



ORANGE
COUNTY
WATER
DISTRICT
FOUNTAIN VALLEY
CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2025

**ORANGE COUNTY WATER DISTRICT
FOUNTAIN VALLEY, CALIFORNIA**

Annual Comprehensive Financial Report

For the Year Ended June 30, 2025



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ORANGE COUNTY WATER DISTRICT
FOUNTAIN VALLEY, CALIFORNIA

Annual Comprehensive Financial Report

For the Year Ended June 30, 2025

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FOUNTAIN VALLEY, CALIFORNIA

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INTRODUCTORY SECTION

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LETTER OF TRANSMITTAL

October 16, 2025

To the Board of Directors and the customers of the Orange County Water District:

We are pleased to submit the Annual Comprehensive Financial Report of the Orange County Water District (District or OCWD) for the fiscal year ended June 30, 2025. District staff worked collectively and followed guidelines set forth by the Governmental Accounting Standards Board to prepare this report. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited by Davis Farr LLP, a firm of licensed certified public accountants, in accordance with generally accepted auditing standards. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, the District has established a comprehensive framework of internal controls. The District's internal controls are designed to provide appropriate assurance that the basic financial statements will be free from material misstatements.

The goal of the independent audit was to provide reasonable assurance, rather than absolute assurance, that the basic financial statements of the District for the fiscal year ended June 30, 2025, were free from material misstatement. The independent audit involved examining the District's records on a test basis, reviewing disclosures in the basic financial statements, assessing the accounting principles used, evaluating management's estimates, and assessing the overall financial statement presentation. The independent auditors rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2025, are presented fairly in conformity with GAAP.

The Management Discussion and Analysis (MD&A), which follows the Independent Auditor's Report, provides an overview and analysis of the basic financial statements, and should be read in conjunction with the financial statements.

AGENCY PROFILE

The District was formed in 1933 by a special act of the California State Legislature to protect Orange County's rights to water in the Santa Ana River. The District's primary responsibility is managing the vast groundwater basin located in northern and central Orange County which supplies water to 19 cities and water districts (Producers), serving more than 2.5 million Orange County residents. The District gives the highest priority to the protection, safety, and enhancement of groundwater.

A ten-member Board of Directors (Board), seven of whom are publicly elected by division within the District service area, governs the District. The other three Directors are appointed by their representative city councils of Anaheim, Fullerton, and Santa Ana. The District currently has 227 full time equivalent employees overseeing day-to-day activities at the direction of the General Manager.

The District Act provides for local financing of the District's operations by a combination of ad valorem taxes and water replenishment assessments. It empowers the District to levy and collect a replenishment assessment (RA) and an additional replenishment assessment (ARA) on water extracted from the groundwater basin. These monies are used to purchase supplemental water for groundwater recharge, to construct, operate and maintain water production facilities, and to acquire water rights and spreading facilities to replenish and protect the groundwater supply of the District as well as for administrative purposes.

The Board also sets an annual basin equity assessment (BEA) that generally represents the difference between the cost of pumping groundwater and purchasing supplemental water. Producers annually pay the BEA on each acre-foot pumped in excess of the basin production percentage (BPP) established by the Board.

The District primarily recharges the groundwater basin with Santa Ana River (SAR) flows, Groundwater Replenishment System (GWRS) water, and untreated water purchased from the Metropolitan Water District (MWD) of Southern California. The Santa Ana River flows valued at approximately \$118.1 million a year are essentially free to the District, less the expense to capture and percolate the water, resulting in groundwater that costs about half the cost of MWD water imported from Northern California and the Colorado River. The Santa Ana River flows, Groundwater Replenishment System water, and untreated MWD water are percolated into deep groundwater aquifers through spreading basins in Anaheim and Orange. By naturally filtering the SAR flows and MWD untreated water through the ground, the District saves ratepayers millions of dollars each year in water treatment costs.

The groundwater basin provides about 85% of all water used within the District's service area. With one of the most sophisticated groundwater protection programs in the country, the District utilizes more than 687 (owned and non-owned) wells providing over 1,107 sampling points from which the District collects more than 19,138 water samples and conducts approximately 423,491 laboratory analyses annually.

The District's monitoring program identifies more than 500 potential contaminants, exceeding the 148 target contaminants specified by health agencies.

The District currently holds rights to all Santa Ana River flows reaching Prado Dam in Riverside County (the dam is owned by the U.S. Army Corps of Engineers for flood prevention). The District owns 2,141 acres behind the dam that is used for water conservation, water quality improvement and environmental enhancement. The District saves approximately \$20.40 million per year by collecting stormwater behind Prado Dam, which is recharged into the basin instead of being lost to the ocean.

The District operates the world's largest wastewater purification facility of its kind, called the Groundwater Replenishment System (GWRS). The GWRS takes highly treated sewer water destined for the ocean, purifies it to near-distilled quality, and returns it to the groundwater basin and the District's seawater intrusion barrier. The GWRS, a joint project of the District and the Orange County Sanitation District (OCS), produces high-quality water for approximately half of the cost of MWD water, and uses less energy than is required to import water from Northern California and the Colorado River.

Additional efforts to increase local water supplies include expanding the capacity of the existing percolation facilities, treating poor quality water to make it useable, studying methods to extend the life of water treatment filtration membranes, improving advanced purification technologies, and studying the quality of Santa Ana River water and other water-related issues. Other District activities focus on expanding the Prado wetlands, groundwater treatment at wellheads, computer modeling of the groundwater basin and conservation of endangered or threatened species.

The District continues to adopt strategies to ensure that sufficient water supplies will be available in the future to replenish, protect and maximize the use of the groundwater basin. Ensuring water quality remains a top priority for the District; extra effort is being extended in the areas of monitoring water quality and improving coastal conditions, along with sound financial choices to minimize the costs of projects. Those extra efforts are summarized in the items listed below:

Maintaining and Improving Water Quality

Drinking water in California is among the most highly regulated and safest in the world. Operating for more than seventeen years now, the GWRS brings Orange County's water quality to a higher level. The District conducts monitoring programs on behalf of the local water retailers to meet monitoring requirements implemented by the California Department of Health Services and the U.S. Environmental Protection Agency.

The District also implements additional monitoring programs to manage groundwater. These programs are designed to give the District advance warning of potential problems, allowing corrective action to be taken to protect northern and central Orange County's water supply before a problem arises.

The District's organic and inorganic laboratory provides real value to local water retailers by testing all groundwater to ensure public health. The District has consistently maintained a proactive approach to ensuring water quality.

Improving Coastal Conditions

Production from the basin requires coastal mitigation measures. The District has implemented various capital projects to improve coastal conditions. The District's two main objectives are to ensure high quality coastal groundwater supplies and to protect the coastal aquifer subunits from seawater intrusion through expansion of the seawater barrier.

Using the Safest and Most Cost-Effective Financing Option

The District has traditionally and successfully used long-term debt financing in the form of Certificates of Participation, Revenue refunding bonds, and low-cost State and Federal loans to pay for capital projects that have increased water production, removed pockets of contamination, increased producer pumping capacity, increased the capture of Santa Ana River flows, and prevented seawater intrusion. The District continually seeks ways to minimize capital project costs. The District was successful in securing a low-rate Water Infrastructure Finance and Innovation Act (WIFIA) loan for the partial funding of the GWRS Final Expansion project and State Revolving Fund (SRF) loan for the balance of the project and a WIFIA loan for the partial funding of the per- and polyfluoroalkyl substances (PFAS) Treatment Facilities project.

ECONOMIC CONDITION AND OUTLOOK

The District's service boundary covers virtually the entire northern half of Orange County. About 2.5 million Orange County residents rely on the groundwater basin for about 85% of their water needs. Orange County is one of the major metropolitan areas in California and the nation representing the third most populous county in the state, and fifth in the nation. The population growth has experienced a recent slight population decline rather than growth, with a rate of (0.47%) annually driven largely by a high cost of living and outmigration.

Orange County's economic growth is expected to continue slowing in the near term, though it is projected to outpace the national average due to its strong high-tech, medical technology, and tourism sectors. The growth in inflation was 0.2% over the past month while the rate remained the same at 3.2% from a year ago. Local, statewide, and national unemployment rates have increased compared to last year. The local unemployment rate in June 2025 was 4.5% compared to 5.8% for California and 4.1% for the nation. The California State Budget for fiscal year 2026 was signed into law on June 27, 2025. Although the precise implications of the state budget are unclear at this time, the District expects no cuts in ad valorem property tax revenues for the upcoming fiscal year (FY 2025-26).

During the water year 2024-25, the District replenished 252,200 acre-feet (af) of water. This includes 129,500 af of Santa Ana River flows, 113,100 af of GWRS water, and of 2,200 af of imported water. Other water sources include natural replenishment from rainfall that provided an additional 7,400 af of water.

Groundwater use in Orange County in water year 2024-25 was approximately 302,200 af or 98.5 billion gallons during the water year. Groundwater met 85.2% of the water demand within the District boundaries. There are challenges ahead in meeting future water demand, but with continued investment in cost-effective capital improvement projects, the District is confident that the groundwater basin can stay ahead of demand and continue to provide a reliable, high-quality water supply.

MAJOR INITIATIVES FOR THE FUTURE

The District is Planning the Following Projects for the Fiscal Year 2025-2026:

The District's combined projects will provide regional, statewide and national benefits. All these projects are an effective response to meeting the federal mandate to decrease California's dependency on imported waters from the Colorado River and the Sacramento-San Joaquin River Delta (the "Delta"). The current method of moving water through the Delta to the pumps of the California State Water Project is in jeopardy due to recent environmental rulings. OCWD's projects help to diminish the region's reliance on uncertain imported water supplies.

PFAS Treatment Systems

This project provides the design and construction of PFAS (per- and polyfluoroalkyl substances) treatment systems to eleven impacted Producers to remove PFAS from water prior to serving customers. Forty-nine PFAS treatment systems have already been constructed and are in operation. Construction activities for twenty treatment systems and design work for twenty-four treatment systems are currently underway. Design and construction of PFAS treatment systems will continue over the next few years.

Santiago Floating Pump Station

The Santiago Basin Floating Pump Station controls will be modified with new pump drives and new piping to accommodate pumping in Santiago above 240' MSL. Conduits and floats will be repaired. Wires to pumps will be replaced and wire anchors will be installed to prevent wire slumping in the conduits during low-water conditions. Design of the repairs and modifications have been completed. The first phase of construction is complete, and the second phase will start this year. Replacement of the pump's electrical drives and wiring are scheduled to begin January 2026.

Anaheim Lake Valve Vault

Several valves and actuators located near the Anaheim Lake connection to OC-28 and the Atwood Channel are at the end of their useful life. The current valves will be excavated and removed, and four 48-inch and one 72-inch valves and actuators will be replaced inside a new cast-in-place concrete vault. The new subterranean vault will allow access to maintain, repair, and replace these valves in the future, assuring Anaheim Lake water distribution system reliability. This project is scheduled to begin in the fall of 2025.

Bond Basin Slope Repairs at Orange Storm Drain

The slope of Bond Basin around the Orange Storm Drain inlet has been severely eroded by storm drainage flowing into the basin. An emergency tie back wall was previously installed to stop future damage, but the existing damage needs to be repaired. The heavily eroded slope under the existing 60-inch City of Orange storm drain outfall will be reconstructed utilizing onsite fill material. The storm drain will be re-routed and a new concrete lined swale constructed to prevent future erosion. The cost of these repairs will be split with the City of Orange, and repairs will be completed in the summer/fall of 2025.

Water Education and Outreach Programs

The District is committed to developing, promoting, and managing water education and outreach programs for the communities it serves and beyond. The goal of these programs is to educate the public about the origins of our water, highlight OCWD's groundwater management and water supply initiatives, and discuss the importance of this precious resource. OCWD has continued to build upon the success of its virtual and in-person programs, offering the flexibility of both options so people and organizations can participate at their convenience and in the method they prefer.

The components that comprise OCWD's water education and outreach programs are:

Children's Water Education Festival

In April 2025, OCWD celebrated the 28th anniversary of the Children's Water Education Festival – the nation's largest event of its kind – by facilitating water education and stewardship presentations for third, fourth and fifth grade students throughout Orange County. More than 6,000 students attended this year's event, which was held at a new location: Oak Canyon Park. Participating organizations led 60 educational and interactive presentations, including eight presentations from OCWD staff. Since the Festival's inception in 1997, more than 158,000 students have experienced this award-winning water education program.

Middle & High School Program (formerly Next Generation Water Leaders)

In response to feedback from teachers and schools regarding the Next Generation Water Leaders virtual program, and the desire to return to in-person field trips, OCWD redesigned its educational program for middle and high school students. Launched in Fall 2024, the new Next Generation Water Leaders Program features an award-winning video, an in-person tour of the Groundwater Replenishment System, and a digital quiz.

Prado Wetlands Traveling Scientist Program

During the 2024-25 school year, Inside the Outdoors (ITO), administered by the Orange County Department of Education, led a Traveling Scientist program for third grade. This one-hour, Next Generation Science Standards-aligned program brings the *Prado Constructed Wetlands* Virtual Field Trip to life for students as they explore a traveling nature center. It quickly became one of ITO's most popular field trips.

As part of the program, students take on the role of an OCWD environmental scientist and use their five senses to explore how the Prado Constructed Wetlands help enhance water quality and reliability for Orange County, while also providing a healthy habitat for the Least Bell's Vireo. Various investigations are conducted and designed to resemble a nature center, allowing students to learn more about the abiotic conditions, animals, and plants that inhabit the wetlands.

O.C. Water Summit

Since 2008, the annual O.C. Water Summit has brought together individuals, business, community, and civic leaders to hear discussions about local water supply and water reliability challenges. The premier regional water event educates elected officials, water industry professionals and the public on what measures are in place to address these issues as well as possible solutions to future challenges. OCWD staff collaborated with the co-hosting agency, the Municipal Water District of Orange County, to plan the Summit on September 27, 2024, which was attended by 293 people. The 2024 Summit featured four sessions and 32 sponsors.

Water Advisory Committee of Orange County

The Water Advisory Committee of Orange County (WACO) was established in 1983 to facilitate discussions on current and emerging water issues among Orange County policymakers and water professionals. Monthly meetings are typically held on the first Friday of each month, providing attendees with an opportunity for professional networking and informative presentations from water industry professionals, academics, economists, engineers, political officials, and others on key water issues affecting Orange County.

OCWD.com

As a public agency, the District's website features extensive documents, forms for tour reservations and public records requests, audio clips of meetings, educational materials, and information detailing how OCWD fulfills its duties. The website contains information that reflects OCWD's core values of transparency, sound planning, investment and financial management, high-quality water, environmental stewardship, and securing a highly reliable water supply. Over the past year, the website has been updated with new design elements based on best practices. Webpages were frequently updated to address priority programs and water issues such as PFAS and the Groundwater Replenishment System. OCWD's website is undergoing further design enhancements that will go live in late 2025.

Social Media

The District manages a robust social media program utilizing Facebook, X, LinkedIn, Instagram, Threads, TikTok, and YouTube to further promote OCWD's projects, programs, and mission. The combined social media platforms engage more than 19,000 followers who learn about the District and local water supply. OCWD staff shares information on its platforms multiple times per week to ensure a consistent and frequent flow of communication.

Hydrospectives Newsletter

The monthly Hydrospectives newsletter provides the latest information about water quality and reliability, water reuse and supply, the watershed, and groundwater management to nearly 3,500 subscribers. Each month the newsletter directs subscribers to various OCWD links.

Speakers Bureau

Through its active speakers' bureau program, OCWD receives requests for representatives to speak to numerous organizations and schools, as well as at local, national, and international conferences. In FY 2024-25, staff and board members gave approximately 72 virtual and in-person presentations to community organizations, city councils and conferences.

Facility Tours

As a leader in water reuse and groundwater management, OCWD provides on-site and virtual tours and briefings for visitors from local colleges, water agencies, the surrounding community, and international organizations. One hundred sixteen onsite and virtual tours were conducted for OCWD visitors during FY 2024-25, hosting 2,095 guests. Additionally, for those unable to attend a scheduled virtual or in-person tour, OCWD's on-demand tour videos are available to view on the District's YouTube channel. To date, more than 21,000 views have been garnered for the on-demand tour videos.

Water Webinars

OCWD has continued to build upon the success of its webinar program, first launched in May 2020, to bring water education to a broad range of stakeholders including a global audience. The District's Water Webinar series features emerging and newsworthy topics related to various aspects of water management and highlights important OCWD programs and projects that impact local water supply. Four webinars were completed in FY 2024-25. To date, OCWD has produced 36 live webinars, which have garnered approximately 21,100 views.

Media Outreach

Through its comprehensive programs which span groundwater management, water quality, water recycling, research and development, and more, OCWD continues to be recognized as a positive leader in local, regional, statewide, national, and international water management. OCWD actively writes and distributes press releases, participates in media interviews, and has been featured in thousands of print and broadcast stories such as the *Orange County Register*, *Los Angeles Times*, *CBS News*, *CalMatters*, *The Epoch Times*, *ABC7*, *The Associated Press*, *The Washington Post*, *KPCC*, *MSN*, and many more. In FY 2024-25, media stories that featured OCWD had a combined reach of over 6 billion.

Legislative Outreach

OCWD, with the assistance of experienced consultants, maintains an active presence in the government arena to forge and maintain long-term, positive and proactive relationships with legislative offices. These relationships aim to expand water reuse, advocate for the development of new water supplies, and promote the use of new technologies, as well as increase stormwater capture, among other objectives. Decisions and actions are guided by two documents: 2024-25 Legislative Policies and State and Federal Legislative Goals and Strategy.

Awards & Accomplishments

OCWD is recognized globally for its leadership and innovation in water quality, water supply and reliability, groundwater management, environmental stewardship, and sound financial management. Its work has been recognized by local and international organizations, and the District has received numerous awards over the years.

The following list of awards represents the acclaim and recognition bestowed upon the District in FY 2024-25.

- Outstanding Water/Wastewater/Recycle Water Project | Fullerton PFAS Treatment Plant – Main Plant | American Society of Civil Engineers – Orange County
- Blue Pencil and Gold Screen Award | Promotional/Informational Video: The Power of Water Recycling: OCWD in Action | National Association of Government Communicators
- Certificate of Excellence | Association of California Water Agencies
- EPIC Award | Next Generation Water Leaders Video | California Association of Public Information Officials
- Award of Distinction | Prado Bald Eagles Public Outreach Campaign | California Association of Public Information Officials
- Excellence in Water Reuse Performance, Industry & Sustainability Awards | GWRS | International Desalination and Reuse Association
- National Environmental Achievement Award, Community Leadership | GWRS Final Completion | National Association of Clean Water Agencies

A complete list of awards dating back to 2003 can be found on the District's [awards webpage](#).

RELEVANT FINANCIAL POLICIES

Internal Control Structure

District management is responsible for establishing and maintaining the internal control structure that ensures the District's assets are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

Accounting and Budgetary Policies

The District maintains its accounting records on an accrual basis. A great deal of consideration is given to the adequacy of internal accounting controls in developing and evaluating the District's accounting system. Internal accounting controls are designed to provide reasonable assurance regarding: (1) the safeguarding of District assets against theft or unauthorized use and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets.

The District's Board of Directors approves operating and capital budgets annually and allocates required funding accordingly prior to June 30 each fiscal year. The budget includes proposed expenses by department (function) and the means of financing them. Budgetary controls and evaluation are affected by comparisons of actual revenue and expenses with planned revenues and expenses for the period. The Board approves total budgeted appropriations and any amendments to the appropriations throughout the year. The District has adopted a Uniform Purchasing Policy that identifies agreed-upon purchasing standards.

Debt Management

The District's debt primarily consists of Certificates of Participation (COPs), Refunding Revenue Bonds (RRBs), state loans, WIFIA loans, and commercial paper. The District has executed 18 issuances since 1989. Only four COP and RRB issuances are outstanding (2003A, 2017A&B, and 2019B, 2019C&D) as of June 30, 2025. Other issuances are either advanced refunded, defeased, or refinanced with the help of the state loans and Refunding Revenue Bonds.

During FY 2024-25, the District used WIFIA-PFAS loan proceeds to pay off the 2021A bond Revenue COPs which matured in February 2025.

During FY 2023-24, the District has drawn \$18.5 million from the WIFIA loan agreement with the Environmental Protection Agency (EPA) for the construction of the final expansion of the GWRS project.

During FY 2022-23, the District has drawn down \$1.72 million from the State Water Resource Control Board loans and \$115.36 million from the WIFIA loan agreement with the

Environmental Protection Agency (EPA) for the construction of the final expansion of the GWRS project.

During FY 2021-22, the District issued \$94.42 million of 2021A debt to partially support the PFAS project. The District entered into a low rate WIFIA loan agreement with the Environmental Protection Agency (EPA) for the partial funding of the PFAS project, which was used to retire the 2021A debt.

During FY 2020-21, the District entered into \$181.2 million construction installment sale agreements with the State Water Board. As of the year end June 30, 2022, the District has drawn \$124.3 million in funds against these agreements. These construction loan agreements will fund part of the final expansion of the GWRS project.

The District has a letter of credit and reimbursement agreement supporting a commercial paper program with Sumitomo Mitsui Banking Corporation. The District has a credit capacity of \$70.0 million less \$4.5 million outstanding commercial paper debt to meet its future financing needs through the commercial paper program. For FY 2025-26, the District has budgeted \$4.5 million for principal payments of commercial paper debt.

The District's rated debt obligations have received AAA ratings from Fitch Ratings and Standard & Poor's and an Aa1 rating from Moody's based on the District's long-term credit quality. The ratings mean the District is one of the highest rated water agencies in the State of California. Maintaining a high rating saves the District and local water ratepayers millions of dollars by allowing the District to borrow money more easily and at lower rates.

The high ratings reflect great confidence in the District's overall and fiscal management, as well as its leadership in the water industry. It bears truth to the District's competitive replenishment assessment rates, particularly in comparison to alternative water supply options, strong debt service coverage, and the District's ability to address Southern California's long-term water supply problems with new water projects like the GWRS.

OTHER INFORMATION

Independent Audit: The District's policy, as well as sound financial practices, requires an annual audit of financial records and transactions by independent certified public accountants selected by the Board of Directors. The accounting firm of Davis Farr, LLP CPAs, was selected to perform the (FY 2024-25) audit. The auditor's opinion is included in this report.

Awards: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Orange County Water District for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2024. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

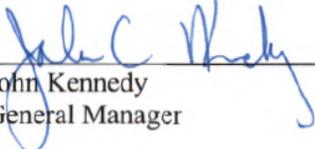
A Certificate of Achievement is valid for one year. We believe our current ACFR continues to meet the Certificate of Achievement requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate of achievement.

The preparation of the annual comprehensive financial report on a timely basis is a large task, made possible only by the combined efforts of many staff members. Employees of the Finance

Department deserve special recognition. Without their efforts, the completion of this report would not have been possible.

We would also like to thank and recognize the members of the Board of Directors, especially the members of the Administration and Finance Committee, for their continued support in the planning and implementation of the District's fiscal policies.

Respectfully submitted,

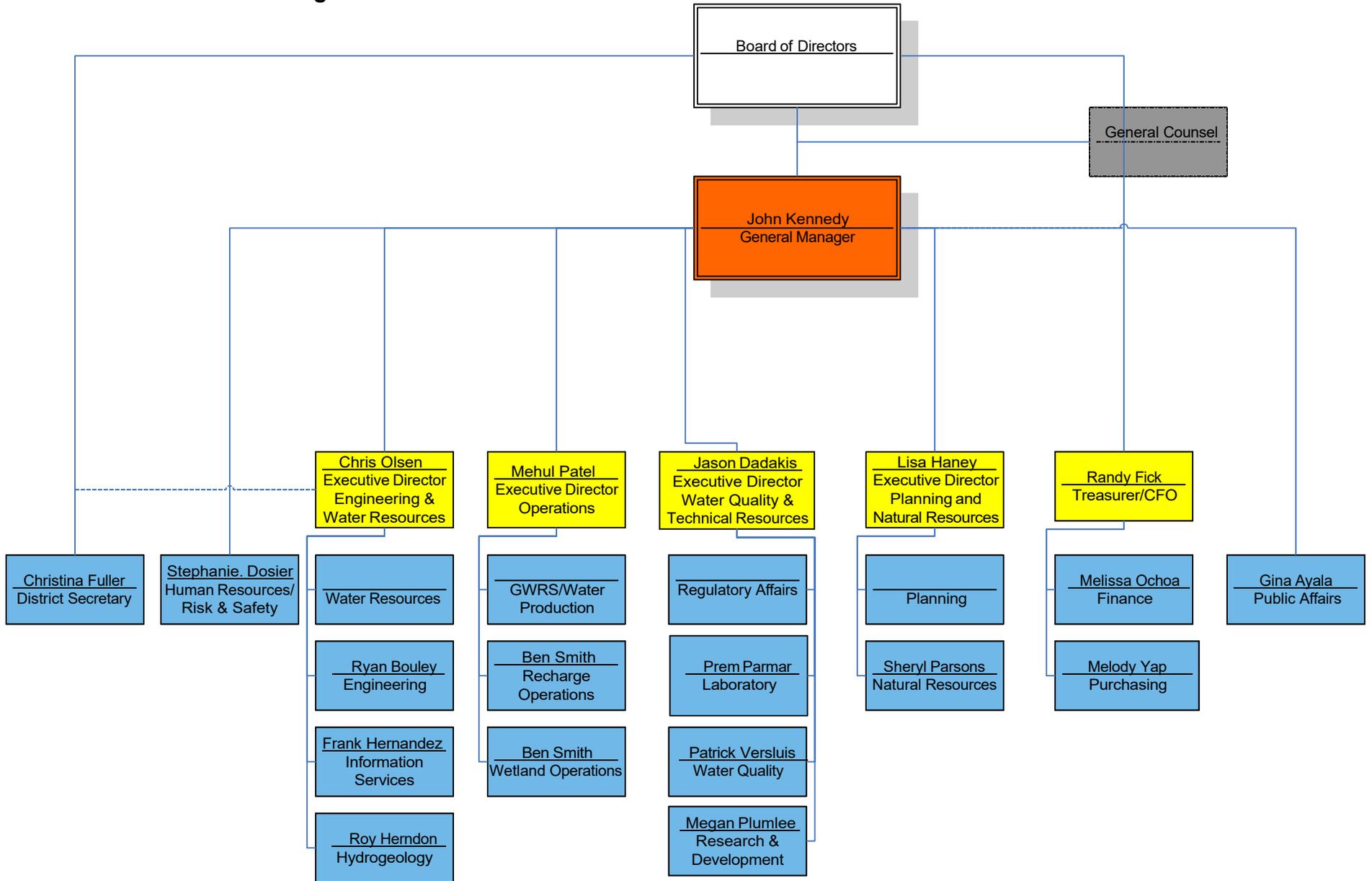


John Kennedy
General Manager



Randy Fick
Chief Financial Officer/Treasurer

OCWD Organizational Structure





**Orange County Water District
Annual Comprehensive Financial Report
Fiscal Year 2024-25**

Board of Directors

Dina Nguyen, Esq., Division 1

Denis Bilodeau, P.E., President, Division 2

Roger C. Yoh, P.E., Division 3

Van Tran, Esq., 1st Vice President, Division 4

Stephen Sheldon, Division 5

Cathy Green, Division 6

Erik K. Weigand, 2nd Vice President, Division 7

Valerie Amezcua, Division 8

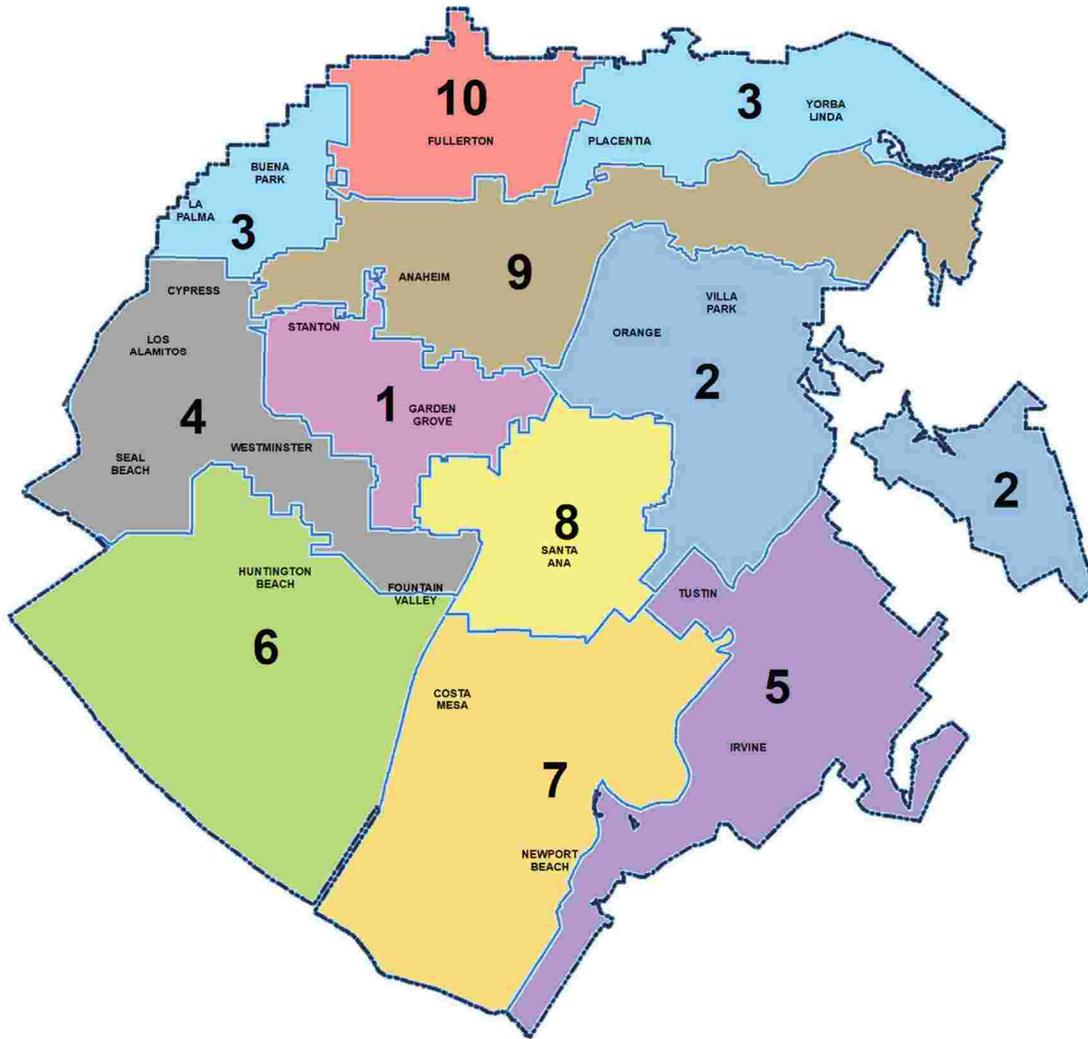
Natalie Meeks, Division 9

Fred Jung, Division 10



John C. Kennedy, P.E.
General Manager

ORANGE COUNTY WATER DISTRICT



DISTRICT VITAL STATISTICS

Date of Enactment: 1933
 Form of Government: Special District of the State of California
 Area (square miles): 381
 Employees (full-time): 227

Major Groundwater Producing Agencies:

- | | |
|-----------------------------------|----------------------------|
| Anaheim, City of | Mesa Water District |
| Buena Park, City of | Newport Beach, City of |
| East Orange County Water District | Orange, City of |
| Fountain Valley, City of | Santa Ana, City of |
| Fullerton, City of | Seal Beach, City of |
| Garden Grove, City of | Serrano Water District |
| Golden State Water Company | Tustin, City of |
| Huntington Beach, City of | Westminster, City of |
| Irvine Ranch Water District | Yorba Linda Water District |
| La Palma, City of | |



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Orange County Water District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

Independent Auditors' Report

Independent Auditor's Report

Board of Directors
Orange County Water District
Fountain Valley, California

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

As described further in note 10 to the financial statements, during the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101: *Compensated Absence*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Orange County Water District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Soquel Creek Water 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 Soquel Creek Water 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 Changes in Net OPEB Liability (Asset) and Schedule of Contributions* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

The financial statements of the District for the year ended June 30, 2024 were audited by other auditors whose report dated October 17, 2024 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Irvine, California
October 16, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights for the Year Ended June 30, 2025

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

The following summary analysis provides a brief discussion of the Orange County Water District's (District) performance offering an overview of the District's financial activities for the year ended June 30, 2025. This section should be read in conjunction with the basic financial statements and the notes to the financial statements, which follow this analysis.

Financial Highlights

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$610.76 million (net position), representing \$213.25 million in net investment in capital assets, \$2.73 million restricted for construction of capital assets, \$0.004 million restricted for debt service, \$2.70 million restricted for custodial costs and \$392.08 million unrestricted for operations. Net position increased \$81.17 million or 15.33%, in 2025 over the prior year.
- In 2025, total operating revenues increased 17.87%, or \$32.33 million, from the prior year, primarily due to the net effect of a \$32.74 million increase in revenues for replenishment assessments, \$0.82 million decrease in basin equity assessments and a \$0.41 million increase in reclaimed water revenues.
- Total operating expenses increased \$10.77 million or 7.51% in 2025 due to the net effect of a \$0.31 million decrease in water purchases, an increase in water production of \$2.89 million, an increase in General & Administrative expenses of \$4.66 million, and a \$3.58 million increase in PFAS treatment systems operations and maintenance expenses.
- The District's non-operating revenues, net of expenses increased \$1.20 million, or 2.75%, from the prior year due to the net effect of a \$6.04 million increase in legal settlements, net of expenses received in 2025 offset by a \$5.4 million loss on disposal of capital assets.
- Capital contributions from other parties increased \$7.95 million in 2025 for PFAS Treatment Facilities.
- Capital contributions to other parties increased \$6.45 million in 2025 for PFAS Treatment Facilities.
- Total short-term commercial paper debt is \$4.5 million in 2025, as compared to \$12.9 million in the prior year.
- Total debt excluding commercial paper is \$798.02 million in 2025, as compared to \$819.44 million in the prior year.

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

Overview of the Financial Statements

The District operates as a utility enterprise and presents its basic financial statements using the full accrual basis of accounting. The basic financial statements of the District consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position includes all District's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the District's capital structure, and assessing its liquidity and financial flexibility.

The Statement of Revenues, Expenses, and Changes in Net Position provides information on the District's operations and can be used to determine whether the District has recovered its costs through its rates and other charges. This statement can also be used to determine the District creditworthiness and profitability.

The Statement of Cash Flows provides information regarding the District's cash receipts and cash payments and changes in cash resulting from operations, non-capital financing, capital and related financing, and investment activities and provides information on the sources and uses of the District's cash.

Notes to the basic financial statements provide additional information necessary to gain a full comprehensive understanding of the data presented in the basic financial statements. The notes to the basic financial statements are located on pages 25 to 53 of this report.

Other information includes *required supplementary information* concerning the District's progress in funding its obligations to provide Other Post-Employment Benefits to its employees. Required supplementary information is located on pages 56 and 57 of this report.

Financial Analysis of the District

The following Condensed Statements of Net Position and Condensed Statements of Revenues, Expenses and Changes in Net Position provide summary financial information which was extracted from the basic financial statements to assist readers in evaluating the District's overall financial position and results of operations as described in this analysis.

Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other external factors should also be considered in this analysis such as changes in economic conditions, new or revised government legislation or accounting standards, population growth, and zoning regulations.

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

Financial Position Summary

Table 1 - Condensed Statements of Net Position			
	Fiscal Year 2025	Fiscal Year 2024	\$ Change
Assets:			
Current assets	\$ 477,495,969	\$ 389,772,648	\$ 87,723,321
Capital assets	1,004,514,666	1,025,079,158	(20,564,492)
Other non-current assets	17,108,907	16,130,956	977,951
Total assets	1,499,119,542	1,430,982,762	68,136,780
Deferred outflows of resources	14,426,242	15,831,572	(1,405,330)
Liabilities:			
Current liabilities	98,769,189	179,437,218	(80,668,029)
Long-term debt less current portion	775,922,584	706,424,125	69,498,459
Other long-term liabilities	9,135,157	10,612,306	(1,477,149)
Total liabilities	883,826,930	896,473,649	(12,646,719)
Deferred inflows of resources	18,959,639	20,746,974	(1,787,335)
Net position:			
Net investment in capital assets	213,248,985	200,286,418	12,962,567
Restricted for construction of capital assets	2,732,210	-	2,732,210
Restricted for debt service	3,961	1,204	2,757
Restricted for custodial costs	2,695,303	2,157,788	537,515
Unrestricted	392,078,756	327,148,301	64,930,455
Total net position	\$ 610,759,215	\$ 529,593,711	\$ 81,165,504

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, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$610.76 million on June 30, 2025, compared with \$529.59 million on June 30, 2024. The District's net position increased by \$81.17 million for the year.

A portion of the District's net position (34.92% and 37.82% 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 are still outstanding. The District utilizes its capital assets to provide services to its customers; consequently, these assets are not available for future expenditures.

At the end of the fiscal year 2025, the District reflects a balance of \$0.004 million restricted for debt service payments.

An additional portion of the District's net position of \$2.70 million and \$2.16 million as of June 30, 2025, and 2024, respectively, is for custodial costs, which represent resources that are subject to external restrictions on how they may be used.

At the end of fiscal years 2025 and 2024, the District reflects a positive balance in its unrestricted net position of \$392.08 million and \$327.15 million, respectively, which may be utilized in future years.

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

Activities and Changes in Net Position

Table 2 - Condensed Statements of Revenues, Expenses and Changes in Net Position			
	Fiscal Year 2025	Fiscal Year 2024	\$ Change
Operating revenues	\$ 213,228,941	\$ 180,903,570	\$ 32,325,371
Operating expenses	154,210,690	143,437,543	10,773,147
Operating income(loss)	59,018,251	37,466,027	21,552,224
Non-operating revenues, net of expenses	44,755,305	43,559,431	1,195,874
Net income before capital contributions	103,773,556	81,025,458	22,748,098
Capital contributions from other parties	8,480,028	534,200	7,945,828
Capital contributions to other parties	(31,088,080)	(24,641,415)	(6,446,665)
Changes in net position	81,165,504	56,918,243	24,247,261
Net position, beginning of year	529,593,711	472,675,468	56,918,243
Net position, end of year	\$ 610,759,215	\$ 529,593,711	\$ 81,165,504

The statements of revenues, expenses, and changes in net position indicate how the District's net position changed during the fiscal year. The changes in the current year are noted below.

Total operating revenues increased \$32.33 million or 17.87% from the prior year due to the following:

- Replenishment assessments increased \$32.74 million. Total pumping increased 7.59% from 280,877 acre-feet to 302,200 acre-feet and the Board approved a replenishment assessment rate increase from \$624 to \$688 per acre-foot. The increase in groundwater pumping is primarily due to more PFAS treatment systems coming online in 2025.
- Basin Equity Assessments (BEA) apply to groundwater pumping in excess of the Basin Production Percentage (BPP), which is set and approved by the Board. Basin Equity Assessments decreased by \$0.82 million due to less pumping above the BPP.
- Reclaimed water revenues increased \$0.410 million from the prior year due to an increase in demand for recycled water due to a drier year.

Total operating expenses increased 7.51% or \$10.77 million from the prior year due to the following:

- Water purchases decreased by \$0.31 million, due to the basin being in good condition with high water storage levels. The District did not purchase untreated imported Metropolitan Water this fiscal year.
- Water production expenses increased by \$2.89 million, primarily due to higher usage of electrical power and chemicals by the Groundwater Replenishment System. For the year ending June 30, 2025, the Groundwater Replenishment System production increased from 106,600 acre-feet to 113,100 acre-feet of water.
- General and administrative expenses increased by \$4.66 million for the daily administration of the District.
- PFAS – operations and maintenance expenses increased by \$3.58 million due to more PFAS treatment systems online in 2025 for eleven producers.

The District's non-operating revenues, net of expenses, increased \$1.20 million or 2.75%, which is primarily due to the net effect of a \$6.04 million increase in legal settlements received and a \$5.35 million in a loss on disposal of capital assets in 2025.

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

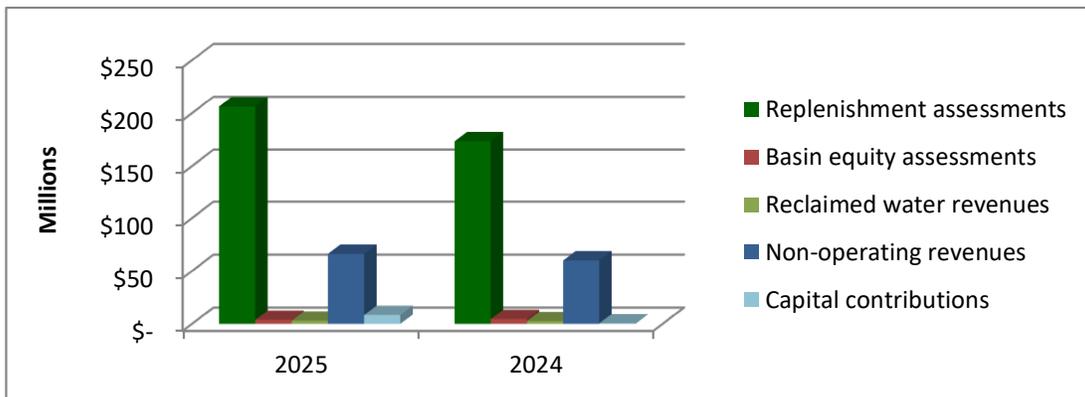
In 2025, the District's capital contributions from other parties increased by \$7.95 million from the prior year and capital contributions to other parties increased by \$6.45 million for PFAS treatment facilities.

Revenues

Table 3 - Total Revenues			
	Fiscal Year 2025	Fiscal Year 2024	\$ Change
Operating revenues:			
Replenishment assessments	\$ 206,356,054	\$ 173,617,162	\$ 32,738,892
Basin equity assessments	3,826,037	4,649,500	(823,463)
Reclaimed water revenues	3,046,850	2,636,908	409,942
Total operating revenues	213,228,941	180,903,570	32,325,371
Non-operating revenues:			
Property taxes	39,349,638	37,701,909	1,647,729
Investment income	10,218,266	10,537,047	(318,781)
Net increase in fair value of investments	4,893,036	5,434,793	(541,757)
Rental income, net of expenses	1,666,706	1,821,857	(155,151)
Legal settlements, net of expenses	5,781,359	-	5,781,359
Other non-operating revenues	3,791,703	3,886,734	(95,031)
Operating grants	507,759	344,521	163,238
Gain on sale of capital assets	-	324,572	(324,572)
Total non-operating revenues	66,208,467	60,051,433	6,157,034
Capital contributions from other parties	8,480,028	534,200	7,945,828
Total revenues	\$ 287,917,436	\$ 241,489,203	\$ 46,428,233

In 2025, the District's total revenues increased by \$46.43 million or 19.23%, primarily due to a \$32.74 million increase in replenishment assessments, a \$5.78 million increase in legal settlements and a \$7.95 million increase in capital contributions received from other agencies for the PFAS treatment facilities.

**Total Revenues
(Fiscal Year 2025 and 2024)**



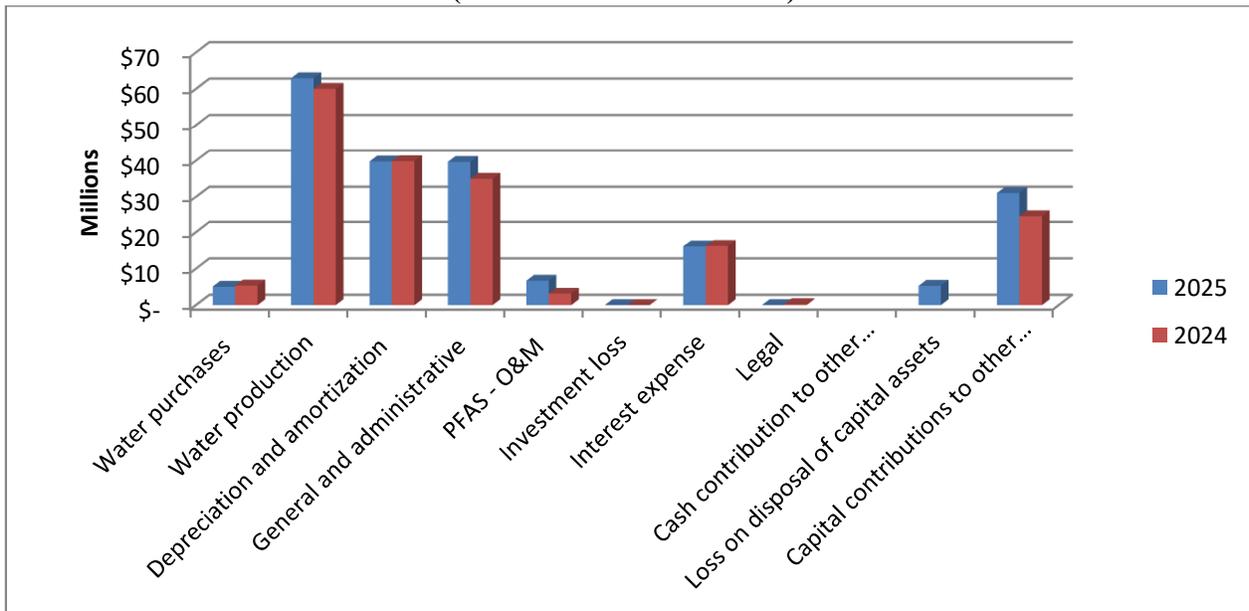
Expenses

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

Table 4 - Total Expenses			
	Fiscal Year 2025	Fiscal Year 2024	\$ Change
Operating expenses:			
Water purchases	\$ 5,090,949	\$ 5,398,965	\$ (308,016)
Water production	62,914,541	60,020,715	2,893,826
Depreciation and amortization	39,799,470	39,852,607	(53,137)
General and administrative	39,662,040	35,001,257	4,660,783
PFAS - operations and maintenance	6,743,690	3,163,999	3,579,691
Total operating expenses	154,210,690	143,437,543	10,773,147
Non-operating expenses:			
Interest expense	16,099,082	16,229,395	(130,313)
Legal settlements, net of expenses	-	262,607	(262,607)
Loss on disposal of capital assets	5,354,080	-	5,354,080
Total non-operating expenses	21,453,162	16,492,002	4,961,160
Capital contributions to other parties	31,088,080	24,641,415	6,446,665
Total expenses	\$ 206,751,932	\$ 184,570,960	\$ 22,180,972

In 2025, the District's total expenses increased by \$22.18 million or 12.02%, mainly due to the net effect of an increase in general and administrative expenses of \$4.66 million, an increase of \$3.58 million in PFAS operation and maintenance costs, an increase in a loss on disposal of capital assets by \$5.35 million, and a \$6.45 million decrease in capital contributions to other parties.

**Total Expenses
(Fiscal Year 2025 and 2024)**



**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

Capital Assets

As of the fiscal year ended June 30, 2025, the District had invested \$1,748.12 million in capital assets, including land, water rights, structures and improvements, infrastructure, equipment, construction in progress, right-to-use leased equipment, and subscription-based assets. Capital additions, net of transfers and retirements totaled \$49.57 million and \$65.10 million during the fiscal years ended June 30, 2025, and 2024, respectively.

In 2025, net capital assets decreased by \$20.56 million or 2.01%, primarily due to capital contributions to various agencies for completed PFAS Treatment Facilities in the amount of \$31.09 million.

The District added \$0.753 million in the subscription-based assets, in accordance with GASB Statement No. 96.

Net capital assets retired were \$5.40 million and \$7.51 million during the fiscal years ended June 30, 2025, and 2024, respectively.

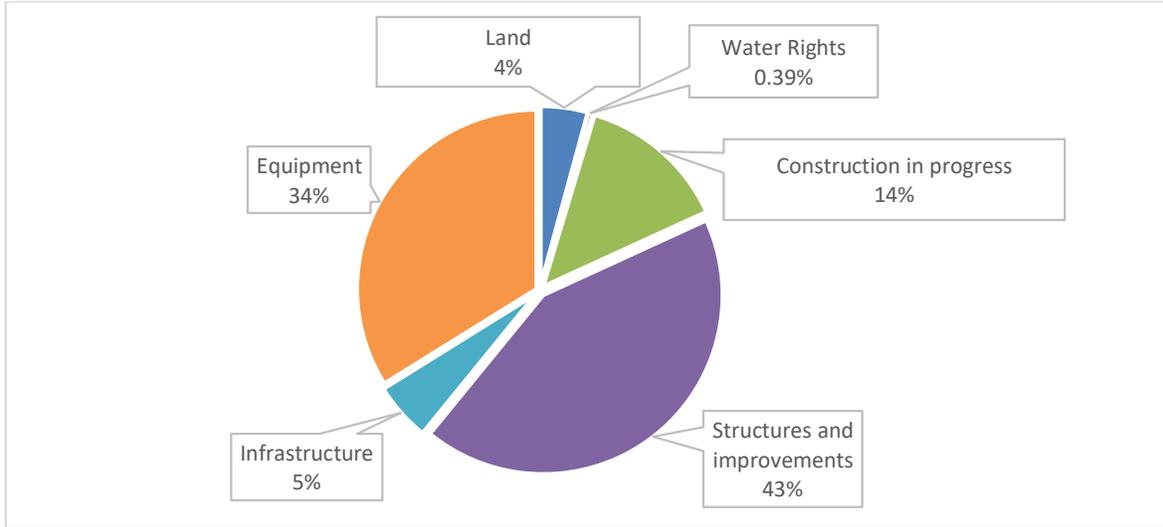
The following is a summary of the capital assets on June 30, 2025, and June 30, 2024:

Table 5 - Capital Assets			
	Fiscal Year 2025	Fiscal Year 2024	\$ Change
Land	\$ 74,146,171	\$ 74,146,171	\$ -
Water Rights	6,823,570	6,823,570	-
Construction in progress	236,309,849	231,162,014	5,147,835
Structures and improvements	746,459,588	743,496,131	2,963,457
Infrastructure	92,064,968	92,064,968	-
Equipment	591,484,617	581,208,873	10,275,744
Right-to-use lease equipment	20,413	20,413	-
Subscription based assets	806,237	464,025	342,212
Subtotal	1,748,115,413	1,729,386,165	18,729,248
Less: accumulated depreciation/amortization	(743,600,747)	(704,307,007)	(39,293,740)
Total capital assets, net	\$ 1,004,514,666	\$ 1,025,079,158	\$ (20,564,492)

Additional information on Capital Assets can be found in the notes to the financial statements specifically in Note 4.

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

Capital Assets



Debt Administration

As of June 30, 2025, the District had \$4.5 million of commercial paper short-term debt outstanding. This amount represents a decrease of \$8.4 million in a voluntary principal payment made in 2025.

As of June 30, 2025, the District had \$798.02 million in long-term debt outstanding compared to \$819.44 million at the end of the fiscal year on June 30, 2024. It includes loans from the State of California, USEPA WIFIA loans, revenue refunding bonds, and installment purchase agreements associated with certificates of participation. This amount represents a net decrease of \$21.42 million or 2.61% from the prior year, primarily due to the net effect of \$94.42 million in proceeds from the WIFIA PFAS loan for PFAS treatment facilities, \$94.58 principal payments in certificates of participation, \$6.34 million of principal payments in revenue refunding bonds, and \$12.04 million of principal payments to the State Water Resource Control Board during the fiscal year.

The following is a summary of total debt on June 30, 2025 and June 30, 2024, respectively:

Table 6 - Short-Term Debt			
	Fiscal Year 2025	Fiscal Year 2024	\$ Change
Commercial paper	4,500,000	12,900,000	(8,400,000)

Table 7 - Long-Term Debt			
	Fiscal Year 2025	Fiscal Year 2024	\$ Change
Certificates-of-Participation	\$ 134,965,203	\$ 232,504,235	\$ (97,539,032)
Revenue refunding bonds	256,567,507	265,029,646	(8,462,139)
State of California loans	176,023,459	188,058,912	(12,035,453)
WIFIA loans	230,463,022	133,851,077	96,611,945
Total	\$ 798,019,191	\$ 819,443,870	\$ (21,424,679)

**ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

The District's rated debt obligations have received the following ratings from the three major credit rating agencies:

Fitch Ratings: AAA

Moody's: Aa1

Standard & Poor's: AAA

Additional information can be found in Note 8 for Long-Term Debt and Note 9 for Short-Term Debt of the notes to financial statements.

Next Year's Budget and Rates

The Board of Directors approved the budget for the fiscal year 2025-26. The budget included \$109.9 million for operations, \$4.8 million for PFAS O&M expenditure, \$87.2 million for capital projects, \$0.5 million for new equipment, \$11.1 million for water purchases, \$44.5 million for debt service, \$0.6 million for retiree health expenditures and \$28.5 million for Replacement and Refurbishment (R&R) fund expenditure.

The Board approved a Replenishment Assessment rate of \$711 per acre-foot representing a 3.3% increase, and the basin production percentage remains at 85%.

A multi-year construction-in-progress (CIP) budget of \$87.2 million projected in FY2025-26 was adopted. These CIP projects will be funded through \$18.7 million drawdown of reserves, \$5 million in grants, \$0.1 million in interest revenues, and the District will fund \$63.4 million pay-as-you-go from the general fund.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance department, at the Orange County Water District, 18700 Ward Street, Fountain Valley, CA, 92708.

BASIC FINANCIAL STATEMENTS

Statement of Net Position
Statement of Revenues, Expense, and Changes in Net Position
Statement of Cash Flows
Notes to Basic Financial Statements

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ORANGE COUNTY WATER DISTRICT
Statement of Net Position
For the Year Ended June 30, 2025 (with comparative data as of June 30, 2024)

	<u>2025</u>	<u>2024</u>
CURRENT ASSETS		
Unrestricted assets:		
Cash and cash equivalents	\$ 76,793,785	53,730,536
Investments	274,543,607	228,832,422
Accounts receivable	100,568,643	88,309,768
Accrued interest receivable	3,532,605	2,499,566
Inventory	5,539,842	5,357,115
Prepaid expenses and other deposits	1,021,198	1,727,203
Grant receivables	1,173,011	1,248,659
Current portion of notes receivable	305,640	305,640
Lease receivable, current	1,536,060	1,517,316
Total unrestricted assets	<u>465,014,391</u>	<u>383,528,225</u>
Restricted assets:		
Cash and cash equivalents	599,075	1,845,270
Cash with fiscal agent	9,782,314	2,728,316
Custodial escrow retention	2,100,189	1,670,837
Total restricted assets	<u>12,481,578</u>	<u>6,244,423</u>
Total current assets	<u>477,495,969</u>	<u>389,772,648</u>
NONCURRENT ASSETS		
Capital assets:		
Capital assets, not depreciated	317,279,590	312,131,755
Capital assets, net	687,235,076	712,947,403
Total capital assets	<u>1,004,514,666</u>	<u>1,025,079,158</u>
Other noncurrent assets:		
Loans and notes receivable, less current portion	3,667,683	3,973,324
Lease receivable, noncurrent	11,607,584	12,157,632
Net other post employment benefits (OPEB) asset	1,833,640	-
Total noncurrent assets	<u>1,021,623,573</u>	<u>1,041,210,114</u>
Total assets	<u>1,499,119,542</u>	<u>1,430,982,762</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - deferred on refunding	6,861,274	7,283,533
Deferred outflows - OPEB related	3,083,616	4,589,508
Deferred outflows - interest rate swap	4,481,352	3,958,531
Total deferred outflows of resources	<u>14,426,242</u>	<u>15,831,572</u>
CURRENT LIABILITIES		
Payable from unrestricted current assets:		
Accounts payable and accrued expenses	39,835,541	40,810,245
Accrued interest	6,273,412	7,726,984
Grants payable	288,641	2,577,462
Deposits	-	100
Retainage payable	273,048	206,648
Accrued employee benefits	3,216,122	462,691
Unearned revenue	20,000,000	-
Short-term commercial paper	4,500,000	12,900,000
Leases liabilities, current	-	4,128
SBITA lease liabilities, current	185,629	58,378
Current portion of long-term debt	22,096,608	113,019,745
Total payable from unrestricted current assets	<u>96,669,001</u>	<u>177,766,381</u>
Payable from restricted assets:		
Retainage payable	2,100,189	1,670,837
Total payable from restricted assets	<u>2,100,189</u>	<u>1,670,837</u>
Total current liabilities	<u>98,769,190</u>	<u>179,437,218</u>

ORANGE COUNTY WATER DISTRICT
Statement of Net Position
For the Year Ended June 30, 2025 (with comparative data as of June 30, 2024)

	<u>2025</u>	<u>2024</u>
NONCURRENT LIABILITIES		
Long-term debt:		
Certificates of participation	134,965,203	232,504,235
Revenue refunding bonds	256,567,507	265,029,646
State of California loans payable	176,023,459	188,058,912
WIFIA loans	230,463,022	133,851,077
Subtotal	<u>798,019,191</u>	<u>819,443,870</u>
Less: current portion above	<u>22,096,608</u>	<u>113,019,745</u>
Total long-term debt	<u>775,922,583</u>	<u>706,424,125</u>
Other noncurrent liabilities:		
Net other post employment benefits (OPEB) liability	-	406,472
Accrued employee- related liabilities	4,343,416	6,231,664
Derivatives of other instrument	4,481,352	3,958,531
SBITA lease liabilities, noncurrent	310,389	15,639
Total other noncurrent liabilities	<u>9,135,157</u>	<u>10,612,306</u>
Total noncurrent liabilities	<u>785,057,740</u>	<u>717,036,431</u>
Total liabilities	<u>883,826,930</u>	<u>896,473,649</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - deferred on refunding	449,989	505,089
Deferred Inflows - OPEB related	6,118,026	7,260,955
Deferred Inflows - leases	12,391,624	12,980,930
Total deferred inflows of resources	<u>18,959,639</u>	<u>20,746,974</u>
NET POSITION		
Net investment in capital assets	213,248,985	200,286,418
Restricted for the construction of capital assets	2,732,210	-
Restricted for debt service	3,961	1,204
Restricted for custodial costs	2,695,303	2,157,788
Net position, unrestricted	<u>392,078,756</u>	<u>327,148,301</u>
Total net position	<u>\$ 610,759,215</u>	<u>529,593,711</u>

ORANGE COUNTY WATER DISTRICT
Statement Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025 (with comparative data as of June 30, 2024)

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Replenishment assessments	\$ 206,356,054	173,617,162
Basin equity assessment	3,826,037	4,649,500
Reclaimed water revenue	3,046,850	2,636,908
Total operating revenues	<u>213,228,941</u>	<u>180,903,570</u>
OPERATING EXPENSES		
Water purchases	5,090,949	5,398,965
Water production	62,914,541	60,020,715
Depreciation and amortization	39,799,470	39,852,607
General and administrative	39,662,040	35,001,257
PFAS, operations and maintenance	6,743,690	3,163,999
Total operating expenses	<u>154,210,690</u>	<u>143,437,543</u>
Operating income (loss)	<u>59,018,251</u>	<u>37,466,027</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	39,349,638	37,701,909
Investment Income, net	10,218,266	10,537,047
Net increase (decrease) in investment fair value	4,893,036	5,434,793
Rental income, net of expenses	1,666,706	1,821,857
Legal settlements (expenses)	5,781,359	(262,607)
Other nonoperating revenues, net of expenses	3,791,703	3,886,734
Operating grants	507,759	344,521
Interest expense	(16,099,082)	(16,229,395)
Gains (losses) on sale of capital asset	(5,354,080)	324,572
Total nonoperating revenues (expenses)	<u>44,755,305</u>	<u>43,559,431</u>
Income (loss) before capital contributions	<u>103,773,556</u>	<u>81,025,458</u>
Capital contributions from other parties	8,480,028	534,200
Capital contributions to other parties	(31,088,080)	(24,641,415)
Change in net position	<u>81,165,504</u>	<u>56,918,243</u>
Net position, beginning of year	529,593,711	472,675,468
Net position, ending	<u>\$ 610,759,215</u>	<u>529,593,711</u>

ORANGE COUNTY WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2025 (with comparative data as of June 30, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 200,969,966	169,328,788
Payments to suppliers and service providers	(74,549,581)	(78,546,744)
Payments to employees for salaries and benefits	(37,533,328)	(24,814,343)
Rental income, net of expenses	1,077,400	1,821,857
Legal settlements (expenses)	5,781,359	(262,607)
Payments received from operating grants	583,407	501,444
Net cash provided by (used for) operating activities	<u>96,329,223</u>	<u>68,028,395</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from property taxes	39,349,638	37,701,909
Net cash provided by (used for) noncapital financing activities	<u>39,349,638</u>	<u>37,701,909</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	28,480,028	534,200
Acquisition and construction of capital assets	(54,586,625)	(89,639,049)
Proceeds from sale of assets	-	324,572
Principal paid on long-term debt	(112,950,453)	(15,203,275)
Refunding on long-term debt	-	(20,190,000)
Proceeds from loans payable	94,419,999	18,493,229
Principal paid on commercial paper	(8,400,000)	(14,500,000)
Interest paid on long-term debt	(19,984,979)	(19,254,757)
Payments on leases and subscription-related payables	(249,256)	(184,465)
Proceeds from leases receivables	531,304	1,484,627
Repayments from notes receivables	305,641	305,640
Other capital related activities	(2,311,194)	1,461,949
Net cash provided by (used for) capital and related financing activities	<u>(74,745,535)</u>	<u>(136,367,329)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases	(340,529,539)	(551,369)
Investment sales/maturities	299,711,390	-
Interest on investments	9,185,227	10,232,419
Net cash provided by (used for) investing activities	<u>(31,632,922)</u>	<u>9,681,050</u>
Net increase (decrease) in cash and cash equivalents	29,300,404	(20,955,975)
Cash and cash equivalents - beginning	59,974,959	80,930,934
Cash and cash equivalents - ending	<u>\$ 89,275,363</u>	<u>\$ 59,974,959</u>

ORANGE COUNTY WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2025 (with comparative data as of June 30, 2024)

	2025	2024
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 67,011,471	53,730,536
Restricted cash and cash equivalents	10,381,389	1,845,270
Cash with fiscal agent	9,782,314	2,728,316
Custodial escrow retention	2,100,189	1,670,837
Total cash and cash equivalents	<u>\$ 89,275,363</u>	<u>59,974,959</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ 59,018,251	37,466,027
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation/amortization expense	39,799,470	39,852,607
Other nonoperating revenues	3,791,703	4,071,199
Operating grants	507,759	501,444
Rental income, net of expenses	1,666,706	1,821,857
Legal settlements, net of expenses	5,781,359	(262,607)
(Increase) decrease in accounts receivable	(12,258,875)	(15,645,981)
(Increase) decrease in inventories	(182,727)	(537,303)
(Increase) decrease in grants receivables	75,648	-
(Increase) decrease in prepaid items	706,005	(916,708)
(Increase) decrease in deferred outflow of resources deferred amounts form OPEB	1,505,892	228,607
(Increase) decrease in other post-employment benefits (OPEB) asset	(1,833,640)	-
Increase (decrease) in accounts payable	(974,704)	3,281,991
Increase (decrease) in accrued liabilities	-	(104,744)
Increase (decrease) in retentions payable	-	183,188
Increase (decrease) in deposits payable	(100)	(82,729)
Increase (decrease) in compensated absences	865,183	(239,442)
Increase (decrease) in deferred inflows of resources - leases	(589,306)	-
Increase (decrease) in deferred inflows of resources deferred amounts from OPEB	(1,142,929)	(1,074,562)
(Increase) decrease in net OPEB liability	(406,472)	(514,449)
Total adjustments	<u>37,310,972</u>	<u>30,562,368</u>
Net cash provided by (used for) operating activities	<u>\$ 96,329,223</u>	<u>68,028,395</u>
SCHEDULE OF NON-CASH NONCAPITAL, CAPITAL, AND INVESTING ACTIVITIES		
Amortization on bond discount/(premium) and deferred and deferred amounts on refunding	\$ (5,086,171)	(6,326,477)
Net increase(decrease) in fair value of investments	4,839,036	5,434,793
Gain/Loss on disposal of capital assets	(5,354,066)	-
Capital contributions to other agencies	(31,136,945)	(24,641,415)
Capital contributions from other agencies	-	534,200
Addition to subscriptions	643,626	52,706

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NOTES TO BASIC FINANCIAL STATEMENTS

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Description of the District

The Orange County Water District (the District) was formed by a special act of the California State Legislature in 1933. The District was formed due to heavy overdraft of the Orange County groundwater supply and the excessive diversion of the Santa Ana River by users upstream from the County of Orange. The major functions of the District are the management of the Orange County groundwater basin, the conservation of the basin groundwater and the protection of Orange County's water rights in the natural flows of the Santa Ana River. The legal boundaries of the District lie wholly within the County of Orange, California. The administration and operation of the District are conducted through a Board of Directors representing ten divisions, with seven members being duly elected at large and three appointed.

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

The District's reporting entity includes the Orange County Water District Public Facilities Corporation (the Public Facilities Corporation). Although the District and the Public Facilities Corporation are legally separate entities, the District's Board of Directors is financially responsible for the Public Facilities Corporation and, therefore, the accompanying financial statements include the accounts and records of the Public Facilities Corporation using the blending method required by accounting principles generally accepted in the United States of America. There are no separate financial statements for the Public Facilities Corporation.

B. Basic Financial Statements

The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows, and the notes to the basic financial statements.

C. Measurement Focus and Basis of Accounting

Proprietary Fund

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. The basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The proprietary fund financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic resources measurement focus all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the statement of net position. The statement of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Enterprise Fund

An enterprise fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to producers for replenishment assessments, basin equity assessments, and water sales. Operating expenses for the District include water purchases, water production, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues consist of property taxes, rental income, investment income, and other miscellaneous revenues.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Net Position

In the statement of net position, net position is classified in the following categories:

- Net Investment in Capital Assets – This amount is the District's net investment in its various capital assets and includes capital assets net of accumulated depreciation/amortization and capital-related deferred outflows of resources and reduced by capital-related borrowings, payables, and deferred inflows of resources.
- Restricted – These amounts are restricted for custodial costs due to third parties, debt service, and construction of capital assets.
- Unrestricted – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted.”

E. Net Position Flow Assumption

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

F. Property Taxes and Assessments

Property taxes and assessments are billed by the County of Orange to property owners. The amount apportioned to the District each year is based upon the District's tax receipts for the three year period ended June 30, 1978, in relation to total County tax receipts and is adjusted annually for area growth. The District's property tax calendar for the fiscal year ended June 30, 2025, was as follows:

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

The County collects taxes from property owners and remits the funds to the District periodically throughout the year.

G. Inventory

Inventory consists primarily of supplies and parts and is valued at weighted-average cost under the consumption method.

H. Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets

Capital assets purchased or acquired are reported at historical cost. Contributed assets are reported at the acquisition value as of the date received. During the fiscal year ended June 30, 2025 the District did not receive any capital contributions. Capital outlays that cost \$5,000 or more and that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation/amortization is calculated on the straight-line method over the following estimated useful lives:

Structures and improvements	3 to 50 years
Infrastructure	3 to 75 years
Equipment	3 to 30 years

J. 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 future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has four items that qualify for reporting in this category. The first item is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to the derivative instruments' interest rate swap agreements reported at fair value. The third item is related to OPEB-related deferrals amortized over varying periods of time.

In addition to liabilities, the statement of net position reports 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item relates to OPEB-related deferrals amortized over varying periods of time. The third item is related to the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

K. Classification of Liabilities

Certain liabilities that are currently payable have been classified as "payable from restricted assets" because they will be funded from restricted assets.

L. Compensated Absences

Vested or accumulated vacation and sick leave are expensed as benefits accrue to employees. The liability is calculated using current pay rates and includes employer-paid fringe benefits.

M. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Postemployment Benefits Other Than Pensions (OPEB)

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

O. Use of Estimates

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

P. Leases

Lessee: The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The District is a lessor for noncancellable leases of land. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Q. Subscription-Based Information Technology Arrangements

The District is a subscriber for a noncancellable subscription of information technology services. The District recognizes a subscription liability and an intangible right-of-use subscription asset (subscription asset) in the financial statements. The District recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to subscriptions include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) lease term, and (3) subscription payments.

- The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments that the District is reasonably certain to exercise.

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

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

R. Prior Year Data

The information included in the accompany financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles.

Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

NOTE 2: CASH AND INVESTMENTS

Cash and investments held by the District were comprised of the following at June 30, 2025:

Financial Statements Classifications	2025
Current:	
Cash and cash equivalents	\$ 76,793,785
Investments:	
U.S. Government Sponsored Agency Securities	274,543,607
Restricted:	
Cash and cash equivalents	10,381,389
Custodial Escrow Retention	2,100,189
Total Cash and Investments	\$ 363,818,970

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

Cash on hand	\$ 2,700
Deposits with financial institutions	8,095,894
Investments	355,720,376
Total Cash and Investments	\$ 363,818,970

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

The table on the following page 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.

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

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Maximum Investments in One Issuer
United States Treasury Obligation	5 years	No limitation	No limitation
United States Government Sponsored Agency Securities	5 years	No limitation	No limitation
Banker's Acceptances	180 days	15%	5%
Commercial paper	180 days	15%	5%
Collateralized Certificates of Deposit	5 years	15%	No limitation
Negotiable Certificates of Deposit	5 years	15%	No limitation
Fully Insured Deposits	5 years	15%	No limitation
Repurchase Agreements	30 days	10%	No limitation
Medium Term Notes	5 years	15%	5%
Mutual Funds	N/A	15%	10%
Asset-Backed Securities	5 years	15%	No limitation
Local Agency Investment Fund	N/A	No limitation	\$75 Million
Orange County Treasurer's Pool	N/A	No limitation	\$20 Million
High Grade State Municipal Bonds	N/A	15%	5%

N/A - Not Applicable

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 (including investments held by bond trustee) to market interest rate fluctuations are provided by the following tables that show the distribution of the District's investments by maturity as of June 30, 2025.

Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
United States Government Sponsored				
Agency Securities	\$ 226,278,714	109,394,220	26,684,709	90,199,785
United States Treasury Notes	74,640,114	74,640,114	-	-
Local Agency Investment Fund	54,801,548	54,801,548	-	-
Total	\$ 355,720,376	238,835,882	26,684,709	90,199,785

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 following tables are the Standard and Poor's credit ratings for the District's investments as of June 30, 2025.

Investment Type	Total	Minimum Legal Rating	Exempt or Not Rated
United States Government Sponsored			
Agency Securities	\$ 226,278,714	N/A	226,278,714
United States Treasury Notes	74,640,114	N/A	74,640,114
Local Agency Investment Fund	54,801,548	N/A	54,801,548
Total	\$ 355,720,376		355,720,376

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of total District investments as of June 30, 2025 are as follows:

Issuer	Investment Type	Amount	Percent of Investments
United States Treasury Notes	United States Treasury Notes	\$ 74,640,114	20.67%
Federal Farm Credit Bank	United States Government Sponsored Agencies	20,920,218	5.79%
Federal Home Loan Bank	United States Government Sponsored Agencies	164,123,012	45.44%
Freddie Mac	United States Government Sponsored Agencies	41,235,485	11.42%

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

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

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

As of June 30, 2025 all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

Investment in State Investment Pool

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the State Treasurer of California. Investments in LAIF are highly liquid as deposits and withdrawals can be made at any time without penalty. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF for the portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

Fair Value Measurements

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

Deposits and securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. United States Government Sponsored Agency Securities and United States Treasury Notes classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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

Investment Type	Total	Quoted Prices Level 1	Observable Inputs Level 2
United States Government Sponsored Agency Securities	\$ 226,278,714	\$ -	\$ 226,278,714
United States Treasury Notes	<u>74,640,114</u>	<u>74,543,903</u>	<u>96,211</u>
Total Leveled Investments	300,918,828	<u>\$ 74,543,903</u>	<u>\$ 226,374,925</u>
Local Agency Investment Fund*	<u>54,801,548</u>		
	<u>\$ 355,720,376</u>		

NOTE 3: RESTRICTED ASSETS

Restricted assets were provided by, and are to be used for, the following at June 30, 2025:

Funding Source	Use	Amount
Certificates of Participation:		
Proceeds and Interest Earned	Construction of PFAS Projects	\$ 3,961
Custodial Receipts	Custodial Costs	<u>12,477,617</u>
		<u>\$ 12,481,578</u>

When both restricted and unrestricted resources are available for capital projects, the District's policy is to use restricted resources first and then use unrestricted resources, as necessary.

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

NOTE 4: CAPITAL ASSETS

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

	Balance June 30, 2024	Additions	Deletions*	Transfers	Balance June 30, 2025
Capital assets, not being depreciated/amortized					
Land	\$ 74,146,171	-	-	-	74,146,171
Water	6,823,570	-	-	-	6,823,570
Construction-in-progress	231,162,014	54,972,471	(36,491,025)	(13,333,611)	236,309,849
Total capital assets, not being depreciated/amortized	<u>312,131,755</u>	<u>54,972,471</u>	<u>(36,491,025)</u>	<u>(13,333,611)</u>	<u>317,279,590</u>
Capital assets, being depreciated/amortized					
Structures and improvements	743,496,131	-	-	2,963,457	746,459,588
Infrastructure	92,064,968	-	-	-	92,064,968
Equipment	581,208,873	-	(94,410)	10,370,154	591,484,617
Lease assets - equipment	20,413	-	-	-	20,413
Subscription assets	464,025	753,532	(411,320)	-	806,237
Total capital assets being depreciated/amortized	<u>1,417,254,410</u>	<u>753,532</u>	<u>(505,730)</u>	<u>13,333,611</u>	<u>1,430,835,823</u>
Less accumulated depreciation/amortization					
Structures and improvements	(458,383,423)	(12,732,546)	-	-	(471,115,969)
Infrastructure	(32,842,386)	(2,842,210)	-	-	(35,684,596)
Equipment	(212,732,490)	(23,957,155)	94,410	-	(236,595,235)
Lease assets - equipment	(16,285)	(4,082)	-	-	(20,367)
Subscription assets	(332,423)	(263,477)	411,320	-	(184,580)
Total accumulated depreciation/amortization	<u>(704,307,007)</u>	<u>(39,799,470)</u>	<u>505,730</u>	<u>-</u>	<u>(743,600,747)</u>
Total capital assets, being depreciated/amortized, net	<u>712,947,403</u>	<u>(39,045,938)</u>	<u>-</u>	<u>13,333,611</u>	<u>687,235,076</u>
Total capital assets	<u>\$1,025,079,158</u>	<u>15,926,533</u>	<u>(36,491,025)</u>	<u>-</u>	<u>1,004,514,666</u>

*Deletions to construction-in-progress this year is related to a capital contribution to other agencies.

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

NOTE 5: LEASES

Leases Payable

Lease liability	Balance as of June 30, 2024	Additions	Deletions	Balance as of June 30, 2025	Due within one year
Postage Machine	\$ 4,128	\$ -	\$ 4,128	\$ -	\$ -
Total lease liability	\$ 4,128	\$ -	\$ 4,128	\$ -	\$ -

As of June 30, 2025, the District has no outstanding lease payables. The combined value of the lease assets, as of June 30, 2025 is \$20,413 with accumulated amortization of \$20,367.

Deferred Inflows Related to Leases

	Balance as of June 30, 2024	Additions	Deletions	Balance as of June 30, 2025
Deferred Inflows Related to Leases	\$ 12,980,930	\$ 1,047,156	\$ 1,636,462	\$ 12,391,624

Leases Receivable

Leases Receivable	Balance as of June 30, 2024	Additions	Reductions	Balance as of June 30, 2025	Due within one year
Land Leases Receivable	\$ 13,674,948	\$ 1,047,157	\$ 1,578,461	\$ 13,143,644	\$ 1,536,060

As of June 30, 2025, the District had 13 active leases. The leases have receipts that range from \$750 to \$956,001 and interest rates that range from 0.8060% to 3.7740%. As of June 30, 2025, the total combined value of the lease receivable is \$13,143,644, the total combined value of the short-term lease receivable is \$1,536,060, and the combined value of the deferred inflow of resources is \$12,391,624. The leases had \$0 of variable receipts and \$435,564 of other receipts, not included in the lease receivable, within the fiscal year.

Total leases receivable at June 30, 2025 are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 1,536,060	\$ 184,236	\$ 1,720,296
2027	1,475,454	163,505	1,638,959
2028	1,440,314	145,802	1,586,116
2029	1,452,742	128,133	1,580,875
2030	1,454,619	110,361	1,564,980
2031-2035	2,977,066	363,697	3,340,763
2036-2040	1,207,494	227,951	1,435,445
2041-2045	1,056,307	113,431	1,169,738
2046-2050	433,364	21,265	454,629
2051-2055	32,534	10,165	42,699
2056-2060	41,073	6,443	47,516
2061-2065	34,179	1,938	36,117
2066-2067	2,438	51	2,489
Total	\$ 13,143,644	\$ 1,476,978	\$ 14,620,622

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

NOTE 6: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Subscription liability	Balance as of June 30, 2024	Additions	Deletions	Balance as of June 30, 2025	Due within one year
IMB Maximo	\$ -	\$ 440,993	\$ 93,880	\$ 347,113	\$ 104,252
Debtbook - Software	28,970	-	13,331	15,639	15,639
KnowBe4 - Software	9,990	-	9,990	-	-
Oracle - Software	35,057	-	35,057	-	-
Taborda Solutions - Oracle	-	202,633	69,367	133,266	65,738
Total Software Subscription Assets	<u>\$ 74,017</u>	<u>\$ 643,626</u>	<u>\$ 221,625</u>	<u>\$ 496,018</u>	<u>\$ 185,629</u>

As of June 30, 2025, the District had seven active subscriptions. The subscriptions have payments that range from \$10,109 to \$115,479 and interest rates that range from 0.3960% to 4.8976%. As of June 30, 2025, the total combined value of the subscription liability is \$496,018, and the total combined value of the short-term subscription liability is \$185,629. The combined value of the right to use asset, as of June 30, 2025 of \$806,236 with accumulated amortization of \$184,580 is included within the subscription class activities table found below. The subscriptions had \$0 of variable payments and \$0 of other payments, not included in the subscription liability, within the fiscal year.

Principal and Interest Requirements to Maturity

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	\$ 185,629	\$ 20,990	\$ 206,619
2027	182,949	13,733	196,682
2028	127,440	6,241	133,681
Total	<u>\$ 496,018</u>	<u>\$ 40,964</u>	<u>\$ 536,982</u>

NOTE 7: NOTES RECEIVABLE

In February 2018, the District entered into an agreement to provide the City of Buena Park with a 0% interest loan of up to \$6,000,000 to construct the Rosecrans Booster Pump Station. This project will allow the City to increase groundwater utilization and give the City the ability to meet its water demands by pumping groundwater. The principal balance shall be repaid over 20 years in 20 equal installments commencing June 30, 2019. As of June 30, 2025, \$6,000,000 has been paid from the City for this loan. Notes receivable consists of the following at June 30, 2025:

Balances at June 30	2025
	<u>\$ 4,278,964</u>
Less Payments Received	<u>(305,641)</u>
Subtotal	3,973,323
Less Current Portion	<u>(305,640)</u>
Total Noncurrent Notes Receivable	<u>\$ 3,667,683</u>

NOTE 7: NOTES RECEIVABLE (CONTINUED)

Payment requirements on the notes receivable subsequent to June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 305,640	\$ -	\$ 305,640
2027	305,640	-	305,640
2028	305,640	-	305,640
2029	305,640	-	305,640
2030	305,640	-	305,640
Thereafter	<u>2,445,123</u>	-	<u>2,445,123</u>
Total	<u>\$ 3,973,323</u>	<u>\$ -</u>	<u>\$ 3,973,323</u>

NOTE 8: LONG TERM DEBT

Certificates of Participation and Refunding Revenue Bonds - Other Debt

2003A Certificates of Participation

In June 2003, the Public Facilities Corporation issued \$129,815,000 of Certificates of Participation, Series A, to assist the District in refunding the remaining portion of the 1993 Fixed Rate Revenue Certificates of Participation and to finance the cost of certain capital improvements. The certificates are obligations of the Public Facilities Corporation payable solely from payments received from the District pursuant to the Installment Purchase Agreement between the District and the Public Facilities Corporation.

The District has a letter of credit to support these certificates in the amount of \$131,900,000. The District is contingently liable for any amounts outstanding if drawn upon by third parties. As of June 30, 2025, there were no amounts outstanding on the letter of credit.

The 2003 Series A Certificates of Participation are due in annual installments of \$13,755,000 to \$18,535,000 from August 2035 to August 2042 with interest at an adjustable rate calculated weekly and payable monthly. The 2003A Certificates of Participation outstanding totaled \$129,815,000 as of June 30, 2025. The interest rate on June 30, 2025 was 1.05%.

2017A&B Refunding Revenue Bonds

In February 2017, the District issued \$115,000,000 of 2017A&B Refunding Revenue Bonds to defease the outstanding \$125,985,000 of 2009A Certificates of Participation.

The 2017A & 2017B Refunding Revenue Bonds consist of \$89,735,000 in tax-exempt and \$17,580,000 in taxable bonds (\$25,265,000 original amount less \$7,685,000 defeased by the 2019B Bonds), respectively, of serial bonds. The bonds accrue interest at rates between 0.82% and 5.00%, payable semiannually on August 15 and February 15, commencing August 15, 2017, and maturing on August 15, 2041, in amounts ranging from \$385,000 to \$17,845,000.

The 2017A & B Refunding Revenue Bonds outstanding totaled \$103,250,000 as of June 30, 2025.

2019B Certificates of Participation

The 2019B Certificates of Participation, including an original premium of \$1,813,394, were issued to refund \$7,685,000 of the 2017B Refunding Revenue Bonds. The 2019B interim obligations outstanding totaled \$5,775,000 as of June 30, 2025.

NOTE 8: LONG TERM DEBT (CONTINUED)

2019C&D Refunding Revenue Bonds

In December 2019, the District issued \$99,065,000 of 2019C Refunding Revenue Bonds and \$59,135,000 of 2019D Refunding Revenue Bonds.

The 2019C Refunding Revenue Bonds, including an original premium of \$23,047,727, were issued to refund the GWRS Initial Expansion loan with the State Water Resources Control Board. The issuance proceeds were paid to the State Water Resources Control Board and, as a result, the loan was fully repaid and the related liability was removed from the District's financial statements. The 2019C current refunding of GWRS Initial Expansion loan did not result in a difference between the reacquisition price and the net carrying amount.

The 2019D Refunding Revenue Bonds were issued to refund the 2013A Refunding Revenue Bonds.

The 2019C Refunding Revenue Bonds accrue interest at rates between 4% and 5%, payable semiannually on August 15 and February 15, commencing August 15, 2020 and maturing on August 15, 2035. The 2019D Refunding Revenue Bonds accrue interest at rates between 1.718% and 2.861%, payable semiannually on August 15 and February 15, commencing August 15, 2020 and maturing on August 15, 2033, in amounts ranging from \$420,000 to \$13,605,000. The 2019C&D Certificates of Participation outstanding totaled \$132,550,000 as of June 30, 2025.

2021A Certificates of Participation

In October 2021, the Public Facilities Corporation issued \$94,420,000 of Certificates of Participation, Series A, to assist the District in acquisition of certain groundwater treatment facilities and pay capitalized interest with respect to the 2021 Certificates of Participation. The certificates are interim obligations of the Public Facilities Corporation payable solely from payments received from the District on August 15, 2024. The 2021A Certificates of Participation were paid in full at maturity on February 15, 2025.

Covenants and Reserve Requirements

The 2003A, 2017A&B, 2019B, 2019C&D, and 2021A Installment Purchase Agreements require the District to prescribe, assess, and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District, are reasonably expected to be at least sufficient to yield net revenues during such fiscal year equal to 125% of debt service payable in such fiscal year. The District's ratio of net revenues to total debt service for the fiscal year ended June 30, 2025 was 419%.

Other Defeased Certificates of Participation

In prior years, the District defeased certain certificates of participation, including the 1999A, 2003B, 2005B, and 2013A Certificates, by placing the proceeds of the new bonds or cash with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2025, \$47,540,000 bonds outstanding to be paid by the escrow agent are considered defeased.

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

NOTE 8: LONG TERM DEBT (CONTINUED)

Summary of Changes

The following is a summary of the changes in Certificates of Participation and Refunding Revenue Bonds for the year ended June 30, 2025:

	Balance as of June 30, 2024	Additions	Retirements	Balance as of June 30, 2025	Due within one year
Certificates of Participation (COP) and Refunding Revenue Bonds:					
2003A COP	\$ 129,815,000	\$ -	\$ -	\$ 129,815,000	\$ -
2017AB Refunding Revenue Bonds	103,735,000	-	(485,000)	103,250,000	510,000
2019B COP	5,935,000	-	(160,000)	5,775,000	170,000
2019CD Refunding Revenue Bonds	138,400,000	-	(5,850,000)	132,550,000	9,105,000
2021A COP	94,420,000	-	(94,420,000)	-	-
	<u>472,305,000</u>	-	(100,915,000)	371,390,000	<u>\$ 9,785,000</u>
Add:					
Unamortized (Discount) Premium	25,228,881	-	(5,086,171)	20,142,710	
Total Long-Term Liabilities	<u>\$ 497,533,881</u>	<u>\$ -</u>	<u>\$ (106,001,171)</u>	<u>\$ 391,532,710</u>	

Aggregate maturities of the Certificates of Participation, Refunding Revenue Bonds, and interest payments (using 2.95% on the 2003A variable rate debt) subsequent to June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2026	\$ 9,785,000	11,083,409	20,868,409
2027	10,175,000	10,691,451	20,866,451
2028	11,555,000	10,252,895	21,807,895
2029	20,045,000	9,521,770	29,566,770
2030	19,780,000	8,583,921	28,363,921
2031-2035	113,625,000	30,380,566	144,005,566
2036-2040	110,270,000	12,541,625	122,811,625
2041-2042	<u>76,155,000</u>	<u>2,273,023</u>	<u>78,428,023</u>
Total	<u>\$ 371,390,000</u>	<u>95,328,660</u>	<u>466,718,660</u>

NOTE 8: LONG TERM DEBT (CONTINUED)

Federal and State of California Loans Payable - Direct Borrowing

GWRS Barrier Facilities

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the new injection wells. The District may borrow up to \$4,491,018 or the eligible costs of the project, whichever is less. At June 30, 2025, the State Water Resources Control Board had disbursed \$3,479,837 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$215,682 as of June 30, 2025.

GWRS Pipeline Unit 1

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the first portion of the GWRS pipeline. The District may borrow up to \$5,310,891 or the eligible costs of the project, whichever is less. At June 30, 2025, the State Water Resources Control Board had disbursed \$4,425,725 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$274,297 as of June 30, 2025.

GWRS Pipeline Unit 2

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the second portion of the GWRS pipeline. The District may borrow up to \$3,452,552 or the eligible costs of the project, whichever is less. At June 30, 2025, the State Water Resources Control Board had disbursed \$2,877,115 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$178,300 as of June 30, 2025.

GWRS Pipeline Unit 3

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the third portion of the GWRS pipeline. The District may borrow up to \$4,137,559 or the eligible costs of the project, whichever is less. At June 30, 2025, the State Water Resources Control Board had disbursed \$3,429,338 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$201,783 as of June 30, 2025.

GWRS Advanced Water Treatment Facility

In June 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the new advanced wastewater treatment facility for the District's GWRS. The District may borrow up to \$136,802,193 or the eligible costs of the project, whichever is less. At June 30, 2025, the State Water Resources Control Board had disbursed \$114,000,776 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2028. The outstanding balance totaled \$19,801,912 as of June 30, 2025.

Fletcher Basin

In November 2013, the District entered into an agreement with the State Water Resources Control Board for the construction of the Fletcher Basin Improvement project. The District may borrow up to \$2,879,342 or the eligible costs of the project, whichever is less. At June 30, 2025, the State Water Resources Control Board had disbursed \$14,386,762 under the loan contract. The loan has an interest rate of 1.9% with a repayment period of 20 years after project completion. The outstanding balance totaled \$1,729,042 as of June 30, 2025.

Alamitos Barrier

In November 2013, the District entered into an agreement with the State Water Resources Control Board for expansion of the Alamitos Seawater Intrusion Barrier. The District may borrow up to \$14,485,000 or the eligible costs of the project, whichever is less. At June 30, 2025, the State Water Resources Control Board had disbursed \$14,386,762 under the loan contract. The loan has an interest rate of 1.9% with a repayment period of 20 years after project completion. The outstanding balance totaled \$10,646,533 as of June 30, 2025.

NOTE 8: LONG TERM DEBT (CONTINUED)

La Palma Basin

In February 2016, the District entered into an agreement with the State Water Resources Control Board for construction of a groundwater recharge basin. The District may borrow up to \$8,570,970 or the eligible costs of the project, whichever is less. At June 30, 2025, the State Water Resources Control Board had disbursed \$5,446,635 under the loan contract. The loan has an interest rate of 1.0% with a repayment period of 30 years after project completion. The outstanding balance totaled \$4,153,599 as of June 30, 2025.

Mid-Basin Centennial Park Injection

In November 2017, the District entered into an agreement with the State Water Resources Control Board for construction of four injection wells and one nested monitoring well in Centennial Park. The District may borrow up to \$18,394,813 or the eligible costs of the project, whichever is less. At June 30, 2025, the State Water Resources Control Board had disbursed \$18,394,813 under the loan contract. The loan has an interest rate of 1.8% with a repayment period of 30 years after project completion. The outstanding balance totaled \$15,970,707 as of June 30, 2025.

GWRS Final Expansion

The District has entered into two agreements with the State Water Resources Control Board for construction of the final expansion of the GWRS project. The District may borrow up to \$186,207,421 or the eligible costs of the project, whichever is less. The loan has an interest rate of 1.4%. The outstanding balance totaled \$122,851,604 as of June 30, 2025.

WIFIA Loan Agreements

On August 6, 2020, the District re-executed the WIFIA Loan (2020 WIFIA Loan) agreement with the United States Environmental Protection Agency (US EPA) to provide financing for the GWRS Final Expansion Project and can draw up to \$135,000,000. Upon substantial completion of the GWRS Final Expansion Project, the District expected to draw on the 2020 WIFIA Loan to repay the 2019A Interim Obligations prior to maturity. Upon completion of the project, principal and interest payments will commence. The loan requires net revenue equal to at least 125% of debt service payable in such fiscal year. As of June 30, 2025, total loan outstanding was \$135,246,747, which includes the associated interest.

On August 18, 2021, the District executed the WIFIA Loan (2021 WIFIA Loan) agreement with the United States Environmental Protection Agency (US EPA) to provide financing for the PFAS Treatment Facilities project and can draw up to \$130,647,383. Upon substantial completion of the PFAS Treatment Facilities Project, the District draw on the 2021 WIFIA Loan to pay the 2021A Certificates of Participation at the maturity. Upon completion of the project, principal and interest payments will commence. The loan requires net revenue equal to at least 125% of debt service payable in such fiscal year. As of June 30, 2025, total loan proceeds received were \$95,216,275.

Covenants and Reserve Requirements

The Groundwater Replenishment System, GWRS Barrier Facilities, GWRS Pipeline Unit 1, GWRS Pipeline Unit 2, GWRS Pipeline Unit 3, and GWRS Advanced Water Treatment Facility loans payable require the District to prescribe, assess, and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District, are reasonably expected to be at least sufficient to yield net revenues during such fiscal year equal to 110% of debt service payable in such fiscal year.

The Fletcher Basin, Alamitos Barrier, La Palma Basin, and Mid-Basin Centennial Park Injection loans payable require the District to prescribe, assess, and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District, are reasonably expected to be at least sufficient to yield net revenues during such fiscal year equal to 125% of debt service payable in such fiscal year.

The District's ratio of net revenues to total debt service for the fiscal year ended June 30, 2025 was 419%.

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

NOTE 8: LONG TERM DEBT (CONTINUED)

The Fletcher Basin, Alamitos Barrier, La Palma Basin, and Mid-Basin Centennial Park Injection loans payable require the District to have a reserve of one year's debt service. The District's reserve of \$2,037,351 as of June 30, 2025, that is included in statement of net position as Cash and Cash Equivalents and Investments, meets this requirement.

Summary of Changes

The following is a summary of the changes in loans payable to the US EPA and State of California for the year ended June 30, 2025:

	Balance as of June 30, 2024	Additions	Repayments	Balance as of June 30, 2025	Due within one year
GWRS Barrier Facilities	\$ 427,342	-	(211,660)	215,682	215,682
GWRS Pipeline Unit 1	543,466	-	(269,169)	274,297	274,297
GWRS Pipeline Unit 2	353,251	-	(174,951)	178,300	178,300
GWRS Pipeline Unit 3	399,665	-	(197,882)	201,783	201,783
GWRS Advanced Water Treatment Facility	26,170,138	-	(6,368,226)	19,801,912	6,483,046
Fletcher Basin	1,869,194	-	(140,152)	1,729,042	142,815
Alamitos Barrier	11,304,985	-	(658,452)	10,646,533	670,963
La Palma Basin	4,321,650	-	(168,051)	4,153,599	169,732
Mid-Basin Injection	16,473,136	-	(502,429)	15,970,707	511,473
GWRS FE1	61,021,967	-	(1,623,330)	59,398,637	1,674,607
GWRS FE2	65,174,118	-	(1,721,151)	63,452,967	1,788,910
Total State of California Loans	188,058,912	-	(12,035,453)	176,023,459	12,311,608
WIFIA loan GWRSFE	133,851,077	1,395,670	-	135,246,747	-
WIFIA loan PFAS	-	95,216,275	-	95,216,275	-
Total WIFIA Loans	133,851,077	96,611,945	-	230,463,022	-
Total	\$ 321,909,989	96,611,945	(12,035,453)	406,486,481	12,311,608

Debt service requirements on the loans payable to the US EPA and State of California subsequent to June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2026	\$ 12,311,608	2,657,809	14,969,417
2027	11,512,147	2,569,924	14,082,071
2028	15,725,861	3,538,594	19,264,455
2029	9,002,348	3,422,033	12,424,381
2030	11,575,564	5,140,944	16,716,508
2031-2035	60,405,724	23,176,818	83,582,542
2036-2040	63,261,880	18,745,456	82,007,336
2041-2045	64,052,661	14,285,312	78,337,973
2046-2050	68,035,102	9,669,068	77,704,170
2051-2055	63,215,236	4,888,229	68,103,465
2056-2057	27,388,350	1,153,971	28,542,321
Total	\$ 406,486,481	89,248,158	495,734,639

NOTE 9: SHORT TERM DEBT

Commercial Paper - Other Debt

The Public Facilities Corporation issued commercial paper from which the proceeds were used to provide capital funds for the District to purchase land and for water purchases. The commercial paper has a maximum maturity of 270 days. The District issues, annually, Tax and Revenue Anticipation Notes (TRANs), which are additionally secured by revenue to service the commercial paper. On July 1, 2024, the District issued 2024-2025 TRANs amounting to \$76.3 million to the Public Facilities Corporation. The outstanding balance for the commercial paper totaled \$4,500,000 as of June 30, 2025.

The District has a letter of credit and reimbursement agreement in the amount of \$76,300,000 supporting the commercial paper program with Sumitomo Mitsui Banking Corporation. The District is contingently liable for any amounts outstanding if drawn upon by third parties. As of June 30, 2025, there were no amounts outstanding on the letter of credit.

The following is a summary of the changes in commercial paper for the year ended June 30, 2025:

	Balance June 30, 2024	Additions	Repayments	Balance June 30, 2025	Due Within One Year
Commercial Paper - Tax Exempt	\$ 12,900,000	-	(8,400,000)	4,500,000	4,500,000
Total	<u>\$ 12,900,000</u>	<u>-</u>	<u>(8,400,000)</u>	<u>4,500,000</u>	<u>4,500,000</u>

NOTE 10: COMPENSATED ABSENCES

The following is a summary of the changes in compensated absences for the year ended June 30, 2025:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Compensated Absences	\$ 6,694,355	4,176,051	3,310,868	7,559,538	4,343,416

NOTE 11: DERIVATIVE INSTRUMENTS – INTEREST RATE SWAP AGREEMENTS

Objective

The District executed two interest rate swap agreements on February 5, 2007 (the swaps) with swap provider Citibank, N.A. (counterparty), which were subsequently amended and restated as of April 1, 2008, to hedge debt service cost on a portion of the District's 2003A Adjustable Rate Refunding Certificates of Participation by achieving a synthetic fixed rate.

Details on the SWAP Agreements

<u>Notional Amount</u>	<u>Fixed Rate</u>	<u>Original/ Refunding COP Issue</u>	<u>Termination Date</u>	<u>Initial Effective Date</u>
\$ 58,800,000	3.314%	2003A/2005A	7/25/2037	2/7/2007
23,750,000	3.314%	2003A/2007B	8/1/2029	2/7/2007
<u>\$ 82,550,000</u>				

Terms

Under the swap agreements, the District will make a fixed rate payment to the swap counterparty at a rate of 3.314%, and then receive a variable rate payment of 56% of the monthly SOFR rate, plus 23 basis points from the swap counterparty that would effectively offset the payment on the underlying variable rate certificates. The swaps are for a total notional amount of \$82,550,000 and terminate on various dates.

A portion of the 2003A Certificates maturity dates matches the maturity of the related swap agreements. The swaps' notional amount is equal to a portion of the principal amounts of the 2003A Certificates issued and will decline as the principal amount of the associated proportion debt declines.

Summary of Activities in Cash Flow Hedging Derivative Instruments

<u>Notional Amount</u>	<u>Fair Value at June 30, 2024</u>	<u>Changes in Fair Value</u>	<u>Fair Value at June 30, 2025</u>
\$ 58,800,000	\$ (3,269,839)	\$ (355,913)	\$ (3,625,752)
23,750,000	(688,692)	(166,908)	(855,600)
<u>\$ 82,550,000</u>	<u>\$ (3,958,531)</u>	<u>\$ (522,821)</u>	<u>\$ (4,481,352)</u>

As of June 30, 2025, the fair value of (\$4,481,352) is reported as a deferred outflow of resources and other noncurrent liability in the statement of net position.

Credit Risk

As of June 30, 2025 the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value.

The swaps counterparty, Citibank N.A., have the following credit ratings:

	<u>Standard & Poor's</u>	<u>Moody's</u>
Citibank, N.A.	A+	Aa3

NOTE 11: DERIVATIVE INSTRUMENTS – INTEREST RATE SWAP AGREEMENTS (CONTINUED)

Basis Risk

The swaps do expose the District to basis risk, which refers to a mismatch between the interest rate received from the swap contract and the interest paid on the variable rate payments to be made on the debt. The District pays the counterparty a fixed rate and receives a variable rate based on 56% of the one-month fallback rate (SOFR) plus a spread of .23%, which may be different than the variable rate payments to be made on the debt. There is a risk for the District that the variable interest rate payments received from the counterparty will be less than the variable rate payments owed on the debt.

Termination Risk

The swaps may be terminated by the District or the counterparty if the other party fails to perform under the terms of the swap agreements. In addition, the District has the option to terminate the swaps upon proper notification to the counterparty. If the swaps are terminated, the District would prospectively pay the variable rates on the portion of 2003A Certificates of Participation related to the swap agreements rather than a fixed rate. The termination of the swap agreements could therefore increase the District's total debt service. Also, if at the time of the termination, the swaps have a negative fair value, the District would be liable to the counterparty for a payment equal to such negative fair value, or be paid an amount equal to a positive fair value. As of June 30, 2025, the swaps had a fair value of (\$4,481,352).

Swap Payments and Associated Debt

Using a variable rate of 1.05% for the 2003A COP as of June 30, 2025, debt service requirements of the certificates and the swap payments, assuming current interest rates remain the same for their term are as follows.

As rates vary, the variable rate interest payments and net swap payments will vary.

Year Ending June 30,	Variable Rate Debt			Interest Rate Swap, Net	Fixed Debt Service
	Principal	Interest	Total Payment		
2026	\$ 1,625,000	849,713	2,474,713	2,110,783	2,960,496
2027	4,275,000	804,825	5,079,825	4,735,121	5,539,946
2028	5,325,000	748,913	6,073,913	5,753,155	6,502,068
2029	17,425,000	565,950	17,990,950	17,748,555	18,314,505
2030	11,025,000	450,188	11,475,188	11,282,373	11,732,561
2031-2035	25,575,000	1,756,650	27,331,650	26,579,282	28,335,932
2036-2038	17,300,000	180,861	17,480,861	17,403,400	17,584,261
Total	\$ 82,550,000	5,357,100	87,907,100	85,612,669	90,969,769

Fair Value Measurement

The model used to value the interest rate swaps is based upon well recognized financial principles, and interest rate yield curves can be validated through readily observable data by external sources. Although readily observable data is used in the valuation of the interest rate swaps, methodologies could have an effect on the estimated fair value. Accordingly, the interest rate swaps are categorized as Level 2.

NOTE 12: JOINT VENTURES

The District is a participant in the Santa Ana Watershed Project Authority (SAWPA). SAWPA is a joint venture of five water districts that provide for the construction, ownership, operation, and maintenance of facilities involved in the collection, transmission, treatment, disposal, and reclamation of sewage, wastewater, groundwater, and stormwater in the Santa Ana River Watershed area. Each participating district appoints two commissioners to SAWPA to form a governing Board of Authority. Equal contributions are made by each member district for administration and contributions are based on capacity use rights for project agreements under which capital construction is accomplished. Special projects or studies are funded by equal contributions from each district.

As of June 30, 2025, it is estimated that SAWPA has total assets of \$190,440,818 and total net position of \$93,962,468. The District does not have a measurable equity interest in SAWPA. The District is also a participant in other joint ventures in which the District does not have a material equity interest or material ongoing financial interest or responsibility. Separate financial statements of SAWPA can be obtained at 11615 Sterling Avenue, Riverside, California 92503.

NOTE 13: DEFINED CONTRIBUTION PENSION PLAN

The Money Purchase Plan for employees of Orange County Water District (Money Purchase Plan) is a defined contribution pension plan administered by a committee of the Board of Directors and District employees. The Money Purchase Plan covers all employees, except part-time or temporary employees, immediately upon date of hire. For the first layer, the Money Purchase Plan requires each employee, upon date of hire, to contribute monthly to a mandatory contributions account, by payroll deduction, an amount equal to the current FICA rate not limited to the FICA wage cap. The District is required to make a contribution in an amount equal to the then current Social Security contribution requirement (7.65% for the years ended December 31, 2025) for the employer contribution. In addition, the District may elect in any year to contribute any portion, or all of the participants first layer contribution and the participant's first layer contribution shall be reduced by the amount so contributed by the District. The District elected to contribute 3% for the years ended December 31, 2025, of the participant's mandatory contribution.

Each eligible employee becomes a participant in the second layer of contribution as of the first day of the month following the completion of 12 months of covered service. The District is required to contribute 6% of the participant's total monthly compensation each month.

Employees may elect to contribute to a voluntary contribution account in the Money Purchase Plan. Voluntary contributions may be an amount not less than 2% of compensation, nor more than an amount that would cause all contributions to exceed the lesser of (a) \$70,000 for 2025 or (b) 25.00% of his or her paid compensation for the year. In addition, the District may elect in any year to contribute any portion or all of each employee's Money Purchase Plan contribution, thereby reducing the employee's Money Purchase Plan contribution by the amount contributed by the District.

The Money Purchase Plan may be amended by resolution of the Board of Directors, subject to limitations obtained in the Money Purchase Plan document. Total employer contributions to the Money Purchase Plan for the year ended June 30, 2025 were \$4,992,595.

Separate audited financial statements of the Money Purchase Plan can be obtained from the District offices at 18700 Ward Street, Fountain Valley, California 92708.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Plan Description and Benefits Provided

The District contributes to an agent multiple-employer defined benefit plan to provide postemployment health care benefits, which is administered by the District. Specifically, the District provides health insurance for its retired employees and their dependent spouses (if married and covered on the District's plan at the time of retirement), or survivors in accordance with Board resolutions. The plan benefits are established and may be amended by the District, the District's Board of Directors, and/or the employee associations. Medical coverage is provided for retired employees who are age 55 or over and who have a minimum of 12 years of service with the District. The District pays a flat dollar cap toward the premium for the retiree and the dependent coverage. Medical coverage is provided for the surviving spouse of retired employees and the surviving spouse of active employees who upon death had attained age 55 and who had a minimum of 12 years of service with the District. The District will pay the flat-dollar amount premium cap until the surviving spouse remarries, becomes enrolled under another group health plan, or cancels coverage. Employees who qualify for post-retirement health coverage must designate Medicare as their primary insurance coverage provider at the time they become eligible for Medicare (the District's coverage will then become secondary). Retiree and survivor medical coverage for employees hired on or after July 1, 2009, will terminate upon eligibility for Medicare. The plan does not provide a publicly available financial report.

The District also elected to join the Public Agency Retirement System OPEB Trust (PARS OPEB Trust) as a means to fund the Annual Determined Contribution (ADC). The District makes quarterly contributions to the PARS OPEB Trust and pays benefits directly to the insurance provider. The PARS OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request. The PARS OPEB Trust is reported as a fiduciary fund. The plan itself does not issue a separate financial report.

Employees Covered

The following current and former employees were covered by the benefit terms under the plan as of years ended June 30, 2025:

	<u>2025</u>
Inactive Plan Members Currently Receiving Benefit Payments	115
Inactive Plan Members Entitled to But Not Yet Receiving Benefit Payments	0
Active Plan Members	<u>221</u>
Total Plan Participants	<u><u>336</u></u>

Accounting for the Plan

The OPEB trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

Investments are reported at fair value, which is determined by the means of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District, District's Board of Directors, and/or the employee associations. Currently, contributions are not required from plan members. Administrative costs of the OPEB plan are financed through investment earnings. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2025, the District's cash contributions were \$640,000 in payments to the trust and the estimated implied subsidy was \$318,000 resulting in total payments of \$958,000

Fiduciary Net Position with PARS Trust

The PARS OPEB Trust (Trust) contains assets of 160 member agencies as of June 30, 2024. The Trust invests in various investment securities including U.S. Treasury Obligations, U.S. Government Agency Issues, Corporate Debt Issues, Foreign Debt Issues, Municipal Debt Issues, Money Market Mutual Funds, Equity Mutual Funds, Fixed Income Mutual Funds, Domestic Common Stocks, and Foreign Stocks.

Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Trust manages exposure to interest rate risk 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 over time as necessary to provide the cash flows and liquidity needed for operations. Investments in the Trust mature as of June 30, 2024, as follows: 2% in two years or less, 5% in two to five years, 25% in five to ten years, 10% in more than 10 years.

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. The Trust investments are rated by Standard and Poor's or Moody's as of June 30, 2024, as follows: 3% are rated AAA; 1% are AA; 2% are A; 2% are BBB; 2% are exempt from ratings, and 90% are not rated.

Concentration of credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. At June 30, 2024, the Trust had no investments concentrated in one issuer (other than mutual funds and U.S. Treasury obligations) that exceeded 5% of the Trust's investments.

All of the Trust's cash deposits as of June 30, 2024 of \$43,540,023, which includes the balances of all 160 member agencies, are federally insured for up to \$250,000 by the Federal Deposit Insurance Corporation. Deposits in excess of the federally insured amount are subject to custodial credit risk, which is the risk that, in the event of the failure of a depository financial institution, the Trust will not be able to recover its deposits.

Total OPEB Liability/(Asset)

The District's net OPEB liability/(asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation dated June 30, 2023.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age, level percentage of payroll
Actuarial Amortization	
Discount Rate	5.75%
Long-Term Expected	
Rate of Return on Investments	5.75%, net of investment expenses
General Inflation	2.5% annually
Payroll Increases	Aggregate increase - 2.75% annually
Medical Trend	Merit increase - CalPERS 2000-2019 experience
	Non-Medicare: 8.5% for 2025, decreasing to 3.45% in 2076
	Medicare (Non-Kaiser): 7.5% for 2025, decreasing to 3.45% in 2076
	Medicare (Kaiser): 6.25% for 2025, decreasing to 3.45% in 2076
Mortality, Disability, Termination, Retirement	CalPERS 2000-2019 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021

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

The long-term expected rates of return are Foster & Foster Actuaries and Consultants estimates and are presented as geometric means developed over a 20-year period. The long-term expected real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation for PARS Balanced Fund	Long-Term Expected Real Rate of Return
PARS OPEB Trust		
Global Equality	60%	4.56%
Fixed Income	35%	0.78%
Cash	5%	-0.50%
Total	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the PARS OPEB Trust investments was applied to all periods of the projected benefit payments to determine the total OPEB liability.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. Changes in the Net OPEB Liability/(Asset)

	Total OPEB Liability	Increase (Decrease)	
		Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2023 (measurement date)	\$ 27,756,335	\$ 27,349,863	\$ 406,472
Changes in the Year:			
Service Cost	671,645	-	671,645
Interest on the total OPEB liability	1,603,095	-	1,603,095
Contributions - Employer	-	833,000	(833,000)
Net investment income	-	3,726,071	(3,726,071)
Benefit payments	(1,096,130)	(1,096,130)	-
Administrative Expenses	-	(44,219)	44,219
Net changes	1,178,610	3,418,722	(2,240,112)
Balance at June 30, 2024 (measurement date)	\$ 28,934,945	\$ 30,768,585	\$ (1,833,640)

Change of Assumptions

Noted no change of assumptions for the June 30, 2024 measurement date.

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate.

The following presents the net OPEB liability/(asset) of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.75%) or one percentage point higher (6.75%) than the current discount rate (5.75%):

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
Net OPEB Liability/(Asset)	\$ 1,764,021	\$ (1,833,640)	\$ (4,853,399)

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

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

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Net OPEB Liability/(Asset)	\$ (5,443,160)	\$ (1,833,640)	\$ 2,560,782

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2025, the District recognized an OPEB income of \$1,015,398. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 958,000	\$ -
Differences Between Actual Expected Experience	-	4,992,918
Changes of assumptions	2,125,616	191,185
Net Differences Between Projected and Actual Earnings	-	933,923
Total	<u>\$ 3,083,616</u>	<u>\$ 6,118,026</u>

An amount of \$958,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30:	
2026	\$ (1,914,353)
2027	(519,159)
2028	(1,407,809)
2029	(245,297)
2030	94,208
Thereafter	-

C. Payable to the OPEB Plan

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

NOTE 15: RISK MANAGEMENT

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

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

Property Loss – The Insurance Authority has pooled self-insurance up to \$10,000,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 (total insurable value of \$528,031,380). The District has a \$25,000 deductible for real and personal property, mobile equipment, licensed vehicles and trailers. Boiler and machinery is \$25,000 or \$50,000 depending on type of equipment.

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

Crime – The Insurance Authority has excess insurance coverage up to \$5,000,000. The District has a \$100,000 deductible.

Cyber Liability – The Insurance Authority has excess insurance coverage up to \$3,000,000 per member and \$5,000,000 in the aggregate and \$100,000 self-service retention.

Workers' Compensation – Insured up to the statutory limit; the Insurance Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased up to the statutory limit.

Fiduciary Liability – Purchased coverage up to \$1,000,000 with a \$10,000 retention per claim.

Underground Storage Tank Coverage – The Insurance Authority has excess insurance coverage up to \$3,000,000. The District has a \$10,000 deductible.

The District pays annual premiums for coverage. There were no instances in the past four years when a settlement exceeded the District's coverage.

NOTE 16: COMMITMENTS AND CONTINGENCIES

Contracts and Projects

The District has entered into various contracts for the purchase of material and construction of the GWRS Final Expansion and the PFAS Treatment Facilities Projects. The amounts contracted for are based on the contractor's estimated cost of construction. At June 30, 2025 the total unpaid amount on these contracts is approximately \$54,644,759. During the fiscal year ended June 30, 2025, the District entered into various contracts for the construction and rehabilitation of various wells and basins throughout the region. At June 30, 2025 the total unpaid amount on these contracts was approximately \$2,617,474.

Regulations

In August 2025, the State Water Resources Control Board held the required public meeting ahead of its Division of Drinking Water's (DDW) pending adoption of new drinking water advisories for several per-and polyfluoroalkyl substances (PFAS). DDW will be reducing the Notification Levels (NL) for perfluorooctanoic acid (PFOA) and perfluorooctane sulfonate (PFOS) each to 4 parts per trillion (ppt), reducing the Response Level (RL) for perfluorohexane sulfonate (PFHxS) to 10 ppt, and establishing an NL and an RL for perfluorohexanoic acid (PFHxA) at 1,000 and 10,000 ppt, respectively. Based on monitoring results collected to date in the Orange County Groundwater Basin, is not anticipated that the pending PFHxA NL or RL will cause additional Producer wells to be taken out of service or otherwise require treatment. The reduction of the PFHxS RL is likely to cause approximately 5-7 additional Producer wells to be taken offline.

NOTE 16: COMMITMENTS AND CONTINGENCIES

In April 2024, the United States Environmental Protection Agency (USEPA) finalized its National Primary Drinking Water Regulation (NPDWR) for per and polyfluoroalkyl substances (PFAS). The NPDWR features Maximum Contaminant Levels (MCLs) set at 4 ppt for PFOA; 4 ppt for PFOS, 10 ppt for PFHxS; 10 ppt for perfluorononanoic acid (PFNA); 10 ppt for GenX; and a combined Hazard Index (HI) that includes PFHxS, PFNA, GenX, and perfluorobutane sulfonate (PFBS). Formal compliance with the USEPA NPDWR MCLs is required by April 2029 by public water systems (i.e., the Producers). A number of additional Producer wells are affected by the USEPA MCLs and treatment is currently being pursued for them. Based upon a USEPA public announcement in May 2025 and subsequent September 2025 USEPA legal filing in the ongoing judicial review litigation for the PFAS NPDWR, USEPA intends to a) rescind the both the individual MCLs and the HI for PFHxS, PFNA, GenX, PFBS, b) extend the compliance deadline to 2031 through future rulemaking, and c) defend the 4 ppt MCLs for PFOA and PFOS in the litigation. Given that PFOA and PFOS are the primary PFAS driving the need for Producer treatment systems, the proposed changes to the NPDWR will have minimal impact on Orange County Water District.

Legal Claims and Lawsuits

Legal claims and lawsuits arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the District's financial position.

NOTE 17: SUBSEQUENT EVENTS

The District evaluated subsequent events for recognition and disclosure through October 16, 2025, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2025, that required recognition or disclosure in these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION
Other Postemployment Benefits (OPEB)
Schedule of Changes in the Net OPEB Liability and Related Ratios
Schedule of Contributions – OPEB

ORANGE COUNTY WATER DISTRICT
Other Postemployment Benefits
Schedule of Changes in the Net OPEB Liability/Asset and Related Ratios
As of June 30, for the Last Ten Fiscal Years¹

Fiscal Year-End Measurement Date	2025 6/30/2024	2024 6/30/2023	2023 6/30/2022	2022 6/30/2021	2021 6/30/2020	2020 6/30/2019	2019 6/30/2018	2018 6/30/2017
Total OPEB Liability:								
Service cost	\$ 671,645	\$ 688,353	\$ 669,930	\$ 700,469	\$ 726,650	\$ 892,384	\$ 866,392	\$ 841,157
Interest	1,603,095	1,465,661	1,400,193	1,973,024	1,905,660	2,026,260	1,897,438	1,770,648
Changes of benefit terms	-	40,000	-	-	-	-	-	-
Differences between expected and actual experience	-	(1,002,290)	-	(9,049,031)	-	(3,470,681)	-	-
Changes in assumptions	-	2,227,000	-	1,389,150	(581,102)	(218,193)	-	-
Benefit payments, Including refunds and the implied subsidy	(1,096,130)	(927,565)	(972,391)	(999,865)	(977,417)	(861,415)	(754,508)	(618,306)
Net Change in Total OPEB Liability	1,178,610	2,491,159	1,097,732	(5,986,253)	1,073,791	(1,631,645)	2,009,322	1,993,499
Total OPEB Liability - Beginning of Year	27,756,335	25,265,176	24,167,444	30,153,697	29,079,906	30,711,551	28,702,229	26,708,730
Total OPEB Liability - End of Year	28,934,945	27,756,335	25,265,176	24,167,444	30,153,697	29,079,906	30,711,551	28,702,229
Plan Fiduciary Net Position								
Contribution - employer	833,000	1,860,712	1,812,276	1,694,236	3,223,388	7,444,619	1,784,375	1,381,609
Net investment income	3,726,071	2,226,009	(3,792,072)	5,684,052	616,176	809,641	360,155	575,402
Benefit payments, Including refunds and the implied subsidy	(1,096,130)	(927,565)	(972,391)	(999,865)	(977,417)	(28,935)	(26,015)	(22,777)
Administrative expense	(44,219)	(153,548)	(163,922)	(149,022)	(131,376)	(861,415)	(754,508)	(618,306)
Net change in plan fiduciary net position	3,418,722	3,005,608	(3,116,109)	6,229,401	2,730,771	7,363,910	1,364,007	1,315,928
Plan fiduciary net position - beginning	27,349,863	24,344,255	27,460,364	21,230,963	18,500,192	11,136,282	9,772,275	8,456,347
Plan fiduciary net position - ending (b)	30,768,585	27,349,863	24,344,255	27,460,364	21,230,963	18,500,192	11,136,282	9,772,275
Net OPEB Liability/(Asset) - ending (a) - (b)	(1,833,640)	406,472	920,921	(3,292,920)	8,922,734	10,579,714	19,575,269	18,929,954
Plan fiduciary net position as a percentage of the total OPEB liability/asset	106.3%	98.5%	96.4%	113.6%	70.4%	63.6%	36.3%	34.0%
Covered-employee payroll	27,814,403	26,548,918	24,989,751	25,320,721	24,822,309	24,456,567	25,040,896	23,452,614
Net OPEB liability/(asset) as a percentage of covered-employee payroll	-6.6%	1.5%	3.7%	-13.0%	35.9%	43.3%	78.2%	80.7%

Notes to Schedule of Change in the Net OPEB Liability/Asset) and Related Ratios:

Changes in Assumptions:

Fiscal year June 30, 2022 to June 30, 2023: None

Fiscal year June 30, 2023 to June 30, 2024: Update medical

Fiscal year June 30, 2024 to June 30, 2025: None

¹Fiscal year 2018 was the first year of implementation; therefore, one eight years are shown

ORANGE COUNTY WATER DISTRICT
 Other Postemployment Benefits
 Schedule of Contributions
 As of June 30, for the Last Ten Fiscal Years¹

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 684,000	\$ 640,000	\$ 644,000	\$ 1,598,000	\$ 1,600,000	\$ 1,706,000	\$ 1,303,932	\$ 1,300,000
Contribution in Relation to the Actuarially Determined Contributions	(958,000)	(929,249)	(1,840,313)	(1,845,746)	(1,688,504)	(3,223,388)	(7,432,482)	(1,739,964)
Contribution Deficiency (Excess)	\$ (274,000)	\$ (289,249)	\$ (1,196,313)	\$ (247,746)	\$ (88,504)	\$ (1,517,388)	\$ (6,128,550)	\$ (439,964)
Covered-Employee Payroll	\$ 29,471,494	\$ 27,814,403	\$ 26,548,918	\$ 24,989,751	\$ 25,320,721	\$ 24,822,309	\$ 24,456,567	\$ 25,040,896
Contributions as a percentage of Covered-Employee Payroll	3.25%	3.34%	6.93%	7.39%	6.67%	12.99%	30.39%	6.95%

Notes to Schedule of Plan Contributions
 Valuation Date

June 30, 2023

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Amortization Method	Entry Age Normal, level percentage of payroll
Asset Valuation Method	Level percentage of pay over closed 19-year period
Discount Rate	5.75%
General Inflation	2.5%
Mortality, Disability, Termination, Retirement	CalPERS 2000-2019 Experience Study
Medical Trend	Non-Medicare: 8.5% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser): 7.5% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser): 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076

¹Fiscal year 2018 was the first year of implementation; therefore, only eight years are shown

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STATISTICAL SECTION
Financial Trends
Revenue Capacity
Debt Capacity
Demographic and Economic Information
Operating Information

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ORANGE COUNTY WATER DISTRICT
DESCRIPTION OF STATISTICAL SECTION CONTENTS

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

Contents:	<u>Pages</u>
Financial Trends these schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.....	62-65
Revenue Capacity these schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	66-68
Debt Capacity these schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	69-72
Demographic and Economic Information these schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.....	73-74
Operating Information these schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs	75-78



Orange County Water District

Net Position by Component Last Ten Fiscal Years

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2016	135,271,635	21,404,577	173,374,582	330,050,794
2017	150,961,053	5,370,190	186,797,840	343,129,083
2018	151,082,728	66,579	154,064,265	305,213,572 (1)
2019	149,157,213	2,684,482	224,358,603	376,200,298
2020	143,502,901	11,597,226	260,734,070	415,834,197
2021	186,429,591	4,300,009	292,009,843	482,739,443
2022	192,992,630	84,995,606	227,733,335	505,721,571
2023	151,262,495	4,884,302	316,528,671	472,675,468
2024	200,286,418	2,158,992	327,148,301	529,593,711
2025	213,248,985	5,431,474	392,078,756	610,759,215



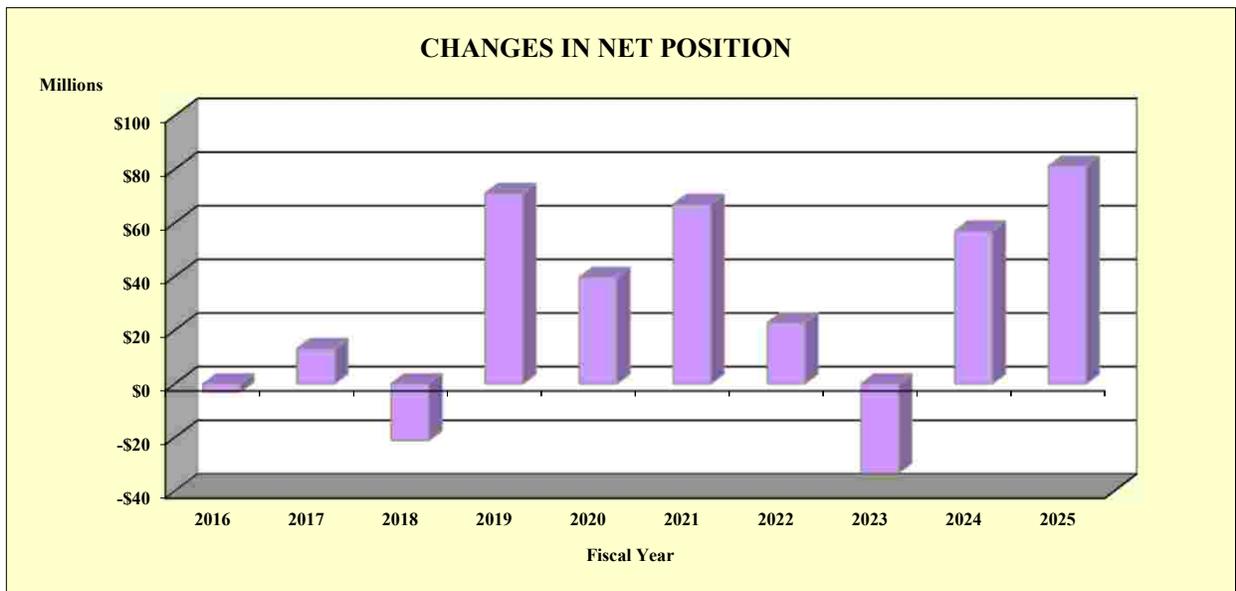
(1) Implementation of GASB Statement 75 resulted in a net prior period adjustment of \$16,776,446.



Orange County Water District

Changes in Net Position Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income (Loss)</u>	<u>Total Non-Operating Revenues (Expenses)</u>	<u>Net Income (Loss) Before Capital Contributions</u>	<u>Capital Contributions/Special Item</u>	<u>Change in Net Position</u>
2016	105,016,764	128,327,208	(23,310,444)	14,200,225	(9,110,219)	6,107,763	(3,002,456)
2017	137,601,758	139,491,432	(1,889,674)	13,185,798	11,296,124	1,782,165	13,078,289
2018	147,869,984	154,691,739	(6,821,755)	19,198,889	12,377,134	(33,516,199) (1)	(21,139,065)
2019	155,374,357	156,644,282	(1,269,925)	70,357,913	69,087,988	1,898,738	70,986,726
2020	146,718,494	137,094,164	9,624,330	27,098,114	36,722,444	2,911,455	39,633,899
2021	148,729,292	119,713,128	29,016,164	37,258,473	66,274,637	630,609	66,905,246
2022	138,402,212	141,847,855	(3,445,643)	15,063,530	11,617,887	11,063,991	22,681,878
2023	144,651,494	155,295,626	(10,644,132)	32,198,800	21,554,668	(54,739,351) (2)	(33,184,683)
2024	180,903,570	143,437,543	37,466,027	43,559,431	81,025,458	(24,107,215) (3)	56,918,243
2025	213,228,941	154,210,690	59,018,251	44,755,305	103,773,556	(22,608,052) (3)	81,165,504



- (1) In-lieu water was purchased with debt financing.
- (2) Capital Contributions to/from Other Parties: GWRSFE Headworks Project and PFAS Treatment Facilities Projects.
- (3) Capital Contributions to/from Other Parties: PFAS Treatment Facilities Projects.

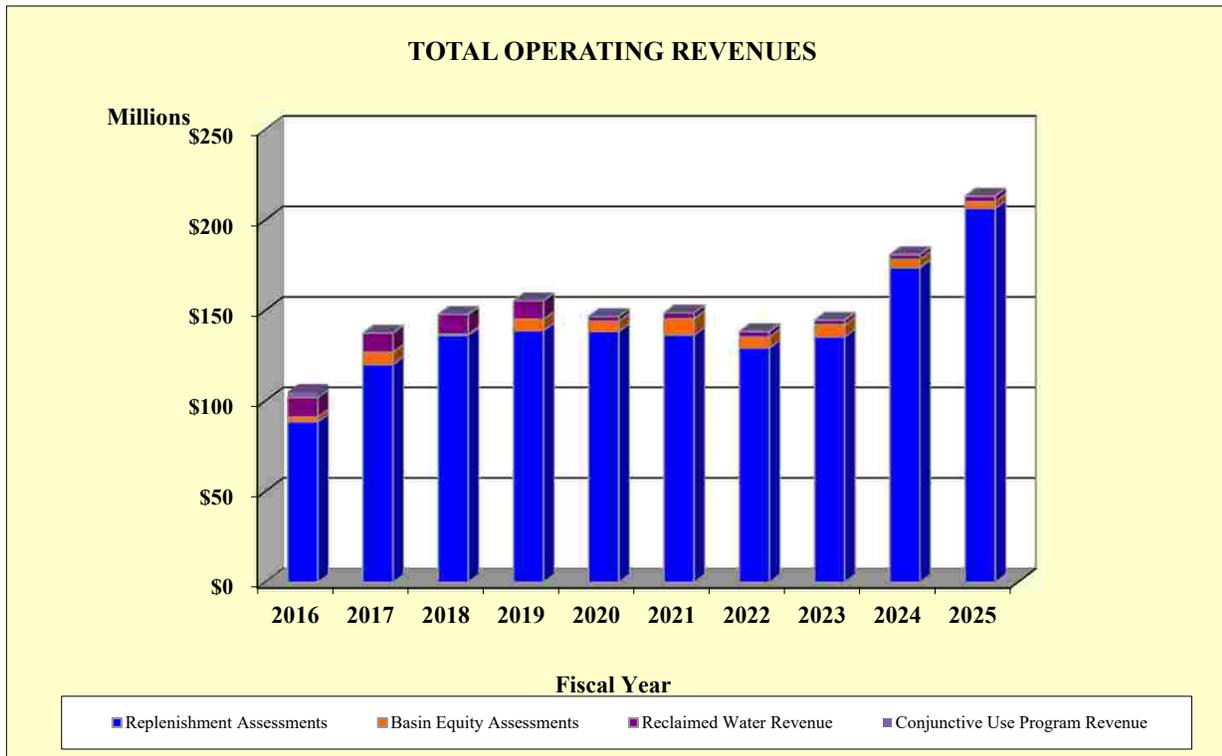
Source: OCWD Finance Department



Orange County Water District

Operating Revenues By Source Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Replenishment Assessments</u>	<u>Basin Equity Assessments</u>	<u>Reclaimed Water Revenue</u>	<u>Conjunctive Use Program Revenue</u>	<u>Total</u>	<u>Percent Change</u>
2016	88,464,251	2,767,818	10,699,469	3,085,226	105,016,764	-
2017	120,120,803	6,833,449	10,606,006	41,500	137,601,758	31.0%
2018	136,212,805	723,321	10,933,858	-	147,869,984	7.5%
2019	138,779,385	6,384,640	10,210,332	-	155,374,357	5.1%
2020	138,444,750	5,617,151	2,656,593	-	146,718,494	-5.6%
2021	136,357,405	9,143,494	3,228,393	-	148,729,292	1.4%
2022	129,244,848	6,136,462	3,020,902	-	138,402,212	-6.9%
2023	135,370,694	6,851,209	2,429,591	-	144,651,494	4.5%
2024	173,617,162	4,649,500	2,636,908	-	180,903,570	25.1%
2025	206,356,054	3,826,037	3,046,850	-	213,228,941	17.9%



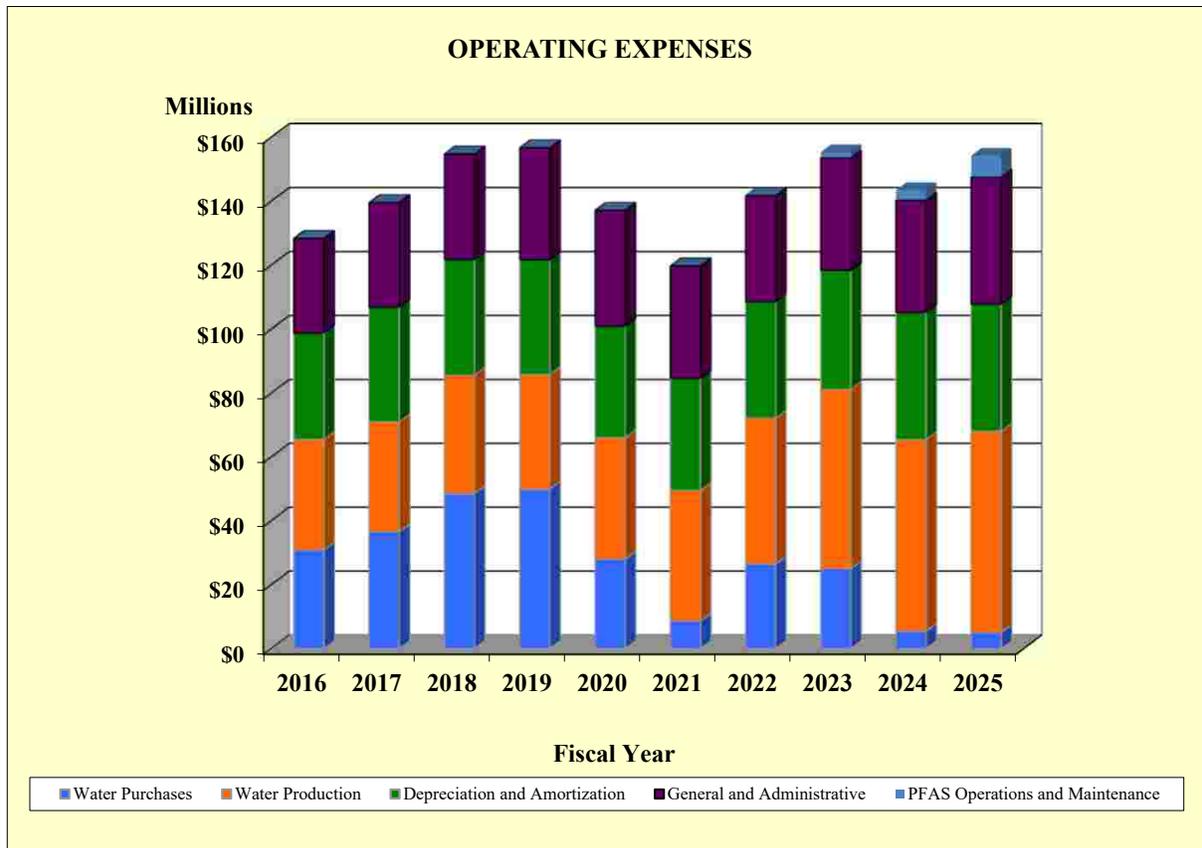
Source: OCWD Finance Department



Orange County Water District

Operating Expenses by Function Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water Purchases</u>	<u>Water Production</u>	<u>Depreciation and Amortization</u>	<u>General and Administrative</u>	<u>PFAS - Operations and Maintenance</u>	<u>Total</u>	<u>Percent Change</u>
2016	30,831,126	34,630,579	33,362,509	29,502,994	-	128,327,208	-
2017	36,507,292	34,461,866	35,862,620	32,659,654	-	139,491,432	8.7%
2018	48,504,350	37,141,781	36,123,555	32,922,053	-	154,691,739	10.9%
2019	49,920,482	35,891,184	35,865,015	34,967,601	-	156,644,282	1.3%
2020	28,001,365	38,116,757	34,849,637	36,126,405	-	137,094,164	-12.5%
2021	8,679,073	40,829,932	35,112,462	35,091,661	-	119,713,128	-12.7%
2022	26,478,304	45,687,660	36,374,752	33,118,167	188,972	141,847,855	18.5%
2023	24,975,628	56,223,843	37,228,667	35,047,648	1,819,840	155,295,626	9.5%
2024	5,398,965	60,020,715	39,852,607	35,001,257	3,163,999	143,437,543	-7.6%
2025	5,090,949	62,914,541	39,799,470	39,662,040	6,743,690	154,210,690	7.5%

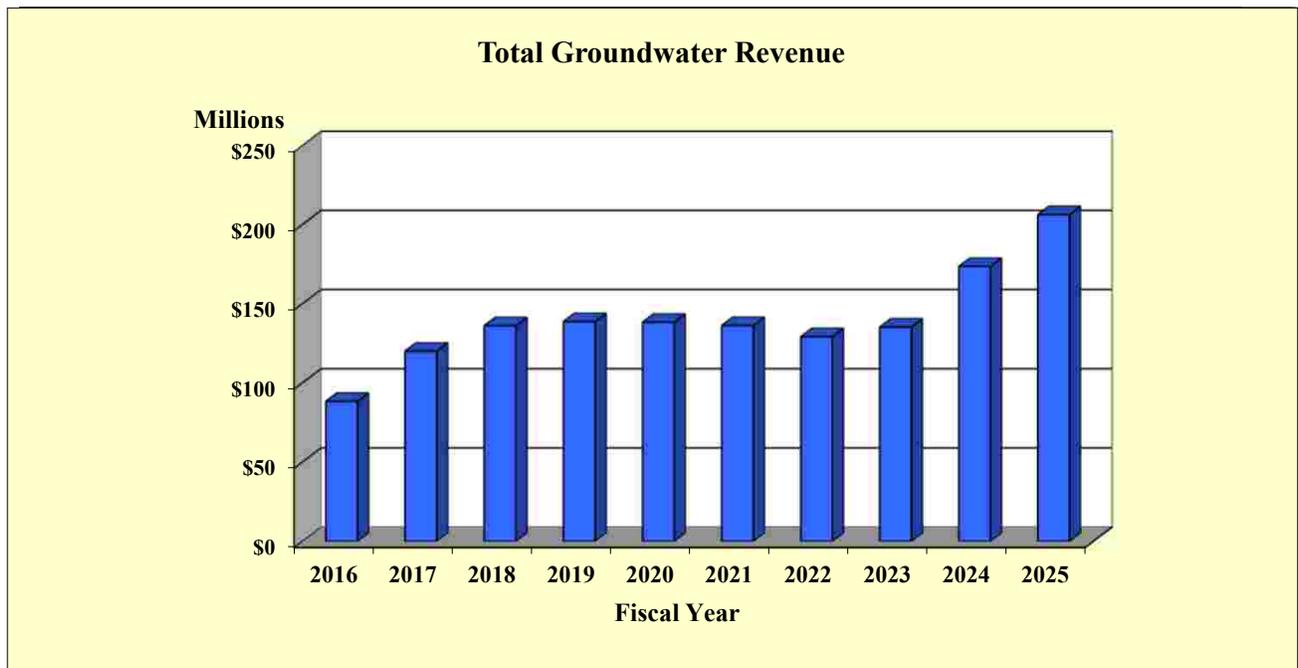




Orange County Water District

Total Sales by Acre-Feet and Revenue by Water Type Last Ten Fiscal Years

Fiscal Year	Irrigation (Acre-Feet)	Domestic (Acre-Feet)	In-Lieu Delivery (Acre-Feet)	Replenishment Assessment Revenue
2016	2,047.8	275,042.2	0.0	88,464,251
2017	1,589.6	300,047.8	0.0	120,120,803
2018	1,771.2	235,145.2	73,108.6	136,212,805
2019	740.1	302,756.4	0.0	138,779,385
2020	750.0	276,444.9	9,303.4	138,444,750
2021	749.4	281,043.1	0.0	136,357,405
2022	756.5	256,164.4	0.0	129,244,848
2023	535.5	244,674.5	0.0	135,370,694
2024	611.0	279,808.8	0.0	173,617,162
2025	515.5	301,815.3	0.0	206,356,054

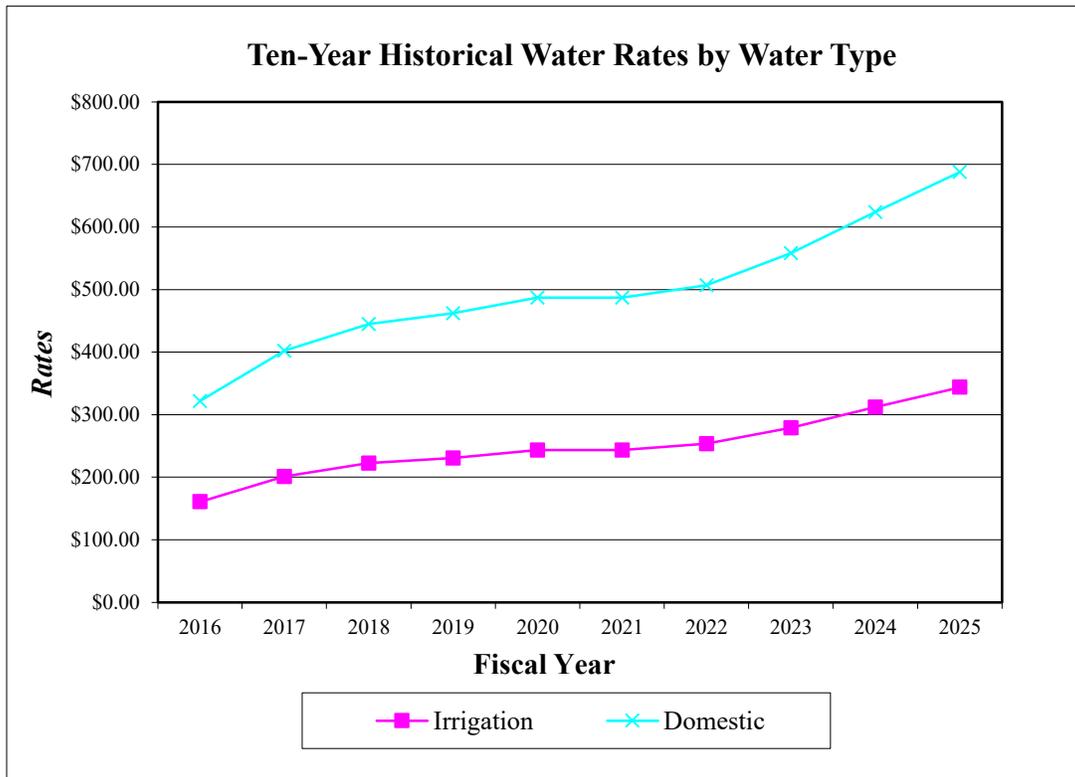




Orange County Water District

Water Rates by Water Type Last Ten Fiscal Years (\$ per Acre-Foot)

Fiscal Year	Irrigation	Domestic
2016	161.00	322.00
2017	201.00	402.00
2018	222.50	445.00
2019	231.00	462.00
2020	243.50	487.00
2021	243.50	487.00
2022	253.50	507.00
2023	279.00	558.00
2024	312.00	624.00
2025	344.00	688.00



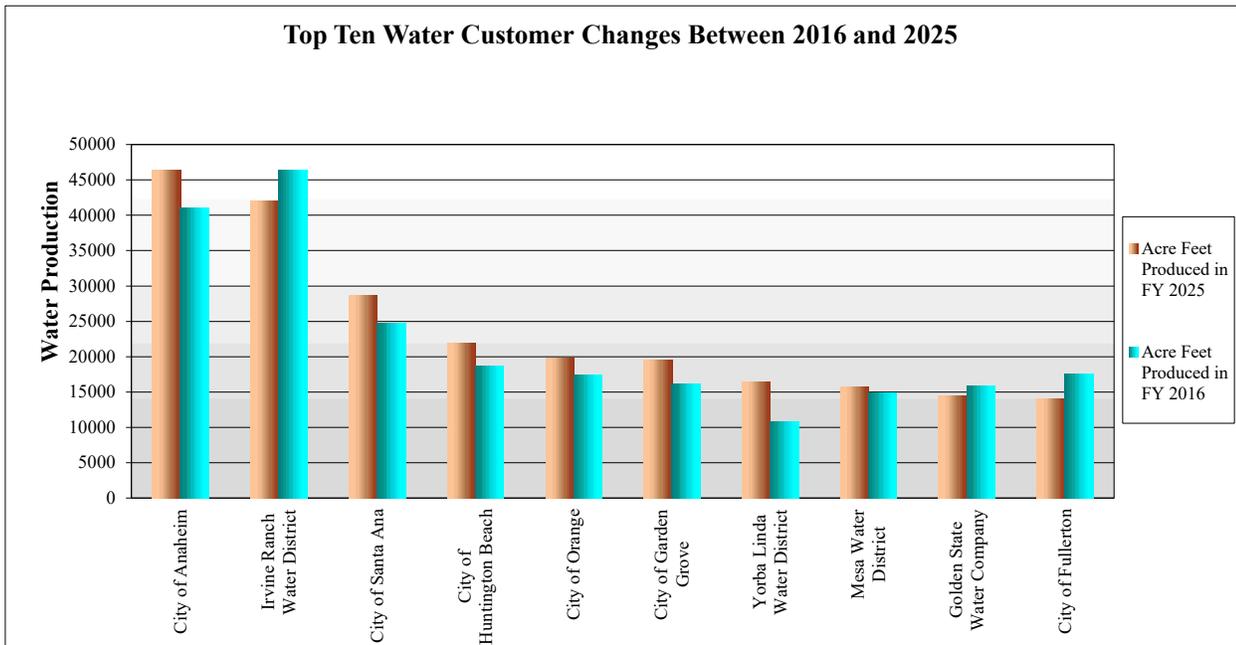
Source: OCWD Engineer's Report



Orange County Water District

Changes In Top Ten Customers' Groundwater Production Current Fiscal Year and Nine Years Ago

Member Cities & Agencies	Acre Feet Produced in FY 2025	% of Water Produced in FY 2025	Acre Feet Produced in FY 2016	% of Water Produced in FY 2016
City of Anaheim	46,311.6	19.41%	40,988.9	18.36%
Irvine Ranch Water District	42,055.4	17.62%	46,396.1	20.77%
City of Santa Ana	28,636.2	12.00%	24,745.3	11.08%
City of Huntington Beach	21,954.9	9.20%	18,667.6	8.36%
City of Orange	19,738.5	8.27%	17,375.9	7.78%
City of Garden Grove	19,460.7	8.15%	16,175.8	7.24%
Yorba Linda Water District	16,356.5	6.85%	10,796.0	4.83%
Mesa Water District	15,667.2	6.57%	14,854.5	6.65%
Golden State Water Company	14,391.5	6.03%	15,860.8	7.10%
City of Fullerton	14,066.5	5.89%	17,545.8	7.85%
Totals	238,639.0	100%	223,406.7	100%



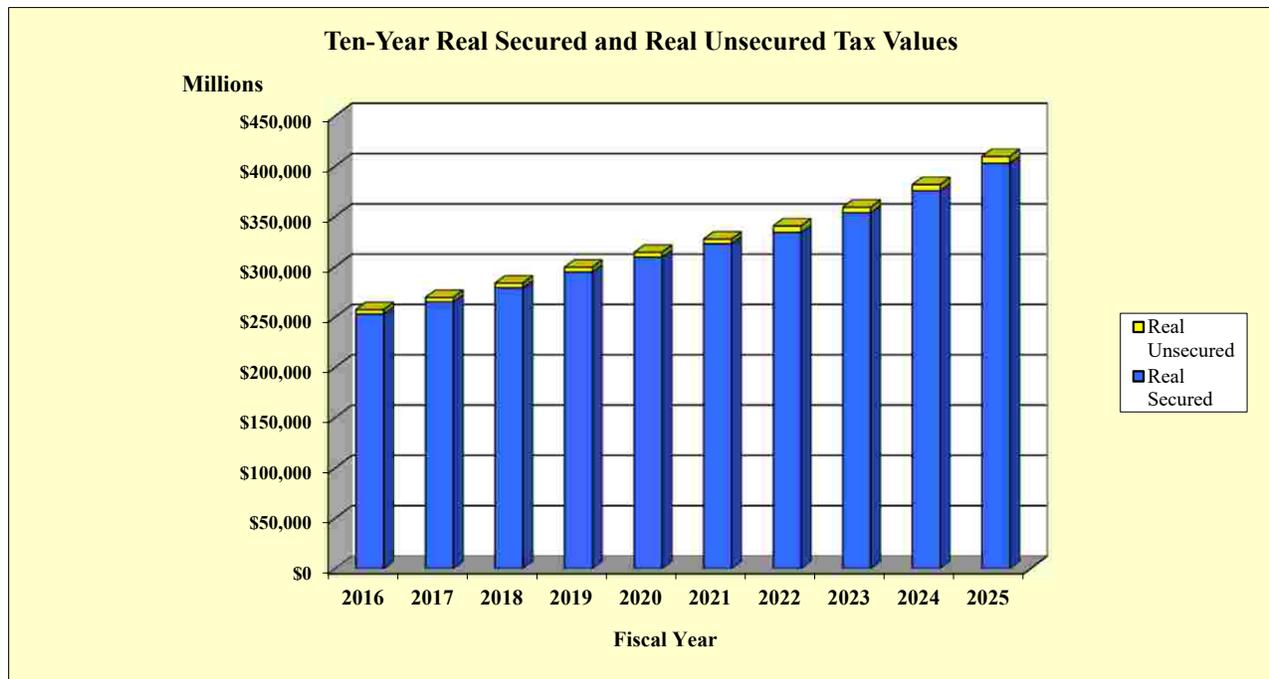
Source: OCWD Finance Department



Orange County Water District

Ten-Year Real Secured and Real Unsecured Assessed Tax Values Last Ten Fiscal Years

Fiscal Year	Real Secured	Real Unsecured	Total	Total Direct Tax Rate Percent (1)
2016	253,073,090,395	4,339,622,163	257,412,712,558	1.00
2017	265,209,156,713	4,287,352,070	269,496,508,783	1.00
2018	279,177,420,172	4,576,957,093	283,754,377,265	1.00
2019	294,837,523,641	4,690,290,747	299,527,814,388	1.00
2020	309,504,719,273	4,732,621,485	314,237,340,758	1.00
2021	322,834,240,610	4,637,553,818	327,471,794,428	1.00
2022	334,079,374,016	6,450,394,897	340,529,768,913	1.00
2023	353,809,054,304	5,354,956,903	359,164,011,207	1.00
2024	375,490,750,634	6,162,604,562	381,653,355,196	1.00
2025	402,938,607,837	6,642,220,753	409,580,828,590	1.00



(1) In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of the property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold.

Source: County of Orange Office of Auditor/Controller-Property Tax Unit



Orange County Water District

Ten-Year Computation of Legal Debt Margin Fiscal Year 2016 Through 2025

Fiscal Year	Total Real Secured & Real Unsecured Assessed Value (1)	Legal Debt Limit (2)	Net Bonded Debt (3)	Legal Debt Margin (4)
2016	257,412,712,558	12,870,635,628	0	12,870,635,628
2017	269,496,508,783	13,474,825,439	0	13,474,825,439
2018	283,754,377,265	14,187,718,863	0	14,187,718,863
2019	299,527,814,388	14,976,390,719	0	14,976,390,719
2020	314,237,340,758	15,711,867,038	0	15,711,867,038
2021	327,471,794,428	16,373,589,721	0	16,373,589,721
2022	340,529,768,913	17,026,488,446	0	17,026,488,446
2023	359,164,011,207	17,958,200,560	0	17,958,200,560
2024	381,653,355,196	19,082,667,760	0	19,082,667,760
2025	409,580,828,590	20,479,041,430	0	20,479,041,430



- (1) Assessed Value is stated at taxable full cash value.
- (2) The Legal Debt Limit is 5% of the Assessed Value.
- (3) Net Bonded Debt is zero for the District.
- (4) Legal Debt Margin is computed by subtracting Net Bonded Debt from the Legal Debt Limit.

Source: County of Orange Office of Auditor/Controller-Property Tax Unit



Orange County Water District

*Pledged-Revenue Coverage
One Fiscal Year
Debt Service*

Fiscal Year	Revenue (1)	Less Operating & Maintenance Expenses (2)	Net Revenue	Senior Debt Service	Senior Debt Coverage	Net Revenues Available for Junior Debt Service	Junior Debt Service	Junior Debt Coverage	Total Debt Service (3)	Total Coverage
2025	272,886,976	111,488,912	161,398,064	30,502,189	5.29	130,895,875	8,013,245	16.33	38,515,434	4.19

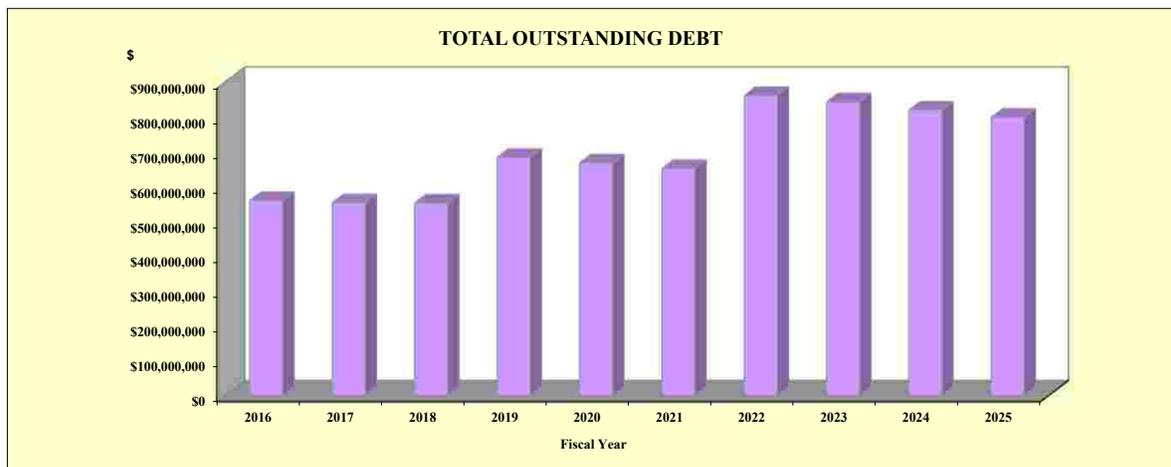
- (1) Revenues include replenishment assessment, reclaimed water revenues, conjunctive use program revenues, property tax revenue, investment income (excluding fair market value adjustment), rental income, operating income and other revenues.
- (2) Expenses exclude depreciation, amortization, water purchases, and interest expenses.
- (3) The District has executed, in total, sixteen Certificates of Participation and Revenue Refunding Bonds issuances since 1989. Only four debt issuances are outstanding (2003A, 2017A&B, 2019B, and 2019C&D) as of June 30, 2025. Other COP's are either advanced refunded, defeased, or refinanced with the help of the State loans, current COP's and Revenue Refunding Bonds.
- (4) Commercial paper principal payment of \$8,400,000 was made in July 2024.
These principal payments were not included in total principal payments because these were not scheduled District debt service payments.
- (5) The District has elected to show only one year of data for its pledged-revenue coverage.



Orange County Water District

Ratios of Outstanding Debt Last Ten Fiscal Years

Fiscal Year	COP Debt (2)	Revenue Refunding Bonds (2)	State of California Loans (2)	WIFIA Loans (2)	Lease Liability (2)	Subscription-based Liability (SBITA) (2)	Total Outstanding Debt (2)	Per Capita (1) (3)	Percentage of Personal Income (1) (3)
2016	267,280,690	53,000,000	239,600,805	-	-	-	559,881,495	177	0.288%
2017	129,815,000	188,418,466	235,163,138	-	-	-	553,396,604	174	0.274%
2018	129,815,000	186,765,413	235,978,713	-	-	-	552,559,126	173	0.262%
2019	276,523,244	176,749,315	230,354,520	-	-	-	683,627,079	214	0.308%
2020	275,551,903	295,103,202	97,089,680	-	-	-	667,744,785	209	0.279%
2021	274,455,563	288,801,064	88,375,897	-	-	-	651,632,524	205	0.253%
2022	376,168,826	281,163,924	203,966,837	-	39,850	-	861,339,437	273	0.325%
2023	257,021,531	273,201,785	196,845,121	115,357,848	21,432	188,472	842,636,189	267	0.302%
2024	232,504,235	265,029,646	188,058,912	133,851,077	4,128	74,017	819,522,015	260	0.291%
2025	134,965,203	256,567,507	176,023,459	230,463,022	-	496,018	798,515,209	251	0.281%



- (1) Data Source: Demographic Research Unit, California Department of Finance. Data is for the entire County of Orange. The Orange County Water District services 381 square miles or 48% of the total 799 square miles that make up the boundaries of the County of Orange.
- (2) Data Source: Orange County Water District - Finance Department.
- (3) Data Source: Refer to Orange County Water District, ACFR Schedule - Demographic Statistics.

Source: OCWD Finance Department



Orange County Water District

Demographic Statistics Covering The Entire County of Orange (1) Last Ten Fiscal Years

Fiscal Year	Population Estimates (2)	Total Personal Income (in Thousands)	Per Capita Personal Income	Median Family Income (4)	Unemployment Rate (5)
2016	3,165,028	194,223,700 (3)	61,366	92,063	4.3%
2017	3,185,541	202,337,241 (3)	63,517	97,012	3.8%
2018	3,192,479	210,648,610 (3)	65,983	102,047	3.2%
2019	3,192,408	221,785,219 (3)	69,473	107,171	3.0%
2020	3,188,326	239,165,288 (3)	75,013	108,243 (6)	13.4%
2021	3,174,592	257,606,430 (3)	81,146	113,908	6.9%
2022	3,159,797	264,973,116 (3)	83,858	121,553	2.9%
2023	3,156,200	278,760,587 (3)	88,322	126,455	3.7%
2024	3,170,070	281,548,193 (6)	88,815	127,720 (6)	4.0%
2025	3,175,427	284,363,675 (6)	89,551	128,997 (6)	4.5%

Notes and Data Sources

- (1) The Orange County Water District services 381 square miles or 48% of the total 799 square miles that make up the boundaries of the County of Orange.
- (2) Data Source: Demographic Research Unit, California Department of Finance.
- (3) Data Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (4) Data Source: Center for Demographic Research, California State University, Fullerton.
- (5) Data Source: State of California, Employment Development Department as of June 30 of each fiscal year.
- (6) Forecasted number based on 1% growth.

Source: OCWD Finance Department



Orange County Water District

Principal Employers Last Year and Nine Years Ago

2024

Employer	Number of Employees	Rank	Percentage of Total County Employment
Disneyland Resort	36,000	1	2.31%
University of California, Irvine	34,085	2	2.19%
Providence South Division (California)	25,155	3	1.61%
County of Orange	18,775	4	1.20%
Kaiser Permanente	10,293	5	0.66%
Hoag Memorial Hospital Presbyterian	8,081	6	0.52%
Allied Universal	7,214	7	0.46%
Albertsons Southern California Division	7,152	8	0.46%
MemorialCare	6,326	9	0.41%
CHOC Hospital	5,555	10	0.36%

2016

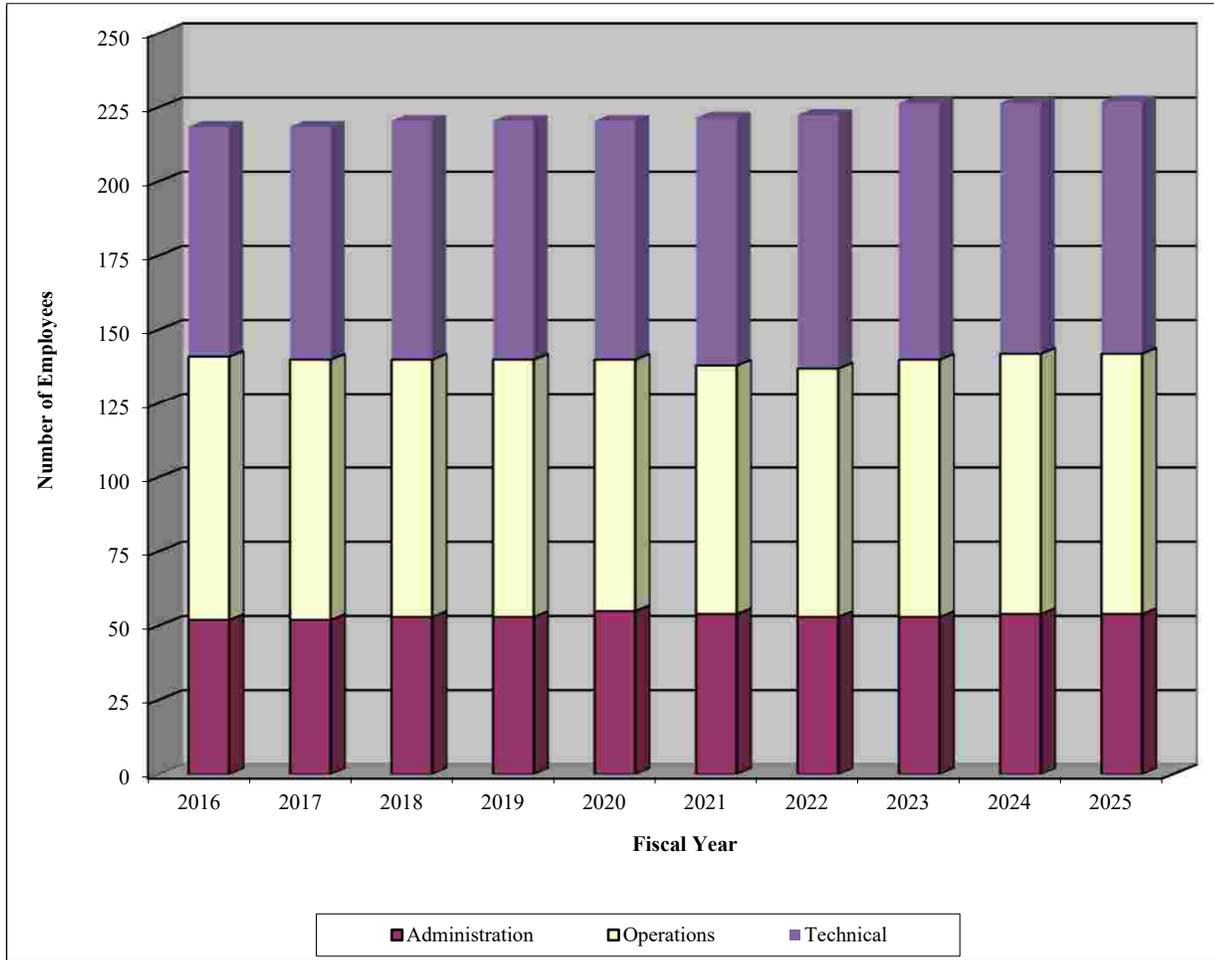
Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	29,000	1	1.87%
University of California, Irvine	23,605	2	1.52%
County of Orange	18,148	3	1.17%
St. Joseph Health	11,925	4	0.77%
Allied Universal	8,229	5	0.53%
Kaiser Permanente	7,694	6	0.50%
Boeing Co.	6,103	7	0.39%
Wal-Mart Stores Inc.	6,000	8	0.39%
California State University, Fullerton	5,781	9	0.37%
Bank of America Corp.	5,500	10	0.36%



Orange County Water District

*Personnel Trends
Last Ten Fiscal Years
FUNCTIONS*

<u>Fiscal Year</u>	<u>Administration</u>	<u>Operations</u>	<u>Technical</u>	<u>Total</u>
2016	52.0	89.0	77.5	218.5
2017	52.0	88.0	78.5	218.5
2018	53.0	87.0	80.5	220.5
2019	53.0	87.0	80.5	220.5
2020	55.0	85.0	80.5	220.5
2021	54.0	84.0	83.5	221.5
2022	53.0	84.0	85.5	222.5
2023	53.0	87.0	86.5	226.5
2024	54.0	88.0	84.5	226.5
2025	54.0	88.0	85.0	227.0



Source: OCWD Finance Department



Orange County Water District

Fiscal Year 2024-25 Groundwater Production

By Agency

(Acre-Feet)

City/Agency	Irrigation	Domestic	Total	% of Water Sold
Anaheim, City of		46,311.6	46,311.6	15.31%
Buena Park, City of		11,576.2	11,576.2	3.83%
East Orange County Water District		1,944.6	1,944.6	0.64%
County of Orange		136.3	136.3	0.05%
Fountain Valley, City of		8,559.7	8,559.7	2.83%
Fullerton, City of		14,066.5	14,066.5	4.65%
Garden Grove, City of		19,460.7	19,460.7	6.44%
Golden State Water Company		14,391.5	14,391.5	4.76%
Huntington Beach, City of		21,954.9	21,954.9	7.26%
Irvine Ranch Water District		42,055.4	42,055.4	13.91%
La Palma, City of		1,610.6	1,610.6	0.53%
Mesa Water District		15,667.2	15,667.2	5.18%
Newport Beach, City of		11,326.0	11,326.0	3.75%
Orange, City of		19,738.5	19,738.5	6.53%
Orange County Water District*		1,508.3	1,508.3	0.50%
Santa Ana, City of		28,636.2	28,636.2	9.47%
Seal Beach, City of		3,555.7	3,555.7	1.18%
Serrano Water District		1,381.6	1,381.6	0.46%
Tustin, City of		5,971.1	5,971.1	1.98%
Westminster, City of		10,423.7	10,423.7	3.45%
Yorba Linda Water District		16,356.5	16,356.5	5.41%
All Operations Other Than Above	515.5	5,182.6	5,698.1	1.88%
Totals	515.5	301,815.3	302,330.8	100%

Source: OCWD Finance Department



Orange County Water District

Demographic and Production Indicators Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Demographics										
Service Area (Square Miles)	381	381	381	381	381	381	381	381	381	381
Population Estimate (1), (2)	3,175,427	3,150,835	3,141,065	3,158,071	3,172,352	3,188,326	3,192,408	3,192,479	3,185,541	3,165,028
Median Family Income (1), (3)	\$ 128,997 (6)	\$ 123,996	\$ 122,769	\$ 121,553	\$ 113,908	\$ 108,243	\$ 107,171	\$ 102,047	\$ 97,012	\$ 92,063
Production Data (A.F.) (4)										
Groundwater										
Non-Irrigation Pumping	301,815.3 (6)	279,808.8	244,674.5	256,164.4	281,043.1	276,444.9	302,756.4	235,145.2	300,047.8	275,042.2
In-lieu Delivery	-	-	-	-	-	9,303.4	-	73,108.6	-	-
Irrigation Pumping	515.5 (6)	611.0	535.5	756.5	749.4	750.0	740.1	1,771.2	1,589.6	2,047.8
Supplemental Water										
Non-Irrigation Delivery	52,118.9 (6)	53,553.7	88,441.5	121,730.4	102,523.8	90,198.3	70,872.8	87,019.2	68,580.9	70,624.9
Conservation Credit	-	-	-	-	-	-	-	2,460.7	2,613.7	2,007.1
Irrigation Delivery	-	-	-	-	-	-	-	242.2	-	-
Non-Local Water Purchased by OCWD (A.F.) (5)										
Alamitos Barrier	2,225.1 (6)	2,191.6	2,993.9	2,704.0	2,617.6	2,100.0	2,015.2	912.2	1,166.1	2,398.9
Talbert Barrier - Fountain Valley	-	-	-	-	1.3	-	-	-	-	-
Talbert Barrier - Mesa Water District	-	-	3.6	14.1	15.7	2.0	20.1	18.4	7.8	7.0
Forebay Recharge	- (6)	0.2	16,865.0	22,982.1	-	18,098.2	40,344.9	66,113.5	48,918.1	45,118.0
In-lieu Program	-	-	-	-	-	9,354.7	-	73,108.6	-	-
SARCCUP Water Bank	-	-	-	-	2,000.0	-	-	-	-	-

Notes and Data Sources:

- (1) The Orange County Water District services 381 square miles or 48% of the total 799 square miles that make up the boundaries of the County of Orange.
- (2) Data Source: Demographic Research Unit, California Department of Finance.
- (3) Data Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (4) Data Source: Appendix I, OCWD Engineer's Reports, from WY 2016 to WY 2025.
- (5) Data Source: Appendix 4, OCWD Engineer's Reports, from WY 2006 to WY 2025.
- (6) Preliminary data for WY 2025

Source: OCWD Finance Department



Orange County Water District

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	2025	2024	2023	2022	2021
Water Treatment					
Facilities (million gallons per day)					
Groundwater Replenishment System (GWRS)	130	130	130	100	100
Pipeline (miles)					
Green Acre Project Pipeline	33	33	33	33	33
GWRS Pipeline	18	18	18	15	15
Recharge					
Recharge Facilities	27	27	27	27	27
Recharge System Storage (acre-feet)	26,402	26,402	26,402	26,402	26,402
Basin Management					
Groundwater Monitoring Wells	528	531	523	522	497
Injection Wells	109	109	109	78	78
Soil Gas Monitoring Wells	10	10	10	10	10
Other Wells	16	16	16	16	16
Function	2020	2019	2018	2017	2016
Water Treatment					
Facility (million gallons per day)					
Groundwater Replenishment System (GWRS)	100	100	100	100	100
Pipeline (miles)					
Green Acre Project Pipeline	33	33	33	33	33
GWRS Pipeline	15	15	15	15	15
Recharge					
Recharge Facilities	27	28	28	28	26
Recharge System Storage (acre-feet)	26,402	26,402	26,402	26,402	26,278
Basin Management					
Groundwater Monitoring Wells	482	478	467	430	424
Injection Wells	78	78	79	81	64
Soil Gas Monitoring Wells	10	10	10	10	10
Other Wells	16	16	16	16	16



Orange County Water District Finance Department

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