



Santa Ana Watershed Project Authority



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2014

11615 Sterling Avenue • Riverside • California • 92503
www.sawpa.org • (951) 354-4220

Santa Ana Watershed Project Authority
Riverside, CA

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2014

Prepared by the
Finance Department

11615 Sterling Avenue, Riverside California 92503

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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 18, 2014

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 fiscal year ended June 30, 2014.

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

Eastern
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.

San
Bernardino
Valley
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, 2014, 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, 2014, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Inland
Empire
Utilities
Agency

CELEBRATING OVER 40 YEARS OF INNOVATION, VISION, AND WATERSHED LEADERSHIP

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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 39-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 February 2014 is the Santa Ana River Watershed Integrated Regional Water Management Plan (IRWMP) called the “One Water One Watershed (OWOW) 2.0 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 have been identified to address a multiplicity of water challenges using an integrated multi-beneficial approach.

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, slowed in growth under the previous national financial crisis and recession, current projections from the California Department of Finance indicate that the watershed area is set for a rebound. Income levels have risen for the third consecutive year, unemployment rates continue to decrease, 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 part of its capital projects. Reserves will also be used to fund capital projects.

Major Initiatives and Accomplishments

Fiscal year 2013-14 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 2014 are listed below.

Brine Line Enterprise

- Developed design documents (plans and specifications) for installation of Cured In Place Pipe (CIPP) for portions of Reach V as recommended by an expert panel. CIPP was selected after completion of an investigation into the causes of a spontaneous failure of a 24-inch diameter Polyvinyl Chloride (PVC) Pipe. Investigation included test pits to determine the in-situ soil condition and deformation of the PVC pipe.
- Created a new Pretreatment Program (PTP) including the establishment of two new SAWPA staff positions and purchase of software to automate portions of the PTP.
- Prepared and adopted new PTP documents: Ordinance, Policy Manual, Procedures, and Enforcement Response Plan.
- Utilized a data and records management system (OnBase) for expedient notification of Brine Line Liquid Waste Hauler rejected loads.
- Installed additional access points to Reach IV-B Upper to facilitate line cleaning. Used access points to clean a portion of the Buchanan Siphon which was approximately 50% plugged with scale.
- Continued quarterly siphon cleaning program for 13 system inverted siphons.
- 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” or small releases 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.
- Monitored US Army Corps of Engineers 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% of flows to Orange County and includes a new metering station.
- Responded to over 4,000 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.
- Monitored construction activities in close proximity or crossing the Brine Line to ensure protection of the Brine Line.
- Created a third operations staff position to increase the number of activities that can be self-performed by SAWPA staff, reducing dependence on and cost of contractors.

OWOW

- Conducted a successful sixth annual OWOW Conference in Riverside, CA with over 350 people in attendance.
- Worked with stakeholders in the development of a successful 2014 California (CA) Department of Water Resources (DWR) Proposition 84 Drought grant application for \$11.8 million as part of a \$20.8 million project to support water use efficiency goals throughout the watershed.
- Conducted stakeholder workshops to discuss the need for system-wide regional water resource projects that meet the OWOW Plan Goals. Worked with proponents to prepare projects for future submittals under the CA DWR 2015 Proposition 84 Integrated Regional Water Resources Management (IRWM) funding program, \$63.8 million in grant funding tentatively scheduled for late 2015.
- Completed and adopted the OWOW Plan update, OWOW 2.0, on February 4, 2014.
- Completed a successful partnership with the United States Bureau of Reclamation (USBR) that provided \$1 million in federal funding to support the OWOW 2.0 Plan. The partnership focused on OWOW 2.0 tasks that address climate change adaptation, mitigation and disadvantaged communities, tribal community critical water supply, and water quality support.
- Completed and fully expended the \$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 continued implementation of a comprehensive bacteria reduction plan.

- Submitted the final watershed-wide emerging constituent's program annual sampling report for the Regional Board and submitted it to them in April 2014 reflecting no major health concerns resulting from emerging constituents in drinking water sources as deemed by the Regional Board.
- Updated the Santa Ana River Wasteload Allocation Plan to reflect revisions to the Seven Oaks Dam recharge projections and initiated study of increased salt levels in the Santa Ana River flows, Reach 3, during the August sampling period.
- Continued a joint salinity management study update through our involvement with Southern California Salinity Coalition, Metropolitan Water District of Southern California (MWDSC), and USBR.
- Completed additional habitat survey for the threatened fish species, Santa Ana sucker fish, as well as the annual Riverwalk, the longest running and largest voluntary annual habitat assessment conducted in Southern California for an aquatic species.
- Supported the Lake Elsinore and San Jacinto Watersheds Authority and the associated TMDL Task Force in implementing three successful alum applications to Canyon Lake to reduce the phosphorus content, reduce algae and help meet the TMDL targets for the lake.

Technology

- Installed and configured overhead projector and computer support in the OWOW conference room
- Implemented and supported the Internet Based POTW Administration and Compliance System (IPACS) for Brine line permit applications.
- Migrated Liberty documents to the new electronic document system OnBase.
- Deployed 4 new PCs.
- Updated security fixes for Flash in the Dig Alert application.
- Upgraded the Authority's website with enhanced user friendly tools.
- Implemented recommendations from the Feasibility Analysis on Going Paperless in Accounting.
- Began implementation of ACH payments.
- Created an OWOW regional project map series.
- Created GIS Easement Document application.
- Started multi-application transition from Flash to Java Script due to ESRI support.

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, 2013. 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, 2014, 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, 2013. 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.

Acknowledgements

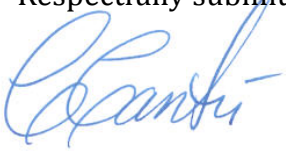
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Authority's Finance Department. We also would

like to express our appreciation to the other Authority Departments for their cooperation, assistance, and support.

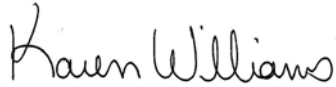
We further acknowledge the thorough and professional manner in which our auditors, White Nelson Diehl Evans LLP, conducted the audit.

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,

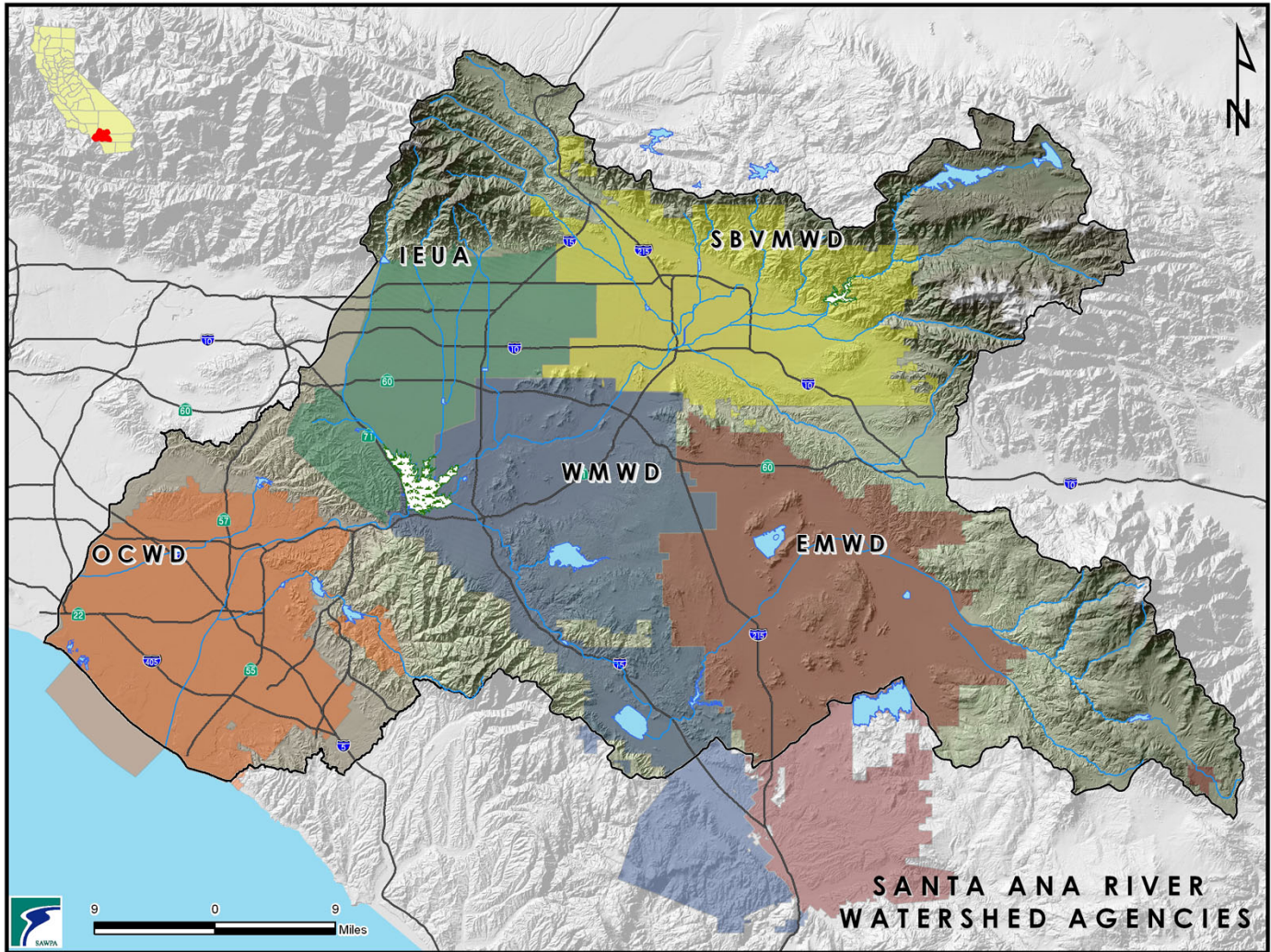


Celeste Cantú
General Manager



Karen Williams
Chief Financial Officer

Santa Ana Watershed Project Authority Authority Service Area Map



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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, 2013

Executive Director/CEO

Santa Ana Watershed Project Authority

Authority Officials

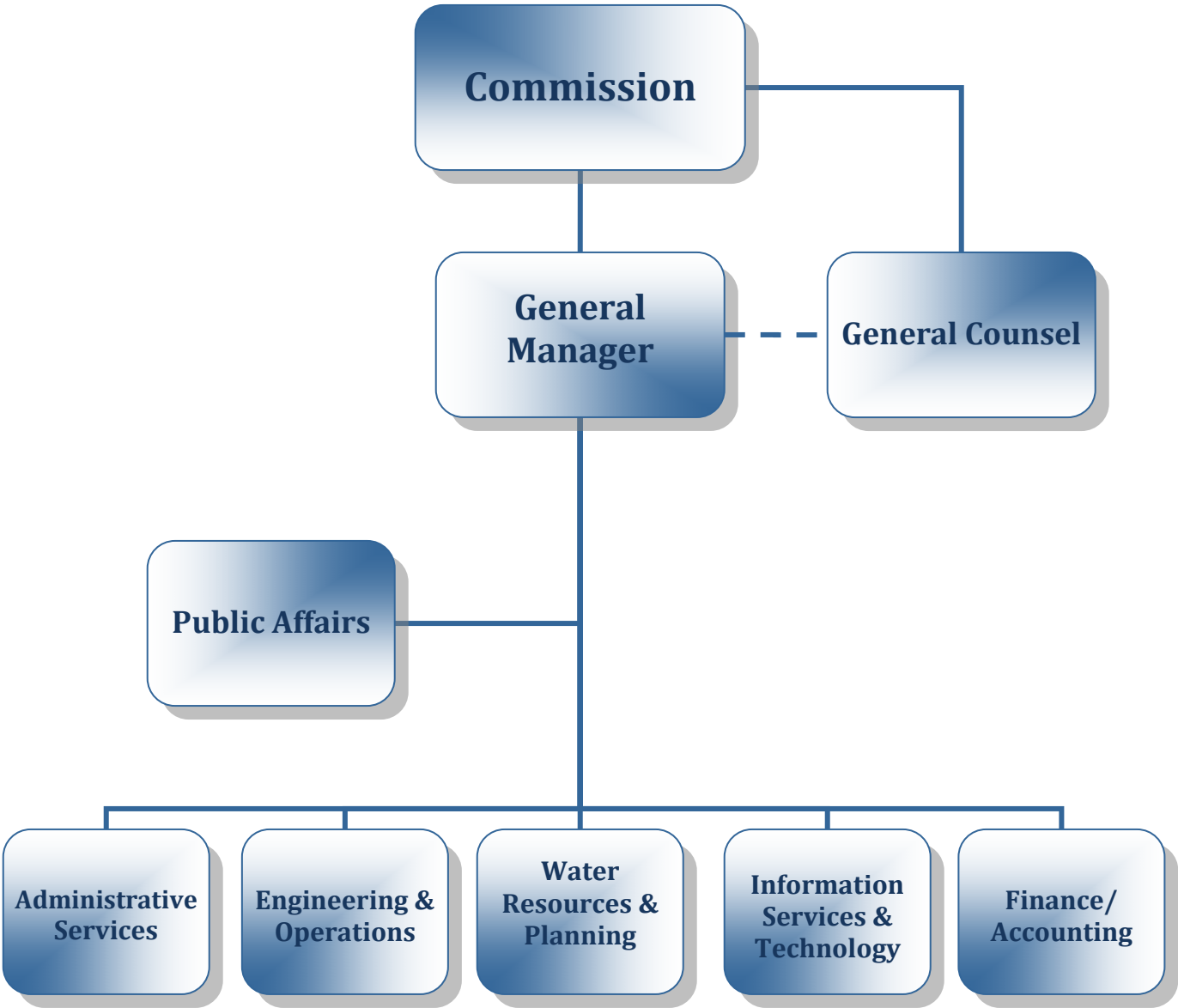
Board of Commissioners

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

Management Staff

Celeste Cantú	General Manager
Kelly Berry	Administrative Services Manager/Clerk of the Board
Karen Williams	Chief Financial Officer
Dean Unger	IS and Technology Manager
Richard Haller	Executive Manager of Engineering and Operations
Mark Norton	Water Resources and Planning Manager
Larry McKenney	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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 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, 2014 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

OTHER MATTERS:

Prior-Year Comparative Information

We have previously audited the Authority's 2013 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the Authority in our report dated November 6, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 asset, 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 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The introductory section, combining schedules and statements, and statistical section for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the financial statements.

OTHER MATTERS (CONTINUED):

Other Information (Continued)

The combining schedules and statements for the year ended June 30, 2014 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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, 2014 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014, 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 the Authority's internal control over financial reporting and compliance.

White Nelson Dickel Evans LLP

Irvine, California
October 10, 2014

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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, 2014 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), Eastern Municipal Water District (EMWD), San Bernardino Valley Municipal Water District (SBVMWD), and Western Municipal Water District (WMWD).

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 2014. 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 \$66.6 million at June 30, 2014 and \$67.7 million at June 30, 2013.

Statement of Net Position

	2014	2013	2012
Assets			
Current Assets	\$ 60,521,971	\$ 62,367,273	\$ 65,160,061
Non-current Assets	9,659,692	11,895,216	13,408,408
Capital Assets	107,320,883	111,349,053	113,807,286
Total Assets	177,502,546	185,611,542	192,375,755
Liabilities			
Current Liabilities	5,185,605	6,065,910	8,568,678
Non-current Liabilities	105,720,973	111,885,188	116,747,913
Total Liabilities	110,906,578	117,951,098	125,316,591
Net Position			
Net Investment in Capital Assets	80,456,568	81,274,020	80,560,654
Restricted	4,167,861	4,232,102	4,263,626
Unrestricted (Deficit)	(18,028,461)	(17,845,678)	(17,765,116)
Total Net Position	\$66,595,968	\$67,660,444	\$67,059,164

Management's Discussion and Analysis

The following denotes explanations on some of the changes between fiscal years 2014 and 2013, as compared in the table above.

- The \$1.8 million decrease in Current Assets is due primarily to a decrease in accounts receivable. The Proposition 50 Grant for both Administration and Projects were completed this year and all retention funds were released.
- The \$2.2 million decrease in Non-current Assets is due primarily to a decrease in installment notes from scheduled notes receivable receipts and total payments of \$1.7 million were received for funds loaned to Orange County Flood Control District (OCFCD) for the relocation of the Santa Ana Regional Interceptor (SARI) located in Orange County.
- The \$4.0 million decrease in Capital Assets is due primarily to an offset of depreciation and amortization to property, plant, and equipment.
- The \$0.88 million decrease in Current Liabilities is due primarily to a decrease in accounts payable. Retention funds from the Proposition 50 Grant were received from the State and paid to the Agencies.
- The \$6.2 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 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 \$1.5 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.

Management's Discussion and Analysis

- The \$2.5 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 \$4.9 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.

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, 2014, Net Investment in Capital Assets consisted of the following:

Net Investment in Capital Assets

(In Millions)

	2014	2013	2012
Property, Plant & Equipment	\$131.3	\$130.6	\$110.4
Accumulated Depreciation	(57.1)	(53.9)	(50.8)
Wastewater Treatment & Disposal Rights	55.6	55.6	55.6
Accumulated Amortization	(22.5)	(21.1)	(19.7)
Construction in Process	0.7	0.2	18.3
Related Payables and Loans, Net of Discounts	(27.5)	(30.1)	(33.2)
Total	\$80.5	\$81.3	\$80.6

Restricted

At June 30, 2014, 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 and by the SWRCB for a SRF loan reserve requirement.

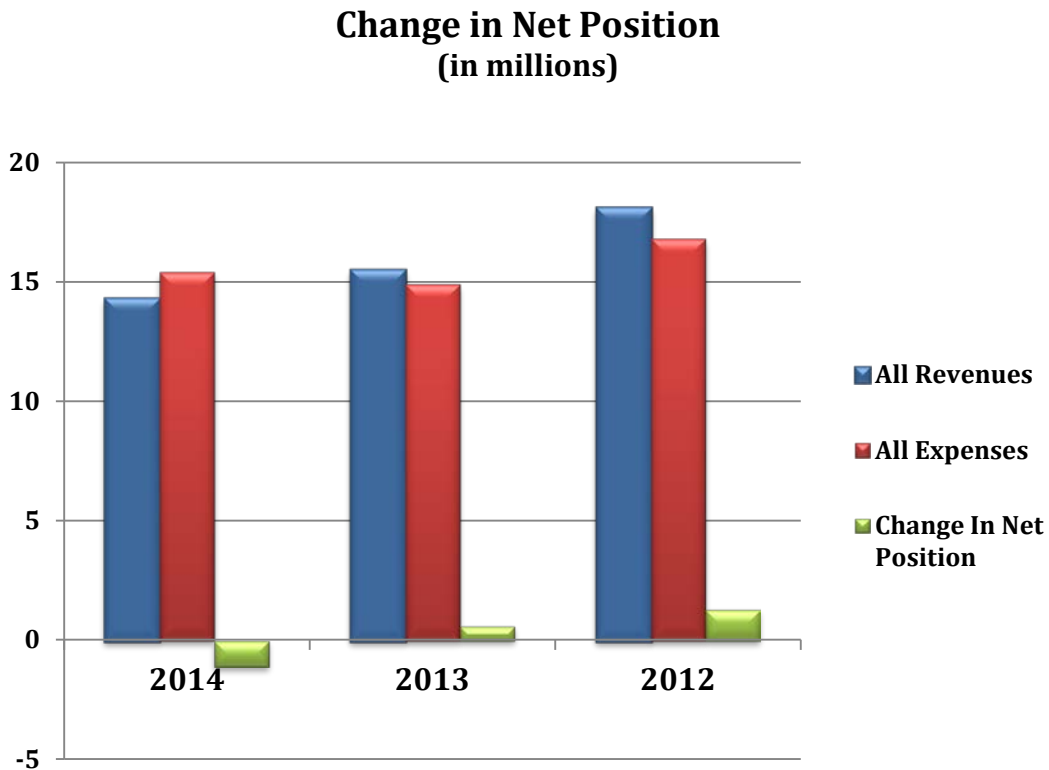
Management's Discussion and Analysis

Unrestricted

At June 30, 2014, the Authority had an unrestricted net deficit of \$18.0 million. However, the Authority does possess \$80.2 million in unearned revenues being realized over a 50 year period of approximately \$2.5 million per year.

Change in Net Position

Overall, the fiscal year ending June 30, 2014, brought a decrease in net position of \$1.0 million, a \$1.6 million decrease from the previous year. The primary reason for this decrease over the prior year was due to a decrease of \$1.2 million in total revenues and a increase of \$0.5 million in total expenses.



Management's Discussion and Analysis

Statement of Revenues, Expenses and Changes in Net Position

	2014		2013		2012	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Operating Revenues:						
WWT & Disposal	\$ 8,575,085	59.8%	\$ 9,170,287	59.1%	\$ 10,053,123	55.7%
WWT & Disposal Capacity Rights	2,510,154	17.5%	2,510,154	16.2%	2,481,109	13.7%
Other Operating Revenues	158,191	1.0%	220,420	1.4%	205,257	1.1%
Total Operating Revenues	11,243,430	78.5%	11,900,861	76.7%	12,739,489	70.5%
Non-Operating Revenues:						
Member Contributions	1,771,587	12.4%	1,829,845	11.8%	1,697,194	9.4%
Intergovernmental	843,283	5.9%	1,432,832	9.2%	2,563,956	14.2%
Investment Income	457,867	3.2%	343,591	2.2%	1,058,984	5.9%
Gain on Disposal of Asset	13,021	0.1%	-	0.0%	2,223	0.0%
Other Non-Operating Income	-	0.0%	-	0.0%	-	0.0%
Total Non-Operating Revenues	3,085,758	21.5%	3,606,268	23.3%	5,322,357	29.5%
Total Revenues	14,329,188	100.0%	15,507,129	100.0%	18,061,846	100.0%
Operating Expenses:						
WWT and Disposal	6,864,435	44.6%	6,686,530	44.9%	7,356,155	43.8%
General and Admin and Overhead	487,308	3.2%	588,883	4.0%	1,125,143	6.7%
Studies and Planning Costs	2,636,556	17.1%	2,501,681	16.8%	2,244,658	13.4%
Depreciation	3,137,858	20.4%	3,134,661	21.0%	2,732,655	16.3%
Amortization of WWT and Disposal Rights	1,400,918	9.1%	1,400,918	9.4%	1,400,918	8.3%
Total Operating Expenses	14,527,075	94.4%	14,312,673	96.0%	14,859,529	88.5%
Non-Operating Expenses:						
Interest Expense	866,411	5.6%	558,421	3.7%	678,080	4.0%
Loss on Disposal of Asset	-	0.0%	-	0.0%	-	0.0%
Grant Program Expenses	-	0.0%	23,470	0.2%	1,222,182	7.3%
Other Non-Operating Expenses	178	0.0%	11,285	0.1%	27,427	0.2%
Total Non-Operating Expenses	866,589	5.6%	593,176	4.0%	1,927,689	11.5%
Total Expenses	15,393,664	100.0%	14,905,849	100.0%	16,787,218	100.0%
Change in Net Position	(1,064,476)	-1.6%	601,280	0.9%	1,274,628	1.9%
Beginning Net Position	67,660,444	101.6	67,059,164	99.1%	65,784,536	98.1%
Ending Net Position	\$66,595,968	100.0%	\$67,660,444	100.0%	\$67,059,164	100.0%

Management's Discussion and Analysis

Revenues

Combined revenues for the fiscal year 2014 totaled \$14.3 million, a decrease of \$1.2 million, or 7.6%, less than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2014 and 2013.

- The \$0.6 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 \$0.6 million decrease in Intergovernmental is due to the completion of the SWRCB Proposition 50 projects.

Combined revenues for the fiscal year 2013 totaled \$15.5 million, a decrease of \$2.6 million, or 14%, less 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.

Expenses

Combined expenses for the fiscal year 2014 totaled \$15.4 million, an increase of \$0.5 million, or 0.3% more than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2014 and 2013.

- The \$0.3 million increase in Interest Expense is due to the SWRCB not capitalizing a portion of the Reach IV-A and IV-B SRF Loan interest

Management's Discussion and Analysis

that staff had capitalized. That portion of the interest was re-classed as interest expense.

Combined expenses for the fiscal year 2013 totaled \$14.9 million, an increase of \$1.9 million, or 11.2% less than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2013 and 2012.

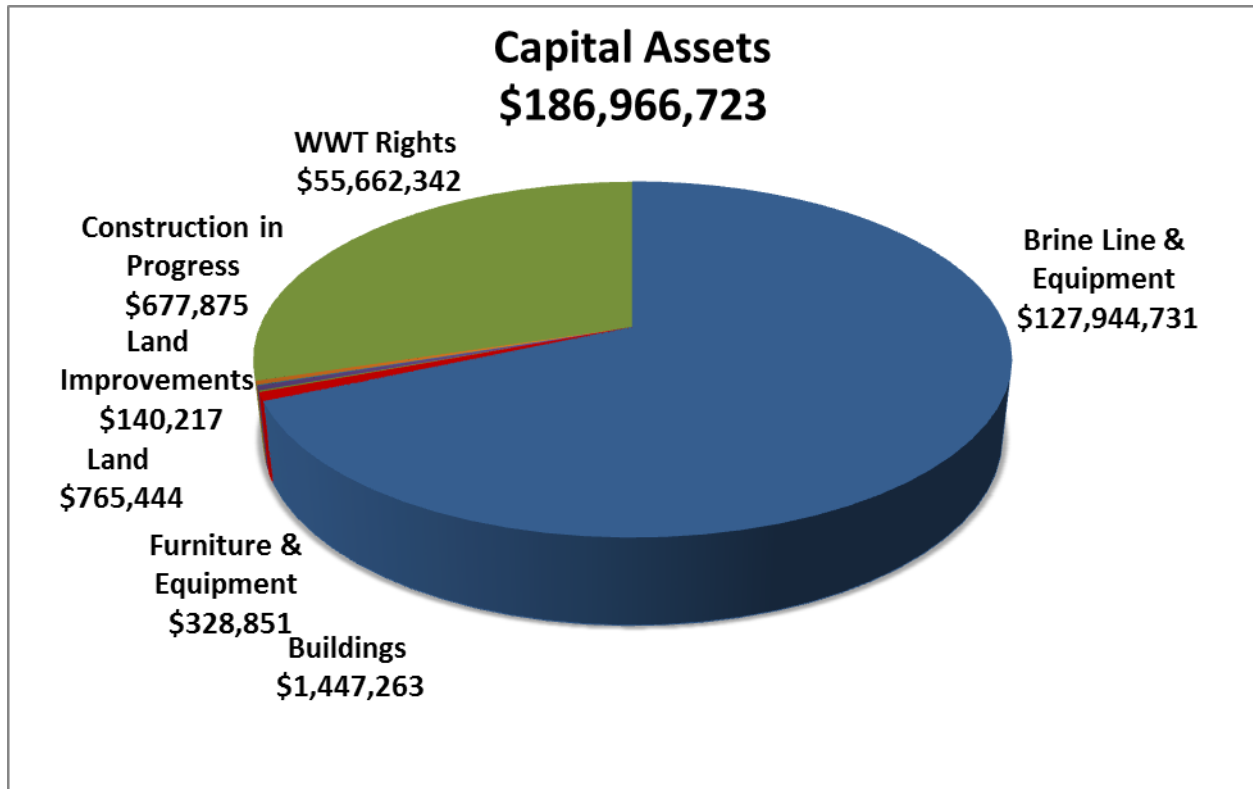
- The \$1.2 million decrease in Grant Program Expenses is due to the completion of the Proposition 13 grant funding projects. The final two projects were completed in April 2013.
- The \$0.7 million decrease in Waste Water Treatment and Disposal is due to a decrease of biochemical oxygen demand (BOD) 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.

Management's Discussion and Analysis

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, 2014; additional information can be found in Note 6 of the Notes to the Basic Financial Statements.



Capital asset additions (related to the Reach IV-A and IV-B repair project) make up the \$0.5 million increase in Capital Assets over fiscal year 2013.

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 repair pipeline and maintenance access structure (MAS, formerly known as manhole) defects identified during CCTV and direct visual inspection. The defects include items such as sealing joints with major groundwater infiltration, and repairing MAS and pipe corrosion protection (plastic "T-Lok" type liner) and completing repairs where structure corrosion has occurred.

Management's Discussion and Analysis

A catastrophic failure and brine spill along Reach V caused the Authority to investigate the in-situ condition of the pipe installed in 1999. Data collected indicates that the PVC pipe is deformed beyond the recommended amount (5% deflection) at a number of 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 strengthen the pipe. Based upon this recommendation, a project was developed and a detailed design prepared. In FYE 2015, bid documents will be completed and a Notice Inviting Bids issued. A State Revolving Fund (SRF) loan will fund part of the project. The loan will be repaid through discharger fees. The project is expected to take 15 months to complete.

A four mile stretch of the pipeline, termed the Santa Ana River Interceptor within Orange County has been relocated outside the floodplain by the County of Orange Flood Control District. Relocation to the south side of the Santa Ana River protects the pipeline from Prado Dam water releases. In fiscal year 2012, the Authority loaned \$10 million to the County of Orange and the OCSD loaned up to \$70 million, to facilitate 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 was delayed until spring 2014. Flows were diverted to the new line May 7, 2014. As of June 2014, \$3.2 million of the \$10 million loaned to the County of Orange has been repaid.

Management's Discussion and Analysis

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, a loan from OCWD 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, 2012-2014, the Authority made all of its scheduled principal payments on these debts as follows:

Debt Service	2014	2013	2012
SWRCB Brine Line	\$1,411,789	\$2,343,767	\$2,276,536
SWRCB TVRI Line	892,039	868,669	845,912
SWRCB Reach IVA & IVB	640,679	-	-
OCWD Repurchase of Wastewater Rights	266,211	251,142	236,927
WRCRWA* Contractual Obligation	465,069	452,403	440,078

*West Riverside County Regional Wastewater Authority

These payments decreased the outstanding balance in long-term debt by \$3.7 million. For more detailed information refer to Note 8 of the Notes to Financial Statements.

Fiscal Year 2014-2015 Budget

Economic and Financial Factors

The economy in the Authority's service area is starting to look brighter. Modest but steady increases in job numbers and positive development in the sectors of healthcare and logistics have helped the Inland Empire. Consumer spending has also continued to increase steadily. 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. Since 2010, 5 positions have been added in Brine Line Operations. These positions have been 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.

Management's Discussion and Analysis

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 model has served 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. We will look at the model and how we can best update it to serve future operations in FYE 2015.

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.

BASIC FINANCIAL STATEMENTS

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SANTA ANA WATERSHED PROJECT AUTHORITY

STATEMENTS OF NET POSITION
PROPRIETARY FUND

June 30, 2014
(With comparative totals for June 30, 2013)

	Business-Type Activities Enterprise Fund	
	2014	2013
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 37,947,998	\$ 37,486,042
Cash and cash equivalents - restricted (Note 2)	1,245,565	1,135,039
Investments (Note 2)	16,394,301	16,428,710
Interest receivable	280,708	315,685
Accounts receivable	1,602,625	1,676,868
Accounts receivable - grants	212,569	1,337,292
Accounts receivable - other	14,253	1,012,245
Notes receivable - current portion (Note 3)	606,627	639,819
Prepaid expenses and other assets	286,765	289,013
Mitigation credits (Note 5)	1,930,560	2,046,560
TOTAL CURRENT ASSETS	<u>60,521,971</u>	<u>62,367,273</u>
NONCURRENT ASSETS:		
Notes receivable (Note 3)	2,545,790	3,084,888
Loan receivable (Note 4)	6,761,672	8,527,858
Other post-employment benefit (OPEB) asset (Note 13)	352,230	282,470
Capital assets (Note 6):		
Not being depreciated	1,443,319	977,213
Being depreciated, net of accumulated depreciation	105,877,564	110,371,840
TOTAL NONCURRENT ASSETS	<u>116,980,575</u>	<u>123,244,269</u>
TOTAL ASSETS	<u>177,502,546</u>	<u>185,611,542</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	935,973	1,808,376
Accrued salaries and wages	77,902	73,758
Accrued interest payable	409,234	445,534
Long-term liabilities - due within one year:		
Compensated absences (Note 7)	112,624	98,830
Loans payable (Note 8)	3,649,872	3,639,412
TOTAL CURRENT LIABILITIES	<u>5,185,605</u>	<u>6,065,910</u>
NONCURRENT LIABILITIES:		
Unearned revenue (Note 9)	80,249,749	82,759,903
Long-term liabilities - due in more than one year:		
Compensated absences (Note 7)	262,788	230,602
Loans payable (Note 8)	25,208,436	28,894,683
TOTAL NONCURRENT LIABILITIES	<u>105,720,973</u>	<u>111,885,188</u>
TOTAL LIABILITIES	<u>110,906,578</u>	<u>117,951,098</u>
NET POSITION (AS RESTATED - NOTE 16):		
Net investment in capital assets	80,456,568	81,274,020
Restricted for:		
SRF Reach IVA & IVB reserve requirement	1,050,000	1,050,000
Mitigation	3,117,861	3,182,102
Unrestricted	(18,028,461)	(17,845,678)
TOTAL NET POSITION	<u>\$ 66,595,968</u>	<u>\$ 67,660,444</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 year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

	Business-Type Activities Enterprise Fund	
	2014	2013
OPERATING REVENUES:		
Wastewater treatment and disposal	\$ 8,575,085	\$ 9,170,287
Wastewater treatment and disposal - capacity rights	2,510,154	2,510,154
Other	158,191	220,420
TOTAL OPERATING REVENUES	11,243,430	11,900,861
OPERATING EXPENSES:		
Wastewater treatment and disposal	6,864,435	6,686,530
General and administrative and overhead	487,308	588,883
Studies and planning costs	2,636,556	2,501,681
TOTAL OPERATING EXPENSES	9,988,299	9,777,094
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	1,255,131	2,123,767
DEPRECIATION	(3,137,858)	(3,134,661)
AMORTIZATION	(1,400,918)	(1,400,918)
OPERATING LOSS	(3,283,645)	(2,411,812)
NONOPERATING REVENUES (EXPENSES):		
Member contributions	1,771,587	1,829,845
Intergovernmental	843,283	1,432,832
Investment earnings	457,867	343,591
Gain on sale of mitigation credits	13,021	-
Interest expense	(866,411)	(558,421)
Grant program expenses	-	(23,470)
Other	(178)	(11,285)
TOTAL NONOPERATING REVENUES (EXPENSES)	2,219,169	3,013,092
CHANGES IN NET POSITION	(1,064,476)	601,280
NET POSITION - BEGINNING OF YEAR (AS RESTATED - NOTE 16)	67,660,444	67,059,164
NET POSITION - END OF YEAR	\$ 66,595,968	\$ 67,660,444

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 year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

	Business-Type Activities Enterprise Fund	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 11,145,995	\$ 12,284,262
Cash received from sale of mitigation credits	129,021	-
Cash paid to employees	(2,574,583)	(2,802,222)
Cash paid to suppliers	(8,303,507)	(9,387,553)
NET CASH PROVIDED BY OPERATING ACTIVITIES	396,926	94,487
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Member contributions	1,771,587	1,831,365
Other governments	2,965,998	1,597,564
Grant program expenses	(178)	(34,755)
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	4,737,407	3,394,174
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(510,606)	(2,077,346)
Proceeds from acquisition of long-term debt	-	1,363,039
Principal payments on long-term debt	(3,675,787)	(3,915,981)
Interest paid on long-term debt	(902,711)	(135,163)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(5,089,104)	(4,765,451)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(2,348,761)	(2,673,829)
Proceeds from sale of investments	2,383,170	1,493,099
Interest received	492,844	364,325
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	527,253	(816,405)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	572,482	(2,093,195)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	38,621,081	40,714,276
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 39,193,563	\$ 38,621,081
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
Cash and cash equivalents	\$ 37,947,998	\$ 37,486,042
Cash and cash equivalents - restricted	1,245,565	1,135,039
TOTAL CASH AND CASH EQUIVALENTS	\$ 39,193,563	\$ 38,621,081

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 year ended June 30, 2014
 (With comparative totals for the fiscal year ended June 30, 2013)

	Business-Type Activities Enterprise Fund	
	2014	2013
RECONCILIATION OF OPERATING LOSS TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (3,283,645)	\$ (2,411,812)
Adjustments:		
Amortization	1,400,918	1,400,918
Depreciation	3,137,858	3,134,661
Gain on sale of mitigation credits	13,021	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	74,243	33,994
(Increase) decrease in prepaid expenses and other assets	2,248	(29,180)
(Increase) decrease in mitigation credits	116,000	-
(Increase) decrease in notes receivable	572,290	965,303
(Increase) decrease in loan receivable	1,766,186	916,414
(Increase) decrease in other post-employment benefit (OPEB) asset	(69,760)	(43,041)
Increase (decrease) in accounts payable	(872,403)	(2,054,476)
Increase (decrease) in accrued salaries and wages	4,144	11,133
Increase (decrease) in compensated absences	45,980	24,307
Increase (decrease) in unearned revenue	(2,510,154)	(1,532,310)
Increase (decrease) in pension-related liability	-	(321,424)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 396,926</u>	<u>\$ 94,487</u>

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, 2014
(With comparative totals for June 30, 2013)

	Total Agency Funds	
	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 443,243	\$ 442,137
Accounts receivable	-	2,864,482
Accounts receivable - grants	1,224,551	1,547,469
TOTAL ASSETS	\$ 1,667,794	\$ 4,854,088
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,224,551	\$ 4,411,951
TOTAL CURRENT LIABILITIES	1,224,551	4,411,951
NONCURRENT LIABILITIES:		
Deposits - legal defense	443,243	442,137
TOTAL NONCURRENT LIABILITIES	443,243	442,137
TOTAL LIABILITIES	\$ 1,667,794	\$ 4,854,088

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 year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. 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, net position, 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 year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

a. 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.

b. 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.

c. 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.

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. 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.

d. New Accounting Pronouncements:

Current Year Standards:

GASB 66 - *"Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62"*, required to be implemented in the current fiscal year did not impact the Authority.

GASB 70 - *"Accounting and Financial Reporting for Nonexchange Financial Guarantees"*, required to be implemented in the current fiscal year did not impact the Authority.

Pending Accounting Standards:

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

- 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 71 - *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*, effective for periods beginning after June 15, 2014.

e. 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 future periods 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.

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. Deferred Outflows/Inflows of Resources (Continued):

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 future periods 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.

f. 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.

g. 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.

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

h. 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.

i. 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.

j. 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.

k. 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.

l. 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.

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

m. 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.

n. 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

The Authority capitalizes a portion of general and administration expenses and interest expense relating to certain long-term projects. For the years ended June 30, 2014 and 2013, the Authority capitalized interest totaling \$0 and \$484,313, respectively.

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.

o. 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.

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

o. Compensated Absences (Continued):

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.

p. 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.

q. 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.

r. 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.

s. 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.

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

t. 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 *net investment in capital assets* or *restricted*.

u. Use of Estimates:

The preparation of financial statements in accordance 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.

v. 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.

w. 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 with the exception of the amount reported in Note 16.

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments as of June 30, 2014 and 2013 are classified in the accompanying financial statements as follows:

	<u>2014</u>	<u>2013</u>
Statements of Net Position:		
Cash and cash equivalents	\$ 37,947,998	\$ 37,486,042
Cash and cash equivalents - held for mitigation	1,245,565	1,135,039
Investments	<u>16,394,301</u>	<u>16,428,710</u>
Total cash and cash equivalents	55,587,864	55,049,791
Statements of Fiduciary Assets and		
Liabilities - Agency Funds:		
Cash and cash equivalents	<u>443,243</u>	<u>442,137</u>
Total cash and cash equivalents	<u>\$ 56,031,107</u>	<u>\$ 55,491,928</u>

Cash and investments as of June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Cash on hand	\$ 500	\$ 500
Deposits with financial institution	1,201,907	2,371,442
Investments	<u>54,828,700</u>	<u>53,119,986</u>
Total cash and investments	<u>\$ 56,031,107</u>	<u>\$ 55,491,928</u>

Investments in LAIF and CalTRUST are considered highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. As of June 30, 2014 and 2013, the LAIF and CalTRUST pools had a weighted average maturity of the following:

	<u>2014</u>	<u>2013</u>
California Local Agency Investment Fund (LAIF)	232 days	234 days
Investment Trust of California (CalTRUST)	730 days	792 days

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

2. CASH AND INVESTMENTS (CONTINUED):

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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, 2014 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.

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

2. CASH AND INVESTMENTS (CONTINUED):

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).

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.

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

2. CASH AND INVESTMENTS (CONTINUED):

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 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.

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

2. CASH AND INVESTMENTS (CONTINUED):

Interest Rate Risk (Continued):

Maturities of investments and cash equivalents as of June 30, 2014 were as follows:

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
U.S. Treasury Strips	\$ 2,347,590	\$ 2,324,567	\$ 2,551,750	\$ 7,223,907
U.S. Government Sponsored Agency Securities	1,493,885	-	3,059,326	4,553,211
LAIF	38,419,002	-	-	38,419,002
CalTRUST	2,124,248	-	-	2,124,248
Negotiable Certificates of Deposit	250,248	751,403	1,491,284	2,492,935
Mutual Funds	<u>15,397</u>	<u>-</u>	<u>-</u>	<u>15,397</u>
	<u>\$44,650,370</u>	<u>\$ 3,075,970</u>	<u>\$ 7,102,360</u>	<u>\$54,828,700</u>

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

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
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	<u>20,464</u>	<u>-</u>	<u>-</u>	<u>20,464</u>
	<u>\$41,238,264</u>	<u>\$ 4,124,294</u>	<u>\$ 7,757,428</u>	<u>\$53,119,986</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.

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

2. CASH AND INVESTMENTS (CONTINUED):

Credit Risk (Continued):

Credit ratings of investments and cash equivalents as of June 30, 2014 were as follows:

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End		Not Rated
				AAA	AA+	
U.S. Treasury Strips	\$ 7,223,907	N/A	\$ 7,223,907	\$ -	\$ -	\$ -
U.S. Government Sponsored Agency Securities	4,553,211	N/A	-	-	4,553,211	-
LAIF	38,419,002	N/A	-	-	-	38,419,002
CalTRUST	2,124,248	N/A	-	-	-	2,124,248
Negotiable Certificates of Deposit	2,492,935	N/A	-	-	-	2,492,935
Mutual Funds	<u>15,397</u>	AAA	-	<u>15,397</u>	-	-
	<u>\$54,828,700</u>		<u>\$ 7,223,907</u>	<u>\$ 15,397</u>	<u>\$ 4,553,211</u>	<u>\$43,036,185</u>

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

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End		Not Rated
				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>20,464</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>

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.

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

3. NOTES RECEIVABLE:

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.

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 \$925,832 and \$1,125,491 at June 30, 2014 and 2013, respectively. Remaining repayments total \$1,068,750 and \$1,335,937 with an unamortized discount of \$142,918 and \$210,446 at June 30, 2014 and 2013, 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 \$2,226,585 and \$2,599,216 at June 30, 2014 and 2013, respectively. Remaining repayments total \$2,642,918 and \$3,171,502 with an unamortized discount of \$416,333 and \$572,286 at June 30, 2014 and 2013, respectively.

Notes receivable amounts at June 30, are as follows:

Fiscal Year Ending	Principal	Interest	Total
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	<u>498,659</u>	<u>29,923</u>	<u>528,582</u>
Total	3,152,417	<u>\$ 559,251</u>	<u>\$ 3,711,668</u>
Less: current portion	<u>(606,627)</u>		
Total noncurrent	<u>\$ 2,545,790</u>		

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

4. 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. As of June 30, 2014, the Authority has made deposits totaling \$10 million. 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 funding received by OCFCD, which totaled \$1,766,186 and \$916,414 for fiscal years ended June 30, 2014 and 2013, 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 \$6,761,672 and \$8,527,858 at June 30, 2014 and 2013, respectively. Remaining repayments total \$6,786,687 and \$8,556,000 with an unamortized discount of \$25,015 and \$28,142 at June 30, 2014 and 2013, respectively.

5. 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, 2014 and 2013 were as follows:

<u>Balance</u> <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2014</u>
\$ 2,046,560	\$ -	\$ (116,000)	\$ 1,930,560
<u>Balance</u> <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2013</u>
\$ 2,046,560	\$ -	\$ -	\$ 2,046,560

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For the fiscal year ended June 30, 2014
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6. CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2014 were as follows:

	Balance 2013	Additions	Deletions	Balance 2014
Capital assets, not being depreciated:				
Land	\$ 765,444	\$ -	\$ -	\$ 765,444
Construction in progress	<u>211,769</u>	<u>466,106</u>	<u>-</u>	<u>677,875</u>
Total capital assets, not being depreciated	<u>977,213</u>	<u>466,106</u>	<u>-</u>	<u>1,443,319</u>
Capital assets, being depreciated and amortized:				
Land improvements	140,217	-	-	140,217
Buildings	1,447,263	-	-	1,447,263
Furniture and equipment	297,698	31,153	-	328,851
Brine Line and equipment	127,931,384	13,347	-	127,944,731
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>185,478,904</u>	<u>44,500</u>	<u>-</u>	<u>185,523,404</u>
Less accumulated depreciation and amortization for:				
Land improvements	(72,881)	(3,506)	-	(76,387)
Buildings	(750,692)	(38,003)	-	(788,695)
Furniture and equipment	(219,658)	(21,738)	-	(241,396)
Brine Line and equipment	(52,939,993)	(3,074,611)	-	(56,014,604)
Accumulated amortization	<u>(21,123,840)</u>	<u>(1,400,918)</u>	<u>-</u>	<u>(22,524,758)</u>
Total accumulated depreciation and amortization	<u>(75,107,064)</u>	<u>(4,538,776)</u>	<u>-</u>	<u>(79,645,840)</u>
Total capital assets, being depreciated, net	<u>110,371,840</u>	<u>(4,494,276)</u>	<u>-</u>	<u>105,877,564</u>
Total capital assets, net	<u>\$111,349,053</u>	<u>\$ (4,028,170)</u>	<u>\$ -</u>	<u>\$ 107,320,883</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

6. CAPITAL ASSETS (CONTINUED):

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

	Balance 2012	Additions	Deletions	Balance 2013
Capital assets, not being depreciated:				
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>
Capital assets, being depreciated and amortized:				
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>
Less accumulated depreciation and amortization for:				
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>
Total capital assets, being depreciated, net	<u>94,745,268</u>	<u>15,626,572</u>	<u>-</u>	<u>110,371,840</u>
Total capital assets, net	<u>\$113,807,286</u>	<u>\$ 17,677,224</u>	<u>\$(20,135,457)</u>	<u>\$ 111,349,053</u>

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(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

7. COMPENSATED ABSENCES:

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

The changes to compensated absences at June 30, 2014 and 2013 were as follows:

	<u>Balance</u> <u>2013</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2014</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
Compensated absences	\$ <u>329,432</u>	\$ <u>319,638</u>	\$ <u>(273,658)</u>	\$ <u>375,412</u>	\$ <u>112,624</u>	\$ <u>262,788</u>
	<u>Balance</u> <u>2012</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2013</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
Compensated absences	\$ <u>305,125</u>	\$ <u>278,427</u>	\$ <u>(254,120)</u>	\$ <u>329,432</u>	\$ <u>98,830</u>	\$ <u>230,602</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

8. LONG-TERM DEBT:

Changes in long-term debt for the year ended June 30, 2014 were as follows:

	Balance 2013	Additions	Principal Payments Amortization	Balance 2014
SWRCB Contract Loans:				
Loan #2	\$ 116,215	\$ -	\$ (116,215)	\$ -
Loan #3	775,397	-	(382,534)	392,863
Loan #4	1,324,843	-	(428,627)	896,216
Loan #5	<u>1,493,916</u>	<u>-</u>	<u>(484,413)</u>	<u>1,009,503</u>
Total SWRCB Contract Loans	<u>3,710,371</u>	<u>-</u>	<u>(1,411,789)</u>	<u>2,298,582</u>
SWRCB Brine Line Reach V Loans:				
Loan I	2,669,320	-	(265,993)	2,403,327
Loan II & III	2,154,645	-	(215,571)	1,939,074
Loan IV	1,601,497	-	(180,739)	1,420,758
Loan V	<u>2,296,230</u>	<u>-</u>	<u>(229,736)</u>	<u>2,066,494</u>
Total SWRCB Brine Line Reach V Loans	<u>8,721,692</u>	<u>-</u>	<u>(892,039)</u>	<u>7,829,653</u>
Member Agency Loans:				
OCWD Loan	1,500,654	-	(266,211)	1,234,443
WRCRWA SFR Loans #2, 3 and 4	<u>2,459,062</u>	<u>-</u>	<u>(465,069)</u>	<u>1,993,993</u>
Total Member Agency Loans	<u>3,959,716</u>	<u>-</u>	<u>(731,280)</u>	<u>3,228,436</u>
State Revolving Fund Loan				
Reach IVA & IVB	<u>16,142,316</u>	<u>-</u>	<u>(640,679)</u>	<u>15,501,637</u>
Total long-term debt	32,534,095	\$ -	\$ (3,675,787)	28,858,308
Less: current portion	<u>(3,639,412)</u>			<u>(3,649,872)</u>
Long-term portion	<u>\$ 28,894,683</u>			<u>\$ 25,208,436</u>

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(CONTINUED)

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

8. LONG-TERM DEBT (CONTINUED):

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

	Balance 2012	Additions	Principal Payments Amortization	Balance 2013
SWRCB Contract Loans:				
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>
SWRCB Brine Line Reach V Loans:				
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>
Member Agency Loans:				
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>
State Revolving Fund Loan Reach IVA & IVB	<u>15,850,337</u>	<u>291,979</u>	<u>-</u>	<u>16,142,316</u>
Total long-term debt	36,158,097	<u>\$ 291,979</u>	<u>\$ (3,915,981)</u>	32,534,095
Less: current portion	<u>(3,915,984)</u>			<u>(3,639,412)</u>
Long-term portion	<u>\$ 32,242,113</u>			<u>\$ 28,894,683</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

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8. 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 matured on September 1, 2013.

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
2015	\$ 392,863	\$ 10,607	\$ 403,470
Total	392,863	\$ 10,607	\$ 403,470
Less: current portion	(392,863)		
Total noncurrent	\$ -		

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
2015	\$ 441,486	\$ 26,886	\$ 468,372
2016	454,730	13,642	468,372
Total	896,216	\$ 40,528	\$ 936,744
Less: current portion	(441,486)		
Total noncurrent	\$ 454,730		

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8. LONG-TERM DEBT (CONTINUED):

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 in fiscal year 2015 and \$525,849 in fiscal year 2016, at the rate of 2.80%, commenced on January 10, 1996, and will mature on January 10, 2016.

Fiscal Year Ending	Principal	Interest	Total
2015	\$ 497,977	\$ 28,266	\$ 526,243
2016	511,526	14,323	525,849
Total	1,009,503	\$ 42,589	\$ 1,052,092
Less: current portion	(497,977)		
Total noncurrent	\$ 511,526		

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
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	303,895	34,170	338,065
2020 - 2022	961,675	52,390	1,014,065
Total	2,403,327	\$ 301,063	\$ 2,704,390
Less: current portion	(273,175)		
Total noncurrent	\$ 2,130,152		

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(CONTINUED)

For the fiscal year ended June 30, 2014
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8. LONG-TERM DEBT (CONTINUED):

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
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	245,091	26,501	271,592
2020 - 2022	<u>774,174</u>	<u>40,602</u>	<u>814,776</u>
Total	1,939,074	<u>\$ 233,662</u>	<u>\$ 2,172,736</u>
Less: current portion	<u>(221,176)</u>		
Total noncurrent	<u>\$ 1,717,898</u>		

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
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	208,510	18,672	227,182
2020 - 2021	<u>435,338</u>	<u>19,026</u>	<u>454,364</u>
Total	1,420,758	<u>\$ 169,516</u>	<u>\$ 1,590,274</u>
Less: current portion	<u>(185,980)</u>		
Total noncurrent	<u>\$ 1,234,778</u>		

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8. LONG-TERM DEBT (CONTINUED):

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
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	261,197	28,242	289,439
2020 - 2022	<u>825,046</u>	<u>43,271</u>	<u>868,317</u>
Total	2,066,494	<u>\$ 249,018</u>	<u>\$ 2,315,512</u>
Less: current portion	<u>(235,710)</u>		
Total noncurrent	<u>\$ 1,830,784</u>		

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
2015	\$ 282,183	\$ 74,067	\$ 356,250
2016	299,114	57,136	356,250
2017	317,061	39,189	356,250
2018	<u>336,085</u>	<u>20,165</u>	<u>356,250</u>
Total	1,234,443	<u>\$ 190,557</u>	<u>\$ 1,425,000</u>
Less: current portion	<u>(282,183)</u>		
Total noncurrent	<u>\$ 952,260</u>		

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8. LONG-TERM DEBT (CONTINUED):

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 \$533,924, at the rate of 2.80%, commenced on February 13, 1999, and will mature on June 1, 2018.

Fiscal Year Ending	Principal	Interest	Total
2015	\$ 478,092	\$ 55,832	\$ 533,924
2016	491,479	42,445	533,924
2017	505,240	28,684	533,924
2018	<u>519,182</u>	<u>14,537</u>	<u>533,719</u>
Total	1,993,993	<u>\$ 141,498</u>	<u>\$ 2,135,491</u>
Less: current portion	<u>(478,092)</u>		
Total noncurrent	<u>\$ 1,515,901</u>		

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 \$1,044,273 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.

Fiscal Year Ending	Principal	Interest	Total
2015	\$ 641,230	\$ 403,043	\$ 1,044,273
2016	657,903	386,370	1,044,273
2017	675,008	369,265	1,044,273
2018	692,558	351,715	1,044,273
2019	710,565	333,708	1,044,273
2020 - 2024	3,839,741	1,381,625	5,221,366
2025 - 2029	4,365,547	855,819	5,221,366
2030 - 2033	<u>3,919,085</u>	<u>258,007</u>	<u>4,177,092</u>
Total	15,501,637	<u>\$ 4,339,552</u>	<u>\$ 19,841,189</u>
Less: current portion	<u>(641,230)</u>		
Total noncurrent	<u>\$ 14,860,407</u>		

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9. UNEARNED REVENUE:

The changes to unearned revenue at June 30, 2014 and 2013 were as follows:

<u>Balance 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2014</u>
<u>\$ 82,759,903</u>	<u>\$ -</u>	<u>\$ (2,510,154)</u>	<u>\$ 80,249,749</u>
<u>Balance 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2013</u>
<u>\$ 84,292,213</u>	<u>\$ 977,845</u>	<u>\$ (2,510,155)</u>	<u>\$ 82,759,903</u>

10. NET POSITION:

Calculation of net position as of June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Net investment in capital assets:		
Capital assets - not being depreciated	\$ 1,443,319	\$ 977,213
Depreciable capital assets, net	105,877,564	110,371,840
SWRCB contract loans payable	(2,298,582)	(3,710,371)
SWRCB Brine Line Reach V loans payable	(7,829,653)	(8,721,692)
OCWD loan payable	(1,234,443)	(1,500,654)
SRF Reach IVA & IVB loan payable (as restated)	<u>(15,501,637)</u>	<u>(16,142,316)</u>
Total net investment in capital assets	<u>80,456,568</u>	<u>81,274,020</u>
Restricted net position:		
SRF Reach IVA & IVB reserve requirement	1,050,000	1,050,000
Mitigation	<u>3,117,861</u>	<u>3,182,102</u>
Total restricted	<u>4,167,861</u>	<u>4,232,102</u>
Unrestricted net position (as restated)	<u>(18,028,461)</u>	<u>(17,845,678)</u>
Total net position	<u>\$ 66,595,968</u>	<u>\$ 67,660,444</u>

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SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

11. 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.

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, 2014 and 2013, administrative services provided to LESJWA totaled \$156,886 and \$171,928, respectively, which are included in operating revenue.

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

11. JOINT VENTURES (CONTINUED):

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

The financial statements for LESJWA are available at the Authority.

As of June 30, 2014 and 2013, LESJWA had assets, liabilities and net position as follows:

	<u>2014</u>	<u>2013</u>
Total assets	\$ <u>490,644</u>	\$ <u>419,006</u>
Total liabilities	\$ <u>36,643</u>	\$ <u>26,605</u>
Net position	\$ <u>454,001</u>	\$ <u>392,401</u>

12. 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).

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

12. DEFINED BENEFIT PENSION PLANS (CONTINUED):

Funding Policy (Continued):

The CalPERS 2% at 62 Risk Pool Retirement Plan was created by PEPRAs 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% at 62 Risk Pool Retirement Plan are required to contribute 6.25% of their annual covered salary. PEPRAs do 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 2014, 2013 and 2012, 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.

For fiscal years 2014, 2013 and 2012, 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:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>APC Percentage of Payroll</u>
2014	\$ 258,884	100%	11.709%
2013	268,937	100%	10.690%
2012	297,632	100%	12.917%

For fiscal years 2014, 2013 and 2012, the Authority's annual contributions for the 2% at 62 CalPERS plan were equal to the Authority's required and actual contributions for each fiscal year as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>APC Percentage of Payroll</u>
2014	\$ 13,535	100%	6.250%
2013	N/A	N/A	N/A
2012	N/A	N/A	N/A

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) ASSET:

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>2014</u>	<u>2013</u>	<u>2012</u>
Active plan members	10	11	11
Retirees and beneficiaries receiving benefits	4	4	4
Separated plan members entitled to but not yet receiving benefits	<u>-</u>	<u>-</u>	<u>-</u>
Total plan membership	<u><u>14</u></u>	<u><u>15</u></u>	<u><u>15</u></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 2014 calendar cap is \$1,465 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, 2014, the Authority made a medical contribution of \$113,653 which paid \$49,760 in health care costs for its retirees and their covered dependents and a contribution of \$63,893 to the OPEB trust.

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) ASSET (CONTINUED):

Annual OPEB Cost and Net OPEB Asset:

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 asset to the SPHP for the fiscal year ended June 30, 2014 and the two preceding years:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB cost (expense):			
Annual required contribution (ARC)	\$ 63,893	\$ 95,496	\$ 91,837
Interest on net OPEB asset	(20,000)	(17,000)	(12,000)
Adjustment to annual required contribution	<u>-</u>	<u>19,411</u>	<u>-</u>
Total annual OPEB cost (expense)	43,893	97,907	79,837
Change in net OPEB asset:			
Actual contributions made	<u>(113,653)</u>	<u>(140,948)</u>	<u>(153,596)</u>
Total change in net OPEB asset	(69,760)	(43,041)	(73,759)
OPEB asset, beginning of year	<u>(282,470)</u>	<u>(239,429)</u>	<u>(165,670)</u>
OPEB asset, end of year	<u>\$ (352,230)</u>	<u>\$ (282,470)</u>	<u>\$ (239,429)</u>

Three-Year Trend Information of Net OPEB Asset:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2014	\$ 43,893	100%	\$ (352,230)
2013	97,907	100%	(282,470)
2012	79,837	100%	(239,429)

See the Schedule of Funding Progress of the Authority's Other Post Employment Benefits Asset 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 year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) ASSET (CONTINUED):

Funded Status and Funding Progress:

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,296,696, and the actuarial value of assets was \$727,793, resulting in an unfunded actuarial accrued liability (UAAL) of \$568,903 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 56.13%. The covered payroll (annual payroll of active employees covered by the plan) was \$1,194,801 and the ratio of the UAAL to covered payroll was 47.61%.

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, 2013 actuarial investment valuation:

Valuation Date	July 1, 2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Amortization Period	Closed 30 year amortization
Remaining Amortization Period	24 years as of the valuation date

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) ASSET (CONTINUED):

Actuarial Methods and Assumptions (Continued):

Actuarial Assumptions:

Investment Rate of Return	7.06%
Projected Salary Increases	3.25%
Healthcare Trend Rate	Starting at 6.7% and decreasing to an ultimate rate of 5.0% in 7 years
Inflation Rate	3.0%

14. 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 net position annually for self insurance. The total designated balances at June 30, 2014 and 2013 were \$3,524,413 and \$3,412,845, respectively. Coverage includes occurrences and incidents resulting in liability to the Authority, its Commissioners, officers, employees and agents. There are no outstanding claims pending.

15. 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.

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

15. COMMITMENTS AND CONTINGENCIES (CONTINUED):

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.

16. RESTATEMENT OF NET POSITION:

Net position as of July 1, 2013 and 2012 have been restated as follows:

Net position as previously reported as of June 30, 2013	\$ 67,377,974
Increase in net position to record other post-employment benefit (OPEB) asset	<u>282,470</u>
Net position as restated July 1, 2013	<u>\$ 67,660,444</u>
Net position as previously reported as of June 30, 2012	\$ 66,819,735
Increase in net position to record other post-employment benefit (OPEB) asset	<u>239,429</u>
Net position as restated July 1, 2012	<u>\$ 67,059,164</u>

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

17. SUBSEQUENT EVENTS:

Events occurring after June 30, 2014 have been evaluated for possible adjustments to the financial statements or disclosure as of October 10, 2014, which is the date these financial statements were available to be issued.

See independent auditors' report.

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REQUIRED SUPPLEMENTARY INFORMATION

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SANTA ANA WATERSHED PROJECT AUTHORITY

SCHEDULE OF FUNDING PROGRESS

For the fiscal year ended June 30, 2014

OTHER POST-EMPLOYMENT BENEFITS ASSET

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio AVA (b)/(a)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/c]
07/01/2013	\$ 1,296,696	\$ 727,793	\$ 568,903	56.13%	\$ 1,194,801	47.61%
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%

See independent auditors' report.

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SUPPLEMENTARY INFORMATION

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF NET POSITION
ENTERPRISE FUNDS

June 30, 2014
(With comparative totals for June 30, 2013)

	Capital Projects Activities	Internal Administration	Enterprise Activities
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 607,986	\$ 2,068,275	\$ 35,271,737
Cash and cash equivalents - restricted	1,245,565	-	-
Investments	-	-	16,394,301
Interest receivable	1,349	1,578	277,781
Accounts receivable	-	23,900	1,578,725
Accounts receivable - grants	100,000	62,569	50,000
Accounts receivable - other	14,059	194	-
Notes receivable - current portion	-	-	606,627
Prepaid expenses and other assets	-	119,232	167,533
Mitigation credits	1,930,560	-	-
Due from other funds	-	236,908	-
TOTAL CURRENT ASSETS	3,899,519	2,512,656	54,346,704
NONCURRENT ASSETS:			
Notes receivable	-	-	2,545,790
Loan receivable	-	-	6,761,672
Other post-employment benefit (OPEB) asset	-	352,230	-
Capital assets:			
Not being depreciated	677,875	445,436	320,008
Being depreciated, net of accumulated depreciation	-	801,617	105,075,947
TOTAL NONCURRENT ASSETS	677,875	1,599,283	114,703,417
TOTAL ASSETS	4,577,394	4,111,939	169,050,121
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	152,766	33,023	750,184
Accrued salaries and wages	-	77,902	-
Accrued interest payable	156	-	409,078
Due to other funds	236,908	-	-
Long-term liabilities - due within one year:			
Compensated absences	-	112,624	-
Loans payable	-	-	3,649,872
TOTAL CURRENT LIABILITIES	389,830	223,549	4,809,134
NONCURRENT LIABILITIES:			
Unearned revenue	-	-	80,249,749
Long-term liabilities - due in more than one year:			
Compensated absences	-	262,788	-
Loans payable	-	-	25,208,436
TOTAL NONCURRENT LIABILITIES	-	262,788	105,458,185
TOTAL LIABILITIES	389,830	486,337	110,267,319
NET POSITION (AS RESTATED):			
Net investment in capital assets	677,875	1,247,053	78,531,640
Restricted for:			
SRF Reach IVA & IVB reserve requirement	-	-	1,050,000
Mitigation	3,117,861	-	-
Unrestricted	391,828	2,378,549	(20,798,838)
TOTAL NET POSITION	\$ 4,187,564	\$ 3,625,602	\$ 58,782,802

See independent auditors' report.

Totals	
2014	2013
\$ 37,947,998	\$ 37,486,042
1,245,565	1,135,039
16,394,301	16,428,710
280,708	315,685
1,602,625	1,676,868
212,569	1,337,292
14,253	1,012,245
606,627	639,819
286,765	289,013
1,930,560	2,046,560
236,908	272,733
<u>60,758,879</u>	<u>62,640,006</u>
2,545,790	3,084,888
6,761,672	8,527,858
352,230	282,470
1,443,319	977,213
<u>105,877,564</u>	<u>110,371,840</u>
<u>116,980,575</u>	<u>123,244,269</u>
<u>177,739,454</u>	<u>185,884,275</u>
935,973	1,808,376
77,902	73,758
409,234	445,534
236,908	272,733
112,624	98,830
<u>3,649,872</u>	<u>3,639,412</u>
<u>5,422,513</u>	<u>6,338,643</u>
80,249,749	82,759,903
262,788	230,602
<u>25,208,436</u>	<u>28,894,683</u>
<u>105,720,973</u>	<u>111,885,188</u>
<u>111,143,486</u>	<u>118,223,831</u>
80,456,568	81,274,020
1,050,000	1,050,000
3,117,861	3,182,102
<u>(18,028,461)</u>	<u>(17,845,678)</u>
<u>\$ 66,595,968</u>	<u>\$ 67,660,444</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, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

	Capital Projects Activities	Internal Administration	Enterprise Activities
OPERATING REVENUES:			
Wastewater treatment and disposal	\$ -	\$ -	\$ 8,575,085
Wastewater treatment and disposal - capacity rights	-	-	2,510,154
Other	157,236	955	-
TOTAL OPERATING REVENUES	157,236	955	11,085,239
OPERATING EXPENSES:			
Wastewater treatment and disposal	-	-	6,864,435
General and administrative and overhead	-	487,308	-
Studies and planning costs	2,636,556	-	-
TOTAL OPERATING EXPENSES	2,636,556	487,308	6,864,435
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	(2,479,320)	(486,353)	4,220,804
DEPRECIATION	-	(62,842)	(3,075,016)
AMORTIZATION	-	-	(1,400,918)
OPERATING LOSS	(2,479,320)	(549,195)	(255,130)
NONOPERATING REVENUES (EXPENSES):			
Member contributions	847,752	923,835	-
Intergovernmental	705,143	118,776	19,364
Investment earnings	8,654	8,751	440,462
Gain on sale of mitigation credits	13,021	-	-
Interest expense	-	-	(866,411)
Grant program expenses	-	-	-
Other	-	-	(178)
TOTAL NONOPERATING REVENUES (EXPENSES)	1,574,570	1,051,362	(406,763)
INCOME (LOSS) BEFORE TRANSFERS	(904,750)	502,167	(661,893)
TRANSFERS	892,155	-	(892,155)
CHANGES IN NET POSITION	(12,595)	502,167	(1,554,048)
NET POSITION - BEGINNING OF YEAR (AS RESTATED)	4,200,159	3,123,435	60,336,850
NET POSITION - END OF YEAR	\$ 4,187,564	\$ 3,625,602	\$ 58,782,802

See independent auditors' report.

Totals	
2014	2013
\$ 8,575,085	\$ 9,170,287
2,510,154	2,510,154
158,191	220,420
11,243,430	11,900,861
6,864,435	6,686,530
487,308	588,883
2,636,556	2,501,681
9,988,299	9,777,094
1,255,131	2,123,767
(3,137,858)	(3,134,661)
(1,400,918)	(1,400,918)
(3,283,645)	(2,411,812)
1,771,587	1,829,845
843,283	1,432,832
457,867	343,591
13,021	-
(866,411)	(558,421)
-	(23,470)
(178)	(11,285)
2,219,169	3,013,092
(1,064,476)	601,280
-	-
(1,064,476)	601,280
67,660,444	67,059,164
\$ 66,595,968	\$ 67,660,444

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF NET POSITION
CAPITAL PROJECTS ACTIVITIES

June 30, 2014
(With comparative totals for June 30, 2013)

	Brine Line Protection Project	Basin Planning	Imported Water Recharge Workgroup
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$ -	\$ 59,508	\$ 35,606
Cash and cash equivalents - restricted	-	-	-
Interest receivable	-	86	24
Accounts receivable	-	-	-
Accounts receivable - grants	-	-	-
Accounts receivable - other	-	-	-
Mitigation credits	-	-	-
TOTAL CURRENT ASSETS	-	59,594	35,630
NONCURRENT ASSETS:			
Capital assets:			
Not being depreciated	-	-	-
TOTAL NONCURRENT ASSETS	-	-	-
TOTAL ASSETS	-	59,594	35,630
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	24,906	311	-
Accrued interest payable	-	-	-
Due to other funds	-	-	-
TOTAL CURRENT LIABILITIES	24,906	311	-
TOTAL LIABILITIES	24,906	311	-
NET POSITION:			
Net investment in capital assets	-	-	-
Restricted for mitigation	-	-	-
Unrestricted	(24,906)	59,283	35,630
TOTAL NET POSITION	\$ (24,906)	\$ 59,283	\$ 35,630

See independent auditors' report.

Watershed Management Plan	Basin Monitoring Program Task Force	Santa Ana River Fish Conservation	Chino TMDL Task Force	Storm WQ Standards Task Force	Arundo Management & Habitat Restoration
\$ -	\$ 108,815	\$ 35,759	\$ 155,579	\$ 55,676	\$ -
-	-	-	-	-	1,245,565
-	123	31	131	38	807
-	-	-	-	-	-
100,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,930,560
<u>100,000</u>	<u>108,938</u>	<u>35,790</u>	<u>155,710</u>	<u>55,714</u>	<u>3,176,932</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>100,000</u>	<u>108,938</u>	<u>35,790</u>	<u>155,710</u>	<u>55,714</u>	<u>3,176,932</u>
1,153	7,615	-	20,942	-	59,071
148	-	-	-	-	-
224,275	-	-	-	-	-
<u>225,576</u>	<u>7,615</u>	<u>-</u>	<u>20,942</u>	<u>-</u>	<u>59,071</u>
<u>225,576</u>	<u>7,615</u>	<u>-</u>	<u>20,942</u>	<u>-</u>	<u>59,071</u>
-	-	-	-	-	-
-	-	-	-	-	3,117,861
<u>(125,576)</u>	<u>101,323</u>	<u>35,790</u>	<u>134,768</u>	<u>55,714</u>	<u>-</u>
<u>\$ (125,576)</u>	<u>\$ 101,323</u>	<u>\$ 35,790</u>	<u>\$ 134,768</u>	<u>\$ 55,714</u>	<u>\$ 3,117,861</u>

(Continued)

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF NET POSITION
CAPITAL PROJECTS ACTIVITIES (CONTINUED)

June 30, 2014
(With comparative totals for June 30, 2013)

	Emerging Constituents Task Force	UCI Research Grant	Lake Elsinore Management
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 157,043	\$ -	\$ -
Cash and cash equivalents - restricted	-	-	-
Interest receivable	109	-	-
Accounts receivable	-	-	-
Accounts receivable - grants	-	-	-
Accounts receivable - other	-	-	14,059
Mitigation credits	-	-	-
TOTAL CURRENT ASSETS	<u>157,152</u>	<u>-</u>	<u>14,059</u>
NONCURRENT ASSETS:			
Capital assets:			
Not being depreciated	-	-	-
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>157,152</u>	<u>-</u>	<u>14,059</u>
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	2,050	-	56
Accrued interest payable	-	-	8
Due to other funds	-	-	12,633
TOTAL CURRENT LIABILITIES	<u>2,050</u>	<u>-</u>	<u>12,697</u>
TOTAL LIABILITIES	<u>2,050</u>	<u>-</u>	<u>12,697</u>
NET POSITION:			
Net investment in capital assets	-	-	-
Restricted for mitigation	-	-	-
Unrestricted	<u>155,102</u>	<u>-</u>	<u>1,362</u>
TOTAL NET POSITION	<u>\$ 155,102</u>	<u>\$ -</u>	<u>\$ 1,362</u>

See independent auditors' report.

Reach V Capital Projects	Totals	
	2014	2013
\$ -	\$ 607,986	\$ 840,606
-	1,245,565	1,135,039
-	1,349	919
-	-	13,285
-	100,000	226,257
-	14,059	31,523
-	1,930,560	2,046,560
-	3,899,519	4,294,189
677,875	677,875	211,769
677,875	677,875	211,769
677,875	4,577,394	4,505,958
36,662	152,766	32,922
-	156	144
-	236,908	272,733
36,662	389,830	305,799
36,662	389,830	305,799
677,875	677,875	211,769
-	3,117,861	3,182,102
(36,662)	391,828	806,288
\$ 641,213	\$ 4,187,564	\$ 4,200,159

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, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

	Brine Line Protection Project	Basin Planning	Imported Water Recharge Workgroup
OPERATING REVENUES:			
Other	\$ -	\$ -	\$ -
TOTAL OPERATING REVENUES	-	-	-
OPERATING EXPENSES:			
Studies and planning costs	487,113	374,155	5,737
TOTAL OPERATING EXPENSES	487,113	374,155	5,737
OPERATING LOSS	(487,113)	(374,155)	(5,737)
NONOPERATING REVENUES (EXPENSES):			
Member contributions	-	353,000	-
Intergovernmental	-	-	-
Investment earnings	-	804	140
Gain on sale of mitigation credits	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	353,804	140
INCOME (LOSS) BEFORE TRANSFERS	(487,113)	(20,351)	(5,597)
TRANSFERS	462,238	-	-
CHANGES IN NET POSITION	(24,875)	(20,351)	(5,597)
NET POSITION - BEGINNING OF YEAR	(31)	79,634	41,227
NET POSITION - END OF YEAR	\$ (24,906)	\$ 59,283	\$ 35,630

See independent auditors' report.

Watershed Management Plan	Basin Monitoring Program Task Force	Santa Ana River Fish Conservation	Chino TMDL Task Force	Storm WQ Standards Task Force	Arundo Management & Habitat Restoration
\$ -	\$ -	\$ -	\$ 350	\$ -	\$ -
-	-	-	350	-	-
567,550	433,367	65,618	259,330	126,483	81,717
567,550	433,367	65,618	259,330	126,483	81,717
(567,550)	(433,367)	(65,618)	(258,980)	(126,483)	(81,717)
305,000	45,456	25,000	-	50,000	-
164,467	185,567	8,000	300,629	-	-
-	1,176	247	800	402	4,455
-	-	-	-	-	13,021
469,467	232,199	33,247	301,429	50,402	17,476
(98,083)	(201,168)	(32,371)	42,449	(76,081)	(64,241)
-	-	-	-	-	-
(98,083)	(201,168)	(32,371)	42,449	(76,081)	(64,241)
(27,493)	302,491	68,161	92,319	131,795	3,182,102
\$ (125,576)	\$ 101,323	\$ 35,790	\$ 134,768	\$ 55,714	\$ 3,117,861

(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, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

	Emerging Constituents Task Force	UCI Research Grant	Lake Elsinore Management
OPERATING REVENUES:			
Other	\$ -	\$ -	\$ 156,886
TOTAL OPERATING REVENUES	-	-	156,886
OPERATING EXPENSES:			
Studies and planning costs	68,610	-	166,876
TOTAL OPERATING EXPENSES	68,610	-	166,876
OPERATING LOSS	(68,610)	-	(9,990)
NONOPERATING REVENUES (EXPENSES):			
Member contributions	59,296	-	10,000
Intergovernmental	46,480	-	-
Investment earnings	630	-	-
Gain on disposal of capital assets	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	106,406	-	10,000
INCOME (LOSS) BEFORE TRANSFERS	37,796	-	10
TRANSFERS	-	473	-
CHANGES IN NET POSITION	37,796	473	10
NET POSITION - BEGINNING OF YEAR	117,306	(473)	1,352
NET POSITION - END OF YEAR	\$ 155,102	\$ -	\$ 1,362

See independent auditors' report.

Reach V Capital Projects	Totals	
	2014	2013
\$ -	\$ 157,236	\$ 220,119
-	157,236	220,119
-	2,636,556	2,501,681
-	2,636,556	2,501,681
-	(2,479,320)	(2,281,562)
-	847,752	881,675
-	705,143	1,274,255
-	8,654	7,607
-	13,021	-
-	1,574,570	2,163,537
-	(904,750)	(118,025)
429,444	892,155	(3,229,066)
429,444	(12,595)	(3,347,091)
211,769	4,200,159	7,547,250
<u>\$ 641,213</u>	<u>\$ 4,187,564</u>	<u>\$ 4,200,159</u>

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF NET POSITION
ENTERPRISE ACTIVITIES

June 30, 2014
(With comparative totals for June 30, 2013)

	State Water Resources Prop 13	Brine Line Enterprise	Totals	
			2014	2013
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 44,760	\$ 35,226,977	\$ 35,271,737	\$ 35,085,280
Investments	-	16,394,301	16,394,301	16,428,710
Interest receivable	-	277,781	277,781	313,909
Accounts receivable	-	1,578,725	1,578,725	1,663,583
Accounts receivable - grants	-	50,000	50,000	1,047,538
Accounts receivable - other	-	-	-	980,549
Notes receivable - current portion	-	606,627	606,627	639,819
Prepaid expenses and other assets	-	167,533	167,533	202,838
TOTAL CURRENT ASSETS	44,760	54,301,944	54,346,704	56,362,226
NONCURRENT ASSETS:				
Notes receivable	-	2,545,790	2,545,790	3,084,888
Loan receivable	-	6,761,672	6,761,672	8,527,858
Capital assets:				
Not being depreciated	-	320,008	320,008	320,008
Being depreciated, net of accumulated depreciation	-	105,075,947	105,075,947	109,537,948
TOTAL NONCURRENT ASSETS	-	114,703,417	114,703,417	121,470,702
TOTAL ASSETS	44,760	169,005,361	169,050,121	177,832,928
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable	44,760	705,424	750,184	1,756,690
Accrued interest payable	-	409,078	409,078	445,390
Long-term liabilities - due within one year:				
Loans payable	-	3,649,872	3,649,872	3,639,412
TOTAL CURRENT LIABILITIES	44,760	4,764,374	4,809,134	5,841,492
NONCURRENT LIABILITIES:				
Unearned revenue	-	80,249,749	80,249,749	82,759,903
Long-term liabilities - due in more than one year:				
Loans payable	-	25,208,436	25,208,436	28,894,683
TOTAL NONCURRENT LIABILITIES	-	105,458,185	105,458,185	111,654,586
TOTAL LIABILITIES	44,760	110,222,559	110,267,319	117,496,078
NET POSITION:				
Net investment in capital assets	-	78,531,640	78,531,640	79,782,923
Restricted for				
SRF Reach IVA & IVB reserve requirement	-	1,050,000	1,050,000	1,050,000
Unrestricted	-	(20,798,838)	(20,798,838)	(20,496,073)
TOTAL NET POSITION	\$ -	\$ 58,782,802	\$ 58,782,802	\$ 60,336,850

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, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

	State Water Resources Prop 13	Brine Line Enterprise	Totals	
			2014	2013
OPERATING REVENUES:				
Wastewater treatment and disposal	\$ -	\$ 8,575,085	\$ 8,575,085	\$ 9,170,287
Wastewater treatment and disposal - capacity rights	-	2,510,154	2,510,154	2,510,154
TOTAL OPERATING REVENUES	-	11,085,239	11,085,239	11,680,441
OPERATING EXPENSES:				
Wastewater treatment and disposal	-	6,864,435	6,864,435	6,686,530
TOTAL OPERATING EXPENSES	-	6,864,435	6,864,435	6,686,530
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	-	4,220,804	4,220,804	4,993,911
DEPRECIATION	-	(3,075,016)	(3,075,016)	(3,072,436)
AMORTIZATION	-	(1,400,918)	(1,400,918)	(1,400,918)
OPERATING INCOME (LOSS)	-	(255,130)	(255,130)	520,557
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	-	19,364	19,364	86,619
Investment earnings	-	440,462	440,462	328,761
Interest expense	-	(866,411)	(866,411)	(558,421)
Grant program expenses	-	-	-	(23,470)
Other	(178)	-	(178)	(11,285)
TOTAL NONOPERATING REVENUES (EXPENSES)	(178)	(406,585)	(406,763)	(177,796)
INCOME (LOSS) BEFORE TRANSFERS	(178)	(661,715)	(661,893)	342,761
TRANSFERS	21,668	(913,823)	(892,155)	3,229,066
CHANGES IN NET POSITION	21,490	(1,575,538)	(1,554,048)	3,571,827
NET POSITION - BEGINNING OF YEAR	(21,490)	60,358,340	60,336,850	56,765,023
NET POSITION - END OF YEAR	\$ -	\$ 58,782,802	\$ 58,782,802	\$ 60,336,850

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2014
(With comparative totals for June 30, 2013)

	Legal Defense Fund	Integrated Regional Management Program Prop 50	Integrated Regional Management Program Prop 84 Capital Projects	Totals	
				2014	2013
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 443,243	\$ -	\$ -	\$ 443,243	\$ 442,137
Accounts receivable	-	-	-	-	2,864,482
Accounts receivable - grants	-	-	1,224,551	1,224,551	1,547,469
TOTAL ASSETS	\$ 443,243	\$ -	\$ 1,224,551	\$ 1,667,794	\$ 4,854,088
LIABILITIES					
CURRENT LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ 1,224,551	\$ 1,224,551	\$ 4,411,951
TOTAL CURRENT LIABILITIES	-	-	1,224,551	1,224,551	4,411,951
NONCURRENT LIABILITIES:					
Deposits - legal defense	443,243	-	-	443,243	442,137
TOTAL NONCURRENT LIABILITIES	443,243	-	-	443,243	442,137
TOTAL LIABILITIES	\$ 443,243	\$ -	\$ 1,224,551	\$ 1,667,794	\$ 4,854,088

See independent auditors' report.

SANTA ANA WATERSHED PROJECT AUTHORITY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

For the fiscal year ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
LEGAL DEFENSE FUND				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 442,137	\$ 1,106	\$ -	\$ 443,243
NONCURRENT LIABILITIES:				
Deposits - legal defense	\$ 442,137	\$ 1,106	\$ -	\$ 443,243
INTEGRATED REGIONAL WATER MANAGEMENT PROGRAM - PROP 50				
CURRENT ASSETS:				
Accounts receivable	\$ 2,864,482	\$ 4,673,895	\$ 7,538,377	\$ -
CURRENT LIABILITIES:				
Accounts payable	\$ 2,864,482	\$ 4,832,281	\$ 7,696,763	\$ -
INTEGRATED REGIONAL WATER MANAGEMENT PROGRAM - PROP 84 CAPITAL PROJECTS				
CURRENT ASSETS:				
Accounts receivable - grants	\$ 1,547,469	\$ 2,359,002	\$ 2,681,920	\$ 1,224,551
CURRENT LIABILITIES:				
Accounts payable	\$ 1,547,469	\$ 2,359,002	\$ 2,681,920	\$ 1,224,551
TOTAL AGENCY FUNDS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 442,137	\$ 1,106	\$ -	\$ 443,243
Accounts receivable	2,864,482	4,673,895	7,538,377	-
Accounts receivable - grants	1,547,469	2,359,002	2,681,920	1,224,551
TOTAL ASSETS	\$ 4,854,088	\$ 7,034,003	\$ 10,220,297	\$ 1,667,794
CURRENT LIABILITIES:				
Accounts payable	\$ 4,411,951	\$ 7,191,283	\$ 10,378,683	\$ 1,224,551
NONCURRENT LIABILITIES:				
Deposits - legal defense	442,137	1,106	-	443,243
TOTAL LIABILITIES	\$ 4,854,088	\$ 7,192,389	\$ 10,378,683	\$ 1,667,794

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**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net Investment in Capital Assets	\$80,456,568	\$81,274,020	\$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	4,167,861	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	(18,028,461)	(17,845,678)	(17,765,116)	(19,325,941)	(19,535,270)	(22,350,886)	(26,108,445)	(25,572,344)	(18,700,023)	(19,709,222)
Total Net Position	\$66,595,968	\$67,660,444	\$67,059,164	\$65,618,866	\$65,760,847	\$63,115,797	\$59,389,801	\$55,137,233	\$53,233,393	\$71,936,399

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
2014	\$11,243,430	\$14,527,075	(\$3,283,645)	\$2,219,169	(\$1,064,476)	0	0	(\$1,064,476)
2013	11,900,861	14,312,673	(2,411,812)	3,013,092	601,280	0	0	601,280
2012	12,739,489	14,859,529	(2,120,040)	3,394,668	1,274,628	0	0	1,274,628
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)

(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	Operating Revenues						Non-Operating Revenues						Combined Revenue
	WWT & Disposal	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	
2014	\$8,575,085	\$2,510,154	\$0	\$0	\$158,191	\$11,243,430	\$1,771,587	\$843,283	\$457,867	\$13,021	\$0	\$3,085,758	\$14,329,188
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

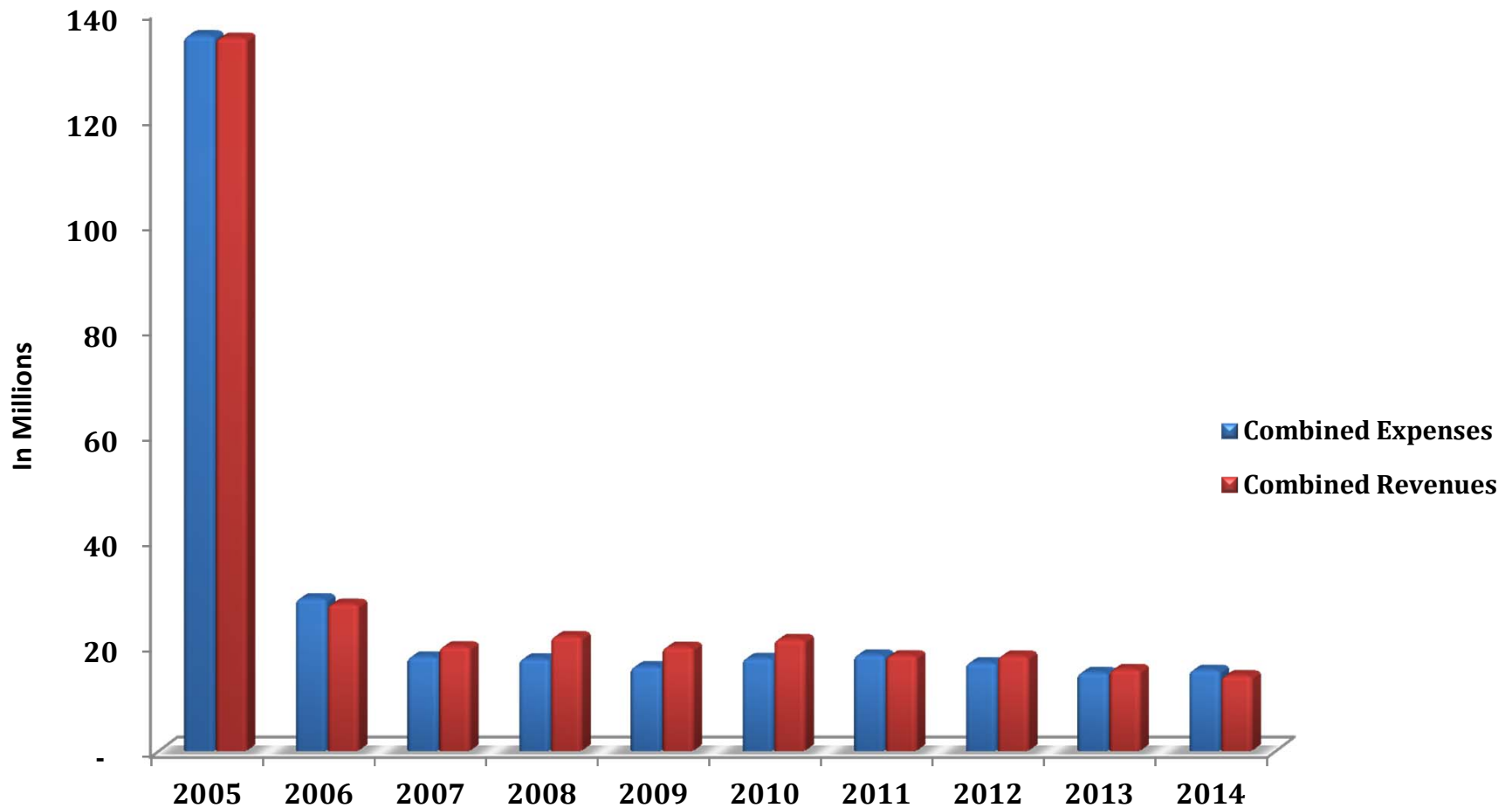
Source: Santa Ana Watershed Project Authority

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

Fiscal Year	Operating Expenses						Total Operating Expenses	Total Non-Operating Expenses	Combined Expenses
	WWT & Disposal	Desalters	General & Admin	Studies & Planning Costs	Depreciation	Amortization of WWT Rights			
2014	\$6,864,435	\$0	\$487,308	\$2,636,556	\$3,137,858	\$1,400,918	\$14,527,075	\$866,589	\$15,393,664
2013	6,686,530	0	588,883	2,501,681	3,134,661	1,400,918	14,312,673	593,176	14,905,849
2012	7,356,155	0	1,125,143	2,244,658	2,732,655	1,400,918	14,859,529	1,927,689	16,787,218
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

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**

Discharge Type	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Industrial	167.2638	171.2630	249.2381	245.6435	203.3820	203.4214	331.7357	629.5509	732.8943	785.4778
Domestic	817.2502	854.2526	1,027.1307	1,015.4773	908.3414	852.0116	837.9343	1,475.4890	1,275.2165	1,041.5085
Dairy	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	7.5359	27.2099
Power Plant	220.6970	267.9388	348.7255	334.4011	268.2640	222.9578	104.4273	93.3591	91.5996	1.4808
Water Supply/Desalter	2,698.2170	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
Temp/Emergency	10.6266	7.9366	5.0106	20.1418	18.1715	7.3531	0.0000	1.5201	5.2351	0.8393
Truck Discharge	23.3557	30.6147	42.3407	43.2777	53.3668	62.5716	64.0861	39.8682	40.6802	39.9424
Total	3,937.4103	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

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)
2014	\$736.00	\$266.00	\$395.00	\$150.00	\$4,870.00	\$9,875.00	(a)	\$0.015	\$0.031	(b)	\$0.010
2013	794.00	253.00	376.00	150.00	4,083.00	8,749.00	(a)	0.015	0.030	(c)	0.010
2012	830.00	225.00	335.00	150.00	3,430.00	7,868.00	(a)	0.014	0.029	(d)	0.010
2011	891.00	312.00	462.00	150.00	2,710.00	6,775.00	(a)	0.015	0.032	(e)	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

* 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 2014 – Tier 3 dischargers will be charged based on actual concentrations of the waste discharged using the following components: \$0.0026/gallon, \$0.658/pound of BOD, and \$0.636/pound of TSS.
- (c) 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.
- (d) 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.
- (e) 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 2013-14

Customer Name	Discharge in MG*	Percentage of Total Discharge
Chino Desalter I	700.0474	17.78%
Temescal Desalter	593.7199	15.08%
Chino Desalter II	454.7759	11.55%
Arlington Desalter	411.6732	10.46%
Perris Desalter	309.5459	7.86%
JCSD – Etiwanda **	286.3833	7.27%
Menifee Desalter	201.9270	5.13%
Mountainview Power Plant	155.0744	3.94%
Chino Institute for Women	154.0242	3.91%
California Rehabilitation Center	150.3972	3.82%
Total Principal Customers	3,417.5684	86.80%
Other Customers	519.8419	13.20%
Total Discharge	3,937.4103	100.00%

Fiscal Year 2004-05

Customer Name	Discharge in MG*	Percentage of Total Discharge
Chino Desalter I	621.2239	18.05%
Golden Cheese	462.9977	13.45%
Temescal Desalter	457.8348	13.30%
Arlington Desalter	391.0716	11.36%
California Rehabilitation Center	340.2664	9.89%
Inland Empire Utilities Agency	217.4025	6.32%
JCSD – Etiwanda **	148.6231	4.32%
JCSD – Chandler **	124.6787	3.62%
Chino Institute for Women	109.6522	3.19%
JCSD – Eastvale **	93.9035	2.73%
Total Principal Customers	2,967.6544	86.24%
Other Customers	473.4835	13.76%
Total Discharge	3,441.1379	100.00%

* MG – million gallons

** Jurupa Community Services District (JCSD) connections.

Source: Santa Ana Watershed Project Authority

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

Fiscal Year	Debt Service Requirements				Debt to Expense Ratio
	Combined Expenses	SRF Loans *	Member Loans **	Total Debt	
2014	\$15,393,644	\$4,222,260	\$356,250	\$4,578,510	29.7%
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%

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. The SRF loan for Reach IV-A and IV-B principal and interest portion of the debt service is included in discharge rates and is paid out of operating income.

For additional information please see Note 8 Long-term Debt on page 43. Further guidance can be provided in GASB Statement No. 44.

Notes:

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

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

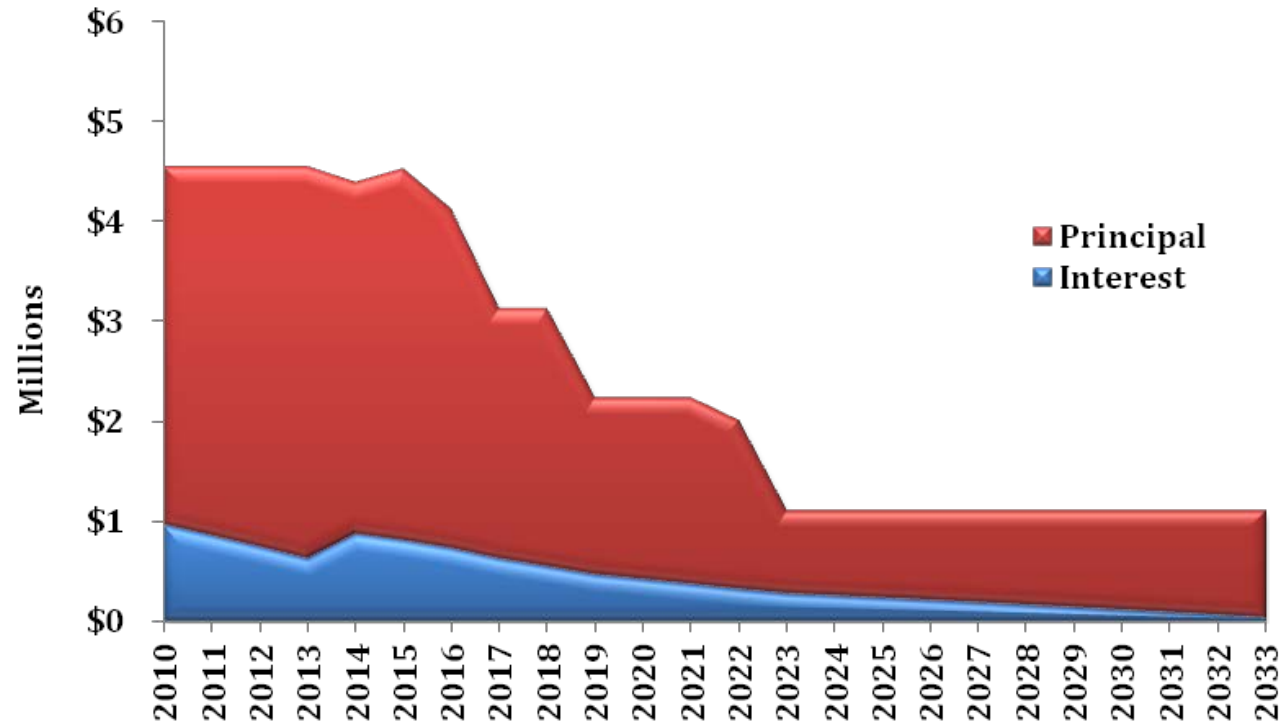
Source: Santa Ana Watershed Project Authority

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

Fiscal Year	Interest	Principal	Total Payment	Remaining Principal
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

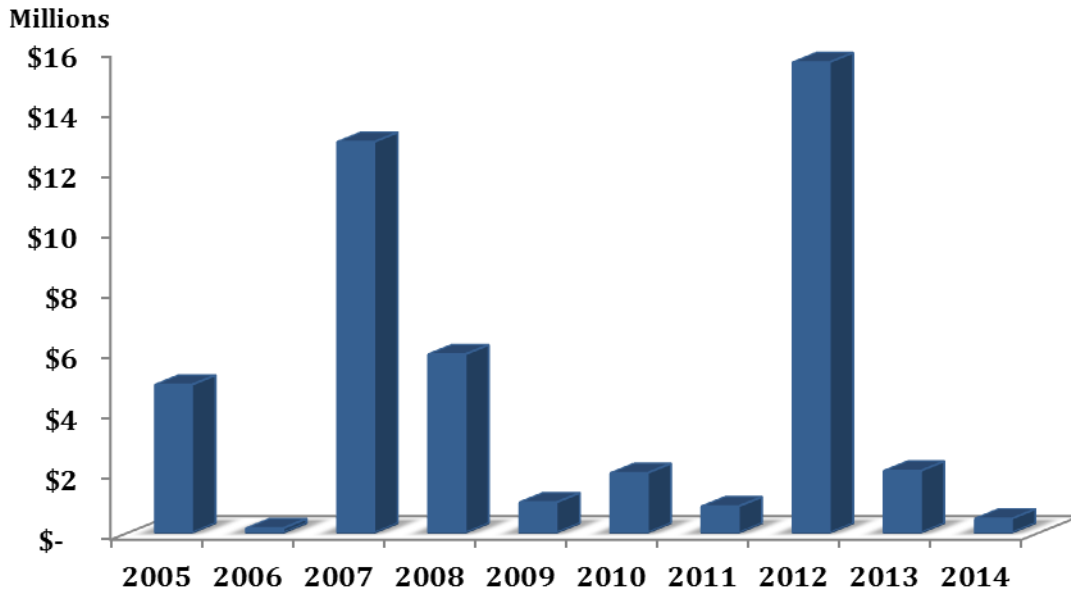
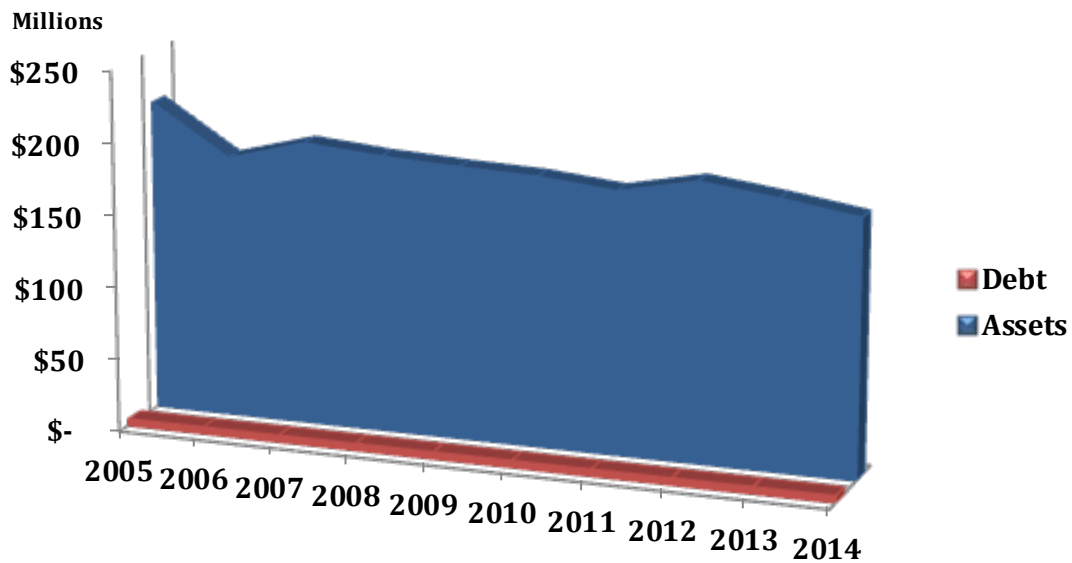


Chart IV – Total Debt to Assets Last Ten Fiscal Years



Source: Santa Ana Watershed Project Authority

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

Fiscal Year	Population County (3)	Personal Income (1)	Per Capita Personal Income County	Unemployment Rate (June) ⁴ County	State
2014	2,279,967	\$5,033,383,304	\$34,102 (2)	8.4%	7.4%
2013	2,255,059	4,892,318,231	33,163 (5)	9.2	8.5
2012	2,227,577	4,740,901,560	32,520 (5)	11.8	10.7
2011	2,217,778	4,562,732,423	32,008 (5)	13.3	11.8
2010	2,179,692	4,375,318,812	29,222 (5)	14.5	12.2
2009	2,107,653	4,308,080,000	29,748 (5)	13.7	11.6
2008	2,088,322	4,149,660,000	30,894 (5)	8.4	6.9
2007	2,031,625	3,975,820,000	29,560 (5)	5.7	5.3
2006	1,966,607	3,734,900,000	28,730 (5)	5.1	4.9
2005	1,885,627	3,155,771,600	26,342 (5)	5.2	5.4

(1) Projected person income based on Riverside County Per Capital Personal Income.

(2) Projected based on a 10 year average.

(3) Source: January Revised Estimates, State Department of Finance

(4) Source: CA Employment Development Department and US Dept. of Labor. County data as of June 2014.

(5) Source: County or Riverside Comprehensive Annual Financial Report

**Table XI - Principal Employers
Fiscal Year Ended June 30, 2014**

Employer	No. of Employees	Percentage of Total Labor Force
County of Riverside	20,808	2.43%
March Air Reserve Base	8,500	0.99%
Stater Brothers Markets	6,900	0.81%
University of California, Riverside	5,514	0.64%
Kaiser Permanente Riverside Medical Center	5,270	0.62%
Pechanga Resort & Casino	4,500	0.50%
Corona-Norco Unified School District	4,300	0.50%
Wal-Mart	4,068	0.48%
Riverside Unified School District	4,000	0.47%
Hemet Unified School District	3,572	0.42%
Total	67,432	7.86%

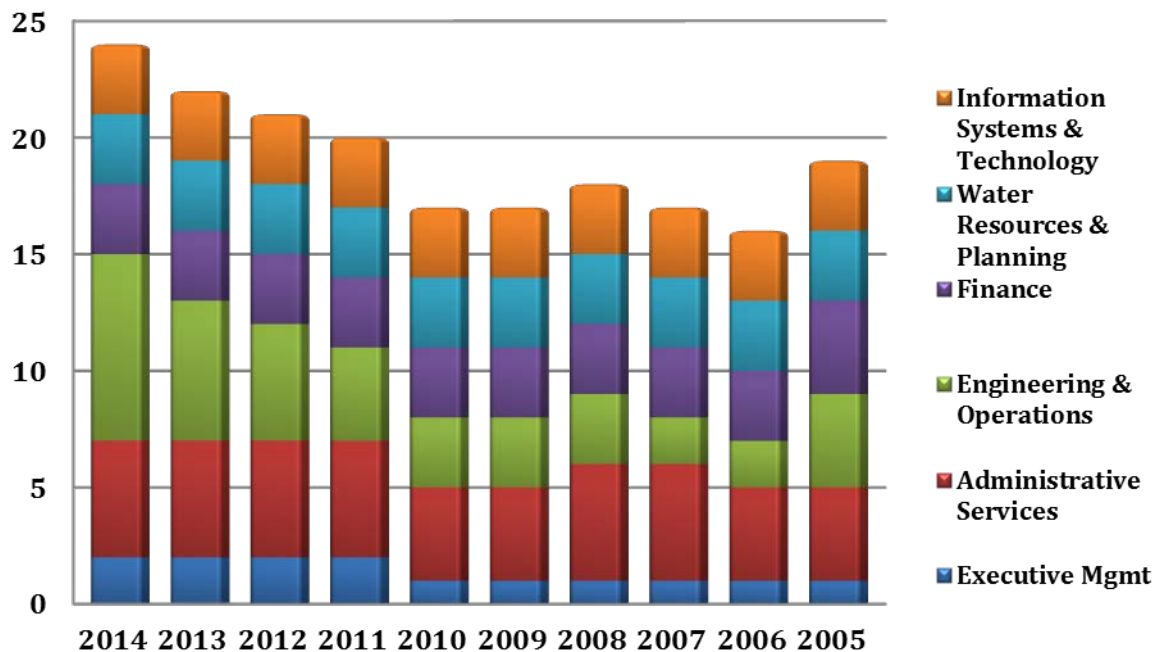
Sources: County of Riverside Economic Development Agency

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

Department	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Executive Management	2	2	2	2	1	1	1	1	1	1
Administrative Services	5	5	5	5	4	4	5	5	4	4
Engineering & Operations	8	6	5	4	3	3	3	2	2	4
Finance	3	3	3	3	3	3	3	3	3	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
Total	24	22	21	20	17	17	18	17	16	19

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**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Meter Connections	50	50	50	45	46	42	36	38	33	40
Number of Air Release Valves	65	65	65	62	62	62	62	62	62	62
Miles of Sewer Lines	73	73	73	73	73	73	73	73	73	73
Total Flows for Fiscal Years (MG)	3,937.4103	4,060.7392	4,330.1045	4361.1447	4328.8962	4271.9747	3846.498	4586.951	4023.796	3441.138
Owned Treatment Capacity (MGs)	17	17	17	17	17	17	17	16	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:	24 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



Santa Ana Watershed Project Authority



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