

**Laguna Beach County Water District**  
**BASIC FINANCIAL STATEMENTS**  
**Year ended June 30, 2023**

**Laguna Beach County Water District**  
**Basic Financial Statements**  
**Year ended June 30, 2023**

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## **Independent Auditor's Report**

Board of Directors  
Laguna Beach County Water District  
Laguna Beach, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Laguna Beach County Water District (the District), as of and for the year June 30, 2023, 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 financial position of the District as of June 30, 2023, and the 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 Laguna Beach 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 opinion.

#### ***Responsibilities of Management for the Financial Statements***

The 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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions – and defined pension plan, and the schedule changes in the total other post-employment benefit schedules 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 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.

Davis Farr LLP

Irvine, California  
December 20, 2023

LAGUNA BEACH COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023

This section of the District's annual financial report presents our analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

### Fiscal Year 2023

- The District's net position decreased by \$607,627 or 0.88 percent (see Table 1).
- During the year the District's total revenues decreased by \$72,512 or 0.47 percent, and total expenses decreased by \$488,690 or 2.90 percent (see Table 2).

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: Management's Discussion and Analysis and the Financial Statements. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

## REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all District investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

LAGUNA BEACH COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT

Our analysis of the District begins on page 11 of the Financial Statements. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. You can think of the District's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

NET POSITION

To begin our analysis, a summary of the District's Statement of Net Position is presented in Table 1.

TABLE 1  
Condensed Statements of Net Position

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change
<b>Assets:</b>			
Current and other assets	\$ 25,080,916	\$ 26,812,329	\$ (1,731,413)
Capital assets	<u>55,782,353</u>	<u>55,691,914</u>	<u>90,439</u>
Total Assets	<u>80,863,269</u>	<u>82,504,243</u>	<u>(1,640,974)</u>
Deferred Outflows of Resources	<u>3,903,605</u>	<u>1,731,434</u>	<u>2,172,171</u>
<b>Liabilities:</b>			
Current liabilities	1,572,701	1,371,633	201,068
Noncurrent liabilities	<u>9,710,287</u>	<u>5,060,187</u>	<u>4,650,100</u>
Total Liabilities	<u>11,282,988</u>	<u>6,431,820</u>	<u>4,851,168</u>
Deferred Inflows of Resources	<u>5,315,877</u>	<u>9,028,219</u>	<u>(3,712,342)</u>
<b>Net Position:</b>			
Net investment in capital assets	55,782,355	55,463,632	318,723
Unrestricted	<u>12,385,656</u>	<u>13,312,006</u>	<u>(926,350)</u>
Total Net Position	<u>\$ 68,168,011</u>	<u>\$ 68,775,638</u>	<u>\$ (607,627)</u>

LAGUNA BEACH COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023

NET POSITION (CONTINUED)

As can be seen from the Table 1, net position decreased by \$607,627 from fiscal year 2022 to 2023. Looking more carefully at the table, Total Assets decreased \$1,640,974 mainly due to decreases in cash and cash equivalents, a decrease to investments held by the District, and a decrease in leases receivable. In addition, total liabilities increased \$4,851,168 primarily due to an increase in the District's Net Pension Liability in fiscal year 2023, as a result of a market/rates change in investments at CalPERS and an increase in pension contributions subsequent to the measurement date.

Unrestricted Net Position (those that can be used to finance day-to-day operations) decreased by \$926,350 due to the maturity of several District investments during the year that were not re-invested into new equities.

TABLE 2  
Condensed Statements of Revenues,  
Expenses and Changes in Net Position

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change
Revenues:			
Operating revenues	\$ 10,842,875	\$ 11,460,352	\$ (617,477)
Nonoperating revenues	4,642,481	4,097,516	544,965
Total Revenues	<u>15,485,356</u>	<u>15,557,868</u>	<u>(72,512)</u>
Expenses:			
Depreciation	2,628,212	2,538,431	89,781
Other operating expenses	<u>13,758,341</u>	<u>14,336,812</u>	<u>(578,471)</u>
Total Expenses	<u>16,386,553</u>	<u>16,875,243</u>	<u>(488,690)</u>
Net Income Before Capital Contributions	(901,197)	(1,317,375)	416,178
Capital Contributions	<u>293,570</u>	<u>132,003</u>	<u>161,567</u>
Change in Net Position	<u>(607,627)</u>	<u>(1,185,372)</u>	<u>577,745</u>
Beginning Net Position	<u>68,775,638</u>	<u>69,961,010</u>	<u>(1,185,372)</u>
Ending Net Position	<u>\$ 68,168,011</u>	<u>\$ 68,775,638</u>	<u>\$ (607,627)</u>



LAGUNA BEACH COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023

NET POSITION (CONTINUED)

A closer examination of the source of changes in net position reveals that the District's operating revenues decreased by \$617,447 in fiscal year 2023 due to lower water sales revenue as a result of significant rainfall during the year which reduced water demand in the District service area. Nonoperating revenues increased by \$544,965 in fiscal year 2023 due to a combination of increased property tax revenues and rental income compared to FY 22. As presented in Table 2, operating costs (exclusive of depreciation) decreased by \$578,471 in fiscal year 2023, largely due to decreased water purchase costs as a result of decreased customer water demand.

BUDGETARY HIGHLIGHTS

TABLE 3  
Fiscal Year 2023 Actual vs. Fiscal Year 2023 Budget

	Fiscal Year 2023		
	Actual	Budget	Variance
Revenues:			
Operating revenues	\$ 10,842,875	\$ 12,569,360	\$ (1,726,485)
Nonoperating revenues	4,642,481	4,476,250	166,231
<b>Total Revenues</b>	<b>15,485,356</b>	<b>17,045,610</b>	<b>(1,560,254)</b>
Expenses:			
Operating Expenses:			
Water purchased	3,638,460	4,363,140	724,680
Source of supply	234,303	286,910	52,607
Pumping	1,078,549	1,134,690	56,141
Transmission and distribution	4,643,477	4,225,520	(417,957)
Customer service	540,519	763,290	222,771
General and administrative	3,256,816	3,365,040	108,224
Other operation and maintenance	366,217	445,670	79,453
Depreciation	2,628,212	2,538,431	(89,781)
<b>Total Expenses</b>	<b>16,386,553</b>	<b>17,122,691</b>	<b>736,138</b>
Capital Contributions	293,570	100,000	193,570
<b>Change in Net Position</b>	<b>\$ (607,627)</b>	<b>\$ 22,919</b>	<b>\$ (630,546)</b>

As Table 3 shows, the actual change in net position for fiscal year 2023 is \$630,546 less than the budgeted change in net position. The difference is attributed in most part to the reduced operating revenues combined with lower total expenses than what was projected.

LAGUNA BEACH COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023

CAPITAL ASSETS AND LONG-TERM LIABILITY ADMINISTRATION

CAPITAL ASSETS

At the end of fiscal year 2023, the District had invested approximately \$108.1 million in a broad range of infrastructure as shown in Table 4.

TABLE 4  
Capital Assets

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change
Capital Assets:			
Land and land rights	\$ 4,408,047	\$ 4,408,047	\$ -
Construction in progress	2,121,514	1,624,385	497,129
Source of supply plant	10,021,659	10,021,659	-
Pumping plant	7,338,764	7,267,053	71,711
Mains	38,854,281	37,785,975	1,068,306
Reservoirs and Tanks	28,572,778	28,500,283	72,495
Meters and Services	3,688,543	3,688,543	-
Buildings, Structures and Improvements	4,173,284	4,115,136	58,148
Office Furniture, Fixtures & Equipment	1,799,532	1,780,200	19,332
Machinery and Equipment	4,605,890	4,590,742	15,148
Cars & Trucks	2,524,653	2,005,715	518,938
Total Capital Assets	<u>108,108,945</u>	<u>105,787,738</u>	<u>2,321,207</u>
Less accumulated depreciation	<u>(52,326,592)</u>	<u>(50,095,824)</u>	<u>(2,230,768)</u>
Net Capital Assets	<u>\$ 55,782,353</u>	<u>\$ 55,691,914</u>	<u>\$ 90,439</u>

The District incurred major capital asset additions for the fiscal year 2023 but also removed assets which were no longer in service by the District. The net effect of these changes was a change in accumulated depreciation of \$2,230,768 and a \$2,321,207 increase in District Net Capital Assets.

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

LAGUNA BEACH COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors when setting the fiscal year 2023 budget, user fees, and charges. The District tries to balance revenues with operating expenses that have increased due to factors such as the availability of water, water purchase costs, water quality requirements, and unfunded benefit liabilities.

CalPERS plan assets value continues to be impacted thus causing employers' contribution rates to fluctuate. For fiscal year 2023, the District's contribution rate included a cost rate of 10.87% for Classic members, plus a \$593,693 payment toward the District's unfunded liability (Classic members), and a cost rate of 7.47% for PEPRA members, plus a \$4,766 payment towards the District's unfunded liability (PEPRA members).

These indicators were taken into consideration when adopting the District's budget for fiscal year 2024 (see Table 5). The budget has been structured to contain costs, but at the same time, continue the District's philosophy of providing the highest level of service.

TABLE 5  
Fiscal Year 2023 Actual vs. Fiscal Year 2024 Budget

	Fiscal Year 2023 Actual	Fiscal Year 2024 Budget	Variance
Revenues:			
Operating revenues	\$ 10,842,875	\$ 12,844,660	\$ 2,001,785
Nonoperating revenues	4,642,481	4,573,220	(69,261)
<b>Total Revenues</b>	<b>15,485,356</b>	<b>17,417,880</b>	<b>1,932,524</b>
Expenses:			
Depreciation	2,628,212	2,628,212	-
Other operating expenses	13,758,341	15,135,060	(1,376,719)
<b>Total Expenses</b>	<b>16,386,553</b>	<b>17,763,272</b>	<b>(1,376,719)</b>
Capital Contributions	293,570	140,000	(153,570)
Change in Net Position	(607,627)	(205,392)	555,805
Beginning Net Position	68,775,638	68,168,011	(607,627)
Ending Net Position	\$ 68,168,011	\$ 67,962,619	\$ (51,822)

LAGUNA BEACH COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

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 Brian W. Jewett, Manager of Financial and Administrative Services/Treasurer at Laguna Beach County Water District.

**BASIC FINANCIAL STATEMENTS**

**Laguna Beach County Water District**  
**Statement of Net Position**  
**June 30, 2023**

<b>Current assets:</b>	
Cash and cash equivalents (note 2)	\$ 6,034,618
Investments (note 2)	11,667,705
Accounts Receivable	1,655,937
Interest Receivable	143,716
Taxes Receivable	88,308
Leases Receivable, Current	395,457
Computer Loans to Employees	7,464
Inventory	421,245
Prepaid Expenses	172,864
<b>Total current assets</b>	<u>20,587,314</u>
<b>Non-current assets:</b>	
Leases Receivable, Noncurrent	4,493,602
Capital Assets:	
Capital Assets, not Being Depreciated	6,529,561
Capital Assets, Being Depreciated, Net	49,252,794
Total Capital Assets, Net	<u>55,782,353</u>
Total Noncurrent Assets	<u>60,275,957</u>
<b>Total assets</b>	<u>80,863,271</u>
<b>Deferred outflows of resources:</b>	
Deferred Amounts from OPEB Plan	82,433
Deferred Amounts from Pension Plan	3,821,172
<b>Total deferred outflows of resources</b>	<u>3,903,605</u>
<b>Current liabilities:</b>	
Accounts Payable	1,235,977
Accrued Payroll and Related Costs	109,245
Water-Related Deposits	53,626
Tenant Deposit	4,200
Retentions Payable	60,222
Accrued Vacation, Current Portion	109,431
<b>Total current liabilities</b>	<u>1,572,701</u>
<b>Non-current liabilities:</b>	
Accrued Vacation	328,294
Total Other Postemployment Benefits (OPEB) Liability	853,995
Net pension liability (note 7)	<u>8,527,998</u>
<b>Total non-current liabilities</b>	<u>9,710,287</u>
<b>Total liabilities</b>	<u>11,282,988</u>
<b>Deferred inflows of resources:</b>	
Deferred Amounts from OPEB Plan	128,519
Deferred Amounts from Pension Plan	499,659
Deferred Amounts from Leases	4,687,699
<b>Total deferred inflows of resources</b>	<u>5,315,877</u>
<b>Net position:</b>	
Net investment in capital assets	55,782,355
Unrestricted	<u>12,385,656</u>
<b>Total net position</b>	<u>\$ 68,168,011</u>

See accompanying notes to the basic financial statements

**Laguna Beach County Water District  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2023**

<b>Operating revenues:</b>	
Water Sales	\$ 10,600,094
Service Installation Fees	124,839
Fire Service Charges	26,180
Equipment Rental	470
Overhead Expense Charged Out	12,578
Penalties	24,451
Customer Administration Fees	10,966
Miscellaneous Income	43,297
	<hr/>
<b>Total operating revenues</b>	<b>10,842,875</b>
<b>Operating expenses:</b>	
Water Purchased	3,638,460
Source of Supply	234,303
Pumping	1,078,549
Transmission and Distribution	4,643,477
Customer Service	540,519
General and Administrative	3,256,816
Other Operation and Maintenance	366,217
Depreciation	2,628,212
	<hr/>
<b>Total operating expenses</b>	<b>16,386,553</b>
	<hr/>
<b>Operating Loss</b>	<b>(5,543,678)</b>
<b>Non-operating revenue (expense):</b>	
Property taxes	3,964,326
Rental income	546,928
Investment income (loss)	188,017
Interest Income	12,255
Loss on Disposal of Capital Assets	(69,045)
	<hr/>
<b>Total Non-Operating Revenues (Expenses)</b>	<b>4,642,481</b>
	<hr/>
Net Loss Before Capital Contributions	(901,197)
	<hr/>
<b>Capital contributions</b>	<b>293,570</b>
	<hr/>
<b>Change in net position</b>	<b>(607,627)</b>
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<b>Net position, beginning of year</b>	<b>68,775,638</b>
	<hr/>
<b>Net position, end of period</b>	<b>\$ 68,168,011</b>
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See accompanying notes to the basic financial statements

**Laguna Beach County Water District  
Statement of Cash Flows  
Year Ending June 30, 2023**

<b>Cash flows from operating activities:</b>	
Receipts from Customers	\$ 10,985,990
Payments to Suppliers	(8,526,424)
Payments to Employees	(5,878,493)
	<u>(3,418,927)</u>
 <b>Net Cash Used by Operating Activities</b>	
 <b>Cash Flows From Non-Capital Financing Activities</b>	
Proceeds from Taxes	3,954,131
	<u>3,954,131</u>
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition and Construction of Capital Assets	(2,781,268)
Receipts for Water Capacity Fees	293,570
	<u>(2,487,698)</u>
 <b>Net Cash used by Capital and Related Financing Activities</b>	
 <b>Cash Flows From Investing Activities</b>	
Investment Income	344,720
Lease Receipts	452,925
Purchase of Investments	(2,540,114)
Proceeds from Sale or Maturity of Investments	2,636,520
	<u>894,051</u>
 <b>Net Cash Provided by Investing Activities</b>	
 <b>Net Increase in Cash and Cash Equivalents</b>	
	(1,046,188)
 <b>Cash and Cash Equivalents - Beginning of Year</b>	
	7,080,806
	<u>7,080,806</u>
 <b>Cash and Cash Equivalents - End of Year</b>	
	\$ 6,034,618
	<u>6,034,618</u>

See accompanying notes to the basic financial statements



**Laguna Beach County Water District  
Statement of Cash Flows (Continued)  
For the Year Ending June 30, 2023**

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (5,543,678)
Depreciation	2,628,212
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
(Increase) Decrease in:	
Accounts Receivables	128,649
Computer Loans to Employees	(4,639)
Inventory	(104,827)
Prepaid Expenses	27,887
Deferred Outflows of Resources - OPEB	11,469
Deferred Outflows of Resources - Pensions	(2,183,640)
Increase (Decrease) in:	
Accounts Payable	162,781
Accrued Payroll and Related Costs	53,345
Deposits	14,466
Total OPEB Liability	(1,329)
Net Pension Liability	4,615,475
Deferred Inflows of Resources - OPEB	(5,374)
Deferred Inflows of Resources - Pensions	(3,217,724)
	(3,217,724)
Net Cash Used by Operating Activities	<u><u>\$ (3,418,927)</u></u>

See accompanying notes to the basic financial statements

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**  
**Year ended June 30, 2023**

**(1) Summary of Significant Accounting Policies**

The basic financial statements of the Laguna Beach County Water District (the District) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

(a) Reporting Entity

The Laguna Beach County Water District (the District) was incorporated in 1925 under the County Water District Act of the State Water Code and is the second oldest operating district of its type in California. The District is governed by the publicly elected Laguna Beach City Council members, serving as the District's Board of Directors.

In 1943, the District started purchasing 100% of its water supply from Colorado River water supplied by the Metropolitan Water District of Southern California. The District remained solely dependent on imported water until 2016 when an historic agreement was reached with the Orange County Water District. This agreement re-established the District's right to groundwater in the Santa Ana River Basin and ensures that more than half of the District's water supply is provided locally.

Today, the District's water supply is provided from a combination of local groundwater supplies and imported water from the Colorado River and Northern California. In our efforts to supply a reliable source of water for the community, the District continues to look into other water supply projects as future additional sources of water. The District provides water services to 19,117 people within an 8.5 square mile area of southern Orange County, including portions of the City of Laguna Beach and Crystal Cove State Park.

On January 1, 2004, Emerald Bay Services District was de-annexed from the District's service area. This represents 554 customers or 6% of the services served by the District and accounts for approximately 251 acre-feet of water provided by the District. The District continues to provide water service and administrative support through an agreement with Emerald Bay Services District.

The District's 8,153 service connections serve mostly residential water users. The District sells about 3,170 acre-feet of water annually. This is equal to approximately 1.03 billion gallons delivered on an annual basis. An acre-foot is enough water to cover a football field one-foot deep or serve two average-sized households for a year.

A network of 21 storage reservoirs, with a total storage capacity of 33.5 million gallons, is placed in five strategic pressure zones to provide regulation, emergency, and peak storage.

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(1) Summary of Significant Accounting Policies (Continued)**

(b) Change in Organization

On June 29, 1997, the Board of Directors adopted Resolution No. 564. This resolution was directed toward an application submitted to the Local Agency Formation Commission of the County of Orange, California (LAFCO), for a change in organization, pursuant to the California Government Code. On September 2, 1998, LAFCO approved the District's application to become a subsidiary district of the City of Laguna Beach, which became effective November 1, 2000.

In determining the agencies or entities that comprise a governmental entity for financial reporting purposes, the criteria of oversight responsibility over such agencies or entities, special financial relationships, and scope of public service provided by the agencies or entities are used. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the District is considered to be a component unit of the City of Laguna Beach, California, and all accounts and transactions of the District will be reported in the financial statements of the City of Laguna Beach. These financial statements, however, are presented for the District only.

(c) Method of Accounting

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flow takes place.

Operating revenues, such as charges for services (water sales), result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and investment income, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

When both restricted and unrestricted resources are available, it is the District's policy to use unrestricted resources first and then restricted resources as they are needed. As of June 30, 2023, the District had no restricted resources.

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(1) Summary of Significant Accounting Policies (Continued)**

(d) Net Position Classifications

Net position of the District can be classified into three components defined as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of notes, borrowings, and other liabilities that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted Net Position

This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Currently, the District has no restrictions on net position.

Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

(e) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District's deferred outflow of resources reported on the statement of net position relate to pensions and other postemployment benefits, which are more fully discussed in Note 8 and 9, respectively.

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

(f) Investments

The District has stated investments at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during the fiscal year are recognized as part of investment income.

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(1) Summary of Significant Accounting Policies (Continued)**

(g) Accounts Receivable

The District extends credit to customers in the normal course of operations. Management evaluates all accounts receivable and, if it is determined that they are uncollectible, they are written off as bad debt expense. Charges totaling \$3,417 were made to bad debt expense during the year ended June 30, 2023. Management has evaluated the accounts at year-end and believes they are all collectible.

(h) Inventory

Material inventory is valued at cost using the weighted-average method under the consumption method.

(i) Capital Assets

Capital assets acquired and/or constructed are stated at historical cost. Contributed assets are recorded at acquisition value at the date of acquisition. Such costs include material, labor, engineering, supervision, payroll taxes, and employee benefits. District policy has set the capitalization threshold for reporting capital assets at \$10,000. Expenditures for routine maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets.

Estimated useful lives of the assets for financial reporting purposes are as follows:

Source of Supply	30 to 50 Years
Pumping Plant	20 Years
Mains	50 to 100 Years
Reservoirs and Tanks	50 to 75 Years
Meters and Services	20 Years
Buildings, Structures, and Improvements	10 to 40 Years
Office Furniture, Fixture and Equipment	3 to 10 Years
Machinery and Equipment	7 to 15 Years
Cars and Trucks	7 to 15 Years

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**  
**Year ended June 30, 2023**

(Continued)

**(1) Summary of Significant Accounting Policies (Continued)**

(j) Property Taxes

Property taxes in California are levied in accordance with Article XIII A of the State Constitution at 1% of countywide-assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local government.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment – November 11 Second Installment - February 11
Delinquent Date:	First Installment - December 12 Second Installment - April 9

Taxes are collected by the County of Orange and are remitted to the District periodically according to the following schedule (dates and percentages may vary slightly from year to year):

November 12	7%
December 2	13%
December 16	34%
January 13	2%
March 10	5%
April 21	36%
May 19	2%
July 14	1%

(k) Pensions

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

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(1) Summary of Significant Accounting Policies (Continued)**

(l) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the statement of net position date and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(m) Adoption of New Accounting Standards

GASB Statement No. 96, Leases

In May 2020, the GASB issued GASB Statement No. 96, Subscription -Based Information Technology Arrangements (SBITA). This standard requires the recognition of certain SBITA assets and liabilities for agreements there were previously expensed. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The District adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standards to the beginning of the period of adoption. There was no change to beginning net position as a result of the implementation of this standard.

(n) Leases

Lessor

The District is a lessor for noncancellable leases of land and a building. The District recognizes lease receivables and deferred inflow of resources in the statement of net position. 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.

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.

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(1) Summary of Significant Accounting Policies (Continued)**

(n) Leases (Continued)

- 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 is 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.

**(2) Cash and Investments**

Cash and Investments as of June 30, 2023, is classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$	6,034,618
Investments		11,667,705
Total cash and investments		\$ 17,702,323

Cash and investments as of June 30, 2023, consisted of the following:

Cash on hand	\$	500
Deposits with financial institutions		285,588
Investments		17,416,235
Total cash and investments		\$ 17,702,323

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

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



**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(2) Cash and Investments (Continued)**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	5 years	100%	None
United States Government Sponsored Agency Securities	5 Years	100%	None
Banker's Acceptances Notes	180 Days	40%	30%
Negotiable Certificates of Deposit	5 Years	30%	None
Certificates of Deposit	5 years	100%	None
Commercial Paper	270 Days	25%	10%
Medium-Term Corporate Notes	5 Years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Municipal Notes or Bonds	5 years	20%	\$500,000
Local Agency Investment Fund (LAIF)	N/A	100%	\$75,000,000

**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 evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining maturity</u>		
		<u>12 months or less</u>	<u>13 to 24 months</u>	<u>25 to 60 months</u>
Negotiable Certificates of Deposits	\$ 4,381,091	1,004,916	2,176,851	1,199,324
Medium-Term Corporate Notes	4,376,025	786,712	479,580	3,109,733
State Investment Pool (LAIF)	5,748,531	5,748,531	-	-
Municipal Notes or Bonds	2,910,588	-	1,277,413	1,633,175
	<u>\$ 17,416,235</u>	<u>7,540,159</u>	<u>3,933,844</u>	<u>5,942,232</u>

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum legal rating required by (where applicable) the California Government Code, the District's investment policy, and Nationally

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(2) Cash and Investments (Continued)**

Recognized Statistical Rating Organization (Standard & Poor's or Moody's as indicated) credit ratings as of year-end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum legal rating</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Negotiable Certificates of Deposits (1)	\$ 4,381,091	N/A	-	-	-	4,381,091
Medium-Term Corporate Notes (2)	4,376,025	A	-	-	4,376,025	-
State Investment Pool (LAIF)	5,748,531	N/A	-	-	-	5,748,531
Municipal Notes or Bonds	2,910,588	A	275,604	1,327,937	1,307,047	-
Total	<u>\$ 17,416,235</u>		<u>275,604</u>	<u>1,327,937</u>	<u>5,683,072</u>	<u>10,129,622</u>

N/A - Not Applicable

(1) Certificates of deposit are insured by the Federal Deposit Insurance Corporation.

(2) \$926,050 of investments in the A category is Fitch's credit rating

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2023, there were no investments in one issuer that represented 5% or more of total District's investments.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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. At June 30, 2023, all of the District's deposits are insured or collateralized.

**Investment in State Investment Pool**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the state of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(2) Cash and Investments (Continued)**

The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Fair Value Measurements**

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

The District has the following recurring fair value measurements as of June 30, 2023:

	<b>Quoted Prices Level 1</b>	<b>Observable Inputs Level 2</b>	<b>Unobservable Inputs Level 3</b>	<b>Total</b>
Certificate of Deposits	\$ -	\$ 4,381,091	\$ -	\$ 4,381,091
Medium Term Notes	-	4,376,025	-	4,376,025
Municipal Bonds	-	2,910,588	-	2,910,588
Total Leveled Investments	<u>\$ -</u>	<u>\$ 11,667,704</u>	<u>\$ -</u>	<u>11,667,704</u>
LAIF*				5,748,531
Total Investment Portfolio				<u>\$ 17,416,235</u>

\* Not subject to fair value measurement hierarchy

**(3) Lease Receivables**

The District, acting as lessor, leases land and a building under long-term, noncancelable lease agreements. The leases expire at various dates through 2041 and provide for renewal options of up to twenty years. During the year ended June 30, 2023, the District recognized \$546,928 and \$12,255 in lease revenue and interest revenue, respectively, pursuant to these contracts.

At June 30, 2023, the District had \$4,889,059 in lease receivables and \$4,687,699 in deferred inflows of resources related to these contracts. Total future minimum lease payments to be received under lease agreements are as follows:

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(3) Lease Receivables (Continued)**

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 395,457	\$ 69,293	\$ 464,750
2025	385,918	64,477	450,395
2026	375,973	59,771	435,744
2027	350,728	54,972	405,700
2028	293,767	50,463	344,230
2029 - 2033	1,623,197	181,148	1,804,345
2034 - 2038	1,116,927	73,319	1,190,246
2039 - 2042	347,092	8,104	355,196
	<u>\$ 4,889,059</u>	<u>\$ 561,547</u>	<u>\$ 5,450,606</u>

**(4) Capital Assets**

The following is a summary of changes in capital assets at June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2023</u>
Capital Assets, Not Depreciated				
Land and Land Rights	\$ 4,408,047	-	-	4,408,047
Construction in Progress	1,624,385	3,035,530	(2,538,401)	2,121,514
Total Capital Assets, Not Depreciated	6,032,432	3,035,530	(2,538,401)	6,529,561
Capital Assets, Being Depreciated				
Source of Supply Plant	10,021,659	-	-	10,021,659
Pumping Plant	7,267,053	71,711	-	7,338,764
Mains	37,785,975	1,451,894	(383,588)	38,854,281
Reservoirs and Tanks	28,500,283	72,495	-	28,572,778
Meters and Services	3,688,543	-	-	3,688,543
Buildings, Structures and Improvements	4,115,136	58,148	-	4,173,284
Office Furniture, Fixtures & Equipment	1,780,200	38,099	(18,767)	1,799,532
Machinery and Equipment	4,590,742	15,148	-	4,605,890
Cars & Trucks	2,005,715	583,072	(64,134)	2,524,653
Total Capital Assets, Being Depreciated	99,755,306	2,290,567	(466,489)	101,579,384
Less Accumulated Depreciation for:				
Source of Supply Plant	(6,937,989)	(218,273)	-	(7,156,262)
Pumping Plant	(5,677,741)	(156,017)	-	(5,833,758)
Mains	(13,901,923)	(780,756)	314,543	(14,368,136)
Reservoirs and Tanks	(14,328,192)	(595,510)	-	(14,923,702)
Meters and Services	(1,127,495)	(180,182)	-	(1,307,677)
Buildings, Structures and Improvements	(2,997,922)	(78,680)	-	(3,076,602)
Office Furniture, Fixtures & Equipment	(1,474,765)	(109,947)	18,767	(1,565,945)
Machinery and Equipment	(2,164,536)	(329,286)	-	(2,493,822)
Cars & Trucks	(1,485,261)	(179,561)	64,134	(1,600,688)
Total accumulated depreciation	<u>(50,095,824)</u>	<u>(2,628,212)</u>	<u>397,444</u>	<u>(52,326,592)</u>
Total Capital Assets, Being Depreciated, Net	49,659,482	(337,645)	(69,045)	49,252,792
Total Capital Assets, Net	<u>\$ 55,691,914</u>	<u>2,697,885</u>	<u>(2,607,446)</u>	<u>55,782,353</u>

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(5) Computer Loans to Employees**

In March 1999, the District started the Employee Personal Computer Purchase Plan to encourage computer literacy of full-time District employees through the purchase and use of personal computers and software. Any full-time employee in good standing who has completed the probationary period and agrees to the provisions of the plan is eligible for a maximum 24-month noninterest loan of \$2,000. The District has allocated a limit of \$50,000 for this program. Outstanding balances as of June 30, 2023 are \$7,464.

**(6) Compensated Absences**

The District has accrued the potential liability for accrued vacation pay totaling \$437,725 as of June 30, 2023. Employees earn vacation and sick leave each month at various rates depending on length of service. Sick leave can be accumulated and rolled over into the retirement plan (see Note 8). The CalPERS's system includes an estimate for this amount in its actuarial calculations. There is no material amount of sick leave accrued that is not provided for by CalPERS calculation; therefore, no sick leave amount has been accrued in the District's financial statements.

**(7) Retirement Plan**

**A. General Information about the Pension Plan**

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law.

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(7) Retirement Plan (Continued)**

**A. General Information about the Pension Plan (Continued)**

The pension plan's provisions and benefits in effect for the year ended June 30, 2023, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2% @ 55	2% @ 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 - 63	52 - 67
Monthly Benefits, as a percent of Eligible Compensation	1.426% to 2.418%	1.02% to 2.5%
Required Employee Contribution Rates	7.00%	6.75%
Required Employer Contribution Rates:		
Normal Cost Rate	12.470%	7.680%

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan FFcontributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For the fiscal year ended June 30, 2023, the District made payments totaling \$1,062,849.

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

As of June 30, 2023, the District reported \$8,527,998 of liabilities for its proportionate share of the net pension liability of all plans.

The District's net pension liability for the pension plan is measured as the proportionate share of the net pension liability. The net pension liability of the pension plan is measured as of June 30, 2022, and the total pension liability for the pension plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures.

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(7) Retirement Plan (Continued)**

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

The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the plan as of the measurement date June 30, 2021 and 2022 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2021	0.07234%
Proportion - June 30, 2022	0.07383%
Change - Increase	0.00149%

For the year ended June 30, 2023, the District recognized pension expense of \$276,960. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 1,062,849	\$ -
Differences Between Actual and Expected Experience	171,259	114,702
Changes in Assumptions	873,872	
Differences between the Employer's Contributions and the Employer's Proportionate Share of Contributions	-	384,957
Changes in Employer's Proportion	151,089	
Net Differences Between Projected and Actual Earnings on Plan Investments	1,562,103	-
Total	\$ 3,821,172	\$ 499,659

\$1,062,849 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(7) Retirement Plan (Continued)**

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 559,152
2025	476,490
2026	267,587
2027	955,435
2028	-
Thereafter	-

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The total pension liability was based on the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	(1)
Mortality Rate Table	(2)
Postretirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. incorporate Generational Mortality to capture ongoing mortality improvement of Scale MP 2020 published by the Society of Actuaries. For more details please refer to 2021 experience study report that can be found on the Ca

(3) The lesser of contract COLA or 2.30% until Purchasing Power Protection / on purchasing power applies, 2.30% thereafter.



**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(7) Retirement Plan (Continued)**

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

Long-Term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

<u>Investment Type</u>	<u>Assumed Asset Allocation</u>	<u>Real Return <sup>1,2</sup></u>
Global Equity - Cap-Weighted	30.0%	4.45%
Global Equity Non-Cap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-Backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%
Total	<u>100.0%</u>	

<sup>1</sup> An expected inflation of 2.30% used for this period.

<sup>2</sup> Figures are based on the 2021-22 Asset Liability Management study.

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(7) Retirement Plan (Continued)**

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

Discount Rate

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

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

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

	<u>1% Decrease</u> <u>(5.90%)</u>	<u>Discount Rate</u> <u>(6.90%)</u>	<u>1% Increase</u> <u>(7.90%)</u>
Net Pension Liability (Asset)	\$ 13,056,409	\$ 8,527,998	\$ 4,802,240

Pension Plan's Fiduciary Net Position

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

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(8) Other Postemployment Benefits (OPEB)**

**A. General Information about the OPEB Plan**

Plan Description and Benefits Provided

The District, through a single-employer defined benefit plan, provides postemployment health-care benefits. Specifically, the District provides health insurance for its retired employees and their dependent at time of employee retirement (if married and covered on the District’s plan at time of retirement). Medical coverage is provided for retired employees who are in an age range of 60 until the age of 65 is reached and who have served the District on a full-time basis for ten continuous years. The employee must have participated in the District’s CalPERS plan during their tenure with the District. The employee must have applied for and be receiving service retirement benefits pursuant to the terms and conditions of the District’s CalPERS plan. The District pays 100% of the plan premium for retiree coverage from the date of retirement until the date the retired employee becomes eligible to receive Medicare benefits. Coverage for a retired employee’s dependents under the health insurance plan is at the sole cost of the employee. The District’s obligation to provide benefits ceases upon death of retiree or Medicare eligibility, whichever is earlier. The District has not established a trust to fund future OPEB benefits.

Employees Covered

As of the June 30, 2023 measurement period, the following current and former employees were covered by the benefit terms under the plan:

Inactive Employees or Beneficiaries	
Currently Receiving Benefit Payments	4
Active Employees	39
Total	43

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District and/or the District’s Board of Directors. Currently, contributions are not required from plan members. The District is currently funding this OPEB obligation on a pay-as-you-go basis due to the insignificant amount that the District is paying each year. For the fiscal year ended June 30, 2023, the District’s made payments of \$36,069 for retiree health insurance premiums and the estimated implicit subsidy was \$30,160, resulting in total benefit payments of \$66,602.

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**(8) Other Postemployment Benefits (OPEB) (Continued)**

**B. Total OPEB Liability**

The District's total OPEB liability was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2023. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability in the June 30, 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, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.65%
Inflation	2.50%
Payroll Increases	2.75% per year annum, in aggregate
Long-Term Expected Rate of Return on Investments	Not applicable, since the District has not established an irrevocable trust for pre-funding the OPEB
Healthcare Cost Trend Rates	4.00% per year
Pre-retirement Turnover	Derived from the most recent CalPERS pension plan valuation
Pre-retirement Mortality	Derived from the most recent CalPERS pension plan valuation
Retirement Rates	Retirements rates under the most recent CalPERS 2.0% @ 55 rates for miscellaneous employees hired before January 1, 2013 and 2.0% @ 62 rates for miscellaneous employees hired on or after January 1, 2013

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.65%, which is the Bond Buyer 20-Bond GO Index as of measurement date June 30, 2023.

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**8) Other Postemployment Benefits (OPEB) (Continued)**

**C. Changes in the Total OPEB Liability**

	Total OPEB Liability
<b>Balance at June 30, 2022</b>	
(Measurement Date)	\$ 855,324
<b>Changes in the Year:</b>	
Service Cost	45,747
Interest on the Total OPEB Liability	29,866
Differences Between Actual and Expected Experience	
Changes in Assumptions	(7,914)
Changes In Benefit Terms	-
Contribution - Employer	-
Net Investment Income	-
Investment gains / losses	(2,426)
Benefit Payments	(66,602)
Net Changes	(1,329)
<b>Balance at June 30, 2023</b>	
(Measurement Date)	\$ 853,995

Change of Assumptions

The discount rate changed from 3.54% to 3.65%.

Changes of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**8) Other Postemployment Benefits (OPEB) (Continued)**

**C. Changes in the Total OPEB Liability (Continued)**

	1% Decrease <u>(2.65%)</u>	Discount Rate <u>(3.65%)</u>	1% Increase <u>(4.65%)</u>
Net OPEB Liability (Asset)	\$ 922,750	\$ 853,995	\$ 791,352

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease <u>(3%)</u>	Current Healthcare Cost Trend Rates <u>(4%)</u>	1% Increase <u>(5%)</u>
Net OPEB Liability (Asset)	\$ 755,401	\$ 853,995	\$ 969,626

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$71,368. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Actual and Expected Experience	\$ 72,413	\$ (2,192)
Changes in Assumptions	10,020	(126,327)
Total	<u>\$ 82,433</u>	<u>\$ (128,519)</u>

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**8) Other Postemployment Benefits (OPEB) (Continued)**

**D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2024	\$ (4,245)
2025	(4,245)
2026	(3,472)
2027	(6,237)
2028	(6,238)
Thereafter	(21,649)

**9) Employee-Deferred Compensation Plans**

For the benefit of its employees, the District has established multiple employee-deferred compensation plans in accordance with the Internal Revenue Code Section 457. Funds may be withdrawn by participants upon either termination of employment, retirement, death or an unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. The District does not make any contributions to these plans.

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

**10) Unrestricted Net Position**

Certain amounts shown as unrestricted net position have been designated per District policy and by Board of Directors (Board) action to be used for specified purposes as listed below:

**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**10) Unrestricted Net Position (Continued)**

Board-Designated Amounts:	
Operating Reserve Fund	\$ 2,571,521
Self-Insurance/Emergency Reserve Fund	1,750,436
Rate Stabilization Reserve Fund	909,615
Employee Liabilities	491,266
Capital Replacement	5,327,527
Total Board-Designated Amounts	11,050,365
Undesignated	1,335,291
Total Unrestricted Net Position	\$ 12,385,656

**11) 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 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, 2023, the District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss – The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage of \$500,000,000. The District has a \$2,500 deductible for buildings, personal property, fixed and mobile equipment, and licensed vehicles, deductibles ranging from \$25,000 to \$50,000 based on type of equipment for boiler and machinery, a deductible of 5% of total insurance value for earthquakes and a deductible of \$100,000 for floods.

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

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

Public Officials’ Liability – The insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage of \$55,000,000.



**Laguna Beach County Water District**  
**Notes to the Basic Financial Statements**

**Year ended June 30, 2023**

**(Continued)**

**11) Risk Management (Continued)**

Crime Bond – The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence. The District did not purchase excess insurance coverage. The District has a \$1,000 deductible.

Workers' Compensation – The Insurance Authority has pooled self-insurance up to \$2,000,000 and has purchased excess insurance coverage to the statutory limits.

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

The District has also purchased \$175,000 of coverage for an employee dishonesty bond from a separate agency.

The District pays annual premiums for the coverages. There were no instances in the past three years when a settlement exceeded the District's coverage and there were no reductions in the District's insurance coverage in the past three years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Laguna Beach County Water District**  
**Required Supplementary Information**

**Schedule of the Proportionate Share of the Net Pension Liability - Last Ten Years\***

**Year Ended June 30, 2023**

Fiscal Year Ended	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Measurement Period Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Plan's Proportion of the Net Pension Liability	0.07383%	0.07234%	0.06516%	0.06306%
Plan's Proportionate Share of the Net Pension Liability	\$ 8,527,998	\$ 3,912,523	\$ 7,089,882	\$ 6,462,094
Plans' Covered Payroll	\$ 4,385,208	\$ 3,886,589	\$ 4,226,806	\$ 4,070,499
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	194.47%	100.67%	167.74%	158.75%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.33%	87.34%	75.34%	75.26%

**NOTES TO SCHEDULE**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

Inflation was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2023:

There were no changes in assumptions.

\* Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

**Laguna Beach County Water District**  
**Required Supplementary Information**

**Schedule of the Proportionate Share of the Net Pension Liability - Last Ten Years\***

**Year Ended June 30, 2023**

Fiscal Year Ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement Period Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's Proportion of the Net Pension Liability	0.06052%	0.05974%	0.05780%	0.05225%	0.05444%
Plan's Proportionate Share of the Net Pension Liability	\$ 5,832,256	\$ 5,924,716	\$ 5,001,411	\$ 3,586,114	\$ 3,387,510
Plans' Covered Payroll	\$ 4,015,049	\$ 3,828,081	\$ 3,633,568	\$ 3,403,024	\$ 3,465,886
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	145.26%	154.77%	137.64%	105.38%	97.74%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	73.31%	74.06%	83.35%	83.03%

**NOTES TO SCHEDULE**

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

Inflation was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2023:

There were no changes in assumptions.

\* Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

**Laguna Beach County Water District**

**Required Supplementary Information**

**Schedule of Contributions to the Pension Plan - Last Ten Years\***

**Year Ended June 30, 2023**

Fiscal Year-End	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Contractually Required Contribution (Actuarially Determined)	\$ 1,062,849	\$ 952,758	\$ 833,389	\$ 774,083
Contributions in Relation to the Actuarially Determined Contributions	<u>(1,062,849)</u>	<u>(952,758)</u>	<u>(833,389)</u>	<u>(774,083)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 4,703,197	\$ 4,385,208	\$ 3,886,589	\$ 4,226,806
Contributions as a Percentage of Covered Payroll	22.60%	21.73%	21.44%	18.31%
<b>NOTES TO SCHEDULE</b>				
Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>				
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.300%	2.500%	2.500%	2.625%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	6.8% (3)	7.00% (3)	7.00% (3)	7.25% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 2% at 55 and 2% at 62

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

\* Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

**Laguna Beach County Water District**

**Required Supplementary Information**

**Schedule of Contributions to the Pension Plan - Last Ten Years\***

**Year Ended June 30, 2023**

Fiscal Year-End	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 657,235	\$ 561,814	\$ 502,006	\$ 447,696	\$ 341,282
Contributions in Relation to the Actuarially Determined Contributions	<u>(657,235)</u>	<u>(561,814)</u>	<u>(502,006)</u>	<u>(447,696)</u>	<u>(341,282)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 4,070,499	\$ 4,015,049	\$ 3,828,081	\$ 3,633,568	\$ 3,403,024
Contributions as a Percentage of Covered Payroll	16.15%	13.99%	13.11%	12.32%	10.03%
<b>NOTES TO SCHEDULE</b>					
Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>					
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 2% at 55 and 2% at 62

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

\* Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

**Laguna Beach County Water District**

**Required Supplementary Information**

**Schedule of Changes in Total OPEB Liability and Related Ratios - Last 10 Years\***

**Year Ended June 30, 2023**

Fiscal Year-End Measurement Date	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability:						
Service Cost	\$ 45,747	\$ 71,413	\$ 69,008	\$ 63,361	\$ 33,366	\$ 32,851
Interest on Total OPEB Liability	29,866	19,285	18,521	24,783	26,067	25,369
Differences Between Actual and Expected Experience	(2,426)	26,117	3,125	71,981	-	-
Changes of Assumptions	(7,914)	(93,145)	2,267	(62,353)	22,129	(6,184)
Benefit Payments, Including Refunds of Employee Contributions	<u>(66,602)</u>	<u>(47,091)</u>	<u>(39,984)</u>	<u>(38,579)</u>	<u>(52,703)</u>	<u>(55,173)</u>
Net Change in Total OPEB Liability	(1,329)	(23,421)	52,937	59,193	28,859	(3,137)
Total OPEB Liability - Beginning of Year	855,324	878,745	825,808	766,615	737,756	740,893
Total OPEB Liability - End of Year (a)	<u>\$ 853,995</u>	<u>\$ 855,324</u>	<u>\$ 878,745</u>	<u>\$ 825,808</u>	<u>\$ 766,615</u>	<u>\$ 737,756</u>
Covered - Employee Payroll	\$ 5,125,885	\$ 4,751,972	\$ 4,180,310	\$ 4,593,105	\$ 4,319,875	\$ 4,278,667
Total OPEB Liability as Percentage of Covered-Employee Payroll	16.66%	18.00%	21.02%	17.98%	17.75%	17.24%

**NOTES TO SCHEDULE**

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2018 to June 2019:

Discount rate changed from 3.50% to 3.15%.

From fiscal year June 30, 2019 to June 2020:

Discount rate changed from 3.15% to 2.2%. Payroll increase changed from 3.00% to 2.75%.

From fiscal year June 30, 2020 to June 2021:

Discount rate changed from 2.2% to 2.16%.

From fiscal year June 30, 2021 to June 2022:

Discount rate changed from 2.16% to 3.54% and inflation changed from 2.75% to 2.50%.

From fiscal year June 30, 2022 to June 2023:

Discount rate changed from 3.54% to 3.65%.

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

**LAGUNA BEACH COUNTY WATER DISTRICT**

**Audit Communications**

**Year ended June 30, 2023**



**LAGUNA BEACH COUNTY WATER DISTRICT**

**Audit Communications**

**Year ended June 30, 2023**

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## **REQUIRED AUDIT COMMUNICATIONS**

Board of Directors  
Laguna Beach County Water District  
Laguna Beach, California

We have audited the financial statements of Laguna Beach County Water District (the District) as of and for the year ended June 30, 2023 and have issued our report thereon dated December 20, 2023. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As previously communicated to you, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence under the American Institute of Certified Public Accountants ("AICPA") independence standards, contained in the Code of Professional Conduct.

## **Significant Risks Identified**

We identified the following significant risks:

- GASB 96: Subscription Based Information Technology Arrangements (SBITA) Implementation: We reviewed SBITA activity to determine the financial impact. As a result of our review, there were not any transactions that needed to be recorded as a result of this change.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements include:

- Judgments concerning which capital project expenditures should be capitalized and depreciated versus expensed in the financial statements and judgments concerning which projects should be placed in service.
- Judgements involving the calculation of the net pension liability and related transactions.
- Judgements involving the calculation of the other post-employment benefit (OPEB) liability and related transactions.

We evaluated the key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of pensions in note 7 to the financial statements.

- The disclosure of OPEB in note 8 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

### **Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no unusual transactions noted as a result of our audit procedures.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There was one adjustment not recorded by management because it was not material to the financial statements. This was an adjustment to record a subscription liability and corresponding subscription asset on the statement of net position.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material misstatements noted as a result of our audit procedures.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management in a letter dated December 20, 2023.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

*Davis Farr LLP*

Irvine, California  
December 20, 2023

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

Board of Directors  
Laguna Beach County Water District  
Irvine, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Laguna Beach County Water District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Davis Farr LLP*

Irvine, California  
December 20, 2023

# LAGUNA BEACH COUNTY WATER DISTRICT

## BOARD OF DIRECTORS:

BOB WHALEN, President  
SUE KEMPF, Vice President  
MARK ORGILL  
ALEX ROUNAGHI  
GEORGE WEISS

## LEGAL COUNSEL:

MEGAN K. GARIBALDI

## GENERAL MANAGER:

KEITH VAN DER MAATEN

## MANAGEMENT:

CHRISTOPHER J. REGAN, Assistant General Manager  
BRIAN W. JEWETT, Ph.D., Manager of Finance/Treasurer  
BOBBY YOUNG, P.E., Manager of Engineering  
KEVIN LUSSIER, Manager of Operations



INCORPORATED 1925

December 20, 2023

Davis Farr LLP  
18201 Von Karmen Ave  
Irvine, CA 92612

This representation letter is provided in connection with your audit of the financial statements of the business type activities of District as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Laguna Beach County Water in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, 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.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 20, 2023:

## Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 16, 2023, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.



- All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- Laguna Beach County Water District had one uncorrected misstatement related to Subscription Based Information Technology Agreements during the current engagement which is immaterial to the applicable opinion units and to the financial statements as a whole.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, no spendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- With respect to auditor prepared financial statements, we have performed the following:

- Made all management decisions and performed all management functions;
- Assigned a competent individual to oversee the services;
- Evaluated the adequacy of the services performed;
- Evaluated and accepted responsibility for the result of the service performed; and
- Established and maintained internal controls, including monitoring ongoing activities.

### **Accounting Estimates**

*Additional representations related to accounting estimates may include:*

- We have taken into account all relevant information of which we are aware for significant accounting estimates.
- We have consistently and appropriately selected and applied methods, assumptions, and data when making accounting estimates.
- The assumptions we used in making and disclosing accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of Laguna Beach County Water District.
- The disclosures related to accounting estimates, including those disclosures describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework.
- We have obtained and applied appropriate specialized skills and expertise in making accounting estimates.
- We are not aware of any events subsequent to the date of the financial statements that require adjustment to our accounting estimates and disclosures included in the financial statements.

### **Required Supplementary Information**

With respect to the Schedule of the Proportionate Share of the Net Pension Liability Last Ten Years, Schedule of Contributions to the Pension Plan Last Ten Years, Schedule of Changes in Total OPEB Liability and Related Ratios Last 10 Years accompanying the financial statements:

- a. We acknowledge our responsibility for the presentation of the Schedule of the Proportionate Share of the Net Pension Liability Last Ten Years, Schedule of Contributions to the Pension Plan Last Ten Years, Schedule of Changes in Total OPEB Liability and Related Ratios Last 10 Years in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).
- b. We believe the Schedule of the Proportionate Share of the Net Pension Liability Last Ten Years, Schedule of Contributions to the Pension Plan Last Ten Years, Schedule of Changes in Total OPEB Liability and Related Ratios Last 10 Years, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the following significant assumptions or interpretations underlying the measurement or presentation of the Schedule of the Proportionate Share of the Net Pension Liability Last Ten Years, Schedule of Contributions to the Pension Plan Last Ten Years, Schedule of Changes in Total OPEB Liability and Related Ratios Last 10 Years, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

## **Receivables**

Provisions for uncollectible receivables have been properly identified and recorded.

## **Pension and Postretirement Benefits**

*An actuary has been used to measure pension liabilities and costs.*

We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

## **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit;
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
    - A written acknowledgement of all the documents that we expect to issue that will be included in the annual report and the planned timing and method of issuance of that annual report;<sup>8</sup>
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- We have no knowledge of any or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of all the entity's related parties and the nature of all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Laguna Beach County Water District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

- We have disclosed to you all guarantees, whether written or oral, under which Laguna Beach County Water District is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- Laguna Beach County Water District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.



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(Keith Van Der Maaten, General Manager)



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(Brian Jewett, Manager of Financial and Administrative Services/Treasurer)