



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Glendale
Glendale, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Water Fund of the City of Glendale, as of and for the year ended June 30, 2025, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Fund of the City of Glendale, as of June 30, 2025, 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 Water Fund of the City of Glendale 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water Enterprise Fund and do not purport to, and do not present fairly the financial position of the City of Glendale, California, as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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.

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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 Water Fund of the City of Glendale's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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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 of the defined benefit plans and the schedule of proportionate share of OPEB liability be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and operating statistical section but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

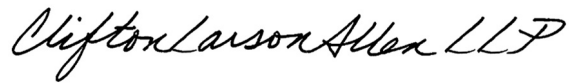
Report on Summarized Comparative Information

We have previously audited the Water Fund of the City of Glendale's 2024 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Honorable Mayor and
Members of the City Council
City of Glendale

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2025, on our consideration of the City of Glendale'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 City of Glendale'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 City of Glendale's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Irvine, California
November 19, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS – WATER UTILITY

The management of Glendale *Water & Power* (a department of the City of Glendale), offers the readers of the City of Glendale Water Enterprise Fund (Water Utility) financial statements, a narrative overview and analysis of the financial activities of the Water Enterprise for the fiscal year ended June 30, 2025. We encourage our readers to consider the information presented here in conjunction with the accompanying financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

During fiscal year 2025, the Water Utility’s retail revenues increased \$1,823 or 3.7% from fiscal year 2024. The retail revenues were primarily driven by an increase in sales volume, as the volume sold increased 6.8% from fiscal year 2024.

During fiscal year 2025, the total operating expenses increased \$7,527 or 15.8% from fiscal year 2024. After adding the net increase of \$2,656 from non-operating items (net interest, litigation settlement, capital contributions, and other adjustments) to the net operating loss of \$2,062, total net position increased by \$594 in fiscal year 2025.

The total assets and deferred outflow of resources of the Water Utility exceeded its total liabilities and deferred inflow of resources (i.e. net position) at the close of fiscal years 2025 by \$144,682 an increase of \$594.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Glendale Water Utility’s financial statements. The Water Utility is a business-type activity of the City, and its activities are reported in a separate enterprise fund. These financial statements include only the activities for the City of Glendale’s Water Utility. Information on city wide financial results is available in the City of Glendale’s Annual Comprehensive Financial Report.

The Water Utility’s financial statements are comprised of two components: 1) financial statements and 2) notes to the financial statements. In addition, this report also contains required supplementary information and other information to provide our readers additional information about the Water Utility, including sales statistics and other relevant data. Included as part of the financial statements are three separate statements which collectively provide an indication of the Water Utility’s financial health.

The **Statement of Net Position** presents information on assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the utility is improving or deteriorating.

The **Statement of Revenues, Expenses and Changes in Net Position** presents information showing how the Water Utility's net position changed during the most recent fiscal year. Results of operations are recorded under the accrual basis of accounting whereby transactions are reported as underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods, i.e. accounts payable and accounts receivable. The accrual basis of accounting is more fully described in the accompanying Notes to the Financial Statements.

The **Statement of Cash Flows** presents the flows of cash and cash equivalents during the last fiscal year including certain restricted amounts.

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13 to 38 of this report.

The required supplementary information is presented immediately following the notes to the financial statements.

Financial Analysis

As noted in the overview of financial statements, net position may serve over time as a useful indicator of the Water Utility's financial condition. In the case of the Water Utility, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$144,682 as of June 30, 2025. A portion of the Water Utility's net position 79.2%, reflects its net investment in capital assets, consists of capital assets, net of accumulated depreciation and amortization, reduced by non-debt capital related liabilities, added or reduced any deferred outflows/inflows of resources that is capital debt related, and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, excluding unspent debt proceeds.

The Water Utility uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt shown on the statement of net position must come from other sources such as operations since

the capital assets themselves cannot be used to liquidate these long-term liabilities. Unrestricted net position was \$30,048 as of June 30, 2025.

Net Position – Water Utility

The Water Utility's net position as of June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 58,304	\$ 55,341
Capital assets	<u>175,311</u>	<u>178,380</u>
Total assets	<u>233,615</u>	<u>233,721</u>
Deferred outflows of resources	<u>3,742</u>	<u>6,028</u>
Current liabilities	11,559	9,590
Long-term debt	<u>79,571</u>	<u>83,962</u>
Total liabilities	<u>91,130</u>	<u>93,552</u>
Deferred inflows of resources	<u>1,545</u>	<u>2,109</u>
Net Position:		
Net investment in capital assets	114,634	116,769
Unrestricted	<u>30,048</u>	<u>27,319</u>
Total net position	<u>\$ 144,682</u>	<u>\$ 144,088</u>

Net position increased by \$594, or 0.4%, during fiscal year 2025. The increase was primarily driven by higher non-operating revenues, a legal settlement, and reduced salaries and benefits.

Changes in Net Position – Water Utility

The Water Utility's changes in net position for the years ending June 30, 2025 and 2024 are as follows:

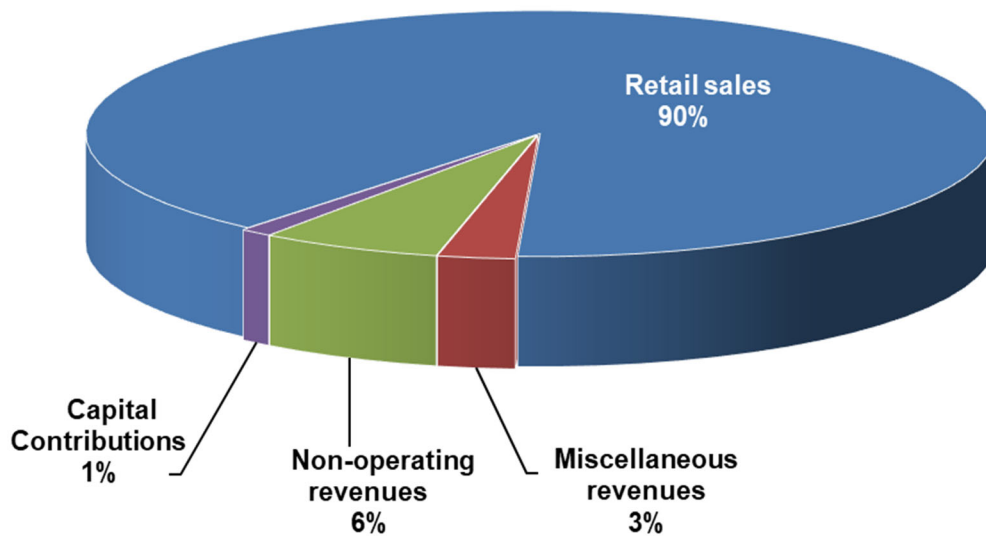
	<u>2025</u>	<u>2024</u>
Revenues		
Charges for services	\$ 51,597	\$ 49,774
Miscellaneous revenues	1,585	1,912
Non-operating revenues	<u>3,700</u>	<u>2,527</u>
Total revenues	<u>56,882</u>	<u>54,213</u>
Expenses:		
Production	35,826	28,698
Transmission and distribution	9,077	8,410
Customer accounting and sales	2,965	3,268
Amortization	4	10
Depreciation	7,372	7,331
Non-operating expenses	<u>1,695</u>	<u>1,627</u>
Total expenses	<u>56,939</u>	<u>49,344</u>
Increase in net position before contributions	(57)	4,869
Capital contributions	<u>651</u>	<u>688</u>
Changes in net position	<u>594</u>	<u>5,557</u>
Total net position, beginning of year as restated	<u>144,088</u>	<u>138,531</u>
Total net position, end of year	<u>\$ 144,682</u>	<u>\$ 144,088</u>

Revenues by Source – Water Utility

In 2025, total revenues for the Water Utility increased by 4.8% from the prior year. Retail revenues are the primary revenue source for the Water Utility, making up 90.0% of total revenue sources. Retail revenues increased 3.7% from the prior year primarily due to an increase of 6.8% in the volume of water sales.

Miscellaneous, non-operating revenues, and capital contributions together accounted for 10% of total revenue sources. These revenues and contributions increased by 15.8% from the prior year, mainly due to year-over-year increase in the fair value of investments and proceeds from a legal settlement.

2025 Revenues and Capital Contributions



Expenses by Source – Water Utility

In 2025, total expenses for the Water Utility increased 15.4% from the prior year level. Production expenses are the primary expense source for the Water Utility, making up 63.0% of total expenses. Production expenses increased 24.8% from the prior year primarily due to an increase in purchased water expenses.

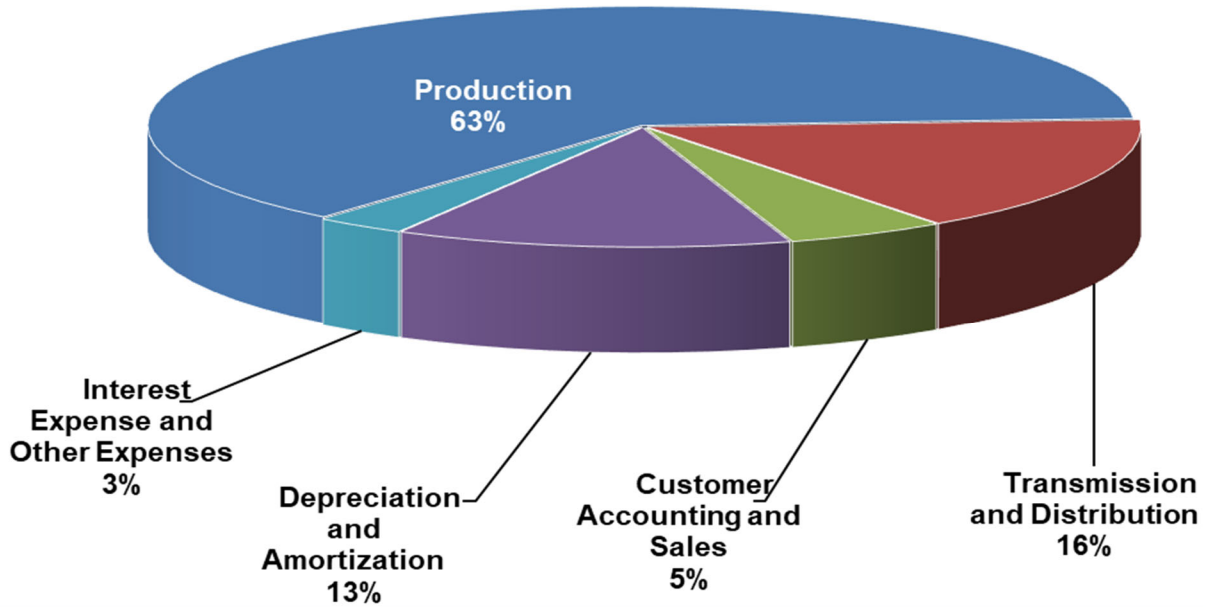
Transmission and distribution expenses comprised 16.0% of total expenses and increased 7.9% due to an increase in salaries, benefits and contractual services.

Customer accounting and sales expenses make up 5.0% of total expenses and decreased 9.3% from the prior year due to a decrease in contractual services and overhead charges.

Depreciation and amortization expense comprised 13% of total expenses and were consistent with last year.

Interest on bonds and other expenses make up 3% of total expenses and were consistent with last year.

2025 Expenses



Capital Assets and Debt Administration

Capital Assets

The Water Utility's investment in capital assets as of June 30, 2025 and 2024 was \$ 175,311 and \$178,380, respectively (net of accumulated depreciation). This included investments in production, transmission, and distribution related facilities, as well as general items such as structure improvements, transportation, communication, and miscellaneous equipment. Capital assets showed slight decrease for years ended June 30, 2025, compared to 2024. The Water utility has adopted a multi-year capital improvement program for waterworks projects.

The Water Utility's capital assets as of June 30, 2025 and 2024:

	2025	2024
Production	\$ 62,212	\$ 62,298
Transmission and distribution	229,704	228,516
General	19,858	17,894
Less: accumulated depreciation	<u>(136,463)</u>	<u>(130,328)</u>
Total	<u>\$175,311</u>	<u>\$178,380</u>

Additional information on the Water Utility’s capital assets can be found in Note 3 on page 23 of this report.

Long-Term Debt

As of June 30, 2025 and 2024, the Water Utility had outstanding long-term debt of \$61,921, and \$64,594, respectively. The Water Utility’s outstanding debt as of June 30 is as follows:

	2025	2024
Water revenue bonds	\$ 61,861	\$ 64,498
Leases payable	23	24
Subscriptions payable	37	72
Total long-term debt	\$ 61,921	\$ 64,594

During fiscal year 2025, the Water Utility maintained an “AA-” credit ratings from Standard & Poor’s, an “AA” credit rating from Fitch, Inc. for its 2012 & 2020 revenue bonds, and an Aa3 credit rating from Moody’s Investors Service for its 2012 water revenue bond.

Additional information on the Water Utility’s long-term debt can be found in Note 4 on pages 24 to 27 of this report.

Economic Factors and Rates

Although inflationary trends in the Glendale region have remained relatively stable, the Water Utility’s cost escalation is not solely attributable to inflation. The primary cost drivers for providing water are increases in the costs of purchased water and energy, the need for capital investment in the water distribution system, and the rising expenses of infrastructure replacement and rehabilitation projects—such as Pipeline Replacement, Water AMI Endpoint Replacement, and New Tank & Reservoir Maintenance—which have recently outpaced inflation.

Approximately 62% of the water demand in Glendale is met by water purchased from the Metropolitan Water District of Southern California (MWD). The remaining supply comes from pumping local groundwater and using recycled water. MWD increased its Tier 1 Full Service Treated Volumetric Cost by 11.1% in January 2025, 9.5% in January 2026 and 11.8% in January 2027. In addition to the cost of purchasing water, a large portion of the total operating expenses consists of energy for pumping.

Moderate storm events in April 2025 led to slight improvements in the snowpack and water supply runoff in the Northern Sierra. This supported the State's decision to increase the State Water Project Allocation to 50%, a slight increase from the 40% allocated just a month prior. With the State continuing to navigate extreme swings between wet and dry conditions along with the ongoing drought in the Colorado River watershed, Glendale has chosen, for now, to maintain the current Phase III of the City's Mandatory Water Conservation Ordinance (which limits watering to two days per week) that has been in effect since January 2022. Under this phase, the City's Drought Charge is implemented alongside the corresponding level of mandatory conservation. This charge has provided financial stability by covering expenses, despite the reduction in volumetric water sales.

Glendale Water Utility is currently conducting a Water Cost of Service Analysis (COSA) to propose a new rate structure for the coming years. These rate increases will fund water operations, maintenance expenses, and capital improvements. The COSA is expected to be completed in the second quarter of 2026.

Requests for Information

This financial report is designed to provide a general overview of the Water Utility's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager of Glendale Water & Power – 141 North Glendale Avenue, Level 4, Glendale, California 91206.

CITY OF GLENDALE
WATER ENTERPRISE FUND
Statement of Net Position
June 30, 2025 (in thousands)
(with comparative amounts for 2024)

	<u>2025</u>	<u>2024</u>
Assets		
Current assets:		
Pooled cash and investments	\$ 33,890	\$ 30,479
Cash with fiscal agent	3,972	4,622
Interest receivable	295	294
Accounts receivable, net	2,858	2,781
Unbilled receivable	4,823	4,689
Leases receivable	73	70
Due from other agencies	583	523
Total current assets	<u>46,494</u>	<u>43,458</u>
Noncurrent assets:		
Capital assets:		
Land	1,034	1,034
Buildings and improvements	70,298	68,764
Machinery and equipment	52,631	52,317
Infrastructure	184,933	183,969
Intangible assets	81	81
Subscription assets	109	109
Accumulated depreciation	(136,383)	(130,241)
Accumulated amortization	(80)	(87)
Construction in progress	2,663	2,375
Lease assets - land, not being depreciated	25	59
Total capital assets	<u>175,311</u>	<u>178,380</u>
Pooled designated & invested cash	11,300	11,300
Lease receivable	510	583
Other noncurrent assets	11,810	11,883
Total noncurrent assets	<u>187,121</u>	<u>190,263</u>
Total assets	<u>233,615</u>	<u>233,721</u>
Deferred outflow of resources:		
Deferred outflows of resources related to pensions	3,660	5,925
Deferred outflows of resources related to OPEB	82	103
Total deferred outflows of resources	<u>3,742</u>	<u>6,028</u>
Total assets and deferred outflow of resources	<u>\$ 237,357</u>	<u>\$ 239,749</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GLENDALE
WATER ENTERPRISE FUND
Statement of Net Position
June 30, 2025 (in thousands)
(with comparative amounts for 2024)

	<u>2025</u>	<u>2024</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 6,839	\$ 4,762
Contracts-retained amount due	265	555
Wages and benefits payable	450	374
Interest payable	743	772
Bonds payable, due in one year	2,705	2,636
Leases payable	1	2
OPEB liability	12	16
Subscriptions payable	37	35
Deposits	507	438
Total current liabilities	<u>11,559</u>	<u>9,590</u>
Noncurrent liabilities:		
Bonds payable	59,156	61,862
Leases payable	22	22
Subscriptions payable	-	37
Net pension liability	19,981	21,619
OPEB liability	412	422
Total noncurrent liabilities	<u>79,571</u>	<u>83,962</u>
Total liabilities	<u>91,130</u>	<u>93,552</u>
Deferred inflows of resources:		
Deferred inflows of resources related to leases	526	605
Deferred inflows of resources related to OPEB	293	337
Deferred inflows of resources related to pensions	39	426
Gain on refunding	687	741
Total deferred inflow of resources	<u>1,545</u>	<u>2,109</u>
Total liabilities and deferred inflows of resources	<u>92,675</u>	<u>95,661</u>
Net position:		
Net investment in capital assets	114,634	116,769
Unrestricted	30,048	27,319
Total net position	<u>\$ 144,682</u>	<u>\$ 144,088</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GLENDALE
WATER ENTERPRISE FUND

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2025 (in thousands)
(with comparative amounts for 2024)

	2025	2024
Operating revenues:		
Charges for services:		
Metered sales	\$ 48,384	\$ 47,006
Metered sales-recycled	1,985	1,587
Private fire	543	542
Other sales	685	639
Miscellaneous revenues	1,585	1,912
Total operating revenues	<u>53,182</u>	<u>51,686</u>
Operating expenses:		
Production	35,826	28,698
Transmission & distribution	9,077	8,410
Customer accounting and sales	2,965	3,268
Depreciation & amortization	7,376	7,341
Total operating expenses	<u>55,244</u>	<u>47,717</u>
Operating income	<u>(2,062)</u>	<u>3,969</u>
Non operating revenues (expenses):		
Grant revenue	-	335
Interest income	2,843	1,946
Gain on asset disposal	58	2
Lease/rental revenue	245	244
Litigation settlement	519	-
Interest expense	(1,660)	(1,627)
Total non operating revenues (expenses), net	<u>2,005</u>	<u>900</u>
Income before capital contributions	<u>(57)</u>	<u>4,869</u>
Capital contributions	<u>651</u>	<u>688</u>
Change in net position	594	5,557
Net position at beginning of year	<u>144,088</u>	<u>138,531</u>
Net position at end of year	<u>\$ 144,682</u>	<u>\$ 144,088</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF GLENDALE
WATER ENTERPRISE FUND**

Statement of Cash Flows

Year Ended June 30, 2025 (in thousands)

(with comparative amounts for 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash from customers	\$ 53,049	\$ 51,036
Cash paid to employees	(10,355)	(10,016)
Cash paid to suppliers	(37,568)	(31,522)
Operating grant received	-	335
Net cash provided by operating activities	<u>5,126</u>	<u>9,833</u>
Cash flows from noncapital financing activities:		
Litigation settlement	519	-
Lease revenue received	254	253
Net cash provided by noncapital financing activities	<u>773</u>	<u>253</u>
Cash flows from capital and related financing activities:		
Interest on long term debt	(1,961)	(1,935)
Principal payments	(2,415)	(2,340)
Acquisition of capital assets	(2,340)	(2,775)
Proceeds from sale of capital asset	93	2
Capital grants and contribution received	651	688
Net cash used by capital and related financing activities	<u>(5,972)</u>	<u>(6,360)</u>
Cash flows from investing activities		
Interest received	2,834	1,892
Net cash provided (used) by investing activities	<u>2,834</u>	<u>1,892</u>
Net increase in cash and cash equivalents	2,761	5,618
Cash and cash equivalents at July 1	46,401	40,783
Cash and cash equivalents at June 30	<u>\$ 49,162</u>	<u>\$ 46,401</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (2,062)	\$ 3,969
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,372	7,331
Amortization	4	10
Operating grants received	-	335
Decrease Deferred outflows from OPEB	21	19
Decrease Deferred outflows from pension	2,265	826
(Increase) Accounts receivable, net	(202)	(638)
Increase (Decrease) Accrued salaries and withholding	77	(2)
(Decrease) Accounts payable	(257)	(1,929)
Increase (Decrease) Deposits	69	(12)
Increase (Decrease) Net pension liability	(1,638)	491
(Decrease) OPEB liability	(14)	(149)
Increase (Decrease) Deferred inflows from OPEB	(44)	94
(Decrease) Deferred inflows from pension	(387)	(434)
(Decrease) Deferred inflows from leases	(78)	(78)
Total adjustments	<u>7,188</u>	<u>5,864</u>
Net cash provided by operating activities	<u>\$ 5,126</u>	<u>\$ 9,833</u>
Noncash investing, capital and financing activities		
Fair value of investments	1,545	715
Capital-related accounts payable	2,042	898
Total noncash investing, capital and financing activities	<u>\$ 3,587</u>	<u>\$ 1,613</u>
Reconciliation of Statement of Cash Flows to Statement of Net Position:		
Pooled cash and investments	\$ 33,890	\$ 30,479
Cash with fiscal agent	3,972	4,622
Pooled designated & invested cash	11,300	11,300
Cash and cash equivalents at June 30	<u>\$ 49,162</u>	<u>\$ 46,401</u>

1. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the City of Glendale (the City) as they pertain to the Water Utility. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Fund

The accounts of the City are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and other resources together with all related liabilities, obligations and net position that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Basis of Presentation

The City's Water Utility Fund is used to account for the construction, operation and maintenance of the City-owned water utility. The Fund is an enterprise fund, proprietary fund type, and uses flow of economic resources measurement focus to determine net income and financial position, as defined under accounting principles generally accepted in the United States of America. Accordingly, the accrual basis of accounting is followed by the Water Utility, where revenues are recorded when earned and expenses are recorded when incurred. The Water Utility is included as an enterprise fund in the City's Annual Comprehensive Financial Report, and therefore, these financial statements do not purport to represent the financial position and changes in financial position, and where applicable, cash flows thereof of the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Pooled Cash and Investments

The Water Utility pools its cash with the City. The Water utility values its cash and investments at fair value in the statement of net position and recognizes the corresponding change in the fair value of investments in the year in which the change occurred. The Water Utility follows the City's policy when categorizing the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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.

The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee and adopted by the City Council and follows the guidelines of the State of California Government Code. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large outlays required in excess of normal operating needs.

Interest income from the investment of pooled cash is allocated to the Water Utility on a monthly basis based upon the prior month end cash balance of the Fund as a percent of the month end total pooled cash balance. The City normally holds the investment to maturity; therefore, no realized gain/loss is recorded.

For purposes of statement of cash flows of the Water Utility, cash and cash equivalents include all pooled cash and investments, restricted cash, and cash with fiscal agents with an original maturity of three months or less. The Water Utility considers the cash and investments pool to be a demand deposit accounts where funds may be withdrawn and deposited at any time without prior notice or penalty.

Cash with Fiscal Agent

The Water Utility has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. These are subject to the same risk category as the invested cash. The California Government Code provides that these funds, in the absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the

ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These funds are governed by the bond indenture. These ordinances are generally more restrictive than the City's general investment policy.

Pooled Designated Cash and Investments

A Cash Reserve Policy for the Water Utility was first established in 2003. Its provision calls for annual review of the reserves to determine if the recommended levels are sufficient. The annual review of the Cash Reserve Policy for the fiscal year ending June 30, 2025, established a target of \$61,518 of designated cash in the following categories: \$44,721 for the operating reserve, \$15,303 for contingency reserve; \$1,494 for rate stabilization reserve. As of June 30, 2025, \$11,300 was designated in the Water Fund in the following categories: \$3,800 for the operating reserve, \$6,500 for contingency reserve, and \$1,000 for rate stabilization reserve.

Accounts Receivable

The Water Utility records revenues that have already been earned but not yet received as of June 30 from individual customers, private entities & government agencies. Also, recoveries to utility customer receivables previously written off are recorded when received. An allowance for doubtful account is maintained for utility and miscellaneous accounts receivable. The allowance for doubtful account is adjusted at fiscal year-end based on the amount equal to the annual uncollectible accounts. As of June 30, 2025, the Fund's allowance for doubtful accounts was \$60.

Unbilled Receivable

The Water Utility records revenues for utility services delivered to customers but not billed. As of June 30, 2025, the Fund's unbilled receivable was \$4,823.

Capital Assets

The Water Utility's capital assets include land, building, improvements, and equipment that are reported in the financial statements. The Water Utility follows the City's asset capitalization policy. Capital assets are defined by the City as assets with an initial, individual cost of \$10 or \$100 in aggregate and an estimated useful life more than one year. Such assets are recorded at historical

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2025
(in thousands)

cost. Donated assets representing utility service assets, which are donated to the Water Utility by independent contractors, are recorded at acquisition cost. Depreciation for both purchased and contributed assets are computed using a straight-line method, based upon average estimated useful life of an asset. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

A summary of the useful lives of the capital assets of the Water Utility is as follows:

Assets	Years
Building and Improvements	10-50
General Structure and Parking Lot Landscaping Improvements	10
Building Improvements	20
Land Improvements	30
Transmission-Off System	50
Reservoir	65
Machinery and Equipment	3-12
Passenger Cars, Pickup	3-8
Cargo Vans	6-8
Dump/Tractor/Trailer Trucks	10-12
Intangible - Computer Software	2-8
Infrastructure	20-75
Potable-Services	20
Supply-Mains and Wells	25
Supply-Structure Improvements	30
Supply-Springs, Tunnels, and Potable-Hydrants	40
Potable-Mains	75

Lease assets represent the Water Utility's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets, which include land, structures, mobile equipment and equipment, follow the same capitalization threshold of \$10 as capital assets. Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentive received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease asset into service. Lease assets are amortized using a straight-line amortization over the shorter of the lease term or the useful life of the underlying asset.

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2025
(in thousands)

SBITA (Subscription-Based Information Technology Arrangements) assets represent the Water Utility's control of the right to use another party's Information technology software, either alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. SBITA assets follow the same capitalization threshold of \$10 as capital assets. SBITA assets are reported in the Water Utility's financial statements. SBITA assets are recorded at the amount of the initial measurement of the SBITA liabilities and modified by any SBITA payments made to the SBITA vendor at or before the commencement of the SBITA term, less any SBITA incentive received from the SBITA vendor at or before the commencement of the SBITA term along with any initial direct costs that are ancillary charges necessary to place the SBITA asset into service. SBITA assets are amortized using a straight-line depreciation over the following useful life of the underlying asset.

Deposits

The Water Utility requires all new or existing utility customers that have not or failed to establish their credit worthiness with the Water Utility to place a deposit. The deposits are refunded after these customers establish their credit worthiness to the Water Utility. As of June 30, 2025, the Water Utility's deposits were \$507.

Contracts - Retained Amount Due

The Water Utility withholds 5-10% of each progress payment on construction contracts. These retained amounts are not released until final inspection is completed and sufficient time has elapsed for sub-contractors to file claims against the contractor. As of June 30, 2025, the Water Utility's contracts – retained amount due was \$265.

Long-Term Debt

The long-term debt and other obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period when the debt is issued.

Lease Payable

Lease payable represents the Water Utility's obligation to make lease payments arising from the lease. Lease payable is recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

Subscription Payable

Subscription payable represents the Water Utility's obligation to make payments for subscription-based information technology arrangements (SBITA). Subscriptions payable is recognized at the commencement date, measured as the present value of expected SBITA payments over the term, minus any SBITA incentives. Interest expense is recognized ratably over the contract term.

Other Post Employment Benefits (OPEB)

The City's defined benefit OPEB plan, City of Glendale Retiree Benefits Plan (Plan), provides OPEB for all eligible employees of the Water Utility. The Plan is a single-employer defined benefit OPEB plan administered by the City and governed by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Additional information on the Water Utility's OPEB can be found in Note 6 of this report.

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 City of Glendale's California Public Employees' Retirement System (CalPERS) plans 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.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation and amortization, reduced by non-debt capital related liabilities, added or reduced any deferred outflows/inflows of resources that is capital debt related, and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, excluding unspent debt proceeds. As of June 30, 2025, the Water Utility's net investments in capital assets was \$114,634. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Water Utility first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Revenue Recognition

Revenues are recognized for water services provided to customers, and customers are billed either monthly or bi-monthly. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Budgets and Budgetary Accounting

The Water Utility presents and the City Council adopts an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Water Utility's budget in June each year via a resolution.

Pronouncements Issued But Not Yet Implemented

The Governmental Accounting Standards Board (GASB) issued pronouncements that have an effective date that may impact future financial presentation. Management has not determined what, if any, impact implementation of the following statements may have on the financial statements of the Water Utility.

- GASB Statement No. 103 – *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This statement is effective for fiscal years beginning after June 15, 2025 (FY 2025-26).
- GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The objective of this statement is to provide users of governmental financial statement with essential information about certain types of capital assets. This statement is effective for fiscal years beginning after June 15, 2025 (FY 2025-26).

IMPLEMENTATION OF PRONOUNCEMENTS

The Water Utility has adopted and implemented, where applicable, the following GASB Statements during the year ended June 30, 2025:

- GASB Statement No. 101 – *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for fiscal years beginning after December 15, 2023. The implementation of this statement had no impact on the Water Utility.

- GASB Statement No. 102 – *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This statement is effective for fiscal years beginning after June 15, 2024.

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources or expenses until then. When the Water Utility makes the pension contributions and OPEB payments after the measurement date, the City reports deferred outflows of resources. When there is an increase in pension and OPEB expenses arising from the recognition of changes in assumptions, differences between expected and actual experience, and difference between projected and actual earnings on pension plan investments, the Water Utility reports a deferred outflow of resources until the increase is recognized in expense. As of June 30, 2025, the Water Utility’s deferred outflows of resources related to pensions and OPEB amounted to \$3,742.

In addition to liabilities, the statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources or revenues until then. For current or advance refunding resulting in defeasance of debt, when the difference between the reacquisition price and the net carrying amount of the old debts (i.e., deferred charges) resulted in a gain, it is reported as a deferred inflow of resources and amortized to interest expense based on the straight line method over the remaining life of the old debt or the life of the new debt, whichever is shorter. When there is a decrease in pension and OPEB expense arising from the recognition of changes in assumptions and differences between expected and actual experience, the water utility reports a deferred inflow of resources until the decrease is recognized in expense. For leases that the water utility is the lessor, the amount of the initial measurement of the lease receivable is reported as a deferred inflow of resources and amortized to lease revenue based on the straight-line method over the lease term. The Water Utility’s deferred inflow of resources resulting from leases, pensions, OPEB, and gain on refunding is \$1,545 as of June 30, 2025.

Prior-Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Water Utility Fund's prior-year financial statements from which this selected financial data was derived.

2. Pooled Cash and Investments

Cash resources of the Water Utility are combined with other City funds to form a pool of cash and investments, which is managed by the City Treasurer under a formal investment policy that is reviewed by the Investment Committee and adopted annually by the City Council. Therefore, individual investments cannot be identified with any single fund. Income from the investment of pooled cash is allocated to the Water Utility on a monthly basis, based upon the month-end cash balance of the fund as a percent of the month-end total pooled cash balance. Of this total pooled cash and investment, \$45,190 pertains to the Water Utility for fiscal year 2025. Pooled cash and investments are stated at the fair value.

Cash and investments as of June 30, 2025:

	<u>2025</u>
Pooled cash and investments	\$ 33,890
Cash with fiscal agents	3,972
Pooled designated and invested cash	11,300
Total	<u>\$ 49,162</u>

For additional details on the City investment pool including disclosure relating to interest rate risk, credit risk, custodial credit risk, investment in state investment pool and fair value measurement, please refer to the City of Glendale Annual Comprehensive Financial Report.

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2025
(in thousands)

The Water Utility had the following underlying investments as of June 30, 2025:

Investments	Fair Value	Maturity	Moody's Rating
Money Market	\$ 3,972	Less than 1 yr	Unrated

3. Capital Assets

A summary of the changes in Water Utility's June 30, 2025, Capital Assets are as follows:

	Balance at June 30, 2024	Increases	Decreases	Reclass / Transfers	Balance at June 30, 2025
Capital assets not being depreciated:					
Land	\$ 1,034	\$ -	\$ -	\$ -	\$ 1,034
Construction in progress	2,375	2,513	(3)	(2,222)	2,663
Lease assets	59	-	(34)	-	25
Total assets not being depreciated	3,468	2,513	(37)	(2,222)	3,722
Depreciable capital assets:					
Buildings and improvements	68,764	10	-	1,524	70,298
Infrastructure	183,969	296	-	668	184,933
Machinery and equipment	52,317	1,525	(1,241)	30	52,631
Intangible	81	-	-	-	81
Subscription asset	109	-	-	-	109
Total other capital assets at cost	305,240	1,831	(1,241)	2,222	308,052
Less accumulated depreciation & amortization:					
Buildings and improvements	24,003	1,136	-	-	25,139
Infrastructure	77,717	3,759	-	-	81,476
Machinery and equipment	28,521	2,443	(1,241)	-	29,723
Amortization	76	4	-	-	80
Subscription	11	34	-	-	45
Total accumulated depreciation & amortization	130,328	7,376	(1,241)	-	136,463
Total assets being depreciated	174,912	(5,545)	-	2,222	171,589
Water Fund capital assets, net	\$ 178,380	\$ (3,032)	\$ (37)	\$ -	\$ 175,311

4. Long-Term Debt

The Water Utility's long-term debt as of June 30, 2025, consists of the following:

	Issuance Amount	Balance at July 1	Additions	Retirements	Balance at June 30	Due within one year
Water Revenue Bonds, 2012 Series	\$ 35,000	31,415	-	650	30,765	695
Water Revenue Bonds, 2020 Refunding Series	36,625	30,000	-	1,765	28,235	1,790
Bond Premium-Gain	-	3,083	-	222	2,861	220
Total bonds payable	\$ 71,625	64,498	-	2,637	61,861	2,705

The Water Utility has outstanding long-term bonded debt of \$61,861 and has no direct borrowings and no direct placements as of June 30, 2025. Additionally, the Water Utility also has no outstanding or unused line of credit related to long-term debt as of June 30, 2025. The Water Utility bonds payable contain a provision that none of the Water Utility assets owned by the City will be sold or leased if the City is unable to satisfy the debt service requirement. The Water Utility bonds payable contain a provision that in an event of default, the owners of 25% in aggregate Bond Obligations of Bonds then outstanding may call a meeting of the bond owners for the purpose of electing a bond owners' committee. The Water Utility bonds payable contain a subjective acceleration clause that allows the bond owners' committee to accelerate payment of the entire principal and interest amounts to become immediately due in an event of default by the City.

The Water utility has pledged future water customer revenues, net of specified operating expenses, to pay the remaining total principal and interest on the Water revenue bonds of \$77,147 through FY 2041-42. The bonds are payable solely from Water utility's net revenues and is expected to require the net revenues to be at least equal to 1.25 times the amount of the annual debt services as they become due each fiscal year. The rates to be charged for services furnished by the Water utility should incorporate the debt service requirements to provide revenues sufficient to pay, as the principal and interest become due. The Water revenue bonds are secured with amounts on deposit in account established under the indenture, including the reserve account. As of June 30, 2025, the parity reserve fund has a balance of \$3,965 held by the Trustee. Total debt service paid and total net available revenues for debt service coverage for FY 2024-25 were \$4,268 and \$8,994, respectively.

Water Revenue Bonds, 2012 Series

The Water utility of Glendale Water & Power issued \$35,000 in revenue bonds in December 2012 to finance the costs of certain improvements to the City's water public utility including construction and development of Rockhaven Well, construction of a new energy and asset management system, Supervisory Control and Data Administration (SCADA), Glorietta Well improvements and pump station and water quality improvements, make a deposit to the Parity Reserve Fund and pay the cost of issuance.

Interest rates range from 2.75% to 5.00% and paid semiannually on August 1 and February 1. Principal payments are made annually on February 1. The 2012 Bonds will mature in regularly increasing amounts ranging from \$695 to \$4,945 annually from FY 2025-26 to FY 2041-42. Outstanding principal balance as of June 30, 2025, was \$30,765.

The 2012 Bonds have an optional redemption on and after February 1, 2023. The 2012 Bonds maturing on February 1, 2042, are subject to mandatory sinking fund redemption from mandatory sinking account payments set aside in the Parity Obligation Payment Fund.

Water Revenue Bonds, 2020 Refunding Series

The Water utility of Glendale Water & Power issued \$36,625 in revenue bonds in August 2020 to provide money for refunding the City's outstanding Water Revenue Bonds, 2008 Series (2008 Bonds), making a deposit to the Parity Reserve Fund, and paying the costs of issuance of the 2020 Bonds. The bond proceeds were deposited in an escrow account and were used to refund the 2008 Bonds. The 2008 Bonds was redeemed on September 5, 2020, at a redemption price of 100% of the principal amount plus accrued and unpaid interest to such redemption date. The 2008 Bonds is no longer considered outstanding.

The refunding resulted in the recognition of a deferred gain on refunding of \$687 as of June 30, 2025, and is being amortized through FY 2037-38. The refunding also resulted in cash flow savings of \$12,031 which is the difference between the cash flows required from the prior debt service and the cash flows required for the new refunding debt service.

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2025
 (in thousands)

Interest rates range from 2.00% to 4.00% and paid semiannually on August 1 and February 1. Principal payments are made annually on February 1. The 2020 Refunding Bonds will mature in regularly increasing amounts ranging from \$1,790 to \$2,475 annually from FY 2025-26 to FY 2037-38. Outstanding principal balance at June 30, 2025, was \$28,235.

The 2020 Refunding Bonds maturing on or prior to February 1, 2030, are not subject to redemption prior to maturity. The City has the option to call for redemption, in whole or in part, the 2020 Refunding Bonds that mature on or after February 1, 2031. This optional redemption may occur on August 1, 2030, or any date thereafter, with bonds selected in any order of maturity and by lot within maturity.

The annual debt service requirements to amortize long-term bonded debt at June 30, 2025, are as follows:

Fiscal Year	Water Revenue Bonds		
	Interest	Principal	Total
2026	\$ 1,785	2,485	4,270
2027	1,712	2,560	4,272
2028	1,636	2,635	4,271
2029	1,538	2,735	4,273
2030	1,437	2,835	4,272
2031-2035	5,852	16,165	22,017
2036-2040	3,674	19,860	23,534
2041-2045	513	9,725	10,238
	<u>\$ 18,147</u>	<u>59,000</u>	<u>77,147</u>

Leases Payable

As of June 30, 2025, the Water Utility has one outstanding land leases payable, totaling \$23. The incremental borrowing rate is 1.47%. The annual principal and interest payments range from \$1 to \$11 from FY 2025-26 to FY 2040-41.

	Amount outstanding at July 1, 2024	Additions	Retirements	Amount outstanding at June 30, 2025	Due within one year
Flint Peak tower facility ground lease	\$ 22	\$ -	\$ -	\$ 22	\$ 1
Airspace land lease	2	-	2	-	-
Total leases payable	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 22</u>	<u>\$ 1</u>

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2025
(in thousands)

The Water Utility's total future minimum payments under lease agreements at June 30, 2025, are as follows:

Fiscal Year	Future Minimum Lease Payments		
	Interest	Principal	Total
2026	\$ -	1	1
2027	-	1	1
2028	-	1	1
2029	-	1	1
2030	-	1	1
2031-2035	1	7	8
2036-2040	-	9	9
2041	-	1	1
	<u>\$ 1</u>	<u>22</u>	<u>23</u>

Subscription Payable

As of June 30, 2025, the Water Utility has one outstanding subscription payable totaling \$37. The incremental borrowing rate is 2.85%. The annual principal and interest payment is \$38 for FY 2025-26.

	Amount outstanding at July 1, 2024	Additions	Retirements	Amount outstanding at June 30, 2025	Due within one year
Eagle Aerial Solutions - WaterView Software	\$ 72	-	35	37	37
Total Subscriptions payable	<u>\$ 72</u>	<u>-</u>	<u>35</u>	<u>37</u>	<u>37</u>

The Water Utility's total future minimum subscription payments under the subscription-based information technology agreement (SBITA) as of June 30, 2025, are as follows:

Fiscal Year	Future Minimum Subscription Payments		
	Interest	Principal	Total
2026	\$ 1	37	38
	<u>\$ 1</u>	<u>37</u>	<u>38</u>

5. Pension Plan

Plan Description

All qualified permanent and probationary employees of the Water Utility are eligible to participate in the City's Miscellaneous Plan, an agent multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan is established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information can be found on the CalPERS website at: <http://www.calpers.ca.gov>.

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 for Classic members and age 52 for PEPRA members, with statutorily reduced benefit. All members may be eligible for non-duty disability benefits after 5 years of service. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2025
 (in thousands)

The Plans' provisions and benefits in effect at the measurement date ended June 30, 2024, are summarized as follows, which remain the same for fiscal year 2024-25.

	Miscellaneous		
	Prior to January 1, 2011	Between January 1, 2011 and December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55+	50-63+	52-67+
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%

Contributions

Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for both Plans are determined annual 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 City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Since FY 2017-18, the contribution for the unfunded liability is a fixed amount, rather than a rate of the payroll. The City converts the fixed amount into a rate based on the payroll, and combines it with the normal cost rate to calculate the total employer contribution rate.

For the year ended June 30, 2025, the Water Utility's contributions to the City's Miscellaneous Plan were \$2,165.

Pension Liability, Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2025, the Water Utility reported a liability of \$19,981 for its proportionate share of the City Miscellaneous Plan net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024 using standard update procedures. The water utility's proportion of the city miscellaneous plan net pension liability at June 30, 2025 was based on the water utility's fiscal year 2024 contributions to the City's miscellaneous plan relative to the total contributions to the miscellaneous plan. The water utility's pension expense for fiscal year 2025 was \$2,405.

The Water Utility's proportionate share of the net pension liability for the City's Miscellaneous Plan as of measurement dates ended June 30, 2023, and June 20, 2024, were as follows:

Proportion - June 30, 2024	5%
Proportion - June 30, 2023	6%
Change - Increase (Decrease)	<u>(1%)</u>

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,165	-
Changes of assumptions	73	-
Differences between expected and actual experience	240	39
Net differences between projected and actual earnings on plan investments	<u>1,182</u>	<u>-</u>
Total	<u>\$ 3,660</u>	<u>39</u>

The amount of \$2,165 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 ended June 30, 2026.

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2025
 (in thousands)

Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

<u>Year ended June 30,</u>	<u>Amounts</u>
2026	\$ 221
2027	1,720
2028	(205)
2029	(280)
Total	<u>\$ 1,456</u>

Actuarial Assumptions

The Water Utility's proportion of the City's total pension liability in the June 30, 2023, Miscellaneous Plan actuarial valuation was rolled forward to measure the June 30, 2024, total pension liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Actuarial cost method	Entry Age Actuarial Cost Method
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Salary increase	Varies by Entry Age and Service
Mortality rate table	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the *2021 CalPERS Experience Study and Review of Actuarial Assumptions*. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

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. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as followed:

Asset Class*	Assumed asset allocation	Real return**
Global equity – Cap-weighted	30.00%	4.54%
Global equity – Non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
Total	100.00%	

*An expected inflation of 2.30% used for this period.

**Figures are based on the 2021 Asset Liability Management Study.

Discount Rate

The discount rate used to measure the total pension liability was 6.9%. 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 Water Utility’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Water Utility’s proportionate share of the net pension liability, calculated using the discount rate of 6.9%, as well as what the Water Utility’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Sensitivity of the Net Pension Liability to changes in the discount rate</u>
1% Decrease	5.90%
Net Pension Liability	\$ 31,823
Current Discount Rate	6.90%
Net Pension Liability	\$ 19,981
1% Increase	7.90%
Net Pension Liability	\$ 10,225

Pension Plan Fiduciary Net Position

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

6. Other Post Employee Benefits (OPEB)

Eligible employees of the Water Utility are eligible to participate in the City's defined benefit OPEB plan, City of Glendale Retiree Benefits Plan (Plan), provides OPEB for all permanent full-time general and public safety employees of the City. The Plan is a single-employer defined benefit OPEB plan administered by the City and governed by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The City provides Medicare Part A reimbursements to retirees and their spouses if the retirees were hired in the City prior to April 1, 1986, and ineligible for premium-free Medicare Part A.

The City also provides cash subsidy for medical insurance premiums to three groups of retirees: (1) retirees who retired before July 1, 2001, and the length of the subsidy was pre-determined based on the retirees' sick leave balances at the time of retirement. The subsidy is capped by the actual premium, and the unreduced city-paid amount continues to surviving spouses if the retirees die prior to the pre-determined payment period; (2) retirees who retired before June 1, 2016, with a minimum of 10 years of City service, enroll in a City sponsored medical plan and meet the annual income requirement. The eligibility and subsidy amount are evaluated on an annual basis. This is a lifetime subsidy for the eligible retirees except it will discontinue at age 65 for the retirees with enhanced pension benefits. The benefit will continue to surviving spouses, if applicable; (3) the surviving spouses and dependents of deceased retirees if the retirees retired before June 1, 2008, and enrolled in Anthem Blue Cross PPO at the time of the death, and the length of subsidy is two years.

The City also provides cash subsidy for medical insurance premium to surviving spouses and dependents of active non-safety employees who pass away during their employment with the City. The subsidy is two years for the City Council, the Executives and the GMA employees, regardless of the medical insurance plans enrolled at the time of the death. The subsidy is two years for GCEA and IBEW employees if enrolled in Anthem Blue Cross PPO at the time of the death. The subsidy is two years for GCEA and IBEW employees if enrolled in HMO plans at the time of the death and if the employees' death is a result of injuries incurred in the performance of his/her assigned duties. At the same time, the City provides cash subsidy for dental insurance

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2025
(in thousands)

premium to surviving spouses and dependents of active safety employees who pass away during their employment with the City. The subsidy continues until the spouses turn 65 and the children turn 26 (if applicable).

The above benefits offered to retirees are no longer available to new entrants because of the restriction of the retirement dates. Benefits payments made by the Water Utility for the year ending June 30, 2025, were \$12.

Total OPEB Liability

As of June 30, 2025, the Water Utility reported a liability of \$424 for its proportionate share of the City's total OPEB liability. The City's total OPEB liability was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures. A summary of principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions and Other Inputs

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

Actuarial valuation date	June 30, 2023
Measurement date	June 30, 2024
Discount rate	3.93%
General inflation	2.50% annually
Medicare Part A trend	3.50% annually (inflation + 1%)
	Not related to health care trend
Medical Trend	Non-Medicare – 8.5% for 2025, decreasing to an ultimate rate of 3.45% in 2076
	Medicare (Non-Kaiser) – 7.5% for 2025, decreasing to an ultimate rate of 3.45% in 2076
	Medicare (Kaiser) – 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2025
 (in thousands)

The discount rate was based on the Bond Buyer 20-Bond GO index. Mortality, Retirement Disability and Termination information was derived from data collected during CalPERS 2000-20019 Experience Study. Mortality projected fully generational with Scale MP-2021.

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

The following presents the total OPEB liability of the Water Utility, as well as what the Water Utility's 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:

	<u>2.93%</u>	<u>3.93%</u>	<u>4.93%</u>
Total OPEB Liability	\$ 474	424	382

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Water Utility, as well as what the Water Utility's 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:

	<u>1% Decrease (Trend -1%)</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase (Trend +1%)</u>
Total OPEB Liability	\$ 421	424	427

Non-Medicare trend rate of 8.5% for 2025, decreasing to an ultimate rate of 3.45% in 2076. Medicare trend rate (Non-Kaiser) of 7.5% for 2025, decreasing to an ultimate rate of 3.45% in 2076. Medicare trend rate (Kaiser) of 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076.

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

For the year ended June 30, 2025, Water Fund recognized OPEB income of \$26. At June 30, 2025, the Water Fund 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
OPEB payments made subsequent to the measurement date	\$ 12	-
Changes of assumptions	70	147
Differences between expected and actual experience	-	146
Total	<u>\$ 82</u>	<u>293</u>

The amount of \$12 reported as deferred outflows of resources related to OPEB payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2026.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	Amounts
2026	\$ (36)
2027	(28)
2028	(25)
2029	(24)
2030	(31)
Thereafter	(79)
Total	<u>\$ (223)</u>

Change in Assumption

Discount rate was updated based on municipal bond rate as of the measurement date.

7. Risk Management

The Water Utility 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 Water Utility participates in City’s workers’ compensation, unemployment insurance, general,

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2025
 (in thousands)

auto, dental, medical and vision as well as public liability through separate internal service funds. The City purchased several commercial insurance policies from third-party insurance companies for errors and omissions of its officers and employees, and destruction of assets as well as excess workers' compensation and general public liability claims. The City also purchases property, and employee dishonesty insurance.

The City continues to be part of the insurance pool PRISM (Public Risk Innovation, Solutions and Management) which it joined in July 2023 after determining it would be an effective way of lowering the cost of annual excess liability insurance rates. By pooling resources with other organizations, the City can share risks, benefit from collective bargaining power, and potentially achieve lower premiums due to the larger risk pool. Some advantages and considerations associated with joining an insurance pool include cost savings by sharing risks and resources with other members, PRISM may offer more comprehensive coverage options that may not be available individually. By participating in a pool, the City may provide more stability in insurance rates over time, reducing the impact of market fluctuations.

There were no significant settlements or reductions in insurance coverage from settlements for the past three years. The insurance schedule for fiscal year 2024-25 is as follows:

Insurance Type	Program Limits	Deductible / SIR (self-insured retention)
Excess Liability Insurance	\$ 27,000	\$2,000 SIR per occurrence
Excess Workers' Comp Employer's Liability Insurance	Statutory	\$2,000 SIR per occurrence
Property Insurance	170,000	Various deductibles
Employee Dishonesty - Crime Policy, Excess Crime	6,000	\$2,000 Single Loss Limit
Cyber Insurance	5,000	Various deductibles

The annual premiums are based primarily on claims experience and are charged to expense when paid. Premiums are evaluated periodically, and increases are charged to the Water Utility to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses. As of June 30, 2025, premiums charged to the Water Utility were \$528.

For additional details on risk management, please refer to the City of Glendale Annual Comprehensive Financial Report.

WATER UTILITY REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Water Utility's Proportionate Share of the City's Net Pension Liability (Miscellaneous Plan) Last Ten Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Water Utility's proportion of the net pension liability	5.00%	6.00%	6.00%	7.00%	6.00%
Water Utility's proportionate share of the net pension liability	\$ 19,981	\$ 21,619	\$ 21,128	\$ 11,849	\$20,855
Covered payroll	\$ 5,143	\$ 5,980	\$ 7,102	\$ 7,110	\$ 5,941
Water Utility's proportionate share of the City's Miscellaneous Plan's net pension liability	388.53%	361.52%	297.49%	166.65%	351.04%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	77.90%	75.01%	74.62%	85.84%	73.24%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Water Utility's proportion of the net pension liability	6.00%	6.00%	6.00%	6.00%	6.00%
Water Utility's proportionate share of the net pension liability	\$ 19,525	\$ 18,206	\$ 18,600	\$ 16,387	\$13,228
Covered payroll	\$ 5,717	\$ 5,568	\$ 5,438	\$ 5,193	\$ 5,507
Water Utility's proportionate share of the City's Miscellaneous Plan's net pension liability	341.53%	326.98%	342.04%	315.56%	240.20%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	74.01%	74.42%	73.01%	73.87%	77.94%

WATER UTILITY REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions Last Ten Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contribution	\$ 2,165	\$ 2,052	\$ 2,188	\$ 2,178	\$ 2,025
Contributions in relation to the actuarially determined contribution	2,165	2,052	2,188	2,418	2,025
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (240)</u>	<u>\$ -</u>
Covered payroll	\$ 5,844	\$ 5,143 *	\$ 5,980	\$ 7,102	\$ 7,110
Contributions as a percentage of covered payroll	37.05%	39.90%	36.59%	34.05%	28.48%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 1,890	\$ 1,856	\$ 1,555	\$ 1,387	\$ 1,229
Contributions in relation to the actuarially determined contribution	1,890	1,856	1,555	1,387	1,229
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,941	\$ 5,717	\$ 5,568	\$ 5,438	\$ 5,193
Contributions as a percentage of covered payroll	31.81%	32.46%	27.93%	25.51%	23.67%

* Revised Covered payroll to match CalPERS GASB 68 Accounting Report.

WATER UTILITY REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Water Utility's Proportionate Share of the City's Total OPEB Liability
Last Ten Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Water Utility's proportion of the total OPEB liability	5.37%	5.29%	4.72%	4.56%	4.45%
Water Utility's proportionate share of the total OPEB liability	\$ 424	\$ 439	\$ 587	\$ 685	\$ 812
Covered-employee payroll	\$ 5,956	\$ 6,131	\$ 6,403	\$ 6,567	\$ 7,352
Water Utility's proportionate share of the total OPEB liability as a percentage of the covered-employee payroll	7.12%	7.16%	9.17%	10.43%	11.03%

(1) FY2021 is the first year of recording OPEB liability; therefore, only five years of data are shown.