



AGENDA

EAST ORANGE COUNTY WATER DISTRICT

ADMINISTRATION & FINANCE COMMITTEE MEETING

Wednesday, February 11, 2026 at 9:00 A.M.
185 N. McPherson Road, Orange, CA

1. Call meeting to order
2. Public communications to the Committee
3. Additional items arising after posting of agenda

Informational Items

4. Monthly Disbursements
5. Monthly Financial Reports

Action Items

6. Annual Audit

Adjournment

Members of the public shall be permitted to speak as to both agendized and non-agendized items, as reflected in the agenda. Those wishing to speak may submit a speaker request or by verbally indicating their desire to comment at the time the item is called. Additionally, members of the public may, but are not required to, e-mail comments to Sylvia Prado at sprado@eocwd.com up to 30 minutes before the Committee meeting, and such comments shall be provided to the Committee. Members of the public wishing to attend the meeting that require disability-related or other reasonable modifications or accommodation to facilitate such attendance should contact Ms. Prado at (714) 538-5815 or the e-mail provided as soon as feasible before the meeting to make such request.

Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the East Orange County Water District Administration & Finance Committee in connection with a matter subject to discussion or consideration at an open meeting of the Administration & Finance Committee are available for public inspection in the District's office, 185 McPherson Road, Orange, California ("District Office"). If such writings are distributed to members of the Committee less than 72 hours prior to the meeting, they will be available via phone or email request to Ms. Prado at (714) 538-5815 or sprado@eocwd.com.



MEMO

TO: ADMINISTRATION & FINANCE COMMITTEE
FROM: GENERAL MANAGER *[Signature]*
SUBJECT: MONTHLY DISBURSEMENTS
DATE FEBRUARY 11, 2026

Background

Monthly disbursements

Recommendation

Informational.

Attachment(s): Monthly disbursements report

East Orange County Water District

**Summary of Disbursements
January 16, 2026 - February 5, 2026**

CHECK PAYMENTS:

Wholesale Zone, Retail Zone, and ID1 Bill Payments \$ 162,396.13

WIRE PAYMENTS:

ACH PAYMENTS:

AT&T Mobility - Wireless Phone Plan Payment; Oct - Nov \$ 683.21
CR&R, Inc; January Services \$ 519.63

TOTAL OF CHECK PAYMENTS / WIRES / ACH \$163,598.97

EMPLOYEE PAYROLL 1/7/2026

Direct Deposit \$ 56,767.23
Payroll Taxes \$ 34,849.23
EFT - CalPERS \$ 17,648.29

\$ 109,264.75

EMPLOYEE PAYROLL 1/22/2026

Direct Deposit \$ 54,142.34
Payroll Taxes \$ 32,111.93
EFT - CalPERS \$ 17,648.70

\$ 103,902.97

DIRECTORS' PAYROLL

Printed Checks \$ 3,957.85
Payroll Taxes \$ 707.69

\$ 4,665.54

TOTAL OF PAYROLL \$ 217,833.26

DISBURSEMENT TOTAL \$ 381,432.23



**Check Disbursements
January 2026**

Check Date	Check No.	Payee Name	Description	Check Amount
1/27/2026	26613	ACWA Joint Powers Insurance Authority	Employee Medical/Vision/Dental Insurance - Febraury 2026	31,925.60
1/27/2026	26614	Bay Alarm	Alarm Services 02/01/26 - 04/30/26 210 N McPherson	195.48
1/27/2026	26615	C.E. Mechanical, Inc.	Semi-Annual Preventive Maintenance	2,079.18
1/27/2026	26616	Carollo Engineers, Inc	6mg Reservoir Replacement PDR	17,237.50
1/27/2026	26617	Cintas Corporation No. 3	Uniforms	190.48
1/27/2026	26618	Cla-Val, Soundcast, Griswold Casting	Valve Maintenance - Walnut Turnout	5,157.00
1/27/2026	26619	Ditch Witch West	Small Tools	708.18
1/27/2026	26620	EEC Environmental	FOG Program11/01/2025-11/30/2025	1,738.75
1/27/2026	26621	General Pump Company	Mobilize & Remove East Well & Vanderwerff Motors	5,025.00
1/27/2026	26622	Generator Services Co, Inc.	Rental Generator - 01/01/26-01/31/26 150KVA	1,349.76
1/27/2026	26623	Hach Company	Water Quality	2,802.12
1/27/2026	26624	Morrow Meadows Corp	Various Locations - Troubleshooting	2,808.81
1/27/2026	26625	Multi W Systems, Inc.	Lift Station Pump	127.09
1/27/2026	26626	Orange County Sanitation District	December 2025 Sewer Permits	4,823.44
1/27/2026	26627	Waterline Technologies, Inc.	Water Quality	427.00
1/27/2026	26628	West Yost & Associates, Inc.	On-Call Engineering Services 11/08/25-12/05/25	1,464.00
1/27/2026	26629	Yo Fire	Material - Flusing WZ System	4,986.66
1/30/2026	26630	Badger Meter, Inc.	SmartCover Renewal - 01/01/26-12/31/28	56,316.00
1/30/2026	26631	Doty Bros Equipment Co.	Hydrant Replacement	15,946.63
1/30/2026	26632	Home Depot Credit Services	Misc. Hardware, Materials & Tools/Maintenance	2,042.60
Total \$				157,351.28



**Check Disbursements
February 2026**

Check Date	Check No.	Payee Name	Description	Check Amount
2/2/2026	26633	Aztec Technology Corporation	10ft Storage Container	5,044.85
Total \$				5,044.85

East Orange County Water District
Citizens Business Bank
Prior Month's Checks To Ratify
Directors' Payroll*

Payment for meeting activity in the month of December 2025

Date	Check No.	Amount	Payable To
1/22/2026	531	\$ 764.75	Board Director
1/22/2026	532	\$ 893.48	Board Director
1/22/2026	533	\$ 1,059.66	Board Director
1/22/2026	534	\$ 1,239.96	Board Director
		<u>\$ 3,957.85</u>	Total Payroll Checks
		\$707.69	ADP taxes
		<u><u>\$4,665.54</u></u>	Total Payroll

*Note: Payroll is processed by ADP (Automatic Data Processing)

East Orange County Water District
Employee Payroll*
Month of January 2026

	Check Date	Check Amount	Payable To
Auto Deposit	1/7/2026	\$ 7,622.27	General Manager
Auto Deposit	1/7/2026	\$ 5,059.25	Engineering Manager
Auto Deposit	1/7/2026	\$ 5,069.42	Operations Manager
Auto Deposit	1/7/2026	\$ 4,144.26	GIS Manager
Auto Deposit	1/7/2026	\$ 5,750.97	Operations Supervisor
Auto Deposit	1/7/2026	\$ 3,354.02	Water Distribution Operator III
Auto Deposit	1/7/2026	\$ 2,969.43	Water Distribution Operator II
Auto Deposit	1/7/2026	\$ 2,556.89	Water Distribution Operator I
Auto Deposit	1/7/2026	\$ 2,929.32	Wastewater Collections Lead Operator
Auto Deposit	1/7/2026	\$ 2,488.25	Wastewater Collections Operator II
Auto Deposit	1/7/2026	\$ 2,094.25	Wastewater Collections Operator II
Auto Deposit	1/7/2026	\$ 2,252.11	Wastewater Collections Operator I
Auto Deposit	1/7/2026	\$ 3,539.95	Office Manager
Auto Deposit	1/7/2026	\$ 2,631.25	Administrative Assistant II
Auto Deposit	1/7/2026	\$ 2,513.22	Administrative Assistant I
Auto Deposit	1/7/2026	\$ 1,792.37	Part Time Administrative Assistant
		<u>\$ 56,767.23</u>	Sub Total
	1/7/2026	\$ 34,849.23	ADP Taxes
	1/7/2026	\$ 2,733.43	Employee CalPERS Electronic Funds Transfer
	1/7/2026	\$ 3,979.09	Employer CalPERS Electronic Funds Transfer
	1/7/2026	\$ 3,498.92	Employee CalPERS PEPRA Electronic Funds Transfer
	1/7/2026	\$ 3,593.73	Employer CalPERS PEPRA Electronic Funds Transfer
	1/7/2026	\$ 3,843.12	CalPERS PERS 457 - Voya
		<u>\$52,497.52</u>	Sub Total
	1/7/2026	\$109,264.75	Total Payroll
Auto Deposit	1/21/2026	\$ 6,822.26	General Manager
Auto Deposit	1/21/2026	\$ 4,355.79	Engineering Manager
Auto Deposit	1/21/2026	\$ 5,068.20	Operations Manager
Auto Deposit	1/21/2026	\$ 4,144.27	GIS Manager
Auto Deposit	1/21/2026	\$ 4,050.52	Operations Supervisor
Auto Deposit	1/21/2026	\$ 2,898.41	Water Distribution Operator III
Auto Deposit	1/21/2026	\$ 3,716.95	Water Distribution Operator II
Auto Deposit	1/21/2026	\$ 1,984.03	Water Distribution Operator I
Auto Deposit	1/21/2026	\$ 3,511.38	Wastewater Collections Lead Operator
Auto Deposit	1/21/2026	\$ 2,488.24	Wastewater Collections Operator II
Auto Deposit	1/21/2026	\$ 2,094.25	Wastewater Collections Operator II
Auto Deposit	1/21/2026	\$ 2,453.89	Wastewater Collections Operator I
Auto Deposit	1/21/2026	\$ 3,539.96	Office Manager
Auto Deposit	1/21/2026	\$ 2,609.35	Administrative Assistant II
Auto Deposit	1/21/2026	\$ 2,513.22	Administrative Assistant I
Auto Deposit	1/21/2026	\$ 1,891.62	Part Time Administrative Assistant
		<u>\$ 54,142.34</u>	Sub Total
	1/21/2026	\$ 32,111.93	ADP Taxes
	1/21/2026	\$ 2,740.17	Employee CalPERS Electronic Funds Transfer
	1/21/2026	\$ 3,988.91	Employer CalPERS Electronic Funds Transfer
	1/21/2026	\$ 3,540.87	Employee CalPERS PEPRA Electronic Funds Transfer
	1/21/2026	\$ 3,636.81	Employer CalPERS PEPRA Electronic Funds Transfer
	1/21/2026	\$ 3,741.94	CalPERS PERS 457 - Voya
		<u>\$49,760.63</u>	Total Transfers
	1/21/2026	\$103,902.97	Total Payroll
		<u>\$213,167.72</u>	Grand Total Payroll

*Note: Payroll is processed by ADP (Automatic Data Processing)



MEMO

TO: ADMINISTRATION AND FINANCE COMMITTEE
FROM: GENERAL MANAGER *[Signature]*
SUBJECT: MONTHLY FINANCIAL STATEMENTS
DATE FEBRUARY 11, 2026

Background

Monthly Financial Statements for Wholesale Zone, Retail Zone, and ID1 (wastewater).

Recommendation

Informational.

Attachment(s): Financial Statements for December 2025



December 2025 Financial Reporting

Prepared by



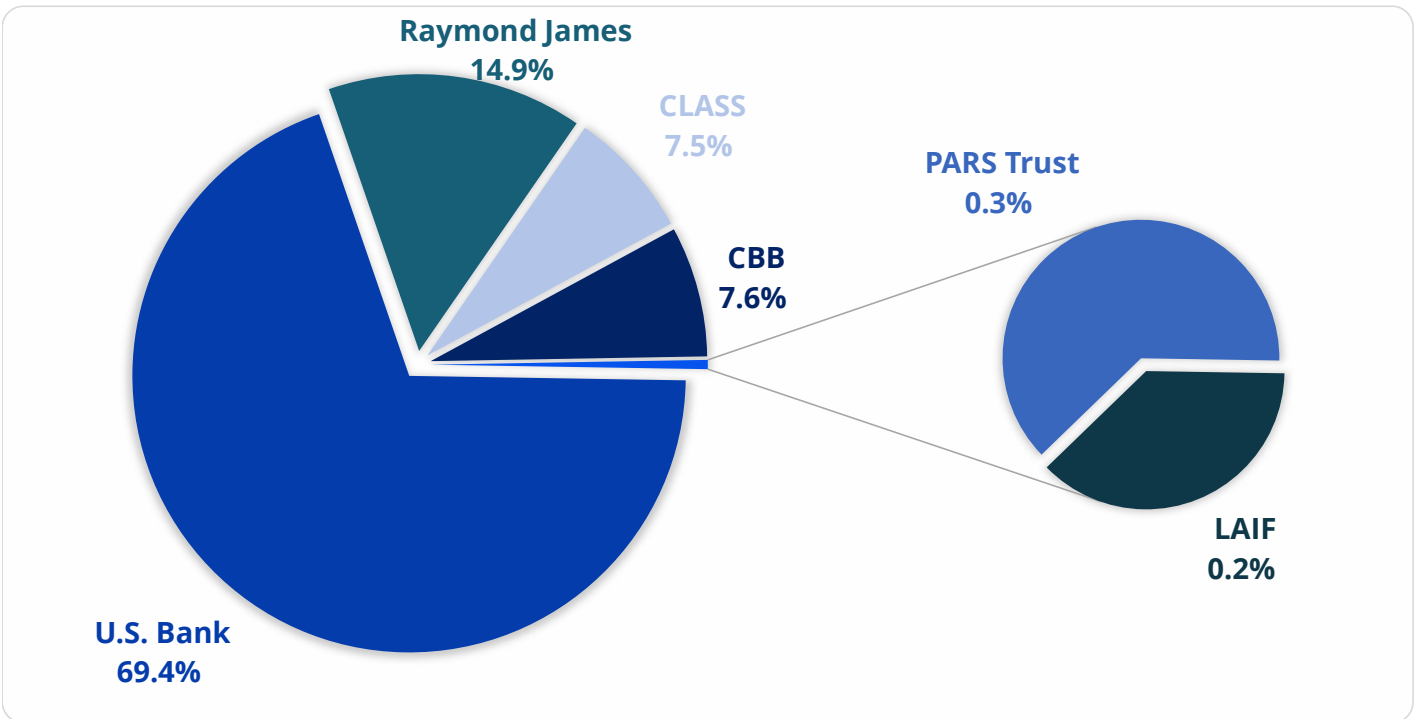
**No assurance is provided on the financial statements. These statements do not include a statement of cash flows. Substantially all disclosures required by accounting principles generally accepted in the United States are not included.*

Cash & Investments as of December 31, 2025

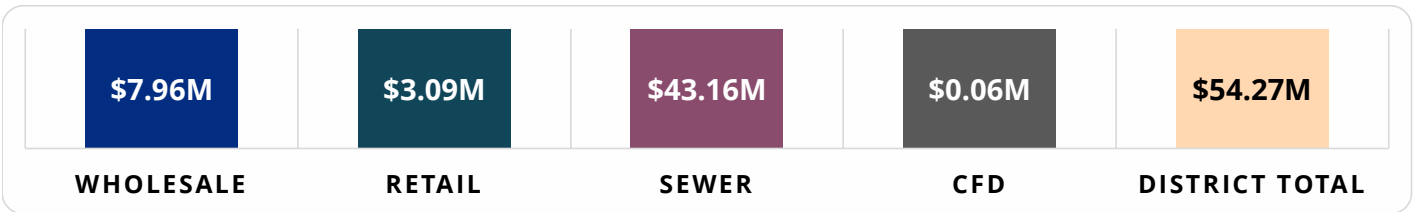
District

	Type	Estimated Monthly Yield	Book Value	Market Value	% Portfolio
U.S. Bank	Investment	3.21%	\$ 37,426,414	\$ 37,782,005	69.4%
Raymond James	Investment	2.69%	8,041,224	8,062,909	14.9%
CA Cooperative Liquid Assets Securities System (CLASS)	CLASS	3.88%	4,021,213	4,021,940	7.5%
Local Agency Investment Fund (LAIF)	LAIF	4.03%	109,031	109,269	0.2%
Citizens Business Bank (CBB)	Checking	NA	4,005,345	4,005,345	7.4%
PARS Pension Trust	115 Trust	2.06%	181,951	181,951	0.3%
Citizens Business Bank (CBB)	Money Market	0.05%	108,132	108,132	0.2%
Total Cash & Investments			\$ 53,893,310	\$ 54,271,550	100.0%

Investment Allocation



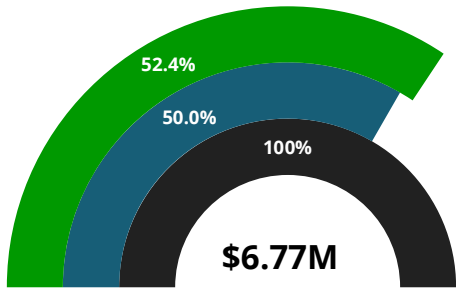
Cash & Investment Balances by Fund



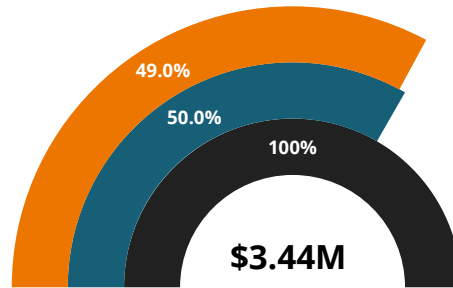
December 2025 Financials - Dashboard

District

Revenue v. Budget (No WZ Pass-Through)



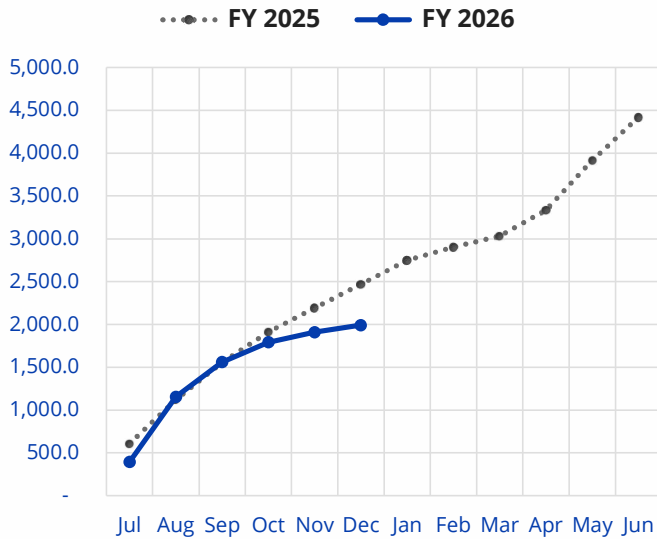
Expense v. Budget (No WZ Pass-Through)



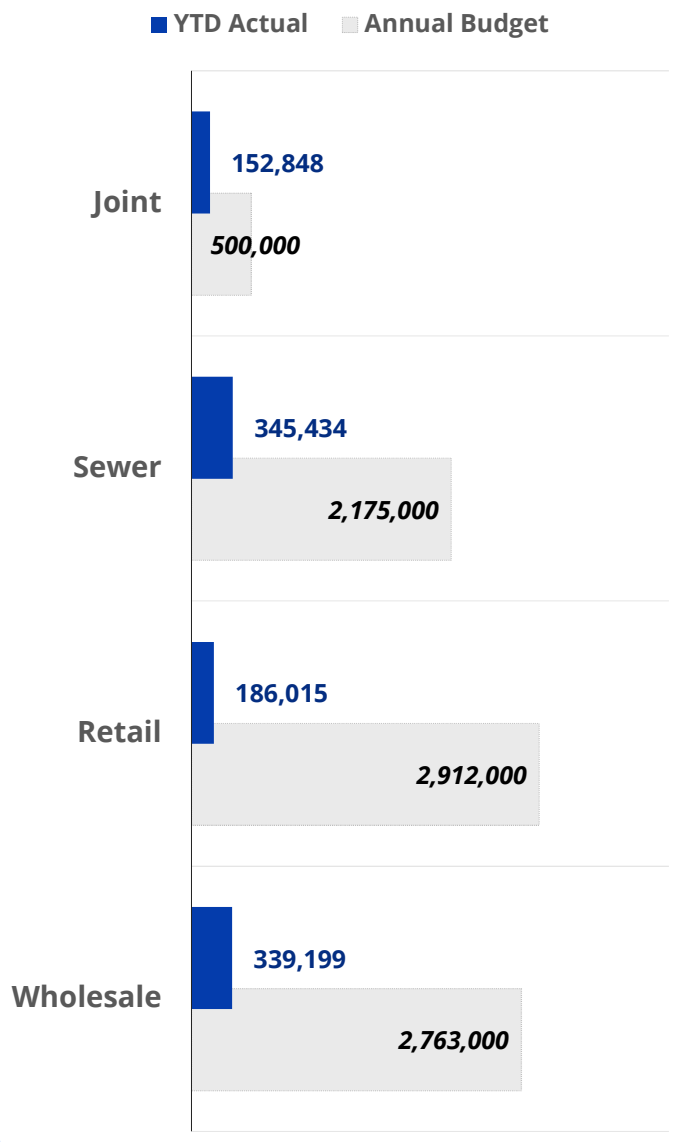
YTD Revenue	YTD Target	Total Budget
\$6,771,837	\$6,463,200	\$12,926,400

YTD Expense	YTD Target	Total Budget
\$3,440,566	\$3,511,950	\$7,023,900

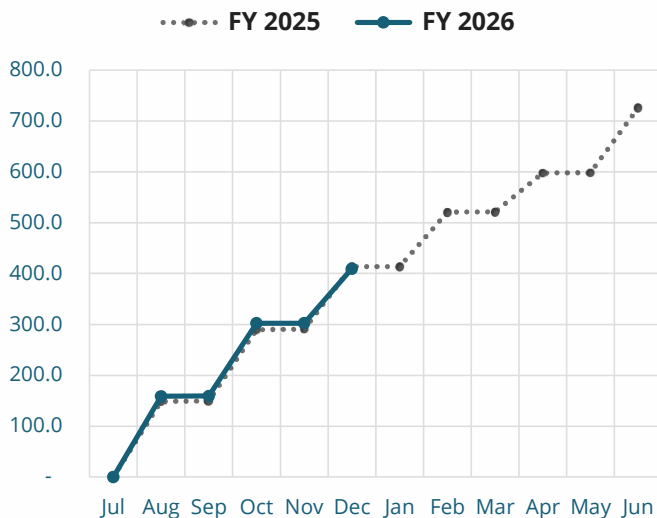
Wholesale Water Sold in Acre-Feet (AF)



**Capital Improvement Program
YTD Actual v. Budget**



Retail Water Sold in Acre-Feet (AF)





December 2025 Financials - Summary District

	A	B	C	D = C - B	E = B / C	
	Period Actuals Dec 2025	Fiscal Year to Date Dec 2025	Adopted Budget FY 2026	Remaining Budget FY 2026	YTD % of Budget 50.0%	
1	Sewer Service Fees	\$ 1,605,966	\$ 2,367,320	\$ 4,292,600	\$ 1,925,280	55.1%
2	Wholesale Water Fixed Charges	52,822	317,616	630,200	312,584	50.4%
3	Retail Water Variable Charges	240,167	893,217	1,794,900	901,683	49.8%
4	Retail Water Fixed Charges	472,769	906,414	1,667,200	760,786	54.4%
5	MET / MWDOC Pass-Through Charges	176,450	3,473,606	3,988,700	515,094	87.1%
6	Property Tax Receipts	756,986	1,209,989	2,326,700	1,116,711	52.0%
7	Interest Revenue	245,901	727,332	1,774,000	1,046,668 ▲	41.0%
8	Other Revenue	26,527	349,948	440,800	90,852	79.4%
9	Total Revenue	3,577,587	10,245,442	16,915,100	6,669,658	60.6%
10	Retail Water Supply	76,190	541,636	965,100	423,464 ▲	56.1%
11	Wholesale Pass-Through Supply	176,450	3,473,606	3,988,700	515,094 ▲	87.1%
12	Staffing Resources	271,608	1,609,202	3,342,700	1,733,498	48.1%
13	Operations & Maintenance	69,110	567,191	1,404,500	837,309	40.4%
14	General & Administrative	72,167	722,536	1,311,600	589,064 ▲	55.1%
15	Total Expense	665,526	6,914,171	11,012,600	4,098,429 ▲	62.8%
16	Net Income / (Loss) from Operations	\$ 2,912,061	\$ 3,331,271	\$ 5,902,500	\$ 2,571,229	56.4%
17	Grant Funding Receipts	-	40,344	1,000,000	959,656	4.0%
18	Capital Improvement Program	(174,371)	(1,023,496)	(8,350,000)	(7,326,504)	12.3%
19	Internal Loan Receipts	-	-	334,815	334,815	0.0%
20	Internal Loan Payments	-	-	(334,815)	(334,815)	0.0%
21	Debt Service	-	(216,082)	(1,403,430)	(1,187,348)	15.4%
22	Net Change in Cash	\$ 2,737,690	\$ 2,132,037	\$ (2,850,930)	\$ (4,982,967)	-74.8%

Variance Analysis:

Line 1 - This line item may vary from the expected budget target throughout the fiscal year due to the timing of these sewer service fees received through the property tax roll.

Line 3 - The Retail Water Variable charges are billed bi-monthly on even numbered months. The timing of billing and collecting these charges can cause actual results to vary from the expected budget target throughout the fiscal year.

Line 4 - The Retail Water fixed meter and capital improvement charges are included in this line. The fixed meter charge is billed bi-monthly on even numbered months. The capital improvement charge is collected through the property tax roll. The timing of billing and collecting these charges can cause actual results to vary from the expected budget target.

Line 5 - The adopted budget included 2000 AF of wholesale water sales. As of the current reporting period, 1991 AF of wholesale water has been sold.

Line 6 - This line item may vary from the expected budget target throughout the fiscal year due to the timing of property tax receipts through the County tax roll.

Line 10 - Retail water supply costs are at 56.1% of budget due to a higher than expected mix of water supplied from the Wholesale system, including a higher allocation of Wholesale pass-through fixed charges.

Line 11 - The adopted budget planned for 2000 AF of wholesale water purchases. As of the current reporting period, 1991 AF of wholesale water has been purchased for wholesale activities.

Line 14 - In October 2025, the District paid \$113K for the annual general and liability insurance policy that covers the entire fiscal year.



December 2025 Financials - Operating Detail District

	A		B		C		D = C - B		E = B / C
	Period		Fiscal Year		Adopted		Remaining		YTD % of
	Actuals		to Date		Budget		Budget		Budget
	Dec 2025		Dec 2025		FY 2026		FY 2026		50.0%
1	District Charges								
2	Sewer Service Fees	\$ 1,605,966	\$	2,367,320	\$	4,292,600	\$	1,925,280	55.1%
3	Wholesale Water Fixed Charges	52,822		317,616		630,200		312,584	50.4%
4	Retail Water Variable Charges	240,167		893,217		1,794,900		901,683	49.8%
5	Retail Water Fixed Charges	472,769		906,414		1,667,200		760,786	54.4%
6	Total District Charges	2,371,723		4,484,568		8,384,900		3,900,332	53.5%
7	Wholesale Pass-Through Charges								
8	MET / MWDOC Water Sales	113,693		2,777,864		2,923,200		145,336	95.0%
9	MET / MWDOC Fixed Costs Recovery	62,758		695,742		1,065,500		369,758	65.3%
10	Total Wholesale Pass-Through Charges	176,450		3,473,606		3,988,700		515,094	87.1%
11	Other Revenue								
12	Property Tax Receipts	756,986		1,209,989		2,326,700		1,116,711	52.0%
13	Interest Revenue	245,901		727,332		1,774,000		1,046,668	41.0%
14	Developer Fees and Charges	6,415		258,638		200,000		(58,638)	129.3%
15	Miscellaneous Revenue	20,112		91,311		240,800		149,489	37.9%
16	Total Other Revenue	1,029,414		2,287,269		4,541,500		2,254,231	50.4%
17	Total Revenue	3,577,587		10,245,442		16,915,100		6,669,658	60.6%
18	Retail Water Supply								
19	Retail Fixed Costs Allocation	13,059		96,985		142,100		45,115	68.3%
20	Retail Water Purchases from Wholesale	52,186		146,753		204,700		57,947	71.7%
21	OCWD Replenishment Assessments	5,681		225,636		469,300		243,664	48.1%
22	Groundwater Energy	5,264		72,263		149,000		76,737	48.5%
23	Total Retail Water Supply	76,190		541,636		965,100		423,464	56.1%
24	Wholesale Pass-Through Supply								
25	MET / MWDOC Water Purchases	113,693		2,777,864		2,923,200		145,337	95.0%
26	MET / MWDOC Fixed Costs	62,758		695,742		1,065,500		369,758	65.3%
27	Total Wholesale Pass-Through Supply	176,450		3,473,606		3,988,700		515,094	87.1%
28	Staffing Resources								
29	Employee Compensation	196,170		1,184,156		2,470,700		1,286,544	47.9%
30	Health and Retirement Benefits	75,439		391,212		837,100		445,888	46.7%
31	CalPERS Unfunded Minimum Payments	-		33,834		34,900		1,066	96.9%
32	Total Staffing Resources	271,608		1,609,202		3,342,700		1,733,498	48.1%
33	Operations & Maintenance								
34	Water System Maintenance	43,663		313,448		682,100		368,652	46.0%
35	Water Quality	4,881		60,296		165,800		105,504	36.4%
36	Sewer System Maintenance	2,821		46,417		175,000		128,583	26.5%
37	System Fees and Permits	-		38,915		64,800		25,885	60.1%
38	Vehicle and Equipment	17,746		108,115		316,800		208,685	34.1%
39	Total Operations & Maintenance	69,110		567,191		1,404,500		837,309	40.4%
40	General & Administrative								
41	Professional Services	31,715		276,012		601,700		325,688	45.9%
42	District Office Expenses	9,569		134,146		239,900		105,754	55.9%
43	District Insurance	-		113,912		123,400		9,488	92.3%
44	Dues and Memberships	-		62,199		64,100		1,901	97.0%
45	Community Outreach and Noticing	5,015		35,939		77,900		41,961	46.1%
46	Board of Directors	7,613		37,988		65,300		27,312	58.2%
47	Education, Training and Travel	806		9,219		21,000		11,781	43.9%
48	Miscellaneous Expense	17,449		53,121		118,300		65,179	44.9%
49	Total General & Administrative	72,167		722,536		1,311,600		589,064	55.1%
50	Total Expense	665,526		6,914,171		11,012,600		4,098,429	62.8%
51	Net Income / (Loss) from Operations	\$ 2,912,061	\$	3,331,271	\$	5,902,500	\$	2,571,229	56.4%

December 2025 Financials - Capital Improvement Program District

ID	Project Description	A	B	C	D = C - B	E = B / C
		Period Actuals Dec 2025	Fiscal Year to Date Dec 2025	Adopted Budget FY 2026	Remaining Budget FY 2026	YTD % of Budget 50.0%
Wholesale System						
WZ-02	WZ Reservoir Backup Generators	\$ -	\$ -	\$ 245,000	\$ 245,000	0.0%
WZ-03	Cathodic Protection Improvements	-	-	100,000	100,000	0.0%
WZ-04	6MG Res. Pipeline & Vault Improv	-	176,712	200,000	200,000	0.0%
WZ-05	WZ Reservoir Management Systems	-	-	1,500,000	1,500,000	0.0%
WZ-06	Peters Canyon Res Sesmic Phase 1	-	99,248	500,000	500,000	0.0%
WZ-10	WZ Master Plan Update	21,995	53,854	118,000	96,005	18.6%
WZ-17	WZ Valve Replacements Program	-	9,386	50,000	50,000	0.0%
WZ-18	WZ Hydrants Replacement Program	-	-	50,000	50,000	0.0%
Total Wholesale System		21,995	339,199	2,763,000	2,423,801	12.3%
Retail System						
RZ-04	Brae Glen Pipeline Replacement	-	-	500,000	500,000	0.0%
RZ-05	Orange Knoll PRV Station	-	-	250,000	250,000	0.0%
RZ-08	Barrett/Hinton Srvs Relocations	-	-	225,000	225,000	0.0%
RZ-10	RZ Master Plan Update	18,863	63,159	112,000	93,138	16.8%
RZ-12	St. Jude/Panorama View Pipeline	-	-	225,000	225,000	0.0%
RZ-15	Advanced Metering Infrastructure	73,232	77,279	1,200,000	1,126,768	6.1%
RZ-16	Vista Panorama PS Replacement	-	25,117	350,000	350,000	0.0%
RZ-17	RZ Valve Replacements Program	-	3,406	25,000	25,000	0.0%
RZ-18	RZ Hydrant Replacements Program	15,947	17,053	25,000	9,053	63.8%
Total Retail System		108,041	186,015	2,912,000	2,725,985	6.4%
Sewer System						
SS-03	Lemon Heights Drive LS Rehab	-	26,454	-	-	NA
SS-06	Cured in Place Pipe (CIPP)	-	17,150	400,000	400,000	0.0%
SS-07	Manhole Additions, R, F & Covers	-	82,500	200,000	200,000	0.0%
SS-08	Manhole Rehab and Replacements	-	19,875	400,000	400,000	0.0%
SS-10	Sewer Vehicles & Equipment	11,435	103,819	1,000,000	988,565	1.1%
SS-11	SSMP Update and Spill Response	32,900	95,636	175,000	142,100	18.8%
Total Sewer System		44,335	345,434	2,175,000	1,829,566	15.9%
Joint Projects						
JP-01	SCADA System Improvements	-	11,000	-	(11,000)	NA
JP-02	Springbrook ERP Implementation	-	110	-	(110)	NA
JP-03	Local HMP, AWIA, RRA & ERP	-	106,518	250,000	143,482	42.6%
JP-09	Vehicles & Equipment Shared	-	35,221	-	(35,221)	NA
JP-10	Main Office Warehouse Replace	-	-	250,000	250,000	0.0%
Total Joint Projects		-	152,848	500,000	347,152	30.6%
Capital Improvement Program Total		\$ 174,371	\$ 1,023,496	\$ 8,350,000	\$ 7,326,504	12.3%

December 2025 CIP Expenditures by System





MEMO

TO: ADMINISTRATION & FINANCE COMMITTEE
FROM: GENERAL MANAGER
SUBJECT: ANNUAL AUDIT FOR FY 2024-25
DATE FEBRUARY 11, 2026

Background

Attached to this memo is a copy of the final Audited Financial Statements for the period ending June 30, 2025. As noted in the audited financials, the District received a “clean opinion.”

Paul Kaymark of Nigro & Nigro oversaw the audit and will present the Committee with a summary of his findings.

For comparative purposes, the table below shows the net position for each fund at the end of fiscal years 2024 and 2025.

Year	Fund			Total
	<i>Wholesale</i>	<i>Retail</i>	<i>Sewer</i>	
2025	\$17,092,428	\$16,573,602	\$58,934,071	\$92,600,101
2024	\$16,691,920	\$15,080,826	\$55,288,599	\$87,061,345

Total net position increased by 6%. Net position for each fund increased slightly compare to the prior year. Operating revenues and operating expenses increased with a slight rebound in water consumption and the scheduled rate adjustments for this year. Overall, revenues outpacing expenses by 7%.

The audit team reviewed our internal procedures and then tested them to see how well we follow our own procedures. The Auditor’s Management Letter that reports on internal controls overall and the audit is attached. As noted in the letter, no issues were encountered in conducting the audit.

Recommendation

The committee recommends that the Board receive and file the fiscal year 2024/2025 audited financial statement.

Attachment(s): Audit Presentation
 Final Communication to the Board
 FY 2024/2025 Audited Financial Statement

EAST ORANGE COUNTY WATER DISTRICT
Presentation to the Board of Directors
For the Fiscal Year Ended
June 30, 2025

NIGRO & NIGRO^{PC}



SCOPE OF WORK

Perform Audit Testwork of the Entity's Annual Financial Statements/Report

Report on the Entity's internal control over financial reporting and on compliance in accordance with Government Auditing Standards

OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

1. Form and express an opinion about whether the Annual Financial Statements results, that have been prepared by management, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
2. Our responsibility is to plan and perform the audit to obtain **reasonable assurance (not absolute assurance)** about whether the Annual Financial Statements are free of material misstatements.
3. We are to consider the Entity's internal controls and segregations of duties over accounting procedures and financial reporting as we perform our audit testwork. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

AUDIT RESULTS

An Auditor's **Unmodified Opinion** has been issued on the Annual Financial Statements.

- The Annual Financial Statements are fairly presented in all material respects.
- The adopted significant accounting policies have been consistently applied.
- Estimates are considered reasonable for Depreciation, Pension, and OPEB expense.
- New GASB Pronouncements were adopted.
- Required disclosures are properly reflected in the Annual Financial Statements.

AU-C 265 – Communicating Internal Control Related Matters Identified in an Audit

No Material Issues Arose to be Reported to the Governing Board/Management

Any Minor Issues Were Discussed Orally and Corrected by Management

How Do We Make You Better?

Best Practice Solutions Were Conveyed to Management – That's the Audit ROI

East Orange County Water District - Wholesale Fund

Dashboard – Audited Financial Statements

June 30, 2025 vs 2024

Revenues & Expenses	2025	2024	Variance
Operating Revenues:			
Water consumption sales	\$ 5,821,434	\$ 6,635,584	\$ (814,150)
Water service charges	1,503,793	1,264,451	239,342
Connection fees	128,318	206,360	(78,042)
Other revenue	5	-	5
Non-Operating Revenues:			
Property taxes	1,182,987	1,129,978	53,009
Rental and contract revenue	146,090	144,132	1,958
Investment earnings	289,789	349,678	(59,889)
Other non-operating revenues	4,196	600	3,596
Capital Contributions			
Contributed capital	-	215,279	(215,279)
Total Revenues	9,076,612	9,946,062	(869,450)
Operating Expenses:			
Source of supply	6,734,805	7,348,418	(613,613)
Transmission and distribution	362,633	342,178	20,455
Salaries and benefits	559,451	683,238	(123,787)
General and administrative	461,740	387,584	74,156
Operating expenses before depr.	8,118,629	8,761,418	(642,789)
Depreciation expense	557,475	420,516	136,959
Total Expenses	8,676,104	9,181,934	(505,830)
Change in Revenues & Expenses	\$ 400,508	\$ 764,128	\$ (363,620)
Capital Outlay:			
Capital Asset Additions	\$ (377,765)	\$ (1,932,053)	\$ 1,554,288
Depreciation Expense	557,475	420,516	136,959
Change in Capital Expense	\$ 179,710	\$ (1,511,537)	\$ 1,691,247
Cash & Investments	\$ 7,861,964	\$ 7,900,925	\$ (38,961)
Quick Summary:			
Change in Revenues & Expenses	\$ 400,508		
Change in Capital Expense	179,710	Use of cash	
Change in Accounts Receivable	(513,456)	Change to Cash	
Change in Accounts Payable	(158,207)	Change to Cash	
Change in Pension Expense	35,902	Non-Cash	
Change in Cash & Investments	\$ (55,543)	Approximately	\$ (16,582)
Investment Earnings to Portfolio	3.68%		

East Orange County Water District - Retail Fund

Dashboard – Audited Financial Statements

June 30, 2025 vs 2024

Revenues & Expenses	2025	2024	Variance
Operating Revenues:			
Water consumption sales	\$ 2,652,289	\$ 1,201,739	\$ 1,450,550
Water service charges	1,599,829	1,495,468	104,361
Connection and other fees	10,791	68,609	<u>(57,818)</u>
			1,497,093
Non-Operating Revenues:			
Property taxes	620,893	591,649	29,244
Investment earnings	70,669	155,899	(85,230)
Other non-operating revenues	16,411	12,912	3,499
Capital Contributions			
Contributed capital	948,710	-	948,710
Total Revenues	<u>5,919,592</u>	<u>3,526,276</u>	<u>2,393,316</u>
Operating Expenses:			
Source of supply	1,576,743	997,748	578,995
Pumping	25,230	32,459	(7,229)
Transmission and distribution	741,797	202,533	539,264
Salaries and benefits	863,802	895,552	(31,750)
General and administrative	484,187	810,535	<u>(326,348)</u>
Operating expenses before depr.	3,691,759	2,938,827	752,932
Depreciation expense	570,468	275,972	294,496
Total Operating Expenses	<u>4,262,227</u>	<u>3,214,799</u>	<u>1,047,428</u>
Non-Operating Expenses:			
Interest expense	164,589	82,718	81,871
Total Expenses	<u>4,426,816</u>	<u>3,297,517</u>	<u>1,129,299</u>
Change in Revenues & Expenses	\$ <u>1,492,776</u>	\$ <u>228,759</u>	\$ <u>1,264,017</u>
Capital Outlay:			
Capital Asset Additions	\$ (5,210,086)	\$ (4,817,707)	\$ (392,379)
Depreciation Expense	570,468	275,972	294,496
Change in Capital Expense	\$ <u>(4,639,618)</u>	\$ <u>(4,541,735)</u>	\$ <u>(97,883)</u>
Debt Service:			
Principal Paid	\$ <u>(180,000)</u>	\$ <u>(176,000)</u>	\$ <u>(4,000)</u>
Cash & Investments	\$ <u>2,559,077</u>	\$ <u>4,181,642</u>	\$ <u>(1,622,565)</u>
Quick Summary:			
Change in Revenues & Expenses	\$ 1,492,776		
Change in Capital Expense	(4,639,618)	Use of cash	
Debt Service – Principal Payments	(180,000)	Use of cash	
Change in Accounts Receivable	(738,766)	Change to Cash	
Change in Accounts Payable	(1,057,778)	Change to Cash	
Change in Interfund Loan Payable	3,733,333	Change to Cash	
Change in Cash & Investments	\$ <u>(1,390,053)</u>	Approximately	\$ <u>232,512</u>
Investment Earnings to Portfolio	<u>2.10%</u>		

East Orange County Water District - Sewer Fund

Dashboard – Audited Financial Statements

June 30, 2025 vs 2024

Revenues & Expenses	2025	2024	Variance
Operating Revenues:			
Sewer service charges	\$ 3,861,582	\$ 3,420,582	\$ 441,000
Other revenues	61,340	48,851	12,489
Non-Operating Revenues:			
Property taxes	489,025	468,593	20,432
Investment earnings	2,487,350	2,016,420	470,930
Other non-operating revenues	6,390	8,847	(2,457)
Capital Contributions			
Contributed capital	645,918	257,884	388,034
Total Revenues	7,551,605	6,221,177	1,330,428
Operating Expenses:			
Sewer operations	283,357	316,228	(32,871)
Salaries and benefits	1,802,223	1,513,842	288,381
General and administrative	583,600	508,251	75,349
Operating expenses before depr.	2,669,180	2,338,321	330,859
Depreciation expense	922,300	473,988	448,312
Total Operating Expenses	3,591,480	2,812,309	779,171
Non-Operating Expenses:			
Other non-operating expenses	-	219,904	(219,904)
Interest expense	314,653	330,874	(16,221)
Total Expenses	3,906,133	3,363,087	543,046
Change in Revenues & Expenses	\$ 3,645,472	\$ 2,858,090	\$ 787,382

Capital Outlay:

Capital Asset Additions	\$ (901,654)	\$ (7,999,231)	\$ 7,097,577
Depreciation Expense	922,300	473,988	448,312
Change in Capital Expense	\$ 20,646	\$ (7,525,243)	\$ 7,545,889

Debt Service:

Principal Paid	\$ (720,000)	\$ (704,000)	\$ (16,000)
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Cash & Investments	\$ 41,417,735	\$ 42,252,402	\$ (834,667)
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Quick Summary:

Change in Revenues & Expenses	\$ 3,645,472		
Change in Capital Expense	20,646	Use of cash	
Debt Service – Principal Payments	(720,000)	Use of cash	
Change in Accounts Receivable	(87,907)	Change to Cash	
Change in Accounts Payable	(381,993)	Change to Cash	
Change in Interfund Loan	(3,733,333)	Change to Cash	
Change in Cash & Investments	\$ (1,257,115)	Approximately	\$ (422,448)

Investment Earnings to Portfolio 5.95%

EAST ORANGE COUNTY WATER DISTRICT
Report to the Board of Directors
For the Fiscal Year Ended
June 30, 2025

NIGRO & NIGRO^{PC}

EAST ORANGE COUNTY WATER DISTRICT

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NIGRO & NIGRO^{PC}

A Professional Accountancy Corporation

Board of Directors
East Orange County Water District
Orange, California

We are pleased to present this report related to our audit of the financial statements of the East Orange County Water District (District) as of and for the year ended June 30, 2025. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the District.

Very truly yours,

Murrieta, California
February 19, 2026

Required Communications

EAST ORANGE COUNTY WATER DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2025

Generally accepted auditing standards (AU-C 260, *The Auditor’s Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<p>Our Responsibilities with Regard to the Financial Statement Audit</p>	<p>Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 1, 2025. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.</p>
<p>Overview of the Planned Scope and Timing of the Financial Statement Audit</p>	<p>An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions and the account-type of areas tested. There were no changes to the planned scope and timing of our audit testwork.</p>
<p>Accounting Policies and Practices</p>	<p>Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. During our audit, no such circumstances were noted.</p> <p>Adoption of, or Change in, Significant Accounting Policies or Their Application Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management’s Judgments and Accounting Estimates Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgement. No such significant accounting estimates were noted or estimate applications were changed from the previous year.</p>
<p>Audit Adjustments</p>	<p>Audit adjustments are summarized in the attached Summary of Adjusting Journal Entries.</p>
<p>Uncorrected Misstatements</p>	<p>We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p>

EAST ORANGE COUNTY WATER DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2025

Area	Comments
Discussions With Management	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	No significant difficulties were encountered in performing our audit.
Required Supplementary Information	We applied certain limited procedures to the: <ol style="list-style-type: none">1. Management's Discussion and Analysis2. Required Pension Plan Disclosures Which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

EAST ORANGE COUNTY WATER DISTRICT
Required Communications
For the Fiscal Year Ended June 30, 2025

Area	Comments
<p>Supplementary Information</p>	<p>We were engaged to report on the, Supplementary Information:</p> <ol style="list-style-type: none"> 1. Combining Schedules of Balance Sheets 2. Combining Schedules of Revenues, Expenses and Changes in Net Position <p>Which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p>

This information is intended solely for the information and use of Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

EAST ORANGE COUNTY WATER DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2025

Our Audit Methodology

As part of our firm's standard audit methodology, once our Audit Team has uploaded management's trial balance into our audit software, we are required to report to the Governance Board and Management all adjustments made to the trial balance during the audit process. This includes any proposed audit adjustments identified by our auditors as well as any adjustments provided by management. Our policy is designed to ensure full transparency and to give the Governance Board and Management a clear understanding of the nature and extent of changes considered during the audit, thereby reinforcing the integrity and depth of the audit procedures performed.

Disclosure of Audit Adjustments and Reclassifications

As part of our external audit engagement, we operate under the presumption that the District's books and records are materially accurate and appropriately closed prior to the commencement of audit fieldwork. Nonetheless, audit adjustments and reclassifications are often proposed during the course of the audit to ensure the District's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and to enhance comparability with prior-year financial data. In the interest of transparency and governance, we have included, as an attachment to this letter, a summary of audit adjustments and reclassification journal entries identified during the audit.

The existence or absence of such adjustments does not inherently indicate deficiencies, but rather reflects the auditor's role in enhancing the fair presentation of the financial statements. Disclosure of these items provides the Governance Board and Management with insight into the scope and depth of the audit procedures performed.

To promote timely and accurate financial reporting, we recommend that management strengthen internal controls and oversight over the year-end financial close process. Enhancing these procedures can reduce the volume of post-closing audit adjustments and reclassifications, improve the quality of interim and year-end financial reporting, and support the District's efforts in maintaining compliance with financial reporting requirements and best practices in fiscal governance.

Management Override of Controls

Professional auditing standards require auditors to consider the risk that management may override established internal controls, regardless of the perceived effectiveness of those controls. During our audit, we identified management override of controls as a significant risk due to the inherent ability of management to initiate, authorize, record, or adjust transactions and financial records. Such override could occur through inappropriate journal entries, management bias in accounting estimates, or the circumvention of established approval and review processes, potentially resulting in material misstatement of the financial statements, whether due to error or fraud.

While our audit procedures did not identify any instances of inappropriate management override, the presence of this risk is inherent in all organizations and warrants continued attention. We recommend that the District continue to strengthen governance and oversight practices, including active involvement by the Governance Board, consistent monitoring of journal entries and significant estimates, segregation of duties where feasible, and periodic independent reviews of key financial processes. These measures help mitigate the risk of management override and support the integrity and reliability of the District's financial reporting.

Summary of Adjusting Journal Entries

EAST ORANGE COUNTY WATER DISTRICT

*Summary of Adjusting Journal Entries
For the Fiscal Year Ended June 30, 2025*

None Noted

**EAST ORANGE COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Years Ended
June 30, 2025
(With Comparative Amounts as of June 30, 2024)**

NIGRO & NIGRO^{PC}

EAST ORANGE COUNTY WATER DISTRICT
For the Fiscal Year Ended June 30, 2025
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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
East Orange County Water District
Orange, California

Opinion

We have audited the accompanying financial statements of the East Orange County Water District (District), which comprise the balance sheet as of June 30, 2025, and related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2025, and the respective changes in its financial position and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Change in Accounting Principle

As described in Notes 1, 7, and 12 to the financial statements, as of July 1, 2024, the District adopted new accounting guidance, GASB Statement No. 101, Compensated Absences and Statement No. 102, Certain Risk Disclosures. Our opinion is not modified with respect to these matters.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, and Schedule of the District's Contributions to the Pension Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 as a whole. The Balance Sheets – Combined – Internal Funds and Schedule of Revenues, Expenses and Changes in Net Position – Combined – Internal Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated February 19, 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 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.

Murrieta, California
February 19, 2026

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

Management's Discussion and Analysis (MD&A) offers readers of East Orange County Water District's (District's) financial statements a narrative overview of the District's financial activities for the year ended June 30, 2025 and 2024. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In fiscal year 2025, the District's net position increased 6.36%, or \$5,538,756 from the prior year's net position of \$87,061,345 to \$92,600,101, as a result of the year's operations.
- In fiscal year 2025, operating revenues increased by 16.12%, or \$2,154,076 from \$13,364,122 to \$15,518,198, from the prior year, primarily due to increases in retail water consumption sales as well as water and sewer service charges.
- In fiscal year 2025, operating expenses before depreciation expense increased by 9.93% or \$1,297,341 from \$13,061,044 to \$14,358,385, from the prior year, primarily due to increases in water purchases and transmission and distribution related expenses.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Balance Sheet, 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 Balance Sheet includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used 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. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's 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 the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

Condensed Balance Sheets

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>
Assets:			
Current assets	\$ 23,497,723	\$ 25,648,409	\$ (2,150,686)
Non-current assets	32,139,153	30,910,853	1,228,300
Capital assets, net	<u>57,479,884</u>	<u>53,040,623</u>	<u>4,439,261</u>
Total assets	<u>113,116,760</u>	<u>109,599,885</u>	<u>3,516,875</u>
Deferred outflows of resources	<u>503,712</u>	<u>675,636</u>	<u>(171,924)</u>
Total assets and deferred outflows of resources	<u>\$ 113,620,472</u>	<u>\$ 110,275,521</u>	<u>\$ 3,344,951</u>
Liabilities:			
Current liabilities	\$ 4,685,806	\$ 6,132,859	\$ (1,447,053)
Non-current liabilities	<u>15,776,035</u>	<u>16,668,467</u>	<u>(892,432)</u>
Total liabilities	<u>20,461,841</u>	<u>22,801,326</u>	<u>(2,339,485)</u>
Deferred inflows of resources	<u>558,530</u>	<u>412,850</u>	<u>145,680</u>
Net position:			
Net investment in capital assets	41,207,884	35,868,623	5,339,261
Restricted	31,809,986	30,753,275	1,056,711
Unrestricted	<u>19,582,231</u>	<u>20,439,447</u>	<u>(857,216)</u>
Total net position	<u>92,600,101</u>	<u>87,061,345</u>	<u>5,538,756</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 113,620,472</u>	<u>\$ 110,275,521</u>	<u>\$ 3,344,951</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$92,600,101 and \$87,061,345 as of June 30, 2025 and June 30, 2024, respectively.

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Balance Sheets (continued)

A large portion of the District's net position (45% and 41% as of June 30, 2025 and 2024, respectively) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of year 2025, the District showed a positive balance in its unrestricted net position of \$19,582,231 which may be utilized in future years.

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

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>
Operating revenues	\$ 15,518,198	\$ 13,364,122	\$ 2,154,076
Operating expenses	<u>(14,358,385)</u>	<u>(13,061,044)</u>	<u>(1,297,341)</u>
Operating income(loss) before depreciation	1,159,813	303,078	856,735
Depreciation expense	<u>(2,050,243)</u>	<u>(1,170,476)</u>	<u>(879,767)</u>
Operating income(loss)	(890,430)	(867,398)	(23,032)
Non-operating revenues(expenses), net	<u>4,834,558</u>	<u>4,245,212</u>	<u>589,346</u>
Capital contributions	<u>1,594,628</u>	<u>473,163</u>	<u>1,121,465</u>
Change in net position	5,538,756	3,850,977	1,687,779
Net position:			
Beginning of year	<u>87,061,345</u>	<u>83,210,368</u>	<u>3,850,977</u>
End of year	<u>\$ 92,600,101</u>	<u>\$ 87,061,345</u>	<u>\$ 5,538,756</u>

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In fiscal year 2025, the District's net position increased 6.36%, or \$5,538,756 from the prior year's net position of \$87,061,345 to \$92,600,101, as a result of the year's operations.

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

The following table presents the detailed breakdown of the information presented in the condensed summary.

Total Revenues

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Water consumption sales - wholesale	\$ 5,819,968	\$ 5,753,268	\$ 66,700
Water consumption sales - retail	2,652,289	1,201,739	1,450,550
Water service charges	2,983,905	2,664,713	319,192
Sewer service charges	3,861,582	3,420,582	441,000
Connection fees	128,318	265,042	(136,724)
Other operating revenues	72,136	58,778	13,358
Total operating revenues	<u>15,518,198</u>	<u>13,364,122</u>	<u>2,154,076</u>
Non-operating revenues:			
Property taxes	2,292,905	2,190,220	102,685
Investment earnings	2,847,808	2,521,997	325,811
Rental revenue - cellular antenna	146,090	144,132	1,958
Sale of capital assets	1,500	-	1,500
Other non-operating revenues	25,497	22,359	3,138
Total non-operating revenues	<u>5,313,800</u>	<u>4,878,708</u>	<u>435,092</u>
Capital contributions	<u>1,594,628</u>	<u>473,163</u>	<u>1,121,465</u>
Total revenues	<u>\$ 22,426,626</u>	<u>\$ 18,715,993</u>	<u>\$ 3,710,633</u>

In fiscal year 2025, operating revenues increased by 16.12%, or \$2,154,076 from \$13,364,122 to \$15,518,198, from the prior year, primarily due to increases in retail water consumption sales as well as water and sewer service charges.

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Expenses

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>
Operating expenses:			
Source of supply	\$ 8,190,365	\$ 7,368,644	\$ 821,721
Pumping	25,230	32,459	(7,229)
Transmission and distribution	1,104,430	544,711	559,719
Sewer operations	283,357	316,228	(32,871)
Salaries and benefits	3,225,476	3,092,632	132,844
General and administrative	1,529,527	1,706,370	(176,843)
Total operating expenses	<u>14,358,385</u>	<u>13,061,044</u>	<u>1,297,341</u>
Depreciation expense	<u>2,050,243</u>	<u>1,170,476</u>	<u>879,767</u>
Non-operating expenses:			
Interest expense	479,242	413,592	65,650
Other non-operating expenses	-	219,904	(219,904)
Total non-operating expenses	<u>479,242</u>	<u>633,496</u>	<u>(154,254)</u>
Total expenses	<u>\$ 16,887,870</u>	<u>\$ 14,865,016</u>	<u>\$ 2,022,854</u>

In fiscal year 2025, operating expenses before depreciation expense increased by 9.93% or \$1,297,341 from \$13,061,044 to \$14,358,385, from the prior year, primarily due to increases in water purchases and transmission and distribution related expenses.

Capital Assets

	<u>Balance June 30, 2025</u>	<u>Balance June 30, 2024</u>
Capital assets:		
Non-depreciable assets	\$ 2,782,644	\$ 11,403,629
Depreciable assets	73,832,591	58,722,102
Accumulated depreciation	<u>(19,135,351)</u>	<u>(17,085,108)</u>
Total capital assets, net	<u>\$ 57,479,884</u>	<u>\$ 53,040,623</u>

At June 30, 2025, the District's investment in capital assets amounted to \$57,479,884 (net of accumulated depreciation), respectively. Capital asset additions for fiscal year 2025 amounted to \$6,489,504 for various projects and equipment. See Note 6 for further information.

EAST ORANGE COUNTY WATER DISTRICT

Management’s Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Debt Administration

The long-term debt of the District is summarized below:

	Balance	Balance
Long-term debt:	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Loans payable	<u>\$ 16,272,000</u>	<u>\$ 17,172,000</u>

For the year ended June 30, 2025, long-term debt decreased by \$900,000 from regular principal payments. See Note 8 for further information.

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.

CONDITIONS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION

Management is unaware of any item that would affect the District’s current financial position.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s funding sources, customers, stakeholders and other interested parties with an overview of the District’s financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District’s General Manager, at 185 North McPherson Road, Orange, California 92869, (714) 538-5815.

EAST ORANGE COUNTY WATER DISTRICT

Balance Sheets

June 30, 2025 (With Comparable Amounts as of June 30, 2024)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2025</u>	<u>2024</u>
Current assets:		
Cash and investments (Note 2)	\$ 20,156,004	\$ 23,770,143
Accrued interest receivable	81,626	69,350
Accounts receivable, net (Note 4)	2,171,557	1,462,000
Property tax receivable	63,056	68,431
Lease receivable (Note 5)	143,233	141,576
Other receivable	769,431	-
Inventory – water-in-storage	54,740	54,762
Prepaid expenses	58,076	82,147
Total current assets	<u>23,497,723</u>	<u>25,648,409</u>
Non-current assets:		
Restricted – cash and investments (Note 2 and 3)	31,682,772	30,564,826
Restricted – accrued interest receivable (Note 3)	127,214	188,449
Lease receivable - (Note 5)	329,167	157,578
Capital assets – not being depreciated (Note 6)	2,782,644	11,403,629
Capital assets – being depreciated, net (Note 6)	54,697,240	41,636,994
Total non-current assets	<u>89,619,037</u>	<u>83,951,476</u>
Total assets	<u>113,116,760</u>	<u>109,599,885</u>
Deferred outflows of resources:		
Deferred amounts related to net pension liability (Note 9)	503,712	675,636
Total deferred outflows of resources	<u>503,712</u>	<u>675,636</u>
Total assets and deferred outflows of resources	<u>\$ 113,620,472</u>	<u>\$ 110,275,521</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,269,127	\$ 4,861,572
Deposits and unearned revenues	267,938	255,906
Accrued interest payable	109,264	31,294
Long-term liabilities – due within one year:		
Compensated absences (Note 7)	118,477	84,087
Loans payable (Note 8)	921,000	900,000
Total current liabilities	<u>4,685,806</u>	<u>6,132,859</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 7)	118,478	84,086
Loans payable (Note 8)	15,351,000	16,272,000
Net pension liability (Note 9)	306,557	312,381
Total non-current liabilities	<u>15,776,035</u>	<u>16,668,467</u>
Total liabilities	<u>20,461,841</u>	<u>22,801,326</u>
Deferred inflows of resources:		
Deferred amounts related to leases (Note 5)	456,151	275,110
Deferred amounts related to net pension liability (Note 9)	102,379	137,740
Total deferred inflows of resources	<u>558,530</u>	<u>412,850</u>
Net position:		
Net investment in capital assets (Note 10)	41,207,884	35,868,623
Restricted (Note 3)	31,809,986	30,753,275
Unrestricted	19,582,231	20,439,447
Total net position	<u>92,600,101</u>	<u>87,061,345</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 113,620,472</u>	<u>\$ 110,275,521</u>

EAST ORANGE COUNTY WATER DISTRICT*Statements of Revenues, Expenses and Changes in Net Position**For the Fiscal Year Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)*

	<u>2025</u>	<u>2024</u>
Operating revenues:		
Water consumption sales – wholesale	\$ 5,819,968	\$ 5,753,268
Water consumption sales – retail	2,652,289	1,201,739
Water service charges	2,983,905	2,664,713
Sewer service charges	3,861,582	3,420,582
Connection fees	128,318	265,042
Other operating revenues	72,136	58,778
Total operating revenues	<u>15,518,198</u>	<u>13,364,122</u>
Operating expenses:		
Source of supply	8,190,365	7,368,644
Pumping	25,230	32,459
Transmission and distribution	1,104,430	544,711
Sewer operations	283,357	316,228
Salaries and benefits	3,225,476	3,092,632
General and administrative	1,529,527	1,706,370
Total operating expenses	<u>14,358,385</u>	<u>13,061,044</u>
Operating income(loss) before depreciation	1,159,813	303,078
Depreciation expense	<u>(2,050,243)</u>	<u>(1,170,476)</u>
Operating loss	<u>(890,430)</u>	<u>(867,398)</u>
Non-operating revenues(expenses):		
Property taxes	2,292,905	2,190,220
Investment earnings	2,847,808	2,521,997
Rental revenue – cellular antenna	146,090	144,132
Interest expense	(479,242)	(413,592)
Sale of capital assets	1,500	-
Other non-operating revenues	25,497	22,359
Other non-operating expenses	-	(219,904)
Total non-operating revenues(expenses), net	<u>4,834,558</u>	<u>4,245,212</u>
Change in net position before capital contributions	<u>3,944,128</u>	<u>3,377,814</u>
Capital contributions:		
Capital grants	925,124	-
Contributed capital – developers	151,576	215,279
Capacity charges	517,928	257,884
Total capital contributions	<u>1,594,628</u>	<u>473,163</u>
Change in net position	5,538,756	3,850,977
Net position:		
Beginning of year	<u>87,061,345</u>	<u>83,210,368</u>
End of year	<u>\$ 92,600,101</u>	<u>\$ 87,061,345</u>

EAST ORANGE COUNTY WATER DISTRICT

Statements of Cash Flows

For the Fiscal Year Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 14,037,551	\$ 13,969,575
Cash paid to employees for salaries and wages	(2,290,840)	(1,908,439)
Cash paid to vendors and suppliers for materials and services	<u>(13,243,303)</u>	<u>(9,371,940)</u>
Net cash provided by (used in) operating activities	<u>(1,496,592)</u>	<u>2,689,196</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	<u>2,318,402</u>	<u>2,212,579</u>
Net cash provided by non-capital financing activities	<u>2,318,402</u>	<u>2,212,579</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(6,489,504)	(14,748,991)
Proceeds from the sale of capital assets	1,500	-
Capital grants	925,124	-
Capital contributions	454,225	257,884
Principal paid on long-term debt	(900,000)	(880,000)
Interest paid on long-term debt	<u>(401,272)</u>	<u>(415,196)</u>
Net cash used in capital and related financing activities	<u>(6,409,927)</u>	<u>(15,786,303)</u>
Cash flows from investing activities:		
Sale of investments, net	2,649,363	4,645,109
Investment earnings	<u>1,522,894</u>	<u>564,194</u>
Net cash provided by investing activities	<u>4,172,257</u>	<u>5,209,303</u>
Net increase(decrease) in cash and cash equivalents	(1,415,860)	(5,675,225)
Cash and cash equivalents:		
Beginning of year	<u>7,814,134</u>	<u>13,489,359</u>
End of year	<u>\$ 6,398,274</u>	<u>\$ 7,814,134</u>
Reconciliation of cash and cash equivalents:		
Cash and investments	\$ 51,838,776	\$ 54,334,969
Less: Investments	<u>(45,440,502)</u>	<u>(46,520,835)</u>
Total cash and cash equivalents	<u>\$ 6,398,274</u>	<u>\$ 7,814,134</u>

EAST ORANGE COUNTY WATER DISTRICT*Statements of Cash Flows (continued)**For the Fiscal Year Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)*

	<u>2025</u>	<u>2024</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (890,430)	\$ (867,398)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	2,050,243	1,170,476
Rental revenue	146,090	144,132
Other non-operating revenues	25,497	22,359
Other non-operating expenses	-	(219,904)
Change in assets - (increase)decrease:		
Accounts receivable, net	(709,557)	305,409
Lease receivable	(173,246)	133,553
Other receivables	(769,431)	-
Inventory - water-in-storage	22	1,178
Prepaid expenses	24,071	49,447
Change in deferred outflows of resources - (increase)decrease		
Deferred amounts related to net pension liability	171,924	189,282
Change in liabilities - increase(decrease):		
Accounts payable and accrued expenses	(1,592,445)	1,771,990
Deposits and unearned revenues	12,032	3,067
Compensated absences	68,782	30,778
Net pension liability	(5,824)	169,784
Change in deferred inflows of resources - increase(decrease)		
Deferred amounts related to leases	181,041	(133,788)
Deferred amounts related to net pension liability	(35,361)	(81,169)
Total adjustments	<u>(606,162)</u>	<u>3,556,594</u>
Net cash provided by (used in) operating activities	<u>\$ (1,496,592)</u>	<u>\$ 2,689,196</u>
Noncash investing, capital and financing transactions		
Change in fair-value of investments	<u>\$ (1,373,873)</u>	<u>\$ (1,967,108)</u>

EAST ORANGE COUNTY WATER DISTRICT
Statement of Net Position – Fiduciary Fund
For the Fiscal Year Ended June 30, 2025

<u>Assets</u>	<u>Custodial Fund</u>
Current assets:	
Cash and investments (Note 2)	\$ 56,402
Due from property owners	<u>266</u>
Total assets	<u>\$ 56,668</u>
<u>Liabilities and Net Position</u>	
Current liabilities:	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
Net position:	
Total net position	<u>56,668</u>
Total liabilities and net position	<u>\$ 56,668</u>

EAST ORANGE COUNTY WATER DISTRICT
Statement of Changes in Net Position – Fiduciary Fund
For the Fiscal Year Ended June 30, 2025

	<u>Custodial Fund</u>
Additions:	
Parcel assessments	\$ 45,507
Total revenues	<u>45,507</u>
Deductions:	
Administration	3,144
Interest expense	<u>40,025</u>
Total expenses	<u>43,169</u>
Change in net position	<u>2,338</u>
Net position:	
Beginning of year	<u>54,330</u>
End of year	<u><u>\$ 56,668</u></u>

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The East Orange County Water District (District) was organized in 1961, under provisions of the County Water District Act (Sections 30000 et. seq. of the Water Code of the State of California). The District is governed by a Board of Directors, which consists of five directors, each of whom is elected at-large for a four-year term by the citizens living within the District's service area. The District was formed in order to furnish imported potable water to an area encompassing the eastern half of the City of Orange. The District provides wholesale potable water to five sub-agencies in the region through its pipeline transmission and distribution system. The five sub-agencies consist of the East Orange County Water District Retail Zone, Golden State Water Company, City of Tustin, Irvine Ranch Water District, and the City of Orange. The District provides potable water service through the East Orange County Water District Retail Zone to 1,211 customers within its service area.

In 2013, the Orange County Sanitation District (OCSD) proposed a transfer of ownership and operation of the local sewer system (Sewer Area 7) to the District. On May 11, 2016, after an extensive review and approval process, the Orange County Local Agency Formation Commission approved the transfer of sewers to the District effective August 1, 2016. The sewer system was transferred to the District as Improvement District No. 1 (ID No.1). It is comprised of 175 miles of primarily vitrified clay pipe sewers and approximately 3,700 manholes, both of which were largely installed in the 1960s.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity (GASB Statement No. 61). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. Basis of Presentation, Basis of Accounting

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

In January 2017, GASB issued Statement No. 84 – *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The District reports a Custodial Fund that is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and other governments. The custodial funds are used to account for taxes received for special assessments debt for which the District is not obligated.

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of 90 days or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

2. Investments (continued)

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. Restricted Assets

Amounts shown as restricted assets have been restricted by either bond indentures, external constraints, or laws and regulations of other governments.

4. Receivables and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

5. Water in Storage

Annually, a controlled quantity of water is purchased by the District and, if not used in the current year, is stored for use in the following year. Purchased stored water is subject to loss through meter error or leakage. The losses are not covered by insurance nor has a loss reserve been recorded. Water in storage is valued at average cost.

6. Prepays

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

7. Lease Receivable and Deferred Inflows of Resources

The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the District's classes of assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Transmission and distribution system	5-100 years
Wastewater system	10-100 years
Structures and improvements	3-50 years
Equipment	5-50 years

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

10. Compensated Absences

The District's policy allows full-time employees to accumulate a maximum of 160 hours of vacation time. No compensation in lieu of time off is allowed except for termination or disability. Employees may accumulate up to 120 hours of sick time. As of December 31, each year, one-half of the excess over 120 hours may be credited to additional vacation or may be paid to the employee. The remaining one-half is forfeited. The District has allocated the liability for accrued vacation and sick pay in the accompanying financial statements as 50% current liability and 50% non-current liability.

In accordance with GASB Statement No. 101, Compensated Absences, leave is recognized when it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Management evaluates sick leave for other District employees to determine the amount that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This analysis includes assessing relevant factors such as historical information about the use, payment or forfeiture of compensated absences, and the District's policies related to compensated absences. The measurement of compensated absences includes salary-related payment such as the employer portion of medicare and social security taxes.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

11. 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 and addition 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.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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

12. Net Position

Net position is classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

E. Property Taxes

The Orange County Assessor's Office assesses all real and personal property within the County each year. The Orange County Tax Collector's Office bills and collects the District's share of property taxes. The Orange County Auditor-Controller's Office remits current property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent (1%) of countywide assessed valuations. Property taxes receivable at year-end are related to property taxes collected by the Orange County Tax Collector's Office, which have not been credited to the District's cash balance as of June 30.

The property tax calendar is as follows:

Lien date January 1
Levy date July 1
Due dates November 1 and February 1
Collection dates December 10 and April 10

F. New Pronouncements–Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2025, the District has implemented new GASB pronouncements as follows:

GASB Statement No. 101 – Compensated Absences

This GASB Statement amends the definition of a compensated absence to encompass the various types of benefits offered by governmental employees and establishes a unified model for accounting and reporting. The statement also revises the related financial statement disclosure requirements, including eliminating certain disclosures previously required that GASB research found did not provide essential information to financial statement users. The GASB statement applies to all units of state and local governments. The District adopted the Statement as of July 1, 2024. See Note 7 for the effect of this Statement.

GASB Statement No. 102 – Certain Risk Disclosures

This GASB Statement requires state and local governments to disclose vulnerabilities due to certain concentrations and constraints that could significantly impact their financial health. A concentration refers to a dependency on a specific source—such as a major revenue stream, customer, supplier, or workforce—while a constraint involves legal, regulatory, contractual, or other external limitations that restrict an entity's ability to respond to those risks. If these factors make the government vulnerable to a near-term severe impact, disclosure is required in the notes to the financial statements. The goal of Statement No. 102 is to improve transparency and provide users with better insight into potential risks that could affect a government's financial condition. The District adopted the Statement as of July 1, 2024. See Note 12 for the effect of this Statement.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 2 – CASH AND INVESTMENTS

Cash and cash investments were classified in the accompanying financial statements as follows:

<u>Description</u>	<u>June 30, 2025</u>
Cash and investments	\$ 20,156,004
Restricted – cash and investments	31,682,772
Cash and cash equivalents – fiduciary fund	<u>56,402</u>
Total cash and cash equivalents	<u>\$ 51,895,178</u>

Cash and investments consisted of the following:

<u>Description</u>	<u>June 30, 2025</u>
Cash on hand	\$ 250
Demand deposits held with financial institutions	1,421,969
Local Agency Investment Fund (LAIF)	106,684
California CLASS	4,925,773
Investments	<u>45,440,502</u>
Total cash and cash equivalents	<u>\$ 51,895,178</u>

Demand Deposits with Financial Institutions

At June 30, 2025, the carrying amount of the District's demand deposits was \$1,421,969, and the financial institution's balances was \$1,590,197. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount 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 the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2025, the District held \$106,684 in LAIF.

California Cooperative Liquid Assets Securities System (California CLASS)

The California Cooperative Liquid Assets Securities System (California CLASS) is a joint exercise of powers entity authorized under Section 6509.7, California Government Code. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. California CLASS provides California public agencies with a convenient method for investing in high-quality, short- to medium-term securities carefully selected to optimize interest earnings while prioritizing safety and liquidity. The California CLASS Prime and Enhanced Cash funds offer public agencies the opportunity to strengthen and diversify their cash management programs in accordance with the safety, liquidity, and yield hierarchy that governs the investment of public funds.

The management of California CLASS is under the direction of a Board of Trustees comprised of eligible Participants of the program. The Board of Trustees has appointed Public Trust Advisors, LLC to serve as the Investment Advisor and Administrator of the program and has appointed U.S. Bank as the Custodian.

The District is a voluntary participant in California CLASS. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by California CLASS for the entire California CLASS portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by California CLASS. California CLASS is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis. The California Class Prime and Enhanced Cash funds receive a credit rating of AAAM (S&P Global Ratings) and AAAsf/S1 (FitchRatings), respectively. For financial reporting purposes, the District considers California CLASS a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2025, the District held \$4,925,773 in California CLASS.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. The District had approximately 58% and 13% of its investment portfolio invested in U.S. Treasury Obligations and U.S. Government Sponsored agency securities, respectively.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments

The District’s investments as of June 30, 2025, are presented in the following Investment Table:

Type of Investments	Measurement Input	Credit Rating	Total Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 120 Months
U.S. treasury obligations	Level 2	N/A	\$ 26,172,289	\$ 7,505,417	\$ 10,002,144	\$ 8,664,728
U.S. government sponsored agency securities	Level 2	A to AAA	5,779,956	1,601,456	3,308,392	870,108
Medium-term corporate notes	Level 2	A to AAA	5,012,831	833,995	1,263,060	2,915,776
Negotiable certificates-of-deposit	Level 2	AAA	2,786,575	-	250,053	2,536,522
Money-market mutual funds	N/A	N/A	5,517,499	5,517,499	-	-
Held by PARS trustee:						
Money-market mutual funds	N/A	N/A	171,352	171,352	-	-
Total investments			\$ 45,440,502	\$ 15,629,719	\$ 14,823,649	\$ 14,987,134

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The table does not address investments the investment of funds within the PARS Trust that are governed by the agreement between the District and the Trustee, rather than the general provisions of the California Government Code or the District’s investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Credit Rating
U.S. Treasury Obligations	5-years	None	None	N/A
U.S. Government Sponsored Agency Securities	5-years	None	50%	None
Asset-Backed Securities	5-years	15%	5%	AAA
Banker's Acceptances	180 days	40%	5%	A-1
Collateralized Certificates-of-Deposit	5-years	30%	5%	\$250k deposit
Commercial Paper	270 days	25%	5%	AA above
Medium- Term Notes	5-years	30%	5%	A, A2
Money-Market Funds	None	20%	5%	AAAm, Aaa
MortgageBacked Securities	5-years	15%	5%	AAA, Aaa
Municipal Securities	5-years	20%	None	A, A2
California Local Agency Investment Fund (LAIF)	None	15%	15%	None
California CLASS	None	15%	15%	None

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by in the Investment Table that shows the distribution of the District's investments by maturity as of June 30, 2025.

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 in the Investment Table are Standard & Poor's credit ratings for the District's investments as of June 30, 2025. U.S. treasury obligations are not required to be rated and therefore no rating has been assigned.

Fair Value Measurements

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

NOTE 3 – RESTRICTED – ASSETS AND RESTRICTED – NET POSITION

Restricted assets as of June 30, were classified in the accompanying financial statements as follows:

<u>Description</u>	<u>June 30, 2025</u>
Restricted – cash and cash equivalents	\$ 31,682,772
Restricted – accrued interest receivable	127,214
Total restricted assets	<u>\$ 31,809,986</u>

Restricted assets for the year ended June 30, were restricted as follows:

<u>Description</u>	<u>June 30, 2025</u>
Capital projects	\$ 31,638,634
PARS trust	171,352
Total restricted assets	<u>\$ 31,809,986</u>

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 4 – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net of allowance for doubtful accounts consisted of the following:

<u>Description</u>	<u>June 30, 2025</u>
Accounts receivable	\$ 2,204,578
Allowance for doubtful accounts	<u>(33,021)</u>
Total accounts receivable, net	<u>\$ 2,171,557</u>

NOTE 5 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES

Changes in the District's lease receivable for the year ended June 30, 2025 were as follows:

<u>Description</u>	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2025</u>
Cellular antenna site rental No. 1	\$ 74,915	\$ 314,820	\$ (74,915)	\$ 314,820
Cellular antenna site rental No. 2	224,239	-	(66,659)	157,580
	<u>\$ 299,154</u>	<u>\$ 314,820</u>	<u>\$ (141,574)</u>	<u>\$ 472,400</u>

The District is reporting a total lease receivable of \$472,400 and a total related deferred inflows of resources of \$456,151 for the year ending June 30, 2025. Also, the District is reporting total lease revenue of \$146,090 and interest revenue of \$5,889 related to lease payments received for the years ending June 30, 2025.

The leases held by the District do not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2.40% - 3.0% to discount the lease revenue to the net present value. In some cases leases contain termination clauses. In these cases the clause requires the lessee or lessor to show cause to terminate the lease. Also, certain leasing-types are considered "volatile leases." Those volatile leases were not extended past their initial lease period for financial statement recognition due to their volatility. The District's leases are summarized as follows:

Cellular Antenna Site Rental No. 1

The District, on July 1, 2025, renewed a continuous lease for 48 months as lessor for the use of a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$314,820. As of June 30, 2025, the value of the lease receivable was \$314,820. The lease is required to make monthly fixed payments of \$6,439 for the first 12-month period, then increase 3.0% per year. The lease has an interest rate of 3.00%. The value of the deferred inflow of resources was \$314,820 as of June 30, 2025. The District recognized lease revenue of \$78,544 and interest revenue of \$1,231 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 5 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Cellular Antenna Site Rental No. 2

The District, on July 1, 2021, renewed a continuous lease for 74 months as lessor for the use of a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$402,307. As of June 30, 2025, the value of the lease receivable was \$157,580. The lease is required to make monthly fixed payments of \$5,238 for the first 12-month period, then increase 3.0% per year. The lease has an interest rate of 2.40%. The value of the deferred inflow of resources was \$141,331 as of June 30, 2025. The District recognized lease revenue of \$70,551 and interest revenue of \$4,658 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Minimum future lease receipts for the next four fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 143,233	\$ 8,652	\$ 151,885
2027	151,012	5,430	156,442
2028	93,382	2,617	95,999
2029	84,773	927	85,700
Total	472,400	\$ 17,626	\$ 490,026
Current	(143,233)		
Long-term	\$ 329,167		

Changes in the District’s deferred inflows of resources related to leases for June 30, 2025, were as follows:

Description	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Cellular antenna site rental No. 1	\$ 68,535	\$ 314,820	\$ (68,535)	\$ 314,820
Cellular antenna site rental No. 2	206,575	-	(65,244)	141,331
	\$ 275,110	\$ 314,820	\$ (133,779)	\$ 456,151

The amounts reported as deferred inflows of resources related to leases for the year ended June 30, 2025, will be amortized in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Inflows of Resources
2026	\$ 143,949
2027	143,949
2028	89,548
2029	78,705
Total	\$ 456,151

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

Description	Balance July 1, 2024	Additions	Deletions/ Transfers	Balance June 30, 2025
Non-depreciable assets:				
Land	\$ 579,284	\$ -	\$ -	\$ 579,284
Capacity rights	943,320	-	-	943,320
Construction-in-process	9,881,025	6,489,504	(15,110,489)	1,260,040
Total non-depreciable assets	11,403,629	6,489,504	(15,110,489)	2,782,644
Depreciable assets:				
Transmission and distribution system	37,489,609	8,430,959	(3,758,102)	42,162,466
Source of supply	-	6,282,499	11,997,571	18,280,070
Structures and improvements	19,068,488	-	(9,708,078)	9,360,410
Equipment	2,164,005	397,031	1,468,609	4,029,645
Total depreciable assets	58,722,102	15,110,489	-	73,832,591
Accumulated depreciation:				
Transmission and distribution system	(11,438,378)	(989,441)	3,169,509	(9,258,310)
Source of supply	-	(446,065)	(6,688,746)	(7,134,811)
Structures and improvements	(4,329,491)	(207,510)	4,242,459	(294,542)
Equipment	(1,317,239)	(407,227)	(723,222)	(2,447,688)
Total accumulated depreciation	(17,085,108)	(2,050,243)	-	(19,135,351)
Total depreciable assets, net	41,636,994	13,060,246	-	54,697,240
Total capital assets, net	\$ 53,040,623	\$ 19,549,750	\$ (15,110,489)	\$ 57,479,884

In fiscal year 2025, major capital asset additions amounted to \$6,489,504, and depreciation expense amounted to \$2,050,243.

NOTE 7 – COMPENSATED ABSENCES

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

Balance July 1, 2024	Net Change	Balance June 30, 2025	Due Within One Year	Due in More Than One Year
\$ 168,173	\$ 68,782	\$ 236,955	\$ 118,477	\$ 118,478

As of June 30, 2025, the total liability for compensated absences was \$236,955, of which \$118,477 is expected to be paid within one year and is reported as a current liability. The beginning balance of compensated absences as of July 1, 2024, reflected an immaterial difference upon implementation of GASB Statement No. 101; therefore, no restatement was required.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025

NOTE 8 – LOANS PAYABLE

Changes in loans payable amounts for the year ended June 30, 2025, were as follows:

<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 17,172,000	\$ -	\$ (900,000)	\$ 16,272,000	\$ 921,000	\$ 15,351,000

2020 Installment Purchase Agreement

On December 1, 2020, the District entered into an Installment Purchase Agreement in the amount of \$20,120,000 with Sterling National Bank with interest at 2.30% used to finance the “2020 Project” which involves three capital improvement projects to comply with California Environmental Quality Act. The three capital improvement projects being financed are Vista Panorama Reservoir Replacement, VanderWerff Well Replacement, and Capacity Reliability Augmentation Project. Annual principal payments plus interest are due through June 2040.

Annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 921,000	\$ 374,256	\$ 1,295,256
2027	942,000	353,003	1,295,003
2028	963,000	331,409	1,294,409
2029	986,000	309,258	1,295,258
2030	1,008,000	286,580	1,294,580
2031-2035	4,271,000	991,589	5,262,589
2036-2040	7,181,000	506,436	7,687,436
Total	16,272,000	\$ 3,152,531	\$ 19,424,531
Current	(921,000)		
Long-term	\$ 15,351,000		

EAST ORANGE COUNTY WATER DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 9 – PENSION PLAN

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2025</u>
Pension related deferred outflows	\$ 503,712
Net pension liability	306,557
Pension related deferred inflows	102,379

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

A. General Information about the Pension Plan

The Plan

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	<u>Miscellaneous Plans</u>	
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>
	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Hire date		
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.0%
Required member contribution rates	7.000%	6.750%
Required employer contribution rates – FY 2025	10.15%	7.870%

Plan Description

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2022 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

NOTE 9 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

At June 30, 2024 measurement date, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	6	10	16
Transferred and terminated members	6	4	10
Retired members and beneficiaries	10	1	11
Total plan members	22	15	37

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for 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 each Plan are applied as specified by the Public Employees’ Retirement Law.

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) 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. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Contributions for the fiscal year ended June 30, 2025, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 125,225	\$ 75,461	\$ 200,686

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

NOTE 9 – PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2024, and the total pension liability for each 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 plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the District’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2025:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2025</u>	<u>Fiscal Year Ending June 30, 2024</u>	
Measurement Date	June 30, 2024	June 30, 2023	
Percentage of Risk Pool Net Pension Liability	0.006338%	0.006247%	0.000091%

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

The following table shows the District’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2025:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability/(Asset)</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2023 (Measurement Date)	\$ 5,673,328	\$ 5,360,947	\$ 312,381
Balance as of June 30, 2024 (Measurement Date)	\$ 6,296,367	\$ 5,989,810	\$ 306,557
Change in Plan Net Pension Liability	<u>\$ 623,039</u>	<u>\$ 628,863</u>	<u>\$ (5,824)</u>

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

NOTE 9 – PENSION PLAN (continued)

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

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

For the fiscal year ended June 30, 2025, the District recognized pension expense of \$331,426. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 200,686	\$ -
Difference between actual and proportionate share of employer contributions	-	(101,345)
Adjustment due to differences in proportions	250,994	-
Differences between expected and actual experience	26,505	(1,034)
Differences between projected and actual earnings on pension plan investments	17,648	-
Changes in assumptions	7,879	-
Total Deferred Outflows/(Inflows) of Resources	\$ 503,712	\$ (102,379)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

An amount of \$200,686 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.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

NOTE 9 – PENSION PLAN (continued)

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

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2025 will be recognized as a reduction to pension expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2026	\$ 163,204
2027	57,737
2028	12,753
2029	(6,047)
Total	<u>\$ 227,647</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2024 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2023, total pension liability. The June 30, 2025, total pension liability was based on the following actuarial methods and assumptions:

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

Long-term Expected Rate of Return

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

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

NOTE 9 – PENSION PLAN (continued)

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

Long-term Expected Rate of Return (continued)

The table below reflects long-term expected real rate of return by asset class.

<u>Asset Class¹</u>	<u>Assumed Asset Allocation</u>	<u>Real Return^{1,2}</u>
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	-5.0%	-0.59%
	<u>100.0%</u>	

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

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

Discount Rate

The discount rate used to measure the 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.

Subsequent Events

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

NOTE 9 – PENSION PLAN (continued)

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

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Changes in the discount rate for the year ended June 30, 2025, were as follows:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1%</u> <u>5.90%</u>	<u>Current Discount</u> <u>Rate 6.90%</u>	<u>Discount Rate + 1%</u> <u>7.90%</u>
CalPERS – Miscellaneous Plan	<u>\$ 1,156,191</u>	<u>\$ 306,557</u>	<u>\$ (392,817)</u>

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plans

At June 30, 2025, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2025.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of June 30:

<u>Description</u>	<u>June 30, 2025</u>
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 2,782,644
Capital assets, net – being depreciated	54,697,240
Loans payable – current portion	(921,000)
Loans payable – non-current portion	<u>(15,351,000)</u>
Total net investment in capital assets	<u>\$ 41,207,884</u>

NOTE 11 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in two 457 Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

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

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the accompanying financial statements.

NOTE 12 – RISK DISCLOSURE: CONCENTRATION OF REVENUE SOURCE (GASB STATEMENT NO. 102)

The District is subject to systematic risk due to receiving over 37% of its revenues from water sales. This dependence exposes the District to potential service interruptions or financial impacts in the event of drought conditions, regulatory restrictions, or contamination of the water source. Although the District has contingency plans and infrastructure in place to supplement supply in emergencies, such alternatives may not fully meet demand or could result in significant additional costs.

The District continues to evaluate and implement diversification strategies, including the development of groundwater recharge projects, recycled water programs, and rate structure adjustments to mitigate these concentration risks.

In accordance with GASB Statement No. 102, Risk Disclosures, this note serves to disclose the concentration of revenue and associated risks that could significantly impact the District’s financial position and results of operations.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

NOTE 13 – RISK MANAGEMENT POOL

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 and self-insurance authority, created under provisions of California Government Code Sections 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. Further information about the Insurance Authority is as follows:

A. Entity	ACWA-JPIA
B. Purpose	To pool member contributions and realize the advantages of self-insurance
C. Participants	As of September 30, 2024 – 401 member districts
D. Governing board	Eight representatives employed by members
E. Condensed financial information Audit signed	September 30, 2024 March 27, 2024
Statement of financial position:	Sept 30, 2024
Total assets	<u>\$ 308,144,466</u>
Deferred outflows	<u>3,099,110</u>
Total liabilities	<u>177,706,110</u>
Deferred inflows	<u>4,357,741</u>
Net position	<u>\$ 129,179,725</u>
Statement of revenues, expenses and changes in net position:	
Total revenues	\$ 261,895,930
Total expenses	<u>(253,429,117)</u>
Change in net position	8,466,813
Beginning - net position	<u>120,712,912</u>
Ending - net position	<u>\$ 129,179,725</u>
F. Member agencies share of year-end financial position	Not Calculated

The District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 (total insurable value of \$48,405,017). The District has a \$2,500 deductible for buildings, personal property and fixed equipment, a \$25,000/\$50,000 deductible for accidental mechanical breakdown, a \$1,000 deductible for mobile equipment, and a \$500 deductible for licensed vehicles.

General Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to of \$60,000,000. This program does not have a deductible.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

NOTE 13 – RISK MANAGEMENT POOL (continued)

Auto Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$60,000,000. This program does not have a deductible. Public Officials' Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$60,000,000.

Cyber Liability - The Insurance Authority has purchased insurance coverage of \$3,000,000 per occurrence/\$5,000,000 aggregate. This program does not have a deductible.

Crime - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence. The District has a \$1,000 deductible.

Public Official Bond - The District has purchased a \$200,000 bond to cover the general manager's faithful performance of duty.

Workers' Compensation - The Insurance Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased up to the statutory limit for workers' compensation coverage. The Insurance Authority is self-insurance up to \$2,000,000 and has purchased excess insurance coverage of \$2,000,000 for employer's liability coverage.

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

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims expended. The nature and amount of these adjustments cannot be estimated and are charged to expenses as invoiced. There were no instances in the past three years where a settlement exceeded the District's coverage.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2025, 2024, and 2023. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2025, 2024, and 2023.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

EAST ORANGE COUNTY WATER DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2025 (With Comparable Amounts as of June 30, 2024)

NOTE 14 – COMMITMENTS AND CONTINGENCIES (continued)

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided by a combination of debt proceeds, the District's replacement reserves and capital contributions. As of June 30, 2025, the District had approximately \$300,197 in open construction contracts related to projects in construction-in-process.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 19, 2026, the date on which the financial statements were available to be issued.

Required Supplementary Information

EAST ORANGE COUNTY WATER DISTRICT

*Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2025*

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2015	0.004970%	\$ 341,116	\$ 446,749	76.36%	78.40%
June 30, 2016	0.005772%	499,435	439,988	113.51%	74.06%
June 30, 2017	0.017840%	600,628	570,254	105.33%	78.98%
June 30, 2018	0.019150%	582,611	703,788	82.78%	81.99%
June 30, 2019	0.019830%	658,490	886,564	74.27%	81.54%
June 30, 2020	0.002475%	269,333	1,101,431	24.45%	93.20%
June 30, 2021	-0.012543%	(678,385)	1,322,992	-51.28%	115.36%
June 30, 2022	0.001235%	142,597	1,531,885	9.31%	97.19%
June 30, 2023	0.002504%	312,381	1,727,217	18.09%	94.49%
June 30, 2024	0.006338%	306,557	1,939,294	15.81%	95.13%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 and 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.

From fiscal year June 30, 2019 to June 30, 2020:

There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no significant changes in assumptions.

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

There were no significant changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90% and the inflation rate from 2.50% to 2.30%.

From fiscal year June 30, 2023 to June 30, 2025:

There were no significant changes in assumptions.

EAST ORANGE COUNTY WATER DISTRICT

*Schedule of the District's Contributions to the Defined Benefit Pension Plan
For the Year Ended June 30, 2025*

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the		Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2015	\$ 33,913	\$ (33,913)	\$ -	\$ 446,749	7.59%
June 30, 2016	40,547	(40,547)	-	439,988	9.22%
June 30, 2017	56,240	(56,240)	-	570,254	9.86%
June 30, 2018	69,318	(69,318)	-	703,788	9.85%
June 30, 2019	96,026	(96,026)	-	886,564	10.83%
June 30, 2020	580,137	(580,137)	-	1,101,431	52.67%
June 30, 2021	451,154	(451,154)	-	1,322,992	34.10%
June 30, 2022	127,579	(127,579)	-	1,531,885	8.33%
June 30, 2023	144,303	(144,303)	-	1,727,217	8.35%
June 30, 2024	174,416	(174,416)	-	1,939,294	8.99%
June 30, 2025	200,686	(200,686)	-	2,040,001	9.84%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%
June 30, 2024	June 30, 2022	Entry Age	Fair Value	2.30%	6.90%
June 30, 2025	June 30, 2023	Entry Age	Fair Value	2.30%	6.90%

Amortization Method

Level percentage of payroll, closed

Salary Increases

Depending on age, service, and type of employment

Investment Rate of Return

Net of pension plan investment expense, including inflation

Retirement Age

50 years (2.0%@60), 52 years (2.0%@62)

Mortality

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

Supplementary Information

EAST ORANGE COUNTY WATER DISTRICT
Balance Sheets – Combined – Internal Funds
June 30, 2025 (With Comparative Amounts as of June 30, 2024)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Wholesale	Retail	ID No. 1	Internal Balances	2025	2024
Current assets:						
Cash and investments	\$ 7,793,423	\$ 2,524,807	\$ 9,837,774	\$ -	\$ 20,156,004	\$ 23,770,143
Accrued interest receivable	31,633	10,364	39,629	-	81,626	69,350
Accounts receivable, net	1,769,507	422,841	-	(20,791)	2,171,557	1,462,000
Property tax receivable	11,395	15,382	36,279	-	63,056	68,431
Lease receivable	143,233	-	-	-	143,233	141,576
Other receivables	-	669,731	99,700	-	769,431	-
Inventory – water-in-storage	52,313	2,427	-	-	54,740	54,762
Prepaid expenses	12,302	16,742	29,032	-	58,076	82,147
Total current assets	9,813,806	3,662,294	10,042,414	(20,791)	23,497,723	25,648,409
Non-current assets:						
Restricted – cash and investments	68,541	34,270	31,579,961	-	31,682,772	30,564,826
Restricted - accrued interest receivable	-	-	127,214	-	127,214	188,449
Lease receivable	329,167	-	-	-	329,167	157,578
Interfund loan	-	(3,733,333)	3,733,333	-	-	-
Capital assets – not being depreciated	1,713,477	546,172	522,995	-	2,782,644	11,403,629
Capital assets – being depreciated, net	7,459,282	20,775,604	26,462,354	-	54,697,240	41,636,994
Total non-current assets	9,570,467	17,622,713	62,425,857	-	89,619,037	83,951,476
Total assets	19,384,273	21,285,007	72,468,271	(20,791)	113,116,760	109,599,885
Deferred outflows of resources:						
Deferred amounts related to net pension liability	87,107	137,269	279,336	-	503,712	675,636
Total deferred outflows of resources	87,107	137,269	279,336	-	503,712	675,636
Total assets and deferred outflows of resources	\$ 19,471,380	\$ 21,422,276	\$ 72,747,607	\$ (20,791)	\$ 113,620,472	\$ 110,275,521
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION						
Current liabilities:						
Accounts payable and accrued expenses	\$ 1,802,830	\$ 1,073,717	\$ 413,371	\$ (20,791)	\$ 3,269,127	\$ 4,861,572
Deposits and unearned revenues	-	257,694	10,244	-	267,938	255,906
Accrued interest payable	-	85,540	23,724	-	109,264	31,294
Long-term liabilities – due within one year:						
Compensated absences	24,627	32,941	60,909	-	118,477	84,087
Loans payable	-	184,200	736,800	-	921,000	900,000
Total current liabilities	1,827,457	1,634,092	1,245,048	(20,791)	4,685,806	6,132,859
Non-current liabilities:						
Long-term liabilities – due in more than one year:						
Compensated absences	24,627	32,941	60,910	-	118,478	84,086
Loans payable	-	3,070,200	12,280,800	-	15,351,000	16,272,000
Net pension liability	53,013	83,541	170,003	-	306,557	312,381
Total non-current liabilities	77,640	3,186,682	12,511,713	-	15,776,035	16,668,467
Total liabilities	1,905,097	4,820,774	13,756,761	(20,791)	20,461,841	22,801,326
Deferred inflows of resources:						
Deferred amounts related to leases	456,151	-	-	-	456,151	275,110
Deferred amounts related to net pension liability	17,704	27,900	56,775	-	102,379	137,740
Total deferred inflows of resources	473,855	27,900	56,775	-	558,530	412,850
Net position:						
Net investment in capital assets	9,172,759	18,067,376	13,967,749	-	41,207,884	35,868,623
Restricted	68,541	34,270	31,707,175	-	31,809,986	30,753,275
Unrestricted	7,851,128	(1,528,044)	13,259,147	-	19,582,231	20,439,447
Total net position	17,092,428	16,573,602	58,934,071	-	92,600,101	87,061,345
Total liabilities, deferred inflows of resources and net position	\$ 19,471,380	\$ 21,422,276	\$ 72,747,607	\$ (20,791)	\$ 113,620,472	\$ 110,275,521

EAST ORANGE COUNTY WATER DISTRICT

Schedule of Revenues, Expenses and Changes in Net Position – Combined – Internal Funds For the Year Ended June 30, 2025 (With Comparative Amounts as of June 30, 2024)

	Wholesale	Retail	ID No. 1	Internal Balances	2025	2024
Operating revenues:						
Water consumption sales	\$ 5,821,434	\$ 2,652,289	\$ -	\$ (1,466)	\$ 8,472,257	\$ 6,955,007
Water service charges	1,503,793	1,599,829	-	(119,717)	2,983,905	2,664,713
Sewer service charges	-	-	3,861,582	-	3,861,582	3,420,582
Connection fees	128,318	-	-	-	128,318	265,042
Other operating revenues	5	10,791	61,340	-	72,136	58,778
Total operating revenues	7,453,550	4,262,909	3,922,922	(121,183)	15,518,198	13,364,122
Operating expenses:						
Source of supply	6,734,805	1,576,743	-	(121,183)	8,190,365	7,368,644
Pumping	-	25,230	-	-	25,230	32,459
Transmission and distribution	362,633	741,797	-	-	1,104,430	544,711
Sewer operations	-	-	283,357	-	283,357	316,228
Salaries and benefits	559,451	863,802	1,802,223	-	3,225,476	3,092,632
General and administrative	461,740	484,187	583,600	-	1,529,527	1,706,370
Total operating expenses	8,118,629	3,691,759	2,669,180	(121,183)	14,358,385	13,061,044
Operating income(loss) before depreciation	(665,079)	571,150	1,253,742	-	1,159,813	303,078
Depreciation expense	(557,475)	(570,468)	(922,300)	-	(2,050,243)	(1,170,476)
Operating income(loss)	(1,222,554)	682	331,442	-	(890,430)	(867,398)
Non-operating revenues(expenses):						
Property taxes	1,182,987	620,893	489,025	-	2,292,905	2,190,220
Investment earnings	289,789	70,669	2,487,350	-	2,847,808	2,521,997
Rental revenue – cellular antenna	146,090	-	-	-	146,090	144,132
Interest expense	-	(164,589)	(314,653)	-	(479,242)	(413,592)
Gain (loss) on sale of assets	750	750	-	-	1,500	-
Other non-operating revenues	3,446	15,661	6,390	-	25,497	22,359
Other non-operating expenses	-	-	-	-	-	(219,904)
Total non-operating revenues(expenses), net	1,623,062	543,384	2,668,112	-	4,834,558	4,245,212
Change in net position before capital contribs.	400,508	544,066	2,999,554	-	3,944,128	3,377,814
Capital contributions:						
Capital grants	-	925,124	-	-	925,124	-
Contributed capital – developers	-	23,586	127,990	-	151,576	215,279
Capacity charges	-	-	517,928	-	517,928	257,884
Total capital contributions	-	948,710	645,918	-	1,594,628	473,163
Change in net position	400,508	1,492,776	3,645,472	-	5,538,756	3,850,977
Net position:						
Beginning of year	16,691,920	15,080,826	55,288,599	-	87,061,345	83,210,368
End of year	\$ 17,092,428	\$ 16,573,602	\$ 58,934,071	\$ -	\$ 92,600,101	\$ 87,061,345

Other Independent Auditors' Reports



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
East Orange County Water District
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the East Orange County Water District (District), which comprise the balance sheet as of June 30, 2025, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 19, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrieta, California
February 19, 2026