

Basic Financial Statements and Independent Auditor's Report

FOR THE FISCAL YEARS ENDED June 30, 2025 and 2024



SOCWA
South Orange County Wastewater Authority
34156 DEL OBISPO STREET, DANA POINT, CALIFORNIA 92629

South Orange County Wastewater Authority
Basic Financial Statements
For the Years Ended June 30, 2025 and 2024

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT



To the Board of Directors
of the South Orange County Wastewater Authority
Dana Point, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the South Orange County Wastewater Authority (the "Authority") as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2025 and 2024, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 ("*Government Auditing Standards*"). 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 the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Notes 2 and 17 to the financial statements, the Authority adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* during the year ended June 30, 2025. The adoption of this standard resulted in the restatement of the Authority's net position as of June 30, 2024. Our opinion is not modified with respect to this matter.

Special Items

As discussed in Note 15 to the financial statements, during the fiscal year ended June 30, 2025, the Authority completed non routine transfers related to Project Committee 10 (PC 10) and Project Committee 17 (PC 17). These transactions resulted in special items consisting of a loss on the PC 10 transfer of \$1,694,564, a net loss on the PC 17 transfer of \$17,813,850 comprised of a loss on disposal of PC 17 capital assets of \$39,313,850 and a gain on the PC 17 transfer selling price of \$21,500,000, and member agency distribution payments of \$9,000,000, for total special items of \$28,508,414, which are reported in the statement of revenues, expenses, and changes in fund net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinion. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Authority'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 Authority'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 Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of the Contributions - Pensions, the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios and the Schedule of the Contributions – Other Postemployment Benefits Liability, 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 GAAS, 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.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2025 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Authority’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority’s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 29, 2025

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Basic Financial Statements

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South Orange County Wastewater Authority
Statements of Net Position
June 30, 2025 and 2024

ASSETS	2025	2024 (Restated)
Current assets:		
Cash and investments (Note 3)	\$ 14,656,683	\$ 15,261,326
Receivables:		
Accounts	14,000	62,612
Note (Note 4)	7,166,667	-
Legal settlement (Note 11)	-	1,060,041
Due from member and contracted agencies (Note 12)	2,123,669	986,554
Interest	117,012	159,130
Total receivable, net	<u>9,421,348</u>	<u>2,268,337</u>
Prepaid items	250,557	298,706
Total current assets	<u>28,495,254</u>	<u>17,828,369</u>
Noncurrent assets:		
Restricted cash and investments withheld by the Agency (Note 3)	4,166,666	-
Receivables:		
Note (Note 4)	7,166,667	-
Capital assets:		
Nondepreciable (Note 5)	31,800,696	34,337,020
Depreciable, net (Note 5)	83,221,374	122,477,221
Intangible assets, net (Note 5)	115,111	158,377
Total noncurrent assets	<u>122,303,848</u>	<u>156,972,618</u>
Total assets	<u>150,799,102</u>	<u>174,800,987</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions (Note 8)	5,558,264	7,507,318
Other postemployment benefits (Note 7)	2,717,909	1,025,922
Total deferred outflows of resources	<u>8,276,173</u>	<u>8,533,240</u>
LIABILITIES		
Current liabilities:		
Accounts payable	2,179,150	3,098,403
Retention payable	4,719	28,523
Due to member and contracted agencies (Note 12)	2,982,982	2,354,300
Accrued payroll and related liabilities	205,728	418,503
Distribution payable to member agencies - due within one year (Note 4)	3,000,000	-
Compensated absences - due within one year (Note 6)	230,989	300,364
Lease and SBITA liability - due within one year (Note 7)	51,018	49,528
Total current liabilities	<u>8,654,586</u>	<u>6,249,621</u>
Noncurrent liabilities:		
Legal settlement payable (Note 11)	1,062,694	1,062,694
Distribution payable to member agencies - due in more than one year (Note 4)	3,000,000	-
Compensated absences - due in more than one year (Note 6)	447,732	599,662
Lease and SBITA liability - due in more than one year (Note 7)	54,804	105,822
Net other postemployment benefits liability (Note 8)	6,748,770	4,963,332
Net pension liability (Note 9)	19,599,505	19,716,589
Total noncurrent liabilities	<u>30,913,505</u>	<u>26,448,099</u>
Total liabilities	<u>39,568,091</u>	<u>32,697,720</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions (Note 9)	564,556	1,016,719
Other postemployment benefits (Note 8)	858,145	874,050
Total deferred inflows of resources	<u>1,422,701</u>	<u>1,890,769</u>
NET POSITION		
Net investment in capital assets (Note 13)	115,026,640	156,788,745
Restricted net position (Note 13)	12,500,000	-
Unrestricted (deficit)	(9,442,157)	(8,043,007)
Total net position	<u>\$ 118,084,483</u>	<u>\$ 148,745,738</u>

See accompanying Notes to the Financial Statements.

South Orange County Wastewater Authority
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2025 and 2024

	2025	2024 (Restated)
OPERATING REVENUES:		
O&M Member Agency Assessments :		
City of Laguna Beach	\$ 2,267,898	\$ 3,249,953
City of San Clemente	254,699	256,108
Emerald Bay Service District	189,219	183,442
El Toro Water District	699,381	1,032,510
Irvine Ranch Water District	150,464	178,929
Moulton Niguel Water District	7,369,295	10,045,236
South Coast Water District	4,529,385	4,599,931
Santa Margarita Water District	6,009,375	5,528,134
Total O&M Member Agency Assessments	<u>21,469,716</u>	<u>25,074,243</u>
Total Operating Revenues	<u>21,469,716</u>	<u>25,074,243</u>
OPERATING EXPENSES:		
O&M, environmental, compliance and safety	16,907,805	20,869,380
Engineering after capital transfer	87,844	242,668
Administration	2,331,706	2,152,651
Unallocated portion of pension, OPEB and accrued payroll related liabilities	3,585,730	2,568,058
Other expense	3,751,457	1,245,297
Depreciation and amortization	7,222,978	8,830,175
Total Operating Expenses	<u>33,887,520</u>	<u>35,908,229</u>
Operating (Loss)	<u>(12,417,804)</u>	<u>(10,833,986)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	691,854	561,064
Interest expense	(4,242)	(5,325)
Severance member agency billings	-	420,041
Other revenues	2,828,895	1,289,750
Total Non-Operating Revenue (Expenses)	<u>3,516,507</u>	<u>2,265,530</u>
CAPITAL CONTRIBUTIONS FROM MEMBER AGENCIES:		
Member Agency Assessments and Severances:		
City of Laguna Beach	1,112,555	1,731,979
City of San Clemente	-	22,003
Emerald Bay Service District	77,263	105,539
El Toro Water District	75,415	283,382
Irvine Ranch Water District	19,419	149,523
Moulton Niguel Water District	1,342,426	3,214,405
South Coast Water District	2,127,928	2,074,487
Santa Margarita Water District	1,993,450	2,116,640
Total Member Agency Assessments and Severances	<u>6,748,456</u>	<u>9,697,958</u>
Total Capital Contributions from Member Agencies	<u>6,748,456</u>	<u>9,697,958</u>
Change in Net Position before Special Items	<u>(2,152,841)</u>	<u>1,129,502</u>
SPECIAL ITEMS:		
Loss on PC10 Transfer (Note 15)	(1,694,564)	-
Loss on PC17 Transfer (Note 15):		
Loss on disposal of PC17 capital asset	(39,313,850)	-
PC17 transfer selling price	21,500,000	-
Member agencies distribution payments (Note 15)	(9,000,000)	-
Total special items	<u>(28,508,414)</u>	<u>-</u>
Change in Net Position	<u>(30,661,255)</u>	<u>1,129,502</u>
NET POSITION:		
Beginning of year	148,745,738	147,582,696
Change in accounting principle (GASB 101)		33,540
Beginning of year, as restated (Note 17)	148,745,738	147,616,236
End of year	<u>\$ 118,084,483</u>	<u>\$ 148,745,738</u>

See accompanying Notes to the Financial Statements.

South Orange County Wastewater Authority
Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	2025	2024 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from member agencies	\$ 20,381,213	\$ 25,848,174
Cash payments to vendors and suppliers for operations	(19,198,707)	(19,711,659)
Cash payments to employees for services	(5,648,747)	(7,258,679)
Net cash provided by (used in) operating activities	(4,466,241)	(1,122,164)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from severance member agency billings	-	420,041
Cash payments for distribution to member agency	(3,000,000)	-
Proceeds from grant revenue	2,828,895	1,289,750
Net cash provided by (used in) noncapital financing activities	(171,105)	1,709,791
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Contributions received from Member Agencies for capital use	6,748,456	9,697,958
Acquisition of capital assets	(6,395,956)	(4,797,617)
Proceed from sale of capital assets	7,166,667	-
Principal paid on leases and subscriptions	(49,528)	(48,446)
Interest paid on leases and subscriptions	(4,242)	(5,325)
Net cash provided by (used in) capital and related financing activities	7,465,397	4,846,570
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment earnings	733,972	459,524
Net cash provided by (used in) investing activities	733,972	459,524
Net change in cash and cash equivalents	3,562,023	5,893,721
CASH AND CASH EQUIVALENTS:		
Beginning of year	15,261,326	9,367,605
End of year	<u>\$ 18,823,349</u>	<u>\$ 15,261,326</u>
RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net Operating (Loss)	\$ (12,417,804)	\$ (10,833,986)
Adjustments to reconcile net operating (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,222,978	8,830,175
Changes in operating assets and liabilities:		
Accounts receivable	48,612	603,741
Due from Member Agencies	(1,137,115)	170,190
Prepaid items	48,149	28,706
Pensions related deferred outflows of resources	1,949,054	102,412
OPEB related deferred outflows of resources	(1,691,987)	(367,032)
Accounts payable	(966,861)	(58,471)
Retention payable	23,804	-
Legal settlement (net)	1,060,041	2,653
Due to Member Agencies	628,682	(489,364)
Accrued payroll liabilities	(212,775)	(247,431)
Compensated absences	(221,305)	133,923
Net OPEB liability	1,785,438	188,695
Net pension liability	(117,084)	1,423,658
Pensions related deferred inflows of resources	(452,163)	(583,594)
OPEB related deferred inflows of resources	(15,905)	(26,439)
Net cash provided by (used in) operating activities	\$ (4,466,241)	\$ (1,122,164)
NON CASH ITEM FROM INVESTING ACTIVITIES		
Capital contributions	\$ -	\$ 360,157
Loss on disposal of PC10 capital assets	(1,694,564)	-
Loss on disposal of PC17 capital assets	(39,313,850)	-
Notes receivable set up due to PC17	21,500,000	-
Distribution payables to member agencies	(9,000,000)	-
Issuance of subscription liability	-	14,486
Unrealized gain (loss) on investments	-	11,585
	<u>\$ (28,508,414)</u>	<u>\$ 386,228</u>

See accompanying Notes to the Financial Statements.

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Notes to the Basic Financial Statements

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South Orange County Wastewater Authority
Index to the Notes to the Financial Statements
For the Years Ended June 30, 2025 and 2024

The notes to the financial statements include a summary of significant accounting policies and other information considered essential to fully disclose and fairly present the transactions and financial position of the Authority, as follows:

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South Orange County Wastewater Authority
Notes to the Financial Statements
For the Years Ended June 30, 2025 and 2024

Note 1 – Reporting Entity

Effective July 1, 2001, the Aliso Water Management Agency ("AWMA"), South East Regional Reclamation Authority ("SERRA"), and South Orange County Reclamation Authority ("SOCRA") were consolidated to form the South Orange County Wastewater Authority (the "Authority"). The Authority was formed as a joint exercise of powers agreement under the laws of the State of California. The member agencies of AWMA, SERRA and SOCRA became member agencies of the Authority. Each member agency appoints one representative to the Authority's board of directors. The Authority assumed all assets, obligations, agreements and liabilities of AWMA, SERRA, and SOCRA. The accompanying financial statements present the Authority and its component units for which the Authority is considered to be financially accountable, if any. Currently, there are no such component units.

AWMA was created under a joint exercise of powers agreement dated March 1, 1972. AWMA was formed to enable its members to jointly exercise their common powers regarding the treatment and disposal of wastewater to establish a total water management program for their consolidated service areas.

SERRA was formed by a joint exercise of powers agreement on March 9, 1970. SERRA was formed to coordinate regional planning of wastewater disposal and reclamation of wastewater in the San Juan Basin.

SOCRA was created under a joint exercise of powers agreement dated September 5, 1991. SOCRA was formed to enable its members to jointly exercise their common powers regarding the acquisition and holding of a single water reclamation primary user permit for the San Juan, Aliso Valley and other watershed areas within Region 8 and 9 of the California State Water Resources Control Board.

The Authority is comprised of the following six member agencies as of June 30, 2025:

- City of Laguna Beach ("CLB")
- City of San Clemente ("CSC")
- Emerald Bay Service District ("EBSD")
- El Toro Water District ("ETWD")
- South Coast Water District ("SCWD")
- Santa Margarita Water District ("SMWD")

Effective July 1, 2023, Irvine Ranch Water District (IRWD)'s ownership capacity and ongoing financial obligations were assumed by the ETWD. IRWD is shown as a member agency for financial tracking purposes only.

Effective December 12, 2024, Moulton Niguel Water District (MNWD) withdrew from the Authority. MNWD assumed ownership of certain Regional Treatment Plant improvements and related interests pursuant to executed transfer agreements. MNWD is shown as a member agency for financial tracking purposes only.

The Authority is economically dependent upon assessments from the above member agencies.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows) report information on all of the activities of the Authority. The Authority accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The financial statements are prepared using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent), and deferred outflows and inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues are those revenues that are generated from the primary operations of the Authority. The Authority reports a measure of operations by presenting the change in net position from operations as “Net Surplus/(Deficit)” in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the Authority as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, settlement receivable allowance, and other infrequently occurring transactions of a non-operating nature. Operating revenues consists primarily of member assessments for services. Operating expenses are those expenses that are essential to the primary operations of the Authority. Operating expenses include the cost of services, administrative expenses, and depreciation and amortization expense on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. Investments are reported at fair value. Changes in fair value that occur during the fiscal year are recognized as investment income for that fiscal year.

The Authority participates in an investment pool managed by the State of California titled Local Agency Investment Fund (“LAIF”), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value, which is amortized costs, of the pool approximates the fair value of the pool shares.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 2 – Summary of Significant Accounting Policies (Continued)

Receivables, Due from Member Agencies, and Allowance for Doubtful Accounts

Accounts receivable consist of amounts owed by member agencies rendered in the regular course of business operations. All of the Authority's costs are funded by the member agencies that are served; therefore, SOCWA does not have doubtful accounts. Due from Member Agencies are actual costs that are greater than amounts invoiced based on the annual budget or Capital Projects forecast.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their estimated acquisition value on the date donated. The Authority policy has set the capitalization threshold for reporting capital assets at \$5,000, all of which must have an estimated useful life in excess of three years. The original completed joint construction project costs of all original facilities constructed or acquired by AWMA and SERRA were transferred to the Authority and are reflected in the accompanying financial statements as capital assets owned by the Authority. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	3 to 50 years
Building Improvements	3 to 25 years
Computer Hardware	3 to 10 years
Computer Software	3 to 10 years
Furniture and Fixtures	5 to 10 years
Infrastructure	3 to 50 years
Machinery and Equipment	3 to 20 years
Vehicles	3 to 10 years

Capital expenditures are recorded as construction-in-progress (CIP) and capitalized as a Capital Asset once all costs have been recorded and the asset has been placed in service. Repairs and maintenance costs are expensed.

Deferred Outflows of Resources and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable. Deferred Outflows of Resources represent a consumption of net assets that applies to future periods. Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods.

Due to Member Agencies

Due to Member Agencies represents amounts that the Authority owes to its member agencies, arising from regular business operations. These amounts reflect actual costs that are lower than the amounts invoiced based on the annual budget or Capital Projects forecast, resulting in overpayments by the member agencies. Such overpayments are treated as current liabilities, with the understanding that the Authority is accountable to settle these amounts with the respective member agencies.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 2 – Summary of Significant Accounting Policies (Continued)

Lease Assets and Liabilities

The Authority has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the financial statements. The Authority recognizes lease liabilities with an initial, individual present value of \$5,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

The right to use the lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Authority has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

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

The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Right to use the lease assets are reported as intangible assets along with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Subscription Based Information Technology Arrangements (“SBITA”) Assets and Liabilities

The Authority has a policy to recognize a SBITA liability and a right-to-use subscription asset (SBITA asset) in the financial statements with an initial, individual value of \$5,000 or more with a subscription term greater than one year. At the commencement of a subscription, when the subscription asset is placed into service, the SBITA liability is measured at the present value of payments expected to be made during the subscription term. Future subscription payments are discounted using the Authority's incremental borrowing rate and the Authority recognizes amortization of the discount on the subscription liability as interest expense in subsequent financial reporting periods.

SBITA assets are measured as the sum of the initial subscription liability, payments made to the SBITA vendor before the commencement of the lease term, and capitalizable implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 2 – Summary of Significant Accounting Policies (Continued)

Subscription Based Information Technology Arrangements (“SBITA”) Assets and Liabilities (Continued)

Key estimates and judgments related to SBITAs include how the Authority determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

The Authority uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.

The subscription term includes the period during which the Authority has a noncancelable right to use the underlying IT asset. The subscription term also includes periods covered by an option to extend if it is reasonably certain to be exercised.

Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option years that the Authority is reasonably certain to exercise. The Authority monitors changes in circumstances that would require a remeasurement of a subscription and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported along with other capital assets and subscription liabilities are reported on the statement of net position.

Compensated Absences

The liability for compensated absences is recognized as leave is earned, based on the employee’s pay rate in effect at the financial statement date, including any applicable salary-related costs. The liability includes only leave attributable to services already rendered and that is more likely than not to be paid. Sick leave is accrued only to the extent the amounts are more likely than not to be paid in accordance with the Authority’s sick leave payout provisions. Compensated absences are reported in the statement of net position as the portion due within one year and the portion due after one year.

Under GASB 101, a liability must be recognized for leave that is attributable to services already rendered, accumulates and carries forward to future periods, and is more likely than not to be used or paid. This represents a shift from previous guidance, particularly in how likelihood and eligibility are assessed.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

For the Year Ended	June 30, 2025	June 30, 2024
Valuation Date	June 30, 2023	June 30, 2022
Measurement Date	June 30, 2024	June 30, 2023
Measurement Period	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 2 – Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized using the straight-line method over five (5) years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Other Postemployment Benefits

For purposes of measuring the net other postemployment benefits (“OPEB”) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority’s Retiree Benefits Plan (“OPEB Plan”) and additions to/deductions from OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan (Note 7). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are used for OPEB reporting:

For the Year Ended	June 30, 2025	June 30, 2024
Valuation Date	January 1, 2025	January 1, 2023
Measurement Date	June 30, 2025	June 30, 2024
Measurement Period	July 1, 2024 to June 30, 2025	July 1, 2023 to June 30, 2024

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

Net Position

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of debt that are attributable to the acquisition of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis for Member Assessments

Member assessments are determined based on each member's participation in project committee costs. Costs are allocated to member agencies based on usage.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Implementation of New GASB Pronouncements

There are two new GASB pronouncements effective in Fiscal Year ended June 30, 2025:

GASB Statement No. 101 – In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Implementation of this Statement resulted in a restatement of the beginning fund balance as of July 1, 2024, as presented in Note 15.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints which may limit a government's ability to acquire resources or control spending. The Authority has evaluated its exposure to financial risk stemming from concentrations and constraints. Management has determined that no concentration exists for the fiscal year ended June 30, 2025.

Note 3 – Cash and Investments

At June 30, 2025 and 2024, the Authority's cash and investments were comprised of the following:

	June 30, 2025	June 30, 2024
Petty cash	\$ 1,600	\$ 1,600
Demand deposits	4,408,159	1,818,077
Local Agency Investments Fund	14,413,590	13,441,649
Total cash and investments	\$ 18,823,349	\$ 15,261,326

A. Demand Deposits

At June 30, 2025 and 2024, the carrying amount of demand deposits were \$4,408,159 and \$1,818,077, respectively. Bank balances at that date were \$4,463,850 and \$2,082,679, the total amount of which was fully insured and/or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below. The California Government Code requires California banks and savings and loan associations to secure the Authority's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Authority's name.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 3 – Cash and Investments (Continued)

A. Demand Deposits (Continued)

The fair value of pledged securities must equal at least 110% of the Authority's cash deposits. California law also allows institutions to secure the Authority's deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total cash deposits. The Authority may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Authority, however, has not waived the collateralization requirements.

B. Restricted Cash

As of June 30, 2025, the Authority held \$4,166,666 that is restricted for Project Committee 15 (PC 15) future capital projects in accordance with the transfer arrangement described in Note 13. These funds are restricted for specified capital purposes and are not available for general operations. As of June 30, 2024, the Authority had no restricted cash.

C. Investments

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

Authorized Investment Type	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investments In One Issuer*
U.S. Treasury Obligations	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Local Agency Investment Fund ("LAIF")	N/A	None	None
Other Joint Powers Agency Investments	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

D. Investment in Local Agency Investment Fund

The Authority is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. As of June 30, 2025 and 2024, the Authority had \$14,413,590 and \$13,441,649 invested in LAIF. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF is reported at amortized cost, which approximates fair value.

E. Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2025 and 2024, the Authority's investment portfolio consisted of \$14,413,590 and \$13,441,649 invested in the State of California Local Agency Investment Fund, which is valued at amortized cost and "uncategorized" under the fair value hierarchy.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 3 – Cash and Investments (Continued)

F. Risk Disclosures

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 its fair value will be to changes in market interest rates. In accordance with the Authority's Investment Policy, the Authority manages its exposure to interest rate risks by placing all deposits of member agency funds in passbook savings account demand deposits that are federally insured and additionally in the State of California Local Agency Investment Fund ("LAIF") for deposits up to \$75 million where investments may be made by the State Treasurer in accordance with the above guidelines. For any held funds over \$75 million, investments may be made in negotiable certificates of deposits, U.S. Treasury Notes and other JPA Investment Programs allowable under State statute.

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

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. As of June 30, 2025 and 2024, the Authority's investment portfolio consisted of \$14,413,590 and \$13,441,649 invested in the State of California Local Agency Investment Fund, which is not rated.

Disclosures Relating to Custodial Credit Risk

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 Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Note 4 – Note Receivable and Distribution Payable related to PC 17 Transfer

In connection with MNWD's withdrawal from the Authority and the related transfer of Regional Treatment Plant assets and capacity rights, the Authority entered into an Asset and Capacity Transfer Agreement dated December 9, 2024. Under this agreement, MNWD remitted a Transfer Price of \$21,500,000 to the Authority, which was used in determining the loss on disposal of assets recorded by the Authority.

As of June 30, 2025, the Authority reported a note receivable of \$14,333,334, comprised of \$7,166,667 included in current assets and \$7,166,667 included in noncurrent assets. The note receivable represents the unpaid portion of the PC 17 transfer price due from MNWD under the applicable transfer agreements. The transfer and related loss are disclosed as special item under Note 15.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 4 – Note Receivable and Distribution Payable related to PC 17 Transfer (Continued)

In connection with the PC 17 transfer proceeds, the Authority entered into a Memorandum of Understanding (MOU) among the remaining member agencies regarding the allocation of certain amounts received from MNWD. Under the MOU, the Authority is responsible for administering payments totaling \$9,000,000 to the remaining member agencies. These amounts are not part of the Transfer Price and were not included in the loss on disposal calculation.

As of June 30, 2025, the Authority reported an allocation payable comprised of \$3,000,000 included in current liabilities and \$3,000,000 included in noncurrent liabilities. An additional \$3,000,000 was paid to member agencies on January 9, 2025.

Note 5 – Capital Assets

The summary of changes in capital assets for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Additions	Deletions	Transfer	Balance June 30, 2025
Tangible capital assets, not depreciated					
Land	\$ 14,402,224	\$ -	\$ (6,589,000)	\$ -	\$ 7,813,224
Construction In Progress	19,934,796	6,386,028	-	(2,333,352)	23,987,472
Total tangible capital assets, not depreciated	<u>34,337,020</u>	<u>6,386,028</u>	<u>(6,589,000)</u>	<u>(2,333,352)</u>	<u>31,800,696</u>
Tangible capital assets, being depreciated					
Buildings	10,727,125	-	(4,780,410)	-	5,946,715
Buildings Improvements	14,717,448	-	(6,866,000)	252,570	8,104,018
Computer Hardware	2,153,848	-	(673,693)	21,826	1,501,981
Computer Software	299,703	-	(102,074)	-	197,629
Furniture and Fixtures	160,036	-	-	-	160,036
Infrastructure	179,681,709	-	(38,777,799)	1,007,549	141,911,459
Machinery and Equipment	160,619,467	-	(55,463,569)	1,051,407	106,207,305
Vehicles	1,709,587	-	(213,771)	-	1,495,816
Total tangible capital assets, being depreciated	<u>370,068,923</u>	<u>-</u>	<u>(106,877,316)</u>	<u>2,333,352</u>	<u>265,524,959</u>
Less accumulated depreciation on tangible assets					
Buildings	(8,089,842)	(133,038)	3,812,544	-	(4,410,336)
Buildings Improvements	(5,821,745)	(372,776)	3,369,403	-	(2,825,118)
Computer Hardware	(1,719,200)	(92,332)	505,455	-	(1,306,077)
Computer Software	(254,390)	(17,009)	96,413	-	(174,986)
Furniture and Fixtures	(160,036)	-	156,692	-	(3,344)
Infrastructure	(130,665,329)	(2,793,934)	28,257,889	-	(105,201,374)
Machinery and Equipment	(99,669,943)	(3,667,141)	36,057,218	-	(67,279,866)
Vehicles	(1,211,217)	(93,554)	202,287	-	(1,102,484)
Total accumulated depreciation on tangible assets	<u>(247,591,702)</u>	<u>(7,169,784)</u>	<u>72,457,901</u>	<u>-</u>	<u>(182,303,585)</u>
Total tangible capital assets, being depreciated, net	<u>122,477,221</u>	<u>(7,169,784)</u>	<u>(34,419,415)</u>	<u>2,333,352</u>	<u>83,221,374</u>
Intangible assets, being amortized:					
Right-to-use Lease Assets - Equipment	226,759	-	-	-	226,759
Right-to-use Subscription Assets - Equipment	23,511	9,928	(9,025)	-	24,414
Total lease assets	<u>250,270</u>	<u>9,928</u>	<u>(9,025)</u>	<u>-</u>	<u>251,173</u>
Less accumulated amortization					
Right-to-use Lease Assets - Equipment	(84,573)	(45,352)	-	-	(129,925)
Right-to-use Subscription Assets - Equipment	(7,320)	(7,842)	9,025	-	(6,137)
Total accumulated amortization	<u>(91,893)</u>	<u>(53,194)</u>	<u>9,025</u>	<u>-</u>	<u>(136,062)</u>
Total intangible assets, being amortized, net	<u>158,377</u>	<u>(43,266)</u>	<u>-</u>	<u>-</u>	<u>115,111</u>
Total capital assets, net	<u>\$ 156,972,618</u>	<u>\$ (827,022)</u>	<u>\$ (41,008,415)</u>	<u>\$ -</u>	<u>\$ 115,137,181</u>

Depreciation and amortization expenses for the year ended June 30, 2025 were \$7,222,978.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 5 – Capital Assets (Continued)

The summary of changes in capital assets for the year ended June 30, 2024 was as follows:

	Balance July 1, 2024	Additions	Deletions	Transfer	Balance June 30, 2024
Tangible capital assets, not depreciated					
Land	\$ 14,402,224	\$ -	\$ -	\$ -	\$ 14,402,224
Construction In Progress	18,905,336	4,797,617	-	(3,768,157)	19,934,796
Total tangible capital assets, not depreciated	33,307,560	4,797,617	-	(3,768,157)	34,337,020
Tangible capital assets, being depreciated					
Buildings	10,727,125	-	-	-	10,727,125
Buildings Improvements	14,554,338	-	-	163,110	14,717,448
Computer Hardware	2,132,394	-	-	21,454	2,153,848
Computer Software	299,703	-	-	-	299,703
Furniture and Fixtures	160,036	-	-	-	160,036
Infrastructure	178,478,552	-	-	1,203,157	179,681,709
Machinery and Equipment	158,404,560	-	-	2,214,907	160,619,467
Vehicles	1,544,058	-	-	165,529	1,709,587
Total tangible capital assets, being depreciated	366,300,766	-	-	3,768,157	370,068,923
Less accumulated depreciation on tangible assets					
Buildings	(7,917,016)	(172,826)	-	-	(8,089,842)
Buildings Improvements	(5,286,360)	(535,385)	-	-	(5,821,745)
Computer Hardware	(1,572,991)	(146,209)	-	-	(1,719,200)
Computer Software	(229,031)	(25,359)	-	-	(254,390)
Furniture and Fixtures	(160,036)	-	-	-	(160,036)
Infrastructure	(127,391,229)	(3,274,100)	-	-	(130,665,329)
Machinery and Equipment	(95,130,051)	(4,539,892)	-	-	(99,669,943)
Vehicles	(1,124,435)	(86,782)	-	-	(1,211,217)
Total accumulated depreciation on tangible assets	(238,811,149)	(8,780,553)	-	-	(247,591,702)
Total tangible capital assets, being depreciated, net	127,489,617	(8,780,553)	-	3,768,157	122,477,221
Intangible assets, being amortized:					
Right-to-use Lease Assets - Equipment	226,759	-	-	-	226,759
Right-to-use Subscription Assets - Equipment	9,025	14,486	-	-	23,511
Total lease assets	235,784	14,486	-	-	250,270
Less accumulated amortization					
Right-to-use Lease Assets - Equipment	(39,221)	(45,352)	-	-	(84,573)
Right-to-use Subscription Assets - Equipment	(3,050)	(4,270)	-	-	(7,320)
Total accumulated amortization	(42,271)	(49,622)	-	-	(91,893)
Total intangible assets, being amortized, net	193,513	(35,136)	-	-	158,377
Total capital assets, net	\$ 160,990,690	\$ (4,018,072)	\$ -	\$ -	\$ 156,972,618

Depreciation and amortization expenses for the year ended June 30, 2024 were \$8,830,175.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 6 – Compensated Absences

The summary of changes in compensated absences for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024 (As restated)		Net Changes	Balance June 30, 2025	Classification	
					Current	Long-term
Compensated absences	\$ 900,026	\$ (221,305)		\$ 678,721	\$ 230,989	\$ 447,732

The summary of changes in compensated absences for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023 (As restated)		Net Changes	Balance June 30, 2024	Classification	
					Current	Long-term
Compensated absences	\$ 803,312	\$ 96,714		\$ 900,026	\$ 300,364	\$ 599,662

Note 7 – Lease and Subscription Liability

A summary of changes in lease and subscription liability for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024			Balance June 30, 2025	Due within One Year	Due in More Than One Year
		Additions	Deletions			
Lease liability	\$ 145,814	\$ -	\$ (44,820)	\$ 100,994	\$ 46,190	\$ 54,804
Subscription liability	9,536	9,928	(14,636)	4,828	4,828	-
Total	\$ 155,350	\$ 9,928	\$ (59,456)	\$ 105,822	\$ 51,018	\$ 54,804

A summary of changes in lease liability for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023			Balance June 30, 2024	Due within One Year	Due in More Than One Year
		Additions	Deletions			
Lease liability	\$ 189,310	\$ -	\$ (43,496)	\$ 145,814	\$ 44,820	\$ 100,994
Subscription liability	-	14,486	(4,950)	9,536	4,708	4,828
Total	\$ 189,310	\$ 14,486	\$ (48,446)	\$ 155,350	\$ 49,528	\$ 105,822

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 7 – Lease and Subscription Liability (Continued)

Lease Liability

The Authority has entered into leases for building space and equipment use. The terms of the agreements range from 25 to 60 months. The calculated interest rate used was from 0.6870% to 3.4450%. At June 30, 2025 and 2024, the outstanding balance of the leases is \$100,994 and \$145,814, respectively.

Principal and interest payments to maturity as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 46,190	\$ 2,631	\$ 48,821
2027	41,018	1,234	42,252
2028	13,786	99	13,885
Total	<u>\$ 100,994</u>	<u>\$ 3,964</u>	<u>\$ 104,958</u>

Subscription Liability

The Authority has entered into subscriptions for information technology arrangements. The term of the arrangements were 36 months with implicit rate from 2.5330% to 2.8760%. At June 30, 2025 and 2024, the outstanding balance of the leases is \$4,828 and \$9,536, respectively.

Principal and interest payments to maturity as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	<u>\$ 4,828</u>	<u>\$ 122</u>	<u>\$ 4,950</u>

Note 8 – Other Postemployment Benefits (“OPEB”)

General Information about the OPEB

Plan Description and Eligibility

The Authority provides post-retirement health care benefits to employees who retire from PERS on or after age 50 with at least 5 years of service with the Authority and PERS. (Authority service for employees hired after October 5, 2007). Eligible employees must retire (commence pension payment) with CalPERS within 120 days of separation from service. Eligible retirees receive a similar contribution towards benefits as active employees. Retiree benefits are paid for the lifetime of the retiree, spouse or surviving spouse and to age 26 for dependents. The Authority's plan is a single employer plan that provides post-retirement health care benefits in accordance with the Public Employee's Medical and Hospital Care Act through the PERS health program.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)

General Information about the OPEB (Continued)

Plan Description and Eligibility (Continued)

All permanent full-time and part-time employees working at least half-time are offered a choice of medical (including prescription drug coverage) plans through the CalPERS Health Program under the Public Employees’ Medical and Hospital Care Act (PEMHCA). SOCWA currently pays an amount each year that is based on a percentage of the average of all health plans (excluding the PERS Care Plan) made available to SOCWA employees through the CalPERS Health Program. Any premium costs above this amount are paid for by the employee. Alternatively, the employee may elect a cash-in-lieu option of \$300/month but opt back into the health plan at any time before retirement during an enrollment period. SOCWA offers the same medical plans to eligible retirees except once retirees are eligible for Medicare, the retiree must join a Medicare HMO or Supplement Plan with Medicare being the primary payer. Employees hired on or after July 1, 2017 are only eligible for the PEMHCA minimum contribution (\$158 for 2025, \$157 for 2024 and \$151 for 2023) and an HSA contribution. For the purposes of GASB 75, only the PEMHCA minimum contribution will be valued for these employees. The Plan does not issue a stand-alone financial report.

Employees Covered by Benefit Terms

At the June 30, 2025 and June 30, 2024, year-end dates, the following employees were covered by the benefit terms under the OPEB Plan:

	2025	2024
Active employees	40	57
Inactive employees or beneficiaries currently receiving benefits	53	50
Inactive employees entitled to, but not yet receiving benefits	-	-
Total	93	107

Contribution

The Authority contributes on a pay-as-you-go basis and the benefits were paid outside the trust and not reimbursed.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)

Net OPEB Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The January 1, 2025 valuation was rolled forward to determine the June 30, 2025 total OPEB liability, respectively, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	5.75% at June 30, 2025 6.50% at June 30, 2024
Long-Term Expected Rate of Return on Assets	Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	2.50% annually
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Salary Increases	Aggregate - 2.75% annually Merit - CalPERS 2000-2019 Experience Study
Medical Trend	Non-Medicare - 7.35% for 2027, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) - 6.50% for 2027, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) - 5.45% for 2027, decreasing to an ultimate rate of 3.45% in 2076
PEMHCA Minimum Increases	3.50% annually
Cap Increases	95% of average premium cap - Non-Medicare healthcare trend
Healthcare Participation for Future Retirees	Hired before 1/1/2017 - 100% Hired on or after 1/1/2017 - 50%

Change of Assumptions

From the January 1, 2025 valuation date to the June 30, 2025 measurement date, the Authority had the following changes of assumptions:

- (1) The Discount rate was changed from 6.50% to 5.75%.
- (2) Updated medical and PEMHCA minimum trend.
- (3) Updated mortality to CalPERS 2000-2019 Experience Study.
- (4) Updated participation for those hired on or after January 1, 2017.
- (5) Added family coverage at retirement.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)

Net OPEB Liability (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investment is assumed to be 5.75%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.75%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan’s target asset allocation as of June 30, 2025 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	60%	4.56%
Fixed Income	35%	0.78%
Cash	5%	-0.50%
Total	<u>100%</u>	<u>6.50</u>
Assumed Long-Term Rate of Inflation		2.50%
Expected Long-Term Net Rate of Return, Rounded		5.75%

Discount Rate

The discount rate used to measure the 2025 and 2024 total OPEB liability were 5.75% and 6.50%, respectively.

Change in the Net OPEB Liability

The following table shows the changes in net OPEB liability recognized over the measurement period of July 1, 2024 to June 30, 2025.

	2025		
	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (c)=(a)-(b)</u>
Balance at June 30, 2024	\$ 12,001,605	\$ 7,038,273	\$ 4,963,332
Changes Recognized for the Measurement Period:			
Service Cost	290,703	-	290,703
Interest on the total OPEB liability	773,131	-	773,131
Changes in benefit terms	-	-	-
Difference between expected and actual experience	424,630	-	424,630
Changes in assumptions	1,805,672	-	1,805,672
Contribution from the employer	-	795,977	(795,977)
Net investment income	-	731,082	(731,082)
Benefit payments	(795,977)	(795,977)	-
Administrative expenses	-	(18,361)	18,361
Net changes during July 1, 2024 to June 30, 2025	<u>2,498,159</u>	<u>712,721</u>	<u>1,785,438</u>
Balance at June 30, 2025 (Measurement Date)	<u>\$ 14,499,764</u>	<u>\$ 7,750,994</u>	<u>\$ 6,748,770</u>

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)

Change in the Net OPEB Liability (Continued)

The following table shows the changes in net OPEB liability recognized over the measurement period of July 1, 2023 to June 30, 2024.

	2024		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)=(a)-(b)
Balance at June 30, 2023	\$ 10,993,133	\$ 6,218,496	\$ 4,774,637
Changes Recognized for the Measurement Period:			
Service Cost	256,265	-	256,265
Interest on the total OPEB liability	707,487	-	707,487
Changes in benefit terms	164	-	164
Difference between expected and actual experience	292,779	-	292,779
Changes in assumptions	493,433	-	493,433
Contribution from the employer	-	745,474	(745,474)
Net investment income	-	852,011	(852,011)
Benefit payments	(741,656)	(741,656)	-
Administrative expenses	-	(36,052)	36,052
Net changes during July 1, 2023 to June 30, 2024	1,008,472	819,777	188,695
Balance at June 30, 2024 (Measurement Date)	\$ 12,001,605	\$ 7,038,273	\$ 4,963,332

Sensitivity of the Net OPEB Liability to Changes in Discount Rate

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage- point higher (6.75 percent) than the current discount rate, for the measurement period ended June 30, 2025:

Measurement Date	Plan's Net OPEB Liability		
	Discount Rate -1% (4.75%)	Current Discount Rate (5.75%)	Discount Rate +1% (6.75%)
	June 30, 2025	\$ 8,657,707	\$ 6,748,770

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage- point higher (7.50 percent) than the current discount rate, for the measurement period ended June 30, 2024:

Measurement Date	Plan's Net OPEB Liability		
	Discount Rate -1% (5.50%)	Current Discount Rate (6.50%)	Discount Rate +1% (7.50%)
	June 30, 2024	\$ 6,441,475	\$ 4,963,332

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)

Change in the Net OPEB Liability (Continued)

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

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net 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, for the measurement periods ended June 30, 2025 and 2024:

Measurement Date	Plan's Net OPEB Liability		
	Trend -1%	Current Trend Rate	Trend +1%
June 30, 2025	\$ 5,004,867	\$ 6,748,770	\$ 8,884,619
June 30, 2024	3,620,229	4,963,332	6,617,866

OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the years ended June 30, 2025 and 2024, the Authority recognized OPEB expense in the amounts of \$873,523 and \$540,698, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 1,989,626	\$ (69,147)	\$ 592,955	\$ (656,075)
Difference between expected and actual experience	728,283	(503,858)	432,967	(80,672)
Differences between projected and actual earnings on OPEB plan investments	-	(285,140)	-	(137,303)
Total	\$ 2,717,909	\$ (858,145)	\$ 1,025,922	\$ (874,050)

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five-year period. The remaining gains and losses are amortized over the expected average remaining service life. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ending June 30	2025		2024	
	Deferred Outflows/(Inflows) of Resources			
2026	\$ 464,052	2025	\$ (95,211)	
2027	199,399	2026	120,622	
2028	229,962	2027	(144,031)	
2029	387,529	2028	(113,468)	
2030	330,267	2029	44,100	
Thereafter	248,555	Thereafter	339,860	
Total	\$ 1,859,764	Total	\$ 151,872	

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 9 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

The Authority contributes to the California Public Employees’ Retirement System (“CalPERS”), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2023 and 2022 Annual Actuarial Valuation Reports. These reports and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

Employees Covered by Benefit Terms

At June 30, 2023 and 2022 valuation dates, the following employees were covered by the benefit terms:

	2023			2022		
	Tier 1	Tier 2	PEPRA	Tier 1	Tier 2	PEPRA
Active employees	11	7	39	12	8	40
Transferred and terminated employees	10	1	12	13	1	6
Separated	11	0	11	12	0	9
Retired Employees and Beneficiaries	98	1	0	94	0	0
Total	130	9	62	131	9	55

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.

The Plans’ provisions and benefits in effect at June 30, 2025, are summarized as follows:

	2025		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.00% to 2.50%	2.0%	2.0%
Require employee contribution rates	8.00%	7.00%	7.75%
Required employer contribution rates	14.13%	12.52%	7.87%

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 9 – Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

	2024		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.00% to 2.50%	2.00%	2.00%
Require employee contribution rates	8.00%	7.00%	7.75%
Required employer contribution rates	14.06%	12.47%	7.68%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") 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 Public agency cost-sharing plans covered by the miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer 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 contribution requirements are classified as plan member contributions.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 9 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2023 and 2022 valuations were rolled forward to determine the June 30, 2024 and 2023 total pension liabilities, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumption:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

Change of Assumptions

There were no assumption changes in 2024 and 2023.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 9 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Long-Term Expected Rate of Return (Continued)

The expected real rates of return by asset class are as follows:

2024 and 2023		
Asset Class	Assumed Asset Allocation	Real Return ^{1,2}
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted Private Equity	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	<u>100.00%</u>	

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

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

Discount Rate

The discount rate used to measure the June 30, 2024 and 2023 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.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 9 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

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

The following presents the Authority's proportionate share of the net pension liability of the Plan as of the measurement dates at June 30, 2024 and 2023, calculated using the discount rates of 6.90% for both June 30, 2024 and 2023 measurement dates, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Measurement Date	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
	June 30, 2024	\$ 29,511,146	\$ 19,599,505
Plan's Aggregate Net Pension Liability/(Asset)			
	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
June 30, 2023	\$ 29,254,354	\$ 19,716,589	\$ 11,866,189

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial reports and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement periods:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2023 (Valuation Date)	\$ 70,521,737	\$ 50,805,148	\$ 19,716,589
Balance at June 30, 2024 (Measurement Date)	73,451,993	53,852,488	\$ 19,599,505
Net changes during 2023-2024	2,930,256	3,047,340	(117,084)
Balance at June 30, 2022 (Valuation Date)	\$ 66,443,205	\$ 48,150,274	\$ 18,292,931
Balance at June 30, 2023 (Measurement Date)	70,521,737	50,805,148	19,716,589
Net changes during 2022-2023	4,078,532	2,654,874	1,423,658

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement periods ended June 30, 2024 and 2023, respectively.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation dates (June 30, 2023 and 2022). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 9 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2024 and 2023). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2024 and 2023 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2023-2024 and 2022-2023).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the Authority's share of contributions during measurement period.

The Authority's proportionate share of the net pension was as follows:

<u>FY 2025</u>		<u>FY 2024</u>	
<u>Measurement Date</u>		<u>Measurement Date</u>	
June 30, 2023	0.15804%	June 30, 2022	0.15837%
June 30, 2024	0.16161%	June 30, 2023	0.15804%
Change - Increase (Decrease)	0.00357%	Change - Increase (Decrease)	-0.00033%

For the years ended June 30, 2025 and 2024, the Authority recognized pension expense in the amounts of \$3,534,784 and \$2,940,640, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 9 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the measurement date ended June 30, 2024 and 2023 are 3.8 years, which was obtained by dividing the total service years of 630,177 and 600,538 (the sum of remaining service lifetimes of the active employees) by 166,163 and 160,073 (the total number of participants: active, inactive, and retired), respectively.

At June 30, 2025 and 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution after measurement date	\$ 2,154,977	\$ -	\$ 1,998,164	\$ -
Changes of assumptions	503,748	-	1,190,379	-
Difference between expected and actual experience	1,694,557	(66,120)	1,007,230	(156,246)
Projected earnings on pension plan investments under/(in excess of) actual earnings	1,128,320	-	3,192,293	-
Adjustment due to differences in proportions				-
Change in employer's proportion	76,662	(240,791)	119,252	(320,284)
Employer's actual contributions in excess of/(under) employer's proportionate share of contribution	-	(257,645)	-	(540,189)
Total	<u>\$ 5,558,264</u>	<u>\$ (564,556)</u>	<u>\$ 7,507,318</u>	<u>\$ (1,016,719)</u>

Deferred outflows of resources related to pensions resulting from the Authority’s contributions made subsequent to the measurement date in the amount of \$2,154,977 and \$1,998,164 will be recognized as a reduction of the collective net pension liability in the years ending June 30, 2026 and 2025, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending June 30,	2025	Year Ending June 30,	2024
	Deferred Outflows/ (Inflows) of Resources Miscellaneous		Deferred Outflows/ (Inflows) of Resources Miscellaneous
2026	\$ 813,172	2025	\$ 1,164,604
2027	2,431,070	2026	827,432
2028	(18,850)	2027	2,408,800
2029	(386,661)	2028	91,599
2030	-	2029	-
Thereafter	-	Thereafter	-
Total	<u>\$ 2,838,731</u>	Total	<u>\$ 4,492,435</u>

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 10 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has joined the California Sanitation Risk Management Authority ("CSRMA"), a public entity risk pool currently operating as a common risk management and insurance program for 60-member sanitation districts. The Authority pays an annual premium to CSRMA for its general insurance coverage. The agreement for formation of the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process.

At June 30, 2025 and 2024, the Authority's participation in the insurance with California Sanitation Risk Management Authority, CSRMA, a pooled liability program, was as follows:

- Workers' Compensation – the Authority is self-insured through the CSRMA up to \$1,000,000 per occurrence with a \$0 deductible for both years ended June 30, 2025 and 2024, respectively. Excess insurance up to the statutory limits per occurrence has been purchased. Excess insurance of \$1,000,000 for employer's liability has also been purchased for both years ended June 30, 2025 and 2024.
- General Liability (including errors and omissions ("E&O") and employment practices liability ("EPL")) - the Authority is insured through the CSRMA at first layer coverage of \$500,000 (\$100,000 for EPL) with a \$25,000 deductible (\$2,500 for E&O). Excess insurance is purchased by CSRMA at two levels: \$10,000,000 and \$15,750,000 per occurrence for the year ended June 30, 2025. Excess insurance is purchased by CSRMA at \$5,000,000, part of the \$10,750,000 quota-share for the year ended June 30, 2024.

In addition to the above, the Authority has also purchased insurance coverage for property loss including auto, employees' dishonesty bonds, pollution and remediation liability and employee health and accident. The Authority is not insured against earthquake damage.

For property and pooled liability insurance, the premiums paid in the fiscal years ended June 30, 2025 and 2024 totaled \$723,051 and \$777,471, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11 – Legal Settlement Receivables and Payables

The Authority was identified as a Potentially Responsible Party related to nominally nonhazardous waste disposed at the BKK Landfill in West Covina between 1983 and 1996. The Authority accepted a de minimis settlement offer of \$1,062,694 on June 3, 2024.

As of June 30, 2024, the Authority recorded a legal settlement receivable of \$1,060,041 and a legal settlement liability of \$1,062,694 related to anticipated settlement amounts as of June 30, 2024. The legal settlement receivable was received during the year ended June 30, 2025.

As of June 30, 2025, the Authority reported a legal settlement liability of \$1,062,694, presented as a noncurrent liability, and no legal settlement receivable was outstanding. As of December 2025, the Authority is awaiting a Payment Notice from the California Department of Toxic Substances Control. Upon receipt of the Payment Notice, the Authority is required to remit \$1,062,694 within 15 days in accordance with the settlement agreement.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 12 – Due From and Due To Member and Contracted Agencies

The following represents the Due From Member and Contracted Agencies balances as of June 30, 2025 and 2024:

Due From Member and Contracted Agencies	June 30, 2025	June 30, 2024
City of Laguna Beach ("CLB")	\$ 227,047	\$ 434,695
El Toro Water District ("ETWD")	36,403	-
Emerald Bay Service District ("EBSD")	16,282	17,637
Moulton Niguel Water District ("MNWD")*	1,440,194	240,026
Santa Margarita Water District ("SMWD")	217,591	32,508
South Coast Water District ("SCWD")	186,152	261,688
Total Due From Member Agencies	\$ 2,123,669	\$ 986,554

* Contracted Agencies

The following represents the Due To Member and Contracted Agencies balances as of June 30, 2025 and 2024:

Due To Member and Contracted Agencies	June 30, 2025	June 30, 2024
City of Laguna Beach ("CLB")	\$ 89,289	\$ 157,712
City of San Clemente ("CSC")	34,485	30,940
El Toro Water District ("ETWD")	256,185	164,332
Emerald Bay Service District ("EBSD")	53,538	13,774
Irvine Ranch Water District ("IRWD")*	31,534	47,490
Moulton Niguel Water District ("MNWD")*	420,535	655,791
Santa Margarita Water District ("SMWD")	399,720	785,953
South Coast Water District ("SCWD")	1,697,696	498,308
Total Due To Member Agencies	\$ 2,982,982	\$ 2,354,300

* Contracted Agencies

Note 13 – Net Position

A. Net Investment in Capital Assets

The following is the calculation of net investment in capital assets at June 30, 2025 and 2024:

	June 30, 2025	June 30, 2024
Capital Assets, net of		
accumulated depreciation and amortization	\$ 115,137,181	\$ 156,972,618
Less: outstanding principal on capital related debt	(105,822)	(155,350)
Less: retention payable	(4,719)	(28,523)
Net investments in capital assets	<u>\$ 115,026,640</u>	<u>\$ 156,788,745</u>

B. Restricted Net Position Related PC 15 within Net Investment in Capital Asset

The Authority holds PC15 funds on behalf of the PC 15 remaining member agencies for use in future capital projects. These funds are not distributed to member agencies and may only be applied to future capital project costs with the approval of the PC 15 remaining member agencies.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 13 – Net Position (Continued)

B. Restricted Net Position Related PC 15 within Net Investment in Capital Asset (Continued)

As of June 30, 2025, the Authority held \$12,500,000 related to PC 15 for this purpose. The Authority reports these amounts as restricted cash and restricted net position because the funds are externally restricted for specified capital purposes and are not available for general operations. Because the funds had not been expended on capital assets as of June 30, 2025, they are not included in net investment in capital assets. The PC 15 allocated amounts by member agency were as follows: South Coast Water District, \$5,335,000; Emerald Bay Service District, \$373,750; and City of Laguna Beach, \$6,791,250.

Of the \$12,500,000 related to PC 15, the Authority had received the first installment and reported \$4,166,666 as restricted cash and investment held by the Agency at June 30, 2025. The remaining \$8,333,334 represents amounts contractually restricted for PC 15 purposes that had not yet been received as of June 30, 2025 and is included in restricted net position through the related receivable from Moulton Nigel Water District.

C. Unrestricted Net Position

The Authority had an unrestricted net position of \$(9,442,157) and \$(8,076,547) at June 30, 2025 and 2024. The deficit was mainly due to the reporting of the net other postemployment benefits liability and the net pension liability. The net other postemployment benefits liability were \$6,748,770 and \$4,963,332 at June 30, 2025 and 2024, respectively. The net pension liability were \$19,599,505 and \$19,716,589 at June 30, 2025 and 2024, respectively.

Note 14 – Commitments and Contingencies

A. General Lawsuits

The Authority is subject to other litigation arising in the normal course of business. In the opinion of the Authority Counsel, there is not pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

B. Commitments

The Authority had several outstanding or planned construction and other projects as of June 30, 2025 and 2024. These projects are evidenced by contractual commitments within engineering related services and the outstanding balance as of June 30, 2025 and 2024 was \$14,876,878 and \$14,262,470, respectively.

Note 15 – Special Items

During the fiscal year ended June 30, 2025, the Authority completed transfers of certain project related assets and capacity rights associated with Project Committee 10 (PC 10) and Project Committee 17 (PC 17). These transactions were non routine in nature and are presented as special items in the statement of revenues, expenses, and changes in net position.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 15 – Special Items (Continued)

A. PC 10 Transfer

On December 9, 2024, the Authority executed the PC 10 San Clemente Land Outfall asset transfer and dissolution agreement with the City of San Clemente, which provides for the transfer of the outfall and related rights and includes dissolution of PC 10 in connection with the transfer.

The Authority recognized a loss on the PC 10 transfer of \$1,694,564, which reflects the net book value of the assets removed from the Authority's accounting records.

B. PC 17 Transfer

During the fiscal year, the Authority executed the PC 17 Regional Treatment Plant Capacity Rights Transfer Agreement to transfer Regional Treatment Plant solids handling capacity rights to MNWD. In addition, on December 12, 2024, the Authority executed a bill of sale to convey certain Regional Treatment Plant improvements and other personal property to MNWD on an as is basis, with consideration as detailed in the related asset and capacity transfer agreement.

The Authority recognized a loss on the PC 17 transfer of \$17,813,850. The net book value of the transferred assets consisted of original cost of \$109,969,188, net of accumulated depreciation of \$70,655,338, resulting in a net book value of \$39,313,850. Consideration received for the transfer totaled \$21,500,000. The difference between the net book value of the assets transferred and the consideration received resulted in the loss recognized on the PC 17 transfer.

C. Member Agencies Distribution Payments

In connection with the PC 17 transfer proceeds, the Authority entered into a Memorandum of Understanding (MOU) among the remaining member agencies regarding the allocation of certain amounts received from MNWD. Under the MOU, the Authority is responsible for administering payments totaling \$9,000,000 to the remaining member agencies. These amounts are not part of the Transfer Price and were not included in the loss on disposal calculation.

Note 16 – Subsequent Event

Subsequent to fiscal year end, the Authority received \$7,166,667 from MNWD related to the PC 17 transfer on December 11, 2025. This receipt is consistent with the current note receivable reported as of June 30, 2025 disclosed under Note 4. No adjustment is needed for the June 30, 2025 financial statements as a result of this subsequent event.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 17 – Restatement of Beginning Net Position

Implementation of GASB Statement No. 101, Compensated Absences

Effective for the fiscal year ended June 30, 2025, the Authority implemented GASB Statement No. 101, *Compensated Absences*. This statement establishes accounting and financial reporting standards for compensated absences, including vacation, sick leave, and other paid time off. The implementation of GASB 101 resulted in a change in accounting principle, and prior year amounts have been restated accordingly.

Under GASB 101, a liability must be recognized for leave that is attributable to services already rendered, accumulates and carries forward to future periods, and is more likely than not to be used or paid. This represents a shift from previous guidance, particularly in how likelihood and eligibility are assessed.

The effect of the restatement is as shown below:

	June 30, 2025	June 30, 2024
Beginning of year	\$ 148,745,738	\$ 147,582,696
Change in accounting principal:		
GASB 101 - Compensated Absences	-	33,540
Beginning net position, as restated	\$ 148,745,738	\$ 147,616,236

Required Supplementary Information (Unaudited)

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios
For the Years Ended June 30, 2025 and 2024

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

For the measurement date:	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Authority's proportion of the net pension liability/(asset)	0.13190%	0.13350%	0.13522%	0.13684%	0.14015%
Authority's proportionate share of the net pension liability/(asset)	\$ 9,054,535	\$ 11,549,944	\$ 13,410,437	\$ 13,186,316	\$ 14,361,551
Authority's covered payroll	\$ 5,452,666	\$ 5,616,113	\$ 5,784,596	\$ 6,083,399	\$ 6,331,043
Authority's proportionate share of the net pension liability/(asset) as a percentage of covered payroll	166.06%	205.66%	231.83%	216.76%	226.84%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	78.43%	74.15%	73.31%	74.75%	74.10%

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios (Continued)
For the Years Ended June 30, 2025 and 2024

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan (Continued)

For the measurement date:	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>
Authority's proportion of the net pension liability/(asset)	0.14271%	0.17117%	0.15837%	0.15804%	0.16161%
Authority's proportionate share of the net pension liability/(asset)	\$ 15,527,683	\$ 9,257,418	\$ 18,292,931	\$ 19,716,589	\$ 19,599,505
Authority's covered payroll	\$ 6,456,681	\$ 6,607,567	\$ 6,633,831	\$ 6,850,169	\$ 7,405,023
Authority's proportionate share of the net pension liability/(asset) as a percentage of covered payroll	240.49%	140.10%	275.75%	287.83%	264.68%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	73.69%	85.11%	72.47%	76.21%	78.08%

**South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Contributions - Pensions
For the Years Ended June 30, 2025 and 2024**

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Risk Management	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Actuarially determined contribution ¹	\$ 495,877	\$ 521,940	\$ 1,094,606	\$ 1,297,346	\$ 1,441,008
Contribution in relation to the actuarially determined contribution ¹	<u>(1,121,220)</u>	<u>(1,019,645)</u>	<u>(1,094,606)</u>	<u>(1,297,346)</u>	<u>(1,441,008)</u>
Contribution deficiency/(excess)	<u>\$ (625,343)</u>	<u>\$ (497,705)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll ²	<u>\$ 5,616,113</u>	<u>\$ 5,784,596</u>	<u>\$ 6,083,399</u>	<u>\$ 6,456,681</u>	<u>\$ 6,456,681</u>
Contributions as a percentage of covered payroll	<u>19.96%</u>	<u>17.63%</u>	<u>17.99%</u>	<u>20.09%</u>	<u>22.32%</u>

¹ Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

² Includes one year's payroll growth using 2.80% payroll growth assumption for fiscal year ended June 30, 2022 through 2024; 2.75% payroll growth assumption for fiscal years ended June 30, 2018-21; 3.00% payroll growth assumption for fiscal years ended June 30, 2014-17.

Notes to Schedule

Change in Benefit Terms: There were no changes to benefit terms.

Changes of Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. 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. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

**South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Contributions - Pensions (Continued)
For the Years Ended June 30, 2025 and 2024**

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan (Continued)

Risk Management	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-2025</u>
Actuarially determined contribution ¹	\$ 1,620,095	\$ 1,783,637	\$ 1,942,569	\$ 1,981,169	\$ 2,154,977
Contribution in relation to the actuarially determined contribution ¹	<u>(1,620,095)</u>	<u>(1,783,637)</u>	<u>(1,942,569)</u>	<u>(1,998,164)</u>	<u>\$ (2,154,977)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,995</u>	<u>\$ -</u>
Authority's covered payroll ²	<u>\$ 6,607,567</u>	<u>\$ 6,633,831</u>	<u>\$ 6,850,169</u>	<u>\$ 7,405,023</u>	<u>\$ 7,612,364</u>
Contributions as a percentage of covered payroll	<u>24.52%</u>	<u>26.89%</u>	<u>28.36%</u>	<u>26.98%</u>	<u>28.31%</u>

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Years Ended June 30, 2025 and 2024

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Measurement period	<u>2017-2018¹</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Total OPEB Liability:					
Service Cost	\$ 256,866	\$ 274,847	\$ 231,479	\$ 264,352	\$ 226,409
Interest	677,737	713,467	692,192	710,590	695,353
Changes of benefit terms	-	(42,119)	-	-	-
Differences between expected and actual experience	-	(822,505)	-	(840,089)	(377,647)
Changes of assumptions	-	109,406	607,338	297,733	-
Contribution from the employer ²	-	-	-	-	-
Benefit payments, including refunds of member contributions	(354,582)	(529,726)	(457,597)	(592,075)	(667,236)
Net change in Total OPEB Liability	580,021	(296,630)	1,073,412	(159,489)	(123,121)
Beginning of Year	9,602,387	10,182,408	9,885,778	10,959,190	10,799,701
End of Year	<u>\$ 10,182,408</u>	<u>\$ 9,885,778</u>	<u>\$ 10,959,190</u>	<u>\$ 10,799,701</u>	<u>\$ 10,676,580</u>
Plan Fiduciary Net Position:					
Employer contribution	\$ 585,582	\$ 529,726	\$ 457,597	\$ 592,075	\$ 667,236
Employee contributions	-	-	-	-	-
Contributions - nonemployer contributing member	-	-	-	-	-
Net investment income	348,619	341,412	163,035	1,420,672	(891,743)
Benefit payments	(354,582)	(529,726)	(457,597)	(592,075)	(667,236)
Administrative expenses	(26,133)	(27,005)	(30,213)	(34,089)	(37,506)
Net changes in Fiduciary Net Position	553,486	314,407	132,822	1,386,583	(929,249)
Beginning of Year	4,269,924	4,823,410	5,137,817	5,270,639	6,657,222
End of Year	<u>\$ 4,823,410</u>	<u>\$ 5,137,817</u>	<u>\$ 5,270,639</u>	<u>\$ 6,657,222</u>	<u>\$ 5,727,973</u>
Net OPEB Liability	<u>\$ 5,358,998</u>	<u>\$ 4,747,961</u>	<u>\$ 5,688,551</u>	<u>\$ 4,142,479</u>	<u>\$ 4,948,607</u>
Fiduciary Net Position as a percentage of Total OPEB Liability	47.37%	51.97%	48.09%	61.64%	53.65%
Covered Payroll²	\$ 6,083,399	\$ 6,456,681	\$ 6,456,681	\$ 6,607,567	\$ 6,812,966
Net OPEB Liability as a percentage of Covered Payroll	88.09%	73.54%	88.10%	62.69%	72.64%

¹Historical information is presented only for measurement periods when GASB 75 was implemented for measurement period 2017-18. Additional years' information will be displayed as it becomes available.

²The contribution are not based on a measure of pay.

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios (Continued)
For the Years Ended June 30, 2025 and 2024

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB") (Continued)

Measurement period	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
Total OPEB Liability:			
Service Cost	\$ 226,817	\$ 256,265	\$ 290,703
Interest	685,995	707,487	773,131
Changes of benefit terms	-	164	-
Differences between expected and actual experience	217,884	292,779	424,630
Changes of assumptions	(103,722)	493,433	1,805,672
Contribution from the employer ²	-	-	-
Benefit payments, including refunds of member contributions	(710,421)	(741,656)	(795,977)
Net change in Total OPEB Liability	<u>316,553</u>	<u>1,008,472</u>	<u>2,498,159</u>
Beginning of Year	<u>10,676,580</u>	<u>10,993,133</u>	<u>12,001,605</u>
End of Year	<u><u>\$ 10,993,133</u></u>	<u><u>\$ 12,001,605</u></u>	<u><u>\$ 14,499,764</u></u>
Plan Fiduciary Net Position:			
Employer contribution	\$ 710,421	\$ 745,474	\$ 795,977
Employee contributions	-	-	-
Contributions - nonemployer contributing member	-	-	-
Net investment income	524,077	852,011	731,082
Benefit payments	(710,421)	(741,656)	(795,977)
Administrative expenses	(33,554)	(36,052)	(18,361)
Net changes in Fiduciary Net Position	<u>490,523</u>	<u>819,777</u>	<u>712,721</u>
Beginning of Year	<u>5,727,973</u>	<u>6,218,496</u>	<u>7,038,273</u>
End of Year	<u><u>\$ 6,218,496</u></u>	<u><u>\$ 7,038,273</u></u>	<u><u>\$ 7,750,994</u></u>
Net OPEB Liability	<u><u>\$ 4,774,637</u></u>	<u><u>\$ 4,963,332</u></u>	<u><u>\$ 6,748,770</u></u>
Fiduciary Net Position as a percentage of Total OPEB Liability	56.57%	58.64%	53.46%
Covered Payroll²	\$ 6,850,169	\$ 7,307,632	\$ 6,603,902
Net OPEB Liability as a percentage of Covered Payroll	69.70%	67.92%	102.19%

1Historical information is presented only for measurement periods when GASB 75 was implemented for measurement period 2017-18. Additional years' information will be displayed as it becomes available.

²The contribution are not based on a measure of pay.

**South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of Contributions - OPEB
For the Years Ended June 30, 2025 and 2024**

Last Ten Fiscal Years¹

Other Postemployment Benefits ("OPEB")

Fiscal year end	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Actuarially Determined					
Employer Contribution ²	\$ 585,582	\$ 613,218	\$ 631,614	\$ 595,227	\$ 611,596
Contributions in relation to the actuarially determined contribution	<u>(585,582)</u>	<u>(529,726)</u>	<u>(457,597)</u>	<u>(592,075)</u>	<u>(667,236)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 83,492</u>	<u>\$ 174,017</u>	<u>\$ 3,152</u>	<u>\$ (55,640)</u>
Covered Employee Payroll	6,083,399	6,456,681	6,456,681	6,607,567	6,812,966
Contributions as a percentage of covered payroll ²	9.63%	8.20%	7.09%	8.96%	9.79%

¹ Historical information is presented only for measurement periods when GASB 75 was implemented for measurement period 2017-18. Additional years' information will be displayed as it becomes available.

²The contribution are not based on a measure of pay.

Notes to Schedule

Valuation date January 1, 2023

Methods and assumptions used to determine contribution rates:

Amortization Method: Level % of pay

Actuarial Cost Method: Entry age normal level % of salary method

Amortization Method: Level % of pay

Amortization Period: 15-year fixed period for 2024/25

Asset Valuation Method: Market value of assets

Discount Rate: 6.50%

Medical Trend: Non-Medicare - 8.00% for 2025, decreasing to an ultimate rate of 4.50% in 2039
Medicare - 6.50% for 2025, decreasing to an ultimate rate of 4.50% in 2033

**South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Contributions - OPEB (Continued)
For the Years Ended June 30, 2025 and 2024**

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB") (Continued)

Fiscal year end	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
Actuarially Determined			
Employer Contribution ²	\$ 648,238	\$ 681,796	\$ 755,739
Contributions in relation to the actuarially determined contribution	<u>(710,421)</u>	<u>(745,474)</u>	<u>(795,977)</u>
Contribution deficiency (excess)	<u>\$ (62,183)</u>	<u>\$ (63,678)</u>	<u>\$ (40,238)</u>
Covered Employee Payroll	6,850,169	7,307,632	6,603,901
Contributions as a percentage of covered payroll ²	10.37%	10.20%	12.05%

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