



AGENDA

EAST ORANGE COUNTY WATER DISTRICT (EOCWD)

Thursday, February 19, 2026
East Orange County Water District
185 N. McPherson Road, Orange CA 92869

4:00 p.m.

1. **Call Meeting to Order; Pledge of Allegiance – Director Marquez**
2. **Addition of Items Arising After Posting of Agenda Requiring Immediate Action**
(Requires 2/3 vote or unanimous vote if less than 2/3 of members are present)
Recommendation: Determine by motion need to take immediate action on item(s) and that the need for action came to the District's attention after posting of the Agenda and that such item(s) be added to the Agenda.
3. **Public Communications to the Board:** Opportunity for members of the public to comment on agendized and non-agendized items. Each speaker and comment is limited to three minutes. During this time, e-mailed comments timely submitted to Ms. Prado shall be provided to the Board. Interested speakers who verbally indicate their desire to speak during this item shall be afforded an opportunity to address the Board. At the discretion of the Board President, comments on a particular agendized item may be deferred until that item is heard

CONSENT CALENDAR (Items 4-7) All matters on the Consent Calendar are to be approved by one motion, without separate discussion on these items, unless a Board member or District staff request that specific items be removed from the Consent Calendar for separate consideration.

4. Minutes of Regular Board Meeting held January 22, 2025.
Recommendation: Approve minutes as presented.
5. Wholesale and Retail Water Usage Report
Recommendation: Informational.
6. Schedule of Disbursements
Recommendation: Receive and File.
7. Financial Statements
Recommendation: Receive and File.

MATTERS FOR CONSIDERATION

8. Annual Audit for FY 2024-2025
Recommendation: Receive and file.



- 9. Public Hearing and Consideration for Approval of Ordinance 2026-01
Recommendation: Following Public Hearing consider adoption of Ordinance 2026-01 as written or as modified by the Board.
- 10. Financial Services – Starting Line Advisory Professional Services Agreement
Recommendation: Award a 3-year professional services agreement with Starting Line Advisory.

MISCELLANEOUS ITEMS

- 11. Monthly Legislative & Outreach Report
Recommendation: Receive and File.
- 12. General Manager’s Report
Recommendation: Receive and File.
- 13. Directors’ reports on meetings attended at District expense (Government Code Section 53232.3) and Directors’ comments. Directors or staff may ask questions for clarification, make brief announcements, and make brief reports on their own activities. Directors may provide a reference to staff or other resources for factual information, request staff to report back at a subsequent meeting concerning a matter, or direct staff to place a matter on a future agenda (Government Code § 54954.2)

ADJOURNMENT

Adjourning to the next Regular Meeting scheduled for **March 26, 2026** at 4:00 p.m., at East Orange County Water District, 185 N. McPherson Orange, CA 92869 or as noticed pursuant to findings of the Board.

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 Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board are available for public inspection in the District’s office, 185 N. McPherson Road, Orange, California (“District Office”). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available at the reception desk of the District Office during business hours at the same time as they are distributed to the Board members, except that if such writings are distributed less than one hour prior to, or during, the meeting, they will be available in the meeting room of the District Office.

Disability-related accommodations: The East Orange County Water District Board of Directors meeting room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.) please contact Sylvia Prado in the District Office at sprado@eocwd.com or (714) 538-5815 during business hours at least twenty-four (24) hours prior to the scheduled meeting. This agenda can be obtained in alternative format upon written request to Sylvia Prado in the District Office, at least seventy-two (72) hours prior to the scheduled meeting.

MINUTES OF THE
REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE EAST ORANGE COUNTY WATER DISTRICT (EOCWD)

January 22, 2026

1. Call to Order. A Regular Meeting of the Board of Directors of the East Orange County Water District, held at the District Office, located at 185 N. McPherson Road in the City of Orange, California, was called to order by President GEORGE MURDOCH at 4:00 p.m. on January 22, 2026. Director DOUGLASS DAVERT led the Pledge of Allegiance. JEFFREY HOSKINSON, Secretary, recorded the minutes of the meeting.

The following Directors attended the meeting: DOUGLASS DAVERT, KARIN MARQUEZ, GEORGE MURDOCH, JOHN SEARS, and MARILYN THOMS.

Also present were:

DAVID YOUNGBLOOD	General Manager
BOBBY YOUNG	Engineering Manager
JEFF HOSKINSON	District Secretary and Legal Counsel
CHAD WANKE	Orbis Public Affairs (Consultant)
ED MEANS	Means Consulting (Consultant)

Other staff and members of the public may have attended but are not listed above.

2. Addition of Items Arising After Posting of Agenda Requiring Immediate Action.
(Requires 2/3 vote or unanimous vote if less than 2/3 of members are present).

ACTION TAKEN: None.

3. Public Communications to the Board. None.

CONSENT CALENDAR. Item 4 was pulled from the Consent Calendar for separate discussion before consideration. The Board, on motion from DAVERT, seconded by MARQUEZ, approved the balance of the Consent Calendar by a unanimous vote as follows:

- 5. Wholesale and Retail Water Usage Report:** THE BOARD RECEIVED AND FILED THE WHOLESALE AND RETAIL WATER USAGE REPORT;
- 6. Schedules of Disbursements:** THE BOARD APPROVED THE SCHEDULE OF DISBURSEMENTS AS SUBMITTED;
- 7. Financial Statements:** THE BOARD RECEIVED AND FILED THE FINANCIAL STATEMENTS; and

4. Minutes from December 11, 2025 Meeting. General Manager David Youngblood introduced the item, referencing that the minutes needed a correction relative to Item No. 13. With respect to that item, the reference to \$200 per meeting was supposed to be, based on the Board's discussion, \$210 per meeting.

ACTION TAKEN: The Board, on motion by DAVERT, seconded by THOMS, by unanimous vote approved the minutes with the compensation to be considered amended to reflect \$210 per meeting.

MATTERS FOR CONSIDERATION.

8. 2026 Strategic Plan. General Manager Youngblood introduced the item, with consultant Ed Means present. Director THOMS commented that sewer system matters should be addressed and suggested adding sewer references in the message from the Board, and including the start date of sewer service and the sewer's inclusion in the applicable rate study.

ACTION TAKEN: The Board, on motion by DAVERT, seconded by SEARS, by unanimous vote approved the 2026 Strategic Plan subject to discretion of the General Manager to make the minor revisions as discussed.

9. Public Hearing and Consideration for Approval of Ordinance 2026-01. President MURDOCH opened the public hearing, invited public comment, and closed the hearing with no public in attendance. Following such hearing, in light of the clarification in the minutes of the discussion of \$210 per meeting rather than \$200 per meeting, and the corresponding error in the Notice of the Public Hearing, the Board pulled the item for re-noticing and a subsequent public hearing at its next meeting.

ACTION TAKEN: No action taken.

MISCELLANEOUS ITEMS.

10. Monthly Legislative & Outreach Report. Consultant Chad Wanke discussed sewer service outside District boundaries and the importance of reporting factual information; discussion included IRWD services adjacent to EOCWD's sewer and preferences regarding treatment destinations.

ACTION TAKEN: The Board, on motion by THOMS, seconded by DAVERT, by unanimous vote received and filed the report.

11. General Manager's Report. General Manager Youngblood provided an AMI project update, noting receipt of materials from the contractor and a technology update. Director THOMS inquired regarding septic-to-sewer; the General Manager reported outreach with Mark Thomas, efforts to set meetings, and pursuit of earmark funding for extending sewer lines and related infrastructure including a lift station.

ACTION TAKEN: The Board, on motion by DAVERT, seconded by SEARS, by unanimous vote received and filed the report.

12. Directors' reports on meetings attended at District expense (Government Code Section 53232.3) and Directors' comments. The Directors reported attendance as set forth in the agenda, as follows:

President Murdoch

12/2-12/4 ACWA Conference; San Diego

12/11 EOCWD Regular Board Meeting

12/12 ACWA Special Videoconference Board of Directors Meeting

Vice President Thoms

12/1-12/4 ACWA Conference; San Diego

12/9 ISDOC Executive Committee Meeting

12/11 EOCWD Regular Board Meeting

12/12 Water Advisory Committee of Orange County (WACO)

Director Davert

12/11 EOCWD Regular Board Meeting

Director Sears

12/2-12/4 ACWA Conference; San Diego

12/11 EOCWD Regular Board Meeting

12/12 Water Advisory Committee of Orange County (WACO)

Director Marquez

12/2-12/4 ACWA Conference; San Diego

12/11 EOCWD Regular Board Meeting

Director SEARS reported on the WACO meeting, which included a presentation relative to the status of the Bay Delta Project at the December 12 meeting, and a presentation from Rob Thomas relative to Orange County Sanitation District services at the January meeting.

President MURDOCH provided an ACWA update.

ADJOURNMENT.

The Board adjourned the meeting at approximately 4:59 p.m. to a Regular Meeting to be held at 4:00 p.m. on **Thursday, February 19, 2026**, at the District Office located at 185 North McPherson, Orange, California, 92869.

Respectfully submitted,

Jeffrey A. Hoskinson

DRAFT



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER *dy*
SUBJECT: WHOLESAL AND RETAIL WATER USAGE REPORT
DATE FEBRUARY 19, 2026

Background

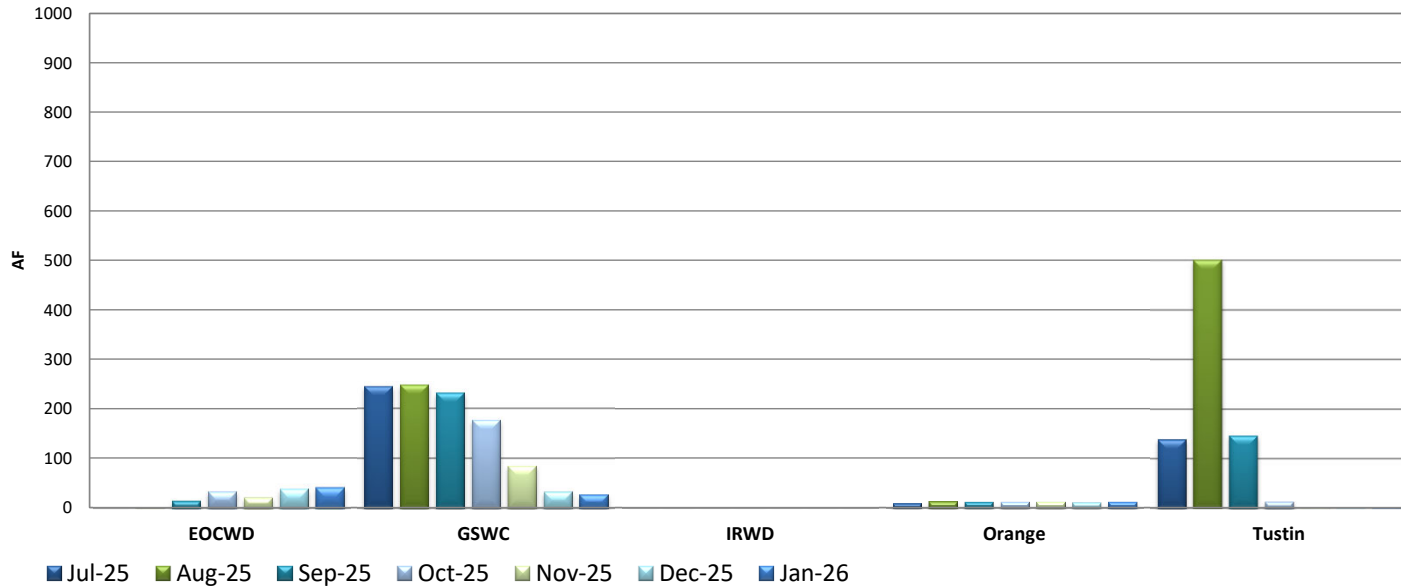
Monthly report on wholesale and retail water usage for the fiscal year through January 2026.

Recommendation

Informational.

Attachment(s): Wholesale and Retail Usage Reports
East Well Levels Report

Wholesale Zone Water Demand
Total Monthly Sales for January 2026 = 79.9 AF
 Total YTD Sales for July 2025 - June 2026 = 2,071.2 AF



EOCWD IMPORTED WATER DELIVERY BALANCE - FY25/26

(Acre-feet)

	OC-43	OC-48				OC-70						TOTAL DELIVERIES BY AGENCY				
	MWD Tustin	Retail Zone	Golden State	Tustin	MWD Total	IRWD Jamboree	Orange	Retail Zone	Golden State	Tustin	MWD Total	IRWD OPA	Orange	Retail Zone	Golden State	Tustin
JUL	3.1	0.0	31.3	105.5	136.8	0.0	8.7	0.0	213.4	30.4	252.5	0.0	8.7	0.0	244.7	139.0
AUG	148.0	0.0	34.0	317.2	351.2	0.0	12.2	0.5	213.6	36.0	262.3	0.0	12.2	0.5	247.6	501.2
SEP	31.6	0.0	28.6	89.9	118.5	0.0	11.3	14.3	202.8	25.6	254.0	0.0	11.3	14.3	231.4	147.1
OCT	1.2	0.0	27.2	2.3	29.5	0.0	11.2	32.4	149.8	9.9	203.3	0.0	11.2	32.4	177.0	13.4
NOV	0.3	20.6	7.2	0.0	27.8	0.0	11.4	0.0	78.1	0.2	89.7	0.0	11.4	20.6	85.3	0.5
DEC	0.2	22.3	3.6	0.5	26.4	0.0	10.1	15.1	29.7	0.0	54.9	0.0	10.1	37.4	33.3	0.7
JAN	0.4	21.6	0.0	0.4	22.0	0.0	11.5	18.4	27.6	0.0	57.5	0.0	11.5	40.0	27.6	0.8
FEB																
MAR																
APR																
MAY																
JUN																
Total	184.8	64.5	131.9	515.8	712.2	0.0	76.4	80.7	915.0	102.1	1174.2	0.0	76.4	145.2	1046.9	802.7

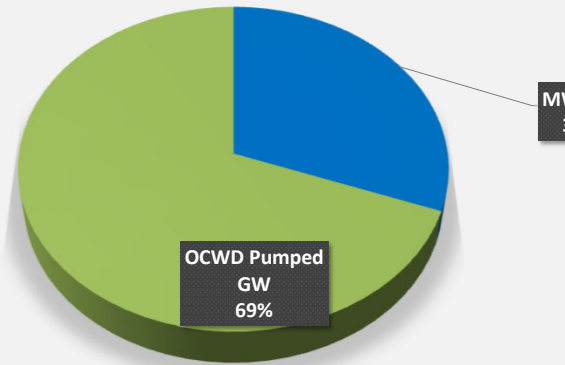
East Orange County Retail Zone Water Usage Report

East Orange County Retail Zone Overview of Usage FY 2025-26 Monthly Water Use

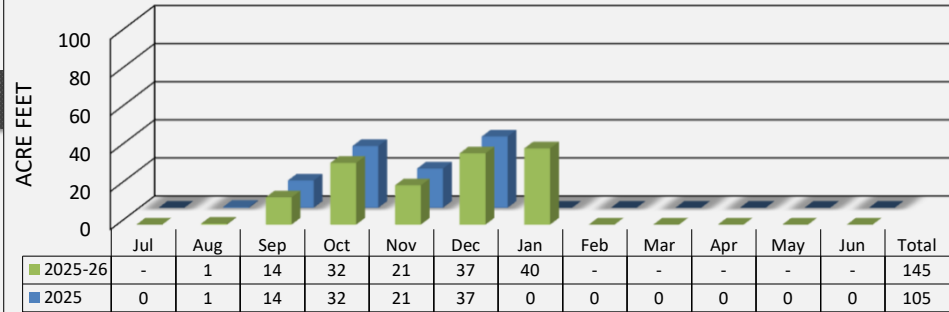
Type of Supply	July	August	September	October	November	December	January	February	March	April	May	June	Total
MWDOC	-	1	14	32	21	37	40	-	-	-	-	-	145
OCWD Pumped GW	85.3	85.7	66.9	40.0	32.1	12.5	6.2	-	-	-	-	-	329
Total	85	86	81	72	53	50	46	-	-	-	-	-	474

2025 MWDOC Usage	July	August	September	October	November	December	January	February	March	April	May	June	Total
	0	1	14	32	21	37	0	0	0	0	0	0	105

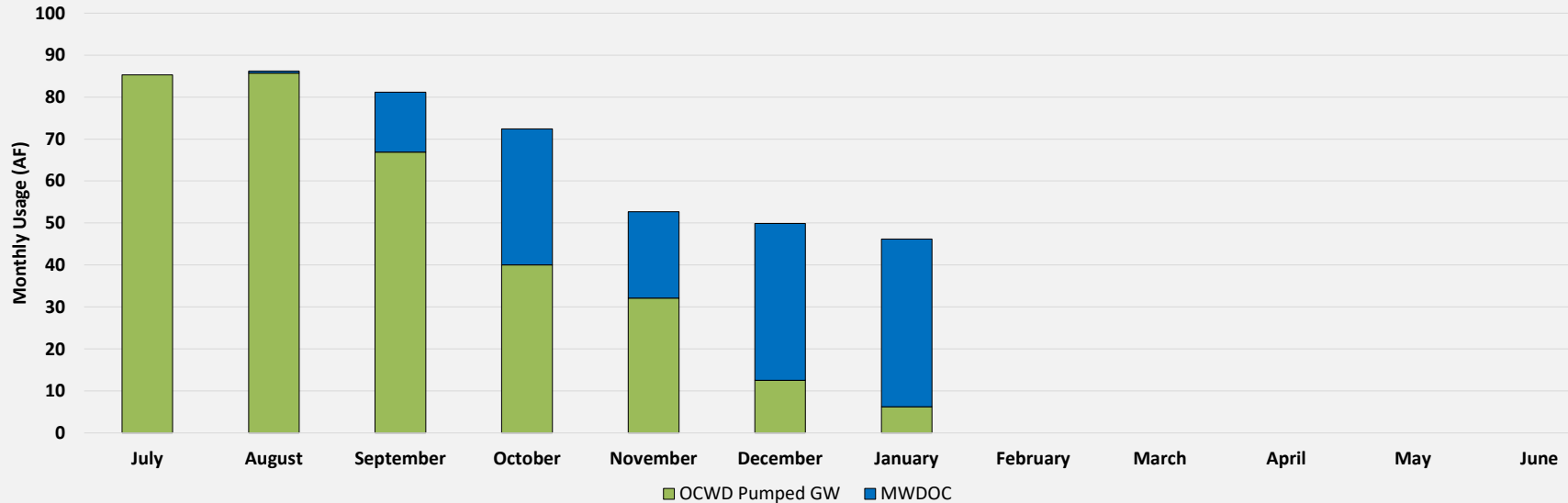
2025-26 Sources of Water



MWDOC Calendar Year and Fiscal Year Purchases



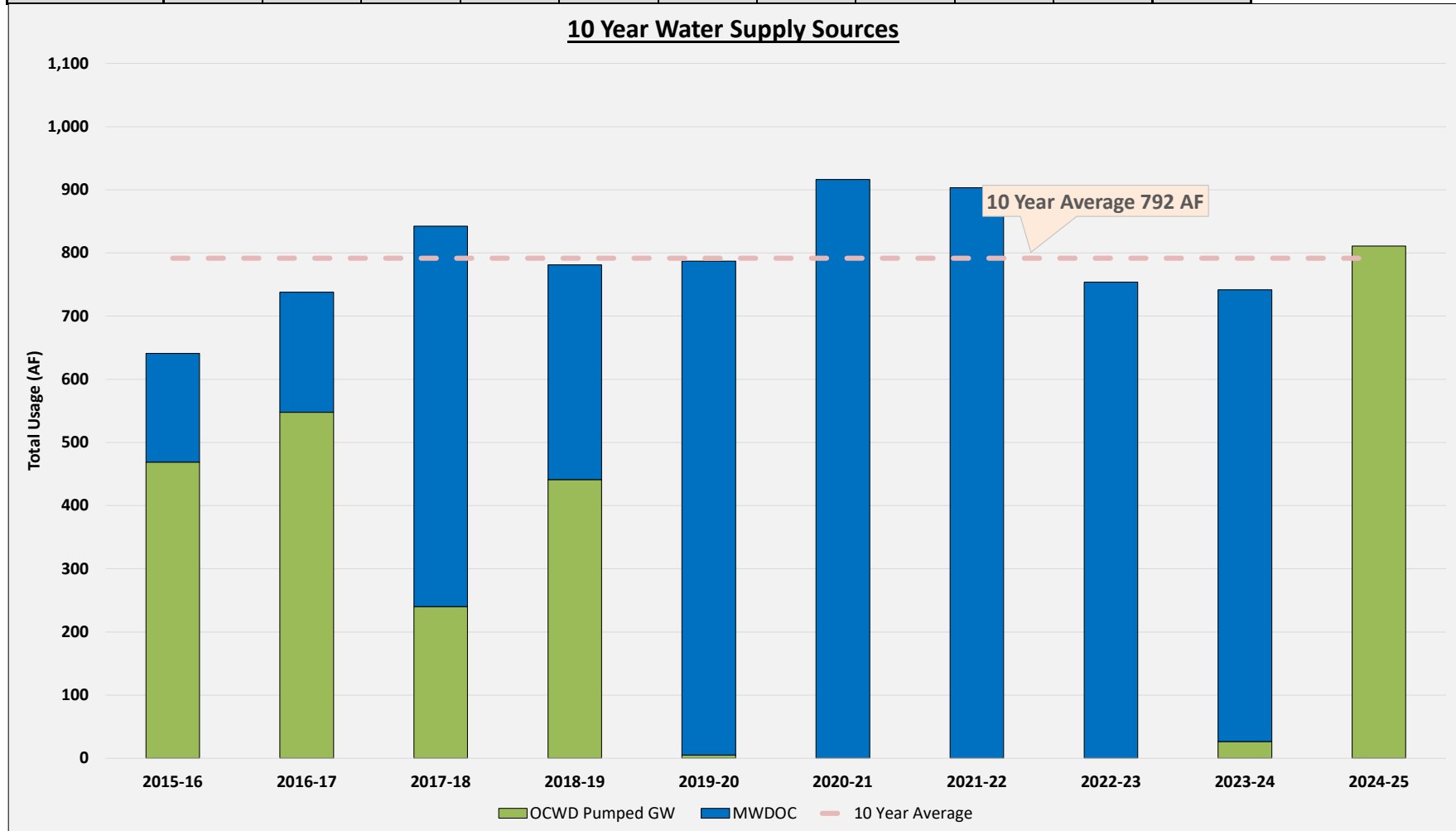
2025-26 Monthly Water Supply Sources



East Orange County Retail Zone Water Usage Report

Annual Water Usage

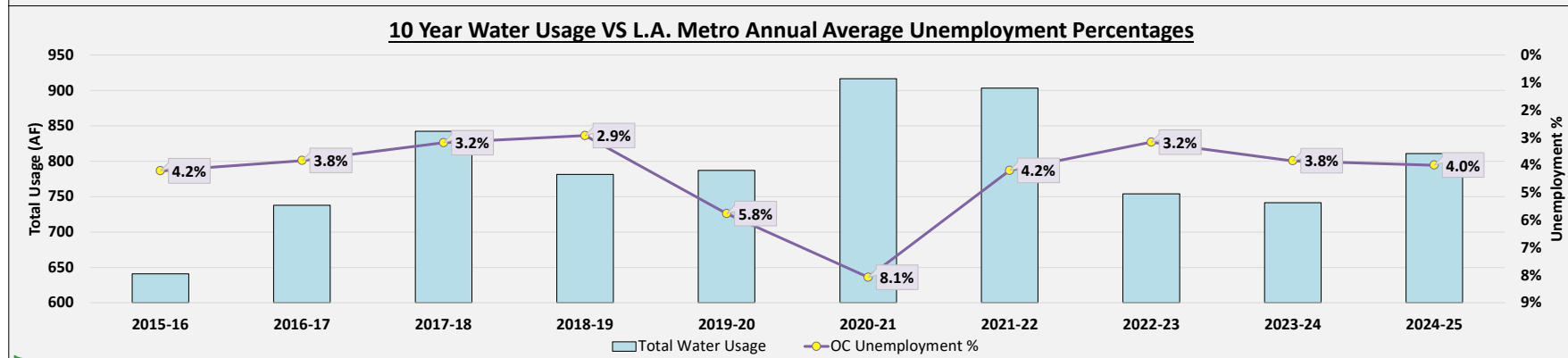
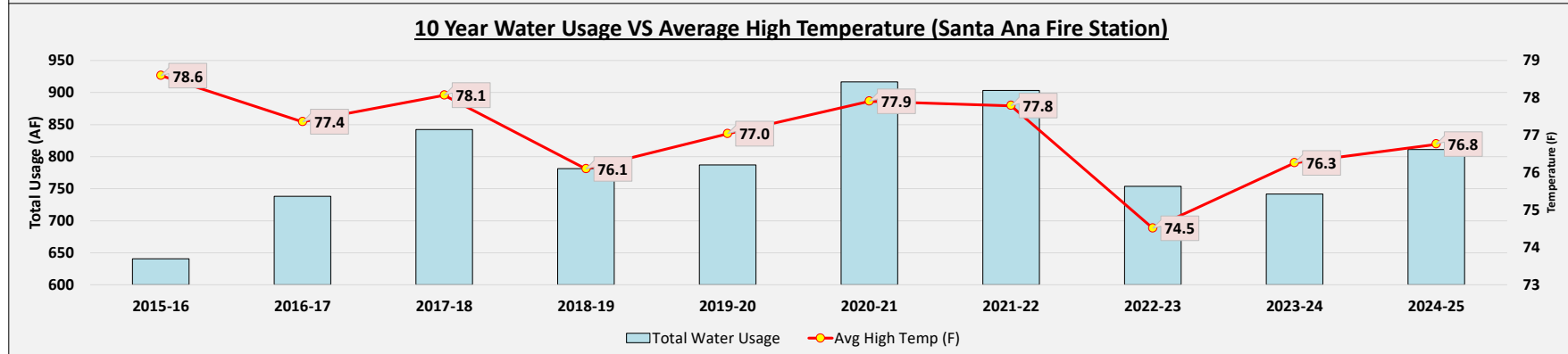
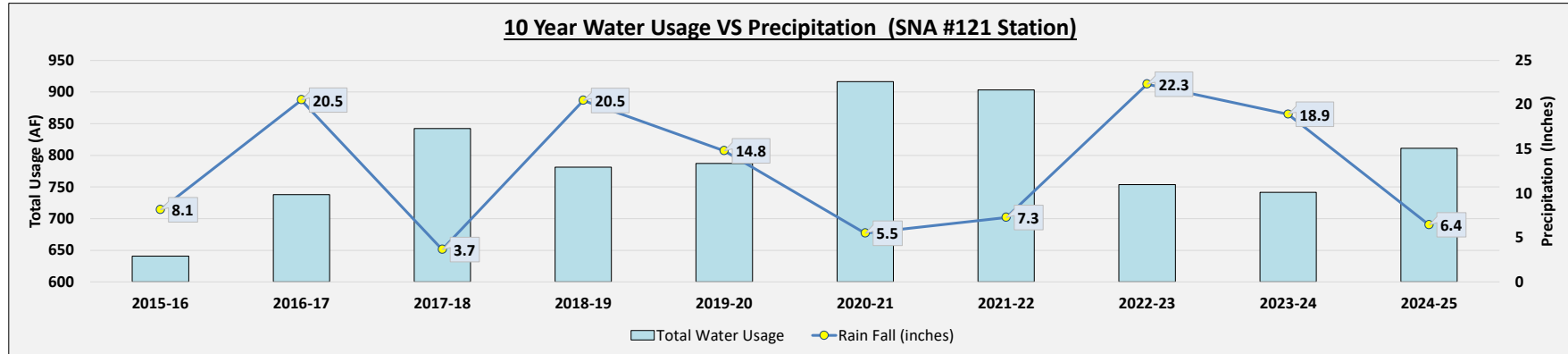
Type of Supply	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Average
MWDOC	172.1	190.2	602.1	340.0	781.8	916.4	903.3	753.9	715.3	0.0	537.5
OCWD Pumped GW	468.8	547.8	240.2	441.3	5.2	0.0	0.0	0.0	26.3	811.0	254.1
Total	641	738	842	781	787	916	903	754	742	811	792



East Orange County Retail Zone Water Usage Report

Water Usage Variables

Type of Supply	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Average
Rain Fall (inches)	8.1	20.5	3.7	20.5	14.8	5.5	7.3	22.3	18.9	6.4	12.8
Avg High Temp (F)	78.6	77.4	78.1	76.1	77.0	77.9	77.8	74.5	76.3	76.8	77.0
OC Unemployment %	4.2%	3.8%	3.2%	2.9%	5.8%	8.1%	4.2%	3.2%	3.8%	4.0%	4.3%
Total Water Usage	641	738	842	781	787	916	903	754	742	811	792



East Orange County Retail Zone Water Usage Report

East Orange County Retail Zone Detailed Usage Historical Monthly Potable Usage (Fiscal Year, July-June)

Fiscal Year	July	August	September	October	November	December	January	February	March	April	May	June	Total
2019-20 Usage	82	87	86	83	68	46	47	56	38	52	67	76	787
2020-21 Usage	90	99	93	90	74	68	62	54	43	64	84	95	916
2021-22 Usage	100	102	89	76	73	48	55	62	69	72	78	79	903
2022-23 Usage	84	87	81	68	57	53	39	45	38	60	70	72	754
2023-24 Usage	82	85	76	77	65	57	38	35	39	48	66	73	742
2024-25 Usage	79	95	81	72	62	61	59	49	43	64	70	77	811
Average of Last 6 FYs	86	93	84	78	67	55	50	50	45	60	72	79	819
Monthly Usage Percentage	11%	11%	10%	10%	8%	7%	6%	6%	6%	7%	9%	10%	100%

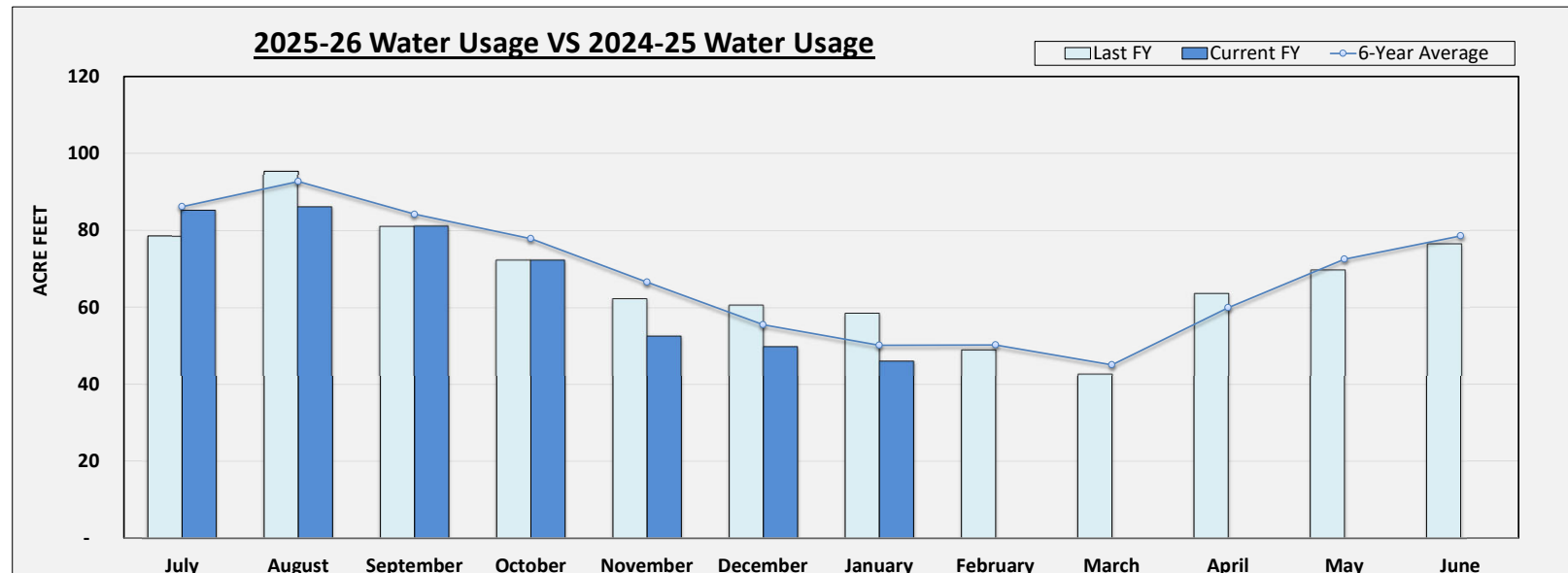
Water Usage By Source

Imported	July	August	September	October	November	December	January	February	March	April	May	June	Total
MWD via EO Wholesale	-	0.5	14.3	32.4	20.6	37.4	40.0	-	-	-	-	-	145.2
Water from IRWD during OC-70 shutdown	-	-	-	-	-	-	-	-	-	-	-	-	-
CPTP	-	-	-	-	-	-	-	-	-	-	-	-	-
MWD In-Lieu*	-	-	-	-	-	-	-	-	-	-	-	-	-
Imported Total	-	1	14	32	21	37	40	-	-	-	-	-	145.2

*In-lieu totals are subtracted from imported totals

Local	July	August	September	October	November	December	January	February	March	April	May	June	Total
OCWD Pumped GW	85.3	85.7	66.9	40.0	32.1	12.5	6.2	-	-	-	-	-	328.7
Less Fill up Reservoir	-	-	-	-	-	-	-	-	-	-	-	-	-
Less CPTP	-	-	-	-	-	-	-	-	-	-	-	-	-
OCWD to Tustin	-	-	-	-	-	-	-	-	-	-	-	-	-
OCWD to GSWC	-	-	-	-	-	-	-	-	-	-	-	-	-
Local Total (minus reservoir)	85.3	85.7	66.9	40.0	32.1	12.5	6.2	-	-	-	-	-	328.7

Total Usage 2025-26	July	August	September	October	November	December	January	February	March	April	May	June	Total
	85	86	81	72	53	50	46	-	-	-	-	-	474
FY 24-25 versus FY 25-26	+9%	-10%	+0%	+0%	-16%	-18%	-21%						

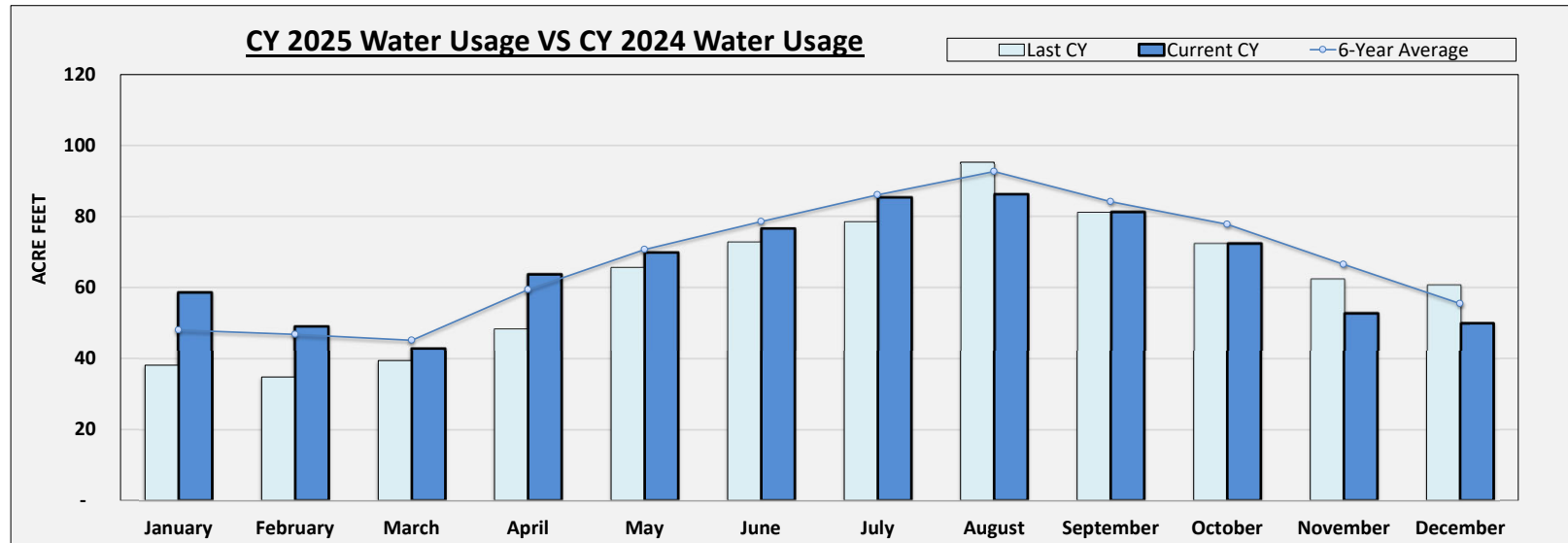


East Orange County Retail Zone Water Usage Report

Historical Monthly Potable Usage (Calendar Year)

Calendar Year	January	February	March	April	May	June	July	August	September	October	November	December	Total
2019	47	29	43	61	59	77	82	87	86	83	68	46	767
2020	47	56	38	52	67	76	90	99	93	90	74	68	849
2021	62	54	43	64	84	95	100	102	89	76	73	48	891
2022	55	62	69	72	78	79	84	87	81	68	57	53	846
2023	39	45	38	60	70	72	82	85	76	77	65	57	766
2024	38	35	39	48	66	73	79	95	81	72	62	61	750
6 year Average	48	47	45	59	71	79	86	93	84	78	67	55	811

Total Water Usage 2024	59	49	43	64	70	77	85	86	81	72	53	50	788
2025 VS 2024 Usage	+54%	+41%	+9%	+32%	+6%	+5%	+9%	-10%	+0%	+0%	-16%	-18%	



	Population	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2024 Usage (AF)		38	35	39	48	66	73	79	95	81	72	62	61	750
2024 GPCD	3,432	117	118	121	153	201	230	240	292	257	222	197	186	195
2025 Usage (AF)		59	49	43	64	70	77	85	86	81	72	53	50	788
2025 GPCD	3,430	180	167	131	202	214	243	261	264	257	222	167	153	205
CY over CY change in GPCD		+63	+49	+11	+49	+13	+12	+21	-28	+0	+0	-31	-33	+10

	Population	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
2024-25 Usage (AF)		79	95	81	72	62	61	59	49	43	64	70	77	811
2024-25 GPCD	3,432	240	292	257	222	197	186	179	166	131	202	214	242	211
2025-26 Usage (AF)		85	86	81	72	53	50	46	-	-	-	-	-	474
2025-26 GPCD	3,430	261	264	257	222	167	153	142	-	-	-	-	-	212
FY over FY change in GPCD		+21	-28	+0	+0	-31	-33	-38						+1

*Cumulative through the end of the last month shown

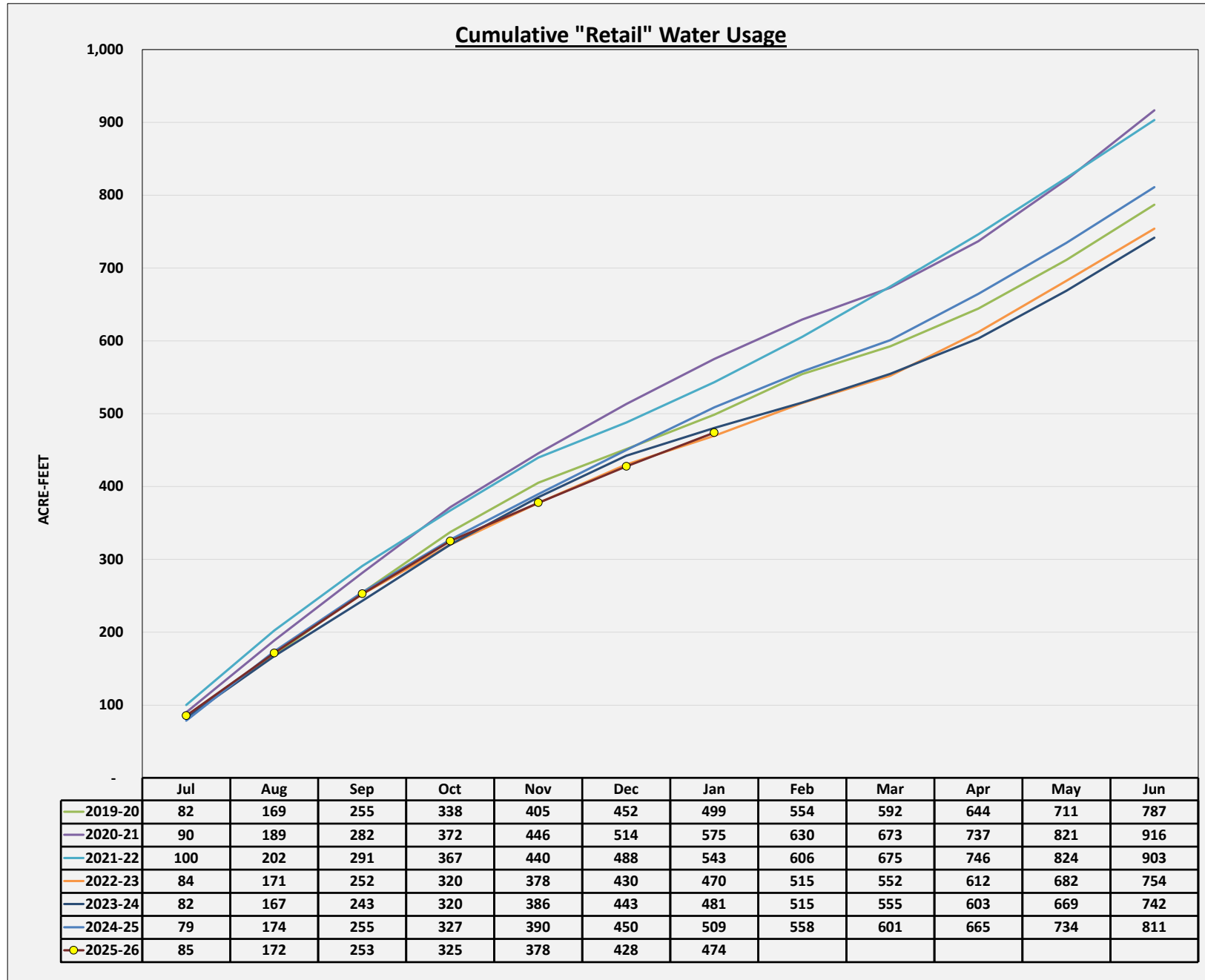
*GPCD = (Total Monthly Production - Fill up Reservoir) / Population/days in the month

*For the months of July 2022 through September 2022, groundwater usage was not delivered to customers and is not counted towards GPCD

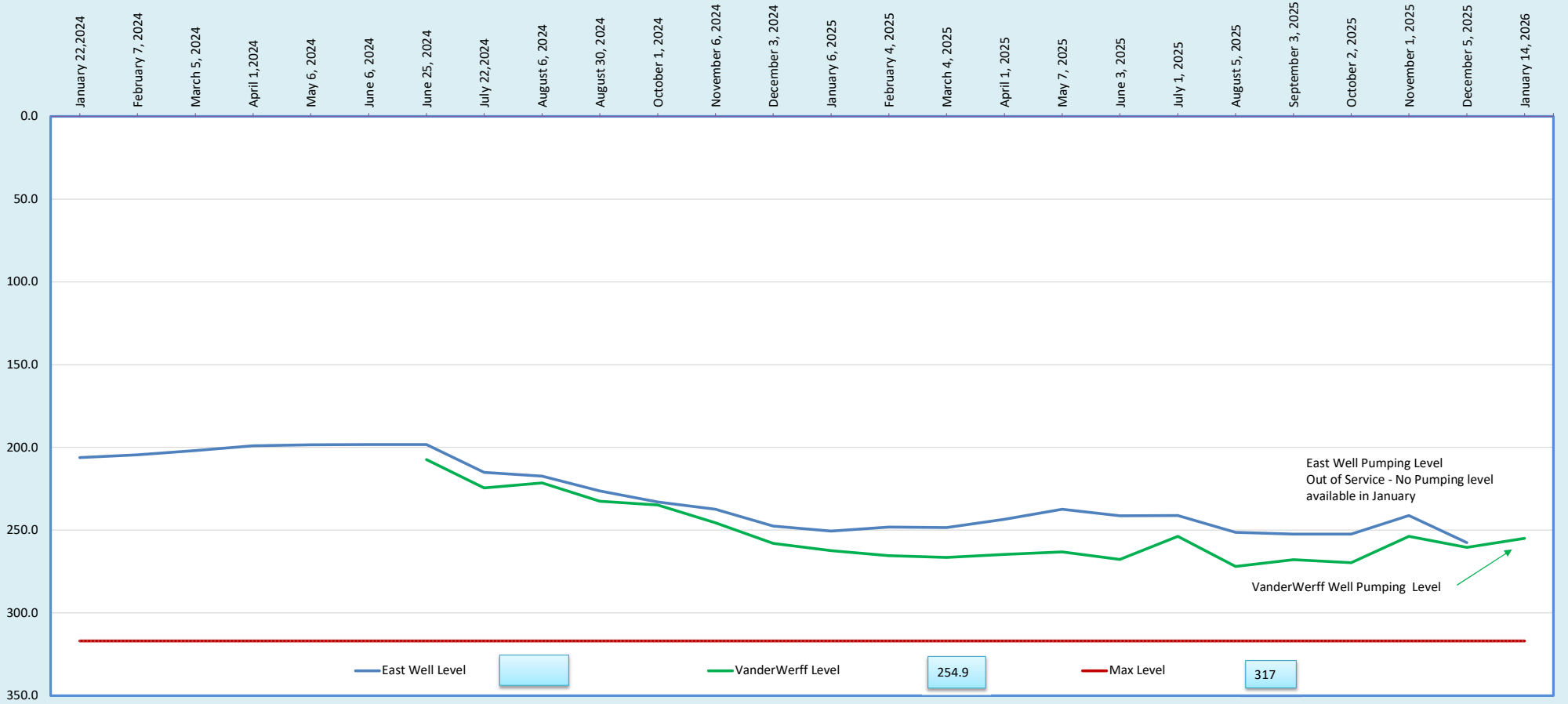


East Orange County Retail Zone Water Usage Report

Cumulative Water Usage by Fiscal Year



VanderWerff Well and East Well Pumping Water Levels





MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER *dy*
SUBJECT: MONTHLY DISBURSEMENTS
DATE: FEBRUARY 19, 2026

Background

Monthly disbursements. This item was approved by the Admin & Finance Committee on February 11, 2026.

Recommendation

Receive and File.

Attachment(s): Monthly disbursements report

East Orange County Water District

**Summary of Disbursements
January 16, 2026 - February 12, 2026**

CHECK PAYMENTS:

Wholesale Zone, Retail Zone, and ID1 Bill Payments \$ 301,698.66

WIRE PAYMENTS:

ACH PAYMENTS:

AT&T Mobility - Wireless Phone Plan Payment; Oct - Nov \$ 683.21
CR&R, Inc; January Services \$ 519.63
MWDOC - Water Deliveries Payment for December 2025 \$ 176,450.21
Southern California Edison \$ 6,290.44
Spectrum Business \$ 409.99

TOTAL OF CHECK PAYMENTS / WIRES / ACH \$486,052.14

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 \$ 703,885.40



**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
2/10/2026	26634	ACWA Joint Powers Insurance Authority	Employee Medical/Vision/Dental Insurance - March 2026	31,921.10
2/10/2026	26635	Atkinson, Andelson, Loya, Ruud & Romo	December 2025 Legal Fees	4,218.00
2/10/2026	26636	Best Best & Krieger, LLP	Legal Services through 12/31/2025 Reservoir Cell	5,468.00
2/10/2026	26637	Cintas Corporation No. 3	Uniforms	998.61
2/10/2026	26638	City Of Orange	Vehicle Maintenance	1,393.88
2/10/2026	26639	Clinical Laboratory of San Bernardino, Inc.	Laboratory Analysis (water quality) December 2025	2,965.00
2/10/2026	26640	Communications Lab	Professional Services for- October 2025	5,000.00
2/10/2026	26641	CV Strategies	Strategic Communication - Website Development	9,706.25
2/10/2026	26642	Ferguson Enterprises, LLC	Main Lines Maintenance	2,026.75
2/10/2026	26643	Foothill Sentry, Inc.	Display Color Ad	503.00
2/10/2026	26644	Generator Services Co, Inc.	Rental Generator -12/01/25-12/31/25 150KVA	1,349.76
2/10/2026	26645		Void	-
2/10/2026	26646	Great America Networks, Inc	Office Phones 02/01/2026-02/28/2026	357.99
2/10/2026	26647	Hach Company	Water Quality	2,253.93
2/10/2026	26648	Irvine Pipe Supply	Service Line Maintenance	938.30
2/10/2026	26649	JAN-PRO Franchise Development of Southern Cali	Monthly Janitorial Service - February 2025	847.53
2/10/2026	26650	JAWCO Certified Welding, Inc.	Welding Services	1,397.00
2/10/2026	26651	Main Graphics	Bi-Monthly Billing - Computer Folding Stuffing	3,077.83
2/10/2026	26652	Matrix Computer Service	IT Support - 11/22/25-01/16/26	8,426.15
2/10/2026	26653	Means Consulting, LLC	Strategic Planning 2025 - January 31, 2026	2,126.10
2/10/2026	26654	Orange Chamber Of Commerce	Annual Affiliate Investment - Classic Level	525.00
2/10/2026	26655	Orbis Public Affairs	Consulting Services January 2026	2,250.00
2/10/2026	26656	Paradise Drinking Waters	Bottled Water (Office & Field)	88.50
2/10/2026	26657	Petty Cash	Petty Cash Expense - Dec 9, 2025 to Jan 27, 2026	189.99
2/10/2026	26658	PTI Sand & Gravel	Sand & gravel	670.76
2/10/2026	26659	Robotic Sewer Solutions, Inc.	Misc CIPP Repairs	5,500.00
2/10/2026	26660	Santiago Aqueduct Commission	SAC Landscape Special Project - October 2025 - December 2025	1,491.84
2/10/2026	26661	SC Fuels	Fuel - Jan 2026	3,811.44
2/10/2026	26662	South Coast Air Quality Management District	AQMD Fee- G71058/G77874- FY25-26-Facility ID: 198079	1,302.20
2/10/2026	26663	Southern California News Group	Legal Notice - Increasing Board of Directors Compensation	3,234.80
2/10/2026	26664	Standard Insurance Company	Life Insurance Premium 02/01/26-02/28/26	906.85
2/10/2026	26665	Starting Line Advisory	December 2025 & January 2026 Advisory Services	17,140.50
2/10/2026	26666	Tustin Development, LLC	Developer Deposit Refund - Tustin Racquet Club	4,333.08
2/10/2026	26667	U.S. Bank N.A	Interest Expense	11,053.53
2/10/2026	26668	Uline	Office Supplies	124.58
2/10/2026	26669	Underground Service Alert	USA Location - Jan 2026	630.04
2/10/2026	26670	Verizon Wireless	Wireless 12/26/25-01/26/26	285.09
2/10/2026	26671	Waterline Technologies, Inc.	Water Quality	341.60
2/10/2026	26672	Watertalent, LLC	Temporary Backflow Operator	348.00
2/10/2026	26673	Xerox Corporation	Copier - Monthly Maintenance	99.55
Total \$				144,347.38

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: BOARD OF DIRECTORS
FROM: GENERAL MANAGER *dy*
SUBJECT: FINANCIAL STATEMENTS
DATE FEBRUARY 19, 2026

Background

Monthly Financial Statements for Wholesale Zone, Retail Zone, and ID1 (wastewater). This item was approved by the Admin & Finance Committee on February 11, 2026.

Recommendation

Receive and File.

Attachment(s): Financial Statements for December 2025



December 2025 Financial Reporting

Prepared by



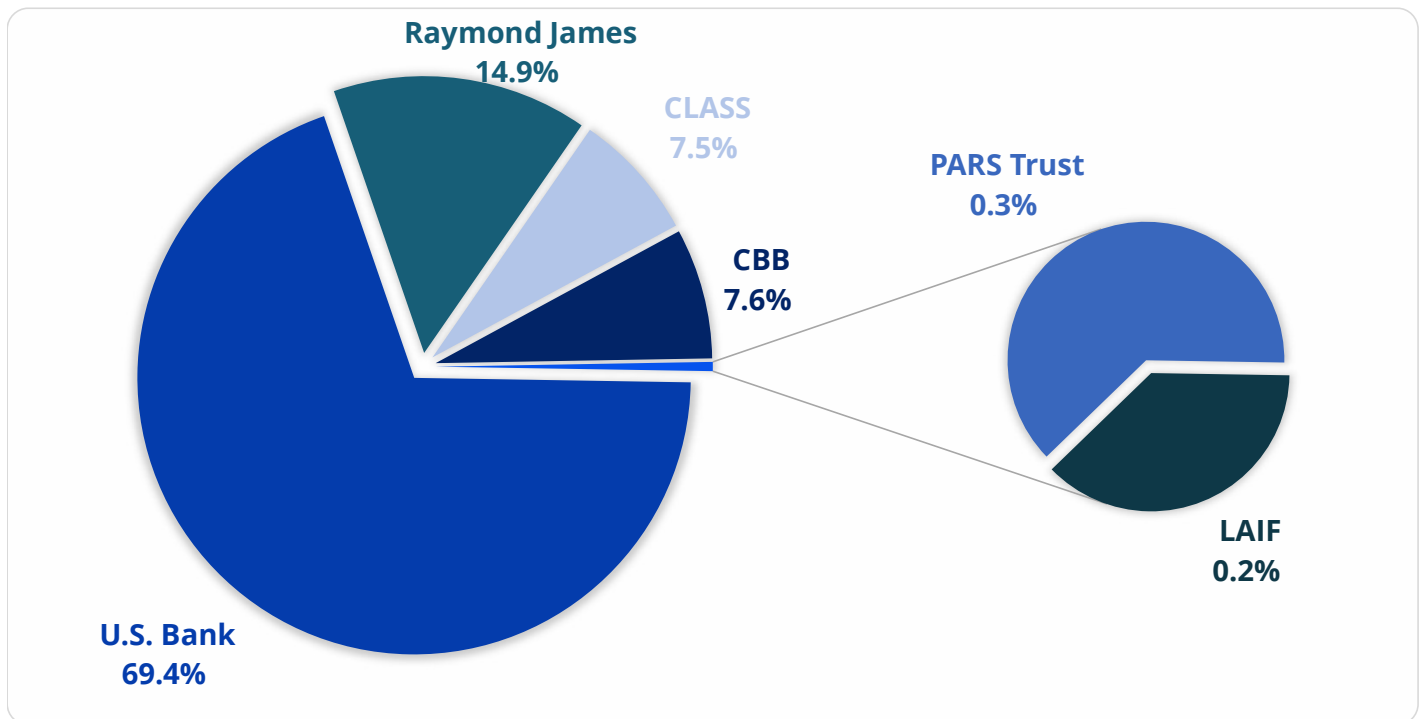
**No assurance is provided on the financial statements. These statements do not include a statement of cash flows. Substantially all disclosures required by accounting principles generally accepted in the United States are not included.*

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

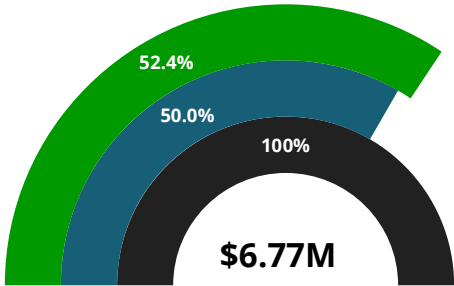


Cash & Investment Balances by Fund

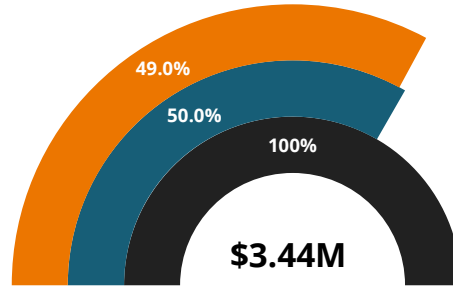


December 2025 Financials - Dashboard District

Revenue v. Budget (No WZ Pass-Through)



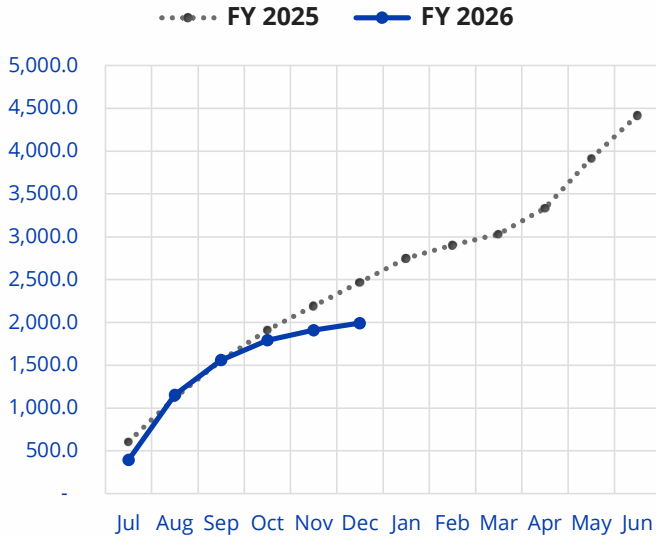
Expense v. Budget (No WZ Pass-Through)



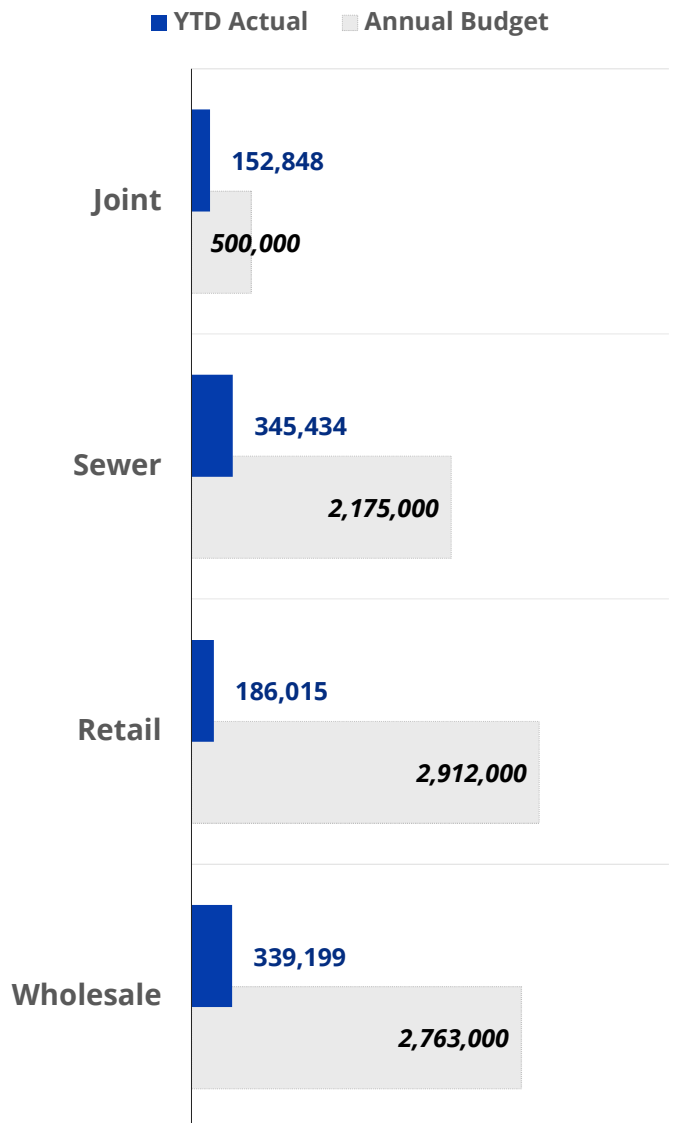
YTD Revenue	YTD Target	Total Budget
\$6,771,837	\$6,463,200	\$12,926,400

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

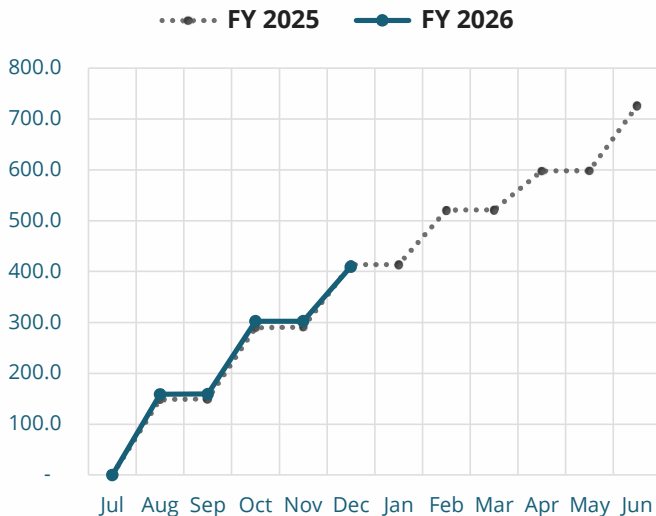
Wholesale Water Sold in Acre-Feet (AF)



**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: BOARD OF DIRECTORS
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. This item was approved by the Admin & Finance Committee on February 11, 2026.

Recommendation

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	<u>9,076,612</u>	<u>9,946,062</u>	<u>(869,450)</u>
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.	<u>8,118,629</u>	<u>8,761,418</u>	<u>(642,789)</u>
Depreciation expense	557,475	420,516	136,959
Total Expenses	<u>8,676,104</u>	<u>9,181,934</u>	<u>(505,830)</u>
Change in Revenues & Expenses	<u>\$ 400,508</u>	<u>\$ 764,128</u>	<u>\$ (363,620)</u>
Capital Outlay:			
Capital Asset Additions	\$ (377,765)	\$ (1,932,053)	\$ 1,554,288
Depreciation Expense	<u>557,475</u>	<u>420,516</u>	<u>136,959</u>
Change in Capital Expense	<u>\$ 179,710</u>	<u>\$ (1,511,537)</u>	<u>\$ 1,691,247</u>
Cash & Investments	<u>\$ 7,861,964</u>	<u>\$ 7,900,925</u>	<u>\$ (38,961)</u>
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	<u>\$ (55,543)</u>	Approximately	<u>\$ (16,582)</u>
Investment Earnings to Portfolio	<u>3.68%</u>		

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	(57,818)
Non-Operating Revenues:			1,497,093
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	5,919,592	3,526,276	2,393,316
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	(326,348)
Operating expenses before depr.	3,691,759	2,938,827	752,932
Depreciation expense	570,468	275,972	294,496
Total Operating Expenses	4,262,227	3,214,799	1,047,428
Non-Operating Expenses:			
Interest expense	164,589	82,718	81,871
Total Expenses	4,426,816	3,297,517	1,129,299
Change in Revenues & Expenses	\$ 1,492,776	\$ 228,759	\$ 1,264,017
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	\$ (4,639,618)	\$ (4,541,735)	\$ (97,883)
Debt Service:			
Principal Paid	\$ (180,000)	\$ (176,000)	\$ (4,000)
Cash & Investments	\$ 2,559,077	\$ 4,181,642	\$ (1,622,565)
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	\$ (1,390,053)	Approximately	\$ 232,512
Investment Earnings to Portfolio	2.10%		

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
Our Responsibilities with Regard to the Financial Statement Audit	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.
Overview of the Planned Scope and Timing of the Financial Statement Audit	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.
Accounting Policies and Practices	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. 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. 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. 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.
Audit Adjustments	Audit adjustments are summarized in the attached Summary of Adjusting Journal Entries .
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

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
Supplementary Information	<p>We were engaged to report on the, Supplementary Information:</p> <ol style="list-style-type: none">1. Combining Schedules of Balance Sheets2. 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	<u>-</u>	<u>219,904</u>	<u>(219,904)</u>
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 AAAs/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><u>\$ 31,809,986</u></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><u>\$ 31,809,986</u></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>
<u>\$ 17,172,000</u>	<u>\$ -</u>	<u>\$ (900,000)</u>	<u>\$ 16,272,000</u>	<u>\$ 921,000</u>	<u>\$ 15,351,000</u>

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	<u>\$ 3,152,531</u>	<u>\$ 19,424,531</u>
Current	<u>(921,000)</u>		
Long-term	<u>\$ 15,351,000</u>		

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:

Description	2025
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):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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	<u>(6,047)</u>
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	September 30, 2024	
Audit signed	March 27, 2024	
Statement of financial position:		<u>Sept 30, 2024</u>
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



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER *ADJ*
SUBJECT: DIRECTOR COMPENSATION
DATE FEBRUARY 19, 2026

Background

Ordinance 2021-1 was adopted in 2021 and sets the compensation for members of the Board of Directors at \$175 per day of service for all meetings per the attached Ordinance 2021-1. Following discussion at the December Board meeting, the Board agreed that a new ordinance should be prepared.

Staff surveyed a dozen local agencies and found per meeting compensation ranges from \$150 to \$320 per meeting. Overall Board compensation costs range from \$22,000 to \$37,000 per Board member on average with several topping \$50,000 per Board member. It is important to note that most of these agencies offer significant compensation outside of the meeting attendance compensation. These include life, vision, dental and medical insurance along with retirement benefits. These benefits can exceed per diem compensation attendance and certainly account for a large percentage of the total compensation.

Following presentation of the above information at the December Board meeting, the Board provided direction that a per diem compensation of \$210 (max. of 10 meetings per month) should be incorporated into the new ordinance. Since Board members are provided no benefits beyond the per diem, staff anticipate a cost per Board member of \$10,080 per year based on four meetings per month. This new per diem still keeps our Board costs to significantly less than half of the average agency.

Recommendation

Conduct Public Hearing to consider Ordinance 2026-01

Attachment(s): Ordinance 2026-01

ORDINANCE NO. 2026-01

ORDINANCE OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT INCREASING THE COMPENSATION OF THE BOARD OF DIRECTORS FOR ATTENDANCE AT MEETINGS

WHEREAS, the East Orange County Water District (“EOCWD”) Board of Directors (“Board”) previously passed and adopted, on or about December 16, 2021, Ordinance 2021-01 to establish, in accordance with California Water Code Sections 20200, *et seq.*, compensation for individual members (“Directors”) of the Board for each day’s attendance at meetings of the Board or for each day’s service rendered as a Director at the request of the Board; and

WHEREAS, Ordinance 2021-01 established compensation for the Board at a rate of \$175 per day of service as defined within such Ordinance;

WHEREAS, the Board has not changed the compensation amount for meetings since 2021, a period of four years; and

WHEREAS, the Board is permitted to increase compensation, through adoption of an ordinance following a noticed public hearing, by an amount of no more than five percent for each calendar year since the last increase; and

WHEREAS, the Board desires to increase Director compensation for those meetings that are compensable meetings pursuant to this Ordinance and in accordance with Water Code Section 20200, *et seq.*

NOW, THEREFORE, BE IT ORDAINED BY THE EAST ORANGE COUNTY WATER DISTRICT BOARD OF DIRECTORS AS FOLLOWS:

Section 1. Purpose. This Ordinance is enacted to (1) authorize an increase in the compensation per day for Directors of the Board as permitted pursuant to Water Code Section 20200 *et seq.*, and (2) fully define the nature of compensable meetings.

Section 2. Increase of Compensation. The amount of compensation to each Director for attendance at a “Compensable Meeting,” as defined in Section 3, shall be increased to \$210 per day of service.

Section 3. Compensable Meetings. The performance of official duties for which a Director may receive per diem compensation for a Compensable Meeting shall include:

A. Attendance at any regular or special meetings of the EOCWD Board;

B. Attendance at a meeting of any committee or ad hoc committee of the Board. Such committees may include the Engineering & Operations Committee and the Administration & Finance Committee;

C. Attendance at meetings of agencies or groups for which the Director has been appointed by the Board. Such agencies shall include Orange County Water District, Municipal Water District of Orange County, Association of California Water Agencies, Local Agency Formation Commission, Independent Special Districts of Orange County and Water Advisory Committee of Orange County, and such other agencies as may be approved by the Board President;

D. Attendance at other water/wastewater public agencies meetings when an agenda item specifically relates to East Orange County Water District, when formally requested to attend by either the Board President, General Manager, or the Board. Such agencies may include, but are not necessarily limited to, neighboring water districts, the Metropolitan Water District of Southern California, the State Water Resources Control Board and the Santa Ana Regional Water Quality Control Board, Region 8;

E. The first day of attendance at a conference, seminar or similar gathering that involves a discussion on issues of interest to the District with prior approval of the Board President (if the conference is a multiple day conference, only one day of per diem will be compensated); and

F. Board Members may attend one Homeowner's Association Meeting (HOA) or one civic group meeting per month within the territory served by the District if such meeting has on its agenda an item that specifically deals with water/wastewater topics, and such attendance is approved in advance by the Board President.

Section 4. Teleconferencing. Participation at any public agency meeting that is covered under Section 3 by teleconference, or equivalent means, shall be considered as a day of service for the purpose of this Ordinance.

Section 5. Limitations.

A. The fee paid to Directors shall be made for no more than one meeting per day, and the maximum number of days for which any Director may receive compensation pursuant to this Ordinance shall be ten (10) in any calendar month.

B. Notwithstanding the provisions of this Ordinance, any Director that receives compensation from any other entity for attendance and/or participation at any meeting, conference, seminar, or other activity identified in Section 3 shall not be compensated by EOCWD for the same activity.

Section 6. Director Reimbursements. In addition to the compensation described in Sections 2 of this Ordinance and subject to applicable State law, Directors expenses shall be reimbursed if they are reasonable and necessary to conduct EOCWD's business pursuant to provisions of EOCWD's reimbursement policies adopted by the Board, as then in effect.

Section 7. Appointments. Board members will be assigned Committee and Agency appointments in January of each year that follows the election of a Board President and Vice President in December of the preceding year, or at such other times as may be determined by the Board President from time to time. The Board President is delegated authority to make such appointments. The Board President may appoint alternate representatives in addition to each regular representative assigned to an agency of committee, however, the alternate representative shall not be entitled to per diem compensation when the designated representative is also present. For each meeting described above in Section 2, the compensated Board member shall provide a brief report on the meeting attended at the next regularly scheduled Board meeting.

Section 8. Effective Date. This Amendment shall be effective upon sixty (60) days after adoption, and shall supersede Ordinance No. 2021-01 upon the Effective Date thereof.

PASSED AND ADOPTED at a regular meeting of the Board of Directors held the 19th day of February, 2026.

George Murdoch, President
EAST ORANGE COUNTY WATER DISTRICT
and of the Board of Directors thereof

Jeffrey A. Hoskinson, Secretary
EAST ORANGE COUNTY WATER DISTRICT
and the Board of Directors thereof

**STATE OF CALIFORNIA
COUNTY OF ORANGE**

I, **Jeffrey A. Hoskinson**, Secretary of the Board of Directors of East Orange County Water District, do hereby certify that the foregoing **Ordinance No. 2026-01** was adopted by the Board of Directors of said District at a regular board meeting held on February 19, 2026. A recorded vote of the Board is as follows:

AYES: _____

NOES: _____

ABSENT: _____

Jeffrey A. Hoskinson, Secretary
EAST ORANGE COUNTY WATER DISTRICT and
the Board of Directors thereof

MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER *ajj*
SUBJECT: FINANCIAL SERVICES
DATE: FEBRUARY 19, 2026

Background

In January, 2025, the District brought Starting Line Advisory on to provide financial management for the District following the retirement of the District's long time financial manager Cindy Byerrum with Eide Bailly. Over the past year, staff have working closely with Ian Berg and Scott Nelson of Starting Line Advisory and have observed excellent job performance.

The term of professional services contract with Starting Line Advisory is now expired and a new contract is necessary moving forward. Starting Line has provided a 3-year proposal for the District's consideration.

The proposed services include minor rate increases and a more accurate depiction of the level of effort based on the past year. A retainer of 9,600 month is proposed for the next 3-year period. This figure is significantly less than the final contract with Eide Bailly and includes an increased level of effort to meet the needs of the District. This arrangement is also considerably cheaper than hiring a finance manager in house.

Staff believe given the performance of Starting Line Advisory over the last year, continuing this relationship will be of great benefit to the District.

Recommendation

The Board approve a 3-year professional services agreement with Starting Line Advisory for financial services.

Attachment(s): Starting Line Advisory Proposal



January 20, 2026

David Youngblood, General Manager
East Orange County Water District
185 N. McPherson Rd.
Orange, CA 92869

Mr. Youngblood,

This letter outlines an understanding of terms and objectives of the consulting engagement between Starting Line Advisory and the East Orange County Water District (EOCWD) from February 1, 2026, to June 30, 2028.

Our engagement will be performed under the *Statements on Standards for Consulting Services* issued by the American Institute of Certified Public Accountants (AICPA). Except as otherwise specifically stated below, we will not provide audit, review, compilation or financial statement preparation services to any historical or prospective financial information or provide attestation services under the AICPA *Statements on Standards for Attestation Engagements* and assume no responsibility for any such information.

You will provide Starting Line Advisory, as promptly as possible, all requested information and documentation reasonably deemed necessary or desirable by us in connection with the engagement. You represent and warrant that all information and documentation provided or to be provided to us is true, correct and complete, to the best of your knowledge and belief. We are authorized to rely upon such information and documentation without independent investigation or verification.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

SCOPE OF SERVICES

Starting Line Advisory will provide EOCWD with finance and accounting advisory services including:

1. Monthly accounting services with journal entries, bank reconciliations, and balance sheet reconciliations.
2. Accounts Payable advisory and support.
3. Accounts Receivable billing management for Wholesale system customers.
4. Direct the annual District budget including preparation of the annual budget book, coordinating the budget process, and compiling approved budget requests among District staff.
5. Financial reporting preparation and analysis (monthly).
6. Long-term forecasting during the annual budget process and coordination and assistance during the next District cost of service study.
7. Treasury management assistance as directed or requested by the General Manager.
8. Fiscal year-end closing of District books and records and coordination with District auditors and staff during annual audit procedures.



9. Annual 1099 tax form preparation and filing.
10. Implementation of upcoming Governmental Accounting Standards Board (GASB) pronouncements.
11. Implementation of the Purchase Order module in Springbrook Cirrus ERP, including staff trainings.
12. Staff training on accounting and finance procedures as recommended by Starting Line Advisory.
13. Recommendation and implementation of government accounting and finance industry best practices.

Our responsibilities and limitations of the engagement are as follows:

- We will perform the services in accordance with applicable professional standards.
- The non-attest services are limited to the services previously outlined above. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries.

We will not assume management responsibilities on behalf of EOCWD. EOCWD's management understands and agrees that any advice or recommendation we may provide in connection with our engagement is solely to assist management in performing its responsibilities.

EOCWD's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

OTHER

If you intend to publish or otherwise reproduce documents and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

During the engagement, Starting Line Advisory will provide confidential engagement documentation to you via secure methods, and request that you use secure methods in providing information to us. Should you choose not to utilize secure communication applications, you acknowledge that such communication contains a risk of the information being made available to unintended third parties. Similarly, we may communicate with you or your personnel via e-mail or other electronic methods, and you acknowledge that communication in those mediums contains a risk of misdirected or intercepted communications.

Should you provide Starting Line Advisory with remote access to your information technology environment, including but not limited to your financial reporting system, you agree to (1) assign unique usernames and passwords for use by our personnel in accessing the system and to provide this information in a secure manner; (2) limit access to "read only" to prevent any unintentional deletion or alteration of your data; (3) limit access to the areas of your technology environment necessary to perform the procedures agreed upon; and (4) disable all usernames and passwords provided to us upon the completion of procedures for which access was provided. We agree to only access your technology environment to the extent necessary to perform the identified procedures.

Regarding the electronic dissemination of your financial statements, including financial statements published electronically on your website or elsewhere, you understand that electronic sites are a means to distribute



information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Professional standards prohibit Starting Line Advisory from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

Ian Berg is the engagement partner for the services specified in this letter. Responsibilities include supervising and/or providing services performed as part of this engagement and signing or authorizing another qualified firm representative to approve release of the financial statements.

We may be requested to make certain engagement documentation available to outside parties, including regulators, pursuant to authority provided by law or regulation or applicable professional standards. If requested, access to such documentation will be provided under the supervision of Starting Line Advisory's personnel.

Furthermore, upon request, we may provide copies of selected documentation to the outside party, who may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We will be compensated for any time and expenses, including time and expenses of legal counsel, we may incur in making such documentation available or in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings resulting from our Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

Neither of us may use or disclose the other's confidential information for any purpose except as permitted under this engagement letter or as otherwise necessary for Starting Line Advisory to provide the services. Your confidential information is defined as any information you provide to us that is not available to the public. Starting Line Advisory's confidential information includes our documentation for this engagement. Our engagement documentation shall always remain the property of Starting Line Advisory. The confidentiality obligations described in this paragraph shall supersede and replace all prior confidentiality and/or nondisclosure agreements (NDAs) between us.

You agree to share all facts that may affect your financial statements, even if you first become aware of those facts after the completion of our preparation of the financial statements.

We agree to retain our documentation or work papers for a period of at least eight years from the date of the completion of our financial statement preparation procedures.

INDEMNITY

You agree that none of Starting Line Advisory, its partners, affiliates, officers or employees shall be responsible for or liable to you for any misstatements in your financial statements that we may fail to detect as a result of knowing representations made to us, or the concealment or intentional withholding of information from us, by any of your owners, directors, officers or employees, whether or not they acted in doing so in your interests or for your benefit. You agree to hold Starting Line Advisory harmless from any claims, losses, settlements, judgments, awards, damages and attorneys' fees from any such misstatement, provided that the services performed hereunder were performed in accordance with professional standards, in all material respects. Starting Line Advisory agrees to hold



you harmless from any claims, losses, settlements, judgments, awards, damages and attorneys' fees resulting from its negligence or intentional misconduct related to services provided under this Agreement.

LIMITATION OF LIABILITY

The exclusive remedy available to you for any alleged loss or damages arising from or related to Starting Line Advisory's services or relationship with you shall be the right to pursue claims for actual damages that are directly caused by Starting Line Advisory's breach of this agreement or Starting Line Advisory's violation of applicable professional standards. In no event shall Starting Line Advisory's aggregate liability to you exceed two times fees paid under this agreement (provided that this limitation shall not apply to any liability resulting from Starting Line Advisory's intentional acts), nor shall Starting Line Advisory ever be liable to you for incidental, consequential, punitive or exemplary damages, or attorneys' fees.

TIME LIMITATION

The nature of our services makes it difficult, with time, to gather and present evidence that fully and fairly establishes the facts underlying any Dispute. We both agree that, notwithstanding any statute of limitations that might otherwise apply to a Dispute, it is reasonable that you may not bring any legal proceeding against us unless it is commenced within twenty-four (24) months ("Limitation Period") after the date when we deliver our report, return or other deliverable under this agreement to you, regardless of whether we perform other services for you or that may relate to the agreed-upon procedure report. The Limitations Period applies and begins to run even if you have not suffered any damage or loss or have not become aware of the existence or possible existence of a Dispute.

GOVERNING LAW AND VENUE

Any Dispute between us, including any Dispute related to the engagement contemplated by this agreement, shall be governed by California law. Any unresolved Dispute shall be submitted to a federal or state court located in the County of Orange.

RETAINER FEE

A monthly retainer fee of \$9,600 will be invoiced to EOCWD following the provision of monthly services. The monthly retainer fee is based on time requirements for Starting Line Advisory personnel to perform the defined scope of services throughout the engagement period. A detailed annual service estimate and retainer fee is provided on the following page:



Service Description	Staff	Rate	Hours per Fiscal Year	Annual Fiscal Year Cost \$
Accounting - Monthly Journal Entries, Bank Reconciliations and Balance Sheet Reconciliations				
	Senior	\$ 170	288.0	\$ 48,960
	Manager	\$ 205	48.0	\$ 9,840
	Partner	\$ 235	-	\$ -
			336.0	\$ 58,800
Accounts Payable - Advisory & Support				
	Senior	\$ 170	-	\$ -
	Manager	\$ 205	5.0	\$ 1,025
	Partner	\$ 235	5.0	\$ 1,175
			10.0	\$ 2,200
Accounts Receivable - Wholesale Billing Management				
	Senior	\$ 170	24.0	\$ 4,080
	Manager	\$ 205	12.0	\$ 2,460
	Partner	\$ 235	-	\$ -
			36.0	\$ 6,540
Budget - Annual Budget Preparation, Budget Advisory, Budget Process				
	Senior	\$ 170	30.0	\$ 5,100
	Manager	\$ 205	45.0	\$ 9,225
	Partner	\$ 235	15.0	\$ 3,525
			90.0	\$ 17,850
Tax - Annual 1099 tax form preparation and filing				
	Senior	\$ 170	10.0	\$ 1,700
	Manager	\$ 205	2.0	\$ 410
	Partner	\$ 235	-	\$ -
			12.0	\$ 2,110
Financial Planning - Long Term Forecasting and Cost of Service Study Assistance, Treasury Support				
	Senior	\$ 170	-	\$ -
	Manager	\$ 205	15.0	\$ 3,075
	Partner	\$ 235	15.0	\$ 3,525
			30.0	\$ 6,600
Fiscal Year End Closing and Annual Audit Coordination / Support				
	Senior	\$ 170	40.0	\$ 6,800
	Manager	\$ 205	20.0	\$ 4,100
	Partner	\$ 235	5.0	\$ 1,175
			65.0	\$ 12,075
Monthly Financial Reporting				
	Senior	\$ 170	24.0	\$ 4,080
	Manager	\$ 205	12.0	\$ 2,460
	Partner	\$ 235	-	\$ -
			36.0	\$ 6,540
Springbrook ERP System Implementation & Maintenance - Purchase Orders				
	Senior	\$ 170	-	\$ -
	Manager	\$ 205	12.0	\$ 2,460
	Partner	\$ 235	12.0	\$ 2,820
			24.0	\$ 5,280
Total Estimated Cost per Fiscal Year				\$ 117,995
Monthly Estimate				\$ 9,833
Retainer Discount				-2.0%
Proposed Monthly Retainer through June 30, 2028				\$ 9,600
Fiscal Year on Retainer				\$ 115,200



OUT OF SCOPE SERVICES, TRAVEL & INCIDENTALS

Services provided to EOCWD beyond the defined scope of services will be billed at standard hourly rates provided in the table below. 50% of the standard hourly rate will be charged for time spent during travel to perform services. Mileage is charged at the active Internal Revenue Service (IRS) mileage rate at the time of travel.

Personnel	Hourly Rate
Advisory Partner	\$235
Advisory Manager	\$205
Senior Advisor	\$170
Advisor	\$135
Intern	\$95

OPTIONS TO EXTEND

EOCWD and Starting Line Advisory may agree to extend the agreement period beyond June 30, 2028. Upon mutual agreement of both parties, a one-year extension period will follow under the same terms provided in this letter. One-year extension periods begin on July 1st and end on June 30th each year and can be exercised indefinitely with mutual agreement of EOCWD and Starting Line Advisory. The monthly retainer fee and/or hourly rates are subject to increase at Starting Line Advisory's discretion beginning each extension period. Rate increases will not exceed a 12-month average of the 12-month change in the Consumer Price Index for All Urban Consumers (CPI-U) in the LA Long Beach Anaheim area as published by the Bureau of Labor Statistics (BLS). The calculated maximum allowable rate increase would be based on the change in CPI-U since the date of the last rate change.

TIME & EXPENSES

Starting Line Advisory will be compensated for incidentals and time and expenses, including time and expenses of legal counsel, incurred in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings due to our Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur. Upon termination of our relationship, you will be billed for services to the date of termination. If collection action is necessary, expenses and reasonable attorney's fees will be added to the amount due.

If EOCWD hires any of the staff working on this engagement, EOCWD agrees to reimburse Starting Line Advisory a one-time fee of fifty percent (50%) of the staff member's annual salary to cover recruitment and training costs.

REMOTE SERVICES

Our services can be provided 100% remotely. Starting Line Advisory operates efficiently as your "satellite" service provider. When reasonably necessary, or at client request, we enjoy spending time providing services in person.



ASSIGNMENTS PROHIBITED

You shall not assign, sell, barter or transfer any legal rights, causes of actions, claims or disputes you may have against Starting Line Advisory to any person or entity.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the understanding of our engagement including our respective responsibilities. We appreciate the opportunity to serve you as your Certified Public Accountants and look forward to working with you and your staff.

Respectfully,

Ian Berg, CPA
Founder



RESPONSE:

This letter correctly sets forth our understanding. Acknowledged and agreed on behalf of EOCWD by:

Name: _____

Title: _____

Date: _____

MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: LEGISLATIVE AND OUTREACH REPORT
DATE: FEBRUARY 19, 2026



Background

Attached is most recent monthly report from ORBIS Public Affairs along with reports from Townsend Public Affairs. Additionally, a copy of our outreach is also attached.

Recommendation

Receive and File.

Attachment(s): Townsend Legislative Report & Current Legislative Matrix
ORBIS Public Affairs Report
Foothills Sentry Outreach Ad

MONTHLY LEGISLATIVE UPDATE

To: East Orange County Water District
From: Townsend Public Affairs
Date: February 13, 2026
Subject: January – February Legislative Monthly Report

STATE UPDATE

Since the end of January, California has moved deeper into the second year of its two-year legislative session, with attention focused on key procedural deadlines, the road to the 2026 election cycle, and an eventual transition from Governor Gavin Newsom's administration. Two-year bills faced the January 31 deadline to pass the floor of their house of origin in order to remain active in 2026, narrowing the field of measures eligible for consideration next year. Looking ahead, the February 20 bill introduction deadline will mark another major milestone as lawmakers unveil new proposals for the final year of session.

At the same time, the Legislature and Administration continue budget negotiations amid a growing deficit, while advancing policy priorities related to housing production, affordability, and public health. Policymakers are also working through implementation of prior reforms and navigating ongoing fiscal and federal policy pressures, setting the stage for a consequential close to the session.

Against this backdrop, below is a summary of legislation that remains active or has been recently introduced for consideration this session.

[AB 35 \(Alvarez\)](#) Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024: Administrative Procedure Act: Exemption: Program Guidelines and Selection Criteria

This measure modifies the California Environmental Quality Act to streamline the review process for clean hydrogen transportation projects, requiring a clean hydrogen environmental assessment. Applications must be processed within 270 days once deemed complete. Legal challenges to project approvals must also aim for resolution within this timeframe. The provisions in this measure expire on January 1, 2036.

Status: This measure is pending committee assignment in the Senate.

[AB 643 \(Wilson\)](#) Climate Change: Short-Lived Climate Pollutants: Organic Waste Reduction

This measure mandates a 75% reduction in organic waste disposal to landfills by 2025 to combat methane emissions. The bill tasks the Department of Resources Recycling and Recovery, along

with the State Air Resources Board, with formulating associated regulations. Local jurisdictions are empowered to utilize organic materials as agricultural soil amendments to meet these goals, provided they follow specific guidelines.

Status: This measure is pending committee assignment in the Senate.

AB 1710 (Carrillo) Housing Developments: Ordinances, Policies, and Standards

This measure redefines the criteria for "ordinances, policies, and standards" within housing development, adding materials, requirements, and standards imposed by other public agencies. It mandates compliance with existing plans and standards at the time of a preliminary application. The bill aligns with the Permit Streamlining Act, requiring projects considered for housing developments or emergency shelters to meet consistency and compliance evaluations.

Status: This measure is pending committee assignment and is eligible to be heard beginning on or after March 7.

SB 899 (Grove) Fire Prevention: Wildfire and Forest Resilience Task Force: Wildfire Smoke

This measure requires the Wildfire and Forest Resilience Task Force, in collaboration with the Office of Environmental Health Hazard Assessment and the State Department of Public Health, to evaluate the health impacts of intense wildfire smoke by July 1, 2028. It requires using existing data to model health benefits of resilience goals and allow contracting with independent groups for assistance, with findings to be integrated into the state's Wildfire and Forest Resilience Action Plan update.

Status: This measure is eligible for a hearing beginning on or after February 20.

Looking Forward

February 20 marks the deadline for introduction of new legislation for the 2026 legislative session, and lawmakers are expected to bring forward a significant number of proposals in advance of that cutoff. Shortly thereafter, on February 24, the Assembly Water, Parks, and Wildlife Committee will hold an informational hearing focused on the efficiency of large Commercial, Industrial, and Institutional (CII) water users, underscoring the Legislature's continued attention to urban conservation and long-term water demand strategies. The hearing is expected to examine existing efficiency requirements, implementation and reporting challenges, and potential opportunities to enhance conservation among high-volume users. Lawmakers may also consider how improved CII performance aligns with broader statewide water resilience objectives and compliance with established urban water use standards.

FROM DROUGHT TO RECOVERY: STORM IMPACTS HIGHLIGHT STATE'S WATER RESILIENCE INVESTMENTS

In January, Governor Newsom [announced](#) that recent winter storms have significantly improved California's water conditions, with the U.S. Drought Monitor reporting that the state is no longer in drought, and highlighted this development as evidence of progress under California's broader water resilience strategy.

California officials announced that recent winter storms have substantially improved statewide hydrologic conditions, with the U.S. Drought Monitor indicating that the state is no longer experiencing drought conditions. The announcement was framed within the Administration's

broader Water Resilience Strategy, which emphasizes long-term system reliability in the face of increasingly volatile precipitation patterns.

The Governor's Office highlighted strong reservoir recovery, improved snowpack levels, and enhanced groundwater recharge resulting from successive storm events. State agencies credited ongoing investments in stormwater capture, groundwater sustainability implementation under SGMA, and expedited water infrastructure projects for improving the state's ability to retain and manage high-flow events. Officials also pointed to continued progress on storage expansion, conveyance modernization, water recycling, and conservation initiatives designed to reduce structural vulnerability during dry cycles.

Importantly for local and regional water suppliers, the Administration underscored that current hydrologic improvements do not eliminate long-term supply challenges. The state reiterated that climate-driven variability—characterized by more intense storms and longer dry periods—requires continued focus on system flexibility, diversified portfolios, and accelerated project delivery. Agencies were encouraged to leverage wet-year conditions to maximize recharge, advance capital projects, and strengthen drought contingency planning.

While the near-term outlook reflects improved supply conditions, the broader policy message remains centered on resilience: maintaining momentum on infrastructure investments, groundwater sustainability, water use efficiency, and interagency coordination to ensure reliability during future drought periods.

PROPOSED AMENDMENTS TO CAP-AND-INVEST REGULATIONS

The California Air Resources Board has released proposed amendments to the state's Cap-and-Invest program, implementing recent legislation that extends the program through 2045. The proposal maintains a declining, economy-wide emissions cap aligned with California's long-term climate and carbon-neutrality goals, while still supporting a market-based structure of allowance auctions, trading, and compliance obligations. Auction proceeds will continue to support the Greenhouse Gas Reduction Fund and related climate investments outlined in the recent reauthorization.

Notable regulatory changes include updated allowance budgets for post-2026 compliance periods, revisions to cost-containment tools such as price ceilings and allowance reserves, and technical updates to market participation and compliance rules. The proposal also refines allowance allocation methodologies, particularly for industrial sources, to address emissions leakage and competitiveness concerns, while incorporating adjustments related to biomass fuels, limited exemptions, and specific technologies. Updates to the offset program are intended to strengthen environmental integrity through revised eligibility, monitoring, and verification requirements.

The release of the amendments evaluates economic, environmental, and equity impacts through a regulatory impact analysis, concluding that the amendments will deliver sustained greenhouse gas reductions while managing cost and competitiveness impacts on businesses and ratepayers. With upcoming auctions, the proposed amendments seem to signal a more modest approach to temper markets while the state allocates the first round of funding post-reauthorization.

FEDERAL UPDATE

Congress Finalizes Energy & Water, Interior & Environment Appropriations Bills, President Signs

On January 23, the President [signed HR 6938](#), the appropriations minibus containing the Energy and Water Development and Interior and Environment bills, funding all the programs and agencies under them through the end of the fiscal year on September 30, 2026.

The bill provides \$58 billion for the Department of Energy, Army Corps of Engineers civil programs, and the Bureau of Reclamation, reducing the total funding level for water projects by \$1.7 billion from the prior fiscal year. The Interior and Environment bill provides \$38.6 billion in discretionary funding to the Administration for the Department of the Interior, Environmental Protection Agency, US Forest Service, and other agencies. It includes a supplemental \$2.9 billion for wildfire management and allows the reapportionment of some funding to wildfires if deemed necessary by the Administration.

Thus far, all of the bills contain more funding than was requested by the Administration when the President published his [budget request](#) in Spring, 2025. Congress also included policy language in the bills requiring the Administration report on drawdowns of the funding more frequently, and that the Administration expend the funds in a timelier manner than the prior year, in accordance with the intent of the bills themselves. The minibus also sets minimum staffing levels for certain offices within agencies, a measure meant to counter the types of mass layoffs seen under the Department of Government Efficiency (DOGE) last year.

Schiff Leads Letter Opposing EPA's Revised WOTUS Definition

On January 28, Senator Adam Schiff, Ranking Member of the Senate Environment and Public Works' Fisheries, Water, and Wildlife Subcommittee and 15 other Senators sent a [letter](#) to Environmental Protection Agency (EPA) Administrator Lee Zeldin and Assistant Secretary of the Army for Civil Works (US Army Corps of Engineers (USACE)) regarding their [proposed rule](#) revising the definition of Waters of the United States (WOTUS).

The EPA and USACE are required to pursue a revised definition of WOTUS following the Supreme Court [decision](#) in Sackett v EPA, though the changes to the scope of WOTUS under the decision are not necessarily required according to the letter.

The Senators argue the proposed definition is overly restrictive and would functionally eliminate protections for wetlands and temporary streams, despite their environmental benefits. While some of their argument is based in countering the Supreme Court's decision they further argue that enforcement under the rule will fall onto states, which would incur significant costs both to regulate non-WOTUS waters and negotiate or litigate with other states on inter-state waters no longer protected by WOTUS.

Reclamation to Continue Public Negotiation Sessions for Sites Reservoir Project

On January 23, the Bureau of Reclamation (Reclamation) [announced](#) the continuation of public negotiation sessions with the Sites Project Authority regarding a proposed Partnership Agreement for the Sites Reservoir Project, a planned 1.5 million acre-foot off-stream reservoir near Maxwell, California. The negotiations are intended to outline the terms and conditions under which the two parties would partner on the project.

A negotiation session is scheduled for February 11, 2026, from 10:00am to 4:00pm in the Bay-Delta Office conference room in Sacramento, California. The public will be able to attend and review the proposed contract and provide comments during the session. Registration details are available in the press release.

EPA Proposes Clean Water Act Rule Change

On January 13, the Environmental Protection Agency (EPA) [announced](#) a proposed rule that would modify enforcement of [Section 401](#) of the Clean Water Act (CWA). CWA allows states the authority to grant, deny, or waive certification of proposed federal licenses or permits that may discharge into waters of the United States (WOTUS) under certain conditions.

In 2023, the Biden Administration used agency rulemaking to expand Section 401, which created additional regulatory hurdles for certain discharge activities into WOTUS. The [proposed rule](#) would limit the authority of states to control discharges into WOTUS within their jurisdiction, and has the support of Senate Environment and Public Works Chairwoman Moore-Capito and House Transportation and Infrastructure Chairman Graves.

The move is being seen as working on both the [revised definition](#) of WOTUS EPA is seeking to complete pursuant to the Supreme Court [decision](#) in Sackett v EPA and the permitting reform efforts recently [passed](#) out of the House in December. The Administration has also broadly pursued environmental deregulation.

EPA to Pursue Drinking Water Limit for Perchlorate

On January 5, the Environmental Protection Agency (EPA) [stated](#) the Agency would pursue a drinking water limit for perchlorate, a chemical used in explosives, following a 2023 [court decision](#) in Natural Resources Defense Council v. Regan and a subsequent consent decree. The EPA [announced](#) their intention to seek public input and issue a final rule before May 21, 2027, though argued the impacts will only benefit a comparatively small number of jurisdictions while all drinking water providers will likely have to begin monitoring and reporting perchlorate levels in their water supplies.

EPA Administrator Zeldin been seeking widespread rollbacks of environmental rules and broadly promoted oil and gas development over prior EPA regulations. It has also delayed implementation of PFAS requirements, while keeping the comparatively high standards set by the Biden Administration.

East Orange County Water District Legislative Matrix

[🔗](#) **AB 35 Alvarez — Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024: Administrative Procedure Act: exemption: program guidelines and selection criteria.**

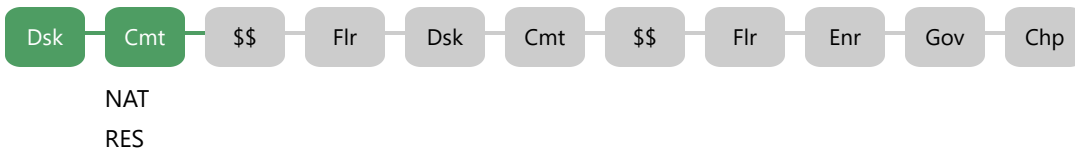
All Tracked Bills Workspace

Status: Jan 27, 2026

Pending Referral | In Senate. Read first time. To Com. on RLS. for assignment.

Amended: Jan 14, 2026

Location: Senate Rules



Summary:

AB 35 modifies the California Environmental Quality Act to streamline the review process for clean hydrogen transportation projects, requiring a clean hydrogen environmental assessment. Applications must be processed within 270 days once deemed complete. Legal challenges to project approvals must also aim for resolution within this timeframe. This bill creates a state-mandated local program, and its provisions will expire on January 1, 2036, with no reimbursement required for local agencies under specified conditions.

[🔗](#) **AB 643 Wilson — Climate change: short-lived climate pollutants: organic waste reduction.**

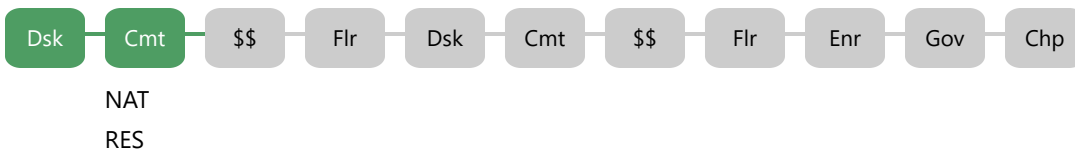
All Tracked Bills Workspace

Status: Jan 27, 2026

Pending Referral | In Senate. Read first time. To Com. on RLS. for assignment.

Amended: Jan 14, 2026

Location: Senate Rules



Summary:

AB 643 mandates a 75% reduction in organic waste disposal to landfills by 2025 to combat methane emissions. The bill tasks the Department of Resources Recycling and Recovery, along with the State Air Resources Board, with formulating associated regulations. Local jurisdictions are empowered to utilize organic materials as agricultural soil amendments to meet these goals, provided they follow specific guidelines. This approach aims to enhance California's climate resilience through sustainable waste management practices.

[AB 1048 Chen — Workers' compensation.](#)

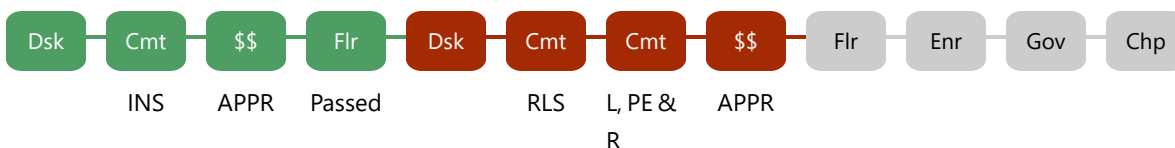
All Tracked Bills Workspace

Status: Jan 22, 2026

In Committee Process | From committee chair, with author's amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Com. on RLS.

Amended: Jan 22, 2026

Location: Senate Rules



Summary:

AB 1048 mandates that when any adjustments or denials in payments for medical services are contract-based, employers must provide a detailed explanation of the contract, including contact details for obtaining it. If not provided within 30 business days, claims must be reprocessed and paid. This bill ensures clearer contractual communications and dispute resolutions by requiring that a physician's request for medical services be signed and may be authorized via multiple communication channels.

[AB 1198 Haney — Public works: prevailing wages.](#)

All Tracked Bills Workspace

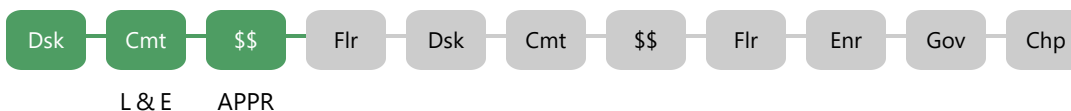
Status: Jan 29, 2026

Pending Referral | In Senate. Read first time. To Com. on RLS. for assignment.

Passed | Read third time. Passed. Ordered to the Senate. (Ayes 65. Noes 6. Page 3876.)

Amended: Jan 22, 2026

Location: Senate Rules



Summary:

Beginning July 1, 2027, changes in prevailing wages by the Director of Industrial Relations will affect contracts awarded or announced after this date. Affected parties can request a review within 20 days, with a final decision issued within 20 days thereafter. Certain housing projects are exempt from these updates.

[AB 1245 Stefani — State contracts: certification process: forced labor and human trafficking.](#)

All Tracked Bills Workspace

Status: Jan 29, 2026

Pending Referral | In Senate. Read first time. To Com. on RLS. for assignment.

Passed | Read third time. Passed. Ordered to the Senate. (Ayes 75. Noes 0. Page 3878.)

Amended: Jan 22, 2026

Location: Senate Rules



Summary:

AB 1245 mandates that starting January 1, 2027, all state agency contracts with estimated values exceeding \$550,000 include stricter certifications against forced labor and human trafficking. It defines forced labor, outlines compliance requirements, and stipulates sanctions for violations. Contractors must ensure subcontractors' compliance and face penalties for non-adherence, including suspending payments or contract termination. The bill emphasizes contractor diligence in identifying and rectifying violations and introduces additional measures to ensure ethical supply practices in state contracts.

[AB 1383 McKinnor — Public employees' retirement benefits: safety members.](#)

All Tracked Bills Workspace

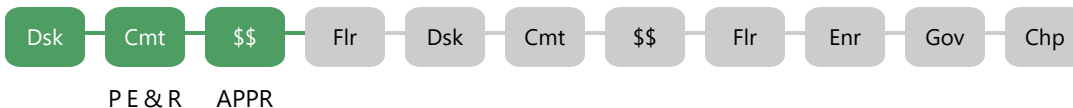
Status: Jan 29, 2026

Pending Referral | In Senate. Read first time. To Com. on RLS. for assignment.

Passed | Read third time. Passed. Ordered to the Senate. (Ayes 70. Noes 2. Page 3878.)

Amended: Jan 22, 2026

Location: Senate Rules



Summary:

AB 1383 revises the pensionable compensation limits for public retirement systems in accordance with federal guidelines starting January 1, 2027. It introduces new retirement formulas for safety members, allowing for collective bargaining agreements to adjust these formulas. This bill supports the alignment of state retirement benefits with federal standards and facilitates negotiation over pension terms.

[AB 1617 Alanis — Household hazardous waste: reporting.](#)

All Tracked Bills Workspace

Status: Feb 02, 2026

In Committee Process | Referred to Com. on E.S & T.M.

Introduced: Jan 21, 2026

Location: Assembly Environmental Safety and Toxic Materials



Summary:

AB 1617 requires public agencies and contractors handling household hazardous waste to submit the Form 303 Household Hazardous Waste Collection Report annually for the prior calendar year, aligning the reporting period with the calendar year. This shift aims to improve the consistency and accuracy of hazardous waste tracking and management across California by synchronizing timelines with broader fiscal protocols.

[🔗](#) **AB 1710 Carrillo — Housing developments: ordinances, policies, and standards.**

All Tracked Bills Workspace

Status: Feb 05, 2026

Pending Referral | From printer. May be heard in committee March 7.

Introduced: Feb 04, 2026

Location: Assembly Floor



Summary:

AB 1710 redefines the criteria for "ordinances, policies, and standards" within housing development, adding materials, requirements, and standards imposed by other public agencies. It mandates compliance with existing plans and standards at the time of a preliminary application. The bill aligns with the Permit Streamlining Act, requiring projects considered for housing developments or emergency shelters to meet consistency and compliance evaluations. This bill enforces a state-mandated local program impacting all cities, including charter cities, and affects provisions for mandated cost reimbursements to local agencies.

[🔗](#) **AB 1729 Lee — State employment: telework programs.**

All Tracked Bills Workspace

Status: Feb 06, 2026

Pending Referral | From printer. May be heard in committee March 8.

Introduced: Feb 05, 2026

Location: Assembly Floor



Summary:

AB 1729 revises existing telecommuting provisions by introducing the term "telework" and mandates the Department of General Services to create a dashboard documenting the benefits and savings of state telework programs. Each state agency must evaluate its telework program every 10 years to ensure alignment with operational needs and workforce goals. This bill is labeled an urgency statute for immediate effect.

[SB 239 Arreguín — Open meetings: teleconferencing: subsidiary body.](#)

All Tracked Bills Workspace

Status: Jan 27, 2026

Pending Referral | In Assembly. Read first time. Held at Desk.

Passed | Read third time. Passed. (Ayes 29. Noes 11. Page 3306.) Ordered to the Assembly.

Amended: Apr 07, 2025

Location: Assembly Floor



Summary:

SB 239 allows local agency subsidiary bodies to adopt alternate teleconferencing provisions, requiring meeting agendas to be posted at a designated physical location. Members must appear on camera during public online meetings, and remote participants must be recorded in meeting minutes. Authorization for teleconferencing must be reviewed annually, and certain bodies are exempt. Legislative findings affirm the need for this measure to ensure public access while addressing specific needs of oversight, elections, or budget-related meetings.

[SB 899 Grove — Fire prevention: Wildfire and Forest Resilience Task Force: wildfire smoke.](#)

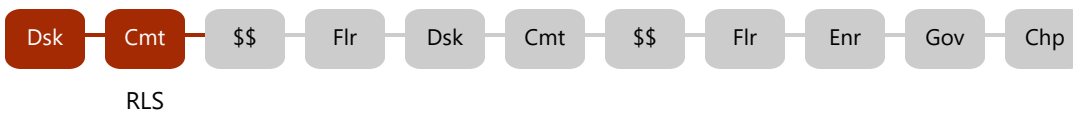
All Tracked Bills Workspace

Status: Feb 11, 2026

In Committee Process | Referred to Coms. on N.R. & W. and E.Q.

Introduced: Jan 20, 2026

Location: Senate Natural Resources and Water



Summary:

The bill mandates the Wildfire and Forest Resilience Task Force, in collaboration with the Office of Environmental Health Hazard Assessment and the State Department of Public Health, to evaluate the health impacts of intense wildfire smoke by July 1, 2028. It requires using existing data to model health benefits of resilience goals and allow contracting with independent groups for assistance, with findings to be integrated into the state's Wildfire and Forest Resilience Action Plan update.

[SB 910 Seyarto — Municipal water districts: water service: Indian lands.](#)

All Tracked Bills Workspace

Status: Feb 11, 2026

In Committee Process | Referred to Com. on L. GOV.

Introduced: Jan 26, 2026


Location: Senate Local Government



RLS

Summary:

SB 910 extends the provision allowing municipal water districts to apply for extending water services to Indian lands not within their boundaries until January 1, 2032. This act, by imposing new duties on local officials, creates a state-mandated program. It specifies that no state reimbursement is required for these actions.

 **SB 951 Reyes — Employment: technological displacement: notice.**

All Tracked Bills Workspace

Status: Feb 03, 2026

Pending Referral | From printer. May be acted upon on or after March 5.

Introduced: Feb 02, 2026

Location: Senate Rules



RLS

Summary:

This bill mandates a 90-day notice for technological displacement affecting 25 or more workers. Employers must notify affected employees, the EDD, and state and local entities. It also includes provisions for worker rights, penalties for non-compliance, and establishes a fund for recovered civil penalties.



PUBLIC AFFAIRS

Local Government Affairs Report

Prepared for the
East Orange County Water District Board of Directors

February 11th, 2026

OC LAFCO:

- This year, five OC LAFCO Commissioners are up for re-election.
 - County Supervisor Don Wagner was reappointed by the Board of Supervisors at its January 27 meeting;
 - Yorba Linda City Council member Peggy Huang as one of the two City representatives (the election of which is handled by the City Selection Committee);
 - Public Member Derek McGregor (appointed by the other LAFCO Commissioners);
 - Special District Commissioners Doug Davert (East Orange County Water District), and Alternate Commissioner Kathryn Freschley of El Toro Water District.

OC LAFCO will be emailing notification letters to each Special District by March 9, with nominations and declarations for interested candidates due by April 13; ballots will be emailed to each special district presiding officer by May 4, with ballots due back to OC LAFCO by June 8. Results will be announced on June 15, and the Oath of Office will be administered at the July 8 OC LAFCO meeting.

- At the February 10th meeting, the Commission unanimously approved the Three Arch Bay Community Services District application by resolution and Plan for Service for the activation of latent powers for park and recreation services, included in the Community Services District Act, G.C. Sections 61000-61250. Three Arch Bay CSD intends to

provide lifeguard services, maintenance to recreation facilities, and organization of community recreation programs within its jurisdictional boundary.

The Commission took the following actions:

- Approved the activation of the latent powers for the Three Arch Bay Community Services District to provide park and recreation services.
- Directed the Executive Officer to file the Notice of Exemption for the “Activation of Latent Powers for the Three Arch Bay Community Services District” with the Orange County Clerk Recorder.
- Adopted the LAFCO Resolution No. LP 25-02 approving the “Activation of Latent Powers for the Three Arch Bay Community Services District.”
- Authorized and directed the Executive Officer to conduct protest proceedings pursuant to Government Code Section 57000 et seq. and set a 30-day protest period following the 30-day reconsideration period that is required pursuant to Government Code Section 56895.

COUNTY OF ORANGE:

- Landfill Tipping Fees and Organic Waste- Despite missing several target dates, at its meeting on January 27th, the Board of Supervisors approved the proposed Waste Infrastructure System Enhancements (WISE), Organic Services, and Disposal Fees and Rates Agreements. These agreements include the County of Orange, cities and sanitation districts. Each jurisdiction will now work to complete their respective Prop 218 hearings prior to the new fees going into effect July 1, 2026. The tiered rates for the WISE agreements will start at \$67/ton in FY 26-27, increasing to \$74/ton in 27-28, \$81/ton in 28-29, and \$81 + CPI in Year 4.
- Despite several previous continuations, on February 10th, 2026 the Orange County Board of Supervisors once again continued adoption of Phase II of Orange County’s Climate Action Plan (CAP) to their meeting on February 24th, 2026. Although the Board was prepared to hear the item, staff recommended a continuation because many potential public speakers who have been active in the process had already left the meeting expecting it to be continued. In an ironic turn of affairs, the public’s expectation of a continuation actually led to the continuation.

The CAP is a comprehensive roadmap detailing potential projects and programs to reduce greenhouse gas and other emissions from various sources. Key initiatives within the CAP include increasing stormwater capture and infiltration, reducing the amount of organic waste going to landfills by 75 percent, improving edible food recovery by 20

percent and exploring the feasibility of regional anaerobic digestion and conversion technology facilities. The County is required to have a completed CAP in order to apply for and secure Proposition 4 grants for these targeted programs.

- **Continuation of the Trabuco Canyon Airport Fire local health emergency.**
 - At the February 10th, 2026 Orange County Board of Supervisors meeting, the Board approved a continuation of the local health emergency for the areas affected by the Trabuco Canyon Airport Fire to facilitate debris and ash removal as well as mitigation efforts to protect water wells. The Orange County Board of Supervisors must review the need for continuing the local health emergency at least every 30 days until the local health emergency is terminated and must proclaim the termination of the local health emergency on the earliest possible date that conditions warrant the termination.
 - On September 9th, 2024, the Airport Fire started in Trabuco Canyon off Trabuco Creek Road. Multiple structures were damaged or destroyed by the fire, including cabins in the Holy Jim Canyon. The combustion of building materials results in ash and debris that contain hazardous substances that must be properly handled, transported, and disposed in such a way as to minimize risk to human health.
 - If not properly managed these materials can pose health threats to Orange County residents through dust particles, runoff and their impact on the drinking water supplies including water wells.
 - Dust particles and runoff can contaminate drinking water supplies including underground water wells in the affected areas. Two seasonal underground wells in the Holy Jim Canyon area have the potential of being contaminated.
 - Currently, water supplies for the affected and surrounding areas are clean and safe for residents. Local water agencies continue to regularly test water as part of their standard regulatory practices. Mitigation efforts need to be put in place ahead of significant rain activity to protect water from these wells.

ORANGE COUNTY SANITATION DISTRICT (OCSan):

- At the January 28th Board of Directors meeting, the Board approved a policy stating OC San does not compensate government entities for real or estimated lost revenue when OC San acquires real property in the government entity's jurisdiction.

Background- Based on an ongoing need for additional processing space within the plant boundaries, OCSan determined that purchasing properties outside those boundaries and moving certain non-process operations off of plants 1 & 2 would free space for

operations on the plant sites. This determination led OCSan to purchase several existing buildings in Fountain Valley. One of the buildings was retained for laboratory space while several others were demolished to create space for parking and to construct the new headquarters building that was completed in 2024.

Due to changing operational needs, it was determined that consolidating warehouses into a single site off plant premises would improve operations and efficiency. During recent discussions regarding OC San's potential purchase of an existing warehouse in Fountain Valley for that use, the City requested that OCSan compensate them for the cost of developing their Specific Plan in the area and/or lost sales and property tax revenue. The Board discussed whether OC San should agree to compensate the City as requested. In response to this request OCSan staff researched the subject and recommended that the Board approve a policy which states that Orange County Sanitation District (OC San) should not compensate government entities for potential loss of revenue, including sales tax, property tax or economic opportunity when OC San acquires real property in the entity's jurisdiction.

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC):

MWDOC received a report entitled "A Look at Current Water Levels and Projections":

1. Imported Water Storage Levels Looking to Rebound After Summer/Fall Drawdown

Northern California has seen a positive start to the 2025-26 Water Year. Large but warm December storms have raised water levels at Lake Oroville; the reservoir is now 138% of normal. South of the Bay Delta, San Luis Reservoir is at 107% of its historical average. In addition, it is anticipated that the State Water Project Table A percentage will see a healthy increase from the original 10% allocation set back in December. January conditions have been dry, but there are still opportunities for more snow/rainfall in the remaining winter months.

2. Warmer Storms Mean Less Snowpack

Despite a promising start to the 2026 water year, the snowpack in both California and the Upper Colorado River Basin remains well below historical averages. Snowpack is crucial in providing adequate runoff for the spring season.

3. Water Usage Continues to Remain Historically Low

Orange County continues to use less water than it did about 12 years ago. With the recent December storms, it is anticipated that imported water usage will be minimal for the Fiscal Year 2025-26.

4. Ongoing Issues with The Colorado River

The Colorado River System is still in limbo regarding its long-term water supply outlook. Lake Mead levels remain very low, and the structural deficit in Colorado River water usage is currently being negotiated among the seven Colorado River Basin states and Mexico. A new, federally encouraged deadline is February 14, 2026, by which the seven states are supposed to agree on final terms of a comprehensive proposal for how water

will be shared and rivers managed after the current guidelines expire at the end of 2026. This includes how to allocate cutbacks and operate major reservoirs, such as Lake Mead and Lake Powell.

5. Orange County's Local Water Supply is Robust

Orange County's water supply remains resilient. As of January 2026, rainfall totals in the county are approaching their end-of-year averages, quite an impressive feat given that we are only about halfway through the wet season. The Orange County Groundwater Basin, which supplies North and Central Orange County with 85% of its water, has maintained its "ideal" level for many years now, and no significant drawdown is projected soon, nor is the need for imported replenishment water to supplement groundwater basin levels.

CITY OF ORANGE:

- At the February 10th City Council meeting, the Council unanimously approved an \$85,000 increase to the existing purchase order with Ferguson Waterworks. This increase funds the Neptune 360 annual maintenance subscription for remote read water meters and miscellaneous parts needed for water system maintenance operations. Neptune meters have been approved as the standard water meters in the City of Orange and the Neptune Technologies 360 platform is needed to enhance remote meter accuracy and capabilities.
 - In June 2025, City Council approved the original purchase order to Ferguson in the amount of \$700,000. This increase will bring the total contract amount to \$785,000.
 - The City of Orange Public Works Department Water Division uses mobile (radio read) water meters to gather water consumption data for the various water users in the City. Neptune Technology Group, Inc. recently rolled out the Neptune 360 Data Management Platform to enhance the mobile meter reading capability. The platform allows the Water Division to collect more accurate water metering data faster while also enabling identification of potential leaks, excessive consumption, and reverse flow at the meters. Ferguson Waterworks is the sole Neptune Water Meters distributor who has been supplying meters to the City and will also be handling the Neptune 360 subscription.

CITY OF TUSTIN:

- At the February 3rd, 2026 City Council meeting, the Council unanimously approved items 8 and 9:

- Item 8- The City Council adopted Resolution 26-06 determining the need exists to continue the local emergency related to the fire and release of chemicals of public health concern from the Navy's North Hangar.
 - On November 7, 2023, a fire broke out at the Navy's North Hangar at the former Marine Corp Air Station, Tustin. The fire caused asbestos-containing debris and other matter from the Navy Hangar to be released and to spread into surrounding private and public properties. The debris impact zone encompasses approximately 6.5 square miles of the community near the Navy North Hangar.
 - The City and multiple emergency service providers retained to assist the City in handling and managing this emergency worked closely with an Environmental Health Unit (EHU). The EHU continues to oversee the cleanup response. Under that oversight, the City contracted with numerous firms for debris clearance, asbestos identification/remediation, air monitoring, scientific consulting, a call center, demolition, project management, public communications, security and site management, in addition to general City staff and equipment costs.
 - The City and its contractors developed a system for residents to identify and request cleanup of debris found in the community. That phase of the response effort began shortly after the fire and continued until November 2024.
 - During the course of the "on the ground" cleanup effort, the City and its contractors determined that debris stuck in gutters and on roofs would continue to fall to the ground after wind or rain events, requiring additional rounds of "on the ground" cleanup. The EHU recommended an "above-ground" cleanup effort to clean gutters and roofs in the EHU approved work area. **The above-ground work approved in that plan has been completed, subject to a determination by the EHU members with jurisdiction that no further action is needed.**
 - The Navy informed the City that its process of segregating hangar debris and hazardous waste and decontaminating the Navy North Hangar site has concluded, subject to determination by the EHU that no further action is needed. In addition, the Navy has concluded packaging the waste and debris and has transported it offsite for disposal or recycling.

- State law requires the Local Proclamation of Emergency to be reviewed at least once every 60 days by the City Council until terminated. The 60th day after the Council's last determination will fall on Saturday, February 14, 2026. As a result, the City Council renewed the determination that the need continues to exist for a local emergency in order to ensure that the 60-day renewal requirement does not lapse.
 - The City is preparing for closure of the full response to the Navy North Hangar Fire and to seek a determination from the EHU members with jurisdiction whether the City's response and the Navy's work is complete and no further action is needed.
- Item 9- A Cross-Connection Control Ordinance:
- Established the City's authority to administer and enforce a Cross-Connection Control Program.
 - Requires the installation, testing, and maintenance of approved backflow prevention assemblies where cross-connection hazards are identified.
 - Authorizes inspections of customer premises, subject to customer consent, warrant procedures, and emergency access provisions, to evaluate potential cross-connection hazards.
 - Defines enforcement actions for violations of the Ordinance or the Cross-Connection Control Management Plan, including citations and potential suspension or termination of water service; and
 - Formalizes coordination between the City, Irvine Ranch Water District, certified testers, and property owners.
 - Ensures compliance with State regulations, and protects public health by safeguarding the potable water system.

OTHER LOCAL ITEMS OF NOTE:

- **Moulton Niguel Water District**
 - The Board of Directors selected Brian Probolsky to serve as President for 2026, with Diane Rifkin serving as 1st Vice President and Dick Fiore, as 2nd Vice President.
 - The Board of Directors appointed Laguna Niguel resident Brian Parker to fill the vacancy created by the November resignation of Board member Duane Cave. Mr. Parker has a long career in the petrochemical industry and most recently served as a member of the 2023-2024 Orange County Grand Jury, co-authoring the report, “Emerging Opportunities in South County Water/Wastewater Systems.”
- **CalOptima** CEO Michael Hunn announced that he will be retiring at the end of the year. Hunn assumed the CEO role in 2021 and has navigated the agency through a number of controversies. CalOptima is the County’s \$4 billion health care plan for low-income residents and implements the County’s Medi-Cal and California Medicaid programs and is the single largest health insurer in the County.
- **Surfside Colony Community Services District Board of Directors and ISDOC Executive Committee Member** Paul Mesmer passed away unexpectedly in January.
- **San Clemente** became the first Orange County city to partner with a federal agency to remotely patrol its beaches. The council voted to partner with U.S. Customs and Border Protection to establish a remote camera and sensor monitoring system on a hilltop at the Avenida Salvador Reservoir. The system is expected to cost approximately \$1M and be operational by the end of February.
- **Ongoing city management changes in Orange County**
 - The Costa Mesa City Council officially appointed Cecilia Gallardo-Daly as City Manager.
 - The Laguna Hills City Council hired Bob Wingenroth as City Manager. Mr. Wingenroth previously served as the Anaheim City Manager and Huntington Beach Finance Director.
 - The Dana Point City Council hired Kelly Reenders as City Manager following the retirement of Mike Killebrew.

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MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER *dy*
SUBJECT: GENERAL MANAGER'S REPORT
DATE FEBRUARY 19, 2026

Background

This report is intended to provide a summary along with some discussion on the current District activities. General Manger will highlight items of interest and provide background on those items of interest to the Board.

- AMI Update
- Board Room Improvements
- Crown Castle License Agreement

Recommendation

Receive and File.

Attachment(s): District Activities Report
Operations Monthly Report
Report on Issued & Pending Permits

EAST ORANGE COUNTY WATER DISTRICT ACTIVITIES REPORT

February 2026

The following report is a summary of the District's activities over the past month.

SYSTEMS STATUS - OPERATIONS AND MAINTENANCE

1) **SEWER**

Activities & Accomplishments are included in the attached Monthly Report.

EOCWD Sewer Spills - One spill occurred on January 15th resulting in the release of 48 gallons of sewage. A resident on Judy Anne Lane reported the spill and upon responding, staff determined that the blockage was at a manhole located within an easement along an agricultural field. The manhole cover had been removed and was left laying on its side. Further investigation revealed that several large pieces of concrete had been dropped inside the structure causing the blockage. The pieces of concrete were removed, flow was restored, and all the spill was captured and cleaned up. The ultimate cause of the spill was vandalism. To prevent a potential re-occurrence at this location the standard frame and covers were replaced with locking frame and covers.

Private Sewer Spills – None to report for January.

Support Services for City of Villa Park – routine weekly lift station inspections continue to be performed.

City of Villa Park Proposals – at the request of the City, staff provided proposals to perform maintenance on one lift station, perform annual cleaning service, and perform video inspection of the City's sewer system. The City is currently reviewing the proposals.

2) **WHOLESALE**

WZ Water Demands – See separate Board item.

Monitored daily operations of reservoir chlorination systems at Andres and Newport reservoirs.

Submitted monthly, quarterly, and annual reports to SWRCB.

Reviewed weekly water quality data.

Low Water Demands - staff purchased 2 reservoir mixers which are to be installed at the 6 MG reservoir to help maintain consistent water quality within the reservoir. The mixers are to be delivered on Friday, February 13th and installed on February 19th. Staff completed the trenching work and conduit installation which is needed to power the mixers and inject disinfectant.

MWD Diemer Water Treatment Plant Outage – MWD has a planned 7day outage scheduled to begin March 2nd. Staff has coordinated with the Yorba Linda Water District who has generously offered to loan EOCWD a trailer mounted pump during the outage. Staff has installed connection points for the pump at one of its reservoir sites where water can be pumped from the 736 pressure zone to the 790 pressure zone. Retail Zone groundwater will be used to supplement the wholesale system during the outage.

3) **RETAIL**

RETAIL

Activities & Accomplishments are included in the attached Monthly Water Asset Report.

RZ Water Demands – See attachment.

Monitored daily operations of PFAS treatment plant and booster station.

System Leaks – on January 14th, staff replaced a 1" galvanized service on Daniger Rd. that was reported leaking.

Groundwater Production Well Status - During the month of December, both of the District's wells suffered moisture related electrical issues. Both well motors were removed and sent in for repair. Additionally, repair work was required on the variable frequency drive (VFD) for the VanderWerff Well. Modifications were made to the VFD enclosure to better protect the electrical equipment inside and to provide more protection from outdoor elements.

PERMIT STATUS

See attached Permit Status sheet for Sewer, Wholesale, and Retail permits.

CAPITAL PROJECT STATUS UPDATE

Updates provided at E&O Committee meeting.

DISTRICT GENERAL ACTIVITIES

1) Public Safety Power Shutoff (PSPS)

None to report.

2) GIS Newsletter

No Update.

3) Safety

Staff completed training on the following topics during the months of January:

- Backing up in a motor vehicle
- Allergy Symptoms
- Hand Tool Inspections
- Noise – Induced Hearing Loss

4) Engineering & Operations Committee

Engineering & Operations Committee Meeting – January 15, 2026 Meeting Minutes attached.

5) Administration & Finance Committee

Administration & Finance Committee Meeting - February 11, 2026 Meeting Minutes attached.



Monthly Sewer Asset Report

January 2026

Sewer Gravity Main Work		
Worktype	Workflows Completed	Footage Completed
CCTV Inspection	58	13,674
Main Cleaning	362	88,104
Main Lining	0	0
Main Repair	0	0
Main Replace	0	0
Managers Form	0	0
Root Foaming	0	0
Grand Total	420	101,778

Manhole Work	
Worktype	Workflows Completed
Manhole Inspection	250
Manhole Rehab	0
Manhole Repair	0
Roach Spray	0
Grand Total	250

FOG Work	
Worktype	Workflows Completed
BMP GRE Inspection	11
BMP GRE Violation Follow-up	2
BMP Inspection	7
BMP Violation Follow-up	2
GRE Inspection	0
GRE Violation Follow-up	4
Initial Inspection	0
Operational Status Investigation	0
Private Sewer Investigation	0
Grand Total	26

SSO Report	
Worktype	Workflows Completed
SSO Report	0

Easement Work	
Worktype	Workflows Completed
Easement Inspection	0

Lateral Work	
Worktype	Workflows Completed
Lateral Connection Edit	0

Water Hydrants			
Worktype	Workflows Completed	Water Used in Gallons	Water Used in CCF
Hydrant Meter Read	0	0	0



Monthly Water Asset Report

January 2026

Meter Work	
Workflow	Work Completed
Broken Meter Box	0
Meter Changeout	0
Meter Connect	0
Meter Disconnect	0
Meter Installation	0
Meter Investigation	0
Meter Leak	0
Meter Read	0
Meter Re-read	0
Meter Test	1
Miscellaneous Meter Work	0
Grand Total	1

Hydrant Work	
Workflow	Work Completed
Fire Flow Test	0
Hydrant Flushing	0
Hydrant Installation	0
Hydrant Maintenance	0
Hydrant Meter Install	0
Hydrant Meter Read	0
Hydrant Meter Removal	0
Grand Total	0

Facilities Work	
Workflow	Work Completed
Barret Reservoir Site Maintenance	0
Newport Reservoir Site	0
PFAS Treatment Plant	0
Repairs	0
Reservoir Cleaning	0
Vista Panarama Reservoir Site	0
Well Meter Read	0
Grand Total	0

Valve Work	
Workflow	Work Completed
Main Line Restore	2
Main Line Shut Down	0
Valve Exercise	10
Valve Repair/Replace	0
Valve Shut Down	1
Grand Total	13

Production Meter Work	
Workflow	Work Completed
Production Meter Changeout	0
Production Meter Maintenance	0
Production Meter Repairs	0
Production Meter Test	0
Grand Total	0

Lateral Work	
Workflow	Work Completed
Lateral Inspection	0
Lateral Installation	0
Lateral Leak	0
Lateral Replacement	0
Grand Total	0

Water Site Work	
Workflow	Work Completed
Rounds	43
Site Inspection	0
Site Maintenance	0
Site Repairs	0
Grand Total	43

Water Distribution Line Work	
Workflow	Work Completed
Main Leak Report	0
Water Main Repair	0
Grand Total	0

Sample Work	
Workflow	Work Completed
In-House WQ Data	60
Sample Site Edit	0
THM / HAA5	0
Truesdail	0
Wholesale Flushing	3
Grand Total	63

Pressure Reducing Station Work	
Workflow	Work Completed
Pressure Reducing Station	1

Air Vac Work	
Workflow	Work Completed
Air Vac Maintenance	0

Pump Work	
Workflow	Work Completed
Pump and Motor Maintenance	0
Rounds	0
Grand Total	0

Monthly Customer and Locate Work Report

January 2026

Customer Work

Workflow	Work Completed
Construction Inspection	0
Customer Door Tag	0
Customer High Water Bill Investigation	1
Customer Investigation	2
Customer Leak	0
Customer Water Quality Investigation	0
Preconstruction	0
Water Pressure Investigation	1
Grand Total	4

DigTicket Work

Workflow	Work Completed
Tickets completed by Sewer	274
Tickets completed by Water	80
Grand Total	354



PERMITS ISSUED FOR:

Jan-26

Received	Address	Type of Development	APN	Date Issued	Regional CFCC (OCSan) Fees	EOCWD Sewer Capacity Fees	Sewer PC&I Fees	Total Sewer Fees	WZ Meter Fees	RZ Meter Fees
9/18/25	13152 Dean St. Tustin	ADU (N)	103-222-39	1/8/26	\$ 1,440.75	\$ 6,434.50	\$ -	\$ 7,875.25	\$ 655.11	\$ -
12/15/25	11871 Arroyo Ave.	ADU (N)	502-151-05	1/6/26	\$ 917.00	\$ 974.92	\$ -	\$ 1,891.92	\$ 165.40	\$ -
1/8/26	11211 Vista del Lago	S2S	502-341-15	1/29/26	\$ -	\$ -	\$ 800.00	\$ 800.00	\$ -	\$ -
Totals					\$ 2,357.75	\$ 7,409.42	\$ 800.00	\$ 10,567.17	\$ 820.51	\$ -
<i>Due to OCSAN</i>					<i>\$ 2,239.86</i>					

APPLICATIONS RECEIVED

Received	Address	Type of Development	APN	Permit Status
1/8/26	13831 Orange St. Tustin	ADU (N)	500-152-14	Pending Payment and Signature
1/8/26	10635 Crawford Canyon	ADU (N)	393-221-16	Pending customer response
1/27/26	18872 Ervin Ln.	ADU (N)	395-554-07	Pending customer response
1/1/26	13291 Sierra Madre	S2S ADU (N)	395-331-10	Pending Payment and Signature

Minutes of the Engineering & Operations Committee January 15, 2026

1. The meeting was called to order at 9:00 a.m. by President Murdoch.

Attendees: President Murdoch, Vice President Thoms, David Youngblood – General Manager, Bobby Young – Engineering Manager, and Sylvia Prado – Office Manager.

2. No public comments were received.
3. No additional items were added to the agenda.

Informational Items

4. Operations Report – Retail, Wholesale, and Sewer System Status – Consistent RZ water usage over the past couple of months.

RZ hydrant replacement was completed on Foothill Blvd. as part of the hydrant replacement project.

VanderWerff Well – Right before the holidays, heavy fog conditions caused moisture intrusion into the Variable Frequency Drive (VFD) cabinet. The VFD malfunction was attributed to the foggy weather conditions. Initially, fuses were replaced and the internal components were wiped down. However, upon startup, the motors experienced failure. Motors were pulled for testing and repair and expected to be delivered before the end of January. The current VFD cabinet is not rated for outdoor exposure, even though the enclosure was shop modified to prevent water and dirt infiltration. Overall, minimal damage occurred to well components but the issue has required a lot of time and money to bring the system back online. Upgrading the enclosure to NEMA 3 does not appear practical and will not be pursued at this time. President Murdoch suggested constructing a shed around the enclosure as a possible alternative solution. The Committee complimented staff on troubleshooting efforts.

East Well - currently experiencing operational issues with the East well. Both wells are down at this time but staff is working on resolving the separate incidents.

An upcoming MET shutdown is scheduled to start March 2 and last for 7 days. Operations will set up a temporary pump behind Newport Reservoir in order to supply EOCWD groundwater to the upper WZ system. The backup condition will be to move equipment to Jamboree site. Staff is looking into getting own emergency pump for future needs. In the meantime, we may look into borrowing a water pump from YLWD during MET shutdown.

WZ demand – low system demands have required flushing multiple times.

2 new mixers have been ordered for the 6MG site to aid in water quality.

There was an issue at the Lemon Heights lift station where the pump was not pumping. The pump has been replaced and the station is back in operation. As part of the assistance to Villa Park, Staff is currently conducting weekly inspections at the Villa Park lift station. Staff is providing recommendations for a proposal to clean the system within the Villa Park boundary. President Murdoch asked about bringing related agreements to the Board so we are transparent that it's not costing rate payers additional money.

Sewer, retail, and wholesale permit activity slowed toward the end of the year.

**Minutes of the
Engineering & Operations Committee
January 15, 2026**

5. Engineering Report –

CIP Updates – Staff updated the Committee on the Capital Projects’ Status.

Staff shared with Committee EOCWD’s Hazard Mitigation Plan Updates. Cities are on a slightly different schedule for the final plan submission to CalOES. The District’s HMP and Master Plan are near completion.

Staff is contemplating alternative uses for the District warehouse.

The AMI project continues to move forward and the materials are starting to come in. Target installation start date is late February 2026. Staff continues proactive outreach to customers. Vice President Thoms suggests to create a 2 to 3 minute informational video to our customers. President Murdoch asked about switching to monthly billing. Staff informed the Committee that costs are not significant going from bimonthly to monthly and it will be considered moving forward.

6. Adjournment at 10:03 a.m.

**Minutes of the
Administration & Finance Committee
February 11, 2026**

Present: Chair John Sears, Director Karin Marquez, David Youngblood – General Manager, Sylvia Prado – Office Manager, Paul Kaymark of Nigro & Nigro PC, Ian Berg of Starting Line Advisory.

1. The meeting was called to order at 9:00 a.m. by Director Sears.
2. No public comments were received.
3. No additional items were added to the agenda.
4. Monthly Disbursements – Staff reported monthly disbursements.
5. Monthly Financial Reports December 2025 - Staff reported monthly financials for December 2025.
6. Annual Audit – Paul Kaymark of Nigro & Nigro presented the Committee with a summary of his findings. Staff reported that the District received a “clean opinion”. Director Sears inquired about Management Override of Controls, and Paul Kaymark provided a more detailed explanation of why it is required to be addressed in the audit; no risks were identified. Ian Berg provided the Committee with an overview of the District’s internal control process. The Committee concurs with Staff’s recommendation.

Adjourned at 9:35 a.m.



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER *ajy*
SUBJECT: DIRECTOR'S REPORTS
DATE: FEBRUARY 19, 2026

Background

Board members represented the District at the following meetings in January:

President Murdoch

1/7 ACWA Video Conference Board of Directors Meeting
 1/14 ACWA State Legislative Committee – Region 10 Prep
 1/15 EOCWD Engineering & Operations Committee
 1/19 ACWA Video Conference Board of Directors – Executive Recruitment
 1/22 EOCWD Regular Board Meeting
 1/26 MWDOC Water Policy Dinner
 1/29 ACWA Board Workshop, Sacramento
 1/30 ACWA Board Meeting, Sacramento

Vice President Thoms

1/6 ISDOC Executive Committee Meeting
 1/9 Water Advisory Committee of Orange County (WACO)
 1/15 EOCWD Engineering & Operations Committee
 1/22 EOCWD Regular Board Meeting
 1/26 MWDOC Water Policy Dinner
 1/29 ISDOC Quarterly Lunch

Director Davert

1/22 EOCWD Regular Board Meeting
 1/26 MWDOC Water Policy Dinner

Director Sears

1/9 Water Advisory Committee of Orange County (WACO)
 1/22 EOCWD Regular Board Meeting
 1/26 MWDOC Water Policy Dinner

Director Marquez

1/22 EOCWD Regular Board Meeting
 1/26 MWDOC Water Policy Dinner

Recommendation

Informational.