LAGUNA BEACH COUNTY WATER DISTRICT

(A COMPONENT UNIT OF THE CITY OF LAGUNA BEACH, CALIFORNIA)

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Laguna Beach County Water District (the District), as of and for the year ended June 30, 2022, 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 financial position of the Laguna Beach County Water District, as of June 30, 2022, and the changes in its financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As described in Note 1 to the financial statements, for the year ended June 30, 2022, the District adopted new accounting guidance, Governmental Account Standards (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions – defined benefit pension plan, and the schedule of changes in the total OPEB liability and related ratios 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, 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 the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
December 16, 2022

This section of the District's annual financial report presents our analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2022

- The District's net position decreased by $1,185,372 or 1.69 percent (see Table 1).
- During the year the District's total revenues decreased by $1,735,592 or 10.04 percent, and expenses increased by $1,471,657 or 9.55 percent (see Table 2).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS OF THE DISTRICT

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

NET POSITION

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

TABLE 1
Condensed Statements of Net Position

	Fiscal Year 2022	Fiscal Year 2021	Dollar Change
Assets:			
Current and other assets	$ 26,812,329	$ 23,173,571	$ 3,638,758
Capital assets	55,691,914	55,236,479	455,435
Total Assets	82,504,243	78,410,050	4,094,193
Deferred Outflows of Resources	1,731,434	1,821,514	(90,080)
Liabilities:			
Current liabilities	1,371,633	1,621,433	(249,800)
Noncurrent liabilities	5,060,187	8,254,814	(3,194,627)
Total Liabilities	6,431,820	9,876,247	(3,444,427)
Deferred Inflows of Resources	9,028,219	394,307	8,633,912
Net Position:			
Net investment in capital assets	55,463,632	54,930,695	532,937
Unrestricted	13,312,006	15,030,315	(1,718,309)
Total Net Position	$ 68,775,638	$ 69,961,010	$ (1,185,372)

NET POSITION (CONTINUED)

As can be seen from the Table 1, net position increased by $2,033,504 from fiscal year 2020 to 2021. As can be seen from the Table 1, net position decreased by $1,185,372 from fiscal year 2021 to 2022. Looking more carefully at the table, Total Assets increased $4,094,193 mainly due to increases in cash and cash equivalents, an increase to investments held by the District, and reporting of leases receivable in FY 22 due to GASB 87 reporting requirements. In addition, total liabilities decreased $3,444,427 primarily due to a decrease in the District's Net Pension Liability in fiscal year 2022 as a result of a market change in investments at CalPERS.

Unrestricted Net Position (those that can be used to finance day-to-day operations) decreased by $1,718,309 due to the maturity of several District investments during the year that were not re-invested into new equities.

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

	Fiscal Year 2022	Fiscal Year 2021	Dollar Change
Revenues:			
Operating revenues	$ 11,460,352	$ 11,540,749	$ (80,397)
Nonoperating revenues	4,097,516	5,752,711	(1,655,195)
Total Revenues	15,557,868	17,293,460	(1,735,592)
Expenses:			
Depreciation	2,538,431	2,388,942	149,489
Other operating expenses	14,336,812	13,014,644	1,322,168
Total Expenses	16,875,243	15,403,586	1,471,657
Net Loss Before Capital Contributions	(1,317,375)	1,889,874	(3,207,249)
Capital Contributions	132,003	143,630	(11,627)
Change in Net Position	(1,185,372)	2,033,504	(3,218,876)
Beginning Net Position	69,961,010	67,927,506	2,033,504
Ending Net Position	$ 68,775,638	$ 69,961,010	$ (1,185,372)

NET POSITION (CONTINUED)

A closer examination of the source of changes in net position reveals that the District's operating revenues decreased by $80,397 in fiscal year 2022 due to lower water consumption. Nonoperating revenues decreased by $1,655,195 in fiscal year 2022 due to a decrease in gains on disposal of capital assets compared to FY 21 and decreases in investment income compared to FY 21. As presented in Table 2, operating costs (exclusive of depreciation) increased by $1,322,168 in fiscal year 2022 largely due to increased water purchase, pumping, and transmission and distribution costs.

BUDGETARY HIGHLIGHTS

TABLE 3
Fiscal Year 2022 Actual vs. Fiscal Year 2022 Budget

	Fiscal Year 2022		
	Actual	Budget	Variance
Revenues:			
Operating revenues	$ 11,460,352	$ 11,540,749	$ (80,397)
Nonoperating revenues	4,097,516	5,752,711	(1,655,195)
Total Revenues	15,557,868	17,293,460	(1,735,592)
Expenses:			
Operating Expenses:			
Water purchased	4,028,389	3,956,859	(71,530)
Source of supply	242,486	153,468	(89,018)
Pumping	1,010,623	773,469	(237,154)
Transmission and distribution	4,260,767	3,669,931	(590,836)
Customer service	528,496	598,626	70,130
General and administrative	3,992,908	3,580,921	(411,987)
Other operation and maintenance	273,143	281,370	8,227
Depreciation	2,538,431	2,388,942	(149,489)
Total Expenses	16,875,243	15,403,586	(1,471,657)
Capital Contributions	132,003	143,630	(11,627)
Change in Net Position	$ (1,185,372)	$ 2,033,504	$ (3,218,876)

As Table 3 shows, the actual change in net position is $3,218,876 less than the budgeted change in net position. The difference is attributed to the District budget process not including depreciation and the increase in other operating expenses.

CAPITAL ASSETS AND LONG-TERM LIABILITY ADMINISTRATION

CAPITAL ASSETS

At the end of fiscal year 2022, the District had invested approximately $105.8 million in a broad range of infrastructure as shown in Table 4.

TABLE 4

Capital Assets

	Fiscal Year 2022	Fiscal Year 2021	Dollar Change
Capital Assets:			
Land and land rights	$ 4,408,047	$ 4,517,047	$ (109,000)
Construction in progress	1,624,385	1,875,705	(251,320)
Source of supply plant	10,021,659	9,869,587	152,072
Pumping plant	7,267,053	7,078,986	188,067
Mains	37,785,975	36,872,842	913,133
Reservoirs and Tanks	28,500,283	28,517,610	(17,327)
Meters and Services	3,688,543	3,691,510	(2,967)
Buildings, Structures and Improvements	4,115,136	4,149,252	(34,116)
Office Furniture, Fixtures & Equipment	1,780,200	1,772,508	7,692
Machinery and Equipment	4,590,742	3,400,349	1,190,393
Cars & Trucks	2,005,715	2,084,722	(79,007)
Total Capital Assets	105,787,738	103,830,118	1,957,620
Less accumulated depreciation	(50,095,824)	(48,593,639)	(1,502,185)
Net Capital Assets	$ 55,691,914	$ 55,236,479	$ 455,435

The District incurred major capital asset additions for the fiscal year 2022 but also removed assets which were no longer in service by the District. The net effect of these changes was a change in accumulated depreciation of $1,502,185 and a $1,957,620 increase in District Net Capital Assets.

Additional information on the District's capital assets can be found in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors when setting the fiscal year 2022 budget, user fees, and charges. The District tries to balance revenues with operating expenses that have increased due to factors such as the availability of water, water purchase costs, water quality requirements, and unfunded benefit liabilities.

CalPERS plan assets value continues to be impacted thus causing employers' contribution rates to fluctuate. For fiscal year 2022, the District's contribution rate included a cost rate of 10.88% for Classic members, plus a $510,977 payment toward the District's unfunded liability (Classic members), and a cost rate of 7.59% for PEPRA members, plus a $4,066 payment towards the District's unfunded liability (PEPRA members).

These indicators were taken into consideration when adopting the District's budget for fiscal year 2023 (see Table 5). The budget has been structured to contain costs, but at the same time, continue the District's philosophy of providing the highest level of service.

TABLE 5
Fiscal Year 2022 Actual vs. Fiscal Year 2023 Budget

	Fiscal Year 2022 Actual	Fiscal Year 2023 Budget	Variance
Revenues:			
Operating revenues	$ 11,460,352	$ 12,569,360	$ 1,109,008
Nonoperating revenues	4,097,516	4,476,250	378,734
Total Revenues	15,557,868	17,045,610	1,487,742
Expenses:			
Depreciation	2,538,431	-	2,538,431
Other operating expenses	14,336,812	14,584,260	(247,448)
Total Expenses	16,875,243	14,584,260	2,290,983
Capital Contributions	132,003	100,000	(32,003)
Change in Net Position	(1,185,372)	2,561,350	3,778,725
Beginning Net Position	69,961,010	68,775,638	(1,185,372)
Ending Net Position	$ 68,775,638	$ 71,336,988	$ 2,593,353

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian W. Jewett, Manager of Finance/Treasurer at Laguna Beach County Water District.

LAGUNA BEACH COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 7,080,806
Investments	11,976,194
Accounts Receivable	1,784,586
Interest Receivable	88,336
Taxes Receivable	78,113
Leases Receivable, Current	393,809
Computer Loans to Employees	2,825
Inventory	316,418
Prepaid Expenses	200,751
Total Current Assets	21,921,838
Noncurrent Assets:	
Leases Receivable, Noncurrent	4,890,491
Capital Assets:	
Capital Assets, Not Being Depreciated	6,032,432
Capital Assets, Being Depreciated, Net	49,659,482
Total Capital Assets, Net	55,691,914
Total Noncurrent Assets	60,582,405
Total Assets	82,504,243
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amounts from OPEB Plan	93,902
Deferred Amounts from Pension Plan	1,637,532
Total Deferred Outflows Of Resources	1,731,434

See accompanying Notes to Basic Financial Statements.

LAGUNA BEACH COUNTY WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2022

LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 1,073,196
Accrued Payroll and Related Costs	103,838
Water-Related Deposits	39,160
Tenant Deposit	4,200
Construction Deposits	27,600
Retentions Payable	26,192
Accrued Vacation, Current Portion	97,447
Total Current Liabilities	1,371,633
Noncurrent Liabilities:	
Accrued Vacation	292,340
Total Other Postemployment Benefits (OPEB) Liability	855,324
Net Pension Liability	3,912,523
Total Noncurrent Liabilities	5,060,187
Total Liabilities	6,431,820
DEFERRED INFLOWS OF RESOURCES	
Deferred Amounts from OPEB Plan	133,893
Deferred Amounts from Pension Plan	3,717,383
Deferred Amounts from Leases	5,176,943
Total Deferred Inflows of Resources	9,028,219
NET POSITION	
Net Investment in Capital Assets	55,463,632
Unrestricted	13,312,006
Total Net Position	$ 68,775,638

See accompanying Notes to Basic Financial Statements.

LAGUNA BEACH COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2022

OPERATING REVENUES	
Water Sales	$ 11,105,127
Service Installation Fees	118,344
Fire Service Charges	14,532
Equipment Rental	14,880
Overhead Expense Charged Out	3,993
Penalties	9,278
Customer Administration Fees	13,566
Miscellaneous Income	180,632
Total Operating Revenues	11,460,352
OPERATING EXPENSES	
Water Purchased	4,028,389
Source of Supply	242,486
Pumping	1,010,623
Transmission and Distribution	4,260,767
Customer Service	528,496
General and Administrative	3,992,908
Other Operation and Maintenance	273,143
Depreciation	2,538,431
Total Operating Expenses	16,875,243
OPERATING LOSS	(5,414,891)
NONOPERATING REVENUES (EXPENSES)	
Property Taxes	3,600,366
Rental Income	531,790
Grant Revenues	11,262
Investment Income	(617,948)
Interest Income	77,351
Gain on Disposal of Capital Assets	494,695
Total Nonoperating Revenues (Expenses)	4,097,516
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,317,375)
CAPITAL CONTRIBUTIONS	132,003
CHANGE IN NET POSITION	(1,185,372)
Net Position - Beginning of Year	69,961,010
NET POSITION - END OF YEAR	$ 68,775,638

See accompanying Notes to Basic Financial Statements.

LAGUNA BEACH COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$ 11,496,205
Payments to Suppliers	(9,531,177)
Payments to Employees	(4,724,910)
Net Cash Used by Operating Activities	(2,759,882)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Taxes	3,587,459
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant Revenues	11,262
Proceeds from Disposal of Capital Assets	704,798
Acquisition and Construction of Capital Assets	(3,203,969)
Receipts for Water Capacity Fees	132,003
Net Cash Used by Capital and Related Financing Activities	(2,355,906)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	367,529
Lease Receipts	424,434
Collections on Notes Receivable	47,759
Purchase of Investments	(1,355,364)
Proceeds from Sale or Maturity of Investments	3,100,001
Net Cash Provided by Investing Activities	2,584,359
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,056,030
Cash and Cash Equivalents - Beginning Of Year	6,024,776
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,080,806

See accompanying Notes to Basic Financial Statements.

LAGUNA BEACH COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2022

OPERATING REVENUES	
Water Sales	$ 11,105,127
Service Installation Fees	118,344
Fire Service Charges	14,532
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Overhead Expense Charged Out	3,993
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Interest Income	77,351
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NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,317,375)
CAPITAL CONTRIBUTIONS	132,003
CHANGE IN NET POSITION	(1,185,372)
Net Position - Beginning of Year	69,961,010
NET POSITION - END OF YEAR	$ 68,775,638

See accompanying Notes to Basic Financial Statements.

LAGUNA BEACH COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$ 11,496,205
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Payments to Employees	(4,724,910)
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant Revenues	11,262
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Proceeds from Sale or Maturity of Investments	3,100,001
Net Cash Provided by Investing Activities	2,584,359
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,056,030
Cash and Cash Equivalents - Beginning Of Year	6,024,776
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,080,806

See accompanying Notes to Basic Financial Statements.

LAGUNA BEACH COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2022

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (5,414,891)
Depreciation	2,538,431
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
(Increase) Decrease in:	
Accounts Receivables	7,558
Computer Loans to Employees	3,145
Inventory	12,531
Prepaid Expenses	(9,278)
Deferred Outflows of Resources - OPEB	(14,648)
Deferred Outflows of Resources - Pensions	104,728
Increase (Decrease) in:	
Accounts Payable	(329,182)
Accrued Payroll and Related Costs	57,240
Deposits	28,295
Total OPEB Liability	(23,421)
Net Pension Liability	(3,177,359)
Deferred Inflows of Resources - OPEB	78,426
Deferred Inflows of Resources - Pensions	3,378,543
Net Cash Used by Operating Activities	$ (2,759,882)

See accompanying Notes to Basic Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

B. Change in Organization

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Change in Organization (Continued)

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

C. Method of Accounting

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

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

When both restricted and unrestricted resources are available, it is the District's policy to use unrestricted resources first and then restricted resources as they are needed. As of June 30, 2022, the District had no restricted resources.

D. Net Position Classifications

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

Net Investment in Capital Assets

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Net Position Classifications (Continued)

Restricted Net Position

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

Unrestricted Net Position

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

E. Deferred Outflows/Inflows of Resources

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

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

F. Investments

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

G. Cash and Cash Equivalents

For the purposes of the statement of cash flows and carrying value purposes, the District considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management evaluates all accounts receivable and, if it is determined that they are uncollectible, they are written off as bad debt expense. Charges totaling $22,111 were made to bad debt expense during the year ended June 30, 2022. Management has evaluated the accounts at year-end and believes they are all collectible.

I. Inventory

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

J. Capital Assets

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Property Taxes

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

The property tax calendar is as follows:

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

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

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

L. Pensions

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

M. Estimates

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Adoption of New Accounting Standards

GASB Statement No. 87, Leases

In June 2017, the GASB issued GASB Statement No. 87, *Leases.* This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The District adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standards to the beginning of the period of adoption There was no change to beginning net position as a result of the implementation of this standard. The implementation of this standards resulted in the District reporting a lease receivable and deferred inflow of resources disclosed in Note 3.

O. Leases

Lessor

The District is a lessor for noncancellable leases of land and a building. The District recognizes lease receivables and deferred inflow of resources in the statement of net position. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

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

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

NOTE 2 CASH AND INVESTMENTS

Cash and Investments

Cash and investments reported in the statement of net position as of June 30, 2022 are as follows:

Cash and Cash Equivalents	$ 7,080,806
Investments	11,976,194
Total Cash and Investments	$ 19,057,000

Cash and investments consisted of the following:

Cash on Hand	$ 500
Deposits with Financial Institutions	1,425,458
Investments	17,631,042
Total Cash and Investments	$ 19,057,000

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

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

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

N/A - Not Applicable

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

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

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

	Remaining Maturity (in Months)			
Investment Type	12 Months or Less	13 - 24 Months	25 - 60 Months	Total
Negotiable Certificates of Deposit	$ 1,843,429	$ 1,017,293	$ 1,738,180	$ 4,598,902
Medium-Term Corporate Notes	298,638	1,023,170	3,332,810	4,654,618
Municipal Notes or Bonds	549,213	-	2,173,461	2,722,674
Local Agency Investment Fund (LAIF)	5,654,848	-	-	5,654,848
Total	$ 8,346,128	$ 2,040,463	$ 7,244,451	$ 17,631,042

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum legal rating required by (where applicable) the California Government Code, the District's investment policy, and Nationally Recognized Statistical Rating Organization (Standard & Poor's or Moody's as indicated) credit ratings as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	AAA	AA	A	Unrated
Negotiable Certificates of Deposit (1)	$ 4,598,902	N/A	$ -	$ -	$ -	$ 4,598,902
Medium-Term Corporate Notes (2)	4,654,618	A	-	666,457	3,988,161	-
Municipal Notes or Bonds	2,722,674	A	278,472	2,444,202	-	-
LAIF	5,654,848	N/A	-	-	-	5,654,848
Total	$ 17,631,042		$ 278,472	$ 3,110,659	$ 3,988,161	$ 10,253,750

N/A - Not Applicable

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

(2) $446,065 of investments in the A category is Fitch's credit rating.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2022, there were no investments in one issuer that represented 5% or more of total District's investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2022, all of the District's deposits are insured or collateralized.

Investment in State Investment Pool

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

Fair Value Measurements

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

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

The District has the following recurring fair value measurements as of June 30, 2022:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Negotiable Certificates of Deposit	$ -	$ 4,598,902	$ -	$ 4,598,902
Medium-Term Corporate Notes	-	4,654,618	-	4,654,618
Municipal Notes or Bonds	-	2,722,674	-	2,722,674
Total Leveled Investments	$ -	$ 11,976,194	$ -	11,976,194
LAIF*				5,654,848
Total Investment Portfolio				$ 17,631,042

* Not subject to fair value measurement hierarchy.

NOTE 3 LEASE RECEIVABLES

The District, acting as lessor, leases land and a building under long-term, noncancelable lease agreements. The leases expire at various dates through 2041 and provide for renewal options of up to twenty years. During the year ended June 30, 2022, the District recognized $531,790 and $77,351 in lease revenue and interest revenue, respectively, pursuant to these contracts.

At June 30, 2022, the District had $5,284,300 in lease receivables and $5,176,943 in deferred inflows of resources related to these contracts. Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending June 30,	Princicpal	Interest	Total
2023	$ 393,809	$ 73,578	$ 467,387
2024	412,389	69,020	481,409
2025	403,837	64,260	468,097
2026	352,502	59,615	412,117
2027	340,779	54,955	395,734
2028-2032	1,605,727	205,542	1,811,269
2033-2027	1,223,031	91,834	1,314,865
2028-2032	552,226	15,658	567,884
	$ 5,284,300	$ 634,462	$ 5,918,762

NOTE 4 NOTES RECEIVABLE

Related-Party Notes Receivable

On April 23, 2002, the Board of Directors approved a loan to the District's former general manager for purchase of a residence, the location of which is restricted within the parameters listed in the agreement. The loan was funded on August 15, 2002. During the year ended June 30, 2022, the loan was paid off.

NOTE 5 CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2022:

	Balance at July 01, 2021	Additions	Deletions/ Transfers	Balance at June 30, 2022
Capital Assets, Not Depreciated:				
Land and Land Rights	$ 4,517,047	$ -	$ (109,000)	$ 4,408,047
Construction in Progress	1,875,705	3,203,969	(3,455,289)	1,624,385
Total Capital Assets, Not Depreciated	6,392,752	3,203,969	(3,564,289)	6,032,432
Capital Assets, Being Depreciated:				
Source of Supply Plant	9,869,587	213,983	(61,911)	10,021,659
Pumping Plant	7,078,986	308,054	(119,987)	7,267,053
Mains	36,872,842	1,418,646	(505,513)	37,785,975
Reservoirs and Tanks	28,517,610	119,852	(137,179)	28,500,283
Meters and Services	3,691,510	-	(2,967)	3,688,543
Buildings, Structures and Improvements	4,149,252	-	(34,116)	4,115,136
Office Furniture, Fixtures & Equipment	1,772,508	26,049	(18,357)	1,780,200
Machinery and Equipment	3,400,349	1,368,705	(178,312)	4,590,742
Cars & Trucks	2,084,722	-	(79,007)	2,005,715
Total Capital Assets, Being Depreciated	97,437,366	3,455,289	(1,137,349)	99,755,306
Less Accumulated Depreciation for:				
Source of Supply Plant	(6,781,627)	(218,273)	61,911	(6,937,989)
Pumping Plant	(5,642,630)	(155,098)	119,987	(5,677,741)
Mains	(13,554,619)	(751,714)	404,410	(13,901,923)
Reservoirs and Tanks	(13,845,744)	(619,627)	137,179	(14,328,192)
Meters and Services	(950,803)	(179,659)	2,967	(1,127,495)
Buildings, Structures and Improvements	(2,959,425)	(72,613)	34,116	(2,997,922)
Office Furniture, Fixtures & Equipment	(1,381,425)	(111,697)	18,357	(1,474,765)
Machinery and Equipment	(2,012,719)	(330,129)	178,312	(2,164,536)
Cars & Trucks	(1,464,647)	(99,621)	79,007	(1,485,261)
Total Accumulated Depreciation	(48,593,639)	(2,538,431)	1,036,246	(50,095,824)
Total Capital Assets, Being Depreciated, Net	48,843,727	916,858	(101,103)	49,659,482
Total Capital Assets, Net	$ 55,236,479	$ 4,120,827	$ (3,665,392)	$ 55,691,914

NOTE 6 COMPUTER LOANS TO EMPLOYEES

In March 1999, the District started the Employee Personal Computer Purchase Plan to encourage computer literacy of full-time District employees through the purchase and use of personal computers and software. Any full-time employee in good standing who has completed the probationary period and agrees to the provisions of the plan is eligible for a maximum 24-month noninterest loan of $2,000. The District has allocated a limit of $50,000 for this program. Outstanding balances as of June 30, 2022 are $2,825.

NOTE 7 COMPENSATED ABSENCES

The District has accrued the potential liability for accrued vacation pay totaling $389,787 as of June 30, 2022. Employees earn vacation and sick leave each month at various rates depending on length of service. Sick leave can be accumulated and rolled over into the retirement plan (see Note 8). The CalPERS's system includes an estimate for this amount in its actuarial calculations. There is no material amount of sick leave accrued that is not provided for by CalPERS calculation; therefore, no sick leave amount has been accrued in the District's financial statements.

NOTE 8 RETIREMENT PLAN

A. General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

The pension plan's provisions and benefits in effect for the year ended June 30, 2022, are summarized as follows:

	Miscellaneous	
	Prior to	On or After
Hire Date	January 1, 2013	January 1, 2013
Benefit Formula	2% @ 55	2% @ 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 - 63	52 - 67
Monthly Benefits, as a percent of Eligible Compensation	1.426% to 2.418%	1.02% to 2.5%
Required Employee Contribution Rates	7.00%	6.75%
Required Employer Contribution Rates:		
Normal Cost Rate	10.880%	7.590%
Payment of Unfunded Liability	$ 510,977	$ 4,066

NOTE 8 RETIREMENT PLAN (CONTINUED)

A. General Information about the 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 the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For the fiscal year ended June 30, 2022, the District made payments totaling $952,758.

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

As of June 30, 2022, the District reported $3,912,523 of liabilities for its proportionate share of the net pension liability of all plans.

The District's net pension liability for the pension plan is measured as the proportionate share of the net pension liability. The net pension liability of the pension plan is measured as of June 30, 2021, and the total pension liability for the pension plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the plan as of the measurement date June 30, 2020 and 2021 was as follows:

	Miscellaneous
Proportion - June 30, 2020	0.06516%
Proportion - June 30, 2021	0.07234%
Change - Increase	0.00718%

NOTE 8 RETIREMENT PLAN (CONTINUED)

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

For the year ended June 30, 2022, the District recognized pension expense of $1,258,670. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 952,758	$ -
Differences Between Actual and Expected Experience	438,747	-
Differences between the Employer's Contributions and the Employer's Proportionate Share of Contributions	-	301,958
Changes in Employer's Proportion	246,027	-
Net Differences Between Projected and Actual Earnings on Plan Investments	-	3,415,425
Total	$ 1,637,532	$ 3,717,383

$952,758 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2023	$ (629,890)
2024	(682,851)
2025	(776,020)
2026	(943,849)
2027	-
Thereafter	-

NOTE 8 RETIREMENT PLAN (CONTINUED)

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

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement period was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. The total pension liability was based on the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Postretirement Benefit Increase	(3)

(1) Varies by entry age and service.
(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Preretirement and Postretirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.
(3) The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

Long-Term Expected Rate of Return

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

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

NOTE 8 RETIREMENT PLAN (CONTINUED)

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

Long-Term Expected Rate of Return (Continued)

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

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the CalPERS CAFR, fixed income is included in Global Debt Securities; liquidity is included in short-term investments; inflation assets are included in both Global Equity Securities, and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability (Asset)	$ 7,992,172	$ 3,912,523	$ 539,935

NOTE 8 RETIREMENT PLAN (CONTINUED)

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

Pension Plan's Fiduciary Net Position

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

Subsequent Event

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-2021. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

C. Payable to the Pension Plan

At June 30, 2022, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description and Benefits Provided

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

Employees Covered

As of the June 30, 2022 measurement period, the following current and former employees were covered by the benefit terms under the plan:

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

A. General Information about the OPEB Plan (Continued)

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's Board of Directors. Currently, contributions are not required from plan members. The District is currently funding this OPEB obligation on a pay-as-you-go basis due to the insignificant amount that the District is paying each year. For the fiscal year ended June 30, 2022, the District's made payments of $27,382 for retiree health insurance premiums and the estimated implicit subsidy was $19,709, resulting in total benefit payments of $47,091.

B. Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.54%
Inflation	2.50%
Payroll Increases	2.75% per year annum, in aggregate
Long-Term Expected Rate of Return on Investments	Not applicable, since the District has not established an irrevocable trust for pre-funding the OPEB
Healthcare Cost Trend Rates	4.00% per year
Pre-retirement Turnover	Derived from the most recent CalPERS pension plan valuation
Pre-retirement Mortality	Derived from the most recent CalPERS pension plan valuation
Retirement Rates	Retirements rates under the most recent CalPERS 2.0% @ 55 rates for miscellaneous employees hired before January 1, 2013 and 2.0% @ 62 rates for miscellaneous employees hired on or after January 1, 2013

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Total OPEB Liability (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2022, actuarial valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%, which is the Bond Buyer 20-Bond GO Index as of measurement date June 30, 2022.

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021	
(Measurement Date)	$ 878,745
Changes in the Year:	
Service Cost	71,413
Interest on the Total OPEB Liability	19,285
Differences Between Actual and Expected Experience	26,117
Changes in Assumptions	(93,145)
Benefit Payments	(47,091)
Net Changes	(23,421)
Balance at June 30, 2022	
(Measurement Date)	$ 855,324

Change of Assumptions

The discount rate changed from 2.16% to 3.54% and the inflation rate changed from 2.75% to 2.50%.

Changes of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Total OPEB Liability (Continued)

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

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

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Net OPEB Liability (Asset)	$ 921,991	$ 855,324	$ 793,269

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

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

	1% Decrease (3%)	Current Healthcare Cost Trend Rates (4%)	1% Increase (5%)
Net OPEB Liability (Asset)	$ 765,481	$ 855,324	$ 960,953

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

For the year ended June 30, 2022, the District recognized OPEB expense of $87,448. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Actual and Expected Experience	$ 80,934	$ -
Changes in Assumptions	12,968	(133,893)
Total	$ 93,902	$ (133,893)

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

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

Year Ending June 30,	Amount
2023	$ (3,250)
2024	(3,250)
2025	(3,250)
2026	(2,477)
2027	(5,242)
Thereafter	(22,522)

NOTE 10 EMPLOYEE-DEFERRED COMPENSATION PLANS

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

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

NOTE 11 UNRESTRICTED NET POSITION

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

Board-Designated Amounts:	
Operating Reserve Fund	$ 2,555,280
Self-Insurance/Emergency Reserve Fund	1,481,650
Rate Stabilization Reserve Fund	1,090,785
Employee Liabilities	487,703
Capital Replacement	5,169,502
Total Board-Designated Amounts	10,784,920
Undesignated	2,527,086
Total Unrestricted Net Position	$ 13,312,006

NOTE 12 RISK MANAGEMENT

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

At June 30, 2022, the District participated in the self-insurance programs of the Insurance Authority as follows:

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

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

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

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

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

LAGUNA BEACH COUNTY WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS *

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

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

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

There were no changes in assumptions.

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

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

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

Inflation was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2022:

There were no changes in assumptions.

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

LAGUNA BEACH COUNTY WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
LAST TEN FISCAL YEARS *

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

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

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

There were no changes in assumptions.

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

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

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

Inflation was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2022:

There were no changes in assumptions.

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

LAGUNA BEACH COUNTY WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN
LAST TEN FISCAL YEARS *

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

(1) Level percentage of payroll, closed

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

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

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

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

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

LAGUNA BEACH COUNTY WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN (CONTINUED)
LAST TEN FISCAL YEARS *

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

(1) Level percentage of payroll, closed

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

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

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

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

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

LAGUNA BEACH COUNTY WATER DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS *

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

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2018 to June 2019:
Discount rate changed from 3.50% to 3.15%.
From fiscal year June 30, 2019 to June 2020:
Discount rate changed from 3.15% to 2.2%. Payroll increase changed from 3.00% to 2.75%.
From fiscal year June 30, 2020 to June 2021:
Discount rate changed from 2.2% to 2.16%.
From fiscal year June 30, 2021 to June 2022:
Discount rate changed from 2.16% to 3.54% and inflation changed from 2.75% to 2.50%.

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the statement of net position of the Laguna Beach County Water District (the District) as of June 30, 2022, the statement of revenues, expenses and change in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
Laguna Beach County Water District

Report on Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
December 16, 2022