Yorba Linda Water District

POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED ON JUNE 30, 2022

YORBA LINDA, CALIFORNIA

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TRANSMITTAL LETTER

EXECUTIVE MANAGEMENT

Mark Toy
General Manager

Doug Davert
Asst. General Manager

Delia Lugo
Finance Manager

John DeCriscio
Operations Manager

Gina Knight
HR & Risk Manager

Rosanne Weston
Engineering Manager

BOARD OF DIRECTORS

J. Wayne Miller
President

Brooke Jones
Vice President

Phil Hawkins
Director

Trudi DesRoches
Director

Tom Lindsey
Director

To Our Valued Customers:

We are pleased to present Yorba Linda Water District's (YLWD or District) Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2022 (FY22). The PAFR is a graphical report that provides readers with easy-to-understand facts about YLWD, such as its finances, water and sewer services, and other pertinent material.

This PAFR is based on the 2022 Annual Comprehensive Financial Report (ACFR), which is consistent with Generally Accepted Accounting Principles (GAAP) to ensure the financial statements are complete and consistent. Both the ACFR and PAFR can be reviewed from the District's website, or can be obtained by visiting District headquarters at 1717 E. Miraloma Ave, Placentia CA 92870.

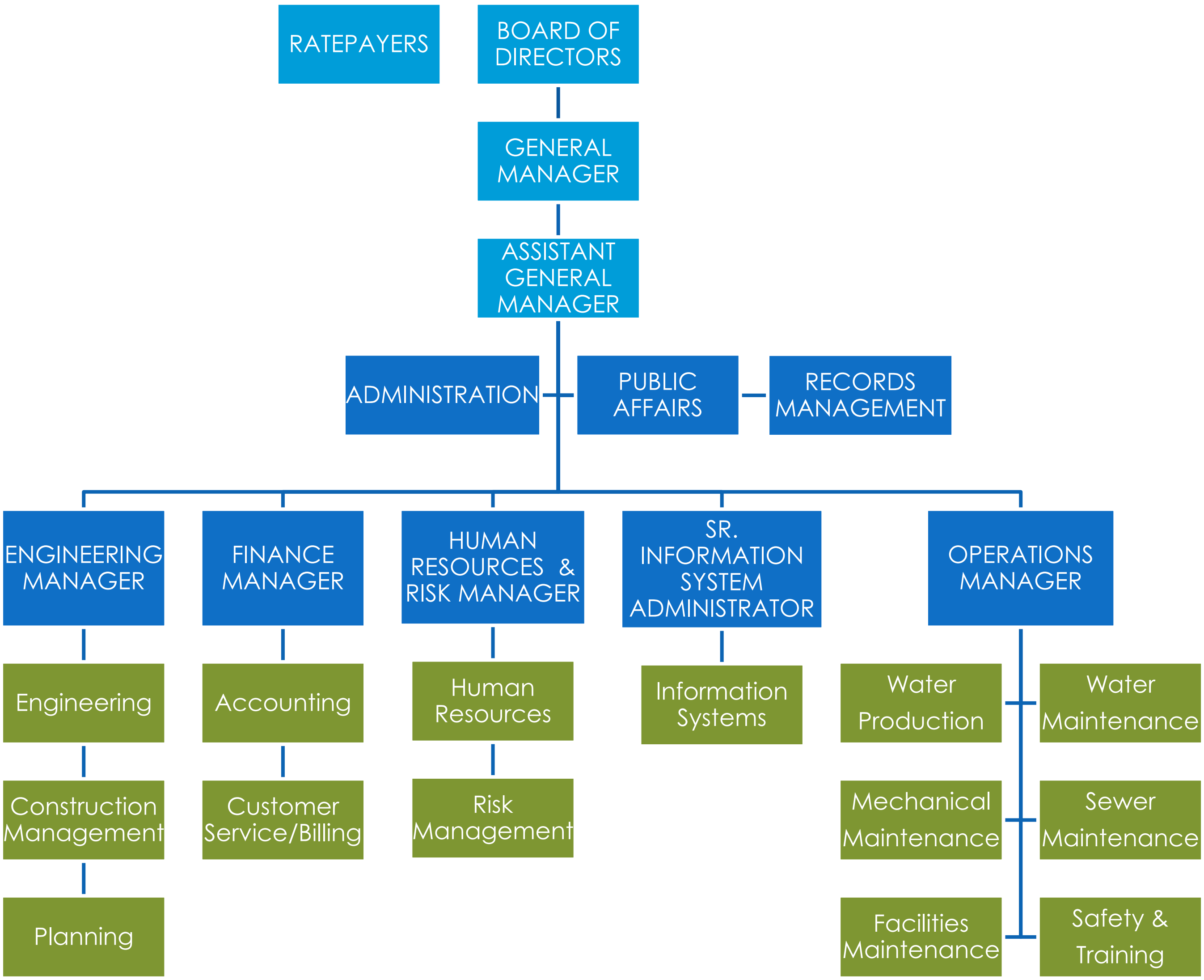
Last year's PAFR received the Popular Annual Financial Reporting award from the Government Finance Officers Association (GFOA) and I hope this year's report will continue to demonstrate the District's integrity and transparency. Should you have any questions, please feel free to contact me at (714) 701-3000.

Our intent is for the PAFR to provide a broad understanding of the District's valuable services provided to all readers. We welcome comments, feedback, and suggestions for improving future publications.

Respectfully Submitted,

Delia Lugo, Finance Manager

STRUCTURE OF THE DISTRICT



DISTRICT PROFILE

About

Yorba Linda Water District is a public agency serving residents of Yorba Linda and portions of Placentia, Brea, Anaheim and areas of unincorporated Orange County. Yorba Linda Water District is a special district, totally independent of all city and county governments.

The District provides water, sewer, or a combination of both services to residents and businesses within its service area. Residential customers make up approximately 93% of the District's customer base.

Yorba Linda Water District is dedicated to providing the best and most economical water and sewer services to our customers.

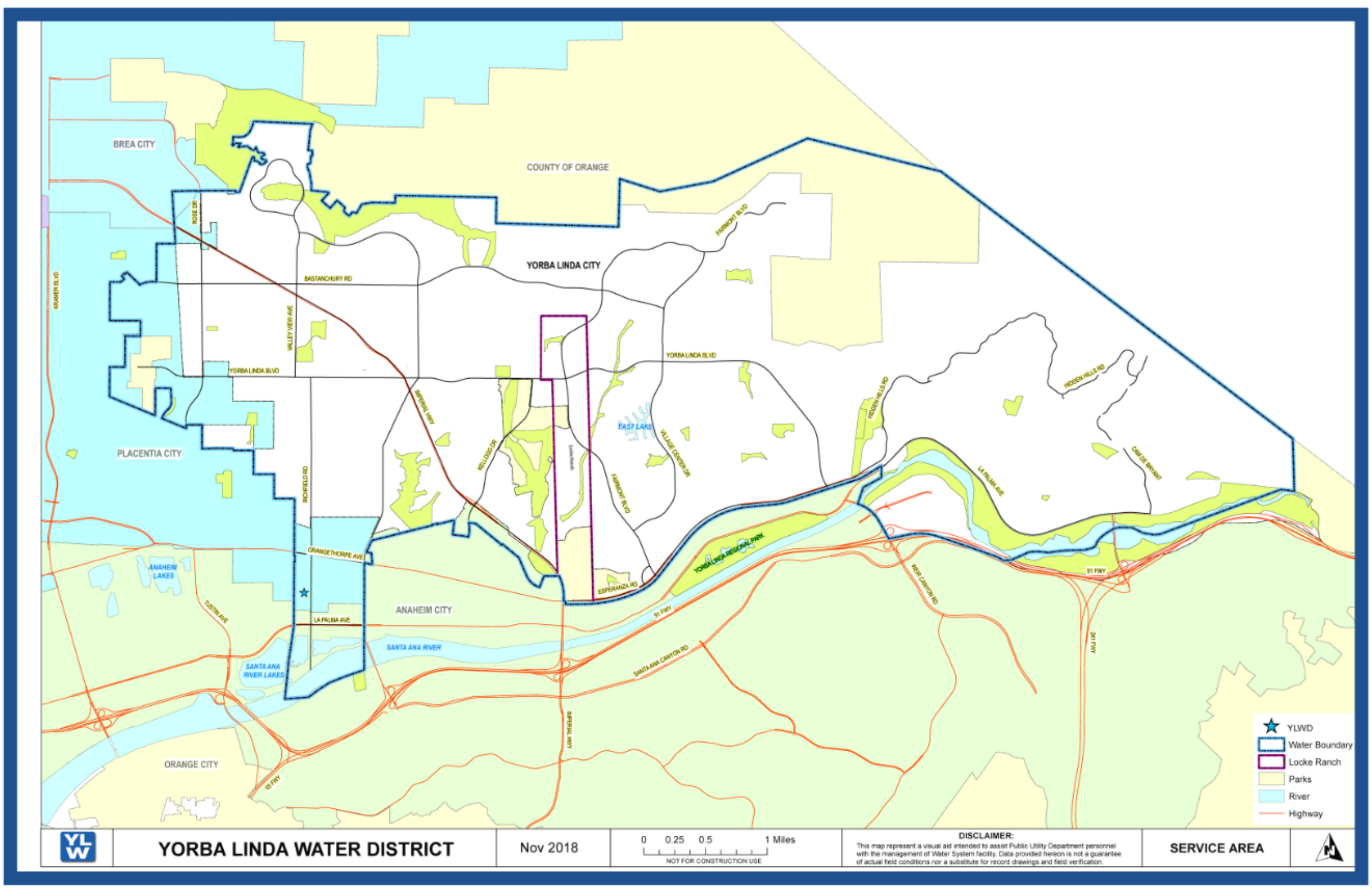
Mission

Yorba Linda Water District will provide reliable water and sewer services to protect public health and the environment with financial integrity and superior customer service.

Vision

Yorba Linda Water District will accomplish our mission to improve the quality of life for those we serve by:

Embracing proven technology, improving customer satisfaction, providing efficient and responsive operations, and ensuring reliable infrastructure.



Core Values

INTEGRITY

ACCOUNTABILITY

RESPONSIBILITY

TRANSPARENCY

RESPECT

TEAMWORK

District Goals and Vision

District-wide goals and objectives are established during the budget process annually by the Board of Directors and communicated to the General Manager for implementation.

1. Safe & Reliable Water and Sewer Service
2. Fiscal Responsibility
3. Operational Effectiveness
4. Community Partnership
5. Workforce Engagement

District At A Glance

83,000 Population

22.6 Miles Service Area

14 Reservoirs

13 Booster Pump Stations

9 Groundwater Wells

4 Import Water Connections

25,000+ Water Meters Read Monthly

57 Million Gallons of Reservoir Storage Capacity

14 Million Gallons of Water Produced Daily

16 Million Gallons of Sewage Flow Capacity

8 Million Gallons of Sewage Flow Capacity

352 miles Water Distribution

266 miles Sewer Mains

192 Leaks Repaired

3,416 Fire Hydrants Flushed

3,696 Valves Turned

CAPITAL IMPROVEMENTS

As part of the annual budget process, the Engineering and Operation Managers compile and submit a list of capital improvement projects for consideration. The projects are prioritized on the needs of the District and based off of the Asset Management Plan and staff's knowledge. These projects were the most impactful and brought the most support to the District's goals and vision.

Camino de Bryant Heli-Hydrant

Completed: August 2021
Project Cost: $400,628

The Camino de Byrant Heli-Hydrant is an innovative 15-foot wide, 2,400-gallon water tank for firefighting helicopters. The heli-hydrant allows first responders to save critical time and effectively fight fires by offering a strategically placed, quick-fill, pilot-operated water source that can fill in just minutes. The remote operation of it also allows greater safety of ground firefighters and water sources in areas that ground firefighters cannot reach. This heli-hydrant offers Orange County a game-changing way to safeguard life, property, and the environment for the benefit of the community.

Sewer Pipe Relining & Manhole Rehabilitation Project

Completed: December 2021
Project Cost: $247,504

This project is part of the District's continuing Rehabilitation & Replacement (R&R) Program to replace aging infrastructure. The existing sewer main pipelines are lined with new liners that are cast and cured in place. This method is proven to be a cost-effective and technically optimal solution for sewer line rehabilitation. Manholes are rehabilitated by prepping and spraying the interior walls with lining material. These two methods will extend the useful life of these facilities.

PFAS treatment Plant

Completed: January 2022
Project Cost: $3,794,292

This project consists of upgrades to headquarters as part of the PFAS Water Treatment Plant construction during FY21 and FY22. A new eight-foot-tall perimeter wall will be constructed to improve site security round the north side of Headquarters. The existing perimeter wall is not structurally sound and portions of the fence and wall encroach onto District property. Two new generators will also be installed to replace the existing generator that is undersized. The generators will provide back-up power for the entire Headquarters and the new PFAS Water Treatment Plant Booster Pump Station.

Lakeview Sewer Extension

Completed: March 2022
Project Cost: $592,745

This project includes the construction of a sewer to provide sewer service to a proposed Senior Living Facility to be located near the Lakeview Avenue-
Mariposa Avenue intersection. The Senior Living Facility developer will be constructing a sewer that will connect from the development to this project. In future, an additional sixteen (16) parcels currently on septic systems will be able to connect to the District's sewer system via this new sewer. The Lakeview Sewer Extension project will extend the public sewer main pipeline on Lakeview Avenue, from Timberlane Drive to just north of Mariposa Avenue.

Grandview and Ridgeway Waterline Improvement

Completed: June 2022
Project Cost: $691,968

As part of the District's continuing Rehabilitation & Replacement (R&R) Program to replace aging infrastructure, waterline improvements are planned for Short Street, Ridge Way, and Grandview Ave. There is extensive leak history in the area and meter clusters in backyards that are inaccessible and need to be relocated. The project will include removal of the meter cluster, abandonment of approximately 1,700 feet of waterline from 1927 and 1935, and replacement of approximately 1,180 feet of waterline.

Meter Replacement Program

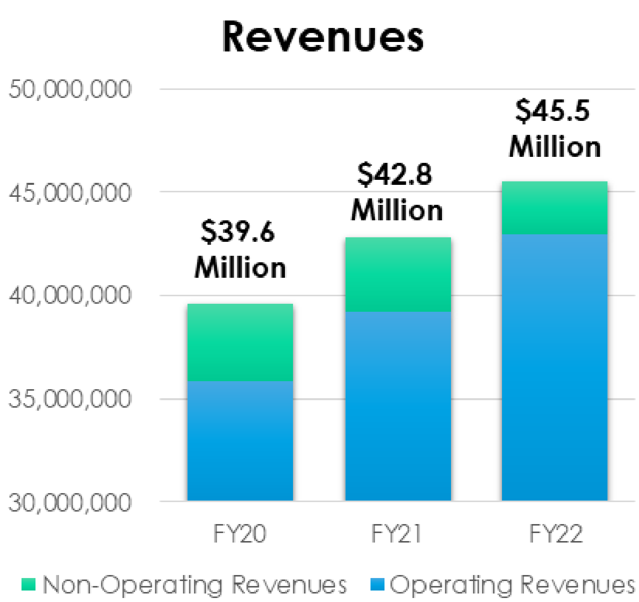
Completed: June 2022
Project Cost: $2,672,735

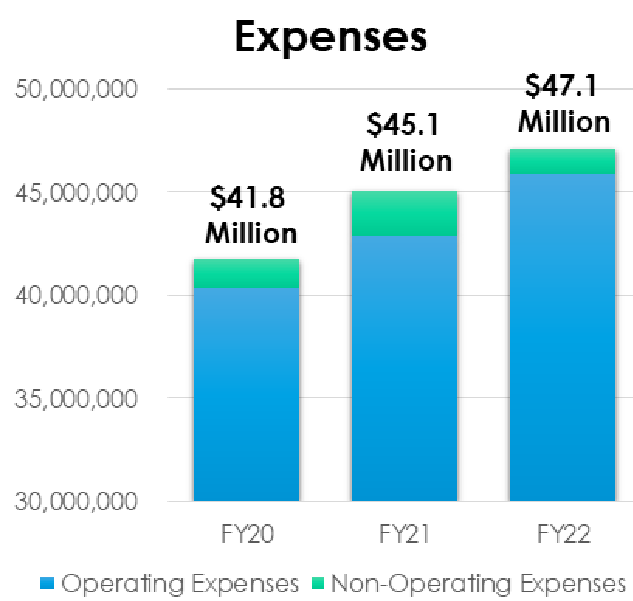
The District updated its manual read meters with meter hardware, software, and meters that may be read by radio or utilizing Advanced Metering Infrastructure (AMI). Implementation of the AMI infrastructure would provide customers and District staff the ability to monitor water usage, and to receive 'leak alerts' when customer usage is outside of a normal range. We anticipate that AMI may be needed to comply with the upcoming proposed Water Loss regulations.

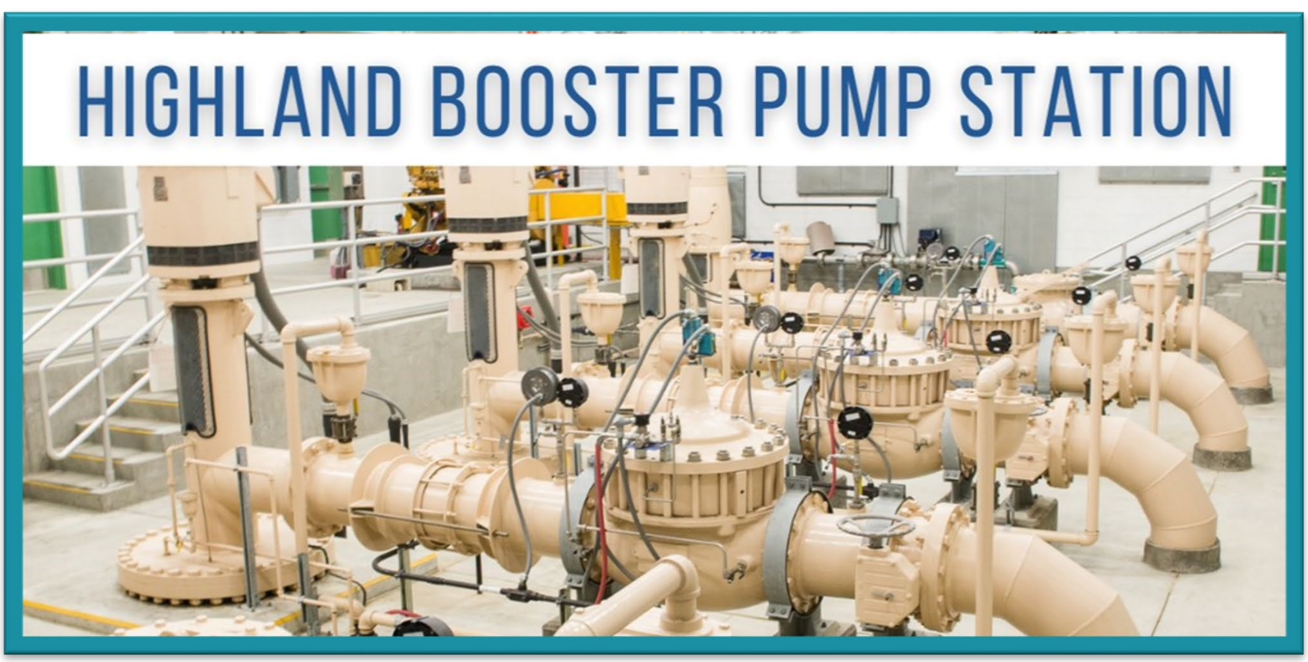
FINANCIAL PERFORMANCE

Revenues & Expenses

The graphs below represent the District's revenue and expenses over three years for comparison purposes. Please refer to the District's 2022 Annual Comprehensive Financial Report (ACFR) for additional details.



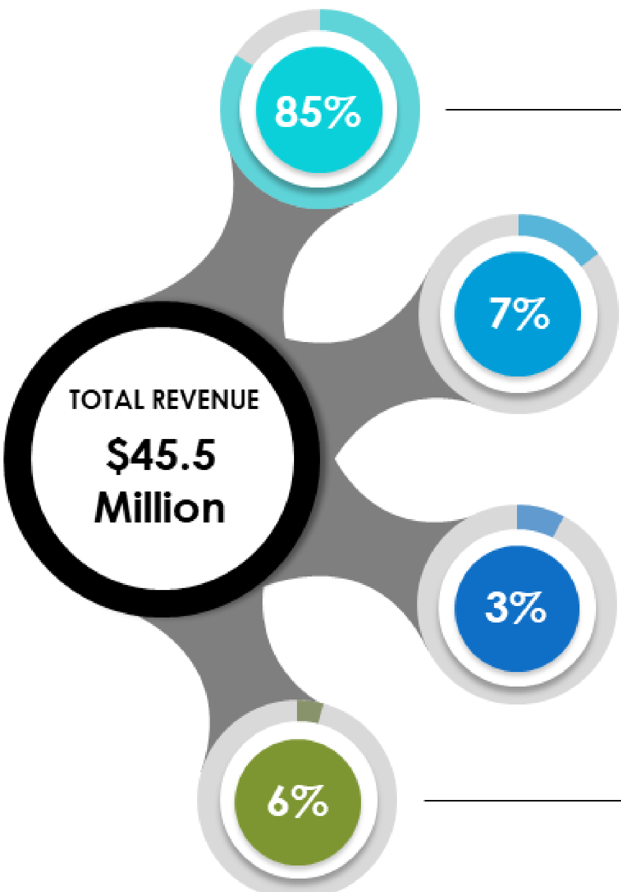




Revenue

Sources of Revenue

The main source of the District's revenues are generated from water and sewer rates. Rate revenue is supplemented by other revenues to fund the total cost of operations and must be supplemented by a variety of other operating and non-operating revenues. Such revenues are generated, with board approval, from fees such as customer service charges, construction meter charges, plan check fees, property tax fees, and rental fees.



Water Revenues; $38,495,864
Volumetric revenue based on consumption of potable water, fixed charges and basic service charges based on number of meter connections.

Sewer Revenues; $3,204,396
Fixed monthly charge for residential customers and fixed/volumetric chargers for commercial customers.

Other Operating Revenues; $1,275,632
Construction meters, customer service charges/fees, backflow charges, engineering/developer fees, and meter fees.

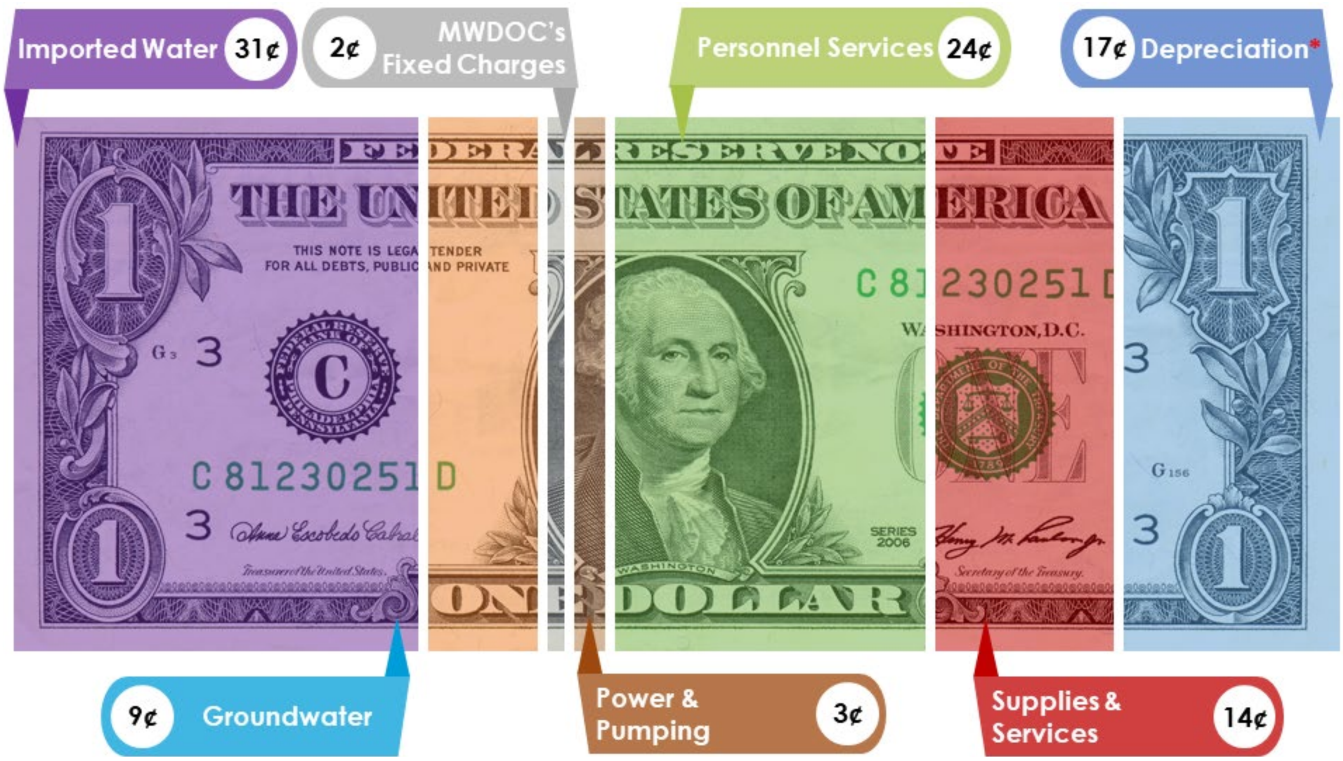
Non-Operating Revenues; $2,546,562
Investment income, property taxes, rental incomes, CalCard rebates, etc.

Expenses

Types of Expenses

The District is a revenue-neutral public agency. Operating expenses are necessary to provide reliable water and sewer services to protect public health and the environment with financial integrity and superior customer service. The District strives to provide fiscal transparency and operational sustainability.

The expense types and allocation for every dollar the District spends on operation and maintenance are:



Explanation of Expenses

Imported/Groundwater
Expenses related to import of surface water from Municipal Water District of Orange County "MWDOC" and the extraction of groundwater from Orange County Water District "OCWD" basin.

MWDOC's Fixed Charges
Includes meter connection, readiness-to-serve, and capacity charges.

Power & Pumping
Expenses related to pumping groundwater and distribution of both import and groundwater to service area.

Personnel Services
Expenses related to payroll expenses such as salaries, benefits, and payroll taxes.

Supplies & Services
Expenses related to the overall operation of the District such as data processing, materials, maintenance, office expenses, communications, professional services, etc.

Depreciation
***Non-cash expenditure.**
The allocated portion of the cost of the District's fixed assets that is appropriate for the indicated accounting period on the Budget to Actuals statement.

Outstanding Debt

In the District's Debt Management Policy, it states that long-term debt is a source to fund approved and budgeted capital expenditures. Currently the District has three types of debt, lines of credit (LOC), refunding revenue bonds (2012A and 2017A), and compensated balances, all are considered long-term.

Public agencies are issued bond ratings (similar to personal credit scores) by investors to determine risk and fiscal stability. The District has a bond rating of AA with and Outlook Rating of "Positive" by Fitch Ratings, respectively. These are considered high quality investment grades which will give the District a lower interest rate on the bonds.

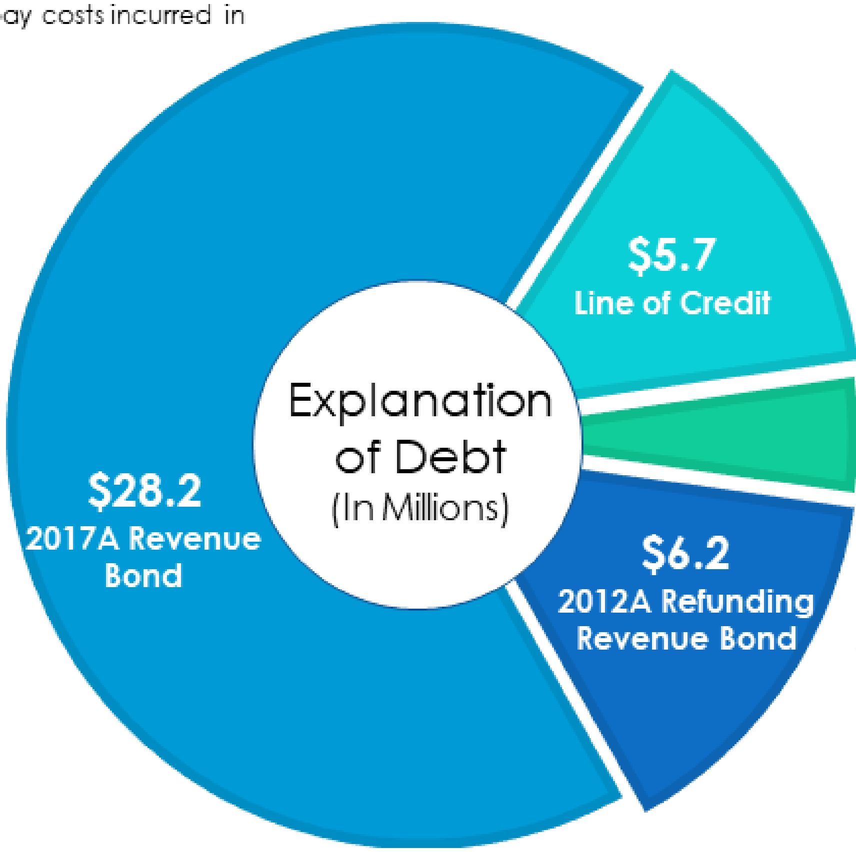
2017A Revenue Bond

Issued to provide funds:

(i) to finance the acquisition and construction of certain improvements to the District's Water System, as described under the caption "THE 2017 PROJECT;"

(ii) to refund all of the currently outstanding YLWD Revenue Certificates of Participation (2008 Capital Improvement Projects) Series 2008, as described under the caption "REFUNDING PLAN;" and

(iii) to pay costs incurred in



Line of Credit

Issued to provide funds for the Districts infrastructure and capital projects.

Compensated Balances

This balance is composed of unpaid vacation leave, sick leave, and compensating time off, which are accrued as earned.

2012A Refunding Revenue Bond

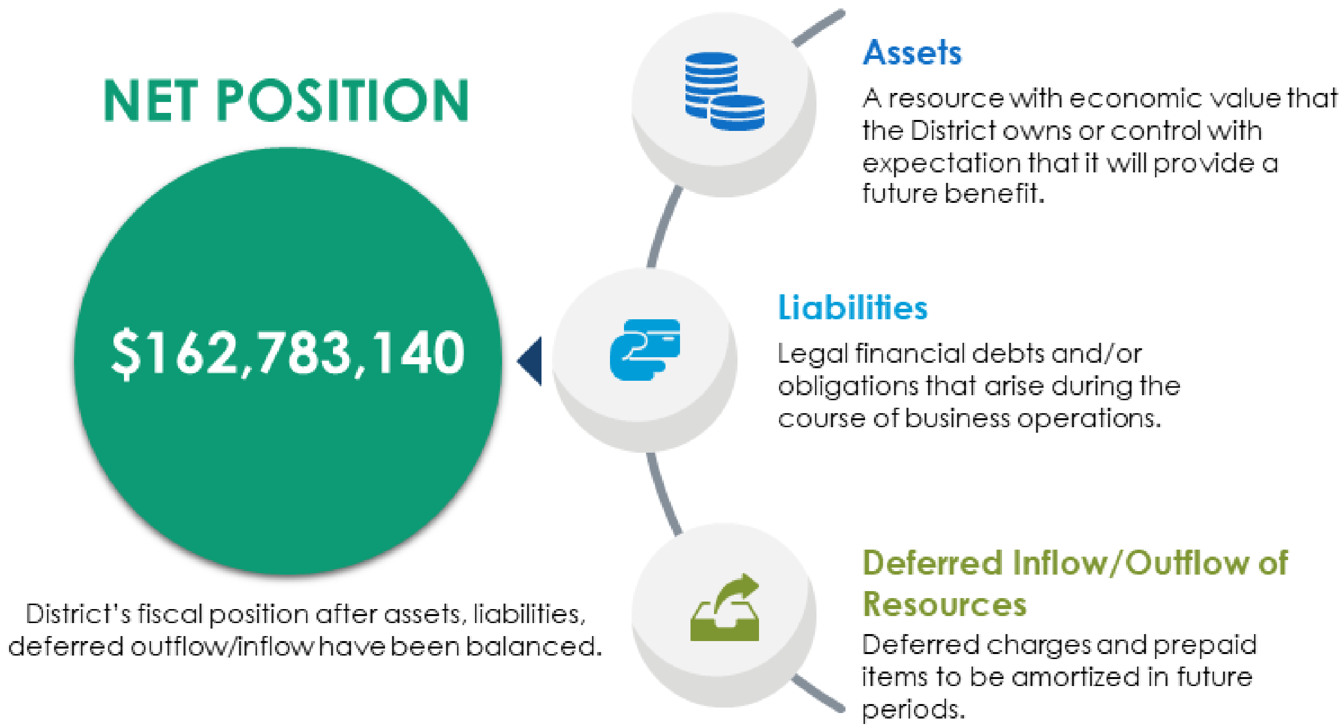
Issued to provide funds:

(i) to refund all of the currently outstanding YLWD Revenue Certificates of Participation (Highland Reservoir Renovation and Richfield Plant – Phase 3 Renovation Project) Series 2003; and

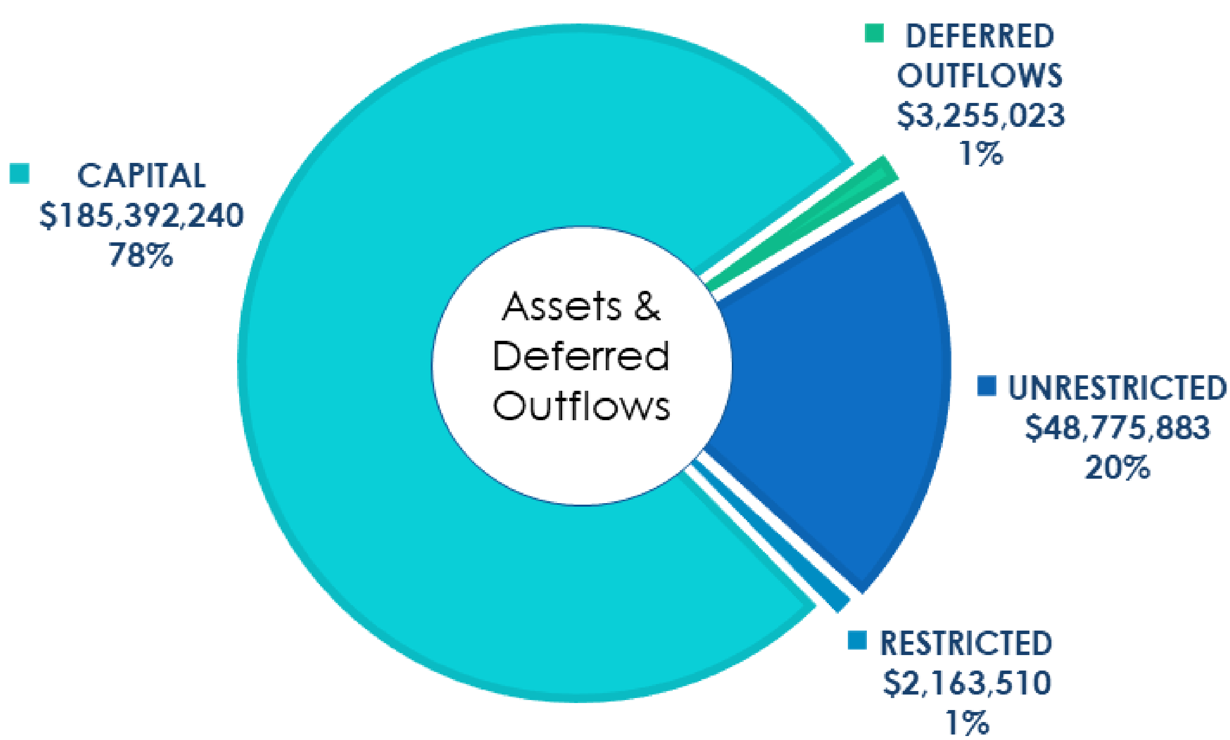
(ii) to pay costs of issuance of the 2012A Bonds, all as more fully described herein.

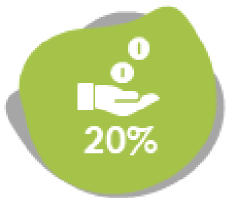
Net Position

As an infrastructure-based organization, the District is heavily invested in capital investments to maintain and improve its water and sewer systems. Net position offers perspective of the District's assets, liabilities, and equity. The information presented below applies to fiscal year ended on June 30, 2022.



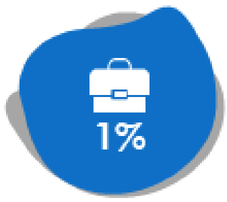
Assets & Deferred Outflows





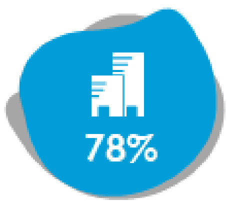
Unrestricted Assets

Cash and cash equivalents, investments, accounts receivables, prepaid expenses and deposits, inventory, and other liquid assets that can be readily converted to cash that are not restricted in use.



Restricted Assets

Cash and cash equivalents, grants/bonds restricted for a specific purpose.



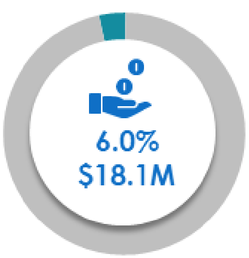
Capital Assets

Original purchase value of any land, building, equipment, vehicles, water distribution, and sewer conveyance systems owned by the District, less accumulated depreciation.

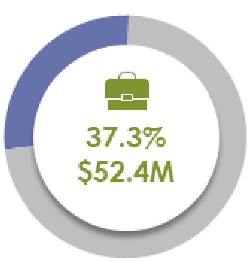
Deferred Outflows of Resources

Prepaid items to be amortized in future periods.

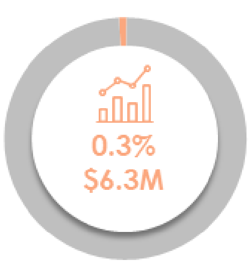
Liabilities & Deferred Inflows



Current Liabilities
Current debts and obligations payable within 12 months or current operating cycle including accounts payable, debt payments, and deposits payable.



Long-Term Liabilities
Long-term obligations including payments for bonds, employee compensable leave accruals, and employee retirement benefits.



Deferred Inflows of Resources
Deferred charges to be amortized in future periods.

Contact Information

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