La Puente Valley County Water District

Annual Financial Report

For the Fiscal Years Ended December 31, 2025 and 2024

Mission Statement

The mission of the La Puente Valley County Water District is to provide its customers with high quality water for residential, commercial, industrial and fire protection uses that meets or exceeds all local, state and federal standards and to provide courteous and responsive service at the most reasonable cost.

Board of Directors as of December 31, 2025

Name	Title	Elected/ Appointed	Current Term
John P. Escalera	President	Elected	November 2026
Cesar J. Barajas	Vice President	Elected	November 2026
David Argudo	Director	Elected	November 2028
Henry P. Hernandez	Director	Elected	November 2026
William R. Rojas	Director	Elected	November 2028

La Puente Valley County Water District
Roy Frausto, General Manager
112 N. First Street
La Puente, California 91744
(626) 330-2126 – www.lapuentewater.com

La Puente Valley County Water District

Annual Financial Report

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La Puente Valley County Water District
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Financial Section

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Independent Auditor's Report

Board of Directors
La Puente Valley County Water District
La Puente, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the La Puente Valley County Water District (District) for the years ended December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the La Puente Valley County Water District, as of December 31, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District 's ability to continue as a going concern for a reasonable period of time.

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

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and required supplementary information on pages 51 through 54 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 audits 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.

Independent Auditor's Report, continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance. This report can be found on pages 55 and 56.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
July 27, 2026

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the La Puente Valley County Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended December 31, 2025 and 2024. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2025, the District's net position increased 11.54% or $1,737,147 to $16,793,007 as a result of ongoing operations. In fiscal year 2024, the District's net position increased 6.87% or $967,336 to $15,055,860 as a result of ongoing operations.
- In fiscal year 2025, the District's total revenues increased 1.73% or $147,508 to $8,690,361. In fiscal year 2024, the District's total revenues increased 25.93% or $1,759,084 to $8,542,853.
- In fiscal year 2025, the District's total expenses decreased 7.77% or $597,507 to $7,089,141. In fiscal year 2024, the District's total expenses increased 16.17% or $1,069,728 to $7,686,648.
- In fiscal year 2025, the District's capital contributions increased 22.31% or $24,796 to $135,927. In fiscal year 2024, the District's capital contributions decreased 91.83% or $1,248,680 to $111,131.

Required Financial Statements

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

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), deferred inflows of resources, and net position. They also provide the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current and prior years' revenue and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the District's operations over the past years and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. These statements can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provide information about the District's cash receipts and cash payments during the reporting periods. The Statement of Cash Flows report cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, 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 of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Financial Analysis of the District, continued

These two statements report the District's *net position* and changes in them. You can think of the District's net position (assets and deferred outflows of resources, less liabilities and deferred inflows of resources), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 16 through 50.

Statements of Net Position

Condensed Statements of Net Position

		2025	2024	Change	As Restated 2023	Change
Assets:						
Current assets	$	10,307,885	8,974,937	1,332,948	7,043,293	1,931,644
Non-current assets		367,529	308,746	58,783	282,297	26,449
Capital assets, net		11,601,652	11,979,801	(378,149)	12,193,598	(213,797)
Total assets		22,277,066	21,263,484	1,013,582	19,519,188	1,744,296
Deferred outflows of resources		918,745	1,128,407	(209,662)	1,603,918	(475,511)
Liabilities:						
Current liabilities		1,011,490	1,647,598	(636,108)	996,509	651,089
Non-current liabilities		4,947,926	5,310,092	(362,166)	5,656,276	(346,184)
Total liabilities		5,959,416	6,957,690	(998,274)	6,652,785	304,905
Deferred inflows of resources		443,388	378,341	65,047	381,797	(3,456)
Net position:						
Investment in capital assets		11,601,652	11,979,801	(378,149)	12,193,598	(213,797)
Unrestricted		5,191,355	3,076,059	2,115,296	1,894,926	1,181,133
Total net position	$	16,793,007	15,055,860	1,737,147	14,088,524	967,336

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $16,793,007 and $15,055,860 as of December 31, 2025 and 2024, respectively.

A portion of the District's net position, 69.09% and 79.57% as of December 31, 2025 and 2024, respectively, reflects the District's investment in capital assets net of accumulated depreciation. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of the fiscal years 2025 and 2024, the District showed a positive balance in its unrestricted net position of $5,191,355 and $3,076,059, respectively. See Note 11 for further information.

Statements of Revenues, Expenses, and Changes in Net Position

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

	2025	2024	Change	As Restated 2023	Change
Revenues:					
Operating revenues	$ 7,837,476	7,617,810	219,666	6,169,754	1,448,056
Non-operating revenues	852,885	925,043	(72,158)	614,015	311,028
Total revenues	8,690,361	8,542,853	147,508	6,783,769	1,759,084
Expenses:					
Operating expenses	6,248,996	6,793,144	(544,148)	6,026,663	766,481
Non-operating expense	70,317	229,575	(159,258)	78,843	150,732
Depreciation expense	769,828	663,929	105,899	511,414	152,515
Total expenses	7,089,141	7,686,648	(597,507)	6,616,920	1,069,728
Net income before capital contributions	1,601,220	856,205	745,015	166,849	689,356
Capital contributions	135,927	111,131	24,796	1,359,811	(1,248,680)
Change in net position	1,737,147	967,336	769,811	1,526,660	(559,324)
Net position, beginning of year, as restated	15,055,860	14,088,524	967,336	12,561,864	1,526,660
Net position, end of year	$ 16,793,007	15,055,860	1,737,147	14,088,524	967,336

The Statements of Revenues, Expenses, and Changes in Net Position show how the District's net position changed during the year. In the case of the District, net position increased 11.54% or $1,737,147 to $16,793,007 due to an increase of $1,601,220 from ongoing operations and $135,927 in capital contributions for the current year. In fiscal year 2024, the District's net position increased 6.87% or $967,336 to $15,055,860 due to an increase of $856,205 from ongoing operations and $111,131 in capital contributions.

A closer examination of the sources of changes in net position reveals that:

The District's total revenues increased 1.73% or $147,508 to $8,690,361. In fiscal year 2024, the District's total revenues increased 25.93% or $1,759,084 to $8,542,853.

The District's operating revenues increased 2.88% or $219,666 to $7,837,476, due primarily to increases of $310,851 in water consumption sales, $135,346 in retail water distribution system contracted labor – City of Industry, $118,678 in bi-monthly service charges, $39,410 in project contracted labor (PVOU IZ), $19,207 in fire services, offset by decreases of $302,566 in water treatment services – Baldwin Park Operable Unit (BPOU), $86,982 in project administrative services (PVOU IZ), and $34,857 in retail water distribution system management fee – City of Industry as compared to prior year.

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

In fiscal year 2024, the District's operating revenues increased 23.47% or $1,448,056 to $7,617,810, due primarily to increases of $399,048 in water treatment services – Baldwin Park Operable Unit (BPOU), $314,943 in retail water distribution system contracted labor – City of Industry, $279,204 in water consumption sales, $159,104 in project administrative services (PVOU IZ), $140,702 in project contracted labor (PVOU IZ), $120,939 in bi-monthly service charges, $87,326 in water treatment and other charges (BPOU), $71,155 in fire services, $43,434 in water treatment operations and maintenance fees (BPOU), which were offset by a decrease of $170,183 in retail water distribution system management fee – City of Industry as compared to prior year.

The District's non-operating revenues decreased 7.80% or $72,158 to $852,885, due primarily to decreases of $100,586 in insurance loss reimbursement, $83,908 in payroll tax liability write-off, and $16,764 in property taxes, offset by increases of $85,226 in legal settlement, $19,211 in investment earnings, and $10,309 in other non-operating revenues as compared to the prior year. In fiscal year 2024, the District's non-operating revenues increased 50.65% or $311,028 to $925,043, due primarily to increases of $104,741 in insurance loss reimbursement, $83,923 in payroll tax liability write-off, $55,802 in investment earnings, $33,142 in other non-operating revenues, and $30,460 in property taxes as compared to the prior year.

The District's total expenses decreased 7.77% or $597,507 to $7,089,141. In fiscal year 2024, the District's total expenses increased 16.17% or $1,069,728 to $7,686,648.

The District's operating expenses decreased 8.01% or $544,148 to $6,248,996, due primarily to decreases of $532,147 in water treatment service costs for the Baldwin Park Operable Unit (BPOU), $156,621 in source of supply, $134,686 in salaries and benefits, and $105,427 in general and administrative expenses, which were offset by increases of $240,884 in transmission and distribution expenses, $135,346 in retail water distribution system contracted costs for the City of Industry, $39,410 in project contracted labor costs for the Puente Valley Operable Unit (PVOU IZ), and $36,131 in pumping costs as compared to the prior year. In fiscal year 2024, the District's operating expenses increased 12.72% or $766,481 to $6,793,144, due primarily to increases of $371,547 in water treatment service costs for the Baldwin Park Operable Unit (BPOU), $314,943 in retail water distribution system contracted costs for the City of Industry, $140,702 in project contracted labor costs for the Puente Valley Operable Unit (PVOU IZ), $105,272 in general and administrative expenses, $43,434 in water treatment contracted labor costs (BPOU), $40,566 in water treatment, and $19,939 in assessments, which were offset by decreases of $236,852 in salaries and benefits and $37,678 in source of supply as compared to the prior year.

The District's non-operating expenses decreased 69.37% or $159,258 to $70,317, primarily due to a decrease of $155,311 in loss disposition of capital assets reported in the prior year. In fiscal year 2024, the District's non-operating expenses increased 191.18% or $150,732 to $229,575, primarily due to an increase of $154,162 in loss on the disposition of capital assets as compared to the prior year.

The District's depreciation expense increased 15.95% or $105,899 to $769,828 due primarily to the District's additions to depreciable assets in the prior year. In fiscal year 2024, the District's depreciation expense increased 29.82% or $152,515 to $663,929 due primarily to the District's additions to depreciable assets in the prior year.

The District's capital contributions increased 22.31% or $24,796 to $135,927, due primarily to increases of $48,235 in capital contributions sourcing from developer fees and $26,428 in contributions sourcing from developers, offset by a decrease of $49,867 in capital contributions sourcing from the San Gabriel Valley Water Quality Authority (SGVWQA) as compared to the prior year. In fiscal year 2024, the District's capital contributions decreased 91.83% or $1,248,680 to $111,131, due primarily to decreases of $1,225,133 in capital contributions sourcing from the SGVWQA as compared to the prior year.

Capital Asset Administration

At the end of fiscal years 2025 and 2024, the District's investment in capital assets amounted to $11,601,652 and $11,979,801 (net of accumulated depreciation), respectively. This investment in capital assets includes land, construction-in-process, water treatment plant, transmission and distribution, pumps and reservoirs, buildings and structures, equipment, vehicles, and software. See Note 6 for further information.

Changes in capital asset amounts for 2025, were as follows:

		Balance 2024	Transfers/ Additions	Transfers/ Deletions	Balance 2025
Capital assets:					
Non-depreciable assets	$	184,600	430,317	(368,192)	246,725
Depreciable assets		31,200,996	329,554	(179,429)	31,351,121
Accumulated depreciation		(19,405,795)	(769,828)	179,429	(19,996,194)
Total capital assets, net	$	11,979,801	(9,957)	(368,192)	11,601,652

Changes in capital asset amounts for 2024, were as follows:

		Balance 2023	Transfers/ Additions	Transfers/ Deletions	Balance 2024
Capital assets:					
Non-depreciable assets	$	5,195,460	678,776	(5,689,636)	184,600
Depreciable assets		26,230,350	5,616,303	(645,657)	31,200,996
Accumulated depreciation		(19,232,212)	(663,929)	490,346	(19,405,795)
Total capital assets, net	$	12,193,598	5,631,150	(5,844,947)	11,979,801

Debt Administration

Changes in long-term debt amounts for 2025, were as follows:

Long-term debt:		Balance 2024	Additions	Payments	Balance 2025
Loans payable:					
Installment loan	$	2,461,764	-	(127,745)	2,334,019

In 2025, long-term debt decreased by $127,745 due to scheduled principal payments. See Note 8 for further information.

Changes in long-term debt amounts for 2024, were as follows:

Long-term debt:		Balance 2023	Additions	Payments	Balance 2024
Loans payable:					
Installment loan	$	2,585,871	-	(124,107)	2,461,764

In 2024, long-term debt decreased by $124,107 due to scheduled principal payments. See Note 8 for further information.

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present, and future events.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact: Roy Frausto, General Manager of La Puente Valley County Water District at 112 N. First Street, La Puente, CA 91744 or by phone (626) 330-2126.

Basic Financial Statements

La Puente Valley County Water District
Statements of Net Position
December 31, 2025 and 2024

		2025	2024
Current assets:			
Cash and cash equivalents (note 2)	$	8,675,897	6,579,231
Accrued interest receivable		258	1,102
Accounts receivable – water sales and services		608,361	608,172
Accounts receivable – other (note 3)		646,410	846,691
Accounts receivable – property taxes		54,096	83,556
Materials and supplies inventory		180,135	194,171
Prepaid expenses		142,728	66,496
Prepaid water rights (note 5)		-	595,518
Total current assets		10,307,885	8,974,937
Non-current assets:			
Prepaid water rights (note 5)		367,529	308,746
Capital assets – not being depreciated (note 6)		246,725	184,600
Capital assets – being depreciated, net (note 6)		11,354,927	11,795,201
Total non-current assets		11,969,181	12,288,547
Total assets		22,277,066	21,263,484
Deferred outflows of resources:			
Deferred other post-employment benefits outflows (note 9)		587,334	702,782
Deferred pension outflows (note 10)		331,411	425,625
Total deferred outflows of resources		918,745	1,128,407

Continued on next page

See accompanying notes to the basic financial statements.

La Puente Valley County Water District
Statements of Net Position, continued
December 31, 2025 and 2024

	2025	2024
Current liabilities:		
Accounts payable and accrued expenses	654,317	1,368,225
Developer deposits	91,502	21,369
Customer deposits	4,100	8,100
Interest payable	22,783	24,038
Long-term liabilities – due in one year:		
Compensated absences (note 7)	107,299	98,121
Loan payable (note 8)	131,489	127,745
Total current liabilities	1,011,490	1,647,598
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 7)	107,299	98,122
Loan payable (note 8)	2,202,530	2,334,019
Net other post-employment benefits liability (note 9)	1,625,502	1,700,132
Net pension liability (note 10)	1,012,595	1,177,819
Total non-current liabilities	4,947,926	5,310,092
Total liabilities	5,959,416	6,957,690
Deferred inflows of resources:		
Deferred other post-employment benefits inflows (note 9)	303,063	344,132
Deferred pension inflows (note 10)	140,325	34,209
Total deferred inflows of resources	443,388	378,341
Net position: (note 11)		
Net investment in capital assets	11,601,652	11,979,801
Unrestricted	5,191,355	3,076,059
Total net position	$ 16,793,007	15,055,860

See accompanying notes to the basic financial statements.

La Puente Valley County Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues:		
Water operation revenues:		
Water consumption sales	$ 2,188,396	1,877,545
Bi-monthly service charges	1,172,271	1,053,593
Other water service charges	39,942	39,994
Fire services	191,222	172,015
Water surplus sales	62,767	67,969
Total water service charges	3,654,598	3,211,116
Facility and service contract revenue: (note 12)		
Water treatment services – BPOU	1,370,431	1,672,997
Water treatment operations and maintenance fees – BPOU	86,151	84,462
Water treatment contracted labor – BPOU	366,396	356,549
Water treatment other charges – BPOU	110,000	100,177
Retail water distribution system management fee – City of Industry	-	34,857
Retail water distribution system contracted labor – City of Industry	1,190,763	1,055,417
Project management fee – PVOU IZ	228,160	223,686
Project administrative services – PVOU IZ	218,374	305,356
Project contracted labor – PVOU IZ	612,603	573,193
Total facility and service contract revenue	4,182,878	4,406,694
Total operating revenues	7,837,476	7,617,810
Operating expenses:		
Water operation expenses:		
Source of supply	427,909	584,530
Transmission and distribution	739,677	498,793
Pumping	189,270	153,139
Assessments	251,014	328,343
Water treatment	55,781	56,028
Customer accounts	33,718	33,027
General and administrative	411,266	516,693
Salaries and benefits	967,931	1,102,617
Total water operation expenses	3,076,566	3,273,170
Facility and service contract expenses: (note 12)		
Water treatment service costs – BPOU	1,002,668	1,534,815
Water treatment contracted labor costs – BPOU	366,396	356,549
Retail water distribution system contracted labor costs – City of Industry	1,190,763	1,055,417
Project contracted labor costs – PVOU IZ	612,603	573,193
Total facility and service contract expenses	3,172,430	3,519,974
Total operating expenses	6,248,996	6,793,144
Operating income before depreciation expense	1,588,480	824,666
Depreciation expense	(769,828)	(663,929)
Operating income	$ 818,652	160,737

Continued on next page

See accompanying notes to the basic financial statements.

La Puente Valley County Water District
Statements of Revenues, Expenses, and Changes in Net Position, continued
For the Fiscal Years Ended December 31, 2025 and 2024

		2025	2024
Non-operating revenue(expense):			
Property taxes	$	398,477	415,241
Investment earnings, net of fair value		253,870	234,659
Rental revenue		45,270	40,934
Lease interest		-	52
Interest expense		(70,317)	(74,264)
Insurance loss reimbursement		4,155	104,741
Legal Settlement		85,756	530
Payroll tax liability write-off		15	83,923
Gain(loss) from disposition of capital assets		10,070	(155,311)
Other non-operating revenues		55,272	44,963
Total non-operating, net		782,568	695,468
Net income before capital contributions		1,601,220	856,205
Capital contributions:			
Capital contributions – developer		61,023	34,595
Capital contribution – Water Quality Authority		-	49,867
Developer fees		74,904	26,669
Total capital contributions		135,927	111,131
Change in net position		1,737,147	967,336
Net position, beginning of year		15,055,860	14,088,524
Net position, end of year	$	16,793,007	15,055,860

See accompanying notes to the basic financial statements.

La Puente Valley County Water District
Statements of Cash Flows
For the Fiscal Years Ended December 31, 2025 and 2024

		2025	2024
Cash flows from operating activities:			
Cash receipts from customers for water sales and services	$	3,277,060	3,094,996
Cash receipts from facility and service contract revenue		2,622,346	2,091,853
Cash receipts from others		274,561	274,031
Cash paid to vendors and suppliers for materials and services		(3,316,030)	(3,365,857)
Cash paid to employees for salaries and wages		(1,099,324)	(811,831)
Net cash provided by operating activities		1,758,613	1,283,192
Cash flows from non-capital financing activities:			
Proceeds from property taxes		444,701	406,648
Net cash provided by non-capital financing activities		444,701	406,648
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(326,888)	(708,504)
Proceeds from capital contributions		135,927	111,131
Proceeds from the insurance reimbursement		4,155	104,741
Principal payments on loan payable		(127,745)	(124,107)
Interest payments on loan payable		(75,519)	(75,482)
Net cash used in capital and related financing activities		(390,070)	(692,221)
Cash flows from investing activities:			
Proceeds from sale of investments		-	541,681
Interest and investment earnings		283,422	225,468
Net cash provided by investing activities		283,422	767,149
Net increase in cash and cash equivalents		2,096,666	1,764,768
Cash and cash equivalents:			
Beginning of year		6,579,231	4,814,463
End of year	$	8,675,897	6,579,231

Continued on next page

See accompanying notes to the basic financial statements.

La Puente Valley County Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended December 31, 2025 and 2024

		2025	2024
Reconciliation of operating loss to net cash provided by operating activities:			
Operating income	$	818,652	160,737
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense		769,828	663,929
Rental revenue		40,934	40,934
Insurance loss reimbursement		4,155	104,741
Payroll tax liability write-off		15	83,923
Other non-operating revenues		44,963	44,963
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase)Decrease in assets:			
Accounts receivable – water sales and services		(189)	(98,873)
Accounts receivable – other		200,281	(330,212)
Materials and supplies inventory		14,036	36,069
Prepaid expenses		(76,232)	(8,309)
Prepaid water rights		536,735	(326,367)
(Increase)Decrease in deferred outflows of resources:			
Deferred other post-employment benefits outflows		115,448	334,657
Deferred pension outflows		94,214	140,854
Increase(Decrease) in liabilities:			
Accounts payable and accrued expenses		(713,908)	638,118
Developer deposits		70,133	(12,947)
Customer deposits		(4,000)	(4,300)
Compensated absences		18,355	55,596
Net other post-employment benefits liability		(74,630)	(241,412)
Net pension liability		(165,224)	(4,825)
Increase(Decrease) in deferred inflows of resources:			
Deferred other post-employment benefits inflows		(41,069)	33,555
Deferred pension inflows		106,116	(27,639)
Total adjustments		939,961	1,122,455
Net cash provided by operating activities	$	1,758,613	1,283,192

See accompanying notes to the basic financial statements.

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The La Puente Valley County Water District (District) was incorporated in August 1924, an independent special district, which operates under the authority of Division 12 of the California Water Code. On April 28, 1925, voters approved a general obligation bond issue for $135,000. Proceeds of the Bonds were used to purchase the Puente City Water Company for $35,000 and pay for construction of almost five miles of fourteen and sixteen inch water mains extending from Puente Avenue and Francisquito Avenue to the Hudson Street booster plant and from there to the reservoir on the easterly end of Main Street in La Puente. The last of the bonds were retired in 1964. Since inception, the District has grown to encompass some 1,600 acres in Los Angeles County. The District provides water for residential and commercial purposes, as well as operates and maintains the water distribution system for the City of Industry, and the operation and maintenance of groundwater treatment for the Baldwin Park Operable Unit area. The District is governed by a five-member board of directors elected within the District's service area.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable for a component unit that has substantively the same governing body, and additionally (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), water treatment services, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, 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. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

The District recognizes revenue from water and service charges based on cycle billings performed bi-monthly. The District accrues revenues with respect to water and service sold but not billed at the end of a fiscal period.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

The District has adopted the following GASB pronouncement in the current year:

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy directing management to deposit funds in financial institutions.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1 –** Valuation level is based on quoted prices in active markets for identical assets. The District does not currently hold any investments valued at this level.
- **Level 2 –** Valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals. The District currently holds certificates of deposit investments valued at this level.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

4. Fair Value Measurements, continued

- **Level 3** – Valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market. The District does not currently hold any investments valued at this level.

5. Accounts Receivable

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the direct write-off method for those accounts based on individual customer evaluation and specific circumstances.

6. Lease Receivables

Lease receivables are measured at the present value of payments expected to be received during the lease term.

7. Materials and Supplies Inventory

Materials and supplies inventory consist primarily of water pipe and pipefittings for construction and repair to the District's water treatment and distribution system. Materials and supplies are valued at cost using a weighted average method. Material and supply items are charged to expense at the time the items are withdrawn from inventory or consumed.

8. Prepaid Expenses and Prepaid Water Rights

Certain payments to vendors reflect costs or deposits applicable to future accounting periods are recorded as prepaid items in the basic financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets as follows: (1) $10,000 for land, plant, buildings, and related improvements, (2) $5,000 for infrastructure, and (3) $2,000 for vehicles and equipment. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Water treatment plant	25 years
Transmission and distribution	20-50 years
Pumps and reservoirs	10-33 years
Buildings and structures	10 years
Tools and equipment	10-30 years
Automotive equipment	5-7 years
Office equipment and fixtures	5-10 years
Radio equipment	10 years
Software	10 years

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

10. Deferred Outflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time.

The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net OPEB liability. This amount will be amortized-in-full against the net OPEB liability in the next fiscal year.
- Deferred outflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB benefits through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the OPEB Plans' fiduciary net position. This amount is amortized over a 5-year period. In the prior year, this item was reported as a deferred inflow.

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net change in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension Plans' fiduciary net position. This amount is amortized over a 5-year period.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

11. Compensated Absences

The District follows the provisions of GASB Statement No. 101. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The Project has determined that the accrued vested sick liability meets the provisions, as reported above, of GASB Statement No. 101 for reporting. Therefore, a liability for the vested and accrued value of sick leave that will be settled in the future by employees as time off is included in the liability for compensated absences.

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retired or terminated.

12. Post-Employment Benefits Other Than Pensions (OPEB)

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

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. At December 31, 2025 and 2024, the following timeframes were used:

- Valuation date: June 30, 2024
- Measurement dates: June 30, 2025 and June 30, 2024
- Measurement periods: July 1, 2024 to June 30, 2025 and July 1, 2023 to June 30, 2024

13. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. At December 31, 2025 and 2024, the following timeframes were used:

- Valuation dates: June 30, 2023 and June 30, 2022
- Measurement Dates: June 30, 2024 and June 30, 2023
- Measurement Periods: July 1, 2023 to June 30, 2024 and July 1, 2022 to June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

14. Deferred Inflows of Resources

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and therefore will *not* be recognized as an inflow of resources (revenue) until that time.

The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB benefits through the Plan.

Pensions

- Deferred inflow for the net difference in actual and proportionate share of employer contribution and net changes in proportion which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflow for the net difference in projected and actual earnings on investments of the pension Plans' fiduciary net position. This amount is amortized over a 5-year period.

15. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- **Restricted –** consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.
- **Unrestricted –** the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

16. Property Taxes and Assessments

The County of Los Angeles Assessor's Office assesses all real and personal property within the County each year. The County of Los Angeles Collector's Office bills and collects the District's share of property taxes and assessments. The County of Los Angeles Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Los Angeles, which have not been credited to the District's cash balance as of December 31. The property tax calendar is as follows:

Lien date	January 1
Levy date	June 30
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

17. Water Service Charges

The District recognizes water services charges based on cycle billings rendered to the customers on a bi-monthly basis.

18. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capacity commitment.

19. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

20. Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation.

(2) Cash and Investments

Cash and cash equivalents as of December 31 are classified in the Statements of Net Position as follows:

	2025	2024
Cash and cash equivalents	$ 8,675,897	6,579,231
Total cash and cash equivalents	$ 8,675,897	6,579,231

(2) Cash and Investments, continued

Cash and investments as of December 31 consisted of the following:

		2025	2024
Cash on hand	$	300	300
Deposits with financial institutions		767,215	1,925,263
California Local Agency Investment Fund		24,495	94,754
California Cooperative Liquid Assets Securities System (CLASS)		7,883,887	4,558,914
Total cash and investments	$	8,675,897	6,579,231

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer
State and Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years**	None	None
U.S. Agency Securities	5 years**	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Non-negotiable Certificates of Deposit	1 year	30%	None
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Repurchase agreements	1 year	20%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Supranational Obligations	N/A	30%	None
County Pooled Investment Funds	N/A	0%	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
Beneficial Interest of a Joint Power Authority	N/A	None	$75 Million

* Excluding amounts held by bond trustee that are not subject to California Government Code.
** Except when authorized by the District's legislative body in accordance with Government Code Section 53601
N/A – Not Applicable

(2) Cash and Investments, continued

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the 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 is recorded on an amortized cost basis.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Investment in the California Cooperative Liquid Assets Securities System

The District is a participant in the California Cooperative Liquid Assets Securities System (CLASS). California CLASS is a Joint Powers Authority investment pool that provides public agencies the opportunity to invest funds on a cooperative basis in rated pools that are managed in accordance with state law with the primary objectives of offering participants safety, daily and next-day liquidity, and optimized returns.

California CLASS is managed as stable value NAV pool but does not meet all of the specific criteria outlined in GASB 79 Paragraph 4, therefore California CLASS Participants should report their investments in the pool at fair value.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits.

The California Government Code requires that a financial institution, secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to $250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Pool).

(2) Cash and Investments, continued

Interest Rate Risk

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

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to $250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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

As of December 31, 2025 and 2024, the District did not hold any investments which required investment maturity disclosure, respectively.

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.

Per the District's investment policy, credit risk is mitigated by investing in safe securities, and diversifying the investment portfolio so the failure of one issuer would not materially affect the District's cash flow. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

As of December 31, 2025 and 2024, the District did not hold any investments which required credit rating disclosure, respectively.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments at December 31, 2025 and 2024, respectively.

(2) Cash and Investments, continued

Fair Value Measurements

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

As of December 31, 2025 and 2024, the District did not hold any investments which required measurement at fair value on a recurring and non-recurring basis, respectively.

(3) Accounts Receivable – Other

At December 31 accounts receivable – other was comprised of the following balances by vendor:

		2025	2024
San Gabriel Basin Water Quality Authority	$	362,638	563,037
Industry Public Utilities		117,472	136,567
Northrop Grumman Systems Corporation		127,374	144,471
Suburban Water Systems		18,325	-
Southern California Edison		-	925
City of Industry		18,381	579
Other miscellaneous		2,220	1,112
Total accounts receivable – other	$	646,410	846,691

(4) Lease Receivable

At December 31, 2025, the District did not have any reportable lease receivables or related deferred inflows of resources.

Changes in lease receivable for the year ended December 31, 2024, were as follows:

		Balance 2023	Additions	Principal Payments	Balance 2024	Current Portion	Long-term Portion	Deferred Inflows
Lease receivable:								
Mancilla building lease	$	10,470	-	(10,470)	-	-	-	-

Mancilla Building Lease

On April 8, 2004, the District entered into a lease agreement with Mancilla's Quality Printing (Mancilla). On March 19, 2014, the District extended the lease term through March 31, 2024. Mancilla has agreed to pay the District for the purpose of leasing building space at 108 First Street, 15841 Main Street, 15843 Main Street, and 15845 Main Street. The terms of the agreement require Mancilla to pay the District in monthly installments through March 2024 and is adjusted annually by a rate of 3.00%.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 0.25%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of December 31, 2025 and 2024, deferred inflows were reported at $0, respectively.

During the year ended December 31, 2024, the District converted the building lease to an annual lease. Under the provisions of GASB 87, leases which are 12 months and under do not require reporting.

(5) Prepaid Water Rights

Prepaid water rights as of December 31, 2025, were as follows:

	Balance 2024	Additions	Deletions	Balance 2025	Current Portion	Long-term Portion
$	904,264	101,500	(638,235)	367,529	-	367,529

Prepaid water rights as of December 31, 2024, were as follows:

	Balance 2023	Additions	Deletions	Balance 2024	Current Portion	Long-term Portion
$	577,897	621,966	(295,599)	904,264	595,518	308,746

On December 22, 2025, the District purchased 100 acre feet of untreated cyclic storage water from the Main San Gabriel Basin Watermaster at a cost of $1,015 per acre-foot. The balance is expected to be utilized in the future fiscal years and therefore is classified as current. At December 31, 2025, the remaining available water from the initial purchase amounted to $101,500.

On July 21, 2022, the District purchased 265 acre feet of untreated cyclic storage water from the Main San Gabriel Basin Watermaster at a cost of $902 per acre-foot. The balance is expected to be utilized in the future fiscal years and therefore is classified as current. At December 31, 2025 and 2024, the remaining available water from the initial purchase amounted to $239,030, respectively.

On May 7, 2009, the District purchased 2,000 acre feet of untreated cyclic storage water from the Main San Gabriel Basin Watermaster at a cost of $251.90 per acre-foot. The balance is expected to be utilized in the future fiscal years and therefore is classified as current. At December 31, 2025 and 2024, the remaining available water from the initial purchase amounted to $26,999 and $69,716, respectively.

On December 19, 2024, the District purchased 375 acre feet of untreated cyclic storage water from the Main San Gabriel Basin Watermaster at a cost of $907.28 per acre-foot. The balance is expected to be utilized in the future fiscal years and therefore is classified as current. At December 31, 2025 and 2024, the remaining available water from the initial purchase amounted to $0 and $323,898, respectively.

On December 19, 2024, the District purchased 300 acre feet of untreated cyclic storage water from the Main San Gabriel Basin Watermaster at a cost of $905.40 per acre-foot. The balance is expected to be utilized in the future fiscal years and therefore is classified as current. At December 31, 2025 and 2024, the remaining available water from the initial purchase amounted to $0 and $271,620, respectively.

(6) Capital Assets

Changes in capital assets for December 31 were as follows:

	Balance 2024	Additions/ Transfers	Deletions/ Transfers	Balance 2025
Non-depreciable assets:				
Land	$ 183,228	-	-	183,228
Construction-in-process	1,372	430,317	(368,192)	63,497
Total non-depreciable assets	184,600	430,317	(368,192)	246,725
Depreciable assets:				
Water treatment plant	10,759,605	-	-	10,759,605
Transmission and distribution	12,943,594	193,962	(100,658)	13,036,898
Pumps and reservoirs	2,622,708	-	-	2,622,708
Buildings and structures	525,875	-	-	525,875
Tools and equipment	3,651,698	11,933	-	3,663,631
Automotive equipment	626,288	115,692	(78,771)	663,209
Office equipment and fixtures	49,194	7,967	-	57,161
Radio equipment	12,944	-	-	12,944
Software	9,090	-	-	9,090
Total depreciable assets	31,200,996	329,554	(179,429)	31,351,121
Accumulated depreciation:				
Water treatment plant	(9,753,208)	(96,669)	-	(9,849,877)
Transmission and distribution	(6,678,859)	(387,378)	100,658	(6,965,579)
Pumps and reservoirs	(1,698,524)	(70,233)	-	(1,768,757)
Buildings and structures	(494,018)	(2,936)	-	(496,954)
Tools and equipment	(400,420)	(147,941)	-	(548,361)
Automotive equipment	(339,603)	(59,110)	78,771	(319,942)
Office equipment and fixtures	(21,719)	(4,266)	-	(25,985)
Radio equipment	(10,355)	(1,295)	-	(11,650)
Software	(9,089)	-	-	(9,089)
Total accumulated depreciation	(19,405,795)	(769,828)	179,429	(19,996,194)
Total depreciable assets, net	11,795,201	(440,274)	-	11,354,927
Total capital assets, net	$ 11,979,801	(9,957)	(368,192)	11,601,652

(6) Capital Assets, continued

Changes in capital assets for December 31 were as follows:

	Balance 2023	Additions/ Transfers	Deletions/ Transfers	Balance 2024
Non-depreciable assets:				
Land	$ 183,228	-	-	183,228
Construction-in-process	5,012,232	678,776	(5,689,636)	1,372
Total non-depreciable assets	5,195,460	678,776	(5,689,636)	184,600
Depreciable assets:				
Water treatment plant	10,763,909	-	(4,304)	10,759,605
Transmission and distribution	10,815,322	2,547,022	(418,750)	12,943,594
Pumps and reservoirs	2,622,708	-	-	2,622,708
Buildings and structures	525,875	-	-	525,875
Tools and equipment	862,431	2,929,846	(140,579)	3,651,698
Automotive equipment	575,825	112,091	(61,628)	626,288
Office equipment and fixtures	42,246	27,344	(20,396)	49,194
Radio equipment	12,944	-	-	12,944
Software	9,090	-	-	9,090
Total depreciable assets	26,230,350	5,616,303	(645,657)	31,200,996
Accumulated depreciation:				
Water treatment plant	(9,660,843)	(96,669)	4,304	(9,753,208)
Transmission and distribution	(6,635,442)	(345,267)	301,850	(6,678,859)
Pumps and reservoirs	(1,627,439)	(71,085)	-	(1,698,524)
Buildings and structures	(489,763)	(4,255)	-	(494,018)
Tools and equipment	(452,007)	(88,992)	140,579	(400,420)
Automotive equipment	(314,918)	(54,094)	29,409	(339,603)
Office equipment and fixtures	(33,802)	(2,121)	14,204	(21,719)
Radio equipment	(9,061)	(1,294)	-	(10,355)
Software	(8,937)	(152)	-	(9,089)
Total accumulated depreciation	(19,232,212)	(663,929)	490,346	(19,405,795)
Total depreciable assets, net	6,998,138	4,952,374	(155,311)	11,795,201
Total capital assets, net	$ 12,193,598	5,631,150	(5,844,947)	11,979,801

(6) Capital Assets, continued

Construction-In-Progress

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-progress balances at December 31 were as follows:

		2025	2024
CLA VAL Piping and Vault Dalesford and Bamboo	$	27,867	-
Developer jobs		35,630	-
Various jobs under $50,000		-	1,372
Total construction-in-process	$	63,497	1,372

(7) Compensated Absences

The Project recognizes a liability for compensated absences in accordance with GASB Statement No. 101, "Compensated Absences". Compensated absences comprise unpaid vacation leave that accrue when benefits are fully vested and are determined annually. Compensated absences for proprietary fund will generally be liquidated through the Project's general fund.

As of June 30 2025, the liability for compensated absences was calculated based on employees' pay rates at the fiscal year end and historical usage data, considering employment policies. The liability represents amounts that are more likely than not to used or paid out. The liability is reported in the Statement of Net Position.

The net change in the compensated absence liability for the fiscal years ended December 31, 2025 and 2024, decreased and increased by $18,355 and $55,596, respectively.

The change in compensated absences for December 31, 2025, was as follows:

	As Restated 2024	Change		Balance 2024	Current Portion	Long-term Portion
$	196,243	18,355	*	214,598	107,299	107,299

*The changes in the compensated absence liabilities are presented as a net change.

The change in compensated absences for December 31, 2024, was as follows:

	As Restated 2023	Change		Balance 2024	Current Portion	Long-term Portion
$	140,647	55,596	*	196,243	98,121	98,122

*The changes in the compensated absence liabilities are presented as a net change.

(8) Loan Payable

Changes in loan payable for December 31, 2025, were as follows:

Long-term debt:		Balance 2024	Additions	Payments	Balance 2025	Current Portion	Long-term Portion
Loans payable:							
Installment loan	$	2,461,764	-	(127,745)	2,334,019	131,489	2,202,530

Changes in loan payable for December 31, 2024, were as follows:

Long-term debt:		Balance 2023	Additions	Payments	Balance 2024	Current Portion	Long-term Portion
Loans payable:							
Installment loan	$	2,585,871	-	(124,107)	2,461,764	127,745	2,334,019

Pacific Premier Bank Installment Loan – 2020

On March 31, 2020, the District entered into an installment loan agreement with Opus Bank in the amount of $3,000,000, to provide funds for the purpose of financing the construction of the recycled water system and nitrate removal system. On June 1, 2020, Pacific Premier Bank acquired Opus Bank. The interest rate on the loan is 3.00% per year. Principal and interest on the loan is payable in semi-annual installments due each September 1st and March 1st. The loan is expected to mature on March 1, 2040.

Future remaining debt service payments are as follows:

Year		Principal	Interest	Total
2026	$	131,489	66,970	198,459
2027		135,343	63,116	198,459
2028		139,310	59,149	198,459
2029		143,394	55,066	198,460
2030		147,596	50,862	198,458
2031-2035		805,471	186,824	992,295
2036-2040		831,416	61,652	893,068
Total		2,334,019	543,639	2,877,658
Current		(131,489)		
Long-term	$	2,202,530		

(9) Other Post-Employment Benefits (OPEB) Plan

General Information about the OPEB Plan

Plan Description

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District's vesting requirements. The District participates in CalPERS California Employer's Retiree Benefit Trust Program (CERBT), a Prefunding Plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code. Copies of CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

Benefits Provided

The District provides post-retirement benefits for certain retired members of the Board of Directors and two retired employees. Effective December 31, 1991, the District began providing these benefits to eligible retired Directors or employees, at age 50 and with at least ten years of continuous service to the District. The benefits include medical, dental and vision insurance coverage. Effective January 9, 2012, the District modified the post-employment benefits for employees hired after November 1, 2011. These employees are eligible for post-employment benefits at age 55 and with at least twenty years of continuous service to the District.

Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the ACWA-JPIA medical, dental and vision programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Employees Covered by Benefit Terms

Membership in the OPEB plan consisted of the following members as of December 31:

	2025	2024
Active plan members	16	16
Retirees and beneficiaries receiving benefits	8	8
Separated plan members entitled to but not yet receiving benefits	-	-
Total Plan membership	24	24

Contributions

The Plan and its contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District pays 100% of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District. The annual contribution is based on the actuarially determined contribution.

As of the fiscal years ended December 31, the contributions were as follows:

	2025	2024
Contributions – employer	$ 89,729	55,661

As of December 31, 2025 and 2024, the employer pension contributions were reported as deferred outflows of resources related to contributions subsequent to the measurement date will be and were recognized as a reduction of net OPEB liability in the fiscal years ended December 31, 2026 and 2025, respectively.

(9) Other Post-Employment Benefits (OPEB) Plan, continued

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2024, and the total net liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2025 and June 30, 2024, respectively. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions

The net OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	2.75 percent, per annum, in aggregate
Discount rate	5.75 percent, per annum, The discount rate assumes the District continues to fully fund for its retiree health benefits under its current investment strategy.
Healthcare cost trend rates	4.00% HMO & 4.50% PPO decreasing to 3.00% HMO & 3.00% PPO over future periods

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

At the measurement date June 30, 2025, the target allocation, and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class - CERBT	Target Allocation	Long-term Expected Real Return
Global Equity	22.0%	7.55%
Global Fixed Income	49.0%	4.25%
TIPS	16.0%	3.00%
REITS	8.0%	7.25%
Commodities	5.0%	7.55%
Total	100.0%	

(9) Other Post-Employment Benefits (OPEB) Plan, continued

At the measurement date June 30, 2024, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class - CERBT	Target Allocation	Long-term Expected Real Return
Global Equity	22.0%	7.55%
Global Fixed Income	49.0%	4.25%
TIPS	16.0%	3.00%
Commodities	8.0%	7.25%
REITS	5.0%	7.55%
Total	100.0%	

Discount Rate

At June 30, 2025 and 2024, the discount rate used to measure the net OPEB liability was 5.75 percent, respectively. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

Changes in the Net OPEB Liability

Changes in the net OPEB liability as of June 30, 2025, were as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2024	$ 3,261,799	1,561,667	1,700,132
Changes for the year:			
Service cost	66,048	-	66,048
Interest on TOL / Return on FNP	185,112	-	185,112
Expected investment income	-	90,644	(90,644)
Investment gains/(losses)	-	54,662	(54,662)
Employer contributions to trust	-	30,000	(30,000)
Employer contributions as benefit payments	-	150,970	(150,970)
Administrative expenses	-	(486)	486
Expected benefit payments	(150,970)	(150,970)	-
Net changes	100,190	174,820	(74,630)
Balance at June 30, 2025	$ 3,361,989	1,736,487	1,625,502

(9) Other Post-Employment Benefits (OPEB) Plan, continued

Changes in the Net OPEB Liability, continued

Changes in the net OPEB liability as of June 30, 2024, were as follows:

		Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2023	$	3,411,287	1,469,743	1,941,544
Changes for the year:				
Service cost		75,542	-	75,542
Interest on TOL / Return on FNP		194,793	-	194,793
Expected investment income		-	84,497	(84,497)
Changes in assumptions		(74,624)	-	(74,624)
Investment gains/(losses)		-	7,896	(7,896)
Employer contributions as benefit payments		-	122,693	(122,693)
Administrative expenses		-	(469)	469
Expected benefit payments		(122,693)	(122,693)	-
Net changes		(149,488)	91,924	(241,412)
Balance at June 30, 2024	$	3,261,799	1,561,667	1,700,132

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

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

At the measurement date June 30, 2025, the discount rate comparison was the following:

		1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
District's net OPEB liability	$	2,079,507	1,625,502	1,254,022

At the measurement date June 30, 2024, the discount rate comparison was the following:

		1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
District's net OPEB liability	$	2,143,689	1,700,132	1,337,199

(9) Other Post-Employment Benefits (OPEB) Plan, continued

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

At the measurement date June 30, 2025, the healthcare cost trend rate comparison was the following:

	1% Decrease (3.00%HMO/ 3.50%PPO decreasing to 2.00%HMO/ 2.00%PPO)	Current Healthcare Cost Trend Rates (4.00%HMO/ 4.50%PPO decreasing to 3.00%HMO/ 3.00%PPO)	1% Increase (5.00%HMO/ 5.50%PPO decreasing to 4.00%HMO/ 4.00%PPO)
District's net OPEB liability	$ 1,173,524	1,625,502	2,198,255

At the measurement date June 30, 2024, the healthcare cost trend rate comparison was the following:

	1% Decrease (3.00%HMO/ 3.50%PPO decreasing to 2.00%HMO/ 2.00%PPO)	Current Healthcare Cost Trend Rates (4.00%HMO/ 4.50%PPO decreasing to 3.00%HMO/ 3.00%PPO)	1% Increase (5.00%HMO/ 5.50%PPO decreasing to 4.00%HMO/ 4.00%PPO)
District's net OPEB liability	$ 1,289,260	1,700,132	2,218,519

For the fiscal years December 31, 2025 and 2024, the District recognized OPEB expense of $89,478 and $182,461, respectively.

(9) Other Post-Employment Benefits (OPEB) Plan, continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, the District reported no deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description		2025 Deferred Outflows of Resources	2025 Deferred Inflows of Resources	2024 Deferred Outflows of Resources	2024 Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	$	89,729	-	55,661	-
Experience gains and losses		472,850	-	537,038	-
Changes in assumptions		-	(303,063)	-	(344,132)
Differences between expected and actual return on investments		24,755	-	110,083	-
Total	$	587,334	(303,063)	702,782	(344,132)

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

Actuarially Determined Deferred Outflows and (Inflows) - OPEB Plan

Fiscal Year Ending June 30:		Experience Gains and Losses	Changes in Assumptions	Net, Differences between Projected and Actual Return on Investments	Net, Deferred Outflows/ (Inflows) of Resources
2026	$	64,188	(41,069)	49,093	72,212
2027		64,188	(41,069)	(899)	22,220
2028		64,188	(41,069)	(12,509)	10,610
2029		64,188	(41,069)	(10,930)	12,189
2030		64,188	(41,069)	-	23,119
Thereafter		151,910	(97,718)	-	54,192
Total	$	472,850	(303,063)	24,755	194,542

OPEB Plan Fiduciary Net Position and Schedule of OPEB Plan Contributions

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial reports. See pages 51 and 52 for the Required Supplementary Information.

(10) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Benefits Provided

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

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. For employees hired prior to January 1, 2013, who are current members of CalPERS or a reciprocal agency as of December 31, 2012, and have not been separated from service from such agency for more than six months, the retirement benefit is 2.0% @ 60 years of age; highest single year of compensation. All other employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect at fiscal year December 31 are summarized as follows:

	Miscellaneous Plan			
	2025		2024	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 62	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates				
Six months ended June 30	6.930%	7.750%	6.930%	7.750%
Six months ended December 31	7.000%	7.750%	6.930%	7.750%
Required employer contribution rates				
Six months ended June 30	10.150%	7.870%	10.100%	7.680%
Six months ended December 31	10.190%	7.960%	10.150%	7.870%

(10) Defined Benefit Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1, following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal year December 31, the contributions recognized as part of pension expense for the Plan was as follows:

		Miscellaneous Plan	
		2025	**2024**
Contributions – employer	$	214,926	191,142
Contributions – employee (paid by employer)		35,382	41,313
Total employer paid contributions	$	250,308	232,455

Net Pension Liability

As of the fiscal year December 31, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

		Miscellaneous Plan	
		2025	**2024**
Proportionate share of net pension liability	$	1,012,595	1,177,819

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of the fiscal years ended December 31, 2025 and 2024, the net pension liability of the Plan is measured as of June 30, 2025 and June 30, 2024 (the measurement dates), respectively. The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024 and June 30, 2023 (the valuation dates), rolled forward to June 30, 2025 and 2024, respectively, using standard update procedures. 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 Plan's miscellaneous risk pool as of the measurement dates June 30, were as follows:

Proportional Share	**Miscellaneous Plan**
Measurement Date of June 30, 2024 for the year ended December 31, 2024	0.02435%
Measurement Date of June 30, 2025 for the year ended December 31, 2025	0.02538%
Change – Increase (Decrease)	0.00103%

(10) Defined Benefit Pension Plan, continued

Net Pension Liability, continued

The District's proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement dates June 30, were as follows:

Proportional Share	Miscellaneous Plan
Measurement Date of June 30, 2023 for the year ended December 31, 2023	0.02365%
Measurement Date of June 30, 2024 for the year ended December 31, 2024	0.02435%
Change – Increase (Decrease)	0.00070%

Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal years ended December 31, 2025 and 2024, the District recognized pension expense of $188,117 and $254,901, respectively.

As of December 31, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025		2024	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 153,011	-	146,511	-
Net differences between actual and expected experience	121,332	-	97,859	-
Net changes in assumptions	-	-	30,272	-
Net differences between actual contribution and proportionate share of contribution	-	(3,311)	-	(34,209)
Net adjustment due to differences in proportions of the net pension liability	57,068	-	83,178	-
Net differences between projected and actual earnings on plan investments	-	(137,014)	67,805	-
Total	$ 331,411	(140,325)	425,625	(34,209)

As of December 31, 2025 and 2024, the District reported $153,011 and $146,511, as deferred outflows of resources related to pension contributions subsequent to the measurement dates June 30, 2025 and 2024, and will be/were recognized as a reduction of the net pension liability for the fiscal years ended December 31, 2026 and 2025, respectively.

(10) Defined Benefit Pension Plan, continued

Deferred Outflows/Inflows of Resources Related to Pensions

As of December 31, 2025 other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending December 31,	Deferred Net Outflows/ (Inflows) of Resources
2026	$ 121,406
2027	3,349
2028	(39,151)
2029	(47,529)
2030	-
Thereafter	-

Actuarial Assumptions

The total pension liabilities in the actuarial valuations dated June 30, 2023 and 2022, were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2023 and 2022
Measurement dates	June 30, 2024 and 2023
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	2023 and 2022 - 6.90%
Inflation	2023 and 2022 - 2.30%
Salary increases	Varies by Entry Age and Service
Investment rate of return	6.90% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial Experience Survey assumption were based	2023 and 2022 – 2021
Post Retirement Benefit	2023 and 2022 – Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

* The mortality table 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 that can be found on the CalPERS website.

(10) Defined Benefit Pension Plan, continued

Discount Rate

At the measurement dates, June 30, 2024 and 2023, the discount rate used to measure the total pension liability was 6.90% for the Plan, respectively. The discount rate reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS' website.

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

As of the measurement dates June 30, 2024 and 2023, the target allocation and the long-term expected real rate of return by asset class were as follows:

Asset Class	Target Allocation	Real Return Years 1-10
Global equity - cap-weighted	30.0%	4.54%
Global equity non-cap-weighted	12.0	3.84%
Private Equity	13.0	7.28%
Treasury	5.0	0.27
Mortgage-backed securities	5.0	0.50
Investment grade corporates	10.0	1.56
High yield	5.0	2.27
Emerging market debt	5.0	2.48
Private debt	5.0	3.57
Real assets	15.0	3.21
Leverage	-5.0	(0.59)
Total	100.0%	

(10) Defined Benefit Pension Plan, continued

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

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

As of fiscal year ended December 31, 2025, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
District's net pension liability	$ 1,874,329	1,012,595	303,397

As of fiscal year ended December 31, 2024, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
District's net pension liability	$ 2,041,424	1,177,819	466,945

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See pages 53 and 54 for the Required Supplementary Information.

Payable to the Pension Plan

At December 31, 2025 and 2024, the District reported $0 in payables for the outstanding amount of contribution to the pension plan, respectively.

(11) Net Position

As of December 31, the calculation of net position is as follows:

	2025	2024
Investment in capital assets:		
Capital assets – not being depreciated	$ 246,725	184,600
Capital assets – being depreciated, net	11,354,927	11,795,201
Total investment in capital assets	11,601,652	11,979,801
Unrestricted net position:		
Non-spendable net position:		
Materials and supplies inventory	180,135	194,171
Prepaid expenses	142,728	66,496
Prepaid water rights – current	-	595,518
Prepaid water rights – long-term	367,529	308,746
Total non-spendable net position	690,392	1,164,931
Spendable net position is designated as follows:		
Capital reserve	875,000	875,000
Operating reserve	317,387	317,387
Emergency reserve	200,000	200,000
Unrestricted	3,108,576	518,741
Total spendable net position	4,500,963	1,911,128
Total unrestricted net position	5,191,355	3,076,059
Total net position	$ 16,793,007	15,055,860

(12) Facility and Service Contract Revenue

Water Treatment Services – Baldwin Park Operable Unit (BPOU)

On March 29, 2002, the District entered into the Baldwin Park Operable Unit (BPOU) Project Agreement to address the contamination of groundwater in the San Gabriel Valley Superfund Sites. In the agreement, the United States Environmental Protection Agency (EPA) named certain entities as potentially responsible parties (PRPs) and local water agencies (Water Entities) from which the District is included.

The Water Entities filed lawsuits against the PRPs for costs allegedly incurred in meeting their water supply and distribution needs and for claims for damages allegedly suffered as a result of the involuntary conversion of their property and rights due to contamination of the groundwater and water supply wells in the BPOU area. In the lawsuits, the Water Entities claim a taking of and damage to their property and rights by the PRPs. The PRPs dispute these claims.

While disputing the Water Entities' claims, and without admitting or acknowledging any fault or liability, the PRPs settled the Water Entities' lawsuits and claims by entering into a settlement agreement to fund the reasonable and necessary costs of design, construction, operation, maintenance and management of groundwater extraction, treatment and distribution facilities within the BPOU area. In addition, the PRPs agreed to pay certain other compensation for the purpose of settling the lawsuits brought, claims made, and proceedings initiated (and imminently to be initiated) against the PRPs.

(12) Facility and Service Contract Revenue, continued

Water Treatment Services – Baldwin Park Operable Unit (BPOU), continued

As part of this settlement agreement, the La Puente Valley County Water District received reimbursement for the costs related to the construction of extraction, treatment, and distribution facilities. In addition to the reimbursement of these capital costs, the District will receive an amount on an annual basis for reimbursement for operations and maintenance expenses. At December 31, 2025 and 2024, the District reported water treatment service revenue of $1,370,431 and $1,672,997, respectively and related water treatment costs of $1,002,668 and $1,534,815, respectively.

Retail Water Distribution System Management Fee – City of Industry

On March 1, 2004, the District entered into a 10-year operation and management agreement with the City of Industry (COI) wherein the District will operate, maintain, and manage the portable water distribution system (the system) owned by the City of Industry. Under the agreement, the District will perform all routine and preventive maintenance and repair of the system's facilities as necessary for the efficient operation of the system. The District will also be responsible for managing contractual arrangements for the exchange of water supplies between the District's water system and the system, and performs all billings, collections, disbursements, accounting and record-keeping functions related to the system.

The system consists of approximately three wells and other production facilities, 30,000 feet of pipeline, three storage tanks and four booster pump stations and other related water storage and distribution facilities.

On October 14, 2010, the agreement was amended to extend the service period to February 28, 2024. Under terms of the agreement, the District will receive an initial annual management fee of $175,000 per year on a quarterly basis increasing at a rate of 2% per year thereafter.

On February 26, 2024, the agreement was amended to reflect several changes and extend the service period to March 31, 2039. Under the new terms of the agreement, the management fee section was removed and compensation terms were changed to have the COI reimburse District fully burdened labor cost for 6.5 full-time positions. In addition, a change was also made to vehicle and equipment reimbursement from a variable expense to a fixed expense via a monthly rate sheet referenced as an exhibit in the agreement.

As of December 31, 2025 and 2024 the District reported retail water distribution system management fee revenue of $0 and $34,857, respectively.

Water Treatment Project and Services – Puente Valley Operable Unit Intermediate Zone (PVOU IZ)

On October 8, 2014, the District entered into an interim participation agreement with Northrop Grumman Systems Corporation (Northrop Grumman), named as a potentially responsible party by the United State Environmental Protection Agency, for the clean-up of groundwater from the Puente Valley Operable Unit Intermediate Zone (PVOU IZ) in the Main San Gabriel Groundwater Basin.

Northrop Grumman shall retain responsibility for managing extraction of the impacted groundwater, satisfying regulatory requirements for remediation, auditing all contracts, and paying all reasonable costs for the remediation of the impacted groundwater. Northrop Grumman has developed plans to remediate the contaminated groundwater through a system comprised of groundwater extraction wells, collection pipelines and treatment plant for which it will retain the custody of. The District has agreed to support and coordinate with Northrop Grumman on necessary permits, government approvals and construction of the Project. As of December 31, 2025, Northrop Grumman completed the construction and the scenario testing phase of the PVOU IZ Treatment Plant project. The Project is expected to be permitted for potable use during the second quarter of 2027.

(12) Facility and Service Contract Revenue, continued

Water Treatment Project and Services – Puente Valley Operable Unit Intermediate Zone (PVOU IZ), continued

The end users of the treated groundwater will be the District and Suburban Water Systems (SWS). In order to deliver the treated groundwater to the District and SWS, construction of certain water system improvements is required. In February of 2018, the District entered into two agreements, 1) with Northrop Grumman for operation services of the PVOU IZ Treatment Plant; and 2) with SWS and Northrop Grumman for the delivery and beneficial use of the treated water from the facility.

The District is responsible for the permitting, designing and constructing of the improvements required for the District to receive water from the treatment plant. This includes interconnections at Hudson Avenue and an upgrade of a 16-inch interconnection at Industry Hills Pumps Station No. 1 between the District and Industry Public Utilities. These necessary improvements will be reimbursed by Northrop Grumman. As of December 31, 2025, these improvements are on hold and further discussions between NG and LPVCWD are pending on the benefit of constructing these interconnections.

Once construction of the PVOU IZ Treatment Plant is complete the District will be responsible for staffing and operating the treatment plant to meet all applicable drinking water standards, as well as for delivering the finished water to end users. All District labor and administrative costs associated with the operation of the Treatment Plant will be reimbursed or paid for within an Operation and Management Fee to be negotiated between Northrop Grumman and the District.

At December 31, 2025 and 2024, the District reported project service revenue of $830,977 and $878,549, respectively.

(13) Deferred Compensation Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. As of December 31, 2025 and 2024 the market value of all plan assets held in trust by the District plan amounted to $928,608 and $747,084, respectively.

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

(14) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (JPIA), an intergovernmental risk sharing joint powers authority created under provisions of California Government Code Sections 6500 et. seq. The purpose of the JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess or specialty-insurance coverage above retained limits.

(14) Risk Management, continued

As of December 31, 2025, the District participated in the liability, property programs, and workers' compensation programs of the JPIA as follows:

- General, Automobile, Employment Practices, and Public Officials' Errors & Omissions Liability. Broad coverage against third-party claims for the District, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools for the first $5 million and purchases excess coverage with limit up to $55 million with aggregated policy limits.

In addition to the coverage described below, the District also has the following coverage:

- Property Loss: Covered up to replacement value with a $2,500 deductible per loss on scheduled buildings, fixed equipment and contents, actual cash value on scheduled mobile equipment with a $1,000 deductible per loss and actual cash value on scheduled vehicles with a $500 deductible per loss. JPIA is self-insured up to $10,000,000 per loss and has purchased re-insurance coverage up to a $150,000,000 limit per loss. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown with deductible $25,000 to $50,000 depending on type of equipment.
- Cyber Liability: Including Cyber Security up to $3,000,000 per member/claim and $5,000,000 Aggregate Policy Limit. The cyber liability deductible is $100,000 per claim.
- Employee Dishonesty/Crime Supplement: Covered up to $100,000 per loss with a $1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program covers all employees, the Board of Directors, and the Treasurer. The District also purchases excess crime coverage, with a limit of $1,000,000.
- The District also participates in the Difference in Conditions Group Purchase Policy. The policy provides replacement value of real and personal property owned by the District when damaged by an earthquake or flood. Replacement cost valuation, not to exceed stated value of real and personal property located at various locations, as per schedule on file with aggregate limits of $25,000,000. Minimum deductibles are $25,000 for Flood and 5% per unit of value for Earthquake, with minimum $25,000.
- Workers' compensation insurance up to California statutory limits for all work-related injuries/illnesses covered by California law, and employers' liability limit of $4 million. The ACWA JPIA is self-insured up to $2 million and excess insurance coverage has been purchased.

Separate financial statements of JPIA can be obtained at 2100 Professional Drive, Roseville, CA 95661 or http://www.acwajpia.com/FinancialStatements.aspx.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending December 31, 2025, 2024, and 2023. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2025, 2024, and 2023, respectively.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2025, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements.* The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – Disclosure of Certain Capital Assets. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 105

In December 2025, the GASB issued Statement No. 105 – *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

(16) Commitments and Contingencies

Water Rights Purchase Commitment

As of December 31, 2025 and 2024, the District prepaid for the water rights as described in Note 5. As of December 31, 2025 and 2024, the remaining purchase commitment balance of estimated water production rights for the 2025 and 2024 water production years were $0 and $595,518, respectively.

Recycled Water Project

On November 1, 2015, the District entered into a memorandum of understanding (MOU) with Upper San Gabriel Valley Municipal Water District (Upper District), a wholesale provider of recycled water, to facilitate the establishment and expansion of the District's recycled water service area. The term of this MOU is for 25 years commencing on November 1, 2015, and concluding October 31, 2040. Under the MOU, the District will own, operate and maintain the recycled water assets comprised of a pump station and recycled water lines (Project). In October 2019, the MOU was amended to account for changes in the Project, the administrative process for grant funding distribution and the Metropolitan Water District's Local Resource Program.

The District is funding the Project in its entirety, supplemented by any and all available financial assistance and grant funding, except for the design phase of the Project which will be completed by the Upper District. In addition, the Upper District will prepare and submit for financial assistance from Metropolitan Water District's Local Resource Program and grant funding from Proposition 84 to offset the District's capital cost of the Project. Terms of the agreement call for the District to reimburse Upper District for 50% of the final design cost.

Once the recycled water plant is complete, Upper District has agreed to sell recycled water to the District at Upper District's cost from Los Angeles County Sanitation District, plus an annual fee for administrating the Metropolitan Water District's Local Resource Program.

As of December 31, 2024, all construction and equipment related to this Project was completed. The District is now delivering recycled water to two out of sixteen recycled water customers and is working with the remaining fourteen on retrofits to their existing irrigation systems.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction.

Grant Awards

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

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. Nevertheless, after consultation with legal counsel, the District believes that these actions, when finally concluded and determined, are not likely to have a material adverse effect on the District's financial position, results of operations, or cash flows.

(17) Subsequent Events

Events occurring after December 31, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of July 27, 2026, which is the date the financial statements were available to be issued.

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Required Supplementary Information

La Puente Valley County Water District
Schedules of Changes in the District's Net OPEB Liability and Related Ratios
As of December 31, 2025
Last Ten Years*

		June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB liability									
Service cost	$	66,048	75,542	73,520	81,507	74,308	88,905	86,316	81,361
Interest		185,112	194,793	186,566	193,232	185,940	119,982	113,110	104,071
Experience (gains)/losses		-	(222,506)	-	(275,744)	-	1,569,520	-	-
Changes in assumptions		-	(74,624)	-	-	117,536	(574,335)	-	-
Benefit payments		-	-	-	(108,560)	(106,376)	(3,182)	(43,035)	(36,432)
Expected minus actual benefit payments		(150,970)	(122,693)	(113,321)	-	(24,717)	(50,256)	-	-
Net change in total OPEB liability		100,190	(149,488)	146,765	(109,565)	246,691	1,150,634	156,391	149,000
Total OPEB liability – beginning		3,261,799	3,411,287	3,264,522	3,374,087	3,127,396	1,976,762	1,820,371	1,671,371
Total OPEB liability – ending	$	3,361,989	3,261,799	3,411,287	3,264,522	3,374,087	3,127,396	1,976,762	1,820,371
Plan fiduciary net position									
Contributions employer	$	150,970	122,693	178,321	208,560	231,376	78,182	155,535	161,432
Contributions to trust		30,000	-	-	-	-	-	-	-
Net investment income		90,644	84,497	81,316	86,022	73,120	63,162	67,277	33,111
Investment gains/(losses)		54,662	7,896	(58,070)	(249,960)	92,139	3,279	-	-
Benefit payments		(150,970)	(122,693)	(113,321)	(108,560)	(106,376)	(3,182)	(43,035)	(36,432)
Administrative expenses		(486)	(469)	(403)	(377)	(431)	(523)	(191)	(378)
Other		-	-	-	-	-	-	-	(899)
Net change in plan fiduciary net position		174,820	91,924	87,843	(64,315)	289,828	140,918	179,586	156,834
Plan fiduciary net position – beginning		1,561,667	1,469,743	1,381,900	1,446,215	1,156,387	1,015,469	835,883	679,049
Plan fiduciary net position – ending		1,736,487	1,561,667	1,469,743	1,381,900	1,446,215	1,156,387	1,015,469	835,883
Net OPEB liability – ending	$	1,625,502	1,700,132	1,941,544	1,882,622	1,927,872	1,971,009	961,293	984,488
Plan fiduciary net position as a percentage of the total OPEB liability		51.65%	47.88%	43.08%	42.33%	42.86%	36.98%	51.37%	45.92%
Covered payroll	$	1,421,602	1,288,432	1,116,815	1,076,334	1,141,171	1,031,429	1,090,770	1,059,000
Net OPEB liability as a percentage of covered payroll		114.34%	131.95%	173.85%	174.91%	168.94%	191.10%	88.13%	92.96%
Valuation date		June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Methods and assumptions used to determine contrbution rates:									
Single and agent employers		Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method		(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Inflation		2.50%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases		2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return		5.75%	5.75%	5.75%	5.75%	5.75%	6.00%	6.00%	6.00%
Mortality, retirement, turnover		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)

(1) Level percentage of payroll, closed

(2) 2017 CalPERS OPEB Assumption Model (2021)
2014 CalPERS OPEB Assumption Model (2020-2018)

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

La Puente Valley County Water District
Schedules of OPEB Plan Contributions
As of December 31, 2025
Last Ten Years*

Fiscal year ending		June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially determined contribution	$	166,317	150,970	213,321	208,560	231,376	78,182	155,535	161,432
Contributions in relation to the actuarially determined contribution		(166,317)	(150,970)	(213,321)	(208,560)	(231,376)	(78,182)	(155,535)	(161,432)
Contribution deficiency (excess)		-	-	-	-	-	-	-	-
Covered payroll		1,421,602	1,288,432	1,116,815	1,076,334	1,076,334	1,141,171	1,031,429	1,046,701
Contribution's as a percentage of covered payroll		11.70%	11.72%	19.10%	19.38%	21.50%	6.85%	15.08%	15.42%

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

La Puente Valley County Water District
District's Proportionate Share of the Net Pension Liability
As of December 31, 2025
Last Ten Years

Description	Fiscal Year June 30, 2024	June 30, 2023	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
District's proportion of the net pension liability	0.00990%	0.00971%	0.00948%	0.00890%	0.00495%	0.00735%	0.00686%	0.00636%	0.00634%	0.00596%
District's proportionate share of the net pension liability	$ 1,012,595	1,177,819	1,182,644	1,027,799	267,926	799,418	702,837	612,406	628,508	515,576
District's covered payroll	$ 1,421,602	1,288,432	1,116,815	1,076,334	1,141,171	1,031,429	1,046,701	1,005,625	971,214	842,275
District's proportionate share of the net pension liability as a percentage of its covered payroll	71.23%	91.41%	105.89%	95.49%	23.48%	77.51%	67.15%	60.90%	64.71%	61.21%
District's fiduciary net position as a percentage of the total pension liability	0.00%	81.60%	80.21%	81.11%	94.39%	81.71%	82.14%	82.75%	80.52%	82.30%

Notes To Schedule:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 to June 30, 2016:
GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.
The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.
From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.
From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%
From fiscal year June 30, 2018 to June 30, 2019:
The inflation rate was reduced from 2.75% to 2.50%
From fiscal year June 30, 2019 to June 30, 2020:
There were no changes in assumptions.
From fiscal year June 30, 2020 to June 30, 2021:
There were no changes in assumptions.
From fiscal year June 30, 2021 to June 30, 2022:
There were no changes in assumptions.
From fiscal year June 30, 2022 to June 30, 2023:
The discount rate was reduced from 7.15% to 6.90%
The inflation rate was reduced from 2.50% to 2.30%
From fiscal year June 30, 2023 to June 30, 2024:
There were no changes in assumptions.
From fiscal year June 30, 2024 to June 30, 2025:
There were no changes in assumptions.
From fiscal year June 30, 2025 to June 30, 2026:
There were no changes in assumptions.

La Puente Valley County Water District
Schedules of Pension Plan Contributions
As of December 31, 2025
Last Ten Years

Description	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
	Fiscal Year									
Actuarially determined contribution	$ 232,244	197,038	171,278	176,716	145,875	125,476	108,909	105,990	81,407	67,743
Contributions in relation to the actuarially determined contribution	(232,244)	(197,038)	(171,278)	(176,716)	(145,875)	(125,476)	(108,909)	(105,990)	(81,407)	(67,743)
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 1,421,602	1,288,432	1,116,815	1,076,334	1,141,171	1,031,429	1,046,701	1,005,625	971,214	842,275
Contribution's as a percentage of covered payroll	16.34%	15.29%	15.34%	16.42%	12.78%	12.17%	10.40%	10.54%	8.38%	8.04%
Notes to schedule:										
Valuation date	June 30, 2022	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Methods and assumptions used to determine contrbution rates:										
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation	2.30%	2.30%	2.30%	2.30%	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.90% (3)	6.90% (3)	6.90% (3)	6.90% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level of percentage payroll, closed
(2) Depending on age, service, and type of employment
(3) Net of pension plan investment expense, including inflation
(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

Report on Internal Controls and Compliance

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Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
La Puente Valley County Water District
La Puente, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the La Puente Valley County Water District (District), which comprise the statement of net position as of December 31, 2025 and 2024 and the related statement of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon date July 27, 2026.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls 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.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
July 27, 2026