



**REGULAR MEETING OF THE BOARD OF DIRECTORS
PICO WATER DISTRICT**

4843 S. Church Street
Pico Rivera, California, 90660

5:30 PM Wednesday, December 17, 2025

AGENDA

Any member of the public may attend this meeting in person or by accessing the Zoom link below. Any member of the public wishing to make any comments to the Board may do so through that Zoom link. The meeting Chair will acknowledge such individual(s) at the appropriate time in the meeting prior to making his or her comment. Members of the public wishing to make a comment are asked to state their name for the record and will be provided three (3) minutes to comment, the Board secretary will alert those commenting when they only have 30 seconds remaining. All members of the public will be disconnected from the Zoom link immediately before the Board of Directors adjourns into Closed Session.

Join Zoom Meeting

<https://us06web.zoom.us/j/9521779948?pwd=dGNxcXh3YitEc2NlVVdrUzVvNm4rZz09>

Join by Telephone: +1 669 900 6833

Meeting ID: 952 177 9948 Passcode: 421745

1. **ROLL CALL.**
2. **PLEDGE OF ALLEGIENCE.**
3. **INVOCATION.**

4. TIME RESERVED FOR PUBLIC COMMENTS.

*Members of the public shall be allowed three minutes to address the Board on any matter on the agenda and/or within the jurisdiction of the District, which is not on the Agenda. All comments should be addressed to the presiding officer of the meeting. Additional public comments shall be allowed when a listed agenda item is being considered, but such comments made at that time must be confined to the subject that is being discussed at the time such comments are made. Members of the public are asked to state their name for the record. Due to all Board Meetings being run as Zoom Meetings all participants will be placed on mute at the start of the meeting and when the meeting is open for public comment the participant will be asked to raise their hand through the button on the video conference screen if participating by video conference or by pressing *9 on their phone if participating by teleconference.*

5. ADOPTION OF AGENDA.

6. APPROVAL OF CONSENT CALENDAR.

(All matters on the Consent Calendar are to be approved on one motion, unless a Board Member requests a separate action on a specific item).

A. Consider approval of December 09, 2025 Special Board Meeting Minutes.

7. ACTION/DISCUSSION ITEMS.

A. Presentation – Regarding Pico Water District FY 2025 Audit Report by auditing firm Gruber and Lopez, Inc.

B. Consider Board Approval of the FY 2025 Audit Report completed by the auditing firm Gruber and Lopez, Inc. *Recommended Action – that the Board receive and file the FY 2025 Audit Report submitted by Gruber and Lopez, Inc.*

C. Consider Selection of New Board Officers – President, Vice President, Board Secretary, and Board Treasurer. *Recommended Action – To Be Considered at the Board Meeting*

8. REPORTS.

A. General Manager.

B. Legal Counsel.

9. INFORMATIONAL ITEMS

- A. Water Level Report – November 2025
- B. State Reservoir Conditions – December 09, 2025
- C. Field Operations Monthly Activity Report – November 2025
- D. Monthly Ground Water Well Production Report – November 2025

10. DIRECTOR’S REQUEST OF FUTURE AGENDA ITEMS.

11. BOARD MEMBER COMMENTS.

- A. Report on Meetings Attended/Comments.

12. CLOSED SESSION.

- A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
[Government Code Section 54956.9(d)(1)]: *Pico Water District v. City of Pico Rivera*, Los Angeles County Superior Court Case No. 22NWCV00967.
- B. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
[Government Code Section 54956.9(d)(1)]: *City of Pico Rivera v. Pico Water District*, Los Angeles County Superior Court Case No. 24NWCP00165.
- C. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
[Government Code Section 54956.9(d)(1)]: *Manuel Hernandez v. Pico Water District*
- D. CONFERENCE WITH LEGAL COUNSEL – INITIATION LITIGATION
[Government Code Section 54956.9(d)(4)]: *One Case*

13. CLOSED SESSION REPORT.

14. ADJOURNMENT.

AGENDA POSTED ON: December 11, 2025

Next regularly scheduled meeting: January 07, 2025

NOTE: To comply with the Americans with Disabilities Act, if you need special assistance to participate in any Board meeting, please contact the District office at (562) 692-3756 at least 48 hours prior to a Board meeting to inform the District of your needs and to determine if accommodation is feasible.

Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review at the District office, located at 4843 S. Church Street, Pico Rivera, California.

CONSENT CALENDAR ITEMS

6. APPROVAL OF CONSENT CALENDAR.

(All matters on the Consent Calendar are to be approved on one motion, unless a Board Member requests a separate action on a specific item).

A. Consider approval of December 09, 2025 Special Board Meeting Minutes.

PICO WATER DISTRICT

**MINUTES
of
BOARD MEETING
12/09/2025**



MINUTES OF A SPECIAL MEETING
OF THE BOARD OF DIRECTORS
OF THE PICO WATER DISTRICT

A special meeting of the Board of Directors of the Pico Water District was held in the District's Boardroom located at 4843 South Church Street, Pico Rivera, California, on Tuesday, December 09, 2025 at 5:30 p.m.

President Raymond Rodriguez called the meeting to order at 5:35 p.m. The District's General Manager, Mr. Joe D. Basulto proceeded with the roll call of the attending Board members. Present from the beginning of the meeting were Director David Angelo, Director David Gonzales, Director Pete Ramirez, Vice President Victor Caballero, President Raymond Rodriguez and Jim Ciampa, Legal Counsel for the District.

Director Pete Ramirez led everyone in the Pledge of Allegiance and Vice President Victor Caballero gave the invocation.

President Raymond Rodriguez proceeded to the next item on the Agenda, Public Comments. There were none.

President Raymond Rodriguez proceeded to the adoption of the Agenda. Director Pete Ramirez made the motion to adopt the agenda as presented and Director David Angelo seconded the motion. The General Manager announced the motion passed by roll-call vote, 5-0.

President Raymond Rodriguez proceeded to the next item on the Agenda, Approval of Consent Calendar, consisting of (A) approval of the November 19, 2025 Regular Board Meeting minutes; (B) accounts now due and payable and receive and file bills approved by the General Manager in October 2025; and (C) the financial statement for October 2025. Office Manager Tomas Rivera presented the financial report for October 2025. Director Pete Ramirez made the motion to approve the Consent Calendar, as presented, and Director David Angelo seconded the motion. The General Manager announced the motion passed by roll-call vote, 5-0.

President Raymond Rodriguez proceeded to the next item on the Agenda, Action/ Discussion Items. Action Item 7A. Consider Board Adoption of Ordinance No. 66 Establishing Regulations and Penalties for Water Theft. The General Manager provided a brief overview of the ordinance, outlining how it will support the District by enhancing existing rules and regulatory measures. Director Gonzales had a brief inquiry, which the General Manager addressed. Director David Gonzales made the motion to adopt Ordinance No. 66 and Vice President Victor Caballero seconded the motion. The General Manager announced the motion passed by roll-call vote, 5-0.

President Raymond Rodriguez proceeded to the next item on the Agenda, Action/ Discussion Items. Action Item 7B. Consider Board Approval of The Pico Water District Strategic Plan; Presentation by CV Strategies. Beatrice Esamboly from CV Strategies presented the Strategic Plan, noting its importance in providing long-term direction and supporting the District's regulatory, financial, and infrastructure needs. She reviewed the six strategic objectives with the Board and explained how the Plan outlines the District's goals and strategies for addressing future challenges. Staff worked with CV Strategies to develop the Plan, which reflects the General Manager's direction, staff input, and best practices. The Plan includes the District's mission, vision, core values, strategic focus areas, and key initiatives. The Board of Directors, the General Manager, and Ms. Esamboly discussed questions and possible revisions to the Strategic Plan. President Raymond Rodriguez made the motion to adopt the Strategic Plan as presented and Director Pete Ramirez seconded the motion. The General Manager announced the motion passed by roll-call vote, 5-0.

President Raymond Rodriguez proceeded to the next item on the Agenda, General Manager's Report. The General Manager reviewed the December quote: "*Change will not come if we wait for some other person, or if we wait for some other time. We are the ones we've been waiting for. We are the change that we seek.*" — Barack Obama. He provided an overview of the December schedule and reported that seven residential accounts were turned off for non-payment; all but one have been paid and restored. One commercial account was disconnected and will be restored upon payment. He reported that Staff and Board members attended the AWCA Fall Conference in San Diego, noting the value of the networking opportunities and the training sessions. The District also received a certificate of recognition for maintaining safe working conditions. The General Manager thanked the Board for attending the employee appreciation dinner. He also announced that the office will be closed on December 24 and 25, as well as on New Year's Day.

President Raymond Rodriguez proceeded to the next item on the Agenda, Legal Counsel Report. Legal Counsel, Mr. Ciampa reported on the passage of SB 827, which updates and expands ethics training requirements. The bill adds new obligations for department heads and administrative officers to take the AB 1234 ethics training. Mr. Ciampa further explained that SB 827 establishes a separate two-hour fiscal and financial management training course that all persons who are required to take the ethics training must also take. The course will be developed over the next couple of years, and the requirement will not go into effect until 2028.

President Raymond Rodriguez proceeded to the next item on the Agenda, Informational Items. The General Manager reported on Informational Item 9A. Pico Rivera Chamber of Commerce: Christmas Toy Drive, that the Pico Rivera Chamber of Commerce will hold its Christmas Toy Drive on December 20, 2025, starting at noon.

President Raymond Rodriguez proceeded to the next item on the Agenda, Director's Request for Future Items. Director David Gonzales stated the District should closely review its available resources and consider how they may be used to expand and better support staff. He proposed repurposing the District house, which is currently being rented, into a District multi-purpose room. He also discussed the shed project, recommending that it be paused because the General Manager and Director of Operations are exploring the possibility of converting that space into a staff room.

President Raymond Rodriguez proceeded to the next item on the Agenda, Board Member Comments. Director David Angelo commented that the Strategic Plan pamphlet should include information about water on the front page and stated his concern regarding water quality at school drinking fountains. Legal Counsel Ciampa clarified that the District's responsibility ends at the meter and that any issues with school drinking fountains where water quality is affected by pipe conditions past the meter is under the school's responsibility.

President Raymond Rodriguez proceeded to the next item on the Agenda, Closed Session. There was no closed session.

There being no further business to come before the Board, the Board meeting adjourned at 6:44 p.m. The next Regular Meeting will be held on December 17, 2025 at 5:30 p.m.

Raymond Rodriguez, President

Attest:

Joe D. Basulto, Secretary
(Seal)

ACTION / DISCUSSION ITEMS

7. ACTION/DISCUSSION ITEMS.

- A. Presentation – Regarding Pico Water District FY 2025 Audit Report by auditing firm Gruber and Lopez, Inc.**
- B. Consider Board Approval of the FY 2025 Audit Report completed by the auditing firm Gruber and Lopez, Inc. Recommended Action – that the Board receive and file the FY 2025 Audit Report submitted by Gruber and Lopez, Inc.**
- C. Consider Selection of New Board Officers – President, Vice President, Board Secretary, and Board Treasurer.**

PICO WATER DISTRICT

DISCUSSION

ITEM - 7A

**Presentation – Regarding
Pico Water District FY 2025
Audit Report by auditing
firm Gruber and Lopez, Inc.**

STAFF REPORT

To: Honorable Board of Directors

From: Joe Basulto, General Manager

Meeting Date: December 17, 2025

Subject: Action / Discussion Item 7A – Presentation FY 2025 Audit Report by the auditing firm Gruber and Lopez, Inc.

RECOMMENDATION

None at this Time

FISCAL IMPACT

None at this Time

BACKGROUND

Attached is FY 2025 Audit Report Presentation to be performed by Gruber and Lopez, Inc. covering the timeline from July 01, 2024 – June 30, 2025

PICO WATER DISTRICT
BASIC FINANCIAL STATEMENTS
(with Independent Auditors' Report Thereon)
June 30, 2025



PICO WATER DISTRICT

Basic Financial Statements

June 30, 2025

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Board of Directors
Pico Water District
Pico Rivera, California

Independent Auditors' Report

Opinion

We have audited the accompanying financial statements of Pico Water District (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2025, and the changes in its financial position and cash flows for the year ended June 30, 2025 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, 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.

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.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Gruber and Lopez, Inc.

Gruber and Lopez, Inc.
Newport Beach, California
December 1, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

**PICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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

FINANCIAL HIGHLIGHTS

- Operating revenues are \$6,880,165, an increase of \$2,057,921, or 42.7%, from the prior fiscal year. This is primarily due to water rate increases and additional capacity fees from expanded community development.
- Nonoperating revenues are \$426,325, a decrease of \$112,380, or 20.9%, from the prior fiscal year. This is primarily due to lower market value adjustments for investments and fewer capital contributions for development projects.
- Operating expenses are \$5,936,023, an increase of \$485,628, or 8.91%, from the prior fiscal year. This is primarily due to salaries and benefits costs and water replenishment costs.
- Nonoperating expenses are \$240,125, a decrease of \$7,343, or 3%, from the prior fiscal year.
- The combined effect of these items resulted in an overall increase to Net Position of \$1,130,342, or 7.5%, from the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

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

The Statement of Cash reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as where cash came from, what cash was used for, and the change in cash balance during the reporting period.

**PICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT

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 statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All current year revenues and expenses are considered regardless of when the cash is received or paid.

These two statements report *net position* and changes during the fiscal year. You can think of net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* 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, conservation mandates, population growth, zoning, and new or changed government legislation.

STATEMENT OF NET POSITION

| | Fiscal Year 2025 | Fiscal Year 2024 | Dollar Change |
|--|---------------------|---------------------|------------------|
| Assets: | | | |
| Current and Other Assets | \$ 4,271,109 | \$ 3,335,532 | \$ 935,577 |
| Capital Assets | 21,173,090 | 21,057,008 | 116,082 |
| Total Assets | 25,444,199 | 24,392,540 | 1,051,659 |
| Deferred Outflows of Resources: | | | |
| Deferred Amount Pension Obligation | 411,724 | 647,843 | (236,119) |
| Deferred Amount OPEB Obligation | 171,535 | 225,478 | (53,943) |
| Total Deferred Outflows | 583,259 | 873,321 | (290,062) |
| Liabilities: | | | |
| Current Liabilities | 1,540,702 | 1,707,117 | (166,415) |
| Noncurrent Liabilities | 7,728,416 | 7,840,749 | (112,333) |
| Total Liabilities | 9,269,118 | 9,547,866 | (278,748) |
| Deferred Inflows of Resources: | | | |
| Deferred Amount Pension Obligation | 102,124 | 149,419 | (47,295) |
| Deferred Amount OPEB Obligation | 449,379 | 492,081 | (42,702) |
| Total Deferred Inflows | 551,503 | 641,500 | (89,997) |
| Net Position | | | |
| Net Investment in Capital Assets | 15,057,776 | 14,762,755 | 295,021 |
| Unrestricted | 1,149,061 | 313,740 | 835,321 |
| Total Net Position | \$ 16,206,837 | \$ 15,076,495 | \$ 1,130,342 |

The District's net position increased \$1,130,342 from fiscal year 2024 to 2025. This combines an increase to Net Investment in Capital Assets of \$295,021 and an increase to Unrestricted of \$835,321.

**PICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| | Fiscal Year 2025 | Fiscal Year 2024 | Dollar Change |
|--|----------------------|----------------------|---------------------|
| Revenues | | | |
| Operating Revenues | \$ 6,880,165 | \$ 4,822,244 | \$ 2,057,921 |
| Nonoperating Revenues | 426,325 | 538,705 | (112,380) |
| Total Revenues | <u>7,306,490</u> | <u>5,360,949</u> | <u>1,945,541</u> |
| Expenses | | | |
| Depreciation Expense | 697,470 | 1,034,486 | (337,016) |
| Other Operating Expenses | 5,238,553 | 4,415,909 | 822,644 |
| Nonoperating Expense | 240,125 | 247,468 | (7,343) |
| Total Expenses | <u>6,176,148</u> | <u>5,697,863</u> | <u>478,285</u> |
| Change in Net Position | 1,130,342 | (336,914) | 1,467,256 |
| Net Position - Beginning of Year | <u>15,076,495</u> | <u>15,413,409</u> | <u>(336,914)</u> |
| Net Position - End of Fiscal Year | <u>\$ 16,206,837</u> | <u>\$ 15,076,495</u> | <u>\$ 1,130,342</u> |

Total revenues of \$7,306,490 increased \$1,945,541, or 36.3%, from fiscal year 2024 to 2025 primarily due to water rate increases and additional capacity fees. Total expenses of \$6,176,148 increased \$478,285, or 8.4%, from fiscal year 2024 to 2025 primarily due to salaries and benefits costs and water replenishment costs. This resulted in a Net Position of \$16,206,837, an increase of \$1,130,342, or 7.5%, from fiscal year 2024 to 2025.

BUDGETARY HIGHLIGHTS

| | FY 2025 Actuals | FY 2025 Budget | Variance |
|-------------------------------|---------------------|---------------------|--------------------|
| Revenues | | | |
| Operating Revenues | \$ 6,880,165 | \$ 5,447,500 | \$ 1,432,665 |
| Nonoperating Revenues | 426,325 | 995,600 | (569,275) |
| Total Revenues | <u>7,306,490</u> | <u>6,443,100</u> | <u>863,390</u> |
| Expenses | | | |
| Operating Expenses | | | |
| Source of Supply | 1,260,845 | 1,185,600 | 75,245 |
| Pumping | 794,605 | 754,500 | 40,105 |
| Water Treatment | 148,512 | 260,700 | (112,188) |
| Transmission and Distribution | 438,972 | 343,500 | 95,472 |
| Customer Service | 380,180 | 282,600 | 97,580 |
| Depreciation | 697,470 | - | 697,470 |
| General and Administrative | 2,215,439 | 1,972,500 | 242,939 |
| Total Operating Expenses | <u>5,936,023</u> | <u>4,799,400</u> | <u>1,136,623</u> |
| Nonoperating Expenses | 240,125 | 422,200 | (182,075) |
| Total Expenses | <u>6,176,148</u> | <u>5,221,600</u> | <u>954,548</u> |
| Change in Net Position | <u>\$ 1,130,342</u> | <u>\$ 1,221,500</u> | <u>\$ (91,158)</u> |

**PICO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Total Revenues were \$863,390 higher than budgeted revenues primarily due to greater than anticipated capacity charges for expanded community development. Total Expenses were \$954,548 higher than budgeted expenses primarily due to depreciation expense and OPEB expense which are not budgeted. These items resulted in a Change in Net Position lower than budgeted by \$91,158.

CAPITAL ASSETS

| | Balance at July 1, 2024 | Additions | Deletions and Transfers | Balance at June 30, 2025 |
|---|----------------------------|-------------------|----------------------------|-----------------------------|
| Capital Assets: | | | | |
| Nondepreciable Assets | \$ 6,259,901 | \$ 813,552 | \$ (427,092) | \$ 6,646,361 |
| Depreciable Assets | 27,357,682 | 435,929 | (28,731) | 27,764,880 |
| Accumulated Depreciation and Amortization | (12,560,575) | (697,470) | 19,894 | (13,238,151) |
| Total Capital Assets, Net | <u>\$ 21,057,008</u> | <u>\$ 552,011</u> | <u>\$ (435,929)</u> | <u>\$ 21,173,090</u> |

Major capital asset additions for the year ended June 30, 2025 include:

- Well #11 VFD Motor - \$24,568
- Main & Line Replacements - \$142,205
- Meter Replacements - \$97,943
- Hydrant Replacements - \$171,213

Additional information regarding capital assets can be found in Note 3 to the basic financial statements.

DEBT ADMINISTRATION

At year-end, the District had outstanding debt of \$6,023,619 consisting of two infrastructure loans from IBank. This is fully discussed in Note 5 to the basic financial statements.

| | Balance at July 1, 2024 | Additions | Deletions | Balance at June 30, 2025 | Amounts Due within One Year |
|---------------------------|----------------------------|-------------|-------------------|-----------------------------|--------------------------------|
| Direct Borrowing: | | | | | |
| California Infrastructure | \$ 4,494,355 | \$ - | \$ 125,154 | \$ 4,369,201 | \$ 129,960 |
| Economic Development Bank | 1,705,419 | - | 51,001 | 1,654,418 | 52,659 |
| Total | <u>\$ 6,199,774</u> | <u>\$ -</u> | <u>\$ 176,156</u> | <u>\$ 6,023,619</u> | <u>\$ 182,619</u> |

CONTACTING THE DISTRICT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions regarding the information included in this report or requests for additional information should be directed to the District at 4843 S. Church St., Pico Rivera, CA 90660 or the General Manager at (562) 692-3756.

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BASIC FINANCIAL STATEMENTS

PICO WATER DISTRICT
Statement of Net Position
June 30, 2025

ASSETS

| | |
|--|-------------------|
| Current assets: | |
| Cash and investments (note 2) | \$ 2,580,383 |
| Accounts receivable | 1,166,478 |
| Accrued interest receivable | 1,228 |
| Other receivables | 212,335 |
| Inventory of materials and supplies | 250,221 |
| Prepaid expenses and deposits | <u>60,464</u> |
| Total current assets | <u>4,271,109</u> |
| Noncurrent assets: | |
| Capital assets, not depreciated (note 3) | 6,646,361 |
| Capital assets, net of accumulated depreciation (note 3) | <u>14,526,729</u> |
| Total noncurrent assets | <u>21,173,090</u> |
| Total assets | <u>25,444,199</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------------------|----------------|
| Pension (note 6) | 411,724 |
| OPEB (note 7) | <u>171,535</u> |
| Total deferred outflows of resources | <u>583,259</u> |

LIABILITIES

| | |
|---|------------------|
| Current liabilities: | |
| Accounts payable | 514,310 |
| Accrued expenses | 142,944 |
| Accrued interest payable | 91,695 |
| Compensated absences - current portion | 42,505 |
| Note payable - current portion (note 5) | 182,619 |
| Refundable deposits | 449,252 |
| Retention payable | <u>117,377</u> |
| Total current liabilities | <u>1,540,702</u> |
| Noncurrent liabilities: | |
| Compensated absences | 173,530 |
| Note payable (note 5) | 5,841,000 |
| Net pension liability (note 6) | 1,093,431 |
| Net other post-employment benefits (note 7) | <u>620,455</u> |
| Total noncurrent liabilities | <u>7,728,416</u> |
| Total liabilities | <u>9,269,118</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|----------------|
| Pension (note 6) | 102,124 |
| OPEB (note 7) | <u>449,379</u> |
| Total deferred inflows of resources | <u>551,503</u> |

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 15,057,776 |
| Unrestricted | <u>1,149,061</u> |
| Total net position | <u>\$ 16,206,837</u> |

See accompanying notes to the basic financial statements.

PICO WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025

| | |
|--|-----------------------------|
| Operating revenues: | |
| Water sales | \$ 5,508,051 |
| Water services | <u>1,372,114</u> |
| Total operating revenues | <u>6,880,165</u> |
| Operating expenses: | |
| Source of supply | 1,260,845 |
| Pumping | 794,605 |
| Water treatment | 148,512 |
| Transmission and distribution | 438,972 |
| Customer services | 380,180 |
| Depreciation (note 3) | 697,470 |
| General and administrative | <u>2,215,439</u> |
| Total operating expenses | <u>5,936,023</u> |
| Operating income (loss) | <u>944,142</u> |
| Non-operating revenues (expenses): | |
| Investment income | 49,467 |
| Rental income | 22,440 |
| Interest expense and fees (note 5) | (222,013) |
| Gain on disposal of assets | - |
| Other revenues (expenses), net | <u>23,546</u> |
| Total non-operating revenues (expenses) | <u>(126,560)</u> |
| Income (loss) before capital contributions | 817,582 |
| Capital Contributions: | |
| Contributed capital | <u>312,760</u> |
| Change in net position | 1,130,342 |
| Net position, beginning of year | <u>15,076,495</u> |
| Net position, end of year | <u><u>\$ 16,206,837</u></u> |

See accompanying notes to the basic financial statements.

PICO WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2025

| | |
|--|----------------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 6,598,767 |
| Cash paid to suppliers for goods or services | (3,304,498) |
| Cash paid to employees for services | <u>(1,882,925)</u> |
| Net cash provided (used by) operating activities | <u>1,411,344</u> |
| Cash flows from noncapital financing activities: | |
| Other nonoperating revenue (expense) | <u>23,546</u> |
| Net cash provided (used by) noncapital financing activities | <u>23,546</u> |
| Cash flows from capital and related financing activities: | |
| Proceeds from contributed capital | 312,760 |
| Payment of principal and interest on loan | (400,953) |
| Acquisition and construction of capital assets | <u>(809,103)</u> |
| Net cash provided (used by) capital and related financing activities | <u>(897,296)</u> |
| Cash flows from investing activities: | |
| Proceeds from rental property | 22,440 |
| Interest and investment earnings received | <u>49,447</u> |
| Net cash provided (used by) investing activities | <u>71,887</u> |
| Net increase (decrease) in cash and cash equivalents | 609,481 |
| Cash and equivalents, beginning of year | <u>1,970,902</u> |
| Cash and equivalents, end of year | <u><u>\$ 2,580,383</u></u> |
| Reconciliation of operating income to net cash provided | |
| by operating activities: | |
| Operating income (loss) | \$ 944,142 |
| Adjustments to reconcile operating income (loss) | |
| to net cash provided (used) by operating activities: | |
| Depreciation | 697,470 |
| Changes in operating assets and liabilities: | |
| (Increase) decrease in accounts receivable | (282,072) |
| (Increase) decrease in inventory of materials and supplies | (50,369) |
| (Increase) decrease in prepaid expenses and deposits | 1,916 |
| Increase (decrease) in accounts payable | 256,276 |
| Increase (decrease) in accrued expenses | (182,832) |
| Increase (decrease) in compensated absences | 66,764 |
| Increase (decrease) in refundable deposits | (264,326) |
| Increase (decrease) in retention payable | 674 |
| Increase (decrease) in net pension liability | 181,191 |
| Increase (decrease) in net OPEB liability | <u>42,510</u> |
| Total adjustments | <u>467,202</u> |
| Net cash provided (used) by operating activities | <u><u>\$ 1,411,344</u></u> |

See accompanying notes to the basic financial statements.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

(1) Summary of Significant Accounting Policies

a. Nature of Organization

Pico Water District (the “District”), a county water district, was formed June 22, 1926, pursuant to the provisions of the laws of the State of California. The District currently encompasses 1,536 acres and operates six wells, five of which are in use and one of which is inactive, and a 1.25 million gallon reservoir. The purpose of the District is to finance, construct, operate, and maintain a potable water system to serve properties within the District’s boundaries with safe and affordable water.

b. Basis of Accounting

The District’s activities are accounted for in an enterprise fund. An enterprise fund is a proprietary-type fund used to account for operations that are financed and operated in a manner similar to a private business enterprise – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

c. Measurement Focus and Basis of Accounting

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

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents have been defined as cash and short-term investments, which have a maturity of three months or less. At June 30, 2025, the District invested with the State Treasurer’s Local Agency Investment Fund (LAIF) and California Cooperative Liquid Assets Securities System (CLASS). These are pooled money investment accounts and are considered to be a cash equivalents. The District also has monies invested in the California Cooperative Liquid Assets Securities System, which is a joint powers authority that provides for high-quality, short-to medium-term investments in carefully selected securities with prompt access to funds if they were to become needed.

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies (continued)

e. Accounts Receivable

The District grants unsecured credit to its customers. Bad debts are accounted for using the direct write off method. Management believes that the bad debt expense under this method approximates the expense that would be recorded using the allowance method.

f. Inventory

Inventories maintained by the District consist primarily of pipes, construction materials, and maintenance supplies. Inventories are priced at the lower cost or market, determined on a first-in, first-out basis.

g. Capital Assets and Depreciation

Capital assets are stated at historical cost, net of accumulated depreciation. In accordance with its capitalization policy, the District has set the capitalization threshold for reporting capital assets at \$5,000 and a useful life that is more than one year. Depreciation is recorded on the straight-line basis over the estimated useful lives.

The ranges of lives used for computing depreciation for each capital asset class are as follows:

| | |
|--------------------------------|-------------|
| Wells and reservoirs | 20-50 years |
| Wells and reservoirs equipment | 5-10 years |
| Pumps and tanks | 20-25 years |
| Water treatment equipment | 5-10 years |
| Transmission and distribution | 15-50 years |
| General plant and other | 5-25 years |

Maintenance and repairs are charged as expenses as incurred. Significant renewals and betterments are capitalized.

h. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period. The deferred outflows of resources related to pension and OPEB resulted from District contributions subsequent to the measurement date of the actuarial valuation and the effects of actuarially-determined changes. These amounts are deferred and amortized as detailed in Note 6 for pension and Note 7 for OPEB to the financial statements.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies (continued)

i. Compensated Absences

The District recognizes a liability for compensated absences, such as vested vacation, sick leave, and paid time off, in accordance with GASB Statement No. 101, *Compensated Absences*. The net change in the liability for fiscal year 2025 was an increase of \$66,764 to arrive at \$216,035 at June 30, 2025. The cumulative effect of adopting this standard was not significant, hence, no restatement of beginning net position was required.

j. Net Pension Obligation

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

k. Postemployment Benefits Other than Pensions (OPEB)

The District participates in a single employer defined benefit postemployment health care plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and OPEB expense information about the fiduciary net position of the District Retiree Benefits Plan (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes payments when due and payable in accordance with the benefit terms.

l. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of resources applicable to future periods. The deferred inflows of resources related to pensions and OPEB resulted from the difference between the estimated and actual return on pension plan investments, the effect of changes in proportion and changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed on Note 6 for pensions and Note 7 for OPEB to the financial statements.

m. Net Position

Net position of the District can be classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and the outstanding balances of any bonds, mortgages, notes, or other borrowings that are

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies (continued)

m. Net Position (continued)

attributable to the acquisition, 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 are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – 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, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of June 30, 2025, the District did not have restricted net position.

Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of the “net investment in capital assets” or “restricted”.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

n. Operating Revenue and Expenses

Operating revenues and expenses, such as water sales and services, 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 investment income and rental income, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange. Operating expenses include the cost of sale and services, administrative expenses, and depreciation on capital assets.

o. Revenue Recognition

Revenue is recognized and account receivable recorded as water services are provided. This includes estimated charges for water services delivered prior to year-end and billed during a subsequent billing cycle.

p. Use of Estimates

The preparation of financial statement in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies (continued)

q. Leases Payable and Subscription Agreements Payable

Lessee: The District recognizes a lease or subscription agreement liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$25,000 or more.

At the commencement of a lease or subscription agreement, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lease assets are reported with other assets and lease liabilities are reported with long-term debt on the Statement of Net Position. The District currently has no lease or subscription agreement liabilities that meet the criteria of GASB Nos. 87 and 96.

Lessor: The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the 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.

PICO WATER DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 (Continued)

(1) Summary of Significant Accounting Policies (continued)

q. Leases Payable and Subscription Agreements Payable (continued)

Key elements and judgement include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The District uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes 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. The District currently has no lease revenues that meet the criteria of GASB No. 87.

r. New Accounting Pronouncements

As noted above, the District adopted Statement on Governmental Accounting Standards (GASB Statements) No. 101-*Compensated Absences* and No. 102 *Certain Risk Exposers*. The adoption of the GASB Nos. 101 and 102 did not significantly impact the District.

(2) Cash and Investments

Cash and investments at June 30, 2025 are as follows:

| | |
|---|---------------------|
| Cash on hand | \$ 1,000 |
| Deposits held with financial institutions | 1,797,311 |
| Investments | <u>782,072</u> |
| Total cash and investments | <u>\$ 2,580,383</u> |

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

The following table identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy. The table also identifies certain provisions of the California Government Code (or the District's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(2) Cash and Investments (continued)

| <u>Investment Types</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|--|-------------------------|--|---|
| U.S. Treasury Bills, Bonds and Notes | 5 years | None | None |
| U.S. Government Agency Securities | 5 years | None | None |
| State of California Obligations | 5 years | None | None |
| California Warrants, Notes or Bonds | 5 years | None | None |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| CD Placement Services | 5 years | 30% | None |
| Banker's Acceptance | 180 days | 40% | 30% |
| Repurchase Agreements | 1 year | 20% | None |
| Commercial Paper | 270 days | 25% | 10% |
| Medium Term Notes | 5 years | 30% | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| County Pooled Investment Funds | N/A | None | None |
| Joint Powers Authority Pool | N/A | None | None |
| Mutual Funds and Money Market Mutual Funds | 5 years | 20% | 10% |

Concentration of Credit Risk

The District follows the investment policy as stipulated by the California Government Code as to the amount it may invest in any one issuer. At June 30, 2025, the District had no concentration of credit risk.

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. The District has limited exposure to interest rate risk as all funds are currently invested in short term investments.

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 investments by maturity at June 30, 2025.

| <u>Investment Type</u> | <u>Remaining Investment Maturities</u> | | | <u>Total</u> |
|--|--|---------------------|---------------------|----------------|
| | <u>Less than 1 Year</u> | <u>1 to 3 Years</u> | <u>4 to 5 Years</u> | |
| Local Agency Investment Fund | \$ 112,177 | - | - | 112,177 |
| California Cooperative Liquid Assets Securities System | <u>669,895</u> | <u>-</u> | <u>-</u> | <u>669,895</u> |
| Total | <u>\$ 782,072</u> | <u>-</u> | <u>-</u> | <u>782,072</u> |

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(2) Cash and Investments (continued)

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. The District's investments in LAIF are not rated. California Cooperative Liquid Assets Securities System has a rating of AAA* by S&P Global Ratings.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside 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 individual collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 150% of the total amount deposited by the public agencies.

Investments in State Investment Pool

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

California Cooperative Liquid Assets Securities System

The California Cooperative Liquid Assets Securities System (California CLASS) is a joint exercise of power entity authorized under Section 6509.7, California Government Code. California CLASS provides California public agencies with a convenient method for investing in high-quality, short- to medium-term securities carefully selected to optimize interest earnings while prioritizing safety and liquidity. The District is a voluntary participant in California CLASS. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by California CLASS for the entire California CLASS portfolio (in relation to the amortized cost of the of that portfolio).

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(2) Cash and Investments (continued)

Fair Value Hierarchy

The District follows the provisions of GASB Statement No. 72 *Fair Value Measurement and Application* which requires the District to categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments in LAIF and California Cooperative Liquid Assets Securities System are uncategorized as deposits and withdrawals are made on the basis of \$1 and not fair value.

(3) Capital Assets

Capital asset activity for the year ended June 30, 2025 is as follows:

| <u>Description</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Non-depreciable: | | | | |
| Land and easement | \$ 417,363 | - | - | 417,363 |
| Water rights | 216,000 | - | - | 216,000 |
| Construction in process | <u>5,626,538</u> | <u>813,552</u> | <u>(427,092)</u> | <u>6,012,998</u> |
| Total non-depreciable | <u>6,259,901</u> | <u>813,552</u> | <u>(427,092)</u> | <u>6,646,361</u> |
| Depreciable: | | | | |
| Wells and reservoirs | 6,007,702 | - | - | 6,007,702 |
| Pumps and tanks | 850,978 | 24,568 | - | 875,546 |
| Water treatment equipment | 5,835 | - | - | 5,835 |
| Transmission and distributions | 18,217,716 | 411,361 | (8,837) | 18,620,240 |
| General plant | 2,136,889 | - | (19,894) | 2,116,995 |
| Rental house | 101,779 | - | - | 101,779 |
| SCADA system and equipment | <u>36,783</u> | <u>-</u> | <u>-</u> | <u>36,783</u> |
| Total depreciable capital assets | <u>27,357,682</u> | <u>435,929</u> | <u>(28,731)</u> | <u>27,764,880</u> |
| Less accumulated depreciation | <u>(12,560,575)</u> | <u>(697,470)</u> | <u>19,894</u> | <u>(13,238,151)</u> |
| Total depreciable capital assets, net | <u>14,797,107</u> | <u>(261,541)</u> | <u>(8,837)</u> | <u>14,526,729</u> |
| Total capital assets, net | <u>\$21,057,008</u> | <u>552,011</u> | <u>(435,929)</u> | <u>21,173,090</u> |

Depreciation expense for the year ended June 30, 2025 was \$697,470.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(4) Risk Management

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. In an effort to manage its risk exposure, the District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (the “Authority”).

The Authority is a risk-pooling self-insurance authority, organized under a joint powers agreement pursuant to California Government Code §6500, et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages.

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

Property Loss. The Authority has pooled self-insurance up to \$100,000,000 per occurrence and has purchased excess insurance coverage of \$500,000,000 (total insurable value \$6,527,733). The District has \$1,000 deductibles for buildings, personal property, fixed and mobile equipment, and licensed vehicles.

General Liability. The District is insured up to \$55,000,000 per occurrence with no deductible; the Authority is self-insured up to \$5,000,000 and excess insurance coverage of \$50,000,000.

Automobile Liability. The District is insured up to \$55,000,000 per occurrence with no deductible; the Authority is self-insured up to \$5,000,000 and excess insurance coverage of \$50,000,000.

Workers’ Compensation. The District is insured for statutory limits. The District is insured up to \$4,000,000 per accident. The Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased.

Public Official’s Liability. The District is insured for error and omissions up to \$55,000,000 per occurrence with no deductible; the Authority is self-insured up to \$5,000,000 and excess insurance coverage of \$50,000,000.

Employee Dishonesty/Crime Coverage. The District is insured up to \$100,000 per occurrence with \$1,000 deductible for employee dishonesty, forgery or alternation, computer fraud and ERISA.

Earthquake and Flood. The District is insured up to \$25,000,000 per occurrence with a 5% of the total insurable values (\$4,984,886) at the time of loss, subject to a \$25,000 minimum per occurrence. The flood deductible is \$25,000 per occurrence.

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.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(5) Notes Payable

As of June 30, 2025, the District had entered into two Installment Sale Agreements with California Infrastructure and Economic Development Bank in the amounts of \$2,020,200 and \$5,250,000, respectively. The proceeds of the loans were initially held by a fiscal agent and were released as infrastructure expenditures were incurred. The loans bear interest at 3.84% per annum. Principal payments commenced in August 2017 and are due annually. Interest payments commenced February 2017 and are payable biannually. The total future debt obligations under these agreements are as shown below.

| <u>Year Ending, December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|--------------------|------------------|------------------|
| 2026 | \$ 182,619 | 218,193 | 400,812 |
| 2027 | 189,321 | 211,368 | 400,689 |
| 2028 | 196,269 | 204,290 | 400,559 |
| 2029 | 203,475 | 123,633 | 327,108 |
| 2030 | 210,947 | 192,242 | 403,189 |
| 2031-2035 | 1,176,825 | 838,628 | 2,015,453 |
| 2036-2040 | 1,409,631 | 602,262 | 2,011,893 |
| 2041-2045 | 1,688,759 | 327,315 | 2,016,074 |
| 2046 | <u>765,773</u> | <u>39,269</u> | <u>805,042</u> |
| Total | <u>\$6,023,619</u> | <u>2,757,200</u> | <u>8,780,819</u> |

The schedule below summarizes changes in long-term debt during the year ended June 30, 2025:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> |
|---------------------------|------------------------------|------------------|------------------|---------------------------|--|
| Direct borrowing: | | | | | |
| California Infrastructure | \$4,494,355 | - | 125,154 | 4,369,201 | 129,960 |
| Economic Development Bank | <u>1,705,419</u> | <u>-</u> | <u>51,001</u> | <u>1,654,418</u> | <u>52,659</u> |
| Total | <u>\$6,199,774</u> | <u>-</u> | <u>176,156</u> | <u>6,023,619</u> | <u>182,619</u> |

For the year ended June 30, 2025, the District incurred \$222,013 of interest expense.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Defined Benefit Pension Plans

The District participates in a cost-sharing multiple-employer defined benefit plan through the California Public Employees’ Retirement System (CalPERS) which covers substantially all regular full-time employees of the District. CalPERS acts as a common investment and administrative agent for participating public entities within the state of California and reports information to the District in accordance with reporting standards established by GASB.

The District had implemented all applicable GASB statements related to the area of pension plans and as a result, reported its proportionate share of the net pension liability, pension expense, deferred outflows of resources, and deferred inflow of resources for the above plan as shown in the table below as of June 30, 2025:

| <u>Pension Plan</u> | <u>Proportionate Share of Net Pension Liability</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Proportionate Share of Pension Expense</u> |
|---------------------|---|---|--|---|
| CalPERS | \$1,093,431 | \$411,724 | \$102,124 | \$288,106 |

Plan Description – Qualified employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Plan under the CalPERS plan, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. Individual employers may sponsor more than one Miscellaneous or Safety Plan. The District sponsors one Miscellaneous Risk Pool plan and the information presented below represents the allocated pension amounts for the District’s plan (the Plan). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

Plan Provided – The Plan 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 year of service credit, a benefit factor, and the member’s final compensation. Members hired by the District, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for employment-related disability benefits regardless of length of service and nonduty disability benefits after four years of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The Postretirement Death Benefit is a one-time payment made to a retiree’s designated survivor or estate upon the retiree’s death. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Defined Benefit Pension Plans (continued)

the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013) and has at least five years of credited service.

The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plan provisions and benefits in effect at June 30, 2025, are shown below:

| | Miscellaneous Risk Pool | |
|--------------------------------------|--------------------------|-----------------------------|
| | Classic | PEPRA |
| Hire Date | Prior to January 1, 2013 | On or After January 1, 2013 |
| Benefit Formula | 2% at 55 | 2% at 62 |
| Benefit Vesting Schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 | 52 |
| Required employee contribution rates | 6.92% | 8.00% |
| Required employer contribution rates | 13.05% | 8.07% |

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rate for all public employers is determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined annually through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarial determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for the fiscal year ended June 30, 2025 are presented above and the total District required contributions to the Plan were \$106,915.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – As of June 30, 2025, the District reported net pension liability for its proportionate share of the Miscellaneous Risk Pool net pension liability totaling \$1,093,431. As permitted by GASB standards, the net pension liability was determined based upon the measurement date of June 30, 2024. The District's proportion 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 District's Plan as of the June 30, 2024 and 2023 was as follows:

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Defined Benefit Pension Plans (continued)

| | <u>Miscellaneous</u> |
|------------------------------|----------------------|
| Proportion – June 30, 2023 | 0.022019% |
| Proportion – June 30, 2024 | 0.022607% |
| Change – Increase (Decrease) | 0.000588% |

For the year ended June 30, 2025, the District recognized pension expense of \$288,106. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources as follows:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Pension contributions subsequent to measurement date | \$ 106,915 | - |
| Change in proportion | 95,133 | - |
| Net difference in actual contributions vs. proportionate share of contributions | - | (97,915) |
| Net difference between expected and actual experience | 113,501 | (4,209) |
| Net differences between projected and actual earnings on plan investments | 64,093 | - |
| Change in assumptions | <u>32,082</u> | <u>-</u> |
| Total | <u>\$ 411,724</u> | <u>(102,124)</u> |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ended June 30, 2025. The net difference between projected and actual earnings on the plan investment is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expenses during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for CalPERS Miscellaneous Risk Pool Plan for the June 30, 2024 measurement date is 3.8 years. The first year of amortization is recognized in pension expense for the year the gain or losses occurs. The remaining amounts are deferred and will be amortized over the remaining period not to exceed 2.8 years.

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Defined Benefit Pension Plans (continued)

Remaining amounts will be recognized to pension expense as follows:

| Year Ended June 30 | |
|-----------------------|------------------|
| 2025 | \$ 59,043 |
| 2026 | 169,655 |
| 2027 | 1,541 |
| 2028 | <u>(27,554)</u> |
| | <u>\$202,685</u> |

Actuarial Methods and Assumptions – The total pension liability for the Plan was determined by applying update procedures to an actuarial valuation as of June 30, 2023, which was rolled forward to the June 30, 2024 measurement date. As permitted by GASB standards, the District’s net pension liability was determined based upon the measurement date of June 30, 2024.

The financial reporting actuarial valuation as of the June 30, 2023 used the methods and assumptions herein, applied to all prior periods included in the measurement.

| | Miscellaneous |
|---------------------------|---------------------------------|
| Valuation Date | June 30, 2023 |
| Measurement Date | June 30, 2024 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 6.90% |
| Inflation | 2.30% |
| Payroll Growth | 2.80% |
| Projected Salary Increase | Varies by Entry Age (1) |
| Investment Rate of Return | 6.80% (2) |
| Mortality | Varies (3) |

- (1) Depending on age, service and type of employment.
- (2) Net of pension plan investment expenses, including inflation.
- (3) The mortality table used was developed based on CalPERS’ specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Defined Benefit Pension Plans (continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.90%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 6.90% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2024 based on June 30, 2023 Valuations*, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 6.80% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 10 basis points. An investment return excluding administrative expenses would have been 6.90%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long-term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The expected real rates of return by asset class are as follows:

| Asset Class | Assumed Asset Allocation | Real Return (a) (b) |
|----------------------------------|--------------------------------|------------------------|
| Global Equity – Cap-weighted | 30.00% | 4.54% |
| Global Equity – Non-Cap-weighted | 12.00% | 3.84% |
| Private Equity | 13.00% | 7.28% |
| Treasury | 5.00% | 0.27% |
| Mortgage-backed Securities | 5.00% | 0.50% |
| Investment Grade Corporates | 10.00% | 1.56% |
| High Yield | 5.00% | 2.27% |
| Emerging Market Debt | 5.00% | 2.48% |
| Private Debt | 5.00% | 3.57% |
| Real Assets | 15.00% | 3.21% |
| Leverage | (5.00%) | (0.59%) |

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Defined Benefit Pension Plans (continued)

- (a) An expected inflation of 2.3% used for this period.
- (b) Figures are based on the 2021-22 Asset Liability Management study.

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 each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | <u>Miscellaneous</u> |
|-----------------------|----------------------|
| 1% Decrease | 5.90% |
| Net Pension Liability | \$1,990,826 |
| Current Discount Rate | 6.90% |
| Net Pension Liability | \$1,093,431 |
| 1% Increase | 7.90% |
| Net Pension Liability | \$354,742 |

Detailed information about CalPERS Miscellaneous Risk Pool Plan fiduciary net position is available in a separate annual comprehensive financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

(7) Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in Note 6, the District provides a post-retirement health care benefit for retired employees and directors who have served the District full-time for at least five consecutive years and who are at least 55 years of age at the time of retirement, and spouses. In accordance with statutory requirements, a director must have commenced his or her service on or before January 1, 1995, in order to be entitled to receive District-paid health insurance after completing service on the board.

Funding Policy – The contribution requirements of the plan are set by the District and the District’s Board of Directors. Currently, contributions are not required from plan members. The District has established a trust to fund other postemployment benefits (OPEB). The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually by the District. The table herein shows the participants as of June 30, 2024.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Other Post Employment Benefits (OPEB) (continued)

| | |
|--|-----------|
| Active employees | 9 |
| Inactive employees or beneficiaries currently receiving benefits | 3 |
| Inactive employees entitled to, but not yet receiving benefits | - |
| Total | <u>12</u> |

Net OPEB Liability (Asset) – The table below shows the components of the net OPEB liability of the District:

| | |
|---------------------------------------|--------------------|
| Total OPEB Liability | \$1,714,736 |
| Plan Fiduciary Net Position | <u>(1,094,281)</u> |
| District's Net OPEB Liability (Asset) | <u>\$ 620,455</u> |

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset) (63.82%)

Investments – As June 30, 2025, all Plan investments are held in the California Employers' Retiree Benefit Trust program (CERBT) through CalPERS.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources as follows:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Change in assumptions | \$ 108,633 | (22,262) |
| Difference between expected and actual experience | 7,052 | (427,117) |
| Difference between projected and actual return on investments | <u>55,850</u> | <u>-</u> |
| Total | <u>\$ 171,535</u> | <u>(449,379)</u> |

The deferred outflows of resources results from a change of assumptions and is amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the OPEB plan for June 30, 2025 is five years. The year of amortization is recognized in OPEB expense for the year the gain or loss occurs. The remaining amount is deferred and will be amortized over the remaining periods not to exceed four years.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Other Post Employment Benefits (OPEB) (continued)

The deferred inflows of resources related to OEPB resulting from the net differences between projected and actual earnings on the plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period.

The deferred inflows of resources related to OPEB resulting from the net differences between projected and actual experience is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period.

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

| Year Ended June 30 | |
|-----------------------|---------------------|
| 2026 | \$ (10,465) |
| 2027 | 8,493 |
| 2028 | (29,429) |
| 2029 | (34,389) |
| 2030 | (30,410) |
| Thereafter | <u>(181,644)</u> |
| | <u>\$ (277,844)</u> |

Actuarial Methods and Assumptions – The District’s net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. Liabilities in this report were calculated as of the valuation date.

The total OPEB liability was determined by using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Assumptions:

| | |
|---------------------------|----------|
| Investment rate of return | 6.25% |
| Projected salary increase | 2.75% |
| Medical cost trend rate | 4.0% |
| Mortality | 4.0% (1) |

- (1) Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

PICO WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Other Post Employment Benefits (OPEB) (continued)

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Shown herein is the assumed asset allocation and assumed rate of return for each asset class:

| Asset Class | Percentage of Portfolio | Assumed Gross Return |
|---|----------------------------|-------------------------|
| All Equities | 34.0% | 7.25% |
| All Fixed Income | 41.0% | 4.25% |
| Real Estate Investment Trusts | 17.0% | 7.25% |
| All Commodities | 3.0% | 7.25% |
| Treasury Inflated Protected Securities (TIPS) | 5.0% | 3.00% |
| Total | 100.0% | |

Discount Rate – The discount rate used to measure the OPEB liability was 6.25 percent. It is assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. Historic 34-year real rates for each asset class were used, along with an assumed long-term inflation assumption, to set the discount rate. The expected investment return was offset by investment expenses of 25 basis points. Rolling periods of time for all assets, in combination, were reviewed to appropriately reflect the correlation between asset classes. That means that the average returns for any asset class will not necessarily reflect the averages over time individually, but do reflect the return for the asset class for the portfolio average. Geometric means were used.

Since the most recent valuation, there were no changes to the actuarial assumptions.

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Other Post Employment Benefits (OPEB) (continued)

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|--|---|--|--|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability/ (Asset) (c)=(a)-(b) |
| Balance at Fiscal Year Ending 6/30/22 <i>Measurement Date 6/30/22</i> | \$1,600,678 | 1,011,492 | 589,186 |
| Changes During the Period: | | | |
| Service cost | 53,964 | - | 53,964 |
| Interest cost | 100,467 | 83,115 | 17,352 |
| Actual and expected experience difference | - | - | - |
| Employer contributions | - | 40,373 | (40,373) |
| Change in assumptions | - | - | - |
| Benefit payments | (40,373) | (40,373) | - |
| Administrative expenses | - | (326) | 326 |
| Net Changes in Fiscal Year 2023-24 | 114,058 | 82,789 | 31,269 |
| Balance at Fiscal Year Ending 6/30/24 <i>Measurement Date 6/30/23</i> | \$1,714,736 | 1,094,281 | 620,455 |

Sensitivity of the OPEB Liability (Asset) to Changes in the Discount Rate – The following presents the Districts’ OPEB liability (asset), calculated using the discount rate, as well as what the District’s OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | |
|------------------------|-----------|
| 1% Decrease | 5.25% |
| OPEB Liability (Asset) | \$907,314 |
| Current Discount Rate | 6.25% |
| OPEB Liability (Asset) | \$620,455 |
| 1% Increase | 7.25% |
| OPEB Liability (Asset) | \$388,780 |

PICO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Other Post Employment Benefits (OPEB) (continued)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trends
– The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period June 30, 2024:

| | |
|------------------------|-----------|
| 1% Decrease | 3.0% |
| OPEB Liability (Asset) | \$337,880 |
| Current Rate | 4.0% |
| OPEB Liability (Asset) | \$620,455 |
| 1% Increase | 5.0% |
| OPEB Liability (Asset) | \$985,821 |

OPEB Expense – For the year ended June 30, 2025, the District recognized OPEB expense of \$82,883.

(8) Commitments and Contingencies

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

Grants – The District receives several government grants which are subject to audit by the government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

(9) Subsequent Events

Management has evaluated subsequent events through December 1, 2025, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the District.

REQUIRED SUPPLEMENTARY INFORMATION

PICO WATER DISTRICT
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
Cost-Sharing Defined Benefit Pension Plan
Last 10 Fiscal Years

| | As of the fiscal year ending June 30, | | | | |
|--|---------------------------------------|--------------|------------|------------|------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 |
| Measurement date | 6/30/2024 | 6/30/2023 | 6/30/2022 | 6/30/2021 | 6/30/2020 |
| Plan's proportion of the collective net pension liability | 0.009016% | 0.000119% | 0.000151% | 0.001421% | 0.016140% |
| Plan's proportionate share of the net pension liability | \$ 1,093,431 | \$ 1,101,064 | \$ 954,472 | \$ 76,836 | \$ 680,803 |
| Covered payroll, measurement date | \$ 930,390 | \$ 791,774 | \$ 698,909 | \$ 713,546 | \$ 698,909 |
| Plan's proportionate share of the net pension liability as percentage of covered payroll | 117.52% | 139.06% | 136.57% | 10.77% | 97.41% |
| Plan's fiduciary net position as a percentage of the total pension liability | 83.56% | 81.50% | 82.76% | 98.54% | 90.05% |

| | As of the fiscal year ending June 30, | | | | |
|--|---------------------------------------|------------|------------|------------|------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Measurement date | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 |
| Plan's proportion of the collective net pension liability | 0.013669% | 0.011461% | 0.011830% | 0.009610% | 0.002566% |
| Plan's proportionate share of the net pension liability | \$ 680,803 | \$ 431,937 | \$ 466,342 | \$ 333,859 | \$ 64,847 |
| Covered payroll, measurement date | \$ 684,785 | \$ 707,715 | \$ 685,639 | \$ 644,476 | \$ 616,120 |
| Plan's proportionate share of the net pension liability as percentage of covered payroll | 99.42% | 61.03% | 68.02% | 51.80% | 10.53% |
| Plan's fiduciary net position as a percentage of the total pension liability | 90.05% | 91.74% | 90.69% | 92.50% | 98.47% |

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes in assumptions:

From fiscal year 6/30/15 to 6/30/16: GASB 69 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 expenses.

The discount rate of 7.5% 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: Demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. Inflation was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2025: There were no changes in assumptions.

PICO WATER DISTRICT
Schedule of Plan Contributions - Defined Benefit Pension Plan
Cost-Sharing Defined Benefit Pension Plan
Last 10 Fiscal Years

| | As of the fiscal year ending June 30, | | | | |
|---|---------------------------------------|---------------------|---------------------|---------------------|--------------------|
| | 2025 | 2024 | 2023 | 2021 | 2020 |
| | 6/30/2022 | 6/30/2021 | 6/30/2020 | 6/30/2018 | 6/30/2017 |
| Valuation Date | | | | | |
| Contractually required contributions (actuarially determined) | \$ 106,915 | \$ 161,740 | \$ 142,698 | \$ 119,421 | \$ 81,822 |
| Contributions in relation to the actuarially determined contributions | <u>\$ (106,915)</u> | <u>\$ (161,740)</u> | <u>\$ (142,698)</u> | <u>\$ (119,421)</u> | <u>\$ (81,822)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 117,421 | \$ 930,390 | \$ 791,774 | \$ 698,909 | \$ 689,948 |
| Contributions as a percentage of covered payroll | 91.05% | 17.38% | 18.02% | 17.09% | 11.86% |

| | As of the fiscal year ending June 30, | | | | |
|---|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| | 6/30/2016 | 6/30/2015 | 6/30/2014 | 6/30/2013 | 6/30/2012 |
| Valuation Date | | | | | |
| Contractually required contributions (actuarially determined) | \$ 55,622 | \$ 69,561 | \$ 69,915 | \$ 75,888 | \$ 60,692 |
| Contributions in relation to the actuarially determined contributions | <u>\$ (55,622)</u> | <u>\$ (69,561)</u> | <u>\$ (69,915)</u> | <u>\$ (75,888)</u> | <u>\$ (60,692)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 698,909 | \$ 684,785 | \$ 707,715 | \$ 685,639 | \$ 644,476 |
| Contributions as a percentage of covered payroll | 7.96% | 10.16% | 9.88% | 11.07% | 9.42% |

Notes to Schedule:

Methods and Assumptions Used to Determine Contribution Rates:

| | | | | | |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Actuarial cost method | Entry Age |
| Amortization method | (1) | (1) | (1) | (1) | (1) |
| Asset valuation method | Market Value |
| Inflation | 2.300% | 2.300% | 2.300% | 2.500% | 2.625% |
| Salary increases | (2) | (2) | (2) | (2) | (2) |
| Investment rate of return | 6.80% (3) | 6.80% (3) | 6.80% (3) | 7.00% (3) | 7.25% (3) |
| Retirement age | (4) | (4) | (4) | (4) | (4) |
| Mortality | (5) | (5) | (5) | (5) | (5) |

Methods and Assumptions Used to Determine Contribution Rates:

| | | | | | |
|---------------------------|--------------|--------------|--------------|--------------|--------------------------------------|
| Actuarial cost method | Entry Age |
| Amortization method | (1) | (1) | (1) | (1) | (1) |
| Asset valuation method | Market Value | Market Value | Market Value | Market Value | 15-Year Smoothed Market Method |
| Inflation | 2.750% | 2.750% | 2.750% | 2.750% | 2.750% |
| Salary increases | (2) | (2) | (2) | (2) | (2) |
| Investment rate of return | 7.50% (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 pay, direct rate smoothing

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

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

(4) 50 for all plans with the exception of 52 for Miscellaneous PEPRA which is 2% at 62

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

PICO WATER DISTRICT
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios

Last 10 Fiscal Years *

| <i>Measurement Period</i> | As of the fiscal year ending June 30, | | | | |
|--|---------------------------------------|---------------------|------------------|------------------|------------------|
| | 2025 | 2024 | 2023 | 2021 | 2020 |
| Total OPEB Liability | | | | | |
| Service cost | \$ 53,964 | \$ 66,027 | 64,260 | 47,686 | 46,410 |
| Interest on the total OPEB Liability | 100,467 | 106,818 | 98,460 | 98,427 | 90,936 |
| Actual and expected experience difference | - | (205,908) | - | (185,021) | - |
| Changes in assumptions | - | (25,610) | - | 154,861 | - |
| Changes in benefit terms | - | - | - | - | - |
| Benefit payments | (40,373) | (33,455) | (26,294) | (49,997) | (45,478) |
| Net change in total OPEB liability | 114,058 | (92,128) | 136,426 | 65,956 | 91,868 |
| Total OPEB liability - beginning | 1,600,678 | 1,692,806 | 1,556,380 | 1,490,424 | 1,398,556 |
| Total OPEB liability - ending (a) | <u>\$ 1,714,736</u> | <u>\$ 1,600,678</u> | <u>1,692,806</u> | <u>1,556,380</u> | <u>1,490,424</u> |
| Plan Fiduciary Net Position | | | | | |
| Contribution - employer | \$ 40,373 | \$ 100,955 | 161,294 | 117,497 | 123,705 |
| Net investment income | 83,115 | 34,152 | (128,869) | 142,152 | 40,907 |
| Investment gains/losses | - | - | - | - | (9,009) |
| Benefit payments | (40,373) | (33,455) | (26,294) | (49,997) | (56,205) |
| Administrative expense | (326) | (271) | (241) | (266) | (304) |
| Net change in plan fiduciary net position | 82,789 | 101,381 | 5,890 | 209,386 | 99,094 |
| Plan fiduciary net position - beginning | 1,011,492 | 910,111 | 904,221 | 694,835 | 595,741 |
| Plan fiduciary net position - ending (b) | <u>\$ 1,094,281</u> | <u>\$ 1,011,492</u> | <u>910,111</u> | <u>904,221</u> | <u>694,835</u> |
| Net OPEB liability (asset) - ending (a)-(b) | <u>\$ 620,455</u> | <u>\$ 589,186</u> | <u>782,695</u> | <u>652,159</u> | <u>795,589</u> |
| Covered-employee payroll | \$ 117,421 | \$ 930,390 | 698,909 | 752,867 | 723,443 |
| Net OPEB liability (asset) as a percentage of covered-employee payroll | 528.40% | 63.33% | 111.99% | 86.62% | 109.97% |

Notes to Schedule

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available. The District changed fiscal years from December 31 to June 30 after fiscal year ending December 31, 2021 which is why no data exists for 2022.

PICO WATER DISTRICT
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios (Continued)

Last 10 Fiscal Years *

| <i>Measurement Period</i> | As of the fiscal year ending June 30, | |
|--|---------------------------------------|---------------------|
| | 2019 | 2018 |
| Total OPEB Liability | | |
| Service cost | 44,430 | \$ 43,241 |
| Interest on the total OPEB Liability | 97,794 | 92,082 |
| Actual and expected experience difference | (200,904) | - |
| Changes in assumptions | - | - |
| Changes in benefit terms | - | - |
| Benefit payments | (50,131) | (45,968) |
| Net change in total OPEB liability | (108,811) | 89,355 |
| Total OPEB liability - beginning | 1,507,367 | 1,418,012 |
| Total OPEB liability - ending (a) | <u>1,398,556</u> | <u>\$ 1,507,367</u> |
| Plan Fiduciary Net Position | | |
| Contribution - employer | 132,131 | \$ 112,968 |
| Net investment income | 33,642 | 27,250 |
| Investment gains/losses | 3,588 | (3,001) |
| Benefit payments | (50,131) | (45,968) |
| Administrative expense | (109) | (723) |
| Net change in plan fiduciary net position | 119,121 | 90,526 |
| Plan fiduciary net position - beginning | 476,620 | 386,094 |
| Plan fiduciary net position - ending (b) | <u>595,741</u> | <u>\$ 476,620</u> |
| Net OPEB liability (asset) - ending (a)-(b) | <u>802,815</u> | <u>\$ 1,030,747</u> |
| Covered-employee payroll | 737,564 | \$ 727,985 |
| Net OPEB liability (asset) as a percentage of covered-employee payroll | 108.85% | 141.59% |

PICO WATER DISTRICT
Schedule of Plan Contributions - OPEB Plan

Last 10 Fiscal Years *

| | As of the fiscal year ending June 30, | | | | |
|---|---------------------------------------|---------------------|------------------|------------------|------------------|
| | 2025 | 2024 | 2023 | 2021 | 2020 |
| Actuarially determined contribution | \$ 40,373 | \$ 100,955 | 161,294 | 117,497 | 123,705 |
| Contributions in relation to the actuarially determined contributions | <u>\$ (40,373)</u> | <u>\$ (100,955)</u> | <u>(161,294)</u> | <u>(117,497)</u> | <u>(123,705)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Covered-employee payroll | \$ 117,421 | \$ 930,390 | 791,774 | 752,867 | 723,443 |
| Contributions as a percentage of covered employee payroll | 34.38% | 10.85% | 20.37% | 15.61% | 17.10% |
| | As of the fiscal year ending June 30, | | | | |
| | 2019 | 2018 | | | |
| Actuarially determined contribution | 132,131 | \$ 112,968 | | | |
| Contributions in relation to the actuarially determined contributions | <u>(132,131)</u> | <u>\$ (112,968)</u> | | | |
| Contribution deficiency (excess) | <u>-</u> | <u>\$ -</u> | | | |
| Covered-employee payroll | 737,564 | \$ 727,985 | | | |
| Contributions as a percentage of covered employee payroll | 17.91% | 15.52% | | | |

Notes to schedule:

| | |
|--------------------------------------|--|
| Actuarial Cost Method | Entry-age normal |
| Amortization Valuation Method/Period | Level percent of pay |
| Asset valuation method | Market value of assets |
| Inflation | 2.75% for valuation dates 6/30/2015-6/30/17; 2.5% for valuation date 6/30/2019. |
| Payroll Growth | 3.0% for valuation dates 6/30/2015 and 6/30/2019; 3.25% for valuation date 6/30/2017. |
| Investment rate of return | 7.25%, net of plan investment expenses and including inflation |
| Healthcare Cost-Trend Rates | For valuation date 6/30/2017, assumed increase occurs once each year with premium increase of 7.5% on 1/1/19 with increase of 0.5% less each January 1 thereafter through 2024. Assumed 5.0% increases for year 2014 and later. 5.4% in 2021 fluctuating down to 4% by 2076. |
| Mortality | Most recent CalPERS experience study. |
| Mortality Improvement | Most recent MacLeod Watts Scale, generationally applied. |

* Fiscal year 2017-18 was the first year of implementation, therefore only six years are shown. The District changed fiscal years from December 31 to June 30 after fiscal year ending December 31, 2021 which is why no data exists for 2022.

PICO WATER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2025

(1) Purpose of Schedules

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – The schedule presents information on the District’s proportionate share of the net pension liability, and the plans’ fiduciary net position associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Plan Contributions – Defined Benefit Pension Plan – The schedule presents information on the District’s required contribution, the amount actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios – The schedule is intended to show the funded status of the District’s actuarially determined liability for postemployment benefits other than pensions. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Plan Contributions – OPEB Plan – The schedule presents information on the District’s required contribution, the amounts actually contributed and an excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

SUPPLEMENTARY INFORMATION

PICO WATER DISTRICT
Schedule of Detailed Operating Revenues
For the Year Ended June 30, 2025

Water Sales Revenues

| | |
|----------------------------|------------------|
| Residential | \$ 3,295,785 |
| Multi-user | 672,537 |
| Business | 997,124 |
| Other | <u>542,605</u> |
| Total water sales revenues | <u>5,508,051</u> |

Water Service Revenues

| | |
|-------------------------------|------------------|
| Late charges | 60,564 |
| Fire protection | 141,433 |
| Infrastructure surcharge | 440,701 |
| Other | <u>729,416</u> |
| Total water services revenues | <u>1,372,114</u> |

 Total operating revenues \$ 6,880,165

PICO WATER DISTRICT
Schedule of Detailed Operating Expenses
For the Year Ended June 30, 2025

| | |
|--|----------------------------|
| Source of Supply | |
| Ground water replenishment | \$ 1,139,380 |
| Recycled water | 42,642 |
| Salaries and wages | 78,823 |
| Total source of supply expenses | <u>1,260,845</u> |
| Pumping | |
| Power | 318,438 |
| Maintenance | 132,747 |
| Salaries and wages | 343,420 |
| Total pumping expenses | <u>794,605</u> |
| Water Treatment | |
| Water treatment regulations | 49,126 |
| Chemicals and lab testing | 89,977 |
| Salaries and wages | 9,409 |
| Total water treatment expenses | <u>148,512</u> |
| Transmission and distribution | |
| Maintenance | 240,496 |
| Vehicle expenses | 35,235 |
| Salaries and wages | 163,241 |
| Total transmission and distribution expenses | <u>438,972</u> |
| Customer Services | |
| Supplies | 230,379 |
| Salaries and wages | 149,801 |
| Total customer services expenses | <u>380,180</u> |
| Depreciation | |
| <u>697,470</u> | |
| General and Administrative | |
| Salaries and wages | 539,766 |
| Insurance - benefits | 280,721 |
| Insurance - property, earthquake, and auto | 82,665 |
| Pension and OPEB expenses | 498,415 |
| Professional services | 376,239 |
| Payroll taxes | 109,794 |
| Directors' fees | 44,475 |
| Meeting and dues | 72,737 |
| Repairs and maintenance | 28,301 |
| Telephone and utilities | 30,872 |
| Office supplies | 28,083 |
| Conservation | 56,924 |
| Election expense | 290 |
| Education | 48,101 |
| Miscellaneous | 18,056 |
| Total general and administrative expenses | <u>2,215,439</u> |
| Total operating expenses | <u><u>\$ 5,936,023</u></u> |

Board of Directors
Pico Water District
Pico Rivera, California

**INDEPENDENT AUDITOR'S 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***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pico Water District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Pico Water District's basic financial statements, and have issued our report thereon dated December 1, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pico Water District's internal control over financial reporting (internal control) as a basis for designing 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 Pico Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pico Water 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pico Water 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests noted on 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.

Gruber and Lopez, Inc.

Gruber and Lopez, Inc.

Newport Beach, California
December 1, 2025

PICO WATER DISTRICT
Pico Rivera, California

Report on Communication
With Those Charged with Governance

June 30, 2025

PICO WATER DISTRICT
Pico Water District, California

Report On Communication
With Those Charged With Governance

June 30, 2025

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Pico Water District
Pico Rivera, California

To the Board of Directors:

We have audited the financial statements of the business-type activities of the Pico Water District, California (District) for the year ended June 30, 2025, and have issued our report thereon dated December 1, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the engagement contract dated June 17, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. During fiscal year 2025, the District adopted GASBs No. 101- *Compensated Absences* and GASB 102- *Certain Risk Disclosures*, however, both pronouncements did not have a material effect on the financial statements. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management's estimate of capitalizing certain infrastructure assets that prolong its' useful life (as opposed to classifying as routine maintenance expense) and depreciation expense on capital assets. We have evaluated the key factors and assumptions used to estimate the capitalization of infrastructure assets and useful lives on depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability and net OPEB liability. We have evaluated the key factors and assumptions used to estimate the net pension liability and determined that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of Contingencies in Note 8 to the financial statements regarding government grants and the potential refunding of any disallowed costs should the District be audited by the government and/ or granting agency. Management is of the opinion that no material liability will result from such audits.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no material adjustments as a result of audit procedures. We were not aware of any significant uncorrected misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 5, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Pico Water District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Pico Water District
Board of Directors

Other Matters

We applied certain limited procedures to Pico Water District, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information as described in the table of contents in the financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the supplementary information as described in the table of contents in the financial statements, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

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

GRUBER AND LOPEZ, INC.

Gruber and Lopez, Inc.

Newport Beach, California
December 1, 2025

EXHIBIT A – GENERAL MATTERS AND RECOMMENDATIONS

2025-1 Payroll Controls

During our review of the payroll cycle, we noted that background checks are not documented in the employees personnel file to prove they were done, it's best practice to investigate employees to best protect the integrity of the entity.

Recommendation:

We recommend that background checks be performed on all new hires and kept in the employee personnel file.

STAFF REPORT

To: Honorable Board of Directors

From: Joe Basulto, General Manager

Meeting Date: December 17, 2025

Subject: Action/Discussion Item 7B – Consider Approval of the FY 2025 Audit Report completed by the auditing firm Gruber and Lopez, Inc.

RECOMMENDATION

That the Board accept and file the FY 2025 Audit Report completed by the auditing firm Gruber and Lopez, Inc.

FISCAL IMPACT

The audit cost was approved in the District's FY 2026 Operating Budget.

BACKGROUND

The District is required to undergo an annual independent audit of its financial activities to demonstrate that it reports its financial transactions in a fair, accurate, and transparent manner. During the audit, the auditors review and test the District's financial records to determine whether established policies and procedures are being followed, whether financial activities are properly documented—including contracts and supporting documentation—and whether adequate internal controls are in place to prevent errors or fraud.

It is important to note that an audit is not intended to be an exhaustive review of every transaction conducted throughout the year. Instead, it provides a representative assessment based on a series of tests and sampling procedures. These results indicate whether the District is adhering to recognized Governmental Accounting Standards and best practices, and whether the District is properly safeguarding and managing public funds.

This year's audit was conducted by Gruber and Lopez, Inc. for Fiscal Year 2025 and reflects their independent evaluation of the District's financial position, internal controls, and compliance with applicable standards and regulations.

PICO WATER DISTRICT

ACTION / DISCUSSION

ITEM - 7B

**Consider Board Approval of the
FY 2025 Audit Report completed
by the auditing firm Gruber and
Lopez, Inc.**

PICO WATER DISTRICT

DISCUSSION

ITEM - 7C

**Consider Selection of New Board
Officers – President, Vice
President, Board
Secretary, and Board Treasurer.**

STAFF REPORT

To: Honorable Board of Directors
From: Joe D. Basulto, General Manager
Meeting Date: December 17, 2025
Subject: Action/Discussion Item 7C – Consider Selection of New Board Officers – President, Vice President, Board Secretary, and Board Treasurer.

RECOMMENDATION

To be discussed at the Board Meeting.

FISCAL IMPACT

No impact.

SUMMARY

Pico Water District Rules & Regulations Article 14.3 Officers of the Board:

The officers of the Board shall be President, Vice President, Treasure, and Board Secretary, to be elected by the Board annually at the second regular Board meeting in the month of December. The term of office of officers of the Board shall commence immediately following the election of such officers.

The Board will choose from amongst fellow Board members for these officers.

For Board Secretary the Board normally Nominate the General Manager for Board Secretary

For Treasurer the Board normally Nominate a member of office staff; I would like to recommend the Office Manager – Tomas Rivera is qualified for the role, that entails financial oversight, planning, budgeting, banking, book keeping, record keeping, managing incoming and outgoing funds.

**PICO WATER DISTRICT
ELECTION OF OFFICERS
2026**

PRESIDENT

Nominee: _____

First: _____

Second: _____

| | | | |
|-----------|-----|----|---------|
| Angelo | YES | NO | ABSTAIN |
| Ramirez | YES | NO | ABSTAIN |
| Rodriguez | YES | NO | ABSTAIN |
| Caballero | YES | NO | ABSTAIN |
| Gonzales | YES | NO | ABSTAIN |

Nominee: _____

First: _____

Second: _____

| | | | |
|-----------|-----|----|---------|
| Angelo | YES | NO | ABSTAIN |
| Ramirez | YES | NO | ABSTAIN |
| Rodriguez | YES | NO | ABSTAIN |
| Caballero | YES | NO | ABSTAIN |
| Gonzales | YES | NO | ABSTAIN |

VICE PRESIDENT

Nominee: _____

First: _____

Second: _____

| | | | |
|-----------|-----|----|---------|
| Angelo | YES | NO | ABSTAIN |
| Ramirez | YES | NO | ABSTAIN |
| Rodriguez | YES | NO | ABSTAIN |
| Caballero | YES | NO | ABSTAIN |
| Gonzales | YES | NO | ABSTAIN |

Nominee: _____

First: _____

Second: _____

| | | | |
|-----------|-----|----|---------|
| Angelo | YES | NO | ABSTAIN |
| Ramirez | YES | NO | ABSTAIN |
| Rodriguez | YES | NO | ABSTAIN |
| Caballero | YES | NO | ABSTAIN |
| Gonzales | YES | NO | ABSTAIN |

SECRETARY

Nominee: _____

First: _____

Second: _____

| | | | |
|-----------|-----|----|---------|
| Angelo | YES | NO | ABSTAIN |
| Ramirez | YES | NO | ABSTAIN |
| Rodriguez | YES | NO | ABSTAIN |
| Caballero | YES | NO | ABSTAIN |
| Gonzales | YES | NO | ABSTAIN |

TREASURER

Nominee: _____

First: _____

Second: _____

| | | | |
|-----------|-----|----|---------|
| Angelo | YES | NO | ABSTAIN |
| Ramirez | YES | NO | ABSTAIN |
| Rodriguez | YES | NO | ABSTAIN |
| Caballero | YES | NO | ABSTAIN |
| Gonzales | YES | NO | ABSTAIN |

INFORMATION ITEMS

9. INFORMATIONAL ITEMS

- A. Water Level Report – November 2025
- B. State Reservoir Conditions – December 09, 2025
- C. Field Operations Monthly Activity Report – November 2025
- D. Monthly Ground Water Well Production Report – November 2025

PICO WATER DISTRICT

WATER LEVEL REPORT

November 2025

WATER LEVELS REPORT

Water Levels for November 2025

Listed below are the water levels for the two key monitoring wells used by the Water Replenishment District of Southern California (WRD), and the District's active wells.

WRD is charged with monitoring the water levels in both the Central Basin and West Coast Basin, and with making sure both basins are replenished annually. As a means of monitoring the levels in both basins WRD measures the depth of water in two specific wells, 1601T located in between the San Gabriel River and the Rio Hondo spreading grounds, and the second Carson #1 located in the City of Carson. WRD compares the levels of these two wells month to month, and year to year as a means of gaging the reliability of both basins (levels listed are in feet below surface). As this report is specific to the Central Basin, we are only showing the Central Basin Monitoring Well results below.

Readings Reported

| | | |
|---------------------|-----|-----|
| Central Basin 1601T | N/A | N/A |
| Carson Well | N/A | N/A |

Listed below are the static and pumping levels (in feet below surface) for the District's five active wells, and pump settings (depth), also, is the recorded Draw-down.

November 2025

| | Static | Pumping | Flow Rate | Drawdown | Well Depth | Pump Depth Top of Bowls |
|----------|---------------|----------------|------------------|-----------------|-------------------|------------------------------------|
| Well #4A | 62' | N/A | N/A | N/A | 420' | 150' |
| Well #5A | 99' | 116' | 1027gpm | 17' | 900' | 242' |
| Well #8 | 88' | 98' | 649gpm | 10' | 474' | 243' |
| Well #10 | 55' | 61' | 261gpm | 6' | 605' | 182' |
| Well #11 | 94' | 108' | 1731gpm | 14' | 1020' | 312' |

November 2025

| | Static | Pumping | Flow Rate | Drawdown |
|----------|---------------|----------------|------------------|-----------------|
| Well #4A | 39' | N/A | N/A | N/A |
| Well #5A | 69' | 78' | 620gpm | 9' |
| Well #8 | 57' | 59' | 200gpm | 2' |
| Well #10 | 38' | 57' | 817gpm | 19' |
| Well #11 | 67' | 89' | 2420gpm | 22' |

PICO WATER DISTRICT

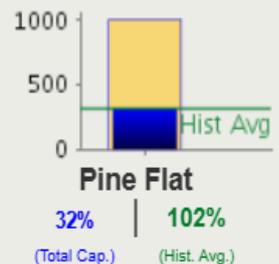
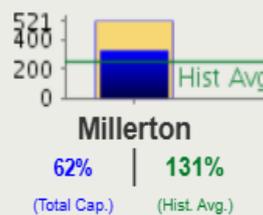
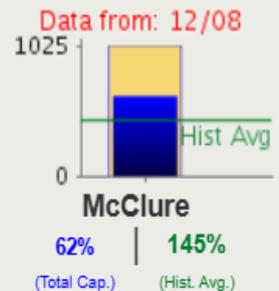
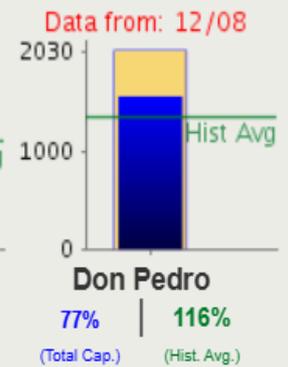
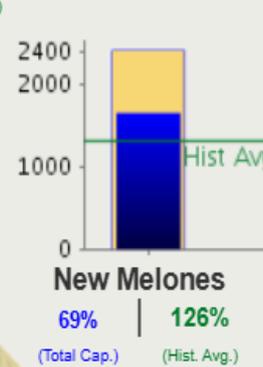
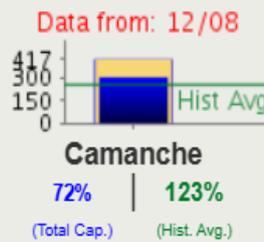
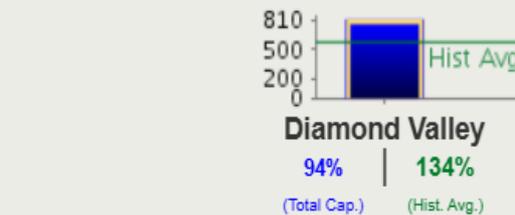
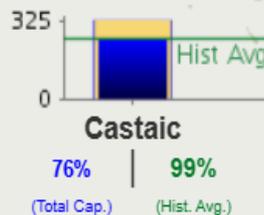
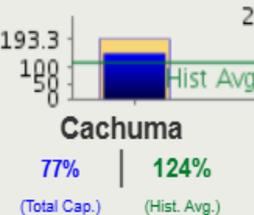
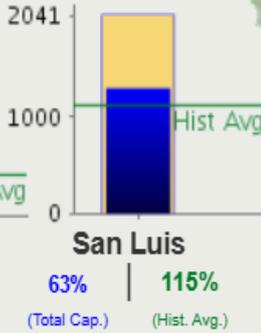
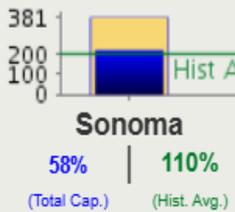
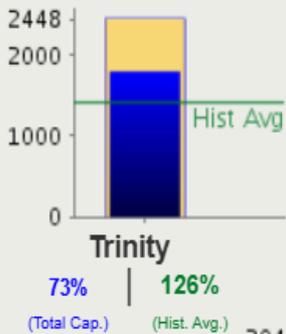
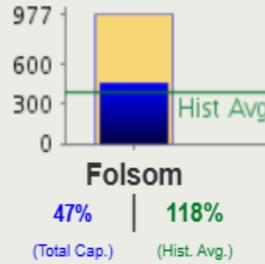
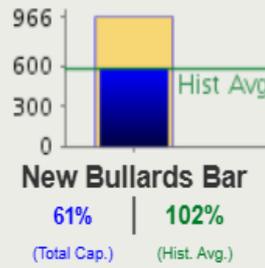
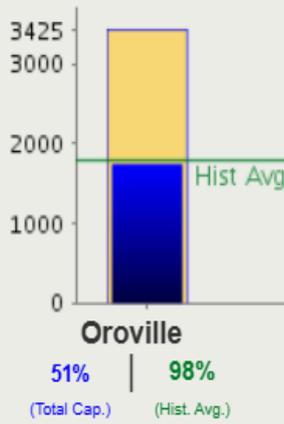
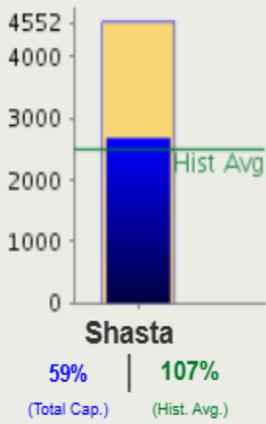
STATE RESERVOIR

December 09, 2025

CURRENT CONDITIONS: MAJOR WATER SUPPLY RESERVOIRS:09-DEC-2025

Data as of Midnight: 09-Dec-2025

Change Date:



LEGEND

- Blue Bar:** Storage level for date
- Gold Bar:** Total reservoir capacity
- Green Line:** Historic level for date.

Capacity (TAF) | Historical Avg Mark

% of Capacity | % Hist. Avg.

(Click res. 3 char. code for details)

[Click to download printable version of current data.](#)

Report Generated: 10-Dec-2025 3:11 PM

The CSI link has been disabled to zoom in, for the lack of historical data.

PICO WATER DISTRICT

**OPERATIONS MONTHLY
ACTIVITY REPORT**

November 2025

Annual Activity Report

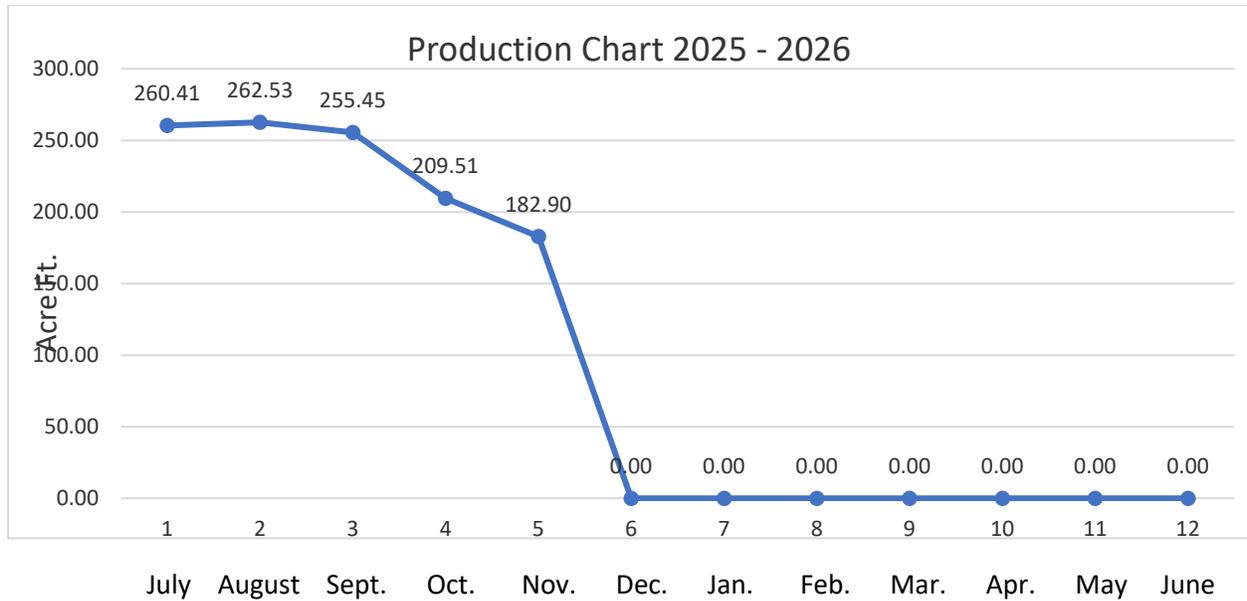
| 2025 | | January | February | March | April | May | June | July | August | September | October | November | December | Total |
|-------------|--|---------|----------|-------|-------|-----|------|------|--------|-----------|---------|----------|----------|--------------|
| 1 | Mainline leaks | 0 | 0 | 5 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 2 | | 9 |
| 2 | Service line leaks | 1 | 2 | 4 | 5 | 2 | 4 | 3 | 2 | 6 | 6 | 3 | | 38 |
| 3 | Meter leaks | 5 | 4 | 2 | 2 | 5 | 2 | 7 | 6 | 3 | 2 | 1 | | 39 |
| 4 | Number of Valves exercised | 2 | 1 | 16 | 31 | 26 | 1 | 14 | 1 | 2 | 0 | 49 | | 143 |
| 5 | Well issues | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 1 | 1 | | 4 |
| 6 | Hit Fire Hydrants | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 2 | 0 | 0 | | 5 |
| 7 | Accidents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| 8 | Installation / Replacement of new meters | 75 | 96 | 83 | 64 | 41 | 12 | 68 | 57 | 36 | 7 | 28 | | 567 |
| 9 | Installation / Replacement of new service laterals | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 2 |
| 10 | Installation / Replacement of new valves | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | | 2 |
| 11 | Hydrant Repair & Replace | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | | 3 |
| 12 | Installation of new mains | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 1 |
| 13 | New potable services | 0 | 3 | 0 | 19 | 0 | 0 | 0 | 0 | 1 | 0 | 13 | | 36 |
| 14 | New recycled water services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| 15 | Dig Alerts Responded To | 143 | 233 | 292 | 336 | 212 | 213 | 226 | 204 | 208 | 162 | 139 | | 2368 |

PICO WATER DISTRICT

**GROUND WATER
PRODUCTION REPORT**

November 2025

Pico Water District Monthly Production Report



2025 Production Month of **November: 182.90 Acre. Ft.**

23.93Acre. Ft. Below the 3 year Average of 206.83

Total Production for FY 2025 to 2026: **1168.80 Acre Ft.**

Production Allowed: **3624.00 Acre. Ft.**

Lease of Pumping Rights: **None to Report**

Total currently Leftover: **2455.20Acre. Ft.**