ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2025

With report on audit by Independent Certified Public Accountants

Prepared by:

South Coast Water District Finance Department

SOUTH COAST WATER DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT
WITH REPORT ON AUDIT BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

YEAR ENDED JUNE 30, 2025

PREPARED BY FINANCE DEPARTMENT

SOUTH COAST WATER DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2025

SOUTH COAST WATER DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2025

SOUTH COAST
WATER DISTRICT
Partnering With The Community

March 24, 2026

Members of the Board of Directors and Residents of
South Coast Water District

Introduction

The Annual Comprehensive Financial Report (ACFR) of the South Coast Water District (District) for the fiscal year ended June 30, 2025, is hereby submitted. This report was prepared pursuant to the guidelines set forth by the Governmental Accounting Standards Board (GASB).

District staff prepared this financial report in conjunction with an unmodified opinion issued by the independent audit firm CliftonLarsonAllen LLP. The independent auditor's report is at the front of this document's Financial Section. The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes responsibility for the completeness and reliability of information presented in this report. To provide a reasonable basis for making these representations, the District has established a comprehensive internal control framework that is designed to protect assets from loss, theft, or misuse, and to compile sufficient, reliable information for preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal control should not outweigh its benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. Management asserts that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to South Coast Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2024. This is the seventh consecutive year that the District has achieved this prestigious award. To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

District Structure and Leadership

The District is an independent special district, which operates under the authority of Division 12, Section 30000 *et seq.* of the California Water Code. The District provides water and sewer services to the City of Dana Point and portions of the cities of Laguna Beach, San Juan Capistrano, and San Clemente. The District was established in 1932

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and subsequent consolidations have increased the original service area. Since March 2000, the District has also been the designated operator of the former Tri-Cities Municipal Water District, now known as the Joint Regional Water Supply System (JRWSS), on behalf of six (6) member agencies and three (3) large customers.

A five-member Board of Directors is elected from each division within the District's service area for staggered four-year terms. The General Manager administers day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District budgets full-time-equivalent staff of 98.5 employees, including 8 assigned to JRWSS. Full-time-equivalent staff comprise both full-time and part-time employees. The Board of Directors meet on the second and fourth Thursdays of each month. Meetings are publicly noticed, and citizens are encouraged to attend. The meetings can also be viewed in real-time or on demand via the District's website, www.scwd.org/Board.

The District provides water, wastewater collection, or a combination of both services to residents and businesses within its service area, which includes approximately 5,300 acres of land comprising 8.8 square miles. The District serves a population of approximately 40,000 and currently provides water service through approximately 13,860 residential, commercial, and irrigation connections and 19,379 sewer connections.

<u>District Services</u>

Residential customers make up approximately 90% of the District's customer base for water services and consume approximately 63% of the water provided annually by the District. The District obtained approximately 71.6% (total imported is 76.6%) of its overall water supply from the Metropolitan Water District of Southern California (MWD) through the Municipal Water District of Orange County (MWDOC), 5% from SMWD (to serve the acquired customers who were previously San Juan Capistrano customers), 9.2% from treated brackish groundwater, and 14.2% from recycled water for large landscape irrigation. During Fiscal Year (FY) 2025, the District provided approximately 6,090 acre-feet (AF) of water to its customers.

Residential customers make up approximately 97% of the District's customer base for wastewater collection services. Wastewater treatment services are provided for the region by the South Orange County Wastewater Authority (SOCWA), a joint powers authority, of which the District is a member agency.

<u>Economic Condition and Outlook</u>

The County of Orange has had a consistently strong economic base over time. The unemployment rate was 4.1% in November 2024 and November 2025. Median household income for the City of Dana Point in 2024 was $141,520 compared to $99,122 for California and $116,289 for Orange County. The median property value for owner-occupied housing units in the City of Dana Point in 2024 was $1.3 million compared to $962,600 in Orange County and $734,700 in California.

Tourism is a major part of the District's service area economy due to the area's harbor, beaches, golf courses, resorts, hotels, and visitor-oriented commercial and retail establishments. Property values are high with limited availability of space. The majority of the District's service area is built out, however, there are areas that are experiencing redevelopment of single-family residences, condominiums, townhomes, and commercial areas that have resulted in minor fluctuations in fluctuations in water and sewer connections in FY 2025. The economic outlook for the area is positive in the long term based on the above-mentioned activities.

Water Supply

In 2023, the District approved rates for the period from July 1, 2023 through June 30, 2026, which were adjusted to allocate fixed charges across all service classes, cover all fixed costs, stabilize revenue, maintain ongoing operational and infrastructure needs, and protect customers from rate volatility. This resulted in roughly 60% fixed rates compared to 40% volumetric rates. The District and MWDOC implement aggressive water conservation programs year-round and drought response measures during dry times. As a result, a permanent water conservation ethic has taken place in the District's service area and water usage has not rebounded to pre-drought levels. District staff forecasts that the service area water demands will remain at these levels over the long-term, partially due to ongoing State Water Conservation mandates.

The District imports the majority of its potable water from MWD through MWDOC. The District purchased 4,976 acre feet (AF) of potable water from MWDOC in FY 2025, an increase of 501 AF from the prior fiscal year. The District also highly treats brackish groundwater for potable use at the Groundwater Recovery Facility (GRF). The GRF produced 599 AF of potable water in FY 2025, an increase of 45 AF from the prior fiscal year.

The District continues to work toward the construction of a 5 million gallons per day (MGD) ocean water desalination plant on District-owned property near Doheny State Beach in Dana Point to provide a local source of drought-proof water and reduce dependency on imported water sources. Of the 5 MGD, the District is projected to use up to 3 MGD and project participants will use the remaining capacity. The District has entered into cost-share agreements with two agencies who participate in Phase 1 of the project – Eastern Municipal Water District and Laguna Beach County Water District. To-date, the District has been approved for a total of $40 million in grants for the purpose of building the desalination plant (i.e., $10 million from the State of California and $30 million from the Federal Government). The Federal Government also awarded a Water Infrastructure Finance and Innovation Act (WIFIA) low interest loan to fund up to 49% of the project. The District continues to work with the State to acquire a drinking water State Revolving Fund (SRF) loan to fund the remainder of eligible costs. The District has achieved all significant permits, including the State Water Board NPDES permit in March 2022, California Coastal Commission (CCC) Coastal Development Permit (CDP) in October 2022, and the State Lands Commission General Land Lease in December 2022.

The project delivery mehod is progressive design-build-operate-maintain (PDBOM). In December 2024, a contract Notice-to-Proceed was issued to a PDBOM team composed of Hazen, J.R. Filanc, and Acciona (Filanc-Acciona Joint Venture). The project is scheduled to be completed and operational in FY 2030.

Mission/Vision Statements and Major Initiatives

Activities of the Board and staff of the District are driven by its Mission Statement: "We are entrusted by our community to provide water resources essential for sustaining life," and its Vision Statement: "Recognized as a premier water district unsurpassed in customer service, reliability, environmental stewardship, and organizational excellence." The Mission and Vision Statements dictate the following five core values of the District:

1. Accountability – We are answerable for our behavior, actions, decisions, and producing excellence in all we do.
2. Customer Service – We will demonstrate outstanding customer service through dedication, respect, courteous communication, and timely response.

3. Integrity – We commit to the highest standards of ethics, professionalism, and character in working with each other and the public.

4. Leadership – We inspire and guide individuals to work together to achieve our goals, attain excellence in our craft, and push the boundaries of innovation.

5. Teamwork – We work together collaboratively – where planning, decisions, and actions are accomplished more effectively as a group than individually.

Major Accomplishments and Future Projects

During FY 2025, the District completed the following projects:

- Tunnel Stabilization & Sewer Pipeline Replacement
- AMI Customer Meter Replacement Project
- Reservoir 5B Rehabilitation
- Los Monteros Drive Recycled Watermain Replacement
- Niguel Shores Water Service Replacements
- Reservoir 2B Replacement
- JRWSS Crown Valley Parkway Transmission Main Relocation

The Tunnel project won numerous awards including Engineering Achievement from the California Water Environment Association (CWEA), Outstanding Capital Project from the California Association of Sanitation Agencies (CASA), Project Achievement from the Construction Management Association of America (CMAA), and California's Excellence Award from the American Council of Engineering Companies (ACEC).

Major capital improvement projects in progress during FY 2025 included the following:

- West Street Office Building Improvement Project
- Lift Station 2 Replacement & Rehabilitation Project
- Dana Point Harbor Sewer Replacements Project
- SOCWA PC-17 & PC-15 Projects
- Doheny Ocean Desalination Studies, Planning & 60-percent Design

District priorities for FY 2026 are noted below:

1. STRATEGIC PLAN: Finalize the District's Long-term Strategic Plan, including re-alignment with the District's Key Performance Indicators, Continuous Improvement Plans, and the American Water Works Association (AWWA) Effective Utility Management handbook. Assure that the plan aligns with the District's commitment to reliable and safe water service, environmental stewardship, and proactive community engagement, positioning the District for sustainable success in the long term.

2. COMMUNITY SUSTAINABILITY OPPORTUNITIES: Continue to monitor and participate in external stakeholder discussions as they relate to South Coast Water District. Actively engage various stakeholder discussions related to future structure and agreements that result in the best possible outcome for District ratepayers. Identify an approach that would be most appropriate for low income and limited English proficiency District customers. Continue with the planning and implementation of alternative water supplies, including the Baker project water and the coastal supply line. Engage in needed discussions to provide a water supply for emergency purposes.

3. DOHENY OCEAN DESALINATION PROJECT: Complete the first phase of the Doheny Ocean Desalination Project Progressive Design-Build-Operate-Maintain contract, which includes the 60% design and Guaranteed Maximum Price (GMP). Key items include securing partners, completing and submitting the financing package, development of the water purchase agreement with our partners, and applying for additional Federal grant funding.

4. CONSOLIDATED OPERATIONS HQ & WEST STREET FACILITIES PLAN: To ensure industry standards are achieved in efficient and effective utility management. Complete the San Juan Creek property Master Plan and complete a complete conceptual level cost estimate for a Consolidated Operations Facility. Additionally, the District will continue to rehabilitate existing District-staffed facilities and the addition of personnel office space to support employee health, safety, and functionality.

5. FINANCIAL STUDIES & POLICIES: Ensure continued financial viability of the District by completing a Rate Study and implementing a budget-based rate structure starting July 1, 2027. Implement findings from the Financial Assessment Study, including high priority financial policies and procedures.

6. PROFESSIONAL DEVELOPMENT: Assure continued organizational excellence by actively encouraging all staff to participate in the Professional Development Series (PDS), Quarterly All-Hands Meetings, cross-training, and Quarterly Lunch & Learn Meetings. Redevelop and launch the Leadership Focus, encourage employee development and training, and assure that all industry certifications are active and up to date.

7. SUCCESSION PLAN: Assure long-term organizational continuity by planning and implementing a District-wide succession plan for all positions.

8. TECHNOLOGY UPGRADE IMPLEMENTATION: Enhance key technology initiatives by developing key foundational plans: 1) Review of Business Enterprise Technology systems that support various District-wide initiatives. 2) With the hiring of an Asset Management Program Manager, establish an Enterprise Asset Management System (EAM) and select an EAM software vendor.

8. SECURITY, SYSTEMS, EMERGENCY RESPONSE & COMPLIANCE: Prioritize enterprise resiliency and other security vulnerabilities including emergency response by identifying, prioritizing, and implementing areas of concern based on periodic regulatory agencies' recommendations. Update the Cyber-Security Response Plan, Security Plan, and

Emergency Action Plan. Improve fire response preparedness and invest in infrastructure hardening measures to mitigate risks from wildfires and other natural or man-made threats.

FY 2026 estimated revenues for the Water Fund are $38.2 million and budgeted expenditures are $32.2 million. FY 2026 estimated revenues for the Wastewater Fund are $34.8 million and budgeted expenditures are $28.1 million. Capital projects for FY 2026 are budgeted at $42 million ($24 million Water Fund and $18 million Wastewater Fund) and funded by revenues exceeding expenses, undesignated equity, and debt issuance. Major FY 2026 projects include the following:

- Lift Station 2 Rehabilitation and Replacement ($9 million)
- Mission Hospital Pipeline Improvements ($2.5 million)
- Camel Point Drive Waterline and Pavement Replacement Project
- Doheny Ocean Desalination Project 60-percent Design ($6 million)
- Laguna Cliffs Marriott Fire Flow Improvements Project ($2 million)
- SOCWA Large Capital Projects ($4.8 million)
- PCH PRV Upgrades Project ($2 million)
- JRWSS Pipeline Replacement & Slope Repair at Calle Vista Torito
- Dana Point Harbor Sewer Replacements /Relocations ($1.5 million)

Water and Sewer Rates

The District conducted a water and sewer rate study during FY 2023 utilizing the Proposition 218 process. New rates were adopted through a public hearing on June 22, 2023, effective for FY 2024 through FY 2026. The goals of the new rates were to cover fixed costs to keep the District financially stable while maintaining high-quality service, fairly allocating fixed charges across all services classes, and protect against rate volatility. The current rate structure yields approximately 60% of the District's revenues from fixed charges and 40% from commodity sales.

Three components comprise water charges:

- Variable – the price per unit of water.
- Fixed – based on meter size. This charge reflects the costs to recover expenses that exist without the sale of water, such as repairs, maintenance, and rehabilitation of distribution systems.
- Peak Demand – based on a customer's second highest usage month in the previous year. This charge reflects costs incurred to provide, transport, treat, and store water to be able to provide service for all peak demand times throughout the year.

Sewer rates consist of:

- Variable Block – for single family residences, based on calculated winter usage
- Variable Rate – for multi-family residences, based on water usage
- Fixed – for multi-family residences, based on the number of dwelling units
- Low/Medium/High Strength – for commercial customers based on water usage and type of use, such as office, mixed use, and restaurants

During FY 2025, the average monthly water and sewer bill for residential customers using 10 hundred cubic-feet (CCF) including fixed charges was $94.67 (water) and $94 (sewer). The average monthly bill for commercial customers using 66 CCF was $488.60 (water) and $703.56 (sewer). The fixed charges include the Peak Demand charge. The average monthly Peak Demand charge was $26.73 for residential customers and $176.39 for commercial customers.

Internal Control Structure

District management is responsible for the establishment and maintenance of an internal control structure that ensures that assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District Board of Directors adopts an Operating and Capital Budget every fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and financial statement presentation.

Investment Policy

The Board has adopted an Investment Policy that conforms to state law, prudent money management, and the "prudent person" standards. The objectives of the policy are safety, liquidity, and then yield. Currently, funds are invested in various securities as authorized by the policy and are managed by Chandler Asset Management.

Audit and Financial Reporting

State law and bond covenants require the District to obtain annual audits of its financial statements by an independent certified public accountant. The accounting firm of Clifton Larson Allen LLP has conducted an audit of the District's financial statements. Their unmodified (clean) Independent Auditor's Report appears in the Financial Section.

Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Acknowledgements

The Government Finance Officers Association of the Unted States and Canada (GFOA) awarded South Coast Water District a Certificate of Achievement for excellence in Financial Reporting for its Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 0224. This marks the seventh consecutive year the District has earned this recognition. To receive the award, a government Agency must prepare and publish a report that is clearly written, well organized and meets the highest stands of generally accepted principles and all applicable legal requirements.

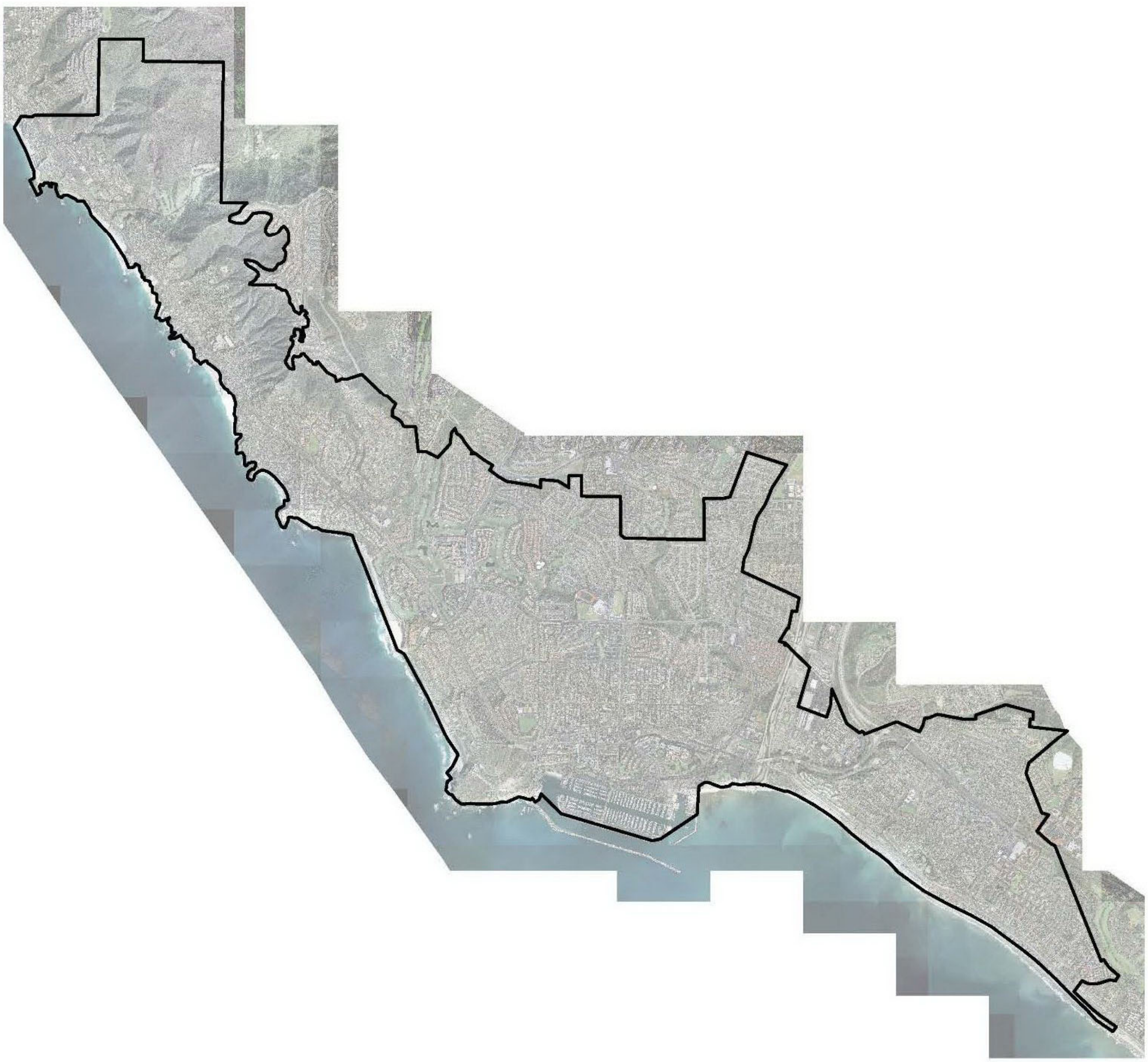
This report reflects the dedication and year-round efforts of the Finance Department and staff across all divisions, working closely with the District's independent auditors. We are grateful to the Board of Directors for their leadership and continues commitment to responsible financial management transparency and stewardship of ratepayer funds.

Respectfully submitted,

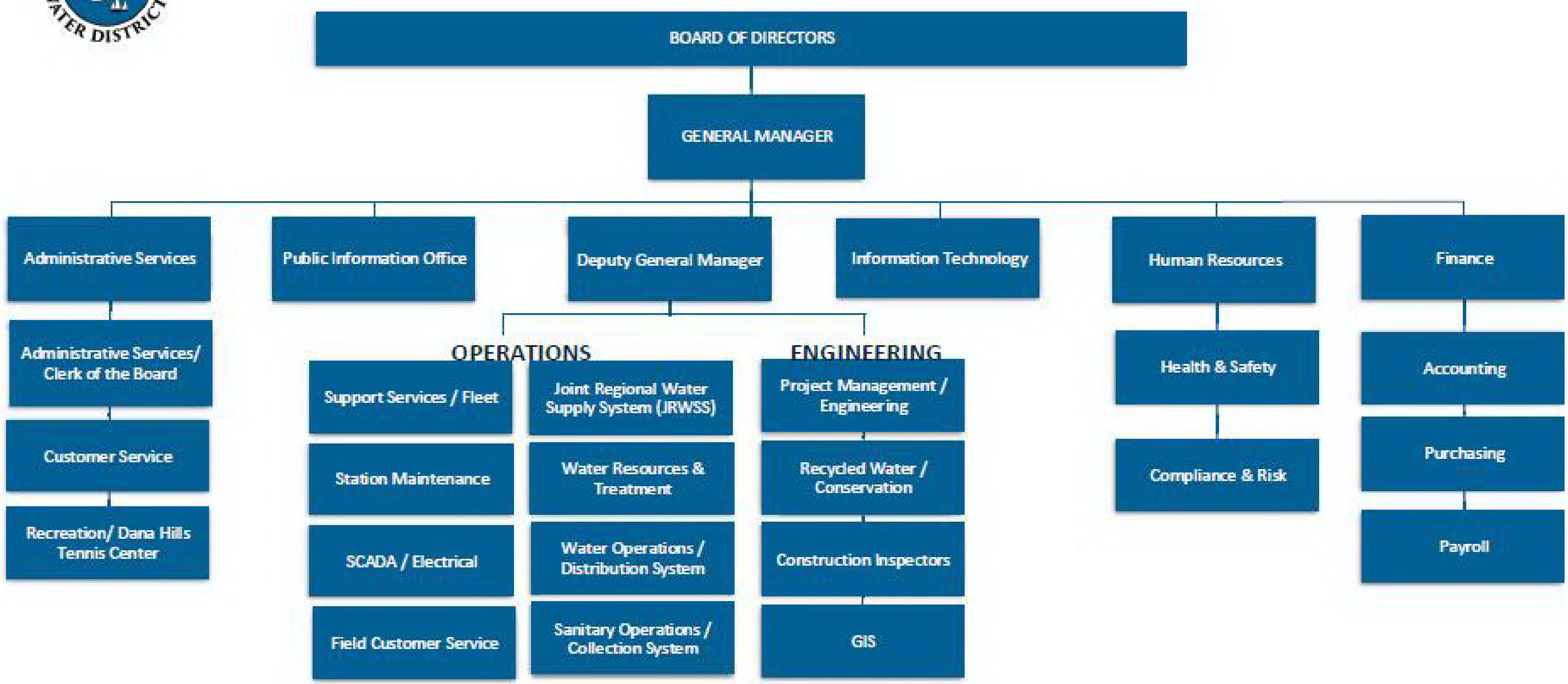
Rick Shintaku, PE
General Manager

Erica Castillo
Director of Finance

SOUTH COAST WATER DISTRICT
SERVICE AREA



South Coast Water District Organizational Structure FY25



South Coast Water District

Board of Directors

Scott Goldman
President

Joe Muller
Vice President

Doug Erdman
Director

Bill Green
Director

Rick Erkeneff
Director

Executive Staff

General Manager	Rick Shintaku
Deputy General Manager	Marc Serna

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Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
South Coast Water District
Laguna Beach, California

Report on the Audit of Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

As described in Note 13 the District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*, which resulted in a restatement of beginning 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 District'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.

Auditors' 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 auditors' 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 District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions – pension, schedule of changes in the net OPEB liability and related ratios, and schedule of contributions – OPEB 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Directors
South Coast Water District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
March 24, 2026

The following discussion and analysis of the financial performance of the South Coast Water District (District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. This section should be read in conjunction with the basic financial statements, notes to the basic financial statements, and the Transmittal Letter in the Introductory Section of this report.

Financial Highlights

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $220.5 million (net position), consisting of $119.4 million in net investment in capital assets, $5.1 million restricted for OPEB/debt service, and $96 million in unrestricted net position. This is an increase of $18.8 million, or 9.3%, over the prior fiscal year's net position of $201.7 million.

- Total assets are $425.9 million, an increase of $26.8 million, or 6.7%, from the prior fiscal year. The increase in assets is primarily due to an increase in capital assets of $22.2 million, an increase in cash and investments of $13.3 million, a decrease in restricted cash and investments of $16.7 million, a $5.2 million increase in amounts receivable, a $1.6 million increase in water inventory, and $1.2 million in other smaller fluctuations. The increase in capital assets is due to ongoing construction, completion and capitalization of a variety of capital projects, and depreciation expense. More detailed information related to capital assets is discussed in the Capital Assets section of this document. The decrease in restricted cash and investments is primarily due to construction drawdowns from bond funds. More information regarding the increase in cash balances can be found in the Statement of Cash Flows. All other variances are explained in the Financial Position Summary section of this document.

- Total liabilities are $210.6 million, an increase of $5.5 million, or 2.7%, from the prior fiscal year. This increase is primarily due to the drawdown of $14 million from the Tunnel Project SRF loan offset by a decrease of $4.4 million in accounts payable due to the timing of payments, and by bond payments of $4 million made during the year. The remaining difference of -$0.1 million is related to smaller fluctuations in other areas.

- Total revenues are $70.1 million, an increase of $6.8 million or 10.8%, from the prior fiscal year. Operating revenues have an increase of $5.6 million or 12.5% primarily due to water and sewer rate increases along with increased usage. Nonoperating revenues have an increase of $1.2 million or 6.6%. Property taxes have an increase of $0.5 million and other revenues have an increase of $0.7 million. More information about these variances can be found in the Activities and Changes in Net Position section of this document.

- Total expenses are $54.9 million, a minor increase of $1.6 million, or 2.9% from the prior fiscal year. Operating expenses have an increase of $1.6 million and non-operating expenses decrease by $56 thousand. More detailed information and explanations of variances can be found in the Activities and Changes in Net Position section of this document.

- Net income before capital contributions is $15.2 million, up from $9.9 million in the prior fiscal year, an increase of $5.3 million or 53.1%. The increase is primarily due to the excess in total revenues over expenses as discussed above.

Required Financial Statements

The annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The financial statements consist of one fund for the District's activities, combining the Water and Sewer funds. The District maintains its accounting records on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer services to customers of the District are financed primarily through user charges.

The Statement of Net Position includes all investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. This statement also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing liquidity and financial flexibility.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for all current year revenues and expenses. This statement measures the performance of operations over the past year and is used to determine if the District has successfully recovered all its costs through its rates and other charges. Other uses for this statement are to evaluate profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period by reporting cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities. This statement provides answers to such questions as where cash came from, what cash was used for, and the change in cash balance during the reporting period.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements are on pages 21 through 54.

Financial Analysis of the District

One of the most important questions asked about District finances is, "Is the District better or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All current year revenues and expenses are considered regardless of when the cash is received or paid.

These two statements report *net position* and changes during the fiscal year. You can think of net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will also need to consider other non-financial factors such as changes in economic conditions, conservation mandates, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

The following condensed schedules contain summary financial information extracted from the basic financial statements to assist general readers in evaluating the District's overall financial position and results of operations as described in this Management's Discussion and Analysis (MD&A). Increases or decreases in these schedules can be used as performance indicators to assess whether the overall financial position has improved or deteriorated. Other external factors such as changes in economic conditions, customer growth, and legislative mandates should also be considered as a part of this analysis.

Financial Position Summary

The Statement of Net Position reflects the District's financial position as of June 30, 2025. This statement includes assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position represents net worth including, but not limited to, capital contributions and investments in capital assets. A condensed summary of the District's total net position is set forth below:

	2025	2024	$ Change	% Change
Assets:				
Current Assets	$ 113,439,121	$ 109,680,808	$ 3,758,313	3.4%
Capital Assets:				
Not Being Depreciated	58,418,325	38,897,205	19,521,120	50.2%
Being Depreciated/Amortized (Net of Accumulated Depreciation/Amortization)	244,404,194	241,720,743	2,683,451	1.1%
Other Assets:				
Leases Receivable	349,691	377,289	(27,598)	-7.3%
Equity in Joint Venture	8,555,149	8,206,697	348,452	4.2%
Net OPEB Asset	694,323	135,955	558,368	410.7%
Total Assets	425,860,803	399,018,697	26,842,106	6.7%
Deferred Outflows of Resources:				
Deferred Refunding Charges & Pension/OPEB Related	7,576,739	10,729,455	(3,152,716)	-29.4%
Liabilities:				
Current Liabilities	16,035,516	19,978,898	(3,943,382)	-19.7%
Noncurrent Liabilities	194,594,845	185,142,559	9,452,286	5.1%
Total Liabilities	210,630,361	205,121,457	5,508,904	2.7%
Deferred Inflows of Resources:				
Pension/OPEB/Leases Related	2,269,965	2,901,461	(631,496)	-21.8%
Net Position:				
Net Investment in Capital Assets	119,392,932	120,730,589	(1,337,657)	-1.1%
Restricted for OPEB/Debt Service	5,148,663	3,981,139	1,167,524	29.3%
Unrestricted	95,995,621	77,013,506	18,982,115	24.6%
Total Net Position	$ 220,537,216	$ 201,725,234	$ 18,811,982	9.3%

As noted earlier, net position may serve as a useful indicator over time of a government's financial position. In the case of the District, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $220.5 million as of June 30, 2025. The net change from the prior fiscal year is an increase of $18.8 million or 9.3%. This increase is primarily related to total revenues exceeding total expenses and capital contributions by $18.9 million as described in the Financial Highlights section of this document.

Assets increase by $26.8 million or 6.7%, from the prior fiscal year. Primary reasons for this increase are as follows:

- Cash and investments are $93.3 million, an increase of $13.3 million, or 20.2%, primarily due to excess revenues over expenses during the fiscal year. Cash and investments restricted by debt agreements are $3.2 million, a decrease of $16.7 million, or 168.4%, due to construction drawdowns from bond funds.

- Grants receivable increase by $1.2 million or 462.1%. This increase is mostly due to $0.9 million for a grant for the Monarch Drive/Stonehill project and $0.6 million for a grant for the Doheny Desalination project. The remaining difference of -$0.1 million is related to other smaller grants that were completed in prior year.

- Other receivables increase by $4 million or 184.7%. This increase is primarily related to $1.6 million in outstanding partner agency contributions for the Doheny Desalination project, $1.1 million pursuant to billing through SOCWA due from Moulton Niguel Water District , and $1 million billed and outstanding to JRWSS. The remaining amount of $0.3 million is related to smaller fluctuations.

- Inventory has an increase of $1.6 million or 100% resulting from the MWDOC Reverse Cyclic Program purchases of water in December 2024 from the Municipal Water District of Orange County.

- Capital assets not being depreciated are $58.4 million, an increase of $19.5 million or 50.2%, from the prior fiscal year. This increase is due to additions to ongoing construction in progress of $29.2 million offset by completion and capitalization of projects of $9.7 million. Capital Assets being depreciated (net of accumulated depreciation/amortization) are $244.4 million, an increase of $2.7 million or 1.1% from the prior fiscal year primarily due to infrastructure additions of $8.1 million and buildings and structures additions of $1.4 million offset by net depreciation expense of -$8.0 million. The remaining amount of $1.2 million is related to smaller fluctuations in various asset classes. More detailed information can be found in the Capital Assets section of this document.

Deferred outflows of resources decrease by $3.2 million or -29.4% from the prior fiscal year. This decrease is mostly due to $2.2 million related to pension related activity required by GASB 68 and $0.8 million related to OPEB related activity required by GASB 75. The remaining amount of $0.2 million is related to smaller fluctuations in other areas.

Liabilities increase by $5.5 million, or 2.7%, from the prior fiscal year. Primary reasons for this increase are as follows:

- Current Liabilities decrease by $3.9 million, or -19.7% from the prior fiscal year. This decrease is primarily due to a decrease of $4.4 million in accounts payable resulting from the timing of payments made by the District. The current portion for the SRF Tunnel loan increased by $0.6 million pursuant to the debt service schedule. The remaining amount of $0.1 million is related to smaller fluctuations in various areas.

- Non-current Liabilities increase by $9.4 million, or 5.1%, from prior fiscal year. This is primarily due to $14 million in drawdowns on the SRF loan for the Tunnel Project, bond principal payments of $1.7 million and a SRF loan principal payment of $2.3 million. The remaining decrease of $0.6 million is related to smaller fluctuations in other non-current liabilities.

By far the largest part of the District's net position $119.4 million (54% as of June 30, 2025) reflects the investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets. The District uses these capital assets to provide services to customers within its service area; so, these assets are *not* available for future spending.

Restricted net position increases by $1.2 million or 29.3% due to a higher debt service payment due in July 2025 for the SRF Tunnel Loan.

Activities and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position summarizes operations during the current fiscal year. A summary of the District's changes in net position for the fiscal year ended June 30, 2025, is included below:

	2025	2024	$ Change	% Change
Revenues:				
Operating Revenues:				
Water Sales	$ 24,129,694	$ 21,912,644	$ 2,217,050	10.1%
Sewer Service Charges	23,152,962	20,575,587	2,577,375	12.5%
Recycled Water	2,927,475	2,132,750	794,725	37.3%
Recreation Facilities	409,551	362,042	47,509	13.1%
Total Operating Revenues	50,619,682	44,983,023	5,636,659	12.5%
Nonoperating Revenues:				
Investment Income	3,671,881	3,756,027	(84,146)	-2.2%
Grants Revenue	2,598,051	2,581,007	17,044	0.7%
Property Taxes	9,140,770	8,681,108	459,662	5.3%
Rental Income, Net	1,816,530	1,725,076	91,454	5.3%
Other Revenues	2,281,169	1,559,220	721,949	46.3%
Total Nonoperating Revenues	19,508,401	18,302,438	1,205,963	6.6%
Total Revenues	70,128,083	63,285,461	6,842,622	10.8%
Expenses:				
Operating Expenses:				
Source of Supply (Purchased Water)	9,026,420	8,286,004	740,416	8.9%
Groundwater Recovery Facility	1,248,673	1,286,698	(38,025)	-3.0%
Recycled Water	1,782,635	1,861,101	(78,466)	-4.2%
Pumping Expense	1,361,345	1,180,270	181,075	15.3%
Sewer Treatment Plant	5,562,494	5,014,262	548,232	10.9%
Transmission and Distribution	4,453,233	5,544,935	(1,091,702)	-19.7%
Operations Support	3,297,585	3,118,927	178,658	5.7%
Recreation Facilities	362,831	367,747	(4,916)	-1.3%
Engineering and Consulting	1,529,691	1,584,731	(55,040)	-3.5%
General and Administrative	13,995,207	12,497,370	1,497,837	12.0%
Depreciation and Amortization	8,013,384	8,272,355	(258,971)	-3.1%
Total Operating Expenses	50,633,498	49,014,400	1,619,098	3.3%
Nonoperating Expenses:				
Interest Expense	4,294,494	4,351,724	(57,230)	-1.3%
Gain on Disposal of Capital Assets	(13,396)	(14,969)	1,573	-10.5%
Total Nonoperating Expenses	4,281,098	4,336,755	(55,657)	-1.3%
Total Expenses	54,914,596	53,351,155	1,563,441	2.9%
Income Before Capital Contributions	15,213,487	9,934,306	5,279,181	53.1%
Capital Contributions:			-	
Contributed Assets	3,180,000	-	3,180,000	100.0%
Connection Fees	534,212	439,406	94,806	21.6%
Total Capital Contributions	3,714,212	439,406	3,274,806	745.3%
Change in Net Position	18,927,699	10,373,712	8,553,987	82.5%
Net Position -Beginning of Year	201,725,234	191,351,522	10,373,712	5.4%
Restatement	(115,717)	-	(115,717)	-100.0%
Net Position - Beginning of Year	201,609,517	191,351,522	10,257,995	
Net Position - End of Year	$ 220,537,216	$ 201,725,234	$ 18,811,982	9.3%

The Statement of Revenues, Expenses, and Changes of Net Position details how net position changed during the fiscal year. Net position has an increase of $18.8 million or 9.3% for the fiscal year ended June 30, 2025. A closer examination of the sources of material changes in net position reveals that:

- Water sales increase by $2.2 million, or 10.1%, from the prior fiscal year. This is primarily due to the implementation of the third of a three-year rate increase for single family, multi-family, and commercial businesses. Rates for fiscal year 2025 are 7% higher than the prior fiscal year. In addition, average usage by single family and potable irrigation customers increases by 11% and 24% respectively.

- Sewer service charges increase by $2.6 million, or 12.5%, from the prior fiscal year. This is due to the implementation of the third of a three-year rate increase for single family, multi-family, and commercial businesses. Rates for fiscal year 2025 are 12% higher than the prior fiscal year.

- Recycled water irrigation revenues increase by $0.8 million, or 37.3% from the previous fiscal year. This is primarily due to the implementation of the third of a three-year rate increase for single family, multi-family, and commercial businesses. Rates for fiscal year 2025 are 7% higher than the prior fiscal year. In addition, average usage by irrigation customers increases by 23%.

- Other revenues increase by $0.7 million, or 46.3%, from the prior fiscal year. This increase is mostly due to a fiscal year 2025 payment of $0.8 million pursuant to an MOU with SOCWA for allocation of the Moulton Niguel Water District transfer. The -$0.1 million remaining difference is due to other smaller fluctuations in other areas.

- Transmission and distribution costs decrease by $1.1 million, or -19.7%, from the prior fiscal year. This decrease is primarily due to $1.3 million in costs incurred for emergency response and repairs to the Sunset Main Line in fiscal year 2024. The remaining amount of $0.2 million is related to smaller fluctuations in other areas.

- General and administrative costs increase by $1.5 million, or 12%, during fiscal year 2025 due to variety of fluctuations in quite a few areas. The Human Resources division has an increase of $0.3 million primarily due to salaries and benefits along with recruiting costs. The Administrative Services division has an increase of $0.3 million mostly related to salaries and benefits. The General Manager division has an increase of $0.3 million primarily due to legal costs for the SOCWA Makeover project and consulting costs related to outreach/public advocacy, an organizational assessment, and SOCWA senior advocacy services. The Environmental Health and Safety division has an increase of $0.2 million mostly related to the MWDOC AWIA risk and resilience assessment and the purchase of district-wide self-contained breathing apparatus equipment. The Information Technology division has an increase of $0.4 million mostly in the area of software maintenance agreements and on a smaller scale, outside services, and computer supply/equipment costs. Costs were incurred to add a user to the utility billing system and the District uses many hosted systems to aid with operations, some of which are affected by GASB 96 for subscription-based information technology arrangements.

- Contributed assets increase by $3.2 million, or 100%, from the previous fiscal year due to contributions from Eastern Municipal Water District and Laguna Beach Water District pursuant to the Doheny Desalination Agreement.

Capital Assets

Changes in capital asset amounts for fiscal year 2025 are as follows:

	Balance 2024	Additions	Transfers/ Deletions	Balance 2025
Capital assets:				
Capital Assets, Not Depreciated or Amortized	$ 38,897,205	$ 29,196,767	(9,675,647)	$ 58,418,325
Capital Assets, Being Depreciated or Amortized	409,510,752	10,696,835	(66,892)	420,140,695
Less Accumulated Depreciation/Amortization	(167,790,009)	(8,013,384)	66,892	(175,736,501)
Total Capital Assets, Net	$ 280,617,948	$ 31,880,218	$ (9,675,647)	$ 302,822,519

At the end of fiscal year 2025, the District's capital assets are $302.8 million (net of accumulated depreciation and amortization). Capital assets include land, treatment systems, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles, subscription-based information technology agreements (SBITA), and construction-in-progress, etc.

Major deletions/transfers from capital assets, not being depreciated ($9.7 million) include accumulated balances of completed and capitalized projects. Major additions to capital assets, not being depreciated ($29.2 million) include projects in progress during fiscal year 2025.

Major capital asset projects completed and capitalized in fiscal year 2025 include:

- $1.2 million – Tunnel Stabilization and Sewer Pipeline Phase 3
- $1.7 million – Reservoir 5B Rehabilitation
- $2.5 million – Meter Replacement
- $0.9 million – West Street Building Improvements
- $0.7 million – Niguel Shores Service Replacement
- $0.5 million – Lift Station PLC Cabinet Retrofit

Major additions to construction in progress projects that are not completed and capitalized in fiscal year 2025 include:

- $8.9 million – Lift Station No. 2 Replacement and Rehabilitation
- $1.5 million – SOCWA Projects (PC2 and PC15)
- $4.0 million – Reservoir 2B Replacement
- $1.1 million – Dana Point Harbor Sewer Replacements
- $4.2 million – Doheny Desalination

Activity in capital assets, not being depreciated, primarily consists of projects completed and capitalized from construction in progress less accumulated depreciation.

See Note 4 in the Notes to the Basic Financial Statements for additional information regarding capital assets.

Long-Term Debt

Changes in long-term debt amounts for the fiscal year ended June 30, 2025, are as follows:

	Balance 2024	Additions	Deletions	Balance 2025
State Revolving Loan-Tunnel Project	$ 89,779,365	$ 14,011,713	$ (2,318,935)	$ 101,472,143
CWSRF-Stonehill	-	281,491	-	281,491
Subtotal	89,779,365	14,293,204	(2,318,935)	101,753,634
2016A Bonds	5,955,000	-	(1,085,000)	4,870,000
2019A Bonds	41,680,000	-	-	41,680,000
2020A Bonds	30,220,000	-	(610,000)	29,610,000
Plus: Unamortized Premium	6,028,951	-	(384,804)	5,644,147
Subtotal	83,883,951	-	(2,079,804)	81,804,147
Subscriptions Payable	475,061	283,786	(268,287)	490,560
Compensated Absences	1,923,975	296,071		2,220,046
Total	$ 176,062,352	$ 14,873,061	$ (4,667,026)	$ 186,268,387

The District's long-term liabilities increase by $10.2 million, or 5.8%, for the fiscal year ended June 30, 2025. Notable activity during the fiscal year consists of $14 million in drawdowns from the State Revolving Fund Loan for the Tunnel Project, offset by scheduled debt payments, amortization, SBITA payables, and compensated absence usage and accruals.

See Note 5 in the Notes to the Basic Financial Statements for additional information regarding long-term debt.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of financial operations and conditions. Questions regarding the information included in this report or requests for additional information should be directed to the District at 31592 West Street, Laguna Beach, California 92651, or the Finance Department at
(949) 499-4555.

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BASIC FINANCIAL STATEMENTS

SOUTH COAST WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash and Investments	$ 93,289,161
Utility Accounts Receivable	2,640,766
Property Taxes Receivable	917,792
Grants Receivable	1,477,044
Accrued Interest Receivable	282,605
Other Receivables	9,377,108
Leases Receivable	27,597
Water Inventory	1,632,800
Prepaid Expenses and Other Assets	641,842
Cash and Investments Restricted by Debt Agreements	3,152,406
Total Current Assets	113,439,121
NONCURRENT ASSETS	
Capital Assets:	
Not Being Depreciated	58,418,325
Being Depreciated/Amortized (Net of Accumulated Depreciation/Amortization)	244,404,194
Net Capital Assets	302,822,519
Other Assets:	
Leases Receivable	349,691
Equity in Joint Venture	8,555,149
Net OPEB Asset	694,323
Total Noncurrent Assets	312,421,682
Total Assets	425,860,803
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Refunding Charges	1,042,879
Pension Related	5,865,110
OPEB Related	668,750
Total Deferred Outflows of Resources	7,576,739

See accompanying Notes to Basic Financial Statements.

SOUTH COAST WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2025

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	$ 6,661,572
Accrued Salaries and Benefits	340,391
Advances from Developers	67,701
Customer Deposits	263,539
Accrued Interest Payable	2,648,278
Unearned Revenue	-
Current Portion of Loans Payable	3,067,871
Current Portion of Bonds Payable	1,775,000
Current Portion of Subscriptions Payable	255,038
Current Portion of Compensated Absences	956,126
Total Current Liabilities	16,035,516
NONCURRENT LIABILITIES	
Loans Payable	98,685,763
Bonds Payable	80,029,147
Subscriptions Payable	235,522
Compensated Absences	1,263,920
Net Pension Liability	14,380,493
Total Noncurrent Liabilities	194,594,845
Total Liabilities	210,630,361
DEFERRED INFLOWS OF RESOURCES	
Pension Related	1,085,693
OPEB Related	862,505
Leases Related	321,767
Total Deferred Inflows of Resources	2,269,965
NET POSITION	
Net Investment in Capital Assets	119,392,932
Restricted for OPEB	694,323
Restricted for Debt Service	4,454,340
Unrestricted	95,995,621
Total Net Position	$ 220,537,216

See accompanying Notes to Basic Financial Statements.

SOUTH COAST WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025

OPERATING REVENUES	
Water Sales	$ 24,129,694
Sewer Service Charges	23,152,962
Recycled Water	2,927,475
Recreation Facilities	409,551
Total Operating Revenues	50,619,682
OPERATING EXPENSES	
Source of Supply (Purchased Water)	9,026,420
Groundwater Recovery Facility	1,248,673
Recycled Water	1,782,635
Pumping Expense	1,361,345
Sewer Treatment Plant	5,562,494
Transmission and Distribution	4,453,233
Operations Support	3,297,585
Recreation Facilities	362,831
Engineering and Consulting	1,529,691
General and Administrative	13,995,207
Depreciation and Amortization	8,013,384
Total Operating Expenses	50,633,498
LOSS FROM OPERATIONS	(13,816)
NONOPERATING REVENUES (EXPENSES)	
Property Taxes	9,140,770
Grants Revenue	2,598,051
Investment Income	3,671,881
Other Revenues	2,281,169
Rental Income, Net	1,816,530
Interest Expense	(4,294,494)
Gain on Disposal of Capital Assets	13,396
Total Nonoperating Revenues (Expenses)	15,227,303
INCOME BEFORE CAPITAL CONTRIBUTIONS	15,213,487
CAPITAL CONTRIBUTIONS	
Contributed Assets	3,180,000
Connection Fees	534,212
Total Capital Contributions	3,714,212
CHANGE IN NET POSITION	18,927,699
Net Position - Beginning of Year	201,725,234
Restatement	(115,717)
Net Position - Beginning of Year	201,609,517
NET POSITION - END OF YEAR	$ 220,537,216

See accompanying Notes to Basic Financial Statements.

SOUTH COAST WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 46,495,915
Cash Payments to Suppliers for Goods and Services	(34,352,609)
Cash Payments to Employees for Services	(9,581,444)
Other Operating Revenues	2,281,169
Net Cash Provided by Operating Activities	4,843,031
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Property Taxes	8,923,768
Net Cash Provided by Noncapital Financing Activities	8,923,768
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisitions and Construction of Capital Assets	(29,905,179)
Proceeds from Capital Grant	1,383,779
Proceeds from Sale of Capital Assets	13,396
Proceeds from Loans	14,293,204
Repayment of Loans, Bonds, Subscriptions Payable	(4,282,222)
Interest Paid	(4,558,020)
Water and Sewer Connection Fees Received	534,212
Rental Income Received	1,806,357
Receipt (Return) of Customer Deposits and Developer Advances	(24,754)
Net Cash Used by Capital and Related Financing Activities	(20,739,227)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Redemptions, Sales an Purchases, net	(1,362,414)
Interest Income Received	3,647,585
Net Cash Provided by Investing Activities	2,285,171
DECREASE IN CASH AND CASH EQUIVALENTS	(4,687,257)
Cash and Cash Equivalents - Beginning of Year	76,669,687
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 71,982,430

See accompanying Notes to Basic Financial Statements.

SOUTH COAST WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2025

RECONCILIATION OF LOSS FROM NET CASH PROVIDED BY OPERATING ACTIVITIES	
Loss from Operations	$ (13,816)
Adjustments to Reconcile Loss from Operations to Net Cash Provided by Operating Activities:	
Operating Activities:	
Depreciation and Amortization	8,013,384
Other Revenues	2,281,169
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
(Increase) Decrease in Utility Accounts Receivable	44,910
(Increase) Decrease in Other Receivables	(4,000,422)
(Increase) Decrease in Inventories	(1,632,800)
(Increase) Decrease in Prepaid Expenses and Other Assets	(36,605)
(Increase) Decrease in Investment in Joint Venture	(348,452)
Increase (Decrease) in Net OPEB Asset	(558,368)
(Increase) Decrease in Deferred Outflows of Resources	3,030,430
Increase (Decrease) in Accounts Payable	(1,288,275)
Increase (Decrease) in Accrued Salaries and Benefits	(50,092)
Increase (Decrease) in Customer Deposits	(147,939)
Increase (Decrease) in Unearned Revenue	(20,316)
Increase (Decrease) in Compensated Absences	296,073
Increase (Decrease) in Net Pension Liability	(129,456)
Increase (Decrease) in Deferred Inflows of Resources	(596,394)
Net Cash Provided by Operating Activities	$ 4,843,031
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION	
Cash and Investments	$ 93,289,161
Cash and Investments Restricted by Debt Agreements	3,152,406
Less: Investments with Maturities Greater than Three Months	(24,459,137)
Cash and Cash Equivalents	$ 71,982,430
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES	
Capital Assets in Accounts Payable	$ 3,574,534
Capital Assets in funded by long-term debt	$ 283,786

See accompanying Notes to Basic Financial Statements.

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Description of Reporting Entity

South Coast Water District (the District) was formed in 1932 under the California Water Code. The District serves an area of approximately 8.8 square miles, encompassing the City of Dana Point and portions of the Cities of Laguna Beach, San Clemente, and San Juan Capistrano.

Effective July 1, 1976, the District was designated as successor to the South Laguna Sanitary District for the purpose of succeeding to all rights, duties and obligations of the South Laguna Sanitary District under Orange County Reorganization No. 31. These functions are performed by the District under the title of the South Coast Water District Improvement District No. 1-S. The Improvement District serves an area of approximately 2,750 acres located within the water operation boundaries.

In February 1997, the District entered into an agreement for the District-served Laguna Sur/Monarch Point Community to be annexed by the Moulton Niguel Water District (the Reorganization RO 96-05). This reorganization was effective July 1, 1997.

In June 1998, the District was the primary filing applicant in a request for consolidation filed with the Local Agency Formation Commission of Orange County (LAFCO). In October 1998, LAFCO adopted resolution RO 97-18, effective January 1, 1999, which provided for the consolidation of the District and Capistrano Beach Water District, and the dissolution of the Dana Point Sanitary District. The District was the successor agency to this consolidation.

Following the consolidation, the District established four separate financial zones, each separately accounting for assets, reserves, bond obligations, and operations. Rates, charges, and assessments for water and sewer services varied between financial zones. Based on a Financial Equalization Study completed in 2002, the District implemented an Asset Equalization Charge and no longer maintained separate accounting by service area.

On July 1, 1999, a portion of the service area of the District that is within the City of Laguna Beach was annexed by the city for delivery of services. The agreement between the District and the City of Laguna Beach provides for the District to continue to provide both water and sewer service to this area for several years. The agreement provides for annual extensions of services unless terminated by either party.

Effective November 15, 2021, through a resolution adopted by LAFCO, the City of San Juan Capistrano (CSJC) transferred their water and wastewater services to the Santa Margarita Water District. Through this process, customers whose water service was provided by CSJC but located in the District’s service area were made the District’s water customers.

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Organization and Description of Reporting Entity (Continued)

The majority of the District's water supply is purchased from the Metropolitan Water District through the Municipal Water District of Orange County and 10% to 15% of the annual water is produced by the District's Groundwater Recovery Facility.

The financial statements present the District and its component units. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority on the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District.

The District's reporting entity includes the South Coast Water District Financing Authority (the Financing Authority), a California nonprofit public benefit corporation, formed for the purpose of providing financial assistance to the District. Although the District and the Financing Authority are legally separate entities, the District's board of directors is financially responsible for the Financing Authority and, therefore, the accompanying financial statements include the accounts and records of the Financing Authority using the blending method as required by accounting principles generally accepted in the United States of America. There are no separate financial statements for the Financing Authority.

The South Coast Water District owns and operates the Dana Hills Tennis Center (Tennis Center). The Tennis Center operates tennis courts and related facilities, charging fees to the public.

B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation

<u>Proprietary Fund</u>

The District's activities are reported in an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to business enterprises, where the intent of providing goods and services to the general public on a continuing basis is financed or recovered primarily through user charges.

The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with the District's activities 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 when earned while expenses are recognized when the liability is incurred regardless of the timing of cash flow.

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation (Continued)

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, delivering water, and collecting, treating and disposing of wastewater in connection with the District's principal ongoing operations. The District's principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Position.

C. Joint Powers Agreements

The District is a participant in both the South Orange County Wastewater Authority (SOCWA) and the San Juan Basin Authority (SJBA) for the purposes of (1) operating and maintaining wastewater delivery, treatment and disposal facilities and (2) management of regional groundwater and recycled water facilities.

South Orange County Wastewater Authority (a California Joint Powers Authority)

The District is a member of SOCWA, which collects, treats, beneficially reuses, and disposes of wastewater in South Orange County. SOCWA operates three wastewater treatment plants (WWTP) and two ocean outfalls in the region. SOCWA has seven member agencies, including two cities, four water districts, and one community services district, which appoints representatives to the board of directors. The board of directors controls the operations of SOCWA, including selection of management and approval of the annual budget. SOCWA has project committees through which member agencies participate in financially supporting operations and capital investment at various levels, depending on their capacity rights. Each WWTP is a project, as well as various other physical facilities such as outfall pipelines.

The District deposits money with SOCWA to cover its share of operations and for capital in the project committees in which it participates. Construction deposits made to SOCWA for capital projects are recorded as capital assets. To obtain complete financial information from SOCWA please contact SOCWA's Finance Controller at 34156 Del Obispo Street, Dana Point, CA 92629.

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Joint Powers Agreements (Continued)

San Juan Basin Authority (a California Joint Powers Authority)

The District is also a member of the SJBA, which is a joint powers authority formed to secure and develop water rights for its member agencies. It currently has permits for usage of the San Juan Groundwater Basin as an underground storage reservoir. Its board of directors consists of representatives from member agencies that govern SJBA. The board of directors oversees contracts and approves the annual budget. SJBA has project committees that member agencies participate in financially at various levels based upon ownership or usage. The District deposits money with SJBA to cover its share of costs in the respective projects.

The District has no equity interest in SJBA and does not receive a share of operating results. Construction deposits made to SJBA for capital projects are recorded as capital assets. To obtain complete financial information from SJBA contact South Coast Water District's Assistant General Manager/Chief Financial Officer.

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are carried at fair value. In the financial statements, changes in fair value that occur during a fiscal year are recognized as investment income reported for the fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

E. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

F. Allowance for Doubtful Accounts

An allowance for doubtful accounts has not been established for utility accounts receivable, as District management believes all amounts are collectible. Accounts having balances outstanding over 60 days are not significant for the fiscal year ended June 30, 2025.

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Revenue Recognition

Revenues are recognized when earned and recorded as meters are read. Metered water accounts are read and billed monthly on 30-day cycles. Residential wastewater customers fixed charges are included on their property tax bills. Commercial wastewater customers fixed charges are billed on a monthly basis. In certain areas of the District, the wastewater billing is handled by another water utility agency but is estimated and accrued as revenues by the District each month. These third-party collections are forwarded to the District monthly, based on actual receipts. Unbilled water and wastewater charges are accrued for the period from the last meter reading through year-end and are included in accounts receivable. Unbilled accounts receivable amounted to $1,112,124 at June 30, 2025, which is included in utility accounts receivable in the accompanying statement of net position.

H. Compensated Absences

The District has a policy whereby employees can accumulate sick leave and vacation. The sick leave is to be used for extended periods of sickness. Upon an employee's termination or retirement, a portion of the earned and accrued benefits will be paid out in cash. Upon completion of employment, employees with three years or more service will be paid for 50% of the then unused sick leave at regular payroll rates in effect at the date of the termination. The liability for compensated absences consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability for unused sick leave and vacation costs, which are included in compensated absences in the accompanying statement of net position:

Unused Sick Leave	1,120,443
Unused Vacation	1,099,603
Total	$ 2,220,046

I. Capital Assets

Capital assets are stated at cost with an initial cost of $5,000 or more. Contributed capital assets are recorded at acquisition value as of date received and consist primarily of potable water, recycled water, and sewer systems contributed by real estate developers. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of capital assets as follows:

Treatment Plants	40-50 Years
Buildings and Structures	30-40 Years
Infrastructure	40-100 Years
Machinery and Equipment	5-10 Years
Vehicles	10-15 Years

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Subscription-based information technology arrangement (SBITA) assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The category of deferred outflow of resources reported in the statement of net position is related to debt refunding, pensions, and other postemployment benefits. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows on pension and other postemployment benefits are more fully discussed in Note 8 and 9.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources reported on the statement of net position relate to pension and other postemployment benefits, which are more fully discussed in Note 8 and 9. The statement of net position also report a deferred inflow of resources related to leases which are more fully discussed in Note 3.

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Net Position

Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

*Net Investment in Capital Assets - C*onsists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of liabilities that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted Net Position - Is reported when there are limitations imposed on use either through enabling legislation or through external restrictions imposed by creditors, grants, laws or regulations of other governments.

Unrestricted Net Position - Is the amount of net position that does not meet the definition of the two preceding categories.

L. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

M. Property Taxes

Property tax in California is levied in accordance with Article XIIA of the state constitution at 1% of countywide assessed valuations. Property taxes collected by the levying agency are placed in a pool, and then allocated to the local governmental units. Property tax revenue is recognized in the fiscal year in which taxes are levied.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment – November 10
	Second Installment – February 10
Delinquent Date:	First Installment – December 10
	Second Installment – April 11

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions

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

O. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to the District's OPEB and OPEB expense, information about the fiduciary net position of its OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position has been determined on the same basis as they are reported by the plan. For this purpose, the District's OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Use of Estimates

The financial statements are prepared in accordance with generally accepted accounting principles in the United States and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

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

Statement of Net Position:	
Cash and Investments	$ 93,289,161
Cash and Investments Restricted by Debt Agreements	3,152,406
Total Cash and Investments	$ 96,441,567

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

Deposits with Financial Institutions	$ 1,922,940
Investments	91,366,221
Investments Held by Bond Fiscal Agents	3,152,406
Total Cash and Investments	$ 96,441,567

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

The table on the following page identifies investment types available to the District as authorized by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The District's investment policy also contains certain allocation goals or targets that are viewed to be general guidelines to promote diversification, rather than restrictions. The District determines conformity to any percentage limitations or guidelines contained in its investment policy, or the California Government Code, by comparing the specified investment balance as of a given date to the total par value of the District's cash and investment portfolio as of the beginning of the fiscal year containing that date.

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District rather than the general provisions of the California Government Code or the District's investment policy.

Investment Types Authorized by State Law or the District's Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Municipal Bonds	5 Years	30%	5%
U.S. Treasury Obligations	5 Years	None	None
Federal Agency Securities	5 Years	None	30%
Banker's Acceptances	180 Days	40%	5%
Commercial Paper	270 Days	25%	5%
Negotiable Certificates of Deposit	5 Years	30%***	5%**
Certificates of Deposit Placement Service	5 Years	30%***	N/A
Repurchase Agreements	1 Year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	$75,000,000
Medium-Term Corporate Notes	5 Years	30%	5%
Mortgage Pass-Through Securities	5 Years	20%	5%
Money Market Mutual Funds	N/A	20%	None
Supranational Securities	5 Years	30%	10%
Local Government Investment Pools (CAMP)	N/A	None	None

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

** Allowed up to FDIC limit.

*** The 30% maximum percentage of portfolio is applicable to negotiable certificates of deposit and certificates of deposit placement service in aggregate.

N/A - Not Applicable

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

B. Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Investments authorized for funds held by bond trustees include U.S. Treasury obligations, U.S. government-sponsored agency securities, certificates of deposit, banker's acceptance, commercial paper, money market mutual funds, prefunded municipal bonds, investment agreements, local agency investment funds, and local government investment pools. There are no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed, or the maximum maturity of an investment, except for the maturity of commercial paper, which are limited to 270 days.

C. Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table, which shows the distribution of the District's investments by maturity as of June 30, 2025.

	Remaining Maturity				
Investment Type	6 Months or Less	7 to 12 Months	13 to 24 Months	25 to 60 Months	Total
Money Market Mutual Funds	$ 138,633	$ -	$ -	$ -	$ 138,633
U.S. Treasury Obligations	2,089,166	499,326	1,749,717	3,783,172	8,121,381
Medium-Term Corporate Notes	-	490,342	1,751,738	3,641,860	5,883,940
Federal Agency Securities	-	992,541	3,789,271	3,592,171	8,373,983
Supranational Securities	-	502,248	453,425	404,900	1,360,573
Negotiable Certificates of Deposit	719,261	-	-	-	719,261
CAMP	61,371,857	-	-	-	61,371,857
LAIF	5,396,593	-	-	-	5,396,593
Held by Bond Trustee:					
Money Market Mutual Funds	3,152,406	-	-	-	3,152,406
Total	$ 72,867,916	$ 2,484,457	$ 7,744,151	$ 11,422,103	$ 94,518,627

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

D. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by, where applicable, the California Government Code, the District's investment policy, or debt agreements and Standard and Poor's actual rating as of year-end for each investment type:

Investment Type	Total	Minimum Legal Rating	AAA	AA	A	BBB	Not Rated*
Money Market Mutual Funds	$ 138,633	AAA	$ 138,633	$ -	$ -	$ -	$ -
U.S. Treasury Obligations	8,121,381	N/A	-	8,121,381	-	-	-
Medium-Term Corporate Notes	5,883,940	A	-	1,499,764	4,384,176	-	-
Federal Agency Securities	8,373,983	N/A	240,800	8,133,183	-	-	-
Supranational Securities	1,360,573	AA	1,360,573	-	-	-	-
Negotiable Certificates of Deposit	719,261	N/A	-	-	-	719,261	-
CAMP	61,371,857	N/A	61,371,857	-	-	-	-
LAIF	5,396,593	N/A	-	-	-	-	5,396,593
Held by Bond Trustee:							
Money Market Mutual Funds	3,152,406	AAA	3,152,406	-	-	-	-
Total	$ 94,518,627		$ 66,264,269	$ 17,754,328	$ 4,384,176	$ 719,261	$ 5,396,593

* U.S. Treasury Obligations are exempt from credit risk disclosure requirements.

E. Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District did not have investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

F. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and CAMP).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2025, all of the District's deposits were insured or collateralized as required by California law.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the District.

G. Investment in State Investment Pool

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

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

H. Investment in California Asset Management Program (CAMP)

The District is a voluntary participant in CAMP that is regulated by the California Government Code. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based on the District's pro-rata share of the fair value provided by CAMP for the entire CAMP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis. CAMP invests primarily in certificates of deposit, commercial paper, and U.S. government and agency obligations.

I. Fair Value Measurement

The District categorizes its fair value measurement of investments utilizing the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of each asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets and liabilities through corroboration with market data; and Level 3 inputs are significant unobservable inputs. All investments classified in Level 2 of the fair value hierarchy are valued using specified fair market value factors or institutional bond quotes.

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

	Fair Value	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Investment Type (Subject to Hierarchy):				
U.S. Treasury Obligations	$ 8,121,381	$ -	$ 8,121,381	$ -
Medium-Term Corporate Notes	5,883,940	-	5,883,940	-
Federal Agency Securities	8,373,983	-	8,373,983	-
Supranational	1,360,573	-	1,360,573	-
Negotiable Certificates of Deposit	719,261	-	719,261	-
Total Subject to Hierarchy	24,459,138	$ -	$ 24,459,138	$ -
Uncategorized (Not Subject to Hierarchy):				
Money Market Mutual Funds	138,633			
LAIF	5,396,593			
CAMP	61,371,857			
Held by Bond Trustee:				
Money Market Mutual Funds	3,152,406			
Total Investment Portfolio	$ 94,518,627			

NOTE 3 LEASE RECEIVABLES

The District, acting as lessor, leases land under long-term, noncancelable lease agreements. The leases expire at various dates through 2035 and provide for renewal options ranging up to 20 years. During the year ended June 30, 2025, the District recognized $35,102 and $15.507 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2026	$ 27,597	$ 14,456	$ 42,053
2027	30,440	13,295	43,735
2028	33,467	12,017	45,484
2029	36,690	10,614	47,304
2030	40,118	9,078	49,196
2031-2035	208,976	18,006	226,982
Total	$ 377,288	$ 77,466	$ 454,754

NOTE 4 CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2025, were as follows:

	Balance at June 30, 2024	Additions	Deletions/ Transfers	Balance at June 30, 2025
Capital Assets, Not Depreciated:				
Land and Land Rights	$ 4,606,065	$ -	$ -	$ 4,606,065
Construction in Progress	34,291,140	29,196,767	(9,675,647)	53,812,260
Total Capital Assets, Not Depreciated	38,897,205	29,196,767	(9,675,647)	58,418,325
Capital Assets, Being Depreciated or Amortized:				
Treatment Plants	89,975,602	-	-	89,975,602
Buildings and Structures	8,393,035	1,392,957	-	9,785,992
Infrastructure	291,100,025	8,121,049	-	299,221,074
Machinery and Equipment	13,277,726	337,188	-	13,614,914
Vehicles	6,187,106	561,856	(29,809)	6,719,153
Right-to-Use SBITAs	577,258	283,785	(37,083)	823,960
Total Capital Assets, Being Depreciated/Amortized	409,510,752	10,696,835	(66,892)	420,140,695
Less Accumulated Depreciation/Amortization for:				
Treatment Plants	(54,282,029)	(1,427,823)	-	(55,709,852)
Buildings and Structures	(5,724,333)	(155,926)	-	(5,880,259)
Infrastructure	(91,848,878)	(5,293,326)	-	(97,142,204)
Machinery and Equipment	(10,917,584)	(530,092)	-	(11,447,676)
Vehicles	(4,844,372)	(423,262)	29,809	(5,237,825)
Right-to-Use SBITAs	(172,813)	(182,955)	37,083	(318,685)
Total Accumulated Depreciation/Amortization	(167,790,009)	(8,013,384)	66,892	(175,736,501)
Total Capital Assets, Being Depreciated/Amortized, Net	241,720,743	2,683,451	-	244,404,194
Capital Assets, Net	$ 280,617,948	$ 31,880,218	$ (9,675,647)	$ 302,822,519

Depreciation and amortization expense for the depreciable and amortizable capital assets were $8,013,384 for the year ended June 30, 2025.

NOTE 5 LONG-TERM DEBT

The following is a summary of long-term debt at June 30, 2025:

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year
Direct Borrowings:					
State Revolving Loan -					
Tunnel Project	$ 89,779,365	$ 14,011,713	$ (2,318,935)	$ 101,472,143	$ 2,888,156
CWSRF Stonehill	-	281,491	-	281,491	179,715
Subtotal	89,779,365	14,293,204	(2,318,935)	101,753,634	3,067,871
Bonds Payable					
2016A Bonds	5,955,000	-	(1,085,000)	4,870,000	1,135,000
2019A Bonds	41,680,000	-	-	41,680,000	-
2020A Bonds	30,220,000	-	(610,000)	29,610,000	640,000
Plus: Unamortized Premium	6,028,951	-	(384,804)	5,644,147	-
Subtotal	83,883,951	-	(2,079,804)	81,804,147	1,775,000
Subscriptions Payable	475,061	283,786	(268,287)	490,560	255,038
Compensated Absences (1) (2)	1,923,975	296,071	-	2,220,046	956,126
Totals	$ 176,062,352	$ 14,873,061	$ (4,667,026)	$ 186,268,387	$ 6,054,035

(1) The beginning balance was restated due to the implementation of GASB Statement No. 101, See Note 13.
(2) The change in the compensated absence liability is presented as a net change.

A. State Revolving Loan – Tunnel Project

In November 2016, the District entered into an agreement with the State Water Resources Control Board (SWRCB) for the construction of the Tunnel Stabilization and Pipeline Replacement project. The District may borrow up to the lesser of $102,560,000 or the eligible costs of the project. At June 30, 2025, the SWRCB had disbursed $99,861,440 under the loan contract and added a total of $3,929,638 of accrued interest to the principal. The loan has an interest rate of 1.7% with a repayment period of 30 years after project completion. The outstanding balance totaled $101,472,143, as of June 30, 2025. The District is also required to have a reserve of one year's debt service. The District's reserve of $4,454,340 as of June 30, 2025, included in the sewer system's operating reserves, meets this requirement. The agreement allows the SWRCB to terminate the contract if any provision is violated. If terminated, all outstanding amounts become immediately due upon SWRCB's request.

NOTE 5 LONG-TERM DEBT (CONTINUED)

A. State Revolving Loan – Tunnel Project (Continued)

The annual requirements to service the outstanding balance at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2026	2,888,156	1,566,184	4,454,340
2027	2,778,412	1,675,928	4,454,340
2028	2,825,645	1,628,695	4,454,340
2029	2,873,681	1,580,659	4,454,340
2030	2,922,534	1,531,806	4,454,340
2031-2035	15,375,024	6,896,676	22,271,700
2036-2040	16,727,097	5,544,603	22,271,700
2041-2045	18,198,070	4,073,630	22,271,700
2046-2050	19,798,400	2,473,300	22,271,700
2051-2054	17,085,124	732,236	17,817,360
Total	$ 101,472,143	$ 27,703,717	$ 129,175,860

B. State Revolving Loan – Recycled Water Distribution

In May 2024, the District entered into an agreement with the State Water Resources Control Board for the construction of the Monarch Beach Drive/Stonehill Recycled Water Distribution project. The agreement consists of a maximum loan amount of $4,375,000 and a $1,225,000 grant for eligible project costs. As of June 30, 2025, the SWRCB has distributed $281,491 related to this agreement and outstanding balance on the loan at June 30, 2025 totaled $281,491. The agreement allows the SWRCB to terminate the contract if any provision is violated. If terminated, all outstanding amounts become immediately due upon SWRCB's request. The annual payment schedule for the outstanding balance as of June 30, 2025 cannot be determined until the full disbursement of all loan funds has been completed.

C. 2016A Refunding Revenue Bonds

In October 2016, the District issued $13,325,000 of Refunding Revenue Bonds, Series 2016A (2016A Bonds). The 2016A Bonds were issued to provide funds (1) to advance refund all of the outstanding South Coast Water District Financing Authority Refunding Revenue Bonds, Series 2010A (2010A Bonds); and (2) to pay costs of issuance of the 2016A Bonds. The 2016A Bonds proceeds were invested in an escrow fund with a trustee to pay interest and principal on the 2010A Bonds until February 1, 2020. The 2010A Bonds were redeemed in full on February 1, 2020.

The reacquisition price exceeded the net carrying amount of the old debt by $668,860 and is amortized as interest expense over the remaining life of the 2016A Bonds. The remaining balance at June 30, 2025, is $242,696.

NOTE 5 LONG-TERM DEBT (CONTINUED)

C. 2016A Refunding Revenue Bonds (Continued)

The 2016A Bonds repayments include principal installments due in varying amounts from $820,000 to $1,295,000 annually from February 1, 2017, to February 1, 2029, with interest ranging from 2.0% to 5.0%. Total 2016A Bonds outstanding as of June 30, 2025, net of unamortized premium, are as follows:

Principal Outstanding at June 30, 2025	$ 4,870,000
Plus: Unamortized Premium	641,723
Net Bonds Outstanding at June 30, 2025	$ 5,511,723

The annual requirements to service the outstanding Bonds at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2026	1,135,000	206,150	1,341,150
2027	1,195,000	149,400	1,344,400
2028	1,245,000	101,600	1,346,600
2029	1,295,000	51,800	1,346,800
Total	$ 4,870,000	$ 508,950	$ 5,378,950

D. 2019A Revenue Bonds

In February 2019, the South Coast Water District Financing Authority, on behalf of the District, issued $41,680,000 of Revenue Bonds, Series 2019A (2019A Bonds). The 2019A Bonds were issued to provide funds (1) to finance the acquisition and construction of certain improvements to the District's Water System and Wastewater System; (2) to refund all of the South Coast Water District Financing Authority Revenue Bonds, Series 2010B (2010B Bonds); and (3) to pay costs of issuance of the 2019A Bonds. The 2019A Bonds proceeds were invested in an escrow fund with a trustee to pay interest and principal on the 2010B Bonds until February 1, 2020. The 2010B Bonds were redeemed in full on February 1, 2020.

The reacquisition price exceeded the net carrying amount of the old debt by $1,146,131 and is amortized as interest expense over the remaining life of the 2010B Bonds. The remaining balance at June 30, 2025, is $800,182.

The 2019A Bonds repayments include principal installments due in varying amounts from $1,335,000 to $3,015,000 annually from February 1, 2030, to February 1, 2049, with interest ranging from 3.5% to 5.0% subject to mandatory sinking fund redemption requirements.

NOTE 5 LONG-TERM DEBT (CONTINUED)

D. 2019A Revenue Bonds (Continued)

Total 2019A Bonds outstanding as of June 30, 2025, net of unamortized premium, are as follows:

Principal Outstanding at June 30, 2025	$ 41,680,000
Plus: Unamortized Premium	2,919,954
Net Bonds Outstanding at June 30, 2025	$ 44,599,954

The annual requirements to service the outstanding 2019A Bonds at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2026	-	1,801,375	1,801,375
2027	-	1,801,375	1,801,375
2028	-	1,801,375	1,801,375
2029	-	1,801,375	1,801,375
2030	1,335,000	1,801,375	3,136,375
2031-2035	7,745,000	7,950,875	15,695,875
2036-2040	9,515,000	6,180,125	15,695,125
2041-2045	11,705,000	3,986,500	15,691,500
2046-2049	11,380,000	1,171,450	12,551,450
Total	$ 41,680,000	$ 28,295,825	$ 69,975,825

E. 2020A Revenue Bonds

In October 2020, the South Cost Water District Financing Authority, on behalf of the District, issued $32,845,000 of Revenue Bonds, Series 2020A (2020A Bonds). The 2020A Bonds were issued to provide funds (1) to finance the acquisition and construction of certain improvements to the District's Water System and Wastewater System, and (2) to pay costs of issuance of the 2020A Bonds.

The 2020A Bonds repayments include principal installments due in varying amounts from $545,000 to $4,595,000 annually from February 1, 2021 to February 1, 2050, with interest ranging from 2.375% to 5.0% subject to mandatory sinking fund redemption requirements.

Total 2020A Bonds outstanding as of June 30, 2025, net of unamortized premium, are as follows:

Principal Outstanding at June 30, 2025	$ 29,610,000
Plus: Unamortized Premium	2,082,470
Net Bonds Outstanding at June 30, 2025	$ 31,692,470

NOTE 5 LONG-TERM DEBT (CONTINUED)

E. 2020A Revenue Bonds (Continued)

The annual requirements to service the outstanding 2020A Bonds at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2026	$ 640,000	$ 934,506	$ 1,574,506
2027	670,000	902,506	1,572,506
2028	700,000	869,006	1,569,006
2029	735,000	834,006	1,569,006
2030	785,000	797,256	1,582,256
2031-2035	4,440,000	3,449,031	7,889,031
2036-2040	5,365,000	2,520,531	7,885,531
2041-2045	6,175,000	1,709,594	7,884,594
2046-2050	10,100,000	922,750	11,022,750
Total	$ 29,610,000	$ 12,939,186	$ 42,549,186

F. Subscription-Based Information Technology Arrangements

The District has entered into subscription based-information technology arrangements (SBITAs) for various software. The SBITA arrangements expire at various dates through 2027. As of June 30, 2025, SBITA assets and the related accumulated amortization totaled $823,960 and $318,685, respectively. The future subscription payments under SBITA agreements are as follow:

Year Ending June 30,	Principal	Interest	Total Payment
2026	255,038	9,904	$ 264,942
2027	235,522	1,572	237,094
Total	$ 490,560	$ 11,476	$ 502,036

NOTE 6 PLEDGED REVENUES

The District has pledged its revenues, net of specified operating expenses, to repay $101.8 million in state revolving loan, $4.9 million in water refunding revenue bonds issued in 2016, $41.7 million in water revenue bonds issued in 2019, and $29.6 million in water revenue bonds issued in 2020. The loan, notes, and bonds are payable from District net revenues and are payable through 2054. Coverage of net revenues for annual principal and interest payments in future years are expected to approximate that of the current year (see below).

Debt service paid and net revenues for the year ended June 30, 2025, are as follows:

Gross Revenues	$ 73,855,691
Less: Excluded Revenues	(6,312,263)
Includable Revenues	67,543,428
All Expenses	54,927,992
Less: Excludable Expenses	(12,307,878)
Includable Expenses	42,620,114
Net Revenues	$ 24,923,314
Debt Service	$ 8,560,865
Coverage Percentage	291%
Required Coverage Percentage	125%

NOTE 7 EQUITY IN JOINT VENTURE

The District is a member in the Joint Regional Water Supply System (JRWSS), a joint venture providing potable water to its members. There are eight other members who participate in JRWSS. In a series of restructuring and consolidations, initiated in March 2000, JRWSS was formed to succeed two water districts, Tri-Cities Municipal Water District and the Coastal Municipal Water District, with substantially all assets and liabilities of predecessor districts transferred to JRWSS. The District's participation in JRWSS is accounted for as a joint venture with an equity interest and is reflected on the statement of net position as "equity in joint venture" in the amount of $8,555,149 at June 30, 2025.

Financial information for the operation of JRWSS for the fiscal year ended June 30, 2025, is as follows:

Total Assets	$ 42,114,442
Total Liabilities	5,659,931
Total Net Position	$ 36,454,511
Total Revenues	8,792,284
Total Expenses	(7,061,240)
Change In Net Position	$ 1,731,044

Since March 2000, the District has been responsible for the administration and operations of JRWSS. Separate financial statements of JRWSS may be obtained at South Coast Water District, 31592 West Street, Laguna Beach, CA 92651.

NOTE 8 DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

<u>Plan Description</u>

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by CalPERS. Benefit provisions under the plan are established by state statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefits provisions, assumptions and membership information that can be found on the CalPERS website at https://www.calpers.ca.gov/page/investments/about-investment-office/investment-financial-reports.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The plan provisions and benefits in effect as of fiscal year ended June 30, 2025, are summarized as follows:

	Miscellaneous	
	Hire Date	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit Formula	2% @ 55	2% @ 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 55	52 to 67
Monthly Benefits, as a Percentage of Eligible Compensation	1.426% to 2.000%	1.000% to 2.500%
Required Employee Contribution Rates	7.00%	7.75%
Required Employer Contribution Rates	12.52%	7.87%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. Contributions for the fiscal year ended June 30, 2025, included $1,037,980 for the UAL and $1,163,329 for the normal cost rate resulting in a total amount paid of $2,201,309.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

As of June 30, 2025, the District reported a net pension liability of $14,380,493 for its proportionate share of the net pension liability of the CalPERS administered miscellaneous plan.

The District's net pension liability for the plan is measured as the proportionate share of the net pension liability of the CalPERS administered miscellaneous plan. The net pension liability of the plan is measured as of June 30, 2024, and the total pension liability of the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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

	Miscellaneous
Proportion - June 30, 2023	0.29017 %
Proportion - June 30, 2024	0.29733 %
Increase	0.00716 %

For the year ended June 30, 2025, the District recognized pension expense of $3,931,785. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 2,201,309	$ -
Differences between Actual and Expected Experience	1,243,323	(48,517)
Change in Assumptions	369,609	-
Change in Employer's Proportion	1,223,001	-
Differences between the Employer's Contributions and Proportionate Share of Contributions	-	(1,037,176)
Net Differences between Projected and Actual Earnings on Plan Investments	827,868	-
Total	$ 5,865,110	$ (1,085,693)

$2,201,309 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2026	$ 1,169,301
2027	1,713,542
2028	(21,030)
2029	(283,705)

Actuarial Assumptions

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

	Miscellaneous
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	(1)
Mortality	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service.
(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include 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 CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.
(3) The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.30% thereafter.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Asset Class (a)	Assumed Asset Allocation	Real Return (a) (b)
Global Equity - Cap-Weighted	30.00 %	4.54 %
Global Equity - Non-Cap-Weighted	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)%
Total	100.00 %	

(a) An expected inflation rate of 2.30% is used for this period.
(b) Figures are based on the 2021 Asset Liability Management study.

Discount Rate

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

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

The following presents the District's proportionate share of the net pension liability for the plan, calculated using the discount rate for the plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease	5.90%
Net Pension Liability	$ 24,968,916
Current Discount Rate	6.90%
Net Pension Liability	$ 14,380,493
1% Increase	7.90%
Net Pension (Asset) Liability	$ 5,664,661

Pension Plans Fiduciary Net Position

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

C. Payable to the Pension Plan

At June 30, 2025, the District had no outstanding amount of contributions to the pension plans due for the year ended June 30, 2025.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information About the OPEB Plan

Plan Description

The District provides an agent multiple-employer defined postemployment health care plan that provides postemployment health care benefits to retirees with requirements depending on the retiree's initial employment date. The plan is managed through the California Employers' Retiree Benefit Trust (CERBT). The plan does not issue separate financial statements.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

A. General Information about the OPEB Plan (Continued)

Plan Description (Continued)

For employees of record as of May 18, 1988, five years of full-time continuous employment with the District is required. The employee must be at least 50 years of age and have participated in the CalPERS plan for at least five years, as well as receiving service retirement benefits pursuant to the terms and conditions of the District CalPERS plan. The District provides medical insurance for the retired employee and employee's eligible spouse from the date of retirement until both become eligible to receive Medicare benefits. The obligation of the District is to provide the plan of insurance, and the specific terms and conditions may vary from time to time. Thereafter, the District pays the full premium cost of Medicare supplemental coverage. Certain retirees, who were participants in legacy benefit plans, also receive dental coverage (retiree only) for life.

For employees commencing employment subsequent to May 18, 1988, 20 years of full-time continuous employment is required. The employee must be at least 50 years of age and have participated in CalPERS for at least five years, as well as receiving service retirement benefits pursuant to CalPERS plan requirements. The District provides medical insurance for the retired employee from the date of retirement until the retired employee is eligible to receive Medicare benefits. The obligation of the District is to provide the plan of insurance, and the specific terms and conditions may vary from time to time. Thereafter, Medicare supplement insurance is provided at the District's expense. A separate financial report is not prepared for the plan.

For employees hired on or after July 1, 2020 who are at least 55 years old with a minimum of 10 years of continuous District employment, will be eligible to continue receiving medical insurance benefits, which are equal to the value of the least costing medical benefit provided to active employees, until the retiree is eligible for Medicare. For employees hired on or after July 1, 2020 who are at least 60 years old with a minimum of 15 years of continuous District employment, will be eligible to continue to receive health insurance benefits, which are equal to the value of any medical benefit provided to active employees, until the retiree is eligible for Medicare. When eligible retirees who were hired on or after July 1 ,2020, reaches age 65 (Medicare age), the District will provide a reimbursement of up to $350 per month for the costs associated with a supplemental Medicare policy.

Employees Covered

As of measurement date June 30, 2024, the following numbers of participants were covered by the benefit terms under the plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	44
Inactive Employees or Beneficiaries Entitled to But Not Yet Receiving Benefits	-
Active Employees	80
Total	124

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

A. General Information about the OPEB Plan (Continued)

Contributions

The contribution requirements of the District are established and may be amended annually by the board of directors. Currently, contributions are not required from plan members. The annual contribution is based on the actuarially determined contributions. For the fiscal year ended June 30, 2025, the District did not make any contribution to the trust, received reimbursement for $380,431 in cash benefits paid and the estimated implied subsidy was $83,000, resulting in net total contributions of $83,000.

B. Net OPEB Liability (Asset)

The District's net OPEB liability (asset) is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability (asset) was measured as of June 30, 2024, using an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024 using standard update procedures. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability in the June 30, 2024, measurement period was determined by an actuarial valuation as of June 30, 2023. The total OPEB liability was based on the following assumptions, applied to all periods included in the measurement, unless other specified:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Actuarial Assumptions:	
Discount Rate	6.25%
Long-Term Expected Rate of Return on Investments	6.25%, Net of Investment Expenses
Inflation	2.50%
Projected Salary Increase:	
Aggregate	2.75% Annually
Merit	CalPERS 2000-2019 Experience Study
Medical Trend:	
Non-Medicare	8.5% for 2025, Decreasing to 3.45% in 2076
Medicare	7.5% for 2025, Decreasing to 3.45% in 2076
Mortality, Disability, Termination, and Retirement	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality Projected Fully Generational with Scale MP-2021

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Net OPEB Liability (Asset) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2023, valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District.

Long-Term Expected Rate of Return

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of measurement date June 30, 2024, are summarized in the following table:

Asset Class	Target Allocation CERBT - Strategy 1	Long-Term Expected Real Rate of Return
Global Equity	49.00%	4.56%
Fixed Income	23.00%	1.56%
TIPS	5.00%	-0.08%
Commodities	3.00%	1.22%
REITs	20.00%	4.06%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB plan investments was applied to all periods of the projected benefit payments to determine the total OPEB liability.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Net OPEB Liability (Asset)

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2023 (Measurement Date)	$ 8,304,036	$ 8,439,991	$ (135,955)
Changes in the Year:			
Service Cost	254,119	-	254,119
Interest on the Total OPEB Liability	521,151	-	521,151
Actual vs. Expected Experience	-	-	-
Changes in Assumptions	-	-	-
Contribution - Employer	-	407,325	(407,325)
Net Investment Income	-	929,078	(929,078)
Benefit Payments	(439,446)	(439,446)	-
Administrative Expenses	-	(2,764)	2,764
Net Changes	335,824	894,193	(558,369)
Balance at June 30, 2024 (Measurement Date)	$ 8,639,860	$ 9,334,184	$ (694,324)

<u>Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate</u>

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB Liability (Asset)	$ 365,526	$ (694,324)	$ (1,582,349)

<u>Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health-Care Cost Trend Rates</u>

The following presents the net OPEB liability (asset) of the District as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease (7.5%/6.5% Decreasing to 2.45%)	Current Healthcare Cost Trend Rates (8.5%/7.5% Decreasing to 3.45%)	1% Increase (9.5%/8.5% Decreasing to 4.45%)
Net OPEB Liability (Asset)	$ (1,750,739)	$ (694,324)	$ 600,473

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

For the year ended June 30, 2025, the District recognized OPEB expense of $126,160. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	$ 83,000	$ -
Differences Between Actual and Expected Experience	112,494	(797,165)
Change in Assumptions	394,150	(65,340)
Differences Between Projected and Actual Earnings	79,106	-
Total	$ 668,750	$ (862,505)

An amount of $83,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2026	$ (145,246)
2027	134,398
2028	(208,098)
2029	(139,948)
2030	(3,815)
Thereafter	85,954

E. Payable to the OPEB Plan

At June 30, 2025, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2025.

NOTE 10 DEFERRED COMPENSATION

The District offers a 457 deferred compensation plan to employees. Nationwide Retirement Solutions, Inc. acts as the third-party administrative services provider for the defined contribution plan. Employees can contribute up to the IRS determined limits to the plan. The District will match contributions up to a certain amount as determined by the District's board of directors. Distributions under the plan may generally not be made prior to the earlier of the employee's attainment of age 70½ or the employee's termination of employment. Total District contributions to the plan during fiscal year 2024-2025 were $68,408.

NOTE 11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. In an effort to manage its risk exposure, the District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Section 6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. On June 30, 2025, the District participated in the self-insurance programs of the Insurance Authority as follows:

- *Property Loss* – The Insurance Authority has pooled self-insurance up to $10,000,000 per occurrence and has purchased excess insurance coverage up to $150,000,000. The District has the following deductibles: $5,000 for real and personal property, $1,000 for mobile equipment, and licensed vehicles and trailers; $25,000 for boiler and machinery or $50,000 for turbine or power generation equipment; 5% of total insurable value for earthquake; and $100,000 for flood.
- *General and Auto Liability* – The Insurance Authority has pooled self-insurance up to $5,000,000 per occurrence and has purchased excess insurance coverage up to $55,000,000. The District has no deductible.
- *Public Official's Errors and Omissions* – The Insurance Authority has pooled self-insurance up to $5,000,000 per occurrence and has purchased excess insurance coverage up to $55,000,000. The District has no deductible.
- *Underground Storage Tank Pollution Liability* – The Insurance Authority has pooled self-insurance up to $500,000 per occurrence and has purchased excess insurance coverage up to $3,000,000. The District has a $10,000 deductible.
- *Crime* – The Insurance Authority has pooled self-insurance up to $100,000 per occurrence. The District has a $1,000 deductible.
- *Workers' Compensation* – The Insurance Authority has pooled self-insurance up to $2,000,000 and excess insurance coverage has been purchased up to the statutory limit with a $4,000,000 program aggregate limit for Employer's Liability. The District has no deductible.

NOTE 11 RISK MANAGEMENT (CONTINUED)

- *Dam Failure Liability* – The Insurance Authority has purchased insurance coverage up to $4,000,000 per occurrence with a $1,000,000 retention.
- *Cyber Liability* – The Insurance Authority has purchased insurance coverage up to $3,000,000 per member and up to $5,000,000 in aggregate. The retention is based on total insurable values.
- *Workplace Violence* – The Insurance Authority has purchased insurance coverage up to $3,000,000. The District has a $5,000 deductible.

The District pays annual premiums for coverage. There have been no settlements that exceeded the District's insurance coverage and no reduction in the District insurance coverage for the past three years.

NOTE 12 CONTINGENCIES AND COMMITMENTS

A. Lawsuits

The District is a defendant in various lawsuits, some of which have outcomes not presently determinable and other that may result in settlements against the District. As of June 30, 2025, there is a potential claim estimated at $996,000 related to the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) for hazardous waste. The District submitted a claim to another agency under the Government Claims Act for their potential liability and share in the claim. In August 2025, the District entered a settlement agreement with the other District in which the other agency paid the District $500,000 to settle the other agency's potential liability.

B. Contract Commitments

The District had $34,425,148 of outstanding contract commitments at June 30, 2025. The three largest contracts outstanding include:

Project	Contract Amount	Balance to Complete
Lift Station No. 2 Replacement Project	$ 33,402,940	$ 11,645,703
PDBOM Services Doheny Ocean Desalination Project	6,861,000	4,799,048
Ocean Desalination Project Development	3,292,619	895,378

NOTE 13 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2024, the District implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. As a result of the implementation of this standard, the compensated absences liability as of July 1, 2024 was understated by $115,717. This resulted to a restatement of the beginning net position by $115,717.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH COAST WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS

Fiscal Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Measurement Period	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Plan's Proportion of the Net Pension Liability	0.29733%	0.29017%	0.27832%	0.11560%	0.23115%
Plan's Proportionate Share of the Net Pension Liability	$ 14,380,493	$ 14,509,949	$ 13,023,259	$ 2,194,985	$ 9,749,879
Plan's Covered Payroll	$ 9,891,583	$ 9,410,122	$ 8,815,002	$ 8,724,094	$ 9,095,601
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	145.38%	154.20%	147.74%	25.16%	107.19%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.67%	80.26%	81.46%	96.70%	84.62%

NOTES TO SCHEDULE

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From Fiscal Year June 30, 2020, to June 30, 2022:
There were no changes in assumptions.
From fiscal year June 30, 2022 to June 30, 2023:
The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30%.

SOUTH COAST WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
LAST TEN FISCAL YEARS

Fiscal Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Measurement Period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Plan's Proportion of the Net Pension Liability	0.20735%	0.18471%	0.19048%	0.31882%	0.29779%
Plan's Proportionate Share of the Net Pension Liability	$ 8,303,488	$ 6,961,317	$ 7,508,964	$ 11,075,496	$ 8,170,473
Plan's Covered Payroll	$ 8,817,816	$ 8,547,122	$ 8,688,674	$ 7,022,391	$ 6,941,886
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	94.17%	81.45%	86.42%	157.72%	117.70%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	75.26%	73.31%	74.06%	78.40%

NOTES TO SCHEDULE

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From Fiscal Year June 30, 2015, to June 30, 2016:
GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.
From Fiscal Year June 30, 2016, to June 30, 2017:
There were no changes in assumptions.
From Fiscal Year June 30, 2017, to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%
From Fiscal Year June 30, 2018, to June 30, 2019:
There were no significant changes in assumptions.

SOUTH COAST WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSION
LAST TEN FISCAL YEARS

Fiscal Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Contractually Required Contribution (Actuarially Determined)	$ 2,201,309	$ 1,837,452	$ 1,784,441	$ 1,530,643	$ 1,445,111
Contributions in Relation to the Actuarially Determined Contributions	(2,201,309)	(1,837,452)	(1,784,441)	(1,530,643)	(1,445,111)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 11,066,934	$ 9,891,583	$ 9,410,122	$ 8,815,002	$ 8,724,094
Contributions as a Percentage of Covered Payroll	19.89%	18.58%	18.96%	17.36%	16.56%

NOTES TO SCHEDULE

Valuation Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.300%	2.300%	2.500%	2.500%	2.500%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	6.90% (3)	6.80% (3)	7.00% (3)	7.00% (3)	7.00% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed.
(2) Depending on age, service and type of employment.
(3) Net of pension plan investment expense, including inflation.
(4) 2% @ 55 And 2% @ 62
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

SOUTH COAST WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSION (CONTINUED)
LAST TEN FISCAL YEARS

Fiscal Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Contractually Required Contribution (Actuarially Determined)	$ 1,273,193	$ 1,053,692	$ 1,436,610	$ 1,075,499	$ 934,063
Contributions in Relation to the Actuarially Determined Contributions	(1,273,193)	(1,053,692)	(1,436,610)	(6,075,499)	(934,063)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ (5,000,000)	$ -
Covered Payroll	$ 9,095,601	$ 8,817,816	$ 8,547,122	$ 8,688,674	$ 7,022,391
Contributions as a Percentage of Covered Payroll	14.00%	11.95%	16.81%	69.92%	13.30%

NOTES TO SCHEDULE

Valuation Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.625%	2.750%	2.750%	2.750%	2.750%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed.
(2) Depending on age, service and type of employment.
(3) Net of pension plan investment expense, including inflation.
(4) 2% @ 55 And 2% @ 62
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

SOUTH COAST WATER DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS*

Fiscal Year Ended	June 30, 2025	June 30, 2024	June 30, 2023
Measurement Period	June 30, 2024	June 30, 2023	June 30, 2022
Total OPEB Liability:			
Service Cost	$ 254,119	$ 226,989	$ 220,914
Interest on Total OPEB Liability	521,151	463,323	446,326
Changes of Assumptions		483,578	-
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	149,378	-
Benefit Payments	(439,446)	(410,834)	(391,875)
Net Change in Total OPEB Liability	335,824	912,434	275,365
Total OPEB Liability - Beginning of Year	8,304,036	7,391,602	7,116,237
Total OPEB Liability - End of Year (a)	8,639,860	8,304,036	7,391,602
Plan Fiduciary Net Position:			
Contributions - Employer	407,325	581,000	643,000
Net Investment Income	929,078	520,431	(1,169,791)
Benefit Payments	(439,446)	(410,834)	(391,875)
Administrative Expenses	(2,764)	(2,266)	(2,199)
Net Change in Plan Fiduciary Net Position	894,193	688,331	(920,865)
Plan Fiduciary Net Position - Beginning of Year	8,439,991	7,751,660	8,672,525
Plan Fiduciary Net Position - End of Year (b)	9,334,184	8,439,991	7,751,660
Net OPEB (Asset) Liability - Ending (a)-(b)	$ (694,324)	$ (135,955)	$ (360,058)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	108.04%	101.64%	104.87%
Covered - Employee Payroll	$ 11,390,066	$ 10,706,030	$ 10,906,346
Net OPEB Liability as a Percentage of Covered - Employee Payroll	-6.10%	-1.27%	-3.30%

NOTES TO SCHEDULE

Benefit Changes:
Fiscal Year June 30, 2022: District approved a new tier in August 2020 for employees hired on or after July 1, 2020.

Changes In Assumptions:
From Fiscal Year June 30, 2022, to June 30, 2023:
There were no changes in assumptions.
From Fiscal Year June 30, 2023, to June 30, 2024:
Updated medical trend.

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

SOUTH COAST WATER DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (CONTINUED)
LAST TEN FISCAL YEARS*

Fiscal Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Period	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability:					
Service Cost	$ 245,176	$ 242,070	$ 252,517	$ 245,162	$ 238,021
Interest on Total OPEB Liability	531,452	514,032	534,021	506,612	479,880
Changes of Assumptions	55,482	(101,340)	(56,574)	-	-
Changes in Benefit Terms	(78,282)	-	-	-	-
Differences Between Expected and Actual Experience	(1,060,300)	-	(645,038)	-	-
Benefit Payments	(410,943)	(388,632)	(352,626)	(353,515)	(304,511)
Net Change in Total OPEB Liability	(717,415)	266,130	(267,700)	398,259	413,390
Total OPEB Liability - Beginning of Year	7,833,652	7,567,522	7,835,222	7,436,963	7,023,573
Total OPEB Liability - End of Year (a)	7,116,237	7,833,652	7,567,522	7,835,222	7,436,963
Plan Fiduciary Net Position:					
Contributions - Employer	610,943	392,500	637,422	665,097	596,000
Net Investment Income	1,845,629	225,823	375,599	408,823	509,829
Benefit Payments	(410,943)	(388,632)	(352,626)	(353,515)	(304,511)
Administrative Expenses	(2,526)	(3,134)	(1,247)	(9,388)	(2,461)
Net Change in Plan Fiduciary Net Position	2,043,103	226,557	659,148	711,017	798,857
Plan Fiduciary Net Position - Beginning of Year	6,629,422	6,402,865	5,743,717	5,032,700	4,233,843
Plan Fiduciary Net Position - End of Year (b)	8,672,525	6,629,422	6,402,865	5,743,717	5,032,700
Net OPEB (Asset) Liability - Ending (a)-(b)	$ (1,556,288)	$ 1,204,230	$ 1,164,657	$ 2,091,505	$ 2,404,263
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	121.87%	84.63%	84.61%	73.31%	67.67%
Covered - Employee Payroll	$ 10,058,458	$ 9,023,421	$ 9,899,581	$ 9,811,343	$ 8,688,674
Net OPEB Liability as a Percentage of Covered - Employee Payroll	-15.47%	13.35%	11.76%	21.32%	27.67%

NOTES TO SCHEDULE

Benefit Changes:
Fiscal Year June 30, 2022: District approved a new tier in August 2020 for employees hired on or after July 1, 2020.

Changes In Assumptions:
From Fiscal Year June 30, 2018, To June 30, 2019:
There were no changes in assumptions.
From Fiscal Year June 30, 2019, To June 30, 2020:
The mortality improvement scale was updated to Scale MP-2019 from MP-2017. The healthcare trend changed from 7.50% non-Medicare and 6.50% Medicare to 7.25% non-Medicare and 6.30% Medicare.
From Fiscal Year June 30, 2020, to June 30, 2021:
PPACA high cost excise tax repealed.
From Fiscal Year June 30, 2021, to June 30, 2022:
Inflation rate changed from 2.75% to 2.5%, discount rate, medical/dental trend and salary pay increases reduced by 0.25%, Experience study updated to 2000-2019 CalPERS table and mortality scale updated to scale MP-2021

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

SOUTH COAST WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – OPEB
LAST TEN FISCAL YEARS*

Fiscal Year Ended	June 30, 2025	June 30, 2024	June 30, 2023
Actuarially Determined Contribution	$ 520,000	$ 427,000	$ 417,000
Contributions in Relation to the Actuarially Determined Contributions	(83,000)	(379,894)	(581,000)
Contribution Deficiency (Excess)	$ 437,000	$ 47,106	$ (164,000)
Covered - Employee Payroll	$ 12,730,170	$ 11,390,066	$ 10,706,030
Contributions as a Percentage of Covered - Employee Payroll	0.65%	3.34%	5.43%
NOTES TO SCHEDULE			
Valuation Date	June 30, 2022	June 30, 2021	June 30, 2021
Methods and Assumptions Used to Determine Contribution Rates:			
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)
Amortization Period	Layered Bases 2-14 Years	Layered Bases 2-14 Years	Layered Bases 3-15 Years
Asset Valuation Method	(2)	(2)	(2)
Discount Rate	6.25%	6.25%	6.75%
Inflation	2.50%	2.50%	2.50%
Medical Trend	(8)	(8)	(8)
Mortality	(9)	(9)	(9)

(1) Level Percentage of Payroll
(2) Investment Gains and Losses Spread over Five-Year Rolling Period
(8) Non-Medicare - 6.50% for 2023, Decreasing to 3.75% in 2076 and Later
Medicare - 5.65% for 2023, Decreasing to 3.75% in 2076 and Later
(9) CalPERS 2000-2019 Experience Study

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

SOUTH COAST WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – OPEB (CONTINUED)
LAST TEN FISCAL YEARS*

Fiscal Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially Determined Contribution	$ 572,000	$ 557,000	$ 623,000	$ 605,000	$ 573,000
Contributions in Relation to the Actuarially Determined Contributions	(643,000)	(610,943)	(392,500)	(637,422)	(665,097)
Contribution Deficiency (Excess)	$ (71,000)	$ (53,943)	$ 230,500	$ (32,422)	$ (92,097)
Covered - Employee Payroll	$ 10,906,346	$ 10,058,458	$ 9,023,421	$ 9,899,581	$ 9,811,343
Contributions as a Percentage of Covered - Employee Payroll	5.90%	6.07%	4.35%	6.44%	6.78%
NOTES TO SCHEDULE					
Valuation Date	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017	June 30, 2015
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Amortization Period	Three-Year Average Fixed	Four-Year Average Fixed	Seven-Year Average Fixed	Eight-Year Average Fixed	Ten-Year Average Fixed
Asset Valuation Method	(2)	(2)	(2)	(2)	(2)
Discount Rate	6.75%	6.75%	6.75%	6.75%	7.25%
Inflation	2.75%	2.75%	2.75%	2.75%	3.00%
Medical Trend	(5)	(5)	(4)	(4)	(3)
Mortality	(7)	(7)	(7)	(7)	(6)

(1) Level Percentage of Payroll
(2) Investment Gains and Losses Spread over Five-Year Rolling Period
(3) Non-Medicare - 7.0% for 2017, Decreasing to 5.0% in 2021 and Later
Medicare - 7.2% for 2017, Decreasing to 5.0% in 2021 and Later
(4) Non-Medicare - 7.5% for 2019, Decreasing to 4.0% in 2076 and Later
Medicare - 6.5% for 2019, Decreasing to 4.0% in 2076 and Later
5) Non-Medicare - 7.25% for 2021, Decreasing to 4.0% in 2076 and Later
Medicare - 6.3% for 2021, Decreasing to 4.0% in 2076 and Later
(6) CalPERS 1997-2011 Experience Study
(7) CalPERS 1997-2015 Experience Study

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

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SUPPLEMENTARY INFORMATION

SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2025

	Water	Sewer	Total
ASSETS			
CURRENT ASSETS			
Cash and Investments	$ 25,161,143	$ 68,128,018	$ 93,289,161
Utility Accounts Receivable	1,736,247	904,519	2,640,766
Property Taxes Receivable	554,802	362,990	917,792
Grants Receivable	1,477,044	-	1,477,044
Accrued Interest Receivable	83,555	199,050	282,605
Other Receivables	3,581,761	5,795,347	9,377,108
Leases Receivable	27,597	-	27,597
Water Inventory	1,632,800	-	1,632,800
Prepaid Expenses and Other Assets	342,775	299,067	641,842
Cash and Investments Restricted by Debt Agreements	788,603	2,363,803	3,152,406
Total Current Assets	35,386,327	78,052,794	113,439,121
NONCURRENT ASSETS			
Capital Assets:			
Not Being Depreciated	23,177,849	35,240,476	58,418,325
Being Depreciated/Amortized (Net of Accumulated Depreciation/Amortization)	69,011,630	175,392,564	244,404,194
Net Capital Assets	92,189,479	210,633,040	302,822,519
Other Assets:			
Leases Receivable	349,691	-	349,691
Equity in Joint Venture	8,555,149	-	8,555,149
Net OPEB Asset	364,519	329,804	694,323
Total Noncurrent Assets	101,458,838	210,962,844	312,421,682
Total Assets	136,845,165	289,015,638	425,860,803
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Refunding Charges	601,458	441,421	1,042,879
Pension Related	3,079,182	2,785,928	5,865,110
OPEB Related	351,094	317,656	668,750
Total Deferred Outflows of Resources	4,031,734	3,545,005	7,576,739

SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION (CONTINUED)
JUNE 30, 2025

	Water	Sewer	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	$ 3,804,187	$ 2,857,385	$ 6,661,572
Accrued Salaries and Benefits	227,425	112,966	340,391
Advances from Developers	67,701	-	67,701
Customer Deposits	228,398	35,141	263,539
Accrued Interest Payable	613,999	2,034,279	2,648,278
Unearned Revenue	-	-	-
Current Portion of Loans Payable	179,715	2,888,156	3,067,871
Current Portion of Bonds Payable	765,900	1,009,100	1,775,000
Current Portion of Subscriptions Payable	133,895	121,143	255,038
Current Portion of Compensated Absences	576,940	379,186	956,126
Total Current Liabilities	6,598,160	9,437,356	16,035,516
NONCURRENT LIABILITIES			
Loans Payable	101,776	98,583,987	98,685,763
Bonds Payable	34,485,234	45,543,913	80,029,147
Subscriptions Payable	123,649	111,873	235,522
Compensated Absences	862,810	401,110	1,263,920
Net Pension Liability	7,549,759	6,830,734	14,380,493
Total Noncurrent Liabilities	43,123,228	151,471,617	194,594,845
Total Liabilities	49,721,388	160,908,973	210,630,361
DEFERRED INFLOWS OF RESOURCES			
Pension Related	569,990	515,703	1,085,693
OPEB Related	452,815	409,690	862,505
Leases Related	321,767	-	321,767
Total Deferred Inflows Of Resources	1,344,572	925,393	2,269,965
NET POSITION			
Net Investment in Capital Assets	55,834,126	63,558,806	119,392,932
Restricted for OPEB	364,519	329,804	694,323
Restricted for Debt Service	-	4,454,340	4,454,340
Unrestricted	33,612,294	62,383,327	95,995,621
Total Net Position	$ 89,810,939	$ 130,726,277	$ 220,537,216

SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025

	Water	Sewer	Total
OPERATING REVENUES			
Water Sales	$ 24,129,694	$ -	$ 24,129,694
Sewer Service Charges	-	23,152,962	23,152,962
Recycled Water	2,927,475	-	2,927,475
Recreation Facilities	409,551	-	409,551
Total Operating Revenues	27,466,720	23,152,962	50,619,682
OPERATING EXPENSES			
Source of Supply (Purchased Water)	9,026,420	-	9,026,420
Groundwater Recovery Facility	1,248,673	-	1,248,673
Recycled Water	1,782,635	-	1,782,635
Pumping Expense	428,061	933,284	1,361,345
Sewer Treatment Plant	-	5,562,494	5,562,494
Transmission and Distribution	2,582,924	1,870,309	4,453,233
Operations Support	2,162,014	1,135,571	3,297,585
Recreation Facilities	362,831	-	362,831
Engineering and Consulting	897,159	632,532	1,529,691
General and Administrative	7,342,715	6,652,492	13,995,207
Depreciation and Amortization	4,210,405	3,802,979	8,013,384
Total Operating Expenses	30,043,837	20,589,661	50,633,498
INCOME (LOSS) FROM OPERATIONS	(2,577,117)	2,563,301	(13,816)
NONOPERATING REVENUES (EXPENSES)			
Property Taxes	3,925,189	5,215,581	9,140,770
Grants Revenue	2,434,826	163,225	2,598,051
Investment Income	1,233,011	2,438,870	3,671,881
Other Revenues	871,023	1,410,146	2,281,169
Rental Income, Net	1,816,530	-	1,816,530
Interest Expense	(1,415,362)	(2,879,132)	(4,294,494)
Gain on Disposal of Capital Assets	6,698	6,698	13,396
Total Nonoperating Revenues (Expenses)	8,871,915	6,355,388	15,227,303
INCOME BEFORE CAPITAL CONTRIBUTIONS	6,294,798	8,918,689	15,213,487
CAPITAL CONTRIBUTIONS			
Contributed Assets	3,180,000	-	3,180,000
Connection Fees	420,939	113,273	534,212
Total Capital Contributions	3,600,939	113,273	3,714,212
CHANGE IN NET POSITION	9,895,737	9,031,962	18,927,699
Net Position - Beginning of Year, As Previously Reporte	79,995,019	121,730,215	201,725,234
Restatement	(79,817)	(35,900)	(115,717)
Net Position - Beginning of Year, As Restated	79,915,202	121,694,315	201,609,517
NET POSITION - END OF YEAR	$ 89,810,939	$ 130,726,277	$ 220,537,216

SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	$ 25,586,703	$ 20,909,212	$ 46,495,915
Cash Payments to Suppliers for Goods and Services	(22,313,329)	(12,039,280)	(34,352,609)
Cash Payments to Employees for Services	(5,976,195)	(3,605,249)	(9,581,444)
Other Operating Revenues	871,023	1,410,146	2,281,169
Net Cash Provided (Used) by Operating Activities	(1,831,798)	6,674,829	4,843,031
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Property Taxes	3,802,684	5,121,084	8,923,768
Cash Transfers In (Out) Between Funds	-	-	-
Net Cash Provided by Noncapital Financing Activities	3,802,684	5,121,084	8,923,768
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisitions and Construction of Capital Assets	(13,387,111)	(16,518,068)	(29,905,179)
Proceeds from Grants	1,220,554	163,225	1,383,779
Proceeds from Sale of Capital Assets	6,698	6,698	13,396
Loan Proceeds	281,491	14,011,713	14,293,204
Repayment of Loans, Bonds, Subscriptions Payable	(1,239,670)	(3,042,552)	(4,282,222)
Interest Paid	(1,518,800)	(3,039,220)	(4,558,020)
Water and Sewer Connection Fees Received	420,939	113,273	534,212
Rental Income Received	1,806,357	-	1,806,357
Receipt (Return) of Customer Deposits and Developer Advances	(24,754)	-	(24,754)
Net Cash Used by Capital and Related Financing Activities	(12,434,296)	(8,304,931)	(20,739,227)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Redemptions, Sales an Purchases, net	1,559,976	(2,922,390)	(1,362,414)
Interest Income Received	1,246,987	2,400,598	3,647,585
Net Cash Provided (Used) by Investing Activities	2,806,963	(521,792)	2,285,171
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,656,447)	2,969,190	(4,687,257)
Cash and Cash Equivalents - Beginning of Year	27,024,919	49,644,768	76,669,687
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 19,368,472	$ 52,613,958	$ 71,982,430

SOUTH COAST WATER DISTRICT
COMBINING SCHEDULE OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2025

	Water	Sewer	Total
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Income (Loss) from Operations	$ (2,577,117)	$ 2,563,301	$ (13,816)
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amoritization	4,210,405	3,802,979	8,013,384
Other Revenues	871,023	1,410,146	2,281,169
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
(Increase) Decrease in:			
Utility Accounts Receivable	203,995	(159,085)	44,910
Other Receivables	(2,050,869)	(1,949,553)	(4,000,422)
Inventories	(1,632,800)	-	(1,632,800)
Prepaid Expenses and Other Assets	(22,085)	(14,520)	(36,605)
Equity in Joint Venture	(348,452)	-	(348,452)
Net OPEB Asset	(293,143)	(265,225)	(558,368)
Deferred Outflows of Resources	1,590,976	1,439,454	3,030,430
Increase (Decrease) in:			
Accounts Payable	(1,529,432)	241,157	(1,288,275)
Accrued Salaries and Benefits	(12,290)	(37,802)	(50,092)
Customer Deposits	(12,827)	(135,112)	(147,939)
Unearned Revenue	(20,316)	-	(20,316)
Compensated Absences	172,203	123,870	296,073
Net Pension Liability	(67,964)	(61,492)	(129,456)
Deferred Inflows of Resources	(313,105)	(283,289)	(596,394)
Net Cash Provided (Used) by Operating Activities	$ (1,831,798)	$ 6,674,829	$ 4,843,031
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION			
Cash and Investments	$ 25,161,143	$ 68,128,018	$ 93,289,161
Cash and Investments Restricted by Debt Agreements	788,603	2,363,803	3,152,406
Less: Investments with Maturities Greater than Three Months	(6,581,274)	(17,877,863)	(24,459,137)
Cash and Cash Equivalents	$ 19,368,472	$ 52,613,958	$ 71,982,430
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Assets in Accounts and Retention Payables	$ 1,550,428	$ 2,024,106	$ 3,574,534
Capital Assets in funded by long-term debt	$ 148,987	$ 134,799	$ 283,786

STATISTICAL SECTION (UNAUDITED)

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This part of the District's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures say about the government's overall financial health.

Contents

SOUTH COAST WATER DISTRICT
NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year			
Net Position:	**2025**	**2024**	**2023**	**2022**
Assets :				
Current Assets	$ 113,439,121	$ 109,680,808	$ 120,255,269	$ 121,011,749
Noncurrent Assets:				
Net Capital Assets	302,822,519	280,617,948	257,721,115	239,302,990
Other Assets	9,599,163	8,719,941	8,428,598	9,956,356
Total Assets	425,860,803	399,018,697	386,404,982	370,271,095
Deferred Outflows of Resources:				
Deferred Refunding Charges	1,042,879	1,165,165	1,287,452	1,409,740
Pension Contributions Subsequent to Measurement Date	-	-	1,784,441	1,530,643
Pension Related	5,865,110	8,112,170	7,601,197	1,764,264
Other Post-Employment Benefits Contributions Subsequent to Measurement Date	668,750	1,452,120	1,241,099	692,105
Total Deferred Outlflows of Resources	7,576,739	10,729,455	11,914,189	5,396,752
Liabilities:				
Current Liabilities	16,035,516	19,978,898	15,247,327	11,476,116
Noncurrent Liabilities	194,594,845	185,142,559	188,065,606	169,983,783
Total Liabilities	210,630,361	205,121,457	203,312,933	181,459,899
Deferred Inflows of Resources:				
Deferred Refunding Charges	-	-	-	-
Pension Related	1,085,693	1,472,816	1,958,026	3,465,523
Other Post-Employment Benefits Related	862,505	1,071,776	1,281,048	2,490,716
Leases Related	321,767	356,869	415,642	491,322
Total Deferred Inflows of Resources	2,269,965	2,901,461	3,654,716	6,447,561
Net Position:				
Net Investment in Capital Assets	119,392,932	120,730,589	118,808,393	116,126,546
Restricted for Other Post-Employment Benefits	694,323	135,955	360,058	-
Restricted for Debt Service/Covenants	4,454,340	3,845,184	3,783,174	3,127,385
Unrestricted	95,995,621	77,013,506	68,399,897	68,506,456
Total Net Position	$ 220,537,216	$ 201,725,234	$ 191,351,522	$ 187,760,387

(Continued)

Source: District Audited Financial Statements

SOUTH COAST WATER DISTRICT
NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS

Fiscal Year					
2021	2020	2019	2018	2017	2016
$ 106,418,099	$ 66,578,752	$ 60,049,653	$ 54,344,998	$ 50,040,724	$ 63,046,515
225,285,113	210,592,371	189,089,119	165,166,397	155,831,742	144,780,028
7,812,245	7,927,333	7,951,147	8,219,287	8,630,100	8,822,497
339,515,457	285,098,456	257,089,919	227,730,682	214,502,566	216,649,040
1,532,026	1,654,314	1,776,601	716,800	784,529	-
1,445,111	1,273,194	1,053,692	1,436,610	6,075,499	934,063
2,120,886	1,204,122	1,455,169	2,760,767	1,675,168	86,953
718,124	392,500	637,422	617,000	-	-
5,816,147	4,524,130	4,922,884	5,531,177	8,535,196	1,021,016
10,480,978	14,020,195	11,465,539	8,026,333	7,811,739	6,214,723
155,430,665	101,422,108	79,153,539	53,272,612	44,726,428	42,029,933
165,911,643	115,442,303	90,619,078	61,298,945	52,538,167	48,244,656
-	-	-	-	-	508,116
1,630,002	689,762	609,782	1,368,335	1,355,999	2,078,899
639,292	736,322	180,776	171,432	-	-
-	-	-	-	-	-
2,269,294	1,426,084	790,558	1,539,767	1,355,999	2,587,015
127,940,920	127,589,910	134,820,840	121,807,991	122,393,683	109,822,913
-	-	-	-	-	-
2,096,140	1,516,254	563,373	457	573,681	784,475
47,113,607	43,648,035	35,218,954	48,614,699	46,176,232	56,230,997
$ 177,150,667	$ 172,754,199	$ 170,603,167	$ 170,423,147	$ 169,143,596	$ 166,838,385

SOUTH COAST WATER DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year			
Changes in Net Position:	**2025**	**2024**	**2023**	**2022**
Operating Revenues				
Water Sales	$ 24,129,694	$ 21,912,644	$ 20,520,885	$ 20,594,297
Sewer Service Charges	23,152,962	20,575,587	18,030,330	17,183,484
Recycled Water	2,927,475	2,132,750	2,042,287	2,664,716
Recreation Facilities	409,551	362,042	350,383	333,243
Operating Expenses				
Source of Supply (Purchased Water)	9,026,420	8,286,004	6,919,548	6,779,009
Groundwater Recovery Facility	1,248,673	1,286,698	1,298,695	1,197,018
Recycled Water	1,782,635	1,861,101	1,492,669	1,562,009
Pumping Expense	1,361,345	1,180,270	1,169,565	1,013,483
Sewer Treatment Plant	5,562,494	5,014,262	4,427,761	4,186,641
Transmission and Distribution	4,453,233	5,544,935	5,080,955	4,421,617
Operations Support	3,297,585	3,118,927	3,210,820	2,951,525
Recreation Facilities	362,831	367,747	328,087	305,075
Engineering and Consulting	1,529,691	1,584,731	1,717,815	2,078,071
General and Administrative	13,995,207	12,497,370	14,650,070	4,471,153
Depreciation and Amortization	8,013,384	8,272,355	6,610,367	6,486,096
Income From Operations	(13,816)	(4,031,377)	(5,962,467)	5,324,043
Nonoperating Revenues (Expenses)				
Property Taxes	9,140,770	8,681,108	8,188,332	7,472,760
Standby Charges	-	-	-	-
Investment Income	3,671,881	3,756,027	1,487,587	(899,882)
Other Revenues	2,281,169	1,559,220	1,668,319	1,175,408
Rental Income, Net	1,816,530	1,725,076	1,448,705	1,181,093
Grants Revenue	2,598,051	2,581,007	528,351	252,183
Interest Expense	(4,294,494)	(4,351,724)	(4,018,391)	(4,055,723)
Gain (Loss) on Disposal of Capital Asse	13,396	14,969	71,600	36,130
Share of Joint Venture Income (Expense	-	-	-	-
Other Expenses	-	-	-	-
Total Nonoperating Revenues (Expenses)	15,227,303	13,965,683	9,374,503	5,161,969
Income Before Capital Contributions	15,213,487	9,934,306	3,412,036	10,486,012
Capital Contributions	3,180,000	-	-	-
Connection Fees	534,212	439,406	179,099	123,708
Change in Net Position	$ 18,927,699	$ 10,373,712	$ 3,591,135	$ 10,609,720

(Continued)

Source: District Audited Financial Statements

SOUTH COAST WATER DISTRICT
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS

Fiscal Year 2021	2020	2019	2018	2017	2016
$ 19,527,900	$ 18,482,268	$ 17,518,158	$ 16,415,394	$ 14,133,228	$ 14,105,212
15,465,736	15,202,153	14,702,662	13,839,953	12,421,268	12,070,688
2,179,970	1,855,007	1,770,840	1,907,580	1,640,610	1,358,360
257,294	244,999	294,177	291,564	215,069	208,811
6,878,289	5,549,902	6,085,677	5,804,144	5,616,206	5,579,348
1,110,828	1,330,142	1,011,303	686,714	570,996	437,110
1,313,227	1,015,881	942,374	621,481	1,082,906	1,024,908
989,363	1,169,994	1,111,566	1,101,671	1,043,175	956,397
4,132,637	4,551,238	5,400,627	4,421,065	3,169,418	2,592,137
4,520,965	5,431,867	4,854,330	4,217,828	4,727,882	4,249,310
2,517,593	2,612,869	2,932,001	2,409,490	-	-
321,871	277,255	294,565	365,952	453,661	316,364
2,110,391	2,159,615	2,314,667	2,577,966	1,515,371	-
10,926,420	10,977,290	8,216,031	7,058,374	9,109,631	8,523,132
6,534,708	6,583,151	6,259,702	6,384,604	6,639,471	7,367,975
(3,925,392)	(5,874,777)	(5,137,006)	(3,194,798)	(5,518,542)	(3,303,610)
7,154,483	6,774,772	6,558,495	6,332,296	6,021,573	6,128,107
-	-	-	1,605	10,601	8,976
65,916	1,556,273	1,412,028	353,704	358,885	290,475
1,360,422	969,321	2,044,497	819,595	572,107	624,843
948,241	774,641	832,059	782,842	788,711	785,393
1,371,927	-	-	-	-	-
(3,509,829)	(2,786,364)	(2,294,818)	(1,337,020)	(825,110)	(900,665)
(246,253)	(196,441)	(2,430,233)	(12,354)	(57,550)	26,438
-	(73,606)	(571,241)	(393,387)	(282,950)	183,361
-	(2,042)	(404,292)	(124,755)	(121,012)	(3,188,858)
7,144,907	7,016,554	5,146,495	6,422,526	6,465,255	3,958,070
3,219,515	1,141,777	9,489	3,227,728	946,713	654,460
-	-	-	-	-	-
679,463	1,009,255	757,263	745,969	1,358,498	868,251
$ 3,898,978	$ 2,151,032	$ 766,752	$ 3,973,697	$ 2,305,211	$ 1,522,711

SOUTH COAST WATER DISTRICT
WATER SOLD BY TYPE OF CUSTOMER (IN ACRE FEET)
LAST TEN FISCAL YEARS

	Fiscal Year				
Customer Type	**2025**	**2024**	**2023**	**2022**	**2021**
Single Family Residential	2,922	2,735	2,700	3,021	3,024
Multi-Family Residential	869	849	849	945	1,008
Commercial/Industrial	833	813	837	870	746
Irrigation/Other	1,437	1,125	1,119	1,655	1,623
Total	6,061	5,522	5,505	6,491	6,401

(Continued)

Source: District Billing System

SOUTH COAST WATER DISTRICT
WATER SOLD BY TYPE OF CUSTOMER (IN ACRE FEET) (CONTINUED)
LAST TEN FISCAL YEARS

Fiscal Year				
2020	**2019**	**2018**	**2017**	**2016**
2,734	2,679	2,798	2,504	2,350
957	952	971	960	961
814	902	928	914	917
1,329	1,332	1,640	1,385	1,402
5,834	5,865	6,337	5,763	5,630

SOUTH COAST WATER DISTRICT
WATER RATES
LAST TEN FISCAL YEARS

Description	Fiscal Year 2025	2024	2023	2022	2021
Potable Water:					
Single Family Residence (Variable) [1]					
Tier 1	$ 3.42	$ 3.20	$ 2.99	$ 2.88	$ 3.19
Tier 2	4.35	4.07	3.80	3.65	3.37
Tier 3	4.46	4.17	3.90	3.75	3.56
Tier 4	-	-	-	-	-
Tier 5	-	-	-	-	-
Multi-Family (Variable) [1]	3.77	3.52	3.29	3.16	3.22
Commercial (Variable) [1]	3.83	3.58	3.35	3.22	3.46
Irrigation (Variable) [1]					
Tier 1	4.04	3.78	3.53	3.39	3.59
Tier 2	-	-	-	-	-
Tier 3	-	-	-	-	-
Fixed Charges [2]					
5/8"	404.91	378.42	-	-	-
3/4"	404.91	378.42	353.66	340.06	324.10
1"	713.13	666.48	622.88	598.93	540.20
1 1/2"	1,184.88	1,107.36	1,034.92	995.11	1,080.35
2"	2,084.75	1,948.36	1,820.90	1,750.86	1,728.55
3"	4,632.13	4,329.09	4,045.88	3,890.27	3,781.15
4"	10,371.18	9,692.69	9,058.59	8,710.18	6,806.05
6"	20,111.94	18,796.21	17,566.55	16,890.92	14,044.15
Peak Demand Charges (Fixed) [2/3]	32.07	29.97	28.01	26.93	23.10
Recycled Water:					
Variable Charges	6.49	6.07	5.67	5.45	4.55
Fixed Charges [2]					
5/8"	33.74	31.54	-	-	-
3/4"	33.74	31.54	353.66	340.06	324.10
1"	59.43	55.54	622.88	598.93	540.20
1 1/2"	98.74	92.28	1,034.92	995.11	1,080.35
2"	173.73	162.36	1,820.90	1,750.86	1,728.55
3"	386.01	360.76	4,045.88	3,890.27	3,781.15
4"	864.27	807.72	9,058.59	8,710.18	6,806.05
6"	1,676.00	1,566.35	17,566.55	16,890.92	14,044.15

(Continued)

Notes:

1 Variable rates are based on usage by centum cubic feet (CCF). One CCF equals 100 cubic feet or 748 gallons.

2 Fixed charges are based on meter size.

3 Peak demand charges are based on the second highest demand month during the preceding fiscal year.

Source: District records

SOUTH COAST WATER DISTRICT
WATER RATES (CONTINUED)
LAST TEN FISCAL YEARS

Fiscal Year				
2020	2019	2018	2017	2016 [1]
$ 3.10	$ 2.93	$ 2.74	$ 2.54	$ 2.25
3.28	3.09	2.89	2.68	4.18
3.46	3.27	3.05	2.83	6.27
-	-	-	-	8.36
-	-	-	-	10.45
3.13	2.95	2.76	2.56	4.13
3.36	3.17	2.96	2.75	4.13
3.49	3.29	3.08	2.85	4.18
-	-	-	-	6.27
-	-	-	-	8.36
-	-	-	-	-
314.85	297.25	278.05	257.70	294.20
524.75	495.40	463.40	429.50	529.56
1,049.45	990.80	926.80	859.00	1,182.69
1,679.10	1,585.25	1,482.85	1,374.35	2,100.69
3,673.00	3,467.70	3,243.70	3,006.40	4,727.83
6,611.35	6,241.85	5,838.65	5,411.50	8,399.48
13,642.50	12,880.00	12,048.00	11,166.55	18,896.62
22.45	21.15	19.80	18.35	-
4.51	4.35	4.16	3.94	3.72
-	-	-	-	-
314.85	297.25	278.05	257.70	-
524.75	495.40	463.40	429.50	-
1,049.45	990.80	926.80	859.00	-
1,679.10	1,585.25	1,482.85	1,374.35	-
3,673.00	3,467.70	3,243.70	3,006.40	-
6,611.35	6,241.85	5,838.65	5,411.50	-
13,642.50	12,880.00	12,048.00	11,166.55	-

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SOUTH COAST WATER DISTRICT
TEN LARGEST WATER CUSTOMERS
CURRENT AND NINE YEARS AGO

FY 2024/2025

	Customer Name	Business Type	Annual Revenues	% of Total Revenues
1	Monarch Beach Golf Links	Golf Course	$ 606,912	2.52%
2	City of Dana Point	Government	455,738	1.89%
3	MMB Management LLC	Residential	313,948	1.30%
4	Niguel Shores Community Association	Homeowners' Association	311,731	1.29%
5	Laguna Beach Golf & Bungalow Village, LLC	Hotel/Golf Course	218,743	0.91%
6	Fertitta Montage Laguna Beach Owner LLC	Hotel	212,762	0.88%
7	County of Orange	Government	148,596	0.62%
8	Seascape Homeowners' Association	Homeowners' Association	143,854	0.60%
9	Capistrano Unified School District	Government	134,673	0.56%
10	Ritz Carlton	Hotel	115,140	0.48%
			$ 2,662,097	11.03%

FY 2015/2016

	Customer Name	Business Type	Annual Revenues	% of Total Revenues
1	Monarch Beach Golf Links	Golf Course	$ 460,636	2.97%
2	City of Dana Point	Government	328,184	2.12%
3	Montage Laguna Beach	Hotel	208,577	1.35%
4	Ritz Carlton	Hotel	192,324	1.24%
5	Niguel Shores Community Association	Homeowners' Association	171,146	1.10%
6	Spinnaker Run Homeowners' Association	Homeowners' Association	169,608	1.09%
7	Monarch Beach Resort and Club	Hotel	169,483	1.09%
8	County of Orange	Government	148,453	0.96%
9	Seascape Homeowners' Association	Homeowners' Association	134,900	0.87%
10	Laguna Beach Golf & Bungalow Village, LLC	Hotel/Golf Course	125,370	0.81%
			$ 2,108,681	13.61%

Source: District Billing System

SOUTH COAST WATER DISTRICT
SEWER RATES
LAST TEN FISCAL YEARS

Description	Fiscal Year 2025	2024	2023	2022	2021
Single Family Residence					
Fixed [1]	$ -	$ -	$ -	$ -	$ -
Variable Block Rate (Fixed) [1]					
Tier 1 - 0-5 CCF	1,034.38	923.55	824.60	774.27	696.00
Tier 2 - 6-10 CCF	1,128.05	1,007.19	899.28	844.39	758.00
Tier 3 - 11+ CCF	1,318.83	1,177.53	1,051.37	987.20	868.00
Variable			-	-	-
Multi-Family					
Variable [2]	1.86	1.66	1.48	1.39	1.30
Fixed [3]	566.97	506.22	451.98	424.39	453.25
Duplex	-	-	-	-	-
Triplex	-	-	-	-	-
Fourplex	-	-	-	-	-
Multi-Plex	-	-	-	-	-
Commercial					
Variable [4]					
Low Strength	10.66	9.52	8.50	7.99	8.59
Medium Strength	13.89	12.40	11.07	10.39	9.74
High Strength	18.54	16.55	14.78	13.88	12.58
Various Business Types	-	-	-	-	-
Fixed	-	-	-	-	-

(Continued)

Notes:

1 The annual variable block rate replaced the fixed charge in 2017. It includes both variable and fixed charges based on a winter quarter average (average of prior year usage during December, January, and February).

2 The variable rates for multi-family residences is based on water usage by centum cubic feet (CCF). One CCF equals 100 cubic feet or 748 gallons.

3 The annual fixed charge for multi-family residences is based on the number of dwelling units per meter.

4 The variable rate for commercial is based on CCF. There are three categories: low, medium, and high strength.

Source: District records

SOUTH COAST WATER DISTRICT
SEWER RATES (CONTINUED)
LAST TEN FISCAL YEARS

Fiscal Year				
2020	2019	2018	2017	2016
$ -	$ -	$ -	$ -	$ 446.46
676.00	638.00	597.00	554.00	-
736.00	695.00	650.00	603.00	-
843.00	796.00	744.00	690.00	-
-	-	-	-	1.20
1.26	1.19	1.11	1.03	1.20
440.00	415.25	388.25	360.00	-
-	-	-	-	296.53
-	-	-	-	309.89
-	-	-	-	314.19
-	-	-	-	231.91
8.34	7.87	7.36	6.83	-
9.46	8.93	8.35	7.74	-
12.22	11.53	10.78	9.99	-
-	-	-	-	6.54 to 8.31
-	-	-	-	446.46

SOUTH COAST WATER DISTRICT
TEN LARGEST SEWER CUSTOMERS
CURRENT AND NINE YEARS AGO

FY 2024/2025

	Customer Name	Business Type	Annual Revenues	% of Total Revenues
1	Fertitta Montage Laguna Beach Owner LLC	Hotel	$ 458,648	1.98%
2	Waldorf Astoria Monarch Beach Resort & Club	Hotel	367,271	1.59%
3	Ritz Carlton	Hotel	333,363	1.44%
4	State of California	Government	204,432	0.88%
5	Laguna Cliffs Resort	Hotel	195,766	0.85%
6	MMB Management LLC	Residential	163,445	0.71%
7	Providence Mission Hospital Laguna Beach	Hospital	162,477	0.70%
8	Hometown Laguna Terrace LLC	Homeowners' Association	140,178	0.61%
9	The Marina at Dana Point	Commercial/Harbor	135,903	0.59%
10	Capistrano Unified School District	Government	135,386	0.58%
			$ 2,296,869	9.92%

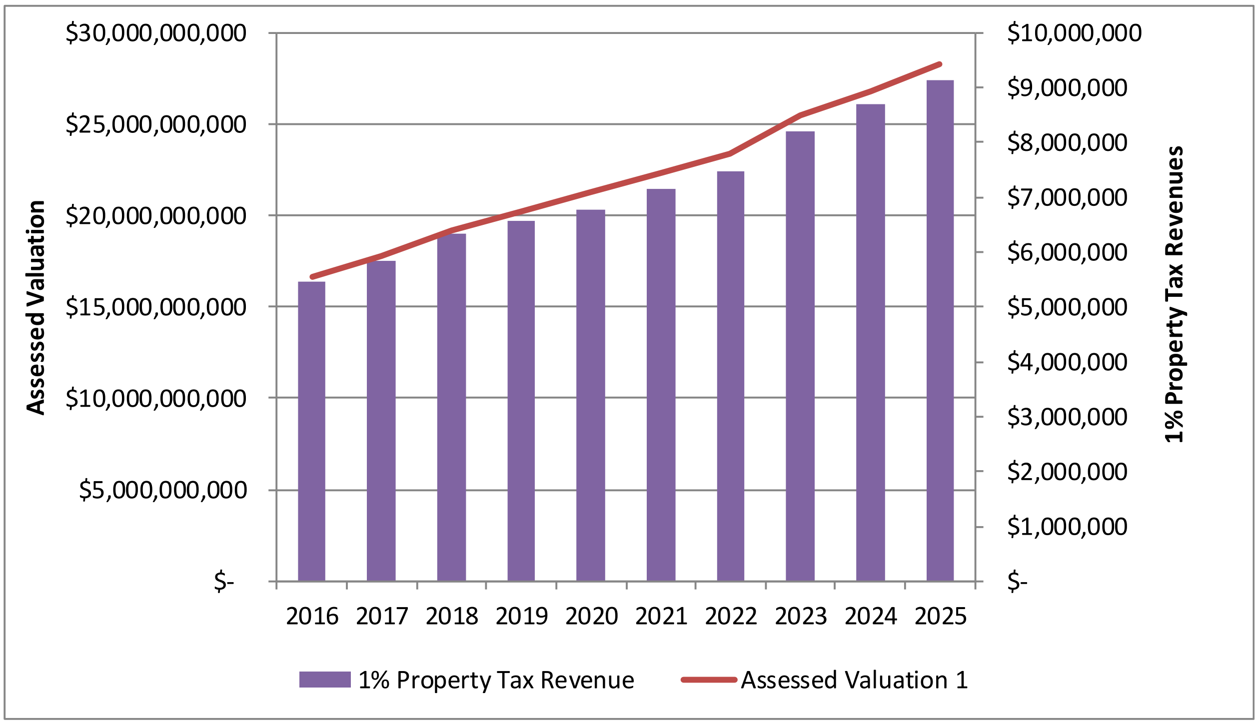
FY 2015/2016

	Customer Name	Business Type	Annual Revenues	% of Total Revenues
1	Fertitta Montage Laguna Beach Owner LLC	Hotel	$ 333,872	2.78%
2	Ritz Carlton	Hotel	313,052	2.61%
3	Monarch Beach Resort	Hotel	297,594	2.48%
4	Providence Mission Hospital Laguna Beach	Hospital	171,810	1.43%
5	Laguna Cliffs Resort	Hotel	121,720	1.01%
6	Beachwood Mobile Home Park	Homeowners' Association	86,169	0.72%
7	Capistrano Unified School District	Government	85,921	0.72%
8	HC Dana Point Hotel LLC	Hotel	80,812	0.67%
9	Riviera Beach & Spa Resort	Hotel	74,101	0.62%
10	Hometown Laguna Terrace LLC	Homeowners' Association	66,539	0.55%
			$ 1,631,590	13.59%

Source: District Billing System and Finance Department

SOUTH COAST WATER DISTRICT
ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY AND 1% PROPERTY TAX REVENUE
LAST TEN FISCAL YEARS

Fiscal Year	Assessed Valuation [1]	1% Property Tax Revenue
2016	$ 16,621,482,278	$ 5,465,332
2017	17,759,225,858	5,826,837
2018	19,187,754,184	6,328,065
2019	20,220,387,463	6,561,125
2020	21,318,051,681	6,774,773
2021	22,363,169,559	7,154,484
2022	23,406,201,296	7,472,758
2023	25,458,071,235	8,188,333
2024	26,752,936,511	8,681,106
2025	28,282,785,779	9,140,770



Note:

[1] Estimated fair values for the assessed valuation are not available.

Source:

California Municipal Statistics, Inc.
County of Orange Auditor Controller
District Finance Department

SOUTH COAST WATER DISTRICT
TYPICAL TAX RATES PER $100 ASSESSED VALUE
FISCAL YEAR ENDED JUNE 30, 2025

Tax Rate Area 5-031	Rate
General Tax Rate	1.00000
Laguna Beach Unified School District	0.00876
Metropolitan Water District	0.00700
Total Tax Rate	1.01576

Tax Rate Area 28-114	Rate
General Tax Rate	1.00000
Capistrano Unified School District SFID No. 1	0.00446
Metropolitan Water District	0.00700
	1.01146

Notes:

The District includes 76 Tax Rate Areas. Tax Rate Areas 5-031 and 28-114 are among the largest within the District (in terms of assessed valuation) for fiscal year 2024-25. Combined, the two Tax Rate Areas account for 17.85% of the total assessed valuation of the District in fiscal year 2024-25.

Source:

California Municipal Statistics, Inc.

SOUTH COAST WATER DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
CURRENT AND NINE YEARS AGO

FY 2024/2025

Agency/District	Rate
Direct Rate:	
South Coast Water District	0.000000
Overlapping Rates:	
Capistrano Unified School District SFID No. 1	0.004460
Laguna Beach Unified School District	0.008760
Metropolitan Water District	0.007000

FY 2015/2016

Agency/District	Rate
Direct Rate:	
South Coast Water District	0.00665
Overlapping Rates:	
Capistrano Unified School District SFID No. 1	0.00845
Laguna Beach Unified School District	0.01396
Metropolitan Water District	0.00350

Source: California Municipal Statistics, Inc.

SOUTH COAST WATER DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO

FY 2024/2025

	Property Owner Name	Business Type	Assessed Valuation [1]	Percent of Total Assessed Value
1	Dana Point Beach Resort LLC	Hotel	$ 426,382,302	1.53%
2	SHC Laguna Niguel 1 LLC	Hotel	288,104,945	1.03%
3	Outlets at San Clemente LLC	Outlet Stores	177,726,567	0.64%
4	Regency Laguna LP	Hotel	128,028,752	0.46%
5	Raintree Del Prado LLC	Commercial	71,561,108	0.26%
6	Gordon Crawford	Residential	63,332,577	0.23%
7	HC Dana Point Hotel LLC	Hotel	46,962,396	0.17%
8	Delphine LLC	Residential	36,182,551	0.13%
9	Camino de Estrella Dana Point LLC	Assisted Living Facility	36,011,240	0.13%
10	Christopher R. Redlich, Jr.	Residential	35,236,765	0.13%
			$1,309,529,203	4.70%

FY 2015/2016

	Property Owner Name	Business Type	Assessed Valuation [1]	Percent of Total Assessed Value
1	MMB Management LLC	Residential Properties	$ 302,695,852	1.85%
2	Monroe MBR LLC	Golf Resort	300,684,800	1.84%
3	SHC Laguna Niguel 1 LLC	Hotel	244,815,645	1.50%
4	Marblehead Development Partners LLC	Residential Development	207,310,774	1.27%
5	Regency Laguna LP	Hotel	177,324,928	1.09%
6	Headlands Reserve LLC	Commercial	39,012,785	0.24%
7	CDCG 3 NL Projects LP	Residential	36,493,692	0.22%
8	Kenneth L. Wagner	Residential	35,813,708	0.22%
9	Villa San Clemente LLC	Commercial	34,284,976	0.21%
10	ERGS AIM Hotel Realty LLC	Hotel	33,506,343	0.21%
			$1,411,943,503	8.64%

Note:

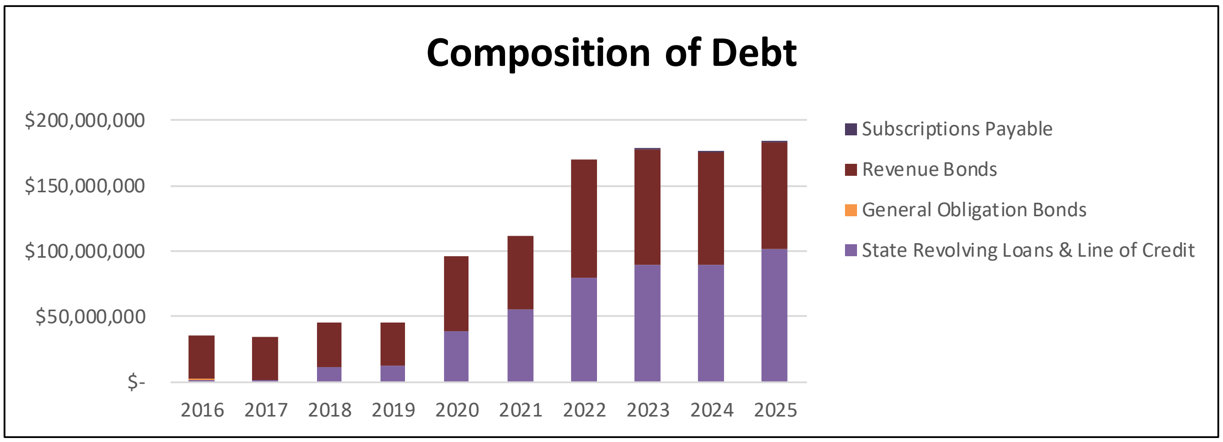
[1] Local secured assessed valuations

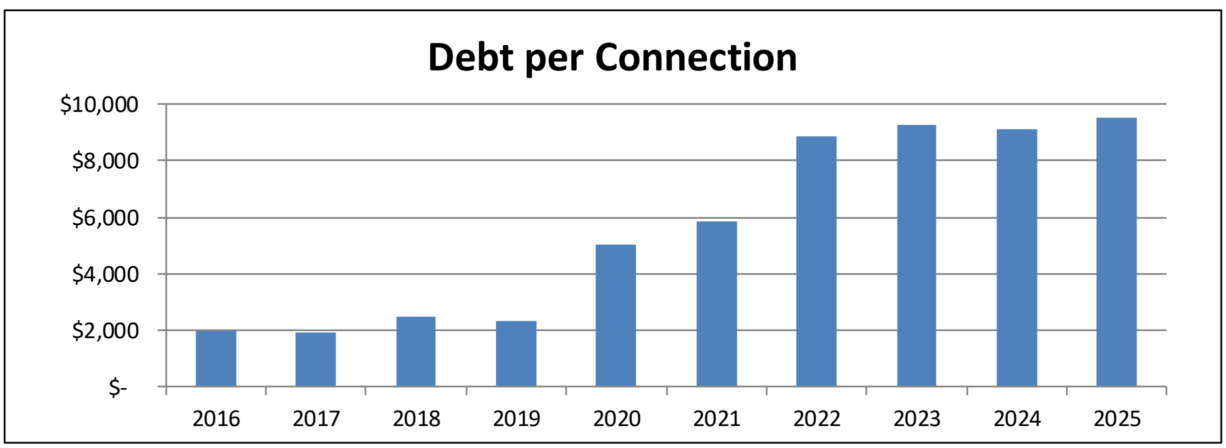
Source:

California Municipal Statistics, Inc.

SOUTH COAST WATER DISTRICT
RATIO OF OUTSTANDING DEBT
LAST TEN FISCAL YEARS

Fiscal Year	State Revolving Loans & Line of Credit	General Obligation Bonds	Revenue Bonds	Subscriptions Payable	Totals: Total Debt	Totals: Per Connection	Totals: Per Capita
2016	$ 1,423,419	$ 843,590	$ 33,133,378	$ -	$ 35,400,387	$ 1,970	$ 1,000
2017	1,071,952	220,000	33,133,378	-	34,425,330	1,934	961
2018	11,659,593	-	33,501,237	-	45,160,830	2,508	1,246
2019	12,633,761	-	32,416,070	-	45,049,831	2,364	1,229
2020	38,927,560	-	57,910,851	-	96,838,411	5,059	2,829
2021	55,212,795	-	56,788,082	-	112,000,877	5,838	3,254
2022	80,300,275	-	89,957,135	-	170,257,410	8,850	4,921
2023	89,657,744	-	88,132,029	510,171	178,299,944	9,243	5,126
2024	89,779,365	-	85,888,751	475,062	176,143,178	9,100	5,037
2025	101,753,634	-	81,804,147	490,559	184,048,340	9,497	5,236





Sources: District Audited Financial Statements
District billing system
Demographics data

SOUTH COAST WATER DISTRICT
DIRECT AND OVERLAPPING DEBT
LAST TEN FISCAL YEARS

2024-2025 Assessed Valuation: $15,635,654,224

	Total Debt 6/30/25	% Applicable [1]	District's Share of Debt 6/30/25
Direct and Overlapping Tax and Assessment Debt:			
Metropolitan Water District	$ 17,155,000	0.384%	$ 65,875
Capistrano Unified School District School Facilities Improvement District	3,327,455	11.456	381,193
Laguna Beach Unified School District	7,690,000	11.456	1,566,684
South Coast Water District	-	100.00	-
Dana Point Community Facilities District No. 2006-1	33,200,000	99.049	32,884,268
City of Laguna Beach 1915 Act Bonds (Estimated)	2,150,000	100.00	2,150,000
Total Direct and Overlapping Tax and Assessment Debt			$37,048,020
Overlapping General Fund Debt:			
Orange County General Fund Obligations	$429,065,000	1.929%	$ 8,276,664
Orange County Board of Education General Fund Obligations	9,120,000	1.929	175,925
Capistrano Unified School District School District Certificates of	17,290,000	8.076	1,396,340
City of Laguna Beach General Fund Obligations	11,240,000	27.717	3,115,391
Moulton-Niguel Water District General Fund Obligations	46,550,000	1.698	790,419
Total Overlapping General Fund Debt			$13,754,739
Total Direct Debt			$ -
Total Overlapping Debt			$50,802,759
Combined Total Debt			$50,802,759 [2]

[1] The percentage of overlapping debt applicable to the District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the District divided by the overlapping district's total taxable assessed value.

[2] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2024-2025 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.24%
Combined Total Debt	0.32%

Source: California Municipal Statistics, Inc.

SOUTH COAST WATER DISTRICT
DEBT COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Revenues [1]	Operating & Maint. Costs [2]	Net Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage Ratio
2016	$ 35,440,172	$ 26,867,564	$ 8,572,608	$ 1,870,358	$ 1,561,255	$ 3,431,613	2.50
2017	36,150,005	27,496,480	8,653,525	2,094,758	1,310,774	3,405,532	2.54
2018	40,740,301	29,795,181	10,945,120	1,630,398	1,319,362	2,949,760	3.71
2019	45,132,916	35,392,699	9,740,217	1,273,078	1,276,556	2,549,634	3.82
2020	45,859,434	35,348,142	10,511,292	1,303,078	2,353,868	3,656,946	2.87
2021	47,457,452	35,067,837	12,389,615	1,845,000	2,580,992	4,425,992	2.80
2022	49,993,432	28,965,601	21,027,831	1,500,000	3,254,014	4,754,014	4.42
2023	54,336,779	40,295,985	14,040,794	1,795,802	3,294,568	5,090,370	2.76
2024	60,719,422	40,742,045	19,977,377	1,703,759	3,124,638	4,828,397	4.14
2025	67,543,428	42,620,114	24,923,314	4,271,133	4,558,019	8,829,152	2.82

Notes:

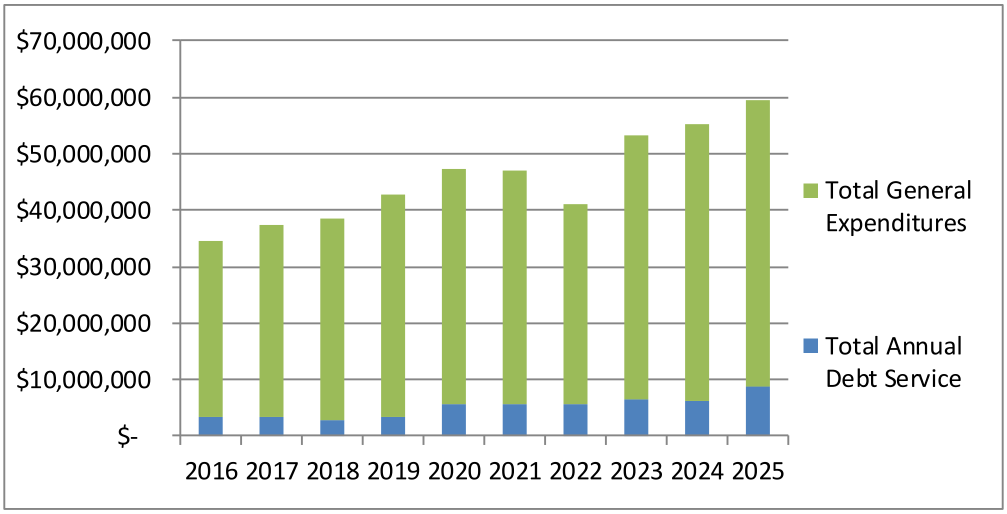
[1] Excludes capital grants, connection fees, and contributed assets

[2] Excludes depreciation, amortization, and interest expense

Sources: Audited Financial Statements
District Finance Department

SOUTH COAST WATER DISTRICT
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS

Fiscal Year	Total Annual Debt Service	Total General Expenditures	Ratio of Total Annual Debt Service to Total General Expenditures
2016	$ 3,431,613	$ 31,046,681	11.1%
2017	3,405,533	33,928,717	10.0%
2018	2,949,760	35,649,289	8.3%
2019	3,301,270	39,422,843	8.4%
2020	5,573,522	41,659,204	13.4%
2021	5,533,635	41,356,292	13.4%
2022	5,758,542	35,451,697	16.2%
2023	6,386,006	46,906,352	13.6%
2024	6,317,996	49,014,400	12.9%
2025	8,828,142	50,633,498	17.4%



Sources: District Finance Department
District Audited Financial Statements

SOUTH COAST WATER DISTRICT
DEMOGRAPHICS
LAST TEN FISCAL YEARS

South Coast Water District

Year	Estimated District Population	City of Dana Point Population [1]	City of Dana Point Personal Income (in Millions) [1]	Personal Income per Capita [1]
2016	35,415	34,264	$ 1,743	$ 49,216
2017	35,828	34,902	1,811	50,547
2018	36,240	34,619	1,841	50,800
2019	36,651	34,359	1,928	52,604
2020	34,232	34,139	2,078	60,703
2021	34,416	33,745	2,175	63,197
2022	34,600	33,765	2,195	63,439
2023	34,785	33,882	2,249	64,654
2024	34,969	33,446	2,473	70,720
2025	35,153	32,964 [2]	2,568 [2]	73,052

County of Orange

Year	Population	Unemployment Rate	Personal Income (in Thousands)	Personal Income per Capita
2016	3,183,011	4.4%	$ 190,978,000	$ 59,999
2017	3,194,024	4.2%	199,492,000	62,458
2018	3,221,103	3.1%	215,479,000	66,896
2019	3,222,498	3.0%	230,180,000	71,429
2020	3,194,332	12.3%	226,531,000	70,917
2021	3,153,764	6.3%	258,933,000	82,103
2022	3,162,245	2.8%	267,143,000	84,479
2023	3,137,164	3.6%	266,043,000	84,804
2024	3,150,835	4.4%	286,490,000	90,925
2025	3,175,427 [2]	4.5% [3]	301,049,000	94,806

Notes:

[1] City of Dana Point information has been used since approximately 90% of the District's customers are within its borders.

[2] City of Dana Point ACFR 2025

[3] California Employment Development Department

Sources:

District 2020 Urban Water Management Plan
City of Dana Point Annual Comprehensive Financial Reports
County of Orange Annual Comprehensive Financial Reports
State of California, Employment Development Department
State of California, Department of Finance

SOUTH COAST WATER DISTRICT
TEN LARGEST EMPLOYERS
2025 AND NINE YEARS AGO

		2025 [1]		2016 [2]	
Rank	**Employer**	**Employees**	**% of Total Labor Force**	**Employees**	**% of Total Labor Force**
1	Capistrano Unified School District [3]	4,056	23.72%	3,992	22.49%
2	Waldorf Astoria Monarch Beach Resort (Former St. Regis)	1,200	7.02%	800	4.51%
3	Montage Laguna Beach	602	3.52%	759	4.28%
4	Ritz-Carlton-Laguna Niguel	600	3.51%	970	5.46%
5	Spa at Laguna Cliffs	350	2.05%	-	0.00%
6	Mission Hospital [4]	350	2.05%	300	1.69%
7	Marriott-Laguna Cliffs Resort	250	1.46%	250	1.41%
8	Dana Hills High School	200	1.17%	200	1.13%
9	Harpoon Henry's Seafood Restaurant	150	0.88%	150	0.84%
10	Wind & Sea Restaurant	150	0.88%	125	0.70%
	Total	7,908	46.25%	7,546	42.50%

Notes:

[1] Most current available data is from 2024 Annual Comprehensive Financial Reports of cities noted below. Labor force consists of City of Dana Point employment information.

[2] Data shown above for 2016 consists of information available for Fiscal Year 2025 top 10 employers only.

[3] Includes 3,992 in the City of San Juan Capistrano and 64 in the City of Dana Point.

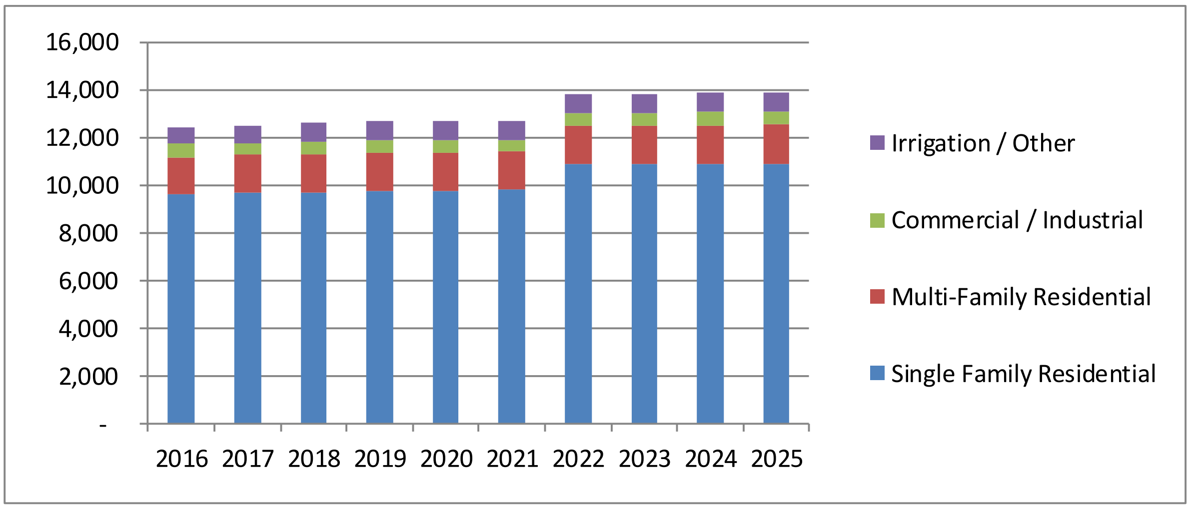
[4] Employees shown above for Mission Hospital in 2016 consist of the amount reported in 2074. The 2016 report showed 2,500 employees which likely include of all campuses not only Laguna Beach.

Sources:

City of Laguna Beach Annual Comprehensive Financial Reports
City of Dana Point Annual Comprehensive Financial Reports
City of San Juan Capistrano Finance Department/Annual Comprehensive Financial Report
City of San Clemente Annual Comprehensive Financial Reports

SOUTH COAST WATER DISTRICT
NUMBER OF WATER CONNECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Single Family Residential	Multi-Family Residential	Commercial / Industrial	Irrigation / Other	Total Connections
2016	9,637	1,544	579	651	12,411
2017	9,673	1,584	513	704	12,474
2018	9,712	1,588	513	801	12,614
2019	9,767	1,591	510	822	12,690
2020	9,777	1,593	515	821	12,706
2021	9,793	1,599	514	793	12,699
2022	10,877	1,602	536	796	13,811
2023	10,898	1,603	538	794	13,833
2024	10,865 [1]	1,645 [1]	545	793	13,848
2025	10,859	1,664	547	790	13,860



Notes: [1] In the City of Dana Point, accessory dwelling unit connections changed from Single Family Residential to Multi-Family Residential during 2023/2024.

Source: District Billing System

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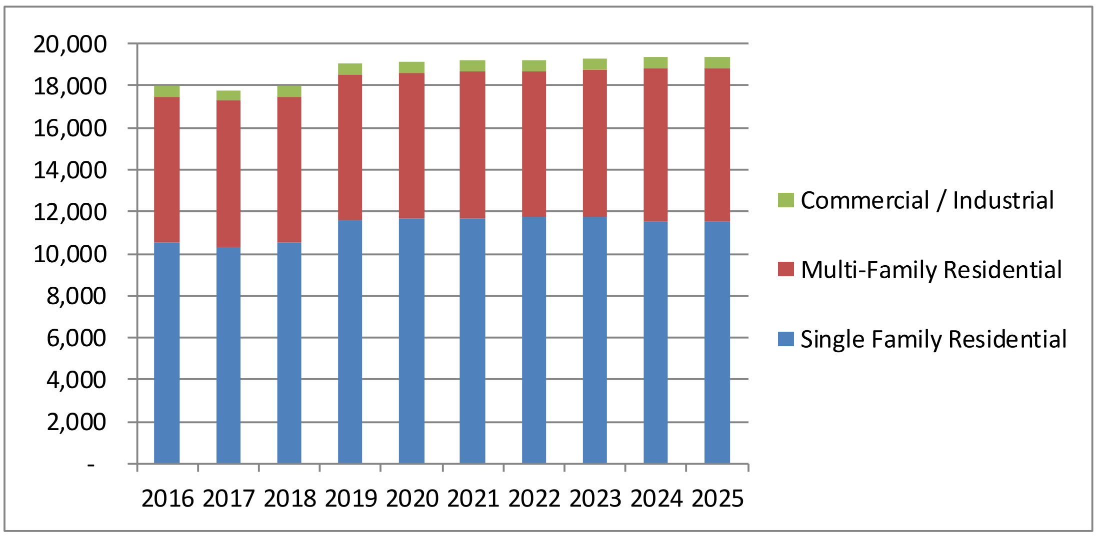
SOUTH COAST WATER DISTRICT
NUMBER OF SEWER CONNECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Single Family Residential	Multi-Family Residential	Commercial / Industrial	Total Connections
2016	10,500	6,952	514	17,966
2017	10,336	6,951	514	17,801
2018	10,542	6,951	513	18,006
2019	11,591	6,958	510	19,059
2020	11,664	6,964	515	19,143
2021	11,704	6,967	514	19,185
2022	11,731	6,972	536	19,239
2023	11,743	7,010	538	19,291
2024	11,561 [1]	7,251 [1]	545	19,357
2025	11,546	7,286	547	19,379



Notes: [1] In the City of Dana Point, accessory dwelling unit connections changed from Single Family Residential to Multi-Family Residential during 2023/2024.

Source: District Billing System

SOUTH COAST WATER DISTRICT
AVERAGE MONTHLY USAGE (IN CCF)
LAST TEN FISCAL YEARS

Customer Type	Fiscal Year 2025	2024	2023	2022	2021
Water:					
Single Family Residential	10	9	9	10	11
Multi-Family Residential	19	19	20	22	24
Commercial/Industrial	50	50	52	54	48
Irrigation/Other	57	46	44	66	70
Total Water Customers	136	124	125	152	153
Recycled Water:					
Irrigation/Other	158	128	126	182	178
Total	294	252	251	334	331

(Continued)

Source: District Billing System

SOUTH COAST WATER DISTRICT
AVERAGE MONTHLY USAGE (IN CCF) (CONTINUED)
LAST TEN FISCAL YEARS

Fiscal Year				
2020	**2019**	**2018**	**2017**	**2016**
10	10	10	9	12
22	22	22	22	23
53	64	66	64	58
59	80	98	99	111
144	176	196	194	204
150	143	177	155	160
294	319	373	349	364

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SOUTH COAST WATER DISTRICT
SOURCE OF SUPPLY AND WATER DELIVERIES/SALES IN ACRE FEET
LAST TEN FISCAL YEARS

Source of Supply (in Acre Feet)

Fiscal Year	Imported	Groundwater	Recycled	Total Supply
2016	4,935	- [1]	822	5,757
2017	4,893	272	822	5,987
2018	4,867	727	943	6,537
2019	5,035	235	775	6,045
2020	4,504	847	827	6,178
2021	4,935	876	945	6,756
2022	4,811	771	982	6,564
2023	4,145	766	717	5,628
2024	4,475	554	726	5,755
2025	4,976	599	919	6,494

Water Deliveries/Sales (in Acre Feet)

Fiscal Year	Potable Water	Recycled Water	Total
2016 [2]	4,814	822	5,636
2017	4,947	822	5,769
2018	5,395	943	6,338
2019	5,078	775	5,853
2020	5,063	827	5,890
2021	5,456	945	6,401
2022	5,517	982	6,499
2023	4,813	717	5,530
2024	4,833	726	5,559
2025	5,171	919	6,090

Notes:
[1] The Groundwater Recovery Facility was not in operation during fiscal year 2015-2016 due to a lack of precipitation that resulted in low groundwater levels in the San Juan groundwater basin
[2] Decreases beginning in 2016 reflect the impact of mandatory conservation measures.

Sources: District records

SOUTH COAST WATER DISTRICT
CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS

Description	Fiscal Year 2025	2024	2023	2022	2021
Potable System					
Miles of Water Line	159.00	159.00	159.00	159.00	159.00
Number of Storage Tanks	14.00	13.00	13.00	13.00	13.00
Maximum Storage (MG)	22.00	21.90	21.90	21.90	21.90
Capacity (MG)	50.00	50.00	50.00	50.00	50.00
Number of Pumping Plants	9.00	9.00	9.00	9.00	9.00
Number of Wells	1.00	1.00	1.00	1.00	1.00
Well Production Capacity (MGD)	0.85	0.85	0.85	0.85	0.85
Potable Treatment Plants	1.00	1.00	1.00	1.00	1.00
Non-Potable and Recycled Systems					
Miles of Recycled Line	21.00	21.00	21.00	21.00	21.00
Number of Storage Tanks	3.00	3.00	3.00	3.00	3.00
Maximum Storage (MG)	3.70	3.70	3.70	3.70	3.70
Capacity (MG)	4.70	4.70	4.70	4.70	4.70
Number of Pumping Plants	3.00	3.00	3.00	3.00	3.00
Sewer System					
Miles of Sewer Line	141.00	141.00	141.00	141.00	141.00
Number of Lift Stations	13.00	13.00	13.00	13.00	13.00

(Continued)

Notes:
- MG - Million Gallons
- MGD - Million Gallons per Day

Source:
- District Records

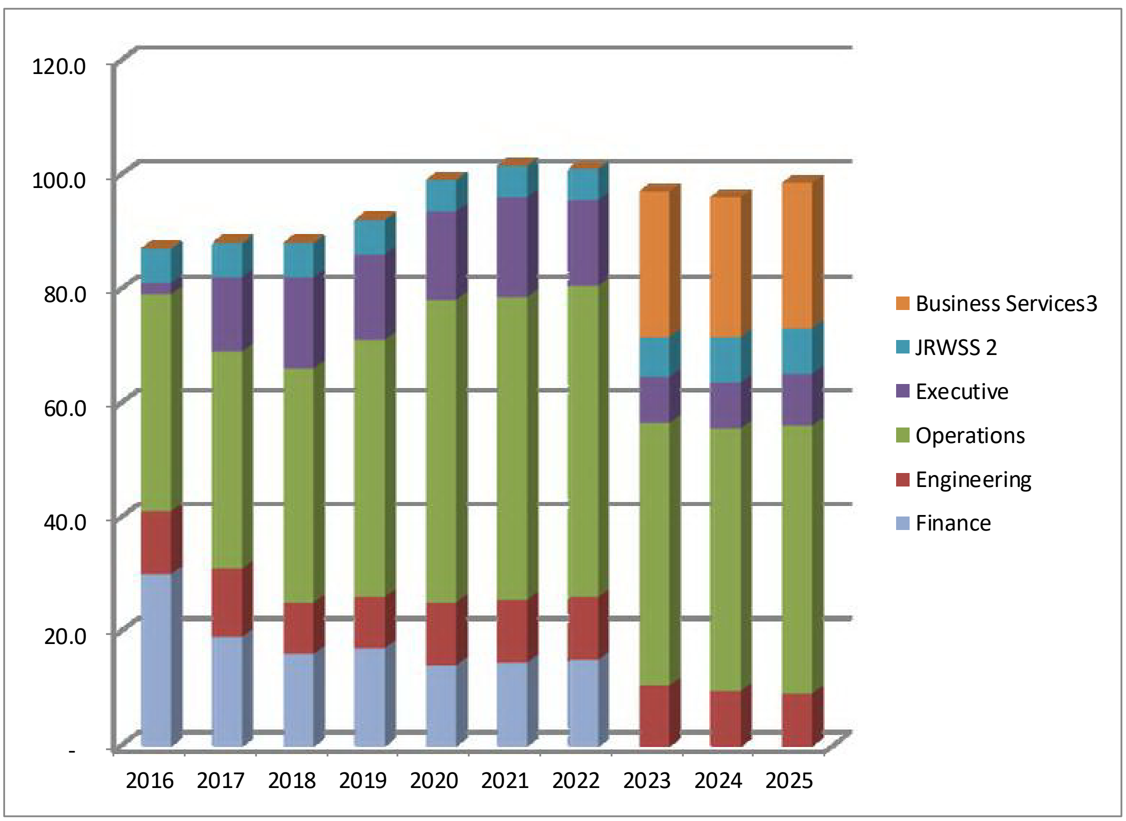
SOUTH COAST WATER DISTRICT
CAPITAL ASSET STATISTICS (CONTINUED)
LAST TEN FISCAL YEARS

Fiscal Year				
2020	2019	2018	2017	2016
159.00	158.00	158.00	158.00	158.00
13.00	13.00	13.00	13.00	13.00
21.90	21.60	21.60	21.60	21.60
50.00	50.00	50.00	50.00	50.00
9.00	9.00	9.00	9.00	9.00
1.00	1.00	1.00	1.00	1.00
0.85	0.85	0.85	0.85	0.85
1.00	1.00	1.00	1.00	1.00
21.00	17.00	17.00	17.00	17.00
3.00	3.00	3.00	3.00	3.00
3.70	3.70	3.70	3.70	3.70
4.70	4.70	4.70	4.70	4.70
3.00	3.00	3.00	3.00	3.00
141.00	141.00	141.00	141.00	141.00
13.00	13.00	13.00	13.00	13.00

SOUTH COAST WATER DISTRICT
NUMBER OF EMPLOYEES
LAST TEN FISCAL YEARS

Full Time Equivalent Employees by Department [1]

Fiscal Year	Executive	Business Services[3]	Finance	Engineering	Operations	JRWSS [2]	Total
2016	2.0	-	30.0	11.0	38.0	6.0	87.0
2017	13.0	-	19.0	12.0	38.0	6.0	88.0
2018	16.0	-	16.0	9.0	41.0	6.0	88.0
2019	15.0	-	17.0	9.0	45.0	6.0	92.0
2020	15.5	-	14.0	11.0	53.0	5.5	99.0
2021	17.5	-	14.5	11.0	53.0	5.5	101.5
2022	15.0	-	15.0	11.0	54.5	5.5	101.0
2023	8.0	25.5	-	10.5	46.0	7.0	97.0
2024	8.0	24.5	-	9.5	46.0	8.0	96.0
2025	9.0	25.5	-	9.0	47.0	8.0	98.5



Notes:

[1] Number of employees in each department consist of authorized positions.

[2] Joint Regional Water Supply System personnel are employees of the District. Reimbursements are received from JRWSS.

[3] Business Services division includes Information & Technology, Finance, Customer Service, Dana Hills Tennis Center, Health & Safety, Human Resources, Purchasing departments.

Source: District Annual Budgets