



# Santa Ana Watershed Project Authority

## Comprehensive Annual Financial Report

### Fiscal Year Ended June 30, 2013

11615 Sterling Avenue • Riverside • California • 92503  
[www.sawpa.org](http://www.sawpa.org) • (951) 354-4220

**Santa Ana Watershed Project Authority**  
**Riverside, CA**

**Comprehensive Annual Financial Report**

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**For the Fiscal Year Ended  
June 30, 2013**

Prepared by the  
Finance Department

11615 Sterling Avenue, Riverside California 92503

951.354.4220 [www.sawpa.org](http://www.sawpa.org)

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# Introductory Section







# Santa Ana Watershed Project Authority

One Water One Watershed

OWOW IS AWARDED "TOP 25" INNOVATIONS IN AMERICAN  
GOVERNMENT BY HARVARD'S KENNEDY SCHOOL



November 19, 2013

Philip L. Anthony  
Commission  
Chair

To the Chair of the Board of Commissioners, Members of the Commission, and Member Agencies of the Santa Ana Watershed Project Authority:

Celeste Cantú  
General  
Manager

We are pleased to present the Santa Ana Watershed Project Authority's (hereinafter referred to as "the Authority") Comprehensive Annual Financial Report for the year ended June 30, 2013.

Orange  
County  
Water  
District

The report was prepared by the Authority's Finance Department following the guidelines recommended by the Governmental Accounting Standards Board (GASB) and generally accepted accounting principles (GAAP). Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including disclosures, rests with the Authority's management. We believe the data, as presented, is accurate in all material respects, and that it is presented in a manner that provides a fair representation of the financial position and results of operation of the Authority. Included are all disclosures we believe necessary to enhance your understanding of the financial condition of the Authority.

Western  
Municipal  
Water District

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the Independent Auditors' Report.

Eastern  
Municipal  
Water  
District

The Authority's financial statements have been audited by White Nelson Diehl Evans LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

San  
Bernardino  
Valley  
Municipal  
Water  
District

Inland  
Empire  
Utilities  
Agency



# Reporting Entity and Its Services

## Governmental Structure

The Authority was first formed in 1968 as a planning agency, and reformed in 1972, with a mission to plan and build facilities to protect the water quality of the Santa Ana River Watershed (hereinafter referred to as “the Watershed”). The Authority is a Joint Powers Authority (JPA), comprised of the five largest water agencies in the Watershed: Eastern Municipal Water District (EMWD), Inland Empire Utilities Agency (IEUA), Orange County Water District (OCWD), San Bernardino Valley Municipal Water District (SBVMWD), and Western Municipal Water District (WMWD).

## Service Area

The Watershed spans approximately 2,650 square miles, and covers San Bernardino, Riverside, and most of Orange Counties, as well as a small portion of Los Angeles County. It is home to over 6 million people. The Watershed, and the State as a whole, is facing many challenges in guaranteeing sufficient, high-quality water for the ever-growing population of the region. The Authority works with planners, scientists, water experts, design and construction engineers, and other government agencies to identify issues and develop innovative solutions to resolve many water-related problems.

## Vision

The Authority’s vision is a sustainable Santa Ana River Watershed that provides clean and reliable water resources for a vibrant economy and high quality of life for all, while maintaining healthy ecosystems and open space opportunities.

A successful Authority provides value to its member agencies and to the Watershed as a whole by facilitating collaboration across boundaries to address common goals and tackle problems that are larger than any individual entity.

## Mission

The Authority strives to make the Santa Ana River Watershed sustainable through fact-based planning and informed decision-making; regional and multi-jurisdictional coordination; and the innovative development of policies, programs, and projects. Our mission is accomplished through a number of specific functions:

- Maintaining peace in the Watershed;
- Facilitating conflict resolution through collaborative processes;
- Preparing an integrated watershed-wide water management plan that provides a unified vision for the Watershed;
- Operating the Inland Empire Brine Line to convey salt out of the Watershed and support economic development;
- Developing water-related initiatives, particularly those that require the participation of several entities;
- Identifying, pursuing, securing, and administering supplemental funds for the Watershed; and
- Influencing legislation for the benefit of the Watershed.

## Our Values

Our strategy and day-to-day operations are guided by values strongly held by our member agencies, management, and staff:

**Leadership** in the development and advancement of a vision and plan for a sustainable Watershed, and in the incorporation of new paradigms for water and watershed planning.

**Collaboration and cooperation** among member agencies and other stakeholders in the Watershed toward the formulation and implementation of solutions to watershed-wide, multi-jurisdictional problems.

**Creativity** in the pursuit of new approaches to watershed planning, the use of new technologies, and the enhancement of a new water ethic in the Watershed.

**Fact-based decision-making** to identify neutral and transparent solutions that maximize the benefit to the entire Watershed.

**Respect** for all voices and perspectives in the Watershed to develop sound solutions and maximize consensus building.

**Transparency, integrity and professionalism** to maintain the respect and trust of our partners, and to attract and retain talented and committed individuals to our organization.

The Authority uses a three-pronged approach to accomplish our mission with the services it offers, which are listed below.

### Inland Empire Brine Line

The Authority's enterprise includes ownership and operation of the Inland Empire Brine Line (Brine Line). The 73-mile long regional brine line is designed to convey 30 million gallons per day of non-reclaimable wastewater from the upper Santa Ana River Basin to the Pacific Ocean for disposal, after treatment. The Brine Line is currently used for: 1) the disposal of high Total Dissolved Solids (TDS) brine from brackish groundwater desalter operations and power plants within the region; 2) the disposal of industrial wastewater that is unacceptable for discharge into local wastewater treatment facilities, usually because of high concentrations of TDS from commercial and industrial facilities; and 3) the disposal of domestic or industrial wastewater that is managed by public agencies and which meets standards of local treatment facilities. Some users of the Brine Line have temporary or emergency needs and connect to the system for a fixed term.

This 35-year old utility was built as the fundamental method of salt export for the region. Historic import of water for agricultural purposes has increased the salinity of many groundwater basins within the Watershed. Removing salt by means of the Brine Line allows the Watershed to work towards achieving salt balance – a key Watershed goal and indicator of sustainability. Salt is removed from brackish groundwater by reverse osmosis desalters, which discharge the concentrated brine into the Brine Line. The treated water from the desalters is delivered for consumption as potable water. Brine disposal will be essential to support water recycling efforts and economic growth within the Watershed.

### Integrated Regional Watershed Planning

The Authority has been involved in integrated regional watershed planning since its formation. The latest plan adopted in November 2010 is the Santa Ana River Watershed Integrated Regional Water Management Plan (IRWMP) called The “One Water One Watershed (OWOW) Plan”. Using a decentralized stakeholder involvement process as well as involving experts from all fields and areas within the Watershed, an extraordinarily collaborative and visionary plan was prepared to address water challenges over the next two decades. The plan addresses climate change; water supply reliability; water and land use; water quality improvement; flood control and stormwater runoff; water use efficiency; water recycling; parks, recreation, and open space; environmental justice; and environment and habitat. Through this integration of water resource categories or pillars, scarce resources will be leveraged and cost effective solutions will be developed to address a multiplicity of water challenges using an integrated multi-beneficial approach. In 2011, SAWPA kicked off its next integrated plan update called OWOW 2.0 identifying system-wide implementation actions that will assure Watershed goals and needs are met for the future. The OWOW 2.0 Plan is expected to be completed and adopted by December 2013.

### Stakeholder Partnering (Roundtable Efforts)

The Authority has taken the lead role in establishing effective regional partnerships with the Regional Water Quality Control Board and other stakeholders in the Watershed to solve water quality problems, as well as water and natural resource problems. The Authority serves as the administrator/facilitator and creates a neutral venue for a number of efforts bringing together many agencies and organizations to address and solve a multiplicity of problems through integration and innovation.

## **Economic Conditions and Outlook**

### Local Economy

While the Watershed, comprised of Orange, Riverside, and San Bernardino Counties, has been one of the fastest growing regions in the nation, the national financial crisis and recession has taken its toll on this region’s economy. Although the state and local economy face various economic challenges the region seems to be rebounding. Income levels have risen for the second consecutive year, unemployment rates continue to improve, and the housing market continues to improve while still remaining affordable. Economic forecasters expect the economy to continue to improve and become stronger in the coming years due to the availability of land, the ideal location for commerce, a relatively strong manufacturing base, and affordable housing.

### Sound Financial Policies

The Agency continues to manage funds to ensure financial stability and demonstrate responsible stewardship by sustaining reasonable rates for customers, containing costs through careful planning, preserving investments, safeguarding reserves, and active debt management.

### Financial Planning

The Commission approves a biennial operating budget as a management tool. The budget is developed with input from the various departments within the organization and adopted prior to the start of each fiscal year. Monthly comparison reports of budget to actual are prepared, and quarterly budget-to-actual results by fund type are provided to and discussed with the Commission, along with financial position and other key performance information.

### Reserves Policy

The Agency adopted a reserve policy, which states the purpose, source, and funding limits for each of its designated reserves. The reserves are essential for maintaining liquidity in the marketplace, which enables the Agency to access the lowest cost-of-capital borrowing opportunities.

### Investment Policy

The Agency invests its funds in instruments permitted by California Government Code sections 53601 et seq., and in accordance with its investment policy. The investment objectives of the Agency are to first preserve capital, followed by maintaining liquidity, and finally, maximizing the rate of return without compromising the first two objectives.

### Debt Administration

The Agency actively manages its debt portfolio, seeking to minimize its total debt costs. This goal is met by the use of state revolving fund (SRF) loans to fund its capital projects.

## **Major Initiatives and Accomplishments**

Fiscal year 2012-13 was another busy year for the Authority. It not only administers the day-to-day operations of the JPA, it operates the Brine Line Enterprise and Capital Improvement Program, administers the OWOW Program, administers several grant programs, serves as the Lake Elsinore & San Jacinto Watersheds Authority administrator, conducts regional planning activities, and facilitates eight stakeholder task force work groups. Some of the major initiatives and accomplishments for FYE 2013 are listed below.

### Brine Line Enterprise

- Completed investigation of a segment of Reach V after spontaneous failure of a 24-inch diameter PVC pipe. Investigation included test pits to determine the in-situ soil condition and deformation of the PVC pipe. A repair concept using cured-in-place pipe was developed by a panel of pipeline experts.
- Enhanced a data and records management system (OnBase) for the permitting and pretreatment program. System has an expedient notification capability for Brine Line Liquid Waste Hauler rejected loads.
- Installed additional access points to Reach IV-B Upper to facilitate line cleaning. Used access points and disassembled piping to clean the Buchanon Siphon which was approximately 50% plugged with scale.
- Continued quarterly siphon cleaning program for 13 system inverted siphons. Bid the program and awarded a new contract at the beginning of the fiscal year.

- Integrated new operations staff position to ensure efficient and effective system operations and maintenance.
- Monitored facilities during winter storm events and performed minor repairs from erosion.
- Continued to locate facilities, particularly on Reach V, by “potholing” and updating “as-built” information.
- Conducted recurring maintenance of air release valves to reduce incidence of “dripping” of any brine from the valves.
- Continued implementation of a Brine Line marketing plan.
- Completed repair of selected Maintenance Access Structures (MAS). Lined several structures which were unlined concrete to prevent further concrete deterioration.
- Inspected over 400 system MASs, identified deficiencies, and documented deficiencies into new Work Order system.
- Monitored US Army Corps of Engineers design and relocation of approximately 400 feet of Reach IV-A Upper pipe near the Yorba Slaughter Adobe.
- Monitored Orange County Public Works relocation of the Santa Ana Regional Interceptor (SARI) in Orange County. This 4 mile section will transport 100% SAWPA flows and includes a new metering station.
- Responded to over 1,000 requests from contractors to mark the location of the Brine Line in the field. Requires direct coordination with the contractor to review the proposed work and any potential concerns for the Brine Line.

### OWOW

- Conducted a successful fifth annual OWOW Conference in Costa Mesa, CA with over 350 people in attendance.
- Conducted an effective OWOW rating and ranking process for 20 projects that meet the OWOW Plan Goals and worked with proponents to submit a Department of Water Resources (DWR) application for Round 2 of the CA DWR Proposition 84 Integrated Regional Water Resources Management (IRWM) funding program, \$16 million in grant funding.
- Continued work on the development of the OWOW Plan update, OWOW 2.0.
- Continued our study partnership with the United States Bureau of Reclamation (USBR) providing \$1 million in federal funding. The partnership focuses on OWOW 2.0 tasks that address climate change adaptation, mitigation and disadvantaged communities, tribal community critical water supply, and water quality support.
- Continued use of a \$1 million planning grant from the CA DWR to work on the OWOW 2.0 Plan.

### Stakeholder Partnering (Roundtable Efforts)

- Continued work with the US Forest Service on collaborative water resource efforts for determining beneficial forest management activities on water resources and to recommend implementation projects.
- Supported the stakeholders of the Middle Santa Ana River Pathogen TMDL Task Force in the implementation of a comprehensive bacteria reduction plan.
- Submitted the watershed-wide emerging constituent’s program annual sampling report of the Regional Board reflecting no major health concerns resulting from emerging constituents in drinking water sources as deemed by the Regional Board.

- Initiated a new joint salinity management study update through our involvement with Southern California Salinity Coalition, Metropolitan Water District of Southern California (MWDSC), and USBR.

#### Technology

- Implemented Video Conferencing.
- Created Brine Permit Web application to track permits and insurance documents.
- Migrated Liberty documents to the new electronic document system OnBase.
- Deployed 5 new PCs at SAWPA.
- Created new Dig Alert application saving \$18,000 a year for Operations.
- Rolled out new website for SAWPA with user friendly tools to update.
- Implemented recommendations from the Feasibility Analysis on Going Paperless in Accounting.
- Began implementation of ACH payments.
- Created a multi-year financial forecasting model.
- Developed in-house, a computerized maintenance management system to track facility information, pending work orders, completed work, etc. in a geographic based platform.

## Accounting System

The Finance Department is responsible for providing financial services for the Authority, including financial accounting and reporting, payroll, accounts payable and receivable, custody and investment of funds, billing and collection of wastewater charges, and other revenues. The Authority accounts for its activities as an enterprise fund and prepares its financial statements on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when incurred. It is the intent of the Board of Commissioners to manage the Authority's operations as a business, thus matching revenues against the cost of providing services.

## Internal Controls

The Authority operates within a system of internal accounting controls established and continually reviewed by management to provide reasonable assurance that assets are adequately safeguarded and transactions are recorded in accordance with Authority policies and procedures. When establishing and reviewing controls, management must consider the cost of the control and the value of the benefit derived from its utilization. Management normally maintains or implements only those controls for which its value adequately exceeds its cost. Recent audits have not noted any weaknesses in internal controls.

## Audit and Financial Reporting

State Law requires the Agency to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of White Nelson Diehl Evans LLP has conducted the audit of the Authority's financial statements. Their unqualified (clean) Independent Auditor's Report appears in the Financial Section.

## Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the fourth year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of only one year.

We believe that our current comprehensive annual financial report continues to meet the programs requirements and will submit our current June 30, 2013, report to the GFOA to determine its eligibility for a certificate.

The GFOA of the United States and Canada presented a Distinguished Budget Presentation Award to the Authority for the two-year Budget beginning July 1, 2011. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operating guide, as a financial plan, and as a communication device. The Authority submitted the two-year Budget beginning July 1, 2013 for this award as well.

## Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Authority's Finance Department. We also would like to express our appreciation to the other Authority Departments for their cooperation, assistance, and support.

We further acknowledge the thorough and professional manner in which our auditors, White Nelson Diehl Evans LLP, conducted the audit.

Additionally, we would like to acknowledge the Board of Commissioners for their continued support of the Authority's goal of sound accountable financial management, and for maintaining the highest standards of professionalism in the management of the Authority's finances. We truly appreciate their unfailing interest and support.

Respectfully submitted,

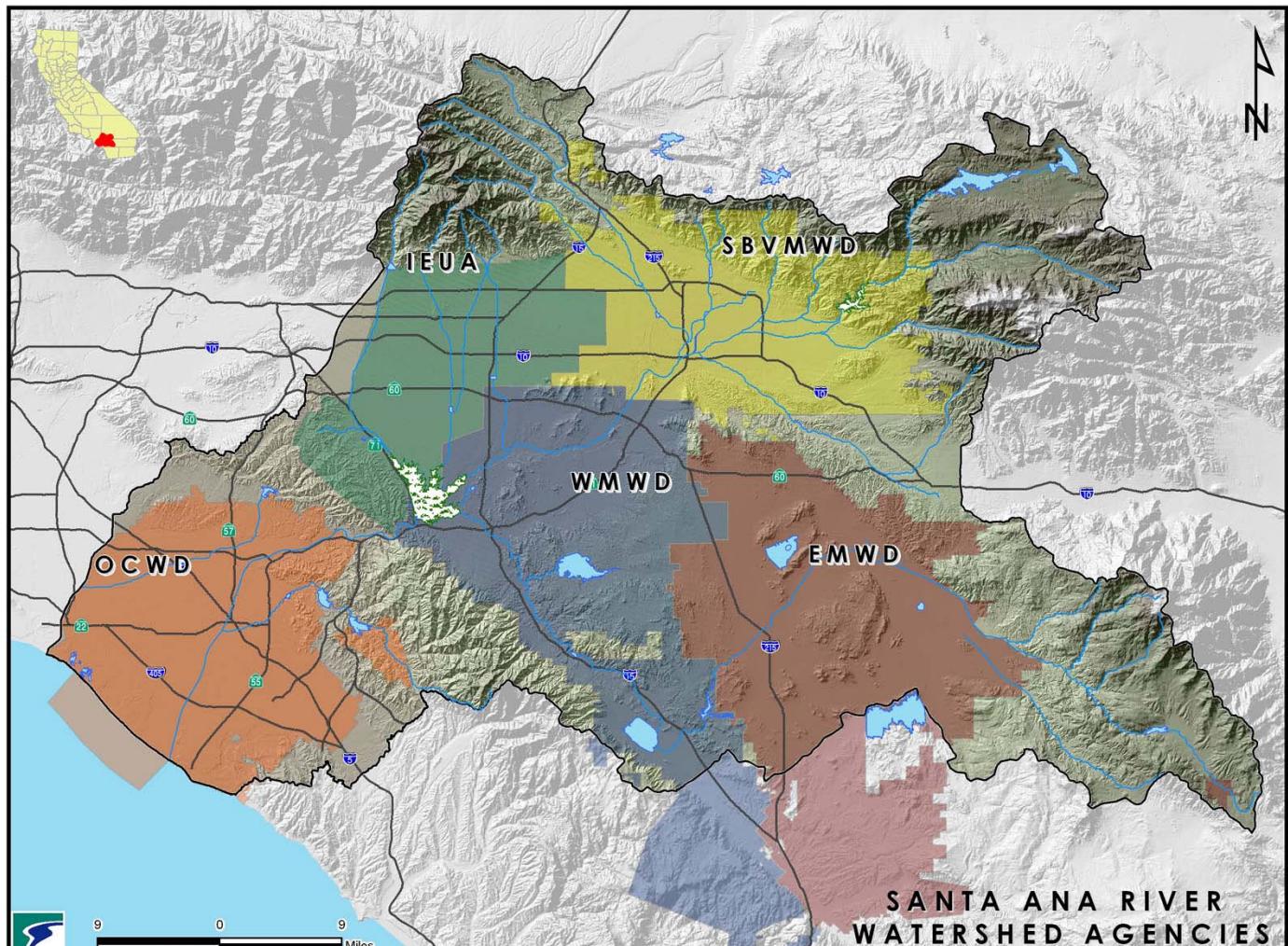
A handwritten signature in blue ink that reads "Celeste Cantú".

Celeste Cantú  
General Manager

A handwritten signature in blue ink that reads "Karen Williams".

Karen Williams  
Chief Financial Officer

# Santa Ana Watershed Project Authority Authority Service Area Map





Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Santa Ana Watershed  
Project Authority, California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

A handwritten signature in black ink that reads "Jeffrey P. Ecker".

Executive Director/CEO

# Santa Ana Watershed Project Authority

## Authority Officials

### Board of Commissioners

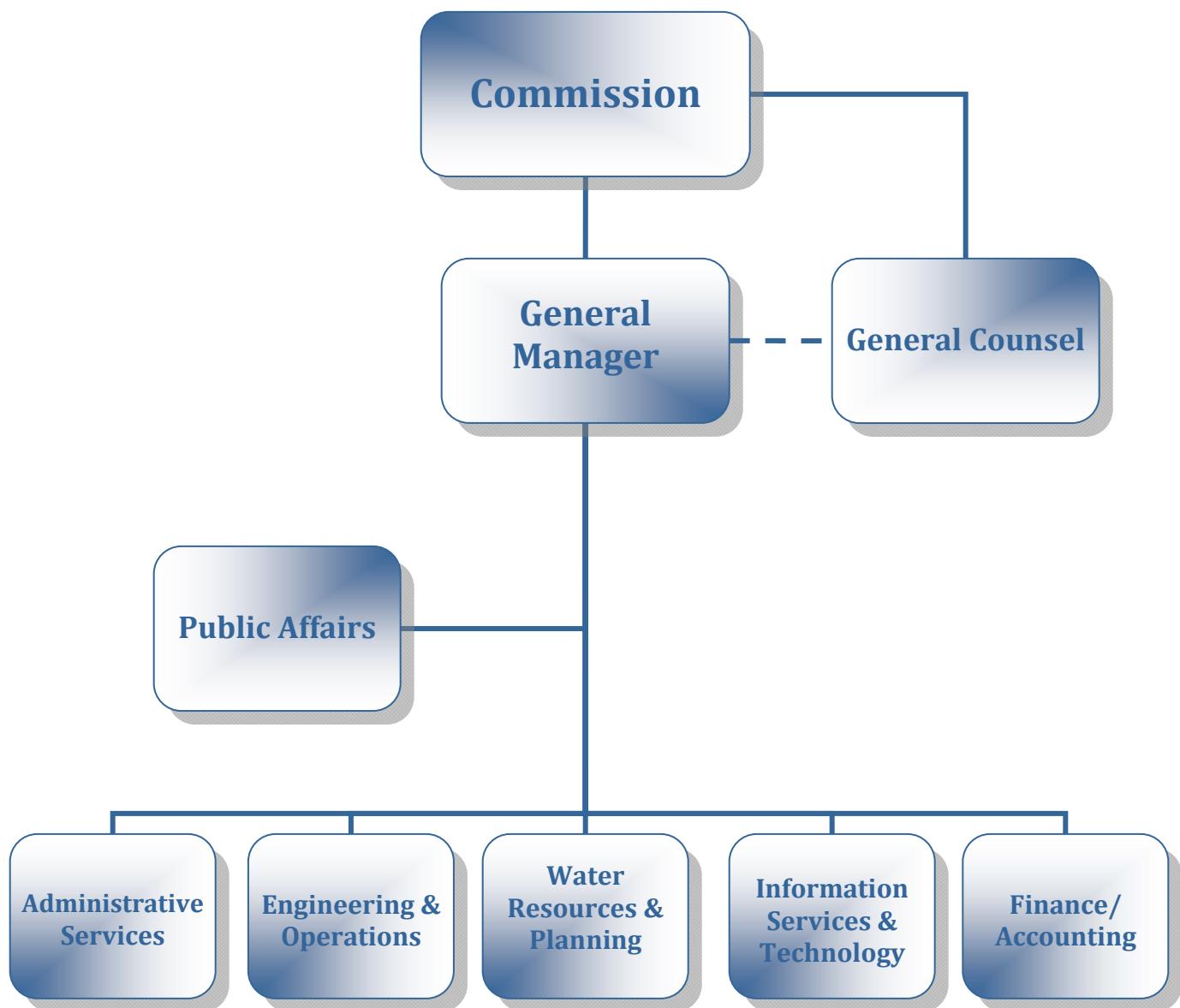
<b>Philip Anthony</b>	Chair	OCWD
<b>Don Galleano</b>	Vice Chair	WMWD
<b>Ron Sullivan</b>	Secretary/Treasurer	EMWD
<b>Mark Bulot</b>	Commission Member	SBVMWD
<b>Terry Catlin</b>	Commission Member	IEUA

### Management Staff

<b>Celeste Cantú</b>	General Manager
<b>Patti Bonawitz</b>	Administrative Services Manager/Clerk of the Board
<b>Karen Williams</b>	Chief Financial Officer
<b>Dean Unger</b>	IS and Technology Manager
<b>Richard Haller</b>	Executive Manager of Engineering and Operations
<b>Mark Norton</b>	Water Resources and Planning Manager
<b>Larry McKenney</b>	Executive Counsel

# Santa Ana Watershed Project Authority

## Organizational Chart



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# Financial Section





## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Santa Ana Watershed Project Authority  
Riverside, California

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

We have audited the accompanying financial statements of the Santa Ana Watershed Project Authority (the Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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 auditors' 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 auditors consider internal control relevant to the Authority'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 Authority'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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Santa Ana Watershed Project Authority as of June 30, 2013 and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

## **Emphasis of Matter**

As discussed in Note 2c to the financial statements, the Authority incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

## **OTHER MATTERS:**

### *June 30, 2012 Financial Information*

The Authority's 2012 financial statements were audited by other auditors, and their report dated November 20, 2012, expressed an unmodified opinion on those audited financial statements. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of the Authority and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress - other post-employment benefits obligation, as identified in the accompanying 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 the 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 on them.

## **OTHER MATTERS (CONTINUED):**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, combining schedules and statements, and statistical section for the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules and statements for the year ended June 30, 2013 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 schedules and statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections for the year ended June 30, 2013 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### *Prior Year Comparative Supplementary Information*

The combining schedules and statements listed as supplementary information in the table of contents include summarized prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2012, from which such summarized information was derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

*White Nelson Diehl Evans LLP*

Irvine, California  
November 6, 2013

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## **Management's Discussion and Analysis**

The intent of the Management Discussion and Analysis is to provide highlights of the financial activities for the fiscal year ended June 30, 2013 of the Santa Ana Watershed Project Authority (the "Authority"). Readers are encouraged to read this section in conjunction with the transmittal letter and the accompanying basic financial statements.

### **The Authority**

The Santa Ana Watershed Project Authority was formed in 1972 pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise powers common to public agencies. The Authority was formed for the purpose of undertaking projects for water quality control and protection and pollution abatement in the Santa Ana River Watershed.

The Authority's five member agencies are Orange County Water District (OCWD), Inland Empire Utilities Agency (IEUA), Western Municipal Water District (WMWD), San Bernardino Valley Municipal Water District (SBVMWD), and Eastern Municipal Water District (EMWD).

### **Overview of the Financial Statements**

The Authority is a special purpose government (special district) engaged only in activities that support themselves through user charges and member contributions. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board (GASB).

These financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable data about the Authority's financial condition and operating results. They are the (1) Statement of Net Position; (2) Statement of Revenues, Expenses and Changes in Net Position; and (3) Statement of Cash Flows.

The statement of net position presents information on all the Authority's assets, deferred inflow of resources, liabilities, and deferred outflow of resources, with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

The statement of cash flows conveys to financial statement users how the Authority managed cash resources during the year. This statement converts the change in net

## **Management's Discussion and Analysis**

position presented on the statement of revenues, expenses and changes in net position into actual cash provided by and used for operations. The statement of cash flows also details how the Authority obtains cash through financing and investing activities, and how cash is spent for these purposes.

## **Summary Financial Information and Analysis**

The Authority's financial operations remained sound during the fiscal year 2013. The statement of net position remains strong, providing a foundation for continued growth within the Authority's service area. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$67.4 million at June 30, 2013 and \$66.8 million at June 30, 2012.

### **Statement of Net Position**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>			
Current Assets	\$ 62,367,273	\$ 65,160,061	\$ 74,060,504
Non-current Assets	11,612,746	13,168,979	4,690,007
Capital Assets	111,349,053	113,807,286	102,353,259
<b>Total Assets</b>	<b>185,329,072</b>	<b>192,136,326</b>	<b>181,103,770</b>
<b>Liabilities</b>			
Current Liabilities	5,873,575	8,568,678	8,474,356
Non-current Liabilities	112,077,523	116,747,913	107,010,548
<b>Total Liabilities</b>	<b>117,951,098</b>	<b>125,316,591</b>	<b>115,484,904</b>
<b>Net Position</b>			
Net Investment in Capital Assets	81,081,685	80,560,654	81,597,589
Restricted	4,232,102	4,263,626	3,347,218
Unrestricted (Deficit)	(17,935,813)	(18,004,545)	(19,325,941)
<b>Total Net Position</b>	<b>\$67,377,974</b>	<b>\$66,819,735</b>	<b>\$65,618,866</b>

## **Management's Discussion and Analysis**

The following denotes explanations on some of the changes between fiscal years 2013 and 2012, as compared in the table above.

- The \$2.8 million decrease in Current Assets is due primarily to a decrease in accounts receivable. In 2012, there was over \$2.4 million in SRF Loan and Grants receivable for the Brine Line Repairs project. This project was completed in FYE 2012.
- The \$1.6 million decrease in Non-current Assets is due primarily to a decrease in installment notes from scheduled notes receivable receipts and the return of a portion of the funds loaned to Orange County Flood Control District (OCFCD) for the relocation of the Santa Ana Regional Interceptor (SARI) located in Orange County.
- The \$2.5 million decrease in Capital Assets is due primarily to an offset of depreciation and amortization to property, plant, and equipment.
- The \$2.7 million decrease in Current Liabilities is due primarily to a decrease in accounts payable. In 2012, there was over \$2.6 million in construction invoices due for the Brine Line Repairs project. This project was completed in FYE 2012.
- The \$4.7 million decrease in Non-current Liabilities is due primarily to the amortization of pipeline and wastewater treatment rights combined with the decrease in long-term debt from scheduled debt service payments.

The following denotes explanations on some of the changes between fiscal years 2012 and 2011, as compared in the table above.

- The \$8.9 million decrease in Current Assets is due primarily to a decrease in cash which was loaned to the OCFCD for the relocation of the SARI located in Orange County.
- The \$8.5 million increase in Non-current Assets is due primarily to recording the loan receivable from OCFCD and a decrease in installment notes from scheduled notes receivable receipts.
- The \$11.5 million increase in Capital Assets is due primarily to the construction of the Reach IV-A and IV-B repair project and an offset of depreciation and amortization to property, plant, and equipment.
- The \$9.7 million increase in Non-current Liabilities is due primarily to the receipt of a SWRCB loan for the Reach IV-A and IV-B repair project and the amortization of pipeline and wastewater treatment rights

## **Management's Discussion and Analysis**

combined with the decrease in long-term debt from scheduled debt service payments.

### **Category of Net Position**

The Authority is required to present its net assets in three categories: (1) Net Investment in Capital Assets; (2) Restricted; and (3) Unrestricted.

#### Net Investment in Capital Assets

At June 30, 2013, Net Investment in Capital Assets consisted of the following:

#### **Net Investment in Capital Assets (In Millions)**

	2013	2012	2011
Property, Plant & Equipment	\$130.6	\$110.4	\$110.4
Accumulated Depreciation	(53.9)	(50.8)	(48.1)
Wastewater Treatment & Disposal Rights	55.6	55.6	55.6
Accumulated Amortization	(21.1)	(19.7)	(18.3)
Construction in Process	0.2	18.3	2.8
Related Payables and Loans, Net of Discounts	(30.3)	(33.2)	(20.8)
<b>Total</b>	<b>\$81.1</b>	<b>\$80.6</b>	<b>\$81.6</b>

#### Restricted

At June 30, 2013, Restricted Net Position of \$4.2 million is legally restricted by contract to fund additional Arundo Management and Habitat Restoration projects within the Santa Ana River Watershed.

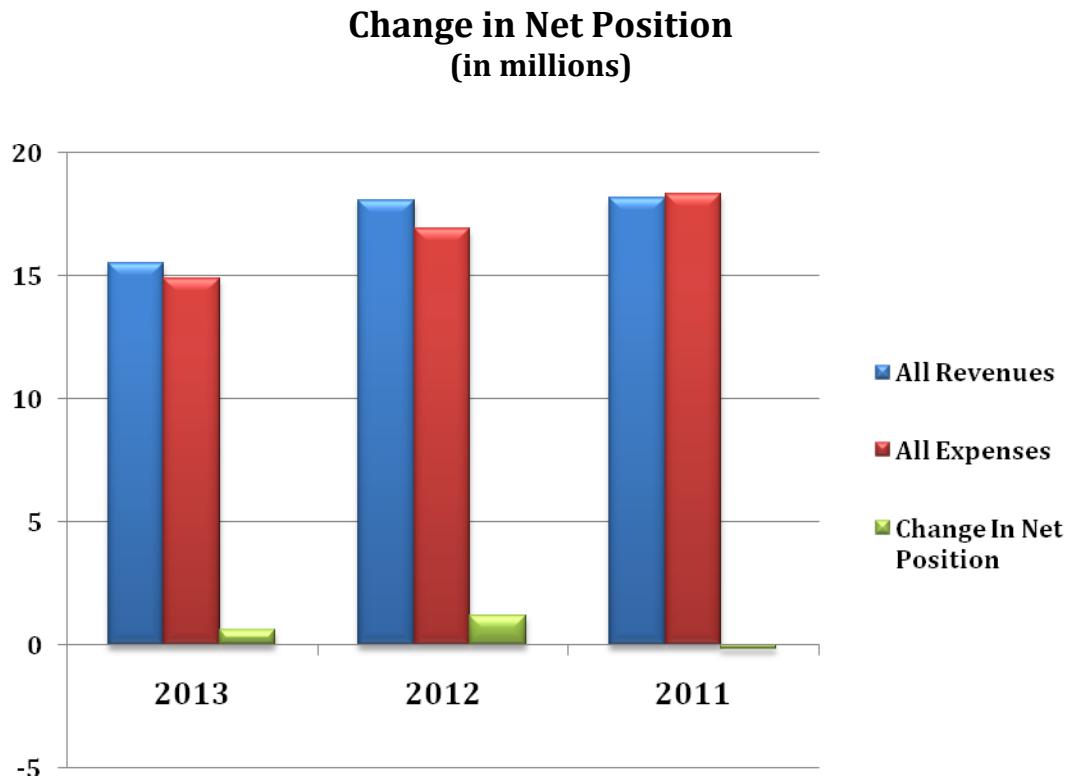
#### Unrestricted

At June 30, 2013, the Authority had an unrestricted net deficit of \$17.9 million. However, the Authority does possess \$82.8 million in unearned revenues being realized over a 50 year period of approximately \$2.5 million per year.

## **Management's Discussion and Analysis**

### **Change in Net Position**

Overall, the fiscal year ending June 30, 2013, brought an increase in net position of \$0.6 million, a \$0.6 million decrease from the previous year. The primary reason for this decrease over the prior year was due to a decrease of \$2.6 million in total revenues and a decrease of \$1.9 million in total expenses.



## Management's Discussion and Analysis

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

	2013	2012	2011			
	Amount	% of Total	Amount	% of Total	Amount	% of Total
<b>Operating Revenues:</b>						
WWT & Disposal	\$ 9,170,287	59.2%	\$ 10,053,123	55.7%	\$ 10,989,257	60.5%
WWT & Disposal Capacity Rights	2,510,154	16.2%	2,481,109	13.7%	2,467,971	13.6%
Program Administration	-	0.0%	-	0.0%	268,253	1.5%
Other Operating Revenues	220,420	1.4%	205,257	1.1%	18,301	0.1%
<b>Total Operating Revenues</b>	<b>11,900,861</b>	<b>76.8%</b>	<b>12,739,489</b>	<b>70.5%</b>	<b>13,743,782</b>	<b>75.7%</b>
<b>Non-Operating Revenues:</b>						
Member Contributions	1,829,845	11.8%	1,697,194	9.4%	1,646,170	9.1%
Intergovernmental	1,432,832	9.2%	2,563,956	14.2%	1,542,723	8.5%
Investment Income	343,591	2.2%	1,058,984	5.9%	1,178,639	6.5%
Gain on Disposal of Asset	-	0.0%	2,223	0.0%	-	0.0%
Other Non-Operating Income	-	0.0%	-	0.0%	42,000	0.2%
<b>Total Non-Operating Revenues</b>	<b>3,606,268</b>	<b>23.2%</b>	<b>5,322,357</b>	<b>29.5%</b>	<b>4,409,532</b>	<b>24.3%</b>
<b>Total Revenues</b>	<b>15,507,129</b>	<b>100.0%</b>	<b>18,061,846</b>	<b>100.0%</b>	<b>18,153,314</b>	<b>100.0%</b>
<b>Operating Expenses:</b>						
WWT and Disposal	6,686,530	44.7%	7,356,155	43.6%	7,491,739	40.9%
General and Admin and Overhead	631,924	4.2%	1,198,902	7.2%	838,929	4.6%
Studies and Planning Costs	2,501,681	16.7%	2,244,658	13.3%	4,287,122	23.4%
Depreciation	3,134,661	21.0%	2,732,655	16.2%	2,643,498	14.5%
Amortization of WWT and Disposal Rights	1,400,918	9.4%	1,400,918	8.3%	1,400,918	7.7%
<b>Total Operating Expenses</b>	<b>14,355,714</b>	<b>96.0%</b>	<b>14,933,288</b>	<b>88.6%</b>	<b>16,662,206</b>	<b>91.1%</b>
<b>Non-Operating Expenses:</b>						
Interest Expense	558,421	3.7%	678,080	4.0%	792,108	4.3%
Loss on Disposal of Asset	-	0.0%	-	0.0%	186,901	1.0%
Grant Program Expenses	23,470	0.2%	1,222,182	7.2%	491,828	2.7%
Other Non-Operating Expenses	11,285	0.1%	27,427	0.2%	162,252	0.9%
<b>Total Non-Operating Expenses</b>	<b>593,176</b>	<b>4.0%</b>	<b>1,927,689</b>	<b>11.4%</b>	<b>1,633,089</b>	<b>8.9%</b>
<b>Total Expenses</b>	<b>14,948,890</b>	<b>100.0%</b>	<b>16,860,977</b>	<b>100.0%</b>	<b>18,295,295</b>	<b>100.0%</b>
Change in Net Positions	558,239	0.8%	1,200,869	1.8%	(141,981)	-0.2%
Beginning Net Position	66,819,735	99.2%	65,618,866	98.2%	65,760,847	100.2%
<b>Ending Net Position</b>	<b>\$67,377,974</b>	<b>100.0%</b>	<b>\$66,819,735</b>	<b>100.0%</b>	<b>\$65,618,866</b>	<b>100.0%</b>

## **Management's Discussion and Analysis**

### **Revenues**

Combined revenues for the fiscal year 2013 totaled \$15.5 million, a decrease of \$2.6 million, or 14.1%, more than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2013 and 2012.

- The \$0.8 million decrease in Waste Water Treatment and Disposal is due to a decrease of biochemical oxygen demand (BOD) and total suspended solids (TSS) concentrations from the prior year. BOD and TSS concentrations have continually decreased each year due to the aggressive pipeline cleaning program and pre-treatment of waste streams prior to discharge into the pipeline.
- The \$1.1 million decrease in Intergovernmental is due to the completion of the SWRCB Proposition 13 project and the Reach IV-A and IV-B repair projects being completed in FYE 2012. At June 30, 2012, there were over \$1.5 million in revenues from these two grants.
- The \$0.7 million decrease in Investment Income is due to three of the installment notes having been paid off in FYE 2012. Notes receivable receipts will be reduced by over \$0.9 million each year with the scheduled repayment of these notes.

Combined revenues for the fiscal year 2012 totaled \$18.1 million, a decrease of \$91 thousand, or 0.5%, less than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2012 and 2011.

- The \$0.9 million decrease in Waste Water Treatment and Disposal is due to a decrease of BOD and TSS concentrations from the prior year. BOD and TSS concentrations have continually decreased each year due to the aggressive pipeline cleaning program and pre-treatment of waste streams prior to discharge into the pipeline.
- The \$1.0 million increase in Intergovernmental is due to the receipt of State Proposition 84 grant funds and the SWRCB loan proceeds receivable for the Reach IV-A and IV-B repair project.

### **Expenses**

Combined expenses for the fiscal year 2013 totaled \$14.9 million, a decrease of \$1.9 million, or 11.3% less than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2013 and 2012.

- The \$1.2 million decrease in Grant Program Expenses is due to Studies and Planning Costs is due to a decrease in activity in the Basin Monitoring Program Task Force, the Santa Ana River Fish

## **Management's Discussion and Analysis**

Conservation Program, the Chino TMDL Task Force, the Stormwater Quality Standards Task Force, the Arundo Management and Habitat Restoration program, the Trail Marketing Support, and the Big Bear TMDL Task Force. Each of these projects have scaled back much of their coordinated study and monitoring activity to transition into project implementation.

Combined expenses for the fiscal year 2012 totaled \$16.9 million, a decrease of \$1.4 million, or 7.8% less than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2012 and 2011.

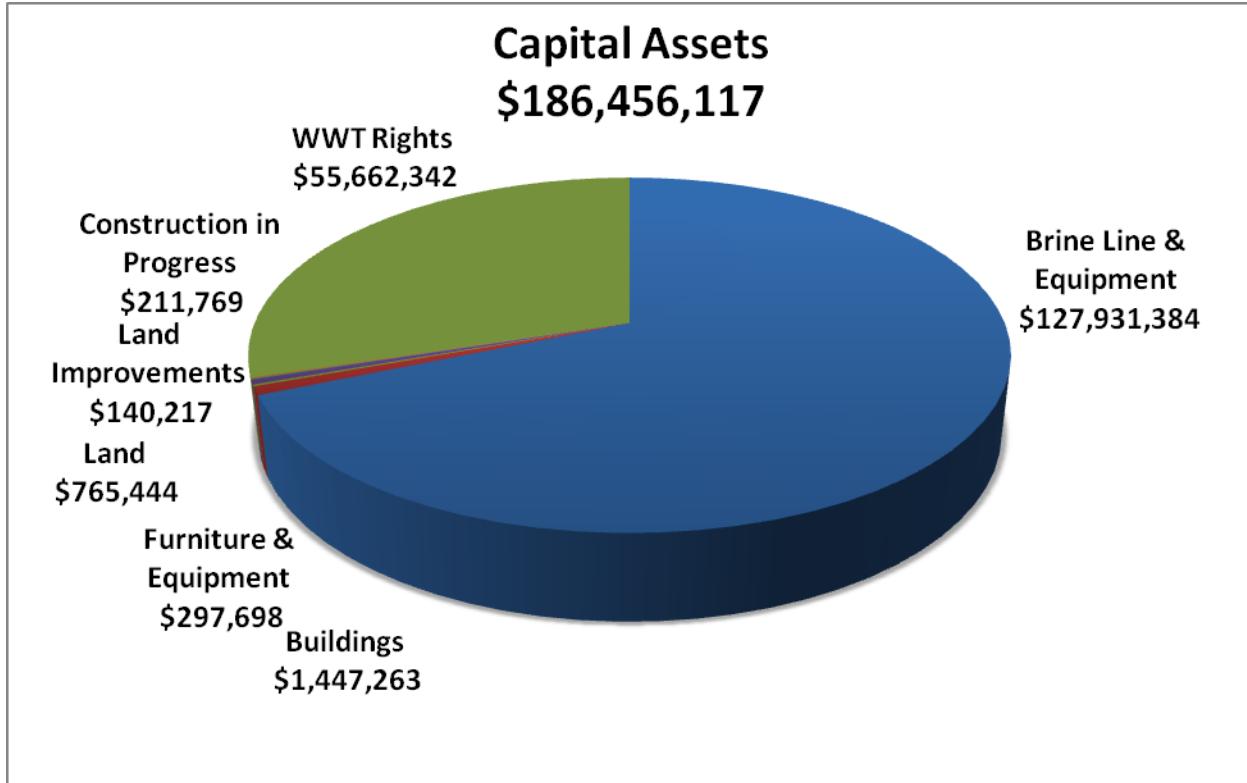
- The \$2.0 million decrease in Studies and Planning Costs is due to the completion of the SWRCB Proposition 13 project and the Reach IV-A and IV-B repair projects being completed in FYE 2012.
- The \$0.7 million increase in Grant Program Expenses is due to the re-allocation of the remaining Proposition 13 grant funds to two projects which began at the end of last fiscal year and were completed in 2012.

## **Capital Assets**

### Existing Capital Assets

The following chart is the composition of the Authority's total capital assets, not including depreciation and amortization, considered utility plant, as of June 30, 2013; additional information can be found in Note 7 of the Notes to Financial Statements.

## **Management's Discussion and Analysis**



Capital asset additions (related to the Reach IV-A and IV-B repair project) make up the \$2.1 million increase in Capital Assets over fiscal year 2012.

A comparison of the changes by major category between the current and prior fiscal years is provided in the Category of Net Position section on page 8 of this report.

### **Future Capital Improvements**

The capital improvements program (CIP) includes annual capital repairs to correct pipeline and maintenance access structure (MAS, formerly known as manhole) defects identified during CCTV inspection. The defects include items such as sealing joints with major groundwater infiltration, and repairing MAS and pipe corrosion protection (a plastic liner). In an effort to facilitate the cleaning of Reach IV-B Upper, capital improvements will be needed to grant better access to the pipeline. The improvements include the addition of five access points along the reach and the realignment of 50 feet of pipe which will replace two 45 degree horizontal bends with four 22.5 degree horizontal bends. These improvements will be completed in fiscal year 2014.

A catastrophic failure and brine spill along Reach V has prompted an investigation of the in-situ condition of the pipe installed in 1999. Data collected to date indicates that the PVC pipe is deformed beyond the recommended amount (5% deflection) at several locations. During FYE 2013, test pits were excavated along the five miles of pipe in question and additional areas of deflection greater than 5% were found. A panel of three pipeline experts was convened and recommended repair by installation of cured-in-place pipe to

## **Management's Discussion and Analysis**

strengthen the pipe. Based upon this recommendation, a consultant was hired to develop a project, conceptual design, and cost estimate. The engineer's estimate is \$19 million. In FYE 2014, final design documents will be prepared and an initial phase of repairs completed. It is expected a State Revolving Fund (SRF) loan will be obtained to fund the project. The loan will be repaid through discharger fees.

The OCSD continues to monitor pipeline condition in Orange County and complete capital repairs to protect the pipeline from erosion within a four mile stretch within Orange County. This portion of the pipeline falls within the floodplain. The County of Orange is working with the ACOE, OCSD, and the Authority to complete a long-term solution to protect the pipeline from Prado Dam water releases. The chosen solution is to relocate the pipeline to the south side of the river outside the floodplain. In fiscal year 2012, the Authority loaned \$10 million to the County of Orange and the OCSD will loan up to \$70 million, to facilitate an earlier completion of the relocation project. Project design was completed in fiscal year 2011 and the project was bid and awarded in fiscal year 2012. Construction completion was expected by fall 2013 but has been delayed until spring 2014.

## **Long-Term Debt**

The Authority's long-term debt consists of five loans from the SWRCB for construction of the Brine Line, four loans from the SWRCB for construction of Reach V of the Brine Line, a new loan from the SWRCB for repairs of Reach IV-A and IV-B, loan from a member agency for the repurchase of wastewater capacity and treatment/disposal rights, and a contractual obligation due to a related joint powers authority.

During the fiscal years ended June 30, 2011-2013, the Authority made all of its scheduled principal payments on these debts as follows:

Debt Service	2013	2012	2011
SWRCB Brine Line	\$2,343,767	\$2,276,536	\$2,211,234
SWRCB TVRI Line	868,669	845,912	823,750
OCWD Repurchase of Wastewater Rights	251,142	236,927	223,516
WRCRWA* Contractual Obligation	452,403	440,078	428,095

\*West Riverside County Regional Wastewater Authority

These payments decreased the outstanding balance in long-term debt by \$3.9 million, while the addition of a new loan for the repair of Reach IV-A and IV-B increased long-term debt to \$32.7 million at June 30, 2013. For more detailed information refer to Note 9 of the Notes to Financial Statements.

## **Management's Discussion and Analysis**

### **Fiscal Year 2013-2014 Budget**

#### Economic and Financial Factors

The economy in the Authority's service area is gaining ground thanks largely to a resurgent real estate market. Growth is expected to continue with recovery in both the housing and labor markets. The Authority has continued to seek ways to increase efficiency and reduce our budget by optimizing operational processes and implementation of a number of cost cutting measures throughout operations. In fiscal year 2012, an additional staff position was added to bring functions previously provided for by consultants in house, which greatly increase the efficiency and effectiveness of our operations. Through these efforts, we have been able to reduce costs and pass those savings on to our member agencies through reduced fees and member contributions.

The Authority is faced with a \$60 million Capital Improvement Program over the next 25 years. To ensure that there will be funds available to implement the program, the Authority conducted a long-term financial plan and rate model for the Brine Line. This new model serves as a financial planning tool to ensure sufficient revenues are collected for operating needs, capital needs, and the funding of a long-term capital repair and replacement reserve. During the study, it was determined that the allocation of costs did not accurately reflect the functional breakdown of the system in regards to variable and fixed costs. The updated allocations shifted many costs from variable to fixed, significantly changing the existing rate structure. The changes to the rate structure are being phased in over a three-year period and will be fully implemented in fiscal year 2014.

Management is unaware of any other conditions that could have a significant past, present, or future impact on the Authority's current financial position, net position, or operating results.

#### Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for the Board of Commissioners, customers, investors, creditors, and other interest parties. Questions concerning any information provided in the report or requests for additional information should be addressed to the Authority's Finance Department, 11615 Sterling Avenue, Riverside, CA 92503.

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## **BASIC FINANCIAL STATEMENTS**

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SANTA ANA WATERSHED PROJECT AUTHORITY

STATEMENTS OF NET POSITION  
PROPRIETARY FUND

June 30, 2013 and 2012

	Business-Type Activities Enterprise Fund	
	2013	2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 3)	\$ 37,486,042	\$ 39,530,344
Cash and cash equivalents - restricted (Note 3)	1,135,039	1,183,932
Investments (Note 3)	16,428,710	15,247,980
Interest receivable	315,685	336,419
Accounts receivable	1,676,868	1,710,862
Accounts receivable - member contributions	-	1,520
Accounts receivable - grants	1,337,292	1,427,781
Accounts receivable - other	1,012,245	2,449,527
Notes receivable - current portion (Note 4)	639,819	965,303
Prepaid expenses and other assets	289,013	259,833
Mitigation credits (Note 6)	2,046,560	2,046,560
<b>TOTAL CURRENT ASSETS</b>	<u>62,367,273</u>	<u>65,160,061</u>
<b>NONCURRENT ASSETS:</b>		
Notes receivable (Note 4)	3,084,888	3,724,707
Loan receivable (Note 5)	8,527,858	9,444,272
Capital assets (Note 7):		
Not being depreciated	977,213	19,062,018
Being depreciated, net of accumulated depreciation	110,371,840	94,745,268
<b>TOTAL NONCURRENT ASSETS</b>	<u>122,961,799</u>	<u>126,976,265</u>
<b>TOTAL ASSETS</b>	<u>185,329,072</u>	<u>192,136,326</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	1,808,376	3,862,852
Accrued salaries and wages	73,758	62,625
Accrued interest payable	253,199	314,255
Long-term liabilities - due within one year:		
Compensated absences (Note 8)	98,830	91,538
Loans payable (Note 9)	3,639,412	3,915,984
Pension-related debt	-	321,424
<b>TOTAL CURRENT LIABILITIES</b>	<u>5,873,575</u>	<u>8,568,678</u>
<b>NONCURRENT LIABILITIES:</b>		
Unearned revenue (Note 11)	82,759,903	84,292,213
Long-term liabilities - due in more than one year:		
Compensated absences (Note 8)	230,602	213,587
Loans payable (Note 9)	29,087,018	32,242,113
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>112,077,523</u>	<u>116,747,913</u>
<b>TOTAL LIABILITIES</b>	<u>117,951,098</u>	<u>125,316,591</u>
<b>NET POSITION</b>		
Net investment in capital assets	81,081,685	80,560,654
Restricted	4,232,102	4,263,626
Unrestricted	(17,935,813)	(18,004,545)
<b>TOTAL NET POSITION</b>	<u>\$ 67,377,974</u>	<u>\$ 66,819,735</u>

See independent auditors' report and notes to the basic financial statements

SANTA ANA WATERSHED PROJECT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND

For the fiscal years ended June 30, 2013 and 2012

	Business-Type Activities Enterprise Fund	
	2013	2012
<b>OPERATING REVENUES:</b>		
Wastewater treatment and disposal	\$ 9,170,287	\$ 10,053,123
Wastewater treatment and disposal - capacity rights	2,510,154	2,481,109
Other	220,420	205,257
<b>TOTAL OPERATING REVENUES</b>	<b>11,900,861</b>	<b>12,739,489</b>
<b>OPERATING EXPENSES:</b>		
Wastewater treatment and disposal	6,686,530	7,356,155
General and administrative and overhead	631,924	1,198,902
Studies and planning costs	2,501,681	2,244,658
<b>TOTAL OPERATING EXPENSES</b>	<b>9,820,135</b>	<b>10,799,715</b>
<b>OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>2,080,726</b>	<b>1,939,774</b>
<b>DEPRECIATION AMORTIZATION</b>	<b>(3,134,661)</b>	<b>(2,732,655)</b>
<b>OPERATING LOSS</b>	<b>(2,454,853)</b>	<b>(2,193,799)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Member contributions	1,829,845	1,697,194
Intergovernmental	1,432,832	2,563,956
Investment earnings	343,591	1,058,984
Gain on disposal of capital assets	-	2,223
Interest expense	(558,421)	(678,080)
Grant program expenses	(23,470)	(1,222,182)
Other	(11,285)	(27,427)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>3,013,092</b>	<b>3,394,668</b>
<b>CHANGES IN NET POSITION</b>	<b>558,239</b>	<b>1,200,869</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>66,819,735</b>	<b>65,618,866</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 67,377,974</b>	<b>\$ 66,819,735</b>

See independent auditors' report and notes to the basic financial statements.

SANTA ANA WATERSHED PROJECT AUTHORITY

STATEMENTS OF CASH FLOWS  
PROPRIETARY FUND

For the fiscal years ended June 30, 2013 and 2012

	Business-Type Activities Enterprise Fund	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 12,284,262	\$ 2,689,816
Cash paid to employees	(2,802,222)	(2,059,625)
Cash paid to suppliers	(9,387,553)	(8,664,221)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>94,487</u>	<u>(8,034,030)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Member contributions	1,831,365	1,712,694
Other governments	1,597,564	599,347
Grant program expenses	(34,755)	(1,222,119)
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>3,394,174</u>	<u>1,089,922</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(2,077,346)	(15,587,599)
Proceeds from acquisition of long-term debt	1,363,039	14,487,298
Principal payments on long-term debt	(3,915,981)	(3,799,453)
Interest paid on long-term debt	(135,163)	(735,863)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,765,451)</u>	<u>(5,635,617)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(2,673,829)	(511,331)
Proceeds from sale of investments	1,493,099	3,547,179
Interest received	364,325	1,040,895
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(816,405)</u>	<u>4,076,743</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(2,093,195)</u>	<u>(8,502,982)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>40,714,276</u>	<u>49,217,258</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 38,621,081</u>	<u>\$ 40,714,276</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:</b>		
Cash and cash equivalents	\$ 37,486,042	\$ 39,530,344
Cash and cash equivalents - restricted	1,135,039	1,183,932
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 38,621,081</u>	<u>\$ 40,714,276</u>

See independent auditors' report and notes to the basic financial statements.

(Continued)

SANTA ANA WATERSHED PROJECT AUTHORITY

STATEMENTS OF CASH FLOWS  
PROPRIETARY FUND  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

	Business-Type Activities	
	Enterprise Fund	
	2013	2012
<b>RECONCILIATION OF OPERATING LOSS TO</b>		
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (2,454,853)	\$ (2,193,799)
Adjustments:		
Amortization	1,400,918	1,400,918
Depreciation	3,134,661	2,732,655
Gain on disposal of assets	-	2,223
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	33,994	160,585
(Increase) decrease in prepaid expenses and other assets	(29,180)	12,443
(Increase) decrease in notes receivable	965,303	1,785,430
(Increase) decrease in loan receivable	916,414	(9,444,272)
Increase (decrease) in accounts payable	(2,054,476)	(530,255)
Increase (decrease) in accrued salaries and wages	11,133	(72,809)
Increase (decrease) in customer deposits	-	(24,620)
Increase (decrease) in compensated absences	24,307	43,696
Increase (decrease) in unearned revenue	(1,532,310)	(2,227,649)
Increase (decrease) in pension-related liability	(321,424)	321,424
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 94,487	\$ (8,034,030)

See independent auditors' report and notes to the basic financial statements.

SANTA ANA WATERSHED PROJECT AUTHORITY

STATEMENTS OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2013 and 2012

	<u>Total Agency Funds</u>	
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 442,137	\$ 2,200,250
Accounts receivable	2,864,482	1,145,867
Accounts receivable - grants	<u>1,547,469</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 4,854,088</u>	<u>\$ 3,346,117</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,411,951	\$ 2,905,305
TOTAL CURRENT LIABILITIES	<u>4,411,951</u>	<u>2,905,305</u>
NONCURRENT LIABILITIES:		
Deposits - legal defense	<u>442,137</u>	<u>440,812</u>
TOTAL NONCURRENT LIABILITIES	<u>442,137</u>	<u>440,812</u>
TOTAL LIABILITIES	<u>\$ 4,854,088</u>	<u>\$ 3,346,117</u>

See independent auditors' report and notes to the basic financial statements.

# SANTA ANA WATERSHED PROJECT AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2013 and 2012

### 1. ORGANIZATION AND PURPOSE:

The Santa Ana Watershed Project Authority (Authority) was reformed in 1972 pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise of powers common to public agencies, for the purpose of undertaking projects for water quality control and protection and pollution abatement in the Santa Ana River Watershed. The five member agencies are the Orange County Water District, Inland Empire Utilities Agency (formerly Chino Basin Municipal Water District), Eastern Municipal Water District, San Bernardino Valley Municipal Water District, and Western Municipal Water District. The Board of Commissioners is the governing body of the Authority. Each member of the Authority appoints, by Resolution of its governing body, one member of its governing body to act as its Commissioner on the Board.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standard Board Statements have been considered and there are no agencies or entities which should be presented with the Authority.

The Authority's enterprise activities are accounted for on the basis of funds, each of which is considered a separate accounting entity. The operations of each activity are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenses. Authority resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The Authority's various funds are grouped as follows:

**Capital Projects Activities** - Record the activity of the various capital improvement projects undertaken by the Authority.

**Internal Administration** - Reflect the grouping of general and administration expenses and department overhead costs. Reported amounts are net of allocations made in support of capital project and enterprise activities.

**Enterprise Activities** - Reflect operations of the Inland Empire Brine Line System (Brine Line) pipelines.

See independent auditors' report.

# SANTA ANA WATERSHED PROJECT AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

### 1. ORGANIZATION AND PURPOSE (CONTINUED):

The Authority also has the following Fiduciary Funds:

#### **Agency Funds:**

Agency funds are utilized to record monies held on behalf of others in a fiduciary capacity. The Authority has three agency funds:

**The Legal Defense Fund** - This fund was established in conjunction with the Environmental Protection Agency in connection with potential third-party lawsuits arising from the discharge of effluent which originates from the Stringfellow Hazardous Waste Site, while the facility is operated by the Environmental Protection Agency or its agents under the use permit.

**The Integrated Regional Water Management Program (Prop 50)** - This fund was established to account for the pass-thru monies of the Authority's member agencies.

**The Integrated Regional Water Management Program (Prop 84 Capital Projects)** – This fund was established to account for pass-thru monies of the Authority's member agencies.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### a. Basis of Presentation:

The Authority reports its activities as an enterprise fund, which is a Proprietary type fund used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the cost of providing services on a continuing basis be financed or recovered primarily through user charges, capital grants, and similar funding.

#### b. Measurement Focus and Basis of Accounting:

“Measurement focus” is a term used to describe *which* transactions are recorded within the various financial statements. “Basis of accounting” refers to *when* transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the “economic resources measurement focus”, and the “accrual basis of accounting”. Under the economic measurement focus all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the Statement of Net Position.

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Measurement Focus and Basis of Accounting (Continued):

The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

c. New Accounting Pronouncements:

**GASB Pronouncements Implemented:**

In fiscal year 2012-2013, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*”. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, “*Elements of Financial Statements*” into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

In fiscal year 2012-2013, the Authority early implemented GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*.<sup>1</sup>” This statement established accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Due to the early implementation of this statement, deferred bond costs, which should be recognized as an expense in the period incurred, were eliminated. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The Authority was not impacted by the implementation of the accounting pronouncement.

See independent auditors' report.

# SANTA ANA WATERSHED PROJECT AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

#### **Pending Accounting Standards:**

GASB has issued the following statements which may impact the Authority's financial reporting requirements in the future:

- GASB 66 - "*Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*", effective for periods beginning after December 15, 2012.
- GASB 67 - "*Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*", effective for the fiscal years beginning after June 15, 2013.
- GASB 68 - "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - "*Government Combinations and Disposals of Government Operations*", effective for periods beginning after December 15, 2013.
- GASB 70 - "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*", effective for the periods beginning after June 15, 2013.

#### d. Deferred Outflows/Inflows of Resources:

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

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

#### e. Net Position Flow Assumption:

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

It is the Authority's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied; however it is at the Board of Commissioners' discretion.

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f. Operating Revenues and Expenses:

Operating revenues, such as wastewater treatment and wastewater disposal, capacity rights, and contractual services, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values.

Revenues not included in the above category are reported as nonoperating revenues. Nonoperating revenues such as grant funding, member contributions, and investment income, result from non-exchange transactions or ancillary activities in which the Authority gives (receives) value without directly receiving (giving) value in exchange

Operating expenses include wastewater treatment and disposal, studies and planning costs, management, administration, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

g. Cash and Cash Equivalents:

Substantially all of Authority's cash is invested in interest bearing cash accounts. The Authority considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

h. Investments and Investment Policy:

The Authority has adopted an investment policy directing the Authority's Chief Financial Officer to deposit funds in financial institutions.

Investments are stated at their fair value which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Changes in market value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in market value, and any gains or losses realized upon the liquidation or sale of investments.

See independent auditors' report.

## SANTA ANA WATERSHED PROJECT AUTHORITY

### NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

##### i. Restricted Assets:

Restricted assets are financial resources generated for a specific purpose such as capital projects or debt service. These assets are for the benefit of a specified purpose and, as such, are legally or contractually restricted by an external third-party agreement.

##### j. Accounts Receivable:

The Authority extends credit in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded.

##### k. Prepaid Expenses:

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

##### l. Mitigation Credits:

Mitigation credits are recorded at cost and are purchased and used by those member agencies needing habitat mitigation within the Watershed for specific development projects.

##### m. Capital Assets:

Capital assets acquired and/or constructed are capitalized at historical cost. Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated assets are recorded at estimated cost at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	40 years
Land improvements	15 to 20 years
Vehicles	3 years
Furniture and office equipment	3 years
Brine Line and equipment	25 years

See independent auditors' report.

## SANTA ANA WATERSHED PROJECT AUTHORITY

### NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Authority capitalizes a portion of general and administration expenses and interest expense relating to certain long-term projects.

Wastewater treatment and disposal rights are included as capital assets and are capitalized at cost. Amortization is computed using the straight-line method over the remaining life of the Authority's contract with the Orange County Sanitation District for the acquisition of the rights at the time the right was acquired. The current contract expires April 26, 2046.

##### n. Compensated Absences:

The Authority's policy is to pay out sick leave time accrued upon retirement, death or termination on a variable scale of 15% to 60% based on years of service. Each full-time employee accrues 96 hours of sick time per year. The liability for this benefit has been accrued in these financial statements.

Employees of the Authority are entitled to paid vacation depending on length of service. Vacation is accrued for full-time employees beginning on the first day of full-time employment, and ranges from 12 to 22 days per year based on longevity with the Authority. Part-time employees accrue vacation on a pro-rated basis based on the actual number of hours worked.

Authority policy requires employees to pass a probationary period prior to payment for accrued vacation hours. Employees are allowed to accumulate vacation leave up to twice their annual accrual, but no more than 36 days.

##### o. Unearned Revenue:

Unearned revenue represents wastewater treatment and disposal capacity rights sold, which are being recognized as revenue over the same term as the purchased rights and are being amortized on a straight-line basis.

##### p. Capital Contributions:

Capital contributions consist of grants awarded and contributions received for the acquisition and/or construction of capital assets. Contributions received for studies, planning, administration, and other non-capital assets are considered non-operating revenue.

See independent auditors' report.

## SANTA ANA WATERSHED PROJECT AUTHORITY

### NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

##### q. Capital and Operating Grants:

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

##### r. Budgetary Policies:

The Authority adopts a bi-annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparison of actual revenue and expense with planned revenue and expense for the period.

##### s. Net Position:

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction, or improvement of those assets.
- **Restricted Net Position** - This component of net position consists of constraints placed on net position use imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

##### t. Use of Estimates:

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

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

u. Prior Year Data:

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's prior year financial statements, from which this selected financial data was derived.

v. Reclassifications:

Certain prior year amounts have been reclassified to reflect the current year presentation and have no effect on the changes in net position for the year ended June 30, 2013.

3. CASH AND INVESTMENTS:

**Cash and Investments:**

Cash and investments as of June 30, 2013 and 2012 are classified in the accompanying financial statements as follows:

	<u>2013</u>	<u>2012</u>
Statements of Net Position:		
Cash and cash equivalents	\$ 37,486,042	\$ 39,530,344
Cash and cash equivalents - held for mitigation	1,135,039	1,183,932
Investments	<u>16,428,710</u>	<u>15,247,980</u>
Total cash and cash equivalents	55,049,791	55,962,256
Statements of Fiduciary Net Position - Agency Funds:		
Cash and cash equivalents	<u>442,137</u>	<u>2,200,250</u>
Total cash and cash equivalents	<u>\$ 55,491,928</u>	<u>\$ 58,162,506</u>

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

3. CASH AND INVESTMENTS (CONTINUED):

**Cash and Investments (Continued):**

Cash and investments as of June 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Cash on hand	\$ 500	\$ 500
Deposits with financial institution	2,371,442	3,015,647
Investments	<u>53,119,986</u>	<u>55,146,359</u>
 Total cash and investments	 <u>\$ 55,491,928</u>	 <u>\$ 58,162,506</u>

As of June 30, 2013 and 2012, the Authority's authorized deposits had the following maturities:

	<u>2013</u>	<u>2012</u>
California Local Agency Investment Fund (LAIF)	234 days	268 days
Investment Trust of California (CalTRUST)	792 days	412 days

**Investments Authorized by the California Government Code and the Authority's Investment Policy:**

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

See independent auditors' report.

**SANTA ANA WATERSHED PROJECT AUTHORITY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)**

For the fiscal years ended June 30, 2013 and 2012

**3. CASH AND INVESTMENTS (CONTINUED):**

**Investments Authorized by the California Government Code and the Authority's Investment Policy (Continued):**

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Bills, Notes and Bonds	5 years	None	N/A
U.S. Government Sponsored Agency Securities	5 years	None	None
Mutual Funds	90 days	15%	None
Municipal Bonds	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	15%	*
Negotiable Certificates of Deposit	5 years	30%	\$250,000
Repurchase Agreements	1 year	None	None
Medium-Term Corporate Notes	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	N/A
Collateralized Bank Deposits	5 years	25%	None
Investment Trust of California (CalTRUST)	5 years	15%	N/A

N/A - Not Applicable

\* - 10% of outstanding paper of an issuing corporation

The Authority's investment policy states that maximum maturities shall not exceed 5 years without specific approval by the Commission. Authority investments as of June 30, 2013 include United States Treasury Bills that exceed the maximum maturity of five years. These investments have been approved by the Board of Commissioners in prior years.

**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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and CalTRUST).

See independent auditors' report.

## SANTA ANA WATERSHED PROJECT AUTHORITY

### NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

#### 3. CASH AND INVESTMENTS (CONTINUED):

##### **Custodial Credit Risk (Continued):**

The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit), and the Authority's investment policy that requires no more than two-thirds of the Authority's deposits in a depository shall be collateralized by mortgage-backed securities, with the remainder to be secured by non-mortgage-backed securities. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the Authority's bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Authority's name.

##### **Investment in State Investment Pool:**

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

##### **Investment in CalTRUST Investment Pool:**

CalTRUST is a Joint Powers Agency Authority created by local public agencies to provide a convenient method for local public agencies to pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. CalTRUST maintains and administers four pooled accounts within the program: Money Market, Short-Term, Medium-Term and Long-Term. The Money Market account permits daily transactions, with same-day liquidity (provided redemption requests are received by 1:00 p.m. Pacific time), with no limit on the amount of funds that may be invested. The Short-Term account permits an unlimited number of transactions per month (with prior day notice), with no limit on the amount of funds that may be invested. The

See independent auditors' report.

# SANTA ANA WATERSHED PROJECT AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

### 3. CASH AND INVESTMENTS (CONTINUED):

#### **Investment in CalTRUST Investment Pool (Continued):**

Medium- and Long-Term accounts permit investments, withdrawals and transfers once per month, with five days advance notice. All CalTRUST accounts comply with the limits and restrictions placed on local agency investments by the California Government Code. CalTRUST imposes a \$250,000 minimum investment; however, there is no maximum limit. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's percentage interest of the fair value provided by CalTRUST for the CalTRUST accounts (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CalTRUST.

#### **Interest Rate Risk:**

Interest rate risk is the risk where changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority 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 matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity date.

Maturities of investments and cash equivalents as of June 30, 2013 were as follows:

Investment Type	Remaining Maturity (in Months)			
	12 Months or Less	13 - 24 Months	25 - 60 Months	Total
U.S. Treasury Strips	\$ 2,447,382	\$ 2,853,361	\$ 4,306,344	\$ 9,607,087
U.S. Government Sponsored Agency Securities	-	1,021,320	1,962,820	2,984,140
LAIF	36,670,812	-	-	36,670,812
CalTRUST	-	-	2,099,606	2,099,606
Negotiable Certificates of Deposit	-	249,613	1,488,264	1,737,877
Mutual Funds	20,464	-	-	20,464
	<u>\$ 39,138,658</u>	<u>\$ 4,124,294</u>	<u>\$ 9,857,034</u>	<u>\$ 53,119,986</u>

See independent auditors' report.

**SANTA ANA WATERSHED PROJECT AUTHORITY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)**

For the fiscal years ended June 30, 2013 and 2012

**3. CASH AND INVESTMENTS (CONTINUED):**

**Interest Rate Risk (Continued):**

Maturities of investments and cash equivalents as of June 30, 2012 were as follows:

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 - 24 Months	25 - 60 Months		
U.S. Treasury Strips	\$ -	\$ -	\$ 11,100,186	\$ 11,100,186	
U.S. Government Sponsored Agency Securities			2,052,640	2,052,640	
LAIF	39,878,796	-	-	39,878,796	
CalTRUST	-	2,095,155	-	2,095,155	
Mutual Funds	19,582	-	-	19,582	
	<u>\$ 39,898,378</u>	<u>\$ 2,095,155</u>	<u>\$ 13,152,826</u>	<u>\$ 55,146,359</u>	

**Credit Risk:**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented on the following page is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating as of year end for each investment type. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, LAIF and CalTRUST are not rated.

Credit ratings of investments and cash equivalents as of June 30, 2013 were as follows:

Investment Type	Total	Minimum	Exempt	Rating as of Year End		Not Rated
		Legal Rating	From Disclosure	AAA	AA	
U.S. Treasury Strips	\$ 9,607,087	N/A	\$ 9,607,087	\$ -	\$ -	\$ -
U.S. Government Sponsored Agency Securities	2,984,140	N/A	-	-	2,984,140	-
LAIF	36,670,812	N/A	-	-	-	36,670,812
CalTRUST	2,099,606	N/A	-	-	-	2,099,606
Negotiable Certificates of Deposit	1,737,877	N/A	-	-	-	1,737,877
Mutual Funds	<u>20,464</u>	AAA	<u>-</u>	<u>20,464</u>	<u>-</u>	<u>-</u>
	<u>\$ 53,119,986</u>		<u>\$ 9,607,087</u>	<u>\$ 20,464</u>	<u>\$ 2,984,140</u>	<u>\$ 40,508,295</u>

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

**3. CASH AND INVESTMENTS (CONTINUED):**

**Credit Risk (Continued):**

Credit ratings of investments and cash equivalents as of June 30, 2012 were as follows:

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End AAA	Not Rated
U.S. Treasury Strips	\$ 11,100,186	N/A	\$ 11,100,186	\$ -	\$ -
U.S. Government Sponsored Agency Securities	2,052,640	N/A	2,052,640	-	-
LAIF	39,878,796	N/A	-	-	39,878,796
CalTRUST	2,095,155	N/A	-	-	2,095,155
Mutual Funds	<u>19,582</u>	AAA	<u>-</u>	<u>19,582</u>	<u>-</u>
	<u><u>\$ 55,146,359</u></u>		<u><u>\$ 13,152,826</u></u>	<u><u>\$ 19,582</u></u>	<u><u>\$ 41,973,951</u></u>

**Concentration of Credit Risk:**

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Authority has no investments that represent 5% or more of total Authority investments invested in one issuer.

**4. NOTES RECEIVABLE:**

During the year ended June 30, 1983, the Authority sold capacity rights in the Inland Empire Brine Line System Pipeline (Brine Line) under installment agreements with Eastern Municipal Water District, Western Municipal Water District, and San Bernardino Valley Municipal Water District. The three installment notes have identical terms. Sale terms specify 20 combined annual installments of \$932,210 with zero interest due June 30 of each year through 2012. At June 30, 2012 the note receivable was paid-in-full.

During the year ended June 30, 1994, the Authority sold capacity rights in the Brine Line pipeline under an installment agreement with San Bernardino Valley Municipal Water District. Sale terms specify annual installments of \$456,250 with zero interest due June 30 of each year through 2013. At June 30, 2013 the note receivable was paid-in-full. At June 30, 2012 the note receivable had been discounted at an imputed interest rate of 7.25% and totaled \$425,408. At June 30, 2012, remaining repayments amounted to \$456,250 with an unamortized discount of \$30,842.

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

**4. NOTES RECEIVABLE (CONTINUED):**

During the year ended June 30, 1998, the Authority sold capacity rights in the Brine Line pipeline under an installment agreement with Inland Empire Utilities Agency. Sale terms specify annual installments of \$267,188 with zero interest due July 1 of each year through 2017. The receivable has been discounted at the imputed interest rate of 6.00% and totals \$1,125,491 and \$1,313,847 at June 30, 2013 and 2012, respectively. Remaining repayments total \$1,335,937 and \$1,603,125 with an unamortized discount of \$210,446 and \$289,278 at June 30, 2013 and 2012, respectively.

During the year ended June 30, 1999, the Authority sold capacity rights in the Brine Line pipeline under and installment agreement with Western Municipal Water District. Sale terms specify annual installments of \$89,063 with zero interest due July 1 of each year through 2018. The receivable has been discounted at the imputed interest rate of 6.00% and totals \$2,599,216 and \$2,950,753 at June 30, 2013 and 2012, respectively. Remaining repayments total \$3,171,502 and \$3,700,086 with an unamortized discount of \$572,286 and \$749,333 at June 30, 2013 and 2012, respectively.

Notes receivable amounts at June 30, are as follows:

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 572,289	\$ 223,482	\$ 795,771
2015	606,627	189,145	795,772
2016	643,024	152,748	795,772
2017	681,605	114,166	795,771
2018	722,502	73,269	795,771
2019	498,660	29,922	528,582
Total	3,724,707	\$ 782,732	\$ 4,507,439
Less: current portion	<u>(639,819)</u>		
Total noncurrent	<u>\$ 3,084,888</u>		

**5. LOAN RECEIVABLE:**

On June 29, 2010, The Authority agreed to loan Orange County Flood Control District (OCFCD), 10% of the total costs, not to exceed \$10 million for the protection and relocation of the Santa Ana Regional Interceptor Line Project (SARI Project). On June 21, 2011, the agreement was amended to increase the loan to 10% of total costs, not to exceed \$12 million. The Authority made an initial deposit of \$10 million during the fiscal year ended June 30, 2012. Terms of the agreement call for payment of principal to commence once subvention funding is received at a zero percent interest rate due each year through July 1, 2022. Principal and interest payments are based on subvention

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# SANTA ANA WATERSHED PROJECT AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

### 5. LOAN RECEIVABLE (CONTINUED):

funding received by OCFCD, which totaled \$916,414 and \$524,459 for fiscal years ended June 30, 2013 and 2012, respectively. On the unpaid balance at July 1, 2018, interest will accrue at the current LAIF interest rate. The receivable has been discounted at the June 30, 2012 LAIF interest rate of 0.363%, and totals \$8,527,858 and \$9,444,272 at June 30, 2013 and 2012, respectively. Remaining repayments total \$8,556,000 and \$9,475,541 with an unamortized discount of \$28,142 and \$31,269 at June 30, 2013 and 2012, respectively.

### 6. MITIGATION CREDITS:

On March 17, 2000, the State of California voted to approve, Proposition 13, the Costa-Machado Water Act of 2000 containing the Southern California Integrated Watershed Program (SCIWP), providing \$235 million for local grant assistance. The State Legislature appropriated the funds to the State Water Resource Control Board (SWRCB) to be allocated to the Authority for projects to rehabilitate and improve the Santa Ana River Watershed.

On April 23, 2003, as part of the SCIWP, the Authority purchased 100 acres of mitigation credits from the Riverside County Regional Park and Open Space District. These credits are purchased and used by those needing habitat mitigation within the Watershed for specific development projects.

The changes to mitigation credits at June 30, 2013 and 2012 were as follows:

<u>Balance</u> <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2013</u>
\$ 2,046,560	\$ -	\$ -	\$ 2,046,560
<u>Balance</u> <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2012</u>
\$ 2,066,360	\$ -	\$ (19,800)	\$ 2,046,560

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

**7. CAPITAL ASSETS:**

Changes in capital assets for the year ended June 30, 2013 were as follows:

	Balance 2012	Additions	Deletions	Balance 2013
<b>Capital assets, not being depreciated:</b>				
Land	\$ 765,444	\$ -	\$ -	\$ 765,444
Construction in progress	<u>18,296,574</u>	<u>2,050,652</u>	<u>(20,135,457)</u>	<u>211,769</u>
Total capital assets, not being depreciated	<u>19,062,018</u>	<u>2,050,652</u>	<u>(20,135,457)</u>	<u>977,213</u>
<b>Capital assets, being depreciated and amortized:</b>				
Land improvements	140,217	-	-	140,217
Buildings	1,447,263	-	-	1,447,263
Furniture and equipment	271,004	26,694	-	297,698
Brine Line and equipment	107,795,927	20,135,457	-	127,931,384
Wastewater treatment and disposal rights	<u>55,662,342</u>	<u>-</u>	<u>-</u>	<u>55,662,342</u>
Total capital assets, being depreciated and amortized	<u>165,316,753</u>	<u>20,162,151</u>	<u>-</u>	<u>185,478,904</u>
<b>Less accumulated depreciation and amortization for:</b>				
Land improvements	(69,375)	(3,506)	-	(72,881)
Buildings	(712,688)	(38,004)	-	(750,692)
Furniture and equipment	(200,127)	(19,531)	-	(219,658)
Brine Line and equipment	(49,866,373)	(3,073,620)	-	(52,939,993)
Accumulated amortization	<u>(19,722,922)</u>	<u>(1,400,918)</u>	<u>-</u>	<u>(21,123,840)</u>
Total accumulated depreciation and amortization	<u>(70,571,485)</u>	<u>(4,535,579)</u>	<u>-</u>	<u>(75,107,064)</u>
<b>Total capital assets, being depreciated, net</b>	<u>94,745,268</u>	<u>15,626,572</u>	<u>-</u>	<u>110,371,840</u>
<b>Total capital assets, net</b>	<u>\$ 113,807,286</u>	<u>\$ 17,677,224</u>	<u>\$ (20,135,457)</u>	<u>\$ 111,349,053</u>

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

**7. CAPITAL ASSETS (CONTINUED):**

Changes in capital assets for the year ended June 30, 2012 were as follows:

	Balance 2011	Additions	Deletions	Balance 2012
<b>Capital assets, not being depreciated:</b>				
Land	\$ 765,444	\$ -	\$ -	\$ 765,444
Construction in progress	<u>2,766,924</u>	<u>15,529,650</u>	<u>-</u>	<u>18,296,574</u>
Total capital assets, not being depreciated	<u>3,532,368</u>	<u>15,529,650</u>	<u>-</u>	<u>19,062,018</u>
<b>Capital assets, being depreciated and amortized:</b>				
Land improvements	140,217	-	-	140,217
Buildings	1,447,263	-	-	1,447,263
Furniture and equipment	257,630	13,374	-	271,004
Brine Line and equipment	107,751,351	44,576	-	107,795,927
Wastewater treatment and disposal rights	<u>55,662,342</u>	<u>-</u>	<u>-</u>	<u>55,662,342</u>
Total capital assets, being depreciated and amortized	<u>165,258,803</u>	<u>57,950</u>	<u>-</u>	<u>165,316,753</u>
<b>Less accumulated depreciation and amortization for:</b>				
Land improvements	(65,870)	(3,505)	-	(69,375)
Buildings	(674,684)	(38,004)	-	(712,688)
Furniture and equipment	(173,128)	(26,999)	-	(200,127)
Brine Line and equipment	(47,202,226)	(2,664,147)	-	(49,866,373)
Accumulated amortization	<u>(18,322,004)</u>	<u>(1,400,918)</u>	<u>-</u>	<u>(19,722,922)</u>
Total accumulated depreciation and amortization	<u>(66,437,912)</u>	<u>(4,133,573)</u>	<u>-</u>	<u>(70,571,485)</u>
<b>Total capital assets, being depreciated, net</b>	<b><u>98,820,891</u></b>	<b><u>(4,075,623)</u></b>	<b><u>-</u></b>	<b><u>94,745,268</u></b>
<b>Total capital assets, net</b>	<b><u>\$ 102,353,259</u></b>	<b><u>\$ 11,454,027</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 113,807,286</u></b>

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

8. COMPENSATED ABSENCES:

Compensated absences comprise unpaid vacation and sick leave which is accrued as earned.

The changes to compensated absences at June 30, 2013 and 2012 were as follows:

	Balance 2012	Earned	Taken	Balance 2013	Current Portion	Long-term Portion
Compensated absences	\$ 305,125	\$ 278,427	\$ (254,120)	\$ 329,432	\$ 98,830	\$ 230,602
	Balance 2011	Earned	Taken	Balance 2012	Current Portion	Long-term Portion
Compensated absences	\$ 261,429	\$ 172,110	\$ (128,414)	\$ 305,125	\$ 91,538	\$ 213,587

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

**9. LONG-TERM DEBT:**

Changes in long-term debt for the year ended June 30, 2013 were as follows:

	Balance 2012	Additions	Principal Payments Amortization	Balance 2013
<b>SWRCB Contract Loans:</b>				
Loan #1	\$ 971,099	\$ -	\$ (971,099)	\$ -
Loan #2	229,044	-	(112,829)	116,215
Loan #3	1,147,874	-	(372,477)	775,397
Loan #4	1,740,986	-	(416,143)	1,324,843
Loan #5	<u>1,965,135</u>	<u>-</u>	<u>(471,219)</u>	<u>1,493,916</u>
Total SWRCB Contract Loans	<u>6,054,138</u>	<u>-</u>	<u>(2,343,767)</u>	<u>3,710,371</u>
<b>SWRCB Brine Line Reach V Loans:</b>				
Loan I	2,928,321	-	(259,001)	2,669,320
Loan II & III	2,364,753	-	(210,108)	2,154,645
Loan IV	1,777,142	-	(175,645)	1,601,497
Loan V	<u>2,520,145</u>	<u>-</u>	<u>(223,915)</u>	<u>2,296,230</u>
Total SWRCB Brine Line Reach V Loans	<u>9,590,361</u>	<u>-</u>	<u>(868,669)</u>	<u>8,721,692</u>
<b>Member Agency Loans:</b>				
OCWD Loan	1,751,796	-	(251,142)	1,500,654
WRCRWA SFR Loans #2, 3 and 4	<u>2,911,465</u>	<u>-</u>	<u>(452,403)</u>	<u>2,459,062</u>
Total Member Agency Loans	<u>4,663,261</u>	<u>-</u>	<u>(703,545)</u>	<u>3,959,716</u>
<b>State Revolving Fund Loan Reach IVA &amp; IVB</b>				
	<u>15,850,337</u>	<u>484,314</u>	<u>-</u>	<u>16,334,651</u>
Total long-term debt	36,158,097	\$ 484,314	\$ (3,915,981)	32,726,430
Less: current portion	<u>(3,915,984)</u>			<u>(3,639,412)</u>
Long-term portion	<u>\$ 32,242,113</u>			<u>\$ 29,087,018</u>

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

**9. LONG-TERM DEBT (CONTINUED):**

Changes in long-term debt for the year ended June 30, 2012 were as follows:

	Balance 2011	Additions	Principal Payments Amortization	Balance 2012
<b>SWRCB Contract Loans:</b>				
Loan #1	\$ 1,913,000	\$ -	\$ (941,901)	\$ 971,099
Loan #2	338,587	-	(109,543)	229,044
Loan #3	1,510,559	-	(362,685)	1,147,874
Loan #4	2,145,008	-	(404,022)	1,740,986
Loan #5	<u>2,423,520</u>	<u>-</u>	<u>(458,385)</u>	<u>1,965,135</u>
Total SWRCB Contract Loans	<u>8,330,674</u>	<u>-</u>	<u>(2,276,536)</u>	<u>6,054,138</u>
<b>SWRCB Brine Line Reach V Loans:</b>				
Loan I	3,180,513	-	(252,192)	2,928,321
Loan II & III	2,569,537	-	(204,784)	2,364,753
Loan IV	1,947,837	-	(170,695)	1,777,142
Loan V	<u>2,738,386</u>	<u>-</u>	<u>(218,241)</u>	<u>2,520,145</u>
Total SWRCB Brine Line Reach V Loans	<u>10,436,273</u>	<u>-</u>	<u>(845,912)</u>	<u>9,590,361</u>
<b>Member Agency Loans:</b>				
OCWD Loan	1,988,723	-	(236,927)	1,751,796
WRCRWA SFR Loans #2, 3 and 4	<u>3,351,543</u>	<u>-</u>	<u>(440,078)</u>	<u>2,911,465</u>
Total Member Agency Loans	<u>5,340,266</u>	<u>-</u>	<u>(677,005)</u>	<u>4,663,261</u>
<b>State Revolving Fund Loan Reach IVA &amp; IVB</b>				
	<u>-</u>	<u>15,850,337</u>	<u>-</u>	<u>15,850,337</u>
Total long-term debt	24,107,213	<u>\$ 15,850,337</u>	<u>\$ (3,799,453)</u>	36,158,097
Less: current portion	<u>(3,799,453)</u>			<u>(3,915,984)</u>
Long-term portion	<u>\$ 20,307,760</u>			<u>\$ 32,242,113</u>

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

9. LONG-TERM DEBT (CONTINUED):

**State Water Resource Control Board - Loan No.1:**

This loan, in the amount of \$14,758,590, was for the construction of Reach IV-D of the Brine Line Pipeline. Annual principal and interest payments of \$1,001,203, at the rate of 3.10%, commenced on December 22, 1993, and matured on December 22, 2012.

**State Water Resources Control Board - Loan No. 2:**

This loan, in the amount of \$1,775,843, was for the construction of Reach IV-D of the Brine Line Pipeline. Annual principal and interest payments of \$119,701, at the rate of 3.00%, commenced on September 1, 1994, and will mature on September 1, 2013.

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 116,215	\$ 3,486	\$ 119,701
Total	116,215	\$ 3,486	\$ 119,701
Less: current portion	<u>(116,215)</u>		
Total noncurrent	\$ _____		

**State Water Resources Control Board - Loan No. 3:**

This loan, in the amount of \$6,127,405, was for the construction of Reach IV-D of the Brine Line Pipeline. Annual principal and interest payments of \$403,470, at the rate of 2.70%, commenced on October 4, 1995, and will mature on October 4, 2014.

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 382,534	\$ 20,936	\$ 403,470
2015	<u>392,863</u>	10,607	<u>403,470</u>
Total	775,397	<u>\$ 31,543</u>	<u>\$ 806,940</u>
Less: current portion	<u>(382,534)</u>		
Total noncurrent	\$ 392,863		

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# SANTA ANA WATERSHED PROJECT AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

### 9. LONG-TERM DEBT (CONTINUED):

#### **State Water Resources Control Board - Loan No. 4:**

This loan, in the amount of \$6,828,963, was for the construction of Reach IV-D of the Brine Line Pipeline. Annual principal and interest payments of \$468,372, at the rate of 3.00%, commenced on November 30, 1996, and will mature on November 30, 2015.

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 428,627	\$ 39,745	\$ 468,372
2015	441,486	26,886	468,372
2016	454,730	13,642	468,372
Total	1,324,843	\$ 80,273	\$ 1,405,116
Less: current portion	<u>(428,627)</u>		
Total noncurrent	<u>\$ 896,216</u>		

#### **State Water Resources Control Board - Loan No. 5:**

This loan, in the amount of \$7,814,181, was for the construction of Reach IV-E of the Brine Line Pipeline. Annual principal and interest payments of \$526,243, at the rate of 2.80%, commenced on January 10, 1996, and will mature on January 10, 2016.

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 484,413	\$ 41,830	\$ 526,243
2015	497,977	28,266	526,243
2016	511,526	14,323	525,849
Total	1,493,916	\$ 84,419	\$ 1,578,335
Less: current portion	<u>(484,413)</u>		
Total noncurrent	<u>\$ 1,009,503</u>		

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

**9. LONG-TERM DEBT (CONTINUED):**

**State Water Resources Control Board - Brine Line Reach V Loan No. I:**

This loan, in the amount of \$5,089,798, was for the construction of Reach V of the Brine Line Pipeline. Annual principal and interest payments of \$388,065, at the rate of 2.70%, commenced on October 5, 2002, and will mature on October 5, 2021.

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 265,994	\$ 72,071	\$ 338,065
2015	273,175	64,890	338,065
2016	280,551	57,514	338,065
2017	288,126	49,939	338,065
2018	295,905	42,160	338,065
2019 - 2022	1,265,569	86,558	1,352,127
Total	2,669,320	\$ 373,132	\$ 3,042,452
Less: current portion	(265,994)		
Total noncurrent	\$ 2,403,326		

**State Water Resources Control Board - Brine Line Reach V Loan No. II and III:**

This loan, in the amount of \$4,187,933, was for the construction of Reach V of the Brine Line Pipeline. Annual principal and interest payments of \$271,592, at the rate of 2.60%, commenced on October 5, 2002, and will mature on October 5, 2021.

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 215,571	\$ 56,021	\$ 271,592
2015	221,176	50,416	271,592
2016	226,926	44,666	271,592
2017	232,827	38,765	271,592
2018	238,880	32,712	271,592
2019 - 2022	1,019,265	67,102	1,086,367
Total	2,154,645	\$ 289,682	\$ 2,444,327
Less: current portion	(215,571)		
Total noncurrent	\$ 1,939,074		

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

**9. LONG-TERM DEBT (CONTINUED):**

**State Water Resources Control Board - Brine Line Reach V Loan No. IV:**

This loan, in the amount of \$3,373,815, was for the construction of Reach V of the Brine Line Pipeline. Annual principal and interest payments of \$227,182, at the rate of 2.90%, commenced on September 11, 2001, and will mature on September 11, 2020.

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 180,739	\$ 46,443	\$ 227,182
2015	185,980	41,202	227,182
2016	191,373	35,809	227,182
2017	196,923	30,259	227,182
2018	202,634	24,548	227,182
2019 - 2021	643,848	37,699	681,547
Total	1,601,497	\$ 215,960	\$ 1,817,457
Less: current portion	<u>(180,739)</u>		
Total noncurrent	<u>\$ 1,420,758</u>		

**State Water Resources Control Board - Brine Line Reach V Loan No. V:**

This loan, in the amount of \$4,455,792, was for the construction of Reach V of the Brine Line Pipeline. Annual principal and interest payments of \$289,439, at the rate of 2.90%, commenced on October 5, 2004, and will mature on October 5, 2021.

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 229,737	\$ 59,702	\$ 289,439
2015	235,710	53,729	289,439
2016	241,838	47,601	289,439
2017	248,126	41,313	289,439
2018	254,577	34,862	289,439
2019 - 2022	1,086,242	71,512	1,157,754
Total	2,296,230	\$ 308,719	\$ 2,604,949
Less: current portion	<u>(229,737)</u>		
Total noncurrent	<u>\$ 2,066,493</u>		

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

**9. LONG-TERM DEBT (CONTINUED):**

**Orange County Water District:**

This was a purchase obligation for Brine Line Pipeline capacity in the amount of \$4,706,326. Annual principal and interest payments of \$356,250, at the rate of 6.00%, commenced on July 1, 1999, and will mature on July 1, 2018.

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 266,211	\$ 90,039	\$ 356,250
2015	282,183	74,067	356,250
2016	299,114	57,136	356,250
2017	317,061	39,189	356,250
2018	336,085	20,165	356,250
Total	1,500,654	\$ 280,596	\$ 1,781,250
Less: current portion	<u>(266,211)</u>		
Total noncurrent	<u>\$ 1,234,443</u>		

**Western Riverside County Regional Wastewater Authority:**

This is a contractual obligation, in the amount of \$8,003,454, with the WRCRWA Joint Powers Authority for a portion of loans from the State Water Resources Control Board for the construction of wastewater treatment facilities. Annual principal and interest payments of \$553,924, at the rate of 2.80%, commenced on February 13, 1999, and will mature on June 1, 2018.

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 465,072	\$ 68,852	\$ 533,924
2015	478,092	55,832	533,924
2016	491,479	42,445	533,924
2017	505,240	28,684	533,924
2018	519,179	14,538	533,717
Total	2,459,062	\$ 210,351	\$ 2,669,413
Less: current portion	<u>(465,072)</u>		
Total noncurrent	<u>\$ 1,993,990</u>		

See independent auditors' report.

# SANTA ANA WATERSHED PROJECT AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

### 9. LONG-TERM DEBT (CONTINUED):

#### **State Revolving Fund Loan - Reach IV-A and IV-B:**

On April 13, 2011, the Authority entered into a loan agreement to receive up to \$16,850,337 from the California State Water Resources Control Board to repair the existing brine disposal pipeline to extend its useful life of the Inland Empire Brine Line upstream of Prado Dam. Terms of the loan call for annual principal and interest payments of \$1,100,773 based on the net loan amount of \$16,850,337, commencing on December 29, 2013 at the rate of 2.60%, maturing December 29, 2032. Total loan proceeds borrowed as of June 30, 2012 amount to \$15,850,337 which includes \$1,000,000 recorded as accounts receivable - other in the Statements of Net Position.

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 640,679	\$ 403,595	\$ 1,044,274
2015	641,231	403,043	1,044,274
2016	657,903	386,371	1,044,274
2017	675,008	369,265	1,044,273
2018	692,558	351,715	1,044,273
2019 – 2023	3,742,437	1,478,929	5,221,366
2024 – 2028	4,254,920	966,447	5,221,367
2029 – 2033	<u>5,029,915</u>	<u>383,786</u>	<u>5,413,701</u>
Total	16,334,651	\$ 4,743,151	\$21,077,802
Less: current portion	<u>(604,302)</u>		
Total noncurrent	<u>\$ 15,730,349</u>		

### 10. PENSION-RELATED LIABILITY:

As of June 30, 2003, CalPERS implemented risk-pooling for the Authority's agent multiple-employer public employee defined benefit pension plan. As a result, the Authority's defined benefit pension plan with CalPERS converted from an agent multiple-employer plan to a cost sharing multiple-employer plan. This change in the type of the plan created the CalPERS Side Fund, which CalPERS financed at a 7.75% interest rate. CalPERS actuarially calculated the side fund, the unfunded actuarial accrued liability, which is the amount needed to bring the Authority into the cost sharing multiple-employer plan on an equal basis with other governmental agencies whom all had less than 100 active and retired employees combined. CalPERS switched these governmental agencies into the cost sharing multiple-employer plan to smooth out the annual costs related to the pension benefit over a longer period of time resulting in a lower cost of service to the governmental agencies.

See independent auditors' report.

# SANTA ANA WATERSHED PROJECT AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

### 10. PENSION-RELATED LIABILITY (CONTINUED):

A Portion of the Authority's annual required contributions to CalPERS are actuarially determined and shared by all governmental agencies within the cost sharing risk pool. Also, the Authority is required to make annual payments to pay-down the CalPERS Side-Fund, as well. The responsibility for paying-down the Authority's CalPERS Side-Fund is specific to the Authority and is not shared by all governmental agencies within the cost sharing risk pool. Therefore, the Side Fund falls under the definition of pension-related liability, as described in GASB Statement No. 27 and recorded as liability on the Authority's financial statements.

Annual payments on the CalPERS Side-Fund represent principal and interest payments on the pension-related liability. Principal and interest expense is blended into the CalPERS pension benefit rate by individual class of Authority employee and repaid to CalPERS each payroll period throughout the fiscal year. At June 30, 2013 and 2012, the pension-related liability totaled \$0 and \$321,424.

### 11. UNEARNED REVENUE:

The changes to unearned revenue at June 30, 2013 and 2012 were as follows:

Balance 2012	Additions	Deletions	Balance 2013
\$ 84,292,213	\$ 977,845	\$ (2,510,155)	\$ 82,759,903
Balance 2011	Additions	Deletions	Balance 2012
\$ 86,519,861	\$ 253,460	\$ (2,481,108)	\$ 84,292,213

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

**12. NET POSITION:**

Calculation of net position as of June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Net investment in capital assets:		
Capital assets - not being depreciated	\$ 977,213	\$ 19,062,018
Depreciable capital assets, net	110,371,840	94,745,268
SWRCB contract loans payable	(3,710,371)	(6,054,138)
SWRCB Brine Line Reach V loans payable	(8,721,692)	(9,590,361)
OCWD loan payable	(1,500,654)	(1,751,796)
SRF Reach IVA & IVB loan payable	<u>(16,334,651)</u>	<u>(15,850,337)</u>
Total net investment in capital assets	<u>81,081,685</u>	<u>80,560,654</u>
Restricted net position:		
SRF Reach IVA & IVB reserve requirement	1,050,000	1,050,000
Mitigation	<u>3,182,102</u>	<u>3,213,626</u>
Total restricted	<u>4,232,102</u>	<u>4,263,626</u>
Unrestricted net position	<u>(17,650,103)</u>	<u>(17,683,121)</u>
Total net position	<u>\$ 67,663,684</u>	<u>\$ 67,141,159</u>

**13. JOINT VENTURES:**

**Western Riverside County Regional Wastewater Authority (WRCRWA):**

The Authority was a member of WRCRWA, a Joint Powers Authority created on April 23, 1992, for the purpose of developing a regional wastewater treatment facility for the benefit of its members. On June 30, 2012, Addendum No. 7 to the Joint Exercise of Powers Agreement was entered into by all members of the Authority to execute the withdrawal of the Authority from WRCRWA.

The Authority is responsible for a certain portion of WRCRWA's long-term debt and will continue making annual debt service payments to the Joint Powers Authority for its share of the State Revolving Fund Loans from the State Water Resources Control Board. The recorded amount is reflected in the financial statements as long-term debt. In addition, the Authority will continue to provide mutual aid for planned and unplanned facilities maintenance.

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

13. JOINT VENTURES (CONTINUED):

**Western Riverside County Regional Wastewater Authority (WRCRWA) (Continued):**

The financial statements of WRCRWA are available from Western Municipal Water District, 14205 Meridian Parkway, Riverside, California 92508.

**Lake Elsinore & San Jacinto Watersheds Authority (LESJWA):**

The Authority is a member of LESJWA, a Joint Powers Authority created on March 8, 2000, for the purpose of implementing projects and programs to improve the two watersheds in order to preserve agricultural land, protect wildlife habitat, protect and enhance recreational resources, and improve lake water quality, for the benefit of the general public. Other members include the City of Canyon Lake, the City of Lake Elsinore, Elsinore Valley Municipal Water District, and the County of Riverside. Each member agency appoints one Director and one alternate to serve on the Board, with both also on the member's agency's board. Each member agency has agreed to make contributions for construction and operations, if necessary.

Upon dissolution of LESJWA, each member agency will receive its proportionate or otherwise defined share of the assets, and each member agency will contribute its proportionate or otherwise defined share of any enforceable liabilities incurred.

The Authority conducts the administrative function of LESJWA, which reimburses the Authority based on invoices for administrative services provided. During the years ended June 30, 2013 and 2012, administrative services provided to LESJWA totaled \$171,928 and \$220,518, respectively, which are included in operating revenue.

The financial statements for LESJWA are available at the Authority.

As of June 30, 2013 and 2012, LESJWA had assets, liabilities and net position as follows:

	<u>2013</u>	<u>2012</u>
Total assets	\$ <u>419,006</u>	\$ <u>745,913</u>
Total liabilities	\$ <u>26,605</u>	\$ <u>58,172</u>
Net position	\$ <u>392,401</u>	\$ <u>687,741</u>

See independent auditors' report.

# SANTA ANA WATERSHED PROJECT AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

### 14. DEFINED BENEFIT PENSION PLANS:

#### **Plan Descriptions:**

The Authority participates in 2% at 55 and 2% at 62 Risk Pool in the California Public Employees' Retirement System (CalPERS), both cost-sharing, multiple-employer defined benefit pension plans. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and CalPERS. Copies of CalPERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

#### **Funding Policy:**

The contribution rate for plan members in the CalPERS 2% at 55 Risk Pool Retirement Plan is 7% of their annual covered salary. The Authority makes these contributions required of Authority employees on their behalf and for their account. Upon the implementation of the California Employees' Pension Reform Act (PEPRA) on January 1, 2013, this plan is only open to qualified employees (employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in the PERS System). The CalPERS 2.0% at 62 Risk Pool Retirement Plan was created by PEPRA as of January 1, 2013 and is open to all new employees who do not qualify for the 2% at 55 Risk Pool Retirement Plan. Active plan members of the 2.0% at 62 Risk Pool Retirement Plan are required to contribute 6.25% of their annual covered salary. PEPRA does not allow the Authority to pay any portion of the employee required contribution on behalf of the employee. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members under the California Employees' Pension Reform Act (PEPRA) provisions. The actuarial methods and assumptions are those adopted by the CalPERS Board of Administration.

The required employer contribution rates are equal to the annual pension cost (APC) percentage of payroll for fiscal years 2013, 2012 and 2011, as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. The 2% at 62 CalPERS plan has no members as of June 30, 2013. For fiscal years 2013, 2012 and 2011, the Authority's annual contributions for the 2% at 55 CalPERS plan were equal to the Authority's required and actual contributions for each fiscal year as follows:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	APC Percentage of Payroll
2013	\$ 268,937	100%	10.690%
2012	297,632	100%	12.917%
2011	220,714	100%	11.764%

See independent auditors' report.

# SANTA ANA WATERSHED PROJECT AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

### 15. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PAYABLE:

#### **Plan Description and Benefits Offered:**

The Authority's defined benefit post employment healthcare plan, SAWPA Post Employment Healthcare Plan (SPHP), provides medical benefits to eligible retired Authority employees and spouses. SPHP is part of the Public Agency portion of the California Employers' Retiree Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. SPHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Authority resolution. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

#### **Eligibility:**

The Authority pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the Authority.

Membership in the OPEB plan consisted of the following members as of June 30:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Active plan members	11	11	11
Retirees and beneficiaries receiving benefits	4	4	4
Separated plan members entitled to but not Yet receiving benefits	-	-	-
Total plan membership	<u>15</u>	<u>15</u>	<u>15</u>

#### **Funding Policy:**

The contribution requirements of plan members and the Authority are established and may be amended by the Commission. The Authority contributes the entire premium cost up to a predetermined cap. The 2013 calendar cap is \$1,245 per month. Employees hired on, or after July 1, 2005, are not eligible to receive employer subsidized post employment medical benefits. For the year ended June 30, 2013, the Authority paid \$95,496 to the plan.

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

**15. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PAYABLE (CONTINUED):**

**Annual OPEB Cost and Net OPEB Obligation:**

The Authority is required to contribute the Annual Required Contribution (ARC) of the Employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB cost, the amount actually contributed to the plan, and the changes in the Authority's net OPEB obligation to the SPHP for the fiscal year ended June 30, 2013 and the two preceding years:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 95,496	\$ 108,248	\$ 104,368
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Total annual OPEB expense	95,496	108,248	104,368
Change in net OPEB payable obligation:			
Age adjusted contributions made	(95,496)	(108,248)	(104,368)
Total change in net OPEB obligation	-	-	-
OPEB payable beginning of year	-	-	-
OPEB payable end of year	\$ -	\$ -	\$ -

**Three-Year Trend Information of Net OPEB Obligation:**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>
2013	\$ 95,496	100%	\$ -
2012	108,248	100%	-
2011	104,368	100%	-

See the Schedule of Funding Progress of the Authority's Other Post Employment Benefits Obligation in the Required Supplementary Information Section.

See independent auditors' report.

# SANTA ANA WATERSHED PROJECT AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

### 15. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PAYABLE (CONTINUED):

#### **Funded Status and Funding Progress:**

As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,306,417, and the actuarial value of assets was \$460,621, resulting in an unfunded actuarial accrued liability (UAAL) of \$845,796 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 35.26%. The covered payroll (annual payroll of active employees covered by the plan) was \$1,177,709 and the ratio of the UAAL to covered payroll was 71.82%.

#### **Actuarial Methods and Assumptions:**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following is a summary of the actuarial methods and assumptions used in the July 1, 2011 actuarial investment valuation:

Valuation Date	July 1, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Amortization Period	Closed 30 year amortization
Remaining Amortization Period	26 years as of the valuation date
Actuarial Assumptions:	
Investment Rate of Return	7.06%
Projected Salary Increases	3.25%
Health care trend rate	Starting at 8.00% and decreasing to an ultimate rate of 5.5% in 8 years that includes the effect of inflation

See independent auditors' report.

## SANTA ANA WATERSHED PROJECT AUTHORITY

### NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

#### 16. RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance policies from independent third parties. Settled claims have been immaterial and have not exceeded insurance coverage for the past three years.

On February 22, 1986, the Authority became self-insured with respect to its comprehensive liability coverage for toxic waste handling as allowed under California Government Code, Section 990. The Authority designates \$100,000 of retained earnings annually for self insurance. The total designated balances at June 30, 2013 and 2012 were \$3,412,845 and \$3,354,847, respectively. Coverage includes occurrences and incidents resulting in liability to the Authority, its Commissioners, officers, employees and agents. There are no outstanding claims pending.

#### 17. COMMITMENTS AND CONTINGENCIES:

##### **Grant Awards:**

Grant funds received by the Authority are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Authority believes that such disallowances, if any, would not be significant.

##### **Litigation:**

In the ordinary course of operations, the Authority is subject to claims and litigation from outside parties. After consultation with legal counsel, the Authority believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

##### **Other Commitments and Contingencies:**

The Authority is contractually obligated to pay a pro-rata share of capital costs associated with the maintenance of the Santa Ana Regional Interceptor (SARI) Pipeline owned by OCSD. Within the SARI pipeline, the Authority's portion is referred to as the Inland Empire Brine Line. The percentage varies with each Reach of the SARI. There is currently a significant portion of the SARI Pipeline being considered for protection and/or relocation. The Authority could potentially be responsible for 76 percent of the related costs.

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the fiscal years ended June 30, 2013 and 2012

18. SUBSEQUENT EVENTS:

Events occurring after June 30, 2013 have been evaluated for possible adjustments to the financial statements or disclosure as of November 6, 2013, which is the date these financial statements were available to be issued.

See independent auditors' report.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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SANTA ANA WATERSHED PROJECT AUTHORITY

SCHEDULE OF FUNDING PROGRESS

For the fiscal years ended June 30, 2013 and 2012

**OTHER POST-EMPLOYMENT BENEFITS OBLIGATION**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio AVA (b)/(a)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/c]
	(a)	(b)	(a) - (b)			
07/01/2011	\$ 1,306,417	\$ 460,621	\$ 845,796	35.26%	\$ 1,177,709	71.82%
07/01/2009	1,295,678	220,806	1,074,872	17.04%	1,899,493	56.59%
07/01/2007	952,128	-	952,128	0.00%	1,247,027	76.35%

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every two years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2014 based on the year ended June 30, 2013.

See independent auditors' report.

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## **SUPPLEMENTARY INFORMATION**

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF NET POSITION  
ENTERPRISE FUNDS

June 30, 2013  
(With comparative totals for June 30, 2012)

ASSETS	Capital Projects Activities	Internal Administration	Enterprise Activities
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 840,606	\$ 1,560,156	\$ 35,085,280
Cash and cash equivalents - restricted	1,135,039	-	-
Investments	-	-	16,428,710
Interest receivable	919	857	313,909
Accounts receivable	13,285	-	1,663,583
Accounts receivable - member contributions	-	-	-
Accounts receivable - grants	226,257	63,497	1,047,538
Accounts receivable - other	31,523	173	980,549
Notes receivable - current portion	-	-	639,819
Prepaid expenses and other assets	-	86,175	202,838
Mitigation credits	2,046,560	-	-
Due from other funds	-	272,733	-
<b>TOTAL CURRENT ASSETS</b>	<b>4,294,189</b>	<b>1,983,591</b>	<b>56,362,226</b>
<b>NONCURRENT ASSETS:</b>			
Notes receivable	-	-	3,084,888
Loan receivable	-	-	8,527,858
Capital assets:			
Not being depreciated	211,769	445,436	320,008
Being depreciated, net of accumulated depreciation	-	833,892	109,537,948
<b>TOTAL NONCURRENT ASSETS</b>	<b>211,769</b>	<b>1,279,328</b>	<b>121,470,702</b>
<b>TOTAL ASSETS</b>	<b>4,505,958</b>	<b>3,262,919</b>	<b>177,832,928</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	32,922	18,764	1,756,690
Accrued salaries and wages	-	73,758	-
Accrued interest payable	144	-	253,055
Due to other funds	272,733	-	-
Long-term liabilities - due within one year:			
Compensated absences	-	98,830	-
Loans payable	-	-	3,639,412
Pension-related debt	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>305,799</b>	<b>191,352</b>	<b>5,649,157</b>
<b>NONCURRENT LIABILITIES:</b>			
Unearned revenue	-	-	82,759,903
Long-term liabilities - due in more than one year:			
Compensated absences	-	230,602	-
Loans payable	-	-	29,087,018
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>-</b>	<b>230,602</b>	<b>111,846,921</b>
<b>TOTAL LIABILITIES</b>	<b>305,799</b>	<b>421,954</b>	<b>117,496,078</b>
<b>NET POSITION</b>			
Net investment in capital assets	211,769	1,279,328	79,590,588
Restricted	3,182,102	-	1,050,000
Unrestricted	806,288	1,561,637	(20,303,738)
<b>TOTAL NET POSITION</b>	<b>\$ 4,200,159</b>	<b>\$ 2,840,965</b>	<b>\$ 60,336,850</b>

See independent auditors' report.

Totals	
2013	2012
\$ 37,486,042	\$ 39,530,344
1,135,039	1,183,932
16,428,710	15,247,980
315,685	336,419
1,676,868	1,710,862
-	1,520
1,337,292	1,427,781
1,012,245	2,449,527
639,819	965,303
289,013	259,833
2,046,560	2,046,560
272,733	286,524
<u>62,640,006</u>	<u>65,446,585</u>
3,084,888	3,724,707
8,527,858	9,444,272
977,213	19,062,018
110,371,840	94,745,268
<u>122,961,799</u>	<u>126,976,265</u>
185,601,805	192,422,850
1,808,376	3,862,852
73,758	62,625
253,199	314,255
272,733	286,524
98,830	91,538
3,639,412	3,915,984
-	321,424
<u>6,146,308</u>	<u>8,855,202</u>
82,759,903	84,292,213
230,602	213,587
29,087,018	32,242,113
<u>112,077,523</u>	<u>116,747,913</u>
118,223,831	125,603,115
81,081,685	80,560,654
4,232,102	4,263,626
(17,935,813)	(18,004,545)
<u>\$ 67,377,974</u>	<u>\$ 66,819,735</u>

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
ENTERPRISE FUNDS

For the fiscal year ended June 30, 2013

(With comparative totals for the fiscal year ended June 30, 2012)

	Capital Projects Activities	Internal Administration	Enterprise Activities
<b>OPERATING REVENUES:</b>			
Wastewater treatment and disposal	\$ -	\$ -	\$ 9,170,287
Wastewater treatment and disposal - capacity rights	-	-	2,510,154
Other	<u>220,119</u>	<u>301</u>	<u>-</u>
<b>TOTAL OPERATING REVENUES</b>	<b><u>220,119</u></b>	<b><u>301</u></b>	<b><u>11,680,441</u></b>
<b>OPERATING EXPENSES:</b>			
Wastewater treatment and disposal	-	-	6,686,530
General and administrative and overhead	-	631,924	-
Studies and planning costs	<u>2,501,681</u>	<u>-</u>	<u>-</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>2,501,681</u></b>	<b><u>631,924</u></b>	<b><u>6,686,530</u></b>
<b>OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>(2,281,562)</b>	<b>(631,623)</b>	<b>4,993,911</b>
<b>DEPRECIATION AMORTIZATION</b>	<b>-</b>	<b>(62,225)</b>	<b>(3,072,436)</b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>(2,281,562)</u></b>	<b><u>(693,848)</u></b>	<b><u>520,557</u></b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Member contributions	881,675	948,170	-
Intergovernmental	1,274,255	71,958	86,619
Investment earnings	7,607	7,223	328,761
Loss on disposal of capital assets	-	-	-
Interest expense	-	-	(558,421)
Grant program expenses	-	-	(23,470)
Other	<u>-</u>	<u>-</u>	<u>(11,285)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b><u>2,163,537</u></b>	<b><u>1,027,351</u></b>	<b><u>(177,796)</u></b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(118,025)</b>	<b>333,503</b>	<b>342,761</b>
<b>TRANSFERS</b>	<b><u>(3,229,066)</u></b>	<b><u>-</u></b>	<b><u>3,229,066</u></b>
<b>CHANGES IN NET POSITION</b>	<b>(3,347,091)</b>	<b>333,503</b>	<b>3,571,827</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b><u>7,547,250</u></b>	<b><u>2,507,462</u></b>	<b><u>56,765,023</u></b>
<b>NET POSITION - END OF YEAR</b>	<b><u>\$ 4,200,159</u></b>	<b><u>\$ 2,840,965</u></b>	<b><u>\$ 60,336,850</u></b>

See independent auditors' report.

<u>Totals</u>	
<u>2013</u>	<u>2012</u>
\$ 9,170,287	\$ 10,053,123
2,510,154	2,481,109
<u>220,420</u>	<u>205,257</u>
<u>11,900,861</u>	<u>12,739,489</u>
6,686,530	7,356,155
631,924	1,198,902
<u>2,501,681</u>	<u>2,244,658</u>
<u>9,820,135</u>	<u>10,799,715</u>
2,080,726	1,939,774
(3,134,661)	(2,732,655)
<u>(1,400,918)</u>	<u>(1,400,918)</u>
<u>(2,454,853)</u>	<u>(2,193,799)</u>
1,829,845	1,697,194
1,432,832	2,563,956
343,591	1,058,984
-	2,223
(558,421)	(678,080)
(23,470)	(1,222,182)
<u>(11,285)</u>	<u>(27,427)</u>
<u>3,013,092</u>	<u>3,394,668</u>
558,239	1,200,869
-	-
558,239	1,200,869
<u>66,819,735</u>	<u>65,618,866</u>
<u>\$ 67,377,974</u>	<u>\$ 66,819,735</u>

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF NET POSITION  
CAPITAL PROJECTS ACTIVITIES

June 30, 2013  
(With comparative totals for June 30, 2012)

ASSETS	Brine Line Protection Project	Brine Line Repairs	Basin Planning
CURRENT ASSETS:			
Cash and cash equivalents	\$ -	\$ -	\$ 79,699
Cash and cash equivalents - restricted	-	-	-
Interest receivable	-	-	64
Accounts receivable	-	-	-
Accounts receivable - member contributions	-	-	-
Accounts receivable - grants	-	-	-
Accounts receivable - other	-	-	-
Mitigation credits	-	-	-
TOTAL CURRENT ASSETS	<hr/>	<hr/>	<hr/> 79,763
NONCURRENT ASSETS:			
Capital assets:			
Not being depreciated	<hr/>	<hr/>	<hr/>
TOTAL NONCURRENT ASSETS	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<hr/>	<hr/>	<hr/> 79,763
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	31	-	129
Accrued interest payable	-	-	-
Due to other funds	-	-	-
TOTAL CURRENT LIABILITIES	<hr/> 31	<hr/> -	<hr/> 129
NONCURRENT LIABILITIES:			
Long-term liabilities - due in more than one year:			
Loans payable	<hr/> -	<hr/> -	<hr/> -
TOTAL NONCURRENT LIABILITIES	<hr/> -	<hr/> -	<hr/> -
TOTAL LIABILITIES	<hr/> 31	<hr/> -	<hr/> 129
NET POSITION (DEFICITS)			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	(31)	-	79,634
TOTAL NET POSITION (DEFICITS)	<hr/> \$ (31)	<hr/> \$ -	<hr/> \$ 79,634

See independent auditors' report.

Imported Water Recharge Workgroup	Watershed Management Plan	Basin Monitoring Program Task Force	Santa Ana River Fish Conservation	Chino TMDL Task Force	Storm WQ Standards Task Force
\$ 41,208	\$ -	\$ 289,074	\$ 68,137	\$ 97,143	\$ 139,209
-	-	-	-	-	-
19	-	132	24	49	68
-	-	13,285	-	-	-
-	-	-	-	-	-
-	221,522	-	-	-	-
-	9,353	-	-	-	-
-	-	-	-	-	-
<u>41,227</u>	<u>230,875</u>	<u>302,491</u>	<u>68,161</u>	<u>97,192</u>	<u>139,277</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>41,227</u>	<u>230,875</u>	<u>302,491</u>	<u>68,161</u>	<u>97,192</u>	<u>139,277</u>
-	6,110	-	-	4,873	7,482
-	135	-	-	-	-
-	252,123	-	-	-	-
<u>-</u>	<u>258,368</u>	<u>-</u>	<u>-</u>	<u>4,873</u>	<u>7,482</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>258,368</u>	<u>-</u>	<u>-</u>	<u>4,873</u>	<u>7,482</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>41,227</u>	<u>(27,493)</u>	<u>302,491</u>	<u>68,161</u>	<u>92,319</u>	<u>131,795</u>
<u>\$ 41,227</u>	<u>\$ (27,493)</u>	<u>\$ 302,491</u>	<u>\$ 68,161</u>	<u>\$ 92,319</u>	<u>\$ 131,795</u>

(Continued)

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF NET POSITION  
CAPITAL PROJECTS ACTIVITIES (CONTINUED)

June 30, 2013  
(With comparative totals for June 30, 2012)

	Arundo Management & Habitat Restoration	Emerging Constituents Task Force	Big Bear TMDL Task Force
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ -	\$ 126,136	\$ -
Cash and cash equivalents - restricted	1,135,039	-	-
Interest receivable	503	60	-
Accounts receivable	-	-	-
Accounts receivable - member contributions	-	-	-
Accounts receivable - grants	-	-	-
Accounts receivable - other	-	-	-
Mitigation credits	2,046,560	-	-
<b>TOTAL CURRENT ASSETS</b>	<b><u>3,182,102</u></b>	<b><u>126,196</u></b>	<b><u>-</u></b>
<b>NONCURRENT ASSETS:</b>			
Capital assets:			
Not being depreciated	-	-	-
<b>TOTAL NONCURRENT ASSETS</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>TOTAL ASSETS</b>	<b><u>3,182,102</u></b>	<b><u>126,196</u></b>	<b><u>-</u></b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	-	8,890	-
Accrued interest payable	-	-	-
Due to other funds	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>-</u></b>	<b><u>8,890</u></b>	<b><u>-</u></b>
<b>NONCURRENT LIABILITIES:</b>			
Long-term liabilities - due in more than one year:			
Loans payable	-	-	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>8,890</u></b>	<b><u>-</u></b>
<b>NET POSITION (DEFICITS)</b>			
Net investment in capital assets	-	-	-
Restricted	3,182,102	-	-
Unrestricted	<u>117,306</u>	<u>117,306</u>	<u>-</u>
<b>TOTAL NET POSITION (DEFICITS)</b>	<b><u>\$ 3,182,102</u></b>	<b><u>\$ 117,306</u></b>	<b><u>\$ -</u></b>

See independent auditors' report.

UCI Research Grant	Trail Marketing Support	Lake Elsinore Management	Reach V Capital Projects	Totals	
				2013	2012
\$ -	\$ -	\$ -	\$ -	\$ 840,606	\$ 977,206
-	-	-	-	1,135,039	1,183,932
-	-	-	-	919	2,014
-	-	-	-	13,285	-
-	-	-	-	-	1,520
4,735	-	-	-	226,257	1,283,382
-	-	22,170	-	31,523	2,449,450
-	-	-	-	2,046,560	2,046,560
<u>4,735</u>	<u>-</u>	<u>22,170</u>	<u>-</u>	<u>4,294,189</u>	<u>7,944,064</u>
-	-	-	211,769	211,769	18,296,574
-	-	-	<u>211,769</u>	<u>211,769</u>	<u>18,296,574</u>
<u>4,735</u>	<u>-</u>	<u>22,170</u>	<u>211,769</u>	<u>4,505,958</u>	<u>26,240,638</u>
5,208	-	199	-	32,922	2,556,365
-	-	9	-	144	162
-	-	<u>20,610</u>	<u>-</u>	<u>272,733</u>	<u>286,524</u>
<u>5,208</u>	<u>-</u>	<u>20,818</u>	<u>-</u>	<u>305,799</u>	<u>2,843,051</u>
-	-	-	-	-	15,850,337
-	-	-	-	-	<u>15,850,337</u>
<u>5,208</u>	<u>-</u>	<u>20,818</u>	<u>-</u>	<u>305,799</u>	<u>18,693,388</u>
-	-	-	211,769	211,769	2,446,237
-	-	-	-	3,182,102	3,213,626
(473)	-	1,352	-	806,288	1,887,387
<u>\$ (473)</u>	<u>\$ -</u>	<u>\$ 1,352</u>	<u>\$ 211,769</u>	<u>\$ 4,200,159</u>	<u>\$ 7,547,250</u>

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
CAPITAL PROJECT ACTIVITIES

For the fiscal year ended June 30, 2013

(With comparative totals for the fiscal year ended June 30, 2012)

	Brine Line Protection Project	Brine Line Repairs	Basin Planning
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>OPERATING REVENUES:</b>			
Other	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>			
Studies and planning costs	418,039	-	322,238
<b>TOTAL OPERATING EXPENSES</b>	<u>418,039</u>	<u>-</u>	<u>322,238</u>
<b>OPERATING LOSS</b>	<u>(418,039)</u>	<u>-</u>	<u>(322,238)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Member contributions	-	-	372,860
Intergovernmental	243,451	-	-
Investment earnings	-	-	808
Gain on disposal of capital assets	-	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>243,451</u>	<u>-</u>	<u>373,668</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(174,588)</u>	<u>-</u>	<u>51,430</u>
<b>TRANSFERS</b>	<u>246,546</u>	<u>(3,688,704)</u>	<u>-</u>
<b>CHANGES IN NET POSITION</b>	<u>71,958</u>	<u>(3,688,704)</u>	<u>51,430</u>
<b>NET POSITION (DEFICITS) - BEGINNING OF YEAR</b>	<u>(71,989)</u>	<u>3,688,704</u>	<u>28,204</u>
<b>NET POSITION (DEFICITS) - END OF YEAR</b>	<u><u>\$</u> <u>(31)</u></u>	<u><u>\$</u> <u>-</u></u>	<u><u>\$</u> <u>79,634</u></u>

See independent auditors' report.

Imported Water Recharge Workgroup	Watershed Management Plan	Basin Monitoring Program Task Force	Santa Ana River Fish Conservation	Chino TMDL Task Force	Storm WQ Standards Task Force
\$ -	\$ 50,653	\$ -	\$ -	\$ -	\$ -
-	<u>50,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>19,114</u>	<u>910,309</u>	<u>69,573</u>	<u>71,469</u>	<u>241,620</u>	<u>104,532</u>
<u>19,114</u>	<u>910,309</u>	<u>69,573</u>	<u>71,469</u>	<u>241,620</u>	<u>104,532</u>
<u>(19,114)</u>	<u>(859,656)</u>	<u>(69,573)</u>	<u>(71,469)</u>	<u>(241,620)</u>	<u>(104,532)</u>
-	307,510	39,855	38,000	-	50,000
-	556,220	161,297	-	202,635	-
162	-	924	240	623	661
-	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
162	<u>863,730</u>	<u>202,076</u>	<u>38,240</u>	<u>203,258</u>	<u>50,661</u>
(18,952)	4,074	132,503	(33,229)	(38,362)	(53,871)
-	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(18,952)	4,074	132,503	(33,229)	(38,362)	(53,871)
<u>60,179</u>	<u>(31,567)</u>	<u>169,988</u>	<u>101,390</u>	<u>130,681</u>	<u>185,666</u>
<u>\$ 41,227</u>	<u>\$ (27,493)</u>	<u>\$ 302,491</u>	<u>\$ 68,161</u>	<u>\$ 92,319</u>	<u>\$ 131,795</u>

(Continued)

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
CAPITAL PROJECT ACTIVITIES (CONTINUED)

For the fiscal year ended June 30, 2013  
(With comparative totals for the fiscal year ended June 30, 2012)

	Arundo Management & Habitat Restoration	Emerging Constituents Task Force	Big Bear TMDL Task Force
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>OPERATING REVENUES:</b>			
Other	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>			
Studies and planning costs	35,217	95,391	-
<b>TOTAL OPERATING EXPENSES</b>	<u>35,217</u>	<u>95,391</u>	<u>-</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(35,217)</u>	<u>(95,391)</u>	<u>-</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Member contributions	-	63,450	-
Intergovernmental	-	76,086	-
Investment earnings	3,693	496	-
Gain on disposal of capital assets	-	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>3,693</u>	<u>140,032</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(31,524)</u>	<u>44,641</u>	<u>-</u>
<b>TRANSFERS</b>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN NET POSITION	(31,524)	44,641	-
<b>NET POSITION (DEFICITS) - BEGINNING OF YEAR</b>	<u>3,213,626</u>	<u>72,665</u>	<u>-</u>
<b>NET POSITION (DEFICITS) - END OF YEAR</b>	<u>\$ 3,182,102</u>	<u>\$ 117,306</u>	<u>\$ -</u>

See independent auditors' report.

UCI Research Grant	Trail Marketing Support	Lake Elsinore Management	Reach V Capital Projects	Totals	
				2013	2012
\$ -	\$ -	\$ 169,466	\$ -	\$ 220,119	\$ 205,244
-	-	169,466	-	220,119	205,244
14,352	-	199,827	-	2,501,681	2,244,658
14,352	-	199,827	-	2,501,681	2,244,658
(14,352)	-	(30,361)	-	(2,281,562)	(2,039,414)
12,566	-	10,000	-	881,675	849,449
-	-	22,000	-	1,274,255	1,797,912
-	-	-	-	7,607	11,308
-	-	-	-	-	2,223
12,566	-	32,000	-	2,163,537	2,660,892
(1,786)	-	1,639	-	(118,025)	621,478
1,323	-	-	211,769	(3,229,066)	1,610,157
(463)	-	1,639	211,769	(3,347,091)	2,231,635
(10)	-	(287)	-	7,547,250	5,315,615
\$ (473)	\$ -	\$ 1,352	\$ 211,769	\$ 4,200,159	\$ 7,547,250

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF NET POSITION  
ENTERPRISE ACTIVITIES

June 30, 2013  
(With comparative totals for June 30, 2012)

ASSETS	State Water Resources		Totals	
	Prop 13	Brine Line Enterprise	2013	2012
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 38,816	\$ 35,046,464	\$ 35,085,280	\$ 37,069,844
Investments	-	16,428,710	16,428,710	15,247,980
Interest receivable	-	313,909	313,909	332,234
Accounts receivable	-	1,663,583	1,663,583	1,710,862
Accounts receivable - grants	47,538	1,000,000	1,047,538	104,902
Accounts receivable - other	-	980,549	980,549	-
Notes receivable - current portion	-	639,819	639,819	965,303
Prepaid expenses and other assets	-	202,838	202,838	170,394
<b>TOTAL CURRENT ASSETS</b>	<b>86,354</b>	<b>56,275,872</b>	<b>56,362,226</b>	<b>55,601,519</b>
<b>NONCURRENT ASSETS:</b>				
Notes receivable	-	3,084,888	3,084,888	3,724,707
Loan receivable	-	8,527,858	8,527,858	9,444,272
Capital assets:				
Not being depreciated	-	320,008	320,008	320,008
Being depreciated, net of accumulated depreciation	-	109,537,948	109,537,948	93,863,854
<b>TOTAL NONCURRENT ASSETS</b>	<b>-</b>	<b>121,470,702</b>	<b>121,470,702</b>	<b>107,352,841</b>
<b>TOTAL ASSETS</b>	<b>86,354</b>	<b>177,746,574</b>	<b>177,832,928</b>	<b>162,954,360</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	107,844	1,648,846	1,756,690	1,275,271
Accrued interest payable	-	253,055	253,055	314,093
Long-term liabilities - due within one year:				
Loans payable	-	3,639,412	3,639,412	3,915,984
<b>TOTAL CURRENT LIABILITIES</b>	<b>107,844</b>	<b>5,541,313</b>	<b>5,649,157</b>	<b>5,505,348</b>
<b>NONCURRENT LIABILITIES:</b>				
Unearned revenue	-	82,759,903	82,759,903	84,292,213
Long-term liabilities - due in more than one year:				
Loans payable	-	29,087,018	29,087,018	16,391,776
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>-</b>	<b>111,846,921</b>	<b>111,846,921</b>	<b>100,683,989</b>
<b>TOTAL LIABILITIES</b>	<b>107,844</b>	<b>117,388,234</b>	<b>117,496,078</b>	<b>106,189,337</b>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	-	79,590,588	79,590,588	76,787,567
Restricted	-	1,050,000	1,050,000	1,050,000
Unrestricted	(21,490)	(20,282,248)	(20,303,738)	(21,072,544)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (21,490)</b>	<b>\$ 60,358,340</b>	<b>\$ 60,336,850</b>	<b>\$ 56,765,023</b>

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
ENTERPRISE ACTIVITIES

For the fiscal year ended June 30, 2013  
(With comparative totals for the fiscal year ended June 30, 2012)

	State Water Resources Prop 13	Brine Line Enterprise	Totals	
			2013	2012
<b>OPERATING REVENUES:</b>				
Wastewater treatment and disposal	\$ -	\$ 9,170,287	\$ 9,170,287	\$ 10,053,123
Wastewater treatment and disposal - capacity rights	<u>-</u>	<u>2,510,154</u>	<u>2,510,154</u>	<u>2,481,109</u>
<b>TOTAL OPERATING REVENUES</b>	<u>-</u>	<u>11,680,441</u>	<u>11,680,441</u>	<u>12,534,232</u>
<b>OPERATING EXPENSES:</b>				
Wastewater treatment and disposal	<u>-</u>	<u>6,686,530</u>	<u>6,686,530</u>	<u>7,356,155</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>-</u>	<u>6,686,530</u>	<u>6,686,530</u>	<u>7,356,155</u>
<b>OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION</b>				
	<u>-</u>	<u>4,993,911</u>	<u>4,993,911</u>	<u>5,178,077</u>
DEPRECIATION AMORTIZATION	<u>-</u>	<u>(3,072,436)</u>	<u>(3,072,436)</u>	<u>(2,664,146)</u>
	<u>-</u>	<u>(1,400,918)</u>	<u>(1,400,918)</u>	<u>(1,400,918)</u>
<b>OPERATING INCOME</b>	<u>-</u>	<u>520,557</u>	<u>520,557</u>	<u>1,113,013</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Intergovernmental	3,736	82,883	86,619	711,012
Investment earnings	<u>-</u>	<u>328,761</u>	<u>328,761</u>	<u>1,037,953</u>
Interest expense	<u>-</u>	<u>(558,421)</u>	<u>(558,421)</u>	<u>(678,080)</u>
Grant program expenses	<u>(23,470)</u>	<u>-</u>	<u>(23,470)</u>	<u>(1,222,182)</u>
Other	<u>(11,285)</u>	<u>-</u>	<u>(11,285)</u>	<u>(27,427)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(31,019)</u>	<u>(146,777)</u>	<u>(177,796)</u>	<u>(178,724)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(31,019)</u>	<u>373,780</u>	<u>342,761</u>	<u>934,289</u>
<b>TRANSFERS</b>	<u>(38,462)</u>	<u>3,267,528</u>	<u>3,229,066</u>	<u>(1,610,157)</u>
<b>CHANGES IN NET POSITION</b>	<u>(69,481)</u>	<u>3,641,308</u>	<u>3,571,827</u>	<u>(675,868)</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>47,991</u>	<u>56,717,032</u>	<u>56,765,023</u>	<u>57,440,891</u>
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	<u>\$ (21,490)</u>	<u>\$ 60,358,340</u>	<u>\$ 60,336,850</u>	<u>\$ 56,765,023</u>

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2013  
(With comparative totals for June 30, 2012)

	Legal Defense Fund	Integrated Regional Management Program Prop 50	Integrated Regional Management Program Prop 84	Regional Management Program Capital Projects	Integrated Regional Management Program	Totals
ASSETS						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents						
Cash and cash equivalents	\$ 442,137	\$ -	\$ -	\$ 442,137	\$ 2,200,250	
Accounts receivable	-	2,864,482	-	2,864,482	1,145,867	
Accounts receivable - grants	-	-	1,547,469	1,547,469	-	
<b>TOTAL ASSETS</b>	<b>\$ 442,137</b>	<b>\$ 2,864,482</b>	<b>\$ 1,547,469</b>	<b>\$ 4,854,088</b>	<b>\$ 3,346,117</b>	
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable	\$ -	\$ 2,864,482	\$ 1,547,469	\$ 4,411,951	\$ 2,905,305	
<b>TOTAL CURRENT LIABILITIES</b>	<b>-</b>	<b>2,864,482</b>	<b>1,547,469</b>	<b>4,411,951</b>	<b>2,905,305</b>	
<b>NONCURRENT LIABILITIES:</b>						
Deposits - legal defense	442,137	-	-	442,137	440,812	
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>442,137</b>	<b>-</b>	<b>-</b>	<b>442,137</b>	<b>440,812</b>	
<b>TOTAL LIABILITIES</b>	<b>\$ 442,137</b>	<b>\$ 2,864,482</b>	<b>\$ 1,547,469</b>	<b>\$ 4,854,088</b>	<b>\$ 3,346,117</b>	

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS

For the fiscal year ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>LEGAL DEFENSE FUND</b>				
CURRENT ASSETS:				
Cash and cash equivalents	<u>\$ 440,812</u>	<u>1,325</u>	<u>-</u>	<u>\$ 442,137</u>
NONCURRENT LIABILITIES:				
Deposits - legal defense	<u>\$ 440,812</u>	<u>\$ 1,325</u>	<u>-</u>	<u>\$ 442,137</u>
<b>INTEGRATED REGIONAL WATER MANAGEMENT PROGRAM - PROP 50</b>				
CURRENT ASSETS:				
Cash and cash equivalents	<u>\$ 1,759,438</u>	<u>\$ 1,017,427</u>	<u>\$ 2,776,865</u>	<u>\$ -</u>
Accounts receivable	<u>1,145,867</u>	<u>3,660,154</u>	<u>1,941,539</u>	<u>2,864,482</u>
TOTAL ASSETS	<u>\$ 2,905,305</u>	<u>\$ 4,677,581</u>	<u>\$ 4,718,404</u>	<u>\$ 2,864,482</u>
CURRENT LIABILITIES:				
Accounts payable	<u>\$ 2,905,305</u>	<u>\$ 3,648,419</u>	<u>\$ 3,689,242</u>	<u>\$ 2,864,482</u>
<b>INTEGRATED REGIONAL WATER MANAGEMENT PROGRAM - PROP 84 CAPITAL PROJECTS</b>				
CURRENT ASSETS:				
Accounts receivable - grants	<u>\$ -</u>	<u>\$ 4,084,280</u>	<u>\$ 2,536,811</u>	<u>\$ 1,547,469</u>
CURRENT LIABILITIES:				
Accounts payable	<u>\$ -</u>	<u>\$ 3,965,693</u>	<u>\$ 2,418,224</u>	<u>\$ 1,547,469</u>
<b>TOTAL AGENCY FUNDS</b>				
CURRENT ASSETS:				
Cash and cash equivalents	<u>\$ 2,200,250</u>	<u>\$ 1,018,752</u>	<u>\$ 2,776,865</u>	<u>\$ 442,137</u>
Accounts receivable	<u>1,145,867</u>	<u>3,660,154</u>	<u>1,941,539</u>	<u>2,864,482</u>
Accounts receivable - grants	<u>-</u>	<u>4,084,280</u>	<u>2,536,811</u>	<u>1,547,469</u>
TOTAL ASSETS	<u>\$ 3,346,117</u>	<u>\$ 8,763,186</u>	<u>\$ 7,255,215</u>	<u>\$ 4,854,088</u>
CURRENT LIABILITIES:				
Accounts payable	<u>\$ 2,905,305</u>	<u>\$ 7,614,112</u>	<u>\$ 6,107,466</u>	<u>\$ 4,411,951</u>
NONCURRENT LIABILITIES:				
Deposits - legal defense	<u>440,812</u>	<u>1,325</u>	<u>-</u>	<u>442,137</u>
TOTAL LIABILITIES	<u>\$ 3,346,117</u>	<u>\$ 7,615,437</u>	<u>\$ 6,107,466</u>	<u>\$ 4,854,088</u>

See independent auditors' report.

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# Statistical Section



# **Statistical Section**

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

## **Contents**

### **Financial Trends**

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate revenues.

### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other agencies.

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the service the Authority provides.

**Table I – Net Position by Component  
Last Ten Fiscal Years**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Net Investment in Capital Assets	\$81,081,685	\$80,560,654	\$81,597,589	\$81,698,370	\$81,573,415	\$81,560,047	\$76,699,660	\$67,748,043	\$87,540,938
Restricted	4,232,102	4,263,626	3,347,218	3,597,747	3,893,268	3,938,199	4,009,917	4,185,373	4,104,683
Unrestricted	(17,935,813)	(18,004,545)	(19,325,941)	(19,535,270)	(22,350,886)	(26,108,445)	(25,572,344)	(18,700,023)	(19,709,222)
Total Net Position	\$67,377,974	\$66,819,735	\$65,618,866	\$65,760,847	\$63,115,797	\$59,389,801	\$55,137,233	\$53,233,393	\$71,936,399

*Note: The information shown is as of the first year of the implementation of GASB Statement No. 34, fiscal year 2004.*

*Source: Santa Ana Watershed Project Authority*

**Table II – Changes in Net Position  
Last Ten Fiscal Years**

Fiscal Year	Operating Revenue (1)	Operating Expense (2)	Operating Income/(Loss)	Total Non-Operating Revenue/(Expense)	Income/(Loss) Before Capital Contributions	Capital Contributions	Special Items (3)	Change in Net Position
2013	\$11,900,861	\$14,355,714	(\$2,454,853)	\$3,013,092	\$558,239	0	0	\$558,239
2012	12,739,489	14,933,288	(2,193,799)	3,394,668	1,200,869	0	0	1,200,869
2011	13,743,782	16,662,206	(2,918,424)	2,776,443	(141,981)	0	0	(141,981)
2010	15,189,120	16,709,227	(1,520,107)	5,119,045	3,598,938	0	0	\$3,598,938
2009	12,420,640	15,011,847	(2,591,207)	6,317,202	3,725,995	0	0	3,725,995
2008	11,914,294	16,381,550	(4,467,256)	8,719,824	4,252,568	0	0	4,252,568
2007	11,246,541	15,759,787	(4,513,246)	6,417,086	1,903,840	0	0	1,903,840
2006	11,249,275	15,890,296	(4,641,021)	3,608,860	(1,032,161)	5,706	(10,149,493)	(11,175,948)
2005	11,440,593	15,461,863	(4,021,270)	3,610,181	(411,089)	168,538	0	(242,551)
2004	9,620,329	12,041,361	(2,421,032)	1,071,680	(1,349,352)	4,315,190	0	2,965,838

(1) See Table III for details of revenues.

(2) See Table IV for details of expenses.

(3) Decrease due to Special Items of: \$10,149,493 related to the Arlington Desalter Transfer.

*Source: Santa Ana Watershed Project Authority*

**Table III – Revenues by Source  
(Excluding Capital Contributions and Special Items)  
Last Ten Fiscal Years**

Fiscal Year	WWT & Disposal	Operating Revenues					Non-Operating Revenues						Combined Revenue
		WWT & Disposal Capacity Rights	Desalter Water Sales	Program Admin	Other Operating	Total Operating Revenue	Member Contributions	Inter Government	Investment Income	Gain on Disposal of Asset	Other Non-Operating Income	Total Non-Operating Income	
2013	\$9,170,287	\$2,510,154	\$0	\$0	\$220,420	\$11,900,861	\$1,829,845	\$1,432,832	\$343,591	\$0	\$0	\$3,606,268	\$15,507,129
2012	10,053,123	2,481,109	0	0	205,257	12,739,489	1,697,194	2,563,956	1,058,984	2,223	0	5,322,357	18,061,846
2011	10,989,257	2,467,971	0	268,253	18,301	13,743,782	1,646,170	1,542,723	1,178,639	0	42,000	4,409,532	18,153,314
2010	12,391,354	2,458,418	0	256,486	82,862	15,189,120	1,499,558	2,514,206	2,007,183	1,616	0	6,022,563	21,211,683
2009	9,738,141	2,458,750	0	223,749	0	12,420,640	1,723,395	2,638,131	2,963,353	0	1,214	7,326,093	19,746,733
2008	9,247,855	2,438,152	0	227,787	500	11,914,294	2,065,577	3,031,370	4,683,608	54,612	63	9,835,230	21,749,524
2007	8,658,339	2,262,470	0	226,522	99,210	11,246,541	3,050,161	1,413,877	3,953,946	26,132	135,849	8,579,965	19,826,506
2006	7,016,128	1,873,085	1,924,821	306,129	129,112	11,249,275	2,099,150	13,125,266	1,381,304	49,318	16	16,655,054	27,904,329
2005	3,983,183	1,781,877	3,263,916	1,086,084	1,325,533	11,440,593	1,746,850	118,395,976	3,525,303	57,765	1,158	123,727,052	135,167,645
2004	3,392,905	1,772,891	3,371,511	971,788	111,234	9,620,329	1,790,765	51,883,450	753,061	190,460	52,446	54,670,182	64,290,511

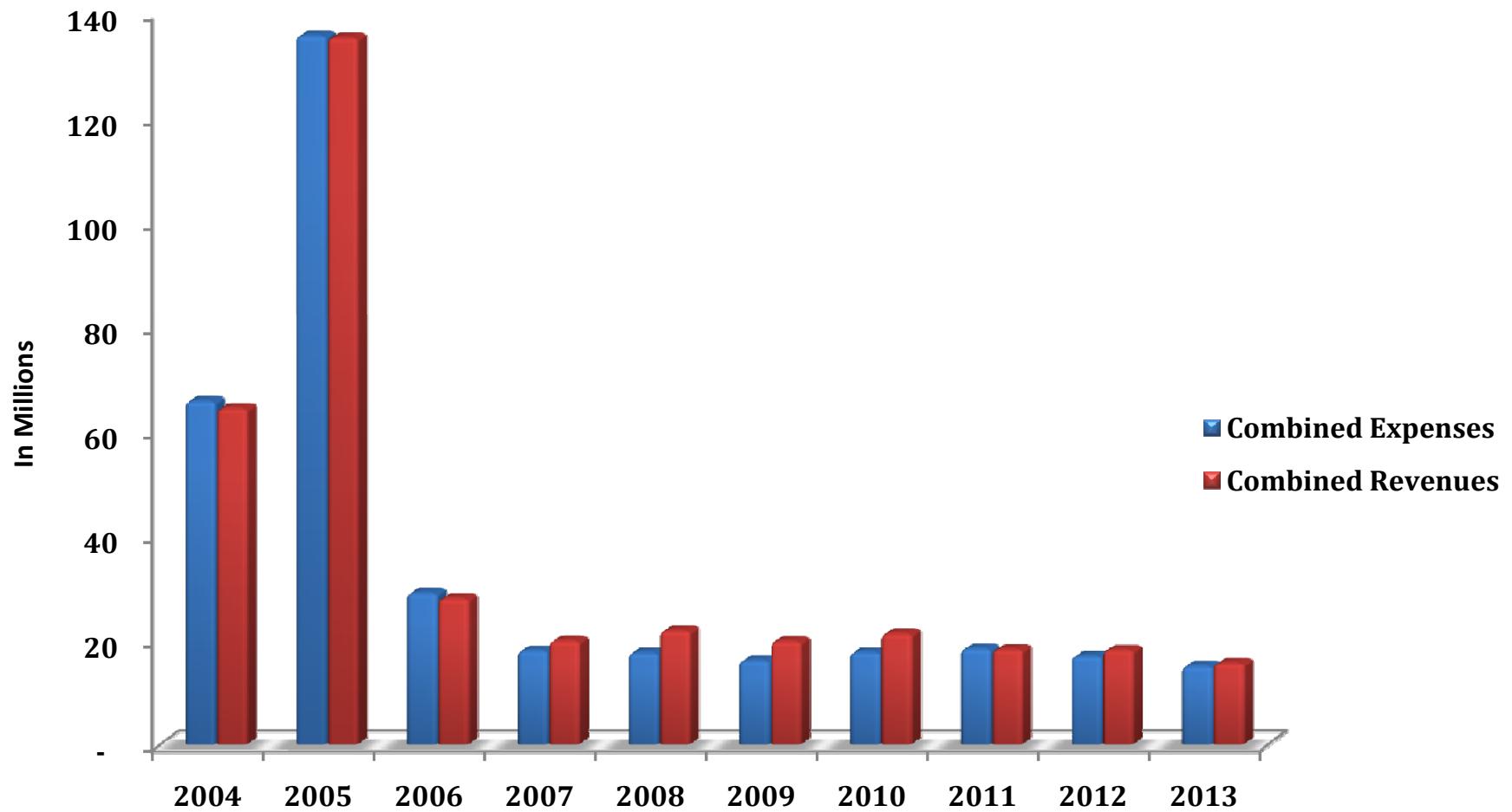
*Source: Santa Ana Watershed Project Authority*

**Table IV – Expenses by Function**  
**Last Ten Fiscal Years**

Fiscal Year	WWT & Disposal	Desalters	General & Admin	Operating Expenses		Amortization of WWT Rights	Total Operating Expenses	Total Non-Operating Expenses	Combined Expenses
				Studies & Planning Costs	Depreciation				
2013	\$6,686,530	\$0	\$631,924	\$2,501,681	\$3,134,661	\$1,400,918	\$14,355,714	\$593,176	\$14,948,890
2012	7,356,155	0	1,198,902	2,244,658	2,732,655	1,400,918	14,933,288	1,927,689	16,860,977
2011	7,491,739	0	838,929	4,287,122	2,643,498	1,400,918	16,662,206	1,633,089	18,295,295
2010	9,803,154	0	850,538	1,998,300	2,656,317	1,400,918	16,709,227	903,518	17,612,745
2009	6,767,974	0	1,038,758	3,148,432	2,655,765	1,400,918	15,011,847	1,008,891	16,020,738
2008	6,886,304	0	741,243	4,729,137	2,656,488	1,368,378	16,381,550	1,115,406	17,496,956
2007	7,395,547	0	823,114	3,646,697	2,660,758	1,233,671	15,759,787	2,162,879	17,922,666
2006	6,238,654	1,155,096	1,052,332	3,409,278	3,063,589	971,347	15,890,296	13,046,194	28,936,490
2005	5,009,465	2,403,447	1,260,370	2,038,566	3,778,668	971,347	15,461,863	120,116,871	135,578,734
2004	3,317,292	2,298,656	1,112,733	1,236,344	3,143,366	932,970	12,041,361	53,598,502	65,639,863

*Source: Santa Ana Watershed Project Authority*

Chart I - Combined Expenses and Revenues  
Last Ten Fiscal Years



Source: Santa Ana Watershed Project Authority

**Table V - Wastewater Discharge by Type  
Last Ten Fiscal Years**

<b>Discharge Type</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Industrial	171.2630	249.2381	245.6435	203.3820	203.4214	331.7357	629.5509	732.8943	785.4778	831.6098
Domestic	854.2526	1,027.1307	1,015.4773	908.3414	852.0116	837.9343	1,475.4890	1,275.2165	1,041.5085	800.9159
Dairy	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	7.5359	27.2099	7.9693
Power Plant	267.9388	348.7255	334.4011	268.2640	222.9578	104.4273	93.3591	91.5996	1.4808	2.9640
Water Supply/Desalter	2,728.7335	2,657.6589	2,702.2033	2,877.3705	2,923.6592	2,508.3150	2,347.1633	1,870.6342	1,544.6792	1,644.4682
Temp/Emergency	7.9366	5.0106	20.1418	18.1715	7.3531	0.0000	1.5201	5.2351	0.8393	9.3935
Truck Discharge	30.6147	42.3407	43.2777	53.3668	62.5716	64.0861	39.8682	40.6802	39.9424	27.6126
Total	4,060.7392	4,330.1045	4,361.1447	4,328.8962	4,271.9747	3,846.4984	4,586.9505	4,023.7958	3,441.1379	3,324.9333

*Source: Santa Ana Watershed Project Authority*

**Table VI - Summary of Wastewater Treatment Rates  
Last Ten Fiscal Years**

Fiscal Year	Flow per MGD*	BOD Charge (1,000 lbs)	TSS Charge (1,000 lbs)	Minimum Flow Charge	Monthly Fixed Pipeline Charge	Monthly Fixed Treatment Charge	Truck - Non-Brine (per gallon)	Truck - Tier 1 (per gallon)	Truck - Tier 2 (per gallon)	Truck - Tier 3 (per gallon)	Truck - Brine (per gallon)
2013	\$794.00	\$253.00	\$376.00	\$150.00	\$4,083.00	\$8,749.00	(a)	\$0.015	\$0.030	(b)	\$0.010
2012	830.00	225.00	335.00	150.00	3,430.00	7,868.00	(a)	0.014	0.029	(c)	0.010
2011	891.00	312.00	462.00	150.00	2,710.00	6,775.00	(a)	0.015	0.032	(d)	0.010
2010	850.00	283.00	420.00	150.00	2,581.00	6,452.00	0.029	0.000	0.000	0.000	0.010
2009	792.00	257.00	381.00	150.00	2,417.00	6,044.00	0.028	0.000	0.000	0.000	0.007
2008	754.00	233.00	346.00	150.00	2,265.00	5,663.00	0.026	0.000	0.000	0.000	0.007
2007	589.00	200.00	312.00	150.00	2,124.00	5,310.00	0.023	0.000	0.000	0.000	0.004
2006	589.00	199.00	310.00	0.00	0.00	8,045.00	0.0302	0.000	0.000	0.000	0.0302
2005	806.00	45.00	55.00	0.00	0.00	3,523.00	0.006	0.000	0.000	0.000	0.006
2004	804.00	125.93	146.01	76.00	0.00	2,962.00	0.006	0.000	0.000	0.000	0.006

\* MGD – million gallons per day

- (a) Non-brine truck rate was divided into three tiers based on BOD and TSS Concentrations. Tier 1 = 100 to 999 mg/l, Tier 2 = 1,000 to 2,499 mg/l, and Tier 3 = 2,500 mg/l and higher.
- (b) FY 2013 - Tier 3 dischargers will be charged based on the actual concentration of the waste discharged using the following components: \$0.0026/gallon, \$0.645/pound of BOD, and \$0.617/pound of TSS.
- (c) FY 2012 - Tier 3 dischargers will be charged based on the actual concentration of the waste discharged using the following components: \$0.0026/gallon, \$0.617/pound of BOD, and \$0.576/pound of TSS.
- (d) FY 2011 - Tier 3 dischargers will be charged based on the actual concentration of the waste discharged using the following components: \$0.0025/gallon, \$0.672/pound of BOD, and \$0.683/pound of TSS.

*Source: Santa Ana Watershed Project Authority*

**Table VII - Principal Sewer Customers  
Current Fiscal Year and Nine Years Prior**

Fiscal Year 2012-13

Customer Name	Discharge in MG*	Percentage of Total Discharge
Chino Desalter I	738.6391	18.19%
Temescal Desalter	601.759	14.82%
Chino Desalter II	425.1191	10.47%
Arlington Desalter	347.3243	8.55%
Menifee Desalter	301.4954	7.42%
Perris Desalter	284.2546	7.00%
JCSD – Etiwanda **	271.1948	6.68%
California Rehabilitation Center	175.6489	4.33%
Chino Institute for Women	158.8173	3.91%
Mountainview Power Plant	152.3468	3.75%
Total Principal Customers	3456.5993	85.12%
Other Customers	604.1399	14.88%
Total Discharge	4,060.7392	100.00%

Fiscal Year 2003-04

Customer Name	Discharge in MG*	Percentage of Total Discharge
Chino Desalter I	654.0028	19.67%
Arlington Desalter	479.5204	14.42%
Golden Cheese	452.6306	13.61%
Temescal Desalter	349.0181	10.50%
California Rehabilitation Center	338.6183	10.18%
Inland Empire Utilities Agency	251.7097	7.57%
Menifee Desalter	160.9319	4.84%
Chino Institute for Women	97.9133	2.94%
JCSD – Etiwanda **	95.7209	2.88%
JCSD – Chandler ***	88.8218	2.67%
Total Principal Customers	2,968.8878	89.29%
Other Customers	356.0455	10.71%
Total Discharge	3,324.9333	100.00%

\* MG – million gallons

\*\* Jurupa Community Services District (JCSD) connection at Etiwanda.

\*\*\* Jurupa Community Services District (JCSD) connection at Chandler.

Source: Santa Ana Watershed Project Authority

**Table VIII - Debt Coverage Ratio  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Debt Service Requirements</b>				<b>Debt to Expense Ratio</b>
	<b>Combined Expenses</b>	<b>SRF Loans *</b>	<b>Member Loans **</b>	<b>Total Debt</b>	
2013	\$14,948,890	\$4,179,190	\$356,250	\$4,535,440	30.3%
2012	16,860,977	4,179,191	356,250	4,535,441	26.9%
2011	18,295,295	4,179,191	356,250	4,535,441	24.8%
2010	17,612,745	4,179,192	356,250	4,535,442	25.8%
2009	16,020,738	4,179,191	356,250	4,535,441	28.3%
2008	17,496,956	4,179,191	356,250	4,535,441	25.9%
2007	17,922,666	4,179,191	356,250	4,535,441	25.3%
2006	28,936,490	4,179,191	356,250	4,535,441	15.7%
2005	135,578,734	4,179,191	356,250	4,535,441	3.3%
2004	65,639,863	4,179,191	356,250	4,535,441	6.9%

The Authority does not receive property tax. All revenues are collected through rates and fees or agency contributions.

The Authority does not have any outstanding Revenue Bonds. The only debt of the Authority is SRF and member agency loans.

Treasury strips were purchased to fully cover all future debt service payments. The Treasury strips mature as debt service payments come due. No operating revenues are used to make debt service payments.

*Notes:*

\* State Revolving Fund (SRF) Loans for construction of the Brine Line.

\*\* Repurchase of Pipeline Capacity from Orange County Water District.

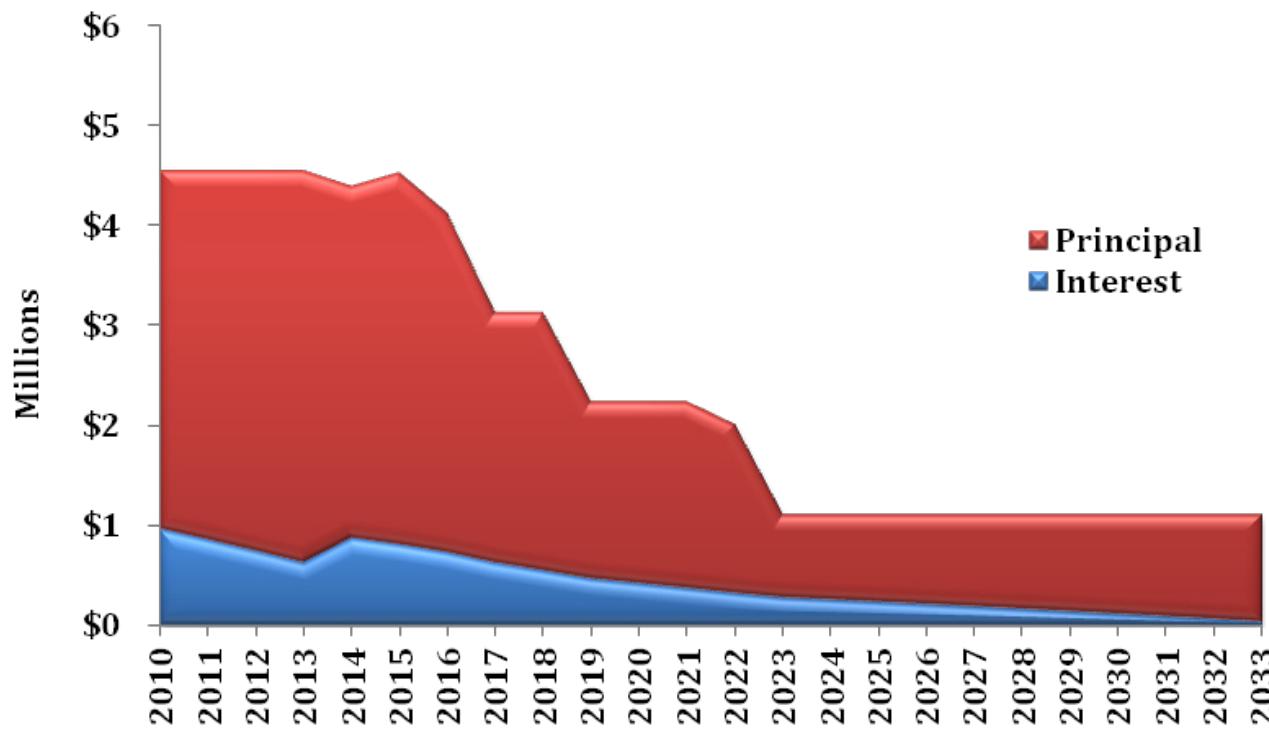
*Source: Santa Ana Watershed Project Authority*

**Table IX - Debt Service Payment Schedule**  
**Fiscal Years 2014 - 2033**

<b>Fiscal Year</b>	<b>Interest</b>	<b>Principal</b>	<b>Total Payment</b>	<b>Remaining Principal</b>
2014	\$917,806	\$3,660,704	\$4,578,510	\$29,125,074
2015	827,925	3,633,884	4,461,810	25,491,190
2016	716,452	3,338,888	4,055,340	22,152,302
2017	615,366	2,445,358	3,060,725	19,706,943
2018	539,727	2,520,997	3,060,725	17,185,946
2019	461,459	2,065,342	2,526,801	15,120,604
2020	395,403	1,775,147	2,170,551	13,345,456
2021	348,294	1,822,257	2,170,551	11,523,199
2022	299,932	1,643,304	1,943,236	9,879,895
2023	256,877	787,396	1,044,273	9,092,499
2024	236,405	807,868	1,044,273	8,284,631
2025	215,400	828,873	1,044,273	7,455,758
2026	193,850	850,424	1,044,273	6,605,335
2027	171,739	872,535	1,044,273	5,732,800
2028	149,052	895,220	1,044,273	4,837,580
2029	125,777	918,496	1,044,273	3,919,084
2030	101,896	942,377	1,044,273	2,976,707
2031	77,394	966,879	1,044,273	2,009,828
2032	52,256	992,018	1,044,273	1,017,810
2033	26,463	1,017,810	1,044,273	0

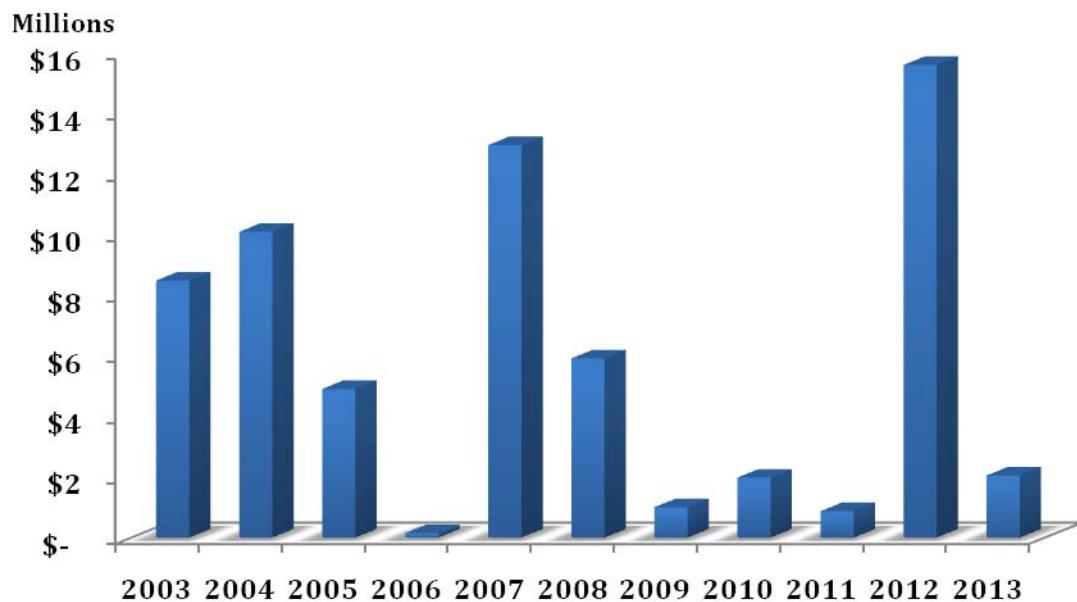
*Source: Santa Ana Watershed Project Authority*

## Chart II - Debt Service Payment Schedule Fiscal Years 2014 – 2033

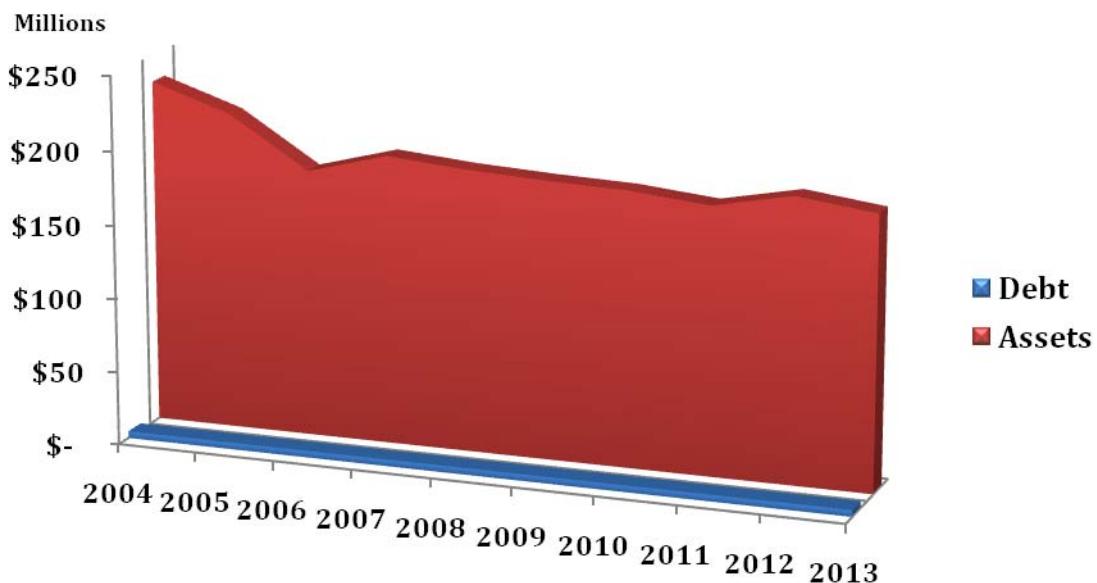


Source: Santa Ana Watershed Project Authority

### Chart III – Capital Spending Last Ten Fiscal Years



### Chart IV – Total Debt to Assets Last Ten Fiscal Years



Source: Santa Ana Watershed Project Authority

**Table X - Demographic and Economic Statistics  
Last Ten Calendar Years**

Fiscal Year	Population County	Total Personal Income	Per Capita Personal Income County	County	State
2012	2,244,399	\$4,740,901,560	\$32,696	12.2%	10.7%
2011	2,217,778	4,562,732,423	31,796	11.3	11.8
2010	2,179,692	4,375,318,812	30,921	14.5	12.2
2009	2,107,653	4,308,080,000	30,772	13.7	11.6
2008	2,088,322	4,149,660,000	30,070	8.4	6.9
2007	2,031,625	3,975,820,000	29,560	5.7	5.3
2006	1,966,607	3,734,900,000	28,730	5.1	4.9
2005	1,885,627	3,155,771,600	26,342	5.2	5.4
2004	1,805,519	2,875,749,500	25,337	5.8	6.4
2003	1,725,890	2,605,470,000	24,814	6.2	7.2

**Table XI - Principal Employers  
Fiscal Year Ended June 30, 2013**

Employer	No. of Employees	Percentage of Total Labor Force
County of Riverside	17,776	1.90%
March Air Reserve Base	9,000	0.96%
Stater Brothers Markets	6,900	0.74%
Wal-Mart	5,681	0.61%
University of California, Riverside	5,497	0.59%
Riverside Unified School District	5,000	0.53%
Corona-Norco Unified School District	4,633	0.50%
Kaiser Permanente Riverside Medical Center	4,500	0.48%
Pechanga Resort & Casino	4,000	0.43%
Moreno Valley School District	3,355	0.40%
<b>Total</b>	<b>66,332</b>	<b>7.10%</b>

*Notes:* For compliance with GASB Statement No. 34, data for fiscal year ended June 30, 2004 is not available.  
Data is for the County of Riverside. The Authority is located within the County.

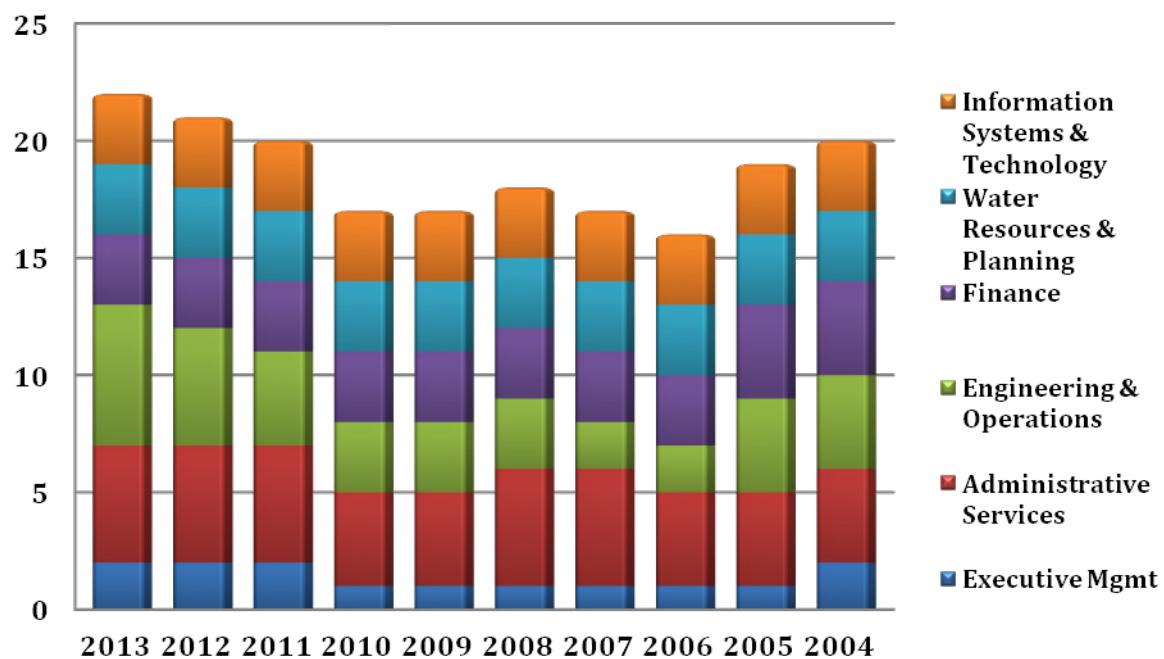
*Sources:* State of California Employment Development Department  
U.S. Bureau of Economic Analysis  
County of Riverside Economic Development Agency

**Table XII - Number of Employees  
Last Ten Fiscal Years**

Department	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Executive Management	2	2	2	1	1	1	1	1	1	2
Administrative Services	5	5	5	4	4	5	5	4	4	4
Engineering & Operations	6	5	4	3	3	3	2	2	4	4
Finance	3	3	3	3	3	3	3	3	4	4
Water Resources & Planning	3	3	3	3	3	3	3	3	3	3
Information Systems & Technology	3	3	3	3	3	3	3	3	3	3
<b>Total</b>	<b>22</b>	<b>21</b>	<b>20</b>	<b>17</b>	<b>17</b>	<b>18</b>	<b>17</b>	<b>16</b>	<b>19</b>	<b>20</b>

*Notes: All managers are included with their divisions. Temporary and Interns are not included.*

**Chart V – Total Employees  
Last Ten Fiscal Years**



*Source: Santa Ana Watershed Project Authority*

**Table XIII - Operating and Capital Indicators  
Last Ten Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total Meter Connections	50	50	45	46	42	36	38	33	40	32
Number of Air Release Valves	75	75	75	75	75	75	75	75	75	75
Miles of Sewer Lines	73	73	73	73	73	73	73	73	73	73
Total Flows for Fiscal Years (MG)	4,060.7392	4,330.1045	4361.1447	4328.8962	4271.9747	3846.498	4586.951	4023.796	3441.138	3324.933
Owned Treatment Capacity (MGs)	17	17	17	17	17	17	16	13	13	13

#### **Miscellaneous Statistics**

Year of Formation:	1972
Governing Body:	5-Member Board of Commissioners (1 from each Member Agency elected Board of Directors)
Form of Government:	Joint Powers Authority
Staff:	21 full-time equivalent employees
Authority:	Section 6500 et. Seq. Government Code
Service:	Waste Disposal, Watershed Planning, Task Force Facilitation
Service Area (square miles):	2,650
Total Population Served:	Approximately 6.0 million

*Source: Santa Ana Watershed Project Authority*



**11615 Sterling Avenue • Riverside • California • 92503**  
**[www.sawpa.org](http://www.sawpa.org) • (951) 354-4220**

**Santa Ana Watershed Project Authority**