

Laguna Beach County Water District
BASIC FINANCIAL STATEMENTS
Year ended June 30, 2025

Laguna Beach County Water District
Basic Financial Statements
Year ended June 30, 2025

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Independent Auditor's Report

Board of Directors
Laguna Beach County Water District
Laguna Beach, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Laguna Beach County Water District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2025, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Laguna Beach County Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

During the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101: Compensated Absences, resulting in a prior period restatement.

The financial statements present only the District, a subsidiary District of the City of Laguna Beach, operating as an enterprise fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2025, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to the above matters.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, the schedule of proportionate share of the net pension*

liability, the schedule of contributions – and defined pension plan, and the schedule changes in the total other post-employment benefit schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2025 on our consideration of the District’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 solely 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 the effectiveness of 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 District’s internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
November 13, 2025

LAGUNA BEACH COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

This section of the District's annual financial report presents our analysis of the District's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2025

- The District's net position decreased by \$2,482,379 or 3.76 percent (see Table 1).
- During the year, the District's total revenues increased by \$1,350,546 or 7.89 percent, and total expenses increased by \$1,490,638 or 7.71 percent (see Table 2).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all District investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

LAGUNA BEACH COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT

Our analysis of the District begins on page 11 of the Financial Statements. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. You can think of the District's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

NET POSITION

To begin our analysis, a summary of the District's Statement of Net Position is presented in Table 1.

TABLE 1
Condensed Statements of Net Position

	Fiscal Year 2025	Fiscal Year 2024	Dollar Change
Assets:			
Current and other assets	\$ 24,080,020	\$ 20,244,321	\$ 3,835,699
Capital assets	64,369,787	59,183,314	5,186,473
Total Assets	88,449,807	79,427,635	9,022,172
Deferred Outflows of Resources	3,082,651	3,935,121	(852,470)
Liabilities:			
Current liabilities	1,995,933	2,092,406	(96,473)
Noncurrent liabilities	20,409,869	10,397,543	10,012,326
Total Liabilities	22,405,802	12,489,949	9,915,853
Deferred Inflows of Resources	5,548,305	4,812,077	736,228
Net Position:			
Net investment in capital assets	57,445,071	59,183,314	(1,738,243)
Unrestricted	6,133,280	6,877,416	(744,136)
Total Net Position	\$ 63,578,351	\$ 66,060,730	\$ (2,482,379)

LAGUNA BEACH COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

NET POSITION (CONTINUED)

As can be seen from the Table 1, net position decreased by \$2,482,379 from fiscal year 2024 to 2025. Looking more carefully at the table, Total Assets increased \$9,022,172 largely due to a combination of 1) an increase in cash and cash equivalents from bond proceeds from the District issuing Water Revenue Bonds (\$9,660,000) during the fiscal year and 2) an increase in depreciable capital assets (water storage, pumping plant, mainlines, and building improvements). In addition, Total Liabilities increased \$9,915,853 mainly due to the obligations incurred from issuance of the Water Revenue Bonds during the fiscal year.

Unrestricted Net Position (those that can be used to finance day-to-day operations) decreased by \$744,136 due to the redemption and maturity of a small amount of District investments during the year that were not re-invested into new equities.

TABLE 2
Condensed Statements of Revenues,
Expenses and Changes in Net Position

	Fiscal Year 2025	Fiscal Year 2024	Dollar Change
Revenues:			
Operating revenues	\$ 13,361,101	\$ 11,680,493	\$ 1,680,608
Nonoperating revenues	5,103,320	5,433,382	(330,062)
Total Revenues	<u>18,464,421</u>	<u>17,113,875</u>	<u>1,350,546</u>
Expenses:			
Depreciation	2,781,690	2,666,206	115,484
Other operating expenses	18,047,720	16,672,566	1,375,154
Total Expenses	<u>20,829,410</u>	<u>19,338,772</u>	<u>1,490,638</u>
Net Income Before Capital Contributions	(2,364,989)	(2,224,897)	(140,092)
Capital Contributions	136,991	117,616	19,375
Change in Net Position	<u>(2,227,998)</u>	<u>(2,107,281)</u>	<u>(120,717)</u>
Beginning Net Position	<u>65,806,349</u>	<u>68,168,011</u>	<u>(2,361,662)</u>
Ending Net Position	<u>\$ 63,578,351</u>	<u>\$ 66,060,730</u>	<u>\$ (2,482,379)</u>

LAGUNA BEACH COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

NET POSITION (CONTINUED)

A closer examination of the source of changes in net position reveals that the District's operating revenues increased by \$1,680,608 in fiscal year 2025 largely due to adopted water rate increases taking effect during the year and greater than projected water sales. Nonoperating revenues decreased by \$330,062 in fiscal year 2025 due to new expenses associated with the Water Revenue Bonds issue. As presented in Table 2, other operating expenses (exclusive of depreciation) increased by \$1,375,154 in fiscal year 2025 largely due to increased costs associated with wholesale water purchases, labor, materials, supplies, and equipment.

BUDGETARY HIGHLIGHTS

TABLE 3
Fiscal Year 2025 Actual vs. Fiscal Year 2025 Budget

	Fiscal Year 2025		
	Actual	Budget	Variance
Revenues:			
Operating revenues	\$ 13,361,101	\$ 13,166,070	\$ 195,031
Nonoperating revenues	5,103,320	4,944,380	158,940
Total Revenues	<u>18,464,421</u>	<u>18,110,450</u>	<u>353,971</u>
Expenses:			
Operating Expenses:			
Water purchased	4,670,566	4,513,380	(157,186)
Source of supply	298,180	385,110	86,930
Pumping	1,149,747	1,339,340	189,593
Transmission and distribution	5,315,915	5,342,170	26,255
Customer service	726,702	777,470	50,768
General and administrative	5,402,150	3,991,155	(1,410,995)
Other operation and maintenance	484,460	452,750	(31,710)
Depreciation	2,781,690	2,750,000	(31,690)
Total Expenses	<u>20,829,410</u>	<u>19,551,375</u>	<u>(1,278,035)</u>
Capital Contributions	<u>136,991</u>	<u>140,000</u>	<u>(3,009)</u>
Change in Net Position	<u>\$ (2,227,998)</u>	<u>\$ (1,300,925)</u>	<u>\$ (927,073)</u>

As Table 3 shows, the actual change in net position for fiscal year 2025 (\$2,227,998) compared to budgeted for FY 25 (\$1,300,925) is \$927,073. This difference is primarily attributed to greater general and administrative expenses in FY 25 than anticipated, slightly offset by an increase in actual total revenues compared to budgeted total revenues.

LAGUNA BEACH COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

CAPITAL ASSETS AND LONG-TERM LIABILITY ADMINISTRATION

CAPITAL ASSETS

At the end of fiscal year 2025, the District had invested approximately \$119 million in a broad range of infrastructure as shown in Table 4.

TABLE 4
Capital Assets

	Fiscal Year 2025	Fiscal Year 2024	Dollar Change
Capital Assets:			
Land and land rights	\$ 7,200,654	\$ 4,408,047	\$ 2,792,607
Construction in progress	2,707,103	5,495,911	(2,788,808)
Source of supply plant	10,021,659	10,021,659	-
Pumping plant	8,096,326	7,408,101	688,225
Mains	40,650,813	40,323,031	327,782
Reservoirs and Tanks	31,697,344	28,828,231	2,869,113
Meters and Services	3,688,543	3,688,543	-
Buildings, Structures and Improvements	5,827,649	4,292,734	1,534,915
Office Furniture, Fixtures & Equipment	1,763,227	1,763,227	-
Machinery and Equipment	4,784,984	4,722,339	62,645
Cars & Trucks	2,603,282	2,524,539	78,743
Total Capital Assets	<u>119,041,584</u>	<u>113,476,362</u>	<u>5,565,222</u>
Less accumulated depreciation	<u>(54,671,797)</u>	<u>(54,293,048)</u>	<u>(378,749)</u>
Net Capital Assets	<u>\$ 64,369,787</u>	<u>\$ 59,183,314</u>	<u>\$ 5,186,473</u>

The District incurred major capital asset additions for the fiscal year 2025 but also removed assets which were no longer in service by the District. The net effect of these changes was a change in accumulated depreciation of \$378,749 and a \$5,565,222 increase in District Net Capital Assets.

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

LAGUNA BEACH COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors when setting the fiscal year 2025 budget, user fees, and charges. The District tries to balance revenues with operating expenses that have increased due to factors such as the availability of water, water purchase costs, water quality requirements, and unfunded benefit liabilities.

CalPERS plan assets value continues to be impacted thus causing employers' contribution rates to fluctuate. For fiscal year 2025, the District's contribution rate included a cost rate of 12.52% for Classic members and a cost rate of 7.87% for PEPRA members. The District made unfunded accrued liability payments totaling \$1,311,059 for FY 25.

These indicators were taken into consideration when adopting the District's budget for fiscal year 2026 (see Table 5). The budget has been structured to contain costs, but at the same time, continue the District's philosophy of providing the highest level of water service to, and infrastructure investment for, its customers.

TABLE 5
Fiscal Year 2025 Actual vs. Fiscal Year 2026 Budget

	Fiscal Year 2025 Actual	Fiscal Year 2026 Budget	Variance
Revenues:			
Operating revenues	\$ 13,361,101	\$ 14,114,200	\$ 753,099
Nonoperating revenues	5,103,320	5,798,100	694,780
Total Revenues	18,464,421	19,912,300	1,447,879
Expenses:			
Depreciation	2,781,690	2,800,000	(18,310)
Other operating expenses	18,047,720	18,802,757	(755,037)
Total Expenses	20,829,410	21,602,757	(773,347)
Capital Contributions	136,991	140,000	3,009
Change in Net Position	(2,227,998)	(1,550,457)	674,532
Beginning Net Position	65,806,349	63,578,351	(2,227,998)
Ending Net Position	\$ 63,578,351	\$ 62,027,894	\$ (1,553,466)

LAGUNA BEACH COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

CONTACTING THE DISTRICT'S FINANCE OFFICER

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian W. Jewett, Manager of Financial and Administrative Services/Treasurer at Laguna Beach County Water District.

BASIC FINANCIAL STATEMENTS

**Laguna Beach County Water District
Statement of Net Position
June 30, 2025**

Current assets:	
Cash and Cash Equivalents (note 2)	\$ 4,300,843
Investments (note 2)	11,188,973
Accounts Receivable	2,114,028
Interest Receivable	139,373
Taxes Receivable	80,559
Leases Receivable, Current (note 3)	443,346
Computer Loans to Employees (note 5)	1,621
Inventory	485,619
Prepaid Expenses	<u>311,300</u>
Total current assets	<u>19,065,662</u>
Non-current assets:	
Leases Receivable, Noncurrent (note 3)	5,014,358
Capital Assets:	
Capital Assets, Not Being Depreciated (note 4)	9,907,757
Capital Assets, Being Depreciated, Net (note 4)	<u>54,462,030</u>
Total Capital Assets, Net	<u>64,369,787</u>
Total Noncurrent Assets	<u>69,384,145</u>
Total assets	<u>88,449,807</u>
Deferred outflows of resources:	
Deferred Amounts from OPEB Plan (note 8)	60,827
Deferred Amounts from Pension Plan (note 7)	<u>3,021,824</u>
Total deferred outflows of resources	<u>3,082,651</u>
Current liabilities:	
Accounts Payable	1,270,093
Accrued Payroll and Related Costs	155,091
Water-Related Deposits	64,610
Tenant Deposit	3,800
Construction Deposits	4,260
Retentions Payable	36,858
Compensated Absences, Current Portion (note 6)	205,870
Interest Payable	69,217
Long-Term Liabilities - Current Portion (note 6)	<u>186,134</u>
Total current liabilities	<u>1,995,933</u>
Non-current liabilities:	
Compensated Absences (note 6)	617,609
Long-Term Liabilities - Non-Current Portion (note 6)	9,886,156
Total Other Postemployment Benefits (OPEB) Liability (note 8)	627,422
Net Pension Liability (note 7)	<u>9,278,682</u>
Total non-current liabilities	<u>20,409,869</u>
Total liabilities	<u>22,405,802</u>
Deferred inflows of resources:	
Deferred Amounts from OPEB Plan (note 8)	336,797
Deferred Amounts from Pension Plan (note 7)	107,565
Deferred Amounts from Leases (note 3)	<u>5,103,943</u>
Total deferred inflows of resources	<u>5,548,305</u>
Net position:	
Net Investment in Capital Assets	57,445,071
Unrestricted	<u>6,133,280</u>
Total net position	<u>\$ 63,578,351</u>

See accompanying notes to the basic financial statements

**Laguna Beach County Water District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2025**

Operating revenues:	
Water Sales	\$ 12,970,151
Service Installation Fees	94,723
Fire Service Charges	48,602
Equipment Rental	995
Overhead Expense Charged Out	4,185
Penalties	26,677
Customer Administration Fees	12,977
Miscellaneous Income	202,791
	<u>13,361,101</u>
Total operating revenues	
Operating expenses:	
Water Purchased	4,670,566
Source of Supply	298,180
Pumping	1,149,747
Transmission and Distribution	5,315,915
Customer Service	726,702
General and Administrative	5,402,150
Other Operation and Maintenance	484,460
Depreciation	2,781,690
	<u>20,829,410</u>
Total operating expenses	
Operating loss	
	<u>(7,468,309)</u>
Non-operating revenue (expense):	
Property taxes	4,337,807
Rental Income	564,356
Investment Income (loss)	704,052
Interest Income	9,985
Bond Issuance Cost	(153,057)
Interest Expenses	(236,466)
Loss on Disposal of Capital Assets	(123,357)
	<u>5,103,320</u>
Total non-operating revenues (expenses)	
Net loss before capital contributions	<u>(2,364,989)</u>
Capital contributions	
	<u>136,991</u>
Change in net position	
	<u>(2,227,998)</u>
Net position, beginning of year as previously reported	66,060,730
Restatement (note 12)	(254,381)
	<u>65,806,349</u>
Net position, beginning of year, as restated	
Net position, end of period	<u><u>\$ 63,578,351</u></u>

See accompanying notes to the basic financial statements

**Laguna Beach County Water District
Statement of Cash Flows
Year Ended June 30, 2025**

Cash Flows From Operating Activities:

Receipts from Customers	\$ 13,118,765
Payments to Suppliers	(12,485,998)
Payments to Employees	(5,472,372)
	<u>(4,839,605)</u>

Net Cash Used by Operating Activities (4,839,605)

Cash Flows From Non-Capital Financing Activities

Proceeds from Taxes	<u>4,335,325</u>
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Cash Flows From Capital and Related Financing Activities

Contributions to Investment in JPA	9,985
Acquisition and Construction of Capital Assets	(8,199,253)
Proceeds from Long-Term Debt Issuance	10,335,731
Issuance Costs on Long-Term Debt	(153,057)
Payments for Bonds Payable	(70,000)
Interest Paid on Bonds	(207,633)
Receipts for Water Capacity Fees	136,991
	<u>1,852,764</u>

Net Cash Provided by Capital and Related Financing Activities 1,852,764

Cash Flows From Investing Activities

Investment Income	707,550
Lease Receipts	491,228
Purchase of Investments	(1,184,831)
Proceeds from Sale or Maturity of Investments	2,617,920
	<u>2,631,867</u>

Net Cash Provided by Investing Activities 2,631,867

Net Increase in Cash and Cash Equivalents 3,980,351

Cash and Cash Equivalents - Beginning of Year 320,492

Cash and Cash Equivalents - End of Year \$ 4,300,843

See accompanying notes to the basic financial statements

**Laguna Beach County Water District
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2025**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (7,468,309)
Depreciation	2,781,690
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
(Increase) Decrease in:	
Accounts Receivables	(244,536)
Computer Loans to Employees	2,823
Inventory	(4,057)
Prepaid Expenses	(79,582)
Deferred Outflows of Resources - OPEB	10,137
Deferred Outflows of Resources - Pensions	842,333
Increase (Decrease) in:	
Accounts Payable	(346,401)
Accrued Payroll and Related Costs	47,810
Deposits	2,200
Total OPEB Liability	(34,620)
Net Pension Liability	(41,291)
Deferred Inflows of Resources - OPEB	27,496
Deferred Inflows of Resources - Pensions	(182,241)
	(182,241)
Net Cash Used by Operating Activities	\$ (4,686,548)

There were no noncash items for the year ended June 30, 2025.

See accompanying notes to the basic financial statements

Laguna Beach County Water District
Notes to the Basic Financial Statements
Year ended June 30, 2025

(1) Summary of Significant Accounting Policies

The basic financial statements of the Laguna Beach County Water District (the District) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

(a) Reporting Entity

The Laguna Beach County Water District (the District) was incorporated in 1925 under the County Water District Act of the State Water Code and is the second oldest operating district of its type in California. The District is governed by the publicly elected Laguna Beach City Council members, serving as the District's Board of Directors.

In 1943, the District started purchasing 100% of its water supply from Colorado River water supplied by the Metropolitan Water District of Southern California. The District remained solely dependent on imported water until 2016 when an historic agreement was reached with the Orange County Water District. This agreement re-established the District's right to groundwater in the Santa Ana River Basin and ensures that more than half of the District's water supply is provided locally.

Today, the District's water supply is provided from a combination of local groundwater supplies and imported water from the Colorado River and Northern California. In our efforts to supply a reliable source of water for the community, the District continues to look into other water supply projects as future additional sources of water. The District provides water services to 19,240 people within an 8.5 square mile area of southern Orange County, including portions of the City of Laguna Beach, Crystal Cove State Park, and the unincorporated community of Emerald Bay.

On January 1, 2004, Emerald Bay Services District was de-annexed from the District's service area. This represents 554 customers or 6% of the services served by the District and accounts for approximately 251 acre-feet of water provided by the District. The District continues to provide water service and administrative support through an agreement with Emerald Bay Services District.

The District's 8,730 service connections serve mostly residential water users. The District sells about 2,950 acre-feet of water annually. This is equal to approximately 978 million gallons delivered on an annual basis. An acre-foot is enough water to cover a football field one-foot deep or serve two average-sized households for a year.

A network of 21 storage reservoirs, with a total storage capacity of 33.5 million gallons, is placed in five strategic pressure zones to provide regulation, emergency, and peak storage.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(b) Change in Organization

On June 29, 1997, the Board of Directors adopted Resolution No. 564. This resolution was directed toward an application submitted to the Local Agency Formation Commission of the County of Orange, California (LAFCO), for a change in organization, pursuant to the California Government Code. On September 2, 1998, LAFCO approved the District's application to become a subsidiary district of the City of Laguna Beach, which became effective November 1, 2000.

In determining the agencies or entities that comprise a governmental entity for financial reporting purposes, the criteria of oversight responsibility over such agencies or entities, special financial relationships, and scope of public service provided by the agencies or entities are used. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the District is considered to be a component unit of the City of Laguna Beach, California, and all accounts and transactions of the District will be reported in the financial statements of the City of Laguna Beach. These financial statements, however, are presented for the District only.

(c) Method of Accounting

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flow takes place.

Operating revenues, such as charges for services (water sales), result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and investment income, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

When both restricted and unrestricted resources are available, it is the District's policy to use unrestricted resources first and then restricted resources as they are needed. As of June 30, 2025, the District had no restricted resources.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(d) Net Position Classifications

Net position of the District can be classified into three components defined as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of notes, borrowings, and other liabilities that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted Net Position

This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Currently, the District has no restrictions on net position.

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 net position."

(e) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District's deferred outflow of resources reported on the statement of net position relate to pensions and other postemployment benefits, which are more fully discussed in Note 7 and 8, respectively.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net asset that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflow of resources reported on the statement of net position relate to leases, pensions, and other postemployment benefits, which are more fully discussed in Note 3, 7 and 8 respectively.

(f) Investments

The District has stated investments at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during the fiscal year are recognized as part of investment income.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(g) Accounts Receivable

The District extends credit to customers in the normal course of operations. Management evaluates all accounts receivable and, if it is determined that they are uncollectible, they are written off as bad debt expense. Charges totaling \$20,644 were made to bad debt expense during the year ended June 30, 2025. Management has evaluated the accounts at year-end and believes they are all collectible.

(h) Inventory

Material inventory is valued at cost using the weighted-average method under the consumption method.

(i) Capital Assets

Capital assets acquired and/or constructed are stated at historical cost. Contributed assets are recorded at acquisition value at the date of acquisition. Such costs include material, labor, engineering, supervision, payroll taxes, and employee benefits. District policy has set the capitalization threshold for reporting capital assets at \$10,000. Expenditures for routine maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets.

Estimated useful lives of the assets for financial reporting purposes are as follows:

Source of Supply	30 to 50 Years
Pumping Plant	20 Years
Mains	50 to 100 Years
Reservoirs and Tanks	50 to 75 Years
Meters and Services	20 Years
Buildings, Structures, and Improvements	10 to 40 Years
Office Furniture, Fixture and Equipment	3 to 10 Years
Machinery and Equipment	7 to 15 Years
Cars and Trucks	7 to 15 Years

(j) Property Taxes

Property taxes in California are levied in accordance with Article XIII A of the State Constitution at 1% of countywide-assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local government.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment – November 11 Second Installment - February 11
Delinquent Date:	First Installment - December 12 Second Installment - April 9

Taxes are collected by the County of Orange and are remitted to the District periodically according to the following schedule (dates and percentages may vary slightly from year to year):

November 12	7%
December 2	13%
December 16	34%
January 13	2%
March 10	5%
April 21	36%
May 19	2%
July 14	1%

(k) Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s California Public Employees’ Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD) June 30, 2023
 Measurement Date (MD) June 30, 2024
 Measurement Period (MP) July 1, 2023, to June 30, 2024

(l) Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense and information about the plan (OPEB Plan), have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

Generally accepted accounting principles require that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD) June 30, 2024
Measurement Date (MD) June 30, 2025
Measurement Period (MP) July 1, 2024, to June 30, 2025

(m) 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 affect the reported amount of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the statement of net position date and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(n) Leases

Lessor

The District is a lessor for noncancellable leases of land and a building. The District recognizes lease receivables and deferred inflow of resources in the statement of net position. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(2) Cash and Investments

Cash and Investments as of June 30, 2025, is classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$	4,300,843
Investments		11,188,973
Total cash and investments	\$	<u>15,489,816</u>

Cash and investments as of June 30, 2025, consisted of the following:

Cash on hand	\$	500
Deposits with financial institutions		1,152,768
Investments		14,336,548
Total cash and investments	\$	<u>15,489,816</u>

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

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

<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 Obligations	5 years	100%	None
United States Government Sponsored Agency Securities	5 Years	100%	None
Banker's Acceptances Notes	180 Days	40%	30%
Negotiable Certificates of Deposit	5 Years	30%	None
Certificates of Deposit	5 years	100%	None
Commercial Paper	270 Days	25%	10%
Medium-Term Corporate Notes	5 Years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Municipal Notes or Bonds	5 years	20%	\$500,000
Local Agency Investment Fund (LAIF)	N/A	100%	\$75,000,000

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(2) Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining maturity</u>		
		<u>12 months or less</u>	<u>13 to 24 months</u>	<u>25 to 60 months</u>
Negotiable Certificates of Deposits	\$ 2,381,101	1,376,958	1,004,143	-
Medium-Term Corporate Notes	3,317,915	2,577,694	487,798	252,423
State Investment Pool (LAIF)	3,933,630	3,933,630	-	-
Government Securities	963,245	-	-	963,245
Municipal Notes or Bonds	593,082	-	593,082	-
US Bank Money Market Fund	3,147,575	3,147,575	-	-
	<u>\$ 14,336,548</u>	<u>11,035,857</u>	<u>2,085,023</u>	<u>1,215,668</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum legal rating required by (where applicable) the California Government Code, the District's investment policy, and Nationally Recognized Statistical Rating Organization (Standard & Poor's or Moody's as indicated) credit ratings as of year-end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum legal rating</u>				
			<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Negotiable Certificates of Deposits (1)	\$ 2,381,101	N/A	-	-	-	2,381,101
Medium-Term Corporate Notes	3,317,915	A	-	392,588	2,925,327	-
State Investment Pool (LAIF)	3,933,630	N/A	-	-	-	3,933,630
Government Securities	963,245	A	-	963,245	-	-
Municipal Notes or Bonds	593,082	A	299,196	293,886	-	-
US Bank Money Market Fund	3,147,575	AAA	3,147,575	-	-	-
Total	<u>\$14,336,548</u>		<u>3,446,771</u>	<u>1,649,719</u>	<u>2,925,327</u>	<u>6,314,731</u>

N/A - Not Applicable

(1) Certificates of deposit are insured by the Federal Deposit Insurance Corporation.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(2) Cash and Investments (Continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2025, there were no investments in one issuer that represented 5% or more of total District's investments.

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. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2025, all of the District's deposits are insured or collateralized.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the state of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District'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

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(2) Cash and Investments (Continued)

The District has the following recurring fair value measurements as of June 30, 2025:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Certificate of Deposits	\$ -	2,381,101	-	2,381,101
Medium Term Notes	-	3,317,915	-	3,317,915
Government Securities	963,245	-	-	963,245
Municipal Bonds	-	593,082	-	593,082
Total Leveled Investments	<u>963,245</u>	<u>6,292,098</u>	<u>-</u>	<u>7,255,343</u>
LAIF*				3,933,630
US Bank Money Market Fund*				3,147,575
Total Investment Portfolio				<u>\$ 14,336,548</u>

* Not subject to fair value measurement hierarchy

(3) Lease Receivables

The District, acting as lessor, leases land and a building under long-term, noncancelable lease agreements. The leases expire at various dates through 2042 and provide for renewal options of up to twenty years. During the year ended June 30, 2025, the District recognized \$564,356 and \$9,985 in lease revenue and interest revenue, respectively, pursuant to these contracts.

At June 30, 2025, the District had \$5,457,704 in lease receivables and \$5,103,943 in deferred inflows of resources related to these contracts. Total future minimum lease payments to be received under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 443,346	116,680	560,026
2027	419,651	109,635	529,286
2028	343,583	102,901	446,484
2029	330,030	97,132	427,162
2030	349,103	91,256	440,359
2031-2035	1,672,623	359,059	2,031,682
2036-2040	1,261,728	202,258	1,463,986
2041-2045	637,640	63,207	700,847
	<u>\$ 5,457,704</u>	<u>1,142,128</u>	<u>6,599,832</u>

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(4) Capital Assets

The following is a summary of changes in capital assets at June 30, 2025:

	Balance July 1, 2024	Additions	Deletions/ Transfers	Balance June 30, 2025
Capital Assets, Not Depreciated				
Land and Land Rights	\$ 4,408,047	2,792,607	-	7,200,654
Construction in Progress	5,495,911	8,223,973	(11,012,781)	2,707,103
Total Capital Assets, Not Depreciated	<u>9,903,958</u>	<u>11,016,580</u>	<u>(11,012,781)</u>	<u>9,907,757</u>
Capital Assets, Being Depreciated				
Source of Supply Plant	10,021,659	-	-	10,021,659
Pumping Plant	7,408,101	1,210,786	(522,561)	8,096,326
Mains	40,323,031	722,047	(394,265)	40,650,813
Reservoirs and Tanks	28,828,231	4,309,364	(1,440,251)	31,697,344
Meters and Services	3,688,543	-	-	3,688,543
Buildings, Structures and Improvements	4,292,734	1,549,582	(14,667)	5,827,649
Office Furniture, Fixtures & Equipment	1,763,227	-	-	1,763,227
Machinery and Equipment	4,722,339	62,645	-	4,784,984
Cars & Trucks	2,524,539	233,296	(154,553)	2,603,282
Total Capital Assets, Being Depreciated	<u>103,572,404</u>	<u>8,087,720</u>	<u>(2,526,297)</u>	<u>109,133,827</u>
Less Accumulated Depreciation for:				
Source of Supply Plant	(7,368,922)	(212,660)	-	(7,581,582)
Pumping Plant	(5,981,196)	(182,672)	522,561	(5,641,307)
Mains	(14,724,054)	(796,319)	274,429	(15,245,944)
Reservoirs and Tanks	(15,513,524)	(611,424)	1,440,251	(14,684,697)
Meters and Services	(1,487,336)	(179,659)	-	(1,666,995)
Buildings, Structures and Improvements	(3,169,196)	(158,522)	11,147	(3,316,571)
Office Furniture, Fixtures & Equipment	(1,599,662)	(62,241)	-	(1,661,903)
Machinery and Equipment	(2,845,072)	(360,002)	-	(3,205,074)
Cars & Trucks	(1,604,086)	(218,191)	154,553	(1,667,724)
Total Accumulated Depreciation	<u>(54,293,048)</u>	<u>(2,781,690)</u>	<u>2,402,941</u>	<u>(54,671,797)</u>
Total Capital Assets, Being Depreciated, Net	<u>49,279,356</u>	<u>5,306,030</u>	<u>(123,356)</u>	<u>54,462,030</u>
Total Capital Assets, Net	<u>\$ 59,183,314</u>	<u>16,322,610</u>	<u>(11,136,137)</u>	<u>64,369,787</u>

(5) Computer Loans to Employees

In March 1999, the District started the Employee Personal Computer Purchase Plan to encourage computer literacy of full-time District employees through the purchase and use of personal computers and software. Any full-time employee in good standing who has completed the probationary period and agrees to the provisions of the plan is eligible for a maximum 24-month noninterest loan of \$2,000. The District has allocated a limit of \$50,000 for this program. Outstanding balances as of June 30, 2025 are \$1,621.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(6) Non-current Liabilities

Compensated Absences

The District's policy allows employees to earn vacation and sick leave each month at various rates depending on length of service. Sick leave can be accumulated and rolled over into the retirement plan (see Note 8). The CalPERS's system includes an estimate for this amount in its actuarial calculations.

Changes in compensated absences for the fiscal year ended June 30, 2025, were as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Amount Due Within One Year
Compensated absences	\$ <u>808,419</u>	<u>15,060</u>	<u>-</u>	<u>823,479</u>	<u>205,870</u>

Compensated absences as of June 30, 2024 was restated as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 101 Compensated Absences. See note 12 for additional information. The change in compensated absences liability is presented as a net change under GASB 101.

Changes in non-current liabilities for the fiscal year ended June 30, 2025, were as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Amount Due Within One Year
Bonds payable	\$ -	9,660,000	(70,000)	9,590,000	160,000
Unamortized premium	-	522,674	(40,384)	482,290	26,134
Total	\$ -	10,182,674	(110,384)	10,072,290	186,134

Bond Payable - Revenue Bonds Series 2024

On November 1, 2024, the District issued Laguna Beach County Water District Public Financing Authority Water Revenue Bonds, Series 2024 in the amount of \$9,660,000. The Bonds were issued to finance a portion of the design, acquisition, and construction of certain improvements to the water system of the Laguna Beach County Water District and to pay certain costs of issuing the Bonds. Interest on the Bonds are payable on May 1 and November 1 of each year. The interest payments commenced on May 1, 2025 and will continue through 2054 and bear interest ranging from 4.0% to 5.0%. The annual debt service requirements for the 2024 Revenue Bond outstanding at June 30, 2025 are as follows:

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(6) Non-current Liabilities (Continued)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 160,000	415,300	575,300
2027	170,000	407,300	577,300
2028	180,000	398,800	578,800
2029	190,000	389,800	579,800
2030	195,000	380,300	575,300
2031-2035	1,140,000	1,744,500	2,884,500
2036-2040	1,455,000	1,429,250	2,884,250
2041-2045	1,805,000	1,081,200	2,886,200
2046-2050	1,265,000	708,600	1,973,600
2051-2054	3,030,000	484,800	3,514,800
	<u>\$ 9,590,000</u>	<u>7,439,850</u>	<u>17,029,850</u>

(7) Retirement Plan

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, which is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the pension plans are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS's website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(7) Retirement Plan (Continued)

A. General Information about the Pension Plan (Continued)

The pension plan's provisions and benefits in effect for the year ended June 30, 2025, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2% @ 55	2% @ 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 - 63	52 - 67
Monthly Benefits, as a percent of Eligible Compensation	1.426% to 2.418%	1.02% to 2.5%
Required Employee Contribution Rates	7.00%	7.00%
Required Employer Contribution Rates:		
Normal Cost Rate	12.520%	7.870%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For the fiscal year ended June 30, 2025, the District made payments totaling \$1,311,059.

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2025, the District reported \$9,278,682 of liabilities for its proportionate share of the net pension liability of all plans.

The District's net pension liability for the pension plan is measured as the proportionate share of the net pension liability. The net pension liability of the pension plan is measured as of June 30, 2024, and the total pension liability for the pension plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(7) Retirement Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the plan as of the measurement date June 30, 2023 and 2024 were as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2023	0.18638%
Proportion - June 30, 2024	<u>0.19184%</u>
Change - Increase	<u><u>0.00546%</u></u>

For the fiscal year ended June 30, 2025, the District recognized pension expense of \$ 1,929,859. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 1,311,059	-
Differences Between Actual and Expected Experience	802,227	31,302
Changes in Assumptions	238,481	-
Differences between the Employer's Contributions and the Employer's Proportionate Share of Contributions	42,249	76,263
Changes in Employer's Proportion	93,646	-
Net Differences Between Projected and Actual Earnings on Plan Investments	<u>534,162</u>	<u>-</u>
Total	<u><u>\$ 3,021,824</u></u>	<u><u>107,565</u></u>

\$1,311,059 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(7) Retirement Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Fiscal Year Ending June 30,	Amount
2026	\$ 537,813
2027	1,222,052
2028	26,388
2029	(188,051)
Thereafter	-

Actuarial Assumptions

The total pension liability for the June 30, 2024 measurement period was determined by an actuarial valuation as of June 30, 2023, with updated procedures used to roll forward the total pension liability to June 30, 2024. The total pension liability was based on the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	(1)
Mortality Rate Table	(2)
Postretirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

(3) Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(7) Retirement Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Long-Term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The expected real rates of return by asset class are as follows:

<u>Investment Type</u>	<u>Assumed Asset Allocation</u>	<u>Real Return ^{1,2}</u>
Global Equity - Cap-Weighted	30.0%	4.54%
Global Equity Non-Cap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-Backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%
Total	<u>100.0%</u>	

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(7) Retirement Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability for the pension plan, calculated using the discount rate for the pension plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability (Asset)	\$ 14,398,906	\$ 9,278,682	\$ 5,063,984

Pension Plan’s Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

(8) Other Postemployment Benefits (OPEB)

A. General Information about the OPEB Plan

Plan Description and Benefits Provided

The District, through a single-employer defined benefit plan, provides postemployment health-care benefits. Specifically, the District provides health insurance for its retired employees and their dependents at time of employee retirement (if married and covered on the District’s plan at time of retirement). Medical coverage is provided for retired employees who are in an age range of 60 until the age of 65 is reached and who have served the District on a full-time basis for ten continuous years. The employee must have participated in the District’s CalPERS plan during their tenure with the District. The employee must have applied for and be receiving service retirement benefits pursuant to the terms and conditions of the District’s CalPERS plan. The District pays 100% of the plan premium for retiree coverage from the date of retirement until the date the retired employee becomes eligible to receive Medicare benefits. Coverage for a retired employee’s dependents under the health insurance plan is at the sole cost of the employee. The District’s obligation to provide benefits ceases upon death of retiree or Medicare eligibility, whichever is earlier. The District has not established a trust to fund future OPEB benefits.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

(8) Other Postemployment Benefits (OPEB) (Continued)

Employees Covered

As of June 30, 2025 measurement period, following current and former employees were covered by the benefit terms under the plan:

Inactive Employees or Beneficiaries	
Currently Receiving Benefit Payments	2
Active Employees	40
Total	42

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District and/or the District’s Board of Directors. Currently, contributions are not required from plan members. The District is currently funding this OPEB obligation on a pay-as-you-go basis due to the insignificant amount that the District is paying each year. For the fiscal year ended June 30, 2025, the District’s made payments of \$19,608 for retiree health insurance premiums and the estimated implicit subsidy was \$14,675, resulting in total benefit payments of \$34,283.

B. Total OPEB Liability

The District’s total OPEB liability was measured as of June 30, 2025 and was determined by an actuarial valuation as of June 30, 2025. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

8) Other Postemployment Benefits (OPEB) (Continued)

Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	5.20%
Inflation	2.50%
Payroll Increases	2.75% per year annum, in aggregate
Long-Term Expected Rate of Return on Investments	Not applicable, since the District has not established an irrevocable trust for pre-funding the OPEB
Healthcare Cost Trend Rates	4.00% per year
Turnover (Miscellaneous)	2021 CalPERS Turnover for Miscellaneous Employees
Mortality (Miscellaneous)	2021 CalPERS Mortality for Miscellaneous and Schools Employees
Retirement Rates (All Participants)	Hired 2012 and earlier: 2021 CalPERS 2.0%@55 Rates for Miscellaneous Employees Hired 2013 and later: 2021 CalPERS 2.0%@62 Rates for Miscellaneous Employees

The actuarial assumptions used in the June 30, 2025, actuarial valuation was based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.20%, which is the Bond Buyer 20-Bond Index as of measurement date June 30, 2025.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

8) Other Postemployment Benefits (OPEB) (Continued)

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2024	
(Measurement Date)	\$ 662,042
Changes in the Year:	
Service Cost	41,720
Interest on the Total OPEB Liability	26,193
Differences Between Actual and Expected Experience	
Changes in Assumptions	(69,718)
Changes In Benefit Terms	-
Contribution - Employer	-
Net Investment Income	-
Experience gains / losses	1,468
Benefit Payments	(34,283)
Net Changes	(34,620)
Balance at June 30, 2025	
(Measurement Date)	\$ 627,422

Change of Assumptions

The discount rate changed from 3.93% to 5.20%.

Changes of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

8) Other Postemployment Benefits (OPEB) (Continued)

C. Changes in the Total OPEB Liability (Continued)

	1% Decrease <u>(4.20%)</u>	Discount Rate <u>(5.20%)</u>	1% Increase <u>(6.20%)</u>
Total OPEB Liability	\$ 682,923	\$ 627,422	\$ 585,632

Sensitivity of the Total OPEB Liability to Changes in the Health-Care Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease <u>(3%)</u>	Current Healthcare Cost Trend Rates <u>(4%)</u>	1% Increase <u>(5%)</u>
Total OPEB Liability	\$ 554,257	\$ 627,422	\$ 707,185

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the District recognized OPEB expense of \$37,296. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Actual and Expected Experience	\$ 56,703	131,241
Changes in Assumptions	<u>4,124</u>	<u>205,556</u>
Total	<u>\$ 60,827</u>	<u>336,797</u>

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

8) Other Postemployment Benefits (OPEB) (Continued)

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ (29,844)
2027	(32,609)
2028	(32,610)
2029	(32,610)
2030	(32,610)
Thereafter	(115,687)

9) Employee-Deferred Compensation Plans

For the benefit of its employees, the District has established multiple employee-deferred compensation plans in accordance with the Internal Revenue Code Section 457. Funds may be withdrawn by participants upon either termination of employment, retirement, death or an unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. The District does not make any contributions to these plans.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors and, therefore, are excluded from these financial statements.

10) Unrestricted Net Position

Certain amounts shown as unrestricted net position have been designated per District policy and by Board of Directors (Board) action to be used for specified purposes as listed on the following page:

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

10) Unrestricted Net Position (Continued)

Board-Designated Amounts:	
Operating Reserve Fund	\$ 3,492,087
Self-Insurance/Emergency Reserve Fund	867,515
Rate Stabilization Reserve Fund	1,167,641
Employee Liabilities	606,037
Capital Replacement	-
Total Board-Designated Amounts	6,133,280
Undesignated	-
Total Unrestricted Net Position	\$ 6,133,280

11) Risk Management

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2025, the District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss – The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage of \$500,000,000. The District has a \$2,500 deductible for buildings, personal property, fixed and mobile equipment, and licensed vehicles, deductibles ranging from \$25,000 to \$50,000 based on type of equipment for boiler and machinery, a deductible of 5% of total insurance value for earthquakes and a deductible of \$100,000 for floods.

General Liability – The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage of \$55,000,000.

Auto Liability – The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage of \$55,000,000.

Public Officials’ Liability – The insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage of \$55,000,000.

Laguna Beach County Water District
Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

11) Risk Management (Continued)

Crime Bond – The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence. The District did not purchase excess insurance coverage. The District has a \$1,000 deductible.

Workers' Compensation – The Insurance Authority has pooled self-insurance up to \$2,000,000 and has purchased excess insurance coverage to the statutory limits.

Underground Storage Tank Pollution Liability – The Insurance Authority has pooled self-insurance up to \$500,000 and has purchased excess insurance coverage of \$3,000,000. The District has a \$10,000 deductible.

The District has also purchased \$175,000 of coverage for an employee dishonesty bond from a separate agency.

The District pays annual premiums for the coverages. There were no instances in the past three years when a settlement exceeded the District's coverage and there were no reductions in the District's insurance coverage in the past three years.

12) Prior Period Restatement

During the year ended June 30, 2025, the District adopted new accounting guidance by implementing the provisions of GASB 101. As a result of this implementation, additional compensated absences resulted from the addition of payroll-related taxes and benefits associated with the accrued leave. The following schedule summarizes the net effects on beginning net position as follows:

Description	
Beginning net position, as previously reported	\$ 66,060,730
Implementation of GASB 101	<u>(254,381)</u>
Beginning net position, as restated	<u>\$ 65,806,349</u>

REQUIRED SUPPLEMENTARY INFORMATION

Laguna Beach County Water District
Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability - Last Ten Years
Year Ended June 30, 2025

Fiscal Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Measurement Period Ended	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Plan's Proportion of the Net Pension Liability	0.19184%	0.18638%	0.07383%	0.07234%	0.06516%
Plan's Proportionate Share of the Net Pension Liability	\$ 9,278,682	\$ 9,319,973	\$ 8,527,998	\$ 3,912,523	\$ 7,089,882
Plan's Covered Payroll	\$ 5,290,565	\$ 4,703,197	\$ 4,385,208	\$ 3,886,589	\$ 4,226,806
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	175.38%	198.16%	194.47%	100.67%	167.74%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.55%	73.83%	74.33%	87.34%	75.34%

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

Inflation was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2021:

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

The discount rate was reduced from 7.15% to 6.90%.

From fiscal year June 30, 2021 to June 30, 2022:

Inflation was reduced from 2.50% to 2.30%.

From fiscal year June 30, 2022 to June 30, 2025:

There were no changes in assumptions.

Laguna Beach County Water District

Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability - Last Ten Years

Year Ended June 30, 2025

Fiscal Year Ended	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Measurement Period Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Plan's Proportion of the Net Pension Liability	0.06306%	0.06052%	0.05974%	0.05780%	0.05225%
Plan's Proportionate Share of the Net Pension Liability	\$ 6,462,094	\$ 5,832,256	\$ 5,924,716	\$ 5,001,411	\$ 3,586,114
Plans' Covered Payroll	\$ 4,070,499	\$ 4,015,049	\$ 3,828,081	\$ 3,633,568	\$ 3,403,024
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	158.75%	145.26%	154.77%	137.64%	105.38%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	75.26%	73.31%	74.06%	83.35%

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

Inflation was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2021:

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

The discount rate was reduced from 7.15% to 6.90%.

From fiscal year June 30, 2021 to June 30, 2022:

Inflation was reduced from 2.50% to 2.30%.

From fiscal year June 30, 2022 to June 30, 2025:

There were no changes in assumptions.

Laguna Beach County Water District

Required Supplementary Information

Schedule of Contributions to the Pension Plan - Last Ten Years

Year Ended June 30, 2025

Fiscal Year-End	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Contractually Required Contribution (Actuarially Determined)	\$ 1,311,059	\$ 1,151,508	\$ 1,062,849	\$ 952,758	\$ 833,389
Contributions in Relation to the Actuarially Determined Contributions	<u>(1,311,059)</u>	<u>(1,151,508)</u>	<u>(1,062,849)</u>	<u>(952,758)</u>	<u>(833,389)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Payroll	\$ 5,478,150	\$ 5,290,565	\$ 4,703,197	\$ 4,385,208	\$ 3,886,589
Contributions as a Percentage of Covered Payroll	23.93%	21.02%	22.60%	21.73%	21.44%
NOTES TO SCHEDULE					
Valuation Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry age				
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value				
Inflation	2.30%	2.30%	2.30%	2.50%	2.50%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	6.90% (3)	6.90% (3)	6.90% (3)	7.00% (3)	7.00% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 2% at 55 and 2% at 62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

Laguna Beach County Water District

Required Supplementary Information

Schedule of Contributions to the Pension Plan - Last Ten Years

Year Ended June 30, 2025

Fiscal Year-End	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Contractually Required Contribution (Actuarially Determined)	\$ 774,083	\$ 657,235	\$ 561,814	\$ 502,006	\$ 447,696
Contributions in Relation to the Actuarially Determined Contributions	<u>(774,083)</u>	<u>(657,235)</u>	<u>(561,814)</u>	<u>(502,006)</u>	<u>(447,696)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Payroll	\$ 4,226,806	\$ 4,070,499	\$ 4,015,049	\$ 3,828,081	\$ 3,633,568
Contributions as a Percentage of Covered Payroll	18.31%	16.15%	13.99%	13.11%	12.32%
NOTES TO SCHEDULE					
Valuation Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry age				
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value				
Inflation	2.63%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 2% at 55 and 2% at 62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

Laguna Beach County Water District

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios - Last 10 Years*

Year Ended June 30, 2025

Fiscal Year-End	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Measurement Date	June 30, 2024	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Total OPEB Liability:					
Service Cost	\$ 41,720	\$ 46,123	\$ 45,747	\$ 71,413	\$ 69,008
Interest on Total OPEB Liability	26,193	30,889	29,866	19,285	18,521
Differences Between Actual and Expected Experience	1,468	(158,955)	(2,426)	26,117	3,125
Changes of Assumptions	(69,718)	(57,593)	(7,914)	(93,145)	2,267
Benefit Payments, Including Refunds of Employee Contributions	(34,283)	(52,417)	(66,602)	(47,091)	(39,984)
Net Change in Total OPEB Liability	(34,620)	(191,953)	(1,329)	(23,421)	52,937
Total OPEB Liability - Beginning of Year	662,042	853,995	855,324	878,745	825,808
Total OPEB Liability - End of Year (a)	<u>\$ 627,422</u>	<u>\$ 662,042</u>	<u>\$ 853,995</u>	<u>\$ 855,324</u>	<u>\$ 878,745</u>
 Covered - Employee Payroll	 \$ 6,110,100	 \$ 5,889,554	 \$ 5,125,885	 \$ 4,751,972	 \$ 4,180,310
 Total OPEB Liability as Percentage of Covered-Employee Payroll	 10.27%	 11.24%	 16.66%	 18.00%	 21.02%

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2018 to June 2019:

Discount rate changed from 3.50% to 3.15%.

From fiscal year June 30, 2019 to June 2020:

Discount rate changed from 3.15% to 2.2%. Payroll increase changed from 3.00% to 2.75%.

From fiscal year June 30, 2020 to June 2021:

Discount rate changed from 2.2% to 2.16%.

From fiscal year June 30, 2021 to June 2022:

Discount rate changed from 2.16% to 3.54% and inflation changed from 2.75% to 2.50%.

From fiscal year June 30, 2022 to June 2023:

Discount rate changed from 3.54% to 3.65%.

From fiscal year June 30, 2023 to June 2024:

Discount rate changed from 3.65% to 3.93%.

From fiscal year June 30, 2024 to June 2025:

Discount rate changed from 3.93% to 5.20%.

* Fiscal year 2018 was the first year of implementation; therefore, only eight years are shown.

Laguna Beach County Water District

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios - Last 10 Years*

Year Ended June 30, 2025

Fiscal Year-End	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability:			
Service Cost	\$ 63,361	\$ 33,366	\$ 32,851
Interest on Total OPEB Liability	24,783	26,067	25,369
Differences Between Actual and Expected Experience	71,981	-	-
Changes of Assumptions	(62,353)	22,129	(6,184)
Benefit Payments, Including Refunds of Employee Contributions	<u>(38,579)</u>	<u>(52,703)</u>	<u>(55,173)</u>
Net Change in Total OPEB Liability	59,193	28,859	(3,137)
Total OPEB Liability - Beginning of Year	<u>766,615</u>	<u>737,756</u>	<u>740,893</u>
Total OPEB Liability - End of Year (a)	<u>\$ 825,808</u>	<u>\$ 766,615</u>	<u>\$ 737,756</u>
 Covered - Employee Payroll	 \$ 4,593,105	 \$ 4,319,875	 \$ 4,278,667
 Total OPEB Liability as Percentage of Covered-Employee Payroll	 17.98%	 17.75%	 17.24%

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2018 to June 2019:

Discount rate changed from 3.50% to 3.15%.

From fiscal year June 30, 2019 to June 2020:

Discount rate changed from 3.15% to 2.2%. Payroll increase changed from 3.00% to 2.75%.

From fiscal year June 30, 2020 to June 2021:

Discount rate changed from 2.2% to 2.16%.

From fiscal year June 30, 2021 to June 2022:

Discount rate changed from 2.16% to 3.54% and inflation changed from 2.75% to 2.50%.

From fiscal year June 30, 2022 to June 2023:

Discount rate changed from 3.54% to 3.65%.

From fiscal year June 30, 2023 to June 2024:

Discount rate changed from 3.65% to 3.93%.

From fiscal year June 30, 2024 to June 2025:

Discount rate changed from 3.93% to 5.20%.

* Fiscal year 2018 was the first year of implementation; therefore, only eight years are shown.