



South Orange County Wastewater Authority

May 11, 2015

County of Orange - Auditor/Controller
Internal Audit Division
P.O. Box 567
Santa Ana, CA 92702-0567

Subject: Filing the Annual Audit Report
for Fiscal year 2013/2014

Enclosed please find a copy of the annual audit report for the South Orange County Wastewater Authority for the fiscal year ended June 30, 2014, as prepared by Mayer Hoffman McCann P.C., and received by the Board of Directors of said agency at their regular meeting of February 5, 2015.

Very truly yours,

SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

Mason Motoyoshi
Senior Accountant

Enclosure:

**South Orange County
Wastewater Authority**

Dana Point, California

***Financial Statements and
Independent Auditors' Report***

For the year ended June 30, 2014

South Orange County Wastewater Authority
Financial Statements
For the year ended June 30, 2014

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Mayer Hoffman McCann P.C.
An Independent CPA Firm

2301 Dupont Drive, Suite 200 ■ Irvine, California 92612
Main: 949.474.2020 ■ Fax: 949.263.5520 ■ www.mhmcpa.com

The Board of Directors
of the South Orange County Wastewater Authority
Dana Point, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the South Orange County Wastewater Authority ("the Authority"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Orange County Wastewater Authority, as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Orange County Wastewater Authority's basic financial statements. The *combining financial statements, schedule of capital assets, and the other information* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining financial statement, and schedule of capital assets* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining financial statements, and schedule of capital assets* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *other information* has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014 on our consideration of the South Orange County Wastewater Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

Irvine, California
December 16, 2014

**SOUTH ORANGE COUNTY
WASTEWATER AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

This section of the financial statements of the South Orange County Wastewater Authority (Authority) is management's overview and analysis of the Authority's financial activities for the fiscal year ended June 30, 2014. The information here is to be considered in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's total net position increased \$3,473,668 or 5.91%.
- Capital Assets increased by \$2,804,041 or 5.01%.
- Current Assets increased by \$1,288,881 or 16.85%.
- Total Liabilities increased by \$619,254 or 12.69%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority operates as a Joint Powers Authority and is accounted for as an Enterprise Fund, using the full accrual basis of accounting. As an enterprise fund the Authority's basic financial statements comprise of two components: financial statements and notes to the financial statements. The report also contains other supplementary information, about the operation budgets, in addition to the basic financial statements.

In accordance with GASB Statement No. 34, the Authority's financial statements include a statement of net assets, statement of revenues, expenses, and changes in net position, and a statement of cash flows. The assets noted in the financial statements include only the current assets and capital assets recorded since 1984. The original construction costs (original capital assets) of the various treatment plants and facilities are carried on the books of the member agencies, as requested by the Board of Directors.

The statement of revenues, expenses, and changes in net position accounts for the current year's revenues and expenses. This statement reflects the overall activity of the Authority, related to normal operations of all facilities.

NET POSITION

To begin our analysis, a summary of the Authority's Statements of Net position is presented as Table 1.

Table 1				
Condensed Statement of Net Position				
	Fiscal Year Ending 6/30/14	Fiscal Year Ending 6/30/13	Dollar Change +/-	Percentage Change +/-
Current Assets	\$8,936,134	\$7,647,253	\$1,288,881	16.85%
Non-Current Assets:				
Capital Assets	58,788,881	55,984,840	2,804,041	5.01%
Total Assets	<u>67,724,815</u>	<u>63,631,893</u>	<u>4,092,922</u>	6.43%
Current Liabilities	4,159,458	3,532,893	626,565	17.74%
Non-Current Liabilities	1,339,077	1,346,368	(7,311)	-0.54%
Total Liabilities	<u>5,498,535</u>	<u>4,879,261</u>	<u>619,274</u>	12.69%
Investment in capital assets, not being depreciated	3,651,753	4,061,363	(409,610)	-10.09%
Investment in capital assets, net of related depreciation	55,136,928	51,923,277	3,213,651	6.19%
Restricted for project committees	3,437,599	2,767,972	669,627	24.19%
Total Net Position	<u>\$62,226,280</u>	<u>\$58,752,612</u>	<u>\$3,473,668</u>	5.91%

As seen in Table 1, the difference between the increase in total assets and total liabilities is \$3,473,668. The gain in total net position was a combination of increases in assets and liabilities and a gain in investments in capital assets. The increase in current assets was due to an increase in accounts receivables from Prop 50 invoicing of reimbursable costs for the Export Sludge Main. The change in capital assets is attributable to the Agency's increased capital project activity at the Coastal Treatment Plan which included the completion of several projects, including the Export Sludge Equalization Basin (\$1,524,581), the West Primary Sedimentation Upgrade (\$1,303,658.68) and the MCC-1 Replacement (\$1,134,819). The increase of current liabilities of \$626,565 is primarily a result of larger Member Agency refunds compared to the prior fiscal year.

Table 2
Condensed Statement of Activities and Changes in Net Position

	Fiscal Year Ending 6/30/14	Fiscal Year Ending 6/30/13	Dollar Change +/-	Percentage Change +/-
Operating Revenues	\$20,197,173	\$18,702,350	\$1,494,823	7.99%
Non-Operating Revenues	24,900	36,614	(11,714)	-31.99%
Capital Contributions	5,747,731	5,626,905	120,826	2.15%
Total Revenues	<u>25,969,804</u>	<u>24,365,869</u>	<u>1,603,935</u>	6.58%
Operating Expenses	18,116,350	18,354,026	(237,676)	-1.29%
Depreciation Expense	4,379,788	4,012,104	367,682	9.16%
Non-Operating Expenses	0	0	0	0.00%
Total Expenses	<u>22,496,138</u>	<u>22,366,130</u>	<u>130,008</u>	0.58%
Changes in Net Position	3,473,668	1,999,739	1,473,929	73.71%
Beginning Net Position, as restated	<u>58,752,612</u>	<u>56,752,873</u>	<u>1,999,739</u>	3.52%
Ending Net Position, as restated	<u>\$62,226,280</u>	<u>\$58,752,612</u>	<u>\$3,473,668</u>	5.91%

While the Statement of Net position shows the change in financial position, the Statement of Activities and Changes in Net position provides answers as to the nature and source of these changes. As noted in Table 2 above, total expenses had a small increase of .58% with operating expenses decreasing \$237,676 or -1.29% while operating revenues increased by \$1,494,823, a 7.99% change in operating revenues due primarily to Prop 50 revenue of \$2,427,080.99.

The major contributor to the increase in net position was the increase in Capital Contributions and Prop 50 revenue over depreciation expense. Capital Contributions increased because of the completion of several major construction projects and the timing of the related contributions from Member Agencies where projects typically cross-over reporting periods and require upfront funding.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investments, and changes in policy during the reporting period. Compared to the year ended June 30, 2013, the most significant change is an increase in contributions from entities other than the member agencies for grant related operating costs.

SUPPLEMENTARY INFORMATION

Capital Assets

The Authority's investment in capital assets increased \$2,804,041, while approximately \$7.35 million dollars in construction in progress was moved to completed projects during the fiscal year ending June 30, 2014. The most significant projects completed were: Export Sludge Equalization Basin (\$1,524,581), the West Primary Sedimentation Upgrade (\$1,303,658.68) and the MCC-1 Replacement (\$1,134,819). In addition, several other small internal projects and studies were started and completed in the fiscal year ending June 30, 2014.

Long Term Debt

Long-term debt for SOCWA consists of two items. The first item is compensated absences, which was at \$286,758 as of June 30, 2014. SOCWA accrues the liability for unpaid leave that is payable upon an employees termination. These amounts are adjusted each fiscal year. The second and final debt is related to the OPEB (Other Post Employment Benefits) liability, which was at \$1,052,319 as of June 30, 2014.

Economic Factors & Budget

The Board of Directors and Management considered many factors when setting the FY 2013-2014 Operating and Capital Budgets. Management has also prepared a 10 year Capital Projects Plan. In addition to this, management has been preparing five-year projections of Operating Expenses, which began with the budget process for F/Y 2004/2005. SOCWA's current MOU with the operational staff is effective through June 30, 2017. For the fiscal year ended June 30, 2014, 91.98% of the operational budget was expended. The remaining 8.02% was refunded to the member agencies. This reflects an increase in capital funds collected that due to timing difference were not expended by the end of the fiscal year, but is anticipated to be spent in the next fiscal year. Savings to the budgets were realized because of the following factors: completed projects have resulted in more efficient processes at the treatment plants and several items were not needed as anticipated in the budget. Finally, staff will continue to use the projection process as an analytical tool in fine-tuning future years' budgets.

Requests for Information

The financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed in writing to the General Manager, South Orange County Wastewater Authority, 34156 Del Obispo Street, Dana Point, CA. 92629.

South Orange County Wastewater Authority
Statement of Net Position
June 30, 2014

ASSETS

Current assets:	
Cash and investments (note 2)	\$ 6,499,764
Receivables, net:	
Accounts	1,783,633
Interest	2,691
Due from member agencies	90,834
Inventories	465,792
Deposits	18,000
Prepaid items	75,420
Total current assets	8,936,134
Noncurrent assets (note 3):	
Capital assets not being depreciated	3,630,626
Capital assets, net of accumulated depreciation	55,121,740
Total noncurrent assets	58,752,366
Total assets	67,688,500

LIABILITIES

Current liabilities:	
Accounts payable	1,376,643
Due to member agencies	2,331,605
Accrued payroll liabilities	284,486
Current portion of compensated absences (note 4)	166,724
Total current liabilities	4,159,458
Noncurrent liabilities: (note 4)	
Long-term portion of compensated absences	286,758
Net other postemployment benefits	1,052,319
Total noncurrent liabilities	1,339,077
Total liabilities	5,498,535

NET POSITION

Net Investment in capital asset	58,752,366
Restricted for project committees	3,437,599
Total net position	\$ 62,189,965

South Orange County Wastewater Authority
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2014

OPERATING REVENUES:

Member Agency Assessments:

City of Laguna Beach	\$	2,228,378
City of San Clemente		157,434
City of San Juan Capistrano		1,710,709
Emerald Bay Service District		119,130
El Toro Water District		743,417
Irvine Ranch Water District		203,745
Moulton Niguel Water District		8,256,503
South Coast Water District		2,501,605
Santa Margarita Water District		1,829,808
Trabuco Canyon Water District		6,253

Total member agency assessments 17,756,982

Other revenues 2,440,191

Total operating revenues 20,197,173

OPERATING EXPENSES:

Administration		2,445,795
Collection		747,120
Treatment		12,772,207
Disposal		2,151,228
Depreciation		4,416,101

Total operating expenses 22,532,451

OPERATING INCOME (LOSS) (2,335,278)

NONOPERATING REVENUES (EXPENSES):

Investment income		12,365
Other revenues		12,535

Total nonoperating income 24,900

CAPITAL CONTRIBUTIONS:

Member agency assessments		<u>5,747,731</u>
Total capital contributions		<u><u>5,747,731</u></u>

Change in net position 3,437,353

NET POSITION:

Beginning of year		<u>58,752,612</u>
End of year		<u><u>\$ 62,189,965</u></u>

South Orange County Wastewater Authority
Statement of Cash Flows
For the year ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from member agencies	\$ 18,216,880
Cash contributed from other entities	2,440,191
Cash payments to suppliers for operations	(16,694,926)
Cash payments to employees for services	(1,554,812)
Cash payments for general and administrative expenses	(860,618)
Net cash provided by operating activities	1,546,715

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital contributions	5,747,731
Acquisition of capital assets	(7,183,829)
Net cash (used in) capital and related financing activities	(1,436,098)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	14,051
Net cash provided by investing activities	14,051
Net increase in cash and cash equivalents	124,668

CASH AND CASH EQUIVALENTS:

Beginning of year	6,375,096
End of year	\$ 6,499,764

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:**

Operating income (loss)	\$ (2,335,278)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	4,416,103
Nonoperating revenues	12,535
Changes in operating assets and liabilities:	
Accounts receivable	(1,143,695)
Due from member agency	16,820
Deposits	(18,000)
Inventories	(25,883)
Prepaid items	4,859
Accounts payable	158,346
Due to member agency	430,543
Accrued payroll liabilities	44,065
Compensated absences	(18,575)
Net other postemployment benefits	4,875
Net cash provided by operating activities	\$ 1,546,715

There were no significant noncash investing or financing activities for the year ended June 30, 2014.

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NOTES TO THE FINANCIAL STATEMENTS

South Orange County Wastewater Authority
Notes to the Financial Statements
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Effective July 1, 2001, the Aliso Water Management Agency ("AWMA"), South East Regional Reclamation Authority ("SERRA"), and South Orange County Reclamation Authority ("SOCRA") were consolidated to form the South Orange County Wastewater Authority (the "Authority"). The Authority was formed as a joint exercise of powers agreement under the laws of the State of California. The member agencies of AWMA, SERRA and SOCRA became member agencies of the Authority. Each member agency appoints one representative to the Authority's board of directors. The Authority assumed all assets, obligations, agreements and liabilities of AWMA, SERRA, and SOCRA. The accompanying financial statements present the Authority and its component units for which the Authority is considered to be financially accountable, if any. Currently, there are no such component units.

AWMA was created under a joint exercise of powers agreement dated March 1, 1972. AWMA was formed to enable its members to jointly exercise their common powers regarding the treatment and disposal of wastewater to establish a total water management program for their consolidated service areas.

SERRA was formed by a joint exercise of powers agreement on March 9, 1970. SERRA was formed to coordinate regional planning of wastewater disposal and reclamation of wastewater in the San Juan Basin.

SOCRA was created under a joint exercise of powers agreement dated September 5, 1991. SOCRA was formed to enable its members to jointly exercise their common powers regarding the acquisition and holding of a single water reclamation primary user permit for the San Juan, Aliso Valley and other watershed areas within Region 8 and 9 of the California State Water Resources Control Board.

The Authority is comprised of the following ten member agencies:

- City of Laguna Beach ("CLB")
- City of San Clemente ("CSC")
- City of San Juan Capistrano ("CSJC")
- Emerald Bay Service District ("EBSD")
- El Toro Water District ("ETWD")
- Irvine Ranch Water District ("IRWD")
- Moulton Niguel Water District ("MNWD")
- South Coast Water District ("SCWD")
- Santa Margarita Water District ("SMWD")
- Trabuco Canyon Water District ("TCWD")

The Authority is economically dependent upon assessments from the above member agencies.

B. Basis of Accounting and Measurement Focus

The financial statements (i.e., the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) report information on all of the enterprise activities of the Authority.

South Orange County Wastewater Authority
Notes to the Financial Statements, Continued
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The financial statements are prepared using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues consists primarily of member assessments for services. Operating expenses include the cost of services, administrative expenses, and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash, Cash Equivalents and Investments

The Authority’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

Investments are stated at fair value (quoted market price or best available estimate thereof).

D. Inventories

Inventories consist of materials and supplies which are valued at cost on a first-in, first-out basis. Inventories are recorded as an expense when consumed for financial statement purposes but recorded as inventory when purchased for determining member agencies’ allocations.

E. Prepaid Items

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

South Orange County Wastewater Authority
Notes to the Financial Statements, Continued
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than three years. The original completed joint construction project costs of all original facilities constructed or acquired by AWMA and SERRA were contributed to SOCWA and are reflected in the accompanying financial statements as capital assets owned by SOCWA. All capital assets used in SOCWA operations are reflected as capital assets of SOCWA, except for the PC3A Plant which is owned by the Moulton Niguel Water District.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. The lives used for depreciation purposes are as follows:

Plant equipment	3 to 58 years
Facilities and improvements	5 to 50 years

G. Compensated Absences

Employees can accrue vacation leave up to a maximum of 240 hours. Vacation leave accrues at the rate of 96 to 160 a year depending on the number of years of employment. Sick leave accrued at the rate of 8 hours per month up to a maximum of 240 hours. Upon termination, the Authority pays 75% of accumulated sick leave in excess of 176 hours.

All accumulated vacation and vested sick leave pay is recorded as an expense and a liability at the time the benefit is earned.

H. Net Position

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

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

South Orange County Wastewater Authority
Notes to the Financial Statements, Continued
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Basis for Member Assessments

Member assessments are determined based on each member's participation in project committee costs, Costs are allocated to member agencies based on liquids, solids, and common ownership, on metered flows and measured usage, on non-potable water production, on actual costs, or per approved budget allocations.

J. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions. These estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

2. CASH AND INVESTMENTS

The Authority's cash and investments were comprised of the following at June 30, 2014:

Petty cash	\$	1,800
Demand deposits		422,888
Local Agency Investments Fund		<u>6,075,076</u>
 Total cash and investments		 <u>\$ 6,499,764</u>

A. Cash Deposits

The carrying amounts of the Authority's demand deposits were \$683,590 at June 30, 2014. The Authority had deposits in excess of FDIC limits of \$433,590 as of June 30, 2014.

B. Investments

The table below identifies the investment types that are authorized for the Authority by the California Government Code and the Authority's investment policy. The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, if more restrictive) that addresses interest rate risk and concentration of credit risk.

South Orange County Wastewater Authority
Notes to the Financial Statements, Continued
For the year ended June 30, 2014

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

Authorized Investment Type	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investments In One Issuer*
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Time Certificates of Deposit	5 years	25%	None
Money Market Mutual Funds	N/A	15%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund ("LAIF")	N/A	None	None
JPA Pools	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

C. Investment in Local Agency Investment Fund

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

D. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with the Authority's Investment Policy, the Authority manages its exposure to interest rate risks by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

South Orange County Wastewater Authority
Notes to the Financial Statements, Continued
For the year ended June 30, 2014

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Interest Rate Risk, Continued

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years) Less than 1</u>
Local Agency Investment Fund	\$ 6,075,076	6,075,076
Total	\$ 6,075,076	6,075,076

Credit Risk

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

As of June 30, 2014, the Authority's investment portfolio consisted of \$6,075,076 invested in the State of California Local Agency Investment Fund, which is not rated.

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than external investment pools) that represent 5% or more of total Authority investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

South Orange County Wastewater Authority
Notes to the Financial Statements, Continued
For the year ended June 30, 2014

3. CAPITAL ASSETS

The summary of changes in the capital assets for the year ended June 30, 2014 was as follows:

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014
Capital assets not being depreciated:				
Land	\$ 653,224	-	-	653,224
Construction in progress	3,408,139	4,037,963	(4,399,311)	3,046,791
Total capital assets not being depreciated	4,061,363	4,037,963	(4,399,311)	3,700,015
Capital assets being depreciated:				
Equipment	15,607,968	587,943	-	16,195,911
Facilities and improvements	84,872,266	6,957,232	-	91,829,498
Total capital assets being depreciated	100,480,234	7,545,175	-	108,025,409
Less accumulated depreciation for:				
Equipment	(8,481,509)	(485,986)	-	(8,967,495)
Facilities and improvements	(40,075,448)	(3,893,800)	-	(43,969,248)
Total accumulated depreciation	(48,556,957)	(4,379,786)	-	(52,936,743)
Total capital assets being depreciated, net	51,923,277	3,165,389	-	55,088,666
Total capital assets, net	\$ 55,984,640	7,203,352	(4,399,311)	58,788,681

Depreciation expense for the fiscal year ended June 30, 2014 was \$4,379,786.

4. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	Balance			Balance June 30, 2014	Classification	
	July 1, 2013	Additions	Deletions		Current	Long-term
Compensated absences	\$ 472,057	648,151	(666,726)	453,482	166,724	286,758
Net OPEB obligation	1,047,444	606,675	(601,800)	1,052,319	-	1,052,319
Total	\$ 1,519,501	1,254,826	(1,268,526)	1,505,801	166,724	1,339,077

South Orange County Wastewater Authority
Notes to the Financial Statements, Continued
For the year ended June 30, 2014

5. POST-RETIREMENT HEALTH CARE BENEFITS

Plan Description and Eligibility

The Authority provides post-retirement health care benefits to employees who retire from PERS on or after age 50 with at least 5 years of service with the Authority and PERS. The Authority's plan is a single employer plan that provides post-retirement health care benefits in accordance with the Public Employee's Medical and Hospital Care Act through the PERS health program. The Authority's contribution for each retiree is the amount necessary to pay the cost of his/her enrollment per month in the health benefits plan up to a maximum of the average of all plans available, plus administrative fees and Contingency Reserve Fund assessments. The Authority's contribution for each annuitant will be 100% of the contribution for each employee.

For the fiscal year ended June 30, 2014, the total contribution made was \$601,800, which was comprised of \$350,186 contributed to the Public Agency Retirement Services ("PARS") irrevocable trust and \$251,614 on the pay-as-you-go basis. There were 18 retired employees who received health care benefits during the fiscal year.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual Other Postemployment Benefits ("OPEB") cost (expense) is calculated based on the *Annual Required Contribution of the Employer* ("ARC"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to the plan:

Annual required contribution	\$	601,747
Interest on net OPEB obligation		62,847
Adjustment to annual required contribution		(57,919)
Annual OPEB cost (expense)		606,675
Contributions made		(601,800)
Increase in net OPEB obligation		4,875
Net OPEB obligation - beginning of year		1,047,444
Net OPEB obligation - end of year	\$	1,052,319

South Orange County Wastewater Authority
Notes to the Financial Statements, Continued
For the year ended June 30, 2014

5. POST-RETIREMENT HEALTH CARE BENEFITS, Continued

Annual OPEB Cost and Net OPEB Obligation, Continued

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Contribution</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 607,410	583,200	96.0%	1,024,079
6/30/2013	606,565	583,200	96.1%	1,047,444
6/30/2014	606,674	601,800	99.2%	1,052,318

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts, and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan, and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time related to the actuarial accrued liabilities for benefits.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Actuarial Liability as Percentage of Covered Payroll</u>
1/1/2008	\$ -	\$ 8,899,197	\$ 8,899,197	0.00%	\$ 4,956,000	179.56%
1/1/2010	212,094	6,973,032	6,760,938	3.04%	5,269,432	128.30%
1/1/2013	1,337,155	8,184,615	6,847,460	16.34%	4,873,758	140.50%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members), and include the types of benefits provided at the time of each valuation, and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, and are consistent with the long-term perspective of the calculations.

In the January 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 6.0% investment rate of return which is based on the expected return on funds invested by the Authority, and an annual healthcare cost trend rates of 7.0% initially and reduced to an ultimate rate of 5.0% thereafter. An aggregate payroll increase of 3.25% was used in the actuarial valuation. The UAAL is

South Orange County Wastewater Authority
Notes to the Financial Statements, Continued
For the year ended June 30, 2014

being amortized as level percentage of projected payroll over a 30 year closed period. The remaining amortization period at January 1, 2013 was 25 years.

6. DEFINED BENEFIT PENSION PLAN

Plan Description

The Authority contributes to the California Public Employee Retirement System (“PERS”), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and Authority ordinance. Copies of PERS’ annual financial report may be obtained from their executive office at 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants in Tiers 1 and 2 for miscellaneous employees are required to contribute 8% and 7%, respectively, of their annual covered salary. The Authority contributes 1.34% on behalf of the Tier 1 employees and the employees pay 6.66%. Tier 2 employees contribute their entire 7%. For the fiscal year ended June 30, 2014, the Authority’s Tier 1 contribution was 14.660% and the Tier 2 contribution was 10.781% of annual covered payroll. The contribution requirements of plan members and the Authority are established and may be amended by PERS.

Annual Pension Cost

The Authority’s annual pension cost of \$805,741 was equal to the Authority’s required and actual contribution. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.30% to 14.20% depending upon entry age, and (c) 2.75% for inflation compounded annually. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2014, was 18 years.

Three-Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 722,256	100.0%	-
2013	721,049	100.0%	-
2014	805,741	100.0%	-

South Orange County Wastewater Authority
Notes to the Financial Statements, Continued
For the year ended June 30, 2014

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has joined the California Sanitation Risk Management Authority ("CSRMA"), a public entity risk pool currently operating as a common risk management and insurance program for 62 member sanitation districts. The Authority pays an annual premium to CSRMA for its general insurance coverage. The agreement for formation of the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process.

At June 30, 2014, the Authority's participation in the self-insurance programs of the CSRMA was as follows:

- Workers' Compensation – the Authority is self-insured through the CSRMA up to \$750,000 with a \$0 deductible. Excess insurance up to the statutory limits per occurrence has been purchased. Excess insurance of \$1,000,000 for employer's liability has also been purchased.
- General Liability (including errors and omissions ("E&O") and employment practices liability ("EPL")) – the Authority is self-insured through the CSRMA for up to \$500,000 (\$100,000 for EPL) with a \$25,000 deductible (\$2,500 for E&O). Excess insurance of \$15,000,000 per occurrence has also been purchased.

In addition to the above, the Authority has also purchased insurance coverage for property loss including auto, employees' dishonesty bonds, pollution and remediation liability and employee health and accident. The Authority is not insured against earthquake damage.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The premiums paid during the fiscal year were \$349,538. There were no accrued claims liabilities at June 30, 2014.

8. CONTINGENCIES AND COMMITMENTS

A. Lawsuits

In the ordinary course of business, the Authority is subject to various claims, investigations, proceedings, tax assessments, and legal actions from time to time arising out of the conduct of the Authority's business. Management believes that, based on current knowledge, the outcome of any such pending matters will not have a material adverse effect on the Authority's financial position.

B. Construction Commitments

The Authority has active construction projects as of June 30, 2014. At year-end, the Authority's commitments with contractors are as follows:

PC2 – Regional Treatment Plant Miscellaneous Improvements	\$1,094,000
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South Orange County Wastewater Authority
Combining Schedule of Net Position by Project Committees
June 30, 2014

	General Agency	JB Latham Treatment Plant PC2	JB Latham Treatment Plant Rehabilitation PC2R	Wastewater Discharge Permitting PC 2SO	3A Plant
ASSETS					
Current assets:					
Cash and investments	\$ (45,582)	819,946	822,019	(65,673)	246,860
Receivables, net:					
Accounts	-	-	-	148,833	-
Interest	(17)	409	360	(33)	91
Due from member agencies	62,761	27,897	-	-	-
Inventories	-	191,188	-	-	181,163
Deposits	-	-	-	-	-
Prepaid items	4,602	31,448	-	-	7,602
Total current assets	21,764	1,070,888	822,379	83,127	435,716
Noncurrent assets:					
Capital assets not being depreciated	-	653,224	1,475,177	-	-
Capital assets, net	13,750	15,399,934	-	-	-
Total noncurrent assets	13,750	16,053,158	1,475,177	-	-
Total assets	35,514	17,124,046	2,297,556	83,127	435,716
LIABILITIES					
Current liabilities:					
Accounts payable	17,087	223,654	102,512	1,673	83,312
Due to member agencies	4	448,071	160,741	80,276	66,316
Accrued payroll liabilities	4,673	76,411	2,924	1,179	33,089
Compensated absences	-	46,483	-	-	26,829
Total current liabilities	21,764	794,619	266,177	83,128	209,546
Noncurrent liabilities:					
Compensated absences	-	85,081	-	-	45,006
Net other postemployment benefits	-	303,045	-	-	150,448
Total noncurrent liabilities	-	388,126	-	-	195,454
Total liabilities	21,764	1,182,745	266,177	83,128	405,000
NET POSITION					
Net Investment in capital assets	13,750	16,053,158	1,475,177	-	-
Restricted for project committees	-	(111,857)	556,202	(1)	30,716
Total net position	\$ 13,750	15,941,301	2,031,379	(1)	30,716

3A Plant Rehabilitation	San Juan Creek Ocean Outfall PC5	Coastal Treatment Plant PC15	Coastal Treatment Plant Rehabilitation PC15R	Joint Regional Treatment Plant PC 17	Joint Regional Treatment Plant Rehabilitation PC 17R	Effluent Transmission PC21
424,062	161,214	389,250	385,994	1,102,519	1,720,568	280,145
-	142	1,000	1,619,807	7,390	3,090	-
175	95	216	16	427	715	126
-	-	-	-	-	-	-
-	-	40,691	-	52,750	-	-
-	-	-	-	18,000	-	-
-	1,479	5,963	-	21,781	-	985
<u>424,237</u>	<u>162,930</u>	<u>437,120</u>	<u>2,005,817</u>	<u>1,202,867</u>	<u>1,724,373</u>	<u>281,256</u>
-	-	-	505,145	-	997,080	-
-	286,538	19,149,376	-	16,137,582	-	183,134
-	286,538	19,149,376	505,145	16,137,582	997,080	183,134
<u>424,237</u>	<u>449,468</u>	<u>19,586,496</u>	<u>2,510,962</u>	<u>17,340,449</u>	<u>2,721,453</u>	<u>464,390</u>
19,933	16,285	91,496	353,897	328,207	121,703	1,202
87,102	140,292	179,879	96,143	567,109	246,565	31,508
1,431	6,351	47,330	3,353	89,889	3,153	846
-	-	25,763	-	65,417	-	-
<u>108,466</u>	<u>162,928</u>	<u>344,468</u>	<u>453,393</u>	<u>1,050,622</u>	<u>371,421</u>	<u>33,556</u>
-	-	51,963	-	99,499	-	-
-	21,421	176,716	-	358,704	-	-
-	21,421	228,679	-	458,203	-	-
<u>108,466</u>	<u>184,349</u>	<u>573,147</u>	<u>453,393</u>	<u>1,508,825</u>	<u>371,421</u>	<u>33,556</u>
-	286,538	19,149,376	505,145	16,137,582	997,080	183,134
315,771	(21,419)	(136,027)	1,552,424	(305,958)	1,352,952	247,700
<u>315,771</u>	<u>265,119</u>	<u>19,013,349</u>	<u>2,057,569</u>	<u>15,831,624</u>	<u>2,350,032</u>	<u>430,834</u>

(Continued)

South Orange County Wastewater Authority
Combining Schedule of Net Position by Project Committees, Continued
June 30, 2014

	North Coast Interceptor PC23	Aliso Creek Ocean Outfall PC24	Pre- Treatment Program	Total
ASSETS				
Current assets:				
Cash and investments	(1,346)	230,359	29,429	6,499,764
Receivables, net:				
Accounts	671	-	2,700	1,783,633
Interest	(1)	97	15	2,691
Due from member agencies	2	-	174	90,834
Inventories	-	-	-	465,792
Deposits	-	-	-	18,000
Prepaid items	-	1,129	431	75,420
Total current assets	<u>(674)</u>	<u>231,585</u>	<u>32,749</u>	<u>8,936,134</u>
Noncurrent assets:				
Capital assets not being depreciated	-	-	-	3,630,626
Capital assets, net	<u>3,590,765</u>	<u>339,493</u>	<u>21,168</u>	<u>55,121,740</u>
Total noncurrent assets	<u>3,590,765</u>	<u>339,493</u>	<u>21,168</u>	<u>58,752,366</u>
Total assets	<u>3,590,091</u>	<u>571,078</u>	<u>53,917</u>	<u>67,688,500</u>
LIABILITIES				
Current liabilities:				
Accounts payable	141	11,710	3,831	1,376,643
Due to member agencies	-	213,852	13,747	2,331,605
Accrued payroll liabilities	99	6,026	7,732	284,486
Compensated absences	-	-	2,232	166,724
Total current liabilities	<u>240</u>	<u>231,588</u>	<u>27,542</u>	<u>4,159,458</u>
Noncurrent liabilities:				
Compensated absences	-	-	5,209	286,758
Net other postemployment benefits	-	20,939	21,046	1,052,319
Total noncurrent liabilities	<u>-</u>	<u>20,939</u>	<u>26,255</u>	<u>1,339,077</u>
Total liabilities	<u>240</u>	<u>252,527</u>	<u>53,797</u>	<u>5,498,535</u>
NET POSITION				
Net Investment in capital assets	3,590,765	339,493	21,168	58,752,366
Restricted for project committees	(914)	(20,942)	(21,048)	3,437,599
Total net position	<u>3,589,851</u>	<u>318,551</u>	<u>120</u>	<u>62,189,965</u>

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South Orange County Wastewater Authority
Combining Schedule of Revenues, Expenses and Changes in Net Position
by Project Committees
For the year ended June 30, 2014

	General Agency	JB Latham Treatment Plant PC2	JB Latham Treatment Plant Rehabilitation PC2R	Wastewater Discharge Permitting PC 2SO	3A Plant
OPERATING REVENUES					
Member Agency Assessments:					
City of Laguna Beach	\$ 35,039	-	-	-	-
City of San Clemente	33,631	-	-	-	-
City of San Juan Capistrano	37,746	1,517,375	-	3,466	-
Emerald Bay Service District	33,600	-	-	-	-
El Toro Water District	37,082	-	-	4,065	-
Irvine Ranch Water District	36,772	-	-	3,689	-
Moulton Niguel Water District	42,307	999,874	-	10,582	1,837,929
South Coast Water District	38,497	1,024,523	-	4,302	-
Santa Margarita Water District	37,826	1,262,105	-	16,702	157,505
Trabuco Canyon Water District	3,006	-	-	3,247	-
Total member agency assessments	335,506	4,803,877	-	46,053	1,995,434
Other revenues	-	-	-	12,110	-
Total operating revenues	335,506	4,803,877	-	58,163	1,995,434
OPERATING EXPENSES					
Administration	336,130	400,992	119,892	278,557	133,966
Collection	-	-	-	-	-
Treatment	-	3,781,883	-	-	1,739,626
Disposal	-	608,767	-	-	114,885
Depreciation	1,144	1,495,702	-	-	-
Total operating expenses	337,274	6,287,344	119,892	278,557	1,988,477
Operating income (loss)	(1,768)	(1,483,467)	(119,892)	(220,394)	6,957
NONOPERATING REVENUES (EXPENSES)					
Investment income (expense)	625	1,425	1,073	(77)	733
Other revenues	-	3,453	-	-	-
Total nonoperating revenues (expenses)	625	4,878	1,073	(77)	733
Income before contributions and transfers	(1,143)	(1,478,589)	(118,819)	(220,471)	7,690
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Member agency assessments	-	-	1,578,269	-	-
Transfers in	-	244,900	-	-	-
Transfer out	-	-	(244,900)	-	-
Total capital contributions and transfers	-	244,900	1,333,369	-	-
Change in net assets	(1,143)	(1,233,689)	1,214,550	(220,471)	7,690
NET POSITION					
Beginning of year	14,893	17,174,990	816,829	220,470	23,026
End of year	\$ 13,750	15,941,301	2,031,379	(1)	30,716

3A Plant Rehabilitation	San Juan Creek Ocean Outfall PC5	Coastal Treatment Plant PC15	Coastal Treatment Plant Rehabilitation PC15R	Joint Regional Treatment Plant PC 17	Joint Regional Treatment Plant Rehabilitation PC 17R	Effluent Transmission PC21
-	-	1,095,743	-	446,210	-	-
-	110,532	-	-	-	-	-
-	126,686	-	-	-	-	-
-	-	42,216	-	14,689	-	-
-	-	-	-	547,515	-	13,069
199,548	94,979	125,300	-	-	-	13,083
-	79,273	998,202	-	4,750,451	-	9,990
78,049	226,359	-	-	285,977	-	-
-	-	-	-	-	-	-
<u>277,597</u>	<u>637,829</u>	<u>2,261,461</u>	<u>-</u>	<u>6,044,842</u>	<u>-</u>	<u>36,142</u>
-	-	1,000	2,427,081	-	-	-
<u>277,597</u>	<u>637,829</u>	<u>2,262,461</u>	<u>2,427,081</u>	<u>6,044,842</u>	<u>-</u>	<u>36,142</u>
59,362	106,556	156,366	138,448	429,771	129,469	37,014
-	-	-	-	-	-	-
57,398	406,221	2,078,108	-	4,650,771	-	-
-	63,555	24,864	-	964,953	-	172
-	121,023	1,020,024	-	1,574,167	-	10,556
<u>116,760</u>	<u>697,355</u>	<u>3,279,362</u>	<u>138,448</u>	<u>7,619,662</u>	<u>129,469</u>	<u>47,742</u>
160,837	(59,526)	(1,016,901)	2,288,633	(1,574,820)	(129,469)	(11,600)
553	344	747	872	2,208	2,852	640
-	-	-	-	9,082	-	-
<u>553</u>	<u>344</u>	<u>747</u>	<u>872</u>	<u>11,290</u>	<u>2,852</u>	<u>640</u>
161,390	(59,182)	(1,016,154)	2,289,505	(1,563,530)	(126,617)	(10,960)
-	-	-	3,270,447	-	899,015	-
-	-	6,725,341	-	398,607	-	-
-	-	-	(6,725,341)	-	(398,607)	-
-	-	6,725,341	(3,454,894)	398,607	500,408	-
<u>161,390</u>	<u>(59,182)</u>	<u>5,709,187</u>	<u>(1,165,389)</u>	<u>(1,164,923)</u>	<u>373,791</u>	<u>(10,960)</u>
154,381	324,301	13,304,162	3,222,958	16,996,547	1,976,241	441,794
<u>315,771</u>	<u>265,119</u>	<u>19,013,349</u>	<u>2,057,569</u>	<u>15,831,624</u>	<u>2,350,032</u>	<u>430,834</u>

(Continued)

South Orange County Wastewater Authority
Combining Schedule of Revenues, Expenses and Changes in Net Position
by Project Committees, Continued
For the year ended June 30, 2014

	North Coast Interceptor PC23	Aliso Creek Ocean Outfall PC24	Pre- Treatment Program	Total
OPERATING REVENUES				
Member Agency Assessments:				
City of Laguna Beach	\$ 555,590	82,287	13,509	2,228,378
City of San Clemente	-	-	13,271	157,434
City of San Juan Capistrano	-	-	25,436	1,710,709
Emerald Bay Service District	23,874	3,277	1,474	119,130
El Toro Water District	-	129,614	12,072	743,417
Irvine Ranch Water District	-	136,439	13,762	203,745
Moulton Niguel Water District	-	137,883	47,660	8,256,503
South Coast Water District	-	33,850	36,981	2,501,605
Santa Margarita Water District	-	-	51,262	1,829,808
Trabuco Canyon Water District	-	-	-	6,253
Total member agency assessments	579,464	523,350	215,427	17,756,982
Other revenues	-	-	-	2,440,191
Total operating revenues	579,464	523,350	215,427	20,197,173
OPERATING EXPENSES				
Administration	5,118	93,681	20,473	2,445,795
Collection	554,157	-	192,963	747,120
Treatment	-	56,042	2,158	12,772,207
Disposal	-	374,032	-	2,151,228
Depreciation	157,576	32,722	3,187	4,416,101
Total operating expenses	716,851	556,477	218,781	22,532,451
Operating income (loss)	(137,387)	(33,127)	(3,354)	(2,335,278)
NONOPERATING REVENUES (EXPENSES)				
Investment income (expense)	(2)	304	68	12,365
Other revenues	-	-	-	12,535
Total nonoperating revenues (expenses)	(2)	304	68	24,900
Income before contributions and transfers	(137,389)	(32,823)	(3,286)	(2,310,378)
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Member agency assessments	-	-	-	5,747,731
Transfers in	-	-	-	7,368,848
Transfer out	-	-	-	(7,368,848)
Total capital contributions and transfers	-	-	-	5,747,731
Change in net assets	(137,389)	(32,823)	(3,286)	3,437,353
NET POSITION				
Beginning of year	3,727,240	351,374	3,406	58,752,612
End of year	\$ 3,589,851	318,551	120	62,189,965

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South Orange County Wastewater Authority
Combining Schedule of Member Distributions and Transfers In/(Out)
by Project Committees
For the year ended June 30, 2014

	General Agency	JB Latham Treatment Plant PC2	JB Latham Treatment Plant Rehabilitation PC2R	Wastewater Discharge Permitting PC 2SO	3A Plant
MEMBER DISTRIBUTIONS OF EXCESS FUNDS					
City of Laguna Beach	\$ (7,004)	-	-	-	-
City of San Clemente	(7,126)	-	-	-	-
City of San Juan Capistrano	(6,881)	120,712	48,047	5,525	-
Emerald Bay Service District	(6,925)	-	-	-	-
El Toro Water District	(6,946)	-	-	2,861	-
Irvine Ranch Water District	(7,116)	-	-	19,118	-
Moulton Niguel Water District	(6,841)	(27,898)	34,389	17,569	52,814
South Coast Water District	(6,881)	206,987	30,034	6,212	-
Santa Margarita Water District	(7,040)	120,372	48,271	19,455	13,502
Trabuco Canyon Water District	4	-	-	9,536	-
Total member distributions of excess funds	\$ (62,756)	420,173	160,741	80,276	66,316
TRANSFERS IN (OUT)					
City of Laguna Beach	\$ -	-	-	-	-
City of San Clemente	-	-	-	-	-
City of San Juan Capistrano	-	-	-	-	-
Emerald Bay Service District	-	-	-	-	-
El Toro Water District	-	-	-	-	-
Irvine Ranch Water District	-	-	-	-	-
Moulton Niguel Water District	-	-	-	-	-
South Coast Water District	-	-	-	-	-
Santa Margarita Water District	-	-	-	-	-
Trabuco Canyon Water District	-	-	-	-	-
Completed capital projects	-	244,900	(244,900)	-	-
Total transfers in (out)	\$ -	244,900	(244,900)	-	-

3A Plant Rehabilitation	San Juan Creek Ocean Outfall PC5	Coastal Treatment Plant PC15	Coastal Treatment Plant Rehabilitation PC15R	Joint Regional Treatment Plant PC 17	Joint Regional Treatment Plant Rehabilitation PC 17R	Effluent Transmission PC21
-	-	77,645	35,985	38,468	7,048	-
-	16,138	-	-	-	-	-
-	16,384	-	-	-	-	-
-	-	10,042	2,888	4,313	371	-
-	-	-	-	75,345	11,603	10,847
-	-	-	-	-	-	10,833
62,592	18,931	19,606	28,259	409,128	221,902	9,828
-	29,967	72,586	29,011	39,854	5,641	-
24,511	58,871	-	-	-	-	-
-	-	-	-	-	-	-
87,103	140,291	179,879	96,143	567,108	246,565	31,508
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	3,579,365	(3,579,365)	549,875	(549,875)	-
-	-	3,579,365	(3,579,365)	549,875	(549,875)	-

(Continued)

South Orange County Wastewater Authority
Combining Schedule of Member Distributions and Transfers In/(Out)
by Project Committees, Continued
For the year ended June 30, 2014

	North Coast Interceptor PC23	Aliso Creek Ocean Outfall PC24	Pre- Treatment Program	Total
MEMBER DISTRIBUTIONS OF EXCESS FUNDS				
City of Laguna Beach	-	13,628	1,191	166,961
City of San Clemente	-	-	1,329	10,341
City of San Juan Capistrano	-	-	364	184,151
Emerald Bay Service District	-	1,413	(174)	11,928
El Toro Water District	-	36,458	328	130,496
Irvine Ranch Water District	-	34,441	838	58,114
Moulton Niguel Water District	-	105,704	3,940	949,923
South Coast Water District	-	22,206	2,219	437,836
Santa Margarita Water District	-	-	3,538	281,480
Trabuco Canyon Water District	-	-	-	9,540
Total member distributions of excess funds	-	213,850	13,573	2,240,770
TRANSFERS IN (OUT)				
City of Laguna Beach	-	-	-	-
City of San Clemente	-	-	-	-
City of San Juan Capistrano	-	-	-	-
Emerald Bay Service District	-	-	-	-
El Toro Water District	-	-	-	-
Irvine Ranch Water District	-	-	-	-
Moulton Niguel Water District	-	-	-	-
South Coast Water District	-	-	-	-
Santa Margarita Water District	-	-	-	-
Trabuco Canyon Water District	-	-	-	-
Completed capital projects	-	-	-	-
Total transfers in (out)	-	-	-	-

South Orange County Wastewater Authority
Combining Schedule of Capital Contribution Assessments and Distributions
For the year ended June 30, 2014

	JB Latham Treatment Plant Rehabilitation PC2R	Coastal Treatment Plant Rehabilitation PC15R	Joint Regional Treatment Plant Rehabilitation PC 17R	Total
CAPITAL CONTRIBUTIONS				
Member agency assessments:				
City of Laguna Beach	\$ -	1,196,680	31,320	1,228,000
City of San Clemente	-	-	-	-
City of San Juan Capistrano	532,620	-	-	532,620
Emerald Bay Service District	-	94,300	1,480	95,780
El Toro Water District	-	-	54,990	54,990
Irvine Ranch Water District	-	-	-	-
Moulton Niguel Water District	396,700	923,380	1,032,790	2,352,870
South Coast Water District	473,530	1,152,230	25,000	1,650,760
Santa Margarita Water District	336,160	-	-	336,160
Trabuco Canyon Water District	-	-	-	-
Total capital contributions	1,739,010	3,366,590	1,145,580	6,251,180
MEMBER DISTRIBUTIONS				
City of Laguna Beach	-	35,985	7,048	43,033
City of San Clemente	-	-	-	-
City of San Juan Capistrano	48,047	-	-	48,047
Emerald Bay Service District	-	2,888	371	3,259
El Toro Water District	-	-	11,603	11,603
Irvine Ranch Water District	-	-	-	-
Moulton Niguel Water District	34,389	28,259	221,902	284,550
South Coast Water District	30,034	29,011	5,641	64,686
Santa Margarita Water District	48,271	-	-	48,271
Trabuco Canyon Water District	-	-	-	-
Total member distributions	\$ 160,741	96,143	246,565	503,449

South Orange County Wastewater Authority
Combining Schedule of Operating Expenses by Project Committees
For the year ended June 30, 2014

	General Agency	JB Latham Treatment Plant PC2	JB Latham Treatment Plant Rehabilitation PC2R	Wastewater Discharge Permitting PC 2SO	3A Plant	3A Plant Rehabilitation
OPERATING EXPENSES						
Administration:						
Salaries	\$ -	-	-	-	-	-
Benefits	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Professional services	99,372	-	-	400	-	-
Contract services	-	-	-	114,613	-	-
Office expense	2,303	-	-	-	-	-
Miscellaneous	12,826	-	-	-	-	-
Director fees	12,300	-	-	-	-	-
Small vehicle expense	-	-	-	-	-	-
Insurance	4,571	-	-	-	-	-
Training and conferences	-	-	-	-	-	-
Membership dues	12,480	-	-	-	-	-
Permits	-	-	-	115,267	-	-
Data processing	-	-	-	-	-	-
Agency administration	192,278	400,992	119,892	48,277	133,966	59,362
Total administration	336,130	400,992	119,892	278,557	133,966	59,362
Collections:						
Salaries	-	-	-	-	-	-
Benefits	-	-	-	-	-	-
Laboratory services	-	-	-	-	-	-
Professional services	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Vehicle expenses	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Materials, supplies, and chemicals	-	-	-	-	-	-
Repair and maintenance	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-
Travel and meetings	-	-	-	-	-	-
Training	-	-	-	-	-	-
Total collections	\$ -	-	-	-	-	-

South Orange County Wastewater Authority
Combining Schedule of Operating Expenses by Project Committees, Continued
For the year ended June 30, 2014

	North Coast Interceptor PC23	Aliso Creek Ocean Outfall PC24	Pre- Treatment Program	Agency Management	Total
OPERATING EXPENSES					
Administration:					
Salaries	-	-	-	1,263,336	1,263,336
Benefits	-	-	-	291,476	291,476
Utilities	-	-	-	11,026	11,026
Professional services	-	-	-	8,999	109,271
Contract services	-	-	455	282,012	397,674
Office expense	-	-	-	16,235	18,538
Miscellaneous	-	-	-	9,010	21,836
Director fees	-	-	-	-	12,300
Small vehicle expense	-	-	-	2,807	2,807
Insurance	-	-	-	148,168	153,741
Training and conferences	-	-	-	4,208	4,208
Membership dues	-	-	-	2,156	14,636
Permits	-	-	-	-	115,267
Data processing	-	-	-	22,546	22,546
Agency administration	5,118	93,681	20,018	(2,067,925)	1,187
Total administration	5,118	93,681	20,473	(5,946)	2,439,849
Collections:					
Salaries	108,136	-	132,414	-	240,550
Benefits	21,307	-	32,922	-	54,229
Laboratory services	-	-	460	-	460
Professional services	-	-	500	-	500
Utilities	102,902	-	-	-	102,902
Vehicle expenses	-	-	-	-	-
Miscellaneous	(310)	-	1,144	-	834
Insurance	15,751	-	16,283	-	32,034
Materials, supplies, and chemicals	12,282	-	-	-	12,282
Repair and maintenance	237,013	-	-	-	237,013
Contractual services	57,076	-	-	-	57,076
Travel and meetings	-	-	9,240	-	9,240
Training	-	-	-	-	-
Total collections	554,157	-	192,963	-	747,120

South Orange County Wastewater Authority
Combining Schedule of Operating Expenses by Project Committees, Continued
For the year ended June 30, 2014

	General Agency	JB Latham Treatment Plant PC2	JB Latham Treatment Plant Rehabilitation PC2R	Wastewater Discharge Permitting PC 2S0	3A Plant	3A Plant Rehabilitation
Treatment:						
Salaries	-	1,304,194	-	-	607,008	-
Benefits	-	391,098	-	-	186,735	-
Utilities, net of power credit	-	633,239	-	-	372,381	-
Chemicals	-	407,844	-	-	118,545	-
Laboratory services and supplies	-	13,325	-	-	14,520	-
Landscape maintenance	-	26,351	-	-	14,633	-
Professional services	-	11,060	-	-	6,358	-
Contract services	-	102,068	-	-	43,244	-
Small vehicle expense	-	15,795	-	-	7,716	-
Miscellaneous	-	45,174	-	-	43,737	-
Office expense	-	14,538	-	-	4,374	-
Petroleum products	-	12,083	-	-	-	-
Uniforms	-	8,793	-	-	3,347	-
Insurance	-	274,443	-	-	148,397	-
Small tools	-	(741)	-	-	(4,068)	-
Maintenance and repairs	-	415,296	-	-	117,709	57,398
Safety supplies	-	17,868	-	-	4,684	-
Equipment rentals	-	1,548	-	-	2,447	-
Advertising	-	200	-	-	-	-
Travel and meetings	-	2,427	-	-	876	-
Training	-	7,411	-	-	1,758	-
Permits	-	11,257	-	-	-	-
Membership fees	-	14,828	-	-	-	-
Data processing	-	51,784	-	-	45,225	-
Access road expense	-	-	-	-	-	-
Total treatment	-	3,781,883	-	-	1,739,626	57,398
Disposal:						
Salaries	-	-	-	-	-	-
Benefits	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Ocean monitoring	-	-	-	-	-	-
Effluent chemistry	-	-	-	-	-	-
Professional services	-	-	-	-	-	-
Diver inspections	-	-	-	-	-	-
Office expense	-	-	-	-	-	-
Miscellaneous expense	-	-	-	-	-	-
Uniforms	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Training	-	-	-	-	-	-
Permits	-	-	-	-	5,957	-
Data processing	-	-	-	-	-	-
Contract services	-	-	-	-	-	-
Maintenance and repairs	-	-	-	-	-	-
Sludge and grit hauling	-	608,767	-	-	108,928	-
Total disposal	-	608,767	-	-	114,885	-
Depreciation	1,144	1,495,702	-	-	-	-
Total operating expenses	\$ 337,274	6,287,344	119,892	278,557	1,988,477	116,760

San Juan Creek Ocean Outfall PC5	Coastal Treatment Plant PC15	Coastal Treatment Plant Rehabilitation PC15R	Joint Regional Treatment Plant PC 17	Joint Regional Treatment Plant Rehabilitation PC 17R	Effluent Transmission PC21
94,821	858,932	-	1,666,005	-	-
28,372	252,198	-	473,999	-	-
55,109	257,360	-	460,190	-	-
-	138,488	-	700,028	-	-
14,884	14,230	-	23,055	-	-
-	27,010	-	64,106	-	-
1,677	19,762	-	16,600	-	-
16,516	67,070	-	207,659	-	-
3,665	5,671	-	12,257	-	-
24,487	4,757	-	57,040	-	-
505	6,206	-	9,931	-	-
-	5,735	-	38,187	-	-
800	4,514	-	14,507	-	-
19,216	134,651	-	322,092	-	-
-	(1,975)	-	15,380	-	-
-	176,232	-	429,441	-	-
100	8,736	-	18,551	-	-
-	1,202	-	4,272	-	-
-	-	-	-	-	-
750	915	-	3,179	-	-
-	1,961	-	7,982	-	-
145,319	4,457	-	42,672	-	-
-	-	-	15,438	-	-
-	49,619	-	48,200	-	-
-	40,377	-	-	-	-
406,221	2,078,108	-	4,650,771	-	-
4,929	-	-	-	-	-
954	-	-	-	-	-
-	-	-	-	-	-
12,725	-	-	-	-	172
25,018	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
576	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,105	-	-	-	-	-
-	-	-	-	-	-
14,248	-	-	-	-	-
-	24,864	-	964,953	-	-
63,555	24,864	-	964,953	-	172
121,023	1,020,024	-	1,574,167	-	10,556
697,355	3,279,362	138,448	7,619,662	129,469	47,742

South Orange County Wastewater Authority
Combining Schedule of Operating Expenses by Project Committees, Continued
For the year ended June 30, 2014

	North Coast Interceptor PC23	Aliso Creek Ocean Outfall PC24	Pre- Treatment Program	Agency Management	Total
Treatment:					
Salaries	-	-	-	5,946	4,536,906
Benefits	-	2,167	-	-	1,334,569
Utilities, net of power credit	-	33,313	-	-	1,811,592
Chemicals	-	-	-	-	1,364,905
Laboratory services and supplies	-	17,119	-	-	97,133
Landscape maintenance	-	-	-	-	132,100
Professional services	-	-	-	-	55,457
Contract services	-	-	-	-	436,557
Small vehicle expense	-	1,840	789	-	47,733
Miscellaneous	-	-	-	-	175,195
Office expense	-	1,603	-	-	37,157
Petroleum products	-	-	-	-	56,005
Uniforms	-	-	-	-	31,961
Insurance	-	-	-	-	898,799
Small tools	-	-	1,369	-	9,965
Maintenance and repairs	-	-	-	-	1,196,076
Safety supplies	-	-	-	-	49,939
Equipment rentals	-	-	-	-	9,469
Advertising	-	-	-	-	200
Travel and meetings	-	-	-	-	8,147
Training	-	-	-	-	19,112
Permits	-	-	-	-	203,705
Membership fees	-	-	-	-	30,266
Data processing	-	-	-	-	194,828
Access road expense	-	-	-	-	40,377
Total treatment	-	56,042	2,158	5,946	12,778,153
Disposal:					
Salaries	-	95,768	-	-	100,697
Benefits	-	26,122	-	-	27,076
Utilities	-	689	-	-	689
Ocean monitoring	-	13,278	-	-	26,175
Effluent chemistry	-	23,115	-	-	48,133
Professional services	-	1,719	-	-	1,719
Diver inspections	-	27,301	-	-	27,301
Office expense	-	-	-	-	-
Miscellaneous expense	-	2,443	-	-	2,443
Uniforms	-	900	-	-	900
Insurance	-	17,827	-	-	18,403
Training	-	750	-	-	750
Permits	-	137,847	-	-	143,804
Data processing	-	7,291	-	-	12,396
Contract services	-	8,914	-	-	8,914
Maintenance and repairs	-	10,068	-	-	24,316
Sludge and grit hauling	-	-	-	-	1,707,512
Total disposal	-	374,032	-	-	2,151,228
Depreciation	157,576	32,722	3,187	-	4,416,101
Total operating expenses	\$ 716,851	556,477	218,781	-	22,532,451

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South Orange County Wastewater Authority
Schedule of Capital Assets
June 30, 2014

	Beginning Balance	Additions	Deletions and Completed Projects	Ending Balance
JB Latham Plant				
Land	\$ 653,224	-	-	653,224
Plant equipment	1,672,476	112,465	-	1,784,941
Facilities and improvements	35,547,273	132,435	-	35,679,708
Construction in progress	417,748	1,302,329	(244,900)	1,475,177
Total JB Latham Plant	38,290,721	1,547,229	(244,900)	39,593,050
San Juan Creek Outfall				
Equipment	211,058	94,560	-	305,618
Facilities and improvements	2,279,388	28,458	-	2,307,846
Construction in progress	61,080	33,480	(94,560)	-
Total San Juan Creek Outfall	2,551,526	156,498	(94,560)	2,613,464
Coastal Treatment Plant				
Equipment	3,182,509	9,987	-	3,192,496
Facilities and improvements	17,043,140	6,715,355	-	23,758,495
Construction in progress	2,200,882	1,883,628	(3,579,365)	505,145
Total Coastal Treatment Plant	22,426,531	8,608,970	(3,579,365)	27,456,136
Regional Treatment Plant				
Equipment	2,497,185	248,233	-	2,745,418
Facilities and improvements	30,002,465	129,246	-	30,131,711
Construction in progress	728,429	818,526	(549,875)	997,080
Total Regional Treatment Plant	33,228,079	1,196,005	(549,875)	33,874,209
Effluent Transmission Main				
Equipment	234,077	101,597	-	335,674
Total Effluent Transmission Main	234,077	101,597	-	335,674
North Coast Intercept				
Equipment	6,753,493	21,101	-	6,774,594
Total Effluent Transmission Main	6,753,493	21,101	-	6,774,594
Aliso Creek Outfall				
Outfall equipment	919,305	-	-	919,305
Total Aliso Creek Outfall	919,305	-	-	919,305
Agency Management				
Equipment	37,180	-	-	37,180
Total Agency Management	37,180	-	-	37,180
Pretreatment Plant				
Equipment	100,685	-	-	100,685
Total Pretreatment Plant	100,685	-	-	100,685
Total capital assets	104,541,597	11,631,400	(4,468,700)	111,704,297
Accumulated depreciation	(48,556,957)	(4,394,974)	-	(52,951,931)
Total capital assets, net of accumulated depreciation	\$ 55,984,640	7,236,426	(4,468,700)	58,752,366

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**OTHER
INFORMATION**

South Orange County Wastewater Authority
Other Information
For the year ended June 30, 2014

PROJECT COMMITTEES

The following is a description of Project Committee ("PC") activity during the fiscal year ended June 30, 2014:

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

PC 2 was formed for the acquisition, use, operation, maintenance and expansion of the J.B. Latham Sewage Treatment Plant. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and usage of the facilities. Standby charges are based on unused capacity. On June 30, 2014, the capacity ownership of the PC 2 members in the J.B Latham Sewage Treatment Plant, excluding the Advanced Wastewater Treatment ("AWT") project, was as follows:

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

MGD = Million gallons per day average dry weather flow rate

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

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

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

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

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

South Orange County Wastewater Authority
Other Information, Continued
For the year ended June 30, 2014

PROJECT COMMITTEES, Continued

Project Committee No. 5 ("PC 5")

PC 5 was formed for the purpose of planning, designing, constructing, operating and maintaining the San Juan Creek Ocean Outfall. On June 30, 2014, the capacity ownership of the PC 5 members in the San Juan Creek Ocean Outfall was as follows:

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

MGD = Million gallons per day peak flow rate

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

PC 15 caused construction of facilities known as the Coastal Wastewater Treatment Facility to receive and treat wastewater. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and usage of the facilities. PC 15R is used to account for rehabilitation and construction projects for the Coastal Treatment Plant. On June 30, 2014, the capacity ownership of the PC 15 members in the Coastal Treatment Plant was as follows:

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

MGD = Million gallons per day average dry weather flow rate

South Orange County Wastewater Authority
Other Information, Continued
For the year ended June 30, 2014

PROJECT COMMITTEES, Continued

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

PC 17 is for the operations and maintenance of the facilities known as the Regional Wastewater Treatment, Reclamation and Solids Handling Facilities ("Joint Regional Treatment Plant"). The Joint Regional Treatment Plant treats and reclaims wastewater and handles solid waste. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and of usage of the facilities. PC 17(R) is used to account for rehabilitation and construction projects for the Joint Regional Treatment Plant. On June 30, 2014, the capacity ownership of the PC 17 members in the Joint Regional Treatment Plant was as follows:

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

MGD = Million gallons per day average dry weather flow rate

Pounds = Loadings are shown in pounds per day

Project Committee No. 21 ("PC 21")

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

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

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

**South Orange County Wastewater Authority
Other Information, Continued
For the year ended June 30, 2014**

PROJECT COMMITTEES, Continued

Project Committee No. 23 ("PC 23")

PC 23 is for the operations and maintenance of the North Coast Interceptor and the Laguna Beach and Bluebird pump stations. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and usage of the facilities. The City of Laguna Beach operates and maintains the facility. Ownership of the facilities at June 30, 2014 was as follows:

Members	Percentage
CLB	95.88%
EBSB	4.12%
Total	100.00%

Project Committee No. 24 ("PC 24")

PC 24 is for the operations and maintenance of the facilities known as the Aliso Creek Land and Ocean Outfall which disposes of treated wastewater. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and usage of the facilities. On June 30, 2014, the capacity ownership in the Aliso Creek Ocean Outfall was as follows:

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

MGD = Million gallons per day peak flow rate

Pre-Treatment Program

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

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