

**WEST ORANGE COUNTY WATER BOARD**  
**FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**

**WEST ORANGE COUNTY WATER BOARD**

**Financial Statements**

**Year Ended June 30, 2020**

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## **Independent Auditor's Report**

Board of Directors  
West Orange County Water Board  
Huntington Beach, California

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

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

## **Other Matters**

### *Required Supplementary Information*

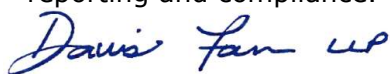
Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The *schedule of revenues, expenses, and changes in net position by participant* and *budgetary comparison schedule* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *schedule of revenues, expenses, and changes in net position by participant* and *budgetary comparison schedule* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2021 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
February 24, 2021

**WEST ORANGE COUNTY WATER BOARD**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020**

This section of the West Orange County Water Board's (Board) annual financial report presents our analysis of the Board's financial performance during the year ended June 30, 2020. Please read it in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

The reduction of current assets in the amount of \$418,404 is related to the payments made in the current fiscal year for the pipeline relocation expenses associated with the I-405 Widening Project and the regularly scheduled annual OCTA loan debt service payment that financed the said project. These payments not only decreased current assets but also total liabilities by \$938,756. The pipeline relocation costs are expenses incurred in the prior fiscal year and reflected as current liabilities at the end of last fiscal year. Additionally, the loan principal and interest payments lowered current liabilities and the overall loan balance.

Nonoperating revenues also decreased by \$1,617,832 as the City of Westminster paid off their share of the OCTA loan in fiscal year 2018-2019. Net position still increased by \$403,385 in spite of the large drop in nonoperating revenues.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts: Management's Discussion and Analysis and Financial Statements. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of the Board report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statement of net position includes all of the Board's investments and resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Board and assessing the liquidity and financial flexibility of the Board. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the success of the Board's operations over the past year. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Board's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers as to the nature of where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**FINANCIAL ANALYSIS OF THE BOARD**

One of the most important questions asked about the Board's finances is "Is the Board as a whole better off or worse as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Board's activities in a way that will help answer this question. These two statements report the net position of the Board and changes in them. You can think of the Board's net position – the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Board's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions that can affect member agencies' ability to pay the user charges, population growth, zoning and new or changed government legislation.

**WEST ORANGE COUNTY WATER BOARD**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020**

**Table A**  
**Statement of Net Position**

	June 30, 2020	June 30, 2019	\$ Change	% Change
Current	\$ 1,466,029	\$ 1,884,433	\$ (418,404)	-22.2%
Capital Assets	5,614,425	5,731,392	(116,967)	-2.0%
Total Assets	<u>7,080,454</u>	<u>7,615,825</u>	<u>(535,371)</u>	-7.0%
Current	543,137	873,625	(330,488)	-37.8%
Long Term	2,806,228	3,414,496	(608,268)	-17.8%
Total Liabilities	<u>3,349,365</u>	<u>4,288,121</u>	<u>(938,756)</u>	-21.9%
Total Net Position	<u>\$ 3,731,089</u>	<u>\$ 3,327,704</u>	<u>\$ 403,385</u>	12.1%

As can be seen from the table above, current assets decreased by \$418,404 primarily due to the payment of accrued liabilities from the fiscal year ended June 30, 2019, thereby resulting in an offsetting decrease in current liabilities of \$330,448. Capital assets decreased by \$116,967 due to the normal depreciation of fixed assets. Long term liabilities decreased by \$608,268 due to the OCTA loan payments made during the fiscal year ended June 30, 2020.

**Table B**  
**Statement of Revenue, Expenses and Changes in Net Position**

	June 30, 2020	June 30, 2019	\$ Change	% Change
Operating Revenues	\$ 169,302	\$ 100,731	\$ 68,571	68.1%
Nonoperating Revenues	539,291	2,157,123	(1,617,832)	-75.0%
Total Revenues	<u>708,593</u>	<u>2,257,854</u>	<u>(1,549,261)</u>	-68.6%
Operating Expenses	237,597	217,005	20,592	9.5%
Nonoperating Expenses	67,611	80,241	(12,630)	-15.7%
Total Expenses	<u>305,208</u>	<u>297,246</u>	<u>7,962</u>	2.7%
Changes in Net Position	403,385	1,960,608	(1,557,223)	-79.4%
Beginning Net Position	3,327,704	1,367,096	1,960,608	143.4%
Ending Net Position	<u>\$ 3,731,089</u>	<u>\$ 3,327,704</u>	<u>\$ 403,385</u>	12.1%

**WEST ORANGE COUNTY WATER BOARD**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020**

While the Statement of Net Position shows the financial position, the Statement of Revenues, Expenses, and Changes in Net Position provide answers as to the nature and source of changes. As can be seen above, operating revenues increased from \$100,731 for the fiscal year ended June 30, 2019 to \$169,302 for the fiscal year ended June 30, 2020, due to additional funding received from member agencies to fund the budgeted repair and operational costs approved by the Board. Nonoperating revenues declined by \$1,617,832. The substantial decrease is related to City of Westminster's prepayment of their portion of the OCTA loan received in fiscal year 2018-2019. Total expenses slightly increased in comparison to prior fiscal year. During the fiscal year, total revenues exceeded total expenses which increased the net position by \$403,385.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*CAPITAL ASSETS* – There are no fixed asset acquisitions or deletions in the current fiscal year. The total capital assets net of depreciation balance decreased by \$116,967 due to the annual depreciation of the pipeline. The pipeline is estimated to have a useful life of 50 years.

*DEBT ADMINISTRATION* – In October 2017, the Board entered into Reimbursement Agreement No U-2017-151087 in the amount of \$5,995,394 with the Orange County Transportation Authority for the relocation of the OC-35 transmission main necessitated by the I-405 Freeway Widening Project. The Reimbursement Agreement provides a 10-year variable rate loan based on the State Monetary Investment Fund (SMIF) interest rate. Any non-operating WOCWB expenditures would either be from the construction of the project, or debt service. Debt service payment could continue for up to 10 years, although two of the four member agencies have paid their portion of the loan in advance, and the other two have the option of following suit.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board of Directors and management considered many factors when setting the Fiscal Year 2020/21 budget. One of those factors is the economy. Inflation in the area continues to be somewhat higher than the National Consumer Price Index (CPI) increase. The budget continues to be structured to contain costs while always continuing the Board's philosophy of providing excellence in service.

**CONTACTING THE BOARD'S FINANCIAL MANAGER**

This financial report is designed to provide our citizens and participants with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Chris Davis, Senior Administrative Analyst, at 19001 Huntington Street, Huntington Beach, California 92648, Phone (714) 374-1641 or e-mail [chris.davis@surfcity-hb.org](mailto:chris.davis@surfcity-hb.org).

**WEST ORANGE COUNTY WATER BOARD**  
**Statement of Net Position**  
**June 30, 2020**

Assets

Current assets:

Cash and investments (note 3)	\$ 1,460,483
Interest receivable	<u>5,546</u>
Total current assets	1,466,029

Capital assets:

Infrastructure, net of accumulated depreciation (note 5)	<u>5,614,425</u>
Total assets	<u>7,080,454</u>

Liabilities

Accounts payable	757
Interest payable	3,164
Deposits payable	123,479
Loan payable:	
Due within one year (note 6)	415,737
Due in more than one year (note 6)	<u>2,806,228</u>
Total liabilities	<u>3,349,365</u>

Net Position

Net investment in capital assets	2,392,460
Unrestricted	<u>1,338,629</u>
Total net position	<u>\$ 3,731,089</u>

See accompanying notes to the basic financial statements.



**WEST ORANGE COUNTY WATER BOARD**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2020**

Operating revenues:	
Maintenance and operating charges to participants	\$ 168,551
Other	<u>751</u>
Total operating revenues	169,302
Operating expenses:	
Maintenance and operating expenses	120,630
Depreciation	<u>116,967</u>
Total operating expenses	237,597
Operating loss	(68,295)
Nonoperating revenues (expenses):	
Debt service charges to participants	505,393
Interest income	33,898
Interest expense	<u>(67,611)</u>
Total nonoperating revenues (expenses)	<u>471,680</u>
Change in net position	403,385
Net position beginning of year	<u>3,327,704</u>
Net position end of year	<u>\$ 3,731,089</u>

See accompanying notes to the basic financial statements.

**WEST ORANGE COUNTY WATER BOARD**  
**Statement of Cash Flows**  
**Year Ended June 30, 2020**

Cash flows from operating activities:	
Receipts from participants	\$ 168,551
Payments to suppliers	(120,814)
Refund paid to participants	(44,551)
Other income	<u>751</u>
Net cash provided (used) by operating activities	<u>3,937</u>
Cash flows from capital and related financing activities:	
Construction of capital assets	(257,495)
Receipt of charges to participants	505,393
Principal paid	(633,111)
Interest paid	<u>(71,026)</u>
Net cash provided (used) by capital and related financing activities	<u>(456,239)</u>
Cash flows from investing activities:	
Interest received	<u>38,815</u>
Net increase in cash and cash equivalents	(413,487)
Cash and cash equivalents, beginning of year	<u>1,873,970</u>
Cash and cash equivalents, end of year	<u>\$ 1,460,483</u>
Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ <u>(68,295)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	116,967
Increase (decrease) in deposits payable	(44,551)
Increase (decrease) in accounts payable	<u>(184)</u>
Net cash and cash equivalents provided (used) by operating activities	<u>\$ 3,937</u>

There were no significant noncash investing, capital and financing related activities for the year ended June 30, 2020.

See accompanying notes to the basic financial statements.

# **WEST ORANGE COUNTY WATER BOARD**

## **Notes to Financial Statements**

**Year Ended June 30, 2020**

### **NOTE 1 – ORGANIZATION AND HISTORY**

The West Orange County Water Board (Board) was created on February 9, 1955, through a joint powers agreement with subsequent supplements and amendments to provide for the construction, operation and maintenance of water transportation. Current participants under the agreement are the Cities of Huntington Beach, Westminster, Seal Beach and Garden Grove who own the facilities. All operating costs are allocated to and recovered from the participants, and accordingly, the Board has no net income from operations.

Effective February 1, 1996, the City of Huntington Beach purchased 3.8 cubic feet per second (cfs) of capacity in Feeder No.1. Revenues and expenses are now being allocated using the following percentages:

City of Huntington Beach	56.1%
City of Garden Grove	4.2%
City of Seal Beach	14.3%
City of Westminster	25.4%
	<hr/>
	100.0%

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of Accounting**

The accounting methods and procedures adopted by the Board conform to generally accepted accounting principles as applied to governmental enterprise funds as prescribed by the Governmental Accounting Standards Board (GASB).

The Board, as an enterprise fund, accounts for its operations in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The focus of enterprise fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The Board's operating revenues and expenses are those that result from providing services and producing and delivering goods.

#### **(b) Cash Equivalents**

The City of Huntington Beach acts as fiscal agent of the Board and all funds of the Board are held and managed by the City of Huntington Beach's Treasurer. For purposes of the financial statements, the Board considers highly liquid debt instruments (excluding assets whose use is limited) purchased with a maturity of three months or less to be cash equivalents. Money market accounts and funds invested with the Local Agency Investment Fund (LAIF) are considered to be cash equivalents.

**WEST ORANGE COUNTY WATER BOARD**

**Notes to Financial Statements**

**Year Ended June 30, 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(c) Investments

Investments are generally stated at fair value, which is based on quoted market prices as of the valuation date. The gain/loss resulting from valuation is reported in the revenue account interest income on the statement of revenues, expenses and changes in net position.

(d) Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the Board's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Board's own data.

(e) Estimates

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

# **WEST ORANGE COUNTY WATER BOARD**

## **Notes to Financial Statements**

**Year Ended June 30, 2020**

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(f) Net Position**

Net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position – This category presents restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation.

Unrestricted Net Position – This category represents the net position of the Board, not restricted for any project or other purpose.

#### **(g) Capital Assets**

Capital assets have an acquisition cost of \$50,000 or greater (\$100,000 for infrastructure) and a useful life of one year or more. The Board records all purchased capital assets at historical cost (where historical records are available) and at estimated historical cost where no historical records exist.

### **NOTE 3 – CASH AND INVESTMENTS**

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

Deposits	\$ 3,106
Investments in LAIF	<u>1,457,377</u>
Total Cash and Investments	<u><u>\$ 1,460,483</u></u>

#### *Investments Authorized by the California Government Code and the Board's Investment Policy*

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

# WEST ORANGE COUNTY WATER BOARD

## Notes to Financial Statements

Year Ended June 30, 2020

### NOTE 3 – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Certificate of Deposit	5 years	30%	**
Local Agency Investment Fund (LAIF)	N/A	No Limit	\$30 million*
Money Market Mutual Funds	60 day Wgt Avg	20%	10%

\* The following investment types are authorized for the Board by the California Government Code. However, the Board's investment policy is more restrictive than the California Government Code:

Certificates of Deposit - The California Government Code allows a city to invest up to 100% of its portfolio in this investment type and up to 10% of its portfolio in a single issuer.

LAIF - The State Treasurer limits the participants to \$75 million.

\*\*The Board's investment policy does not include a policy for the maximum investment in one issuer for certificate of deposits. As such, the Board follows the California Government Code's maximum investment in one issuer, for time certificate of deposits and negotiable certificates of deposit, of 10%.

#### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. The Board mitigates interest rate risk by maintaining its fund in LAIF which may be drawn upon daily.

#### 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. At June 30, 2020, the LAIF pool is not rated.

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker, dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

# WEST ORANGE COUNTY WATER BOARD

## Notes to Financial Statements

Year Ended June 30, 2020

### NOTE 3 – CASH AND INVESTMENTS (Continued)

The California Government Code and the Board's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Board deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

#### Local Agency Investment Fund (LAIF)

The Board 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 the Board's investment in the pool is reported in the accompanying financial statements at an amount based upon the Board'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 is recorded on an amortized cost basis. The total amount invested by all public agencies in LAIF as of June 30, 2020, was \$32.1 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2020, had a balance of \$101.61 billion.

### NOTE 4 – RELATED PARTY TRANSACTIONS

The City of Huntington Beach, besides being a participant of the Board, performs the duties of manager/engineer, all accounting functions and bills the Board for monthly operation and maintenance costs incurred. Total administrative, operations and maintenance costs billed for the period ended were \$58,557.

### NOTE 5 – CAPITAL ASSETS

Capital assets consists of the following at June 30, 2020:

	June 30, 2019	Additions	Retirements	June 30, 2020
Capital assets being depreciated:				
Infrastructure	\$ 5,848,359	-	-	5,848,359
Less accumulated depreciation:				
Infrastructure	(116,967)	(116,967)	-	(233,934)
Total capital assets, net	<u>\$ 5,731,392</u>	<u>(116,967)</u>	<u>-</u>	<u>5,614,425</u>

**WEST ORANGE COUNTY WATER BOARD**

**Notes to Financial Statements**

**Year Ended June 30, 2020**

**NOTE 6 – LOAN PAYABLE**

Changes in long-term liabilities consists of the following at June 30, 2020:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Loan Payable	\$ 3,855,076	-	(633,111)	3,221,965	415,737

In October 2017, the Board entered into a loan agreement with OCTA in the amount of \$5,995,394 as a result of the construction of the Interstate 405 Widening Project. Interest for the loan is charged at the rate of earnings equal to the State of California Surplus Money Investment Fund (SMIF). At June 30, 2020, the SMIF rate was 1.236%. Payments on the loan are due on a quarterly basis as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 415,737	42,363	458,100
2022	415,737	47,203	462,940
2023	415,737	48,717	464,454
2024	415,737	47,034	462,771
2025	415,737	41,769	457,506
2026-2028	<u>1,143,280</u>	<u>61,234</u>	<u>1,204,514</u>
Total	<u>\$ 3,221,965</u>	<u>288,320</u>	<u>3,510,285</u>

Member agencies of the Board through a financial participation agreement are responsible for their portion of the share based on percentage of ownership. Member agency payments are due on a quarterly basis.

During the year ended June 30, 2020, the Board incurred a 5% penalty of \$9,937 for not returning unused principal within 90 days of the completion of the project.



## SUPPLEMENTARY INFORMATION

**WEST ORANGE COUNTY WATER BOARD**  
**Schedule of Revenues, Expenses and Changes in Net Position by Participant**  
**Year Ended June 30, 2020**

	City of Huntington Beach	City of Garden Grove	City of Seal Beach	City of Westminster	Total
Operating revenues:					
Maintenance and operating charges to participants	\$ 69,564	5,208	17,732	76,047	168,551
Other	<u>421</u>	<u>32</u>	<u>107</u>	<u>191</u>	<u>751</u>
Total operating revenues	69,985	5,240	17,839	76,238	169,302
Operating expenses:					
Maintenance and operating expenses	67,674	5,066	17,250	30,640	120,630
Depreciation	<u>65,618</u>	<u>4,913</u>	<u>16,726</u>	<u>29,710</u>	<u>116,967</u>
Total operating expenses	133,292	9,979	33,976	60,350	237,597
Operating loss	(63,307)	(4,739)	(16,137)	15,888	(68,295)
Nonoperating revenues (expenses):					
Debt services charges to participants	402,741	-	102,652	-	505,393
Interest income	19,017	1,424	4,847	8,610	33,898
Interest expense	<u>(37,930)</u>	<u>(2,840)</u>	<u>(9,668)</u>	<u>(17,173)</u>	<u>(67,611)</u>
Total nonoperating revenues (expenses)	<u>383,828</u>	<u>(1,416)</u>	<u>97,831</u>	<u>(8,563)</u>	<u>471,680</u>
Change in net position	320,521	(6,155)	81,694	7,325	403,385
Net Position, Beginning of year	<u>997,218</u>	<u>299,463</u>	<u>254,190</u>	<u>1,776,833</u>	<u>3,327,704</u>
Net Position, End of year	<u>\$ 1,317,739</u>	<u>293,308</u>	<u>335,884</u>	<u>1,784,158</u>	<u>3,731,089</u>

**WEST ORANGE COUNTY WATER BOARD**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2020**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Operating Revenues			
Operating	\$ 124,000	169,302	45,302
Total operating revenues	124,000	169,302	45,302
Operating expenses:			
Maintenance and operating:			
Board members	2,500	2,400	100
Legal	2,500	1,064	1,436
Professional services	5,500	5,200	300
Insurance	9,500	7,385	2,115
Power	4,500	2,620	1,880
Maintenance, repair and operation	95,000	100,700	(5,700)
Other contract services	2,000	1,261	739
Contingency	2,500	-	2,500
Depreciation expense	116,967	116,967	-
Total operating expenses	240,967	237,597	3,370
Operating loss	(116,967)	(68,295)	48,672
Nonoperating revenues (expenses):			
Debt service charges to participants	525,000	505,393	(19,607)
Interest income	-	33,898	33,898
Interest expense	-	(67,611)	(67,611)
Total nonoperating revenues (expense)	525,000	471,680	(53,320)
Change in net position	\$ 408,033	403,385	(4,648)

**WEST ORANGE COUNTY WATER BOARD**

**NOTE TO SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2020**

*Budgetary Comparison Schedule*

Annual budgets are adopted by the West Orange County Water Board's (Board) Board of Directors. The Board prepares its budgets on the accrual basis of accounting. No budget transfers were requested during the year. The legal level of budgetary control (that is, the level at which expenses cannot legally exceed the appropriated amount) for the operating budget is at the entity level.