

**NOTICE OF A REGULAR MEETING
OF THE OLIVENHAIN MUNICIPAL WATER
DISTRICT'S FINANCE COMMITTEE
1966 Olivenhain Road, Encinitas, CA 92024
Tel: (760) 753-6466 • Fax: (760) 753-1578
VIA TELECONFERENCE AND IN PERSON**

Pursuant to AB 3035, effective January 1, 2003, any person who requires a disability related modification or accommodation in order to participate in a public meeting shall make such a request in writing to the District for immediate consideration.

DATE: MONDAY, NOVEMBER 8, 2021

TIME: 11:00 A.M.

PLACE: Hybrid Regular Meeting
VIA TELECONFERENCE AND IN PERSON

Pursuant to the Legislation AB 361, and in the interest of public health, OMWD is temporarily taking actions to mitigate the COVID-19 pandemic by holding Committee Meetings electronically or by teleconference. This meeting will be a hybrid of in person and teleconference. Our Boardroom will be open to the public, however, masks must be worn and social distancing must be followed.

To join this meeting via phone, please dial:

(669) 900-9128 or (253) 215 8782

Meeting ID: 890 2857 0937 and Password: 774116

*Note: Items On The Agenda May Be Taken Out Of Sequential Order As Their
Priority Is Determined By The Committee*

1. CALL TO ORDER
2. ROLL CALL (BOARD MEMBERS)
3. ADOPTION OF THE AGENDA
4. PUBLIC COMMENTS

5. CONSIDER APPROVAL OF THE MINUTES OF THE SEPTEMBER 22, 2021 SPECIAL FINANCE COMMITTEE MEETING
6. RECEIVE FISCAL YEAR 2020-21 AUDITED FINANCIAL STATEMENTS INCLUDED IN THE ANNUAL COMPREHENSIVE FINANCIAL REPORT AND DISCUSS AUDIT RESULTS
7. REVIEW AND DISCUSS QUARTERLY INVESTMENTS AND CASH REPORTS (3RD QTR 2021)
8. REVIEW AND DISCUSS PROPOSED CHANGES TO THE DISTRICT'S INVESTMENT POLICY FOR 2022 AND REVIEW OF WATER AND WASTEWATER RESERVES (VERBAL REPORT)
9. DISCUSS AND RECOMMEND TREATMENT OF THE SECOND REBATE PAYMENT FROM THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA (MWD) LITIGATION TO SAN DIEGO COUNTY WATER AUTHORITY (SDCWA) MEMBER AGENCIES IN THE AMOUNT OF \$1,622,584.
10. CONSIDER FUTURE AGENDA ITEMS
11. ADJOURNMENT

**MINUTES OF A SPECIAL MEETING
OF THE FINANCE COMMITTEE
OF OLIVENHAIN MUNICIPAL WATER DISTRICT**

September 22, 2021

A special meeting of the Finance Committee of Olivenhain Municipal Water District was held on Wednesday, September 22, 2021, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference.

President Watt called the meeting to order at 2:00 p.m. In attendance via teleconference were Lawrence A. Watt, Board President; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; Jared Graffam, Financial Analyst II; Lora Carpenter from Fieldman, Rolapp & Associates, Inc; Lawrence Chan with Stradling Law; Robert Porr from Fieldman, Rolapp & Associates, Inc.; and Mike Cavanaugh with Hilltop Securities. It was noted that Director Guerin, Board Treasurer, was unable to attend the meeting. Per the District's Administrative and Ethics Code, Finance Manager Selamat acted as Deputy Treasurer for the meeting.

1. CALL TO ORDER
2. ROLL CALL (BOARD MEMBERS)
3. ADOPTION OF THE AGENDA

Director Watt moved to adopt the agenda, seconded by Finance Manager Selamat and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE AUGUST 3, 2021 REGULAR FINANCE COMMITTEE MEETING

Director Watt moved to approve the August 3, 2021 meeting minutes, seconded by Finance Manager Selamat and carried unanimously.

6. REVIEW AND APPROVE BID RESULTS FOR THE PROPOSED PRIVATE PLACEMENT FINANCING PLAN FOR NEW WASTEWATER CAPITAL IMPROVEMENT PROJECTS (2021A) AND REFUNDING OF 2018 SEWER REVENUE BONDS (2021B) AND AUTHORIZE THE GENERAL MANAGER TO ACCEPT BIDS ON BEHALF OF THE DISTRICT

Finance Manager Selamat opened the discussion with an overview of the District's proposal for debt issuance, noting the 2021A sewer bond of \$5 million is to help finance critical capital projects for the sewer system at the 4S Wastewater Treatment Plant, and the 2021B sewer bond of approximately \$4 million is to refinance the existing 2018A sewer bond. Finance Manager Selamat commented that refinancing the 2018A sewer bond with current rates will result in net present value savings of approximately \$243 thousand for the District.

Finance Manager Selamat reported that a total of eighteen requests for proposals were issued of which nine bids were received from different banks. Finance Manager Selamat commented that the purpose of this agenda item is to review and discuss bid results and for the Finance Committee (Committee) to authorize the General Manager to accept and award the recommended and lowest bids so that the quoted borrowing rates included in the proposal will be locked through the anticipated closing date on October 27, 2021, and to direct the District's Financing Team (Team) to proceed with the issuance of 2021A and 2021B sewer bonds as discussed.

Lora Carpenter from Fieldman, Rolapp & Associates, Inc., the District's Municipal Advisor, provided an overview of the bid results to the Committee noting Sterling National Bank (Sterling) provided the best option for both the 2021A and 2021B sewer bonds and is the lowest bidder. Ms. Carpenter commented that California Bank & Trust, the second lowest bidder, had a slightly lower interest rate on the 2021A sewer bonds, but would only provide a fixed rate for the first fifteen years; the remaining five years of the life of the 2021A bonds would be a variable rate. Ms. Carpenter further commented that Sterling provided a fixed rate for the full twenty years for the 2021A bond. Additionally, by utilizing one bank instead of two for the 2021A and 2021B sewer bonds the District will save approximately \$12 thousand in fees. Ms. Carpenter recommended the District pursue the Sterling bids for the 2021A and 2021B bonds for more savings to the District and a fixed debt service payment over the life of the 2021A sewer bonds (twenty years).

Director Watt commented he was happy to see the level of competition among the different banks with their proposals. Director Watt expressed a concern from reviewing the bids summary noting Sterling does not require the District to provide annual reporting. Ms. Carpenter responded that it is not a cause for concern as not all banks require annual reporting for loans. Ms. Carpenter further commented that it is typically a requirement for the District to provide reporting to the bank, and the fact the District undergoes a financial statement audit annually, there is no additional risk to the District.

Director Watt also commented that he is not familiar with Sterling and asked for more background on the bank. Mike Cavanaugh with Hilltop Securities, the District's bond placement agency for 2021A and 2021B sewer bonds, responded that Sterling is a bank based in New York. Mr. Cavanaugh also reported that he has closed several deals with

Sterling recently for his city and municipal clients. Mr. Cavanaugh also added that he is confident in all nine bids received by the District since these bids came from reputable financial institutions. Therefore, it is unlikely for any of these banks to back out or not to meet the agreement.

General Manager Thorner inquired if there is any concern about the current financial news coming out of China and the potential impact on the United States' (U.S.) financial sector. Ms. Carpenter responded that her company has reviewed the statements released by the Federal Reserve and does not believe there is a parallel to the U.S. corporate sector.

Director Watt made a motion to approve the General Manager accepting the Sterling bids on behalf of the District, seconded by Finance Manager Selamat. Finance Manager Selamat informed the Committee that Staff will bring this item forward for approval by the Board at the October 13th meeting.

7. REVIEW AND DISCUSS PASS-THROUGH INCREASES AND ADJUSTMENTS TO OMWD WATER RATES AND CHARGES FOR 2022

Finance Manager Selamat presented Staff-proposed 2022 rate increases for potable and recycled water services, and OMWD fire meter charges totaling a 4.27% revenue increase. Finance Manager Selamat noted the 4.27% revenue adjustment is below the original 5% increase planned for 2022 as part of the District's 2019 Cost of Service study.

Finance Manager Selamat reported the 4.27% revenue increase is primarily to pass-through purchased water wholesale cost increases from San Diego County Water Authority (SDCWA) effective January 1, 2022, and a 1.7% inflationary pass-through based on the over-the-year SDCPI-U increase. Finance Manager Selamat further reported that SDCWA's Board of Directors adopted a 3.3% increase to the County's "All-In" untreated cost per acre foot for calendar year 2022. However, since the actual impact of SDCWA water rate increases varies by each member based on historical purchases, this translates into a 7.3% per acre foot increase to the District's untreated supply rate from SDCWA, a 15.3% increase to the District's transportation rate, and a 2.9% increase in fixed charges from SDCWA effective January 1, 2022.

Finance Manager Selamat stated the District was able to minimize rate increases in 2022 due to conservative financial planning, delaying non-critical water infrastructure projects to future years to reduce near-term capital expenses, and by pursuing funding opportunities from state and federal programs for reimbursement of COVID-19 supply costs. Finance Manager Selamat also noted the proposed rates include a 6.9 cent credit per a unit of water purchased to refund customers the \$2.039 million rebate payment received from SDCWA ("SDCWA Litigation Credit"). The SDCWA Litigation Credit will show as a credit on customer bills and will be spread over a four-year period, or until the \$2.039 million rebate is fully exhausted. Finance Manager Selamat stated the rebate

will help the District maintain its future revenue adjustments from water rates and charges through 2025 at or below the planned rate adjustment of 5%.

Director Watt had questions on delayed projects and recycled water wholesale costs which were addressed by staff during the meeting. Director Watt stated he agrees with Staff's recommendation to spread the rebate credit to customers as previously discussed with the Board, which is over a four-year period starting in 2022 until the \$2.039 million SDCWA rebate payment in the District's Water Rate Stabilization Fund is exhausted, in order to help smooth out future rates adjustments.

Director Watt moved to approve bringing the 2022 water pass-through increases and the SDCWA Litigation Credit forward as presented to the full board for consideration, seconded by Finance Manager Selamat. Finance Manager Selamat stated the 2022 water rates and charges and the SDCWA Litigation Credit, if approved by the Board at the February 2022 meeting, will show up on customer's water bill effective March with water consumption beginning on March 1, 2022.

8. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

9. ADJOURNMENT

The meeting was adjourned at 2:55 p.m.

Memo

Date: November 8, 2021
To: Finance Committee
From: Leo Mendez, Accounting Supervisor
Via: Kimberly Thorner, General Manager
Subject: **RECEIVE FISCAL YEAR 2020-21 AUDITED FINANCIAL STATEMENTS
INCLUDED IN THE ANNUAL COMPREHENSIVE FINANCIAL REPORT
AND DISCUSS AUDIT RESULTS**

Copies of the fiscal year 2020-21 audited financial statements are included as part of the attached Annual Comprehensive Financial Report (ACFR). The auditors' presentation is also attached. Staff and the auditor, Mr. Ken Pun with The Pun Group, will be available to review the attachments and to discuss the audit results with the Committee at the meeting.

In October 2021, the Government Accounting Standards Board (GASB) issued Statement No. 98, The Annual Comprehensive Financial Report, to establish the term "Annual Comprehensive Financial Report" and its acronym, "ACFR", to replace instances of "Comprehensive Annual Financial Report" and its acronym. This statement was developed by GASB in response to concerns that the pronunciation of the acronym for "Comprehensive Annual Financial Report" sounds like a racial slur. This Statement's introduction of the new term "ACFR" is founded on a commitment to promoting inclusiveness.

Following Committee review and approval, the materials presented will be included in the December 15, 2021 board meeting packet for the Board's consideration and approval.

Olivenhain Municipal Water District

Encinitas, California

Annual Comprehensive Financial Report and Independent Auditors' Report

For the Years Ended June 30, 2021 and 2020

Prepared by:
Finance Department

DRAFT 11.01.2021

**Olivenhain Municipal Water District
Annual Comprehensive Financial Report
For the Years Ended June 30, 2021 and 2020**

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION (Unaudited)</u>	
Letter of Transmittal	i
Reporting Entity	i
General District Operations	ii
Financial Impacts of COVID-19 Crisis	iii
Internal Controls	iii
Budget Process.....	iii
Designated Fund Balances	iv
Contacting the District's Finance Department	iv
Certificate of Achievement	v
Organizational Chart.....	vi
District Service Area.....	vii
Acknowledgments	vii
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis – Required Supplementary Information (Unaudited)	3
Basic Financial Statements:	
Statements of Net Position	19
Statements of Revenues, Expenses, and Changes in Net Position	21
Statements of Cash Flows	22
Notes to the Basic Financial Statements	27
Required Supplementary Information (Unaudited):	
Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets	65
Schedule of Contributions – Defined Benefit Pension Plans	67
Schedule of Proportionate Share of the Net Pension Liability	68
<u>STATISTICAL SECTION (Unaudited)</u>	
Table I – Net Position by Component	73
Table II – Changes in Net Position	74
Table III – Revenues by Source.....	75
Table IV – Expenses by Function.....	76
Table V – Water Sales by Source	77
Table VI – Rate by Activity	78
Table VII – Principal Water Consumers.....	79
Table VIII – Principal Wastewater (Sewer) Customers	80
Table IX Property Tax and Special Assessment.....	81
Table X – Assessed Value of Taxable Property	82
Table XI – Ratios of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	83

**Olivenhain Municipal Water District
Annual Comprehensive Financial Report
For the Years Ended June 30, 2021 and 2020**

Table of Contents (Continued)

STATISTICAL SECTION (Unaudited) (Continued)

Table XII – Direct and Overlapping Debt	85
Table XIII – Water System Revenue to Debt Service Ratio.....	87
Table XIV – Reassessment District 96-1 Billing and Collections.....	88
Table XV – Net Outstanding Long-Term Debt by Type	90
Table XVI – Demographic Statistics	91
Table XVII – San Diego County Principal Employers.....	92
Table XVIII – Full-time Equivalent Employees by Activity	93
Table XIX – Capital and Operating Indicators by Activity	94

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 <i>Government Auditing Standards</i>	95
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November 8, 2021



Members of the Board of Directors
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92024-5699

We are pleased to submit the Annual Comprehensive Financial Report of the Olivenhain Municipal Water District (District) for the fiscal year ended June 30, 2021. The purpose of the report is to provide citizens, investors, and other interested parties with reliable financial information about the District.

This Annual Comprehensive Financial Report was prepared by the District's Finance Department in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with District management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the District, and that all disclosures necessary to enable readers to gain the maximum understanding of the District's financial activity have been included.

The District's financial statements have been audited by The Pun Group, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2021, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2021, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

This letter of transmittal is designed to complement the Management's Discussion & Analysis (MD&A) and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Reporting Entity

The District is a governmental corporation governed by a publicly elected five member Board of Directors. The District was incorporated in 1959 under the provisions of the California Municipal Water District Act of 1911, section 71000 et.seq. of the California Water Code as amended.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are sub-funds of the reporting entity, are identified in the District's books and records as the General Fund, Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Ranch Sanitation District Fund, Rancho Cielo Sanitation District Fund, 4S Regional Recycled Water Fund, 2015 Water Revenue Refunding Bond Fund, 2013 Note Payable Fund, 2016 Water Revenue Refunding Bond Fund, and 2018 Wastewater (Sewer) Revenue Bond Fund. All significant inter sub-fund transactions and accounts are eliminated in the combination of the accounts of the sub-funds at the end of each fiscal year for the consolidated financial statements of the District as presented in the financial section of this report. More detailed information on the District's accounting policies can be found in note 1 of the Notes to the Basic Financial Statements.

General District Operations

The District is operated as an enterprise fund. The finances of the District are kept on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

As an enterprise fund, the District maintains a self-balancing set of accounts established to record the financial position and results that pertain to each activity. The activities of enterprise funds are similar to regular businesses whereby a governmental agency collects sufficient revenues through rates and user charges to pay for on-going operating expenses and maintaining infrastructure in order to sustain operations.

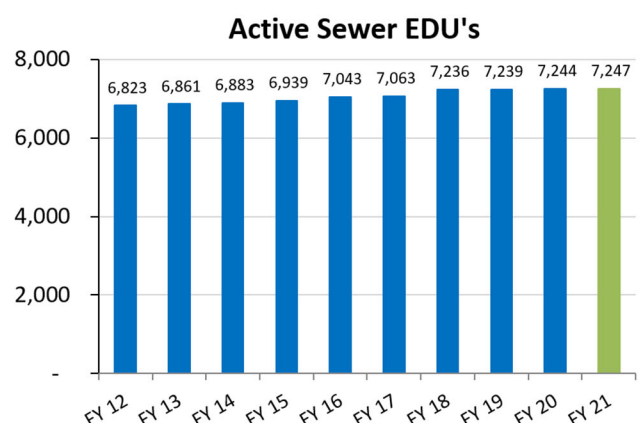
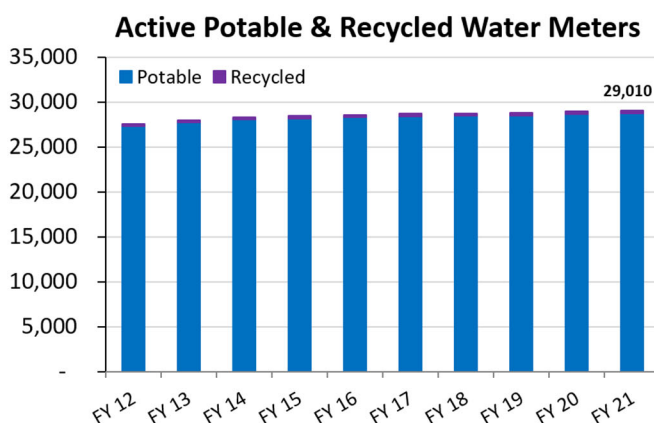
The District's service area is approximately 48 square miles. This service area lies within the northern region of San Diego County and includes portions of incorporated areas such as Encinitas, Carlsbad, San Diego, Solana Beach, San Marcos and large portions of unincorporated areas such as 4S Ranch, Rancho Cielo, Rancho Santa Fe, Elfin Forest, and Santa Fe Valley. All these communities are fairly affluent.

The District is at approximately 95% of its ultimate build-out of approximately 34,400 equivalent dwelling units. For the fiscal year ended June 30, 2021, 69.9% of water delivered was for domestic use, 27.8% for commercial and irrigation use (including construction and recycled water), and 2.3% for agricultural use. The District relies on the San Diego County Water Authority (SDCWA) as a sole source of untreated water. The District's primary treated water source is the David C. McCollom Water Treatment Plant.

The District provides sewer collection and treatment services to a portion of the District's service area and sells recycled water to golf courses and other customers for irrigation. The District's 4S Ranch Water Reclamation Facility (WRF) collects and treats sewage from two specific areas of the District, Rancho Cielo and 4S Ranch. Sewage is processed in the 4S WRF through various treatment stages to produce California Title 22 tertiary treated recycled water that can be used for unrestricted irrigation purposes. The 4S WRF currently produces approximately 1 million gallons per day (mgd) of its maximum production of 2.0 mgd to meet recycled water demand in the southeast quadrant of the District's service area. In order to meet demand in the southeast, the District also purchases recycled water from Santa Fe Valley Community Services District and City of San Diego.

The District also sells recycled water in the northwest of its service area. To meet recycled water demand in the northwest, the District has entered into recycled water purchase agreements with Vallecitos Water District and San Elijo Joint Powers Authority. Recycled water in the northwest is delivered through the utilization of interagency service connections.

During the fiscal year ended June 30, 2021, the District billed 17,957 acre-feet (AF) of potable water through 28,696 active potable water meters and 2,719 AF of recycled water through 314 active recycled meters. The District provided wastewater collection services to 7,247 sewer equivalent dwelling units (EDUs) in 4S Ranch, Rancho Cielo, Santa Luz, and Black Mountain Ranch. Historical information of the District's number of water meters and sewer EDUs is shown in the graphs below.



Financial Impacts of COVID-19 Crisis

COVID-19 and related government mitigation measures have impacted the operating and financial condition of many local agencies throughout San Diego County.

On March 12, 2020, the District declared a COVID-19 emergency in response to the State of Emergency declared by California Governor Gavin Newsom. On April 2, 2020 and in response to the pandemic, Governor Newsom issued an Executive Order protecting homes and small businesses from water shut-offs through September 30, 2021. On September 23, 2021, the Governor signed Senate Bill No. 155, which extended this moratorium on shut-offs until December 31, 2021. The Governor's orders were issued to ensure water service will continue to be provided under any circumstance as water is critical and essential for everyone.

To date, the District's operations and financial position have not been significantly impacted by the COVID-19 pandemic. The District has experienced a delay in collection of its water service revenues. Available reserves in water and sewer unrestricted funds were utilized to cover temporary delays in collection of revenues, to fund essential services, and to make timely debt service payments. The District also has kept the duration of its investments relatively short for liquidity access. The District is also assessing more liens on properties for non-payment of water services as well as offering payment arrangements and/or deferred payment to help rate payers who have been financially impacted by COVID-19. In anticipation of collection delays, the District conservatively increased its allowance for doubtful accounts by \$100,000 to \$210,000 during fiscal year 2020. At June 30, 2021 Accounts receivable – water and sewer have been reduced by an allowance of \$210,000.

The District has also experienced an increase in personnel and non-personnel expenses such as materials, safety supplies, and equipment during the COVID-19 pandemic. As of the end of fiscal year 2021, the District has spent approximately \$322,000 in COVID-19 related expenses, such as safety supplies, spare parts, and computer expenses in response to the emergency. A request for reimbursement of eligible COVID-19 related costs was submitted to FEMA in October 2020, which is pending as of this writing. The District continues to pursue other potential funding opportunities to cover its unanticipated costs related to the pandemic.

More information on the District's financial position can be found in the Financial Section and Statistical Section of this report. Due to the uncertainty on the duration of the public health crisis and the State and Federal response, the full financial impact of the COVID-19 crisis cannot be reasonably estimated. Information about the District's financial position included in this report is based on the known impacts and measures that the District has taken to mitigate COVID-19 impacts.

Internal Controls

District Management is responsible for establishing and maintaining a system of internal controls designed to safeguard District assets from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. When establishing or reviewing controls, management must recognize that the cost to implement a control should not exceed the benefits likely to be derived, and that in order to assess cost versus benefit, estimates and judgment on the part of management will be required. All internal control evaluations occur within the above framework. Management believes the current system of internal controls adequately safeguards District assets and provides reasonable assurance that accounting transactions are properly recorded.

Budget Process

The District utilizes a Board-approved biennial operating and capital budget as a management tool for estimating and planning District revenues and expenditures and it is used only for comparative purposes to identify unusual or unexpected trends. In prior years the District utilized an annual budget format. A biennial budget allows the District to redeploy resources to other activities other than budget preparation, such as putting more emphasis into the

budget monitoring process, and promotes a longer-term view to see and measure results greater than a 12-month period. The Finance Department prepares estimates for departmental review. Department managers review and revise the estimates. All managers meet several times to discuss the budgets, after which there is a final review by the General Manager prior to submittal to the Board of Directors for their consideration.

The proposed biennial operating and capital budget is submitted to the Board within 45 days prior to July 1st of each budget-approval year. The budget does not go into effect until approved by the Board. Once approved, the budget becomes the basis for operating and capital expenditures for each fiscal year.

The District has been the proud recipient of the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award and the California Society of Municipal Finance Officers (CSMFO) Excellence in Budgeting Award for its budget in previous fiscal years. These awards reflect the commitment of the District's Board of Directors and staff to apply the highest principles of governmental budgeting to satisfy nationally recognized guidelines for effective budget presentation.

The District conducts a mid-term review of its multi-year budget in March of non-budget approval years to analyze actual operating and capital expenditures and compares the numbers to the original budget amounts. The purpose of this review is to present the Board with amended budget amounts when required, due to changes in circumstances that were not anticipated at the time the original budget was developed. Threat analysis is also conducted at least once per year to identify and quantify any potential threats to the District's financial picture. Project managers may find after the first half of the budget that some projects need to be accelerated or delayed due to changes in housing development conditions in the District. This midterm review is also used to update the Board on completed capital projects.

Designated Fund Balances

The District's Designated Fund Balances Policy is adopted by the District's Board of Directors. This policy represents affirmation of the Board's commitment to financial prudence and careful stewardship of community assets. These funds are designated to carry out specific purposes to ensure prudent management of the District's financial resources. The policy specifies minimum and maximum target balances to be established in each Board-designated fund. All fund balances will be subject to review by the Board when the District's annual financial audit is completed to ensure fund balances meet the goals established in the policy.

To ensure adequate funding to meet the District's short-term and long-term planned capital expenditures and its commitment to the community, the maximum target balance of the District's designated fund balance for capital and equipment for water operations has been adjusted so as not to exceed five fiscal years of approved planned capital expenditures.

Contacting the District's Finance Department

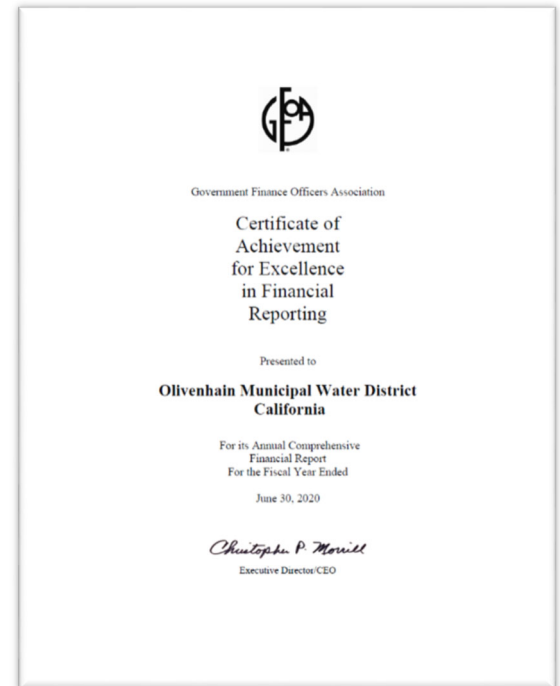
This financial report is designed to provide the Board, customers, creditors and investors with a general overview of the District's financial condition. Should you have any questions regarding the content of this report, please contact Rainy Selamat, OMWD Finance Manager, at (760) 753-6466.

Certificate of Achievement

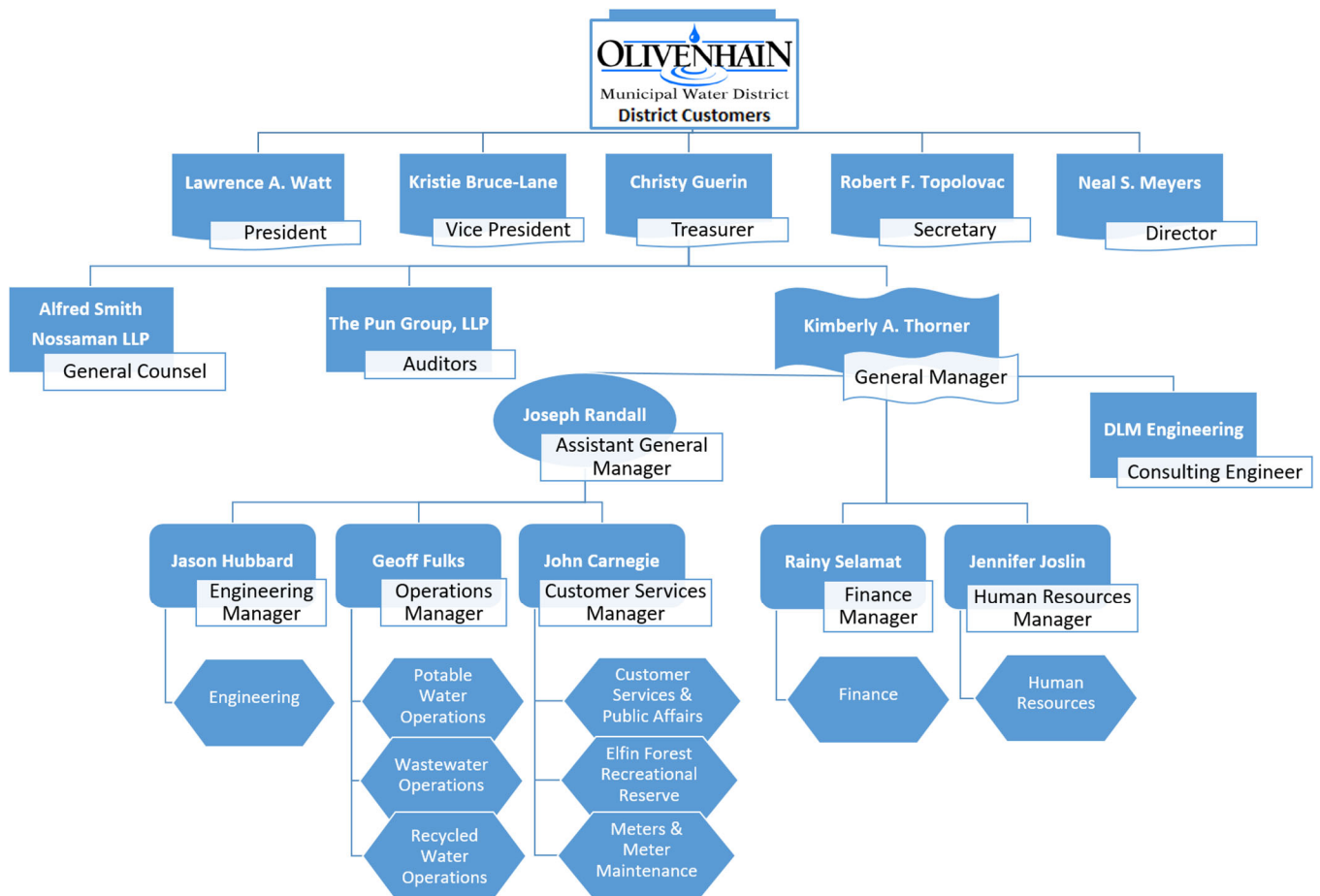
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Olivenhain Municipal Water District for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. This was the 26th consecutive year that the District has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



Organization Chart-



The elected five board members delegate management responsibility of the day-to-day operations of the District to an appointed General Manager. The District is an “at will employer.” All of the District’s employees serve at the pleasure of the General Manager.

District Service Area



Acknowledgements

The preparation of this report could not have been accomplished without support and input from all departments and our independent auditor, The Pun Group, LLP. We would also like to particularly thank the Board of Directors for their continued dedication supporting the highest level of prudent fiscal management.

Respectfully Submitted:

Kimberly A. Thorner

Kimberly A. Thorner, Esq.
General Manager

Rainy K. Selamat

Rainy K. Selamat
Finance Manager

DRAFT 11.01.2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Olivenhain Municipal Water District
Encinitas, California

Report on Financial Statements

We have audited the accompanying financial statements of the Olivenhain Municipal Water District, California (the "District"), which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows, for the years then ended, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets, the Schedule of Contributions – Defined Benefit Pension Plans, and the Schedule of Proportionate Share of the Net Pension Liability on pages 3 through 17 and 67 through 70, 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

San Diego, California
November 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2021

Our discussion and analysis of the Olivenhain Municipal Water District's (District) basic financial statements provides general readers with an overview of the District's financial position and results of operations for the fiscal year ended June 30, 2021. Included in this section are:

- Financial highlights;
- Overview of the accompanying basic financial statements;
- Financial analysis of the District as a whole;
- A discussion of financial restrictions, commitments and limitations.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited financial statements. These statements are located in the section following the MD&A.

Financial Highlights

During the fiscal year ended June 30, 2021 the following events impacted, or create the potential to impact, the finances of the District:

- On March 17, 2021, The District's Board of Directors approved a 2.6% revenue adjustment based on a pass-through increase in the District's purchased water wholesale costs from the San Diego County Water Authority (SDCWA) and a year-over-year percent change in the San Diego County Consumer Price Index for All Urban Consumers (CPI-U). The proposed revenue adjustment resulted in rate increases to the District's rates and fixed charges that became effective with water consumption beginning on April 1, 2021.
- On May 19, 2021, the District's Board of Directors held a Proposition 218 hearing to consider adopting increases in the District's rates for its wastewater (sewer) service fees effective July 1, 2021 and on July 1st of each year over the next four fiscal years, 2023-2026. Following the hearing, the board adopted an ordinance that allowed the District to increase Wastewater System Access Charges and Wastewater Commodity Rates each year for the next five fiscal years, starting with fiscal year 2022. These included a 2% revenue increase adjustment for fiscal year 2022 and 3% increases thereafter for fiscal years 2023-2026.
- In June of 2021, Fitch reaffirmed the District's AAA bond rating on the 2015A and 2016A Water System Refunding Revenue Bonds. The Fitch rating reflects the District's ability to maintain a strong financial performance and affordable rates relative to incomes as the water supplies to an affluent service area.
- Total Revenues increased in comparison to prior years due to fluctuations in the District's water demand from warmer weather conditions. Increases to Other Non-Operating Revenues from the sale of the District's Gaty parcel and from Metropolitan Water District of Southern California (MWD) legal settlements also contributed to the Total Revenue increase. The MWD settlements are discussed in more detail as part of Note 17 of the basic financial statements.
- Total Expenses increased primarily due to an increase in wholesale potable water purchased from the San Diego County Water Authority (SDCWA) and recycled water purchased from other agencies, and increased depreciation expense from new assets placed in service in FY 2021.

- Total Assets were higher primarily due to an increase in unrestricted cash from the District's increased water sales and an increase in other receivables as a result of a MWD legal settlement that the District is anticipated to receive.
- Deferred Outflows of Resources increased slightly from fiscal year 2020 due to amounts from the District's pension that vary from year to year based on California Public Employees Retirement System (CalPERS) actuarial assumptions and Governmental Accounting Standards Board (GASB) Statement No. 68 reporting requirements. During fiscal year 2021, the District made an additional discretionary payment to CalPERS in the amount of \$450 thousand to reduce the District's unfunded pension liability.
- Total Liabilities decreased due to the payment of District payables related to large Construction in Progress (CIP) projects that were completed in fiscal year 2021, including the District's Administrative Building Improvement Project (Building D). The District's scheduled repayment of its Long-term Debt also contributed to this decrease in total liabilities.
- Deferred Inflows of Resources decreased from fiscal year 2020 due to pension amounts that vary from year to year based on CalPERS actuarial assumptions and Governmental Accounting Standards Board (GASB) Statement No. 68 reporting requirements.
- The District's Net Position as of June 30, 2021 increased by \$9.2 million compared to fiscal year 2020 and \$12.6 million compared to fiscal year 2019. The increases were primarily due to fluctuations in water sales, capacity charges collected, capital contributions, and other non-operating revenues.
- On October 27, 2021, the District issued Wastewater Revenue Bonds, Series 2021A in the amount of \$5,042,140 to pay for new wastewater capital improvement projects. On the same date, the District also issued 2021B Refunding Revenue Bonds in the amount of \$3,932,970 to refund and refinance the existing 2018A Sewer Revenue Bonds. More details can be found on Note 18 of the basic financial statements.
- The District adopted GASB Statement No. 84, "Fiduciary Activities" and GASB Statement No. 90, "Majority Equity Interests – An Amendment of GASB Statement No. 14 and No. 61".

More information about the overall analysis of the District's financial position and results of operations is provided in the following sections.

Overview of the Financial Statements

For financial statement purposes, the District combines several internally maintained funds into one enterprise fund. The financial statements present the financial position, results of operation, and changes in cash balances using the accrual basis of accounting. This methodology is used to account for operations that are financed and operated in a manner similar to business enterprises, where services provided are paid through user charges.

Required Basic Financial Statements

The required financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. These statements offer short-term and long-term financial information about the District. Each financial statement is identified, defined, and analyzed in the following sections.

The Statement of Net Position includes the District's assets, deferred outflows of resources, liabilities, deferred

inflows of resources, and net position. This statement provides financial information about the nature of investments and ownership (assets), consumption of net position that applies to future periods (deferred outflows), obligations of the District to its bond investors and creditors for all purchases made (liabilities), and acquisition of net position that applies to future periods (deferred inflows). The Statement of Net Position also assesses the liquidity and financial position of the District.

The Statement of Revenue, Expenses, and Changes in Net Position accounts for all activities during the fiscal year. This statement measures the success of the District's operations during the reporting period and can be used to assess whether or not the District has successfully recovered all of its costs through its user fees and other charges. This statement also measures the District's profitability and ability to meet its financial commitments.

The Statement of Cash Flows accounts for the District's cash activities during the reporting period. The primary purpose of this report is to provide information to the general reader about cash inflows and outflows which occurred during the reporting fiscal year. This statement shows cash receipts, cash disbursements, and changes in cash balances based on operating, capital and related financing, noncapital and related financing, and investing activities. The Statement of Cash Flows helps the reader answer the following questions: Where did cash come from? What was cash used for? And, what was the change in cash during the fiscal year?

Financial Analysis of the District as a Whole

The following statements contain a summary of financial information that was extracted from the basic financial statements to assist general readers in evaluating the District's overall financial position and results of operations as described in this MD&A. Increases or decreases in these statements can be used as performance indicators to assess whether the District's overall financial position has improved or deteriorated. At the same time, other external factors such as changes in economic conditions, growth, and legislative mandates should also be considered as part of this assessment.

Net Position

Net Position is the difference between assets acquired, owned, and operated by the District plus its deferred outflows of resources, and its amounts owed (liabilities) plus its deferred inflows of resources. accordance with Generally Accepted Accounting Principles (GAAP), capital assets acquired through purchase or construction by the District are recorded at historical cost. Capital assets contributed by developers are recorded at developers' bonded cost. Net Position represents the District's net worth including, but not limited to, capital contributions received to date and all investments in capital assets since formation. Net Position helps answer the following question: "Is the District, as a whole, better or worse off as a result of the year's activities?"

Highlights of Statement of Net Position

	Fiscal Year ended June 30		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current Assets - unrestricted	\$ 91,230,167	\$ 83,453,087	\$ 81,904,600
Current Assets - restricted	7,333,291	8,396,334	16,835,806
Capital Assets, net	381,987,256	386,472,115	379,920,307
Other Noncurrent Assets	82,997	134,183	234,176
Total Assets	<u>480,633,711</u>	<u>478,455,719</u>	<u>478,894,889</u>
Deferred amounts on refunding	1,191,088	1,381,667	1,587,232

Deferred amount from pension	3,585,712	3,368,573	2,880,750
Total Deferred Outflows of Resources	4,776,800	4,750,240	4,467,982
Current Liabilities - unrestricted	13,721,685	14,875,301	12,861,139
Current Liabilities - restricted	211,991	1,803,175	2,416,148
Compensated Absences, long-term	916,576	719,611	508,502
Net Pension Liability	14,608,844	13,760,678	12,602,286
Long-term Debt	48,280,027	53,252,734	59,849,380
Total Liabilities	77,739,123	84,411,499	88,237,455
Deferred amount on pension	425,243	722,696	442,775
Total Deferred Inflows of Resources	425,243	722,696	442,775
Net Investment in Capital Assets	330,855,961	330,720,794	321,290,220
Restricted Net Position	7,121,300	6,593,159	10,947,134
Unrestricted Net Position	69,268,884	60,757,811	62,445,287
Total Net Position	\$ 407,246,145	\$ 398,071,764	\$ 394,682,641

For a detailed discussion regarding the increase in total net position, please see the section for the Statement of Revenues, Expenses and Changes in Net Position in the following pages.

Current Assets - unrestricted: an increase compared to fiscal years 2020 and 2019. These increases were due to increases in the District's water rates and charges combined with fluctuations in water sales from changes in water demand due to weather conditions, changes in investment earnings, changes in sewer revenue collected, and an increase in other receivables from MWD settlement proceeds that the District anticipates to receive.

Current Assets - restricted: a decrease from fiscal years 2020 and 2019. This decrease was primarily due to cash spent on the District's significant Construction in Progress (CIP) projects, such as the Administration Building Improvement (Building D), the San Elijo Valley Groundwater, and the El Camino Real Pipeline replacement projects.

Capital Assets, net: a decrease compared to fiscal year 2020 and an increase compared to fiscal year 2019. The decrease from fiscal year 2020 was due to increases in accumulated depreciation, which decreased the carrying value of the District's Capital Assets. The increase compared to fiscal year 2019 was due to an increase in the District's large Construction in Progress (CIP) projects. See note 5 of the Notes to Basic Financial Statements section of this report for additional details related to the District's Capital Assets.

Other Noncurrent Assets: a decrease compared to fiscal years 2020 and 2019 primarily due to payments made on loan receivables issued by the District to qualified Home Owners' Associations (HOA) under the Recycled Water Loan Program. The program, which was implemented in fiscal year 2017, offers financial assistance in the form of low-interest loans to qualified HOAs that retrofit their potable water irrigation system to recycled water.

Deferred Outflows of Resources: The District had Deferred Outflows of Resources of \$4,776,800, an increase of \$26,560 compared to fiscal year 2020. \$1,191,088 of the fiscal year 2021 total was from a deferred loss on refunding for the Water System Revenue Bonds. More information on the District's Long-term debt can be found in Note 9 of the basic financial statements. The remaining amount was from pension amounts that vary from year to year due to changes in pension contributions subsequent to the measurement date, differences in actual and expected experience, assumption changes, proportion changes, and net differences between projected and actual earnings on plan

investments, as required by GASB 68.

Current Liabilities - unrestricted: a decrease from fiscal year 2020 and an increase from fiscal year 2019. The decrease from fiscal year 2020 was due to a decrease in the District's payables related to large Construction in Progress (CIP) projects and payables related to purchases for District operations. The increase from fiscal year 2019 was due to increases in payables related to the District's CIP projects, water purchases, and purchases for the District's operations. Slight increases in the current portion of the District's long-term debt also contributed to these variances.

Current Liabilities – restricted: significantly decreased in fiscal year 2021 compared to fiscal years 2020 and 2019. This decrease was due to the payment of restricted payables related to the District's large construction projects, including the District's Administration Building Improvement Project (Building D). Construction of the Building D project commenced in fiscal year 2019 and was completed in fiscal year 2021.

Net Pension Liability: an increase of \$848,166 compared to fiscal year 2020 and an increase of \$2,006,558 compared to fiscal year 2019. Net Pension Liability is reported at \$14,608,844 for fiscal year 2021 and it is based on the District's proportionate share of the net pension liability for the Miscellaneous Classic and Public Employees' Pension Reform Act (PEPRA) plans under the CalPERS retirement program. The District's Net Pension Liability was calculated by CalPERS based on CalPERS actuarial assumptions. The District's Net Pension Liability was \$13,760,678 and \$12,602,286 for fiscal years 2020 and 2019, respectively.

Long-term Debt: a decrease compared to fiscal year 2020 and fiscal year 2019. The decreases were due to the District's regular payments on outstanding debt. The long-term debt section doesn't contain the "current" amounts; thus, it will always decrease by the following years' payments on outstanding loans. Long-term Debt decreased significantly compared to fiscal year 2019 due to the District's refinancing of the Reassessment District 96-1 Limited Obligation Improvement Bonds in fiscal year 2020, which resulted in a decrease of the District's debt service payments of \$2.84 million in comparison to the prior debt.

Deferred Inflows of Resources: The District had pension-related Deferred Inflows of Resources of \$425,243, a decrease of \$297,453 from fiscal year 2020. These amounts vary from year to year due to changes in pension contributions subsequent to the measurement date, differences in actual and expected experience, assumption changes, proportion changes, and net differences between projected and actual earnings on plan investments, as required by GASB 68.

Total Net Position: The increase in Total Net Position in fiscal year 2021 was primarily due to an increase in Current Assets – unrestricted, a decrease in Current Liabilities – Unrestricted, a decrease in Current Liabilities – Restricted, and a decrease in the District's Long-term Debt as discussed in the previous sections.

Statement of Revenues, Expenses and Changes in Net Position

While the Statement of Net Position focuses on the District's financial position at June 30 of each year, the Statement of Revenues, Expenses, and Changes in Net Position summarizes the District's operations during the year. Revenues are recognized (recorded) when water or services are provided, and expenses are recorded when incurred. Operating revenues and expenses are primarily related to the District's core activities (potable water, recycled water, and wastewater service). Non-operating revenues and expenses (investment income, property taxes, and capacity charges) are not directly related to the core activities of the District.

Water Operations

During fiscal year of 2021, the District provided potable water and recycled water services to 29,010 accounts. Water services include reading and billing water meters on a monthly basis, a back-flow prevention program, meter

maintenance, water quality services, and other on-site services as requested by District customers, including testing meters for accuracy and checking for water leaks.

The District's five board members have independent rate-setting authority. The District's rate structure for monthly water service fees is comprised of three components: commodity charge, monthly system access charge, and SDCWA Infrastructure Access Charge. The District's rates and charges are set to cover the cost of providing water services, such as system administration costs, operations and maintenance expenses, and capital improvement and replacement needs.

On December 11, 2019, the District's Board of Directors adopted an ordinance that allowed the District to pass through to its water customers, for the following five years: (1) increased costs in Purchased Wholesale Water from the San Diego County Water Authority (SDCWA), (2) increases to the District's Cost of Operations and Maintenance and Capital Facilities based on over-the-year percent change in the San Diego Consumer Price Index for All Urban Customers (CPI-U); and (3) any increases in water rates or any other charges mandated and imposed by the State of California. A 2019 Water Cost of Service Study was the basis for allocating costs and calculating the proposed adjustments and increases to the District's water services charges, and a Proposition 218 hearing was held on November 13, 2019 to consider public comment. Per the ordinance, the District's total of annual pass-through increases shall not exceed 9% per year through December 31, 2024.

About 75% of the District's water revenues are collected from commodity charges. The District's commodity charge for domestic customers consists of a tiered rate structure with higher rates per unit of water as the level of consumption increases, a water conservation-based pricing. Commodity revenues vary from month to month depending on water consumption. Commodity rates for domestic customers range from \$3.39 to \$6.74 per unit (one unit equals 748 gallons of water).

About 25% of the District's water revenues are collected from fixed monthly system access charges. The District's fixed monthly system access charge is established on the basis of meter size of the property receiving water service. Average customers with a $\frac{3}{4}$ inch meter pay a typical bill of \$39.44 per month for their monthly system access charge. SDCWA Infrastructure Access Charge is imposed by SDCWA on District water meters for the purpose of recovering certain SDCWA infrastructure costs. Average customers pay a typical bill of \$3.98 per month for their monthly SDCWA Infrastructure Access Charge.

The District's water pricing remains competitive compared to other water districts in the County.

Wastewater (Sewer) Operations

The District's 4S Ranch Water Reclamation Facility (4S WRF) collects and treats sewage effluent from two areas within its boundaries, 4S Ranch and Rancho Cielo. These service areas, comprised of a wide variety of commercial, industrial, and residential uses, encompass a total of approximately 4,000 acres.

In May of 2021, the District's Board of Directors adopted an ordinance that authorized the District to pass through to its sewer customers, for the next five fiscal years (fiscal year 2022 – fiscal year 2026), cost increases to collect, treat, and dispose of sewage and cost to maintain the 4S Ranch Wastewater and Reclamation Facilities within the 4S Ranch Sanitation District. These increases were also necessary for the planned construction of wastewater capital improvements needed to replace and refurbish the District's aging wastewater facilities. The Board of Directors adopted a 2% revenue increase adjustment effective July 1, 2021 and 3% increases thereafter on July 1st of each fiscal year for fiscal years 2023-2026.

The District did not raise its sewer rates and charges for fiscal year 2021 due to potential financial impacts to sewer customers as a result of the COVID-19 pandemic.

The District's sewer rate consists of two components: a system access charge, which is a fixed charge; and a

commodity charge, which reflects each customer's wintertime water use. The wintertime water use (December through March) for each single family residential customer is capped at 10 hundred cubic feet (HCF). The cap of 10 HCF was based on the 90th percentile of minimum wintertime water usage. Other sewer customer types (multi-family and commercial) are billed commodity charges based on their monthly water usage, as these customers have separate irrigation meters. Revenue derived from the rates and charges is used for the recovery of operations and maintenance costs of the District's sewer operations, as well as capital improvement expenditures.

Sewer service fees are billed via the property tax roll and collected by the County of San Diego Property Tax Services Division. Currently, the District bills approximately 7,247 equivalent dwelling units (EDUs) for wastewater discharged from residential and commercial customers.

Recycled Water Operations

The 4S Ranch Water Reclamation Facility (4S WRF) is capable of treating wastewater effluent to California Administrative Code Title 22 levels so that treated water from this plant can be used for irrigation purposes in the southeast portion of the District's service area. The District also buys recycled water from other agencies to supply its recycled water demand in the southeast as well as the northwest portion of the District's service area. Recycled water sold by the District to its retail customers is either produced at the 4S Ranch Water Reclamation Facility or purchased from Rancho Santa Fe Community Services District, the City of San Diego, San Elijo Joint Powers Authority, and Vallecitos Water District.

Recycled water revenues are collected from commodity rates and a monthly system access charge. The District adopted a uniform rate structure for collecting recycled water user fees based on monthly water consumption. The recycled commodity rate is currently billed at \$3.65 per unit (one unit equals 748 gallons of water).

The District continues to expand its recycled water system in the southeast and northwest recycled water service areas. The board approved the Recycled Water Retrofit Loan Program in 2017. This program offers financial assistance in the form of low-interest loans to qualified Home Owners' Associations' (HOA) that retrofit their potable water irrigation system to recycled water.

Highlights of Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year ended June 30		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues			
Operating Revenues:			
Water Sales	\$ 58,169,813	\$ 50,430,847	\$ 48,238,490
Sewer Charges	5,127,136	4,952,194	5,245,015
Other Operating Revenues	2,178,034	2,200,252	2,269,665
Total Operating Revenues	<u>65,474,983</u>	<u>57,583,293</u>	<u>55,753,170</u>
Non-Operating Revenues:			
Property Tax Revenues	4,027,357	3,863,252	3,714,060
Capacity Charges	2,754,730	3,200,022	2,337,015
Benefit Assessment Revenues	1,177,302	1,115,704	1,474,830
Other Non-Operating Revenues	5,578,746	1,634,444	2,202,714
Total Non-Operating Revenues	<u>13,538,135</u>	<u>9,813,422</u>	<u>9,728,619</u>
Total Revenues	<u>79,013,118</u>	<u>67,396,715</u>	<u>65,481,789</u>

Expenses

Operating Expenses:

Cost of water sold	30,601,983	27,188,350	25,532,687
Depreciation	15,559,523	15,029,936	14,892,827
General and administrative	7,040,552	7,326,820	6,926,933
Pumping and water treatment	4,378,418	4,139,526	4,028,711
Transmission and distribution	4,220,269	4,090,468	3,480,238
Sewer collection and treatment	2,085,237	1,980,603	1,631,657
Customer services	2,349,308	2,404,916	1,817,086
Facilities maintenance	1,363,564	1,456,702	1,224,506
Elfin Forest Recreational Reserves	415,386	381,540	376,635
Other Operating Expenses	228,939	329,185	407,811
Total Operating Expenses	68,243,179	64,328,046	60,319,091

Non-Operating Expenses:

Interest Expense, net	1,419,009	1,457,739	1,794,797
Other Non-Operating, net	1,076,547	1,458,033	1,036,442
Total Non-Operating Expenses	2,495,556	2,915,772	2,831,239

Total Expenses	70,738,735	67,243,909	63,150,259
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Income (loss) before Capital Contributions	8,274,383	152,897	2,331,529
Capital Contributions	899,998	3,236,226	1,298,585
Changes in Net Position	9,174,381	3,389,123	3,630,114

Beginning Net Position	398,071,764	394,682,641	391,052,527
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Ending Net Position	\$ 407,246,145	\$ 398,071,764	\$ 394,682,641
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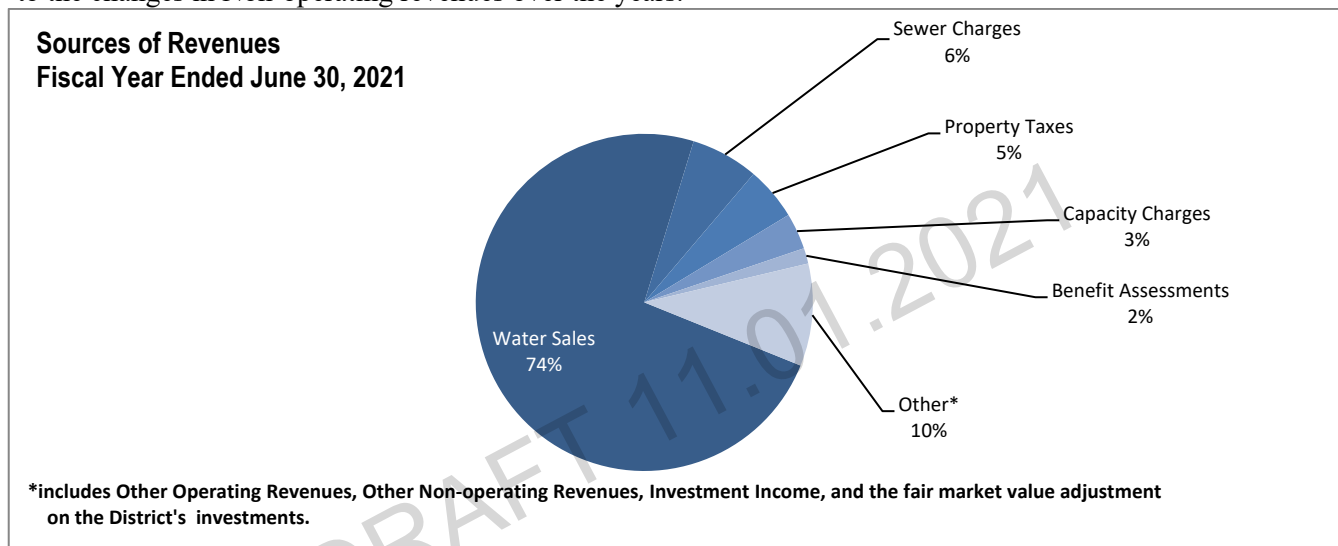
Revenues

Total Revenues: as reported on the Statement of Revenues, Expenses and Changes in Net Position for fiscal year ended June 30, 2021, total revenues were \$79.0 million, a 17.2% increase compared to fiscal year 2020 and a 20.7% increase compared to fiscal year 2019. This increase was primarily due to an increase in customers' water consumption over the years and an increase in non-operating revenues from the sale of one of the District's parcels (Gaty) to offset to District's administrative building improvement project costs (Building D) and from settlement proceeds from the Metropolitan Water District of Southern California (MWD). Please see Note 17 to the basic financial statements for more information regarding this settlement.

Operating Revenues: an increase in fiscal year 2021 compared to fiscal years 2020 and 2019 from changes to water sales. Fluctuations in water sales were due to year-to-year changes in customers' water consumption behaviors which varied depending on weather conditions.

Other Operating Revenues: remained steady from year to year at \$2.2 million, \$2.2 million, and \$2.3 million in fiscal years 2021, 2020, and 2019, respectively. Other Operating Revenues are comprised of excess treated water services sold from the David C. McCollom Water Treatment Plant (DCMWTP) to other agencies, revenue received from cell phone tower leases on District property, and the recognition of deposits collected for billable work for others as revenue during the fiscal year.

Non-operating Revenues: increased in fiscal year 2021 compared to fiscal years 2020 and 2019. This increase was primarily due to the District's sale of its Gaty parcel and the settlement received from MWD. This increase was partially offset by decreases in income on the District's investments due to market conditions. Fluctuations in the amounts collected from the District's property tax revenues, capacity charges from developers, and benefit assessment revenues from the 96-1 Reassessment District Limited Obligation Improvement Bonds also contributed to the changes in Non-operating revenues over the years.



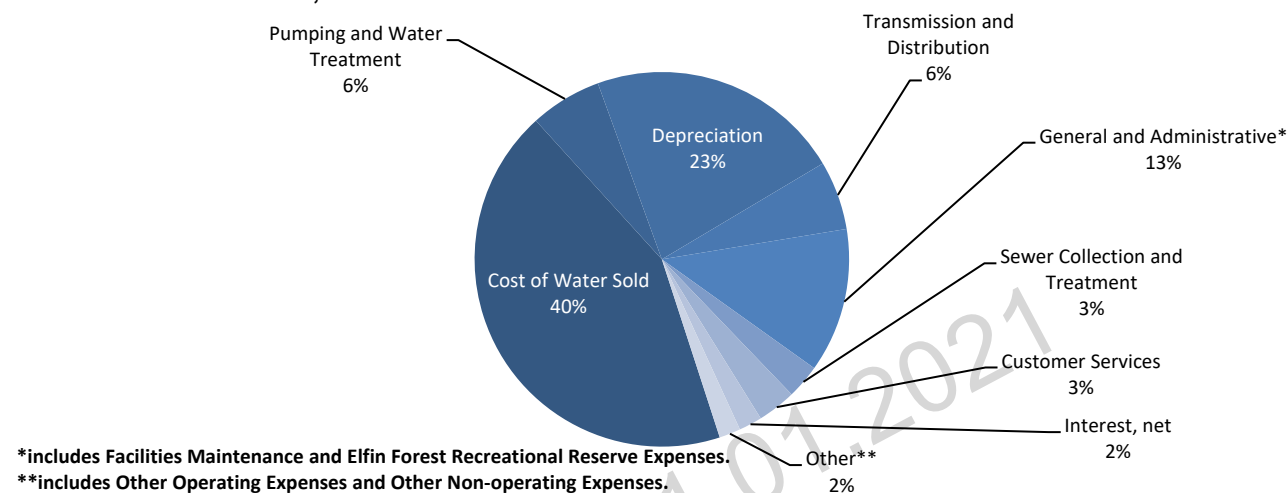
Expenses

Total Expenses: fiscal year ended June 30, 2021 reported expenses were \$70.7 million. Included in Total Expenses were \$68.2 million in Operating Expenses and \$2.5 million in Non-operating Expenses. Total Expenses reported in fiscal years 2020 and 2019 were \$67.2 and \$63.2 million, respectively.

Operating Expenses: increased from fiscal year 2020 and fiscal year 2019. This increase was primarily due to the increased cost to purchase water from the District's potable and recycled water suppliers and an increase in water consumption compared to prior years. Depreciation expense also increased due to Construction in Progress (CIP) projects that were placed in service during the fiscal year, including the District's Administrative Building Improvement Project (Building D). Water and wastewater (sewer) operating expenses remained steady in 2021 compared to 2020 as a result of positions that remained vacant throughout the year. The increase in water and sewer operating expenses in comparison to fiscal year 2019 was due to an increase in salary and wages based on the 2013 Memorandum of Understanding between the District, its District Employee Association, and the Bargaining Unit Members Associations which will expire in December 2021. The District is currently in negotiations with its employee association groups for a new Memorandum of Understanding.

Other Non-operating Expenses, net: decreased in 2021 compared to fiscal year 2020 and slightly increased compared to fiscal year 2019. These differences primarily resulted from the fluctuations in the recorded losses on the disposal of capital assets that were retired earlier than their placed in service date. In fiscal year 2020, the District recognized expenses related to the refinancing of its Reassessment District 96-1 Bonds, which contributed to the increase in Other Non-operating Expenses in 2020.

Sources of Expenses Fiscal Year Ended June 30, 2021



Income (loss) before Capital Contributions & Capital Contributions

Income (loss) before Capital Contributions: increased in fiscal year 2021 compared to fiscal year 2020 and fiscal year 2019. These increase were primarily due to the increase in water sales and revenue recognized from the sale of the District's Gaty parcel and the District's portion of the Metropolitan Water District (MWD) legal settlement discussed in Note 17 of the basic financial statements.

Capital Contributions: decreased compared to fiscal year 2020 and fiscal year 2019 due to fluctuations in contributed assets received from major developers. The district had fewer contributed assets in fiscal year 2021 compared to 2020 and 2019.

Changes in Net Position

Changes in Net Position for the fiscal year ended June 30, 2021 amounted to an increase of \$9.17 million. The Changes in Net Position for the fiscal years ended June 30, 2020 and June 30, 2019 amounted to an increase of \$3.39 million and an increase of \$3.63 million, respectively. The fluctuations over the last three fiscal years were primarily attributed to the aforementioned changes in Total Revenues from water and sewer operations, capacity charges collected, capital contributions, and other-non operating revenues.

Restrictions, Commitments, and Limitations

Capital Assets and Improvement Program

Condensed Schedule of Capital Assets

Description	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019
Capital Assets, net of depreciation	\$ 340,390,730	\$ 329,339,416	\$ 336,643,974
Land and Steel Tanks	30,866,760	31,000,564	31,000,570
Construction In Progress	10,729,766	26,132,135	12,275,763
Net Capital Assets	<u>\$ 381,987,256</u>	<u>\$ 386,472,115</u>	<u>\$ 379,920,307</u>

The District's capital assets were financed through a combination of cash and debt financing. Construction in Progress (CIP) is currently being funded using cash accumulated in unrestricted funds and restricted cash for construction. The District's CIP fluctuated from year to year depending on the construction cost of infrastructure

projects that are currently under construction or are in the planning stages. The District has a Ten (10) Year Capital Spending Plan for its Water and Sewer Capital Improvement Program to address its water and sewer infrastructure needs. The District is currently estimated at 95% build out. The District's ten-year financial projections for water and sewer are included in the Long-Term Financial section of the General Manager's Recommended Biennial Budget document which is available on the District's website, www.olivenhain.com.

The District's Net Capital Assets in service as of June 30, 2021 were \$382.0 million, net of \$216.6 million in accumulated depreciation and amortization. Included in the total Net Capital Assets is \$10.7 million in Construction in Progress (CIP), which includes: the San Elijo Valley Groundwater Project, the El Camino Real Pipeline Replacement, and other capital improvement projects that are in various stages of construction. More information on the District's Capital Assets can be found in Note 5 of this report.

The District elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Steel Water Storage Tanks System starting in September 2007. Under GASB Statement No. 34, eligible infrastructure capital is not required to be depreciated if all requirements are met.

The Tank Assessment Index (TAI) minimum established by the District is 5.0. The average TAI for fiscal year 2021 is 9.0, well above the established index. The average TAI for fiscal years 2020 and 2019 was 8.5. The current lowest TAI is 7.3, and the highest is 9.7. There is no significant difference between the estimated and actual amounts to maintain and preserve infrastructure assets at target conditions during the current period.

More detailed information regarding the modified approach can be found in note 1 of the Required Supplementary Information.

Debt Administration

The District has one (1) note payable and four (4) bond issues outstanding: the 2013 State Revolving Fund, the 2019 Reassessment 96-1 Limited Obligation Improvement Bonds, the 2015 Water System Refunding Revenue Bonds Payable, the 2016 Water System Refunding Revenue Bonds Payable, and the 2018 Wastewater Revenue Bonds Payable. The District's outstanding bonded indebtedness as of June 30, 2021 is as follows:

Schedule of Bond Indebtedness For fiscal year ended 2021

Description	Year Issued	Total Sold	Final Maturity Date	Interest Rate Range		Bonds Outstanding As of June 30, 2021		
				From	To	Current	Long Term	Total
2019 Reassessment 96-1 Limited Obligation Improvement Bonds	2019	\$ 7,130,000	9/2/2027	2.09%	2.09%	\$ 843,108	\$ 5,457,755	\$ 6,300,863
2013 State Revolving Fund	2013	17,069,309	7/1/2035	2.30%	2.30%	397,248	11,564,749	11,961,997
2015 Water System Refunding Revenue Bonds Payable	2015	23,455,000	6/1/2028	2.00%	5.00%	1,750,000	12,525,000	14,275,000
2016 Water System Refunding Revenue Bonds Payable	2016	15,990,000	6/1/2039	2.13%	5.00%	530,000	12,890,000	13,420,000
2018 Wastewater Revenue Bonds Payable	2018	5,500,000	6/1/2028	3.10%	3.10%	522,000	3,491,000	4,013,000

For the fiscal year ended June 30, 2021 the ratio of 2019 Reassessment 96-1 Limited Obligation Improvement Bonds to assessed value was 0.02% and the net bonded debt per capita was \$70.

In June of 2021, Fitch Ratings reaffirmed the District's 2015A Water System Refunding Revenue Bonds and 2016 Water Revenue Refunding Bonds "AAA" rating with positive outlook primarily due to strong financial performance in water operations. These revenue bonds are secured by the District's net water system revenues after payment of water operations and maintenance (O&M) expenses.

For more details regarding the District's existing long-term debt, please see Note 7 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

About 95% of the District's service area is fully developed. The District's customer base is predominantly residential/domestic customers (70%), the remainder is a mix of commercial, irrigation, and agricultural (30%). The District is expected to be 100% built-out by 2030.

The District's water rate structure consists of a commodity charge and fixed monthly service fees. About 25% of the District's water revenues are collected from fixed monthly charges and 75% are collected on commodity rates based on consumption. The District's Board of Director have adopted a pass-through ordinance on potable and recycled water rate increases. The Pass-Through ordinance authorized the District to pass through any increases in water supply costs, any increases in the District's water operations and maintenance costs based on annual percentage change in the San Diego County Consumer Price Index for All Urban Consumers (SDCPI-U), and any increases in water rates and or any other charges mandated by the State of California and imposed on the District, not to exceed 9% each year for the next five years until December 31, 2024. A 5% planned revenue adjustment each year is forecasted through December 31, 2024. The District bills monthly for its water services.

The District addressed the downside financial implications of a prolonged drought through the implementation of a revenue policy whereby the District can collect up to 30% of its revenue from fixed component of its water rate structure and Demand Reduction Rate Adjustments. The District's Demand Reduction Rate Adjustments will increase potable water rates, when implemented, so that the District could continue to collect the cost of providing water service in order to sustain operations during locally declared water shortages, mandatory potable water use cutbacks, or other natural disaster. Demand Reduction Rates would only be implemented by General Manager or Board action under the terms of the District's Water Supply Shortage Condition Ordinance. Such action by the District is generally triggered by the San Diego County Water Authority and/or Metropolitan Water District of Southern California declaration of a specific level of water shortage.

On July 8, 2021, Governor Gavin Newsom issued Executive Order N-10-21, which called for a voluntary cut back of 15% in water use in comparison to 2020 levels. On the same day, the Governor issued a proclamation of a state of emergency, which brought the total number of counties in the State of California in a drought-related state of emergency to 50, and excluded San Diego and 8 other counties throughout Southern California. On October 19, 2021, the Governor declared a state of emergency, adding the eight counties that were previously excluded from the declaration, including San Diego County. The emergency declaration requires local water suppliers to implement water shortage contingency plans to respond to local conditions and prepare for the possibility of another dry year. The District is currently at Level 1 of its Water Shortage Contingency Plan, which matches the request from the Governor for voluntary conservation and prohibits wasteful practices.

The District's wastewater (sewer) rate structure consists of a commodity charge and fixed monthly service fees. About 31% of the District's wastewater (sewer) revenues are collected from fixed monthly sewer service fees and 69% are collected based on the estimated quality and amount of sewage generated by each user in hundred cubic feet (commodity charge).

The District's Board of Directors have adopted an ordinance that authorized the District to pass through to its sewer customers, for the next five fiscal years (fiscal year 2022 – fiscal year 2026), cost increases to collect, treat, and dispose of sewage and cost to maintain the 4S Ranch Wastewater and Reclamation Facilities within the 4S Ranch Sanitation District. The Board of Directors adopted a 2% revenue increase adjustment effective July 1, 2021 (fiscal year 2022) and 3% increases thereafter on July 1st of each fiscal year for fiscal years 2023-2026. Annual sewer service fees are collected by the District on each property owner's property tax bill. Sewer service fees are due and payable at the same time when a property owner's tax bill is due to the San Diego County Tax Assessor's Office, April and December of each year.

The District has experienced a delay in collection of its water and sewer service revenues since the pandemic began. In anticipation of collection delays, the District conservatively increased its allowance for doubtful accounts by \$100,000 to \$210,000 in fiscal year 2020. At June 30, 2021, Accounts receivable-water and sewer have been reduced by an allowance of \$210,000. To avoid further collection delays, the District has been assessing more liens on properties for non-payment of water services in addition to offering payment arrangements to help rate payers who have been financially impacted by COVID-19.

The District continues to overcome operating challenges by maintaining a strong financial position and by planning ahead for future needs. Financial risks are assessed and reviewed with the Board of Directors annually as part of the District's budget process.

Contacting the District's Financial Management

This financial report is designed to provide the District's rate payers, bond investors and other interested parties with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives and the stewardship of the facilities it maintains. If you have questions about this report or need additional information, contact the Olivenhain Municipal Water District's Finance Department at 1966 Olivenhain Road, Encinitas, California 92024, call the District at (760) 753-6466, or send inquiries to our website at www.olivenhain.com.

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BASIC FINANCIAL STATEMENTS

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Olivenhain Municipal Water District
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 45,048,195	\$ 50,447,737
Investments	31,598,271	20,417,946
Accounts receivable - water and sewer, net	10,717,152	10,062,269
Interest receivable	82,081	259,626
Taxes receivable	154,318	164,205
Other receivables	1,880,711	313,254
Inventories	1,065,380	1,118,661
Prepaid expenses	684,059	669,389
Total unrestricted assets	91,230,167	83,453,087
Restricted assets:		
Cash and cash equivalents	4,641,041	5,250,778
Investments	2,262,949	1,322,016
Taxes receivable	39,981	45,300
Grants receivable	389,320	1,778,240
Total restricted assets	7,333,291	8,396,334
Total current assets	98,563,458	91,849,421
Noncurrent assets:		
Capital assets, nondepreciable	41,596,526	57,132,699
Capital assets, depreciable/amortizable, net	340,390,730	329,339,416
Capital assets, net	381,987,256	386,472,115
Other receivables	58,774	106,458
Prepaid bond insurance	24,223	27,725
Total noncurrent assets	382,070,253	386,606,298
Total assets	480,633,711	478,455,719
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	1,191,088	1,381,667
Pension-related deferred outflows of resources	3,585,712	3,368,573
Total deferred outflows of resources	4,776,800	4,750,240

(Continued)

Olivenhain Municipal Water District
Statements of Net Position (Continued)
June 30, 2021 and 2020

	2021	2020
LIABILITIES		
Current liabilities:		
Liabilities payable from unrestricted assets:		
Accounts payable	\$ 7,518,055	\$ 8,719,530
Accrued payroll	369,392	363,695
Customer deposits	358,313	413,307
Payable related to work in progress	662,569	699,515
Compensated absences, current portion	771,000	799,000
Current portion of long-term debt:		
Wastewater revenue bonds	522,000	507,000
Water revenue refunding bonds	2,280,000	2,170,000
Special assessment debt with government commitment	843,108	815,000
Notes payable	397,248	388,254
Total liabilities payable from unrestricted assets	13,721,685	14,875,301
Liabilities payable from restricted assets:		
Accounts payable	65,933	1,640,990
Interest payable	146,058	162,185
Total liabilities payable from restricted assets	211,991	1,803,175
Total current liabilities	13,933,676	16,678,476
Noncurrent liabilities:		
Compensated absences	916,576	719,611
Net pension liability	14,608,844	13,760,678
Long-term debt, excluding current portion:		
Wastewater revenue bonds	3,491,000	4,013,000
Water revenue refunding bonds	27,766,523	30,570,011
Special assessment debt with government commitment	5,457,755	6,315,000
Notes Payable	11,564,749	12,354,723
Total noncurrent liabilities	63,805,447	67,733,023
Total liabilities	77,739,123	84,411,499
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows of resources	425,243	722,696
Total deferred inflows of resources	425,243	722,696
NET POSITION		
Net investment in capital assets	330,855,961	330,720,794
Restricted for:		
Debt service	1,938,321	2,039,742
Construction	5,182,979	4,553,417
Total restricted	7,121,300	6,593,159
Unrestricted	69,268,884	60,757,811
Total net position	\$ 407,246,145	\$ 398,071,764

(Concluded)

Olivenhain Municipal Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Water sales	\$ 58,169,813	\$ 50,430,847
Sewer charges	5,127,136	4,952,194
Other water operating revenues	2,178,034	2,200,252
Total operating revenues	65,474,983	57,583,293
OPERATING EXPENSES		
Cost of purchased water sold	30,601,983	27,188,350
Pumping and water treatment	4,378,418	4,139,526
Transmission and distribution	4,220,269	4,090,468
Sewer collection and treatment	2,085,237	1,980,603
Elfin Forest recreation reserve operations	415,386	381,540
Facilities maintenance	1,363,564	1,456,702
Customer services	2,349,308	2,404,916
General and administrative	7,040,552	7,326,820
Other operating expenses	228,939	329,185
Depreciation and amortization	15,559,523	15,029,936
Total operating expenses	68,243,179	64,328,046
Operating (loss)	(2,768,196)	(6,744,753)
NONOPERATING REVENUES (EXPENSES)		
Fair market value adjustment	(562,019)	314,639
Investment income	454,962	1,227,969
Property taxes	4,027,357	3,863,252
Capacity charges	2,754,730	3,200,022
Benefit assessments	1,177,302	1,115,704
Other nonoperating revenues	5,685,803	91,836
Interest expense, net	(1,419,009)	(1,457,739)
Other nonoperating expenses	(1,076,547)	(1,458,033)
Total nonoperating revenues (expenses)	11,042,579	6,897,650
Income before capital contributions	8,274,383	152,897
Capital Contributions	899,998	3,236,226
Changes in net position	9,174,381	3,389,123
Net Position, Beginning of Year	398,071,764	394,682,641
Net Position, End of Year	\$ 407,246,145	\$ 398,071,764

Olivenhain Municipal Water District
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from water and sewer customers	\$ 64,867,918	\$ 55,683,953
Payments for water	(30,375,537)	(26,271,339)
Payments for services and supplies	(10,544,997)	(8,188,142)
Payments for employee wages, benefits, and related costs	(12,477,619)	(11,624,702)
Net cash provided by operating activities	11,469,765	9,599,770
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes and benefit assessments received	5,219,865	4,970,195
SDCWA water rebate payment	2,039,332	-
Net cash provided by noncapital financing activities	7,259,197	4,970,195
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(11,289,144)	(19,414,338)
Proceeds from grants and capital contributions	(186,137)	(755,014)
Principal paid on long-term debt	(4,287,117)	(13,089,295)
Proceeds from debt issuance	-	7,130,000
Interest paid on long-term debt	(1,768,054)	(1,965,618)
Capacity charges received	2,777,662	3,704,751
Proceeds from sale of capital assets	2,033,750	57,227
Other capital financing receipts	165,014	34,609
Other capital financing expenses paid	(133,443)	(328,312)
Net cash (used in) capital and related financing activities	(12,687,469)	(24,625,990)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	24,740,950	33,178,869
Purchases of investments	(37,279,742)	(13,000,109)
Investment income received	488,020	1,465,181
Net cash provided by (used in) investing activities	(12,050,772)	21,643,941
Net increase (decrease) in cash and cash equivalents	(6,009,279)	11,587,916
Cash and cash equivalents, beginning of year	55,698,515	44,110,599
Cash and cash equivalents, end of year	\$ 49,689,236	\$ 55,698,515
FINANCIAL STATEMENT PRESENTATION		
Cash and cash equivalents	\$ 45,048,195	\$ 50,447,737
Cash and cash equivalents - restricted assets	4,641,041	5,250,778
Total cash and cash equivalents	\$ 49,689,236	\$ 55,698,515

(Continued)

Olivenhain Municipal Water District
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2021 and 2020

	2021	2020
RECONCILIATION OF OPERATING (LOSS) TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (2,768,196)	\$ (6,744,753)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization	15,559,523	15,029,936
GASB 68 adjustment to pension expense	333,583	956,776
Changes in operating assets and liabilities:		
(Increase) Decrease in assets:		
Receivables	(552,071)	(1,914,199)
Inventories	53,281	202,978
Prepaid expenses and deposits	(14,671)	60,069
Increase (Decrease) in liabilities:		
Accounts payable	(1,261,351)	1,784,668
Accrued payroll and compensated absences	174,661	209,434
Customer deposits	(54,994)	14,861
Net cash provided by operating activities	\$ 11,469,765	\$ 9,599,770
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Contributions of capital assets	\$ 899,998	\$ 3,236,227
Amortization of premiums	\$ (523,488)	\$ (597,560)
Unrealized gains (losses) on investments	\$ (562,019)	\$ 314,639

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Olivenhain Municipal Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 1 – Reporting Entity

The Olivenhain Municipal Water District (the District) is a governmental corporation governed by an elected five-member board of directors. The District was incorporated in 1959 under the provisions of the California Municipal Water District Act of 1911. The District's 48 square mile service area lies in northern San Diego County and the majority of its sales are to domestic and business users. The District's offices are located in Encinitas, California.

The basic financial statements of the District include the blended financial activities of the District and the Olivenhain Municipal Water District Financing Corporation (Corporation).

The Corporation was formed in 1997 under the California Nonprofit Public Benefit Corporation Law. Its sole purpose is to assist the District in acquiring and financing various public facilities.

The criteria used in determining the inclusion of a component unit in the reporting entity for financial reporting purposes are: (1) appointment of voting majority of the component unit board, (2) ability to impose its will, (3) financial benefit or burden, and (4) fiscal dependency.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are sub funds of the reporting entity, are identified in the District's books and records as the General Fund, Recycled Water Capacity Fee Fund, Treated Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Sanitation District Fund, Rancho Cielo Sanitation District Fund, 2015 Water System Revenue Refunding Bond Fund, 2016 Water System Revenue Refunding Bond Fund, 2018 Wastewater Revenue Bond Fund, and 2013 State Revolving Fund Note Payable. All significant inter sub-fund transactions and accounts are eliminated in the combination of the accounts of the sub funds for the basic financial statements of the District.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes. The more significant of the District's accounting policies are described below:

A. Financial Statements

The financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the District. The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

B. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

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

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

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

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

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering water in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses and Changes in Net Position.

C. Use of Restricted/Unrestricted Assets

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

D. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents include petty cash, demand deposits with financial institutions, deposits in money market mutual funds (SEC registered), and deposits in external investment pools, and marketable securities that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value.

Risk Disclosures – Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Cash, Cash Equivalents, and Investments (Continued)

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

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

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

Level 3 - Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

E. Restricted Assets

Amounts shown as restricted assets have been restricted by debt agreements, by law or regulations, or by contractual obligations to be used for specified purposes, such as service of debt and construction of capital assets.

F. Water and Wastewater (Sewer) Sales

Water sales revenue is recorded when water is delivered and service is rendered, including an estimated amount for unbilled service. Wastewater (sewer) service fees are collected on each property owner's property tax bill on an annual basis. Sewer bills are due and payable at the same time when a property owner's tax bill is due to the San Diego County Tax Assessor's Office, April and December of each year.

G. Allowance for Doubtful Accounts

The District recognizes bad debt expense relating to water and sewer receivables when it is probable that the accounts will be uncollectible. Collections from water and sewer customers for services rendered have been closely monitored since the coronavirus pandemic. Management is of the opinion that the District's financial position has not been significantly impacted by the coronavirus pandemic. During fiscal year 2020, the District increased its allowance for doubtful accounts as a response to the pandemic. Water and sewer accounts receivable at June 30, 2021 and 2020 have been reduced by an allowance for doubtful accounts of \$210,000 and \$210,000, respectively.

H. Inventories

Materials inventory is stated at current average cost. Water inventory is stated at its purchase cost using the first-in, first-out method.

I. Prepaid Expenses

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

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

J. Capital Assets, Depreciation and Amortization

Capital assets are valued at cost when constructed or purchased. Contributed capital assets are recorded at developer bonded cost. The District capitalizes all assets with a historical cost of at least \$5,000 and a useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Depreciation or amortization on capital assets in service, excluding land, is computed using the straight-line method over the estimated useful lives of such assets and is reported as an operating expense. Capital projects are subject to depreciation or amortization when completed and placed in service. The ranges of estimated useful lives of capital assets are as follows:

Treatment and distribution system	10-75 years
Non-steel tanks	10-60 years
General plant	3- 40 years
Capacity Rights	17 years

The District is amortizing Capacity Rights and is reviewing it annually for impairment, and any impairment losses are recognized in the period in which the impairment is determined.

In September 2007, the District elected to use the Modified Approach as defined by GASB Statement No. 34 for reporting the steel water storage tanks subsystem of infrastructure capital assets.

The detail of the subsystems is not presented in these basic financial statements. However, the operating departments maintain information regarding the subsystems.

Per GASB Statement No. 34, a condition assessment will be performed every three years on the steel tanks. The condition of the District's steel water storage tanks is determined using the USCI AMRS via their maintenance program. The tank condition rating, which is a weighted average of an assessment of the ability of individual steel water storage tanks to function structurally, such that water is stored safely and securely, uses a numerical condition scale ranging from 1.0 (unacceptable) to 10.0 (very good).

It is the District's policy to keep all the steel water storage tanks at a condition level of not less than 5.0 (satisfactory). All steel water storage tanks are inspected every two years and washed out every other year. Repairs are done on an as needed basis.

K. Capitalized Interest

Interest costs, less interest earned, on related borrowings are capitalized during the construction period of major capital asset additions. The capitalized interest is recorded as part of the asset to which it is related and is depreciated over the estimated useful life of the related asset. Capitalized interest amounted to \$11,677 and \$123,103 for the years ended June 30, 2021 and 2020, respectively.

L. Capital Contributions

Capital contributions are recorded when the District receives cash contributions or accepts contributions of capital assets in kind or when governmental construction grants are earned. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Position.

M. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused personal leave time up to a maximum of 992 hours, which includes both vacation and sick pay benefits. Sick time may be accumulated up to a maximum of 640 hours. The vacation accumulation maximum is based on number of years of continuous service and ranges from 192 hours to 352 hours. All personal leave time is accrued when incurred.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

N. Long-Term Obligation

Debt premiums and discounts, if any, are deferred and amortized over the life of the debt. Long-term debt is reported net of the applicable bond premium or discount. Debt issuance costs are expensed when incurred.

O. Refunding of Debt

Gains or losses occurring from current or advance refunding of debt are reported as deferred inflows or outflows of resources and are being amortized over the original remaining life of the old debt or the life of the new debt, whichever is less.

P. 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 (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The District is participating in a cost-sharing multiple-employer defined benefit plan.

Q. Property Taxes

The County of San Diego (the "County") bills and collects property taxes on behalf of the District. The County's tax calendar year is July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

R. Capacity Charges

Capacity charges are paid by new customers prior to connecting to the District's system. Such charges are periodically adjusted based upon changes in construction costs and other factors, and are intended to compensate the District for a new customer's equitable share of current and future system capacity. Capacity charges are, except in rare circumstances, nonrefundable and are recorded as nonoperating revenues when collected.

S. Net Position

Net position of the District is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. 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 notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted Net Position – This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), 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 net position".

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

T. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

U. Reclassification

For the year ended June 30, 2021, certain classifications may have been changed to improve financial statement presentation. For comparative purposes, prior year balances may have been reclassified to conform with the current fiscal year 2021 presentation.

V. Implementation of New GASB Pronouncements for the Year Ended June 30, 2021

During fiscal year ended June 30, 2021, the District has implemented the following new GASB Pronouncements:

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Application of this statement did not have a material effect on the District's financial statements for the fiscal year ending June 30, 2021.

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Application of this statement did not have a material effect on the District's financial statements for the fiscal year ending June 30, 2021.

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Application of this statement did not have a material effect on the District's financial statements for the fiscal year ending June 30, 2021.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

V. Implementation of New GASB Pronouncements for the Year Ended June 30, 2021 (Continued)

GASB Statement No. 98

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*, to establish the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. Application of this statement did not have a material effect on the District's financial statements for the fiscal year ending June 30, 2021.

W. Upcoming Governmental Accounting Standards Implementation

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB Statement No. 87 is effective for the District's fiscal year ending June 30, 2022.
- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 is effective for the District's fiscal year ending June 30, 2022.
- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 is effective for the District's fiscal year ending June 30, 2023.
- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

W. Upcoming Governmental Accounting Standards Implementation (Continued)

- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Application of this statement is effective for the District’s fiscal year ending June 30, 2022.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement is effective for the District’s fiscal year ending June 30, 2023.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Application of this statement is effective for the District’s fiscal year ending June 30, 2023.
- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Application of this statement is effective for the District’s fiscal year ending June 30, 2022.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments

Cash and investments at June 30, 2021 and 2020 are classified in the accompanying financial statements as follows:

	2021	2020
Statement of Net Position:		
Current assets:		
Cash and cash equivalents	\$ 45,048,195	\$ 50,447,737
Restricted cash and cash equivalents	4,641,041	5,250,778
Investments	31,598,271	20,417,946
Restricted investments	2,262,949	1,322,016
Total cash and investments	<u>\$ 83,550,456</u>	<u>\$ 77,438,477</u>
Cash and investments consist of the following:		
Cash on hand	\$ 1,496	\$ 1,468
Deposits with financial institutions	13,989,550	5,362,605
Investments	69,559,410	72,074,404
Total cash and investments	<u>\$ 83,550,456</u>	<u>\$ 77,438,477</u>

A. Demand Deposits

As of June 30, 2021, the carrying amount of demand deposits was \$13,989,550 and the bank balance was \$14,373,813 compared to \$5,362,605 and \$7,497,949 at June 30, 2020, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the District's name as discussed below under *Disclosures Relating Custodial Credit Risk*.

B. Investments Authorized by the California Government Code and the District's Investment Policy:

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entities	5 years	50%	None
Banker's Acceptances	180 days	20%	3%
Commercial Paper	270 days	20%	\$1,000,000
Certificates of Deposit	5 years	30%	\$250,000
Repurchase Agreements	90 days	20%	None
Reverse Repurchase Agreements	90 days	10%	None
Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds, Depository Account	N/A	20%	5%
Municipal Obligations	N/A	30%	5%
Local Government Investment Pool	N/A	30%	None
Local Agency Investment Fund	N/A	40%	None

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments

C. Investments Authorized by Debt Agreements

Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

D. Disclosures Relating to 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 of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2021.

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 27,148,609	\$ 27,148,609	\$ -	\$ -
California Asset Management Program (CAMP)	7,032,934	7,032,934	-	-
Money Market Mutual Funds	1,516,646	1,516,646	-	-
U.S. Government Sponsored Entities	30,670,791	-	2,993,870	27,676,921
Municipal Obligations	1,173,910	-	-	1,173,910
U.S. Treasury Obligations	2,016,520	-	-	2,016,520
Total	\$ 69,559,410	\$ 35,698,189	\$ 2,993,870	\$ 30,867,351

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2020.

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 26,071,525	\$ 26,071,525	\$ -	\$ -
California Asset Management Program (CAMP)	18,980,267	18,980,267	-	-
Money Market Mutual Funds	5,282,653	5,282,653	-	-
U.S. Government Sponsored Entities	14,067,480	-	-	14,067,480
Municipal Obligations	2,652,409	2,652,409	-	-
U.S. Treasury Obligations	5,020,070	5,020,070	-	-
Total	\$ 72,074,404	\$ 58,006,924	\$ -	\$ 14,067,480

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

E. Disclosures Relating to 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2021. (CAMP is rated by Standard and Poor's and has a rating of AAA).

Investment Type	Total	Minimum Legal Rating	Rating as of Year End			
			AAA	AA	A/1+	Not Rated
Local Agency Investment Fund (LAIF)	\$ 27,148,609	N/A	\$ -	\$ -	\$ -	\$ 27,148,609
California Asset Management Program (CAMP)	7,032,934	AAA	7,032,934	-	-	-
Money Market Mutual Funds	1,516,646	N/A	-	-	-	1,516,646
U.S. Government Sponsored Entities	30,670,791	AAA	30,670,791	-	-	-
Municipal Obligations	1,173,910	A1/A+	1,173,910	-	-	-
U.S. Treasury Obligations	2,016,520	N/A	2,016,520	-	-	-
Total	\$ 69,559,410		\$ 40,894,155	\$ -	\$ -	\$ 28,665,255

Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2020.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End			
			AAA	AA	A/1+	Not Rated
Local Agency Investment Fund (LAIF)	\$ 26,071,525	N/A	\$ -	\$ -	\$ -	\$ 26,071,525
California Asset Management Program (CAMP)	18,980,267	AAA	18,980,267	-	-	-
Money Market Mutual Funds	5,282,653	N/A	-	-	-	5,282,653
U.S. Government Sponsored Entities	14,067,480	AAA	14,067,480	-	-	-
Municipal Obligations	2,652,409	A1/A+	-	2,652,409	-	-
U.S. Treasury Obligations	5,020,070	N/A	5,020,070	-	-	-
Total	\$ 72,074,404		\$ 38,067,817	\$ 2,652,409	\$ -	\$ 31,354,178

Concentration of Credit Risk

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments is as follows:

Issuer	Investment Type	2021	2020
Federal Home Loan Bank	U.S. Govt Sponsored Entities	\$ 24,432,958	\$ 9,054,500
Federal Home Loan Mortgage Corp	U.S. Govt Sponsored Entities	\$ 3,989,850	\$ 5,012,980

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

F. Disclosures Relating 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 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 District'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 government 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2021 and 2020, \$14,123,813 and \$7,247,949 of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

G. Local Agency Investment Fund (LAIF)

The District 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 District's investment in this pool is reported in the accompanying financial statements at amounts 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 that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District's investments with Local Agency Investment Fund (LAIF) include a portion of the pool funds invested in structured notes and asset-backed securities. These investments include the following:

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

Asset-Backed Securities - entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's), small business loans or credit card receivables.

LAIF is overseen by the Local Investment Advisory Board, which consists of five members, in accordance with State statute. The fair value of our position in the pool is the same as the value of the pool shares.

As of June 30, 2021, the District had \$27,148,609 invested in LAIF, which had invested 1.10% of the pool investment funds in structured notes and asset-backed securities compared to \$26,071,525 and 3.37% at June 30, 2020. LAIF is part of the State's Pooled Money Investment Account (PMIA). The District valued its investments in LAIF as of June 30 by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.00008297 and 1.004912795 as of June 30, 2021 and 2020, respectively.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

H. California Asset Management Program (CAMP)

The District is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act for the purpose of exercising the common power of its Participants to invest funds. The investments are limited to investments permitted by California Government Code. The total amount invested by all public agencies in CAMP at June 30, 2021 and 2020 was \$6.5 billion and \$6.5 billion, respectively. A board of five trustees who are officials or employees of public agencies has oversight responsibility for CAMP. The value of the pool shares in CAMP, which may be withdrawn at any time, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool. At June 30, 2021 and 2020 the amortized cost approximated is the District's cost.

I. Fair Value Measurements

The following is a summary of the fair value hierarchy of investments held by the District as of June 30, 2021:

	Fair Value Measurement Using	
	Significant Other Observable Inputs (Level 2)	June 30, 2021
Investments by Fair Value Level		
U.S. Government Sponsored		
Entity Securities		
FHLB	\$ 24,432,958	\$ 24,432,958
FHLMC	3,989,850	3,989,850
FNMA	2,247,983	2,247,983
U.S. Treasury Securities	2,016,520	2,016,520
Municipal Bonds	1,173,910	1,173,910
Total Investments by Fair Value Level	<u>\$ 33,861,221</u>	<u>33,861,221</u>
Investments not subject to fair value hierarchy:		
Local Agency Investment Fund (LAIF)		27,148,609
California Asset Management Program (CAMP)		7,032,934
Money Market Mutual Funds		65,931
Held by Fiscal Agent		
Money Market Mutual Funds		<u>1,450,715</u>
Total investments not subject to fair value hierarchy		<u>35,698,189</u>
Total investments		<u>\$ 69,559,410</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

I. Fair Value Measurements (Continued)

The following is a summary of the fair value hierarchy of investments held by the District as of June 30, 2020:

	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)	June 30, 2020
Investments by Fair Value Level		
U.S. Government Sponsored Entity Securities		
FHLB	\$ 9,054,500	\$ 9,054,500
FHLMC	5,012,980	5,012,980
U.S. Treasury Securities	5,020,070	5,020,070
Municipal Bonds	2,652,409	2,652,409
Total Investments by Fair Value Level	<u>\$ 21,739,959</u>	<u>21,739,959</u>
Investments not subject to fair value hierarchy:		
Local Agency Investment Fund (LAIF)		26,071,525
California Asset Management Program (CAMP)		18,980,267
Money Market Mutual Funds Held by Fiscal Agent		3,247,075
Money Market Mutual Funds		<u>2,035,578</u>
Total investments not subject to fair value hierarchy		<u>50,334,445</u>
Total Investments		<u>\$ 72,074,404</u>

Investments securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 4 – Inventories

Inventories at June 30, 2021 and 2020 were as follows:

	2021	2020
Water inventory	\$ 190,570	\$ 182,159
Materials inventory	874,810	936,502
Total	<u>\$ 1,065,380</u>	<u>\$ 1,118,661</u>

Note 5 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2021, is as follows:

	Balance July 1, 2020	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 11,139,167	\$ -	\$ (133,804)	\$ -	\$ 11,005,363
Steel water storage tanks	19,861,397	-	-	-	19,861,397
Construction in progress	26,132,135	11,335,602	(37,010)	(26,700,961)	10,729,766
Total capital assets, not being depreciated	<u>57,132,699</u>	<u>11,335,602</u>	<u>(170,814)</u>	<u>(26,700,961)</u>	<u>41,596,526</u>
Capital assets, being depreciated/amortized:					
Treatment and distribution system	292,493,846	751,592	(757,593)	6,544,886	299,032,731
Capacity rights	27,739,008	-	-	-	27,739,008
Non-steel tanks	38,576,965	-	(51,980)	423,276	38,948,261
General plant	174,718,997	101,948	(3,311,294)	19,732,799	191,242,450
Total capital assets, being depreciated/amortized	<u>533,528,816</u>	<u>853,540</u>	<u>(4,120,867)</u>	<u>26,700,961</u>	<u>556,962,450</u>
Accumulated depreciation/amortization:					
Treatment and distribution system	(103,243,898)	(7,055,016)	722,934	-	(109,575,980)
Capacity rights	(16,743,719)	(1,631,707)	-	-	(18,375,426)
Non-steel tanks	(12,697,337)	(915,253)	24,149	-	(13,588,441)
General plant	(71,504,446)	(5,957,547)	2,430,120	-	(75,031,873)
Total accumulated depreciation/amortization	<u>(204,189,400)</u>	<u>(15,559,523)</u>	<u>3,177,203</u>	<u>-</u>	<u>(216,571,720)</u>
Total capital assets, being depreciated/amortized, net	<u>329,339,416</u>	<u>(14,705,983)</u>	<u>(943,664)</u>	<u>26,700,961</u>	<u>340,390,730</u>
Total capital assets, net	<u>\$ 386,472,115</u>	<u>\$ (3,370,381)</u>	<u>\$ (1,114,478)</u>	<u>\$ -</u>	<u>\$ 381,987,256</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 5 – Capital Assets (Continued)

A summary of changes in capital assets for the year ended June 30, 2020, is as follows:

	Balance July 1, 2019	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 11,139,165	\$ -	\$ -	\$ 2	\$ 11,139,167
Steel water storage tanks	19,861,405	-	-	(8)	19,861,397
Construction in progress	12,275,763	20,280,513	-	(6,424,141)	26,132,135
Total capital assets, not being depreciated	43,276,333	20,280,513	-	(6,424,147)	57,132,699
Capital assets, being depreciated/amortized:					
Treatment and distribution system	288,249,344	2,336,437	(570,979)	2,479,044	292,493,846
Capacity rights	27,739,008	-	-	-	27,739,008
Non-steel tanks	38,576,965	-	-	-	38,576,965
General plant	173,121,701	33,615	(2,381,416)	3,945,097	174,718,997
Total capital assets, being depreciated/amortized	527,687,018	2,370,052	(2,952,395)	6,424,141	533,528,816
Accumulated depreciation/amortization:					
Treatment and distribution system	(96,796,986)	(6,835,765)	388,853	-	(103,243,898)
Capacity rights	(15,112,013)	(1,631,706)	-	-	(16,743,719)
Non-steel tanks	(11,802,794)	(894,543)	-	-	(12,697,337)
General plant	(67,331,251)	(5,667,922)	1,494,727	-	(71,504,446)
Total accumulated depreciation/amortization	(191,043,044)	(15,029,936)	1,883,580	-	(204,189,400)
Total capital assets, being depreciated/amortized, net	336,643,974	(12,659,884)	(1,068,815)	6,424,141	329,339,416
Total capital assets, net	\$ 379,920,307	\$ 7,620,629	\$ (1,068,815)	\$ (6)	\$ 386,472,115

Depreciation expense for depreciable capital assets was \$13,927,817 and \$13,398,230 for the years ended June 30, 2021 and 2020, respectively. Amortization expense for amortizable capital assets was \$1,631,706 and \$1,631,706 for the years ending 2021 and 2020, respectively.

Construction in progress consisted of the following at June 30:

	2021	2020
Replace El Camino Real Pipeline	\$ 4,475,818	\$ 1,732,748
San Elijo Valley Groundwater	3,619,151	3,246,208
Headquarters Expansion (Building D)	-	14,921,902
Other capital projects	2,634,797	6,231,277
Total construction in progress	\$ 10,729,766	\$ 26,132,135

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 6 – Accounts Payable

Accounts payable to be paid from unrestricted current assets are as follows at June 30:

	2021	2020
Water purchases	\$ 5,425,795	\$ 5,199,351
Construction in progress	718,245	1,758,041
Other	1,374,015	1,762,138
Total	<u>\$ 7,518,055</u>	<u>\$ 8,719,530</u>

Accounts payable, to be paid from restricted current assets are as follows at June 30:

	2021	2020
Construction in progress	\$ 55,563	\$ 1,331,385
Other	10,370	309,605
	<u>\$ 65,933</u>	<u>\$ 1,640,990</u>

Note 7 – Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year	Due More Than One Year
Notes Payable:						
2013 Note Payable - direct borrowing	\$ 12,742,977	\$ -	\$ (780,980)	\$ 11,961,997	\$ 397,248	\$ 11,564,749
Notes Payable	12,742,977	-	(780,980)	11,961,997	397,248	11,564,749
Revenue Bonds:						
Publicly-Offered:						
2015 Water System Refunding Revenue Bonds	15,940,000	-	(1,665,000)	14,275,000	1,750,000	12,525,000
Plus unamortized bond premiums	1,876,383	-	(421,068)	1,455,315	-	1,455,315
2016 Water System Refunding Revenue Bonds	13,925,000	-	(505,000)	13,420,000	530,000	12,890,000
Plus unamortized bond premiums	998,628	-	(102,420)	896,208	-	896,208
Direct Placement/Borrowing:						
2018 Wastewater Revenue Bonds	4,520,000	-	(507,000)	4,013,000	522,000	3,491,000
Revenue Bonds, net	37,260,011	-	(3,200,488)	34,059,523	2,802,000	31,257,523
2019 Special Assessment Debt with Government Commitment	7,130,000	-	(829,137)	6,300,863	843,108	5,457,755
Total	<u>\$ 57,132,988</u>	<u>\$ -</u>	<u>\$ (4,810,605)</u>	<u>\$ 52,322,383</u>	<u>\$ 4,042,356</u>	<u>\$ 48,280,027</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 7 – Long-Term Debt (Continued)

A summary of changes in long-term debt for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Due More Than One Year
Notes Payable:						
2013 Note Payable - direct borrowing	\$ 13,506,272	\$ -	\$ (763,295)	\$ 12,742,977	\$ 388,254	\$ 12,354,723
Notes Payable	13,506,272	-	(763,295)	12,742,977	388,254	12,354,723
Revenue Bonds:						
Publicly Offered:						
2015 Water System Refunding Revenue Bonds	17,530,000	-	(1,590,000)	15,940,000	1,665,000	14,275,000
Plus unamortized bond premiums	2,343,396	-	(467,013)	1,876,383	-	1,876,383
2016 Water System Refunding Revenue Bonds	14,405,000	-	(480,000)	13,925,000	505,000	13,420,000
Plus unamortized bond premiums	1,106,305	-	(107,677)	998,628	-	998,628
Direct Placement/Borrowing:						
2018 Wastewater Revenue Bonds	5,011,000	-	(491,000)	4,520,000	507,000	4,013,000
Revenue Bonds, net	40,395,701	-	(3,135,690)	37,260,011	2,677,000	34,583,011
2007 Special Assessment Debt with Government Commitment	9,765,000	-	(9,765,000)	-	-	-
Plus original issue premium	22,870	-	(22,870)	-	-	-
2019 Special Assessment Debt with Government Commitment	-	7,130,000	-	7,130,000	815,000	6,315,000
Special Assessment Debt with Government Commitment, net	9,787,870	7,130,000	(9,787,870)	7,130,000	815,000	6,315,000
Total	\$ 63,689,843	\$ 7,130,000	\$ (13,686,855)	\$ 57,132,988	\$ 3,880,254	\$ 53,252,734

2013 Note Payable

On February 24, 2012, the District entered into an agreement with the State of California Department of Public Health for a loan not to exceed \$17,812,998 (2013 Note Payable), under and pursuant to Part 12, Chapter 4 of Division 104 of the Health and Safety Code and California Code of Regulations Title 22 to assist in financing construction of a project which will enable the District to meet safe drinking water standards. The loan repayment term commenced on the due date of the first principal and interest invoice, which was on January 19, 2015, and expires twenty years after the due date of the first principal and interest invoice. The rate of interest to be paid on the principal amount of the loan is 2.3035% annually. At June 30, 2021, the outstanding loan balance was \$11,961,997.

Future debt service requirements for the above note payable based on the initial loan rate is as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 397,248	\$ 137,772	\$ 535,020
2023	808,276	261,766	1,070,042
2024	827,001	243,040	1,070,041
2025	846,161	223,880	1,070,041
2026	865,765	204,277	1,070,042
2027-2031	4,639,146	711,062	5,350,208
2032-2035	3,578,400	166,745	3,745,145
Total	\$ 11,961,997	\$ 1,948,542	\$ 13,910,539

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 7 – Long-Term Debt (Continued)

2015 Water System Refunding Revenue Bonds Payable

On August 27, 2015, the District issued Water System Refunding Revenue Bonds, Series 2015A in the amount of \$23,455,000 for the purpose of refunding \$26,290,000 of the outstanding balance of the Water Revenue Refunding Bonds, Series 2006A. The 2015A bonds are limited obligation bonds maturing annually from December 1, 2015 to June 1, 2028 bearing various interest rates between 2.0% and 5.0%.

The District has pledged all of the Net Water System Revenues for the debt service payments of the bond. The total principal and interest remaining to be paid on the bonds is \$16,857,625. For the current year, principal and interest paid on the bonds was \$2,403,375. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for the Water Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

The original deferred loss on refunding of \$610,166 is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$90,015 for the year ended June 30, 2021. The remaining unamortized balance was \$311,115 at June 30, 2021.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
2%-5%	2021-2027	\$ 13,595,000	\$ -	\$ (1,665,000)	\$ 11,930,000
3%	2028	2,345,000	-	-	2,345,000
		<u>\$ 15,940,000</u>	<u>\$ -</u>	<u>\$ (1,665,000)</u>	<u>\$ 14,275,000</u>

Total bonds outstanding as of June 30, 2021, including unamortized bond premiums were as follows:

Principal outstanding at June 30, 2021	\$ 14,275,000
Plus unamortized bond premium	1,455,315
Total bonds outstanding at June 30, 2021	<u>\$ 15,730,315</u>

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,750,000	\$ 655,125	\$ 2,405,125
2023	1,845,000	567,625	2,412,625
2024	1,935,000	475,375	2,410,375
2025	2,035,000	378,625	2,413,625
2026	2,130,000	276,875	2,406,875
2027-2028	4,580,000	229,000	4,809,000
Total	<u>\$ 14,275,000</u>	<u>\$ 2,582,625</u>	<u>\$ 16,857,625</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 7 – Long-Term Debt (Continued)

2016 Water System Refunding Revenue Bonds Payable

On October 19, 2016, the District issued Water System Refunding Revenue Bonds, Series 2016A in the amount of \$15,990,000 for the purpose of refunding \$16,610,000 of the outstanding balance of the Water Revenue Refunding Bonds, Series 2009. The 2016A bonds are limited obligation bonds maturing annually from December 1, 2016 to June 1, 2039 bearing various interest rates between 2.125% and 5.0%.

The District has pledged all of the Net Water System Revenues for the debt service payment of the bond. The total principal and interest remaining to be paid on the bonds is \$17,566,015. For the current year, principal and interest paid on the bonds was \$976,663. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for the Water Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

The District refunded the Water Revenue Refunding Bonds, Series 2009 to reduce its total debt service payments over 22 years by \$3,683,827 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,753,343.

The original deferred loss on refunding of \$1,196,934 is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$100,564 for the year ended June 30, 2021. The remaining unamortized balance was \$879,973 at June 30, 2021.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
2%-5%	2021-2036	\$ 11,170,000	\$ -	\$ (505,000)	\$ 10,665,000
2.5%	2037-2039	2,755,000	-	-	2,755,000
		<u>\$ 13,925,000</u>	<u>\$ -</u>	<u>\$ (505,000)</u>	<u>\$ 13,420,000</u>

Total bonds outstanding as of June 30, 2021, including unamortized bond premiums were as follows:

Principal outstanding at June 30, 2021	\$ 13,420,000
Plus unamortized bond premium	896,208
Total bonds outstanding at June 30, 2021	<u>\$ 14,316,208</u>

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 530,000	\$ 446,413	\$ 976,413
2023	560,000	419,913	979,913
2024	585,000	391,913	976,913
2025	615,000	362,663	977,663
2026	645,000	331,913	976,913
2027-2031	3,620,000	1,257,925	4,877,925
2032-2036	4,110,000	768,475	4,878,475
2037-2039	2,755,000	166,800	2,921,800
Total	<u>\$ 13,420,000</u>	<u>\$ 4,146,015</u>	<u>\$ 17,566,015</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 7 – Long-Term Debt (Continued)

2018 Wastewater Revenue Bonds Payable

On June 26, 2018, the District issued Wastewater (Sewer) Revenue Bonds, Series 2018A in the amount of \$5,500,000 to finance improvements to the administrative and operations building at 1966 Olivenhain Road, Encinitas, CA. The administration and operations buildings provide support for all of the District's activities related to potable water, recycled water, and wastewater throughout the District's service area.

The District has pledged Net Wastewater (Sewer) System Revenues for debt service payments of the 2018 bonds. The bonds contain various covenants and restrictions, principally that the District collect sewer charges for the Wastewater Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

The 2018 bonds are limited obligation bonds maturing annually from June 1, 2019 to June 1, 2028 bearing an interest rate of 3.1%.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
4-4.5%	2021-2028	\$ 4,520,000	\$ -	\$ (507,000)	\$ 4,013,000
		<u>\$ 4,520,000</u>	<u>\$ -</u>	<u>\$ (507,000)</u>	<u>\$ 4,013,000</u>

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 522,000	\$ 124,403	\$ 646,403
2023	539,000	108,221	647,221
2024	555,000	91,512	646,512
2025	572,000	74,307	646,307
2026	590,000	56,575	646,575
2027-2028	1,235,000	57,722	1,292,722
Total	<u>\$ 4,013,000</u>	<u>\$ 512,740</u>	<u>\$ 4,525,740</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 7 – Long-Term Debt (Continued)

2007 Reassessment District 96-1 Limited Obligation Improvement Bonds

In September 2007, the District issued Reassessment District 96-1 Limited Obligation Improvement Bonds, Series 2007 in the principal amount of \$17,965,000 pursuant to the provisions of the Refunding Act of 1984 for 1915 Improvement Act Bonds. The Bonds were issued upon and secured by unpaid reassessments levied against certain property within the District's Reassessment District 96-1. The proceeds were used to refund the outstanding principal amount of the District's Assessment District 96-1, Limited Obligation Improvement Bonds, to fund a reserve fund for the Bonds, and to pay the costs of issuance incurred in connection therewith. The outstanding bonds were called for redemption during the prior fiscal year and were paid via proceeds from the issuance of the 2019 Reassessment District 96-1 Limited Obligation Improvement Bonds.

2019 Reassessment District 96-1 Limited Obligation Improvement Bonds

In July 2019 the District issued Limited Obligation Improvement Bonds Reassessment District No. 2019-96-1 (OMWD Water Storage Project) in the amount of \$7,130,000. The Reassessment District 2019-96-1 bonds are limited obligations of the District payable solely from Special Assessments that were previously assessed pursuant to the terms and provisions of the Municipal Improvement Act of 1913 (Division 12 of the Streets and Highways Code of the State of California) to form Assessment District No. 96-1 (OMWD Storage Project). The Reassessment District 2019-96-1 bonds were issued to provide funds to refund and refinance the outstanding principal amount of the District's 2007 Reassessment District No. 96-1 (OMWD Water Storage Project), and to pay for the costs of issuance incurred. The bonds were refinanced at an interest rate of 2.09% and mature in September 2027. The aggregate debt service payments of the new debt are \$2.84 million less than the old debt. The issuance of the new debt and the refunding of the old debt resulted in an economic gain (the difference between the net present value of the old debt and new debt service payments) of approximately \$2.59 million.

Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Principal of and interest on the Bonds are payable by the trustee, and such principal and interest payments, and premium, if any, are to be disbursed to the beneficial owners of the Bonds through their nominees. Installments of principal and interest sufficient to meet annual Bond debt service are included on the regular county tax bills sent to owners of property against which there are unpaid reassessments.

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 843,108	\$ 122,878	\$ 965,986
2023	863,064	105,048	968,112
2024	883,019	86,801	969,820
2025	897,985	68,190	966,175
2026	917,940	49,214	967,154
2027-2028	1,895,747	39,830	1,935,577
Total	<u>\$ 6,300,863</u>	<u>\$ 471,961</u>	<u>\$ 6,772,824</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 8 – Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Summary of changes in compensated absences for the year ended June 30, 2021 and 2020, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
June 30, 2021	\$ 1,518,611	\$ 937,398	\$ (768,433)	\$ 1,687,576	\$ 771,000	\$ 916,576
June 30, 2020	\$ 1,416,502	\$ 896,115	\$ (794,006)	\$ 1,518,611	\$ 799,000	\$ 719,611

Note 9 – Employee Retirement Systems

A. General Information about the Pension Plan

Plan Description - All qualified full-time District employees are required to participate in the District's Miscellaneous Plan with California Public Employee's Retirement System (CalPERS). Employees hired prior to January 1, 2013 participate in the Miscellaneous Classic plan while employees hired January 1, 2013 and after participate in the Miscellaneous PEPRA (Public Employees' Reform Act) plan. Both plans, Classic and PEPRA, are considered a single pension plan. CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The District selects certain benefit provisions from the CalPERS' menu by contract with CalPERS and adopts those benefits through the Board's approval. Benefits provisions and all other requirements are established by State statute, the District's resolutions, and the memorandum of understanding between the Olivenhain Municipal Water District and the Olivenhain Municipal Water District Employees Association and the Bargaining Unit Members Association. 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.

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 or 52 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: Basic Death Benefit, 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.

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous Plan	
	Classic	PEPRA (Public Employees' Pension Reform Act)
Hire Date	Prior to January 1, 2013	January 1, 2013 and after
Benefit Formula	2.5% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rate	8%	6.25%
Required employer contribution rate	11.742%	7.732%

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Employee Retirement Systems (Continued)

A. General Information about the Pension Plan (Continued)

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

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

Deferred outflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of June 30, 2020. As of June 30, 2021 and 2020 respectively, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	2021	2020
Classic & PEPRAs Plans	\$ 14,608,844	\$ 13,760,678
Total Net Pension Liability	<u>\$ 14,608,844</u>	<u>\$ 13,760,678</u>

The District Plans' net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability 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 proportion 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 is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool:

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2019). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2020). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2020 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (fiscal year 2020).

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Employee Retirement Systems (Continued)

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

- (3) The individual plan's TPL, FNP, and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from step (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in step (2) multiplied by the TPL ratio generated in step (4). The plan's FNP as of the measurement date is equal to the FNP generated in step (2) multiplied by the FNP ratio generated in step (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in step (5).

The District's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2019 and 2020 was as follows:

	Classic & PEPRA Plans
Proportion - June 30, 2018	0.33439%
Proportion - June 30, 2019	0.34363%
Change - Increase (Decrease)	0.00924%
Proportion - June 30, 2019	0.34363%
Proportion - June 30, 2020	0.34634%
Change - Increase (Decrease)	0.00271%

For the years ended June 30, 2021 and 2020, the District recognized pension expense of \$2,516,601 and \$2,760,420, respectively. At June 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,183,027	\$ -	\$ 1,809,929	\$ -
Differences between actual and expected experience	752,837	-	881,687	-
Change in assumptions	-	(104,196)	423,565	-
Changes in proportions	215,869	-	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(321,047)	253,392	(482,117)
Net differences between projected and actual earnings on plan investments	433,979	-	-	(240,579)
Total	<u>\$ 3,585,712</u>	<u>\$ (425,243)</u>	<u>\$ 3,368,573</u>	<u>\$ (722,696)</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Employee Retirement Systems (Continued)

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

\$2,183,027 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 78,927
2022	379,671
2023	310,695
2024	208,149
2025	-
Thereafter	-
Total	<u>\$ 977,442</u>

\$1,809,929 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 878,933
2022	(195,285)
2023	103,688
2024	48,612
2025	-
Thereafter	-
Total	<u>\$ 835,948</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Employee Retirement Systems (Continued)

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

Actuarial Assumptions - For the measurement period ended June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019 total pension liability determined in the June 30, 2019 actuarial accounting valuation. The June 30, 2020 total pension liability was based on the following actuarial methods and assumptions:

	Classic & PEPRA Plans
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

- (1) Varies by entry age and service
- (2) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website.
- (3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

Change in Assumptions – GASB 68, paragraph 30 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. In fiscal year 2021, the actuarial report did not have a change of assumption. In fiscal year 2018, the discount rate was reduced from 7.65 percent to 7.15 percent. All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for each Plan and reflects the long-term expected rate of return for each Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 section.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Employee Retirement Systems (Continued)

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

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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Classic & PEPRA Plans	
	2021	2020
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 22,290,045	\$ 21,044,314
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 14,608,844	\$ 13,760,678
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 8,262,110	\$ 7,748,553

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Employee Retirement Systems (Continued)

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

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan - The District had no outstanding contributions to the pension plan required for the year ended June 30, 2021.

Note 10 – Health Savings Plan

The Voluntary Employee Benefits Association ("VEBA") plan is a medical savings plan establishing a funded health reimbursement plan for eligible employees, former employees, and their dependents and beneficiaries as defined in the Plan pursuant to Internal Revenue Code Section 501 (c) (9). The District's VEBA plan was implemented on July 1, 2014 following the District's Board of Directors adoption of a resolution approving the VEBA program at the June 18, 2014 board meeting. During the years ended June 30, 2021 and 2020, the District contributed \$21,450 and \$21,500 to the VEBA plan, respectively.

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The District purchases commercial insurance for its exposure to risk other than those under the workers' compensation laws. Commercial insurance expense amounted to \$270,752 and \$268,002 for the years ended June 30, 2021 and 2020, respectively.

The District's workers' compensation risk exposure is handled by the District's participation in the Special District Risk Management Authority (SDRMA) established by the California Special Districts Association. SDRMA is a risk pooling joint powers authority formed under the California Government Code to provide workers' compensation coverage for SDRMA's member districts. SDRMA purchases excess insurance from commercial carriers to reduce its exposure to large losses. Workers' compensation expense amounted to \$263,534 and \$226,398 for the years ended June 30, 2021 and 2020, respectively.

There were no instances in the past three years where a settlement exceeded the District's coverage provided through SDRMA or through the District's commercial carriers.

Real and Personal Property and Mobile Equipment: For Real and Personal Property, maximum replacement is no more than 100% of value shown in Statement of Value. For Mobile Equipment, maximum replacement of 100% of value shown in Statement of Value, and \$10,000 per item for unscheduled mobile equipment. Limits of insurance vary from \$2,500 per occurrence to the Blanket Limit of Insurance, with deductibles ranging from \$1,000 to \$2,500 per occurrence. Limit of insurance for equipment breakdown is 100% of value shown in Statement of Value.

Employee Dishonesty Coverage: \$250,000 limit with \$1,000 deductible per occurrence.

Forgery or Alteration Coverage: \$250,000 limit with \$1,000 deductible per occurrence.

Theft, Disappearance and Destruction Coverage: \$250,000 limit with \$1,000 deductible per occurrence for both inside and outside.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 11 – Risk Management (Continued)

Computer Fraud Coverage: \$100,000 limit with \$1,000 deductible per occurrence.

Bodily Injury and Property Damage, Personal Injury and Advertising Injury, Professional Liability, Wrongful Acts, Employee Benefits Liability, and Employee Practices Liability Coverage: \$1,000,000 limit per occurrence with a \$3,000,000 aggregate limit. Professional Liability and Wrongful Acts Liability are subject to a \$10,000 deductible per claim. Additionally, the District carries a \$10,000,000 Excess Liability Policy that is in full effect.

Damage to Premises Rented to the District: \$1,000,000 limit for any one premise.

Auto Coverage: \$1,000,000 liability limit, \$5,000 auto medical payment limit and \$1,000,000 uninsured motorist limit per accident with deductibles. Comprehensive and Collision limits are the actual cash value or cost of repair with deductibles of \$500 for comprehensive and collision.

Workers' Compensation Coverage and Employer's Liability: Statutory limits per occurrence for Workers' Compensation and \$5.0 Million for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Certificate of Coverage, effective July 1, 2020.

Note 12 – Net Position

A. Net Investment in Capital Assets

Net Investment in Capital Assets at June 30 consisted of the following:

	2021	2020
Net investment in capital assets		
Capital assets, nondepreciable	\$ 41,596,526	\$ 57,132,699
Capital assets, depreciable/amortizable, net	340,390,730	329,339,416
Deferred amount on refunding	1,191,088	1,381,667
Current portion of long-term debt:		
Waste water revenue bonds	(522,000)	(507,000)
Water revenue refunding bonds	(2,280,000)	(2,170,000)
Special assessment debt with government commitment	(843,108)	(185,000)
Note payable	(397,248)	(388,254)
Long-term debt, excluding current portion:		
Waste water revenue bonds	(3,491,000)	(4,013,000)
Water revenue refunding bonds	(27,766,523)	(30,570,011)
Special assessment debt with government commitment	(5,457,755)	(6,315,000)
Note payable	(11,564,749)	(12,354,723)
Total net investment in capital assets	<u>\$ 330,855,961</u>	<u>\$ 330,720,794</u>

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 12 – Net Position (Continued)

B. Restricted Net Position

Restricted Net Position at June 30 consisted of the following:

	2021	2020
Net position restricted for debt service:		
<u>Restricted Assets</u>		
Cash	\$ 1,798,632	\$ 2,121,246
Investments	245,766	35,381
Taxes/assessments receivable	39,981	45,300
Total restricted assets for debt service	2,084,379	2,201,927
Less liabilities payable from restricted assets	(146,058)	(162,185)
Net position restricted for debt service	1,938,321	2,039,742
Net position restricted for construction:		
<u>Restricted Assets</u>		
Cash	2,842,409	3,129,532
Investments	2,017,183	1,286,635
Grants receivable	389,320	1,778,240
Total restricted assets for construction	5,248,912	6,194,407
Less liabilities from restricted assets	(65,933)	(1,640,990)
Net position restricted for construction	5,182,979	4,553,417
Total restricted net position	\$ 7,121,300	\$ 6,593,159

C. Unrestricted Net Position

In addition to the restricted net position, a portion of the unrestricted net position has been reserved by management for the following purposes as of June 30:

	2021	2020
Capital replacement reserve	\$ 46,058,252	\$ 44,940,243
Rate stabilization reserve	13,090,439	10,988,028
Unreserved	10,120,193	4,829,540
	\$ 69,268,884	\$ 60,757,811

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 13 – Capital Contributions

Capital contributions for the years ended June 30, 2021 and 2020 were as follows:

	2021	2020
Contributions of capital assets	\$ 853,539	\$ 2,336,435
Other	46,459	899,791
Total	<u>\$ 899,998</u>	<u>\$ 3,236,226</u>

Note 14 – Economic Dependency

All potable water sold by the District is purchased from the San Diego County Water Authority (SDCWA). The District purchased 19,547.6 acre-feet (AF) of potable water during fiscal year 2021, and 17,189.3 AF during fiscal year 2020. An acre foot (AF) is a unit of measure equivalent to 325,900 gallons of water, which meets the needs of two average families for one year. The District continues to offset potable water consumption used for irrigation with recycled water through the expansion of its recycled water system. The prospect of future droughts as well as water supply shortages drives the need to diversify water supplies by developing alternative water sources locally to reduce reliance on potable water purchased from SDCWA. Recycled water sold by the District to its retail customers is either produced at the 4S Ranch Water Reclamation Facility or purchased from Rancho Santa Fe Community Services District, the City of San Diego, San Elijo Joint Powers Authority, and Vallecitos Water District.

The District's recycled water system is comprised of two non-contiguous recycled water service areas, the Northwest and Southeast Quadrant. Recycled water sold by the District in the Northwest Quadrant is purchased from Vallecitos Water District and San Elijo Joint Powers Authority. Recycled water sold by the District in the Southeast Quadrant comes from the District's 4S Water Reclamation Facility and purchases from the District's recycled water supplier, the Rancho Santa Fe Community Services District and the City of San Diego.

Note 15 – Commitments and Contingencies

A. Contracts

The District has entered into contracts for the engineering and construction of additions to capital assets. Unfulfilled commitments under open contracts as of June 30 are summarized as follows:

	2021	2020
Total open contracts	\$ 27,658,039	\$ 25,182,607
Less costs incurred as of June 30,	(25,141,812)	(17,860,393)
Remaining contractual commitments	<u>\$ 2,516,227</u>	<u>\$ 7,322,214</u>

B. Litigation

Management is of the opinion that there are no outstanding legal litigations that would have a material effect on the basic financial statements.

C. 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.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 16 – Segment Information

Although the District's financial statements jointly account for water and wastewater (sewer) services, investors in the 2015 and 2016 Water System Refunding Revenues Bonds rely solely on the revenues of the District's water services for repayment. Similarly, investors in the District's 2018 Wastewater Revenue Bonds rely solely on the revenues of the District's wastewater collection and treatment services for repayment. The following condensed financial statements provide a summary of the District's financial information for water and wastewater services for the fiscal year ended June 30, 2021.

Summary financial information for the water services is presented for June 30, 2021.

Condensed Statement of Net Position
June 30, 2021

	Water Services	Wastewater Services	Total
ASSETS			
Current assets	\$ 84,166,259	\$ 14,397,199	\$ 98,563,458
Capital assets	321,624,368	60,362,888	381,987,256
Other assets	82,997	-	82,997
Total assets	405,873,624	74,760,087	480,633,711
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	1,191,088	-	1,191,088
Pension-related deferred outflows of resources	3,131,554	454,158	3,585,712
Total deferred outflows of resources	4,322,642	454,158	4,776,800
LIABILITIES			
Current liabilities	13,250,963	682,713	13,933,676
Long-term liabilities	56,954,414	6,851,033	63,805,447
Total liabilities	70,205,377	7,533,746	77,739,123
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows of resources	327,437	97,806	425,243
Total deferred inflows of resources	327,437	97,806	425,243
NET POSITION			
Net investment in capital assets	274,506,060	56,349,901	330,855,961
Restricted for debt service	1,938,321	-	1,938,321
Restricted for construction	5,182,979	-	5,182,979
Unrestricted	58,036,092	11,232,792	69,268,884
Total net position	\$ 339,663,452	\$ 67,582,693	\$ 407,246,145

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 16 – Segment Information (Continued)

Changes in Net Position
For the Year Ended June 30, 2021

	Water Services	Wastewater Services	Total
Operating Revenues			
Water sales	\$ 58,169,813	\$ -	\$ 58,169,813
Sewer charges	-	5,127,136	5,127,136
Other water operating revenues	2,178,034	-	2,178,034
Total operating revenues	60,347,847	5,127,136	65,474,983
Operating Expenses			
Cost of purchased water sold	30,601,983	-	30,601,983
Pumping and water treatment	4,378,418	-	4,378,418
Transmission and distribution	4,220,269	-	4,220,269
Sewer collection and treatment	-	2,085,237	2,085,237
Elfin Forest recreation operations	415,386	-	415,386
Facilities maintenance	1,279,544	84,020	1,363,564
Customer services	2,348,700	608	2,349,308
General and administrative	5,656,155	1,384,397	7,040,552
Other operating expenses	228,939	-	228,939
Depreciation and amortization	13,328,578	2,230,945	15,559,523
Total operating expenses	62,457,972	5,785,207	68,243,179
Operating income (loss)	(2,110,125)	(658,071)	(2,768,196)
Nonoperating Revenues (Expenses)			
Fair market value adjustment	(482,337)	(79,682)	(562,019)
Investment income	379,893	75,069	454,962
Property taxes	4,027,357	-	4,027,357
Capacity charges	2,754,730	-	2,754,730
Benefit assessments	1,177,302	-	1,177,302
Other nonoperating revenues	5,685,803	-	5,685,803
Interest expense, net	(1,291,875)	(127,134)	(1,419,009)
Other nonoperating expenses	(293,946)	(782,601)	(1,076,547)
Total nonoperating revenues (expenses)	11,956,927	(914,348)	11,042,579
Income (loss) before capital contributions	9,846,802	(1,572,419)	8,274,383
Capital contributions	611,840	288,158	899,998
Change in net position	10,458,642	(1,284,261)	9,174,381
Net position, beginning of year	329,204,810	68,866,954	398,071,764
Net position, end of year	\$ 339,663,452	\$ 67,582,693	\$ 407,246,145

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 16 – Segment Information (Continued)

Condensed Statement of Cash Flows
For the Year Ended June 30, 2021

	Water Services	Wastewater Services	Total
Net cash provided by operating activities	\$ 8,538,993	\$ 2,930,772	\$ 11,469,765
Net cash provided by noncapital and related financing activities	7,259,197	-	7,259,197
Net cash (used in) capital and related financing activities	(9,097,965)	(3,589,504)	(12,687,469)
Net cash (used in) investing activities	(10,627,142)	(1,423,630)	(12,050,772)
Net increase (decrease) in cash and cash equivalents	(3,926,917)	(2,082,362)	(6,009,279)
Cash and cash equivalents, beginning	45,375,939	10,322,576	55,698,515
Cash and cash equivalents, ending	<u>\$ 41,449,022</u>	<u>\$ 8,240,214</u>	<u>\$ 49,689,236</u>

Note 17 – Metropolitan Water District of Southern California Legal Settlements

The District received a refund in the amount of \$2,039,332 from the San Diego County Water Authority (SDCWA), the District's potable water wholesaler. The refund was for damages and interest received by SDCWA from the Metropolitan Water District of Southern California (MWD) as a result of overcharges on MWD's Water Stewardship Rate to SDCWA from 2011-2014, which were then passed on to all SDCWA member agencies, including the District.

On October 28, 2021, SDCWA's Board of Directors announced a plan to distribute additional damages and interest amounts received from MWD to its member agencies. These amounts are for overcharges related to fiscal years 2015-2017. The District is expected to receive \$1,622,584 for its share of the refund.

Both of the above settlement amounts have been included in the other-non operating revenues line item on the Statement of Revenues, Expenses, and Changes in Net Position. The additional \$1,622,584 amount that the District is anticipated to receive has been included in the other receivables line item of the Statement of Net Position.

Olivenhain Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 18 – Subsequent Events

On October 27, 2021 the District issued Wastewater Revenue Bonds, Series 2021A in the amount of \$5,042,140 to finance wastewater (sewer) improvements at the 4S Wastewater Treatment Plant, including rehabilitations, replacements, and modifications to the existing Neighborhood One Sewer Pump Station and the Headworks Screening System at the 4S Wastewater Treatment Plant. The Series 2021A bonds mature on June 1, 2041 and carry an interest rate of 2.14%. The District's annual debt service cost for the 2021A bonds is approximately \$310,000.

On October 27, 2021, the District also issued 2021B Refunding Revenue Bonds in the amount of \$3,932,970 to refund and refinance the existing 2018A Sewer Revenue Bonds, which were issued in fiscal year 2018 to finance improvements to the District's administrative and operations building at 1966 Olivenhain Road, Encinitas, CA. The District received an interest rate of 1.14% for the 2021B Refunding Revenue Bonds, which resulted in an estimated net present value savings of \$243,900 after the cost of issuance. The 2021B bonds mature on June 1, 2028.

The 2021A Bonds and the 2021B Bonds were tax-exempt bonds issued by the OMWD Financing Authority. The District and the OMWD Financing Authority entered into installment purchase agreements to repay 2021A and 2021B Bonds from net wastewater revenues. 2021A and 2021B Bonds were directly purchased by Sterling National Bank through a private placement financing process.

DRAFT 11.01.2021

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

DRAFT 11.01.2021

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Olivenhain Municipal Water District
Required Supplementary Information (Unaudited)
For the Years Ended June 30, 2021 and 2020

Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets

In accordance with GASB Statement No. 34, the District is required to account for and report infrastructure capital assets. The District defines infrastructure as the basic physical assets including water storage tanks system, used by the District to conduct its business. Each major infrastructure system can be divided into subsystems.

The District has elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Steel Water Storage Tanks System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The District manages the eligible infrastructure capital assets using an assets management system with characteristics of: (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.

The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In September 2007, the District commissioned a study of the physical condition assessment of the steel water storage tanks. Tank assessment components include tank structure, tank exterior coating, tank interior coating, tank dry interior, tank foundations, tank security and tank safety. The condition assessment will be performed at least every three years. Each tank was assigned a physical condition based on potential defects. A Tank Assessment Index (TAI), a nationally recognized index, was assigned to each tank and expressed in a continuous scale from 1.0 to 10.0, where 1.0 is assigned to the least acceptable physical condition and 10.0 is assigned the physical characteristics of a new tank. During fiscal year 2020-21 inspections on the various tanks ended in July 2021.

The following conditions were defined:

Condition	TAI Range
Very Good	9.0 - 10.0
Good	7.0 - 8.9
Satisfactory	5.0 - 6.9
Sub Standard	3.0 - 4.9
Unacceptable	1.0 - 2.9

According to the District's policy, a minimum average rating of 5.0 for all steel tanks is considered a satisfactory rating. As of June 30, 2021, 2020, 2019, 2018, and 2017 the District's steel water storage tanks were rated as follows:

Tank #	Name	Size (Gallons)	Type	TAI				
				FY 20/21	FY 19/20	FY 18/19	FY 17/18	FY 16/17
1	4 S-2 Tank	4,000,000	Ground Storage	9.4	8.8	8.1	8.6	8.7
2	Zorro Tank	1,200,000	Ground Storage	9.6	7.8	8.4	8.4	7.3
3	Wiegand Tank	1,000,000	Ground Storage	9.0	9.2	9.0	9.4	9.6
4	Peay Tank	10,000,000	Ground Storage	9.1	8.5	8.6	8.8	8.7
5	Denk Tank	10,000,000	Ground Storage	8.2	8.0	8.0	8.2	8.2
6	4S Tank	10,000,000	Ground Storage	8.7	7.3	7.0	7.6	7.8
7	Cielo Tank	1,000,000	Ground Storage	8.5	8.6	8.5	8.1	9.0
8	Roger Miller Tank	8,000,000	Ground Storage	9.5	9.7	9.6	9.7	8.6
9	Thelma Miller Tank	1,000,000	Ground Storage	8.9	8.9	9.1	8.9	8.9

Olivenhain Municipal Water District
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020

Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets (Continued)

The District expensed \$786,752 and \$786,752 on the steel water storage tanks maintenance for the fiscal years ended June 30, 2021 and 2020, respectively. These expenses delayed deterioration; however, the overall condition of the steel water storage tanks was not improved through these maintenance expenses. The District has estimated that the amount of annual expenses required to maintain the District's steel water storage tanks at the average TAI rating of 5.0 through the year 2021 is a minimum of \$786,752.

A schedule of actual expenses to maintain and preserve the steel water storage tanks at the current level is presented below:

Name	Maintenance Expenses 2021		Maintenance Expenses 2020		Maintenance Expenses 2019		Maintenance Expenses 2018		Maintenance Expenses 2017	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
4 S-2 Tank	\$ 55,251	\$ 55,251	\$ 55,251	\$ 55,251	\$ 52,513	\$ 52,513	\$ 49,776	\$ 49,776	\$ 49,776	\$ 49,776
Zorro Tank	32,233	32,233	32,233	32,233	30,636	30,636	29,039	29,039	29,039	29,039
Wiegand Tank	24,213	24,213	24,213	24,213	23,013	23,013	21,814	21,814	21,814	21,814
Peay Tank	157,336	157,336	157,336	157,336	149,540	149,540	141,744	141,744	141,744	141,744
Denk Tank	166,811	166,811	166,811	166,811	158,545	158,545	150,280	150,280	150,280	150,280
4S Tank	158,068	158,068	158,068	158,068	150,236	150,236	142,404	142,404	142,404	142,404
Cielo Tank	27,653	27,653	27,653	27,653	26,282	26,282	24,912	24,912	24,912	24,912
Roger Miller Tank	139,642	139,642	139,642	139,642	132,723	132,723	125,803	125,803	125,803	125,803
Thelma Miller Tank	25,545	25,545	25,545	25,545	24,279	24,279	23,014	23,014	23,014	23,014
Total	\$ 786,752	\$ 786,752	\$ 786,752	\$ 786,752	\$ 747,767	\$ 747,767	\$ 708,786	\$ 708,786	\$ 708,786	\$ 708,786

Olivenhain Municipal Water District
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020

Schedule of Contributions – Defined Benefit Pension Plans

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 1,733,027	\$ 1,509,929	\$ 1,321,485	\$ 1,144,038	\$ 1,026,323	\$ 898,330	\$ 825,748
Contributions in relation to the actuarially determined contributions	2,183,027	1,809,929	1,321,485	1,144,038	1,026,323	898,330	825,748
Contribution deficiency (excess)	\$ (450,000)	\$ (300,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 7,502,733	\$ 7,168,522	\$ 6,921,133	\$ 6,760,547	\$ 6,392,406	\$ 6,083,865	\$ 5,906,665
Contributions as a percentage of covered payroll	29.10%	25.25%	19.09%	16.92%	16.06%	14.77%	13.98%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
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Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 (2.5%@55), 52 years (2%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

* Historical information is only available for periods where GASB 68 is applicable.

** The valuation for June 30, 2013, 2014, and 2015 (applicable to fiscal years ended June 30, 2015, 2016, and 2017 respectively) included the same actuarial assumptions.

*** The valuation for June 30, 2013 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value of asset valuation method was utilized for the June 30, 2014, 2015, 2016, 2017, 2018, and 2019 valuations (applicable to fiscal years ended June 30, 2016, 2017, 2018, 2019, 2020, and 2021, respectively).

Olivenhain Municipal Water District
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020

Schedule of Proportionate Share of the Net Pension Liability

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Miscellaneous & PEPR Plan							
Plan's Proportion of the Net Pension Liability	0.34634%	0.34363%	0.33439%	0.32551%	0.12734%	0.12610%	0.10475%
Plan's Proportionate Share of the Net Pension Liability	\$ 14,608,844	\$ 13,760,678	\$ 12,602,286	\$ 12,831,806	\$ 11,018,852	\$ 8,653,737	\$ 6,517,867
Plan's Covered Payroll	\$ 7,168,522	\$ 6,921,133	\$ 6,760,547	\$ 6,392,406	\$ 6,083,865	\$ 5,906,665	\$ 5,808,158
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	203.79%	198.82%	186.41%	200.74%	181.12%	146.51%	112.22%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.69%	74.59%	75.38%	73.57%	74.06%	79.86%	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 1,926,217	\$ 1,673,663	\$ 1,469,602	\$ 1,351,241	\$ 1,196,711	\$ 1,116,013	\$ 862,289

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

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

There were no changes in assumptions.

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

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

From fiscal year June 30, 2018 to June 30, 2021:

There were no changes in assumptions.

* - Historical information is only available for periods where GASB 68 is applicable.

DRAFT 11.01.2021

STATISTICAL SECTION

DRAFT 11.01.2021

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STATISTICAL SECTION

Government Accounting Standards Board (GASB) Statement No. 44 "Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)" requires that statistical information be presented as part of the Annual Comprehensive Financial Report.

Contents

Table No.

Financial Trends

I - II

These tables show the current and historical financial trends regarding the nature of investments and ownership during the reporting period to assess the liquidity and financial strength of the District.

Net Position is the accumulated value of the District's assets minus its liabilities. Changes in Net Position (total revenue less total expenses) measures the success of the District's operations during the reporting period and its ability to meet its financial commitments.

Revenue Capacity

III - X

These tables provide more detailed information about the District's revenues and expenses. Tables presented in this section show the District's activities during the reporting year broken down by sources to provide the reader with more information in assessing the District's financial health over the reporting period. These tables can also be used to assess whether or not the District has successfully recovered all of its costs through its users fees and other charges.

The District's user rates and charges are established by the Board of Directors and are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. The District is in compliance with Article XIID of the California State Constitution and Proposition 218 Omnibus Implementation Act.

While the District does not assess a special tax rate, it receives a proportionate amount of ad-valorem tax as established by Proposition 13. The District levies and collects, through the San Diego County Tax Assessor office, for the Reassessment District 96-1 bonds. This assessment revenue is collected to repay for bonds issued to finance the construction of the Olivenhain Dam and Reservoir project.

Debt Capacity

XI - XV

These tables provide information on the District's ability to issue additional debt in the future.

Demographic and Economic Information

XVI - XVII

Tables presented in this section will help the reader assess the District's community profile. Since the District's service area overlaps between several major cities and includes an unincorporated area, statistical information included in these tables represent the San Diego County economic data as a whole. Demographic and economic data presented have been collected from reasonably accurate sources, however, they should not be relied on in connection with any issuance of bonds.

Operating Information

XVIII - XIX

Tables presented contain internal information about the District's water and sewer operations to measure operational efficiency.

DRAFT 11.01.2021

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Table I - Net Position by Component

Last Ten Fiscal Years

	Fiscal Year ended June 30									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Primary government										
Net investment in capital assets	\$ 330,855,961	\$ 330,720,794	\$ 321,290,220	\$ 322,232,147	\$ 322,388,785	\$ 322,493,799	\$ 315,240,098	\$ 314,218,584	\$ 318,296,589	\$ 311,580,338
Restricted	7,121,300	6,593,159	10,947,134	10,912,202	11,690,890	15,355,420	20,852,200	22,359,148	18,114,492	19,467,012
Unrestricted	69,268,884	60,757,811	62,445,287	57,908,178	53,114,033	48,664,923	50,582,280	53,318,489	45,055,363	38,929,080
Total Net Position	\$ 407,246,145	\$ 398,071,764	\$ 394,682,641	\$ 391,052,527	\$ 387,193,708	\$ 386,514,142	\$ 386,674,578	\$ 389,896,221	\$ 381,466,444	\$ 369,976,430

Source: Olivenhain Municipal Water District

Table II - Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year ended June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating Revenues										
Water sales	\$58,169,813	\$ 50,430,847	\$ 48,238,490	\$ 53,444,449	\$ 45,433,161	\$ 40,936,218	\$ 45,145,400	\$ 47,875,747	\$ 43,098,120	\$ 37,384,046
Sewer charges	5,127,136	4,952,194	5,245,015	4,464,710	4,447,426	4,474,853	4,656,781	4,246,033	4,178,503	4,084,962
Other water operating revenues	2,178,034	2,200,252	2,269,665	2,271,495	2,217,932	1,560,779	1,077,003	2,098,535	1,215,714	2,173,176
Total operating revenues	\$ 65,474,983	\$ 57,583,293	\$ 55,753,170	\$ 60,180,654	\$ 52,098,519	\$ 46,971,850	\$ 50,879,184	\$ 54,220,315	\$ 48,492,337	\$ 43,642,184
Operating Expenses										
Cost of purchased water sold	\$ 30,601,983	\$ 27,188,350	\$ 25,532,687	\$ 27,578,413	\$ 24,568,729	\$ 21,979,036	\$ 23,634,844	\$ 25,074,331	\$ 24,157,374	\$ 19,512,651
Pumping and water treatment	4,378,418	4,139,526	4,028,711	4,129,127	3,988,991	3,390,124	3,629,349	3,915,661	2,761,823	3,390,052
Transmission and distribution	4,220,269	4,090,468	3,480,238	3,557,507	3,874,766	3,482,086	3,348,083	3,666,030	3,041,766	3,272,760
Sewer collection and treatment	2,085,237	1,980,603	1,631,657	1,845,906	1,672,289	1,758,907	1,703,761	1,767,162	1,555,363	1,606,913
Elfin Forest Recreational Reserve	415,386	381,540	376,635	337,557	316,387	287,923	187,525	198,143	161,710	186,058
Facilities maintenance	1,363,564	1,456,702	1,224,506	1,083,246	1,154,241	843,456	888,677	821,966	738,018	756,320
Customer services	2,349,308	2,404,916	1,817,086	1,734,656	1,789,423	1,757,388	1,205,838	1,057,472	1,003,099	1,048,818
General and administrative	7,040,552	7,326,820	6,926,933	7,252,941	6,265,690	5,388,804	5,141,239	4,513,964	3,957,431	4,479,842
Other operating expenses	228,939	329,185	407,811	244,817	388,995	-	-	-	-	-
Depreciation and amortization	15,559,523	15,029,936	14,892,827	14,584,093	15,069,090	13,053,286	13,757,848	13,661,241	12,837,065	12,134,222
Total operating expenses	\$ 68,243,179	\$ 64,328,046	\$ 60,319,091	\$ 62,348,263	\$ 59,088,601	\$ 51,941,010	\$ 53,497,164	\$ 54,675,970	\$ 50,213,649	\$ 46,387,636
Operating income (loss)	(2,768,196)	(6,744,753)	(4,565,921)	(2,167,609)	(6,990,082)	(4,969,160)	(2,617,980)	(455,655)	(1,721,312)	(2,745,452)
Non-operating Revenues (expenses)										
Investment income, net of market value adjustment ⁽¹⁾	\$ (107,057)	\$ 1,542,608	\$ 2,135,687	\$ 658,473	\$ 230,271	\$ 514,911	\$ 457,182	\$ 474,651	\$ (22,367)	\$ 418,405
Property taxes	4,027,357	3,863,252	3,714,060	3,557,919	3,414,858	3,268,438	3,066,946	2,896,741	2,806,377	2,744,003
Capacity charges	2,754,730	3,200,022	2,337,015	645,964	3,624,426	1,482,945	1,792,125	4,944,025	1,960,514	1,813,326
Benefit assessments	1,177,302	1,115,704	1,474,830	1,414,791	1,460,881	1,451,751	1,375,093	1,516,201	1,507,511	1,516,694
Other non-operating revenues	5,685,803	91,836	67,097	2,669	278,589	53,458	137,836	347,610	16,508	24,412
Interest expense, net	(1,419,009)	(1,457,739)	(1,794,797)	(2,120,456)	(2,342,667)	(2,629,591)	(2,879,588)	(3,037,510)	(2,056,136)	(2,045,993)
Other non-operating expenses	(1,076,547)	(1,458,033)	(1,036,442)	(561,079)	(1,012,913)	(1,211,973)	(358,178)	(2,448,061)	(950,689)	(235,462)
Total non-operating revenues (expenses)	\$ 11,042,579	\$ 6,897,650	\$ 6,897,450	\$ 3,598,281	\$ 5,653,445	\$ 2,929,939	\$ 3,591,416	\$ 4,693,657	\$ 3,261,718	\$ 4,235,385
Income before capital contributions	8,274,383	152,897	2,331,529	1,430,672	(1,336,637)	(2,039,221)	973,436	4,238,002	1,540,406	1,489,933
Capital contributions	899,998	3,236,226	1,298,585	2,428,147	2,016,203	1,878,785	4,524,509	4,191,775	9,949,608	8,303,606
Change in net position	9,174,381	3,389,123	3,630,114	3,858,819	679,566	(160,436)	5,497,945	8,429,777	11,490,014	9,793,539
Net Position										
Beginning of year	\$ 398,071,764	\$ 394,682,641	\$ 391,052,527	\$ 387,193,708	\$ 386,514,142	\$ 386,674,578	\$ 389,896,221	\$ 381,466,444	\$ 369,976,430	\$ 362,123,800
Prior Year Adjustment/Equity Adjustment	-	-	-	-	-	-	(8,719,588)	-	-	(1,940,909)
End of year	\$ 407,246,145	\$ 398,071,764	\$ 394,682,641	\$ 391,052,527	\$ 387,193,708	\$ 386,514,142	\$ 386,674,578	\$ 389,896,221	\$ 381,466,444	\$ 369,976,430

Source: Olivenhain Municipal Water District

(1) For FY2021, Fair market value adjustment is \$ (562,019)

Table III - Revenues by Source

Last Ten Fiscal Years

Fiscal Year Ended	OPERATING REVENUES						NONOPERATING REVENUES						TOTAL REVENUES
	Water Sales ⁽¹⁾	Service Charges ⁽¹⁾	Meter Installs	Sewer Charges	Other ⁽²⁾	Total Operating Revenues	Investment Income ⁽³⁾	Prop. Taxes & Benefit Assessment	Capacity Charges ⁽⁴⁾	Capital Contributions ⁽⁵⁾	Other ⁽²⁾	Total Non- operating Revenues	
2021	\$ 42,879,845	\$ 15,289,968	\$ 11,954	\$ 5,127,136	\$ 2,166,080	\$ 65,474,983	\$ (107,057)	\$ 5,204,659	\$ 2,754,730	\$ 899,998	\$ 5,685,803	\$ 14,438,133	\$ 79,913,116
2020	35,794,646	14,636,202	5,279	4,952,194	2,194,972	57,583,293	1,542,608	4,978,956	3,200,022	3,236,226	91,836	13,049,648	70,632,941
2019	33,747,315	14,491,175	5,891	5,245,015	2,263,774	55,753,170	2,135,687	5,188,890	2,337,015	1,298,585	67,097	11,027,274	66,780,444
2018	39,411,902	14,032,547	5,405	4,464,710	2,266,090	60,180,654	658,473	4,972,710	645,964	2,428,147	2,669	8,707,963	68,888,617
2017	32,160,956	13,272,205	8,590	4,447,426	2,209,342	52,098,519	230,271	4,875,739	3,624,426	2,016,203	278,589	11,025,228	63,123,747
2016	28,335,031	12,601,187	(23,890)	4,474,853	1,584,669	46,971,850	514,911	4,720,189	1,482,945	1,878,785	53,458	8,650,288	55,622,138
2015	33,309,929	11,835,471	49,247	4,656,781	1,027,756	50,879,184	457,182	4,442,039	1,792,125	4,524,509	137,836	11,353,691	62,232,875
2014	36,602,714	11,273,033	20,946	4,246,033	2,077,589	54,220,315	474,651	4,412,942	4,944,025	4,191,775	347,610	14,371,003	68,591,318
2013	32,430,072	10,668,048	166,262	4,178,503	1,049,452	48,492,337	(22,367)	4,313,888	1,960,514	9,949,608	16,508	16,218,151	64,710,488
2012	27,485,339	9,898,707	143,902	4,084,962	2,029,274	43,642,184	418,405	4,260,697	1,813,326	8,303,606	24,412	14,820,446	58,462,630

Source: Olivenhain Municipal Water District

Notes:

- (1) Includes estimated unbilled water revenue, miscellaneous water sales, recycled commodity sales, and fixed monthly fees.
- (2) Other revenues includes excess treated water capacity revenues, rental income, settlement, and demand offset fees.
- (3) Net of fair market value adjustment
- (4) Fees paid by developers and new customers for water services.
- (5) Cash contributions or contributions of capital assets in kind or when governmental constructions are earned.

Table IV - Expenses by Function

Last Ten Fiscal Years

Fiscal Year Ended	OPERATING EXPENSES								NONOPERATING EXPENSES			TOTAL EXPENSES
	Cost of Water Sold	Pumping & Water Treatment	Transmission and Distribution	Sewer Collection & Treatment	Customer Services	Depreciation & Amortization	Other ⁽¹⁾	Total Operating Expenses	Interest Expense	Other ⁽²⁾	Total Non- operating Expenses	
2021	\$ 30,601,983	\$ 4,378,418	\$ 4,220,269	\$ 2,085,237	\$ 2,349,308	\$ 15,559,523	\$ 9,048,441	\$ 68,243,179	\$ 1,419,009	\$ 1,076,547	\$ 2,495,556	\$ 70,738,735
2020	27,188,350	4,139,526	4,090,468	1,980,603	2,404,916	15,029,936	9,494,247	64,328,046	1,457,739	1,458,033	2,915,772	67,243,818
2019	25,532,687	4,028,711	3,480,238	1,631,657	1,817,086	14,892,827	8,935,885	60,319,091	1,794,797	1,036,442	2,831,239	63,150,330
2018	27,578,413	4,129,127	3,557,507	1,845,906	1,734,656	14,584,093	8,918,561	62,348,263	2,120,456	561,079	2,681,535	65,029,798
2017	24,568,729	3,988,991	3,874,766	1,672,289	1,789,423	15,069,090	8,125,313	59,088,601	2,342,667	1,012,913	3,355,580	62,444,181
2016	21,979,036	3,390,124	3,482,086	1,758,907	1,757,388	13,053,286	6,520,183	51,941,010	2,629,591	1,211,973	3,841,564	55,782,574
2015	23,634,844	3,629,349	3,348,083	1,703,761	1,205,838	13,757,848	6,217,441	53,497,164	2,879,588	358,178	3,237,766	56,734,930
2014	25,074,331	3,915,661	3,666,030	1,767,162	1,057,472	13,661,241	5,534,073	54,675,970	3,037,510	2,448,061	5,485,571	60,161,541
2013	24,157,374	2,761,823	3,041,766	1,555,363	1,003,099	12,837,065	4,857,159	50,213,649	2,056,136	950,689	3,006,825	53,220,474
2012	19,512,651	3,390,052	3,272,760	1,606,913	1,048,818	12,134,222	5,422,220	46,387,636	2,045,993	235,462	2,281,455	48,669,091

Source: Olivenhain Municipal Water District

Notes:

(1) Includes General and Administrative, Facilities Maintenance, and Elfin Forest Recreational Reserve operations, and miscellaneous operating expenses such as expenses related to Work for Others projects.

(2) Includes loss on disposal of capital assets, and miscellaneous other non-operating expenses such as bank fees and bond consultants.

Table V- Water Sales by Source ⁽¹⁾

Last Ten Fiscal Years

Fiscal Year Ended	Domestic/Commercial			Agricultural			Recycled Water			Total		Combined Direct Rate ⁽²⁾	Combined Direct Rate ⁽²⁾
	Value	Acre Feet	% of Total	Value	Acre Feet	% of Total	Value	Acre Feet	% of Total	Value	Acre Feet	\$/Acre Feet	\$/HCF
2021	\$ 37,551,897	17,477.5	88.2%	\$ 820,954	479.3	1.9%	\$ 4,204,817	2,719.3	9.9%	\$ 42,577,668	20,676.1	\$ 2,059	\$ 4.73
2020	30,779,447	15,174.0	87.9%	631,705	420.7	1.8%	3,619,602	2,182.8	10.3%	35,030,754	17,777.5	1,971	4.52
2019	30,025,491	15,221.1	87.5%	629,535	457.6	1.8%	3,655,658	2,227.7	10.7%	34,310,684	17,906.3	1,916	4.40
2018	33,672,603	17,455.7	87.2%	805,794	583.1	2.1%	4,137,994	2,615.3	10.7%	38,616,391	20,654.0	1,870	4.29
2017	27,946,765	15,500.9	87.8%	630,479	475.3	2.0%	3,262,852	2,252.3	10.2%	31,840,096	18,228.5	1,747	4.01
2016	25,085,001	14,310.2	88.3%	787,221	497.0	2.8%	2,533,961	1,856.2	8.9%	28,406,182	16,663.4	1,705	3.91
2015	29,914,133	17,992.9	87.7%	1,092,527	706.8	3.2%	3,112,981	2,323.3	9.1%	34,119,641	21,023.0	1,623	3.73
2014	31,733,764	19,840.5	87.4%	1,269,068	824.2	3.5%	3,317,826	2,561.5	9.1%	36,320,659	23,226.2	1,564	3.59
2013	27,830,418	18,552.9	87.1%	1,119,726	757.3	3.5%	3,016,610	2,467.2	9.4%	31,966,754	21,777.4	1,468	3.37
2012	23,917,000	17,348.2	87.8%	910,404	664.2	3.3%	2,420,870	2,139.0	8.9%	27,248,274	20,151.4	1,352	3.10

Source: Olivenhain Municipal Water District

Notes:

- (1) Excludes unbilled water sales.
- (2) Calculated based on total water sales divided by total volume. 1 acre-foot = 43,600 cubic feet = 325,900 gallons.

Table VI - Rate by Activity

Last Ten Fiscal Years

		Fiscal Year ended June 30									
		2021 ⁽⁶⁾	2020 ⁽⁶⁾	2019 ⁽⁶⁾	2018 ⁽⁶⁾	2017 ⁽⁶⁾	2016 ⁽⁷⁾	2015 ⁽⁶⁾	2014 ⁽⁶⁾	2013 ⁽⁶⁾	2012 ⁽⁶⁾
Potable Water ⁽¹⁾											
Monthly System Access Charge	\$	39.44	\$ 38.46	\$ 37.70	\$ 37.70	\$ 36.08	\$ 33.88	\$ 31.97	\$ 30.76	\$ 29.87	\$ 27.79
Monthly Commodity Charge											
Domestic Rate											
1 st Tier		3.39	3.30	2.71	2.64	2.53	2.50	2.25	2.32	2.26	2.10
2 nd Tier		5.02	4.90	4.75	4.62	4.43	4.35	3.93	3.71	3.61	3.36
3 rd Tier		5.63	5.49	5.61	5.46	5.23	5.60	4.65	4.75	4.62	4.30
4 th Tier		6.74	6.58	6.58	6.40	6.13	6.26	5.44	-	-	-
Commercial Rate											
1 st Tier		4.71	4.59	4.07	3.96	3.79	3.64	3.36	3.90	3.79	3.53
2 nd Tier ⁽²⁾		-	-	-	-	-	-	-	4.97	4.83	4.49
Irrigation ⁽³⁾											
1 st Tier		5.33	5.20	4.35	4.23	4.05	3.99	3.60	-	-	-
2 nd Tier		5.71	5.57	5.90	5.74	5.50	5.61	4.88	-	-	-
Agricultural Rate		5.55	5.42	4.75	4.62	4.43	4.26	3.93	3.70	3.60	3.35
TSAWR Credit ⁽⁴⁾		(0.97)	(0.99)	(0.94)	(0.95)	(0.89)	(0.90)	(0.77)	(0.47)	(0.40)	(0.23)
Recycled ⁽¹⁾											
Monthly System Access Charge	\$	39.44	\$ 38.46	\$ 37.70	\$ 37.70	\$ 36.08	\$ 33.88	\$ 31.97	\$ 30.76	\$ 29.87	\$ 27.79
Monthly Commodity Charge Uniform Rate		3.65	3.61	3.85	3.75	3.59	3.37	3.18	3.03	2.95	2.74
Sewer ⁽¹⁾											
Annual System Access Charge per EDU ⁽⁵⁾											
4S Ranch	\$	181.09	\$ 181.09	\$ 175.81	\$ 170.68	\$ 165.70	\$ 147.00	\$ 147.00	\$ 147.00	\$ 147.00	\$ 147.00
Rancho Cielo		181.09	181.09	175.81	170.68	165.70	147.00	147.00	147.00	147.00	147.00
Multi-Family and Commercial		181.09	181.09	175.81	170.68	165.70	147.00	147.00	147.00	147.00	147.00
Commodity Charge per unit											
Domestic Rate		6.59	6.59	6.39	6.20	6.01	6.00	6.00	6.00	6.00	6.00
Multi-Family Rate		6.59	6.59	6.39	6.20	6.01	6.00	6.00	6.00	6.00	6.00
Commercial Rate											
Group I		6.59	6.59	6.39	6.20	6.01	6.00	6.00	6.00	6.00	6.00
Group II		10.16	10.16	9.86	9.57	9.29	9.29	9.29	9.29	9.29	9.29
Group III		11.36	11.36	11.02	10.69	10.37	15.86	15.86	15.86	15.86	15.86

Source: Olivenhain Municipal Water District

Notes:

- (1) Commodity charges are for one unit of water (1 unit = 748 gallons).
- (2) Tier 2 Commercial Rate was eliminated as part of the 2014 Water Rate Study.
- (3) Irrigation tiers are based on seasonal allotments by meter size.
- (4) Transitional Special Agricultural Water Rate is calendar year based (Jan 1st to Dec 31st).
- (5) An Equivalent Dwelling Unit (EDU) means the standard measurement of sewage discharged into the sewer system equal to the average discharge from a detached single family unit.
- (6) Water Supply Shortage Level 1 Rate.
- (7) Water Supply Shortage Level 2 Rate.

Table VII - Principal Water Consumers

Current and Nine Years Ago

FISCAL YEAR ENDED 2021

Customer Name	Usage (AF)	% of Water Sold
4S Ranch Master HOA ⁽²⁾	472.4	2.28%
The Bridges Club at RSF Inc ⁽¹⁾	416.2	2.01%
Bando National Corporation ⁽²⁾⁽³⁾	292.4	1.41%
Rancho Santa Fe Farms Golf Inc ⁽²⁾	245.9	1.19%
Del Mar Country Club ⁽²⁾	227.7	1.10%
Crosby Estate HOA ⁽²⁾	216.3	1.05%
La Costa Oaks Association ⁽²⁾	191.6	0.93%
La Costa Glen Carlsbad Ccrc LLC ⁽¹⁾⁽⁴⁾	132.4	0.64%
Surf Cup Soccer Field ⁽²⁾	127.2	0.62%
La Costa Valley Master Assn ⁽²⁾	126.2	0.61%
Total top ten consumers	2,448.4	11.84%
Other consumers	18,227.8	88.16%
Total water billed	20,676.1	100.00%

FISCAL YEAR ENDED 2012

Customer Name	Usage (AF)	% of Water Sold
4S Ranch Master HOA	403.2	2.00%
Fairbanks Ranch Country Club	316.3	1.57%
Crosby National Golf Club	275.0	1.36%
Del Mar Country Club	241.3	1.20%
HCC Investors	241.3	1.20%
Rancho Santa Fe Farms Golf	213.3	1.06%
La Costa Oaks Association	201.2	1.00%
Cielo Homeowners Association	178.9	0.89%
Continuing Life Communities	141.7	0.70%
La Costa Valley Master Assn.	119.4	0.59%
Total top ten consumers	2,331.6	11.57%
Other consumers	17,819.8	88.43%
Total water billed	20,151.4	100.00%

Source: Olivenhain Municipal Water District

Notes:

(1) Primarily potable water customer

(2) Primarily recycled water customer

(3) Previously named Crosby National Golf Club.

(4) Previously named Continuing Life Communities.

Table VIII - Principal Wastewater (Sewer) Customers

Last Two Years

FISCAL YEAR ENDED 2021

Customer Name	Amount Billed	% of Total Sewer Billed
Cymer Inc	\$ 302,717	5.91%
4S Ranch Holdco LLC	263,622	5.15%
Santaluz Family Apartments LP	98,607	1.93%
Dove Canyon Apartments	80,869	1.58%
Poway Unified School District	62,821	1.23%
General Atomics	60,941	1.19%
4S Regency Partners LLS	58,064	1.13%
Grifols Diagnostic Solutions	45,681	0.89%
Scripps Health	38,042	0.74%
Northrop Grumman Systems Corp	31,659	0.62%
Total top ten customers	1,043,023	20.37%
Other customers	4,076,581	79.63%
Total Sewer billed	\$ 5,119,604	100.00%

FISCAL YEAR ENDED 2020

Customer Name	Amount Billed	% of Total Sewer Billed
Cymer Inc	\$ 313,822	6.35%
4S Ranch Holdco LLC	264,327	5.35%
Santaluz Family Apartments LP	89,493	1.81%
4S Regency Partners LLC	85,162	1.72%
Poway Unified School District	83,738	1.70%
Dove Canyon Apartments	80,295	1.63%
General Atomics	51,350	1.04%
Grifols Diagnostic Solutions	46,432	0.94%
Scripps Health	39,931	0.81%
Ralphs Grocery Co	35,969	0.73%
Total top ten customers	1,090,519	22.08%
Other customers	3,849,491	77.92%
Total Sewer billed	\$ 4,940,010	100.00%

Source: Olivenhain Municipal Water District

Table IX - Property Tax and Special Assessment

Last Ten Fiscal Years

Fiscal Year Ended	Current Year Levy ⁽¹⁾			Total Collection Thru 6/30 ⁽⁴⁾	Net Uncollected at 6/30	Percent Uncollected at 6/30
	Property Taxes ⁽²⁾	Special Assessment ⁽³⁾	Total Levy			
2021	\$ 3,998,833	\$ 1,054,717	\$ 5,053,550	\$ 5,103,286	\$ (49,737)	-0.98%
2020	3,878,790	1,027,879	4,906,669	4,890,204	16,465	0.34%
2019	3,670,386	1,417,674	5,088,059	5,103,906	(15,847)	-0.31%
2018	3,578,486	1,417,716	4,996,202	4,973,806	22,396	0.45%
2017	3,371,836	1,438,673	4,810,509	4,856,043	(45,534)	-0.95%
2016	3,237,786	1,432,319	4,670,105	4,698,456	(28,351)	-0.61%
2015	3,065,704	1,436,411	4,502,115	4,457,893	44,222	0.98%
2014	2,979,746	1,441,062	4,420,808	4,362,648	58,160	1.32%
2013	2,885,797	1,443,461	4,329,258	4,270,208	59,050	1.36%
2012	2,850,062	1,442,319	4,292,381	4,203,687	88,694	2.07%

Source: County of San Diego Office of the Auditor Controller

Notes:

- (1) Excludes Sewer Service and Stand-by Charges.
- (2) Includes only current secured and unsecured charges. Excludes delinquent charges, which were reported in previous year.
- (3) Special Assessment includes special assessment debt with government commitment (RAD 96-1).
- (4) Includes monies collected for all outstanding years, and includes late charges and interest on delinquent payments collected.

Table X - Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended	SECURED			Net Assessed Secured Value	Assessed Unsecured Value	Total Assessed Value
	Real Property	Personal Property	Exemptions			
2021	\$ 25,473,591,937	\$ 40,376,998	\$ (303,002,411)	25,210,966,524	\$ 438,607,395	25,649,573,919
2020	24,494,325,764	37,689,822	(283,228,046)	24,248,787,540	370,522,672	24,619,310,212
2019	23,391,490,448	39,283,241	(271,258,202)	23,159,515,487	372,459,608	23,531,975,095
2018	22,371,096,064	48,645,131	(270,514,800)	22,149,226,395	281,799,829	22,431,026,224
2017	21,383,894,218	67,716,928	(259,092,644)	21,192,518,502	247,856,828	21,440,375,330
2016	20,566,012,446	83,195,335	(226,276,546)	20,422,931,235	211,765,389	20,634,696,624
2015	19,505,795,291	94,184,239	(219,022,211)	19,380,957,319	241,734,960	19,622,692,279
2014	18,192,814,739	126,126,709	(209,610,305)	18,109,331,143	227,878,909	18,337,210,052
2013	17,692,363,954	81,030,718	(203,823,254)	17,569,571,418	247,720,500	17,817,291,918
2012	17,797,369,049	67,436,434	(182,825,199)	17,681,980,284	240,761,457	17,922,741,741

Source: Office of the Auditor Controller, County of San Diego

Note: The District receives its proportionate share of property taxes levied by the County of San Diego in accordance with Proposition 13. The District neither sets its own tax rate nor assesses a tax rate. The County of San Diego bills and collects the District's sewer service charges on behalf of the District.

Table XI - Ratios of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year Ended	Gross Bonded Debt ⁽¹⁾	Add: Premium ⁽²⁾	Less: Reserve Funds ⁽³⁾	Net Bonded Debt	Total Secured Real Property ⁽⁴⁾	Debt to Total Secured Real Property	Population Estimate ⁽⁵⁾	Net Bonded Debt Per Capita	Personal Income	As a Share of Personal Income
2021	\$ 6,300,863	\$ -	\$ 247,578	\$ 6,053,286	\$ 25,473,591,937	0.02%	86,649	\$ 70	\$ 6,034,582,956	0.10%
2020	7,130,000	-	71,899	7,058,101	24,494,325,764	0.03%	87,084	81	5,780,723,004	0.12%
2019	9,765,000	22,870	1,438,918	8,348,952	23,391,490,448	0.04%	86,997	96	5,505,170,160	0.15%
2018	10,625,000	25,671	1,431,668	9,219,003	22,371,096,064	0.04%	86,478	107	5,232,783,780	0.18%
2017	11,670,000	28,471	1,435,593	10,262,878	21,383,894,218	0.05%	85,792	120	4,965,469,376	0.21%
2016	12,485,000	31,272	1,397,568	11,118,704	20,566,012,446	0.05%	85,010	131	4,743,302,970	0.23%
2015	13,270,000	34,072	1,398,953	11,905,119	19,505,795,291	0.06%	84,352	141	4,529,364,992	0.26%
2014	14,020,000	36,873	1,398,954	12,657,919	18,192,814,739	0.07%	83,368	152	4,194,623,309	0.30%
2013	14,765,000	39,674	1,428,025	13,376,649	17,692,363,954	0.08%	82,355	162	4,048,736,510	0.33%
2012	15,460,000	42,474	1,297,771	14,204,703	17,797,369,049	0.08%	81,701	174	3,930,635,110	0.36%

Source: Olivenhain Municipal Water District, the Office of the Auditor Controller, County of San Diego, California Department of Finance, and California Department of Transportation

Notes:

- (1) Gross Bonded Debt is a special assessment debt with government commitment. It is the outstanding balance of Reassessment District 96-1 Bond at the end of the fiscal year.
- (2) Premium was eliminated in fiscal year 2020 due to refinancing of the Reassessment District 96-1 Bond.
- (3) Reserve Funds decreased significantly in fiscal year 2020 due to refinancing of the Reassessment District 96-1 Bond.
- (4) Total Secured Real Property is the total secured value of land and Improvements as stated on County of San Diego Assessed Valuation report for each fiscal year, exclusive of personal property, exemptions and unsecured property.
- (5) Population estimate is based on California Department of Finance's Special District Population Benchmark based on 2010 census data and population growth estimates for San Diego County.

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Table XII - Direct and Overlapping Debt

June 30, 2021

2020-21 Assessed Valuation: \$25,649,573,919

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt as of 6/30/2021	% Applicable (1)	District's Share of Debt as of 6/30/2021
Metropolitan Water District	\$26,830,000	0.786%	\$ 210,884
Mira Costa Community College District	306,265,000	16.117%	49,360,730
Palomar Community College District	650,751,375	4.689%	30,513,732
Poway Unified School District School Facilities Improvement District No. 2002-1	122,440,766	5.209%	6,377,940
Poway Unified School District School Facilities Improvement District No. 2007-1	168,038,722	3.579%	6,014,106
San Marcos Unified School District	279,770,706	0.065%	181,851
Escondido Union High School District	81,213,748	1.519%	1,233,637
San Dieguito Union High School District	431,325,000	26.693%	115,133,582
Cardiff School District	23,406,075	4.377%	1,024,484
Encinitas Union School District	45,278,945	58.581%	26,524,859
Escondido Union School District	154,024,622	1.570%	2,418,187
Rancho Santa Fe School District	30,842,074	28.023%	8,642,874
Solano Beach School District School Facilities Improvement District No. 2016-1	93,095,000	27.436%	25,541,544
Palomar Health District	415,526,602	6.780%	28,172,704
Poway Unified School District Community Facilities Districts	167,978,236	10.5-100%	156,836,880
San Dieguito Union High School District Community Facilities Districts	64,885,000	16.3-100%	29,946,054
Solana Beach School District Community Facilities District No. 2000-1	2,400,000	100.00%	2,400,000
City of Encinitas Community Facilities District No. 1	20,635,000	26.035%	5,372,322
Rancho Santa Fe Community Services District Community Facilities District No. 1	28,415,000	100.00%	28,415,000
Olivenhain Municipal Water District Assessment District No. 2019-96-1	6,315,000	100.00%	6,315,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 530,636,370
OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	\$211,585,000	4.380%	\$ 9,267,423
San Diego County Pension Obligation Bonds	400,125,000	4.380%	17,525,475
San Diego County Superintendent of Schools General Fund Obligations	8,585,000	4.380%	376,023
Palomar Community College District General Fund Obligations	1,560,000	4.689%	73,148
Poway Unified School District Certificates of Participation	55,100,000	12.081%	6,656,631
Other School District General Fund Obligations	150,349,158	Various	4,435,329
City of Encinitas Certificates of Participation	39,350,000	37.14%	14,613,410
City of San Diego General Fund Obligations	593,804,429	0.258%	1,532,015
Other Cities' General Fund Obligations	2,872,700	Various	9,428
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 54,488,882
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$ 217,495,000	0.065%	\$ 141,372
TOTAL DIRECT DEBT			-
TOTAL OVERLAPPING DEBT			\$ 585,266,624
COMBINED TOTAL DEBT			\$ 585,266,624 ⁽²⁾
<i>(1) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value.</i>			
<i>Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the overlapping district divided by the district's total taxable assessed value.</i>			
<i>(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.</i>			
Ratios to 2020-21 Assessed Valuation:			
Direct Debt	0.00%		
Total Direct and Overlapping Tax and Assessment Debt	2.07%		
Combined Total Debt	2.28%		
Ratios to Redevelopment Successor Agency Incremental Valuation (\$6,659,941):			
Total Overlapping Tax Increment Debt	2.12%		

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Table XIII - Water System Revenue to Debt Service Ratio

Last Ten Fiscal Years

Fiscal Year Ended	Water Sales	(1) Property Taxes	Capacity Charges	Other Non Operating Revenues	(2) Total Water System Revenues	Less: Cost of water sold	Less: Operations and Maintenance Costs	(3) Net Water System Revenues	(4) Debt Service Payment	(5) Revenue to Debt Service Ratio	Pledged Revenue Debt Limit
2021	\$ 60,118,908	\$ 4,027,357	\$ 2,754,730	\$ 5,583,373	\$ 72,484,368	\$ 30,601,983	\$ 18,298,465	\$ 23,583,920	\$ 4,851,903	4.86	125%
2020	52,307,718	3,863,252	3,200,022	1,345,972	60,716,964	27,188,350	18,112,974	15,415,640	4,453,579	3.46	125%
2019	50,100,343	3,714,060	2,337,015	1,779,546	57,930,964	25,532,687	16,223,249	16,175,028	4,457,329	3.63	125%
2018	55,471,127	3,557,919	620,224	533,766	60,183,036	27,578,413	16,487,251	16,117,372	4,513,537	3.57	125%
2017	47,262,098	3,414,858	1,761,723	474,085	52,912,764	24,568,729	15,906,059	12,437,976	4,716,802	2.64	125%
2016	42,496,997	3,268,438	1,482,945	452,463	47,700,843	21,979,036	13,743,834	11,977,973	4,681,052	2.56	125%
2015	46,222,403	3,066,946	1,792,125	509,070	51,590,544	23,634,844	12,955,907	14,999,793	4,945,400	(6) 3.03	115%
2014	49,974,282	2,896,741	4,944,025	600,298	58,415,346	25,074,331	12,991,402	20,349,613	4,207,351	4.84	115%
2013	44,313,834	2,806,377	1,960,514	355,319	49,436,044	24,157,374	10,589,240	14,689,430	3,874,676	3.79	115%
2012	39,557,222	2,744,003	1,813,326	456,835	44,571,386	19,512,651	12,020,078	13,038,657	3,879,276	3.36	115%

Source: Olivenhain Municipal Water District

Notes:

(1) Includes potable and recycled water sales and other water operating revenues. Excludes other operating revenues related to the District's Work for Other projects.

(2) Excludes Wastewater (Sewer) revenues. Includes Other Nonoperating Revenues, Investment Income relating to water and recycled water. Excludes unrealized gain and losses on investments.

(3) Excludes Elfin Forest Recreational Reserve operations & other operating expenses related to the District's Work for Other projects.

(4) Net Water System Revenues exclude Transfers from (to) Rate Stabilization Fund.

(5) Debt Service Payments include Water Revenue Refunding Bonds Series 2015A, 2016A, Water Revenue Bonds Series 2009, and 2013 State Revolving Fund Loan. Excludes 2018 Bond since it is specific to Wastewater.

(6) Includes 2013 principal and interest paid for the 2013 State Revolving Fund Loan during fiscal year 2015 not due until July 1, 2015.

Table XIV - Reassessment District 96-1 Billings and Collections ⁽¹⁾

Last Ten Fiscal Years

Fiscal Year Ended	AMOUNT LEVIED				Amount Collected ⁽³⁾	Percent Collected
	Principal	Interest	Other ⁽²⁾	Total		
2021	\$ 844,142	\$ 131,835	\$ 78,740	\$ 1,054,717	\$ 1,067,741	101.2%
2020	815,000	162,677	50,202	1,027,879	1,047,644	101.9%
2019	915,294	473,591	28,789	1,417,674	1,410,387	99.5%
2018	876,008	511,464	30,244	1,417,716	1,414,221	99.8%
2017	844,112	548,651	45,911	1,438,673	1,446,310	100.5%
2016	804,478	581,889	45,952	1,432,319	1,434,925	100.2%
2015	779,900	613,211	43,300	1,436,411	1,379,474	96.0%
2014	746,576	647,046	47,440	1,441,062	1,454,689	100.9%
2013	722,203	676,413	44,845	1,443,461	1,453,620	100.7%
2012	692,449	704,210	45,660	1,442,319	1,434,886	99.5%

*Source: Olivenhain Municipal Water District***Notes:**

(1) The Reassessment District (RAD) 96-1 Bond was refinanced in fiscal year 2020 resulting in a decrease to principal and interest.

The District issued RAD 2019 96-1 bonds to refund and refinance the outstanding principal on the 2007 RAD 96-1 bonds.

(2) Includes administration and delinquency management fees as well as fund credits.

(3) As of June 30 of the fiscal year listed. Includes penalties and interest for delinquent payments.

Table XV - Net Outstanding Long-Term Debt by Type⁽¹⁾

Last Ten Fiscal Years

Fiscal Year Ended	Water Revenue Bonds				Sewer Revenue Bond	Special Assessment Bonds	Note Payable		Total Net Outstanding Debt	Percentage of Personal Income	Per Capita
	2016 Water Revenue Refunding Bonds	2015 Water Revenue Refunding Bonds	2009 Water Revenue Bonds	2006 Water Revenue Refunding Bonds	2018 Sewer Revenue Refunding Bonds	Limited Obligation Reassessment District 96-1 ⁽³⁾	2013 State Revolving Fund	2012 California Bank and Trust ⁽²⁾			
2021	\$ 14,316,208	\$ 15,730,315	\$ -	\$ -	\$ 4,013,000	\$ 6,300,863	\$ 11,961,998	\$ -	\$ 52,322,384	0.87%	604
2020	14,923,628	17,816,383	-	-	4,520,000	7,130,000	12,742,976	-	57,132,987	0.99%	656
2019	15,511,305	19,873,396	-	-	5,011,000	9,787,870	13,506,271	-	63,689,842	1.16%	732
2018	16,084,017	21,899,196	-	-	5,500,000	10,650,671	14,252,283	-	68,386,167	1.31%	791
2017	16,577,296	23,627,014	-	-	-	11,698,471	15,339,748	-	67,242,530	1.35%	784
2016	-	25,289,832	16,925,215	-	-	12,516,272	15,693,954	518,339	70,943,613	1.50%	835
2015	-	-	17,353,724	26,414,577	-	13,304,072	16,390,314	1,540,841	75,003,529	1.66%	889
2014	-	-	17,767,233	27,934,221	-	14,056,873	17,069,309	2,546,030	79,373,666	1.89%	952
2013	-	-	18,165,742	29,398,866	-	14,804,674	15,343,566	3,533,098	81,245,946	2.01%	987
2012	-	-	18,549,251	30,803,510	-	15,502,473	-	4,501,865	69,357,099	1.76%	849

Source: Olivenhain Municipal Water District

Notes:

(1) FY 2012 and prior years include amortized bond issuance costs.

(2) 2012 California Bank and Trust note was paid off in February 2017.

(3) The Limited Obligation Reassessment District (RAD) 96-1 bonds were refinanced in September, 2019.

The District issued the 2019 RAD 96-1 bonds to refund and refinance the outstanding principal on the 2007 RAD 96-1 bonds.

Table XVI - Demographic Statistics

SD County Current and Prior Nine Years

Year	Population Estimate	Personal Income	Per Capita Personal Income ⁽¹⁾	Unemployment Rate ⁽²⁾
2021	86,649	6,034,582,956	69,644	7.7%
2020	87,084	5,780,723,004	66,381	13.8%
2019	86,997	5,505,170,160	63,280	3.7%
2018	86,478	5,232,783,780	60,510	4.0%
2017	85,792	4,965,469,376	57,878	4.3%
2016	85,010	4,743,302,970	55,797	4.7%
2015	84,352	4,529,364,992	53,696	5.2%
2014	83,368	4,194,623,309	51,444	6.4%
2013	82,355	4,048,736,510	49,162	7.8%
2012	81,701	3,930,635,110	48,110	9.1%

Source: California Department of Finance, California Department of Transportation, and Employment Development Department

Notes:

(1) Per capita personal income is for the San Diego County Region. Source: California Department of Transportation.

(2) Estimate for the San Diego County Region as of June in respective FY. Source: California Employment Development Department.

Table XVII - San Diego County Principal Employers

SAN DIEGO COUNTY - FISCAL YEAR 2021

Employer Name	Number of Employees ⁽¹⁾	Percentage of Total County Employment
Naval Base San Diego	39,000	2.75%
University of California San Diego	35,847	2.52%
Sharp HealthCare	19,000	1.34%
County of San Diego ⁽²⁾	17,413	1.23%
Scripps Health	15,000	1.06%
San Diego Unified School District	13,559	0.95%
Qualcomm Inc. ⁽²⁾	11,800	0.83%
City of San Diego	11,000	0.77%
Kaiser Permanente San Diego	9,606	0.68%
UC San Diego Health	9,100	0.64%
Total Top Ten County Employers	181,325	12.77%
All Other County Employers	1,239,071	87.23%
Total County Employment ⁽¹⁾	1,420,396	100.00%

SAN DIEGO COUNTY - FISCAL YEAR 2012

Employer Name	Number of Employees ⁽¹⁾	Percentage of Total County Employment
Federal Government	45,500	3.14%
State of California	42,900	2.96%
University of California San Diego	27,391	1.89%
County of San Diego	15,687	1.08%
Sharp HealthCare	15,231	1.05%
San Diego Unified School District	14,603	1.01%
Scripps Health	14,097	0.97%
Qualcomm Inc.	11,400	0.79%
City of San Diego	10,057	0.69%
Kaiser Permanente	7,731	0.53%
Total	204,597	14.11%
All Other County Employers	1,195,393	85.89%
Total County Employment ⁽¹⁾	1,399,990	100.00%

Source: San Diego Business Journal, Bureau of Labor Statistics, Company Websites

Notes:

(1) Numbers are based on most recent data available from Bureau of Labor Statistics or company websites

(2) 2018 San Diego Business Journal was the most recent data available for these companies

Table XVIII - Full-time Equivalent Employees by Activity

Last Ten Fiscal Years

	Full-time Equivalent Employees ⁽¹⁾									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Water Operations ⁽²⁾	35.00	37.00	34.00	36.00	34.00	31.00	36.00	38.00	39.00	37.00
Wastewater and Recycled Operations ⁽³⁾	8.00	8.00	7.00	7.00	6.00	6.00	6.00	8.00	8.00	8.00
Elfin Forest Recreation Operations	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	3.00
General and Administration										
General Manager	4.00	4.00	4.00	4.00	4.00	2.00	2.00	5.00	5.00	5.00
Engineering	9.00	8.00	8.00	8.00	8.00	11.00	9.00	7.00	6.00	7.00
Finance	7.00	8.00	8.00	8.00	8.00	8.00	8.00	13.00	14.00	14.00
Human Resources	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Customer Services	14.00	16.00	15.00	16.00	14.00	14.00	14.00	-	-	-
Total	84.00	88.00	83.00	86.00	81.00	79.00	82.00	78.00	78.00	78.00

Source: Olivenhain Municipal Water District

Notes:

(1) Based on active full-time employees included in the District's payroll as of 6/30/2021, excludes temporary labor and interns.

(2) Includes treatment plant operations at the David C. McCollom Water Treatment Plant.

(3) Includes treatment plant operations at the 4S wastewater treatment plant and water reclamation facility.

Table XIX - Capital and Operating Indicators by Activity

Last Ten Fiscal Years

	Fiscal Year ended June 30									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Potable										
Service area (acres)	31,123	31,123	31,123	31,123	31,123	31,123	31,123	31,123	31,123	31,123
Miles of water main ⁽¹⁾	466	466	466	466	466	419	419	419	419	406
Number of treated reservoirs in service	12	12	12	12	12	12	12	13	16	16
Total treated reservoirs capacity (million gallons)	66.9	66.9	66.9	66.9	66.9	65.9	65.9	68.1	81.5	84.8
Number of service connections	28,848	28,803	28,664	28,585	28,563	28,477	28,343	28,251	27,892	27,514
Number of meters in service	28,696	28,657	28,504	28,431	28,393	28,295	28,161	28,082	27,714	27,331
Potable water peak demand (million gallons) ⁽²⁾	25.8	25.5	26.7	25.4	29.8	23.9	29.9	32.7	29.7	27.8
Average treated water demand (MGD) ⁽²⁾	17.4	15.3	15.0	17.3	18.9	14.4	17.5	19.7	18.6	16.5
David McCollom treatment plant maximum capacity (MGD)	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0
Average treatment plant production (MGD) ⁽²⁾	20.8	18.1	17.7	21.4	18.7	13.9	17.1	22.3	12.8	20.7
Sewer										
Service area (acres)	5,508	5,508	5,508	5,508	5,508	5,338	5,338	5,338	5,338	5,338
Maximum system capacity (MGD)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Number of in-service equivalent dwelling units ⁽³⁾	7,247	7,244	7,239	7,236	7,063	7,043	6,939	6,883	6,861	6,823
Recycled										
Service area (acres)	10,638	10,638	10,638	10,638	10,638	10,567	10,567	10,567	10,567	10,567
Miles of recycled water main ⁽⁶⁾	67	67	67	67	55	48	48	48	48	47
Total recycled storage capacity (million gallons) ⁽⁴⁾	136	136	136	136	136	136	4	4	4	4
4S WRF maximum capacity (MGD)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Average treatment daily plant flow (MGD)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1
Number of meters in service	314	308	295	293	288	278	273	260	252	251
General Information										
Average years of service of employees ⁽⁵⁾	9.1	8.6	10.0	9.3	9.1	9.5	10.1	10.2	10.5	9.5

Source: Olivenhain Municipal Water District

Notes:

(1) Total miles for FY 2017 and beyond include hydrant laterals in GIS.

(2) FY 2017 and beyond include selling of treatment capacity to Vallecitos Water District.

(3) An equivalent dwelling unit means the standard measurement of water discharged into the sewer collection and treatment system equal to the average discharge from a detached single-family unit.

(4) Recycled storage for FY 2016 and beyond includes Wet Weather Storage Pond storage capacity.

(5) Based on the number of full-time equivalent employees as of June 30th.

(6) Total miles for FY 2017 and beyond include laterals in GIS.

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**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***

Independent Auditors' Report

Board of Directors
Olivenhain Municipal Water District
Encinitas, 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 Olivenhain Municipal Water District, California (the "District"), which comprise the statement of net position as of June 30, 2021, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements and have issued our report thereon dated November 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

San Diego, California
November 8, 2021

DRAFT 11.01.2021

OLIVENHAIN MUNICIPAL WATER DISTRICT

Presentation to the Board of Directors
For the Fiscal Year Ended June 30, 2021

November 8, 2021

CONTENTS

- Scope of Work
- Audit Responsibilities
- Approach to the Audit
- Accounting Changes
- Overview of Financial Statements
- Key Financial Indicators and Pension Information
- Audit Results

SCOPE OF WORK

SCOPE OF WORK

- **Audit of the Comprehensive Annual Financial Report**
 - Financial Section
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes In Net Position
 - Statement of Cash Flows
 - Notes to the Basic Financial Statements

AUDIT RESPONSIBILITIES

MANAGEMENT'S RESPONSIBILITIES

- Responsible for the financial statements
- Present the financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP)
- Adopt sound accounting policies
- Establish and maintain internal controls over financial reporting and compliance
- Provide evidence supporting the amounts and disclosures in the financial statements
- Fair presentation of financial statements that are free from material misstatements, whether due to fraud or error
- Prevent and detect fraud

AUDITORS' RESPONSIBILITIES

- Perform the audit in conformity 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
- Communicate with “Those Charged with Governance”
- Assess audit risk of internal control over financial reporting
- Determine the fairness of the presentation of the financial statements
- Render an opinion on the financial statements
- Issue recommendations to management, if any

APPROACH TO THE AUDIT

THE PUN GROUP'S AUDIT APPROACH FOR OLIVENHAIN MUNICIPAL WATER DISTRICT

- Phase I – Detailed planning
- Phase II – Risk-based review of internal controls over systems and compliance
 - Financial reporting
 - Revenues – billings, revenue recognition, and cash receipts
 - Expenses – purchasing, accounts payable, and cash disbursements
 - Payroll and related liabilities
 - General IT controls
- Phase III – Validation of account balances
- Phase IV – Preparation of financial statements and issuance of audit opinions

ACCOUNTING CHANGES

IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

- GASB Statement No. 84, *Fiduciary Activities*
- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Application of this statement did not have a material effect on the District's financial statements for the fiscal year ending June 30, 2021.

IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

- GASB Statement No. 90, *Majority Equity Interests*
- In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Application of this statement did not have a material effect on the District's financial statements for the fiscal year ending June 30, 2021.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*

OVERVIEW OF THE FINANCIAL STATEMENTS

Olivenhain Municipal Water District

Summary Statements of Net Position

June 30, 2021 and 2020

	2021	2020	\$ Diff	% Diff
Assets				
Current Assets:				
Unrestricted assets	\$ 91,230,167	\$ 83,453,087	\$ 7,777,080	9.32%
Restricted assets	7,333,291	8,396,334	(1,063,043)	-12.66%
Total current assets	98,563,458	91,849,421	6,714,037	7.31%
Noncurrent assets:				
Capital assets	381,987,256	386,472,115	(4,484,859)	-1.16%
Others	82,997	134,183	(51,186)	-38.15%
Total noncurrent assets	382,070,253	386,606,298	(4,536,045)	-1.17%
Total assets	480,633,711	478,455,719	2,177,992	0.46%
Deferred Outflows of Resources				
Pension-related deferred outflows	3,585,712	3,368,573	217,139	6.45%
Deferred amount on refunding	1,191,088	1,381,667	(190,579)	-13.79%
Total deferred outflows of resources	4,776,800	4,750,240	26,560	0.56%

Olivenhain Municipal Water District

Summary Statements of Net Position (Continued)

June 30, 2021 and 2020

	2021	2020	\$ Diff	% Diff
Liabilities				
Current Liabilities:				
Accounts payable, accrued expenses, and deposits	8,908,329	10,196,047	(1,287,718)	-12.63%
Compensated absences, current	771,000	799,000	(28,000)	-3.50%
Long-term debt, current	4,042,356	3,880,254	162,102	4.18%
Liabilities payable from restricted assets	211,991	1,803,175	(1,591,184)	-88.24%
Total current liabilities	13,933,676	16,678,476	(2,744,800)	-16.46%
Noncurrent liabilities:				
Compensated absences	916,576	719,611	196,965	27.37%
Net pension liability	14,608,844	13,760,678	848,166	6.16%
Long-term debt	48,280,027	53,252,734	(4,972,707)	-9.34%
Total noncurrent liabilities	63,805,447	67,733,023	(3,927,576)	-5.80%
Total liabilities	77,739,123	84,411,499	(6,672,376)	-7.90%
Deferred Inflows of Resources				
Pension-related deferred inflows	425,243	722,696	(297,453)	-41.16%
Total deferred outflows of resources	425,243	722,696	(297,453)	-41.16%
Net Position				
Net investment in capital assets	330,855,961	330,720,794	135,167	0.04%
Restricted	7,121,300	6,593,159	528,141	8.01%
Unrestricted	69,268,884	60,757,811	8,511,073	14.01%
Total Net Position	\$ 407,246,145	\$ 398,071,764	\$ 9,174,381	2.30%

Olivenhain Municipal Water District

Statements of Revenues, Expenses and Change in Net Position

For the Years Ended June 30, 2021 and 2020

	2021	2020	\$ Diff	% Diff
Operating Revenues				
Water sales	\$ 58,169,813	\$ 50,430,847	\$ 7,738,966	15.35%
Sewer charges	5,127,136	4,952,194	174,942	3.53%
Other operating revenues	2,178,034	2,200,252	(22,218)	-1.01%
Total operating revenues	65,474,983	57,583,293	7,891,690	13.70%
Operating Expenses				
Cost of purchased water sold	30,601,983	27,188,350	3,413,633	12.56%
Pumping and water treatment	4,378,418	4,139,526	238,892	5.77%
Transmission and distribution	4,220,269	4,090,468	129,801	3.17%
Sewer collection and treatment	2,085,237	1,980,603	104,634	5.28%
Elfin Forest recreation reserve operations	415,386	381,540	33,846	8.87%
Facilities maintenance	1,363,564	1,456,702	(93,138)	-6.39%
Customer services	2,349,308	2,404,916	(55,608)	-2.31%
General and administrative	7,040,552	7,326,820	(286,268)	-3.91%
Other operating expenses	228,939	329,185	(100,246)	-30.45%
Depreciation and amortization	15,559,523	15,029,936	529,587	3.52%
Total operating expenses	68,243,179	64,328,046	3,915,133	6.09%
Operating (Loss)	(2,768,196)	(6,744,753)	3,976,557	-58.96%

Olivenhain Municipal Water District

Statements of Revenues, Expenses and Changes in Net Position (Continued)

For the Years Ended June 30, 2021 and 2020

	2021	2020	\$ Diff	% Diff
Nonoperating Revenues (Expenses)				
Fair market value adjustment	(562,019)	314,639	(876,658)	-278.62%
Investment income	454,962	1,227,969	(773,007)	-62.95%
Property taxes	4,027,357	3,863,252	164,105	4.25%
Capacity charges	2,754,730	3,200,022	(445,292)	-13.92%
Benefit assessments	1,177,302	1,115,704	61,598	5.52%
Other nonoperating revenues	5,685,803	91,836	5,593,967	6091.26%
Interest expenses	(1,419,009)	(1,457,739)	38,730	-2.66%
Other nonoperating expenses	(1,076,547)	(1,458,033)	381,486	-26.16%
Total nonoperating revenues (expenses)	11,042,579	6,897,650	4,144,929	60.09%
Income before capital contributions	8,274,383	152,897	8,121,486	5311.74%
Capital contributions	899,998	3,236,226	-	0.00%
Changes in net position	<u>\$ 9,174,381</u>	<u>\$ 3,389,123</u>	<u>\$ 8,121,486</u>	<u>239.63%</u>

Olivenhain Municipal Water District

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	2021	2020	\$ Diff	% Diff
Cash Flows from Operating Activities				
Receipts from customers	\$ 64,867,918	\$ 55,683,953	\$ 9,183,965	16.49%
Payments for water	(30,375,537)	(26,271,339)	(4,104,198)	15.62%
Payments for services and supplies	(10,544,997)	(8,188,142)	(2,356,855)	28.78%
Payments for employee wages, benefits, and related costs	(12,477,619)	(11,624,702)	(852,917)	7.34%
Net cash provided by operating activities	11,469,765	9,599,770	1,869,995	19.48%
Cash Flows from Noncapital Financing Activities				
Property tax assessment received	5,219,865	4,970,195	249,670	5.02%
Metropolitan Water District settlement	2,039,332	-	2,039,332	n/a
Net cash provided by noncapital financing activities	7,259,197	4,970,195	2,289,002	46.05%

Olivenhain Municipal Water District

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2021 and 2020

	2021	2020	\$ Diff	% Diff
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(11,289,144)	(19,414,338)	8,125,194	-41.85%
Proceeds from grants and capital contributions	(186,137)	(755,014)	568,877	-75.35%
Principal payments on long-term debt	(4,287,117)	(13,089,295)	8,802,178	-67.25%
Proceeds from debt issuance	-	7,130,000	(7,130,000)	-100.00%
Interest payments on long-term debt	(1,768,054)	(1,965,618)	197,564	-10.05%
Capacity charges received	2,777,662	3,704,751	(927,089)	-25.02%
Proceeds from sale of capital assets	2,033,750	57,227	1,976,523	3453.83%
Other capital financing receipts	165,014	34,609	130,405	376.80%
Other capital financing expenses paid	(133,443)	(328,312)	194,869	-59.35%
Net cash provided by capital and related financing activities	(12,687,469)	(24,625,990)	11,938,521	-48.48%
Cash Flows from Investing Activities				
Proceeds from sale and maturities of investments	24,740,950	33,178,869	(8,437,919)	-25.43%
Purchase of investments	(37,279,742)	(13,000,109)	(24,279,633)	186.76%
Investment income received	488,020	1,465,181	(977,161)	-66.69%
Net cash provided by investing activities	(12,050,772)	21,643,941	(33,694,713)	-155.68%
Changes in cash and cash equivalents	\$ (6,009,279)	\$ 11,587,916	\$ (17,597,195)	-151.86%

KEY FINANCIAL INDICATORS AND PENSION INFORMATION

Olivenhain Municipal Water District

Key Financial Indicators

June 30, 2021 and 2020

	2021	2020	2019	2018
<u>Current Ratio</u>				
Current Assets	\$ 98,563,458	\$ 91,849,421	\$ 98,740,406	\$ 93,750,840
Current Liabilities	\$ 13,933,676	\$ 16,678,476	\$ 15,277,287	\$ 13,188,772
Olivenhain MWD	7.07	5.51	6.46	7.11
Average of 10 Local Districts	n/a	6.39	6.33	5.64
<u>Capital Condition Ratio</u>				
Total Depreciable Capital Assets	\$ 556,962,450	\$ 533,528,816	\$ 527,687,018	\$ 526,930,559
Total Accumulated Depreciation	\$ 216,571,720	\$ 204,189,400	\$ 191,043,044	\$ 180,800,406
Olivenhain MWD	38.88%	38.27%	36.20%	34.31%
Average of 10 Local Districts	n/a	44.58%	43.78%	42.54%
<u>Pension Liability to Net Position Ratio</u>				
Net Pension Liability	\$ 14,608,844	\$ 13,760,678	\$ 12,602,286	\$ 12,831,806
Net Position	\$ 407,246,145	\$ 398,071,764	\$ 394,682,641	\$ 391,052,527
Olivenhain MWD	3.59%	3.46%	3.19%	3.28%
Average of 10 Local Districts	n/a	11.03%	10.62%	11.22%
<u>Water / Sewer Receivable % Change</u>				
Water / Sewer Receivable - Current Year	\$ 10,717,152	\$ 10,062,269	\$ 8,079,684	\$ 9,801,577
Water / Sewer Receivable - Prior Year	\$ 10,062,269	\$ 8,079,684	\$ 9,801,577	\$ 8,372,323
Olivenhain MWD	6.51%	24.54%	-17.57%	17.07%
Average of 10 Local Districts	n/a	9.73%	-14.19%	13.27%

Olivenhain Municipal Water District

Key Financial Indicators

June 30, 2021 and 2020

	2021	2020	2019	2018
<u>Operating Margin</u>				
Operating Revenues	\$ 65,474,983	\$ 57,583,293	\$ 55,753,170	\$ 60,180,654
Operating Expenses (minus depreciation)	\$ 52,683,656	\$ 49,298,110	\$ 45,426,264	\$ 47,764,170
Olivenhain MWD	1.24	1.17	1.23	1.26
Average of 10 Local Districts	n/a	1.10	1.12	1.16
<u>Water / Sewer Sales % Change</u>				
Water / Sewer Sales - Current Year	\$ 63,296,949	\$ 55,383,041	\$ 53,483,505	\$ 57,909,159
Water / Sewer Sales - Prior Year	\$ 55,383,041	\$ 53,483,505	\$ 57,909,159	\$ 49,880,587
Olivenhain MWD	14.29%	3.55%	-7.64%	16.10%
Average of 10 Local Districts	n/a	2.62%	-6.47%	12.87%

Olivenhain Municipal Water District
GASB 68 – Sensitivity of NPL to Changes in Discount Rate
CalPERS Miscellaneous Plan
Measurement Date June 30, 2020

Discount Rate	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
Proportionate share of net pension liability	\$ 22,290,045	\$ 14,608,844	\$ 8,262,110

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Fiduciary net position as % of total pension liability	74.69%	74.59%	0.10%

AUDIT RESULTS

AUDIT RESULTS

- **Unmodified Opinion**

- Financial statements are fairly presented in all material respects
- Significant accounting policies have been consistently applied
- Estimates are reasonable
- Disclosures are properly reflected in the financial statements

- **Other Results**

- No disagreements with management
- No material weaknesses or significant deficiencies in internal controls were noted
- No accounting issues



HQ - ORANGE COUNTY

200 E. Sandpointe Avenue
Suite 600
Santa Ana, CA 92707

SAN DIEGO

4365 Executive Drive
Suite 710
San Diego, CA 92121

BAY AREA

2121 North California Blvd.
Suite 290
Walnut Creek, CA 94596

LAS VEGAS

1050 Indigo Drive
Suite 110
Las Vegas, NV 89145

PHOENIX

4742 North 24th Street
Suite 300
Phoenix, AZ 85016 **141**

Memo

Date: November 8, 2021
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (3rd QTR 2021)**

Purpose

The purpose of this agenda is to provide a verbal report on the District's investment activities and cash information to the Finance Committee to comply with the annual investment policy approved by the Board.

Recommendation

It is recommended that the Committee review and receive the attached report as presented.

Background

The attached reports are presented to provide information to the Finance Committee as required by the District's Annual Investment Policy, which was adopted by the Board at the December 2020 board meeting.

The purpose of the District's Investment Policy is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of the policy is to enhance the economic position of the District while protecting its funds. These policies have been followed in making all investment decisions on behalf of the District.

The Annual Investment Policy also states that at least once each quarter, the District's Finance Manager shall provide an oral report on the District's investments for review and discussion.

Discussion

Staff will be available for discussion with the Committee during the meeting.

Attachment: Monthly Cash and Investment Summary Report as of September 30, 2021.

Olivenhain Municipal Water District
MONTHLY CASH AND INVESTMENT SUMMARY
As of September 30, 2021

Active Deposits

	<u>Book Value</u>
Checking Accounts	\$ 13,256,316
Cash Restricted for Specific Use	157,218
Petty Cash/Disaster Preparedness	1,476
Total Active Deposits	<u>\$ 13,415,011</u>

Deposits Not Covered by Investment Policy

Cash with Fiscal Agents	2,000,070
-------------------------	-----------

<u>Investments</u>	<u>Face Value</u>	<u>Market Value</u>	<u>Current Yield</u>	
LAIF	\$ 27,166,924	27,167,149	0.22%	\$ 27,166,924
CAMP - US Bank	7,033,839	7,033,839	0.05%	7,033,839
Money Market Funds	1,134,263	1,134,263	0.02%	1,134,263
Municipal Bonds	1,000,000	1,161,130	4.31%	1,216,760
U.S. Treasury Securities	2,000,000	2,012,390	0.99%	2,021,162
U.S. Agency Securities	29,876,111	29,725,164	0.47%	29,872,931
Total Investments	<u>\$ 68,211,137</u>	<u>\$ 68,233,935</u>	<u>0.40%</u>	<u>\$ 68,445,879</u>

Total - All Deposits/Investments

\$ 83,860,960

Maturity Analysis of Investments

	<u>Percent</u>	<u>Balance</u>
Demand Deposits	51.6%	\$ 35,335,026
Maturity within the next two months	0.0%	-
Maturity within three months and one year	1.5%	1,036,684
Maturity beyond one year	46.9%	32,074,169
Total Investments	<u>100.0%</u>	<u>\$ 68,445,879</u>

Weighted Average Days to Maturity

665

Other Required Disclosures:

Accrued interest receivable as of 09/30/2021 \$ 57,265

The above investments are in accordance with the portfolio limitations in the Investment Policy approved by the Board in December 2020.

The District has sufficient funds on hand to meet the next 30 days' obligations.

Olivenhain Municipal Water District
PORTFOLIO LIMITATIONS ANALYSIS PER INVESTMENT POLICY
September 30, 2021

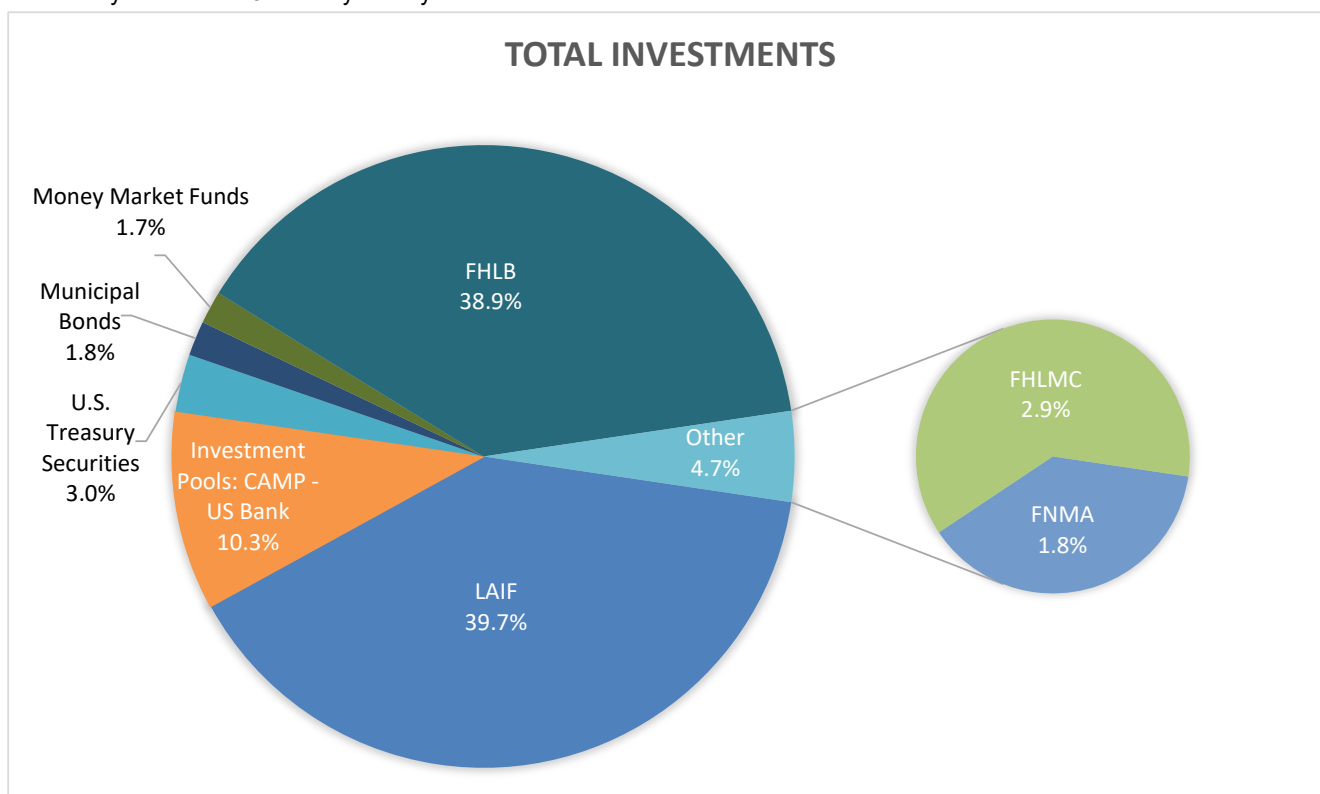
	Book Value	Percent	Permitted Percent	In Compliance?
LAIF	\$ 27,166,924	39.7%	40.0% ⁽¹⁾	Yes
Investment Pools: CAMP - US Bank	7,033,839	10.3%	30.0%	Yes
U.S. Treasury Securities	2,021,162	3.0%	100.0% ⁽²⁾	Yes
Municipal Bonds	1,216,760	1.8%	30.0%	Yes
Money Market Funds	1,134,263	1.7%	20.0% ⁽³⁾	Yes
U.S. Agency Securities	29,872,931	43.6%	50.0%	Yes
<i>FHLB</i> <i>Federal Home Loan Bank</i>	26,623,111	38.9%		
<i>FNMA</i> <i>Fannie Mae</i>	1,250,000	1.8%		
<i>FHLMC</i> <i>Freddie Mac</i>	1,999,820	2.9%		
Total Investments	\$ 68,445,879	100%		

Note:

⁽¹⁾ New limit of 40% approved by the board in May 2020.

⁽²⁾ No limit.

⁽³⁾ May not exceed 5% in any money market fund.



* Total may not add up to 100% due to rounding.

Olivenhain Municipal Water District
MONTHLY INVESTMENTS DETAIL
September 30, 2021

ACTIVE DEPOSIT										Book Value
Checking A/C California Bank and Trust for General Purpose										13,256,316
California Bank and Trust for Specific Purpose										157,218
Petty Cash/Disaster Preparedness										1,476
Total - Active Deposits										13,415,011

DEPOSITS NOT COVERED BY INVESTMENT POLICY

Cash with Fiscal Agents:

Union Bank - RAD 96-1 Refunding Bond	240,289
Union Bank - 2015A Refunding Bond	601,862
SRF Loan	750,353
Union Bank - 2016A Refunding Bond	244,215
Union Bank - 2018 Revenue Bond	163,351

Total Deposits Not Covered by Investment Policy

2,000,070

	RATING		DATE				Weighted Average Days to Maturity	Call	Stated Coupon	Current Yield	Market Value	Face Value	Book Value
	Moody's	S&P	Purchase	Maturity	Next Call	Next S-U							

INVESTMENTS

Invest. Pools:	US Bank Calif. Asset Mgmt Prgm (CAMP)		Demand				1			0.05%	\$ 7,033,839	\$ 7,033,839	\$ 7,033,839
	State Local Agency Investment Fund (LAIF)		Demand				1			0.22%	27,167,149	27,166,924	27,166,924
	First American Government 31846V567		Demand				1			0.02%	1,134,263	1,134,263	1,134,263

U.S. Treasury Notes/Bills

912828YH7	U.S. Treasury Notes	Aaa	-	03/09/21	02/28/26		1,613		1.50%	1.46%	1,029,260	1,000,000	1,036,684
91282CBQ3	U.S. Treasury Notes	Aaa	-	03/09/21	09/30/24		1,097		0.50%	0.51%	983,130	1,000,000	984,478
							92		1.00%	0.99%	\$ 2,012,390	\$ 2,000,000	\$ 2,021,162

U.S. Agency Securities

3134GXKH6	FHLMC Callable	Aaa	AA+	01/27/21	01/27/23	10/27/21	485	28	0.13%	0.13%	999,730	1,000,000	999,820
3130AJZJ1	FHLB Callable	Aaa	AA+	09/02/20	08/25/23	Anytime	695	1	0.32%	0.32%	1,151,088	1,151,111	1,151,111
3136G4P56	FNMA Callable	Aaa	AA+	08/26/20	02/26/24	08/26/22	880	331	0.40%	0.40%	1,251,713	1,250,000	1,250,000
3130ALHM9	FHLB Callable	Aaa	AA+	03/10/21	06/10/24	03/10/22	985	162	0.30%	0.30%	997,510	1,000,000	999,000
3130AKEW2	FHLB Callable	Aaa	AA+	11/04/20	11/04/24	Anytime	1,132	1	0.43%	0.43%	1,993,720	2,000,000	2,000,000
3134GWAQ9	FHLMC Callable	Aaa	AA+	07/28/20	07/28/25	07/28/22	1,398	302	0.65%	0.65%	997,810	1,000,000	1,000,000
3130AKGX8	FHLB Step-up Callable	Aaa	AA+	12/15/20	12/15/25	12/15/21	1,538	77	0.20%	0.20%	1,989,160	2,000,000	2,000,000
3130AKMD5	FHLB Callable	Aaa	AA+	01/26/21	01/26/26	10/26/21	1,580	27	0.50%	0.51%	988,190	1,000,000	999,500
3130AKU53	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	10/28/21	1,582	29	0.52%	0.53%	988,750	1,000,000	1,000,000
3130AKN69	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	01/28/22	1,582	121	0.50%	0.51%	988,810	1,000,000	1,000,000
3130AKVN3	FHLB Callable	Aaa	AA+	01/29/21	01/29/26	10/29/21	1,583	30	0.52%	0.53%	988,720	1,000,000	1,000,000
3130AKWK8	FHLB Callable	Aaa	AA+	02/12/21	02/12/26	11/12/21	1,597	44	0.51%	0.52%	987,930	1,000,000	1,000,000
3130AKX43	FHLB Step-up Callable	Aaa	AA+	02/24/21	02/24/26	11/24/21	1,609	56	0.30%	0.30%	1,985,160	2,000,000	2,000,000
3130AL7M0	FHLB Callable	Aaa	AA+	02/24/21	02/24/26	11/24/21	1,609	56	0.63%	0.63%	991,050	1,000,000	1,000,000
3130AKYR1	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/22	1,610	149	0.55%	0.56%	989,500	1,000,000	1,000,000
3130AL6K5	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/22	1,610	149	0.58%	0.59%	990,480	1,000,000	1,000,000
3130ALD76	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	11/25/21	1,610	57	0.70%	0.70%	993,120	1,000,000	1,000,000
3130ALCW2	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/22	1,610	149	0.63%	0.63%	991,740	1,000,000	998,500
3130AL6Q2	FHLB Callable	Aaa	AA+	02/26/21	02/26/26	Anytime	1,611	1	0.22%	0.22%	996,150	1,000,000	1,000,000
3130ALGJ7	FHLB Callable	Aaa	AA+	03/23/21	03/23/26	10/23/21	1,636	24	1.00%	1.00%	973,889	975,000	975,000
3130ALPQ1	FHLB Step-up Callable	Aaa	AA+	03/30/21	03/30/26	09/30/21	1,643	1	0.50%	0.50%	998,630	1,000,000	1,000,000
3130ALVC5	FHLB Step-up Callable	Aaa	AA+	04/14/21	04/14/26	10/14/21	1,658	15	0.60%	0.60%	998,560	1,000,000	1,000,000
3130AMMV1	FHLB Callable	Aaa	AA+	06/03/21	06/03/24	12/03/21	978	65	0.40%	0.40%	499,355	500,000	500,000
3130AMKE1	FHLB Callable	Aaa	AA+	05/27/21	02/27/25	11/27/21	1,247	59	0.66%	0.66%	998,850	1,000,000	1,000,000
3130ANGN4	FHLB Step-up Callable	Aaa	AA+	08/18/21	02/18/25	11/18/21	1,238	50	0.35%	0.35%	998,720	1,000,000	1,000,000
3130ANSP6	FHLB Callable	Aaa	AA+	09/17/21	10/17/24	03/17/22	1,114	169	0.50%	0.50%	998,390	1,000,000	1,000,000
3130ANTP5	FHLB Callable	Aaa	AA+	09/16/21	09/16/24	03/16/22	1,083	168	0.50%	0.50%	998,440	1,000,000	1,000,000
							1,372	2,505	0.47%	0.47%	\$ 29,725,164	\$ 29,876,111	\$ 29,872,931

Municipal Bonds

882724RA7	TEXAS ST PUB FIN AUTH	Aaa	AAA	10/30/20	10/01/25		1,463		5.00%	4.31%	1,161,130	1,000,000	1,216,760
							1,463		5.00%	4.31%	\$ 1,161,130	\$ 1,000,000	\$ 1,216,760

Total Investments

665 0.40% 0.40% \$ 68,233,935 \$ 68,211,137 \$ 68,445,879

TOTAL - ALL DEPOSITS AND INVESTMENTS

\$ 83,860,960

**Olivenhain Municipal Water District
INVESTMENTS TRANSACTION
September 30, 2021**

PURCHASED

DATE				Investment Description	<i>Stated</i>	<i>Current</i>	Face Value	Book Value
Purchase	Maturity	Call	Step-Up		<i>Coupon</i>	<i>Yield</i>		
09/17/21	10/17/24	03/17/22		FHLB Callable	0.500%	0.501%	1,000,000	1,000,000
09/16/21	09/16/24	03/16/22		FHLB Callable	0.500%	0.501%	1,000,000	1,000,000

MATURED / REDEEMED / CALLED

DATE				Investment Description	<i>Stated</i>	<i>Current</i>	Face Value	Book Value
Redemption	Maturity	Call	Step-Up		<i>Coupon</i>	<i>Yield</i>		
09/30/21	03/30/26	09/30/21		FHLB Callable	1.050%	1.050%	1,000,000	1,000,000

Olivenhain Municipal Water District
UNAUDITED CASH POSITION BY FUNDING SOURCES
As of September 30, 2021

<u>Water Funds (Potable & Recycled)</u>		<u>Balance</u>
10050-100	Cash - Petty Cash Fund	\$ 1,476
10030-100	Cash - Capital and Equipment Fund	38,202,728
10010-100	Cash - Operating Fund	13,610,144
10060-100	Cash - Deposit Work for Other	72,990
10040-100	Cash - Rate Stabilization	10,496,866
14000-500	Restricted Cash - Capacity Fee Fund	5,130,201
Total Water Funds (Potable & Recycled)		\$ 67,514,405
 <u>Wastewater Funds</u>		
10010-110	Wastewater - Operating Fund	2,023,484
10030-110	Wastewater - Capital Replacement Fund	9,563,226
10040-110	Wastewater - Rate Stabilization Fund	2,602,557
Total Wastewater Funds		\$ 14,189,267
 <u>Non Fiscal Agent Debt Service Cash</u>		
14020-570	Cash non-agent - RAD 96-1	146,018
10070-561	Cash non-agent - Bond 2015A	621
10070-581	Cash non-agent - Bond 2016A	10,580
Total Non Fiscal Agent Debt Service Cash		\$ 157,218
 <u>Debt Service Funds</u>		
14030-510	SRF Loan - Fiscal Agent	750,353
14105-570	Redemption fund - RAD 96-1	187,377
14110-570	Reserve fund - RAD 96-1	52,912
14100-561	Redemption fund - Bond 2015A	601,862
14100-581	Redemption fund - Bond 2016A	244,215
14100-512	Redemption fund - CB&T 2018	163,351
Total Debt Service Funds		\$ 2,000,070
 TOTAL FUND BALANCES		 \$ 83,860,960

Memo

Date: November 8, 2021
To: Olivenhain Municipal Water District Board of Directors
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **ANNUAL REVIEW OF INVESTMENT POLICY AND RESERVES**

This is a housekeeping item. The District's Investment Policy is reviewed annually to ensure compliance with California Government Code sections that govern the investment of public funds. The District's Operating Fund, Capital and Equipment Fund, and Rate Stabilization Fund balances are reviewed annually when the District's financial audit is completed.

Investment Policy

The District's Investment Policy has been reviewed by Richard Babbe, Senior Managing Consultant at PFM Assets Management, to make sure it is in compliance with the California Government Code sections that govern the investment of public funds.

Staff is proposing an update to the District's Investment Policy for 2022 (attached) for discussion and approval by the Committee:

- Adding California Asset Management Program (CAMP) in the list of permitted investments without Board approval to be consistent with the District's actual practice.

- Increasing the current Policy limit for Local Agency Investment Fund (LAIF) from 40% of the total value of all District investments or \$20,000,000 to 50% of the total value of all District investments or \$40,000,000 to increase the District's return on investments in liquid short-term securities which can be converted to cash if necessary to meet the District's financial needs.

Reserves Policy

Staff is not proposing any changes to the District's Reserves Policy for Committee consideration at this time. Last updates to the Policy were completed in November 2019.

Staff will be available during the meeting for discussion with the Committee on handling of funds available in the reserves following auditors' report to the Committee.

Attachments: PFM Asset Management LL memorandum; Investment Policy; Reserve Fund Balances.



October 27, 2021

Memorandum

To: Rainy Selamat, Finance Manager
Olivenhain Municipal Water District

From: Richard Babbe, CCM, Senior Managing Consultant
PFM Asset Management LLC

Re: 2021 Investment Policy Review

We completed our annual review of the District's Investment Policy ("Policy"). As written, the Policy is comprehensive and in compliance with the California Government Code (the "Code") sections that govern the investment of public funds.

There were some minor Code changes related to Senate Bill 998 that took effect on January 1, 2021. However, the District incorporated the relevant changes into its Policy as part of last year's update, so no further changes are needed. Furthermore, there are no adopted Code changes currently adopted to be effective 2022 that would require any changes to the District's Policy.

Please let us know if you have any questions or if you would like to discuss.

INVESTMENT POLICY

I. INTRODUCTION

The purpose of this document is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of this policy is to enhance the economic status of the District while protecting its funds. These policies shall be followed by the Treasurer in making all investment decisions on behalf of the District.

The Board of Directors of the District has delegated authority to invest funds on behalf of the District to its Treasurer for one (1) year. The Treasurer is required to provide a monthly report of all District investments to the Board. The Treasurer's authority to make investments for the District under this policy is limited to a one (1) year term expiring on December 31, 202~~2~~⁴. This authority may be renewed annually at the discretion of the Board of Directors of the District.

This investment policy is intended to guide the Treasurer in the investment of all District funds. These investment policies have four primary goals:

1. To ensure that all District investments comply with federal, state, and local laws governing the investment of all District funds;
2. To recognize that the primary objective of all District investments is to safeguard the principal invested;
3. To recognize that the second objective of all District investments is to meet the liquidity needs of the District; and
4. To maximize the return on all District investments keeping in mind that safeguarding the principal and providing liquidity are more important objectives than the return obtained.

II. SCOPE

This investment policy shall cover all funds and investment activities under the direct authority of the District, except for the employee's retirement and deferred compensation funds, checking and payroll accounts, and debt service construction and reserve funds held by trustee in accordance with the District's bond documents.

III. OBJECTIVES

- A. Safety. It is the primary duty and responsibility of the Treasurer to protect and preserve the principal of all District funds and investments. Prior to investing any District funds, the investment

shall be evaluated by the Treasurer to ensure that capital losses are avoided whether from institution default, broker-dealer default, or erosion of the market value of the securities. The Treasurer shall evaluate, or cause a qualified professional to evaluate, each potential investment of District funds to verify that the issuer is financially strong and there is adequate security as collateral for each investment sufficient to protect the principal being invested. The Treasurer shall diversify District investments so as to reduce the exposure to principal loss.

- B. Liquidity. An adequate percentage of all District investments shall be maintained at all times in liquid short-term securities which can be converted to cash if necessary to meet the District's financial obligations. The Treasurer should consider the District's liquidity needs over the next year in determining the amount that should be maintained in short term instruments. Since all future cash requirements of the District cannot be anticipated, the Treasurer shall, at all times, invest a portion of all District investments in liquid short-term securities that are readily tradable so as to meet the ongoing liquidity needs of the District. These short-term securities shall be selected in a manner that minimizes market risk and provides for the anticipated needs of the District over the next year.
- C. Return on Investments. The Treasurer should invest all District funds in investments that maximize the return for the District keeping in mind that safeguarding the principal and providing liquidity are more important objectives than the return obtained. All investment decisions made by the Treasurer shall be, first, to ensure protection of the principal of all District funds and investments, second, to provide adequate liquidity for the District's future needs, and third, to maximize return where possible without jeopardizing the principal or creating liquidity problems for the District.
- D. Market-Average Rate of Return. The investment portfolio shall be designed to attain a market-average rate of return throughout economic cycles, taking into account the District's risk and liquidity constraints, the cash flow characteristics of the portfolio, State laws limiting District investments, and ordinances or resolutions that restrict investments. To determine if the District is attaining its return objectives, the Treasurer will periodically review the portfolio's performance against an appropriate benchmark(s).
- E. Diversification. The investment portfolio shall be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. The amount invested by the Treasurer in a particular security at any time shall not

exceed the limitations contained in Section VII of this Investment Policy.

- F. Prudence. The District adheres to the guidance provided by the “Prudent Investor Rule” California Government Code (Sec. 53600.3), which obligates a fiduciary to insure that investment decisions be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

The Treasurer and all other individuals assigned to manage the District’s investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security’s credit risk or market price changes, provided deviations from expectations are reported monthly and appropriate action is taken to control adverse developments.

- G. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to review and evaluation by the Board. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and these losses must be considered within the context of the overall portfolio’s investment return, provided that adequate diversification has been obtained.

- H. Risk Tolerance. The District recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Treasurer is expected to display prudence in diversifying the District’s investments as a way to minimize default risk. No individual investment transaction shall be undertaken by the Treasurer which jeopardizes the total capital position of the overall portfolio or which exceeds the investment limitations contained in Section VII of this policy. The Treasurer shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

Risk will also be managed by subscribing to a portfolio management philosophy that helps to control market and interest rate risk by

investing to ensure required liquidity and appropriate term. This philosophy also prohibits trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied by any other means. Loss of principal will only be acceptable if economic gain can be conclusively demonstrated.

Controlling and managing risk is the foremost portfolio management objective. The District strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return. This acceptable level of return has been quantified as a return that is equal to an appropriate benchmark(s) based on the weighted average of the District's portfolio depending on investments and maturities. In addition to these general policy considerations, the following specific policies will be strictly observed:

1. All book-entry transactions will be executed on a delivery-versus-payment basis.
2. A competitive bid process, when practical, will be used to place all investment purchases and to minimize investment costs.

IV. DELEGATION OF AUTHORITY

The investment of District money is delegated to the Treasurer by the Board of Directors for one year ending December 31, 202~~2~~⁴. The Treasurer may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility for the overall investment program. At least once each quarter, a sub-committee of the Board shall meet with the General Manager or his/her designee to review the District's portfolio and provide guidance for future investments. All transactions will be reviewed by the Treasurer on a regular basis to assure compliance with this Statement of Investment Policy and a monthly report shall be provided to the Board on all District investments.

V. REPORTING

Although it is no longer required for the Treasurer of a local agency to annually render a statement of investment policy to the legislative body and submit a quarterly investment report to the legislative body (Government Code Section 53646 (b)), the District Treasurer and General Manager shall submit a monthly investment report to the Board of Directors. This report shall include: type of investment, issuer, date of maturity, the par and dollar amount invested on all securities, the total amount of all investments and monies held by the District, a description of any District funds being held or managed by other persons or entities, the coupon and current yield ~~of all securities,~~ a statement that there are or are not sufficient funds to meet the District's obligations for the next six (6) months, and ~~accrued interest receivable.~~ The monthly statement shall also

indicate the District's anticipated liquidity needs for the next six (6) months, the ability of the District's investments to meet these anticipated liquidity needs, and a monthly list of transactions, which is required under Government Code 53607 whenever investment authority is delegated by the Board. Additional items listed will also include average weighted average days to maturity, maturity date, purchase date, percentage distribution to each type of investment, and a statement indicating compliance or noncompliance of all District investments with this Statement of Investment Policy. All investments not complying with this investment policy shall be called to the attention of the Board ~~and discussed as a separate agenda item~~ during the first monthly meeting after an investment does not comply with this policy.

VI. AUTHORIZED INVESTMENT INSTRUMENTS

The District is governed by the California Government Code, Sections 53600 et seq. For all investment types, the purchase of zero coupon, inverse floaters, range notes, strips, mortgage derived interest-only strips, deep discount treasury bonds, or any security that could result in zero interest accrual if held to maturity is not permitted (Government Code Section 56301.6). Within the context of these limitations, the following investments are authorized:

A. Local Agency Investment Fund: The District may invest in the Local Agency Investment Fund established by the State Treasurer for the benefit of local agencies (Government Code Section 16429.1). The fund must have twenty-four hour liquidity. No more than ~~5040~~% of the total value of all District investments or ~~\$420,000,000~~ (whichever is lesser) may be invested in Local Agency Investment Fund.

The District may also invest bond proceeds in the Local Agency Investment Fund. Liquidity for bond proceeds, per fund regulations, is thirty calendar day increments from the date of the initial deposit.

B. Treasury Securities: United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest (Government Code Section 53601(b)). These investments are considered the safest possible investment available. There is no maximum portfolio limit. Maximum investment maturities in Treasury Securities shall be restricted to five years.

C. Depository Accounts and Certificates of Deposit: The District may invest in insured or collateralized certificates of deposits, saving accounts, market rate accounts, or other bank deposits insured by commercial banks, savings and loans, state or federal credit union in California (Government Code Section 53630 et seq). A written depository contract is required with all institutions that hold District deposits. Securities placed in a collateral pool must provide coverage for at least 110 percent of all deposits that are placed in the institution. Acceptable

pooled collateral is governed by California Government Code Section 53651. Real estate mortgages are not considered acceptable collateral by the District, even though they are permitted in Government Code Section 53651(m). All financial institutions are required to provide the District with a regular statement of pooled collateral. This report will state that they are meeting the 110 percent collateral rule (Government Code Section 53652(a)), a listing of all collateral with location and market value, plus an accountability of the total amount of deposits secured by the pool. Certificates of deposit, shall not exceed 5% per issuer of the value of all District investments at any time.

Deposits, up to the federal deposit limit, are allowable in any institution that insures its deposits with the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA), regardless of Moody's Investors Service or Standard & Poor's Corporation ratings. The Treasurer, for deposits of up to federal insurance limit may waive collateral requirements. A maximum deposit of up to federal insurance limit may be deposited in any one institution without collateral. No bank shall receive District funds of greater than federal insurance limit if it has a Moody's Investor Service or Standard & Poor's Corporation rating less than "A". Maximum investment maturity will be restricted to three (3) years.

In accordance with section 53638 of the California Government Code, any deposit shall not exceed the shareholder's equity of any depository bank, nor shall the deposit exceed the total net worth of any institution. No deposits shall be made at a state or federal credit union if a member of the Board of Directors or the General Manager or Treasurer serves on the Board of Directors or any committee appointed by the Board of Directors of the credit union.

D. Placement Service Deposit: The District may invest in insured deposit placed with a private sector entity that assists in the placement deposits with eligible financial institutions located in the United States (Government Code Section 53601.8). The full amount of the principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. Placement Service Deposit, shall not exceed 5% per issuer of the value of the District's investments at any time. The maximum investment maturity will be restricted to three years.

E. Negotiable Certificates of Deposit: Negotiable certificates of Deposits issued by a national or a State-chartered or a State or Federal association or by a federally licensed or State-licensed branch of a foreign bank (Government Code Section 53601(i)). Maximum investment maturity is restricted to two years for notes rated "AA-" or higher and five years for "AAA" rated notes. Negotiable Certificates of Deposit, shall not exceed 5% per issuer of the value of all District investments at any time.

F. Commercial Paper: Investment is limited to the highest grade of

stand alone or enhanced ("prime") commercial paper as rated by Moody's Investor Service, Standard & Poor's Corporation, or Fitch Financial Services (A1/P1/F1) issued only by a general corporation that is organized and operating within the United States, and having total assets in excess of \$500 million and has debt other than commercial paper that is rated "A" or higher by Moody's, S&P, or Fitch (Government Code Section 53601(h)). The maximum investment maturity for commercial paper shall be restricted to 270 days. Purchases of commercial paper shall not exceed 20% the total value of all District investments at any time and shall not exceed 5% per issuer of all District investments at any time.

G. Medium Term Notes: Medium term notes are corporate or bank notes with a maximum remaining maturity of 5 years or less. Investment is limited to "AA-" rated or higher notes, from a nationally recognized rating service like Moody's Investor Service or Standard and Poor's Corporation. All such notes shall be solely from corporations organized and operating in the U.S. or banks licensed in the U.S. or any state and operating in the United States. Permissible types of notes include fixed rate and variable rate. Maximum investment maturity is restricted to two years for notes rated "AA-" or higher and five years for "AAA" rated notes. Medium term notes shall not exceed 5% per issuer of all District investments at any time.

H. Agencies: The District is permitted to invest in federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued and fully guaranteed as to principal and interest by federal agencies or United States government sponsored enterprises (Government Code 53601(f)). Maximum maturity is limited to 5 years. The amount invested in agencies shall not exceed 50% of all District investments at any time.

I. Money Market Funds: Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following) (Government Code 53601(l)(2)). Investments are limited to those money market funds that invest in U.S. Treasuries, Federal Agency obligations, and repurchase agreements relating to such obligations. Funds must have the highest ranking or the highest letter and numerical rating by not less than two nationally recognized rating services, or have an investment adviser registered with the Securities and Exchange Commission with not less than five years' experience managing money market funds with assets under management in excess of \$500,000,000. No more than 5% of the value of all District investments shall be invested in any fund and no more than 20% of the value of all District investments may be invested in all money market funds combined. Any fund shares purchased will not include any type of commission.

J. Banker's Acceptances: Bankers' acceptances are bills of exchange or time drafts drawn on and accepted by a commercial bank (Government Code

53601(g)). Purchases of banker's acceptances may not exceed 180 days maturity as per Government Code Section 53601 (g). Maximum portfolio exposure will be limited to 20% of the total value of all District investments at any time and single issuer holdings to no more than 3% per issuer. Banker's acceptances shall not be purchased by the Treasurer without the prior approval of the Board.

K. Repurchase Agreements and Reverse Repurchase Agreements: A Repurchase Agreement is a purchase of securities by the District under an agreement with another party who will repurchase these securities on or before a specified date and for a specified amount and the other party delivers the underlying securities to the District by book entry, physical delivery, or by third-party custodial account. A Reverse Repurchase Agreement means a sale of securities by the District under an agreement where the District will repurchase the securities on or before a specified date. While Repurchase Agreements and Reverse Repurchase Agreements are permitted by state law (Government Code 53601(j)), the Treasurer shall not purchase any securities under a Repurchase Agreement or a Reverse Repurchase Agreement unless it has first been approved by the Board of Directors of the District. State law prohibits Repurchase Agreements unless the underlying value of the securities covering the Repurchase Agreement are valued at least 102% or greater of the funds borrowed against those securities and this value must be adjusted no less than quarterly. Collateral for repurchase agreements is limited to obligations of the United States government and its agencies. Reverse Repurchase Agreements are only permitted by state law where the security being sold by the District has been owned and fully paid for by the District for a minimum of thirty (30) days prior to sale, The agreement may not exceed a term of 90 days unless the agreement includes a provision guaranteeing a minimum earning or spread for the entire period between the sale of a security and the final maturity date.

The amount invested repurchase agreements shall not exceed 20% of all District investments at any time. The amount invested in reverse repurchase agreements shall not exceed 10% of the base value of the District's portfolio at any time.

L. Local Government Investment Pool: Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in the Government Code(Government Code 53601(p)). Investments are limited to pools that seek to maintain a constant net asset value and which are rated "AA" or better. Local Government Investment Pools shall not exceed 40% of the value of all District investments at any time.

M. Municipal Bonds: The Treasurer is authorized to invest in registered treasury notes or bonds of any of the 50 United States payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the 50 United States.

Such securities must have ratings from at least two of three ratings as follows: "A1" by Moody's Investors Service, or "A+" by Standard & Poor's, or "A+" by Fitch Ratings; or as otherwise approved by the Board; or

Registered general obligation treasury notes or bonds of any of the 50 United States. Such securities must have ratings from two of three rating agencies as follows: at least "A3" by Moody's Investors Service, or "A-" by Standard & Poor's, or "A-" by Fitch Ratings; or as otherwise approved by the Board; or

Adjustable rate registered treasury notes or bonds of any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the 50 United States. Such securities must have ratings from at least two of three rating agencies as follows: "P-1" by Moody's Investors Service, or "A-1+" by Standard & Poor's, or "F-1+" by Fitch Ratings; or as otherwise approved by the Board; or.

Adjustable rate notes or bonds warrants, or other evidences of indebtedness of any local agency within the State of California with a minimum rating of either "P-1" by Moody's Investors Service, or "A-1+" by Standard & Poor's, or "F-1+" by Fitch Ratings, including bonds, notes, warrants, or other evidences of indebtedness payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by either the local agency, a department, board, agency, or authority of the local agency, or of any local agency within this state; or.

Taxable or tax-exempt bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California with a minimum rating of either "A1" by Moody's Investors Service, or "A+" by Standard & Poor's, or "A+" by Fitch Ratings (the minimum rating shall apply to the local agency, irrespective of any credit enhancement), including bonds, notes, warrants, or other evidences of indebtedness payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by either the local agency, a department, board, agency, or authority of the local agency, or of any local agency within this state.

The amount invested in municipal securities shall not exceed 5% per issuer of all District investments at any time.

N. Permitted Investments Without Board Approval: The Treasurer is authorized to invest District funds in federally insured or collateralized depository accounts, the Local Agency Investment Fund, the California Asset Management Pool (CAMP), treasury securities, negotiable certificates of deposit, commercial paper, medium term notes, agencies and money market funds meeting all requirements of this investment policy for the particular investment being purchased without prior Board approval. All other investments such as banker's

acceptances, Repurchase Agreements, Reverse Repurchase Agreements, and investments in the San Diego County Investment Pool shall only occur with prior approval of the Board. The Treasurer shall ensure that all investments made on behalf of the District meet all of the minimum requirements contained in this Investment Policy.

VII. PORTFOLIO LIMITATIONS

Following is a listing of potential authorized investments with corresponding limitations on the amount of the District's portfolio that may be invested in each authorized investment at any given time:

Investment Description	Percentage Limitation	<i>Dollar Limitation</i>
Local Agency Investment Fund	54 0%	\$40,000,000-
Treasury Securities	None None	-
Certificates of Deposit, Placement Service Deposits and Negotiable Certificates of Deposit	30%	Placement service deposits may be made up to FDIC limit per financial institution. No more than 5% per issuer
Local Government Investments Pools <u>(such as CAMP)</u>	30%	-
Commercial Paper	20%	No more than 5% per issuer
Medium Term Notes	30%	No more than 5% per issuer
Agencies	50%	-
Depository Accounts, Money Market Funds	20%	No more than 5% in any money market fund
Investments Pools	30%	-
Municipal Bonds	30%	No more than 5% per issuer
Bankers Acceptances	20%	No more than 3% per issuer with prior approval of the Board
Repurchase Agreements	20%	With the prior approval of the Board
Reverse Repurchase Agreements	10%	With the prior approval

The weighted average days to maturity of the total portfolio shall not exceed the liquidity requirements of the District for the next six months based upon on-going staff analyses.

In the event a security held by the District is subject to a rating change that brings it below the minimum credit ratings specified by the Policy, the Treasurer shall notify the Board at the next regularly scheduled Board meeting along with the Treasurer's recommended course of action. The course of action to be followed will be decided on a case-by-case basis by the Board, considering such factors as the reason for the rate drop, prognosis for recovery or further rate drops, and the market price of the security.

In the event that the percentage limits attributable to each security type are violated due to a temporary imbalance in the portfolio, the Treasurer will make a determination as to the appropriate course of action. The appropriate course of action may be to liquidate securities to rebalance the portfolio or to hold the securities to maturity in order to avoid a market loss. Portfolio percentages are in place to ensure diversification of the investment portfolio and as such a small temporary imbalance would not violate this basic tenet. When a portfolio percentage is exceeded the Treasurer will report the violation in the Treasurers Report at the next regularly scheduled Board meeting, with detail of the strategy determined to address the imbalance, for Board ratification. However, the Treasurer shall meet the portfolio percentages required by this investment policy at the end of each month, unless waived by the Board.

VIII. BOND PROCEEDS, BOND RESERVE FUNDS AND BOND SERVICE FUNDS

Investment of bond proceeds and amounts held in bond reserve and service funds are to be made in accordance with the related bond indentures.

IX. INTERNAL CONTROLS

Internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the District. Controls deemed most important include: control of collusion; separation of duties and administrative controls; custodial safekeeping; clear delegation of authority; management review and approval of investment transactions; specific limitations regarding securities losses and remedial action; written confirmation of telephone transactions; minimizing the number of authorized investment officials; documentation of transactions and strategies; and code of ethic standards.

Existing procedures require all wire transfers initiated by the Finance

Department be reconfirmed by the appropriate financial institution. In addition, the District's signatory resolution specifies authorized signers and number of required signatures for different disbursement transactions. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliations are conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Finance Department on a monthly basis. A listing of all investment transactions is provided on a monthly basis to the Board of Directors for their approval. Current policy also requires that the Treasurer's approval be obtained for the purchase or sale of securities other than transfers to/from investment pools or money market funds.

An independent analysis by an external auditor shall be conducted annually to review internal controls, account activity and compliance with policies and procedures.

X. QUALIFIED BANKS AND SECURITIES DEALERS

The District shall conduct business only with nationally or state chartered banks, savings and loans or credit unions that are licensed and operating in the United States or a state of the United States, and registered investment securities dealers. The District's staff will investigate all institutions that wish to conduct business with the District prior to any District investment in the institution. All banks shall have a minimum rating of "A" by Moody's or Standard and Poor. A list will be maintained by the Finance Manager of approved institutions and security broker/dealers. A bank rating service will be used by staff to verify financial information provided by a financial institution or dealer. Annually, the Treasurer shall transmit a copy of the current Statement of Investment Policy to all approved dealers. The dealer is required to return a signed statement indicating receipt and understanding of the District's Investment Policies. Primary dealers of the Federal Reserve may provide substitute certification language at the discretion of the Treasurer.

XI. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally the Treasurer and the Finance Manager are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC). All officers and employees involved in the investment of public funds are required to comply with the District's Conflict of Interest Code. The Treasurer and any District employees or agents evaluating any

investment for the District shall disclose any interest owned or held in any institution or investment being considered by the District prior to the investment.

XII. BOARD DISCRETION

The District recognizes that this policy consists of guidelines designed to protect District funds and to provide liquidity for the on-going District operations. The Board of Directors may timely approve, on an individual basis, investments which would otherwise not be in accordance with this policy, in the event of unforeseen circumstances, so long as the investment is permitted by state law.

XIII. SAFEKEEPING AND CUSTODY

To protect against potential losses caused by the collapse of a security dealer, all book-entry securities owned by the District, including repurchase agreement collateral previously approved by the Board, shall be kept in safekeeping with "perfected interest" by a third party bank trust department, acting as agent for the District under the terms of a custody agreement executed by the bank and by the District. All book-entry securities will be received and delivered using standard delivery-versus-payment procedures.

XIV. INTEREST EARNINGS

All monies earned and collected from investments authorized in this policy shall be allocated monthly to various fund accounts based on the cash balance in each fund as a percentage of the entire pooled portfolio.

XV. PROHIBITED INVESTMENTS

The Treasurer shall not invest any funds of the District in inverse floaters, range notes, or mortgage derived interest-only strips at any time. The Treasurer shall not invest any funds of the District in any security that could result in zero interest accrual if held to maturity, except as authorized by Code. (Gov't Code §53601.6).

XVI. INVESTMENT PURCHASES

Any investments that the Treasurer purchases for the District that are not purchased directly from the issuer shall be purchased either from an institution licensed by the State of California as a broker/dealer or from a member of a federally registered securities exchange, from a national or state-chartered bank, from a savings association or a federal association, or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank. (Gov't Code §53601.5)

XVII. QUARTERLY REPORTS

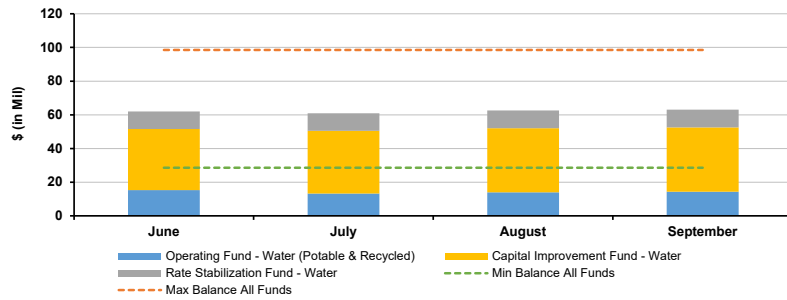
At least once each quarter, the District's Finance Officer shall provide an oral report to the Finance Committee, comprised of the District's treasurer and one board member, evaluating the safety of all District investments and advising the committee of any investments of the District that represent a credit risk.

XVIII. TREASURER'S AUTHORITY AND REVIEW OF INVESTMENT POLICY

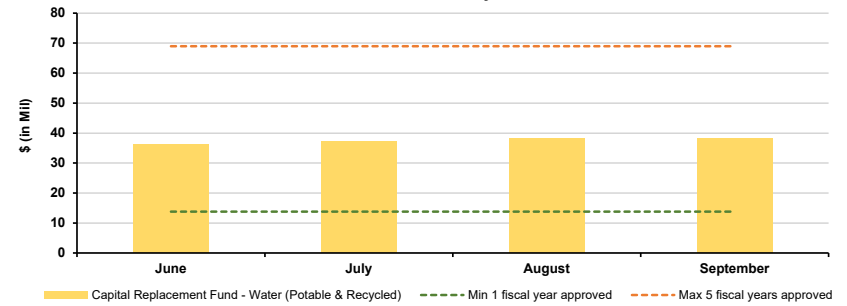
The Authority of the Treasurer to make investment decisions on behalf of the District shall automatically expire on December 31, 202~~2~~⁴ unless renewed or extended by formal action of the Board of Directors of the District. This investment policy shall be presented to the Board of Directors of the District by no later than December 31, 202~~2~~⁴ and annually thereafter.

POTABLE & RECYCLED Fund Balance Analysis

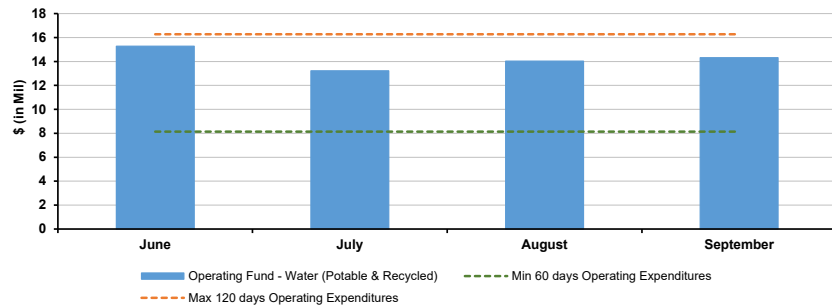
ALL FUNDS
Potable & Recycled



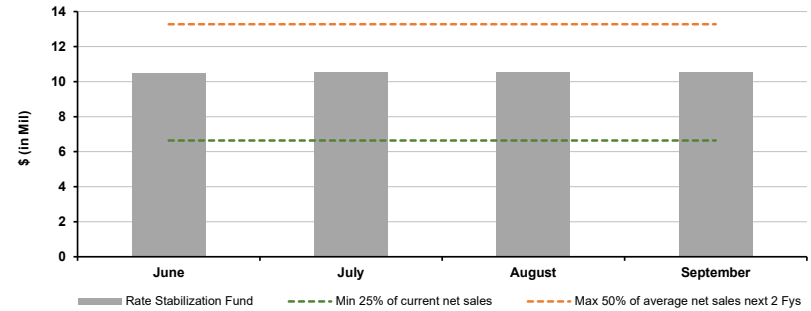
CAPITAL IMPROVEMENT FUND
Potable & Recycled



OPERATING FUND
Potable & Recycled

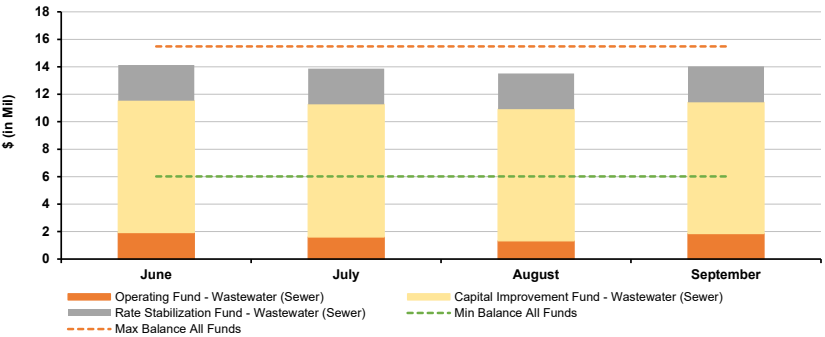


RATE STABILIZATION FUND
Potable & Recycled

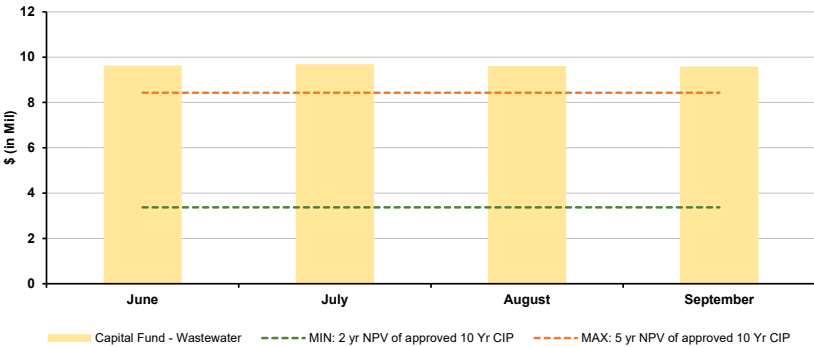


WASTEWATER **Fund Balance Analysis**

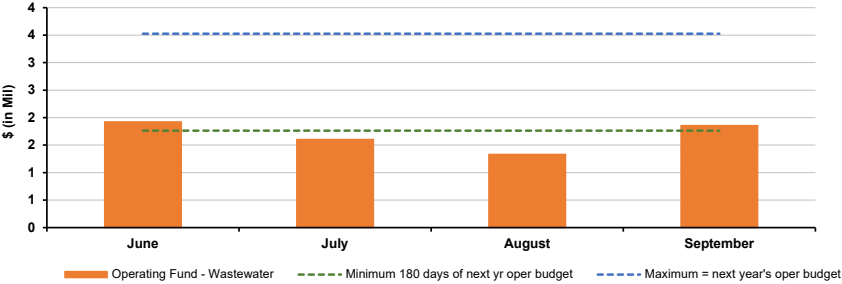
ALL FUNDS
Wastewater



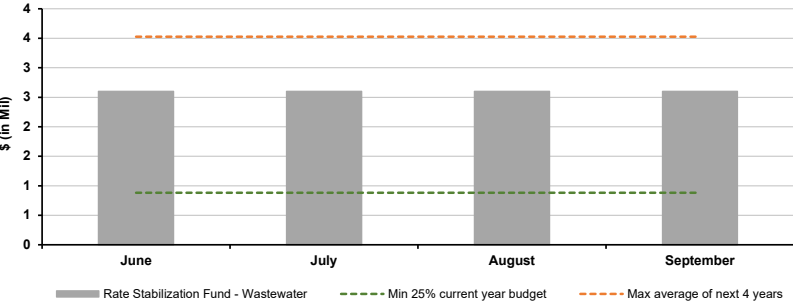
CAPITAL IMPROVEMENT FUND
Wastewater



OPERATING FUND
Wastewater



RATE STABILIZATION FUND
Wastewater



Memo

Date: November 8, 2021
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **DISCUSS AND RECOMMEND TREATMENT OF THE SECOND REBATE PAYMENT FROM THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA (MWD) LITIGATION TO SAN DIEGO COUNTY WATER AUTHORITY (SDCWA) MEMBER AGENCIES IN THE AMOUNT OF \$1,622,584.**

A copy of staff's presentation is attached for discussion and consideration by the Committee.

Staff will be available at the meeting for discussion and recommend an option for consideration and approval by the Committee.

REBATE PAYMENT NO.2

Finance Committee Meeting
November 8, 2021



Committee Actions

- Review staff presentation
- Discuss treatment of second rebate received from SDCWA in the amount of \$1,622,584.
- Review alternatives and make a recommendation for consideration and approval by the Board at the November 17 meeting.

Background

- The first rebate payment was received on March 5, 2021 in the amount of \$2,039,332.40 for OMWD's share of SDCWA's award of damages from Metropolitan Water District of Southern California (MWD) lawsuit.
- OMWD's share is based on OMWD's purchases of SDCWA's Municipal and Industrial (M&I) water in 2011-2014 as those were payments that included the unlawful Water Stewardship Rate payments (untreated water wholesale cost).
- The second rebate payment in 2021 will be approximately \$ 1,622,584.
- OMWD's share is based on OMWD's purchases of SDCWA's Municipal and Industrial (M&I) water in 2015-2017 as those were payments that included in the unlawful Water Stewardship Rate charges (untreated water wholesale cost).
- Total amount received by SDCWA from its decade long rate case litigation against MWD was \$80.3 million. The judgement payment by MWD was a contract damages amount for principal and interest for Water Stewardship Rate charges that had been unlawfully assessed by MWD against SDCWA's Exchange Agreement for rate payment years 2011-2017.

Board Revenue Policy

Diversification and Stabilization

The District's revenue policy for revenue diversification and stabilization is as follows:

- Prevention of Fluctuations – Maintain a diversified and stable revenue stream over time as a protection from short-run fluctuations and to reduce reliance on revenues that are not under the District's control (e.g., ad valorem taxes).
- The Use of One Time Revenues – Limit use of these to the purpose for which they were intended as determined by the Board of Directors (e.g., wholesaler rebates/refunds).
- Development of New Revenue Sources – Encourage development of new revenue sources, when practical, which meet the following criteria: community acceptability, competitiveness, diversity, efficiency, and fairness.

Options

- Place the second rebate payment in the District's Rate Stabilization Fund and extend the refund period to customers from approximately 4 years to 6 years, utilizing a temporary SDCWA Litigation Credit on customers' monthly water bill at 6.9 cents per unit until both rebate payments are fully depleted (\$3.662 million.)
 - Consistent with SDCWA overcharge period of approximately 7 years (between 2011 and 2017)
 - More customers are going to get the credit
 - Water pricing competitiveness with other agencies that have their own local water supply
- Place the second rebate payment in the District's Rate Stabilization Fund and increase the temporary SDCWA Litigation Credit on customers' water bills to 12.3 cents per unit (from 6.9 cents) to be refunded over a 4 year period or until both rebate payments are fully depleted (\$3,661,916.)
 - This option will further minimize the impact of increased costs in OMWD's water operations on rates and charges but limits the refund period to approximately 4 years
 - Not consistent with the lawsuit time frame that the incorrect charges were incurred (2011-2017)
- Put the second rebate payment in the Water Capital Reserve Fund to fund OMWD's local water supply projects
 - MWD Stewardship Rate on SDCWA Supply Cost is used to fund local projects under the MWD program.
- Issue a one-time credit to OMWD's water customers for the second rebate payment in 2022 in addition to the 6.9 cents per unit SDCWA Litigation Rebate
 - Billing records are available between 2015 and 2017
 - Involve a lot of effort and could be difficult to figure out customers in and out within the period 173



Questions?