community Drought Relief Program](#), except that applications received under either program may be referred to the other if deemed to be a better fit in terms of eligibility.

II. INTRODUCTION

The Budget Act of 2021 (Stats. 2021, ch. 240, § 80) allocated \$300 million to DWR to deliver grants for interim and immediate drought relief to urban communities and for multibenefit projects. These grants are intended to provide water to communities that face the loss or contamination of their water supplies, to address immediate impacts on human health and safety, and to protect fish and wildlife resources.

III. PROGRAM SCHEDULE

Table 1 outlines the general schedule for this Program. This schedule is subject to change. Applicants are encouraged to check the website listed in the Foreword frequently for exact dates as they become available. Applications will be accepted on a rolling basis and evaluated at set intervals. Awards will be made on set intervals throughout the solicitation.

Table 1 – Urban and Multibenefit Drought Relief Grant Program Schedule

| Activity | Schedule* |
|---|---|
| DWR releases final GL/PSP | October 2021 |
| DWR begins accepting applications on a rolling basis (see Section V.I.I. C for more detail) | Following release of final GL/PSP |
| DWR announces grant awards in phases | Starting early December 2021; award for a particular application will be dependent on application submittal date. |

*Subject to change. Program website will have updated information.

IV. FUNDING

a. Funding Source

The Budget Act of 2021 (Stats. 2021, ch. 240, § 80) for the State of California allocated \$300 million to DWR to deliver grants for interim and immediate drought relief to urban communities and for multibenefit projects. DWR is combining \$200 million of the funding into one Urban and Multibenefit Drought Relief Program and will match applications to the appropriate funding source based on eligibility (see Table 2 for the breakdown). DWR will utilize approximately 5% of the funding for administrative costs of the Program. DWR retains discretion to utilize additional funds for state operations.

Table 2 – Funding Summary

| Funding Source* | Amount | Who may receive money from this funding source? |
|---|----------------------|--|
| Urban Community Drought Relief | Approx. \$95 million | Projects benefitting areas covered by an Urban Water Management Plan |
| Multibenefit Project Funds | Approx. \$95 million | Open to all communities statewide |
| Program Administration (approx. \$5 million from each funding source above) | Approx. \$10 million | DWR administrative costs and other State Operations as appropriate |
| Total funding amount addressed by this solicitation | \$200 million | - |

**Projects may be funded by either Urban Community Drought Relief funds or Multibenefit Project funds or a mix of both. DWR will match applications to the appropriate funding source based on eligibility and the availability of funds.*

This GL/PSP makes at least \$190 million in drought relief funding available. A Set-Aside of at least \$50 million will be made available to support Underrepresented Communities and Native American Tribes (Tribes) via the existing Proposition 1 IRWM Disadvantaged Community Involvement Program (DACI) for drought relief projects. See Appendix F for more information on Underrepresented Communities; see Section V.a. for a list of Tribes eligible for the drought relief funding. The remaining funds, approximately \$140 million, will be available to all eligible applicants, including Underrepresented Communities and Tribes.

This Program strategy is intended to award all available Urban Community Drought Relief funding (approximately \$95 million) and half of the available Multibenefit Project funding (approximately \$95 million) through this solicitation. DWR may make additional funds available from the remaining Multibenefit Project funds should the demand exceed the amount made available through this solicitation.

b. Underrepresented Communities and Native American Tribes Set-Aside (\$50M)

A Set-Aside of at least \$50 million will be made available to support Underrepresented Communities and Native American Tribes (Tribe or Tribes) through the Proposition 1 IRWM Disadvantaged Community Involvement (DACI) Program. An applicant must be an existing Grantee of the DACI Program to apply for this Set-Aside¹. Grantees may be awarded up to \$5 million (no minimum) to fund eligible drought relief projects benefitting Underrepresented Communities or Tribes within a Funding Area. Grantees that receive funding through this Set-Aside will amend their existing DACI grant agreements. The Grantee/Applicant may request additional funding for existing projects within their DACI grant agreement or request funding for new drought relief projects. All IRWM regions within a Funding Area must approve submittal of an application, as well as provide proof of approval by the Funding Area prior to amending an existing agreement.

c. General Implementation Fund (\$140M)

The approximately \$140 million remaining will be granted to all eligible applicants, including Underrepresented Communities and Tribes with a minimum award amount of \$2 million per application. Smaller projects may be bundled together in a single application to meet the minimum grant award

¹ Proposition 1 (Water Code §79744) authorized \$510 million in IRWM grant funds that were allocated to the 12 hydrologic region-based Funding Areas.

requirement. For such applications, DWR requires a single primary Grantee to enter into the grant agreement with DWR and each project should have an assigned “local project sponsor” (LPS). The LPS must qualify as an eligible applicant (see V.a.). DWR may establish a maximum award size depending on the applications received and available funds.

d. Funding Match Requirements

No funding match is required for this Program; however, applicants are encouraged to use other fund sources to supplement the grant funds. Applicants are required to describe all other funding sources (actual and anticipated) necessary to complete the project.

e. Advanced Payment

To be eligible for advanced payment, projects must benefit a county and/or watershed included in the Governor’s state of emergency drought proclamations or a drought scenario determined by the State Water Board as set forth in Water Code Section 13198(a). Advanced payment up to 25% of the grant award will be available to eligible applicants that can demonstrate difficulty with cash flow (See Appendix E). Note that a project not explicitly identified in Water Code section 13198(c) (e.g., drought resilience planning, demand management) are not eligible to receive advance payment. Applicants are encouraged to review the statute and contact DWR with specific questions.

V. ELIGIBILITY

a. Eligible Applicants

The grant applicant is the entity submitting the grant application; this entity will also be the primary entity to enter into the grant agreement with DWR. Entities that are eligible to apply under this GL/PSP (or included as LPS in the application) are listed below:

- Public agencies
- Public utilities
- Special districts
- Colleges and universities
- Mutual water companies
- Non-profit organizations²
- Regional water management groups, as defined in Section 10539 of the Water Code
- Federally recognized California Native American Tribes
- Non-federally recognized Native American Tribes on the contact list maintained by the Native American Heritage Commission for the purposes of Chapter 905 of the Statutes of 2004

An applicant must be an existing Grantee of the Proposition 1 IRWM DACI Program to apply for the Underrepresented Community and Tribal Set-Aside. As stated earlier, DWR will match grant applications to the appropriate funding source based on eligibility and may use a mix of Urban Community Drought Relief and Multibenefit Project funding. The Urban Community Drought Relief funding source must be used for projects directly benefitting areas served by an Urban Water Supplier (see Appendix A for definition); however, the Multibenefit Project funding has no such restrictions.

b. Eligible Project Types

For the purposes of this GL/PSP, “project” means all planning, design, engineering, acquisition of real property interests, construction and related activities undertaken to implement a discrete action to be funded under this Program. Eligible project types include:

- Hauled water
- Installation of temporary community water tanks
- Bottled water

² “Non-profit organization” means an organization qualified to do business in California and qualified under Sections 501(c)(3) of Title 26 of the United States Code.

- Water vending machine
- Emergency water interties
- New wells or rehabilitation of existing wells
- Construction or installation of permanent connection to adjacent water systems, recycled water projects that support immediate relief to potable water supplies
- Fish and wildlife rescue, protection, and relocation
- Drought resilience planning (not applicable to Multibenefit Project Funds)
- Other projects that support immediate drought response

Projects (e.g., water demand management, groundwater recharge, and ecosystem restoration) not explicitly identified by Water Code Section 13198 (c) may still be eligible if projects satisfy the criteria and eligibility outlined in this GL/PSP and address an immediate drought response. Applicants are encouraged to review the supporting materials and contact DWR with questions on eligibility.

c. Eligible Costs & Reimbursement Limitations

Costs incurred after award date are eligible for reimbursement. Eligible costs include technical assistance, site acquisitions, and costs directly related to the provision of each project.

Grantees are encouraged to limit grant administrative costs (i.e., coordinating contractual obligations with DWR, quarterly reporting, submitting invoices, etc.). Grant administrative costs should generally not exceed 10% of the total requested grant amount for the application, but exceptions may be made with reasonable justification.

Ineligible activities and costs not reimbursable by this Program include, but are not limited to, the following items:

- Meals not directly related to travel
- Payment of stipends
- Purchase of equipment that is not an integral part of the project
- Purchase of water supplies that are not an integral part of the project
- Establishment of a reserve fund
- Replacement of existing funding sources for ongoing programs
- Support of existing punitive regulatory agency requirements and/or mandates in response to negligent behavior
- Purchase of land in excess of the minimum required acreage necessary to operate as an integral part of the project, as set forth and detailed by engineering and feasibility studies, or land purchased prior to the execution of the grant agreement
- Payment of principal or interest of existing indebtedness or any interest payments.
- Operation and maintenance costs
- Costs incurred as part of any necessary response and cleanup activities required under the Comprehensive Environmental Response, Compensation, and Liability Act; Resource Conservation and Recovery Act; Hazardous Substances Account Act; or other applicable law
- Any federal or state taxes
- Expenses incurred in preparation of the application for this solicitation or an application for another program
- Indirect costs: Indirect Costs are costs that are incurred for a common or joint purpose benefiting more than one cost objective and are not readily assignable to the funded project (i.e., costs that are not directly related to the funded project). Examples of Indirect Costs include, but are not limited to, central service costs; general administration of the Funding Recipient; non-project-specific accounting and personnel services performed within the Funding Recipient's organization; depreciation or use allowances on buildings and equipment; the costs of operating and maintaining non-project-specific facilities; tuition; conference fees, and generic overhead or

markup. It is highly recommended that the applicant review the agreement template for further guidance on how to correctly submit charges for administrative expenses.

This list applies to the Grantee and any subcontract or sub-agreement entered into for work on the funded project that will be reimbursed with grant funds from DWR.

d. Additional Application and Project Eligibility Requirements

As part of this GL/PSP, all projects (or a single project) submitted in a single application are collectively referred to as an Application. Application and project eligibility requirements for this GL/PSP are included in Table 3. All applicants are required to submit a self-certification form to certify compliance with the requirements to demonstrate and maintain eligibility to receive state funds. Appendix D provides more detailed information on the eligibility requirements.

Table 3 - Additional Application and Project Eligibility Requirements

| Criteria Type | Eligibility Criteria | Guidance | Criteria Met (Yes, No, or NA) |
|-----------------------|--|--|-------------------------------|
| Applicant Eligibility | Eligible Applicant Type | Applicant must be an eligible applicant type as described in Section V.a. Also, complete the self-certification form. | |
| Applicant Eligibility | Urban Water Management Compliance | If the applicant is an Urban Water Supplier, they must be in compliance with all requirements for Urban Water Suppliers. An exception will be for applications to update Urban Water Management Plans. See Appendix D for more information. Complete the self-certification form and include the date of plan verification and details for each LPS. | |
| Applicant Eligibility | Water Shortage Contingency Plan (WSCP) | If the applicant is an Urban Water Supplier facing water supply shortages, they must have activated a Water Shortage Contingency Plan to a stage commensurate with their current water supply conditions. If you are an Urban Water Supplier and have adequate water supply with no need to activate a WSCP, you are still eligible. See Appendix D for more information. Complete the self-certification form and include the date of plan activation and details for each LPS. | |
| Applicant Eligibility | Agricultural Water Management and Measurement Compliance | If the applicant is an Agricultural Water Supplier, they must be in compliance with all requirements for an Agricultural Water Supplier. See Appendix D for more information. Complete the self-certification form and include the date of plan verification and details for each LPS. | |
| Applicant Eligibility | Surface Water Diverter Compliance | If the applicant is a Surface Water Diverter, they must be in compliance with all reporting requirements for Surface Water Diversions. See Appendix D for more information. Complete the self-certification form for each LPS. | |
| Applicant Eligibility | Groundwater Management Compliance | If the project directly affects groundwater, the project must be in compliance with the local Groundwater Management Plan(s). See Appendix D. Complete the self-certification form and indicate if the agency self-certifies regarding Groundwater Management Plans or the project does not affect groundwater for each LPS. | |

| Criteria Type | Eligibility Criteria | Guidance | Criteria Met (Yes, No, or NA) |
|-----------------------------------|---|--|---|
| Applicant Eligibility | California Statewide Groundwater Elevation Monitoring (CASGEM) Compliance | The Applicant and Local Project Sponsor must be compliant with CASGEM. Complete the self-certification form and include the name of monitoring entities. | |
| Local Project Sponsor Eligibility | Local Project Sponsor Requirements | Each Local Project Sponsor must meet the same eligibility requirements as the applicant if applicable. | Utilize same checklist as above for each Local Project Sponsor |
| Project Eligibility | Stormwater Resource Plan Compliance | If the project is a stormwater and/or dry weather runoff capture project, it must be included in a Stormwater Resource Plan (or functionally equivalent plan). Complete self-certification form. | |
| Project Eligibility | Groundwater Sustainability Agency Support | If the project affects Groundwater in a high or medium priority basin, the project must have the support of the local Groundwater Sustainability Agency (GSA), or agency responsible for implementing an Alternative Plan. Complete self-certification form. | |
| Project Eligibility | Eligible Project Type | The project must be one of the eligible project types described in Section V.b. | |
| Project Eligibility | Project Purpose | <p>Projects must meet one of the following purposes:</p> <ul style="list-style-type: none"> (1) Address immediate impacts on human health and safety, including providing or improving availability of food, water, or shelter. (2) Address immediate impacts on fish and wildlife resources. (3) Provide water to persons or communities that lose or are threatened with the loss or contamination of water supplies. | |

| Criteria Type | Eligibility Criteria | Guidance | Criteria Met (Yes, No, or NA) |
|---------------------|--------------------------|--|----------------------------------|
| Project Eligibility | Multibenefit | Each project must produce two or more benefits with the primary benefit being related to water management. The primary benefit must be quantified unless it is a drought resilience planning project. Complete grant application Questions 8 and 9. | |
| Project Eligibility | Alignment with IRWM Plan | Projects must enhance regional drought resilience and align with the goals and objectives of the relevant approved Integrated Regional Water Management (IRWM) Plan. A project can identify the appropriate IRWM region by using the map found in Appendix E – links. Complete grant application Question 7. | |

VI. GENERAL PROGRAM GUIDELINES

a. Conflict of Interest

All participants are subject to State conflict-of-interest laws. Failure to comply with these laws, including business and financial disclosure provisions, will result in the application being rejected and any agreement being declared void. Other legal action may also be taken. Applicable statutes include, but are not limited to, Government Code section §1090 and Public Contract Code sections §10410 and §10411. As part of the conflict-of-interest requirements, individuals working on behalf of a Grantee may be required by the State to file a Statement of Economic Interest (Fair Political Practices Commission Form 700) if it is determined that an individual is a consultant for Political Reform Act purposes.

b. Confidentiality

Applicants should be aware that when submitting an application to the State, they will waive their rights to the confidentiality of the contents of the application. Once a decision on an application has been made by DWR, the application is subject to disclosure pursuant to the California Public Records Act (Gov. Code, § 6250 et seq.).

c. Labor Law Compliance

As part of the grant agreement, the funding recipient (Grantee or LPS) shall agree to be bound by all the provisions of the Labor Code regarding prevailing wages and shall monitor all contracts subject to reimbursement from the grant agreement to assure that the prevailing wage provisions of the Labor Code are being met. Current Department of Industrial Relations (DIR) requirements may be found at: <http://www.dir.ca.gov/lcp.asp>. Before submitting an application, applicants are urged to consult with their legal counsel regarding Labor Code compliance. DWR will not advise applicants on Labor Code compliance. For more information, please refer to DIR's Public Works Manual at: <http://www.dir.ca.gov/dlse/PWManualCombined.pdf>. The funding recipient will also affirm that it is aware of the provisions of Section 3700 of the Labor Code, which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance.

d. CEQA/NEPA Compliance

Activities funded under this Program, regardless of funding source, must comply with the California Environmental Quality Act (CEQA) (Public Resources Code § 21000 et seq.). Public Resources Code section 21080.3.1 requires the CEQA lead agency to consider project effects on Tribal cultural resources and to conduct consultation with California Native American Tribes. Some projects conducted on Tribal lands or with a federal permitting requirement may also require compliance with the National Environmental Policy Act (NEPA) (42 USC § 4321 et seq.).

e. Monitoring Requirements

Water quality monitoring data shall be collected and reported to the State Water Board in a manner that is compatible and consistent with surface water monitoring data systems or groundwater monitoring data systems administered by the State Water Board (Water Code § 79704). See Appendix G for web links to the California Environmental Data Exchange Network and the Groundwater Ambient Monitoring and Assessment Program (Water Code § 79704). Projects that collect watershed monitoring data shall collect and report the data in a manner consistent with the Department of Conservation's statewide watershed monitoring program (Water Code § 79704).

Water Code section 10927 requires various entities, including local agencies that are managing all or part of a groundwater basin pursuant to Water Code section 10750, to assume responsibilities for groundwater elevation monitoring and reporting, as required by Water Code section 10920 et seq. Appendix A provides a link to the CASGEM program website which provides useful information on the CASGEM requirement.

f. Signage or Acknowledgement of Credit

To the extent practicable, a project supported by funds made available through this Program must include signage or other relevant forms of acknowledgement informing the public that the project received drought relief funds from the Budget Act of 2021.

g. Tribal Status

The Department of Water Resources acknowledges federally recognized Tribes are protected by the doctrine of sovereign immunity. Further, the Department acknowledges that there are several types of Tribal land ownership, such as the following:

1. Land that is owned by or subject to an ownership of possessory interest of the Tribe.
2. Land that is “Indian Lands” of the Tribe, as that term is defined by 25 U.S.C. section 81(a)(1);
3. Land that is owned by a tribal entity, or Tribe, within the external border of such Indian lands.

If a Tribe is awarded grant funding, DWR will consult with the Tribe on a government-to-government basis to execute a limited waiver of sovereign immunity prior to the execution of a grant agreement.

h. Competitive Bidding and Procurement

A funding recipient’s contracts with other entities for the acquisition of goods, services, and construction of public works with funds provided by the State must be in writing and shall comply with all applicable laws and regulations regarding the securing of competitive bids and undertaking competitive negotiations. If a funding recipient does not have a written policy to award contracts through a competitive bidding or sole source process, Department of General Services’ State Contracting Manual rules must be followed and are available at: <https://www.dgs.ca.gov/OLS/Resources/Page-Content/Office-of-Legal-Services-Resources-List-Folder/State-Contracting>. Applicants with questions regarding competitive bidding requirements should be directed to their counsel. DWR will not advise applicants on competitive bidding requirements.

i. Indemnify and Hold Harmless

As part of the grant agreement, funding recipients shall indemnify and hold harmless the State, its officers, agents, and employees from any and all liability from any claims and damages (including inverse condemnation) arising from the planning, design, construction, repair, replacement, rehabilitation, maintenance, and operation of the project, and any breach of the grant agreement.

VII. APPLICATION AND AWARD PROCESS

a. How to Submit

Each applicant must use the application form available on the Program website, and submit a complete application to DWR using the following e-mail address:

Urbandrought@water.ca.gov

Applications may be submitted starting on the date specified on the website listed in the Foreword and will be accepted until the funding is exhausted. Any additional materials beyond the required items will not be reviewed. In addition to the set aside funds, DACI Grantees may also apply for the General Implementation Fund, but must submit a separate application.

A complete grant application consists of the following items:

- Authorizing Resolution if available (See Appendix B)
- Application form (See Appendix C)
- Self-Certification Form (See Appendix D)

- Support letter from GSA if project affects groundwater
- Underrepresented Community Benefits, if applicable (See Appendix F)

b. Application Review Process

DWR will perform an initial eligibility and completeness review for each application upon receipt. Applications will be screened for eligibility and completeness in accordance with this GL/PSP. The information provided by applicants will be used to determine eligibility and completeness.

If an application is initially determined to be complete and eligible, the applicant will be notified via email and their application will move on to technical review. If an application is deemed to be incomplete and/or ineligible, the application will not be reviewed and DWR will notify the applicant by email. The applicant may adjust the eligibility/completeness and resubmit the application at a later date.

Applications that are complete and eligible will proceed to technical review and be reviewed for responsiveness to the solicitation. Each application will be evaluated based on the following criteria as being sufficient or not sufficient in responsiveness to the GL/PSP. DWR will complete technical review and award funding on a rolling basis as applications are received.

Table 4 - Technical Evaluation Criteria

| # | Criteria | Evaluation Guidance | Application Question No. |
|---|--|---|-----------------------------|
| 1 | The application includes a schedule that demonstrates the project will be complete by March 31, 2026 | The schedule is reasonable in demonstrating each project will be complete by March 31, 2026 based on the project type, status, and setting. Drought relief funds will expire on June 30, 2026. | Question 20 |
| 2 | The application clearly explains the water-related impacts due to the current drought | The applicant describes water-related impacts from the current drought including but not limited to, impacts on water supply, water quality, and lack of flow for in-stream wildlife. | Question 11 |
| 3 | The application clearly demonstrates how the proposed project will help alleviate the identified drought impacts | The applicant describes how each project will alleviate drought impacts based on a justified set of benefits. | Question 12 |
| 4 | The application clearly demonstrates a need for state funds to complete the project and that any additional funds necessary are/will be secured to complete the project on schedule. | The applicant must show why the project could not be completed in a timely manner without state funds. The project must have secured or have a strong plan in place to secure any additional funding necessary to complete the construction of the project. DWR may award partial funds for projects that do not clearly demonstrate a need for full funding. | Question 14 and Question 15 |

Eligible projects that reasonably satisfy all criteria (Table 4) and meet one or more of the priorities listed below will be prioritized for funding first:

- Projects that respond to critical human and/or wildlife emergencies.³ Consideration will be given to such emergency projects that benefit communities, particularly underrepresented communities (see Appendix F), facing a Human Right to Water challenge.
- Projects that can commence immediately upon receiving funding due to CEQA completion, having secured other environmental approvals, acquired necessary land or landowner permission, and completed plans and specifications.
- The applicant is an Urban Water Supplier and has activated its Water Shortage Contingency Plan commensurate with a stage appropriate for their current water supply conditions. A higher priority will be placed on Urban Water Suppliers that have activated a higher stage of their Water Shortage Contingency Plan.

If sufficient funding exists, projects that do not meet a priority above may be funded. It is anticipated that demand for funding will far exceed the funding available. DWR will make efforts to award funds equitably throughout the areas of the state eligible to receive drought funding. DWR may make partial awards to ensure equitable distribution of funding.

c. Award Process

DWR will go through the application review and award process in phases by setting “application review dates” according to the schedule posted on the website listed in the Foreword. The schedule will be updated as needed based on the number and timing of applications received. DWR will award a portion of the available funding in each phase. Eligible applications that do not receive an award (due to insufficient funds in a particular phase) will be held and prioritized against new applications in the next phase.

Awards will be posted on DWR’s website and may be announced to the public through e-mail listserv or other means. Following approval by the Director or designee, the selected grant recipient (Grantee) will receive an award letter officially notifying them of their selection, the grant amount, and associated conditions and requirements.

d. Direct Expenditures

In addition to the solicitation process, DWR reserves the right to use any or all of funds for direct expenditures that fulfill the requirements and intent of the legislation and DWR priorities. DWR may propose direct expenditure projects in response to applications submitted and/or to achieve program objectives. Direct expenditure projects must address an interest of the State and the Program. These projects may be proposed and approved at any time by DWR. Direct expenditures must meet the eligibility criteria outlined in Section V.

VIII. GRANT AGREEMENT

After the grant award is approved and the Applicant is notified, a grant agreement will be executed between DWR and the Grantee; funds will not be disbursed until there is an executed agreement. DWR has discretion to develop new agreements or amend any current agreements wherever feasible (for existing Grantees). Grantees that receive funding through the Underrepresented Communities and Tribal Set-Aside Fund may amend their existing Proposition 1 IRWM DACI grant agreement. The grant agreement template is available on the website listed in the Foreword. It is HIGHLY recommended that applicants review the grant agreement template prior to submitting their application. If applicants are not able to abide by the terms and conditions contained therein, applicants should not submit an application. As part of the grant agreement, the Grantee will be required to submit quarterly progress reports, invoices, and deliverables.

³ An emergency project is considered a current water supply shortage and/or water quality emergency of a dimension which significantly impacts water supply and, thereby, endangers the public health, safety or welfare of a specific community, region, or a species of concern or a species listed on either the California or Federal Endangered Species Acts.

Appendix A- Definitions

Acquisition – obtaining an interest in real property including, easements, leases, water, water rights, or interest in water obtained for the purposes of instream flows and development rights.

Advanced Payment – is available for certain projects meeting the criteria specified in Appendix E. Advanced payment is only available for eligible reimbursable costs (see reimbursable costs definition below).

Agricultural Water Supplier – a water supplier, either publicly or privately owned, that provides water to 10,000 or more irrigated acres, excluding the acreage that receives recycled water; also includes a supplier or contractor for water, regardless of the basis of right, that distributes or sells water for ultimate resale to customers (Water Code §10608.12(a)).

Applicant – the entity that is formally submitting a grant application. This is the same entity that would enter into an agreement with the State should the grant application be funded. The grant applicant must be a public agency, public utility, special district, college or university, mutual water company, non-profit organization, regional water management group as defined in Section 10539 of the Water Code, federally recognized California Native American Tribe, or non-federally recognized Native American Tribe on the contact list maintained by the Native American Heritage Commission for the purposes of Chapter 905 of the Statutes of 2004.

Application – the electronic submission to DWR that requests grant funding for a proposal that the applicant intends to implement.

California Native American Tribe – Federally recognized California Native American Tribes or Non-federally recognized Native American Tribes on the contact list maintained by the Native American Heritage Commission for the purposes of Chapter 905 of the Statutes of 2004.

Climate Resilience – means the ability of an entity or system, including an individual, a community, an ecosystem, or a natural system, and its component parts, to absorb, accommodate, or recover from the effects of a climate event in a timely and efficient manner, including through ensuring the preservation, restoration, or improvement of its essential basic structures and functions. In the case of natural and working lands, climate resilience includes the preservation, restoration, or enhancement of the ability to sequester greenhouse gases.

Disadvantaged Community – a community with an annual median household income that is less than 80 percent of the Statewide annual median household income.

Drought Resilience Planning – Planning efforts intended to foster long term resilience to drought to address one or more of the following: (1) building a community’s coping capacity and ability to prepare for and adapt to drought; (2) improving drought early warning, forecasting, and monitoring; (3) improving drought emergency response; and (4) improving recovery and relief from adverse effects.

Emergency Project - A water supply shortage and/or water quality emergency of a dimension which significantly impacts water supply and, thereby, endangers the public health, safety or welfare of a specific community or region or a water supply shortage to a species of concern or a species listed on either the California or Federal Endangered Species Act.

Grantee – a grant recipient that is responsible for the administration of the grant agreement.

Grant Administration – work or other activities performed by the Grantee or Local Project Sponsor including, but not limited to, activities associated with administering the grant, submitting progress reports, invoice processing, coordinating with DWR’s Financial Assistance Branch, and other like work required for the successful execution, managing, processing, and closing of a Grant Agreement.

In-Kind Services – work performed by the Grantee that furthers the scope of the grant, the cost of which is considered local cost share in-lieu of actual funds from the Grantee.

Integrated Regional Water Management (IRWM) – a collaborative effort to manage all aspects of water resources in a region. IRWM crosses jurisdictional, watershed, and political boundaries; involves multiple agencies, stakeholders, individuals, and groups; and attempts to address the issues and differing perspectives of all the entities involved through mutually beneficial solutions.

Integrated Regional Water Management Plan– a comprehensive plan for a defined geographic area, the specific development, content, and adoption of which shall satisfy requirements developed pursuant to this part. At a minimum, an Integrated Regional Water Management Plan describes the major water-related objectives and conflicts within a region, considers a broad variety of resource management strategies, identifies the appropriate mix of water demand and supply management alternatives, water quality protections, and environmental stewardship actions to provide long-term, reliable, and high-quality water supply and protect the environment, and identifies disadvantaged communities in the region and takes the water-related needs of those communities into consideration. (Water Code 10530 et seq., in particular §10534)

Local Project Sponsor – the sponsor of an individual project contained within the grant agreement.

Long-term – means for a period of not less than 20 years.

Mutual Water Company – a private corporation or association organized for the purposes of delivering water to its stockholders and members at cost, including use of works for conserving, treating, and reclaiming water (Public Utilities Code §§ 2725-2729).

Non-profit Organization – any non-profit corporation qualified to do business in California and qualified under United States Code, title 26, §501(c)(3).

Physical Benefits –measures of project accomplishments (expressed as numeric targets) such as amount of water supply, change in water quality, area, and types of properties protected by flood control features, habitat measured in acreage or flow, energy production or savings, recreation facilities, etc.

Public Agency – any state agency or department, special district, joint powers authority, city, county, city and county, or other political subdivision of the State.

Public Utility – as defined in Public Utilities Code §216.

Regional Water Management Group – or RWMG means a group in which three or more local agencies, at least two of which have a statutory authority over water supply or water management, as well as those persons who may be necessary for the development and implementation of an IRWM Plan that meets the requirements in Water Code §10540 and §10541.

Reimbursable Costs – costs that may be repaid by state grant. Reimbursable costs may include the reasonable costs of engineering, design, land and easement, legal fees, preparation of environmental documentation, environmental mitigation, and project implementation including directly related administrative costs.

Scoring Criteria – set of requirements used by DWR to evaluate an application for a given program or for funding.

Stakeholder – an individual, group, coalition, agency, or others who are involved in, affected by, or have an interest in the implementation of a specific program or project.

Tribe or Tribes – see definition for California Native American Tribe

Underrepresented Communities – Disadvantaged Communities (DACs), SDACs (Severely Disadvantaged Communities), EDAs (Economically Distressed Area), Tribes, Environmentally Disadvantaged Communities (EnvDACs), and Fringe Communities are collectively referred to as Underrepresented Communities (URCs). See Appendix F for details.

Urban Water Supplier – supplier, either publicly or privately owned, that provides water for municipal purposes, either directly or indirectly, to more than 3,000 customers or supplying more than 3,000 acre-feet of water annually (Water Code §10617).

Appendix B- Sample Authorizing Resolution

If possible, include a resolution adopted by the applicant's governing body authorizing the application for a grant under this program that designates a representative to sign the application, and in the event of an award of grant funds, a representative to execute the funding agreement and all necessary documentation (e.g., invoices, progress reports, etc.). If the resolution has not been adopted prior to the application's submission, indicate in the self-certification form document when a signed resolution will be received by DWR. A signed, certified resolution must be received prior to the execution of a grant agreement with the State. In some cases, an applicant may have a standing (permanent) delegation, applicable ordinance, or bylaws that already delegate a representative. In such cases, please include the applicable documents with your application. Attached is a sample resolution template that may be used:

RESOLUTION NO. [xxxx]
A RESOLUTION OF THE [GOVERNING BODY] OF THE [AGENCY NAME]
AUTHORIZING THE GRANT APPLICATION, ACCEPTANCE, AND EXECUTION
FOR THE [PROJECT TITLE]

WHEREAS, [Agency Name] proposes to implement [Project Title];

WHEREAS, [Agency Name] has the legal authority and is authorized to enter into a funding agreement with the State of California; and

WHEREAS, [Agency Name] intends to apply for grant funding from the California Department of Water Resources for the [Project Title];

THEREFORE, BE IT RESOLVED by the [Governing Body] of the [Agency Name] as follows:

1. That pursuant and subject to all of the terms and provisions of Budget Act of 2021 (Stats. 2021, ch. 240, § 80), the [Agency Name] [Title of Authorized Representative], or designee is hereby authorized and directed to prepare and file an application for funding with the Department of Water Resources, and take such other actions necessary or appropriate to obtain grant funding.
2. The [Agency Name] [Title of Authorized Representative], or designee is hereby authorized and directed to execute the funding agreement with the Department of Water Resources and any amendments thereto.
3. The [Agency Name] [Title of Authorized Representative], or designee is hereby authorized and directed to submit any required documents, invoices, and reports required to obtain grant funding.

CERTIFICATION I hereby certify that the foregoing Resolution was duly and regularly adopted by the [Governing Body Name] of the [agency name] at the meeting held on [date], motion by [member name] and seconded by [member name], motion passed by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

[Printed Name]
[Title], [Governing Body]

Attest:

[Printed Name]
[Secretary/Clerk]

Appendix C- Grant Application

The following outlines the required questions included in the application form for reference. Applicants must complete the application form, available on the webpage linked in the Foreword, and submit via email, to be considered for this grant opportunity.

APPLICANT INFORMATION

Please complete the following summary form for the application. This form should be saved and submitted with the forms intact via email to urbandrought@water.ca.gov. Please do not print to pdf or scan this form. If the application contains more than five projects, please contact DWR for an expanded form. A Project Information Form should be complete for each project in addition to this summary form.

Applicant Name

Primary Contact Name Title E-mail

Address City Zip Code

Telephone ()

Total State Funding Requested:

Does this application include project(s) benefitting underrepresented communities/Tribes? Yes/No

Provide a summary of the budget for the application including other cost share (if applicable), for all projects included in the application. Please note that there is no required non-state cost share, but cost share is encouraged. Applicants are required to show other cost share to account for the full project budget. Funding source(s) for cost share must be described for each project in Question 15 on the Project Information Form.

APPLICATION BUDGET SUMMARY

| | PROJECTS | Grant Amount | Other Cost Share | Total Cost |
|--------------------|----------------------|--------------|------------------|------------|
| | Grant Administration | | | |
| 1 | Project Name: | | | |
| 2 | Project Name: | | | |
| 3 | Project Name: | | | |
| 4 | Project Name: | | | |
| 5 | Project Name: | | | |
| GRAND TOTAL | | | | |

PROJECT INFORMATION FORM

Please complete a unique Project Information Form for each project in the application. There are no character limits on specific questions but the Project Information Form as a whole may not exceed 10 pages.

1. Project Name
2. Local Project Sponsor (if different than Grantee):
3. Please provide the latitude and longitude of the project site. For linear projects or those covering a large area, report the coordinates for a central point. If this information is confidential, it must be clearly labeled "confidential." You can find the latitude and longitude easily using google maps. You can find instructions at the following link:
<https://support.google.com/maps/answer/18539?hl=en&co=GENIE.Platform%3DDesktop>.

Latitude:

Longitude:

4. Please briefly describe the proposed project.
5. Does this project respond to an existing emergency to humans and/or wildlife? If so, please describe the emergency and how this project is addressing it.
6. Each project must meet one of the following purposes as it relates to drought. Please select the appropriate purpose for your project.
 - a. Address immediate impacts on human health and safety, including providing or improving availability of food, water, or shelter.
 - b. Address immediate impacts on fish and wildlife resources.
 - c. Provide water to persons or communities that lose or are threatened with the loss or contamination of water supplies.
7. Each project must enhance regional drought resilience and align with the goals and objectives of the relevant approved Integrated Regional Water Management Plan. You can find the relevant IRWM Region by using the map at the following link: <https://gis.water.ca.gov/app/dacs/>. The IRWM Plans can be found at the following link: <https://water.ca.gov/Work-With-Us/Grants-And-Loans/IRWM-Grant-Programs/Plan-Review-Process>. If you have any questions about the IRWM region the contact list can be found at the following link: <https://water.ca.gov/Work-With-Us/Grants-And-Loans/IRWM-Grant-Programs>. Applicants are encouraged to contact and coordinate with the applicable RWMG for the IRWM region in which the project is located Please identify the IRWM objective your project addresses.

16. Is land acquisition or landowner permission required for this project? If so, please briefly describe the status of the acquisition or agreement with the landowner. If the acquisition is not complete or permission not secured at the time of application, please describe the plan to complete it.
17. Has planning and design for this project been completed? If not, please describe the status of planning and design.
18. Are the CEQA (and NEPA if applicable) and permitting processes for this project complete? If not, please briefly describe the permits and CEQA (or NEPA) documents to be completed and projected schedule for completion.
19. Please briefly describe the necessary construction/implementation for this project.
20. Please complete the schedule below for the project. Projects must be complete by March 31, 2026, to allow time for final invoice processing and retention payment before the State funds expire on June 30, 2026. Project administration should end at least three months after construction.

| Categories | | Start Date | End Date |
|------------|--|------------|----------|
| (a) | Project Administration | | |
| (b) | Land Purchase / Easement | | |
| (c) | Planning/ Design / Engineering / Environmental Documentation | | |
| (d) | Construction/ Implementation | | |

Appendix D- Self-Certification for Eligibility

Each applicant must complete and submit a self-certification form for the following eligibility items. The self-certification form can be found on the website listed in the Foreword.

Eligible Applicant

Eligible applicants are public agencies; public utilities; special districts; colleges and universities; mutual water companies; non-profit organizations; regional water management groups, as defined in Section 10539 of the Water Code; federally recognized California Native American Tribes; and non-federally recognized Native American Tribes on the contact list maintained by the Native American Heritage Commission for the purposes of Chapter 905 of the Statutes of 2004.

DWR encourages potential applicants to reach out to DWR regarding any eligibility questions or concerns prior to submitting an application.

Urban Water Management Compliance

Each urban water supplier must:

- Have a current Urban Water Management Plan (UWMP) verified by DWR that addresses the requirements of the California Water Code. If an urban water supplier's UWMP has not been verified by DWR, explain, and provide the anticipated date for having a UWMP that addresses the requirements of the Water Code, including interim target reporting, as applicable in the self-certification form.
- If applicable, have a complete and validated water loss audit report verified by DWR in accordance with Senate Bill No. 555 (Stats. 2015, ch. 679).
- If applicable, must be compliant with the water metering requirements contained in Water Code section 525 et seq. Each urban water supplier proposing wastewater projects, water use efficiency projects, or drinking water projects must be compliant.
- If applicable, be compliant with requirements to submit to the State Water Resources Control Board their monthly water use reports in compliance with requirements outlined in the California Code of Regulations, title 23, sections 991.
- If facing water supply shortages, must have activated a Water Shortage Contingency Plan to a stage commensurate with their current water supply conditions. The applicant must report activation of the plan to the State Water board to be considered eligible.

Agricultural Water Management and Measurement Compliance

Each agricultural water supplier that provides water to *less than 10,000 irrigated acres*, excluding recycled water must:

- Indicate on the self-certification form that the supplier provides water to less than 10,000 irrigated acres, excluding recycled water.

or:

- Indicate on the self-certification form that each supplier's Agricultural Water Management Plan (AWMP) addresses the Water Code and Executive Order (EO) B-29-15 requirements. If an agricultural water supplier's AWMP has not been verified by DWR, explain, and provide the anticipated date for having an AWMP that addresses the Water Code and EO B-29-15 requirements.

Each agricultural water supplier that provides water to *less than 25,000 irrigated acres*, excluding recycled

water must:

- Indicate on the self-certification form the supplier provides water to less than 25,000 irrigated acres, excluding recycled water, or is otherwise deemed exempt from Water Code Efficient Water Management Practices (EWMPs) and the Water Measurement Regulation.

or:

- Indicate on the self-certification form that each supplier addresses the Water Code requirements for implementing EWMPs including Water Measurement, Volumetric Water Pricing, and all technically feasible and locally cost-effective EWMPs listed in the Water Code; and
- Indicate on the self-certification form that each supplier implements the Water Measurement Regulation, including AWMP reporting requirements.

or:

- Submit to DWR for approval a schedule, financing plan, and budget, to be included in the grant or loan agreement, for implementation of the EWMPs. The supplier may request grant or loan funds to implement the efficient water management practices to the extent the request is consistent with the eligibility requirements applicable to the water funds.

To comply with the farm-gate delivery requirements, each agricultural water supplier must complete the self-certification form based on the agricultural water supplier's irrigated acres.

- For those agricultural water suppliers that supply less than 2,000 acre-feet of water or water to less than 2,000 irrigated acres, excluding recycled water, provide the suppliers supply of water or irrigated area.

or:

- For those agricultural water suppliers that supply water to areas greater than 2,000 irrigated acres, verify that the annual aggregated monthly or bi-monthly farm-gate delivery data has been provided to DWR.

and/or:

- For those suppliers that provide water to less than 25,000 irrigated acres, complete the self-certification form and indicate that the implementation of a program or practices to measure farm-gate deliveries using Best Professional Practices is not locally cost-effective.

Surface Water Diverter Compliance

List the surface water diverters that will receive funding from the proposed grant on the self-certification form. If there are none, please indicate so. For the listed surface water diverters, state whether they have submitted to the State Water Resources Control Board their annual and monthly surface water diversion reports in compliance with requirements outlined in Water Code section 5100 et seq., and California Code of Regulations, title 23, sections 907-930. If a surface water diverter has not, explain and provide the anticipated date for meeting the requirements.

Groundwater Management Compliance

Each local sponsor or applicant implementing groundwater projects or projects directly affecting groundwater levels or quality must be compliance with Water Code section 10753 regarding Groundwater Management Plans (GWMPs). Please note that projects that affect groundwater levels or quality located in a CASGEM High or Medium priority groundwater basin without an adopted GWMP in compliance of Water Code section 10753 before January 1, 2015 will not be eligible (Wat. Code, § 10750.1(a)).

For groundwater projects or other projects that directly affect groundwater levels or quality in a high or medium priority basin, documentation that the project has support from the Groundwater Sustainability

Agency of the impacted groundwater basin(s), or the agency responsible for implementing an alternative plan should be included with the application.

Note that Local Project Sponsors that receive a grant award will have to maintain compliance with Water Code section 10000 et seq. of the Water Code as part of continuing eligibility requirements. Groundwater Management compliance requirements may be revised or updated based upon the implementation of the Sustainable Groundwater Management Act of 2014 (SGMA).

CASGEM Compliance

DWR has prioritized the groundwater basins. The CASGEM Program description, along with the basin prioritization information, can be found at: [https://water.ca.gov/Programs/Groundwater-Management/Groundwater-Elevation-Monitoring-- CASGEM](https://water.ca.gov/Programs/Groundwater-Management/Groundwater-Elevation-Monitoring--CASGEM)

For the high and medium priority basins that do not have a CASGEM monitoring entity, the grant applicant and Local Project Sponsor that match the list of potential monitoring entities identified in Water Code section 10927, along with the counties whose jurisdictions include unmonitored high and medium priority basins, will not be eligible to receive Round 2 IRWM Grant funding (Wat. Code, § 10933.7(a)).

Consistent with Water Code section 10933.7(b), if the entire service area of the grant applicant or the individual Local Project Sponsor's service area is demonstrated to be a DAC, as defined in the 2021 Guidelines, Appendix E, the project will be considered eligible for grant funding notwithstanding CASGEM compliance. If the Local Project Sponsor is exempt, a map must be included with the application that shows the Project's implementing agency's service area boundary. The map should include a DAC overlay to demonstrate the project is exempt.

Water Code section 10927 identifies GSAs as entities that may assume responsibility for the monitoring and reporting of groundwater elevations as required by section 10920 et seq. Following a GSAs submittal of a GSP, compliance with this section is required to continue through the monitoring and reporting of groundwater elevations as required by the GSA per the GSP regulations (Cal. Code Regs., tit. 23, § 350 et seq.), rather than the previously defined monitoring entity and the groundwater level data must be submitted through the SGMA Portal at SGMA Groundwater Management (SGMA) Portal - Department of Water Resources (ca.gov).

Stormwater Management Plan Compliance

For all Stormwater projects and/or dry weather runoff capture projects the project must be included in a Stormwater Resource Plan (or Functionally Equivalent Stormwater Resource Plan), or the project must benefit a DAC with a population of 20,000 or less that is not a co-permittee for a municipal separate stormwater system national pollutant discharge elimination system permit issued to a municipality with a population greater than 20,000.

Appendix E- Advanced Payment

Water Code section 13198.4 authorizes advanced payment of up to 25% by DWR to eligible entities (Grantees and/or Local Project Sponsors) for eligible projects. Eligible projects listed in Water Code section 13198(c), must benefit a county and/or watershed included in Governor's state of emergency drought proclamations or a drought scenario determined by the State Water Board as set forth in Water Code section 13198(a) to be eligible for advanced payment. The following outlines the general requirements for advanced payment eligibility, application process, accountability reporting, and default provisions. **Additional details regarding the specific requirements for advanced payment will be provided in individual grant agreements.**

Process to Apply for Advanced Payment

Following award notification and within 90 calendar days of execution of a grant agreement with DWR, the Grantee shall provide DWR with the list of projects for which advanced payment is requested. Failure to provide this list within 90 calendar days of execution of the grant agreement shall result in the forfeiture of the right to request or receive advanced payment for the grant. The list of projects shall include the following:

- Description of each project requesting advanced funds, consistent with the executed grant agreement.
- The names of the entities that will receive the funding for each project.
- Description of each funding recipient's cash flow needs (an explanation of why the entity does not have enough funding to cover its liabilities for the project).
- Description of each funding recipient's financial capacity to administer the advanced funds and complete the project once the advanced funds have been expended.
- Statement acknowledging that advanced funds will be placed in a non-interest-bearing account.
- A Funding Plan (template will be provided) that includes:
 - a. Budget for each project.
 - b. Anticipated quarterly schedule for each project, showing how the advanced payment funds will be expended including associated activities and deliverables.
 - c. Any reimbursable funds expended to date.
- Any other information that DWR may deem necessary.

Within 60 days of receiving all required project information and that information being deemed adequate at the sole discretion of DWR, DWR may authorize payment of up to 25 percent of the grant award for the qualified project(s).

The Grantee will be responsible for the timely distribution of the advanced funds to the individual Local Project Sponsors, if applicable.

Accountability Report Requirements

Upon receipt of advanced payment, there are requirements and responsibilities that must be met by the Grantee. The Grantee shall, on a quarterly basis, provide an Accountability Report to DWR regarding the expenditure and use of the advanced grant funds that provides, at a minimum, the following information:

- An itemization as to how advanced payment funds have been expended, including documentation that advanced funds were spent on eligible reimbursable costs.
- An updated Funding Plan with project itemization and a quarterly schedule describing how any remaining advanced payment funds will be expended.
- Documentation that the funds were placed/remain in a non-interest-bearing account, and the dates

of withdrawals of funds from that account during the reporting period.

- Proof of distribution of advanced funds to Local Project Sponsor(s), if applicable.

Default of Advanced Payment Obligations

Any of the following actions will be considered a default on the advanced payment obligations and shall result in DWR requesting the Grantee return all or a portion of the advanced funds and may result in a breach of the grant agreement:

- Failure to expend the advanced funds within the timeframe agreed to by DWR and the Grantee when the advanced payment request was approved unless an extension has been approved by DWR.
- Failure by Grantee to submit complete and accurate quarterly Accountability Reports by the required due dates, unless otherwise approved by DWR.
- Failure to deposit funds in a non-interest-bearing account.
- Use of Advance Payment funds for ineligible expenses and/or activities not consistent with the grant agreement.
- Inappropriate use of funds, as deemed by DWR.
- Failure to comply with any other term of the executed grant agreement.

If advanced funds are not fully expended by project completion or by the grant agreement termination date, whichever is earlier, the unused grant funds shall be returned to DWR within 60 calendar days.

Appendix F – Underrepresented Communities

For the purposes of this GL/PSP, Disadvantaged Communities (DACs), SDACs (Severely Disadvantaged Communities), EDAs (Economically Distressed Area), Tribes, Environmentally Disadvantaged Communities (EnvDACs), and Fringe Communities are collectively referred to as Underrepresented Communities (URCs). DWR will use the information presented in the applications to evaluate whether the project provides benefits to an Underrepresented Community and to determine whether the project is eligible for the Underrepresented Community Funding. The Underrepresented Community Funding is available to eligible Proposition 1 Disadvantaged Community and Tribal Involvement Program Grantees.

Applicants seeking this determination must include in their grant application, supporting documentation that identifies the Project benefit area and location(s) of the Underrepresented Communities, identifies how the proposed Project provides benefits to an Underrepresented Community, and indicates the total project benefits provided.

Underrepresented Community Classifications

Disadvantaged Communities (DACs)

A disadvantaged community (DAC) is a community with an annual median household income (MHI) that is less than 80% of the Statewide annual median household income. Using the U.S. Census Bureau American Community Survey (ACS) data for the years 2012 -2016, 80% of the California Statewide MHI is \$51,026.

Applicants must provide the following information for each project claiming benefits to a DAC(s):

- Percentage of the project benefits provided to a DAC, by geographic area or population.
- Information that supports the project benefits a DAC(s), such as a map or shapefile that shows the project benefit area and the location of the DAC(s).
- Where the lack of representative census data that adequately represents the community can be documented, alternative studies (local income surveys, a subset of a block group, older (ACS) data, etc.) may be substituted in the attachment. Include justification for the use of alternate data.

The ACS data gives estimates of MHI for different census geographies, such as for states, counties, census places (incorporated cities and unincorporated towns), census tracts, and census block groups.

DWR has developed a tool which utilizes the most current ACS data to show the location and boundaries of DACs and Severely Disadvantaged Communities (SDACs)

in the State, at the census place, tract, and block group level. The tool allows users to view different geographies or combinations of geographies, using different base maps and to zoom in to various scales. The DAC tool can be found at the following link: <https://water.ca.gov/Work-With-Us/Grants-And-Loans/mapping-tools>. For individuals with Geographic Information System (GIS) capabilities, also provided at this link are GIS files representing the ACS data (and DAC status) for the three census geographies.

The applicant may use ACS data at the census place, census tract, or census block group geography levels to show whether a project serves a DAC, based on what geography is the most representative for that community. For DACs, the allowable alternative geographies are, respectively:

Severely Disadvantaged Communities (SDACs)

A severely disadvantaged community (SDAC) is a community with a median household income of less than 60% of the Statewide average.

Applicants must provide the following information for each project claiming benefits to a SDAC(s):

- Percentage of the project benefits provided to an SDAC, by geographic area or population.

- Information that supports the project benefits an SDAC(s), such as a map or shapefile that shows the project benefit area and the location of the SDAC(s).

If a project serves a DAC or SDAC and is divided among several contiguous census tracts or block groups, and some of the project area tracts or block groups do not meet the DAC or SDAC criterion, the project will be considered a DAC project for the purpose of waiving cost share requirements in proportion to the population served that meets the DAC criterion. The DAC tool described in the previous section can also be used to identify SDAC locations in California.

Economically Distressed Areas (EDAs)

An economically distressed area (EDA) is a municipality with a population of 20,000 persons or less, a rural county, or a reasonably isolated and divisible segment of a larger municipality where the segment of the population is 20,000 persons or less, with an annual median household income that is less than 85% of the Statewide median household income, and with one or more of the following conditions as determined by the DWR: (1) financial hardship, (2) Unemployment rate at least 2% higher than the Statewide average, or (3) low population density.

Applicants must provide the following information for each project claiming benefits to an EDA(s):

- Percentage of the project benefits provided to an EDA, by geographic area or population.
- Include information that supports the project benefits an EDA(s), such as a map or shapefile that shows the project benefit area and the location of the EDA(s).
- Where the lack of representative census data that adequately represents the community can be documented, alternative studies (local income surveys, a subset of a block group, etc.) may be substituted in the attachment.
- In determining the MHI for EDAs, applicants may use a single type of census geography or combinations of census geographies that best represent the EDA.

The EDA Mapping Tool is an interactive map that allows users to overlay multiple geographies as separate data layers. Go to <https://water.ca.gov/Work-With-Us/Grants-And-Loans/mapping-tools> to access the EDA mapping tool.

Tribes

For the purposes of this GL/PSP, federally recognized Indian Tribes and California State Indian Tribes listed on the Native American Heritage Commission’s California Tribal Consultation List are collectively referred to as “Tribe” or “Tribes.”

California Native American Tribe: The term “state Indian tribes” means Federally recognized California Native American Tribes or Non-federally recognized Native American Tribes on the contact list maintained by the Native American Heritage Commission for the purposes of Chapter 905 of the Statutes of 2004.

Federally Recognized Indian Tribes: A federally recognized Tribe is an American Indian or Alaska Native Tribal entity that is recognized as having a government-to-government relationship with the United States, with the responsibilities, powers, limitations, and obligations attached to that designation, and is eligible for funding and services from the Bureau of Indian Affairs.

The Tribal applicant shall provide a brief narrative that describes the Tribe, how the Tribe meets the minimum definition for eligibility, and any back-up documentation to support the Tribe’s recognition. Provide justification demonstrating the percent of project benefits provided to the Tribe.

DWR will not knowingly disclose information related to Native American cultural sites or sacred places per Government Code section 6254(r). There is no requirement to disclose any information related to Native

American cultural sites or sacred places to DWR in the application. If this information is included in the application, it must be clearly labeled “confidential.”

Environmentally Disadvantaged Communities (EnvDACs)

The California Environmental Protection Agency (CalEPA) designates the top 25% scoring census tracts as DACs. Census tracts that score the highest 5% of Pollution Burden scores, but do not have an overall CalEnviroScreen score because of unreliable socioeconomic or health data, are also designated as DACs (found to be 22 census tracts in the 2021 CalEnviroScreen version 4.0).

CalEPA (through the Office of Environmental Health Hazard Assessment (OEHHA)) developed a mapping tool that assesses environmental, health, and socioeconomic indicators to produce a score for each census tract in the State. Each tract receives a Pollution Burden score (Exposures and Environmental Effects) and a Population Characteristics score (Sensitive Populations and Socioeconomic Factors). The average Pollution Burden and Population Characteristics scores are multiplied together to produce an overall CalEnviroScreen score.

There are two tools available to verify if a census tract is considered an EnvDACs:

OPTION 1: CalEnviroScreen 4.0 Mapping Tool

The CalEnviroScreen 4.0 Mapping Tool is an interactive map that allows users to overlay Census Tracts.

Go to <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-40> and scroll down to access the CalEnviroScreen 4.0 Mapping Tool.

OPTION 2: CalEnviroScreen 4.0 Results Excel Sheet

The CalEnviroScreen 4.0 Results Excel Sheet is a sortable spreadsheet that contains all CalEnviroScreen 4.0 scores.

Go to <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-40> scroll down to Data and Additional Materials.

Fringe Communities

Fringe Communities are those communities that do not meet the established DAC, SDAC, and EDA definitions, but can show that they score in the top 25% of either the Pollution Burden or Population Characteristics score, using the CalEnviroScreen version 4.0, linked above.

Appendix G – Useful Links

California Drought

| Destination | Link |
|---|---|
| California Drought Action: | https://drought.ca.gov/ |
| DWR Drought Page | https://water.ca.gov/Programs/All-Programs/Drought |
| State Waterboard Drought Page: | https://www.waterboards.ca.gov/drought/ |
| Small Community Drought Relief Program | https://water.ca.gov/Water-Basics/Drought/Small-Community-Drought-Relief |
| Urban and Multibenefit Drought Relief Program | https://water.ca.gov/Water-Basics/Drought/urbanmultibenefiddrought |

CA Department of Water Resources (DWR)

| Destination | Link |
|--|---|
| Homepage: | http://www.water.ca.gov/ |
| Financial Assistance Programs: | https://water.ca.gov/Work-With-Us/Grants-And-Loans |
| AB 1755: Open and Transparent Water Data Platform for California | https://water.ca.gov/ab1755 |
| Water Use and Efficiency Branch: | https://water.ca.gov/Programs/Water-Use-And-Efficiency |
| Urban Water Management Plans: | https://water.ca.gov/Programs/Water-Use-And-Efficiency/Urban-Water-Use-Efficiency/Urban-Water-Management-Plans |
| Agricultural Water Management Plans: | https://water.ca.gov/Programs/Water-Use-And-Efficiency/Agricultural-Water-Use-Efficiency |
| General Groundwater Management: | https://water.ca.gov/Programs/Groundwater-Management |
| Climate Change Website: | https://water.ca.gov/Programs/All-Programs/Climate-Change-Program |
| SGMA Website: | https://water.ca.gov/Programs/Groundwater-Management/SGMA-Groundwater-Management |
| CASGEM Program: | https://water.ca.gov/Programs/Groundwater-Management/Groundwater-Elevation-Monitoring--CASGEM |

Integrated Regional Water Management (IRWM)

| Destination | Link |
|-------------------------------------|---|
| IRWM Grant Program: | https://water.ca.gov/Work-With-Us/Grants-And-Loans/IRWM-Grant-Programs |
| DAC and EDA Mapping Tools and Data: | https://water.ca.gov/Work-With-Us/Grants-And-Loans/Mapping-Tools |
| DAC Involvement Program | https://water.ca.gov/Work-With-Us/Grants-And-Loans/IRWM-Grant-Programs/Proposition-1/DAC-Involvement-Program |

State Water Resources Control Board (State Water Board)

| Destination | Link |
|---|---|
| Homepage: | http://www.waterboards.ca.gov |
| Stormwater Resource Plan Guidance: | https://www.waterboards.ca.gov/water_issues/programs/grants_loans/swgp/docs/prop1/swrp_finalguidelines_dec2015.pdf |
| California Environmental Data Exchange Network: | http://www.ceden.org/ |
| Impaired Water Bodies: | https://www.waterboards.ca.gov/rwqcb5/water_issues/tmdl/impaired_waters_list |
| Groundwater Ambient Monitoring and Assessment: | http://www.swrcb.ca.gov/gama |
| Financial Assistance Funding | https://www.waterboards.ca.gov/water_issues/programs/grants_loans/ |

Regional Water Quality Control Plans (Basin Plans)

| Destination | Link |
|--------------------|---|
| All Regions: | https://www.waterboards.ca.gov/plans_policies/ |

California Environmental Quality Act (CEQA)

| Destination | Link |
|---|---|
| California State Clearinghouse Handbook | http://opr.ca.gov/docs/SCH_Handbook_2012.pdf |

Climate Change Information

| Destination | Link |
|--|---|
| Climate Change Regional Water Planning Handbook: | http://climate.calcommons.org/sites/default/files/basic/climate_change_handbook_regional_water_planning.pdf |
| California Climate Change Portal: | http://www.climatechange.ca.gov/ |

| | |
|---|---|
| AB 32 Scoping Plan | http://www.arb.ca.gov/cc/scopingplan/scopingplan.htm |
| California Climate Adaptation Planning Guide: | https://resources.ca.gov/CNRALegacyFiles/docs/climate/01APG_Planning_for_Adaptive_Communities.pdf |
| Sea Level Rise Guidance: | http://www.opc.ca.gov/webmaster/ftp/pdf/agenda_items/20180314/Item3_Exhibit-A_OPC_SLR_Guidance-rd3.pdf |
| Cal-Adapt: | http://cal-adapt.org/ |

CA Department of Industrial Relations

| Destination | Link |
|------------------------------------|---|
| Labor Compliance Programs: | http://www.dir.ca.gov/lcp.asp |
| DIR's <i>Public Works Manual</i> : | http://www.dir.ca.gov/dlse/PWManualCombined.pdf |

Tribal Consultation

| Destination | Link |
|--|---|
| California Native American Heritage Commission: | http://www.nahc.ca.gov/ |
| Governor's Tribal Advisor Office: | http://tribalgovtaffairs.ca.gov |
| Office of Planning and Research Tribal & CEQA Resources: | http://opr.ca.gov/ceqa/updates/ab-52/ |
| DWR Office of Tribal Policy Advisory | https://water.ca.gov/about/tribal-policy |
| U.S. Fish & Wildlife Service Tribal Consultation Handbook: | http://www.fws.gov/carlsbad/TribalRelations/Tribal_Consultation_Handbook_2013.pdf |

U.S. Census Bureau

| Destination | Link |
|----------------------------|---|
| Homepage: | http://www.census.gov |
| American Community Survey: | http://www.census.gov/acs |

CALIFORNIA NATURAL RESOURCES AGENCY

DEPARTMENT OF WATER RESOURCES

DIVISION OF REGIONAL ASSISTANCE

RESOLUTION NO. 2021-1302

**RESOLUTION OF THE BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT
AUTHORIZING THE GRANT APPLICATION, ACCEPTANCE, & EXECUTION FOR THE AUTOMATIC
METER READING/ADVANCED METERING INFRASTRUCTURE IMPLEMENTATION PROJECT**

WHEREAS, Trabuco Canyon Water District (TCWD or District) proposes to implement the Automatic Meter Reading/Advanced Metering Infrastructure (AMR/AMI) Implementation Project;

WHEREAS, the AMR/AMI Implementation Project would provide immediate drought benefits by conserving imported water through near real-time water consumption data resulting in rapid leak detection, high water use alerts, and overall enhanced customer water use awareness;

WHEREAS, the District has the legal authority and is authorized to enter into a funding agreement with the State of California; and

WHEREAS, the District intends to apply for grant funding from the California Department of Water Resources for the Automatic Meter Reading/Advanced Metering Infrastructure Implementation Project;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT DO HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

Section 1: That pursuant and subject to all of the terms and provisions of Budget Act of 2021 (Stats. 2021, ch. 240, § 80), the District General Manager, or designee, is hereby authorized and directed to prepare and file an application for funding with the Department of Water Resources and take such other actions necessary or appropriate to obtain grant funding.

Section 2: The District General Manager, or designee, is hereby authorized and directed to execute the funding agreement with the Department of Water Resources and any amendments thereto.

Section 3: The District General Manager, or designee is hereby authorized and directed to submit any required documents, invoices, and reports required to obtain grant funding.

ADOPTED, SIGNED AND APPROVED this 16th day of December, 2021.

TRABUCO CANYON WATER DISTRICT:

President/Vice President

Secretary/Assistant Secretary

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

I, Michael Perea, District Secretary of the Trabuco Canyon Water District, do hereby certify that the foregoing resolution was duly adopted by the Board of said District at a meeting of said Board held on the 16th day of December, 2021, of which meeting all of the members of the Board had due notice and at which a quorum thereof were present and acting throughout and for which notice and an agenda was prepared and posted as required by law and that at such meeting such resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

District Secretary,
Trabuco Canyon Water District

DRAFT

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

I, Michael Perea, District Secretary of the Trabuco Canyon Water District, do hereby certify that the foregoing is a full, true and correct copy of Resolution No. 2021-1302 of such Board and that the same has not been amended or repealed.

Dated this 16th day of December, 2021.

District Secretary,
Trabuco Canyon Water District

DRAFT

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | DECEMBER 8, 2021**

FINANCIAL MATTERS

ITEM 6: TRABUCO CANYON WATER DISTRICT ANNUAL FINANCIAL REPORT (AUDIT) FOR FISCAL YEAR ENDING JUNE 30, 2021

At the April 20, 2021 Regular Board Meeting, the Board of Directors authorized the General Manager to contract with Nigro & Nigro LLP to provide auditing services for years ending June 30, 2021, 2022, and 2023 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 Nigro & Nigro LLP to prepare the Annual Financial Report (Audit) for Fiscal Year Ending June 30, 2021, 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

RECOMMENDED ACTION(S)

Committee to receive information concerning Trabuco Canyon Water District’s Annual Financial Report (Audit) for Fiscal Year Ending June 30, 2021 and recommend that the Board receive and file the Audit Report (Action Calendar).

EXHIBIT(S):

1. Report to the Board of Directors for the FYE June 30, 2021
2. Financial Statements and Independent Auditors’ Report for the FYE June 30, 2021

CONTACTS (staff responsible): PALUDI/PEREA/BYERRUM

TRABUCO CANYON WATER DISTRICT
Report to the Board of Directors
For the Fiscal Year Ended
June 30, 2021



TRABUCO CANYON WATER DISTRICT

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For the Fiscal Year Ended June 30, 2021

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| Summary of Adjusting Journal Entries | 4 |

Board of Directors
Trabuco Canyon Water District
Trabuco Canyon, California

We are pleased to present this report related to our audit of the financial statements of the Trabuco Canyon Water District (District) as of and for the year ended June 30, 2021. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the District.

Very truly yours,

Murrieta, California
November 15, 2021

Required Communications

TRABUCO CANYON WATER DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2021

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

| Area | Comments |
|--|--|
| Our Responsibilities with Regard to the Financial Statement Audit | Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated June 1, 2021. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter. |
| Overview of the Planned Scope and Timing of the Financial Statement Audit | An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions and the account-type of areas tested. There were no changes to the planned scope and timing of our audit testwork. |
| Accounting Policies and Practices | <p>Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. During our audit, no such circumstances were noted.</p> <p>Adoption of, or Change in, Significant Accounting Policies or Their Application Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgement. No such significant accounting estimates were noted or estimate applications were changed from the previous year.</p> |
| Audit Adjustments | Audit adjustments are summarized in the attached Summary of Adjusting Journal Entries . |
| Uncorrected Misstatements | We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial. |

TRABUCO CANYON WATER DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2021

| Area | Comments |
|---|--|
| Discussions With Management | 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 auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. |
| Disagreements With Management | We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements. |
| Consultations With Other Accountants | We are not aware of any consultations management had with other accountants about accounting or auditing matters. |
| Significant Issues Discussed With Management | No significant issues arising from the audit were discussed or the subject of correspondence with management. |
| Significant Difficulties Encountered in Performing the Audit | No significant difficulties were encountered in performing our audit. |
| Required Supplementary Information | We applied certain limited procedures to the: <ol style="list-style-type: none">1. Management's Discussion and Analysis2. Required Pension Plan Disclosures3. Required OPEB Plan Disclosures 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. |

TRABUCO CANYON WATER DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2021

| Area | Comments |
|----------------------------------|---|
| Supplementary Information | <p>We were engaged to report on the,</p> <p>Supplementary Information:</p> <ol style="list-style-type: none">1. Balance Sheets – Combined – Internal Funds2. Statements of Revenues, Expenses and Changes in Net Position – Combined – Internal Funds <p>Which accompanies 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.</p> |

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

Summary of Adjusting Journal Entries

TRABUCO CANYON WATER DISTRICT

Summary of Adjusting Journal Entries For the Fiscal Year Ended June 30, 2021

Adjusting Journal Entries

Adjusting Journal Entries JE # 1

To correctly reflect current and non-current portion for financial reporting - DO NOT POST

| | | | |
|--------------|----------------------------|-------------------------|-------------------------|
| 10-000-2210 | Current - SRF Loan Payable | 91,792.00 | |
| 10-000-2410 | SRF Loan Payable | | 91,792.00 |
| Total | | <u><u>91,792.00</u></u> | <u><u>91,792.00</u></u> |

Adjusting Journal Entries JE # 2

To reverse duplicate AP and expense

| | | | |
|--------------|--------------------------|-------------------------|-------------------------|
| 10-000-2010 | AP Pending (Due to Pool) | 9,252.31 | |
| 20-000-2010 | AP Pending (Due to Pool) | 3,320.04 | |
| 30-000-2010 | AP Pending (Due to Pool) | 371.74 | |
| 40-000-2010 | AP Pending (Due to Pool) | 371.74 | |
| 10-600-5131 | Workers Compensation | | 9,252.31 |
| 20-600-5131 | Workers Compensation | | 3,320.04 |
| 30-600-5131 | Workers Compensation | | 341.74 |
| 40-600-5131 | Workers Compensation | | 401.74 |
| Total | | <u><u>13,315.83</u></u> | <u><u>13,315.83</u></u> |

Adjusting Journal Entries JE # 3

To true up beginning equity with prior year audit report

| | | | |
|--------------|-------------------|--------------------|--------------------|
| 10-000-3199 | Retained Earnings | 3.00 | |
| 10-160-5901 | Misc. Exp | | 3.00 |
| Total | | <u><u>3.00</u></u> | <u><u>3.00</u></u> |

| | | |
|--|--------------------------|--------------------------|
| Total Adjusting Journal Entries | <u><u>105,110.83</u></u> | <u><u>105,110.83</u></u> |
|--|--------------------------|--------------------------|

| | | |
|----------------------------------|--------------------------|--------------------------|
| Total All Journal Entries | <u><u>105,110.83</u></u> | <u><u>105,110.83</u></u> |
|----------------------------------|--------------------------|--------------------------|

**TRABUCO CANYON WATER DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2021
(With Comparative Amounts as of June 30, 2020)**

**NIGRO
& NIGRO^{PC}**

TRABUCO CANYON WATER DISTRICT
For the Fiscal Year Ended June 30, 2021
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Financial Section

INDEPENDENT AUDITORS' REPORT

Board of Directors
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), which comprise the balance sheet as of June 30, 2021, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2021, 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.

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 Net Pension Liability, Schedule of the District's Contributions to the Defined Benefit Pension Plan, Schedule of Changes in the District's Net OPEB Liability and Related Ratios, and Schedule of Contributions – Other Post-Employment Benefits (OPEB) Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The Balance Sheets – Combined – Internal Funds and Statements of Revenues, Expenses and Changes in Net Position – Combined – Internal Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated November 15, 2021, 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Murrieta, California
November 15, 2021

TRABUCO CANYON WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2021 and 2020

Management's Discussion and Analysis (MD&A) offers readers of Trabuco Canyon Water District's financial statements a narrative overview of the District's financial activities for the year ended June 30, 2021. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In fiscal year 2021, the District's net position decreased 4.42%, or \$2,328,746 from the prior year's net position of \$52,640,821 to \$50,312,075, as a result of the year's operations.
- In fiscal year 2021, operating revenues increased by 8.88%, or \$727,945 from \$8,201,075 to \$8,929,020, from the prior year, primarily due to increases in water consumption sales as well as increases in other water, sewer, reclaimed and recycled service charges.
- In fiscal year 2021, operating expenses before depreciation expense increased by 8.71% or \$938,319 from \$10,772,034 to \$11,710,353, from the prior year, primarily due to increases in costs for source of supply, transmission and distribution, and general and administrative expenses.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Balance Sheet includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

TRABUCO CANYON WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2021 and 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 method 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. You can think of the District's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure 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, zoning and new or changed government legislation.

Condensed Balance Sheets

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>Change</u> |
|---|----------------------|----------------------|-----------------------|
| Assets: | | | |
| Current assets | \$ 3,623,479 | \$ 10,188,899 | \$ (6,565,420) |
| Non-current assets | 5,104,320 | 3,254,760 | 1,849,560 |
| Capital assets, net | <u>50,053,318</u> | <u>47,295,351</u> | <u>2,757,967</u> |
| Total assets | <u>58,781,117</u> | <u>60,739,010</u> | <u>(1,957,893)</u> |
| Deferred outflows of resources | <u>1,486,262</u> | <u>1,277,369</u> | <u>208,893</u> |
| Total assets and deferred outflows of resources | <u>\$ 60,267,379</u> | <u>\$ 62,016,379</u> | <u>\$ (1,749,000)</u> |
| Liabilities: | | | |
| Current liabilities | \$ 3,727,201 | \$ 3,066,128 | \$ 661,073 |
| Non-current liabilities | <u>5,975,665</u> | <u>6,060,462</u> | <u>(84,797)</u> |
| Total liabilities | <u>9,702,866</u> | <u>9,126,590</u> | <u>576,276</u> |
| Deferred inflows of resources | <u>252,438</u> | <u>248,968</u> | <u>3,470</u> |
| Net position: | | | |
| Net investment in capital assets | 47,913,266 | 44,976,850 | 2,936,416 |
| Restricted | 5,104,320 | 3,254,760 | 1,849,560 |
| Unrestricted | <u>(2,705,511)</u> | <u>4,409,211</u> | <u>(7,114,722)</u> |
| Total net position | <u>50,312,075</u> | <u>52,640,821</u> | <u>(2,328,746)</u> |
| Total liabilities, deferred outflows of resources and net position | <u>\$ 60,267,379</u> | <u>\$ 62,016,379</u> | <u>\$ (1,749,000)</u> |

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 \$50,312,075 as of June 30, 2021.

TRABUCO CANYON WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2021 and 2020

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Balance Sheets (continued)

By far the largest portion of the District's net position (95% as of June 30, 2021) reflects the District's net 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 its customers; consequently, these assets are not available for future spending.

At the end of year 2021, the District showed a negative (deficit) balance in its unrestricted net position of (\$2,705,511) which is due to the estimated \$2,522,581 amount for the net pension and net OPEB liabilities and their related deferred outflows/inflows.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>Change</u> |
|---|----------------------|----------------------|-----------------------|
| Operating revenues | \$ 8,929,020 | \$ 8,201,075 | \$ 727,945 |
| Operating expenses | <u>(11,710,353)</u> | <u>(10,772,034)</u> | <u>(938,319)</u> |
| Operating income before depreciation | (2,781,333) | (2,570,959) | (210,374) |
| Depreciation expense | <u>(3,689,570)</u> | <u>(3,428,661)</u> | <u>(260,909)</u> |
| Operating income | (6,470,903) | (5,999,620) | (471,283) |
| Non-operating revenues(expenses), net | <u>2,141,801</u> | <u>6,580,323</u> | <u>(4,438,522)</u> |
| Capital contributions | <u>2,000,356</u> | <u>2,233,563</u> | <u>(233,207)</u> |
| Change in net position | (2,328,746) | 2,814,266 | (4,909,805) |
| Net position: | | | |
| Beginning of year | <u>52,640,821</u> | <u>49,826,555</u> | <u>2,814,266</u> |
| End of year | <u>\$ 50,312,075</u> | <u>\$ 52,640,821</u> | <u>\$ (2,095,539)</u> |

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, net position decreased 4.42%, or \$2,328,746 from the prior year's net position of \$52,640,821 to \$50,312,075, as a result of the year's operations.

TRABUCO CANYON WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2021 and 2020

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Revenues

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | Increase (Decrease) |
|-------------------------------------|----------------------|----------------------|--------------------------------|
| Operating revenues: | | | |
| Water consumption sales | \$ 3,758,473 | \$ 3,165,259 | \$ 593,214 |
| Water service charges | 1,059,237 | 1,033,023 | 26,214 |
| Sewer service charges | 1,955,995 | 1,918,114 | 37,881 |
| Reclaimed water sales | 613,962 | 541,972 | 71,990 |
| Recycled water sales | 245,799 | 181,116 | 64,683 |
| Wholesale water sales - BTP | 1,278,778 | 1,210,433 | 68,345 |
| Other operating revenues | 16,776 | 151,158 | (134,382) |
| Total operating revenues | <u>8,929,020</u> | <u>8,201,075</u> | <u>727,945</u> |
| Non-operating revenues: | | | |
| Property taxes | 2,048,224 | 1,936,412 | 111,812 |
| Investment earnings | 26,763 | 119,066 | (92,303) |
| Rental and contract revenue | 24,836 | 24,112 | 724 |
| Capacity assignment revenue | - | 4,526,000 | (4,526,000) |
| Other non-operating revenues | 106,338 | 48,064 | 58,274 |
| Total non-operating revenues | <u>2,206,161</u> | <u>6,653,654</u> | <u>(4,447,493)</u> |
| Total revenues | <u>\$ 11,135,181</u> | <u>\$ 14,854,729</u> | <u>\$ (3,719,548)</u> |

In fiscal year 2021, operating revenues increased by 8.88%, or \$727,945 from \$8,201,075 to \$8,929,020, from the prior year, primarily due to increases in water consumption sales as well as increases in other water, sewer, reclaimed and recycled service charges. Non-operating revenues decreased by \$4,447,493 due to the one-time capacity assignment revenue of \$4,526,000 in fiscal year 2020.

TRABUCO CANYON WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2021 and 2020

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Expenses

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>Increase (Decrease)</u> |
|-------------------------------------|----------------------|----------------------|--------------------------------|
| Operating expenses: | | | |
| Source of supply | \$ 3,631,094 | \$ 3,150,263 | \$ 480,831 |
| Pumping and power | 295,308 | 252,227 | 43,081 |
| Water treatment | 346,674 | 303,281 | 43,393 |
| Transmission and distribution | 278,777 | 149,577 | 129,200 |
| Sewer operations | 760,445 | 770,329 | (9,884) |
| Reclaimed operations | 162,089 | 110,299 | 51,790 |
| Recycled operations | 164,044 | 129,746 | 34,298 |
| General and administrative | <u>6,071,922</u> | <u>5,906,312</u> | <u>165,610</u> |
| Total operating expenses | <u>11,710,353</u> | <u>10,772,034</u> | <u>938,319</u> |
| Depreciation expense | <u>3,689,570</u> | <u>3,428,661</u> | <u>260,909</u> |
| Non-operating expenses: | | | |
| Interest expense | 51,932 | 60,635 | (8,703) |
| Debt administration expense | - | 850 | (850) |
| Property tax administration expense | <u>12,428</u> | <u>11,846</u> | <u>582</u> |
| Total non-operating expenses | <u>64,360</u> | <u>73,331</u> | <u>(8,971)</u> |
| Total expenses | <u>\$ 15,464,283</u> | <u>\$ 14,274,026</u> | <u>\$ 1,190,257</u> |

In fiscal year 2021, operating expenses before depreciation expense increased by 8.71% or \$938,319 from \$10,772,034 to \$11,710,353, from the prior year, primarily due to increases in costs for source of supply, transmission and distribution, and general and administrative expenses.

Capital Assets

| | <u>Balance June 30, 2021</u> | <u>Balance June 30, 2020</u> |
|----------------------------------|----------------------------------|----------------------------------|
| Capital assets: | | |
| Non-depreciable assets | \$ 2,407,104 | \$ 5,335,924 |
| Depreciable assets | 121,073,132 | 113,393,596 |
| Accumulated depreciation | <u>(73,426,918)</u> | <u>(71,434,167)</u> |
| Total capital assets, net | <u>\$ 50,053,318</u> | <u>\$ 47,295,353</u> |

At the end of year 2021, the District's investment in capital assets amounted to \$50,053,318 (net of accumulated depreciation), respectively. Capital asset additions amounted to \$6,494,376 for various projects and equipment. See Note 4 for further information.

TRABUCO CANYON WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2021 and 2020

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Debt Administration

The long-term debt of the District is summarized below:

| Long-term debt: | Balance June 30, 2021 | Balance June 30, 2020 |
|------------------------|--|--|
| Loans payable | <u>\$ 2,140,052</u> | <u>\$ 2,318,501</u> |

Long-term debt decreased by a total of \$178,449 for the year ended June 30, 2021. See Note 6 for further information.

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.

CONDITIONS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION

The District's Board of Directors and management considered many factors when setting the fiscal year 2022 user fees, and charges. A projection is made on the acre feet of water that will be purchased and sold. The District also looks at the increased cost of the source of supply. Since the District heavily relies on imported water, the costs are directly passed through by Metropolitan Water District. Some are fixed costs that do not vary depending upon the amount of water sold. Other expenses are budgeted individually to account for increases in such things as vehicle expenses and insurance coverages. The District's customer base has not changed significantly; therefore, revenue and costs are more easily projected. Questions concerning the information about the economic analysis, revenue and expense assumptions, and other budgetary process parameters utilized in the annual budget preparation can be obtained from the District's Finance Officer.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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.

TRABUCO CANYON WATER DISTRICT

Balance Sheets

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

| <u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u> | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents (Note 2) | \$ 2,055,746 | \$ 760,643 |
| Accrued interest receivable | 2,069 | 25 |
| Accounts receivable, net (Note 4) | 1,101,812 | 1,042,924 |
| Accounts receivable - due from other governments | 140,598 | 2,669,579 |
| Other receivables | 246,451 | 5,618,586 |
| Prepaid expenses | 76,803 | 97,142 |
| Total current assets | <u>3,623,479</u> | <u>10,188,899</u> |
| Non-current assets: | | |
| Restricted – cash and cash equivalents (Note 2 and 3) | 5,100,793 | 3,240,419 |
| Restricted - accrued interest receivable (Note 3) | 3,527 | 14,341 |
| Capital assets – not being depreciated (Note 5) | 2,407,104 | 5,335,924 |
| Capital assets – being depreciated, net (Note 5) | 47,646,214 | 41,959,427 |
| Total non-current assets | <u>55,157,638</u> | <u>50,550,111</u> |
| Total assets | <u>58,781,117</u> | <u>60,739,010</u> |
| Deferred outflows of resources: | | |
| Deferred amounts related to net OPEB obligation (Note 8) | 418,881 | 416,920 |
| Deferred amounts related to net pension liability (Note 9) | 1,067,381 | 860,449 |
| Total deferred outflows of resources | <u>1,486,262</u> | <u>1,277,369</u> |
| Total assets and deferred outflows of resources | <u>\$ 60,267,379</u> | <u>\$ 62,016,379</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 3,341,665 | \$ 2,618,513 |
| Deposits and unearned revenues | 203,261 | 280,050 |
| Long-term liabilities – due within one year: | | |
| Compensated absences (Note 6) | 91,520 | 78,817 |
| Loan payable (Note 7) | 90,755 | 88,748 |
| Total current liabilities | <u>3,727,201</u> | <u>3,066,128</u> |
| Non-current liabilities: | | |
| Long-term liabilities – due in more than one year: | | |
| Compensated absences (Note 6) | 169,963 | 146,374 |
| Loan payable (Note 7) | 2,049,297 | 2,229,753 |
| Net OPEB obligation (Note 7) | 356,590 | 533,588 |
| Net pension liability (Note 8) | 3,399,815 | 3,150,747 |
| Total non-current liabilities | <u>5,975,665</u> | <u>6,060,462</u> |
| Total liabilities | <u>9,702,866</u> | <u>9,126,590</u> |
| Deferred inflows of resources: | | |
| Deferred amounts related to net OPEB obligation (Note 8) | 185,600 | 97,855 |
| Deferred amounts related to net pension liability (Note 9) | 66,838 | 151,113 |
| Total deferred inflows of resources | <u>252,438</u> | <u>248,968</u> |
| Net position: | | |
| Net investment in capital assets (Note 10) | 47,913,266 | 44,976,850 |
| Restricted (Note 3) | 5,104,320 | 3,254,760 |
| Unrestricted | (2,705,511) | 4,409,211 |
| Total net position | <u>50,312,075</u> | <u>52,640,821</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 60,267,379</u> | <u>\$ 62,016,379</u> |

The notes to financial statements are an integral part of this statement.

TRABUCO CANYON WATER DISTRICT*Statements of Revenues, Expenses and Changes in Net Position**For the Fiscal Year Ended June 30, 2021 (With Comparative Amounts as of June 30, 2020)*

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Operating revenues: | | |
| Water consumption sales | \$ 3,758,473 | \$ 3,165,259 |
| Water service charges | 1,059,237 | 1,033,023 |
| Sewer service charges | 1,955,995 | 1,918,114 |
| Reclaimed water sales | 613,962 | 541,972 |
| Recycled water sales | 245,799 | 181,116 |
| Wholesale water sales – Baker Treatment Plant | 1,278,778 | 1,210,433 |
| Other operating revenues | 16,776 | 151,158 |
| Total operating revenues | <u>8,929,020</u> | <u>8,201,075</u> |
| Operating expenses: | | |
| Source of supply | 3,631,094 | 3,150,263 |
| Pumping and power | 295,308 | 252,227 |
| Water treatment | 346,674 | 303,281 |
| Transmission and distribution | 278,777 | 149,577 |
| Sewer operations | 760,445 | 770,329 |
| Reclaimed operations | 162,089 | 110,299 |
| Recycled operations | 164,044 | 129,746 |
| General and administrative | 6,071,922 | 5,906,312 |
| Total operating expenses | <u>11,710,353</u> | <u>10,772,034</u> |
| Operating loss before depreciation | (2,781,333) | (2,570,959) |
| Depreciation expense | (3,689,570) | (3,428,661) |
| Operating loss | <u>(6,470,903)</u> | <u>(5,999,620)</u> |
| Non-operating revenues(expenses): | | |
| Property taxes | 2,048,224 | 1,936,412 |
| Investment earnings | 26,763 | 119,066 |
| Rental revenue | 24,836 | 24,112 |
| Interest expense | (51,932) | (60,635) |
| Debt administration expense | - | (850) |
| Property tax administration charge | (12,428) | (11,846) |
| Capacity assignment revenue | - | 4,526,000 |
| Other non-operating revenues | 106,338 | 48,064 |
| Total non-operating revenues(expenses), net | <u>2,141,801</u> | <u>6,580,323</u> |
| Change in net position before capital contributions | <u>(4,329,102)</u> | <u>580,703</u> |
| Capital contributions: | | |
| Water reliability and emergency storage fees | 822,779 | 833,511 |
| Capital grants | 99,751 | 1,400,052 |
| Contributed capital – other | 1,077,826 | - |
| Total capital contributions | <u>2,000,356</u> | <u>2,233,563</u> |
| Change in net position | (2,328,746) | 2,814,266 |
| Net position: | | |
| Beginning of year | 52,640,821 | 49,826,555 |
| End of year | <u>\$ 50,312,075</u> | <u>\$ 52,640,821</u> |

TRABUCO CANYON WATER DISTRICT*Statements of Cash Flows**For the Fiscal Year Ended June 30, 2021 (With Comparative Amounts as of June 30, 2020)*

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Cash receipts from customers and others | \$ 9,847,441 | \$ 8,009,866 |
| Cash paid to employees for salaries and wages | (2,413,438) | (2,071,512) |
| Cash paid to vendors and suppliers for materials and services | <u>(8,727,274)</u> | <u>(8,594,483)</u> |
| Net cash used in operating activities | <u>(1,293,271)</u> | <u>(2,656,129)</u> |
| Cash flows from non-capital financing activities: | | |
| Proceeds from property taxes | <u>2,092,916</u> | <u>1,924,566</u> |
| Net cash provided by non-capital financing activities | <u>2,092,916</u> | <u>1,924,566</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | (6,494,376) | (4,325,961) |
| Capacity assignment revenue | 4,526,000 | - |
| Capital grants | 2,628,732 | - |
| Capital contributions | 1,900,605 | 1,347,472 |
| Debt administration charges | - | (850) |
| Principal paid on long-term debt | (178,449) | (1,064,442) |
| Interest paid on long-term debt | <u>(51,932)</u> | <u>(87,781)</u> |
| Net cash provided by (used in) capital and related financing activities | <u>2,330,580</u> | <u>(4,131,562)</u> |
| Cash flows from investing activities: | | |
| Change in investments | 533 | 16,593 |
| Investment earnings | <u>24,719</u> | <u>132,753</u> |
| Net cash provided by investing activities | <u>25,252</u> | <u>149,346</u> |
| Net increase(decrease) in cash and cash equivalents | 3,155,477 | (4,713,779) |
| Cash and cash equivalents: | | |
| Beginning of year | <u>4,001,062</u> | <u>8,714,841</u> |
| End of year | <u>\$ 7,156,539</u> | <u>\$ 4,001,062</u> |
| Reconciliation of cash and cash equivalents: | | |
| Cash and cash equivalents | \$ 2,055,746 | \$ 760,643 |
| Restricted – cash and cash equivalents | <u>5,100,793</u> | <u>3,240,419</u> |
| Total cash and cash equivalents | <u>\$ 7,156,539</u> | <u>\$ 4,001,062</u> |

TRABUCO CANYON WATER DISTRICT*Statements of Cash Flows (continued)**For the Fiscal Year Ended June 30, 2021 (With Comparative Amounts as of June 30, 2020)*

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| Reconciliation of operating income to net cash used in operating activities: | | |
| Operating income | \$ (6,470,903) | \$ (5,999,620) |
| Adjustments to reconcile operating income to net cash used in operating activities: | | |
| Depreciation | 3,689,570 | 3,428,661 |
| Rental and contract revenue | 24,836 | 24,112 |
| Other non-operating revenues | 106,338 | 48,064 |
| Change in assets - (increase)decrease: | | |
| Accounts receivable, net | (58,888) | (131,081) |
| Other receivables | 846,135 | (132,304) |
| Prepaid expenses | 20,339 | 44,562 |
| Change in deferred outflows of resources - (increase)decrease | | |
| Deferred amounts related to net OPEB obligation | (1,961) | (160,084) |
| Deferred amounts related to net pension liability | (206,932) | 8,867 |
| Change in liabilities - increase(decrease): | | |
| Accounts payable and accrued expenses | 723,152 | 1,537,509 |
| Deposits and unearned revenues | (76,789) | (1,655,936) |
| Compensated absences | 36,292 | 57,618 |
| Net OPEB obligation | (176,998) | (36,680) |
| Net pension liability | 249,068 | 257,759 |
| Change in deferred inflows of resources - increase(decrease) | | |
| Deferred amounts related to net OPEB obligation | 87,745 | 57,101 |
| Deferred amounts related to net pension liability | (84,275) | (4,677) |
| Total adjustments | <u>5,177,632</u> | <u>3,343,491</u> |
| Net cash used in operating activities | <u>\$ (1,293,271)</u> | <u>\$ (2,656,129)</u> |

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

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. 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.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity (GASB Statement No. 61). 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.

B. Basis of Presentation, Basis of Accounting

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 (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of 90 days or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. Restricted Assets

Amounts shown as restricted assets have been restricted by either bond indentures, external constraints, or laws and regulations of other governments.

4. Receivables and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

5. Prepaids

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

6. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the District's classes of assets are as follows:

| Description | Estimated Lives |
|--------------------------------------|-----------------|
| Transmission and distribution system | 5-40 years |
| Wastewater system | 4-40 years |
| Structures and improvements | 10-30 years |
| Equipment | 3-15 years |

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

8. 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.

9. Pensions

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

The following timeframes are used for pension reporting:

Valuation Date June 30, 2019
Measurement Date June 30, 2020
Measurement Period July 1, 2019 to June 30, 2020

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Pensions (continued)

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.

11. Postemployment Benefits Other Than Pensions (OPEB)

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

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2020
Measurement Date June 30, 2020
Measurement Period July 1, 2019 to June 30, 2020

12. Net Position

Net position is classified into two components: net investment in capital assets and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to 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 net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

E. Property Taxes

The Orange County Assessor's Office assesses all real and personal property within the County each year. The Orange County Tax Collector's Office bills and collects the District's share of property taxes. The Orange County Auditor-Controller's Office remits current property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent (1%) of countywide assessed valuations. Property taxes receivable at year-end are related to property taxes collected by the Orange County Tax Collector's Office, which have not been credited to the District's cash balance 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 November 10

F. Reclassifications

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 CASH EQUIVALENTS

Cash and cash equivalents were classified in the accompanying financial statements as follows:

| <u>Description</u> | <u>June 30, 2021</u> |
|--|----------------------------|
| Cash and cash equivalents | \$ 2,055,746 |
| Restricted – cash and cash equivalents | <u>5,100,793</u> |
| Total cash and investments | <u>\$ 7,156,539</u> |

Cash and cash equivalents consisted of the following:

| <u>Description</u> | <u>June 30, 2021</u> |
|--|----------------------------|
| Cash on hand | \$ 450 |
| Demand deposits held with financial institutions | 732,131 |
| Local Agency Investment Fund (LAIF) | <u>6,423,958</u> |
| Total cash and investments | <u>\$ 7,156,539</u> |

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Demand Deposits with Financial Institutions

At June 30, 2021, the carrying amount of the District's demand deposits were \$732,131 and the financial institution's balances were \$737,775. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

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.

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.

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2021, the District held \$6,423,958 in LAIF.

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.

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 3 – RESTRICTED- CASH AND CASH EQUIVALENTS AND RESTRICTED – NET POSITION

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

| <u>Description</u> | <u>June 30, 2021</u> |
|--|----------------------------|
| Restricted – cash and cash equivalents | \$ 5,100,793 |
| Restricted - accrued interest receivable | <u>3,527</u> |
| Total restricted – cash and investments | <u>\$ 5,104,320</u> |

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

| <u>Description</u> | <u>June 30, 2021</u> |
|--|----------------------------|
| Debt service | \$ 1,051,427 |
| Developer and other capital improvements | 1,427,862 |
| Water reliability and emergency storage | <u>2,625,031</u> |
| Total restricted – net position | <u>\$ 5,104,320</u> |

NOTE 4 – ACCOUNTS RECEIVABLE, NET

The balance at June 30, consists of the following:

| <u>Description</u> | <u>June 30, 2021</u> |
|---------------------------------------|----------------------------|
| Accounts receivable | \$ 1,177,071 |
| Allowance for doubtful accounts | <u>(75,259)</u> |
| Total accounts receivable, net | <u>\$ 1,101,812</u> |

TRABUCO CANYON WATER DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the fiscal year ended June 30, 2021, were as follows:

| Description | Balance July 1, 2020 | Additions | Deletions/ Transfers | Balance June 30, 2021 |
|--|-------------------------|---------------------|-------------------------|--------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 2,339,113 | \$ - | \$ - | \$ 2,339,113 |
| Construction-in-process | 2,996,811 | 4,137,281 | (7,066,101) | 67,991 |
| Total non-depreciable assets | 5,335,924 | 4,137,281 | (7,066,101) | 2,407,104 |
| Depreciable assets: | | | | |
| Water transmission and distribution system | 55,665,200 | 3,937,172 | (987,831) | 58,614,541 |
| Recycled water and wastewater system | 55,086,321 | 3,830,205 | (755,829) | 58,160,697 |
| Structures and improvements | 1,609,622 | 15,149 | - | 1,624,771 |
| Machinery and equipment | 1,032,453 | 1,640,670 | - | 2,673,123 |
| Total depreciable assets | 113,393,596 | 9,423,196 | (1,743,660) | 121,073,132 |
| Accumulated depreciation: | | | | |
| Water transmission and distribution system | (32,894,822) | (1,644,599) | 987,831 | (33,551,590) |
| Recycled water and wastewater system | (36,872,437) | (1,763,464) | 708,988 | (37,926,913) |
| Structures and improvements | (1,202,630) | (59,869) | - | (1,262,499) |
| Machinery and equipment | (464,278) | (221,638) | - | (685,916) |
| Total accumulated depreciation | (71,434,167) | (3,689,570) | 1,696,819 | (73,426,918) |
| Total depreciable assets, net | 41,959,429 | 5,733,626 | (46,841) | 47,646,214 |
| Total capital assets, net | \$ 47,295,353 | \$ 9,870,907 | \$ (7,112,942) | \$ 50,053,318 |

NOTE 6 – COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2021, were as follows:

| Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 | Due Within One Year | Due in More Than One Year |
|-------------------------|------------|--------------|--------------------------|------------------------|------------------------------|
| \$ 225,191 | \$ 251,901 | \$ (215,609) | \$ 261,483 | \$ 91,520 | \$ 169,963 |

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 7 – LOAN PAYABLE

Changes in loan payable amounts for the year ended June 30, were as follows:

| <u>Balance</u> <u>July 1, 2020</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2021</u> | <u>Current</u> <u>Portion</u> | <u>Long-term</u> <u>Portion</u> |
|---------------------------------------|------------------|-------------------|--|----------------------------------|------------------------------------|
| \$ 2,318,501 | \$ - | \$ (178,449) | \$ 2,140,052 | \$ 90,755 | \$ 2,049,297 |

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> |
|--------------------|------------------|-----------------|--------------|
| 2022 | \$ 90,755 | \$ 24,435 | \$ 115,190 |
| 2023 | 184,631 | 45,750 | 230,381 |
| 2024 | 188,872 | 41,509 | 230,381 |
| 2025 | 193,209 | 37,172 | 230,381 |
| 2026 | 197,647 | 32,734 | 230,381 |
| 2027-2031 | 1,058,444 | 93,462 | 1,151,906 |
| 2032 | 226,494 | 3,887 | 230,381 |
| Total | 2,140,052 | \$ 278,949 | \$ 2,419,001 |
| Current | (90,755) | | |
| Long-term | \$ 2,049,297 | | |

TRABUCO CANYON WATER DISTRICT
Notes to Financial Statements
 June 30, 2021

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

| <u>Description</u> | <u>2021</u> |
|---|-------------|
| OPEB related deferred outflows | \$ 418,881 |
| Net other post-employment benefits obligation | 356,590 |
| OPEB related deferred inflows | 185,600 |

A. General Information about the OPEB Plan

Plan Description

The post-retirement health benefit provided to eligible employees at retirement is a continuation of the available active medical coverage. An employee is eligible for continuation of medical coverage at retirement provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit upon retirement with the District. Vesting requires at least 5 years of CalPERS eligible service. All employee with at least 5 years of CalPERS service will be eligible to continue coverage if retiring from the District and CalPERS and receive the CalPERS minimum required contribution. Vesting is based on years-of-service increasing 5% per year from 10-years (50%) to 20+years (100%).

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 PERSChoice Plan at the family coverage level (currently \$1,874.89 and scheduled to increase to \$1,914.33 effective January 1, 2020). The District’s contribution will continue for the lifetime of the retiree and any surviving eligible spouse.

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 (below). 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. The 100/90 State Annuitant rates are published each year. The current 2019 monthly rates are \$734 single, \$1,398 two-party and \$1,788 family and the 2020 monthly rates are \$767 single, \$1,461 two-party and \$1,868 family.

Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

| | <u>Amount</u> |
|---|------------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 7 |
| Inactive plan members entitled to but not yet receiving benefit payments | - |
| Active plan members | <u>20</u> |
| Total | <u><u>27</u></u> |

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

A. General Information about the OPEB Plan (continued)

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's Board of Directors. Currently, contributions are not required from plan members. The District has been typically funding this OPEB plan on a pay-as-you-go basis; however, contributions have been made to a CalPERS CERBT OPEB Trust.

Contributions

Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the District. For fiscal year ended June 30, 2020, the measurement period, the District's contributions totaling \$281,864 included \$163,277 placed in its CERBT OPEB Trust, \$88,706 in current year premium payments, and an implied subsidy of \$29,881.

Accounting for the Plan

The other post-employment benefit trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

Investments are reported in the accompanying financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

B. Net OPEB Liability

The District's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

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

| | |
|-------------------------------|--|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Actuarial Cost Method | Entry age normal, level percentage of payroll |
| Asset Valuation Method | Market value of assets as of the measurement date |
| Actuarial Assumptions: | |
| Discount Rate | 7.00% |
| Long-Term Expected | |
| Rate of Return on Investments | 7.00% |
| Inflation | 2.75% |
| Payroll increases | 2.75% |
| Healthcare Trend Rates | 6.50% trending down 0.25% annually to 4.50% in 2029+ |
| Morbidity | Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019 |
| Mortality | Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019 |
| Disability | Not Valued |
| Retirement | CalPERS Public Agency Miscellaneous 2.5% @55 and 2% @62 |
| Percent Married | 85% of future retirees would enroll a spouse |

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

B. Net OPEB Liability (continued)

Actuarial Assumptions (continued)

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

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|------------------------|-------------------|--|
| CERBT: | | |
| Global Equities | 59.00% | 5.50% |
| Global Debt Securities | 25.00% | 2.35% |
| Inflation Assets | 5.00% | 1.50% |
| REITs | 8.00% | 3.65% |
| Commodities | 3.00% | 1.75% |
| Total | 100.00% | |

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that the City's 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.

C. Changes in the Net OPEB Liability

The changes in the total OPEB liability are as follows:

| | Increase (Decrease) | | |
|--|----------------------|-----------------------------|--------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Balance at June 30, 2020 (Measurement date June 30, 2019) | \$ 3,011,438 | \$ 2,477,851 | \$ 533,587 |
| Changes for the year: | | | |
| Service cost | 103,022 | - | 103,022 |
| Interest | 213,932 | - | 213,932 |
| Differences in experience | (123,689) | - | (123,689) |
| Changes in assumption | - | - | - |
| Employer contributions | - | 281,864 | (281,864) |
| Net investment income | - | 89,611 | (89,611) |
| Benefit payments | (118,587) | (118,587) | - |
| Administrative expenses | - | (1,213) | 1,213 |
| Net changes | 74,678 | 251,675 | (176,997) |
| Balance at June 30, 2021 (Measurement date June 30, 2020) | \$ 3,086,116 | \$ 2,729,526 | \$ 356,590 |

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

C. Changes in the Net OPEB Liability (continued)

Changes of Assumptions

In fiscal year 2019-20, the measurement period, inflation increased to 2.75%

Change of Benefit Terms

In fiscal year 2019-20, the measurement period, there were no changes to the actuarial assumptions.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current discount rate:

| <u>1% Decrease</u> | <u>Discount Rate</u> | <u>1% Increase</u> |
|--------------------|----------------------|--------------------|
| <u>6.0%</u> | <u>7.0%</u> | <u>8.0%</u> |
| <u>\$ 777,832</u> | <u>\$ 356,590</u> | <u>\$ 8,913</u> |

Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower:

| <u>Healthcare Cost</u> | | |
|------------------------|------------------------|------------------------|
| <u>7.5% Decreasing</u> | <u>6.5% Decreasing</u> | <u>5.5% Decreasing</u> |
| <u>to 5.5%</u> | <u>to 4.5%</u> | <u>to 3.5%</u> |
| <u>\$ (60,106)</u> | <u>\$ 356,590</u> | <u>\$ 874,184</u> |

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$134,888. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| <u>Account Description</u> | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|--|--------------------------|-------------------------|
| | <u>of Resources</u> | <u>of Resources</u> |
| OPEB contributions made after the measurement date | \$ 226,102 | \$ - |
| Changes in assumptions | - | (75,654) |
| Differences between expected and actual experience | 123,874 | (109,946) |
| Differences between projected and actual earnings on OPEB plan investments | 68,905 | - |
| Total Deferred Outflows/(Inflows) of Resources | <u>\$ 418,881</u> | <u>\$ (185,600)</u> |

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (continued)

The differences between projected and actual earnings on plan investments is amortized over five years. The District reported \$226,102 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| <u>Amortization Period</u> <u>Fiscal Year Ended June 30</u> | <u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u> |
|--|---|
| 2022 | \$ 2,259 |
| 2023 | 13,053 |
| 2024 | 15,145 |
| 2025 | 11,028 |
| 2026 | (6,855) |
| Thereafter | <u>(27,451)</u> |
| Total | <u>\$ 7,179</u> |

At June 30, 2021, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

NOTE 10 – PENSION PLAN

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

| <u>Description</u> | <u>2021</u> |
|-----------------------------------|--------------|
| Pension related deferred outflows | \$ 1,067,381 |
| Net pension liability | 3,399,815 |
| Pension related deferred inflows | 66,838 |

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 9 – PENSION PLAN (continued)

A. General Information about the Pension Plan

The Plan

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

| | Miscellaneous Plans | |
|---|--------------------------|-----------------------------|
| | Classic Tier 1 | PEPRA Tier 2 |
| 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 of service | 5-years of 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 2.7% | 1.0% to 2.0% |
| Required member contribution rates | 8.000% | 6.750% |
| Required employer contribution rates – FY 2020 | 12.431% | 7.863% |

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 June 30, 2020 Annual Actuarial Valuation Reports. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

At June 30, 2020 measurement date, the following members were covered by the benefit terms:

| Plan Members | Miscellaneous Plans | | Total |
|------------------------------------|---------------------|--------------|-----------|
| | Classic Tier 1 | PEPRA Tier 2 | |
| Active members | 14 | 8 | 22 |
| Transferred and terminated members | 25 | 6 | 31 |
| Retired members and beneficiaries | 12 | - | 12 |
| Total plan members | 51 | 14 | 65 |

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

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 9 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Benefits Provided

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Contributions for the year ended June 30, 2021, were as follows:

| Contribution Type | Miscellaneous Plans | | Total |
|--------------------------|---------------------|-----------|------------|
| | Classic | PEPRA | |
| | Tier 1 | Tier 2 | |
| Contributions – employer | \$ 649,647 | \$ 59,249 | \$ 708,896 |

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

Proportionate Share of Net Pension Liability and Pension Expense

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The following table shows the District'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, 2021:

| Measurement Date | Percentage Share of Risk Pool | | Change Increase/ (Decrease) |
|---|-------------------------------|--------------------|-----------------------------|
| | Fiscal Year Ending | Fiscal Year Ending | |
| | June 30, 2021 | June 30, 2020 | |
| Measurement Date | June 30, 2020 | June 30, 2019 | |
| Percentage of Risk Pool Net Pension Liability | 0.080601% | 0.078680% | 0.001921% |
| Percentage of Plan Net Pension Liability | 0.031247% | 0.030748% | 0.000499% |

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 9 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

The District's proportionate share percentage of the net pension liability for the June 30, 2020, measurement date was as follows:

| <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, 2019 (Measurement Date) | \$ 11,720,295 | \$ 8,569,548 | \$ 3,150,747 |
| Balance as of June 30, 2020 (Measurement Date) | \$ 13,700,289 | \$ 10,300,474 | \$ 3,399,815 |
| Change in Plan Net Pension Liability | \$ 1,979,994 | \$ 1,730,926 | \$ 249,068 |

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$666,757. At June 30, 2021, 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 Outflow of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|--|
| Pension contributions made after the measurement date | \$ 708,896 | \$ - |
| Difference between actual and proportionate share of employer contributions | - | (37,588) |
| Adjustment due to differences in proportions | 82,285 | (5,001) |
| Differences between expected and actual experience | 175,203 | - |
| Differences between projected and actual earnings on pension plan investments | 100,997 | - |
| Changes in assumptions | - | (24,249) |
| Total Deferred Outflows/(Inflows) of Resources | \$ 1,067,381 | \$ (66,838) |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 9 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

An amount of \$708,896 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

| <u>Amortization Period</u> <u>Fiscal Year Ended June 30</u> | <u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u> |
|--|---|
| 2022 | \$ 53,587 |
| 2023 | 110,686 |
| 2024 | 78,933 |
| 2025 | 48,441 |
| Total | \$ 291,647 |

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019, total pension liability. The June 30, 2020, 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 Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter |
| Post Retirement Benefit Increase | |

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 9 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Long-term Expected Rate of Return (continued)

The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class.

| Investment Type | New Strategic Allocation | Real Return Years 1 - 10 ¹ | Real Return Years 11+ ² |
|------------------|--------------------------|---------------------------------------|------------------------------------|
| Global Equity | 50.0% | 4.80% | 5.98% |
| Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation Assets | 0.0% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real Estate | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | -0.92% |
| | 100.0% | | |

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

² An expected inflation of 2.9% is used for years 11+.

Discount Rate

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

Subsequent Events

There were no subsequent events that would materially affect the results in this disclosure.

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what 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:

| Plan Type | Plan's Net Pension Liability/(Asset) | | |
|-----------|--------------------------------------|-----------------------------------|--------------------------------|
| | Discount Rate - 1% 6.15% | Current Discount Rate 7.15% | Discount Rate + 1% 8.15% |
| | CalPERS – Miscellaneous Plan | 5,222,989 | \$ 3,399,815 |

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 9 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension 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.

C. Payable to the Pension Plans

At June 30, 2021, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2021.

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS

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

| <u>Description</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|---|-----------------------------|-----------------------------|
| Net investment in capital assets: | | |
| Capital assets – not being depreciated | 2,407,104 | 5,335,924 |
| Capital assets, net – being depreciated | 47,646,214 | 41,959,427 |
| Loan payable – current portion | (90,755) | (88,748) |
| Loan payable – non-current portion | <u>(2,049,297)</u> | <u>(2,229,753)</u> |
| Total net investment in capital assets | <u>\$ 47,913,266</u> | <u>\$ 44,976,850</u> |

NOTE 11 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in two 457 Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the accompanying financial statements.

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 12 – RISK MANAGEMENT POOL

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Further information about the Insurance Authority is as follows:

| | |
|---|---|
| A. Entity | ACWA-JPIA |
| B. Purpose | To pool member contributions and realize the advantages of self-insurance |
| C. Participants | As of September 30, 2020 – 396 member districts |
| D. Governing board | Nine representatives employed by members |
| E. Condensed financial information Audit signed | September 30, 2020 April 7, 2021 |
| Statement of financial position: | Sept 30, 2020 |
| Total assets | <u>\$ 237,525,073</u> |
| Deferred outflows | <u>1,054,750</u> |
| Total liabilities | <u>113,075,164</u> |
| Deferred inflows | <u>1,817,452</u> |
| Net position | <u>\$ 123,687,207</u> |
| Statement of revenues, expenses and changes in net position: | |
| Total revenues | \$ 197,639,443 |
| Total expenses | <u>(172,886,738)</u> |
| Change in net position | 24,752,705 |
| Beginning - net position | <u>98,934,502</u> |
| Ending - net position | <u>\$ 123,687,207</u> |
| F. Member agencies share of year-end financial position | Not Calculated |

The District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 (total insurable value of \$48,405,017). The District has a \$2,500 deductible for buildings, personal property and fixed equipment, a \$25,000/\$50,000 deductible for accidental mechanical breakdown, a \$1,000 deductible for mobile equipment, and a \$500 deductible for licensed vehicles.

General Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to of \$60,000,000. This program does not have a deductible.

Auto Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$60,000,000. This program does not have a deductible.
Public Officials' Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$60,000,000.

Cyber Liability - The Insurance Authority has purchased insurance coverage of \$3,000,000 per occurrence/\$5,000,000 aggregate. This program does not have a deductible.

TRABUCO CANYON WATER DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 12 – RISK MANAGEMENT POOL (continued)

Crime - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence. The District has a \$1,000 deductible.

Public Official Bond - The District has purchased a \$200,000 bond to cover the general manager's faithful performance of duty.

Workers' Compensation - The Insurance Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased up to the statutory limit for workers' compensation coverage. The Insurance Authority is self-insurance up to \$2,000,000 and has purchased excess insurance coverage of \$2,000,000 for employer's liability coverage.

Underground Storage Tank Pollution Liability - The Insurance Authority is self-insured up to \$500,000 per occurrence and has purchased excess coverage of \$3,000,000. The District has a \$10,000 deductible.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims expended. The nature and amount of these adjustments cannot be estimated and are charged to expenses as invoiced. There were no instances in the past three years where a settlement exceeded the District's coverage.

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, 2021, 2020, and 2019. 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 payable as of June 30, 2021, 2020, and 2019.

NOTE 13 – 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

Schedule of the District's Proportionate Share of the Net Pension Liability For the Year Ended June 30, 2021

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

| <u>Measurement Date</u> | <u>District's Proportion of the Net Pension Liability</u> | <u>District's Proportionate Share of the Net Pension Liability</u> | <u>District's Covered Payroll</u> | <u>District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u> | <u>Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability</u> |
|-------------------------|---|--|-----------------------------------|---|--|
| June 30, 2014 | 0.024334% | \$ 1,514,199 | \$ 1,619,883 | 93.48% | 83.03% |
| June 30, 2015 | 0.029498% | 2,024,702 | 1,659,539 | 122.00% | 76.75% |
| June 30, 2016 | 0.028990% | 2,508,531 | 1,602,525 | 156.54% | 72.83% |
| June 30, 2017 | 0.295680% | 2,932,288 | 1,688,233 | 173.69% | 72.81% |
| June 30, 2018 | 0.030022% | 2,892,988 | 1,537,659 | 188.14% | 73.98% |
| June 30, 2019 | 0.030748% | 3,150,747 | 1,695,414 | 185.84% | 73.12% |
| June 30, 2020 | 0.031247% | 3,399,815 | 2,011,870 | 168.99% | 75.18% |

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

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

There were no changes in assumptions.

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

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

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

There were no significant changes in assumptions.

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

There were no significant changes in assumptions.

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

There were no significant changes in assumptions.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only seven years are shown. Certain amounts have been updated per the 2020 CalPERS Actuarial Valuations

TRABUCO CANYON WATER DISTRICT

*Schedule of the District's Contributions to the Defined Benefit Pension Plan
For the Year Ended June 30, 2021*

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

| Fiscal Year | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|--------------------|--|---|---|------------------------|---|
| June 30, 2014 | \$ 255,864 | \$ (255,864) | \$ - | 1,619,883 | 15.80% |
| June 30, 2015 | 265,436 | (265,436) | - | 1,659,539 | 15.99% |
| June 30, 2016 | 264,450 | (264,450) | - | 1,602,525 | 16.50% |
| June 30, 2017 | 278,521 | (278,521) | - | 1,688,233 | 16.50% |
| June 30, 2018 | 301,990 | (301,990) | - | 1,537,659 | 19.64% |
| June 30, 2019 | 347,954 | (347,954) | - | 1,695,414 | 20.52% |
| June 30, 2020 | 417,043 | (417,043) | - | 2,011,870 | 20.73% |
| June 30, 2021 | 469,516 | (708,896) | (239,380) | 2,133,046 | 22.01% |

Notes to Schedule:

| Fiscal Year | Valuation Date | Actuarial Cost Method | Asset Valuation Method | Inflation | Investment Rate of Return |
|--------------------|-----------------------|----------------------------------|-----------------------------------|------------------|--------------------------------------|
| June 30, 2014 | June 30, 2011 | Entry Age | Market Value | 2.75% | 7.65% |
| June 30, 2015 | June 30, 2012 | Entry Age | Market Value | 2.75% | 7.65% |
| June 30, 2016 | June 30, 2013 | Entry Age | Market Value | 2.75% | 7.65% |
| June 30, 2017 | June 30, 2014 | Entry Age | Market Value | 2.75% | 7.65% |
| June 30, 2018 | June 30, 2015 | Entry Age | Market Value | 2.75% | 7.15% |
| June 30, 2019 | June 30, 2016 | Entry Age | Market Value | 2.50% | 7.15% |
| June 30, 2020 | June 30, 2017 | Entry Age | Market Value | 2.50% | 7.15% |
| June 30, 2021 | June 30, 2018 | Entry Age | Market Value | 2.50% | 7.15% |

Amortization Method

Level percentage of payroll, closed

Salary Increases

Depending on age, service, and type of employment

Investment Rate of Return

Net of pension plan investment expense, including inflation

Retirement Age

50 years (2.5%@55), 52 years (2.0%@62)

Mortality

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

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only eight years are shown. Certain amounts have been updated per the 2020 CalPERS Actuarial Valuations

TRABUCO CANYON WATER DISTRICT

Schedule of Changes in the District's Net OPEB Liability and Related Ratios For the Year Ended June 30, 2021

| | Last Ten Fiscal Years* | | | |
|--|------------------------|----------------------|----------------------|----------------------|
| Fiscal Year Ended | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
| Measurement Date | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
| Total OPEB liability: | | | | |
| Service cost | \$ 103,022 | \$ 101,477 | \$ 98,521 | \$ 92,077 |
| Interest | 213,932 | 195,787 | 181,652 | 167,849 |
| Changes of assumptions | - | (97,270) | - | - |
| Differences between expected and actual experience | (123,689) | 159,266 | - | - |
| Changes of benefit terms | - | - | - | - |
| Benefit payments | <u>(118,587)</u> | <u>(86,591)</u> | <u>(75,817)</u> | <u>(62,564)</u> |
| Net change in total OPEB liability | 74,678 | 272,669 | 204,356 | 197,362 |
| Total OPEB liability - beginning | <u>3,011,438</u> | <u>2,738,769</u> | <u>2,534,413</u> | <u>2,337,051</u> |
| Total OPEB liability - ending | <u>3,086,116</u> | <u>3,011,438</u> | <u>2,738,769</u> | <u>2,534,413</u> |
| Plan fiduciary net position: | | | | |
| Contributions - employer | 281,864 | 259,180 | 245,243 | 175,489 |
| Net investment income | 89,611 | 137,226 | 146,228 | 168,197 |
| Administrative expense | (1,213) | (467) | (993) | (852) |
| Other expense | - | - | (2,457) | - |
| Benefit payments | <u>(118,587)</u> | <u>(86,591)</u> | <u>(75,817)</u> | <u>(62,564)</u> |
| Net change in plan fiduciary net position | 251,676 | 309,348 | 312,204 | 280,270 |
| Plan fiduciary net position - beginning | <u>2,477,850</u> | <u>2,168,502</u> | <u>1,856,298</u> | <u>1,576,028</u> |
| Plan fiduciary net position - ending | <u>2,729,526</u> | <u>2,477,850</u> | <u>2,168,502</u> | <u>1,856,298</u> |
| District's net OPEB liability | <u>\$ 356,590</u> | <u>\$ 533,588</u> | <u>\$ 570,267</u> | <u>\$ 678,115</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>88.45%</u> | <u>82.28%</u> | <u>79.18%</u> | <u>73.24%</u> |
| Covered-employee payroll | <u>1,753,930</u> | <u>1,706,988</u> | <u>1,668,352</u> | <u>1,668,233</u> |
| District's net OPEB liability as a percentage of covered-employee payroll | <u>20.33%</u> | <u>31.26%</u> | <u>34.18%</u> | <u>40.65%</u> |

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2017 – There were no changes in benefits
 Measurement Date June 30, 2018 – There were no changes in benefits
 Measurement Date June 30, 2019 – There were no changes in benefits
 Measurement Date June 30, 2020 – There were no changes in benefits

Changes in Assumptions:

Measurement Date June 30, 2017 – There were no changes in assumptions
 Measurement Date June 30, 2018 – There were no changes in assumptions
 Measurement Date June 30, 2019 – Inflation decreased to 2.50% and payroll increases include merit increases
 Measurement Date June 30, 2020 – Inflation increased to 2.75%

* Fiscal year 2018 was the first year of implementation; therefore, only four years are shown.

TRABUCO CANYON WATER DISTRICT

Schedule of the District Contributions to the Other Post-Employment Benefits (OPEB) Plan For the Year Ended June 30, 2021

| Fiscal Year Ended | Last Ten Fiscal Years* | | | |
|---|------------------------|---------------|---------------|---------------|
| | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Actuarially determined contribution | \$ 166,309 | \$ 172,589 | \$ 169,426 | \$ 175,489 |
| Contributions in relation to the actuarially determined contributions | (281,864) | (259,180) | (245,243) | (175,489) |
| Contribution deficiency (excess) | \$ (115,555) | \$ (86,591) | \$ (75,817) | \$ - |
| Covered payroll | \$ 1,753,930 | \$ 1,706,930 | \$ 1,668,352 | \$ 1,668,352 |
| Contributions as a percentage of covered payroll | 16.07% | 15.18% | 14.70% | 10.52% |

Notes to Schedule:

| Valuation Date | June 30, 2019 | June 30, 2019 | June 30, 2017 | June 30, 2017 |
|--|---------------|---------------|---------------|---------------|
| Methods and Assumptions Used to Determine Contribution Rates: | | | | |
| Actuarial cost method | Entry Age | Entry Age | Entry Age | Entry Age |
| Amortization method | (1) | (1) | (1) | (1) |
| Amortization period | 20-years | 20-years | 20-years | 20-years |
| Asset valuation method | Market Value | Market Value | Market Value | Market Value |
| Discount rate | 7.00% | 7.00% | 7.00% | 7.00% |
| Inflation | 2.75% | 2.50% | 2.75% | 2.75% |
| Payroll increases | 2.75%+Merit | 2.75%+Merit | 3.00% | 3.00% |
| Mortality | (2) | (2) | (2) | (2) |
| Morbidity | (3) | (3) | (3) | (3) |
| Disability | Not Valued | Not Valued | Not Valued | Not Valued |
| Retirement | (4) | (4) | (4) | (4) |
| Percent Married | 85% | 85% | 85% | 85% |
| Healthcare trend rates | (5) | (5) | (5) | (5) |

(1) Closed period, level percent of pay

(2) Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019

(3) Healthy Actives and Retirees: SOA Pub-2010 Scale MP-2019

(4) CalPERS Public Agency Miscellaneous 2.5% @55 and 2% @62

(5) 6.50% trending down 0.25% annually to 4.50% in 2029+

* Fiscal year 2018 was the first year of implementation; therefore, only four years are shown.

Supplementary Information

TRABUCO CANYON WATER DISTRICT
Balance Sheets – Combined – Internal Funds
June 30, 2021 (With Comparative Amounts as of June 30, 2020)

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | Water | Sewer | Recycled Water | Reclaimed Water | 2021 | 2020 |
|--|----------------------|----------------------|---------------------------|----------------------------|----------------------|----------------------|
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 831,378 | \$ 2,235,530 | \$ (975,628) | \$ (35,534) | \$ 2,055,746 | \$ 760,643 |
| Accrued interest receivable | 1,789 | 338 | (29) | (29) | 2,069 | 25 |
| Accounts receivable, net | 775,410 | 189,167 | 29,642 | 107,593 | 1,101,812 | 1,042,924 |
| Accounts receivable - due from other governments | 140,598 | - | - | - | 140,598 | 2,669,579 |
| Other receivables | 19,037 | 222,352 | 4,809 | 253 | 246,451 | 5,618,586 |
| Prepaid expenses | 24,790 | 32,819 | 9,597 | 9,597 | 76,803 | 97,142 |
| Total current assets | 1,793,002 | 2,680,206 | (931,609) | 81,880 | 3,623,479 | 10,188,899 |
| Non-current assets: | | | | | | |
| Restricted – cash and cash equivalents | 4,911,187 | 189,606 | - | - | 5,100,793 | 3,240,419 |
| Restricted - accrued interest receivable | 3,362 | 165 | - | - | 3,527 | 14,341 |
| Capital assets – not being depreciated | 1,637,379 | 652,769 | 58,478 | 58,478 | 2,407,104 | 5,335,924 |
| Capital assets – being depreciated, net | 26,534,879 | 16,915,356 | 2,945,619 | 1,250,360 | 47,646,214 | 41,959,427 |
| Total non-current assets | 33,086,807 | 17,757,896 | 3,004,097 | 1,308,838 | 55,157,638 | 50,550,111 |
| Total assets | 34,879,809 | 20,438,102 | 2,072,488 | 1,390,718 | 58,781,117 | 60,739,010 |
| Deferred outflows of resources: | | | | | | |
| Deferred amounts related to net OPEB obligation | 293,216 | 104,721 | 10,472 | 10,472 | 418,881 | 416,920 |
| Deferred amounts related to net pension liability | 747,167 | 266,846 | 26,684 | 26,684 | 1,067,381 | 860,449 |
| Total deferred outflows of resources | 1,040,383 | 371,567 | 37,156 | 37,156 | 1,486,262 | 1,277,369 |
| Total assets and deferred outflows of resources | \$ 35,920,192 | \$ 20,809,669 | \$ 2,109,644 | \$ 1,427,874 | \$ 60,267,379 | \$ 62,016,379 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued expenses | \$ 1,658,149 | \$ 1,577,900 | \$ 52,778 | \$ 52,838 | \$ 3,341,665 | \$ 2,618,513 |
| Deposits and unearned revenues | 71,363 | 128,788 | 1,555 | 1,555 | 203,261 | 280,050 |
| Long-term liabilities – due within one year: | | | | | | |
| Compensated absences | 66,010 | 20,910 | 2,300 | 2,300 | 91,520 | 78,817 |
| Loan payable | 90,755 | - | - | - | 90,755 | 88,748 |
| Total current liabilities | 1,886,277 | 1,727,598 | 56,633 | 56,693 | 3,727,201 | 3,066,128 |
| Non-current liabilities: | | | | | | |
| Long-term liabilities – due in more than one year: | | | | | | |
| Compensated absences | 122,591 | 38,832 | 4,270 | 4,270 | 169,963 | 146,374 |
| Loan payable | 2,049,297 | - | - | - | 2,049,297 | 2,229,753 |
| Net OPEB obligation | 249,613 | 89,147 | 8,915 | 8,915 | 356,590 | 533,588 |
| Net pension liability | 2,379,871 | 849,954 | 84,995 | 84,995 | 3,399,815 | 3,150,747 |
| Total non-current liabilities | 4,801,372 | 977,933 | 98,180 | 98,180 | 5,975,665 | 6,060,462 |
| Total liabilities | 6,687,649 | 2,705,531 | 154,813 | 154,873 | 9,702,866 | 9,126,590 |
| Deferred inflows of resources: | | | | | | |
| Deferred amounts related to net OPEB obligation | 129,920 | 46,400 | 4,640 | 4,640 | 185,600 | 97,855 |
| Deferred amounts related to net pension liability | 46,787 | 16,709 | 1,671 | 1,671 | 66,838 | 151,113 |
| Total deferred inflows of resources | 176,707 | 63,109 | 6,311 | 6,311 | 252,438 | 248,968 |
| Net position: | | | | | | |
| Net investment in capital assets | 26,032,206 | 17,568,125 | 3,004,097 | 1,308,838 | 47,913,266 | 44,976,850 |
| Restricted - capital projects | 4,914,549 | 189,771 | - | - | 5,104,320 | 3,254,760 |
| Unrestricted | (1,890,919) | 283,133 | (1,055,577) | (42,148) | (2,705,511) | 4,409,211 |
| Total net position | 29,055,836 | 18,041,029 | 1,948,520 | 1,266,690 | 50,312,075 | 52,640,821 |
| Total liabilities, deferred inflows of resources and net position | \$ 35,920,192 | \$ 20,809,669 | \$ 2,109,644 | \$ 1,427,874 | \$ 60,267,379 | \$ 62,016,379 |

TRABUCO CANYON WATER DISTRICT

Statements of Revenues, Expenses and Changes in Net Position – Combined – Internal Funds For the Year Ended June 30, 2021 (With Comparative Amounts as of June 30, 2020)

| | Water | Sewer | Recycled Water | Reclaimed Water | 2021 | 2020 |
|--|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|
| Operating revenues: | | | | | | |
| Water consumption sales | \$ 3,758,473 | \$ - | \$ - | \$ - | \$ 3,758,473 | \$ 3,165,259 |
| Water service charges | 1,059,237 | - | - | - | 1,059,237 | 1,033,023 |
| Sewer service charges | - | 1,955,995 | - | - | 1,955,995 | 1,918,114 |
| Reclaimed water sales | - | - | - | 613,962 | 613,962 | 541,972 |
| Recycled water sales | - | - | 245,799 | - | 245,799 | 181,116 |
| Wholesale water sales – BTP | 1,278,778 | - | - | - | 1,278,778 | 1,210,433 |
| Other operating revenues | 11,942 | 4,834 | - | - | 16,776 | 151,158 |
| Total operating revenues | 6,108,430 | 1,960,829 | 245,799 | 613,962 | 8,929,020 | 8,201,075 |
| Operating expenses: | | | | | | |
| Source of supply | 3,631,094 | - | - | - | 3,631,094 | 3,150,263 |
| Pumping and power | 295,308 | - | - | - | 295,308 | 252,227 |
| Water treatment | 346,674 | - | - | - | 346,674 | 303,281 |
| Transmission and distribution | 278,777 | - | - | - | 278,777 | 149,577 |
| Sewer operations | - | 760,445 | - | - | 760,445 | 770,329 |
| Reclaimed operations | - | - | - | 162,089 | 162,089 | 110,299 |
| Recycled operations | - | - | 164,044 | - | 164,044 | 129,746 |
| General and administrative | 4,000,450 | 1,662,482 | 204,130 | 204,860 | 6,071,922 | 5,906,312 |
| Total operating expenses | 8,552,303 | 2,422,927 | 368,174 | 366,949 | 11,710,353 | 10,772,034 |
| Operating income(loss) before depreciation | (2,443,873) | (462,098) | (122,375) | 247,013 | (2,781,333) | (2,570,959) |
| Depreciation expense | (1,835,644) | (1,652,631) | (148,299) | (52,996) | (3,689,570) | (3,428,661) |
| Operating income(loss) | (4,279,517) | (2,114,729) | (270,674) | 194,017 | (6,470,903) | (5,999,620) |
| Non-operating revenues(expenses): | | | | | | |
| Property taxes | 1,024,112 | 1,024,112 | - | - | 2,048,224 | 1,936,412 |
| Investment earnings | 21,108 | 4,859 | 398 | 398 | 26,763 | 119,066 |
| Rental revenue | 24,836 | - | - | - | 24,836 | 24,112 |
| Interest expense | (51,932) | - | - | - | (51,932) | (60,635) |
| Debt administration expense | - | - | - | - | - | (850) |
| Property tax administration charge | (6,214) | (6,214) | - | - | (12,428) | (11,846) |
| Capacity assignment revenue | - | - | - | - | - | 4,526,000 |
| Transfers In/(Out) | - | 17,019 | (18,674) | 1,655 | - | - |
| Other non-operating revenues | 90,163 | (7,390) | 18,288 | 5,277 | 106,338 | 48,064 |
| Total non-operating revenues(expenses), net | 1,102,073 | 1,032,386 | 12 | 7,330 | 2,141,801 | 6,580,323 |
| Change in net position before capital contribs. | (3,177,444) | (1,082,343) | (270,662) | 201,347 | (4,329,102) | 580,703 |
| Capital contributions: | | | | | | |
| Water reliability and emergency storage fees | 822,779 | - | - | - | 822,779 | 833,511 |
| Capital grants | 69,825 | 24,938 | 2,494 | 2,494 | 99,751 | 1,400,052 |
| Contributed capital – other | 1,077,826 | - | - | - | 1,077,826 | - |
| Total capital contributions | 1,970,430 | 24,938 | 2,494 | 2,494 | 2,000,356 | 2,233,563 |
| Change in net position | (1,207,014) | (1,057,405) | (268,168) | 203,841 | (2,328,746) | 2,814,266 |
| Net position: | | | | | | |
| Beginning of year | 30,262,850 | 19,098,434 | 2,216,688 | 1,062,849 | 52,640,821 | 49,826,555 |
| End of year | \$ 29,055,836 | \$ 18,041,029 | \$ 1,948,520 | \$ 1,266,690 | \$ 50,312,075 | \$ 52,640,821 |

Other Independent Auditors' Reports



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

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 the Trabuco Canyon Water District (District), which comprise the balance sheet as of June 30, 2021, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2021.

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) as a basis for designing audit procedures 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 District'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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrieta, California
November 15, 2021

TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | DECEMBER 8, 2021

FINANCIAL MATTERS
ITEM 7: OTHER MATTERS

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 8, 2021**

**FINANCIAL MATTERS
ITEM 8: FINANCIAL REPORT**

A) PRESENTATION OF PRELIMINARY UNAUDITED FINANCIAL STATEMENTS

RECOMMENDED ACTION:

Recommend that the Board receive and file the preliminary unaudited financial statements for October 2021 (Consent Calendar).

B) BILLS FOR CONSIDERATION

The total of the bills for consideration will be presented at the time of the December 8, 2021 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 December 8, 2021 as presented (Consent Calendar).

CONTACTS (staff responsible): PALUDI/PEREA/WARNER



Trabuco Canyon Water District

Statement of Revenues & Expenses

FY 2021-22 (Unaudited)

| | October 2021 | September 2021 | Current YTD | Annual Budget | 33% YTD | Prior YTD |
|---|---------------------|--------------------|---------------------|-------------------|--------------|-------------------|
| 1 Operating Revenue | | | | | | |
| 2 Residential Water | \$ 342,818 | \$ 363,595 | \$ 1,461,582 | \$ 4,116,200 | 36% | \$ 1,496,309 |
| 3 Business & Industrial Water | 11,817 | 13,147 | 50,042 | 165,600 | 30% | 56,499 |
| 4 Irrigation Water | 146,418 | 146,200 | 568,558 | 1,075,200 | 53% | 384,251 |
| 5 Stand-by | - | - | - | 41,800 | 0% | 13,667 |
| 6 Sanitation Revenue | 150,586 | 151,166 | 607,423 | 1,964,200 | 31% | 573,096 |
| 7 Recycled & Reclaimed Revenue | 98,461 | 121,647 | 464,529 | 999,000 | 46% | 419,129 |
| 8 Baker Treatment Plant Water Sales * | 121,153 | 75,282 | 199,054 | 1,383,500 | 14% | 401,405 |
| 9 Other Operating Revenue | 14,508 | 12,833 | 50,812 | 179,600 | 28% | 2,261 |
| 10 Total Operating Revenue | 885,761 | 883,870 | 3,402,000 | 9,925,100 | 34% | 3,346,617 |
| 11 Non-Operating Revenue | | | | | | |
| 12 Property Tax Unrestricted | 4,608 | 31,407 | 38,988 | 2,006,200 | 2% | 569,133 |
| 13 Interest Revenue | 315 | 3,087 | 4,218 | 35,600 | 12% | 14,120 |
| 14 Other Non-Operating Revenue | 6,180 | 3,077 | 13,963 | 72,400 | 19% | 13,659 |
| 15 Total Non-Operating Revenue | 11,103 | 37,571 | 57,169 | 2,114,200 | 3% | 639,964 |
| 16 Total Revenues | 896,864 | 921,441 | 3,459,169 | 12,039,300 | 29% | 3,986,580 |
| 17 Operating Expenses | | | | | | |
| 18 Source of Supply | 387,674 | 218,945 | 881,030 | 2,262,400 | 39% | 820,450 |
| 19 Baker Treatment SOS Costs | 97,168 | 163,731 | 451,269 | 1,287,700 | 35% | 366,760 |
| 20 Water Related Expense | 175,478 | 184,647 | 721,071 | 2,032,100 | 35% | 688,369 |
| 21 Sanitation Expense | 260,918 | 96,445 | 525,899 | 1,359,200 | 39% | 475,422 |
| 22 Recycled Expense | 34,171 | 24,063 | 114,386 | 234,200 | 49% | 89,211 |
| 23 Reclaimed Expense | 34,102 | 24,063 | 114,319 | 234,100 | 49% | 81,591 |
| 24 Salaries & Benefits | 289,953 | 306,040 | 1,206,762 | 3,923,000 | 31% | 1,105,795 |
| 25 Board Expense | 9,437 | 8,869 | 37,931 | 122,600 | 31% | 36,904 |
| 26 Miscellaneous Expense | 856 | 78 | 939 | 5,000 | 19% | 920 |
| 27 Total Operating Expenses | 1,289,758 | 1,026,880 | 4,053,607 | 11,460,300 | 35% | 3,665,421 |
| Net Income / (Loss) before Contributed Capital, Trust Contributions & Debt Service | (392,894) | (105,439) | (594,439) | 579,000 | | 321,160 |
| 28 Trust Contributions & Debt Service | | | | | | |
| 29 WRES Fees for Capital | 68,726 | 68,751 | 274,990 | 822,200 | 33% | 273,659 |
| 30 Other Capital Contributions | - | - | - | 344,000 | 0% | - |
| 31 Debt Principal, Interest & Issuance Costs | (23,271) | (15,126) | (76,794) | (445,300) | 17% | (76,794) |
| 32 CalPERS UAL & Pension Trust Contributions | (19,967) | (19,967) | (79,869) | (590,500) | 14% | (72,044) |
| 33 OPEB Trust Contributions & Paygo | (11,041) | 8,952 | (39,272) | (206,100) | 19% | (101,277) |
| Net Contributed Capital, Trust Contributions & Debt Service | 14,447 | 42,610 | 79,055 | (75,700) | -104% | 23,545 |
| 35 Net Income | \$ (378,447) | \$ (62,829) | \$ (515,383) | \$ 503,300 | | \$ 344,704 |

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, 2021 (Unaudited)

| | October 2021 | September 2021 | October 2020 |
|---|----------------------|----------------------|----------------------|
| 1 Assets | | | |
| 2 Current Assets | | | |
| 3 Cash | \$ 687,629 | \$ 419,768 | \$ 1,025,394 |
| 4 Accounts Receivable, Net | 1,616,409 | 1,590,458 | 2,165,143 |
| 5 Property Tax Receivable | - | - | 1,714,867 |
| 6 Prepaid Expenses | 407,029 | 341,897 | 357,687 |
| 7 Total Current Assets | 2,711,067 | 2,352,122 | 5,263,090 |
| 9 Total Restricted Assets (see Schedule A) | 3,419,340 | 4,166,517 | 8,146,036 |
| 11 Utility Plant | | | |
| 12 Utility Plant, at Cost | 123,510,337 | 123,450,627 | 115,729,687 |
| 13 Accumulated Depreciation | (74,842,788) | (74,488,719) | (72,158,739) |
| 14 Construction in Progress | 362,279 | 242,957 | 3,201,513 |
| 15 Total Utility Plant | 49,029,827 | 49,204,865 | 46,772,461 |
| 16 Other Assets | | | |
| 17 Due from BTP | 960,012 | 991,828 | 1,341,533 |
| 18 Deferred Outflow (Pension Related) | 1,486,261 | 1,486,261 | 1,277,368 |
| 19 Total Other Assets | 2,446,273 | 2,478,089 | 2,618,901 |
| 20 Total Assets | \$ 57,606,507 | \$ 58,201,593 | \$ 62,800,487 |
| 21 Liabilities & Retained Earnings | | | |
| 22 Current Liabilities | | | |
| 23 Accounts Payable | \$ 1,641,281 | \$ 1,394,640 | \$ 1,759,558 |
| 24 Due to Internal Financing Fund | 960,012 | 991,828 | 1,341,533 |
| 25 Accrued Expenses | 345,353 | 411,226 | 381,853 |
| 26 Deferred Property Tax Revenue | - | - | 1,165,600 |
| 27 Total Current Liabilities | 2,946,646 | 2,797,695 | 4,648,543 |
| 28 Liabilities to be Paid from Restricted Assets | | | |
| 29 Accrued Interest | 16,290 | 8,145 | 17,648 |
| 30 Current Portion-Long Term Debt | 182,547 | 182,547 | 178,449 |
| 31 Refundable Deposits | 9,500 | 19,500 | 13,500 |
| 32 Developer Deposits | 106,106 | 114,123 | 83,726 |
| 33 Total Liabilities to be Paid from Restricted Assets | 314,443 | 324,315 | 293,323 |

*No assurance is provided on these financial statements. Substantially all disclosures required by accounting principles generally accepted in the U.S. are not included.



Trabuco Canyon Water District
Balance Sheet - Comparative
As of October 31, 2021
(Unaudited)

| | October 2021 | September 2021 | October 2020 |
|--|----------------------|----------------------|----------------------|
| 34 Long Term Debt | | | |
| 35 Accrued Post Employment Benefits | 356,589 | 356,589 | 533,587 |
| 36 Accrued Pension Liability | 3,652,253 | 3,652,253 | 3,399,715 |
| 37 State Revolving Fund Loan | 1,957,505 | 1,957,505 | 2,140,052 |
| 38 Total Long Term Debt | 5,966,347 | 5,966,347 | 6,073,354 |
| 39 Total Liabilities | 9,227,436 | 9,088,357 | 11,015,220 |
| 40 Fund Balance | | | |
| 41 Invested in Capital Net of Related Debt | 46,873,485 | 47,056,668 | 44,436,312 |
| 42 Restricted for Debt Service | 236,967 | 236,963 | 225,136 |
| 43 Legally Restricted | (231,553) | 512,516 | 4,399,129 |
| 44 Designated by Board | 3,301,027 | 3,301,027 | 3,508,677 |
| 45 Unrestricted | (1,799,165) | (1,993,897) | (783,987) |
| 46 Total Fund Balance | 48,380,760 | 49,113,277 | 51,785,267 |
| 47 Total Liabilities and Fund Balance | \$ 57,608,196 | \$ 58,201,633 | \$ 62,800,487 |

*No assurance is provided on these financial statements. Substantially all disclosures required by accounting principles generally accepted in the U.S. are not included.



Trabuco Canyon Water District
Restricted Assets Report
As of October 31, 2021
(Unaudited)

| | October 2021 | September 2021 | October 2020 |
|--|---------------------|---------------------|---------------------|
| 1 LAIF Accounts (at Cost) | | | |
| 2 LAIF Unrestricted | \$ (5,373,193) | \$ (4,589,305) | \$ (840,499) |
| 3 Water Storage Facilities | 1,051,427 | 1,051,427 | 1,051,427 |
| 4 Sanitation Capital Improvement | - | - | 326,587 |
| 5 WRES - Rose Canyon/Lang Wells | 1,377,770 | 1,342,128 | 1,187,356 |
| 6 WRES - Reservoir/Distribution Improvements | 2,635,859 | 2,631,736 | 2,597,997 |
| 7 RD#5 | 76,585 | 76,530 | 76,261 |
| 8 LAIF Interim Sewage | 112,899 | 116,011 | 119,162 |
| 9 Water Rate Stabilization Funds | 792,830 | 792,830 | 684,080 |
| 10 Sewer Rate Stabilization Funds | 547,360 | 547,360 | 726,160 |
| 11 Working Capital Funds | 1,960,304 | 1,960,304 | 1,975,776 |
| 12 Market Value Over/(Under) Cost | 533 | 533 | 16,593 |
| 13 State Revolving Fund | | | |
| 14 Cash in CB&T Reserved for SRF Loan | 236,967 | 236,963 | 225,136 |
| 15 Total Restricted Assets | \$ 3,419,340 | \$ 4,166,517 | \$ 8,146,036 |

*No assurance is provided on these financial statements. Substantially all disclosures required by accounting principles generally accepted in the U.S. are not included.



Trabuco Canyon Water District
Investment Schedule
As of October 31, 2021
(Unaudited)

| DESCRIPTION | RATE | COST | MARKET | % OF TOTAL |
|--|--------|---------------------|---------------------|---------------|
| District Investments in the California Local Agency | | | | |
| 1 Water Storage Fees | 0.203% | \$ 1,051,427 | \$ 1,051,294 | 33% |
| 2 Trabuco Creek Wells | 0.203% | 1,377,770 | 1,377,596 | 43% |
| 3 Reservoir/Distribution | 0.203% | 2,635,859 | 2,635,526 | 83% |
| 4 RD#5 | 0.203% | 76,585 | 76,575 | 2% |
| 5 LAIF Interim Sewage | 0.203% | 112,899 | 112,885 | 4% |
| 6 Water Rate Stabilization Funds | 0.203% | 792,830 | 792,730 | 25% |
| 7 Sewer Rate Stabilization Funds | 0.203% | 547,360 | 547,291 | 17% |
| 8 Working Capital Funds | 0.203% | 1,960,304 | 1,960,056 | 62% |
| 9 LAIF Unrestricted | 0.203% | (5,373,193) | (5,372,514) | -169% |
| Total District Investments | | \$ 3,181,840 | \$ 3,181,438 | 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*

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

*No assurance is provided on these financial statements. Substantially all disclosures required by accounting principles generally accepted in the U.S. are not included.



Trabuco Canyon Water District Checking Account Activity October 2021 (Unaudited)

| Inflows | Current Month | Year to Date |
|---------------------------------------|----------------------|---------------------|
| Utility Billing Collections | \$ 816,266 | \$ 3,282,340 |
| Tax Receipts | 4,603 | 61,470 |
| Transfer From LAIF | 750,000 | 3,250,000 |
| Miscellaneous | 33,372 | 173,979 |
| Total Inflows | 1,604,241 | 6,767,790 |
| | | |
| Outflows | | |
| Vouchers | 683,984 | 3,735,375 |
| Payroll | 304,748 | 1,046,346 |
| Transfer to LAIF | - | - |
| Miscellaneous & Online Payments | 626,312 | 1,478,860 |
| Total Outflows | 1,615,043 | 6,260,581 |
| | | |
| Net Change in Checking Account | (10,802) | 507,209 |
| Beginning Checking Account | 1,018,790 | 500,779 |
| | | |
| Ending Checking Account | \$ 1,007,987 | \$ 1,007,987 |

*No assurance is provided on these financial statements. Substantially all disclosures required by accounting principles generally accepted in the U.S. are not included.