



Orange County Sanitation District
**Annual Comprehensive
Financial Report**
for the year ended June 30, 2021

Orange County, California



**ORANGE COUNTY SANITATION DISTRICT
ORANGE COUNTY, CALIFORNIA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

Prepared By:
Administrative Services Department
Financial Management Division

Wally Ritchie
Controller

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ORANGE COUNTY SANITATION DISTRICT
 Annual Comprehensive Financial Report
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October 25, 2021

The Board of Directors of the
Orange County Sanitation District,
Orange County, California

Subject: Letter of Transmittal

Submitted herewith is the Annual Comprehensive Financial Report of the Orange County Sanitation District (OC San), Orange County, California for the fiscal year ended June 30, 2021. This report includes the financial position and activity of individual revenue areas, as described within the Governmental Structure below, as of June 30, 2021 and was prepared by the Financial Management Division of OC San's Administrative Services Department.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with OC San. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in the financial position of OC San. All disclosures necessary to enable the reader to gain an understanding of the agency's financial activities have been included.

Included within the accompanying financial statements are all of the organizations, activities, and functions controlled by OC San's Board of Directors in accordance with the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting. For the purpose of this evaluation, control was determined by the Board's responsibility for: (1) adoption of the budget and user charges, (2) taxing authority, and (3) establishment of policies. The reporting entity and its services are described in further detail in Note 1 of the financial statements.

An audit of the books, financial records, and transactions of OC San is conducted annually by independent certified public accountants. OC San selected the accounting firm of Macias Gini & O'Connell LLP to perform the audit for the year ended June 30, 2021. The auditor's report on OC San's basic financial statements and supplementary information is located on page 1 within the financial section of this report. This report renders an unmodified opinion on OC San's basic financial statements for the year ended June 30, 2021.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

GOVERNMENTAL STRUCTURE

The Orange County Sanitation District encompasses the Northern section of Orange County. OC San provides wastewater treatment for an area of the County covering 479 square miles and serving a population of approximately 2.6 million, or 81 percent of the County's population. OC San was originally incorporated in 1954 as seven separate public corporations, or districts, with two additional districts added in 1985 and 1986. In April of 1998, at OC San's request, the Board of Supervisors of the County of Orange passed Resolution No. 98-140 ordering the consolidation of these nine County Sanitation Districts into a new, single sanitation district, to be known as the Orange County Sanitation District, effective July 1, 1998. This action was recommended to the Board by the Local Agency Formation Commission in order to simplify

Serving:

- Anaheim
- Brea
- Buena Park
- Cypress
- Fountain Valley
- Fullerton
- Garden Grove
- Huntington Beach
- Irvine
- La Habra
- La Palma
- Los Alamitos
- Newport Beach
- Orange
- Placentia
- Santa Ana
- Seal Beach
- Stanton
- Tustin
- Villa Park
- County of Orange
- Costa Mesa Sanitary District
- Midway City Sanitary District
- Irvine Ranch Water District
- Yorba Linda Water District

governance structures, reduce the size of the Board, ease administrative processes, streamline decision-making and consolidate accounting and auditing processes. The boundaries of the nine previous districts had remained intact for the purpose of collecting sewer user fees at the previously established rate schedules and were referred to as nine individual revenue areas through June 30, 2000. Effective July 1, 2003, all revenue areas, except Revenue Area 14, consolidated user fee rates and all enterprise fund accounting and budgeting activities and are now known as the Consolidated Revenue Area.

OC San is managed by an administrative organization composed of directors appointed by the agencies or cities which are serviced by OC San. Each of the two remaining revenue areas, the Consolidated Revenue Area and Revenue Area 14, has its own budget and is responsible for the construction and maintenance of its own collection system. All revenue areas, except Revenue Area 14 and the portion of the Consolidated Revenue Area previously known as Revenue Area 13, receive their own share of the one-percent ad valorem property tax levy. In addition, all revenue areas, except Revenue Area 14, receive user fees from property owners. Revenue Area 14 receives all of its revenues from service charges to the Irvine Ranch Water District.

The purpose of OC San's wastewater management program is to protect the public's health, preserve the beneficial uses of the coastal waters, and maintain air quality. The objectives of operating the treatment plants are to process and pass on for purification or dispose of the treated wastewater and the separated solids in accordance with federal, state, and local laws including the Environmental Protection Agency.

OC San sewerage system includes approximately 388 miles of sewers that convey wastewater generated within OC San's boundaries to OC San's two wastewater treatment plants; Reclamation Plant No. 1 located in the City of Fountain Valley, and Treatment Plant No. 2 located in the City of Huntington Beach.

Plants No. 1 and No. 2 have secondary treatment capacities of 182 million gallons per day (mgd) and 150 mgd, respectively. In fiscal year 2021-22, both plants are projected to receive a combined average daily wastewater flow of 188 million gallons per day from residential, commercial, and industrial sources.

After wastewater receives secondary treatment at Plant No. 1, it flows to the Groundwater Water Replenishment System (GWRS) at the Orange County Water District, located adjacent to OC San, where it undergoes a state-of-the-art purification process consisting of microfiltration, reverse osmosis, and ultraviolet light with hydrogen peroxide. The product water is near-distilled quality. Approximately 35 million gallons (132,500 cubic meters) per day of the GWRS water are pumped into injection wells to create a seawater intrusion barrier. Another 65 million gallons (246,000 cubic meters) are pumped daily to Orange County Water District's percolation basins in Anaheim where the GWRS water naturally filters through sand and gravel to the deep aquifers of the groundwater basin.

Remaining outflows of treated wastewater from Plants No. 1 and No. 2 are combined and discharged to the ocean off the Huntington Beach coast through an outfall pipe that is 120 inches in diameter and approximately five miles long. The last mile of the outfall pipe is a diffuser that dilutes the wastewater with seawater in a ratio of 148 parts seawater to one part treated wastewater at an average depth of 185 feet.

ECONOMIC CONDITIONS AND OUTLOOK

Before the COVID-19 pandemic and shutdown beginning in March 2020, California's economy was growing at a relatively low, but steady rate. The stay-at-home orders effectively shut down large portions of the state and Orange County economies. California suffered higher job losses than the nation because of its relatively greater stringency than other states in the attempt to reduce COVID-19 infections and deaths.

In June 2021, Chapman University forecasted Orange County's 2021 total payroll employment to increase 2.8 percent over the prior year, or the addition of 42,000 payroll jobs in 2021, following a decrease of 8.9 percent in 2020. Payroll employment in Orange County experienced a steep decline and rapid recovery from the COVID-19 Recession as compared to previous recessions. According to the California

Employment Development Department (EDD), Orange County saw an increase of approximately 8.1 percent in payroll jobs from August 2020 to August 2021. During this same time period, unemployment in Orange County decreased to 6.0 percent from 10.7 percent while the unemployment in California as a whole decreased to 7.5 percent from 12.3 percent.

According to Chapman University, a major engine of economic growth in Orange County is the rapid recovery that took place in construction. This recovery has been fueled by historically low mortgage rates and a tight supply of unsold housing. That tight supply is reflected in the average number of days to sell a home, which has dropped to a historic low of 22 days. The rapid growth in construction is being fueled by a forecasted increase of 73.1 percent in residential permits this year. Residential permit valuation in the County is forecasted to increase from a 34.2 percent decline in 2020 to 27.7 percent growth in 2021. Residential housing appreciation of 15.5 percent is projected for 2021.

MAJOR INITIATIVES

Following are the Orange County Sanitation District's current major initiatives as outlined in the General Manager's work plan for FY 2021-22:

1. **Business Principles**

- **Paperless Office** - Incorporate the trusted system and implement a fully digital process to reduce the use of paper by June 30, 2022.
- **Cyber Security Policy** - Complete the Cyber Security Incident Response Program playbooks and incorporate the playbooks into the OC San Integrated Emergency Response Plan by June 30, 2022.
- **Warehouse Modernization** - Implement remote warehousing at Plant No. 2 to allow for the demolition of the current warehouse facility for construction of new digesters. Present an implementation plan and budget for review and approval in June 2022.
- **Property Management** (Continued from FY 2020/21) - Complete action plans for OC San's real property, easement, and rights-of-way for encroachments and encumbrances which limit access or impede proper use of OC San's rights by December 31, 2021, that will restore long-term use for identified encroachments or encumbrances.
- **Permit and Reporting Management System** (Continued from FY 2020/21) - Implement the business process mapping for source control permit management, compliance data management, and Environmental Protection Agency compliance reporting system by June 30, 2022.
- **Organizational Advocacy and Outreach** - Develop a new Organizational Advocacy & Outreach policy consistent with the Strategic Plan as adopted by the Board of Directors by November 30, 2021.

2. **Environmental Stewardship**

- **Energy Independence** (Continued from FY 2020/21) - Overhaul one Central Generation Engine and complete a study to verify the feasibility of a 20-year asset extension for the Central Generation Facilities by June 30, 2022.
- **Climate and Catastrophic Event Resilience Policy** - Complete the preliminary design for perimeter wall along the southwest portion of Plant No. 2 as part of the TPAD Digester Facility at Plant No. 2, Project No. P2-128 by June 30, 2022.
- **Food Waste Treatment Policy** - Establish a feedstock agreement and initiate the bid process within three months of agreement finalization to accept up to 150 tons per day of food waste slurry for co-digestion. Provide an information update to the Board of Directors by December 31, 2021.
- **Interagency Regional Wastewater Capacity and Water Quality Solutions** - Develop the scope

and objectives for interagency study among OC San, Orange County Water District and Orange County Watersheds on feasibility of accepting additional dry weather urban runoff and potential stormwater harvesting and present to the Board of Directors by December 31, 2021.

- **Wastewater Surveillance** - Collaborate with CDC/CDPH to continue developing a Wastewater Surveillance program for COVID-19 and beyond. Provide an information update to the Board of Directors by June 30, 2022.

3. Wastewater Management

- **Chemical Sustainability Policy** - Create a plan to optimize chemical usage in the treatment plants and create a plan to guide operations in the event of a sudden loss of chemical supply. Complete plans by June 30, 2022.
- **Biosolids Management Policy - Super critical oxygenation** - Work with 374 Water to initiate a research project to scale up a super critical water oxidation system to six tons per day production levels. Investigate the treatment of raw sludge, biosolids, food waste, and other organic waste stream. If practical, seek Board approval for a research project by October 31, 2021. If approved, start processing waste streams by June 30, 2022.
- **Constituents of Emerging Concern (CEC) Policy** - Formalize a CEC Management Framework that emphasizes controlling polyfluoroalkyl substances (PFAS) and other CECs at the source. Continue to work with industry partners to explore technologies that measure, reduce, sequester, or destroy PFAS. Provide a report with recommendations to the Board of Directors by June 30, 2022.
- **Interagency Emergency Preparedness and Contingency Coordination** - Review contracting agencies' (e.g., SAWPA, IRWD) emergency preparedness and contingency plans to ensure compatibility with OC San's operational and regulatory constraints. Provide an information update to the Board of Directors by June 30, 2022.
- **Supplemental Engineering Services Contracts** - Procure new agreements for Supplemental Engineering Services to replace the existing Supplemental Engineering Services and Staff Support Services. Advertise the Request for Proposals by October 31, 2021.

4. Workplace Environment

- **Safety and Physical Security** - Conduct security assessment for Plant No. 2 to determine layout and design of entry/exit points via siting study (e.g., cameras, traffic flow, reject lane, security zones) and install access cards readers in all occupied buildings by June 30, 2022.
- **Voluntary Protection Program (VPP)** - Continue to assess and maintain all programs and training relative to VPP. Implement a Wildfire Smoke Exposure Management Program by December 31, 2021 and conduct an annual third-party review of the safety program by June 30, 2022.
- **Emergency Response** - Conduct an annual exercise on tsunami response by June 30, 2022.
- **OC San University (OC San U)** - Expand OC San U learning offerings to outside agencies by June 30, 2022 and continue to offer one employee training session per month that pertain to organizational awareness, leadership, communications, technology, or partnerships for the future.
- **Centralized Training Program** - Evaluate and determine agency needs for a centralized training program with defined budget and goals with management housed under one division by December 31, 2021, in time for budget consideration for Fiscal Year 2021/2022.
- **Labor Negotiations** - Facilitate Board and Board Chairman in hiring Chief Negotiator prior to December 31, 2021 and engage in contract negotiations with all unions prior to the expiration of current contracts on June 30, 2022.
- **Classification & Compensation Study** - Conduct an agencywide Classification and Compensation study complete analysis and Board presentations by March 31, 2022.

Strategic Planning

In November 2019, the Board of Directors adopted a new comprehensive strategic plan to steer OC San's efforts. The Strategic Plan developed by the Board of Directors and staff defines the strategic initiatives to be pursued by OC San and provides a basis for long-term financial, capital, and operational planning. In addition, it provides for long-term continuity of vision as Board and staff members change over the many years it takes to deliver public works infrastructure. The Strategic Plan is updated every two years to align policy and execution expectations with OC San's two-year budget cycle.

Driven by our Mission, Vision and Core Values, this Strategic Plan continues OC San's aggressive efforts to protect the public health of the more than 2.6 million people we serve while protecting the environment where we live.

The Strategic Plan is broken down into four broad categories with fourteen topic areas that define our responsibilities and the services we provide. These areas are:

- Business Principles
 - Budget Control and Fiscal Discipline
 - Asset Management
 - Cybersecurity
 - Property Management
- Environmental Stewardship
 - Energy Independence
 - Climate and Catastrophic Event Resiliency
 - Food Waste Treatment
 - Water Reuse
 - Environmental Water Quality, Stormwater Management and Urban Runoff
- Wastewater Management
 - Chemical Sustainability
 - Biosolids Management
 - Constituents of Emerging Concern
- Workplace Environment
 - Resilient Staffing
 - Safety and Physical Security

The Strategic Plan is not a radical departure from the current direction, but rather the well-defined iterative update to the direction of OC San. With the adoption of the Strategic Plan, staff will be updating the Asset Management Plan, Capital Improvement Plan, and Financial Plan that are the basis of a two-year budget that will be adopted by the Board of Directors. The Budget goals and the General Manager's work plan are the accountability steps that measure achievable progress toward the strategic initiatives listed in the Strategic Plan.

SERVICE EFFORTS AND ACCOMPLISHMENTS

The following service efforts and accomplishments were achieved by OC San during the year ended June 30, 2021:

- **Gold Recognition, Excellence in Management** - 2020 National Association of Clean Water Agencies
- **Excellence Award** - 2020 Municipal Information Systems Association of California
- **Certificate of Achievement for Excellence in Financial Reporting** - 2020 Government Finance Officers Association (GFOA)
- **Excellence in Procurement** - 2020 California Association of Public Procurement Officers
- **Distinguished Budget Presentation Award** - 2021 Government Finance Officers Association
- **Collections System of the Year, 2nd Place** - 2021 California Water Environmental Association
- **Platinum Peak Performance Award** - 2021 National Association of Clean Water Agencies
- **Gold Recognition, Excellence in Management** - 2021 National Association of Clean Water Agencies
- **Award of Excellence, Asset Management** - 2021 California Association of Sanitation Agencies
- **National Safety Council** - 2021
 - Occupational Excellence (Plant No. 1)
 - Milestone Award (Plant No. 2)
- **Santa Ana River Basin** - 2021
 - **Operator of the Year** - Gold - Michael Huls
 - **Collection System Person of the Year** - Steve Grande
 - **Collection System of the Year** - 200 - 500 miles
 - **Gimmicks and Gadgets** - Alkaline Enhanced Iron Odor Control

ACCOUNTING AND BUDGETARY CONTROLS

OC San's accounting records are maintained on the accrual basis. In developing and evaluating OC San's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. We believe that OC San's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Each year OC San's Board of Directors adopts an annual operating plan. A joint works budget is first prepared that identifies the specific capital projects and operating activities to be undertaken by OC San during the year. The budgetary level of control, the level at which expenses cannot exceed budget, is exercised at the individual district, or fund level. OC San has adopted a Uniform Purchasing Policy that identifies the agreed upon purchasing standards.



ACCUMULATED FUNDS AND RESERVES POLICY

The Board of Directors of the Orange County Sanitation District has established the following Accumulated Funds and Reserves Policy:

Cash Flow Reserve: A cash flow criterion has been established at a level to fund operations, maintenance, and certificates of participation expenses for the first half of the fiscal year, prior to the receipt of the first installment of the property tax allocation and the sewer service user fees which are collected as a separate line item on the property tax bill. The level of this criterion will be established as the sum of an amount equal to six months operations and maintenance expenses and the total of the annual debt certificate of participation (COP) service payments due in August each year.

Operating Contingency Reserve: An operating contingency criterion has been established to provide for non-recurring operating expenditures that were not anticipated when the annual budget was considered and adopted. The level of this criterion will be established at an amount equal to ten percent of the current fiscal year’s annual operating budget.

Capital Improvement Reserve: A capital improvement criterion has been maintained to fund annual increments of the capital improvement program (CIP). The target level of this criterion has been established at one half of the average annual cash outlay of the capital improvement program through the year 2030. Levels higher and lower than the target can be expected while the long-term financing and capital improvement programs are being finalized.

Catastrophic Loss or Self-Insurance Reserves: A catastrophic loss or self-insurance criterion has been maintained for property damage including fire, flood, and earthquake, for general liability and for workers' compensation. This reserve criterion is intended to work with purchased insurance policies, FEMA, and state disaster reimbursements. Based on the plant infrastructure replacement value, the level of this criterion has been set to fund OC San’s non-reimbursed costs, estimated to be \$100 million.

Capital Replacement/Renewal Reserve Policy: A capital replacement/renewal criterion policy has been established to provide funding to replace or refurbish the current collection, treatment, and recycling facilities at the end of their useful economic lives. The current replacement value of these facilities is estimated to be \$10.8 billion. The reserve criterion level had been established at \$75 million.

Debt Service Reserves: A debt service criterion policy has been established at ten percent of the outstanding COP issues. Other debt service reserves are required to be under the control of a trustee by the provisions of the certificate of participation issues. These funds are not available for the general needs of OC San and must be maintained at specified levels.

Accumulated Funds exceeding the targets specified by OC San policy will be maintained for Capital Improvements and Rate Stabilization. These funds will be applied to future years' CIP needs due to the timing of the actual CIP outlays, in order to maintain rates or to moderate annual fluctuations.

As of June 30, 2021, OC San was in compliance with the Accumulated Funds and Reserves Policy with designated cash and investments totaling \$961 million, and have been earmarked for the following specific purposes in accordance with OC San’s reserve policy:

Designated Cash and Investments

Cash Flow Contingency	\$128 million
Self-Insurance	100 million
Capital Improvements	639 million
Debt Service Requirements	<u>94 million</u>
Total Designated Cash and Investments	<u>\$ 961 million</u>

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Orange County Sanitation District for OC San's Annual Comprehensive Financial Report for the year ended June 30, 2020. This was the twenty-sixth consecutive year that OC San has received this award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

This report could not have been accomplished without the dedicated services of the Financial Management Division staff, and I would like to especially express my appreciation to Kim Cardenas, Accounting Supervisor, who assisted in its preparation. I would also like to thank OC San's Board of Directors and the General Manager for their interest and support in conducting the financial operations of OC San in a responsible and progressive manner.

Respectfully submitted,



Wally Ritchie
Controller



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Orange County Sanitation District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

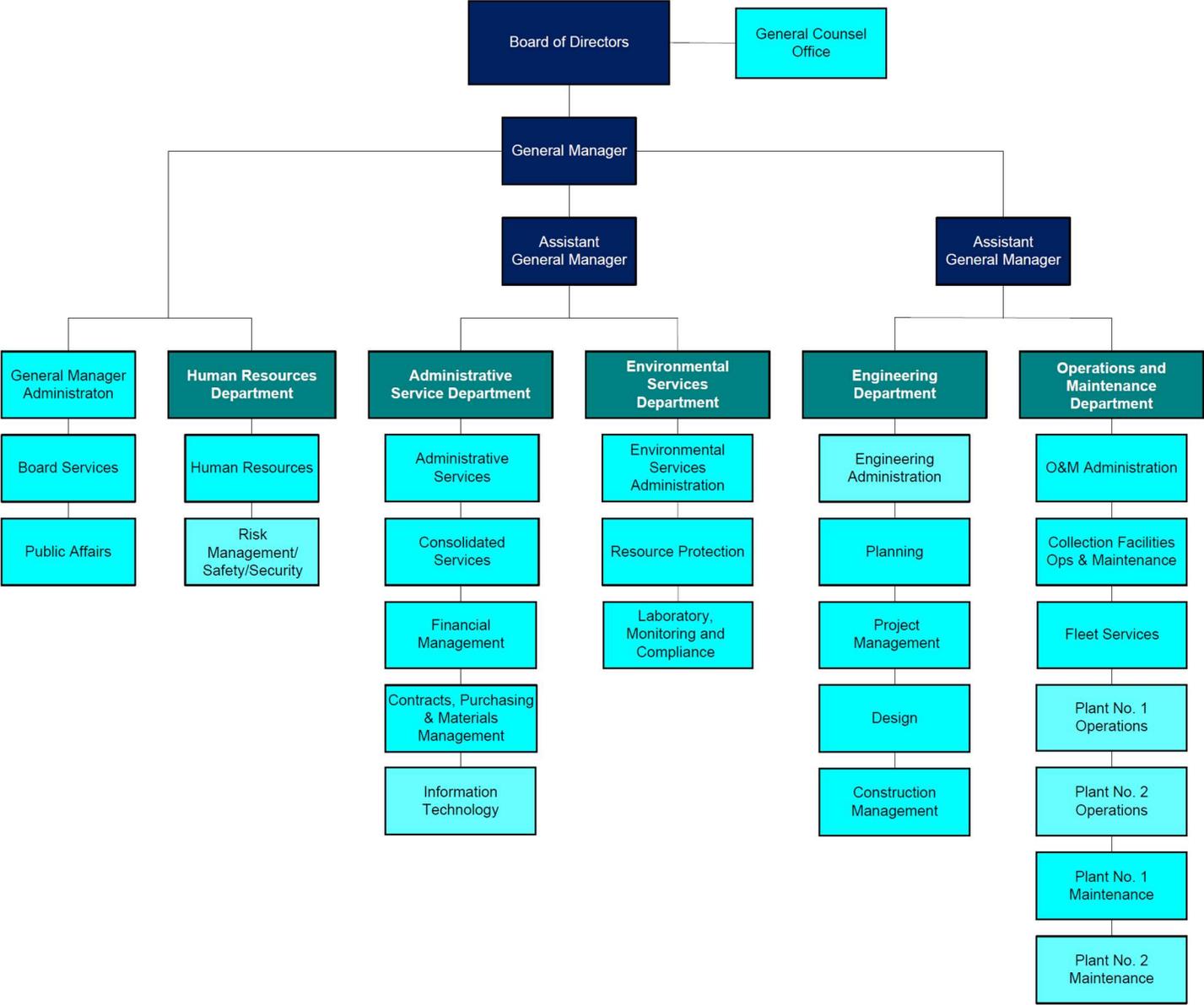
Executive Director/CEO

ORANGE COUNTY SANITATION DISTRICT

Board of Directors
As of June 30, 2021

<u>Agency</u>	<u>Active Director</u>	<u>Alternate Director</u>
Cities:		
Anaheim	Stephen Faessel	Jose Diaz
Brea	Glenn Parker	Steven Vargas
Buena Park	Art Brown	Connor Traut
Cypress	Stacy Berry	Anne Hertz
Fountain Valley	Patrick Harper	Glenn Grandis
Fullerton	Jesus Silva	Nick Dunlap
Garden Grove	Steve Jones	John O'Neill
Huntington Beach	Kim Carr	Dan Kalmick
Irvine	Anthony Kuo	Farrah Khan
La Habra	Rose Espinoza	Jose Medrano
La Palma	Marshall Goodman	Nitesh Patel
Los Alamitos	Mark Chirco	Ron Bates
Newport Beach	Brad Avery	Joy Brenner
Orange	Kim Nichols	Chip Monaco
Placentia	Chad Wanke	Ward Smith
Santa Ana	Johnathan Hernandez	Nelida Mendoza
Seal Beach	Sandra Massa-Lavitt	Schelly Sustarsic
Stanton	David Shawver	Carol Warren
Tustin	Ryan Gallagher	Austin Lumbard
Villa Park	Chad Zimmerman	Robert Collacott
Sanitary Water Districts:		
Costa Mesa Sanitary District	Robert Ooten	Art Perry
Midway City Sanitary District	Andrew Nguyen	Sergio Contreras
Irvine Ranch Water District	John Withers	Douglas Reinhart
Yorba Linda Water District	Brooke Jones	Phil Hawkins
County Areas:		
Member of the Board of Supervisors	Doug Chaffee	Donald Wagner

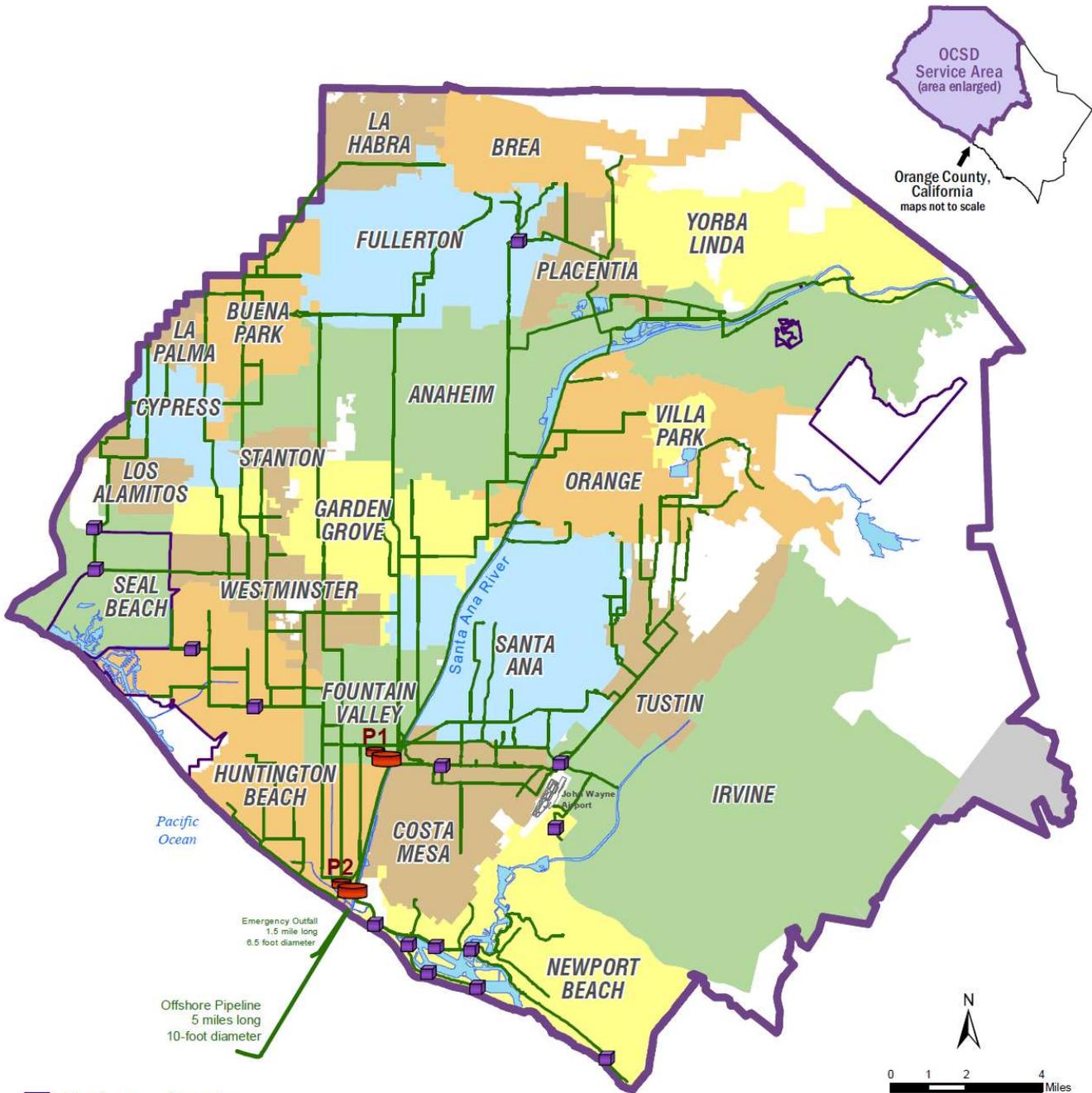
ORANGE COUNTY SANITATION DISTRICT
 Organizational Chart
 As of June 30, 2021



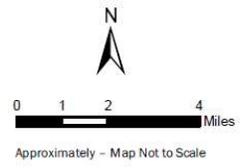
ORANGE COUNTY SANITATION DISTRICT

Map of Service Area

As of June 30, 2021



-  Service area boundary
-  Sewer pipelines
-  Reclamation Plant No. 1 (P1)
Treatment Plant No. 2 (P2)
-  Pump stations
-  Unincorporated Orange County (white areas)



DISCLAIMER: Map prepared by the Orange County Sanitation District. This map is intended for graphical representation only. No level of accuracy is claimed. Portions of this derived product contain geographical information copyrighted by Rand McNally. All Rights Reserved.

Revised December 2019



Independent Auditor's Report

To the Board of Directors
Orange County Sanitation District
Fountain Valley, California

We have audited the accompanying financial statements of the Orange County Sanitation District (OC San) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise OC San's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to OC San'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 OC San's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Proportionate Share of the Net Pension Liability (Asset) – OCERS Pension Plan, Schedule of District Contributions – OCERS Pension Plan, Total Pension Liability – Additional Retiree Benefit Account, Changes in Total Pension Liability – Additional Retiree Benefit Account, Total OPEB Liability – Post-Employment Medical Benefits Plan, and Changes in Total OPEB Liability – Post-Employment Medical Benefits Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise OC San's basic financial statements. The separate "Combining Area" financial statements, introductory section, statistical section, and other data and trends are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The "Combining Area" financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the "Combining Area" financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections and other data and trends 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.


Irvine, California
October 25, 2021

ORANGE COUNTY SANITATION DISTRICT
Management Discussion and Analysis (Unaudited)
June 30, 2021

This section of the financial statements of the Orange County Sanitation District (OC San) is management's narrative overview and analysis of the financial activities of OC San for the fiscal year ended June 30, 2021. The information presented here is to be considered in conjunction with additional information provided within the letter of transmittal located in the Introductory Section of this report.

Financial Highlights

- As of June 30, 2021, OC San's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$2,710.4 million (net position). Of this amount, \$970.3 million represents unrestricted net position, which may be used to meet OC San's ongoing obligations to citizens and creditors.
- Total net position increased \$171.4 million, or 6.7 percent over the prior year.
- Net capital assets, consisting of non-depreciable capital assets and depreciable capital assets net of accumulated depreciation, increased \$33.5 million, or 1.3 percent over the prior year.
- Net investment in capital assets increased \$62.1 million, or 3.7 percent over the prior year.
- Unrestricted net position increased \$109.3 million, or 12.7 percent over the prior year.
- Total outstanding bonded debt decreased by \$30.4 million, or 3.2 percent from the prior year, to \$909.6 million.

Overview of the Basic Financial Statements

OC San operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, OC San's basic financial statements are comprised of two components: financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

In accordance with the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, OC San's financial statements include a Statement of Net Position; Statement of Revenues, Expenses, and Change in Net Position; and a Statement of Cash Flows.

The Statement of Net Position includes OC San's assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and provides information about the nature and amounts of investments in resources (assets) and the obligations to OC San's creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of OC San, and assessing the liquidity and financial flexibility of OC San.

The Statement of Revenues, Expenses, and Change in Net Position accounts for the current year's revenues and expenses. This Statement measures the success of OC San's operations over the past year and can be used to determine OC San's creditworthiness. It also highlights OC San's dependency on property tax revenues in supplementing user fees and other charges for recovering total cost.

The final required financial statement, the Statement of Cash Flows, reports cash receipts, cash payments, and net changes in cash resulting from operations, investments, and financial activities of the reporting period.

ORANGE COUNTY SANITATION DISTRICT
Management Discussion and Analysis (Unaudited)
June 30, 2021

Net Position

As previously noted, net position increased \$171.4 million, or 6.7 percent over the net position for FY 2019-20, to \$2,710.4 million in FY 2020-21.

(Dollars in thousands)

	June 30, 2021	June 30, 2020	Increase (Decrease)	Percentage Increase (Decrease)
Assets				
Current and other assets	\$ 1,068,658	\$ 964,535	\$ 104,123	10.8%
Net capital assets	2,707,737	2,674,201	33,536	1.3%
Total assets	3,776,395	3,638,736	137,659	3.8%
Deferred outflows of resources	75,770	63,213	12,557	19.9%
Total assets and deferred outflows of resources	3,852,165	3,701,949	150,216	4.1%
Liabilities				
Current liabilities	128,286	138,390	(10,104)	-7.3%
Noncurrent liabilities	957,016	991,389	(34,373)	-3.5%
Total liabilities	1,085,302	1,129,779	(44,477)	-3.9%
Deferred inflows of resources	56,481	33,160	23,321	70.3%
Total liabilities and deferred inflows of resources	1,141,783	1,162,939	(21,156)	-1.8%
Net position				
Net investment in capital assets	1,740,102	1,678,041	62,061	3.7%
Unrestricted	970,280	860,969	109,311	12.7%
Total net position	\$ 2,710,382	\$ 2,539,010	\$ 171,372	6.7%

ORANGE COUNTY SANITATION DISTRICT
Management Discussion and Analysis (Unaudited)
June 30, 2021

Current and other assets increased \$104.1 million, or 10.8 percent, due primarily to net cash provided by operations of \$136.1 million, proceeds from property taxes of \$110.3 million, increase in OCERS net pension asset of \$19.2 million, receipt of capital facilities capacity charges of \$21.2 million, contributions from other governments of \$16.4 million, and interest received of \$14.2 million, offset by capital outlays of \$139.7 million, interest paid of \$42.7 million, and bonded debt retirements of \$30.4 million.

Net capital assets increased \$33.5 million, or 1.3 percent, due mostly to the ongoing capital improvement program construction in progress additions of \$148.3 million and capital equipment of \$3.5 million, offset by depreciation of \$116.5 million and \$1.3 million of prior capital project expenses that were written off as expense. Included in total capital outlay additions is the Ocean Outfall System Rehabilitation with incurred project costs of \$36.5 million in FY 2020-21 and a total project budget of \$166.0 million. This project will rehabilitate the Ocean Outfall Booster Station at Plant No. 2, construct a new Low Flow Pump Station and a Plant Water Pump Station, and replace existing electrical switchgear at CenGen.

Collection system projects include the Newhope-Placentia Trunk Replacement. The Newhope-Placentia Trunk Replacement incurred outlays of \$18.6 million in FY 2020-21 with a total project budget of \$112.0 million through the projected completion in FY 2021-22. This project will increase the size of approximately 35,000 feet of the trunk line from Yorba Linda Boulevard to Orangewood Avenue. The upsized sewer will accommodate flows from the newly abandoned Yorba Linda Pump Station and the newly interconnected Atwood Sub-trunk.

See page 8 for the Schedule of Capital Assets and listing of other major capital additions for FY 2020-21.

Deferred outflows of resources increased \$12.6 million, or 19.9 percent from the prior year, primarily due to a \$16.0 million increase in pension deferred outflows attributable to the change in projected and actual earnings on pension plan investments and changes of actuarial assumptions and other inputs, offset by a decrease of \$3.4 million for the difference between carrying amount of the retired debt and the acquisition price of COP Series.

Deferred inflows of resources increased \$23.3 million, or 70.3 percent over the prior year, primarily as a result of the change in projected and actual earnings on pension plan investments and differences between expected and actual experiences.

Net investment in capital assets increased \$62.1 million, or 3.7 percent over the prior year, primarily as a result of the net increase in capital assets of \$33.5 million coupled with a \$28.6 million decrease in related debt.

Unrestricted net position increased \$109.3 million, or 12.7 percent, due to the overall increase in net position of \$171.4 million, offset by the increase in net investment in capital assets of \$62.1 million.

ORANGE COUNTY SANITATION DISTRICT
Management Discussion and Analysis (Unaudited)
June 30, 2021

Change in Net Position

The change in net position decreased \$7.1 million in FY 2020-21, or 4.0 percent under the prior year's increase in net position.

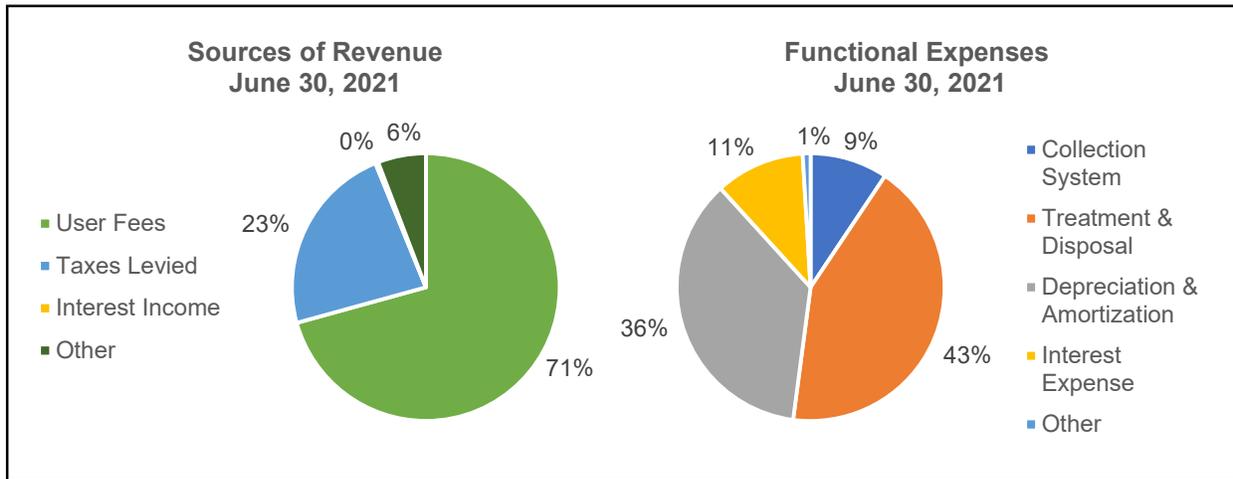
(Dollars in thousands)

	June 30, 2021	June 30, 2020	Increase (Decrease)	Percentage Increase (Decrease)
Revenues:				
Operating revenues				
Service charges	\$ 335,569	\$ 339,895	\$ (4,326)	-1.3%
Permit and inspection fees	1,131	1,169	(38)	-3.3%
Total operating revenues	<u>336,700</u>	<u>341,064</u>	<u>(4,364)</u>	<u>-1.3%</u>
Non-operating revenues				
Property taxes	110,245	104,492	5,753	5.5%
Investment and interest income	1,694	33,669	(31,975)	-95.0%
Contrib. from other governments	20,698	10,535	10,163	96.5%
Other	6,867	2,637	4,230	160.4%
Total non-operating revenues	<u>139,504</u>	<u>151,333</u>	<u>(11,829)</u>	<u>-7.8%</u>
Total revenues	<u>476,204</u>	<u>492,397</u>	<u>(16,193)</u>	<u>-3.3%</u>
Expenses:				
Operating expense other than depreciation and amortization	168,018	168,333	(315)	-0.2%
Depreciation and amortization	116,452	113,888	2,564	2.3%
Non-operating expense	37,909	54,261	(16,352)	-30.1%
Total expenses	<u>322,379</u>	<u>336,482</u>	<u>(14,103)</u>	<u>-4.2%</u>
Income before capital contributions	<u>153,825</u>	<u>155,915</u>	<u>(2,090)</u>	<u>-1.3%</u>
Capital facilities capacity charges	17,547	22,593	(5,046)	-22.3%
Increase in net position	<u>171,372</u>	<u>178,508</u>	<u>(7,136)</u>	<u>-4.0%</u>
Beginning net position	2,539,010	2,360,502	178,508	7.6%
Ending net position	<u>\$ 2,710,382</u>	<u>\$ 2,539,010</u>	<u>\$ 171,372</u>	<u>6.7%</u>

As previously stated, an enterprise fund is used to account for the operations of OC San, which is financed and operated in a manner similar to private business enterprises. This allows OC San to determine that the costs (expenses, including depreciation and amortization) of providing wastewater management services on a continuing basis are financed or recovered primarily through user charges.

Sewer service user fees are evaluated annually based primarily on budget requirements for total operation and maintenance expenses and capital outlays for providing wastewater management services. Property tax revenues are dedicated for the payment of debt service.

ORANGE COUNTY SANITATION DISTRICT
 Management Discussion and Analysis (Unaudited)
 June 30, 2021



Operating revenues decreased \$4.4 million, or 1.3 percent in FY 2020-21 from the prior year, primarily due to a decrease in service charges to IRWD of \$5.2 million, offset by an increase in sewer user fee revenues of \$0.8 million.

Non-operating revenues decrease of \$11.8 million, or 7.8 percent, primarily consists of a \$32.0 million or 95.0 percent decrease in investment and interest income as a result of lower yields on balances held in the investment portfolios, offset by a \$10.2 million or 96.5 percent increase in contributions from other governments reflective of reimbursements from OCWD for Groundwater Replenishment System costs, a \$5.8 million or 5.5 percent increase in property taxes revenue due to the increase in total assessed valuation of 5.5 percent over the prior year, and a \$4.2 million or 160.4 percent increase in other revenues attributable to a reduction in estimated pollution remediation liability.

Operating expense before depreciation and amortization decreased \$0.3 million, or 0.2 percent from the prior year. The majority of this decrease is from a reduction in salaries and benefits of \$8.1 million or 9.8 percent over the prior year. When including the salaries and benefits capitalized within the capital improvement program, total operating salaries and benefits costs were \$90.6 million, a \$9.3 million or 9.4 percent decrease from the prior year total of \$99.9 million, reflective of the \$12.6 million or 102.1 percent decrease in retirement expenses as a result of the change in projected and actual earnings on pension plan investments and changes of assumptions, somewhat offset by a \$3.7 million or 4.9 percent increase in salaries and wages. This decrease is offset by a \$4.5 million or 152.4 percent increase in other expenses primarily from an increase in reserves for claims and judgments and a \$3.5 million or 7.9 percent rise in supplies, repairs and maintenance, attributable to delayed rehabilitation projects for primary and secondary clarifiers, digester cleaning, and increases in basic repairs and maintenance.

Non-operating expense decreased \$16.4 million, or 30.1 percent, primarily resulting from a decrease of \$15.1 million in contributions to other governments for the integration adjustment of Revenue Area 14's equity share in OC San's Joint Works Treatment Facilities based on the flows discharged to OC San and a decrease of \$2.7 million in other non-operating expenses due to prior year project 2-41-8 SARI rock removal. This decrease is offset by an increase in interest expense of \$1.0 million or 3.0 percent from the prior year and a \$0.4 million or 32.7 percent increase in loss on disposal of capital assets.

Capital facility capacity charges decreased \$5.0 million, or 22.3 percent from the prior year, due to a decrease in connection fees collected from cities and supplemental capital facilities capacity charges assessed to industrial dischargers.

ORANGE COUNTY SANITATION DISTRICT
Management Discussion and Analysis (Unaudited)
June 30, 2021

Capital Assets

At June 30, 2021, OC San had a net investment of \$2.7 billion in capital assets. This represents a net increase (including additions and deletions) of \$33.5 million, or 1.3 percent over the prior year.

Schedule of Capital Assets
(Net of Depreciation and Amortization)

(Dollars in thousands)

	June 30, 2021	June 30, 2020	Increase (Decrease)	Percentage Increase (Decrease)
Land	\$ 57,681	\$ 41,967	\$ 15,714	37.4%
Construction in progress	401,200	363,931	37,269	10.2%
Sewage collection facilities	470,729	494,680	(23,951)	-4.8%
Sewage treatment facilities	1,689,476	1,668,008	21,468	1.3%
Effluent disposal facilities	28,784	30,240	(1,456)	-4.8%
Solids disposal facilities	258	268	(10)	-3.7%
General and administrative facilities	59,609	75,107	(15,498)	-20.6%
Capital assets, net	\$ 2,707,737	\$ 2,674,201	\$ 33,536	1.3%

Major capital asset additions for the current fiscal year included the following:

- \$36.5 million Ocean Outfall System Rehabilitation (J-117)
- \$18.6 million Newhope-Placentia Trunk Replacement (2-72)
- \$15.9 million Westminster Blvd Force Main Replacement (3-62)
- \$10.5 million Headworks Modifications at P2 for GWRS Final Expansion (P2-122)
- \$ 8.0 million Headquarters Complex (P1-128)
- \$ 7.3 million Headworks Rehabilitation at Plant No. 1 (P1-105)
- \$ 6.9 million Primary Treatment Rehabilitation at Plant No. 2 (P2-98)
- \$ 6.5 million Digester Gas Facilities Rehabilitation (J-124)
- \$ 5.7 million TPAD Digester Facility at Plant 2 (P2-128)
- \$ 5.1 million Return Activated Sludge Piping Replacement at Plant 1 (P1-129)
- \$ 4.3 million Return Activated Sludge Piping Replacement at Plant 2 (P2-123)

More detailed information about OC San's capital assets is provided in Notes 1 and 3 of the Notes to Basic Financial Statements.

ORANGE COUNTY SANITATION DISTRICT
Management Discussion and Analysis (Unaudited)
June 30, 2021

Debt Administration

At June 30, 2021, OC San had \$909.6 million outstanding in bonded debt, a net decrease of \$30.4 million, or 3.2 percent from the prior year. This reduction consisted of the accumulation of principal payments made in accordance with the schedule of debt service payments.

During OC San's most recent debt refundings, Moody's, Standard and Poor's, and Fitch Ratings all reaffirmed their AAA rating of the Orange County Sanitation District. OC San's long-range financing plan is designed to maintain this high rating. Over the next five years, OC San is projecting over \$1.2 billion in future treatment plant and collection system capital improvements. In accordance with OC San's long-term debt fiscal policy, OC San will restrict long-term borrowing to capital improvements that cannot be financed from current revenue. No new debt issuances are being proposed over the next five years to assist with the funding of the system improvements scheduled over this time period. For more information on long-term debt activities, see Note 4 of the Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- The coronavirus pandemic decimated the United States, California, and Orange County economies in 2020 and 2021. There is uncertainty in how quickly California will ease restrictions to reopen the economy and if there will be renewed shutdowns. Orange County tourism and sales tax revenues have been hard hit and are affecting many government entity revenue streams. OC San does not rely on sales or tourism related taxes for revenue.
- The unemployment rate within the County of Orange is at 6.5 percent in June 2021, a decrease from the rate of 13.6 percent in June 2020.
- Inflation for the Los Angeles-Long Beach-Anaheim area increased 4.0 percent in June 2021 over the prior year June 2020 based on the actual percentage change in the consumer price index according to the U.S. Department of Labor, Bureau of Labor Statistics.
- The yield on investments decreased from the 0.4 percent earnings rate in FY 2019-20 to 0.3 percent for FY 2020-21.

All of these factors are considered in preparing OC San's biennium budget.

As members of the community, we understand the financial impacts of COVID-19 on Orange County and that many of our ratepayers have incurred great losses.

The Board of Directors voted to adopt the two-year budget and not raise the sewer fee for FY 2020-21 as originally approved in OC San's five-year rate schedule. The Single Family Residential (SFR) fee, which is the underlying rate for all other user rates, is applicable to OC San's largest customer base: the SFR fee remained at \$339.00 instead of increasing by 1.2 percent or \$4.00 to \$343.00. The rate increase has been eliminated for FY 2020-21 in response to COVID-19 and will resume in FY 2021-22. The revenue from sewer fees is necessary to support OC San's cash flow needs for operating costs, debt service, and capital improvement outlays. Capital Improvement costs are projected to total \$2.7 billion over the next 10 years in order to rehabilitate and upgrade existing facilities and maintain full secondary treatment standards.

Requests for Information

The financial report is designed to provide a general overview of OC San's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Management Division, Orange County Sanitation District, 10844 Ellis Avenue, Fountain Valley, CA 92708-7018.

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**ORANGE COUNTY SANITATION DISTRICT
BASIC FINANCIAL STATEMENTS**

ORANGE COUNTY SANITATION DISTRICT

Statement of Net Position

June 30, 2021

Current assets:	
Cash and cash equivalents	\$ 96,935,365
Investments	863,703,323
Accounts receivable, net of allowance for uncollectibles \$424,460	22,860,292
Accrued interest receivable	3,097,236
Connection fees receivable	657,904
Property tax receivable	1,762,822
Inventories	8,452,587
Prepaid expenses	2,534,433
Total current assets	<u>1,000,003,962</u>
Noncurrent assets:	
Restricted:	
Cash and cash equivalents held by fiscal agents	120
Unrestricted:	
Non-depreciable capital assets	458,880,667
Depreciable capital assets, net of accumulated depreciation	2,248,856,574
Other noncurrent assets, net	10,344
Net pension asset - OCERS	68,643,378
Total noncurrent assets	<u>2,776,391,083</u>
Total assets	<u>3,776,395,045</u>
Deferred outflows of resources:	
Deferred charges on defeasances	21,716,099
Deferred outflows related to pensions	54,054,179
Total deferred outflows of resources	<u>75,770,278</u>
Total assets and deferred outflows of resources	<u>3,852,165,323</u>
Current liabilities:	
Accounts payable	18,955,037
Accrued expenses	10,098,325
Retentions payable	8,028,332
Interest payable	16,943,800
Due to other governmental agency	28,662,360
Current portion of long-term obligations	45,597,991
Total current liabilities	<u>128,285,845</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	932,362,755
Total OPEB liability	1,332,528
Total pension liability - ARBA	23,320,422
Total noncurrent liabilities	<u>957,015,705</u>
Total liabilities	<u>1,085,301,550</u>
Deferred inflows of resources:	
Deferred inflows related to pensions	56,481,462
Total liabilities and deferred inflows of resources	<u>1,141,783,012</u>
Net position:	
Net investment in capital assets	1,740,101,886
Unrestricted	970,280,425
Total net position	<u>\$ 2,710,382,311</u>

See Accompanying Notes to Basic Financial Statements.

ORANGE COUNTY SANITATION DISTRICT
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2021

Operating revenues:	
Service charges	\$ 335,569,248
Permit and inspection fees	1,131,137
Total operating revenues	336,700,385
Operating expenses other than depreciation and amortization:	
Salaries and benefits	74,772,427
Utilities	9,789,487
Supplies, repairs and maintenance	47,544,584
Contractual services	22,653,171
Feasibility studies	5,703,613
Other	7,554,880
Total operating expenses other than depreciation and amortization	168,018,162
Operating income before depreciation and amortization	168,682,223
Depreciation and amortization	116,452,184
Operating income	52,230,039
Non-operating revenues:	
Property taxes	110,245,430
Investment and interest income	1,694,255
Contributions from other governments	20,697,444
Other	6,867,044
Total non-operating revenues	139,504,173
Non-operating expenses:	
Interest	34,836,870
Contributions to other governments	1,289,514
Other	62,729
Loss on disposal of assets	1,719,449
Total non-operating expenses	37,908,562
Income before capital contributions	153,825,650
Capital contributions:	
Capital facilities capacity charges	17,546,570
Change in net position	171,372,220
Total net position - beginning	2,539,010,091
Total net position - ending	\$ 2,710,382,311

See Accompanying Notes to Basic Financial Statements.

ORANGE COUNTY SANITATION DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash flows from operating activities:	
Receipts from customers and users	\$ 323,354,025
Payments to employees	(87,524,797)
Payments to suppliers	(99,741,142)
Net cash provided by operating activities	<u>136,088,086</u>
Cash flows from noncapital financing activities:	
Proceeds from property taxes	110,323,815
Payments for other activities	6,807,852
Net cash provided by noncapital financing activities	<u>117,131,667</u>
Cash flows from capital and related financing activities:	
Capital facilities capacity charges	21,164,963
Additions to capital assets	(139,709,388)
Interest paid	(42,698,973)
Principal payments on debt obligations	(30,430,000)
Contributions from other governments	16,445,622
Net cash used in capital and related financing activities	<u>(175,227,776)</u>
Cash flows from investing activities:	
Proceeds from the sale of investments	398,318,417
Purchases of investments	(500,156,474)
Interest received	14,212,064
Net cash used in investing activities	<u>(87,625,993)</u>
Net decrease in cash and cash equivalents	(9,634,016)
Cash and cash equivalents, beginning of year	<u>106,569,501</u>
Cash and cash equivalents, end of year	<u>\$ 96,935,485</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 52,230,039
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	116,452,184
Bad debt expense (net recoveries)	119,841
(Increase)/decrease in operating assets:	
Accounts receivable	(7,394,900)
Inventories	(1,510,474)
Prepaid expenses	(61,015)
Increase/(decrease) in operating liabilities:	
Accounts payable	(2,363,774)
Accrued expenses	(6,427,424)
Due to other governmental agency	(5,951,460)
Net pension/OPEB liabilities	(11,145,108)
Compensated absences	1,548,001
Claims and judgments	592,176
Net cash provided by operating activities	<u>\$ 136,088,086</u>
<u>Noncash activities:</u>	
Unrealized loss on the fair value of investments	\$ (12,353,608)
Capital assets acquired through accounts payable	9,129,315
Capital facilities capacity charges acquired	(3,618,393)

See Accompanying Notes to Basic Financial Statements.

ORANGE COUNTY SANITATION DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2021

(1) Summary of Significant Accounting Policies

Reporting Entity

The Orange County Sanitation District (OC San) is a public agency which owns and operates certain wastewater facilities in order to provide regional wastewater collection, treatment, and disposal services to approximately 2.6 million people in the northern and central portion of the County of Orange, California. OC San is overseen by a Board comprised of directors appointed by the agencies and cities which are serviced by OC San.

OC San's service area was originally formed in 1954 pursuant to the County Sanitation District Act and consisted of seven independent special districts. Two additional districts were formed and additional service areas were added in 1985 and 1986. These special districts were jointly responsible for the treatment and disposal facilities which they each used. In April of 1998, the Board of Supervisors of Orange County passed Resolution 98-140 approving the consolidation of the existing nine special districts into a new, single sanitation district. This action was taken in order to simplify the governance structures, reduce the size of OC San's Board of Directors, ease administrative processes, streamline decision-making and consolidate accounting and auditing processes. Pursuant to the Resolution and Government Code Section 57500, the predecessor special districts transferred and assigned all of their powers, rights, duties, obligations, functions and properties to OC San, including all assets, liabilities, and equity.

Effective July 1, 1998, the organization became known as the Orange County Sanitation District. The boundaries of one of the previous districts, now known as Revenue Area No. 14, have been maintained separately because their use of OC San's collection, treatment, and disposal system is funded by the Irvine Ranch Water District (IRWD). The boundaries of the other eight districts have been consolidated and are collectively referred to as the Consolidated Revenue Area. OC San utilizes joint operating and capital outlay accounts to pay joint treatment, disposal, and construction costs. These joint costs are allocated to each revenue area based on gallons of sewage flow. The supplemental schedules and statements show internal segregations and are not intended to represent separate funds for presentation as major or non-major funds in the basic financial statements.

The accompanying financial statements present OC San and its blended component unit, the Orange County Sanitation District Financing Corporation (Corporation). The Corporation is a legally separate entity although in substance it is considered to be part of OC San's operations. OC San is considered to be financially accountable for the Corporation which is governed by a board comprised entirely of OC San's board members. There is no requirement for separate financial statements of the Corporation; consequently, separate financial statements for the Corporation are not prepared. The Corporation had no financial activity during the fiscal year ended June 30, 2021, other than principal and interest payments on outstanding certificates of participation, revenue obligations, and notes (see Note 4).

OC San is independent of and overlaps other formal political jurisdictions. There are many governmental entities, including the County of Orange, that operate within OC San's jurisdiction; however, financial information for these entities is not included in the accompanying financial statements in accordance with the Governmental Accounting Standards Board (GASB).

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Measurement Focus and Basis of Accounting

OC San operates as an enterprise activity. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Board of Directors is that the costs (expenses, including depreciation and amortization) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

The accounting policies of OC San conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States.

Operating Plans

Each year, OC San staff prepares an annual operating plan which is adopted by the Board of Directors. The annual operating plan is used to serve as a basis for monitoring financial progress, estimating the levy and collection of taxes, and determining future service charge rates. During the year, these plans may be amended as circumstances or levels of operation dictate.

Cash and Cash Equivalents

Investments with original maturities of three months or less when purchased and money market mutual funds and external investment pools that can be withdrawn on demand are considered to be cash equivalents.

Investments

Except for certain investments in monies held by fiscal agents as disclosed in Note 2, section "Fair Value of Investments", all other investments are stated at fair value (the price that would be received to sell an asset in an orderly transaction between market participants acting in their economic best interest at the measurement date). Changes in fair value that occur during the fiscal year are reported as part of investment and interest income. Investment and interest income includes interest earnings and realized and unrealized gains or losses in fair value. Investment and interest income are recorded as revenues and receivables when declared and realized gains or losses are recorded when the investment is sold.

Accounts Receivable

Accounts receivable is reported net of the allowance for uncollectible receivables. Uncollectible receivables were \$424,460 at June 30, 2021. Unbilled sewer services through June 30, 2021 are recorded as revenue and receivables. Management determines the allowance for uncollectible receivables by evaluating individual accounts receivable at least one year past due and considering a customer's financial condition, credit history and current economic conditions. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recorded when received.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Inventories

Inventories, which are held for consumption and not resale, are stated at cost on a weighted-average basis and are expensed when used.

Capital Assets

Outlays for property, plant, equipment, and construction in progress are recorded in the revenue area which will use the asset. Such outlays may be for individual revenue area assets or for a revenue area's share of joint assets.

Capital assets of property, plant, and equipment are defined as assets with an initial, individual cost of more than \$10,000 and an estimated useful life of at least three years. Such assets are recorded at cost, except for donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement, which are recorded at acquisition value at the time received. Cost includes labor; materials; outside services; vehicle and equipment usage; other ancillary costs consisting of direct charges such as engineering, purchasing, supervision, or fringe benefits. Interest costs, net of interest earnings, have been capitalized on projects prior to fiscal year 2017-2018. Commencing with fiscal year 2017-2018, OC San early implemented GASB Statement No. 89, where interest costs incurred before the end of the construction period are no longer capitalized.

Depreciation of plant and equipment is provided for over the estimated useful lives of the assets using the straight-line method in accordance with generally accepted accounting principles. OC San also considers the guidelines of estimated useful lives as recommended in the State of California Controller's Uniform System of Accounts for Waste Disposal Districts, which range from 3 to 75 years. The following are estimated useful lives for major classes of depreciable assets: Sewage collection facilities – 50 years, Sewage treatment facilities – 40 years, Sewage disposal facilities – 40 years, General plant and administrative structures – 40 years, and other General plant and administrative facilities and equipment – 4 to 25 years.

Restricted Assets

Certain assets are classified as restricted because their use is limited by applicable debt covenants. Specifically, the assets are restricted for installment payments due on certificates of participation and revenue obligations or are maintained by a trustee as a reserve requirement for the certificates of participation and revenue obligations. When both restricted and unrestricted resources are available for use, it is OC San's policy to use restricted resources first, then unrestricted resources as they are needed.

Amortization

Amortization of the excess purchase price over the book value of assets acquired is provided using the straight-line method over an estimated useful life of 30 years.

Premiums and discounts on certificate anticipation notes and wastewater refunding revenue obligations are amortized to interest expense over the respective terms of the installment obligations based on the effective interest method (Note 4).

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Deferred Charges on Defeasances

For advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt (i.e. deferred charges) is reported as a deferred outflow of resources and amortized to interest expense based on the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter. OC San's deferred charges on the refunding debt at June 30, 2021 are \$21,716,099.

Net Position

Net position represents the total of assets and deferred outflows of resources less liabilities and deferred inflows of resources, and is classified into two categories:

Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets and excludes unspent debt proceeds. Deferred outflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also are included in this component of net position.

Unrestricted – This amount represents the residual of amounts not classified in the other category and represents the net position available for OC San.

Compensated Absences

OC San's employees, other than operations and maintenance personnel, are granted vacation and sick leave in varying amounts with maximum accumulations of 200 hours and 560 hours for vacation and sick days earned but unused, respectively. Operations and maintenance personnel accrue between 80 and 250 personal leave hours per year depending on years of service, which can be accumulated up to a maximum of 440 hours. All accrued and unused vacation or personal leave is paid to the employee upon termination or retirement of the employee. Accrued and unused sick leave is paid to the employee at a percentage rate based on years of service, as stated in the Memorandum of Understanding for each bargaining group.

Vacation and sick leave benefits and personal days are recorded as an expense and liability when earned by eligible employees. The distribution between current and long-term portions of the liability is based on historical trends.

Claims and Judgments

OC San records estimated losses when it is probable that a claim liability has been incurred and when the amount of the loss can be reasonably estimated. Claims payable includes an estimate for incurred but unreported claims. The distribution between current and long-term portions of the liability is based on historical trends.

Pensions

OC San has two defined benefit pension plans for retirees: the plan maintained through and by the Orange County Employees Retirement System (OCERS) and the Additional Retiree Benefit Account (ARBA) administered directly by OC San. For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of OC San's cost sharing multiple-employer plan with the OCERS plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by OCERS. Benefit payments (including refunds of employee contributions) are recognized when due

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

and payable in accordance with the benefit terms. Investments are reported at fair value. A deferred outflow of resources and deferred inflow of resources related to pensions result from changes in the components of the net pension liability and are applicable to a future reporting period (Note 5).

Property Taxes

The County is permitted by State law (Proposition 13) to levy taxes at one percent of full market value (at time of purchase) and can increase the assessed value no more than two percent per year. OC San receives a share of this basic levy, proportionate to what was received in the 1976 to 1978 period.

Property taxes are determined annually and attached as enforceable liens on real property as of January 1 and are payable in two installments which become delinquent after December 10 and April 10. The County bills and collects the property taxes and remits them to OC San in installments during the year. Property tax revenues are recognized when levied. The Board of Directors has designated property tax revenue to be used for the annual debt service requirements prior to being used as funding for current operations.

Capital Facilities Capacity Charges

Capital facilities capacity charges represent fees imposed at the time a structure is newly connected to OC San's system, directly or indirectly, or an existing structure or category of use is increased. This charge is to pay for OC San facilities in existence at the time the charge is imposed or to pay for new facilities to be constructed that are of benefit to the property being charged.

Operating and Non-operating Revenues and Expenses

Operating revenues and expenses result from collecting, treating, and disposing of wastewater and inspection and permitting services. OC San's operating revenues consist of charges to customers for the services provided. Operating expenses include the cost of providing these services, administrative expenses, and depreciation and amortization expenses. All revenues and expenses not meeting these definitions and which are not capital in nature are reported as non-operating revenues and expenses.

Self-Insurance Plans

For the year ended June 30, 2021, OC San was self-insured for portions of workers' compensation, property damage, and general liability. The self-insurance portion of the workers' compensation exposure is the \$1 million deductible per occurrence under the outside excess insurance coverage to statutory levels. The self-insurance portion of the property damage exposure covering fire and other perils is the \$500,000 per occurrence deductible (for most perils) under the outside excess property insurance coverage to \$800 million. The self-insurance portion of the property damage exposure covering flood is the \$500,000 per occurrence deductible with outside excess property insurance coverage to \$100 million. The self-insurance portion of the property damage exposure covering earthquake is the 5% per structure, minimum \$5 million deductible with outside excess insurance coverage to \$25 million on covered structures. OC San has insured a number of key structures against the peril of earthquake, all other structures are completely self-insured. The self-insurance portion of the boiler & machinery exposure is the deductible ranging from \$25,000 to \$350,000 under the outside excess boiler & machinery insurance coverage to \$100 million per occurrence combined limit. The self-insurance portion of the general liability exposure is the \$750,000 per occurrence deductible under the outside excess liability coverage to \$40 million per occurrence and aggregate. The self-insurance portion of the pollution liability exposure is the \$75,000 per loss deductible under the outside pollution liability insurance coverage to \$10 million. There were no significant changes in insurance coverage during fiscal year ended June 30, 2021.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

During the past three fiscal years there have been no settlements in excess of covered amounts. Claims against OC San are processed by General Counsel or an outside claim administrator. These claims are charged to claims expense based on estimated or known amounts which will ultimately be paid. Claims incurred but not yet reported have been considered in determining the accrual for loss contingencies. Workers' compensation reserves are actuarially determined and general liability estimated loss accruals are estimated using past experience adjusted for current trends and any other factors that would modify past experience. The estimate of the claims liability also includes any amounts for incremental and nonincremental claim adjustment expenses. OC San management believes that there are no unrecorded claims as of June 30, 2021 that would materially affect the financial position of OC San.

Deferred Compensation Plan

OC San offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan permits all employees of OC San to defer a portion of their salary until future years. The amount deferred is not available to employees until termination, retirement, death or for unforeseeable emergency. The assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Since the plan assets are administered by an outside party and are not subject to the claims of OC San's general creditors, in accordance with GASB Statement No. 32, the plan's assets and liabilities are not included within OC San's financial statements.

New Accounting Pronouncements

OC San early implemented GASB Statement No. 98, *The Annual Comprehensive Financial Report*, for the fiscal year ended June 30, 2021, which establishes the term Annual Comprehensive Financial Report and its acronym ACFR to replace Comprehensive Annual Financial Report and its acronym under generally accepted accounting principles. Implementation of this Standard resulted in OC San renaming this document but did not have an impact on OC San's financial statements.

The following GASB Statements have been issued but are not yet effective for the year ended June 30, 2021. OC San is assessing what financial statement impact, if any, these Statements will have:

- GASB Statement No. 87, *Leases*, effective for the fiscal year ending June 30, 2022.
- GASB Statement No. 92, *Omnibus 2020*, effective upon issuance for the requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments. The other requirements will be effective for the fiscal year ending June 30, 2022.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the fiscal year ending June 30, 2023.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the fiscal year ending June 30, 2023.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the fiscal year ending June 30, 2022.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

(2) Cash and Investments

Cash and investments as of June 30, 2021 are classified within the accompanying Statement of Net Position as follows:

Statement of Net Position:	
Current assets, unrestricted:	
Cash and cash equivalents	\$ 96,935,365
Investments	<u>863,703,323</u>
Subtotal - current, unrestricted	960,638,688
Noncurrent assets, restricted:	
Cash and cash equivalents	<u>120</u>
Total cash and investments	<u>\$ 960,638,808</u>

Cash and investments consist of the following as of June 30, 2021:

Cash on hand	\$ 6,634
Deposits with financial institutions	1,649,226
Managed portfolio - cash and investments	<u>958,982,828</u>
Subtotal - unrestricted cash and investments	960,638,688
Monies held by trustees:	
Cash and cash equivalents	<u>120</u>
Total cash and investments	<u>\$ 960,638,808</u>

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Investments Authorized by the California Government Code and OC San's Investment Policy

The following table identifies the investment types that are authorized by the California Government Code and OC San's investment policy. This table and the subsequent tables identify certain provisions of either the California Government Code or OC San's investment policy (whichever is more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Investment Type - Authorized by the California Government Code	Maximum Maturity (1) (3)	Maximum Percentage of Portfolio (1)	Maximum Investment in a Single Issuer (1)
Local Agency Bonds	5 years	10% (2)	5% (2)
U.S. Treasury Obligations	5 years	No limit	No limit
California State Treasury Obligations	5 years	No limit	No limit
U.S. Agency Securities	5 years	No limit	20% (2)
Banker's Acceptances	180 days	40%	5% (2)
Commercial Paper	270 days	40%	5% (2)
Negotiable Certificates of Deposit	5 years	30%	5% (2)
Certificates of Deposit	5 years	No limit	5% (2)
Repurchase Agreements	1 year	20% (2)	5% (2)
Reverse Repurchase Agreements	90 days (2)	5% (2)	5% (2)
Corporate Medium-Term Notes	5 years	30%	5% (2)
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	20%
Mortgage Pass-Through Securities/ CMO/Asset-Backed Securities	5 years	20%	5% (2)
County Investment Pools	N/A	15% (2)	15% (2)
Local Agency Investment Fund (LAIF)	N/A	No limit	No limit
Supranational Obligations	5 years	30%	30%
Public Bank Obligations	5 years	No limit	5% (2)

Notes

- (1) Restrictions are in accordance with the California Government Code unless indicated otherwise.
- (2) The restriction is in accordance with OC San's Investment Policy which is more restrictive than the California Government Code.
- (3) As allowed by California Government Code Section 53601, the Board of Directors has adopted a policy of a maximum maturity of 5 years for investments purchased by OC San's external money manager for the long-term investment portfolio. The duration of the long-term investment portfolio can never exceed 60 months. Investments purchased for the short-term portfolio are subject to the maturity restrictions noted in this table.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Investments Authorized by Debt Agreements

The investment of debt proceeds held by trustees is governed by provisions of the debt covenant agreements, rather than the general provisions of the California Government Code or OC San's investment policy. The following table identifies the investment types that are authorized for investments held by OC San's debt trustees. This table and the subsequent tables identify certain provisions of the debt covenant agreements that address interest rate risk, credit risk, and concentration of credit risk.

Investment Type - Authorized by the Debt Covenant Agreement	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in a Single Issuer
U.S. Treasury Obligations	No Limit	No limit	No limit
U.S. Agency Securities	No Limit	No limit	No limit
State and Local Agency Bonds	No Limit	No limit	No limit
Certificates of Deposit	No Limit	No limit	No limit
Banker's Acceptances	180 days	No limit	No limit
Repurchase Agreements	1 year	No limit	No limit
Investment Agreements	No Limit	No limit	No limit
Forward Purchase Agreements	No Limit	No limit	No limit
Reserve Fund Put Agreements	No Limit	No limit	No limit
Guaranteed Investment Contracts	No Limit	No limit	No limit
Commercial Paper	270 days	No limit	No limit
Money Market Mutual Funds	N/A	No limit	No limit
Local Agency Investment Fund (LAIF)	N/A	No limit	No limit

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 an investment has before maturity, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that OC San 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, as necessary to provide the cash flow and liquidity needed for operations.

OC San monitors the interest rate risk inherent in its managed portfolio by measuring the modified duration of its portfolio. The duration of monies held for shorter term purposes is recommended by OC San's Treasurer and is based on OC San's cash flow requirements in meeting current operating and capital needs. The average duration of monies invested for shorter term purposes may never exceed 180 days. The duration of monies held for longer term purposes is recommended annually by OC San's Treasurer and is based on OC San's five-year cash flow forecast. The average duration may not exceed 120 percent nor be less than 80 percent of the recommended duration. The average duration of monies invested for longer term purposes may never exceed 60 months. There is no stated maximum maturity for the Money Market Mutual Funds. The money market mutual funds for BlackRock Institutional Fund and First American Government Obligations Fund are daily liquid funds available on demand.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Following is a table which summarizes OC San's managed portfolio investments by purpose with the modified duration as of June 30, 2021:

Investment Type	Fair Value	Modified Duration (in years)	Modified Duration (in months)
Short-Term Portfolio:			
U.S. Treasury Notes	\$ 132,645,925	0.390	4.68
Local Agency Investment Fund	67,790,589	0.797	9.57
U.S. Treasury Bills	30,998,766	0.152	1.82
Money Market Mutual Funds	14,334,524	-	-
Negotiable Certificates of Deposit	8,002,330	0.825	9.89
Commercial Paper	7,993,120	0.535	6.41
U.S. Agency Securities	7,524,549	0.153	1.84
Corporate Medium-Term Notes	6,110,960	0.803	9.64
Short-term portfolio subtotal	<u>275,400,763</u>	<u>0.463</u>	<u>5.56</u>
Long-Term Portfolio:			
U.S. Treasury Notes	229,042,275	2.703	32.44
U.S. Agency Securities*	172,573,819	2.862	34.34
Corporate Medium-Term Notes	146,697,464	2.375	28.50
Supranationals	61,692,730	2.992	35.91
Asset Backed Securities/CMO*	30,756,748	1.362	16.34
Negotiable Certificates of Deposit	17,004,560	0.767	9.20
U.S. Treasury Inflation-Protected Securities (TIPS)	12,574,071	3.070	36.84
Commercial Paper	11,999,040	0.071	0.85
Money Market Mutual Funds	1,155,352	-	-
U.S. Govt. Backed Mortgage Pools (GNMA)*	86,006	3.149	37.79
Long-term portfolio subtotal	<u>683,582,065</u>	<u>2.546</u>	<u>30.55</u>
Total Portfolio	<u><u>\$ 958,982,828</u></u>		
* Includes highly sensitive securities.			

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

OC San monitors the interest rate risk inherent in its other investments using specific identification of the investments. Following is a table of these investments all held by trustees, as of June 30, 2021:

	Fair Value	Maturities
Cash equivalents held by fiscal agents:		
Money Market Mutual Funds:		
First American Government Obligations Fund	\$ 91	27 days
BlackRock Institutional Funds	29	34 days
Total fair value of investments held by fiscal agents	<u>\$ 120</u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

OC San's investments (including investments held by trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

- Mortgage-backed securities: These securities are subject to early payment in a period of declining interest rates. The resulting reduction in expected total cash flows affects the fair value of these securities, making them highly sensitive to change in interest rates. At fiscal year end, the fair value of investments in mortgage-backed securities totaled \$1,418,306 including \$835,562 of mortgage pass-through securities, \$496,738 of U.S. agency securities, and \$86,006 of U.S. government backed mortgage pools.

Fair Value of Investments

OC San measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

At June 30, 2021, OC San had the following fair value measurements for its managed investment portfolio:

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3
Investments in Short-Term Portfolio:				
U.S. Treasury Notes	\$ 132,645,925	\$ -	\$ 132,645,925	\$ -
U.S. Treasury Bills	30,998,766	-	30,998,766	-
Negotiable Certificates of Deposit	8,002,330	-	8,002,330	-
U.S. Agency Securities	7,524,549	-	7,524,549	-
Commercial Paper	7,993,120	-	7,993,120	-
Corporate Medium-term Notes	6,110,960	-	6,110,960	-
Investments in Long-Term Portfolio:				
U.S. Treasury Notes	229,042,275	-	229,042,275	-
U.S. Agency Securities	172,573,819	-	172,573,819	-
Corporate Medium-term Notes	146,697,464	-	146,697,464	-
Supranationals	61,692,730	-	61,692,730	-
Asset Backed Securities/CMO	30,756,748	-	30,756,748	-
Negotiable Certificates of Deposit	17,004,560	-	17,004,560	-
U.S. Treasury Inflation Protected Securities (TIPS)	12,574,071	-	12,574,071	-
Commercial Paper	11,999,040	-	11,999,040	-
U.S. Government Backed Mortgage Pools	86,006	-	86,006	-
Fair Value Hierarchy Totals		<u>\$ -</u>	<u>\$ 875,702,363</u>	<u>\$ -</u>
Investments Not Subject To Fair Value Hierarchy:				
Local Agency Investment Fund (LAIF)*	67,790,589			
Money Market Mutual Funds*	14,334,524			
Money Market Mutual Funds**	1,155,352			
Total Portfolio	<u>\$ 958,982,828</u>			
* Invested in Short-Term Portfolio				
** Invested in Long-Term Portfolio				

US Bank is the custodial bank for all of OC San's investments shown above in the managed portfolio, except for LAIF. Investments classified as Level 2 are valued using US Bank's fair value hierarchy matrix based on the asset type classification. The fair value hierarchy level matrix is based on discussions with (1) pricing vendors, (2) broker/dealers, (3) investment managers, (4) industry groups, and (5) independent accounting firms.

Monies held by trustees (fiscal agents) that are invested in money market mutual funds are reported at carrying cost.

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. The following table presents the minimum rating as required by the California Government Code, OC San's investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Investment Type and the Lowest Rating Reported at Year End	Fair Value	
Investments with no legal minimum rating & no required disclosure:		
U.S. Treasury Obligations	\$ 405,261,037	
U.S. Agency Securities - GNMA	86,006	
Subtotal		\$ 405,347,043
Investments with no legal minimum rating:		
U.S. Agency Securities (other than GNMA):		
Rating of AA+ (Standard & Poor's)	172,573,819	
Rating of P-1 (Moody's)	7,524,549	
Negotiable Certificates of Deposit:		
Rating of A-1 ((Standard & Poor's)	15,005,090	
Rating of P-1 (Moody's)	10,001,800	
Local Agency Investment Fund (LAIF):		
Not rated	67,790,589	
Subtotal		272,895,847
Investments with a legal minimum rating (or its equivalent) of A:		
Corporate Medium-Term Notes:		
Rating of Aaa (Moody's)	3,045,731	
Rating of Aa1 (Moody's)	3,183,840	
Rating of Aa2 (Moody's)	7,785,192	
Rating of AA- (Standard & Poor's)	5,314,800	
Rating of Aa3 (Moody's)	1,080,280	
Rating of A1 (Moody's)	29,807,170	
Rating of A+ (Fitch)	6,689,170	
Rating of A2 (Moody's)	33,923,293	
Rating of A (Standard & Poor's)	8,305,410	
Rating of A- (Standard & Poor's)*	23,321,716	
Rating of A3 (Moody's)*	16,638,662	
Rating of BBB+ (Standard & Poor's)*	13,708,960	
Not rated	4,200	
Subtotal		152,808,424
Investments with a legal minimum rating (or its equivalent) of AA:		
Asset Backed Securities/CMO:		
Rating of Aaa (Moody's)	21,161,252	
Rating of AAA (Standard & Poor's)	8,749,730	
Rating of AA+ (Standard and Poor's)	719,218	
Rating of BBB (Standard and Poor's)*	116,344	
Rating of B (Standard & Poor's)*	10,204	
Supranational Obligations:		
Rating of Aaa (Moody's)	61,692,730	
Subtotal		92,449,478
Investments with a legal minimum rating (or its equivalent) of AAA:		
Money Market Mutual Funds:		
Rating of Aaa (Moody's)	15,489,876	
Invested with fiscal agents:		
Rating of Aaa-mf (Moody's)	120	
Subtotal		15,489,996
Investments with a legal minimum rating (or its equivalent) of "Prime":		
Commercial Paper:		
Rating of F-1 (Fitch)	3,996,000	
Rating of A-1 (Standard & Poor's)	15,996,160	
Subtotal		19,992,160
Total		<u>\$ 958,982,948</u>
* Investment was in compliance with legal requirements at the time it was purchased.		

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Concentration of Credit Risk

Limitations on the amount that OC San is allowed to invest in any one issuer have been identified previously in the section “Investments Authorized by the California Government Code and OC San’s Investment Policy” and in the section “Investments Authorized by Debt Agreements”. OC San follows whichever guideline is the most restrictive.

As of June 30, 2021, OC San had the following investments representing five percent or more of total investments:

Name of Issuer	Fair Value	% of Total
Federal Home Loan Bank System (FHLB)	\$ 54,334,775	5.67%
Federal National Mortgage Association (FNMA)	\$ 76,087,632	7.93%

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 California Government Code and OC San’s investment policy contain legal requirements that limit the exposure to custodial credit risk for deposits as follows: a financial institution must secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair 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.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and OC San’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. As of June 30, 2021, in accordance with OC San’s investment policy, none of OC San’s investments were held with a counterparty. All of OC San’s investments were held with an independent third party custodian bank registered in the name of OC San. OC San uses US Bank as a third party custody and safekeeping service for its investment securities.

Investment in State Investment Pool

OC San is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of OC San’s investment in this pool is reported in the accompanying financial statements at amounts based upon OC San’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. Included in LAIF’s investment portfolio are mortgage-backed securities, other asset-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured notes. The amounts invested in LAIF are recorded as cash and cash equivalents at June 30, 2021.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

(3) Capital Assets

Capital asset activity for the year ended June 30, 2021 is as follows:

	Beginning Balance at July 1, 2020	Additions / Transfers	Deletions / Transfers	Ending Balance at June 30, 2021
Capital assets not depreciated:				
Cost:				
Land	\$ 41,967,355	\$ 15,713,268	\$ -	\$ 57,680,623
Construction in progress	363,930,835	148,303,527	(111,034,318)	401,200,044
Total nondepreciable assets	405,898,190	164,016,795	(111,034,318)	458,880,667
Depreciable capital assets:				
Cost:				
Sewage collection facilities	892,975,053	4,513,695	-	897,488,748
Sewage treatment facilities	2,746,327,817	99,427,755	(2,968,718)	2,842,786,854
Effluent disposal facilities	96,972,016	-	-	96,972,016
Solids disposal facilities	3,463,236	-	-	3,463,236
General and administrative facilities	259,148,327	(6,429,173)	(4,006,925)	248,712,229
Excess purchase price over book value on acquired assets	19,979,000	-	-	19,979,000
Subtotal	4,018,865,449	97,512,277	(6,975,643)	4,109,402,083
Accumulated depreciation:				
Sewage collection facilities	(398,294,838)	(28,464,974)	-	(426,759,812)
Sewage treatment facilities	(1,078,319,944)	(77,453,297)	2,462,480	(1,153,310,761)
Effluent disposal facilities	(66,732,610)	(1,455,840)	-	(68,188,450)
Solids disposal facilities	(3,195,126)	(9,719)	-	(3,204,845)
General and administrative facilities	(184,041,212)	(9,068,354)	4,006,925	(189,102,641)
Excess purchase price over book value on acquired assets	(19,979,000)	-	-	(19,979,000)
Subtotal	(1,750,562,730)	(116,452,184)	6,469,405	(1,860,545,509)
Net depreciable assets	2,268,302,719	(18,939,907)	(506,238)	2,248,856,574
Net capital assets	\$2,674,200,909	\$145,076,888	\$(111,540,556)	\$2,707,737,241

For the fiscal year ended June 30, 2021, capital asset additions of \$97.5 million in depreciable capital assets are \$13.5 million less than the \$111.0 million transferred from Construction in Progress due to \$15.7 million of land additions and \$1.3 million of prior capital project expenses that were written off as expense, partially offset by \$3.5 million of capital equipment purchases. Depreciable capital assets additions accrued in previous years of \$15.1 million were transferred from general and administrative facilities to sewage treatment facilities.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

(4) Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2021:

	Beginning Balance, July 1	Additions	Deletions	Ending Balance, June 30	Due w ithin one year	Long-term amount
Compensated absences	\$ 8,964,314	\$8,649,859	\$ (7,101,858)	\$ 10,512,315	\$ 8,413,886	\$ 2,098,429
Claims and judgments	3,740,721	1,145,818	(553,642)	4,332,897	448,800	3,884,097
Certificates of participation, revenue obligations & notes	940,050,000	-	(30,430,000)	909,620,000	28,405,000	881,215,000
Unamortized premium	64,165,901	-	(10,670,367)	53,495,534	8,330,305	45,165,229
Totals	\$1,016,920,936	\$9,795,677	\$(48,755,867)	\$977,960,746	\$45,597,991	\$932,362,755

Compensated Absences

OC San's policies related to compensated absences are described in Note 1. OC San's liability at June 30, 2021 is \$10,512,315 with an estimated \$8,413,886 to be paid or used within the next fiscal year.

Claims and Judgments Payable

OC San is self-insured in a number of areas as described in Note 1. The following is a summary of the change in claims and judgments payable for the years ended June 30, 2021 and 2020:

	2020-21	2019-20
Claims and judgments payable at July 1	\$3,740,721	\$6,860,326
Claims incurred during the fiscal year	895,011	405,346
Changes in estimates for claims of prior years	250,807	(3,122,401)
Payments on claims during the fiscal year	(553,642)	(402,550)
Claims and judgments payable at June 30	4,332,897	3,740,721
Less: current portion	(448,800)	(600,560)
Total long-term claims and judgments payable	\$3,884,097	\$3,140,161

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Certificates of Participation, Revenue Obligations, and Notes

OC San issues certificates of participation, revenue obligations, and notes in order to finance construction of the treatment facilities. Each issuance represents a direct and proportionate interest in the semi-annual interest payments. Installment payments for the issues are payable from any source of lawfully available funds of OC San. Certificates of participation, revenue obligations, and notes at June 30, 2021 are summarized as follows:

	Amount
2010A wastewater revenue obligations	\$ 80,000,000
2010C wastewater revenue obligations	157,000,000
2011A wastewater refunding revenue obligations	75,370,000
2012A wastewater refunding revenue obligations	100,645,000
2012B wastewater refunding revenue obligations	8,170,000
2014A wastewater refunding revenue obligations	56,080,000
2015A wastewater refunding revenue obligations	127,510,000
2016A wastewater refunding revenue obligations	136,830,000
2017A wastewater refunding revenue obligations	65,815,000
2018A revenue refunding certificate anticipation notes	102,200,000
Total certificates of participation, revenue obligations, and notes	<u>\$ 909,620,000</u>

Outstanding Certificates of Participation, Revenue Obligations, and Notes

All of the outstanding debt of OC San is senior lien debt with rate covenants that require a minimum coverage ratio of 1.25. The minimum coverage ratio is the ratio of net annual revenues available for debt service requirements to total annual debt service requirements. As of June 30, 2021, the coverage ratio for senior lien debt was 4.25.

May 2010 Wastewater Revenue Obligations, Series 2010A

On May 18, 2010, OC San completed the sale of \$80,000,000 of wastewater revenue obligations under the federally taxable Build America Bonds program. The obligations were issued to finance and reimburse OC San for the acquisition, construction, and installation of additional improvements made to the wastewater system. The stated interest rate on the obligations is fixed and will range from 5.56 percent to 5.58 percent, however, in accordance with their designation as Build America Bonds, OC San expects to receive a cash subsidy from the United States Treasury equal to 35 percent of the interest payable with respect to these revenue obligations. The expected net interest rate on the obligations is fixed and will range from 3.614 percent to 3.627 percent. Annual principal payments are due on February 1, beginning February 1, 2034 through February 1, 2040.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

December 2010 Wastewater Revenue Obligations, Series 2010C

On December 8, 2010, OC San completed the sale of \$157,000,000 of wastewater revenue obligations under the federally taxable Build America Bonds program. The obligations were issued to finance and reimburse OC San for the acquisition, construction, and installation of additional improvements made to the wastewater system. The stated interest rate on the obligations is fixed and will range from 6.35 percent to 6.40 percent, however, in accordance with their designation as Build America Bonds, OC San expects to receive a cash subsidy from the United States Treasury equal to 35 percent of the interest payable with respect to these revenue obligations. The expected net interest rate on the obligations is fixed and will range from 4.1275 percent to 4.16 percent. Annual principal payments are due on February 1, beginning February 1, 2031 through February 1, 2044.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

October 2011 Wastewater Refunding Revenue Obligations, Series 2011A

On October 3, 2011, OC San completed the sale of \$147,595,000 of wastewater refunding revenue obligations. The obligations were issued to partially refund \$89,800,000 of the outstanding principal balance of the 2000 Series A and B refunding certificates of participation and \$83,320,000 of the outstanding principal balance of the 2003 certificates of participation. The stated interest rate on the obligations is fixed and will range from 3 percent to 5 percent. Annual principal payments are due on August 1 and February 1, beginning August 1, 2012 through February 1, 2026.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

March 2012 Wastewater Refunding Revenue Obligations, Series 2012A

On March 22, 2012, OC San completed the sale of \$100,645,000 of wastewater refunding revenue obligations. The obligations were issued to refund the \$108,180,000 outstanding principal balance of the 2003 certificates of participation. The stated interest rate on the obligations is fixed and will range from 3 percent to 4 percent. Annual principal payments are due on February 1, beginning February 1, 2031 through February 1, 2033.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

August 2012 Wastewater Refunding Revenue Obligations, Series 2012B

On August 16, 2012, OC San completed the sale of \$66,395,000 of wastewater refunding revenue obligations. The obligations were issued to refund the \$91,900,000 outstanding principal balance of the Series 2000A and 2000B refunding certificates of participation. The stated interest rate on the obligations is fixed and will range from 3 to 5 percent. Annual principal payments are due on February 1, beginning February 1, 2019 through February 1, 2026.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

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Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

August 2014 Wastewater Refunding Revenue Obligations, Series 2014A

On August 7, 2014, OC San completed the sale of \$85,090,000 of wastewater refunding revenue obligations. The obligations were issued to partially refund \$93,930,000 of the outstanding principal balance of the 2007 Series B certificates of participation. The stated interest rate on the obligations is fixed at 5 percent. Annual principal payments are due on February 1, beginning February 1, 2018 through February 1, 2027.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

February 2015 Wastewater Refunding Revenue Obligations, Series 2015A

On February 12, 2015, OC San completed the sale of \$127,510,000 of wastewater refunding revenue obligations. The obligations were issued to partially refund \$152,990,000 of the outstanding principal balance of the 2007 Series B certificates of participation. The stated interest rate on the obligations is fixed at 5 percent. Annual principal payments are due on February 1, beginning February 1, 2028 through February 1, 2037.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

March 2016 Wastewater Refunding Revenue Obligations, Series 2016A

On March 30, 2016, OC San completed the sale of \$145,880,000 of wastewater refunding revenue obligations. The obligations were issued to partially refund \$162,780,000 of the outstanding principal balance of the 2009 Series A certificates of participation. The stated interest rate on the obligations is fixed and will range from 4 to 5 percent. Annual principal payments are due on February 1, beginning February 1, 2020 through February 1, 2039.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

February 2017 Wastewater Refunding Revenue Obligations, Series 2017A

On February 1, 2017, OC San completed the sale of \$66,370,000 of wastewater refunding revenue obligations. The obligations were issued to refund the \$91,620,000 outstanding principal balance of the 2007 Series A certificates of participation. The stated interest rate on the obligations is fixed at 5 percent. Annual principal payments are due on February 1, beginning February 1, 2021 through February 1, 2030.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

November 2018 Revenue Refunding Certificate Anticipation Notes, Series 2018A

On November 1, 2018, OC San completed the sale of \$102,200,000 of revenue refunding certificate anticipation notes. The notes were issued to refund the \$109,875,000 outstanding principal balance of the 2016 Series B revenue refunding certificate anticipation notes. The interest rate on the notes is fixed at 5 percent. The notes matured on August 15, 2021. The principal and interest on the notes were paid from proceeds of the sale, prior to the maturity date, of a future series of certificates of participation, notes or other obligations. See Note 10 for additional information.

The trust agreement for the certificates does not require the establishment of a reserve.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Annual Amortization Requirements

The annual requirements to amortize all debt related to certificates of participation, revenue obligations, and anticipation notes as of June 30, 2021, including the Revenue Refunding Certificate Anticipation Notes, Series 2018A that currently matures in August 2021, are as follows:

Year Ending June 30,	Principal	Estimated Interest	Total
2022	\$ 130,605,000	\$ 38,331,869	\$ 168,936,869
2023	29,805,000	34,371,619	64,176,619
2024	31,140,000	33,041,769	64,181,769
2025	32,655,000	31,517,369	64,172,369
2026	33,985,000	30,194,719	64,179,719
2027-2031	198,870,000	124,620,846	323,490,846
2032-2036	263,540,000	72,253,679	335,793,679
2037-2041	164,315,000	22,128,077	186,443,077
2042-2044	24,705,000	1,641,536	26,346,536
Total	<u>\$ 909,620,000</u>	<u>\$ 388,101,483</u>	<u>\$ 1,297,721,483</u>

(5) Pension Benefits

OC San has two defined benefit pension plans for retirees: the plan maintained through and by the Orange County Employees Retirement System (OCERS) and the Additional Retiree Benefit Account (ARBA) administered directly by OC San.

A summary of pension amounts for OC San's plans at June 30, 2021 is presented below:

	OCERS	ARBA	Total
Net pension asset - OCERS	\$ 68,643,378	\$ -	\$ 68,643,378
Deferred outflows - pensions	49,968,867	4,085,312	54,054,179
Total pension liability - ARBA	-	23,320,422	23,320,422
Deferred inflows - pensions	54,864,465	1,616,997	56,481,462
Pension expenses	(1,557,338)	1,878,047	320,709

A. Orange County Employees Retirement System (OCERS)

Plan Description: All qualified permanent and probationary employees are eligible to participate in OC San's Employee Pension Plan (Plan), which is a cost-sharing multiple employer defined benefit pension plan administered by the Orange County Employees Retirement System (OCERS). OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937 (CERL). The Plan operates under the provisions of the CERL, the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by OCERS' Board of Retirement. The Plan's authority to establish and amend the benefit terms are set

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

by the CERL and PEPRA and may be amended by the California State Legislature. The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

Benefits Provided: OCERS provides service retirement, disability, death and survivor benefits to plan members who may be public employees or beneficiaries. The CERL and PEPRA establish benefit terms. Benefits are based on years of credited service equal to one year of full-time employment. Members of plans B and H with ten years of service credit are entitled to receive a retirement allowance beginning at age 50; members of plan U with 5 years of service are eligible to receive a retirement allowance at age 52. Members attaining age 70 are eligible to retire regardless of credited service.

Benefits are determined by plan formula, age, years of service and final average salary (FAS) as follows:

	Plan H	Plan B	Plan U
Hire Date	After 9/21/79 Prof/Sup*: Before 10/1/10 OCEA*: Before 8/1/11 501*: Before 7/1/11	Prof/Sup: After 10/1/10 OCEA: After 8/1/11 501: After 7/1/11 All: Before 1/1/2013	On or after 1/1/2013
Final Average Compensation (FAS)	Highest 36 months	Highest 36 months	Highest 36 months
Normal Retirement Age	Age 55	Age 57.5	Age 67
Service Requirement Eligibility	Age 70, any years Age 50, 10 years	Age 70, any years Age 50, 10 years	Age 70, any years Age 52, 5 years
Benefit percent per year of service for normal retirement age	2.5% per year of FAS for every year of service credit	1.667% per year of FAS for every year of service credit	2.5% per year of FAS for every year of service credit
Benefit Adjustments	Reduced before age 55	Reduced before age 57.5	Reduced before age 67
FAS Limitation	Internal Revenue Code Section 401(a)(17)	Internal Revenue Code Section 401(a)(17)	Public Employees Pension Reform Act (PEPRA): 120% of Social Security wage base per year

* Prof/Sup: Professional and Supervisor employee groups, bargaining unit SPMG.

* OCEA: Administrative, Clerical, Engineering, and Technical Services employee groups, bargaining unit OCEA.

* 501: Operations and Maintenance employee groups, bargaining unit International Union of Operating Engineers Local 501.

A cost of living adjustment is provided to benefit recipients based on changes in the Consumer Price Index (CPI) up to a maximum of 3% per year. Any increase greater than 3% is banked and may be used in years when the CPI is less than 3%. The increase is established and approved annually by the Board of Retirement.

The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retirees, the death benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to benefits based on the member's years of service and whether or not the cause of death is service related.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

At the December 31, 2020 measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	548
Inactive employees entitled to but not yet receiving benefits	136
Active employees	618
Total	<u>1,302</u>

Contributions: Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. CERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and be effective on the July 1 following notice of a change in rate. Funding contributions are determined annually on an actuarial basis as of December 31 by OCERS. 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.

Contributions to the Plan from OC San were \$8,479,429 for the year ended June 30, 2021.

Contribution rates in effect for the fiscal year ended June 30, 2021 are as follows:

	Plan H	Plan B	Plan U
Employer Contribution Rate, 7/1/20 - 6/30/21	13.24%	11.11%	10.02%
Employee Contribution Rate, 7/1/20 - 6/30/21 (2)	6.69-12.79% (1)	7.52-13.02%	7.22-14.36%
Paid by Employer for Employee	3.50%	0.00%	0.00%

(1) Net of employer paid portion of 3.5%.

(2) Employee rates are determined by the age of entry into the retirement system.

For the year ended June 30, 2021, the contributions and average employer's contribution rate as a percentage of covered payroll were as follows:

Plans	Employer Contributions	Employee (Paid by Employer) Contributions	Average Employer Contribution Rate (%)
Plan H	4,874,926	1,274,147	8.52%
Plan B	754,681	-	1.05%
Plan U	2,849,822	-	3.95%
Total	<u>\$ 8,479,429</u>	<u>\$ 1,274,147</u>	

Pension Assets/Liabilities: As of June 30, 2021, OC San reported a net pension asset of \$68,643,378 for its proportionate share of OCERS' net pension liability. The net pension asset was measured as of December 31, 2020 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. OC San's proportion of the net pension asset was based on a projection of OC San's long-term share of contributions to the pension plan relative to the projected contribution of all participating employers, actuarially determined.

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Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

At December 31, 2020, OC San's proportion of the net pension liability was negative (1.629%), which was a decrease of 0.655% from its proportion measured as of December 31, 2019. The change in OC San's proportion of the net pension liability during the fiscal year ended June 30, 2021 was caused by contributions and projections noted above.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2021, OC San recognized pension expense of negative (\$1,557,338) for its proportionate share of the pension expense. At June 30, 2021 OC San reported its share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 19,679,712	\$ 2,630,086
Net difference between projected and actual investment earnings on pension plan investments	-	52,234,379
Changes of assumptions (1)	18,009,943	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,423	-
Employer contributions paid to OCERS subsequent to the measurement date	12,253,789	-
Total	\$ 49,968,867	\$ 54,864,465

- (1) The monetary effects of changes in actuarial assumptions and method totals \$18,009,943 for deferred outflows and \$0 for deferred inflows of resources. These changes include:
- adjustments to the mortality tables,
 - retirement assumptions for deferred vested members (age at retirement 59, increase of 4.00% in reciprocity, and an increase in compensation increases),
 - % in the rate of marriage for male and female members at retirement or pre-retirement death,
 - an increase in the Consumer Price Index of 2.75% per year, maximum increase is 3%,
 - and a slight increase of .50% in salaries per year.

Detail for these changes is available in the Segal Actuarial Valuation for December 31, 2020, Section 3. This report is available on the OCERS website at www.ocers.org.

The \$12,253,789 reported as deferred outflows of resources related to pensions resulting from OC San's contributions to OCERS 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 OCERS pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2022	\$ (7,334,143)
2023	2,995,140
2024	(13,341,404)
2025	(3,164,982)
2026	3,696,002
Total	\$ (17,149,387)

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Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Actuarial Assumptions and Methods: The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.00% of net pension plan investment expenses, including inflation
Discount rate	7.00%
Inflation rate	2.50%
Projected salary increases	4.00% to 11.00%
Cost of living adjustment	2.75% of retirement income

OCERS Economic and Demographic Assumptions: On August 17, 2020, the OCERS Board adopted the following significant changes to the economic and demographic actuarial assumptions, used to establish retirement contribution rates effective July 1, 2021:

- Reduced the assumed rate of price inflation from 2.75% to 2.50%.
- Adopted the use of Public Retirement Plans Mortality tables (PUB-2010) published by the Society of Actuaries.

Additionally, the OCERS Board adopted a three-year phase-in of the impact to the contribution rates associated with the Unfunded Actuarially Accrued Liability. The cumulative effect of these changes will have the impact of increasing contribution rates for members and plan sponsors.

The mortality assumptions used in the total pension liability at December 31, 2020 were based on the Amount-Weighted Above-Median Mortality Tables (adjusted for OCERS experience), projected generationally with the two-dimensional mortality improvement scale MP-2019, and adjusted separately for healthy and disabled members. The basis for determining the mortality assumptions used were based on the results of the actuarial experience study for the period January 1, 2017 through December 31, 2019.

Further details of the experience study can be found in the OCERS Annual Comprehensive Financial Report, available on their website at www.ocers.org.

Long-Term Expected Real Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table for the calendar year ended December 31, 2020:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap Equity	23.10%	5.43%
Small Cap Equity	1.90%	6.21%
International Developed Equity	13.00%	6.67%
Emerging Markets Equity	9.00%	8.58%
Core Bonds	9.00%	1.10%
High Yield Bonds	1.50%	2.91%
TIPS	2.00%	0.65%
Emerging Market Debt	2.00%	3.25%
Corporate Credit	1.00%	0.53%
Long Duration Fixed Income	2.50%	1.44%
Real Estate	3.01%	4.42%
Private Equity	13.00%	9.41%
Value Added Real Estate	3.01%	7.42%
Opportunistic Real Estate	0.98%	10.18%
Energy	2.00%	9.68%
Infrastructure (Core Private)	1.50%	5.08%
Infrastructure (Non-Core Private)	1.50%	8.92%
CTA - Trend Following	2.50%	2.38%
Global Macro	2.50%	2.13%
Private Credit	2.50%	5.47%
Alternative Risk Premia	2.50%	2.50%
Total	100.00%	

Discount Rate: The discount rate used to measure the total pension liability was 7.00% for the year ended December 31, 2020. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2020.

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate: The following table represents OC San's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what OC San's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

Net Pension Asset (Liability)	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
December 31, 2020	\$ (45,329,114)	\$ 68,643,378	\$ 161,548,454

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Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Pension Plan Fiduciary Net Position: Detailed information about OCERS' fiduciary net position is available in a separately issued OCERS Annual Comprehensive Financial Report. That report may be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92708 or at their web site (www.ocers.org).

B. Additional Retiree Benefit Account (ARBA)

Plan Description: The OC San ARBA plan is a single-employer defined benefit plan which was administered by OCERS until February 29, 2008, when OC San began direct administration. This benefit was established by the OC San Board of Directors on October 25, 1992. It provides a monthly payment to retirees towards the premium costs of health insurance for the retiree and eligible dependents. The retiree is not required to use this amount for health insurance premium or to remain on the OC San medical plan. The plan is currently paying benefits to 412 retirees. The ARBA plan is not subject to the reporting requirements of GASB 68 and 71 because a trust has not been set up for the plan. However, GASB 73 has been implemented for the ARBA plan in the fiscal year ended June 30, 2016. The plan is a funded on a pay-as-you-go plan from general funds and is administered by OC San. Stand-alone financial statements are not issued for the plan.

Benefits Provided: Employees who retire receive \$10 per month for every year of service up to a maximum of 25 years, or \$250 per month. This amount is independent of salary and is fixed at retirement. Because OC San cannot ensure the use of the benefit for payment of eligible health insurance expenses, the benefit is taxable to the retiree. Survivor benefits are provided in the event that a retiree pre-deceases his/her spouse. For retirees hired prior to July 1, 1988, OC San provides health insurance coverage for 2½ months per year of service (see Note 6 – Other Post-Employment Benefits). ARBA benefits begin immediately after this benefit ends. For those hired on or after July 1, 1988, ARBA benefits begin immediately upon retirement and continue for life. Employees hired into the OCEA bargaining group after August 1, 2011 are ineligible for this benefit.

Benefits are determined by hire date, bargaining unit and years of service as follows:

Hire date	All: Prior to 7/1/88	All: After 7/1/88 OCEA*: Before 8/1/11
Benefit amount per year of service for normal retirement age	\$10 per month x years of service up to a maximum of 25 years	\$10 per month x years of service up to a maximum of 25 years
Service requirement eligibility	Age 50 or over with 10 or more years Any age with 30 or more years Age 70 or over, any years	Age 50 or over with 10 or more years Any age with 30 or more years Age 70 or over, any years
Benefit payments	Monthly for life	Monthly for life
Benefit schedule	Immediately after retiree health insurance coverage ends	Immediately upon retirement

* OCEA: Administrative, Clerical, Engineering, and Technical Services employee groups, bargaining unit OCEA.

No cost of living adjustment is provided to benefit recipients.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	412
Inactive employees entitled to but not yet receiving benefits	30
Active employees	<u>560</u>
Total	<u><u>1,002</u></u>

Contributions: There are no employee contributions for this plan; OC San covers 100% of the cost. OC San utilizes a pay-as-you-go method for funding the plan. Contributions to the plan from OC San were \$967,970 for the year ended June 30, 2021.

Pension Liabilities: As of June 30, 2021, OC San reported a total pension liability of \$23,320,422 for its ARBA plan. The total pension liability was determined by an actuarial valuation as of July 1, 2019. OC San funds benefits on a pay-as-you-go basis and elected not to pre-fund its pension obligation. As a result, there are no plan assets and the total pension liability is equal to the net pension liability. Standard actuarial update procedures were used to project/discount from July 1, 2019 to the measurement date of June 30, 2021.

The actuarial valuation performed as of July 1, 2019, used the entry age, level percent of pay cost method. This method represents the present value of all benefits accrued through the valuation date assuming that each employee's liability is expensed from hire date until retirement date as a level percentage of pay.

The following table shows the changes in the total pension liability:

	Total Pension Liability Increase (Decrease)
Beginning balance at July 1, 2020	<u>\$ 21,434,655</u>
Changes in the year:	
Service cost	703,496
Interest on total pension liability	530,599
Changes of assumptions	1,619,642
Benefit payments	<u>(967,970)</u>
Net changes	<u>1,885,767</u>
Ending balance at June 30, 2021	<u><u>\$ 23,320,422</u></u>

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension: For the year ended June 30, 2021, OC San recognized pension expense of \$1,878,047 for its ARBA plan. At June 30, 2021, OC San reported its share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 744,258	\$ 1,616,997
Changes of assumptions (1)	3,341,054	-
Total	\$ 4,085,312	\$ 1,616,997

(1) The monetary effects of changes in actuarial assumptions and method totals \$3,341,054. These changes include passage of time, a change in the discount rate from 2.45% to 1.92%, change in actuarial system, census and other losses.

Amounts reported as deferred outflows of resources related to ARBA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2022	\$ 643,952
2023	643,952
2024	529,448
2025	321,196
2026	182,525
2027	147,242
Total	\$ 2,468,315

Actuarial Assumptions and Methods: The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	3.75% per annum
Discount rate	3.13% per annum as of July 1, 2019 (valuation date) 1.92% per annum as of June 30, 2021 (measurement date)
Inflation rate	3.00% per annum
Projected salary increases	3.00% per annum (for service cost only; benefits not pay-related)

The mortality assumptions used in the total pension liability at July 1, 2019 were based on the RP-2014 Employee Mortality and Health Annuitant Mortality Tables for Males or Females, as appropriate, without projection.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Discount Rate: The discount rate used to measure the total pension liability was 3.13% as of the valuation date, July 1, 2019, and 1.92% as of the measurement date, June 30, 2021. Because there are no assets held in a trust that meets GASB 68 or 71, the discount rate is based on the 20-year, tax exempt general obligation municipal bonds with an average rating of AA or higher.

Sensitivity of the Total Pension Liability to Changes in the Discount Rate: The following table represents the total pension liability calculated using the discount rate of 1.92% as of the measurement date, as well as what total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.92%) or 1 percentage point higher (2.92%) than the current rate:

Total Pension Liability	1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
June 30, 2021	\$ 26,891,050	\$ 23,320,422	\$ 20,398,927

(6) Other Post-Employment Benefits (OPEB)

Plan Description: The post-employment medical benefits plan is a single-employer defined benefit plan administered by OC San. This plan was established and may be modified only by action of the OC San Board of Directors. Stand-alone financial statements are not issued.

Benefits Provided: OC San offers medical insurance to active and retired employees, as well as their qualified dependents. All retirees may choose coverage in an OC San medical plan, with retirees paying the full premium. However, for employees hired prior to July 1, 1988, medical benefits begin immediately at retirement with OC San paying 2.5 months of premium for each year of continuous service toward the cost of coverage under OC San medical plans. At the termination of this period the retiree may elect to continue coverage at his/her own expense. For the fiscal year ended June 30, 2021, premiums ranged between \$227 and \$4,078 per month, depending on the plan and number of dependents covered.

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits (includes 118 paying premiums and 30 with premiums paid by OC San)	148
Inactive employees entitled to but not yet receiving benefits	0
Active employees (includes 3 eligible for premiums paid by OC San)	613
Total	<u>761</u>

Contributions: There are no employee contributions to this plan; OC San covers 100% of the cost for qualifying employees as stated above. Retirees opting to remain with the plan after employment pay 100% of the premium cost, except for those for whom OC San pays for a period (see above). OC San utilizes a pay-as-you-go method for funding the plan. Contributions to the plan from OC San were \$572,692 and the estimated implicit subsidy was \$670,565, resulting in total payments of \$1,243,257, and retirees contributed \$1,202,221 for the year ended June 30, 2021.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

OPEB Liabilities: As of June 30, 2021, OC San reported total OPEB liability of \$1,332,528 for its post-employment retiree medical benefits plan. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019. OC San funds benefits on a pay-as-you-go basis and elected not to pre-fund its OPEB obligation. As a result, there are no plan assets and the total OPEB liability is equal to the net OPEB liability. Standard actuarial update procedures were used to project/discount from July 1, 2019 to the measurement date of June 30, 2021.

The actuarial valuation performed as of July 1, 2019 used the entry age, level percent of pay cost method. This method represents the present value of benefits accrued through the valuation date, assuming that each employee's liability is expensed from hire date until retirement date as a level percentage of pay.

The following table shows the changes in the total OPEB liability:

	Total OPEB Liability Increase (Decrease)
Beginning balance at July 1, 2020	\$ 2,483,644
Changes in the year:	
Service cost	5,238
Interest on total OPEB liability	45,840
Difference between expected and actual experience	-
Changes of assumptions	41,063
Benefit payments (1)	(1,243,257)
Net changes	(1,151,116)
Ending balance at June 30, 2021	\$ 1,332,528

(1) As part of the July 1, 2019 actuarial valuation report, Demsey, Filliger & Associates prepared a projection of the expected annual cost to the District to pay OPEB benefits.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended June 30, 2021, OC San recognized OPEB expense of \$92,141 for its post-employment retiree medical benefits plan. At June 30, 2021 OC San reported \$0 for its share of deferred outflows/inflows of resources related to OPEB.

Actuarial Assumptions and Methods: The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	4.00% per annum
Discount rate	1.92% per annum
Inflation rate	3.00% per annum
Healthcare cost trend rate	5.80% for 2021, 5.70% for 2022, 5.60% for 2023; and decreasing 0.10% per year to an ultimate rate of 5.00% for 2029 and later years
Projected salary increases	3.00% per annum

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

The mortality assumptions used in the total OPEB liability at July 1, 2019 were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection for pre-retirement mortality rates and RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection for post-retirement mortality rates.

Actuarial assumptions used in the July 1, 2019 valuation were based on a review of plan experience during the period July 1, 2017 through June 30, 2019.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.13% as of the valuation date, July 1, 2019, and 1.92% as of the measurement date, June 30, 2021. Because there are no assets held in a trust, for GASB 75 reporting purposes, the discount rate is based on a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following table represents the total OPEB liability calculated using the discount rate of 1.92% as of the measurement date, as well as what total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.92%) or 1 percentage point higher (2.92%) than the current rate:

Total OPEB Liability	1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
June 30, 2021	\$ 1,412,340	\$ 1,332,528	\$ 1,255,758

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following table represents the total OPEB liability calculated using the healthcare cost trend rate of 5.80% decreasing to 5.00% as of the measurement date, as well as what total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (4.80% decreasing to 4.00%) or 1 percentage point higher (6.80% decreasing to 6.00%) than the current rate:

Total OPEB Liability	1% Decrease (4.80% decreasing to 4.00%, 3.00% at Medicare ages)	Current Trend Rate (5.80% decreasing to 5.00%, 4.00% at Medicare ages)	1% Increase (6.80% decreasing to 6.00%, 5.00% at Medicare ages)
June 30, 2021	\$ 1,223,328	\$ 1,332,528	\$ 1,447,119

(7) Transactions with Irvine Ranch Water District – Revenue Area No. 14

Formation of Revenue Area No. 14 & Excess Purchase Price Over Book Value of Acquired Assets

On July 1, 1985, Revenue Area No. 14 was formed as an independent special district as a result of a negotiated agreement between OC San and IRWD. At the time of Revenue Area 14's creation, OC San consisted of eight independent special districts (see Note 1 – Reporting Entity). The eight existing districts sold a portion of the joint treatment facilities and land to the newly created district and recorded capacity rights revenue at the time of the sale.

In accordance with the negotiated agreement between OC San and IRWD, IRWD paid OC San \$34,532,000 for an initial 15 million gallons per day capacity in OC San's joint treatment facilities (with an ultimate collection capacity of 32 million gallons per day) and for a pro-rata interest in real

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

property (based on flow of 32 million gallons per day). The book value of the assets acquired was determined to be \$14,553,000 as of June 30, 1986; these assets were recorded at book value in Revenue Area 14. The excess of the purchase price over the assets' book value was \$19,979,000 and was recorded as an intangible asset in Revenue Area 14. The excess of the purchase price over the assets' book value was amortized over useful lives of the original assets acquired. The excess of purchase price over the assets' book value was fully amortized as of June 30, 2017.

Annual Transactions

IRWD entered into a separate agreement with Revenue Area 14 on January 1, 1986 whereby IRWD agreed to fund quarterly payments of Revenue Area 14's proportionate share of OC San's joint capital outlay revolving fund budget requirements and certain capital improvements during the term of the agreement, for which contributions of \$4,251,823 were recorded as contribution from other government during the fiscal year ended June 30, 2021. IRWD also agreed to fund the annual integration adjustment of Revenue Area 14's equity share in OC San's Joint Works Treatment Facilities based on the flows discharged to OC San. Integration contributions credited to IRWD of \$1,289,514 from Revenue Area 14 were recognized and reported as contributions to other governments during the fiscal year ended June 30, 2021. These contributions received from or credited to IRWD for their agreed-upon share of capital assets and equity share in OC San's Joint Works Treatment Facilities are calculated as prescribed in the agreements.

In addition, a separate agreement for transfer of IRWD's wastewater solids residuals to OC San was entered on April 28, 2010. IRWD agreed to pay OC San for an interim solids handling charge which includes annual capital and quarterly operating expense components designed to compensate OC San for IRWD's share of the cost of operating and maintaining the existing facilities for the treatment of solids. As a result, \$2,875,343 in annual solids capital handling charges were reported as operating revenue in Consolidated Revenue Area, and \$6,521,763 in quarterly solids operating and maintenance charges were reported as operating revenue in Revenue Area No. 14 during the fiscal year ended June 30, 2021.

Any amounts credited to IRWD are not refunded in cash but are held as a credit to satisfy future contributions required of IRWD. Amounts owed from IRWD are invoiced on a quarterly or annual basis. As a result, a balance of \$28,662,360 was reported in due to other governmental agency as of June 30, 2021.

Annual Cash Reserve Requirement

The cash reserve contribution requirement from IRWD at June 30, 2021; in accordance with Amendment No. 2 to the Agreement between IRWD and OC San Acquiring Ownership Interests, Assigning Rights, and Establishing Obligations; is \$14.2 million. This cash reserve requirement is recognized as a liability to IRWD.

(8) Commitments and Contingencies

Pollution Remediation: An Underground Storage Tank (UST) at Plant No. 1 failed the pressure test to ensure its tank integrity. As a result of the test failure, OC San voluntarily took this UST out of service and tested the immediate surrounding area and determined that both gasoline and diesel were present. During the fiscal year ended June 30, 2017, OC San completed an analysis of remediation alternatives resulting in a less costly remediation plan for the contaminated soil than the plan developed during the previous fiscal year. The new remediation plan received approval from the Orange County Health Care Agency, and based upon their feedback a final design was completed. The new remediation plan called for removal and disposal of approximately 2,200 tons of contaminated soil, and some limited groundwater treatment. This work was issued a construction

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

contract in March 2019 and has been substantially completed as of June 30, 2021. As of June 30, 2021, actual costs of \$1,202,568 were incurred. Project closeout occurred in July 2021 and no remaining costs are estimated. This does not include operating costs for post-remediation monitoring over a five-year period.

Construction Commitments: OC San has active construction projects to add additional capacity, improve treatment, or replace/rehabilitate existing assets. At June 30, 2021, the outstanding commitments with contractors totaled \$307,721,820.

Litigation: Certain claims involving disputed construction costs have arisen in the ordinary course of business. Additionally, OC San is a defendant in lawsuits. Although the outcome of these matters is not presently determinable, management does not expect that the resolution of these matters will have a material adverse impact on the financial condition of OC San.

(9) COVID-19 Pandemic

The spread of the novel strain of coronavirus and the disease it causes (now known as “COVID-19”) is having significant negative impacts throughout the world, including in Southern California. The World Health Organization declared the COVID-19 outbreak to be a pandemic, and states of emergency were declared by the United States, the State of California, and numerous counties throughout the State, including Orange County of which, comprises the service area of OC San. On March 17, 2020, OC San’s General Manager declared a state of emergency at OC San. The purposes behind these declarations were to initiate emergency response protocols, coordinate and formalize emergency actions across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

OC San is assessing the effects the ongoing COVID-19 outbreak will have on OC San and its business and operations, as well as in the region, including the adverse financial impacts likely to be experienced by its member agencies. The degree of impact to OC San’s finances and operations is difficult to predict due to the evolving nature of the COVID-19 pandemic, including uncertainties relating to (i) the ultimate extent of the geographic spread of the virus; (ii) the duration and severity of the outbreak; (iii) the extent of the disruption to or decline in the local and global economies and financial markets; (iv) the degree to which business closures, increased unemployment, housing foreclosures and/or other economic consequences may reduce water and sewer demands in the region and OC San’s wastewater transactions, or negatively affect future property values in OC San’s service area and/or OC San’s property tax levy receipts, and reduce OC San’s revenues; (v) the extent to which a protracted disruption in the manufacturing or construction industry may affect supply chains or further delay construction schedules for, or the implementation of, OC San’s capital improvement programs and projects, or the costs of such programs or projects or OC San’s sewer system operations; and (vi) what additional actions may be taken or required by governmental authorities to contain and respond to the outbreak and what costs or impacts of such actions may be. The restrictions and limitations instituted related to COVID-19 will likely remain in place for some period and may increase, that the ongoing economic downturn may continue for many months and an economic recession has been projected as likely to occur, and that the recovery may be prolonged. As a result, OC San’s finances and operations may be adversely impacted by COVID-19.

ORANGE COUNTY SANITATION DISTRICT
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

(10) Subsequent Events

On July 29, 2021, OC San issued Series 2021A wastewater refunding revenue obligations (Series 2021A), in the amount of \$133,510,000. The obligations were issued to refund a portion of the Series 2011A wastewater refunding revenue obligations (Series 2011A) and Series 2018A revenue refunding certificate anticipation notes (Series 2018A). The debt was issued at a premium of \$30,840,308. The total proceeds of \$164,236,332 were used to refund \$61,575,000 of the \$75,370,000 outstanding Series 2011A obligations and \$102,200,000 of the Series 2018A obligations. The interest rate on the Series 2021A obligations is 5.00% with a final maturity date of February 1, 2036.

**ORANGE COUNTY SANITATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

ORANGE COUNTY SANITATION DISTRICT
 Proportionate Share of the Net Pension Liability (Asset)
 Orange County Employees Retirement System (OCERS) Pension Plan
 Last 10 Fiscal Years (1)

	Fiscal Year Ended June 30,						
	2015	2016	2017	2018	2019	2020	2021
Proportion of the net pension liability (asset)	1.13%	0.74%	(0.20%)	(0.80%)	0.47%	(0.97%)	(1.63%)
Proportionate share of the net pension liability (asset)	\$57,418,760	\$42,439,759	\$(10,384,508)	\$(39,571,100)	\$29,029,147	\$(49,446,615)	\$(68,643,378)
Covered payroll (2)	\$58,641,163	\$59,789,927	\$ 60,000,017	\$ 62,341,796	\$66,475,479	\$ 71,395,906	\$ 73,290,519
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	97.92%	70.98%	(17.31%)	(63.47%)	43.67%	(69.26%)	(93.66%)
OCERS' fiduciary net position as a percentage of the total pension liability	89.61%	92.74%	101.70%	105.96%	95.86%	106.64%	108.50%

(1) The amounts presented were determined as of the measurement date December 31. Data for fiscal years ended June 30, 2012 through 2014 is not available in a comparable format.

(2) Covered payroll represents compensation earnable and pensionable compensation for the measurement period ended December 31. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

ORANGE COUNTY SANITATION DISTRICT
Schedule of District Contributions
Orange County Employees Retirement System (OCERS) Pension Plan
Last 10 Fiscal Years (1)

	Fiscal Year Ended June 30,						
	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 17,201,569	\$ 12,222,849	\$ 7,709,734	\$ 7,525,655	\$ 7,769,431	\$ 8,739,661	\$ 8,479,429
Contributions in relation to the contractually required contribution	<u>(17,201,569)</u>	<u>(12,222,849)</u>	<u>(7,709,734)</u>	<u>(7,525,655)</u>	<u>(7,769,431)</u>	<u>(8,739,661)</u>	<u>(8,479,429)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll (2)	\$ 60,025,942	\$ 60,595,474	\$ 62,266,907	\$ 65,390,144	\$ 69,101,109	\$ 69,688,759	\$ 72,191,190
Contributions as a percentage of covered payroll	28.66%	20.17%	12.38%	11.51%	11.24%	12.54%	11.75%

(1) The amounts presented for each fiscal year were determined as of June 30. Data for fiscal years ended June 30, 2012 through 2014 is not available in a comparable format.

(2) Covered payroll represents compensation earnable and pensionable compensation for the fiscal year ended June 30. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

ORANGE COUNTY SANITATION DISTRICT
 Total Pension Liability (3)
 Additional Retiree Benefit Account (ARBA)
 Last 10 Fiscal Years (1)

	Fiscal Year Ended June 30,						
	2015	2016	2017	2018	2019	2020	2021
Total pension liability	\$ 16,680,614	\$ 18,313,122	\$ 18,467,361	\$ 20,831,172	\$ 21,577,464	\$ 21,434,655	\$ 23,320,422
Covered-employee payroll (2)	\$ 62,139,375	\$ 62,977,577	\$ 65,120,945	\$ 68,126,103	\$ 71,948,599	\$ 74,602,862	\$ 78,413,423
Total pension liability as a percentage of covered-employee payroll	26.84%	29.08%	28.36%	30.58%	29.99%	28.73%	29.74%

- (1) The amounts presented for each fiscal year were determined as of June 30. Data for fiscal years ended June 30, 2012 through 2014 is not available in a comparable format.
- (2) This plan is not administered through a trust or equivalent arrangement, thus covered-employee payroll is used. Covered-employee payroll represents total payroll of employees that are provided benefits through the pension plan for the fiscal year ended June 30.
- (3) There are no assets in a trust compliant with GASB codification P22.101. OCSD funds benefits on a pay-as-you-go basis and elected not to pre-fund its pension obligation. As a result, there are no plan assets and the total pension liability is equal to the net pension liability.

ORANGE COUNTY SANITATION DISTRICT
Changes in Total Pension Liability (2)
Additional Retiree Benefit Account (ARBA)
Last 10 Fiscal Years (1)

	Fiscal Year Ended June 30,					
	2016	2017	2018	2019	2020	2021
Beginning balance at July 1	\$ 16,680,614	\$ 18,313,122	\$ 18,467,361	\$ 20,831,172	\$ 21,577,464	\$ 21,434,655
Changes in the year:						
Service cost	270,223	278,330	553,795	570,409	576,661	703,496
Interest on total pension liability	626,386	593,711	649,192	663,852	608,775	530,599
Difference between expected and actual experience	-	-	-	-	(2,263,797)	-
Changes of assumptions	1,230,327	(70,952)	1,889,274	328,481	1,823,672	1,619,642
Benefit payments	(494,428)	(646,850)	(728,450)	(816,450)	(888,120)	(967,970)
Net changes	1,632,508	154,239	2,363,811	746,292	(142,809)	1,885,767
Ending balance at June 30	<u>\$ 18,313,122</u>	<u>\$ 18,467,361</u>	<u>\$ 20,831,172</u>	<u>\$ 21,577,464</u>	<u>\$ 21,434,655</u>	<u>\$ 23,320,422</u>

- (1) The amounts presented for each fiscal year were determined as of June 30. Data for fiscal years ended June 30, 2012 through 2015 is not available in a comparable format.
- (2) OC San funds benefits on a pay-as-you-go basis and elected not to pre-fund its pension obligation. As a result, there are no plan assets and the total pension liability is equal to the net pension liability.

ORANGE COUNTY SANITATION DISTRICT
 Total OPEB Liability (3)
 Post-Employment Medical Benefits Plan
 Last 10 Fiscal Years (1)

	Fiscal Year Ended June 30,				
	2017	2018	2019	2020	2021
Total OPEB liability	\$ 6,398,694	\$ 5,025,395	\$ 4,013,291	\$ 2,483,644	\$ 1,332,528
Covered-employee payroll (2)	\$ 65,120,945	\$ 68,126,103	\$ 71,948,599	\$ 74,602,862	\$ 78,413,423
Total OPEB liability as a percentage of covered-employee payroll	9.83%	7.38%	5.58%	3.33%	1.70%

- (1) The amounts presented for each fiscal year were determined as of June 30. Data for fiscal years ended June 30, 2012 through 2016 is not available in a comparable format.
- (2) This plan is not administered through a trust or equivalent arrangement, thus covered-employee payroll is used. Covered-employee payroll represents total payroll of employees that are provided benefits through the OPEB plan for the fiscal year ended June 30.
- (3) There are no assets in a trust compliant with GASB codification P52.101. OC San funds benefits on a pay-as-you-go basis and elected not to pre-fund its OPEB obligation. As a result, there are no plan assets and the total OPEB liability is equal to the net OPEB liability.

ORANGE COUNTY SANITATION DISTRICT
Changes in Total OPEB Liability (3)
Post-Employment Medical Benefits Plan
Last 10 Fiscal Years (1)

	Fiscal Year Ended June 30,			
	2018	2019	2020	2021
Beginning balance at July 1	\$ 6,398,694	\$ 5,025,395	\$ 4,013,291	\$ 2,483,644
Changes in the year:				
Service cost	18,182	16,489	4,334	5,238
Interest on total OPEB liability	177,395	159,195	98,047	45,840
Difference between expected and actual experience	-	-	(115,924)	-
Changes of assumptions	(95,279)	78,935	88,289	41,063
Benefit payments (2)	<u>(1,473,597)</u>	<u>(1,266,723)</u>	<u>(1,604,393)</u>	<u>(1,243,257)</u>
Net changes	<u>(1,373,299)</u>	<u>(1,012,104)</u>	<u>(1,529,647)</u>	<u>(1,151,116)</u>
Ending balance at June 30	<u>\$ 5,025,395</u>	<u>\$ 4,013,291</u>	<u>\$ 2,483,644</u>	<u>\$ 1,332,528</u>

- (1) The amounts presented for each fiscal year were determined as of June 30. Data for fiscal years ended June 30, 2012 through 2017 is not available in a comparable format.
- (2) Benefit payments include implicit subsidy associated with benefits paid.
- (3) OC San funds benefits on a pay-as-you-go basis and elected not to pre-fund its OPEB obligation. As a result, there are no plan assets and the total OPEB liability is equal to the net OPEB liability.

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**ORANGE COUNTY SANITATION DISTRICT
SUPPLEMENTARY INFORMATION**

ORANGE COUNTY SANITATION DISTRICT
Combining Area Schedule of Net Position
June 30, 2021

	Revenue Area No. 14	Consolidated Revenue Area	Totals
Current assets:			
Cash and cash equivalents	\$ 2,892,239	\$ 94,043,126	\$ 96,935,365
Investments	25,770,121	837,933,202	863,703,323
Accounts receivable, net of allowance for uncollectibles \$424,460	-	22,860,292	22,860,292
Accrued interest receivable	-	3,097,236	3,097,236
Connection fees receivable	-	657,904	657,904
Property tax receivable	-	1,762,822	1,762,822
Inventories	-	8,452,587	8,452,587
Prepaid expenses	-	2,534,433	2,534,433
Total current assets	<u>28,662,360</u>	<u>971,341,602</u>	<u>1,000,003,962</u>
Noncurrent assets:			
Restricted:			
Cash and cash equivalents held by fiscal agents	-	120	120
Unrestricted:			
Non-depreciable capital assets	12,188,813	446,691,854	458,880,667
Depreciable capital assets, net of accumulated depreciation	81,424,260	2,167,432,314	2,248,856,574
Other noncurrent assets, net	-	10,344	10,344
Net pension asset - OCERS	-	68,643,378	68,643,378
Total noncurrent assets	<u>93,613,073</u>	<u>2,682,778,010</u>	<u>2,776,391,083</u>
Total assets	<u>122,275,433</u>	<u>3,654,119,612</u>	<u>3,776,395,045</u>
Deferred outflows of resources:			
Deferred charges on defeasances	-	21,716,099	21,716,099
Deferred outflows related to pensions	-	54,054,179	54,054,179
Total deferred outflows of resources	<u>-</u>	<u>75,770,278</u>	<u>75,770,278</u>
Total assets and deferred outflows of resources	<u>122,275,433</u>	<u>3,729,889,890</u>	<u>3,852,165,323</u>
Current liabilities:			
Accounts payable	-	18,955,037	18,955,037
Accrued expenses	-	10,098,325	10,098,325
Retentions payable	-	8,028,332	8,028,332
Interest payable	-	16,943,800	16,943,800
Due to other governmental agency	28,662,360	-	28,662,360
Current portion of long-term obligations	-	45,597,991	45,597,991
Total current liabilities	<u>28,662,360</u>	<u>99,623,485</u>	<u>128,285,845</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	-	932,362,755	932,362,755
Total OPEB liability	-	1,332,528	1,332,528
Total pension liability - ARBA	-	23,320,422	23,320,422
Total noncurrent liabilities	<u>-</u>	<u>957,015,705</u>	<u>957,015,705</u>
Total liabilities	<u>28,662,360</u>	<u>1,056,639,190</u>	<u>1,085,301,550</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	-	56,481,462	56,481,462
Total liabilities and deferred inflows of resources	<u>28,662,360</u>	<u>1,113,120,652</u>	<u>1,141,783,012</u>
Net position:			
Net investment in capital assets:			
Collection system	13,471,250	540,599,481	554,070,731
Treatment and disposal land	2,234,537	51,505,130	53,739,667
Treatment and disposal system	77,907,286	2,022,019,558	2,099,926,844
Capital-related liabilities	-	(967,635,356)	(967,635,356)
Subtotal	<u>93,613,073</u>	<u>1,646,488,813</u>	<u>1,740,101,886</u>
Unrestricted	-	970,280,425	970,280,425
Total net position	<u>\$ 93,613,073</u>	<u>\$ 2,616,769,238</u>	<u>\$ 2,710,382,311</u>

ORANGE COUNTY SANITATION DISTRICT
Combining Area Schedule of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2021

	Revenue Area No. 14	Consolidated Revenue Area	Totals
Operating revenues:			
Service charges	\$ 8,478,416	\$ 327,090,832	\$ 335,569,248
Permit and inspection fees	8,881	1,122,256	1,131,137
Total operating revenues	<u>8,487,297</u>	<u>328,213,088</u>	<u>336,700,385</u>
Operating expenses other than depreciation and amortization:			
Salaries and benefits	3,314,923	71,457,504	74,772,427
Utilities	256,966	9,532,521	9,789,487
Supplies, repairs and maintenance	1,394,879	46,149,705	47,544,584
Contractual services	6,979,347	15,673,824	22,653,171
Feasibility studies	116,987	5,586,626	5,703,613
Other	295,054	7,259,826	7,554,880
Total operating expenses other than depreciation and amortization	<u>12,358,156</u>	<u>155,660,006</u>	<u>168,018,162</u>
Operating income (loss) before depreciation and amortization	(3,870,859)	172,553,082	168,682,223
Depreciation and amortization	<u>4,234,177</u>	<u>112,218,007</u>	<u>116,452,184</u>
Operating income (loss)	<u>(8,105,036)</u>	<u>60,335,075</u>	<u>52,230,039</u>
Non-operating revenues:			
Property taxes	3,401,325	106,844,105	110,245,430
Investment and interest income	54,962	1,639,293	1,694,255
Contributions from other governments	4,544,544	16,152,900	20,697,444
Other	119,002	6,748,042	6,867,044
Total non-operating revenues	<u>8,119,833</u>	<u>131,384,340</u>	<u>139,504,173</u>
Non-operating expenses:			
Interest	-	34,836,870	34,836,870
Contributions to other governments	1,289,514	-	1,289,514
Other	689	62,040	62,729
Loss on disposal of assets	52,426	1,667,023	1,719,449
Total non-operating expenses	<u>1,342,629</u>	<u>36,565,933</u>	<u>37,908,562</u>
Income (loss) before capital contributions	(1,327,832)	155,153,482	153,825,650
Capital contributions:			
Capital facilities capacity charges	-	17,546,570	17,546,570
Change in net position	(1,327,832)	172,700,052	171,372,220
Total net position - beginning	<u>94,940,905</u>	<u>2,444,069,186</u>	<u>2,539,010,091</u>
Total net position - ending	<u>\$ 93,613,073</u>	<u>\$ 2,616,769,238</u>	<u>\$ 2,710,382,311</u>

ORANGE COUNTY SANITATION DISTRICT
Combining Area Schedule of Cash Flows
For the Year Ended June 30, 2021

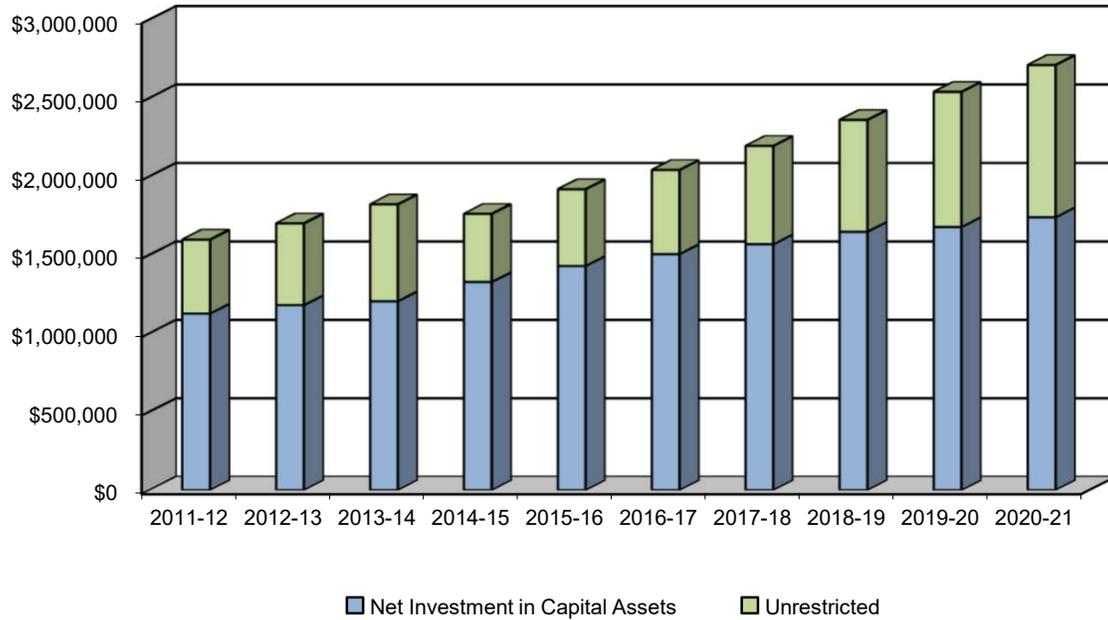
	Revenue Area No. 14	Consolidated Revenue Area	Eliminations	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,535,837	\$ 320,818,188	\$ -	\$ 323,354,025
Payments to employees	(3,314,923)	(84,209,874)	-	(87,524,797)
Payments to suppliers	(9,043,233)	(90,697,909)	-	(99,741,142)
Net cash provided by (used in) operating activities	<u>(9,822,319)</u>	<u>145,910,405</u>	<u>-</u>	<u>136,088,086</u>
Cash flows from noncapital financing activities:				
Proceeds from property taxes	3,401,325	106,922,490	-	110,323,815
Receipts (payments) for other activities	121,850	6,686,002	-	6,807,852
Net cash provided by noncapital financing activities	<u>3,523,175</u>	<u>113,608,492</u>	<u>-</u>	<u>117,131,667</u>
Cash flows from capital and related financing activities:				
Capital facilities capacity charges	-	21,164,963	-	21,164,963
Additions to capital assets	(4,251,822)	(139,709,388)	4,251,822	(139,709,388)
Disposal of capital assets	1,289,514	-	(1,289,514)	-
Interest paid	-	(42,698,973)	-	(42,698,973)
Principal payments on debt obligations	-	(30,430,000)	-	(30,430,000)
Contributions from (to) other governments	3,255,030	16,152,900	(2,962,308)	16,445,622
Net cash provided by (used in) capital and related financing activities	<u>292,722</u>	<u>(175,520,498)</u>	<u>-</u>	<u>(175,227,776)</u>
Cash flows from investing activities:				
Proceeds from the sale of investments	21,415,219	376,903,198	-	398,318,417
Purchases of investments	(17,160,073)	(482,996,401)	-	(500,156,474)
Interest received	455,716	13,756,348	-	14,212,064
Net cash provided by (used in) investing activities	<u>4,710,862</u>	<u>(92,336,855)</u>	<u>-</u>	<u>(87,625,993)</u>
Net decrease in cash and cash equivalents	(1,295,560)	(8,338,456)	-	(9,634,016)
Cash and cash equivalents, beginning of year	4,187,799	102,381,702	-	106,569,501
Cash and cash equivalents, end of year	<u>\$ 2,892,239</u>	<u>\$ 94,043,246</u>	<u>\$ -</u>	<u>\$ 96,935,485</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (8,105,036)	\$ 60,335,075	\$ -	\$ 52,230,039
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,234,177	112,218,007	-	116,452,184
Bad debt expense (net recoveries)	-	119,841	-	119,841
(Increase)/decrease in operating assets:				
Accounts receivable	-	(7,394,900)	-	(7,394,900)
Inventories	-	(1,510,474)	-	(1,510,474)
Prepaid expenses	-	(61,015)	-	(61,015)
Increase/(decrease) in operating liabilities:				
Accounts payable	-	(2,363,774)	-	(2,363,774)
Accrued expenses	-	(6,427,424)	-	(6,427,424)
Due to other governmental agency	(5,951,460)	-	-	(5,951,460)
Net pension/OPEB liabilities	-	(11,145,108)	-	(11,145,108)
Compensated absences	-	1,548,001	-	1,548,001
Claims and judgments	-	592,176	-	592,176
Net cash provided by (used in) operating activities	<u>\$ (9,822,319)</u>	<u>\$ 145,910,405</u>	<u>\$ -</u>	<u>\$ 136,088,086</u>
Noncash activities:				
Unrealized gain (loss) on the fair value of investments	\$ (400,754)	\$ (11,952,854)		\$ (12,353,608)
Capital assets acquired through accounts payable	-	9,129,315		9,129,315
Capital facilities capacity charges acquired	-	(3,618,393)		(3,618,393)

**ORANGE COUNTY SANITATION DISTRICT
STATISTICAL SECTION**

This part of the Annual Comprehensive Financial Report of the Orange County Sanitation District (OC San) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about OC San's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Position and Trends These schedules contain current and trend information to help the reader understand OC San's financial position and how OC San's financial performance and well-being have changed over time.	62 - 66
Revenue Capacity These schedules contain information to help the reader assess OC San's most significant revenue source of sewer service fees.	67 - 69
Debt Capacity These schedules present information to help the reader assess the affordability of OC San's current levels of outstanding debt and OC San's ability to issue additional debt in the future. All of OC San's debt is recorded in a proprietary fund; consequently, many of the schedules which are applicable to governmental funds are not presented.	70 - 72
Operating Information These schedules contain data to help the reader understand how the information in OC San's financial report relates to the services it provides and the activities it performs.	73 - 76
Demographic and Economic Factors These schedules offer demographic information to help the reader understand the environment within which OC San's financial activities take place.	77 - 80

ORANGE COUNTY SANITATION DISTRICT
 Net Position by Component
 (Dollars in Thousands)
 Last Ten Fiscal Years



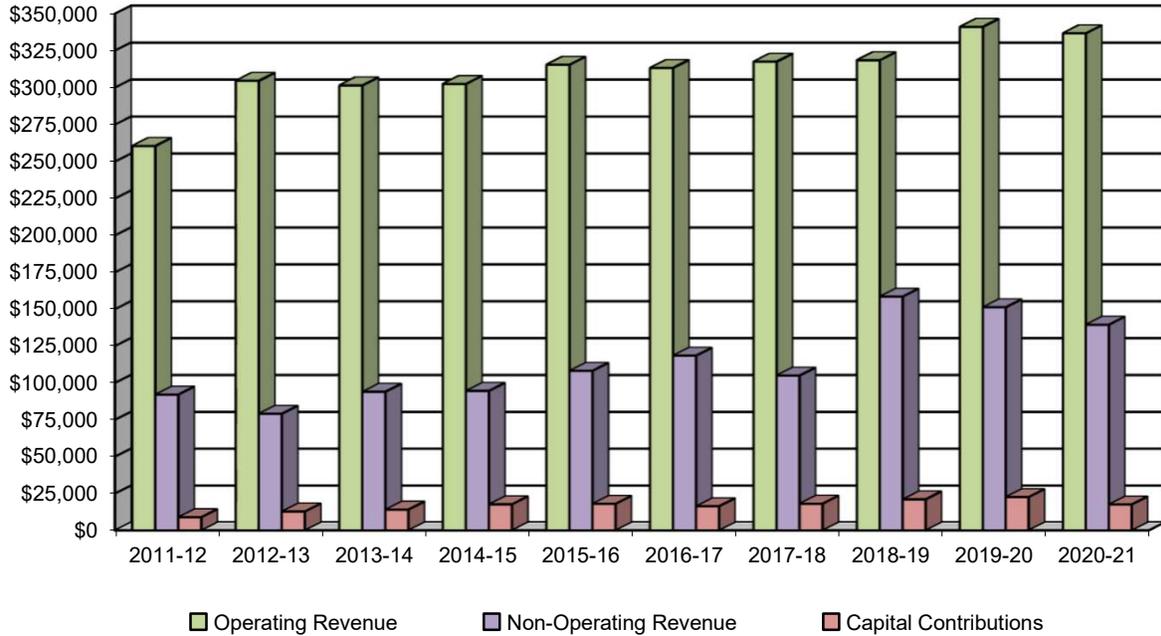
<u>Fiscal Year</u>	<u>Net Investment in Capital Assets</u>	<u>Unrestricted</u>	<u>Total Net Position</u>
2011-12	\$1,125,966	\$ 471,652	\$ 1,597,618 ⁽¹⁾
2012-13	1,180,298	520,427	1,700,725
2013-14	1,204,706	617,589	1,822,295
2014-15	1,327,384	434,460	1,761,844 ⁽²⁾
2015-16	1,429,269	489,303	1,918,572 ⁽³⁾
2016-17	1,504,898	536,327	2,041,225
2017-18	1,568,118	626,671	2,194,789 ⁽⁴⁾
2018-19	1,647,723	712,779	2,360,502
2019-20	1,678,041	860,969	2,539,010
2020-21	1,740,102	970,280	2,710,382

Notes

- ⁽¹⁾ Beginning net position restated due to implementation of GASB 65.
- ⁽²⁾ Beginning net position restated due to implementation of GASB 68.
- ⁽³⁾ Beginning net position restated due to implementation of GASB 73.
- ⁽⁴⁾ Beginning net position restated due to implementation of GASB 75.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
 Revenues and Gross Capital Contributions by Source
 (Dollars in Thousands)
 Last Ten Fiscal Years

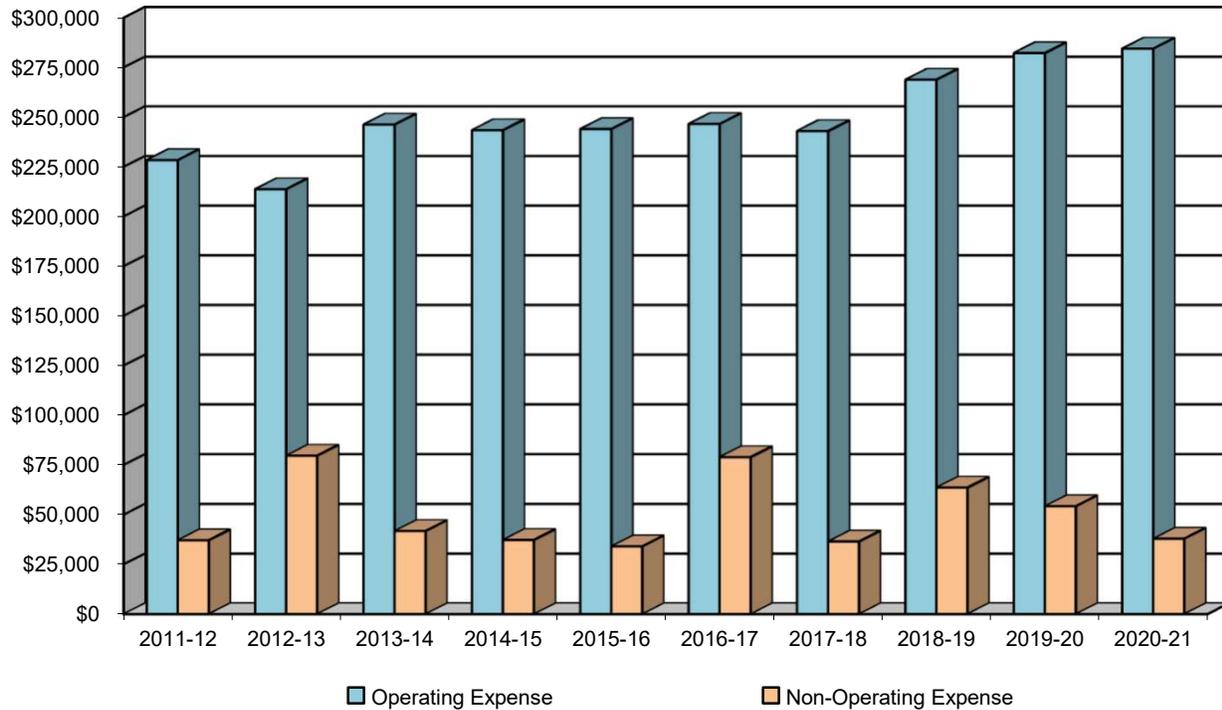


Fiscal Year	Operating Revenue			Non-Operating Revenue			Total Non-Operating	Capital Contributions
	Service Charges	Permit & Inspection Fees	Total Operating	Property Taxes	Interest	Other		
2011-12	\$ 259,491	\$ 1,030	\$ 260,521	\$ 67,882	\$ 15,747	\$ 8,486	\$ 92,115	\$ 8,936
2012-13	303,400	1,176	304,576	79,240	(3,913)	3,781	79,108	12,797
2013-14	300,611	848	301,459	74,944	6,498	12,595	94,037	14,093
2014-15	301,548	902	302,450	79,835	4,806	9,996	94,637	17,656
2015-16	314,477	951	315,428	84,407	9,183	14,658	108,248	17,974
2016-17	312,237	1,045	313,282	88,284	3,081	27,146	118,511	16,351
2017-18	316,329	1,170	317,499	94,188	3,230	7,611	105,029	18,077
2018-19	317,291	1,199	318,490	99,534	29,102	29,962	158,598	21,032
2019-20	339,895	1,169	341,064	104,492	33,669	13,172	151,333	22,593
2020-21	335,569	1,131	336,700	110,245	1,694	27,565	139,504	17,547

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT

Expenses by Type
(Dollars in Thousands)
Last Ten Fiscal Years

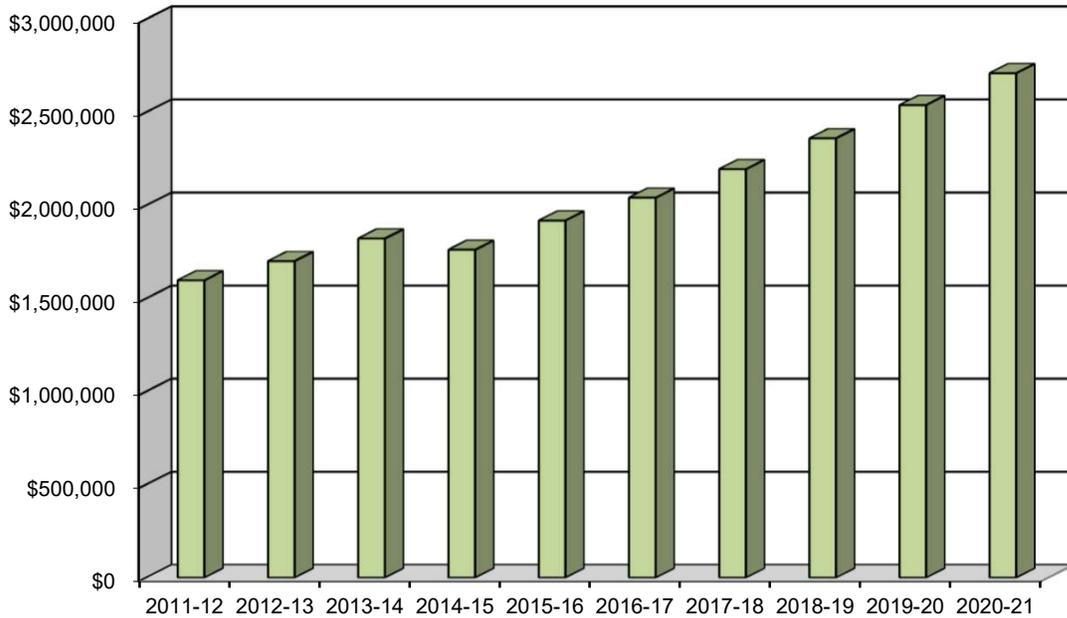


Fiscal Year	Operating Expense				Total Operating	Non-Operating Expense		Total Non-Operating
	Salaries & Benefits	Utilities	Maint & Other	Depr & Amort		Interest Expense	Other	
2011-12	\$ 75,642	\$ 7,405	\$ 89,272	\$ 56,051	\$ 228,370	\$ 28,700	\$ 8,433	\$ 37,133
2012-13	76,878	6,403	66,536	63,907	213,724	42,315	37,335	79,650
2013-14	79,179	6,381	60,887	99,805	246,252	40,450	1,317	41,767
2014-15	79,657	7,246	62,323	94,186	243,412	34,112	3,168	37,280
2015-16	75,576	7,246	70,679	90,502	244,003	27,597	6,482	34,079
2016-17	74,291	6,119	69,843	96,320	246,573	25,648	53,270	78,918
2017-18	67,418	7,298	70,840	97,399	242,955	35,011	1,483	36,494
2018-19	85,506	7,733	73,347	102,239	268,825	34,466	29,116	63,582
2019-20	82,917	8,622	76,794	113,888	282,221	33,833	20,428	54,261
2020-21	74,772	9,789	83,457	116,452	284,470	34,837	3,072	37,909

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT

Change in Net Position
(Dollars in Thousands)
Last Ten Fiscal Years



Ending Net Position by Fiscal Year

Fiscal Year	Total Revenues	Total Expenses	Change in Net Position	Beginning Net Position	Ending Net Position
2011-12	\$ 361,572	\$ 265,503	\$ 96,069	\$ 1,501,549 ⁽¹⁾	\$ 1,597,618
2012-13	396,481	293,374	103,107	1,597,618	1,700,725
2013-14	409,589	288,019	121,570	1,700,725	1,822,295
2014-15	414,743	280,692	134,051	1,627,793 ⁽²⁾	1,761,844
2015-16	441,650	278,082	163,568	1,755,004 ⁽³⁾	1,918,572
2016-17	448,144	325,491	122,653	1,918,572	2,041,225
2017-18	440,605	279,449	161,156	2,033,633 ⁽⁴⁾	2,194,789
2018-19	498,120	332,407	165,713	2,194,789	2,360,502
2019-20	514,990	336,482	178,508	2,360,502	2,539,010
2020-21	493,751	322,379	171,372	2,539,010	2,710,382

Notes

- ⁽¹⁾ Beginning net position restated due to implementation of GASB 65.
- ⁽²⁾ Beginning net position restated due to implementation of GASB 68.
- ⁽³⁾ Beginning net position restated due to implementation of GASB 73.
- ⁽⁴⁾ Beginning net position restated due to implementation of GASB 75.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Cash and Investment Reserve Balances
(Dollars in Millions)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Cash Flow Contingency</u>	<u>Self- Insurance</u>	<u>Capital Improvement Program</u>	<u>Debt Service Requirements</u>	<u>Total</u>
2011-12	\$ 196	\$ 57	\$ 186	\$ 138	\$ 577
2012-13	174	57	234	135	600
2013-14	189	57	296	131	673
2014-15	177	57	194	129	557
2015-16	181	57	190	117	545
2016-17	174	57	173	107	511
2017-18	173	57	350	100	680
2018-19	177	57	429	97	760
2019-20	178	57	552	94	881
2020-21	128	100	639	94	961

Notes

The Board of Directors of the Orange County Sanitation District has established the criteria below to determine the total funds required as listed in the Accumulated Funds and Reserves Policy:

The Cash Flow Contingency Reserve is to fund operations, maintenance, and certificates of participation debt service expenses for the first half of the fiscal year, prior to the receipt of the first installment of the property tax allocation and sewer service user fees.

The Self-Insurance Reserve is to provide requirements for property damage including fire, flood and earthquake, general liability and workers' compensation.

The Capital Improvement Program Reserve is to fund annual increments of the capital improvement program with a target level at one half of the average annual capital improvement program over the next 10 years.

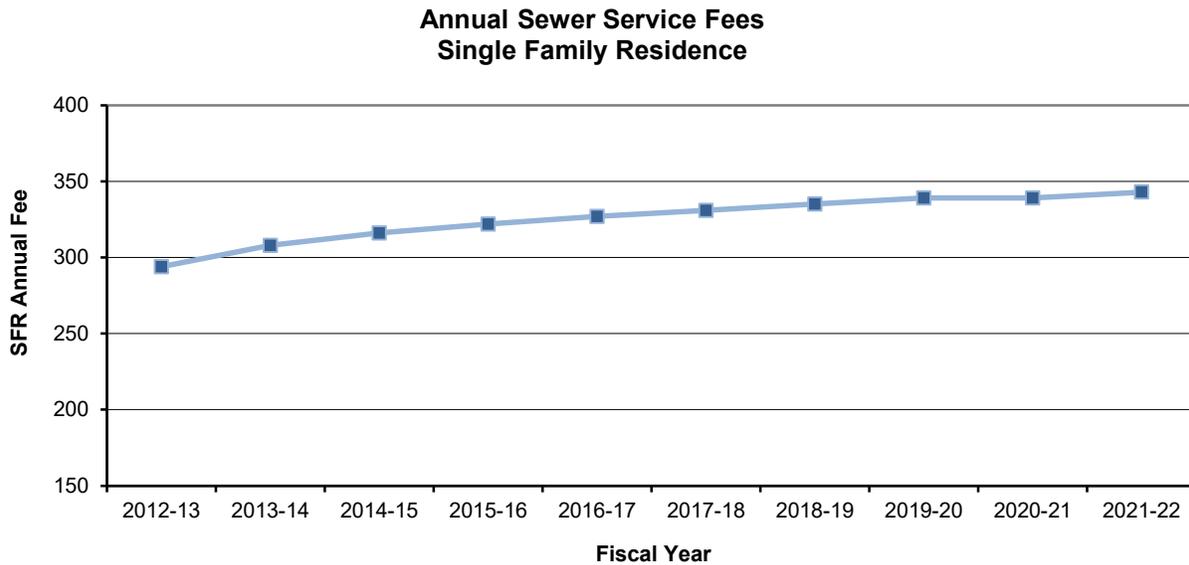
The Debt Service Requirements Reserve is held pursuant to the provisions of certificates of participation issues, and the monies are not available for the general needs of the Orange County Sanitation District.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
 Sewer Service Fees
 Single Family Residence Rate
 Last Nine Fiscal Years and Next Fiscal Year

Sewer service fees are comprised of three categories: residential customers, commercial customers, and industrial customers. Although the majority of sewer service fee revenues are from residential and commercial customers (see the schedule of Number of Accounts and Revenues by Customer Class), the fee paid by each residential and commercial customer is less than the individual fees paid by industrial customers. The rates for commercial and industrial customers are derived from the base sewer service fee charged for a single-family residence and are based on the type of business and the strength and volume of waste that is discharged into the sewer system. Due to the complexity of the rate structure for commercial and industrial customers and since the rates are derivatives of the single-family residence rate, only the single-family residence rate is presented within the statistical section.

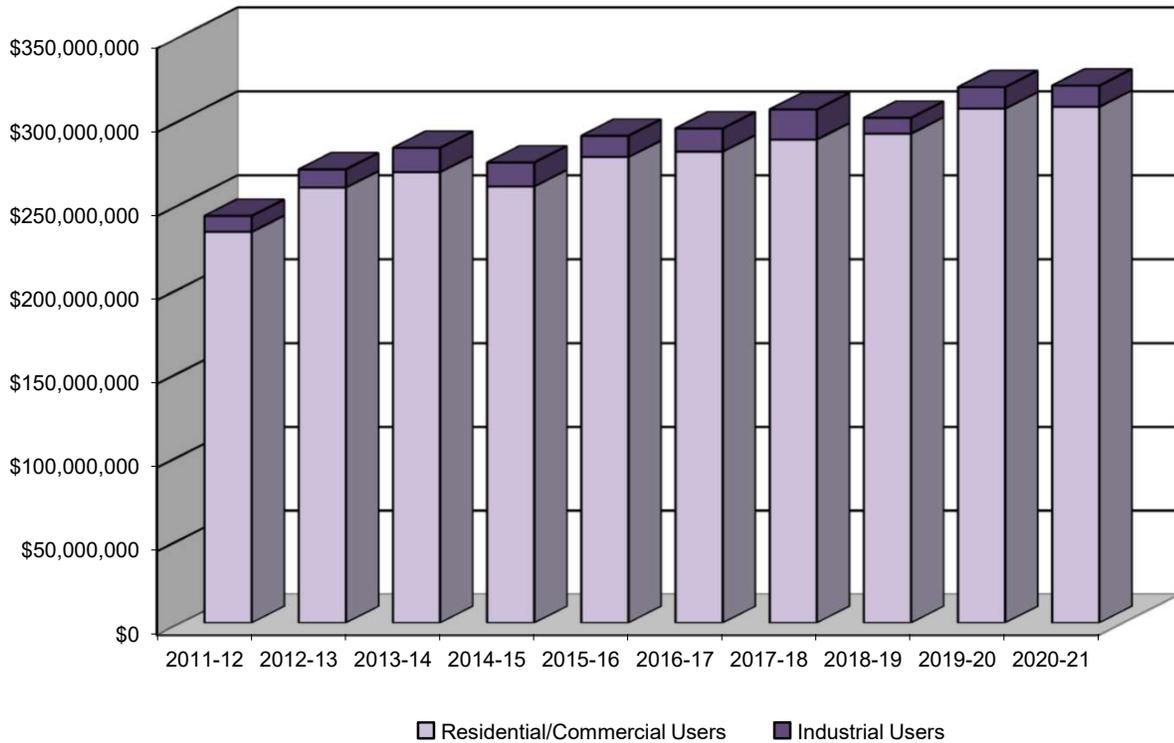
<u>Fiscal Year</u>	<u>Sewer Service Charge</u>
2012-13	\$ 294.00
2013-14	308.00
2014-15	316.00
2015-16	322.00
2016-17	327.00
2017-18	331.00
2018-19	335.00
2019-20	339.00
2020-21	339.00
2021-22	343.00



Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
 Number of Accounts and Revenues by Customer Class
 (Dollars in Millions)
 Last Ten Fiscal Years

Fiscal Year	Residential/Commercial			Industrial		
	Number of Equivalent Single-Family Dwellings	Total Sewer Svc. Charge Revenue	Percentage of Sewer Service Charge Revenues	Number of Customer Accounts	Total Sewer Svc. Charge Revenue	Percentage of Sewer Service Charge Revenues
2011-12	874,008	\$ 233.4	96%	516	\$ 9.5	4%
2012-13	883,477	259.8	96%	527	10.8	4%
2013-14	873,308	269.0	95%	489	14.4	5%
2014-15	824,465	260.5	95%	467	14.2	5%
2015-16	863,317	278.0	96%	450	12.6	4%
2016-17	859,869	281.2	95%	466	13.8	5%
2017-18	871,338	288.4	94%	473	17.9	6%
2018-19	871,312	291.9	97%	476	9.4	3%
2019-20	904,886	306.8	96%	473	12.8	4%
2020-21	908,219	307.9	96%	467	12.6	4%



Source: Orange County Sanitation District's Financial Management Division.

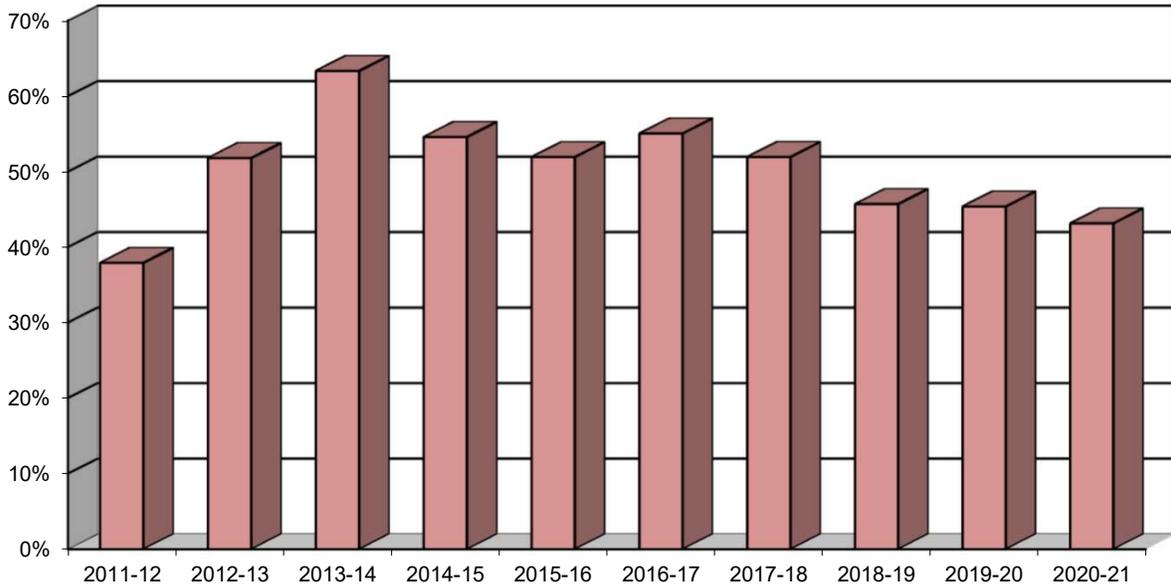
ORANGE COUNTY SANITATION DISTRICT
Principal Sewer Service Customers
For the Current Fiscal Year and Nine Years Ago

Customer	Fiscal Year Ended 6/30/21			Fiscal Year Ended 6/30/12		
	Industrial Permittee Service Charges	Rank	% to Total Service Charge Revenue	Industrial Permittee Service Charges	Rank	% to Total Service Charge Revenue
House Foods America Corp. (West)	\$ 1,532,692	1	0.46%	\$ 719,741	4	0.28%
Stremicks Heritage Foods, LLC	1,150,290	2	0.34%	958,066	1	0.37%
Pulmuone Wildwood, Inc.	651,887	3	0.19%	550,742	5	0.21%
Newport Fab, LLC (TowerJazz Semiconductor)	635,752	4	0.19%	382,420	8	0.15%
Ameripecc, Inc.	516,918	5	0.15%			
House Foods America Corp. (East)	511,698	6	0.15%			
MCP Foods, Inc.	487,078	7	0.15%	764,660	3	0.29%
Nor-Cal Beverage Co. Inc. (NCB)	417,014	8	0.12%			
Brea Power II, LLC	405,600	9	0.12%			
Nor-Cal Beverage Co. Inc. (Main)	390,401	10	0.12%			
Kimberly-Clark Worldwide, Inc.				872,777	2	0.34%
Pepsi-Cola Bottling Group				368,506	9	0.14%
Dean Foods Co. of CA Inc.				498,750	6	0.19%
Schreiber Foods Inc.				428,853	7	0.17%
Cargill, Inc.				316,631	10	0.12%
	<u>\$ 6,699,330</u>		<u>1.99%</u>	<u>\$ 5,861,146</u>		<u>2.26%</u>

Although the majority of sewer service fee revenues are from residential and commercial customers (see the schedule of Number of Accounts and Revenues by Customer Class), the fee paid by each residential and commercial customer is less than the individual fees paid by industrial customers. Consequently, this schedule shows the largest sewer service fee customers.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Ratio of Annual Debt Service to Total Expenses
(Dollars in Thousands)
Last Ten Fiscal Years



<u>Fiscal Year</u>	<u>Principal (1)</u>	<u>Interest (4)</u>	<u>Total Debt Service (3)</u>	<u>Total Operating Expenses (2)</u>	<u>Ratio of Debt Service to Total Operating Expenses</u>
2011-12	\$ 14,370	\$ 50,975	\$ 65,345	\$ 172,319	37.92%
2012-13	23,965	53,640	77,605	149,817	51.80
2013-14	39,590	53,163	92,753	146,447	63.34
2014-15	27,875	53,586	81,461	149,226	54.59
2015-16	29,405	50,301	79,706	153,501	51.93
2016-17	35,575	47,143	82,718	150,253	55.05
2017-18	32,140	43,466	75,606	145,556	51.94
2018-19	31,655	44,481	76,136	166,585	45.70
2019-20	32,730	43,664	76,394	168,333	45.38
2020-21	30,430	42,061	72,491	168,018	43.14

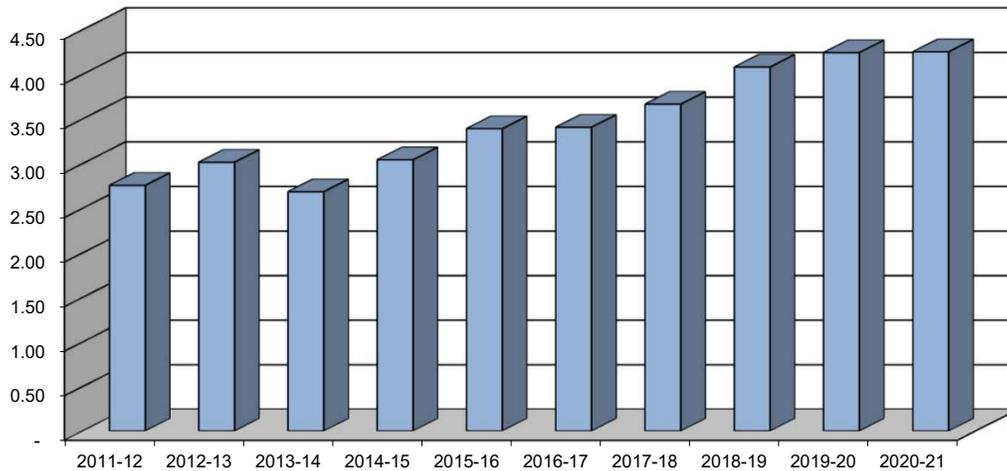
Notes

- (1) - Excludes principal reductions due to debt refundings.
- (2) - Excludes depreciation and amortization expense.
- (3) - Debt consists of certificates of participation, revenue obligations, and anticipation notes.
- (4) - Excludes amortization of premium/discount and deferred amount.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Debt Coverage Ratios
(Dollars in Millions)
Last Ten Fiscal Years

The Orange County Sanitation District has no legal debt limits as imposed by state legislation. OC San does have contractual covenants within the existing certificates of participation indenture agreements which require minimum coverage ratios of 1.25. The coverage ratio is calculated as the ratio of net annual revenues available for debt service payments to total annual debt service requirements.



	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating & Non-Operating Revenues:										
Service Charges, Net of Refunds-Regional	\$ 233.4	\$ 259.8	\$ 269.0	\$ 260.5	\$ 278.0	\$ 281.2	\$ 288.4	\$ 291.9	\$ 306.8	\$ 307.9
Service Charges, Net of Refunds-Local (3)	5.7	5.8	5.7	5.5	5.7	1.3	(0.1)	-	-	-
Industrial Sewer Service Charges	9.5	10.8	14.4	14.2	12.6	13.8	17.9	9.4	12.8	12.6
SAWPA Assessment	3.6	2.7	2.4	2.7	3.2	3.3	2.7	2.9	2.6	2.8
IRWD Assessment	14.2	25.6	19.6	26.4	26.6	36.0	9.9	36.3	20.8	16.0
Ad Valorem Taxes	67.9	79.2	74.9	79.8	84.4	88.3	94.2	99.5	104.5	110.2
Interest Earnings	15.7	(3.9)	6.5	4.8	9.2	3.1	3.2	29.1	33.7	1.7
Other Revenues (4)	2.5	3.7	3.0	3.2	4.0	5.0	6.4	8.0	11.2	25.0
Total Revenues	352.5	383.7	395.5	397.1	423.7	432.0	422.6	477.1	492.4	476.2
Operating Expenses (1)	172.3	149.8	146.4	149.2	153.5	150.3	145.6	166.6	168.3	168.0
Net Revenues	\$ 180.2	\$ 233.9	\$ 249.1	\$ 247.9	\$ 270.2	\$ 281.7	\$ 277.0	\$ 310.5	\$ 324.1	\$ 308.2
Debt Service Requirements										
Principal Payments	\$ 14.4	\$ 24.0	\$ 39.6	\$ 27.9	\$ 29.4	\$ 35.6	\$ 32.1	\$ 31.7	\$ 32.7	\$ 30.4
Interest Payments	51.0	53.6	53.2	53.6	50.3	47.1	43.5	44.4	43.7	42.1
Total Debt Service Requirements	\$ 65.4	\$ 77.6	\$ 92.8	\$ 81.5	\$ 79.7	\$ 82.7	\$ 75.6	\$ 76.1	\$ 76.4	\$ 72.5
Coverage Ratios	2.76	3.01	2.68	3.04	3.39	3.41	3.66	4.08	4.24	4.25
Ending Reserves (2)	\$ 465.0	\$ 542.0	\$ 428.0	\$ 428.0	\$ 404.0	\$ 580.0	\$ 663.0	\$ 787.0	\$ 790.0	\$ 867.0

Notes

- (1) - Operating expenses exclude depreciation and amortization expenses.
- (2) - Excludes debt service reserves in accordance with the Orange County Sanitation District's reserve policy.
- (3) - Local Sewer transferred to East Orange County Water District in FY2016-17.
- (4) - Other revenues includes \$16.1 million in CIP cost reimbursements in FY2020-21.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Ratios of Outstanding Debt
Last Ten Fiscal Years

Fiscal Year	(5) Total Outstanding Debt	(3) Median Family Income (1)	Debt as a Percentage of Median Family Income	(4) Population Estimate (2)	Debt per Capita
2011-12	\$ 1,376,404,782	\$ 85,300	0.006%	2,457,571	560.07
2012-13	1,325,928,512	84,100	0.006%	2,472,122	536.35
2013-14	1,278,998,124	84,900	0.007%	2,491,268	513.39
2014-15	1,241,140,357	85,900	0.007%	2,521,803	492.16
2015-16	1,206,722,347	85,000	0.007%	2,548,745	473.46
2016-17	1,140,679,773	88,000	0.008%	2,578,681	442.35
2017-18	1,095,737,610	92,700	0.008%	2,609,419	419.92
2018-19	1,050,502,373	97,900	0.009%	2,607,092	402.94
2019-20	1,004,215,901	103,000	0.010%	2,589,011	387.88
2020-21	963,115,533	106,700	0.011%	2,550,763	377.58

Notes & Data Sources

(1) - Data is for the entire county of Orange.

(2) - Data is for the estimated population served by the Orange County Sanitation District.

(3) - Data Source: U.S. Department of Housing and Urban Development.

(4) - Data Source: Demographic Research Unit, California Department of Finance.

(5) - Data Source: Orange County Sanitation District. Debt includes certificates of participation, revenue obligations, and anticipation notes and is presented net of original issuance premiums.

ORANGE COUNTY SANITATION DISTRICT
 Comparison of the Volume of Wastewater Treated
 With Revenues and Expenses
 Last Ten Fiscal Years

Fiscal Year	Millions of Gallons of Wastewater Treated Per Day	Collection, Treatment & Disposal Cost per Million Gallons	Total Operating Costs (In Thousands)	Total Non-Operating Costs (In Thousands)	Total Operating Revenues (In Thousands)	Total Non-Operating Revenues (In Thousands)
2011-12	201	\$ 1,871.47	\$ 228,370	\$ 37,133	\$ 260,521	\$ 92,115
2012-13	200	1,906.01	213,724	79,650	304,576	79,108
2013-14	198	1,936.64	246,252	41,767	301,459	94,037
2014-15	187	2,070.97	243,412	37,280	302,450	94,637
2015-16	183	2,110.43	244,003	34,079	315,428	108,248
2016-17	188	2,054.56	246,573	78,918	313,282	118,511
2017-18	185	2,069.30	242,955	36,494	317,499	105,029
2018-19	191	2,274.73	268,825	63,582	318,490	158,598
2019-20	188	2,421.83	282,221	54,261	341,064	151,333
2020-21	182	2,428.28	284,470	37,909	336,700	139,504

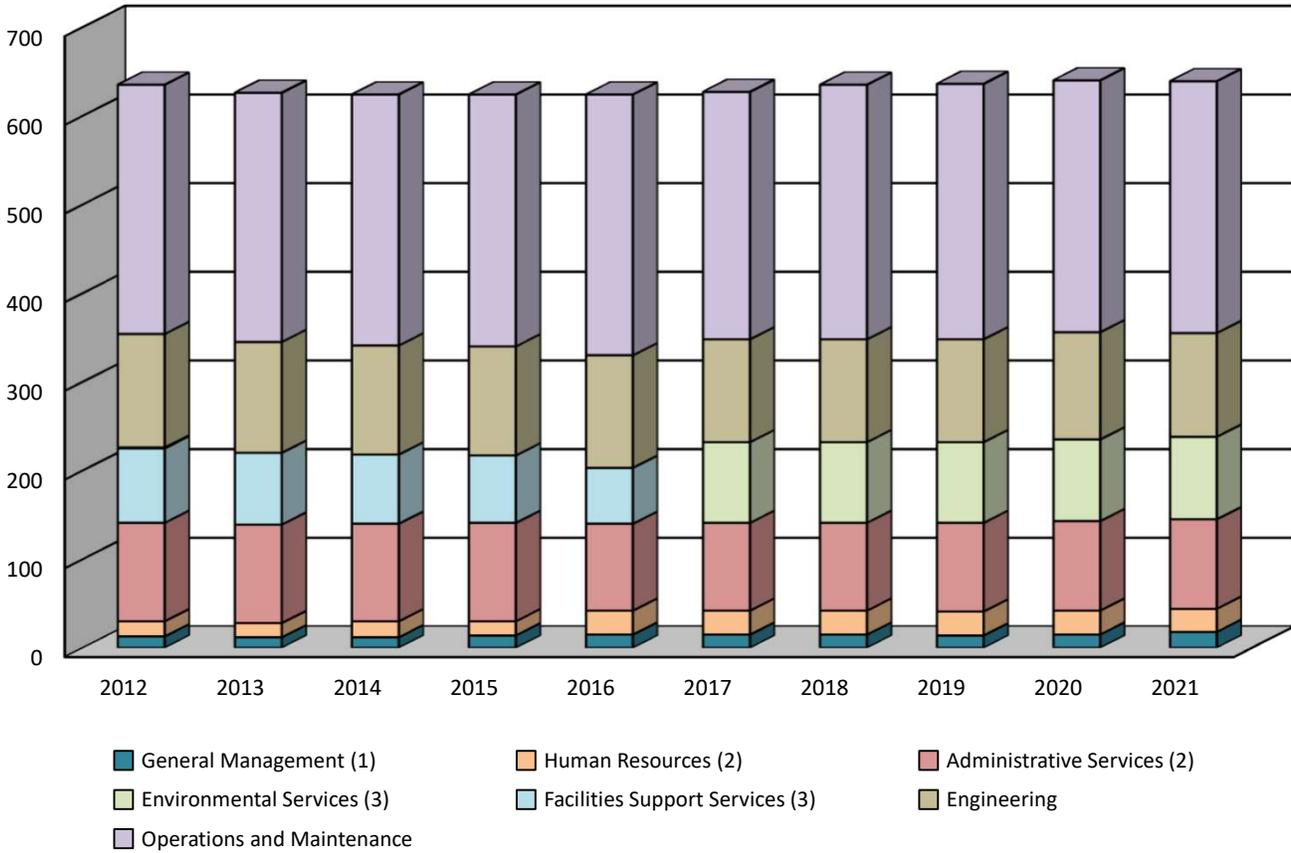
Total expenses in FY 2020-21 increased \$57 million, or 21.4 percent since FY 2011-12, primarily as a result of expansion of the Capital Improvement Program (CIP) and increase in operational services levels with OC San's decision beginning in FY 2002-03 to maximize existing secondary treatment facilities as OC San moved from a 50/50 mix of primary and secondary effluent treatment to meeting secondary treatment standards as of December 31, 2012. The majority of the increase in expenses is due to depreciation expense as a result of the expansion in capital facilities. Increases were also realized in repairs, maintenance, utilities, and other operating costs in order to deliver required levels of service. These increases are offset by a decrease in feasibility studies.

In FY 2020-21, personnel expenses decreased 9.8 percent over the prior year. This decrease is mainly due to the difference between projected and actual investment earnings on OCERS plan investments that have been recognized as pension expense. The full-time equivalent positions authorized decreased by 1 in FY 2020-21.

As depicted from the chart above, actual wastewater treatment flows were 201 mgd in FY 2011-12. The last several years of California's record-breaking drought and water conservation efforts have resulted in FY 2020-21 flows of only 182 mgd, a decrease of 19 mgd or 9.45 percent since FY 2011-12.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
 Authorized Full-time Equivalents (FTE) by Function
 Last Ten Fiscal Years



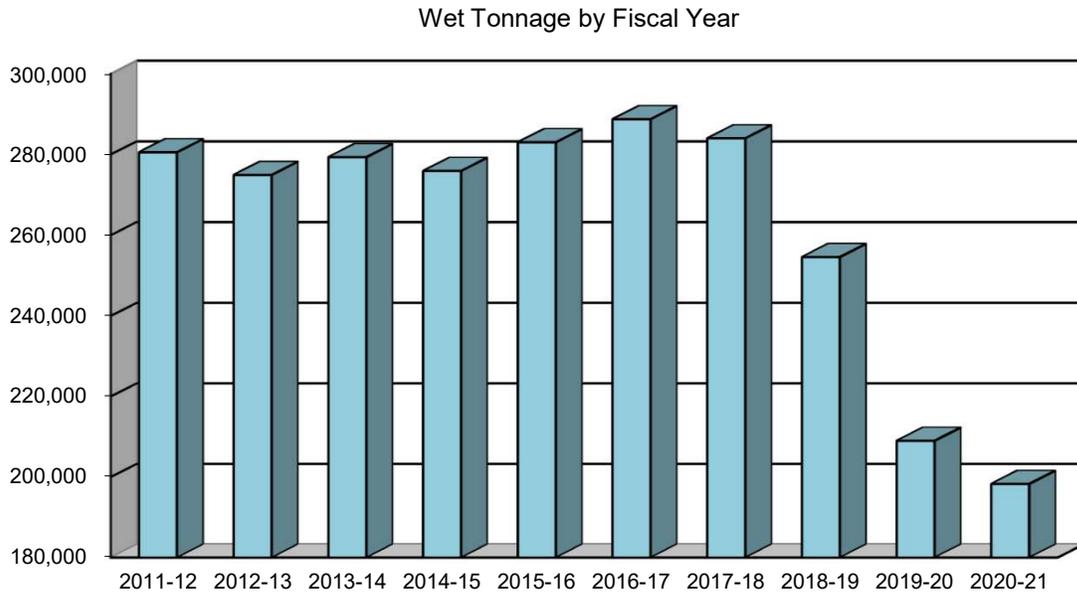
	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Management (1)	13	12	12	14	15	15	15	14	15	18
Human Resources (2)	17	16	18	16	27	27	27	27	27	26
Administrative Services (2)	111	111	110	111	98	99	99	100	101	101
Environmental Services (3)	-	-	-	-	-	91	91	91	92	93
Facilities Support Services (3)	84	81	78	76	63	-	-	-	-	-
Engineering	128	125	123	123	127	116	116	116	121	117
Operations and Maintenance	281	281	283	284	294	279	287	288	284	284
Total FTEs	634	626	624	624	624	627	635	636	640	639

Notes

- (1) - Management Discretion positions used on a temporary basis have been excluded from FTE count.
- (2) - In 2016, Risk Management moved from Administrative Services to Human Resources Department.
- (3) - In 2017, Divisional reorganization created Environmental Services and eliminated Facilities Support Services.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
 Biosolids Produced
 Last Ten Fiscal Years



<u>Fiscal Year</u>	<u>Wet Tonnage</u>
2011-12	280,572
2012-13	274,957
2013-14	279,362
2014-15	275,943
2015-16	283,052
2016-17	288,771
2017-18	284,039
2018-19	254,616 ⁽¹⁾
2019-20	209,000
2020-21	198,306

Notes

⁽¹⁾ Beginning in Fiscal Year 2018-19, biosolids produced were reduced due to the commissioning of dewatering centrifuges at both treatment plants.

Source: Orange County Sanitation District's Environmental Compliance Division.

ORANGE COUNTY SANITATION DISTRICT

Capital Asset Statistics
Last Ten Fiscal Years

Fiscal Year	Miles of Trunk & Subtrunk Sewers	Number of Pump Stations	Primary Treatment Capacity (1)	Secondary Treatment Capacity (1)
2011-12	572	17	376	332
2012-13	572	17	376	332
2013-14	580	17	376	332
2014-15	580	17	376	332
2015-16	570	17	376	332
2016-17	396 (2)	17	376	332
2017-18	396	17	376	332
2018-19	389	17	376	332
2019-20	388	17	376	332
2020-21	388	17	376	332

Notes

(1) - Capacity is presented as million gallons treated per day.

(2) - In FY 2016-17, local sewers were transferred to East Orange County Water District.

Source: Orange County Sanitation District

ORANGE COUNTY SANITATION DISTRICT
Demographic Statistics
Covering The Entire County of Orange (1)
Last Ten Fiscal Years

Fiscal Year	(2) Population Estimates	Total Personal Income (In Thousands)	Per Capita Personal Income	(5) Median Family Income	(6) Public School Enrollment	(7) Unemployment Rate
2011-12	3,056,000	\$ 169,584,000 (4)	\$ 55,492	\$ 85,300	502,195	7.9%
2012-13	3,082,000	166,370,000 (4)	53,981	84,100	501,801	6.1%
2013-14	3,114,000	179,141,000 (4)	57,528	84,900	500,487	5.2%
2014-15	3,148,000	193,081,000 (4)	61,334	85,900	497,116	4.3%
2015-16	3,183,000	200,783,000 (4)	63,080	85,000	493,030	4.4%
2016-17	3,194,000	209,642,000 (4)	65,636	88,000	490,430	3.8%
2017-18	3,221,000	218,878,000 (4)	67,953	92,700	485,835	3.3%
2018-19	3,222,000	227,732,000 (4)	70,680	97,900	478,823	3.0%
2019-20	3,194,000	242,361,000 (4)	75,880	103,000	473,612	13.6%
2020-21	3,153,764	258,933,000 (4),(8)	82,103	106,700	456,572	6.5%

Notes and Data Sources

(1) - The Orange County Sanitation District services 479 square miles or 60% of the total 799 square miles that make up the boundaries of Orange County.

(2) - Data Source: Demographic Research Unit, California Department of Finance.

(3) - Data Source: Bureau of Economic Analysis, U.S. Department of Commerce.

(4) - Data Source: A. Gary Anderson Center for Economic Research, Chapman University.

(5) - Data Source: U.S. Department of Housing and Urban Development.

(6) - Data Source: California Department of Education, Educational Demographics Unit.

(7) - Data Source: State of California, Employment Development Department as of June 30 of each fiscal year.

(8) - Forecasted number.

ORANGE COUNTY SANITATION DISTRICT

Estimated Population Served by the
Orange County Sanitation District
June 30, 2021

	Population as of January 1, 2021
Anaheim	353,468
Brea	45,137
Buena Park	81,626
Costa Mesa	112,780
Cypress	48,531
Fountain Valley	54,953
Fullerton	139,431
Garden Grove	172,476
Huntington Beach	196,874
Irvine	271,564
La Habra	62,808
La Palma	15,442
Los Alamitos	11,538
Newport Beach	85,865
Orange	137,366
Placentia	51,173
Santa Ana	331,369
Seal Beach	24,443
Stanton	39,573
Tustin	80,009
Villa Park	5,759
Westminster	91,466
Yorba Linda	67,846
Subtotal Cities ⁽¹⁾	<u>2,481,497</u>
Estimated Population Served in Unincorporated Areas ⁽²⁾	<u>69,266</u>
	<u><u>2,550,763</u></u>

Data Sources

(1) Demographic Research Unit, State of California Department of Finance

(2) Center for Demographic Research, California State University, Fullerton.

ORANGE COUNTY SANITATION DISTRICT
Principal Orange County Employers (1)
For the Current Fiscal Year and Nine Years Ago

<u>Employers</u>	<u>Fiscal Year Ended 6/30/21</u>			<u>Fiscal Year Ended 6/30/12</u>		
	<u>Number of Employees (2)</u>	<u>Rank</u>	<u>Percentage of Total County Employment (3)</u>	<u>Number of Employees (4)</u>	<u>Rank</u>	<u>Percentage of Total County Employment (5)</u>
Walt Disney Co.	28,000	1	1.91%	22,000	1	1.48%
University of California, Irvine	25,512	2	1.74%	21,291	2	1.43%
County of Orange	18,543	3	1.27%	17,321	3	1.16%
Providence (St. Joseph Health)	12,866	4	0.88%	12,048	4	0.81%
Albertsons Southern California	8,159	5	0.56%			
Kaiser Permanente	8,050	6	0.55%	5,968	8	0.40%
Hoag Memorial Hospital	6,710	7	0.46%			
Wal-Mart Stores Inc.	6,400	8	0.44%			
Target Corp.	6,000	9	0.41%	5,527	9	0.37%
Yum! Brands Inc	5,600	10	0.38%	6,300	7	0.42%
Boeing Co.				7,700	5	0.52%
BankAmerica Corp.				6,300	6	0.42%
Cedar Fair LP				5,200	10	0.35%
Total	125,840		8.60%	109,655		7.36%

Notes & Data Sources

(1) - Data is for the entire county of Orange.

(2) - Data Source: Orange County Business Journal Book of Lists published November 2020

(3) - Data Source: State of California, Employment Development Department.

- Percentage is calculated by dividing employees by total employment of 1,465,700 as of June 2021.

(4) - Data Sources: Orange County Business Journal Book of Lists published November 2011; County of Orange

(5) - Data Source: State of California, Employment Development Department.

- Percentage is calculated by dividing employees by total employment of 1,491,000 as of June 2012.

ORANGE COUNTY SANITATION DISTRICT

Operating Indicators

June 30, 2021

District Organization: The Orange County Sanitation District is one consolidated district made up of two revenue areas which service unincorporated county areas and twenty-three cities and related special districts, as follows:

Consolidated Revenue Area

Orange County (unincorporated areas)

Cities:

Anaheim	Huntington Beach	Santa Ana
Brea	Irvine	Seal Beach
Buena Park	La Habra	Stanton
Costa Mesa	La Palma	Tustin
Cypress	Los Alamitos	Villa Park
Fountain Valley	Newport Beach	Westminster
Fullerton	Orange	Yorba Linda
Garden Grove	Placentia	

Special Districts:

- Costa Mesa Sanitary District
- Midway City Sanitary District
- Yorba Linda Water District

Revenue Area No. 14

Orange County (unincorporated areas)

Cities:

- Irvine
- Orange
- Tustin

Special District:

- Irvine Ranch Water District

Governing Body:	25-member Board of Directors
Authorized Full-Time Equivalent Employees:	639
Operational Date:	July 1, 1954
Authority:	California Health & Safety Code Section 4700 et. seq.
Services:	Wastewater collection, treatment, and disposal
Service Area:	479 square miles
Population Served:	2.6 million
Total Miles of Sewers (including force mains):	388 miles
On-Plant Pumping Stations:	2
Off-Plant Pumping Stations:	15

Wastewater System Treatment Capacities (Million Gallons per Day)

	<u>Actual Flows FY20-21</u>	<u>Existing Primary Treatment Capacity</u>	<u>Existing Secondary Treatment Capacity</u>
Plant 1	118	208	182
Plant 2	<u>64</u>	<u>168</u>	<u>150</u>
Total	<u>182</u>	<u>376</u>	<u>332</u>

Source: Orange County Sanitation District's Financial Management Division.

**ORANGE COUNTY SANITATION DISTRICT
OTHER DATA TRENDS**

Information within this section consists of other data and trends including additional annual disclosures as required by the Orange County Sanitation District's debt covenants beyond what is allowed to be reported in the Statistical Section.

ORANGE COUNTY SANITATION DISTRICT

Cash and Investment Portfolio

As of June 30, 2021

	Shares Par	Cost Base	Market Value Base	% of Total	Net Unrealized Gain/(Loss) Base
INVESTMENT PORTFOLIO:					
CASH & CASH EQUIVALENTS (U.S. DOLLAR):					
COMMERCIAL PAPER	\$ 12,000,000	\$ 11,997,000	\$ 11,999,040	1.35%	\$ 2,040
FIRST AMERICAN SHORT TERM FDS	15,489,876	15,489,876	15,489,876	1.74%	-
SUBTOTAL - CASH & CASH EQUIVALENTS	<u>27,489,876</u>	<u>27,486,876</u>	<u>27,488,916</u>	<u>3.08%</u>	<u>2,040</u>
FIXED INCOME SECURITIES (U.S. DOLLAR):					
COMMERCIAL PAPER	8,000,000	7,991,754	7,993,120	0.90%	1,366
CONSUMER DISCRETIONARY	16,554,000	16,689,466	16,919,555	1.90%	230,089
CONSUMER STAPLES	3,880,000	3,878,991	4,110,472	0.46%	231,481
ENERGY	3,500,000	3,441,095	3,674,720	0.41%	233,625
FINANCE	106,469,000	107,309,038	109,328,694	12.27%	2,019,656
FIXED INCOME FUNDS OTHER	10,000,000	10,001,003	10,001,800	1.12%	797
HEALTH CARE	3,755,000	3,709,323	3,848,667	0.43%	139,344
INDUSTRIAL	3,250,000	3,293,938	3,379,495	0.38%	85,557
INFORMATION TECHNOLOGY	11,045,000	11,085,045	11,546,821	1.30%	461,776
MTG RELATED SECURITY	31,108,779	31,171,653	31,335,141	3.52%	163,488
SHORT TERM FUNDS	15,000,000	15,000,000	15,005,090	1.68%	5,090
SUPRANATIONAL	61,665,000	61,260,431	61,692,730	6.92%	432,299
U.S. AGENCY	175,115,000	176,626,457	179,601,630	20.15%	2,975,173
U.S. GOVERNMENT	388,004,189	387,949,947	392,691,317	44.06%	4,741,370
U.S. GOVERNMENT TIPS	11,693,656	11,548,936	12,574,071	1.41%	1,025,135
SUBTOTAL - FIXED INCOME SECURITIES	<u>849,039,624</u>	<u>850,957,077</u>	<u>863,703,323</u>	<u>96.92%</u>	<u>12,746,246</u>
TOTAL INVESTMENT PORTFOLIO	<u>\$ 876,529,500</u>	<u>878,443,953</u>	<u>891,192,239</u>	<u>100.00%</u>	<u>\$ 12,748,286</u>
DEMAND DEPOSITS AND CASH ON HAND		1,655,860	1,655,860		
MONIES HELD WITH FISCAL AGENTS		120	120		
MONIES WITH THE LOCAL AGENCY INVESTMENT FUND		67,784,965	67,790,589		
TOTAL CASH AND INVESTMENTS		<u>\$ 947,884,898</u>	<u>\$ 960,638,808</u>		

Source: US Bank and Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

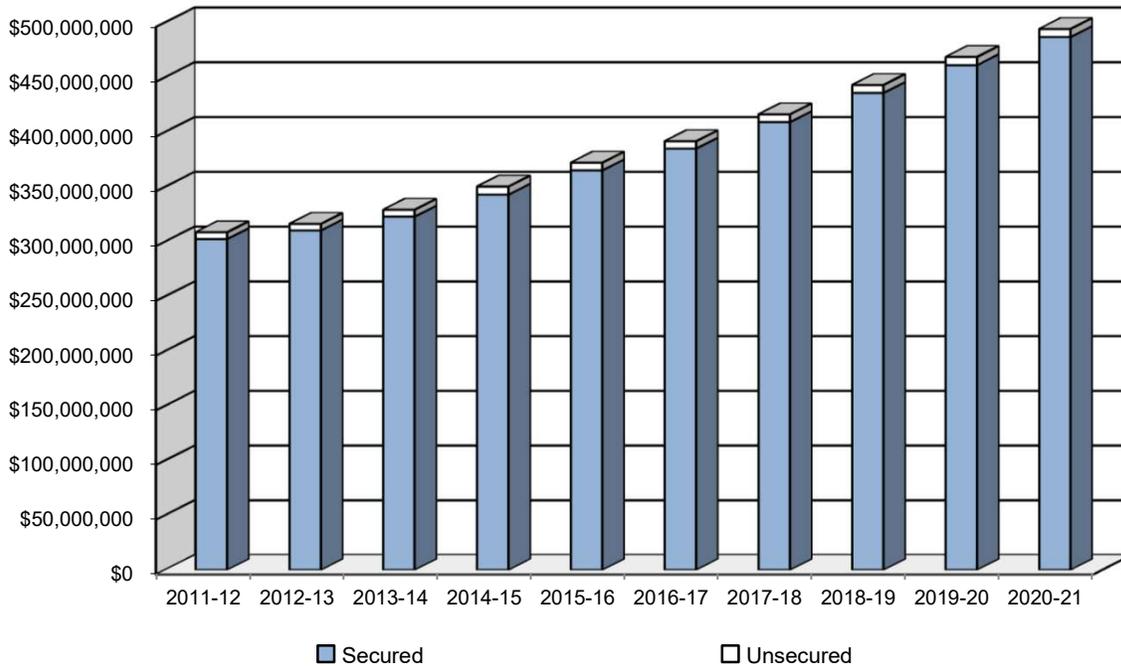
Fiscal Year	Tax Rate			OC San's Average Share of Basic Levy
	Basic Levy	OC San 1958 General Obligation Bonds	Total Tax Rate	
2011-12	1.00%	0.00%	1.00%	1.64%
2012-13	1.00%	0.00%	1.00%	1.64%
2013-14	1.00%	0.00%	1.00%	1.65%
2014-15	1.00%	0.00%	1.00%	1.63%
2015-16	1.00%	0.00%	1.00%	1.62%
2016-17	1.00%	0.00%	1.00%	1.61%
2017-18	1.00%	0.00%	1.00%	1.59%
2018-19	1.00%	0.00%	1.00%	1.59%
2019-20	1.00%	0.00%	1.00%	1.58%
2020-21	1.00%	0.00%	1.00%	1.59%

Notes

In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount of assessed value. This 1.00% is shared by all taxing agencies within which the subject property resides. In addition to the 1.00% fixed amount, property owners were charged taxes as a percentage of assessed property values for the payment of OC San general obligation bonds (which were paid in full in fiscal year 1998-99).

Source: Orange County Auditor-Controller's Office.

ORANGE COUNTY SANITATION DISTRICT
 Assessed and Estimated Actual Value of Taxable Property
 (Dollars In Thousands)
 Last Ten Fiscal Years

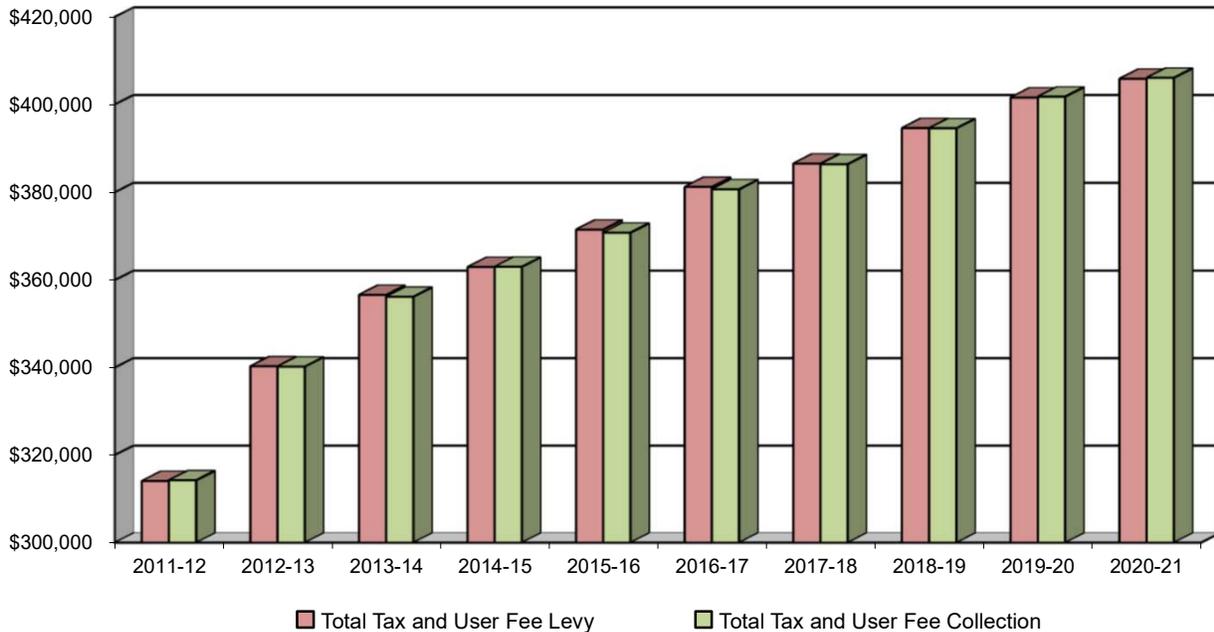


Fiscal Year	Secured	Unsecured	Total	Percent Change in Assessed Value
2011-12	\$ 302,526,970	\$ 6,163,979	\$ 308,690,949	-0.27%
2012-13	310,451,986	5,901,040	316,353,026	2.48%
2013-14	323,064,994	6,220,505	329,285,499	4.09%
2014-15	343,102,030	7,378,643	350,480,673	6.44%
2015-16	365,267,850	6,936,768	372,204,618	6.20%
2016-17	385,137,024	6,642,312	391,779,336	5.26%
2017-18	409,310,248	6,990,609	416,300,857	6.26%
2018-19	435,911,818	7,213,037	443,124,855	6.44%
2019-20	461,217,033	7,489,937	468,706,970	5.77%
2020-21	486,958,908	7,289,732	494,248,640	5.45%

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an inflation factor which is limited to a maximum increase of 2%. With a few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Consequently, the assessed and estimated values are the same.

Source: Orange County Auditor-Controller's Office.

ORANGE COUNTY SANITATION DISTRICT
Property Tax and User Fee Levies and Collections
(Dollars in Thousands)
Last Ten Fiscal Years



Fiscal Year	Total Tax and User Fee Levy	Current Tax and User Fee Collection	Percent of Levy Collected	Delinquent Collection	Total Tax and User Fee Collection	% of Total Collection to Levy	Outstanding Delinquencies	% of Delinquencies to Levy	(1) Pass-Through Payments
2011-12	\$314,077	\$ 314,133	100.02	\$ 121	\$ 314,254	100.06	\$ (56)	(0.02)	\$ 3,116
2012-13	340,298	340,156	99.96	64	340,220	99.98	142	0.04	14,687
2013-14	356,607	356,108	99.86	76	356,184	99.88	499	0.14	7,274
2014-15	362,978	362,927	99.99	108	363,035	100.02	51	0.01	8,447 (2)
2015-16	371,502	370,170	99.64	637	370,807	99.81	1,332	0.36	9,199 (2)
2016-17	381,226	380,078	99.70	608	380,686	99.86	1,148	0.30	9,751
2017-18	386,538	385,673	99.78	741	386,414	99.97	865	0.22	11,353
2018-19	394,641	393,809	99.79	786	394,595	99.99	832	0.21	12,524
2019-20	401,604	400,865	99.82	931	401,796	100.05	739	0.18	13,469
2020-21	405,878	405,053	99.80	1,035	406,088	100.05	825	0.20	15,034

Notes

(1) Upon dissolution of California redevelopment agencies during fiscal year 2011-12, property tax increment formerly remitted to OC San by its member city redevelopment agencies was instead deposited into the newly formed Redevelopment Property Tax Trust Fund (RPTTF) from which the Auditor-Controller makes disbursements on behalf of the successor agencies. There is no tax levy associated with these collections; thus, they have been excluded from the "% of Total Collection to Levy" calculation.

(2) In fiscal year 2014-15 and 2015-16, the County did not bill user fees for wholly exempt agencies not subject to property taxes. In fiscal year 2014-15 and 2015-16, OC San internally billed user fees of \$5 million and \$4.5 million, respectively, to wholly exempt agencies. These amounts have been excluded from the levy and collection amounts above, as only tax and user fees included on County property tax billings are shown in this schedule.

Source: Orange County Auditor-Controller's Office.

ORANGE COUNTY SANITATION DISTRICT
Property Value and Construction
Covering The Entire County of Orange (1)
(Dollars In Thousands)
Last Ten Fiscal Years

Assessed Property Value (2)		Non- Residential Construction (3)		Residential Construction (3)		Total Construction Value (3)
Fiscal Year	Value	Calendar Year	Value	No. of Units	Value	
2011-12	\$ 424,769,642	2012	\$ 1,265,430	6,163	\$ 1,560,509	\$ 2,825,939
2012-13	432,902,274	2013	1,521,280	10,453	2,653,728	4,175,008
2013-14	447,749,156	2014	1,993,154	10,636	2,640,484	4,633,638
2014-15	476,303,290	2015	2,196,000	10,897	2,834,000	5,030,000
2015-16	504,650,360	2016	2,487,000	12,134	3,160,000	5,647,000
2016-17	531,052,158	2017	2,062,000	10,294	3,217,000	5,279,000
2017-18	563,662,044	2018	3,507,000	8,105	2,776,000	6,283,000
2018-19	598,901,016	2019	3,144,000	10,294	2,650,000	5,794,000
2019-20	632,758,256	2020	1,929,000	5,907	1,884,000	3,813,000
2020-21	663,241,179	2021	1,963,000	10,227	2,907,000	4,870,000 (4)

Notes and Data Sources

(1) - The Orange County Sanitation District services 479 square miles or 60% of the total 799 square miles that make up the boundaries of Orange County.

(2) - Data Source: Orange County Auditor-Controller's Office.

(3) - Data Source: A. Gary Anderson Center for Economic Research, Chapman University.

(4) - Forecasted numbers.

ORANGE COUNTY SANITATION DISTRICT

Insurance in Force
As of June 30, 2021

<u>Type</u>	<u>Insurer</u>	<u>Deductible</u>	<u>Limit</u>
<u>All-Risk Property</u>			
Fire and Other Perils	Public Entity Property Insurance Program (multiple insurers)	\$500,000 per occurrence	\$800 million / occurrence
Flood	Public Entity Property Insurance Program	\$500,000 per occurrence	\$100 million / occurrence
Boiler & Machinery	Public Entity Property Insurance Program (multiple insurers)	\$25,000 to \$350,000	\$100 million / occurrence
<u>Earthquake</u> (certain structures only)	Multiple insurers	5% per structure, min. \$5 million	\$25 million
<u>Crime Insurance</u>	Alliant Crime Insurance Program	\$25,000	\$5 million
<u>Cyber Insurance</u>	Lloyd's of London (Beazley)	\$100,000	\$2 million \$500,000 for Breach Response
<u>Excess General Liability</u>	Great American Insurance Co. (first \$10 million layer); Berkley National Insurance Co. (\$15 million layer, excess \$10 million) Arch Insurance Company (\$5 million layer, excess \$25 million) Great American Insurance Co. (\$10 million layer, excess \$30 million)	\$750,000	\$40 million / occurrence and annual aggregate
<u>Travel & Accident</u>	Chubb Group of Insurance Companies	None	Accidental Death & Dismemberment Class 1: Elected Officials \$500,000 per occurrence Class 2: Employees 10X annual salary, up to 10X annual salary, up to \$500,000 per occurrence
<u>Excess Workers' Compensation</u>	Public Risk Innovation, Solutions, and Management (PRISM)	\$1 million each accident	Unlimited statutory coverage each accident, each employee \$4 million employer's liability
<u>Pollution Liability</u>	Public Risk Innovation, Solutions, and Management (PRISM)	\$75,000	\$10 million per loss
<u>Watercraft Liability</u>	Atlantic Specialty Insurance Co.	\$2,500 bodily injury \$10,000 all other	\$10 million
Hull & Machinery	Atlantic Specialty Insurance Co.	\$10,000	\$600,000
Pollution Liability	Great American Insurance Co.	\$25,000	\$5 million

Source: Orange County Sanitation District's Risk Management/Safety/Security Division.

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06/30/21