ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the years ended
June 30, 2026 & 2025

Rialto, California



West Valley Water District

Annual Comprehensive Financial Report

Fiscal Years Ended

June 30, 2026 and 2025

West Valley Water District

Prepared by: Finance Department

855 W. Baseline Road
Rialto, CA 92376

West Valley Water District
For the Years Ended June 30, 2026 and 2025
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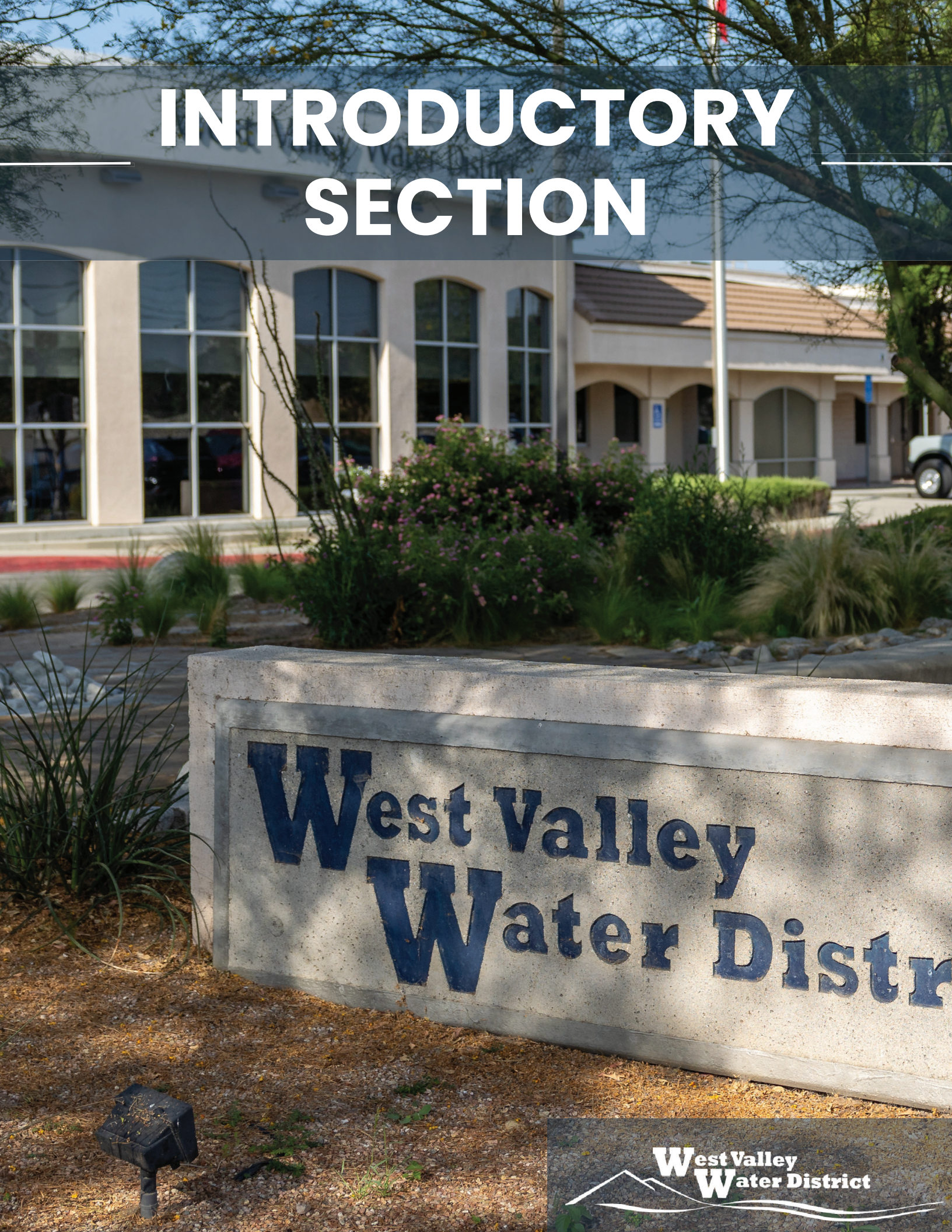
INTRODUCTORY SECTION



November 19, 2026

To the Board of Directors and Customers of West Valley Water District,

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) for the West Valley Water District (District) for the fiscal year ended June 30, 2026, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") following guidelines set forth by the Governmental Accounting Standards Board (GASB). District staff prepared this financial report, and the District is ultimately responsible for both the accuracy of the data as well as the completeness and fairness of the presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner so as to enhance your understanding of the District's financial position and activities.

The Pun Group LLP has issued an unmodified opinion of the District's financial statements for the year ended June 30, 2026. The independent auditor's report is located at the front of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditor's Report.

This report also contains a statistical section, which provides both financial and non-financial trend data about the District and its operations.

District Structure and Leadership

The District is a California special district established under section 30000 et seq. of the California Water Code and formed in 1952. The District is governed by a five-member Board of Directors (Board) elected by division. The General Manager administers the day-to-day operations of the District in accordance with the policies, procedures, and strategic plan established by the Board. The District employs approximately 88 full-time employees in various functional areas including operations, maintenance, engineering, finance, customer service, meter reading, human resources, conservation, public affairs, information technology, and administration. The Board meets on the first and third Thursdays of each month. Meetings are publicly noticed and live-streamed, and customers are encouraged to attend.

The District provides water service to over 100,000 customers through approximately 26,041 service connections within its thirty-two (32) square mile service area, located in southwestern San Bernardino County with a small area of northwestern Riverside County. The service area encompasses portions of the cities of Rialto, Bloomington, Colton, Fontana, Jurupa Valley, and some of the unincorporated areas of San Bernardino and Riverside counties.

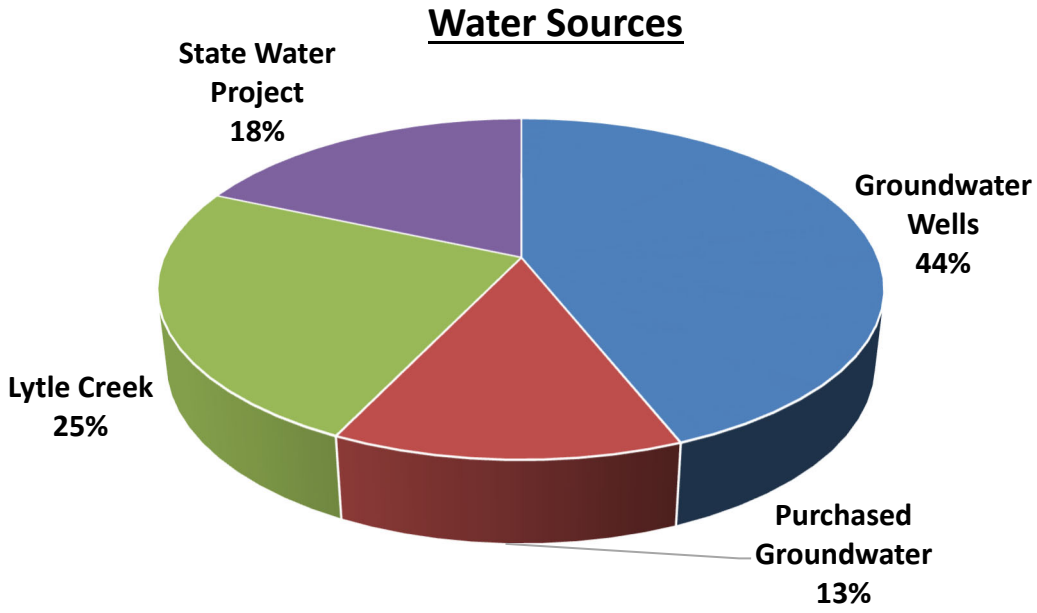
District Services

Residential customers represent approximately 92% of the District's customer base and consume approximately 65% of total water produced for consumption. The District currently has a total of 17 active groundwater wells with a maximum production capacity of approximately 43,700 acre-feet per year or 35.0 million gallons per day (MGD). The District also operates a surface water treatment plant with a capacity of 14.4 MGD and a biological treatment plant for perchlorate destruction with a capacity of 2.9 MGD.

Water Supply and Reliability

The District's water supply for the year ended June 30, 2026, includes groundwater (44%), purchased groundwater (13%), local surface water (25%), and imported surface water (18%). Groundwater is pumped from the Bunker Hill Basin, Lytle Creek Basin, North Riverside Basin, and Rialto-Colton Basin. The purchased groundwater is obtained from San Bernardino Valley Municipal Water District (Valley District) through the Baseline Feeder Project which utilizes groundwater from wells in the Bunker Hill Basin.

Local surface water comes from Lytle Creek which flows from the San Bernardino Mountains. Imported surface water is purchased from the State Water Project through Valley District. All surface waters are treated at the District's Roemer Water Filtration Facility.



Economic Condition and Outlook

The District's Office is located in the City of Rialto in San Bernardino County. The District serves communities in San Bernardino and Riverside counties (also known as the Inland Empire). About 43% of the District's water connections are in the city of Rialto. Since 2015, the District's water connections have grown by more than 25% and mostly comprised of new residential customers.

Economic indicators for the County of San Bernardino reflect a per capita personal income of approximately $50,698 and an unemployment rate of 5.2%. The most recent available economic data for the City of Rialto reported a per capita personal income of approximately $25,071 and an unemployment rate of 6.2%. These indicators provide context for the economic environment in which the District operates and serves its customers.

Industry Outlook

California has faced extreme weather patterns, including prolonged droughts and historic wet winters. In response to these fluctuations, the state has enacted legislation such as SB 606 and AB 1668 through the "Making Water Conservation a California Way of Life Regulation." This regulation aims to enhance water use efficiency and imposes increasingly stringent targets for water use reduction through 2040. Water providers across the state are preparing for these rigorous requirements.

During fiscal year 2026, water consumption levels stayed consistent with previous fiscal years with no major increases. Water consumption is a major revenue stream for the District and understanding changes in consumption patterns is key for the financial sustainability of the District.

The District continues to support its customers by providing rebates that encourage changes in water use habits and promote awareness on water conservation and efficiency. The District continues to depend heavily on groundwater supplies that are replenished by local and regional precipitation.

Cost of Service and Rate Structure Study 2025

In Fiscal Year 2025, the District completed a comprehensive Cost of Service and Rate Structure Study to evaluate the long-term adequacy, equity, and sustainability of its utility rates. The study assessed current and projected financial needs, customer rate impacts, and the allocation of costs among customer classes to ensure rates are fair, transparent, and aligned with industry best practices.

The primary objective of the study was to ensure that the District generates sufficient revenue to support ongoing operations and maintenance activities, meet debt service requirements, fund critical capital improvement projects, and maintain the financial strength necessary to provide reliable and high-quality services to its customers. The study also considered future infrastructure needs, regulatory requirements, and economic conditions affecting the District's ability to sustain essential services over the long term.

Based on the findings and recommendations of the rate study, the Board of Directors approved a new rate structure during Fiscal Year 2026. The revised rates are intended to support the District's long-term financial sustainability while ensuring an equitable allocation of costs among customers. The new rate schedule became effective on January 1, 2026, and establishes annual rate adjustments each January over a five-year period. This rate structure positions the District to meet its ongoing service obligations and future infrastructure investment requirements while maintaining prudent fiscal management for the benefit of its customers and stakeholders.

Major Initiatives

The activities of the Board and staff are driven by our mission statement - to provide our community with high-quality and reliable water service in a cost-effective and sustainable manner. To that end, the District's major priorities include the following:

1. Continue to deliver safe, reliable, high-quality water at an affordable price.
2. Nurture a culture that values our employees, customer service, innovation, integrity, excellence, transparency, and conservation.
3. Implement technologies that increase efficiency and enhance safety.
4. Plan and be prepared for anticipated water demand growth associated with housing growth in the District.

5. Further refine procedures to ensure the District safeguards ratepayer funds, operates efficiently, enhances transparency, and protects employees and District assets.

All programs and operations of the District are developed and performed at the highest level to ensure that quality water is delivered to all of its customers.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles and is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. The District continues to evaluate and enhance its financial policies, procedures, and internal controls to promote accountability, operational efficiency, and transparency in financial reporting.

Budgetary Control

The Board annually adopts an operating and capital budget prior to the new fiscal year beginning July 1 of each year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board adopted an Investment Policy that conforms to state law, District ordinances, and resolutions, prudent money management principles, and "prudent person" standards. The primary objectives of the Investment Policy are safety, liquidity, and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund, institutional savings, Federal government Treasury notes, agency obligations and other investments.

Long-term Financial Planning

The District's financial plan includes the establishment of reserve funds in accordance with the District's Reserve Policy. Reserve funds are set to ensure the continued orderly operation of the District's water system, the provision of services to customers at established levels, and the continued stability of the District's rate structure. The District has committed to the following objectives in the Reserve Policy as of June 30, 2026.

1. The District will strive to adopt a balanced budget.
2. Capital Reserves are established to provide funds for capital facility and equipment replacement.
3. Liquidity Reserves are established to safeguard the financial flexibility and stability of the District and to maintain stable customer charges and rates.
4. Restricted Reserves are maintained to comply with restrictions imposed by outside sources such as creditors, grantors, contributors, laws, or regulations.

The District's financial plan also includes the pursuit of alternative funding sources – including grants and low-interest loan products - which help reduce reliance on rates and rate increases. The District has been very successful in pursuing project funding from grants and the State Revolving Fund, which promote water sustainability and reliability. The District continues to pursue grants and low-interest financing opportunities to support critical infrastructure investments, reduce borrowing costs, and minimize the financial burden on its ratepayers. These efforts reflect the District commitment to long-term financial sustainability and responsible stewardship of public funds.

Debt Administration

The District maintains an AA- credit rating from Standard & Poor's, which was reaffirmed in May 2025. Revenue Bonds issued in December 2016 were used to refund the outstanding 2006D-2 Installment Purchase Agreement. During Fiscal Year 2025, the District received the final disbursement under its Drinking Water State Revolving Fund (SRF) loan. Total borrowings under the SRF loan amounted to $46.6 million and bear interest at a rate of 1.10%. These debt obligations provide financing for the District's capital improvement and infrastructure investment programs.

Other Post-Employment Benefits Pre-Funding

In fiscal year 2014, the District began participating in a program to pre-fund the cost of its post-employment benefits plan through the California Public Employees Retirement System (CalPERS) Trust. The District annually contributes funding.

Water Rates and District Revenues

In 2013, the District transitioned from a uniform rate structure to a tiered rate system and approved annual rate increases through 2017. Following the completion of a financial study in 2015, management determined that the previously approved rate increases for 2016 and 2017 were no longer necessary. Since that time, the District has maintained a strong financial position supported by adequate operating reserves. As discussed above, based on the findings and recommendations of a subsequent rate study, the Board of Directors approved a new rate structure that became effective on January 1, 2026. The revised rate schedule includes annual rate adjustments each January over a five-year period and is intended to support the District's long-term financial sustainability, ongoing service obligations, and future investment needs.

Water Conservation Programs

As the District responds to changing conservation regulations at the state level, Ordinance 83 represents the current approach to water conservation. Adopted on August 18, 2016 along with a move to Stage 2 watering restrictions, Ordinance 83 incorporates the District's 20% conservation standard. The standards provide additional flexibility for our customers while improving the clarity of the regulations in order to support meeting conservation goals and adopting habits for lifelong conservation.

The District is also focused on public outreach, media relations, and educational efforts to communicate about water conservation with its cities, school districts and community groups. The District provides several tools to assist customers with water use efficiency, including:

- Digital assets such as videos, web content, e-blasts, monthly newsletters, and social media campaigns;
- Written materials such as bill inserts, quarterly newsletters, and direct mail pieces;

- Water Use Efficient Workshops for customers to adapt water efficient practices;
- Rebates or assistance related to water-efficient devices through locally funded programs, that include: washing machines, high-efficiency toilets, "smart" irrigation controllers, turf rebate programs and "conservation starts with you" kits.

Independent Audit and Financial Reporting

State Law and bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of The Pun Group, LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Risk Management

The District is a member of the Association of California Water Agencies Joint Power Insurance Authority (Authority). 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. The District's Human Resources/Risk Management Department provides staff with regular safety training each month as part of the District's safety program.

Award for Excellence in Financial Reporting

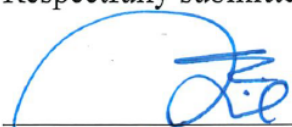
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the West Valley Water District for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. This was the fourteenth consecutive year that the District has received this prestigious award. To be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized ACFR. This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements. GFOA financial reporting guidelines and standards exceed the minimum disclosure requirements of state law, and provide for maximum disclosure to the public. A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

More information is contained in the MD&A and in the Notes to the Basic Financial Statements found in the Financial Section of the report.

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board for their continued support and direction in the planning and implementation of the District's fiscal policies and strategic plan.

Respectfully submitted,



John Thiel, PE, MBA
General Manager

MISSION STATEMENT

The West Valley Water District provides our community with high-quality and reliable water service in a cost-effective and sustainable manner.



BOARD OF DIRECTORS

Elected Board of Directors as of June 30, 2025



Kelvin Moore
President

Division 3



Angela Garcia
Vice President

Division 1



Dan Jenkins
Director

Division 2



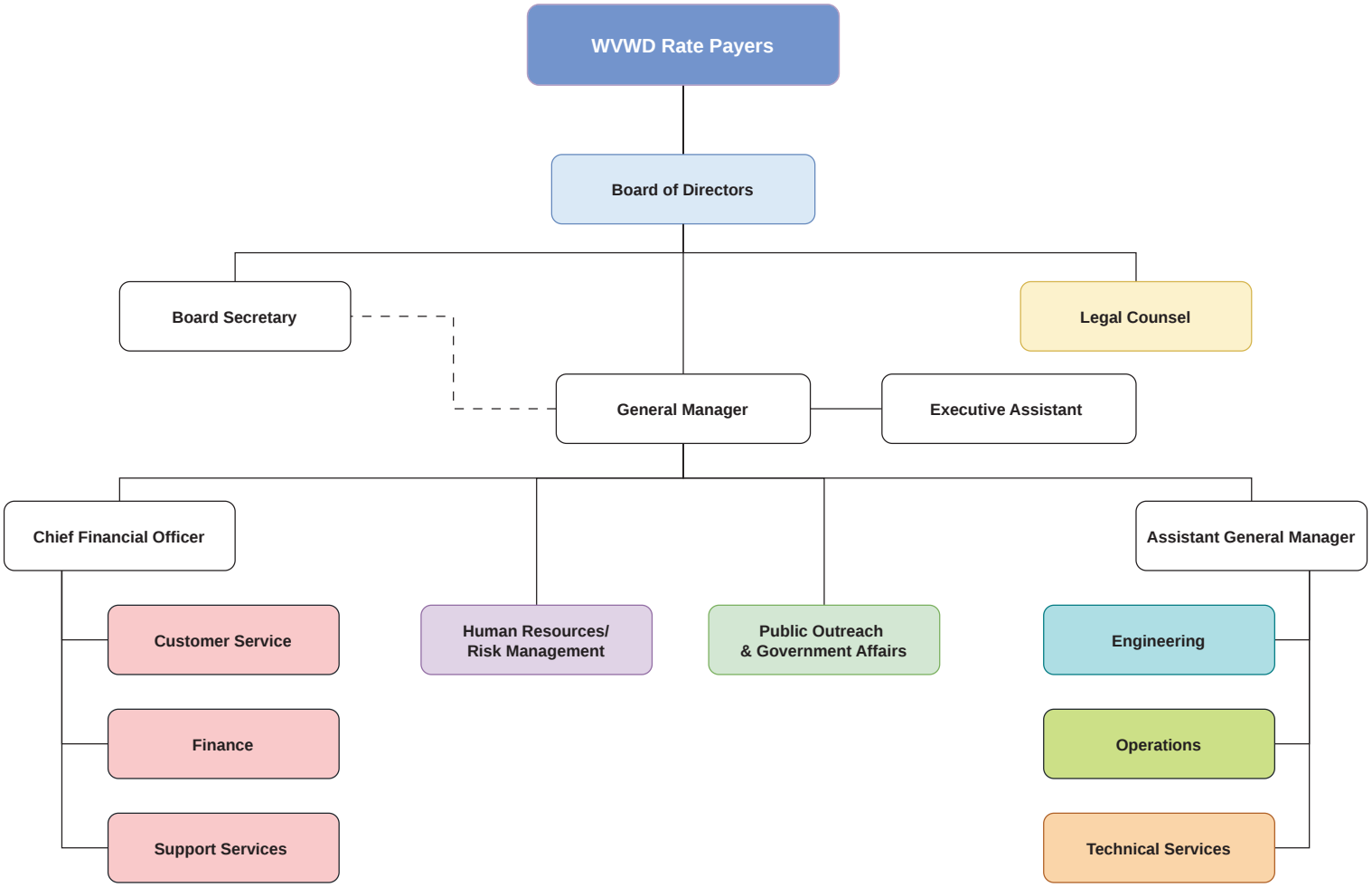
Estevan Bennett
Director

Division 4



Greg Young
Director

Division 5


WVWD Rate Payers
Board of Directors
Board Secretary
Legal Counsel
General Manager
Executive Assistant
Chief Financial Officer
Assistant General Manager
Customer Service
Human Resources/
Risk Management
Public Outreach
& Government Affairs
Engineering
Finance
Operations
Support Services
Technical Services

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

West Valley Water District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2025

and issued to the public 154 days after the fiscal year end



Executive Director/CEO

FINANCIAL SECTION



West Valley Water District

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

6 Hutton Centre Drive, Suite 1200
Santa Ana, California 92707

www.pungroup.cpa

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the West Valley Water District
Rialto, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the West Valley Water District (the "District"), which comprise the statements of net position as of June 30, 2026 and 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2026 and 2025, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of Contributions - Pensions, the Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
November 19, 2026

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Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) offers rate payers and other readers of the West Valley Water District's (the "District") financial statements and notes a narrative overview of the District's financial activities for the year ended June 30, 2026 and 2025. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt.

Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Chief Financial Officer at 855 W. Baseline Road, Rialto, CA 92376, by mail at P.O. Box 920, Rialto, CA 92377 by phone (909) 875-1804.

Overview of the Financial Statements

This annual report consists of a series of financial statements. Statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows, and notes to the financial statements provide information about the activities and performance of the District which are primarily financed in whole or in part with charges for services from customers using accounting methods similar to those used by private sector companies.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, noncapital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Summary

During fiscal year 2026, the District's net position increased 4.95%, or $12,910,346 from the prior year's net position of $260,816,915 to $273,727,261. The increase was primarily attributable to a $22.8 million, or 16.6%, increase in net investment in capital assets, which represents the District's investment in its water system infrastructure, net of accumulated depreciation, and related debt. A summary of the fiscal year changes in net position is presented below, Condensed Statement of Net Position. As required by the adoption of GASB Statement No. 103, *Financial Reporting Model Improvements*, certain prior-year comparative amounts and line-item presentations have been reclassified to conform to the new reporting standards.

Condensed Statement of Net Position	Fiscal Year ended June 30		
	2026	2025	2024
Assets:			
Current assets	$ 137,064,997	$ 147,842,777	$ 132,212,082
Noncurrent assets	1,448,120	1,503,320	1,557,173
Capital assets	234,094,230	212,228,835	190,223,326
Total assets	372,607,347	361,574,932	323,992,581
Deferred outflow of resources	7,074,515	6,838,871	7,425,051
Liabilities:			
Current liabilities	$ 15,621,723	$ 13,480,105	$ 16,249,238
Noncurrent liabilities	85,021,067	88,960,077	61,466,898
Total liabilities	100,642,790	102,440,182	77,716,136
Deferred inflows of resources	5,311,811	5,156,706	6,669,521
Net position:			
Net investment in capital assets	160,393,648	137,603,091	139,078,911
Restricted	51,668,747	57,007,954	29,188,714
Unrestricted	61,664,866	66,205,870	78,764,350
Total net position	$ 273,727,261	$ 260,816,915	$ 247,031,975

During fiscal year 2026, the District recognized total operating revenues and non-operating revenues of $52.56 million, including capital subsidies and non-capital subsidies of $12.37 million, and total operating and non-operating expenses of $43.4 million. Although the District is at operating loss position in fiscal year 2026, it made progress in reducing the loss by $1.05 million compared to the prior fiscal year. In addition, the District recognized $3.8 million from a legal settlement, contributing to an overall increase in net position of $12.9 million. Compared to the prior fiscal year, the increase in net position declined by 6%, or $874,594.

	2026	2025 (As Reclassified)	2024
Operating revenues	$ 35,691,443	$ 34,650,715	$ 32,212,508
Operating expenses	(41,406,278)	(41,421,020)	(37,136,221)
Operating (loss)	(5,714,835)	(6,770,305)	(4,923,713)
Noncapital subsidies - Property Taxes	4,934,604	4,564,248	4,263,009
Operating (loss) and noncapital subsidies	(780,231)	(2,206,057)	(660,704)
Non-operating revenue (expenses)			
Capital subsidies	7,431,998	11,378,305	28,945,648
Other non-operating revenues	4,503,152	6,492,148	8,076,507
Other non-operating (expenses)	(2,021,190)	(1,879,456)	(890,995)
Total non-operating revenues	9,913,960	15,990,997	36,131,160
Income before unusual or infrequent items	9,133,729	13,784,940	35,470,456
Unusual or infrequent item	3,776,617	-	-
Changes in net position	12,910,346	13,784,940	35,470,456
Net position:			
Beginning of year	260,816,915	247,031,975	211,561,519
End of year	$ 273,727,261	$ 260,816,915	$ 247,031,975

Detailed Analyses

As noted, the District's $12.9 million increase in net position was primarily driven by a $22.8 million increase in net investment in capital assets that was funded by reserves and fiscal year's operating results. The largest portion of the District's net position during June 30, 2026 (59%), reflects its net investment in capital assets (e.g., land buildings, machinery, and equipment). The District net position increased by $12.9 million, or 4.9%, in fiscal year 2026, compared to an increase of $13.8 million, or 5.6%, in fiscal year 2025. In fiscal year 2024, net position increased by $35.5 million, or 16.8%. The larger increase in fiscal year 2024 was primarily attributable to higher capital subsidies, which totaled $29.0 million compared to $11.4 million in fiscal year 2025 and $7.4 million in fiscal year 2026. The decline in capital subsidies reflects reduced development-related contributions within the District's service area. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In fiscal year 2025, the District's operating loss increased from $4.9 million in fiscal year 2024 to $6.8 million, primarily because operating expenses increased at a faster rate than operating revenues. While operating revenues increased by $2.4 million, or 7.6%, operating expenses increased by $4.3 million, or 11.5%, resulting in a $1.8 million increase in the operating loss. In comparison, the District's operating loss improved by $1.1 million in fiscal year 2026, decreasing to $5.7 million, as operating revenues increased while overall operating expenses remained relatively stable.

Capital subsidies decreased by $4.0 million, from $11.4 million in fiscal year 2025 to $7.4 million in fiscal year 2026. This decrease was primarily attributable to a $5.2 million reduction in capacity charge revenues, reflecting lower levels of development activity within the District's service area, partially offset by a $1.5 million increase in intergovernmental capital contributions.

Separately, the District recognized a one-time settlement of $3.8 million related to PFAS matters, which is reported as an unusual or infrequent item in the Statement of Revenues, Expenses and Changes in Net Position.

Although total net position increased, changes among its components reflect a shift in the District's financial position. Net investment in capital assets increased by $22.8 million, reflecting continued investment in the District's water infrastructure and other capital improvements. Meanwhile, restricted net position decreased by $5.3 million, and unrestricted net position decreased by $4.5 million. The decreases in both restricted and unrestricted net position were primarily attributable to increased capital project expenditures during fiscal year 2026. The two major projects undertaken during the year were the expansion of the Oliver P. Roemer Water Filtration Facility and improvements to the Lord Ranch Facility, both of which were funded through restricted resources.

At June 30, 2026 unrestricted net position totaled $61.7 million, compared with $66.2 million in the prior fiscal year. While the District maintained a positive unrestricted net position, this measure does not represent cash or reserves immediately available for expenditure.

The District's financial position continues to reflect its investment in water infrastructure, ongoing capital improvement activities, and the need to maintain sufficient financial resources to support operations and future capital requirements.

Total District Revenues

	2026	2025	2024
Operating Revenues:			
Water consumption sales	$ 20,263,890	$ 20,380,439	$ 17,853,480
Water service charges	9,589,627	8,959,803	8,746,460
Other operating revenue	5,837,926	5,310,473	5,612,568
Total operating revenues:	35,691,443	34,650,715	32,212,508
Noncapital subsidies - Property Taxes	4,934,604	4,564,248	4,263,009
Nonoperating Revenues:			
Capital subsidies	7,431,998	11,378,305	28,945,648
Gain on disposition of capital assets	-	-	2,029,568
Interest and investment earnings	4,503,152	6,492,148	6,046,939
Total nonoperating revenues:	11,935,150	17,870,453	37,022,155
Total revenues	$ 52,561,197	$ 57,085,416	$ 73,497,672

In fiscal year 2026, operating revenues increased by 3%, or $1.0 million, from $34.7 million to $35.7 million compared to the prior year. This increase was primarily driven by higher water service charges and reimbursements resulting from the District's implementation of new rates effective January 1, 2026. Consumption sales decreased by 1%, or $116,549, due to the absence of a $1.2 million sale of Chino Basin water rights that occurred in fiscal year 2025. Excluding this one-time transaction, water consumption sales increased by 6%, or approximately $1.1 million, in fiscal year 2026.

In fiscal year 2025, the District's operating revenues increased by approximately 8%, or $2.4 million, primarily due to higher water consumption sales. This increase was further influenced by the $1.2 million sale of Chino Basin water rights during fiscal year 2025.

Interest and investment earnings decreased by 31%, or $2.0 million, from $6.5 million in fiscal year 2025 to $4.5 million in fiscal year 2026. This decrease was primarily attributable to lower average invested balances, reduced interest income resulting from Federal Reserve interest rate reductions, and fluctuations in both realized and unrealized investment valuations during the fiscal year.

Total District revenues decreased by $4.5 million, or 7.9% in fiscal year 2026 compared to fiscal year 2025, primarily due to lower capital subsidy revenues and reduced investment earnings. In fiscal year 2025, total revenues decreased by $16.4 million, or 22.3%, compared to fiscal year 2024. This decrease was primarily attributable to lower capacity charge and developer contribution revenues, reflecting reduced development activity within the District's service area.

Total District Expenses

	2026	2025	2024
Operating Expenses:			
Source of supply	$ 1,832,287	$ 1,732,363	$ 1,650,615
Pumping	6,494,215	5,231,035	5,337,069
Water treatment	5,619,743	5,901,423	5,082,226
Transmission and distribution	2,824,538	2,982,504	3,046,177
Customer accounts	2,843,704	3,509,254	2,857,673
Public affairs	1,503,323	1,452,190	857,875
General and administrative	7,777,073	8,991,338	10,878,825
Engineering and Technical Services	4,287,256	3,837,737	-
Depreciation expense	7,905,949	7,346,255	6,991,531
Amortization expense (includes SBITAs)	318,190	436,921	434,230
Total operating expenses	41,406,278	41,421,020	37,136,221
Nonoperating expenses:			
Loss on disposition of capital assets	709,942	649,966	-
Interest expense	1,311,248	1,229,490	890,995
Total nonoperating expenses:	2,021,190	1,879,456	890,995
Total expenses	$ 43,427,468	$ 43,300,476	$ 38,027,216

Operating expenses before depreciation and amortization decreased by 1%, or $455,705, from $33.6 million in fiscal year 2025 to $33.2 million in fiscal year 2026. This reduction was primarily attributable to lower Other Post-Employment Benefits (OPEB) expenses and decreased customer account costs following the transition to the IPaySmart payment portal, which reduced merchant and transaction fees.

General and administrative expenses decreased by $1.2 million, or 13.5%, from $9.0 million in fiscal year 2025 to $7.8 million in fiscal year 2026, primarily due to a $990,384 decrease in OPEB expense. Engineering and technical services costs, previously reported within general and administrative expenses, are now presented separately; fiscal year 2025 amounts have been reclassified for comparability.

Customer Accounts expenses decreased by $665,550, from $3.5 million in fiscal year 2025 to $2.8 million in fiscal year 2026. The primary driver of this decrease was a $660,559 reduction in transaction and merchant fees resulting from the District's transition to the IPaySmart payment portal.

Pumping expenses increased by $1.3 million, from $5.2 million in fiscal year 2025 to $6.5 million in fiscal year 2026. The increase was primarily driven by higher electricity and repair and maintenance costs. Electricity expenses rose due to both rate increases and greater reliance on groundwater wells. Repair and maintenance costs also increased significantly because of expanded maintenance and repair activities at well facilities during the fiscal year.

Total District expenses increased by approximately $127 thousand, or 0.3%, in fiscal year 2026 compared to fiscal year 2025, reflecting relatively stable overall expenses despite increases in pumping costs, depreciation, and other operating activities. In fiscal year 2025, total expenses increased by $5.3 million, or 13.9%, compared to fiscal year 2024, primarily due to higher operating expenses, including increased water treatment and other operating costs.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

Capital Asset Administration

	June 30, 2026	June 30, 2025	June 30, 2024
Capital assets, not being depreciated/amortized:			
Land and land rights	$ 10,999,581	$ 2,081,060	$ 2,081,060
Construction-in-process	81,229,240	67,613,011	44,299,669
Water rights	404,949	404,949	404,949
Total capital assets, not being depreciated/amortized	92,633,770	70,099,020	46,785,678
Capital assets, being depreciated/amortized:			
Source of supply plant	7,073,303	7,073,303	6,371,198
Pumping plant	13,096,308	12,824,267	12,579,014
Bio-remediation plant	24,907,020	24,907,020	24,907,020
Water treatment plant	41,766,636	40,554,708	39,820,934
Transmission and distribution plant	169,615,832	165,936,855	161,935,045
General plant and equipment	20,869,025	18,656,939	17,639,413
Water participation rights	9,225,052	9,225,052	9,645,865
Subscription assets	680,949	604,697	522,368
Total capital assets, being depreciated/amortized	287,234,125	279,782,841	273,420,857
Less accumulated depreciation/amortization:			
Total accumulated depreciation/amortization	(145,773,665)	(137,653,026)	(129,983,209)
Total depreciable assets, net	141,460,460	142,129,815	143,437,648
Total capital assets, net	$ 234,094,230	$ 212,228,835	$ 190,223,326

At the end of fiscal year 2026, the District's investment in capital assets totaled $234,094,230 (net of accumulated depreciation and amortization). Capital asset additions for the year amounted to $21,865,395, reflecting ongoing investment in various projects and equipment. The District began the year with $67.6 million in construction-in-process and initiated an additional $18.2 million in new capital projects during 2026. The $18.2 million increase was primarily due to capital projects, including the expansion of the Oliver P. Roemer Water Filtration Facility and improvements to the Lord Ranch Facility. These projects were predominantly financed with restricted funds during the fiscal year.

During the year, $3.7 million of completed projects were placed into service and reclassified from construction-in-process to the appropriate capital asset categories, primarily infrastructure and buildings and improvements. Another significant investment in 2026 was the purchase of land for $8.9 million to support the future development of the District's new headquarters facility. Funding for the headquarters facility is still being finalized and is anticipated to be financed through a combination of reserve funds and the potential refinancing of outstanding bonds.

The District's investment in capital assets totaled $212,228,835 (net of accumulated depreciation and amortization) at the end of fiscal year 2025. Capital asset additions for the year amounted to $30,460,847, reflecting ongoing investment in various projects and equipment. The District began fiscal year 2025 with $44.3 million in construction-in-process and initiated an additional $23.3 million in new capital projects during 2025. The $23.3 million increase was primarily due to capital projects, including the expansion of the Oliver P. Roemer Water Filtration Facility and Zone 2 & 3 Transmission Main Replacement.

Long-term Financing Activity

At the end of June 30, 2026 and 2025, the District had total long-term debt of $70,857,781, and $72,060,428, respectively. In 2026, long-term debt decreased by $1,202,647, due to reductions in balances for Series 2016A bonds, contract payables, and subscription liabilities.

Long Term Debt Administration

	June 30, 2026	June 30, 2025	June 30, 2024
Water Revenue Refunding			
Bond, Series 2016A	$ 17,925,000	$ 18,415,000	$ 18,890,000
Add: Unamortized Premium	831,824	872,441	913,058
Total bond payable	18,756,824	19,287,441	19,803,058
Hydroelectric Plant	661,351	992,451	1,323,551
Drinking Water State Revolving Fund	46,665,000	46,665,000	18,530,858
Water Participation Rights			
Contract payable	4,579,931	4,885,260	5,190,589
Subscription liabilities	194,675	230,276	159,064
Total long-term debt	$ 70,857,781	$ 72,060,428	$ 45,007,120

The Drinking Water State Revolving Fund loan balance remained unchanged during fiscal year 2026, as principal repayment does not commence until December 2026. The initial principal payment of approximately $1.3 million is due in December 2026 and is expected to increase annual principal debt service requirements by an average of approximately $1.4 million in future fiscal years. Despite this upcoming increase in debt service, the debt service coverage ratio remained strong at 4.5 in fiscal year 2026, although it declined from 5.3 in fiscal year 2025.

The District's long-term obligations include subscription liabilities recognized under Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. At June 30, 2026, the District's outstanding SBITA obligations totaled $194,675, compared to $230,276 in the prior year, representing a decrease of $35,601, or 15.5%.

At the end of June 30, 2025 and 2024, the District had total long-term debt of $72.1 million and $45.0 million, respectively. In 2025, long-term debt increased by $27.1 million due to the Drinking Water State Revolving Fund Loan received by the District to fund the Roemer Treatment Plant Expansion project.

The District also reports long-term liabilities associated with its pension and other postemployment benefits (OPEB) plans in accordance with GASB Statements No. 68 and No. 75, respectively.

The District participates in a defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). At June 30, 2026, the District reported a net pension liability of $8.3 million, measured as of June 30, 2025, compared to $9.6 million in the prior year. This represents a decrease of approximately $1.3 million, or 13.5%. The reduction was primarily attributable to strong investment performance during fiscal year 2024-25, as the pension trust achieved an investment return of 11.6%, significantly exceeding its 6.8% assumed rate of return. Based on GASB reporting requirements, the plan's fiduciary net position represented 81.8% of the total pension liability at the measurement date. Looking ahead, CalPERS reported a preliminary net investment return of 14.8% for fiscal year 2025-26, which is expected to have a favorable impact on the District's future pension liability measurements.

The District also provides postemployment healthcare benefits through the California Employers' Retiree Benefit Trust (CERBT) Fund. At June 30, 2026, the District reported a net OPEB liability of $6.7 million, measured as of June 30, 2025, compared to $6.5 million in the prior year. This represents an increase of $233,936, or 3.6%. The increase was primarily attributable to the absence of a prefunding contribution during fiscal year 2025. During fiscal year 2026, the District made both a catch-up contribution and its current-year prefunding contribution, which are expected to reduce the net OPEB liability in future valuations. Based on GASB reporting requirements, the OPEB plan's fiduciary net position represented 51.4% of the total OPEB liability at the measurement date.

Currently Known Facts, Decisions, or Conditions

The District's Board of Directors approved new rates and charges that will take effect on January 1, 2027. These updated rates, along with revised consumption projections, were incorporated into the development of the fiscal year 2027 budget. The District's budget assumptions also reflect anticipated increases in key operating costs, including salaries and benefits, repair and maintenance, electricity, and source-of-supply expenses.

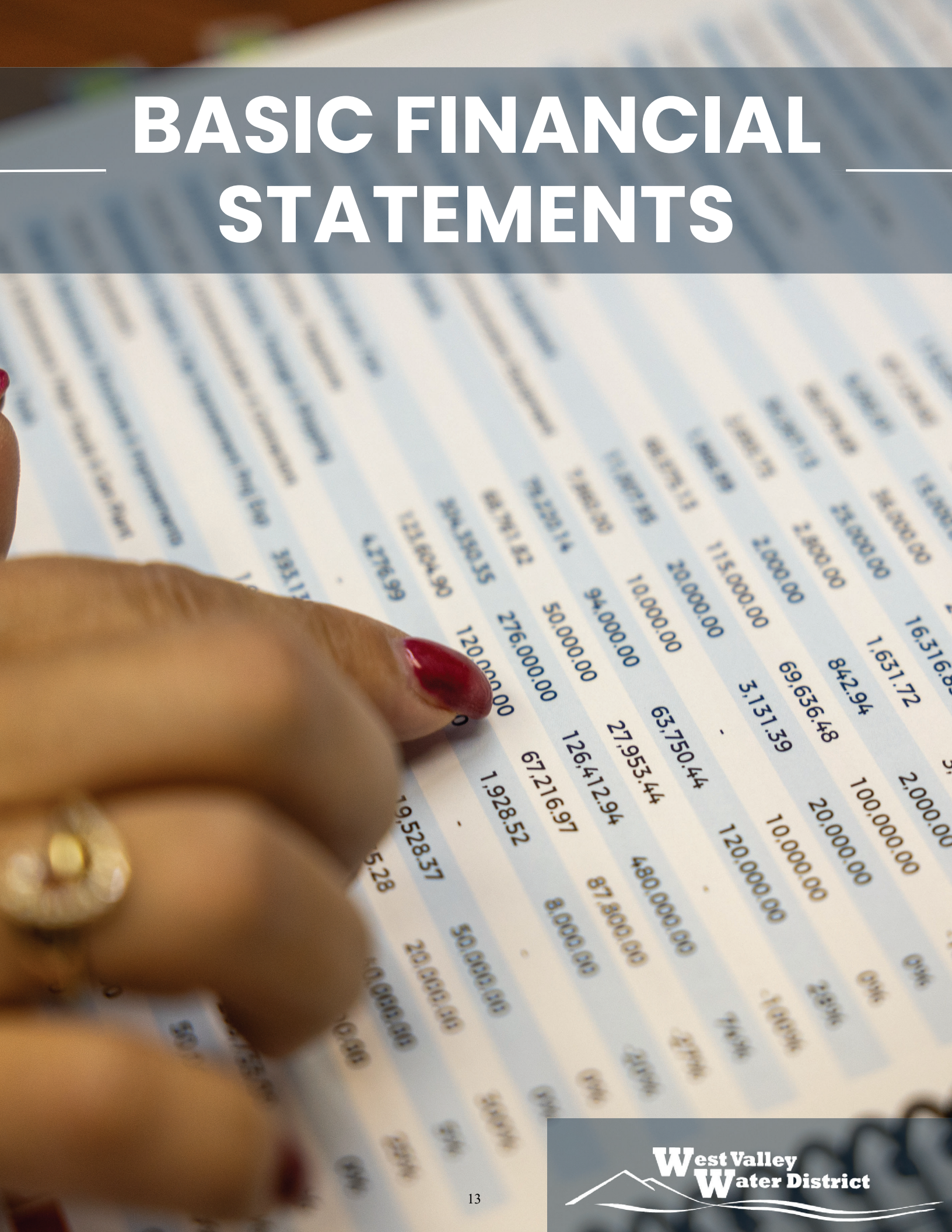
During fiscal year 2026, the District experienced modest customer growth, with active meter connections increasing from 25,931 to 26,041. This slight expansion in the customer base resulted in a corresponding increase in meter-related revenues. However, broader economic conditions continue to influence the outlook for future development within the service area. As a result, the District is not projecting significant growth in new residential development for the upcoming fiscal year.

These factors—approved rate adjustments, updated consumption forecasts, expected cost increases, and limited development activity—reflect the primary conditions known at the time of this report that may impact the District's financial position and results of operations moving forward.

The rate increase effective January 1, 2027, is expected to increase revenues from water consumption and meter charges during fiscal year 2027. However, water consumption levels are inherently difficult to predict because they are significantly influenced by weather patterns, making it challenging to accurately estimate the resulting percentage growth in revenue.

The District's most significant anticipated capital project is the construction of a new headquarters facility. Funding for the project is expected to be derived from a combination of unrestricted reserves and other financing sources. To support these future capital investments and maintain long-term financial stability, the District continues to strengthen its financial policies and planning practices. These efforts are intended to enhance financial flexibility, preserve adequate reserve levels, and position the District to meet its future capital and operational needs.

BASIC FINANCIAL STATEMENTS



West Valley Water District

West Valley Water District
Statements of Net Position
June 30, 2026 and 2025

ASSETS	2026	2025
Current assets:		
Cash and cash equivalents (Note 2)	$ 1,368,468	$ 656,950
Investments (Note 2)	126,970,741	139,736,536
Accounts receivable – water sales and services, net	4,360,160	3,614,243
Accounts receivable – redevelopment pass-through (Note 3)	41,082	41,082
Accrued interest receivable	814,993	383,984
Accounts receivable – other	934,214	982,236
Lease receivable, current (Note 4)	14,118	12,772
Property taxes receivable	38,788	35,046
Due from other governments	390,387	308,258
Materials and supplies inventory	954,749	997,927
Prepaid items	1,177,297	1,073,743
Total current assets	137,064,997	147,842,777
Noncurrent assets:		
Lease receivable (Note 4)	1,365,957	1,380,075
Accounts receivable - redevelopment pass-through (Note 3)	82,163	123,245
Capital assets, not being depreciated/amortized (Note 5)	92,633,770	70,099,020
Capital assets, being depreciated/amortized, net (Note 5)	141,460,460	142,129,815
Total noncurrent assets	235,542,350	213,732,155
Total assets	372,607,347	361,574,932
DEFERRED OUTFLOWS OF RESOURCES		
Pensions related (Note 8)	3,179,697	3,729,156
OPEB related (Note 9)	3,755,892	2,964,174
Refunding debt	138,926	145,541
Total deferred outflows of resources	7,074,515	6,838,871

See accompanying Notes to the Basic Financial Statements.

West Valley Water District
Statements of Net Position (Continued)
June 30, 2026 and 2025

LIABILITIES	2026	2025
Current liabilities:		
Accounts payable and accrued expenses	5,835,377	5,108,195
Accrued salaries and related payables	361,159	320,604
Accrued interest payable	475,760	482,713
Pass-through utility user taxes payable	373,370	370,694
Customer deposits	2,000,673	2,160,832
Construction advances and deposits	3,064,346	2,979,858
Compensated absences - due within one year (Note 6)	872,164	832,707
Long-term liabilities – due within one year:		
Contract payable (Note 7)	636,429	636,429
Bonds payable (Note 7)	515,000	490,000
Subscription payable (Note 7)	166,049	98,073
Loan payable (Note 7)	1,321,396	-
Total current liabilities	15,621,723	13,480,105
Noncurrent liabilities:		
Unearned revenue – developers	1,056,826	694,011
Compensated absences (Note 6)	713,588	681,306
Contingent liability (Note 11)	-	500,000
Long-term liabilities – due in more than one year:		
Contract payable (Note 7)	4,604,853	5,241,282
Bonds payable (Note 7)	18,241,824	18,797,441
Subscription payable (Note 7)	28,626	132,203
Loan payable (Note 7)	45,343,604	46,665,000
Net pension liability (Note 8)	8,305,011	9,756,035
Net other postemployment benefits liability (Note 9)	6,726,735	6,492,799
Total noncurrent liabilities	85,021,067	88,960,077
Total liabilities	100,642,790	102,440,182
DEFERRED INFLOWS OF RESOURCES		
Pensions related (Note 8)	1,128,565	106,372
OPEB related (Note 9)	2,986,404	3,813,458
Leases related (Note 4)	1,196,842	1,236,876
Total deferred inflows of resources	5,311,811	5,156,706
NET POSITION		
Net position:		
Net investment in capital assets (Note 10)	160,393,648	137,603,091
Restricted for:		
Capital projects	51,668,747	57,007,954
Unrestricted	61,664,866	66,205,870
Total net position	$ 273,727,261	$ 260,816,915

See accompanying Notes to the Basic Financial Statements.

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West Valley Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2026 and 2025

	2026	2025 (As Reclassified)
OPERATING REVENUES:		
Water consumption sales	$ 20,263,890	$ 20,380,439
Water service charges	9,589,627	8,959,803
Other operating revenue	5,837,926	5,310,473
Total operating revenues	35,691,443	34,650,715
OPERATING EXPENSES:		
Source of supply	1,832,287	1,732,363
Pumping	6,494,215	5,231,035
Water treatment	5,619,743	5,901,423
Transmission and distribution	2,824,538	2,982,504
Customer accounts	2,843,704	3,509,254
Public affairs	1,503,323	1,452,190
General and administrative	7,777,073	8,991,338
Engineering and Technical Services	4,287,256	3,837,737
Depreciation expense	7,905,949	7,346,255
Amortization expense	318,190	436,921
Total operating expenses	41,406,278	41,421,020
Operating (loss)	(5,714,835)	(6,770,305)
NONCAPITAL SUBSIDIES:		
Property taxes	4,934,604	4,564,248
Total noncapital subsidies	4,934,604	4,564,248
Operating (loss) and noncapital subsidies	(780,231)	(2,206,057)
NON-OPERATING REVENUES (EXPENSES):		
Capital subsidies	7,431,998	11,378,305
Interest and investment earnings	4,503,152	6,492,148
Gain/(loss) on disposal of assets	(709,942)	(649,966)
Interest expense	(1,311,248)	(1,229,490)
Total non-operating revenues	9,913,960	15,990,997
Income before unusual or infrequent items	9,133,729	13,784,940
UNUSUAL OR INFREQUENT ITEMS:		
Settlement (Note 13)	3,776,617	-
Total unusual or infrequent items	3,776,617	-
NET CHANGES IN NET POSITION	12,910,346	13,784,940
NET POSITION:		
Beginning of year	260,816,915	247,031,975
End of year	$ 273,727,261	$ 260,816,915

See accompanying Notes to the Basic Financial Statements.

West Valley Water District
Statements of Cash Flows
For the Years Ended June 30, 2026 and 2025

	2026	2025 (As Reclassified)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers for water sales and services	$ 29,133,805	$ 29,625,992
Cash paid to employees for salaries and benefits	(8,928,986)	(8,544,039)
Cash paid to vendors and suppliers for materials and services	(25,394,554)	(26,051,433)
Cash received from others	9,855,195	4,362,023
Net cash provided by (used in) operating activities	4,665,460	(607,457)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes and fee collected	4,930,862	4,562,684
Net cash provided by noncapital financing activities	4,930,862	4,562,684
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(30,593,569)	(32,244,398)
Proceeds from capital subsidies excluding capacity charges	5,166,916	3,978,298
Proceeds from capacity charges	2,265,082	7,400,007
Proceeds from sale of capital assets	29,315	22,196
Proceeds from issuance of long-term debt	-	28,289,687
Principal paid on long-term debt and subscription liabilities	(1,238,283)	(1,195,762)
Interest paid on long term debt	(1,352,204)	(1,039,940)
Net cash provided by (used in) capital and related financing activities	(25,722,743)	5,210,088
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	4,072,144	6,382,122
Net cash provided by investing activities	4,072,144	6,382,122
Net change in cash and cash equivalents	(12,054,277)	15,547,437
CASH AND INVESTMENTS:		
Beginning of year	140,393,486	124,846,049
End of year	$ 128,339,209	$ 140,393,486
CASH AND INVESTMENTS:		
Cash and cash equivalents	$ 1,368,468	$ 656,950
Investments	126,970,741	139,736,536
End of year	$ 128,339,209	$ 140,393,486

See accompanying Notes to the Basic Financial Statements.

West Valley Water District
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2026 and 2025

	2026	2025 (As Reclassified)
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss)	$ (5,714,835)	$ (6,770,305)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation expense	7,905,949	7,346,255
Amortization of water participation rights and subscription assets	318,190	436,921
Receipts from unusual/infrequent item - settlement	3,776,617	-
(Increase) decrease in:		
Accounts receivable - water sales and services, net	(745,917)	247,439
Accounts receivable - other	48,022	(27,082)
Accounts receivable - lease	12,772	11,481
Due from other governments	(82,129)	(9,326)
Materials and supplies inventory	43,178	(161,716)
Prepaid water	184,569	(65,358)
Prepaid items	(288,123)	45,666
Accounts receivable - redevelopment pass-through	41,082	41,081
Deferred outflows of resources - pensions	549,459	798,989
Deferred outflows of resources - OPEB	(791,718)	(219,424)
Increase (decrease) in:		
Accounts payable and accrued expenses	568,212	(1,529,455)
Accrued salaries and related payables	40,556	101,641
Pass-through utility user taxes payable	2,676	30,936
Customer deposits	(160,159)	85,888
Unearned revenue	362,815	(939,124)
Change in contingent liabilities	(500,000)	275,000
Changes in Net Pension Liability	(1,451,024)	(24,516)
Change in Net OPEB Liability	233,936	1,146,153
Construction advances and deposits	84,488	(33,022)
Compensated absences	71,739	117,236
Deferred inflows of resources - leases	(40,034)	(40,035)
Deferred inflows of resources - pensions	1,022,193	(180,930)
Deferred inflows of resources - OPEB	(827,054)	(1,291,850)
Total adjustments	10,380,295	6,162,848
Net cash provided by operating activities	$ 4,665,460	$ (607,457)
NONCASH ITEMS		
Acquisition of subscription assets	$ (76,252)	$ (155,545)
Issuance of subscription liabilities	$ 76,252	$ 155,545
Disposal of capital assets	$ 739,257	$ 716,371
Amortization of debt premium	$ (40,617)	$ (40,617)
Developer contribution	$ 3,416,916	$ 3,622,879

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

Established on January 8, 1952, the West Valley Water District (the "District") is located in Southwestern San Bernardino County (the "County") with a small area of Northwestern Riverside County. The District's service area is approximately 32 square miles. The District uses 376 miles of water mains to provide water to approximately 21,000 customers. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

The West End Water Development, Treatment and Public Affairs Joint Powers Authority (the "Authority") was formed on April 7, 1989, pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the California Government Code. The Authority is deemed to be a component unit of the District, City of Rialto (the "Rialto") and the Municipal Water Department of the City of San Bernardino. The District's portion of the Authority has been included in these financial statements using the blended method of reporting. The Authority has had no activity in the past 10 years and reports no assets or liabilities.

The criteria used in determining the scope of the financial reporting entity is based on accounting principles generally accepted in the United States of America ("U.S. GAAP"). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board ("GASB") commonly referred to as U.S. GAAP. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding.

The financial statements are reported using the *"economic resources"* measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Non-operating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses. All other revenues and expenses that do not meet those defined non-operating categories are reported as operating revenues and expenses. The District's operating revenues and expenses which primarily consist of water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-exchange transactions are classified as subsidies with non-capital subsidies reported as a separate line item.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

The statement of net position reports separate sections for deferred outflows of resources, and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net assets) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net assets) that apply to future periods and that, therefore, will not be recognized as revenue until that time.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. Investments are stated at fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The statement of cash flows requires presentation of "cash and cash equivalents". For the purposes of the statement of cash flows, the District considers cash and investments as "cash and cash equivalents".

Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 — Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 — Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 — Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Restricted Assets

Certain assets of the District are restricted in use and, accordingly, are shown as restricted assets on the accompanying statement of net position. Capacity charges received by the District are restricted for use in funding construction projects intended to increase the capacity of the District's water system. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts. As of June 30, 2026 and 2025, the balance of allowance for uncollectible accounts are $69,542 and $92,491, respectively.

Materials and Supplies Inventory

Materials and supplies inventory consist primarily of water meters, pipe and pipe fittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

Prepaid Items

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

Leases

The District is a lessor for leases of land. The District recognizes leases receivable and deferred inflows of resources in the financial Statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are 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 inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

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.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $5,000. Donated capital assets are valued at acquisition value on the date donated. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

Source of supply plant	20 years
Pumping plant	10 - 20 years
Water treatment plant	10 years
Transmission and distribution plant	15 - 60 years
General plant	5 - 20 years
Bio-remediation plant	20 years

Water rights with indefinite useful lives are not amortized and are evaluated annually to determine whether events or circumstances indicate the useful life is no longer indefinite.

Right-of-Use Subscription Assets

Subscription assets are recorded at the amount of the initial measurement of the SBITA liabilities ("subscription liabilities") and adjusted by any subscription payments to the SBITA vendor at or before the commencement of the subscription term, less any incentives received from the SBITA vendor at or before the commencement of the subscription term along with subscription implementation costs. Subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying information technology assets.

Subscription-Based Information Technology Arrangements ("SBITAs")

The District has a policy to recognize a subscription liability and a right-to-use subscription asset (subscription asset) in the financial statements. The District recognizes subscription liabilities with an initial, individual value of $50,000 or more with a subscription term greater than one year. Variable payments based on future performance of the District's usage of the underlying IT asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

At the commencement of a SBITA, the District initially measures the subscription liability at the net present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, plus any payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Costs associated with a SBITA, other than the subscription payments, are accounted for as follows:

- **Preliminary project stage:** Outlays are expensed as incurred.
- **Initial implementation stage:** Outlays are capitalized as an addition to the subscription asset.
- **Operation and additional implementation stage:** Outlays are expensed as incurred unless they meet specific capitalization criteria.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Subscription-Based Information Technology Arrangements ("SBITAs") (Continued)

Upon adoption, the District elected to exclude the capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage that were incurred prior to the implementation of this Statement in the measurement of subscription assets as of July 1, 2022.

Subscription assets are reported in capital assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the District has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

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

- The District used the incremental borrowing rate at the time of GASB Statement No. 96 implementation for its existing SBITAs. The District will use the current rate at the time of a new SBITA agreement is executed. If available, the District uses the interest rate charged by the SBITA vendor as the discount rate.

- The subscription term includes the noncancellable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Compensated Absences

Under certain circumstances and according to the negotiated labor agreements, employees of the District are allowed to accumulate annual leave. These amounts for annual leave are expected to be paid in future years from future resources. A liability is recognized for leave benefits (such as vacation and sick leave) when the benefits are attributable to services already rendered, accumulate for use in future periods, and are more likely than not to be used or paid. The liability is measured using the employee's pay rate in effect at the financial statement date and includes salary-related payments.

Construction Advances and Deposits

Construction advances and deposits represent deposits received in aid of construction, which are refundable if the applicable construction does not take place. Construction advances are transferred to contributed capital when the applicable construction project is completed.

Defined Benefit Pension Plans

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

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Defined Benefit Pension Plans (Continued)

The following timeframes are used for pension reporting:

CalPERS	June 30, 2026	CalPERS	June 30, 2025
Valuation date	June 30, 2024	Valuation date	June 30, 2023
Measurement date	June 30, 2025	Measurement date	June 30, 2024
Measurement period	July 1, 2024 to June 30, 2025	Measurement period	July 1, 2023 to June 30, 2024

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retires) as of the beginning of the measurement period.

Other Postemployment Benefits ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are used for OPEB reporting:

OPEB	June 30, 2026	OPEB	June 30, 2025
Valuation date	June 30, 2024	Valuation date	June 30, 2024
Measurement date	June 30, 2025	Measurement date	June 30, 2024
Measurement period	July 1, 2024 to June 30, 2025	Measurement period	July 1, 2023 to June 30, 2024

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retires) as of the beginning of the measurement period.

Net Position

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

> **Net investment in capital assets** – This component of net position consists of capital assets, net of accumulated depreciation/amortization, reduced by any outstanding balances of debt and the deferred amount on refunding debt that are attributable to the acquisition, construction or improvement of those assets.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred outflows and inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net position.

Water Sales

Water sales are billed on a monthly cyclical basis and recognize the respective revenues when they are earned.

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment. Any prepayments received by the District are reported as unearned revenue until construction of the related project has commenced and the District is reasonably certain they will be completed. Upon completion, the applicable amounts are recognized as capital contributions.

Budgetary Policies

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

Use of Estimates

The preparation of the basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results most likely will differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation required by GASB Statement No. 103, *Financial Reporting Model Improvements*.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

During the fiscal year ended June 30, 2026, the District implemented the following accounting standards:

- ***GASB Statement No. 103*** – In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues identified through pre agenda research conducted by the GASB. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Implementation of this statement resulted in updates to the management's discussion and analysis, and in changes to the presentation of the District's statement of revenues, expenses, and changes in net position, including the classification and presentation of certain operating and nonoperating revenues and expenses, as well as related disclosures.

- ***GASB Statement No. 104*** – In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. This Statement also requires additional disclosures for capital assets held for sale. The District implemented the provisions of this Statement and made the necessary changes to the capital assets rollforward schedule in Note 5, Capital Assets. The District determined that there were no capital assets held for sale as of June 30, 2026.

Upcoming New GASB Pronouncements

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- ***GASB Statement No. 105*** – In December 2025, the GASB issued Statement No. 105, *Subsequent Events.* The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement also requires the date through which subsequent events have been evaluated to be disclosed and clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The District has not determined the effect on the financial statements.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2026 and 2025 were classified in the accompanying financial statements as follows:

	2026	2025
Cash and cash equivalents	$ 1,368,468	$ 656,950
Investments	126,970,741	139,736,536
Total cash and investments	$ 128,339,209	$ 140,393,486

Cash and investments as of June 30, 2026 and 2025 consist of the following:

	2026	2025
Cash on hand	$ 4,300	$ 4,300
Deposits held with financial institutions	1,364,168	652,650
Investments	126,970,741	139,736,536
Total cash and investments	$ 128,339,209	$ 140,393,486

Demand Deposits

The carrying amounts of cash deposits were $1,364,168 and $652,650 at June 30, 2026 and 2025, respectively. Bank balances at 2026 and 2025 were $1,806,920 and $914,575, respectively, which were fully insured and/or collateralized with securities held by the pledging financial institutions in the District's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

The fair value of pledged securities must equal at least 110% of the District's cash deposits. California law also allows institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The District, however, has not waived the collateralization requirements.

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

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

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Note 2 – Cash and Investments (Continued)

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entity Securities [1]	3 years	None	None
Certificate of Deposit [2]	5 years	None	50%
Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits [3]	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
CalTrust	2 years	None	None
Municipal Securities	5 years	20%	None
Banker's Acceptances	180 days	25%	None
Commercial Paper	270 days	25%	40%
Repurchase Agreement	90 days	10%	None
Medium-Term Notes	5 years	30%	None
Local Government Investment Pools (LGIP)	5 years	50%	50%
Supranational	5 years	30%	10%

[1] Purchase of callable Federal Agency Obligations are limited to a maximum 30% of portfolio.

[2] Only a maximum 30% of surplus funds can be invested in Certificates of Deposit.

[3] Only a maximum of 20% the portfolio may be invested in Time Certificate of Deposits (TCDs). The maturity of TCDs may not exceed 4 years.

Fair Value Measurements

At June 30, 2026 and 2025, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2026 and 2025:

	Measurement Inputs							
	2026				2025			
Investment Type	Significant Observable Inputs (Level 1)	Significant Observable Inputs (Level 2)[1]	Uncategorized	Total	Significant Observable Inputs (Level 1)	Significant Observable Inputs (Level 2)[1]	Uncategorized	Total
U.S. Treasury Obligations	$65,449,040	$ -	$ -	$ 65,449,040	$89,785,033	$ -	$ -	$ 89,785,033
U.S. Agency Obligations	-	15,272,569	-	15,272,569	-	13,217,870	-	13,217,870
U.S. Corporate	-	18,271,860	-	18,271,860	-	11,362,445	-	11,362,445
Supranational	-	867,368	-	867,368	-	1,558,482	-	1,558,482
Municipal Bonds	-	954,456	-	954,456	-	966,988	-	966,988
Local Agency Investment Fund (LAIF)	-	-	25,163,599	25,163,599	-	-	6,986,329	6,986,329
Money Market Mutual Funds	-	-	991,849	991,849	-	-	15,859,389	15,859,389
Total	$65,449,040	$35,366,253	$ 26,155,448	$126,970,741	$89,785,033	$27,105,785	$22,845,718	$139,736,536

[1] Institutional Bond Quotes - evaluations based on various market and industry inputs.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

Note 2 – Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. 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 by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity 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 table below that shows the distribution of the District's investments by maturity.

The District's maturity of investments as of June 30, 2026 were as follows:

	Investment Maturities (in Years)			
Investment Type	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Fair Value Total
U.S. Treasury Obligations	$ 21,233,511	$ 11,782,851	$ 32,432,678	$ 65,449,040
U.S. Agency Obligations	-	8,530,138	6,742,431	15,272,569
U.S. Corporate	2,312,650	6,770,719	9,188,491	18,271,860
Supranational	-	540,657	326,711	867,368
Municipal Bonds	-	307,214	647,242	954,456
Local Agency Investment Fund (LAIF)	25,163,599	-	-	25,163,599
Money Market Mutual Funds	991,849	-	-	991,849
Total	$ 49,701,609	$ 27,931,579	$ 49,337,553	$ 126,970,741

The District's maturity of investments as of June 30, 2025 were as follows:

	Investment Maturities (in Years)			
Investment Type	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Fair Value Total
U.S. Treasury Obligations	$ 77,907,583	$ 5,699,710	$ 6,177,740	$ 89,785,033
U.S. Agency Obligations	2,356,879	1,511,859	9,349,132	13,217,870
U.S. Corporate	229,610	4,906,543	6,226,292	11,362,445
Supranational	684,816	-	873,666	1,558,482
Municipal Bonds	-	-	966,988	966,988
Local Agency Investment Fund (LAIF)	6,986,329	-	-	6,986,329
Money Market Mutual Funds	15,859,389	-	-	15,859,389
Total	$ 104,024,606	$ 12,118,112	$ 23,593,818	$ 139,736,536

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover 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.

Note 2 – Cash and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the District's policy to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard and Poor's, and Moody's Investors Service.

As of June 30, 2026, the District had the following table of the Standard and Poor's credit ratings:

Investment Type	Total As of June 30, 2026	Minimum Legal Rating	A or Higher	Not rated
U.S. Treasury Obligations	$ 65,449,040	N/A	$ 65,449,040	$ -
U.S. Agency Obligations	15,272,569	N/A	15,272,569	-
U.S. Corporate	18,271,860	A	18,271,860	-
Supranational	867,368	AA	867,368	-
Municipal Bonds	954,456	A	954,456	-
Local Agency Investment Fund (LAIF)	25,163,599	N/A	-	25,163,599
Money Market Mutual Funds	991,849	AAA	991,849	-
Total	$ 126,970,741		$ 101,807,142	$ 25,163,599

As of June 30, 2025, the District had the following table of the Standard and Poor's credit ratings:

Investment Type	Total As of June 30, 2025	Minimum Legal Rating	A or Higher	Not rated
U.S. Treasury Obligations	$ 89,785,033	N/A	$ 89,785,033	$ -
U.S. Agency Obligations	13,217,870	N/A	13,217,870	-
U.S. Corporate	11,362,445	A	11,362,445	-
Supranational	1,558,482	AA	1,558,482	-
Municipal Bonds	966,988	A	966,988	-
Local Agency Investment Fund (LAIF)	6,986,329	N/A	-	6,986,329
Money Market Mutual Funds	15,859,389	AAA	15,859,389	-
Total	$ 139,736,536		$ 132,750,207	$ 6,986,329

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. There were no investments in any one non-governmental issuer that represent 5% or more of the District's total investments as of June 30, 2026 and 2025.

Note 2 – Cash and Investments (Continued)

Investment in Local Agency Investment Fund (LAIF)

The District is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasury of the State of California. As of June 30, 2026 and June 30, 2025, the District had $25,163,599 and $6,986,329, respectively, invested in LAIF. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not reasonably available. LAIF is reported at amortized cost, which approximates fair value.

Note 3 – Accounts Receivable – Redevelopment Pass-Through

The District has a tax pass-through agreement with the City of Rialto. Under this agreement, San Bernardino County pays a portion of the District's incremental tax receipts directly to the District for water-related improvements within the Agua Mansa redevelopment area. Over the past several years, the District has received annual payments of the revenue to which it is entitled, and it is anticipated that these payments will continue through fiscal year 2029. As of June 30, 2026 and 2025, the outstanding balance were $123,245 and $164,327, respectively.

Note 4 – Lease Receivables

The portion of the District's property is leased to others. Such property includes special purpose facilities and land. Lease receivable consists of agreements with other for the right-to-use of the underlying assets at various locations owned by the District. The terms of the arrangements range from 2 to 99 years. The calculated interest rates used vary depending on the length of the lease. The leases have interest rates that range from 2.026% to 2.063%. For the fiscal years ended June 30, 2026 and 2025, the District recognized $40,035 in lease revenue, and $28,530 and $29,127 in interest revenue, respectively.

The changes in lease receivables for the years ended June 30, 2026 and 2025 are as follows:

					Classification	
Fiscal Year Ended	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
June 30, 2026	$ 1,392,847	$ -	$ (12,772)	$ 1,380,075	$ 14,118	$ 1,365,957
June 30, 2025	1,404,328	-	(11,481)	1,392,847	12,772	1,380,075

Note 4 – Lease Receivables (Continued)

As of June 30, 2026, lease receivable are due in the upcoming years as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 14,118	$ 28,256	$ 42,374
2028	15,521	27,954	43,475
2029	16,983	27,623	44,606
2030	18,506	27,261	45,767
2031	20,092	26,867	46,959
2032-2036	126,616	127,213	253,829
2037-2041	177,084	111,767	288,851
2042-2046	238,280	90,610	328,890
2047-2051	224,569	65,148	289,717
2052-2056	238,715	42,816	281,531
2057-2061	289,591	14,671	304,262
Total	$ 1,380,075	$ 590,186	$ 1,970,261

As of June 30, 2026, the amounts reported as deferred inflows of resources related to leases will be recognized as lease revenue as follows:

Year Ending June 30,	Total
2027	$ 40,035
2028	40,035
2029	40,035
2030	40,035
2031	40,035
2032-2036	200,175
2037-2041	200,175
2042-2046	200,175
2047-2051	153,036
2052-2056	125,745
2057-2061	117,361
Total	$ 1,196,842

Note 5 – Capital Assets

Changes in capital assets for the year ended June 30, 2026, were as follows:

	Balance July 1, 2025	Additions	Deletions	Transfers	Balance June 30, 2026
Capital assets, not being depreciated/amortized:					
Land and land rights	$ 2,081,060	$ 8,918,521	$ -	$ -	$ 10,999,581
Construction-in-process	67,613,011	18,205,612	(428,757)	(4,160,626)	81,229,240
Water rights	404,949	-	-	-	404,949
Total capital assets, not being depreciated/amortized	70,099,020	27,124,133	(428,757)	(4,160,626)	92,633,770
Capital assets, being depreciated/amortized:					
Source of supply plant	7,073,303	-	-	-	7,073,303
Pumping plant	12,824,267	226,490	-	45,551	13,096,308
Bio-remediation plant	24,907,020	-	-	-	24,907,020
Water treatment plant	40,554,708	-	(414,000)	1,625,928	41,766,636
Transmission and distribution plant	165,936,855	3,401,916	-	277,061	169,615,832
General plant and equipment	18,656,939	-	-	2,212,086	20,869,025
Subscription assets	604,697	76,252			680,949
Water participation rights	9,225,052	-	-	-	9,225,052
Total capital assets, being depreciated/amortized	279,782,841	3,704,658	(414,000)	4,160,626	287,234,125
Less accumulated depreciation/amortization:					
Source of supply plant	(5,474,290)	(171,801)	-	-	(5,646,091)
Pumping plant	(10,420,501)	(427,254)	-	-	(10,847,755)
Bio-remediation plant	(9,532,280)	(830,234)	-	-	(10,362,514)
Water treatment plant	(33,444,047)	(1,198,824)	103,500	-	(34,539,371)
Transmission and distribution plant	(62,016,043)	(3,965,354)	-	-	(65,981,397)
General plant and equipment	(12,036,492)	(1,312,482)	-	-	(13,348,974)
Subscription assets	(244,169)	(158,273)	-	-	(402,442)
Water participation rights	(4,485,204)	(159,917)	-	-	(4,645,121)
Total accumulated depreciation/amortization	(137,653,026)	(8,224,139)	103,500	-	(145,773,665)
Total capital assets, being depreciated/amortized, net	142,129,815	(4,519,481)	(310,500)	4,160,626	141,460,460
Total capital assets, net	$ 212,228,835	$ 22,604,652	$ (739,257)	$ -	$ 234,094,230

The construction-in-process balances at June 30, 2026 are as follows:

	2026
Roemer Plant Expansion	$ 65,341,750
Various other district projects	15,842,033
Various other developer projects	45,457
Total construction-in-process	$ 81,229,240

Note 5 – Capital Assets (Continued)

Changes in capital assets for the year ended June 30, 2025, were as follows:

	Balance July 1, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Capital assets, not being depreciated/amortized:					
Land and land rights	$ 2,081,060	$ -	$ -	$ -	$ 2,081,060
Construction-in-process	44,299,669	26,682,424	(247,283)	(3,121,799)	67,613,011
Water rights	404,949	-	-	-	404,949
Total capital assets, not being depreciated/amortized	46,785,678	26,682,424	(247,283)	(3,121,799)	70,099,020
Capital assets, being depreciated/amortized:					
Source of supply plant	6,371,198	-	-	702,105	7,073,303
Pumping plant	12,579,014	-	-	245,253	12,824,267
Bio-remediation plant	24,907,020	-	-	-	24,907,020
Water treatment plant	39,820,934	-	-	733,774	40,554,708
Transmission and distribution plant	161,935,045	3,622,878	-	378,932	165,936,855
General plant and equipment	17,639,413	-	(44,209)	1,061,735	18,656,939
Subscription assets	522,368	155,545	(73,216)	-	604,697
Water participation rights	9,645,865	-	(420,813)	-	9,225,052
Total capital assets, being depreciated/amortized	273,420,857	3,778,423	(538,238)	3,121,799	279,782,841
Less accumulated depreciation/amortization:					
Source of supply plant	(5,287,813)	(186,477)	-	-	(5,474,290)
Pumping plant	(9,977,021)	(443,480)	-	-	(10,420,501)
Bio-remediation plant	(8,702,046)	(830,234)	-	-	(9,532,280)
Water treatment plant	(32,392,234)	(1,051,813)	-	-	(33,444,047)
Transmission and distribution plant	(58,084,948)	(3,931,095)	-	-	(62,016,043)
General plant and equipment	(11,177,545)	(903,156)	44,209	-	(12,036,492)
Subscription assets	(181,726)	(131,593)	69,150	-	(244,169)
Water participation rights	(4,179,876)	(305,328)	-	-	(4,485,204)
Total accumulated depreciation/amortization	(129,983,209)	(7,783,176)	113,359	-	(137,653,026)
Total capital assets, being depreciated/amortized, net	143,437,648	(4,004,753)	(424,879)	3,121,799	142,129,815
Total capital assets, net	$ 190,223,326	$ 22,677,671	$ (672,162)	$ -	$ 212,228,835

The construction-in-process balances at June 30, 2025 are as follows:

	2025
Roemer Plant Expansion	$ 63,807,852
Various other district projects	3,805,159
Total construction-in-process	$ 67,613,011

Depreciation expense for the years ended June 30, 2026 and 2025 were $7,905,949 and $7,346,255, respectively. Major capital assets additions during the current year include the upgrades and extensions of the District's transmission and distribution, water treatment plant, general plant and pumping plant. A significant portion of these additions were constructed by the District and/or sub-contractors and transferred out of construction-in-process, upon completion of these various projects.

Amortization expense for the years ended June 30, 2026 and 2025 were $318,190 and $436,921.

Note 5 – Capital Assets (Continued)

Other Intangible Assets

In 2012, the District acquired water participation rights from the San Bernardino Valley Municipal Water District in the amount of $9,645,865. As of June 30, 2026, the current balance of the water participation rights was adjusted to $9,225,052. The District is amortizing the participation rights until January 31, 2041.

Note 6 – Compensated Absences

Changes to compensated absences for the years ended June 30, 2026 and 2025 were as follows:

Year Ended	Beginning Balance	Net Changes*	Ending Balance	Current Portion	Non-current Portion
June 30, 2026	$ 1,514,013	$ 71,739	$ 1,585,752	$ 872,164	$ 713,588
June 30, 2025	1,396,777	117,236	1,514,013	832,707	681,306

** Represents the net change during the years ended June 30, 2026 and 2025.*

Note 7 – Long-Term Debt

Changes in long-term debt for the year ended June 30, 2026 were as follows:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026	Amount Due Within One Year	Amount Due In More Than One Year
Publicly offering:						
Water Revenue Refunding Bonds, Series 2016A	$ 18,415,000	$ -	$ (490,000)	$ 17,925,000	$ 515,000	$ 17,410,000
Add: Unamortized Premium	872,441	-	(40,617)	831,824	-	831,824
Total bond payable	19,287,441	-	(530,617)	18,756,824	515,000	18,241,824
Direct borrowing:						
Hydroelectric Plant - Contract payable	992,451	-	(331,100)	661,351	331,100	330,251
Water Participation Rights Contract payable	4,885,260	-	(305,329)	4,579,931	305,329	4,274,602
Drinking Water State Revolving Fund	46,665,000	-	-	46,665,000	1,321,396	45,343,604
Subscription liabilities	230,276	76,252	(111,853)	194,675	166,049	28,626
Total long-term liabilities	$ 72,060,428	$ 76,252	$ (1,278,899)	$ 70,857,781	$ 2,638,874	$ 68,218,907

Note 7 – Long-Term Debt (Continued)

Changes in long-term debt for the year ended June 30, 2025 were as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Amount Due Within One Year	Amount Due In More Than One Year
Publicly offering:						
Water Revenue Refunding Bonds, Series 2016A	$ 18,890,000	$ -	$ (475,000)	$ 18,415,000	$ 490,000	$ 17,925,000
Add: Unamortized Premium	913,058	-	(40,617)	872,441	-	872,441
Total bond payable	19,803,058	-	(515,617)	19,287,441	490,000	18,797,441
Direct borrowing:						
Hydroelectric Plant - Contract payable	1,323,551	-	(331,100)	992,451	331,100	661,351
Water Participation Rights Contract payable	5,190,589	-	(305,329)	4,885,260	305,329	4,579,931
Drinking Water State Revolving Fund	18,530,858	28,134,142	-	46,665,000	-	46,665,000
Subscription liabilities	159,064	155,545	(84,333)	230,276	98,073	132,203
Total long-term liabilities	$ 45,007,120	$ 28,289,687	$ (1,236,379)	$ 72,060,428	$ 1,224,502	$ 70,835,926

Water Revenue Refunding Bonds Series 2016A

The 2016A Bonds were issued to provide funds, together with certain other moneys: (i) to prepay all amounts payable under the Series 2006D-2 Bonds installment purchase agreement between the District and California Statewide Communities Development Authority; and (ii) pay costs of issuance of the 2016A Bonds. The 2016A Bonds were issued pursuant to an Indenture of Trust, dated December 1, 2016, by and between the District and U.S. Bank National Association. The 2016A Bonds were in the aggregate principal amount of $22,035,000. The 2016A Bonds were dated as of the date of initial issuance, and will bear interest ranging from 2.00% to 5.00% per annum, payable on April 1 and October 1, commencing April 1, 2017, and ending October 1, 2046. The Series 2016A Bonds are payable solely from the net revenues of the District's water system as defined in the Series 2016A Bond Indenture.

The District has covenanted that it shall at all times while any of the 2016A Bonds remain unpaid, to the maximum extent permitted by law, to fix, prescribe and collect rates, fees and charges and manage the operation of the District for each fiscal year so as to yield District's net revenues equal to at least 1.20 times the annual debt service. The District is in compliance with such covenant at June 30, 2026 and 2025. In event of default, the District upon demand by U.S. Bank National Association, will immediately repay the total unpaid principal of the Bonds, accrued interests.

The amount outstanding at June 30, 2026 was $17,925,000. The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 515,000	$ 782,125	$ 1,297,125
2028	540,000	755,750	1,295,750
2029	570,000	728,000	1,298,000
2030	600,000	698,750	1,298,750
2031	625,000	670,025	1,295,025
2032-2036	3,620,000	2,846,500	6,466,500
2037-2041	1,710,000	2,035,500	3,745,500
2042-2046	3,910,000	1,245,200	5,155,200
2047	5,835,000	116,700	5,951,700
Total	$ 17,925,000	$ 9,878,550	$ 27,803,550

Note 7 – Long-Term Debt (Continued)

Hydroelectric Plant

In December 20, 2016, the District entered into an agreement with San Bernardino Valley Municipal Water District ("Valley District") to finance and construct Roemer Hydroelectric Station. In the agreement, the Valley District agreed to finance the cost of the project total amounted of $3,310,151 with the interest that the Valley District shall be revenue neutral in this financing arrangement. Beginning June 2018, the District shall repay the principal of the project funds, together with all interest accruing thereon, annually to the Valley District. Interest accrued monthly on the unpaid and outstanding balance of principal at the Local Agency Investment Fund interest rate, with accrued but unpaid interest also bearing interest. As of June 30, 2026, the outstanding balance of the financing was in the amount of $661,351.

Future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 331,100	$ 45,680	$ 376,780
2028	330,251	15,098	345,349
Total	$ 661,351	$ 60,778	$ 722,129

Water Participation Rights Contract Payable

In 2012, the District acquired water participation rights from the San Bernardino Valley Municipal Water District (SBVMWD). These rights entitle the District to purchase water from the Baseline Feeder system. The payment for the rights is calculated at 5,000-acre feet at $90 per acre foot, per year, payable in monthly installments of $25,444, until January 31, 2041. The calculated annual amount of $321,529 is a minimum usage fee which does not actually represent the purchase of any water. In 2024, the SBVMWD adjusted the annual payment from the District to $305,329 beginning fiscal year 2025. Purchased water is billed in addition to the minimum fee. As of June 30, 2026, the outstanding balance of the financing was $4,579,931. Future debt service requirements are as follows:

Year Ending June 30,	Principal
2027	$ 305,329
2028	305,329
2029	305,329
2030	305,329
2031	305,329
2032-2036	1,526,645
2037-2041	1,526,641
Total	$ 4,579,931

Note 7 – Long-Term Debt (Continued)

Drinking Water State Revolving Fund

In 2023, the District entered into an agreement with California State Water Resources Control Board for the Roemer Expansion Project. The District received $18.5 Million during the fiscal year ended June 30, 2024 and $28.1 Million during the fiscal year ended June 30, 2025. The Certificate of Substantial Completion was issued on August 27, 2026 for the project. Minor punch list items are expected to be completed by December 2026, at which time the project will be fully closed out. The installed upgrades have been commissioned and are currently operational. Payments will begin in fiscal year 2027 and the loan is expected to be repaid by fiscal year 2056. These are calculated using the annual interest rate is 1.1%. As of June 30, 2026, the outstanding balance of the financing was $46,665,000. Future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 1,321,396	$ 513,315	$ 1,834,711
2028	1,335,931	498,780	1,834,711
2029	1,350,627	484,084	1,834,711
2030	1,365,484	469,228	1,834,712
2031	1,380,504	454,207	1,834,711
2032-2036	7,133,671	2,039,884	9,173,555
2037-2041	7,534,750	1,638,805	9,173,555
2042-2046	7,958,380	1,215,176	9,173,556
2047-2051	8,405,827	767,729	9,173,556
2052-2056	8,878,430	295,125	9,173,555
Total	$ 46,665,000	$ 8,376,333	$ 55,041,333

Subscription-Based Information Technology Arrangement (SBITA) Liability

The District has entered into a subscription-based IT arrangement and has recorded a liability to offset the right-to-use assets. This is calculated using the District's incremental borrowing rate is 2.354%. As of June 30, 2026, the remaining principal balance was $194,675.

Future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 166,049	$ 4,468	$ 170,517
2028	28,626	674	29,300
Total	$ 194,675	$ 5,142	$ 199,817

Note 8 – Defined Benefit Pension Plans

General Information about the Pension Plan

Plans Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2024 and 2023 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

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.

The Plan's provisions and benefits in effect as of June 30, 2025 and 2024, the measurement dates, are summarized as follows:

	2025		2024	
	Classic Tier 1	PEPRA Tier 2	Classic Tier 1	PEPRA Tier 2
	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-55 & up	52-67 & up	50-55 & up	52-67 & up
Required employee contribution rates	7.000%	7.750%	7.000%	7.750%
Required employer contribution rates	12.520%	7.870%	12.470%	7.680%

Employees Covered by Benefit Terms

At June 30, 2024 and 2023, the valuation dates, the following employees were covered by the benefit terms for the Plan:

	2024	2023
Active employees	85	78
Transferred and terminated employees	77	77
Retired employees and beneficiaries	51	50
Total	213	205

Note 8 – Defined Benefit Pension Plans (Continued)

General Information about the Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer 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 contribution requirements are classified as plan member contributions.

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2024 valuation was rolled forward to determine the June 30, 2025 total pension liability, based on the following actuarial assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Price Inflation Salary Increases	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table[1]	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.

[1]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.

Change of Assumptions

There were no change of assumptions in 2025 and 2024.

Discount Rate

The discount rate used to measure the total pension liability was 6.90% for both measurement periods ended June 30, 2025 and June 30, 2024. This is based on the long-term expected rate of return on plan assets and is net of investment expenses but not reduced for administrative expenses. In determining the long-term expected rate of return, CalPERS took into account 20-year market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates to project compound (geometric) returns over the long term.

Note 8 – Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Discount Rate (Continued)

The expected real rates of return by asset class for measurement date of June 30, 2025 were as follows:

Asset Class	Assumed Asset Allocation[(1)]	Real Return[(1) (2)]
Public Equity	37.00%	4.56%
Private Equity	17.00%	5.56%
Fixed Income	28.00%	2.53%
Real Assets	15.00%	3.03%
Private Debt	8.00%	4.93%
Strategic Leverage	-5.00%	1.40%
Total	100%	

(1) Figures are based on the 2024 Mid-Cycle Asset Liability Management study.
(2) An expected annual rate of price inflation of 2.30% was used for this period.

The expected real rates of return by asset class for measurement date of June 30, 2024 were as follows:

Asset Class[1]	Assumed Asset Allocation	Real Return [1,2]
Global Equity - Cap-weighted	30%	4.54%
Global Equity - Non-Cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
	100%	

(1) An expected inflation of 2.30% used for this period.
(2) Figures are based on the 2021 Asset Liability Management study.

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.

Note 8 – Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Expected Average Remaining Service Lifetime (EARSL)

The EARSL for PERF C for the measurement period ending June 30, 2025, is 3.8 years, which was obtained by dividing the total service years of 659,872 (the sum of remaining service lifetimes of the active employees) by 172,460 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

For June 30, 2024 measurement date, the EARSL for PERF C is 3.8 years, which was obtained by dividing the total service years of 630,177 (the sum of remaining service lifetimes of the active employees) by 166,163 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Changes in the Net Pension Liability

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

The following presents the District's proportionate share of the net pension liabilities of the Plan as of the measurement dates at June 30, 2025 and 2024, calculated using the discount rate of 6.90%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
Measurement Date	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
June 30, 2025	$ 14,748,757	$ 8,305,011	$ 3,001,874
June 30, 2024	15,670,008	9,756,035	4,887,963

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial reports and can be obtained from CalPERS' website under Forms and Publications.

Note 8 – Defined Benefit Pension Plans (Continued)

Changes in the Net Pension Liability (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) - (a) - (b)
Balance at June 30, 2024 (Valuation Date)	$ 43,826,565	$ 34,070,530	$ 9,756,035
Balance at June 30, 2025 (Measurement Date)	47,749,950	39,444,939	8,305,011
Net Changes during 2024-2025	3,923,385	5,374,409	(1,451,024)
Balance at June 30, 2023 (Valuation Date)	$ 41,247,365	$ 31,466,814	$ 9,780,551
Balance at June 30, 2024 (Measurement Date)	43,826,565	34,070,530	9,756,035
Net Changes during 2023-2024	2,579,200	2,603,716	(24,516)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement periods ended June 30, 2025 and 2024.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation dates (June 30, 2024 and 2023). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement dates (June 30, 2025 and 2024). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2025 and 2024 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement periods (2024-2025 and 2023-2024).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of market value assets.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Note 8 – Defined Benefit Pension Plans (Continued)

Changes in the Net Pension Liability (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

Deferred outflows of resources, deferred inflows of resources, and pension expense are allocated based on the District's share of contributions made during the measurement period.

The District's proportionate share of the net pension liability was as follows:

2025		2024	
Measurement Date		Measurement Date	
June 30, 2024	0.2017%	June 30, 2023	0.1956%
June 30, 2025	0.2082%	June 30, 2024	0.2017%
Change - Increase (Decrease)	0.0065%	Change - Increase (Decrease)	0.0061%

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2026 and 2025, the District recognized pension expense in the amounts of $2,009,788 and $2,306,493, respectively. At June 30, 2026 and 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution after measurement date	$ 1,889,160	$ -	$ 1,712,951	$ -
Changes of assumptions	-	-	250,750	-
Difference between expected and actual experience	995,140	-	843,499	(32,913)
Projected earnings on pension plan investments under/(in excess of) actual earnings	-	(1,123,759)	561,643	-
Adjustment due to differences in proportions	105,236	(1,542)	293,596	-
Employer's actual contributions in excess of/(under) employer's proportionate share of contribution	190,161	(3,264)	66,717	(73,459)
Total	$ 3,179,697	$ (1,128,565)	$ 3,729,156	$ (106,372)

Deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date in the amount of $1,889,160 and $1,712,951 will be recognized as a reduction of the collective net pension liability in the years ending June 30, 2027 and 2026, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources 2026	Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources 2025
2027	$ 1,179,342	2026	$ 706,447
2028	(143,769)	2027	1,339,812
2029	(444,615)	2028	56,042
2030	(428,986)	2029	(192,468)
Total	$ 161,972	Total	$ 1,909,833

Note 9 – Other Postemployment Benefits ("OPEB")

General Information about the OPEB Plan

Plan Description

The District pays a portion of the cost of health insurance for retirees (including prescription drug benefits) under any group plan offered by the CalPERS Health Program, subject to certain restrictions as determined by the District. The District offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District's CalPERS Health Program, a cost-sharing multiple-employer medical coverage plan. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors.

Benefits Provided

A retired employee and dependent spouse, or spouse of a deceased employee or retiree, may continue his/her medical, dental and vision insurance at the District's expense. The eligibility requirements vary by date of hire, as follows:

- Hired prior to July 1, 2006: Later of age 50 and 10 years of continuous service. District premium contribution 100%.

- Hired on or after July 1, 2006: Later of age 55 and 5 years of continuous service. District premium contribution varies by years of service.

Year of Service	District Premium Contribution	Employee Premium Contribution
5	25%	75%
10	50%	50%
15	75%	25%
20	100%	0%

For employees hired before January 1, 2015, the District reimburses 100% of Medicare Part B premiums. Employees hired on or after January 1, 2015 are responsible for all Medicare Part B premiums.

If the spouse of a deceased employee or retiree remarries and becomes eligible for health benefits under his/her new spouse's health plan, all District benefits shall be terminated. Otherwise, benefits are payable for the lifetime of the covered retiree or surviving spouse.

Similar benefits are extended to retired District Directors, with the eligibility requirements being the later of age 50 and 12 years of total service. District Directors hired after January 1, 1995 are not eligible for retiree health benefits.

Plan Membership

As of June 30, 2024, the valuation date used for measurement dates June 30, 2025 and 2024, respectively, the following current and former employees were covered by the benefit terms under the OPEB Plan:

	2024
Active employees	84
Inactive employees or beneficiaries currently receiving benefits payments	27
Total	111

Note 9 – Other Postemployment Benefits ("OPEB") (Continued)

General Information about the OPEB Plan (Continued)

Contributions

The OPEB Plan and its contribution requirements are established by Ordinance and may be amended by Board action to update the original Ordinance. The annual contribution is based on the actuarially determined contribution. The District participates in the California Employers' Retiree Trust (CERBT) Fund.

Net OPEB Liability

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

Actuarial Assumptions

Total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	June 30, 2024
Actuarial Assumptions:	
Actuarial cost method	Entry Age, Level Percentage of Pay
Valuation of fiduciary net position	Fair value of assets
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB.
Salary Increases	3.00%
Inflation rate	2.50%
Investment rate of return	6.25%, net of OPEB plan investment expense
Pre-retirement Mortality:	Preretirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).
Postretirement Mortality:	Post-retirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).
Healthcare cost trend rate	7.00% for 2025 decreasing to 5.40% for 2029, 5.25% for 2030-2034, 4.60% for 2035-2049, 4.50% for 2050-2064, 4.25% for 2065-2074, and 4.00% for 2075 and later years; Medicare ages: 4.50% for 2025-2064, 4.25% for 2065-2074, and 4.00% for 2075 and later years.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate).

Note 9 – Other Postemployment Benefits ("OPEB") (Continued)

Net OPEB Liability ((Continued)

Long-Term Expected Rate of Return (Continued)

The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions) as of June 30, 2025 measurement date:

Asset Class	Assumed Asset Allocation	Real Rate of Return
Global ex-U.S. Equity	49.00%	4.50%
U.S. Fixed	23.00%	2.20%
TIPS	5.00%	1.80%
Real Estate	20.00%	4.60%
Commodities	3.00%	2.30%
Total	100.00%	

The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions) as of June 30, 2024 measurement date:

Asset Class	Assumed Asset Allocation	Real Rate of Return
Global ex-U.S. Equity	49.00%	4.80%
U.S. Fixed	23.00%	1.80%
TIPS	5.00%	1.60%
Real Estate	20.00%	3.70%
Commodities	3.00%	1.90%
Total	100.00%	

Rate of Return

The annual money-weighted rates of return, net of investment expenses, for the measurement periods ended June 30, 2025 and 2024 were 12.30% and 11.47%, respectively.

Discount Rate

GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return.

b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

Note 9 – Other Postemployment Benefits ("OPEB") (Continued)

Net OPEB Liability (Continued)

Discount Rate (Continued)

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return of Plan Investments	Municipal Bond Index	Bond Rate	Discount Rate
June 30, 2026	June 30, 2025	6.25%	Bond Buyer 20-Bond GO	5.20%	6.25%
June 30, 2025	June 30, 2024	6.25%	Fidelity GO AA 20 Years	3.97%	6.25%

Change in Net OPEB Liability

The changes in net OPEB liability for the years ended June 30, 2026 and 2025 were as follows:

	2026 Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2024 (Measurement Date)	$ 12,820,098	$ 6,327,299	$ 6,492,799
Changes recognized for the measurement period:			
Service cost	553,883	-	553,883
Interest	824,536	-	824,536
Actual vs. expected experience	-	-	-
Changes of assumption	-	-	-
Contributions - employer	-	368,381	(368,381)
Net investment income	-	778,082	(778,082)
Benefits payments	(368,381)	(368,381)	-
Administrative expense	-	(1,980)	1,980
Net Changes during July 1, 2024 to June 30, 2025	1,010,038	776,102	233,936
Balance at June 30, 2025 (Measurement Date)	$ 13,830,136	$ 7,103,401	$ 6,726,735

	2025 Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2023 (Measurement Date)	$ 10,401,789	$ 5,055,143	$ 5,346,646
Changes recognized for the measurement period:			
Service cost	498,193	-	498,193
Interest	670,417	-	670,417
Contributions - employer	-	973,122	(973,122)
Net investment income	-	652,804	(652,804)
Benefits payments	(351,969)	(351,969)	-
Administrative expense	-	(1,801)	1,801
Net Changes during July 1, 2023 to June 30, 2024	2,418,309	1,272,156	1,146,153
Balance at June 30, 2024 (Measurement Date)	$ 12,820,098	$ 6,327,299	$ 6,492,799

Note 9 – Other Postemployment Benefits ("OPEB") (Continued)

Change in Net OPEB Liability (Continued)

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2025 and 2024:

	Plan's Net OPEB Liability (Asset)		
Measurement Date	Discount Rate - 1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate + 1% (7.25%)
June 30, 2025	$ 8,798,826	$ 6,726,735	$ 5,027,698
June 30, 2024	8,429,913	6,492,799	4,904,685

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2025 and 2024:

	Plan's Net OPEB Liability (Asset)		
Measurement Date	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
June 30, 2025	$ 4,626,894	$ 6,726,735	$ 9,408,973
June 30, 2024	4,639,157	6,492,799	8,850,034

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

For the fiscal years ended June 30, 2026 and 2025, the District recognized OPEB expense of $238,492 and $3,260, respectively. As of fiscal years, ended June 30, 2026 and 2025, the District reported deferred outflows of resources related to OPEB from the following sources:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 819,062	$ (701,794)	$ 932,951	$ (1,500,058)
Net difference between projected and actual earnings on plan investments	-	(300,944)	23,703	-
Difference between expected and actual experience	1,313,502	(1,983,666)	1,639,139	(2,313,400)
Employer contributions made subsequent to the measurement date	1,623,328	-	368,381	-
Total	$ 3,755,892	$ (2,986,404)	$ 2,964,174	$ (3,813,458)

Deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date in the amounts of $1,623,328 and $368,381 will be recognized as a reduction of the net OPEB liability in the years ending June 30, 2027 and 2026, respectively.

Note 9 – Other Postemployment Benefits ("OPEB") (Continued)

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

Amount reported as deferred outflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources 2026	Year Ending June 30	Deferred Outflows/(Inflows) of Resources 2025
2027	$ 16,775	2026	$ (669,975)
2028	(171,174)	2027	93,312
2029	(368,458)	2028	(94,637)
2030	(330,979)	2029	(291,921)
2031	(254,447)	2030	(254,440)
Thereafter	254,443	Thereafter	(4)
Total	$ (853,840)	Total	$ (1,217,665)

Note 10 – Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2026 and 2025 were as follows:

Description	2026	2025
Capital assets, net	$ 234,094,230	$ 212,228,835
Deferred amount on debt refunding	138,926	145,541
Capital related debt:		
Account payable related to capital assets	(2,711,707)	(2,599,807)
Retention payable	(270,020)	(111,050)
Bonds payable - current	(515,000)	(490,000)
Bonds payable - noncurrent	(17,410,000)	(17,925,000)
Bond premium	(831,824)	(872,441)
Contracts payable - current	(636,429)	(636,429)
Contracts payable - noncurrent	(4,604,853)	(5,241,282)
Drinking Water State Revolving Fund - current	(1,321,396)	-
Drinking Water State Revolving Fund - noncurrent	(45,343,604)	(46,665,000)
Subscription liabilities - current	(166,049)	(98,073)
Subscription liabilities - noncurrent	(28,626)	(132,203)
Net investment in capital assets	$ 160,393,648	$ 137,603,091

Note 11 – Commitments and Contingencies

Construction Contracts

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

Note 11 – Commitments and Contingencies (Continued)

Commitments

The District has active projects as of June 30, 2026. As of June 30, 2026, the District's commitments with contractors for these projects are as follows:

Projects	Commitments
Building Improvements	$ 1,214,773
Land Improvements	1,015,460
Wells. Pumps, & Booster Plants	7,690,198
	$ 9,920,431

Litigation

The District is currently a party to various claims and legal proceedings. Although the outcome of these lawsuits is not presently determinable, it is management's opinion that the ultimate liabilities, if any, resulting from such claims and proceedings will not materially affect the financial position of the District. However, after consultation with legal counsel, the District has estimated an aggregate contingent liability related to various claims and litigations in the amount of $0 and $500,000 as of June 30, 2026 and 2025, respectively. The contingent liability is periodically adjusted as additional information becomes available affecting management's estimate. Actual claims and settlements paid may differ from this amount.

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. As of June 30, 2026 and 2025, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $5,000,000, combined single limit at $5,000,000 per occurrence. The JPIA purchases additional excess coverage layers: $55 million per occurrence for general, auto and public officials' liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Public employee dishonesty coverage up to $100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $150 million for the years ended June 30, 2026 and 2025, respectively, per occurrence, subject to a $25,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to $150 million and $100 million for the years ended June 30, 2026 and 2025, respectively, per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work-related injuries/illnesses covered by California law. Coverage is through the Special Districts Risk Management Authority.

Note 12 – Risk Management (Continued)

- Cyber liability coverage is provided for cyber liability and cyber security events with limits of $3,000,000 per member, subject to applicable program aggregate limits and $100,000 retention.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the last three years. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2026, 2025 and 2024, other than an estimated contingent liability for various litigation, as described in Note 11.

Note 13 – Unusual or Infrequent Item

During the fiscal year ended June 30, 2026, the District received settlement payments amounted to $3,776,617 pursuant to a legal settlement arising from an environmental class action lawsuit involving aqueous film-forming foams products. The transaction was not within management's control. Based on the nature and circumstances of the litigation, the District determined that the settlement qualifies as an unusual or infrequent item under GASB Statement No. 103, *Financial Reporting Model Improvements*. The settlement proceeds were recognized in accordance with applicable accounting requirements and presented as a separate line item in the District's Statements of Revenues, Expenses and Changes in Net Position.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

West Valley Water District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios
For the Fiscal Year Ended June 30, 2026

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") - Miscellaneous Rate Plan

Measurement period ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
District's Proportion of the Net Pension Liability	0.2082%	0.2017%	0.1956%	0.1886%	0.1827%
District's Proportionate Share of the Net Pension Liability/(Asset)	$ 8,305,011	$ 9,756,035	$ 9,780,551	$ 8,826,012	$ 3,468,668
District's Covered Payroll	$ 9,216,225	$ 8,454,825	$ 7,145,703	$ 7,040,783	$ 6,166,912
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	90.11%	115.39%	136.87%	125.36%	56.25%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%	77.74%	76.29%	77.01%	90.07%

West Valley Water District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)
For the Fiscal Year Ended June 30, 2026

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") - Miscellaneous Rate Plan

Measurement period ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
District's Proportion of the Net Pension Liability	0.1697%	0.1604%	0.1516%	0.1485%	0.1447%
District's Proportionate Share of the Net Pension Liability/(Asset)	$ 7,159,848	$ 6,421,111	$ 5,714,823	$ 5,854,618	$ 5,025,330
District's Covered Payroll	$ 6,406,574	$ 6,806,415	$ 5,589,317	$ 5,732,509	$ 4,604,837
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	111.76%	94.34%	102.25%	102.13%	109.13%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	78.53%	79.35%	80.51%	78.53%	78.61%

West Valley Water District
Required Supplementary Information (Unaudited)
Schedule of Contributions
For the Year Ended June 30, 2026

Last Ten Fiscal Years[1]

California Public Employees' Retirement System ("CalPERS") - Miscellaneous Rate Plan

Fiscal year	2025-26	2024-25	2023-24	2022-23	2021-22
Actuarially determined contribution	$ 1,889,160	$ 1,712,951	$ 1,391,019	$ 1,292,629	$ 1,184,089
Contribution in relation to the determined contribution[2]	(1,889,160)	(1,712,951)	(1,391,019)	(1,292,629)	(1,184,089)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll[3]	$ 9,474,279	$ 9,216,225	$ 8,454,825	$ 7,145,703	$ 7,040,783
Contribution as a percentage of covered payroll[3]	19.94%	19.71%	16.45%	18.09%	16.82%

[1] As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be presented as of the employer's most recent fiscal year-end.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

[3] Includes one year's payroll growth using 2.80% payroll growth assumption for fiscal year ended June 30, 2022 through 2025; 2.75% payroll growth assumption for fiscal years ended in 2018 through 2021; 3.00% payroll growth assumption for fiscal years ended in 2015 through 2017.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2025-26 were derived from the June 30, 2023 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2023 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2023 Funding Valuation Report.
Inflation	2.30%
Salary increases	Varies by entry age and service
Payroll Growth	2.80%
Investment rate of return	6.80% net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	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.

West Valley Water District
Required Supplementary Information (Unaudited)
Schedule of Contributions (Continued)
For the Year Ended June 30, 2026

Last Ten Fiscal Years[1]

California Public Employees' Retirement System ("CalPERS") - Miscellaneous Rate Plan

Fiscal year	2020-21	2019-20	2018-19	2017-18	2016-17
Actuarially determined contribution	$ 1,037,677	$ 984,477	$ 812,147	$ 715,005	$ 628,828
Contribution in relation to the determined contribution[2]	(1,037,677)	(984,477)	(812,147)	(715,005)	(628,828)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll[3]	$ 6,166,912	$ 6,406,574	$ 6,806,415	$ 5,589,317	$ 5,732,509
Contribution as a percentage of covered payroll[3]	16.83%	15.37%	11.93%	12.79%	10.97%

West Valley Water District
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2026

Last Ten Fiscal Years [1]

Other Postemployment Benefits ("OPEB") Plan

Measurement period	2024-25	2023-24	2022-23	2021-22	2020-21
Total OPEB liability					
Service cost	$ 553,883	$ 498,193	$ 377,640	$ 358,679	$ 423,998
Interest	824,536	670,417	622,524	786,374	741,661
Changes of benefit terms	-	-	-	-	-
Actual vs. expected experience	-	1,039,439	-	(3,075,860)	-
Changes of assumptions	-	562,229	-	604,269	-
Benefit payments	(368,381)	(351,969)	(356,821)	(406,017)	(468,812)
Net change in total OPEB liability	1,010,038	2,418,309	643,343	(1,732,555)	696,847
Total OPEB liability - beginning	12,820,098	10,401,789	9,758,446	11,491,001	10,794,154
Total OPEB liability - ending (a)	$ 13,830,136	$ 12,820,098	$ 10,401,789	$ 9,758,446	$ 11,491,001
OPEB fiduciary net position					
Contributions -					
Contributions - employer	368,381	973,122	1,083,481	1,112,330	1,310,480
Net investment income	778,082	652,804	304,388	300,757	725,522
Benefit payments	(368,381)	(351,969)	(356,821)	(406,017)	(468,812)
Actual vs. expected return on investments	-	-	-	(939,751)	-
Administrative expense	(1,980)	(1,801)	(1,340)	(1,123)	(1,026)
Net change in plan fiduciary net position	776,102	1,272,156	1,029,708	66,196	1,566,164
Plan fiduciary net position, beginning	6,327,299	5,055,143	4,025,435	3,959,239	2,393,075
Plan fiduciary net position, ending (b)	7,103,401	6,327,299	5,055,143	4,025,435	3,959,239
Plan net OPEB liability - ending (a) - (b)	$ 6,726,735	$ 6,492,799	$ 5,346,646	$ 5,733,011	$ 7,531,762
Plan's fiduciary net position as a percentage of the total OPEB liability	51.36%	49.35%	48.60%	41.25%	34.46%
Covered payroll	$ 10,616,008	$ 8,975,438	$ 8,203,816	$ 8,423,119	$ 7,526,256
Plan net OPEB liability as a percentage of covered payroll	63.36%	72.34%	65.17%	68.06%	100.07%

[1] Historical information is presented for measurement periods after GASB 75 is implementation. Additional years' information will be displayed as it becomes available.

Notes to Schedule:

Changes in assumptions: There were no changes in the assumptions during the measurement period ended June 30, 2025.

West Valley Water District
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios (Continued)
For the Year Ended June 30, 2026

Last Ten Fiscal Years [1]

Other Postemployment Benefits ("OPEB") Plan

Measurement period	2019-20	2018-19	2017-18	2016-17
Total OPEB liability				
Service cost	$ 496,240	$ 335,647	$ 236,285	$ 683,520
Interest	808,919	739,614	552,581	428,490
Changes of benefit terms	-	175,249	-	-
Actual vs. expected experience	(277,128)	-	2,279,483	-
Changes of assumptions	(1,523,953)	-	(43,695)	(7,209,389)
Benefit payments	(388,982)	(386,106)	(320,225)	(287,245)
Net change in total OPEB liability	(884,904)	864,404	2,704,429	(6,384,624)
Total OPEB liability - beginning	11,679,058	10,814,654	8,110,225	14,494,849
Total OPEB liability - ending (a)	$ 10,794,154	$ 11,679,058	$ 10,814,654	$ 8,110,225
OPEB fiduciary net position				
Contributions -				
Contributions - employer	1,244,934	953,106	1,150,225	-
Net investment income	36,063	93,161	12,291	-
Benefit payments	(388,982)	(386,106)	(320,225)	-
Actual vs. expected return on investments	-	-	-	-
Administrative expense	(864)	(232)	(296)	-
Net change in plan fiduciary net position	891,151	659,929	841,995	-
Plan fiduciary net position, beginning	1,501,924	841,995	-	-
Plan fiduciary net position, ending (b)	2,393,075	1,501,924	841,995	-
Plan net OPEB liability - ending (a) - (b)	$ 8,401,079	$ 10,177,134	$ 9,972,659	$ 8,110,225
Plan's fiduciary net position as a percentage of the total OPEB liability	22.17%	12.86%	7.79%	0.00%
Covered payroll	$ 8,808,682	$ 7,177,705	$ 6,831,331	$ 6,080,776
Plan net OPEB liability as a percentage of covered payroll	95.37%	141.79%	145.98%	133.37%

[1] Historical information is presented for measurement periods after GASB 75 is implementation. Additional years' information will be displayed as it becomes available.

Notes to Schedule:

Changes in assumptions: There were no changes in the assumptions during the measurement period ended June 30, 2025.

West Valley Water District
Required Supplementary Information (Unaudited)
Schedule of Contributions
For the Year Ended June 30, 2026

Last Ten Fiscal Years[1]

Other Postemployment Benefits ("OPEB") Plan

Fiscal year	2025-26	2024-25	2023-24	2022-23	2021-22
Actuarially determined contribution	$ 1,346,304	$ 1,025,315	$ 995,453	$ 1,236,044	$ 1,200,042
Contribution in relation to the actuarially determined contribution	(1,623,328)	(368,381)	(973,122)	(1,083,481)	(1,112,330)
Contribution deficiency (excess)	$ (277,024)	$ 656,934	$ 22,331	$ 152,563	$ 87,712
Covered payroll	$ 11,006,026	$ 10,616,008	$ 8,975,438	$ 8,203,816	$ 8,423,119
Contribution as a percentage of covered payroll	14.75%	3.47%	10.84%	13.21%	13.21%

[1] Historical information is presented for measurement periods after GASB 75 is implementation. Additional years' information will be displayed as it becomes available.

Notes to Schedule:

Valuation date	June 30, 2024
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage age of payroll
Salaries increases	3.00%
Discount rate	6.25%, net of OPEB plan investment expense
General inflation	2.50%
Healthcare cost trend rate	7.00% for 2025 decreasing to 5.40% for 2029, 5.25% for 2030-2034, 4.60% for 2035-2049, 4.50% for 2050-2064, 4.25% for 2065-2074, and 4.00% for 2075 and later years; Medicare ages: 4.50% for 2025-2064, 4.25% for 2065-2074, and 4.00% for 2075 and later years.
Pre-retirement Mortality:	Preretirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).
Postretirement Mortality:	Post-retirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).

West Valley Water District
Required Supplementary Information (Unaudited)
Schedule of Contributions (Continued)
For the Year Ended June 30, 2026

Last Ten Fiscal Years[1]

Other Postemployment Benefits ("OPEB") Plan

Fiscal year	2020-21	2019-20	2018-19	2017-18
Actuarially determined contribution	$ 1,302,426	$ 1,267,587	$ 859,000	$ 869,006
Contribution in relation to the actuarially determined contribution	(1,310,480)	(1,244,934)	(953,106)	(1,150,225)
Contribution deficiency (excess)	$ (8,054)	$ 22,653	$ (94,106)	$ (281,219)
Covered payroll	$ 7,526,256	$ 8,808,682	$ 7,263,849	$ 6,831,331
Contribution as a percentage of covered payroll	17.41%	14.13%	13.12%	16.84%

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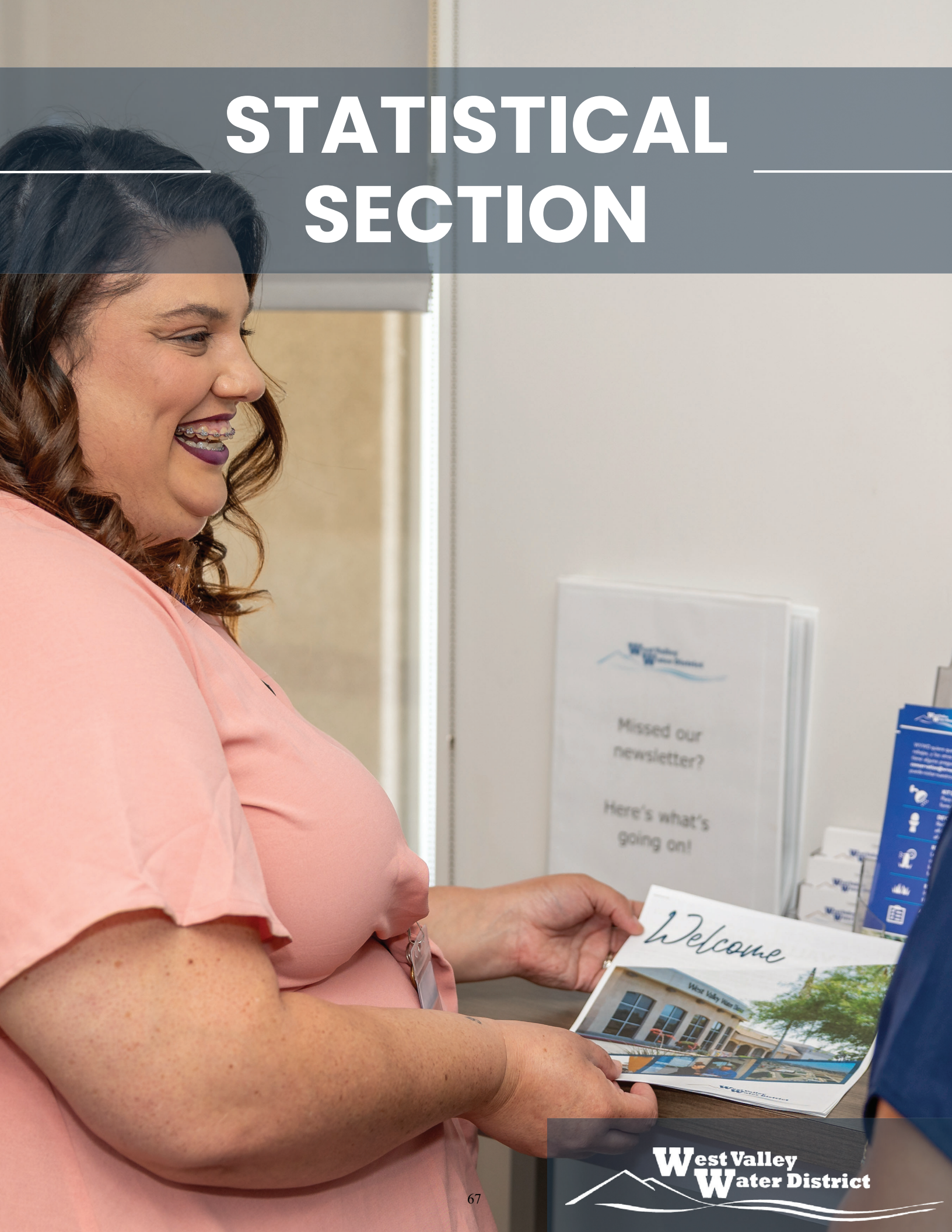
STATISTICAL SECTION



West Valley Water District

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West Valley Water District
Statistical Section Contents

This section of the annual comprehensive financial report presents detailed information as a context for understanding what the information in the accompanying financial statements, notes disclosures, and required supplementary information says about the District's overall financial health.

Contents	Pages
Financial Trends	
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	71 - 73
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the District's ability to generate revenues.	74 - 77
Debt Capacity	
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	78 - 81
Demographic and Economic Information	
These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	83
Operating Information	
These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the government provides and the activities it performs.	84 - 86

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West Valley Water District
Net Position by Component
Last Ten Fiscal Years

Schedule 1

Fiscal Year	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position (deficit)	Total Net Position
2017	$ 87,532,879	$ 929,737	$ 27,094,253	$ 115,556,869
2018	95,204,664	7,875,322	22,622,990	125,702,976
2019	100,736,605	10,699,965	30,068,129	141,504,699
2020	102,459,965	13,462,143	29,259,529	145,181,637
2021	103,770,537	13,938,052	35,291,467	153,000,056
2022	102,483,167	49,107,439	39,989,216	191,579,822
2023	108,469,538	47,719,572	55,372,409	211,561,519
2024	139,078,911	29,188,714	78,764,350	247,031,975
2025	137,603,091	57,007,954	66,205,870	260,816,915
2026	160,393,648	51,668,747	61,664,866	273,727,261

Source: West Valley Water District Accounting Department

West Valley Water District
Changes in Net Position
Last Ten Fiscal Years

Schedule 2

	Fiscal Year				
	2017	**2018**	**2019**	**2020**	**2021**
Changes in net position:					
Operating revenues					
Water consumption sales	$ 15,854,879	$ 17,370,508	$ 17,163,673	$ 17,698,440	$ 20,428,413
Water service charges	6,989,061	7,201,939	7,350,127	7,506,847	7,978,760
Other operating revenue	3,833,946	3,971,525	3,842,965	3,615,547	3,559,427
Total operating revenues	26,677,886	28,543,972	28,356,765	28,820,834	31,966,600
Operating Expenses					
Source of supply	1,307,160	972,624	1,740,717	1,676,085	1,588,731
Pumping	2,823,389	3,066,501	3,189,444	3,416,731	4,077,298
Water treatment	3,723,148	4,110,055	4,101,693	3,966,298	4,067,045
Transmission and distribution	2,071,867	2,074,410	1,966,357	3,448,753	2,204,080
Customer accounts	1,923,943	2,031,657	2,456,429	2,425,709	2,600,902
Public affairs	1,273,562	1,280,123	1,520,168	1,740,136	890,242
General and administrative	7,322,998	8,170,915	8,313,067	10,260,591	9,824,619
Engineering and technical services[1]	-	-	-	-	-
Depreciation expense	7,567,940	5,946,892	6,022,835	6,150,232	6,199,141
Amortization of water participation rights	321,529	321,529	321,529	321,529	321,529
Total operating expenses	28,335,536	27,974,706	29,632,239	33,406,064	31,773,587
Operating income (loss)	(1,657,650)	569,266	(1,275,474)	(4,585,230)	193,013
Noncapital subsidies					
Property Taxes	1,821,922	2,023,173	2,305,151	2,376,463	(238,833)
Total noncapital subsidies	1,821,922	2,023,173	2,305,151	2,376,463	(238,833)
Operating (loss) and noncapital subsidies	164,272	2,592,439	1,029,677	(2,208,767)	(45,820)
Non-operating revenues (expenses):					
Capital subsidies	3,506,937	16,643,552	10,120,527	4,917,877	8,851,642
Interest and investment earnings/(loss)	2,782,960	(1,234,372)	5,548,794	1,910,670	67,806
Gain/(loss) on sale/disposition of capital assets	60,980	15,400	-	-	(189,254)
Interest expense	(2,140,812)	(879,953)	(897,275)	(942,842)	(865,955)
Total non-operating revenues (expenses), net	4,210,065	14,544,627	14,772,046	5,885,705	7,864,239
Total income before unusual or infrequent items	4,374,337	17,137,066	15,801,723	3,676,938	7,818,419
Total unusual or infrequent items					
Settlement	-	-	-	-	-
Total unusual or infrequent items	-	-	-	-	-
Total Change in Net Position	$ 4,374,337	$ 17,137,066	$ 15,801,723	$ 3,676,938	$ 7,818,419

[1] *Engineering and technical services costs, previously reported within general and administrative expenses, are presented separately beginning in fiscal year 2026. The fiscal year 2025 amounts have been reclassified for comparability.*

Source: West Valley Water District Accounting Department

West Valley Water District
Changes in Net Position (Continued)
Last Ten Fiscal Years

Schedule 2

	Fiscal Year				
	2022	2023	2024	As Reclassified 2025	2026
Changes in net position:					
Operating revenues					
Water consumption sales	$ 20,113,330	$ 17,318,706	$ 17,853,480	$ 20,380,439	$ 20,263,890
Water service charges	8,027,078	8,350,808	8,746,460	8,959,803	9,589,627
Other operating revenue	4,077,190	15,721,986	5,612,568	5,310,473	5,837,926
Total operating revenues	32,217,598	41,391,500	32,212,508	34,650,715	35,691,443
Operating Expenses					
Source of supply	1,825,531	1,996,352	1,650,615	1,732,363	1,832,287
Pumping	4,417,077	4,673,757	5,337,069	5,231,035	6,494,215
Water treatment	4,591,618	4,679,730	5,082,226	5,901,423	5,619,743
Transmission and distribution	2,200,940	2,677,543	3,046,177	2,982,504	2,824,538
Customer accounts	2,462,906	2,664,323	2,857,673	3,509,254	2,843,704
Public affairs	1,034,781	940,041	857,875	1,452,190	1,503,323
General and administrative	9,284,184	10,358,617	10,878,825	8,991,338	7,777,073
Engineering and technical services[1]	-	-	-	3,837,737	4,287,256
Depreciation expense	6,315,312	6,392,240	6,991,531	7,346,255	7,905,949
Amortization of water participation rights	341,867	370,216	434,230	436,921	318,190
Total operating expenses	32,474,216	34,752,819	37,136,221	41,421,020	41,406,278
Operating income (loss)	(256,618)	6,638,681	(4,923,713)	(6,770,305)	(5,714,835)
Noncapital subsidies					
Property Taxes	3,179,573	3,738,692	4,263,009	4,564,248	4,934,604
Total noncapital subsidies	3,179,573	3,738,692	4,263,009	4,564,248	4,934,604
Operating (loss) and noncapital subsidies	2,922,955	10,377,373	(660,704)	(2,206,057)	(780,231)
Non-operating revenues (expenses):					
Capital subsidies	37,527,406	6,483,013	28,945,648	11,378,305	7,431,998
Interest and investment earnings/(loss)	(1,793,624)	3,259,706	6,046,939	6,492,148	4,503,152
Gain/(loss) on sale/disposition of capital assets	771,002	735,495	2,029,568	(649,966)	(709,942)
Interest expense	(847,973)	(873,890)	(890,995)	(1,229,490)	(1,311,248)
Total non-operating revenues (expenses), net	35,656,811	9,604,324	36,131,160	15,990,997	9,913,960
Total income before unusual or infrequent items	38,579,766	19,981,697	35,470,456	13,784,940	9,133,729
Total unusual or infrequent items					
Settlement	-	-	-	-	3,776,617
Total unusual or infrequent items	-	-	-	-	3,776,617
Total Change in Net Position	$ 38,579,766	$ 19,981,697	$ 35,470,456	$ 13,784,940	$ 12,910,346

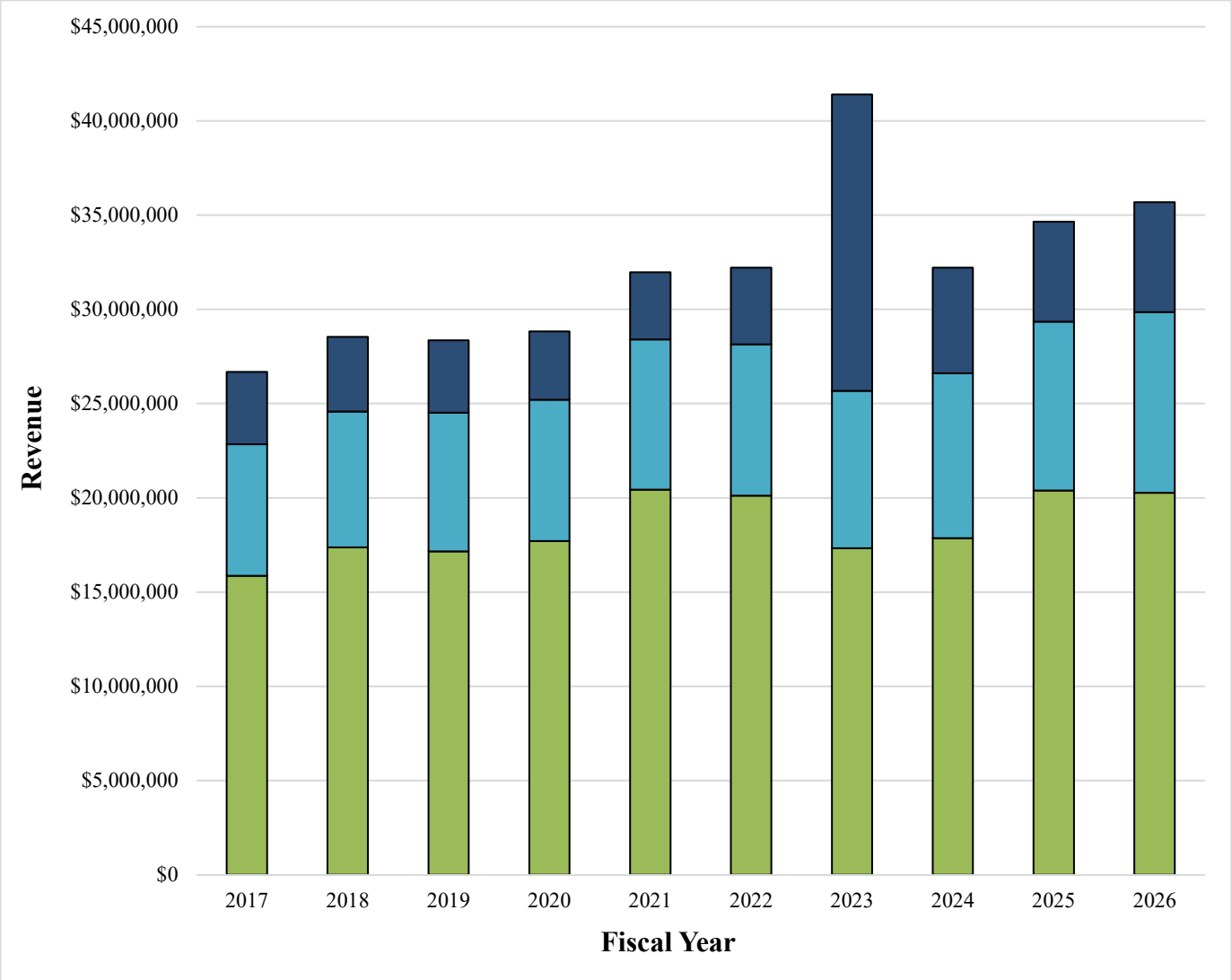
[1] *Engineering and technical services costs, previously reported within general and administrative expenses, are presented separately beginning in fiscal year 2026. The fiscal year 2025 amounts have been reclassified for comparability.*

Source: West Valley Water District Accounting Department

West Valley Water District
Operating Revenue By Source
Last Ten Fiscal Years

Schedule 3

Fiscal Year	Water Consumption Sales	Water Service Charges	Other Operating Income	Total Operating Revenue
2017	$ 15,854,879	$ 6,989,061	$ 3,833,946	$ 26,677,886
2018	17,370,508	7,201,939	3,971,525	28,543,972
2019	17,163,673	7,350,127	3,842,965	28,356,765
2020	17,698,440	7,506,847	3,615,547	28,820,834
2021	20,428,413	7,978,760	3,559,427	31,966,600
2022	20,113,330	8,027,078	4,077,190	32,217,598
2023	17,318,706	8,350,808	15,721,986	41,391,500
2024	17,853,480	8,746,460	5,612,568	32,212,508
2025	20,380,439	8,959,803	5,310,473	34,650,715
2026	20,263,890	9,589,627	5,837,926	35,691,443

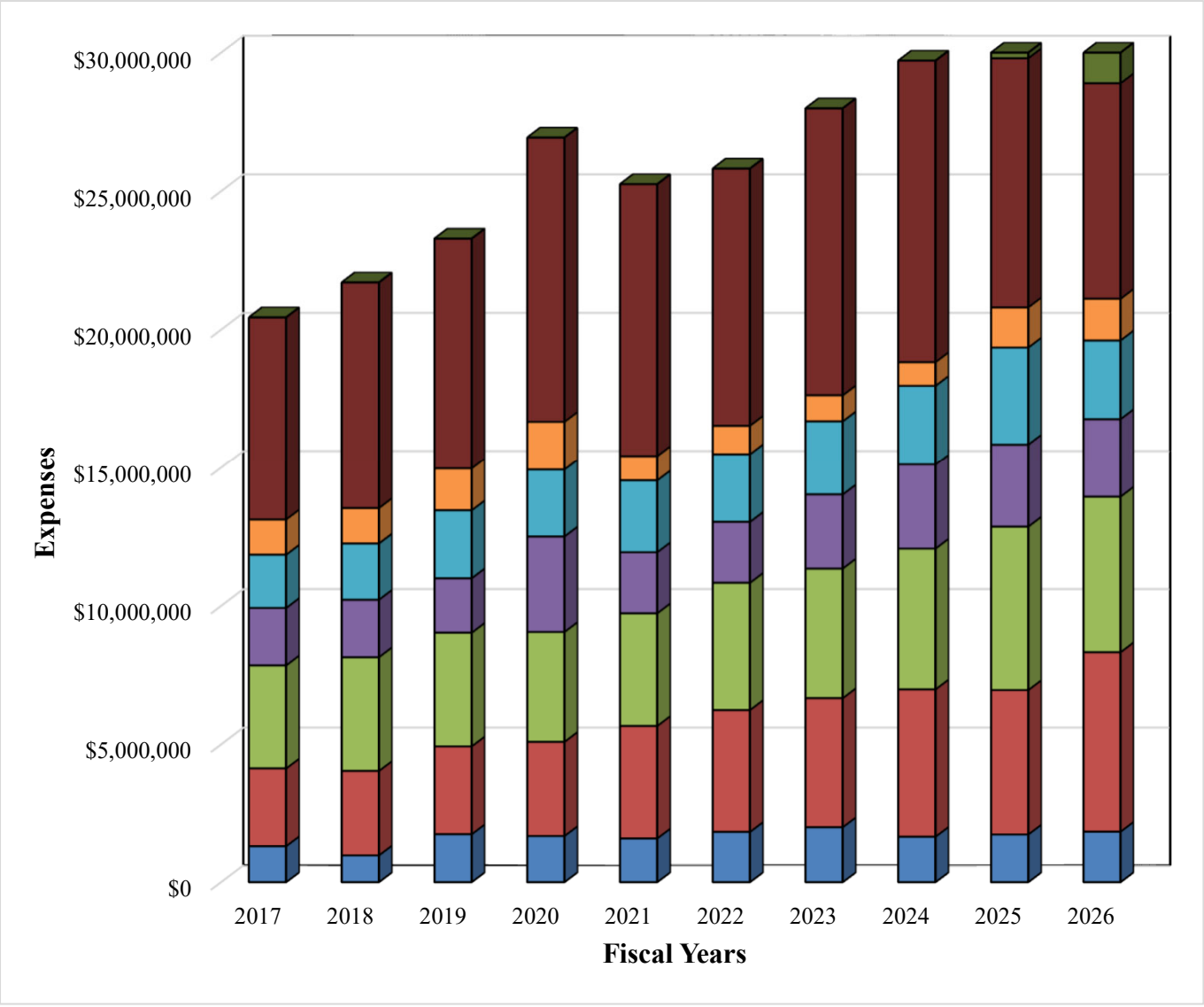


Source: West Valley Water District Accounting Department

West Valley Water District
Operating Expenses by Activity
Last Ten Fiscal Years

Schedule 4

Fiscal Year	Source of Supply	Pumping	Water Treatment	Transmission and Distribution	Customer Accounts	Public Affairs	General and Administrative	Engineering and Technical Services	Total Operating Expenses
2017	$ 1,307,160	$ 2,823,389	$ 3,723,148	$ 2,071,867	$ 1,923,943	$1,273,562	$ 7,322,998	$ -	$ 20,446,067
2018	972,624	3,066,501	4,110,055	2,074,410	2,031,657	1,280,123	8,170,915	-	21,706,285
2019	1,740,717	3,189,444	4,101,693	1,966,357	2,456,429	1,520,168	8,313,067	-	23,287,875
2020	1,676,085	3,416,731	3,966,298	3,448,753	2,425,709	1,740,136	10,260,591	-	26,934,303
2021	1,588,731	4,077,298	4,067,045	2,204,080	2,600,902	890,242	9,824,619	-	25,252,917
2022	1,825,531	4,417,077	4,591,618	2,200,940	2,462,906	1,034,781	9,284,184	-	25,817,037
2023	1,996,352	4,673,757	4,679,730	2,677,543	2,664,323	940,041	10,358,617	-	27,990,363
2024	1,650,615	5,337,069	5,082,226	3,046,177	2,857,673	857,875	10,878,825	-	29,710,460
2025	1,732,363	5,231,035	5,901,423	2,982,504	3,509,254	1,452,190	8,991,338	3,837,737	33,637,844
2026	1,832,287	6,494,215	5,619,743	2,824,538	2,843,704	1,503,323	7,777,073	4,287,256	33,182,139

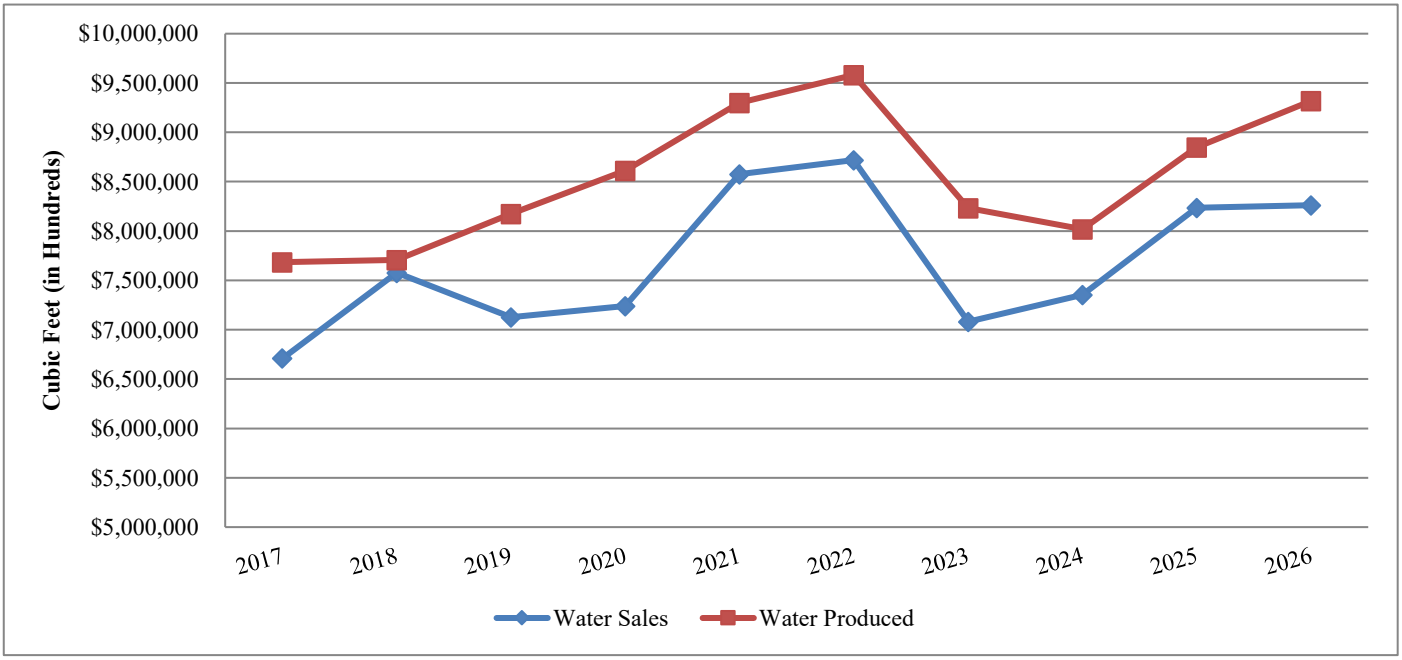


Source: West Valley Water District Accounting Department

West Valley Water District
Revenue Base
Last Ten Fiscal Years

Schedule 5

Fiscal Year	Water Sales (HCF)	Water Produced (HCF)
2017	$ 6,710,551	$ 7,685,902
2018	7,576,183	7,705,595
2019	7,127,708	8,173,416
2020	7,238,771	8,610,871
2021	8,574,446	9,298,026
2022	8,719,191	9,581,118
2023	7,079,858	8,232,404
2024	7,353,649	8,019,624
2025	8,234,214	8,848,865
2026	8,260,651	9,316,913



Note: See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.
Note: West Valley Water District Accounting Department

West Valley Water District
Revenue Rates
Last Ten Fiscal Years

Schedule 6

Water Consumption per Hundred Cubic Feet (HCF)

Service Type	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fire	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tier 1	106.50	106.50	106.50	106.50	106.50	106.50	106.50	106.50	106.50	116.50
Tier 2	115.00	115.00	115.00	115.00	115.00	115.00	115.00	115.00	115.00	127.00
Tier 3	126.50	126.50	126.50	126.50	126.50	126.50	126.50	126.50	126.50	136.50
Golf Course	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract
Hydrant	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.73
Irrigation:										
Demand	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract
Gravity Flow	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract
Pressure	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract
Water	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tier 1	2.13	2.13	2.13	2.13	2.13	2.13	2.13	2.13	2.13	2.33
Tier 2	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.54
Tier 3	2.53	2.53	2.53	2.53	2.53	2.53	2.53	2.53	2.53	2.73

Connection Fees Per Month

Meter Size	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fire										
5/8"	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.09
3/4"	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.18
1"	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.54	10.47
1 1/2"	15.81	15.81	15.81	15.81	15.81	15.81	15.81	15.81	15.81	11.49
2"	21.08	21.08	21.08	21.08	21.08	21.08	21.08	21.08	21.08	13.25
3"	31.62	31.62	31.62	31.62	31.62	31.62	31.62	31.62	31.62	19.56
4"	42.16	42.16	42.16	42.16	42.16	42.16	42.16	42.16	42.16	30.44
6"	63.24	63.24	63.24	63.24	63.24	63.24	63.24	63.24	63.24	69.51
8"	84.32	84.32	84.32	84.32	84.32	84.32	84.32	84.32	84.32	136.90
Golf Course										
All Sizes	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract
Hydrant										
3"	73.17	73.17	73.17	73.17	73.17	73.17	73.17	73.17	73.17	171.89
4"	73.17	73.17	73.17	73.17	73.17	73.17	73.17	73.17	73.17	287.57
Backflow Device	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.84
Minimum Charge	73.17	73.17	73.17	73.17	73.17	73.17	73.17	73.17	73.17	115.78
Irrigation										
All Sizes:										
Demand	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract
Gravity Flow	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract
Pressure	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract	By contract
Water										
5/8"	22.21	22.21	22.21	22.21	22.21	22.21	22.21	22.21	22.21	23.82
3/4"	22.21	22.21	22.21	22.21	22.21	22.21	22.21	22.21	22.21	23.82
1"	33.07	33.07	33.07	33.07	33.07	33.07	33.07	33.07	33.07	33.07
1 1/2"	48.77	48.77	48.77	48.77	48.77	48.77	48.77	48.77	48.77	56.21
2"	67.18	67.18	67.18	67.18	67.18	67.18	67.18	67.18	67.18	83.97
3"	97.52	97.52	97.52	97.52	97.52	97.52	97.52	97.52	97.52	171.89
4"	128.56	128.56	128.56	128.56	128.56	128.56	128.56	128.56	128.56	287.57
6"	195.02	195.02	195.02	195.02	195.02	195.02	195.02	195.02	195.02	588.35
8"	261.48	261.48	261.48	261.48	261.48	261.48	261.48	261.48	261.48	842.85

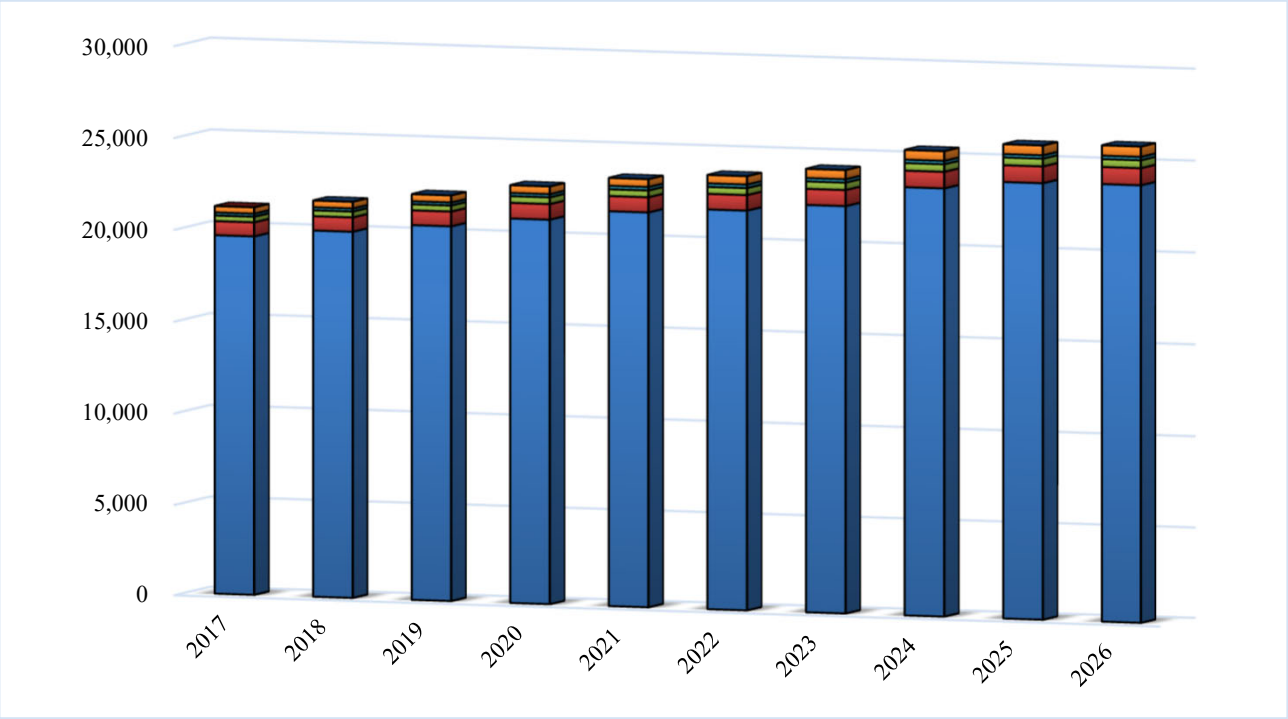
Note 1: Out of District rates for Water Service are one and a half times the In District rates.
Note 2: No golf course or irrigation contracts in service at the moment.

Source: West Valley Water District Board of Directors approved rate ordinances and resolutions.

West Valley Water District
Customers by Type
Last Ten Fiscal Years

Schedule 7

Fiscal Year	Customer Type								
	Residential	Commercial	Fire Service	Irrigation	Multi-Family	Parkway	Golf Course	Wholesale Water	Total
2017	19,620	766	302	10	159	346	0	1	21,204
2018	20,043	779	318	10	159	366	0	1	21,676
2019	20,509	803	327	8	159	386	0	1	22,193
2020	21,040	849	364	9	168	420	0	1	22,851
2021	21,604	827	365	9	183	428	0	1	23,417
2022	21,872	847	377	9	185	458	0	1	23,749
2023	22,289	875	402	0	184	500	0	1	24,251
2024	23,423	901	412	0	184	528	0	1	25,449
2025	23,876	913	421	0	184	536	0	1	25,931
2026	23,932	930	429	0	185	564	0	1	26,041



Source: West Valley Water District Accounting Department

West Valley Water District
Principal Customers
Current Fiscal Year and Nine Years Ago

Schedule 8

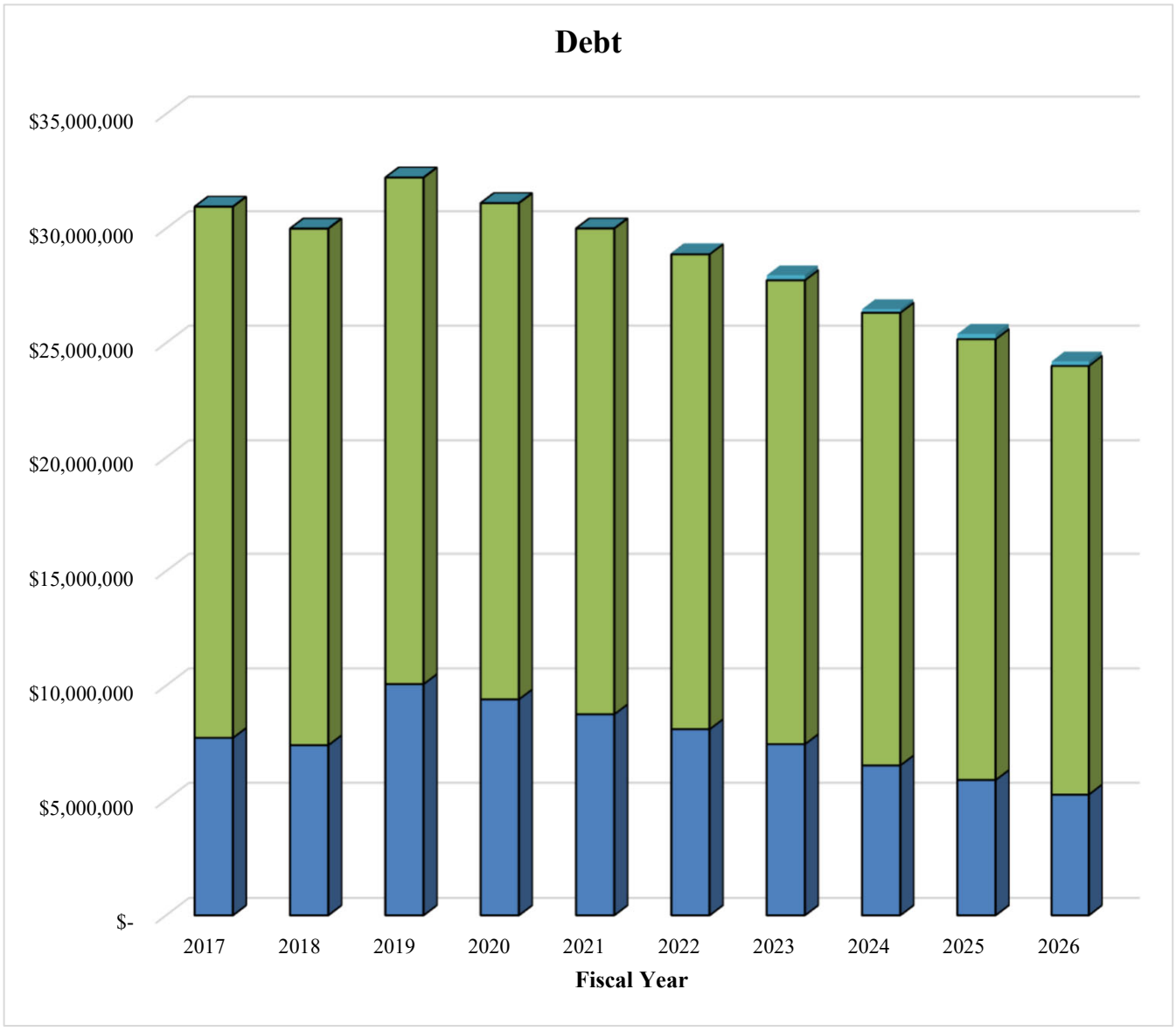
Customer	2026 Water Consumed	2026 Percentage of Total	2017 Water Consumed	2017 Percentage of Total
Rialto Unified School District	231,683	2.80%	210,913	3.14%
City of Rialto	230,122	2.79%	163,716	2.44%
Lennar Homes	198,553	2.40%	-	0.00%
City of Fontana	193,935	2.35%	69,289	1.03%
Marygold Mutual Water Company	160,324	1.94%	221,850	3.31%
Colton Joint Unified School District	124,731	1.51%	114,036	1.70%
Target Corporation	107,157	1.30%	82,508	1.23%
Vestis Services, LLC	86,384	1.05%	101,468	1.51%
Robertson's Ready Mix	72,158	0.87%	126,055	1.88%
Cal Trans	49,843	0.60%	-	0.00%
Total	1,454,890	17.61%	1,089,835	16.24%
Total Water Consumed (HCF)	8,260,651	100.00%	6,710,551	100.00%

Source: West Valley Water District Accounting Department

West Valley Water District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Schedule 9

Fiscal Year	Contracts Payable	Bonds Payable	Subscriptions Payable	Notes Payable	Total Debt	Per Capita	As a Share of Personal Income
2017	$ 7,716,692	$ 23,232,381	$ -	$ -	$ 30,949,073	291.60	0.79%
2018	7,395,163	22,596,763	-	-	29,991,926	279.59	0.72%
2019	10,065,744	22,156,146	-	-	32,221,889	308.19	0.76%
2020	9,400,057	21,705,528	-	-	31,105,585	302.55	0.73%
2021	8,747,428	21,249,911	-	-	29,997,339	291.77	0.70%
2022	8,094,799	20,779,293	48,288	-	28,922,380	278.22	0.56%
2023	7,442,170	20,298,676	214,033	-	27,954,879	269.98	0.55%
2024	6,514,140	19,803,058	159,064	18,530,858	45,007,120	436.28	0.85%
2025	5,877,711	19,287,441	230,276	46,665,000	72,060,428	685.27	2.12%
2026	5,241,282	18,756,824	194,675	46,665,000	70,857,781	662.56	1.31%



Source: West Valley Water District Accounting Department

West Valley Water District
Pledged-Revenue Coverage
Last Ten Fiscal Years

Schedule 10

Fiscal Year	Net Revenues[1]	Operating Expenses[2]	Net Available Revenues	Debt Service			Coverage Ratio
				Principal[3]	Interest[4]	Total	
2017	$ 31,359,870	$ (21,662,166)	$ 9,697,704	$ 1,486,529	$ 769,657	$ 2,256,186	4.30
2018	31,558,717	(23,969,904)	7,588,813	916,529	917,400	1,833,929	4.14
2019	36,210,708	(23,287,875)	12,922,833	1,052,629	940,215	1,992,844	6.48
2020	33,107,967	(26,934,303)	6,173,664	1,062,629	947,424	2,010,053	3.07
2021	34,795,573	(25,252,917)	9,542,656	1,067,629	933,278	2,000,907	4.77
2022	35,994,549	(25,817,037)	10,177,512	1,082,629	883,561	1,966,190	5.18
2023	48,738,142	(27,603,112)	21,135,030	1,092,629	884,882	1,977,511	10.69
2024	44,552,024	(29,710,460)	14,841,564	962,217	913,241	1,875,458	7.91
2025	45,057,145	(33,638,510)	11,418,635	1,111,429	1,038,955	2,150,384	5.31
2026	44,419,257	(33,182,139)	11,237,118	1,126,429	1,352,065	2,478,494	4.53

Notes:

(1) Revenues include gain/loss on disposal.

(2) Operating expenses, less depreciation and amortization expense.

(3) Bond was refinanced in fiscal year 2017. New debt for Hydroelectric plant in FY2019.

(4) Reflects interest paid and not accrued in fiscal year.

Source: West Valley Water District Accounting Department

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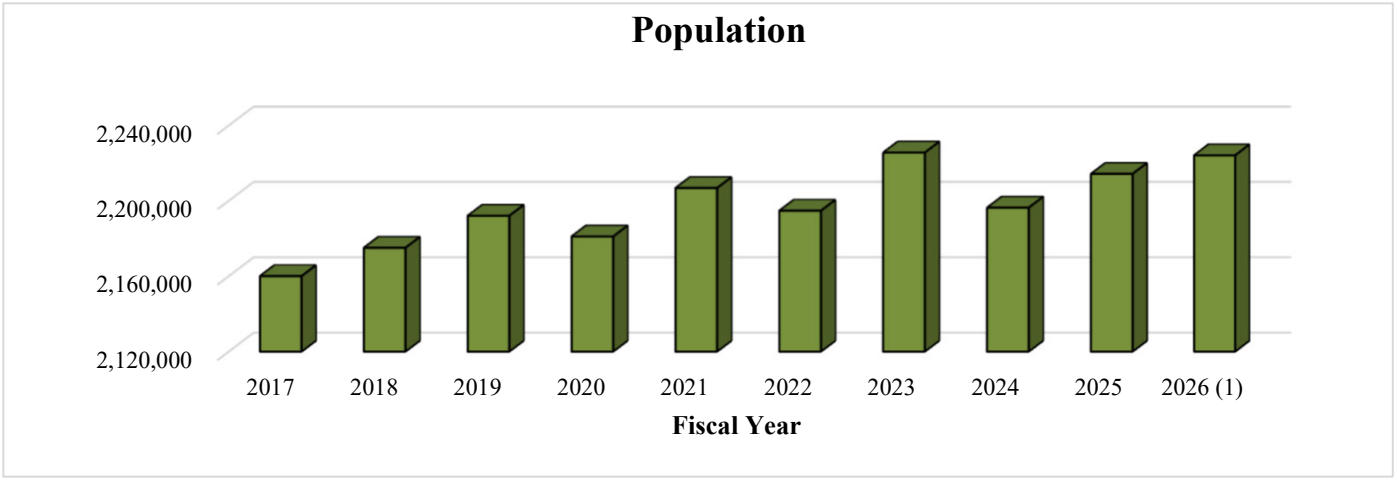
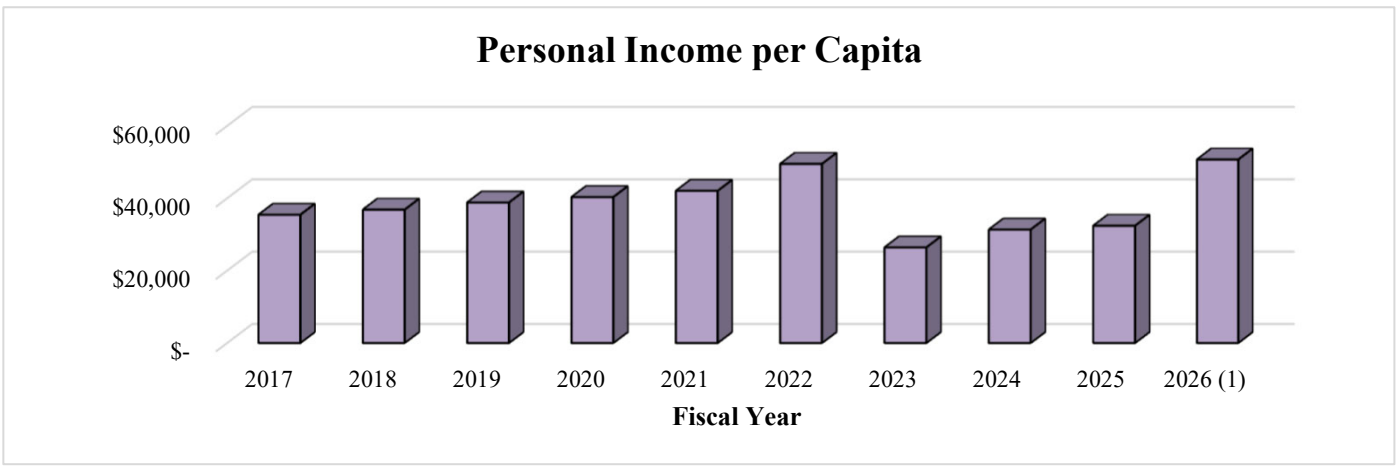
West Valley Water District
Demographics and Economic Statistics
Last Ten Calendar Years

Schedule 11

Year	Unemployment Rate	City of Rialto Population[2]	County of San Bernardino[3] Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2017	6.4%	105,825	5.9%	2,160,000	$ 76,529,000	$ 35,431
2018	5.0%	106,135	4.4%	2,175,000	80,127,000	36,840
2019	4.2%	107,271	4.5%	2,192,000	85,093,000	38,816
2020	14.9%	104,553	10.3%	2,181,000	87,937,000	40,320
2021	9.4%	102,813	8.1%	2,206,750	91,479,000	42,040
2022	4.2%	103,954	3.9%	2,194,710	57,763,000	49,493
2023	5.5%	103,545	5.0%	2,225,586	61,969,000	26,400
2024	5.7%	103,162	5.3%	2,196,314	68,374,000	31,350
2025	6.2%	105,156	5.9%	2,214,281	69,741,480	32,390
2026 [1]	5.7%	106,946	5.2%	2,224,091	112,976,000	50,698





Sources:
www.labormarketinfo.edd.ca.gov
http://www.bea.gov/regional/bearfacts
www.census.gov/

(1) 2026 is an estimate for the calendar year.

(2) Separate data is not available for the District, therefore the District has used the data for the City of Rialto. A substantial portion of the District lies within the city, and therefore, is a reasonable basis for determining the demographic and economic statistics of the District.

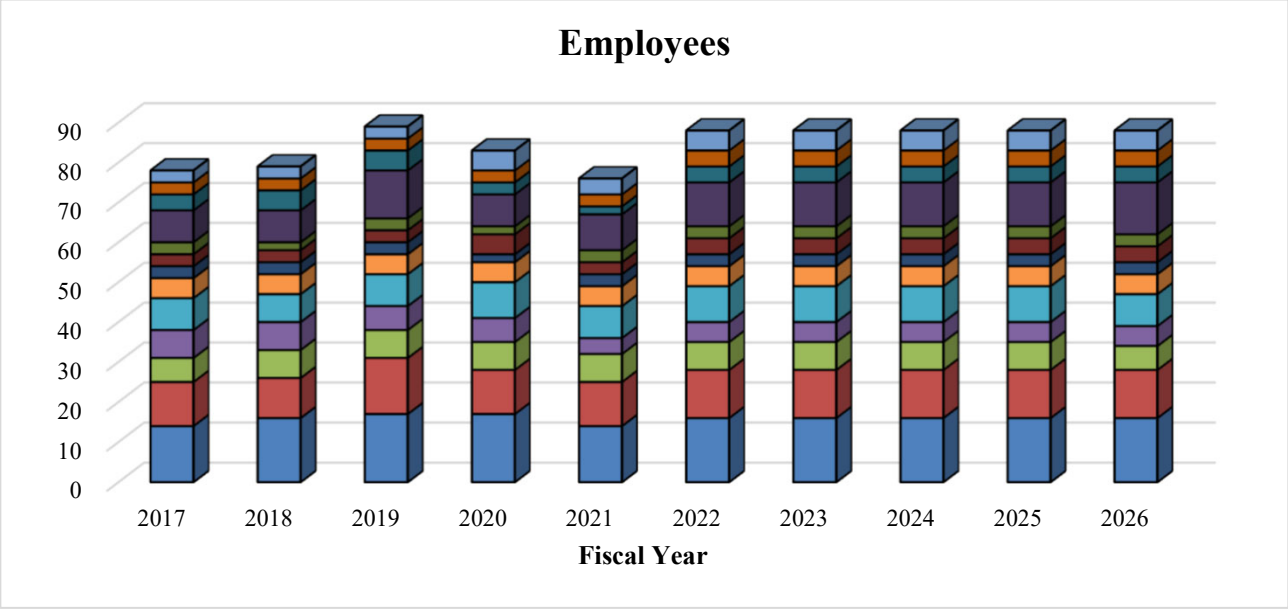
(3) Only County data is updated annually. Therefore, the District has chose to use its data since the District believes that the County data is representative of the conditions and experience of the District.

West Valley Water District
Operating and Capacity Indicators
Last Ten Fiscal Years

Schedule 12

Full-time Equivalent District Employees by Department

Fiscal Year	Water Treatment/ Production	Maintenance	Meters	Administration	Customer Service	Accounting	Billing	IT	Human Resources	Engineering	Public Affairs	Water Quality	Purchasing	Total
2017	14	11	6	7	8	5	3	3	3	8	4	3	3	78
2018	16	10	7	7	7	5	3	3	2	8	5	3	3	79
2019	17	14	7	6	8	5	3	3	3	12	5	3	3	89
2020	17	11	7	6	9	5	2	5	2	8	3	3	5	83
2021	14	11	7	4	8	5	3	3	3	9	2	3	4	76
2022	16	12	7	5	9	5	3	4	3	11	4	4	5	88
2023	16	12	7	5	9	5	3	4	3	11	4	4	5	88
2024	16	12	7	5	9	5	3	4	3	11	4	4	5	88
2025	16	12	7	5	9	5	3	4	3	11	4	4	5	88
2026	16	12	6	5	8	5	3	4	3	13	4	4	5	88



Source: West Valley Water District Human Resources Department

West Valley Water District
Operating and Capacity Indicators (Continued)
Last Ten Fiscal Years

Schedule 13

Other Operating and Capacity Indicators

Fiscal Year	District Area (Square Miles)	Miles of Pipeline	Storage Tanks	Storage Capacity (MG)	Groundwater Wells	Well Capacity (MGD)	Fire Hydrants
2017	32	375	26	73.6	17	35.0	3,085
2018	32	376	26	73.6	17	35.0	3,104
2019	32	382	26	73.6	17	35.0	3,204
2020	32	395	26	73.6	17	37.0	3,497
2021	32	401	26	73.6	17	35.0	3,560
2022	32	402	26	73.6	17	35.0	3,560
2023	32	408	26	73.6	17	35.0	3,560
2024	32	416	26	73.6	17	35.0	3,800
2025	32	419	26	73.6	17	35.0	3,823
2026	32	419	26	73.6	17	35.0	3,839

MG - Millions of Gallons
MGD - Millions of Gallons per Day

Sources: West Valley Water District Operations/GIS

Note: The Fire Hydrant total is inclusive of Hydrants and Jones heads.

West Valley Water District
Principal Employers
Current Fiscal Year and Nine Years Ago

Schedule 14

	City of Rialto - 2025 [1]			City of Rialto - 2018 [1]		
Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
Rialto Unified School District	2600 to 2700	1	5.78 - 6.00 %	2500 to 2999	1	5.81 - 6.97%
Amazon	1000 to 2000	2	2.22 - 4.44 %	250 to 499	6	0.58 - 1.16%
FedEx Ground	800 to 1200	3	1.78 - 2.67 %	-	0	-
Target Distribution Center	600 to 900	4	1.33 - 2.00 %	-	0	-
City of Rialto	500 to 600	5	1.11 - 1.33 %	250 to 499	3	0.58 - 1.16%
Niagara Bottling	400 to 600	6	.89 - 1.33 %	-	0	-
Medline Industries	400 to 550	7	.89 - 1.22%	-	0	-
Staples Fulfillment Center	350 to 500	8	.78 - 1.11 %	-	0	-
Walmart	300 to 500	9	.67 - 1.11 %	250 to 499	5	0.58 - 1.16%
Angelus Block Company	200 to 300	10	.44 - .67 %	-	0	-

	City of Fontana - 2025 [2]			City of Fontana - 2016 [2]		
Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
Kaiser Permanente	7,587	1	6.96%	5,430	1	5.63%
Fontana Unified School District	4,080	2	3.74%	5,000	2	5.19%
Amazon.com Services LLC	3,059	3	2.81%	-	0	-
So California Permanente Medical Group	2,113	4	1.94%	-	0	-

	City of Colton - 2025 [3]			City of Colton - 2016 [3]		
Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
Arrowhead Regional Medical Center	4,851	1	18.03%	3,200	1	14.12%
Colton Joint Unified School District	1,905	2	7.08%	738	5	3.26%
Walmart Distribution Center	976	3	3.63%			
Ashley Furniture	549	4	2.04%	1,500	2	6.62%

Note:
(1) City of Rialto, information for 2025 was obtained from City of Rialto Community Development staff earliest ACFR available was 2018, pg. 210
(2) City of Fontana, 2024-2025 ACFR, pg. 180
(3) City of Colton, 2024-2025 ACFR, pg. 169

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

Independent Auditor's Report

To the Board of Directors
of the West Valley Water District
Rialto, 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 ("*Government Auditing Standards*"), the financial statements of West Valley Water District (the "District"), which comprise the statement of net position as of June 30, 2026, and the related statements of revenues, expenses and changes 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 November 19, 2026.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

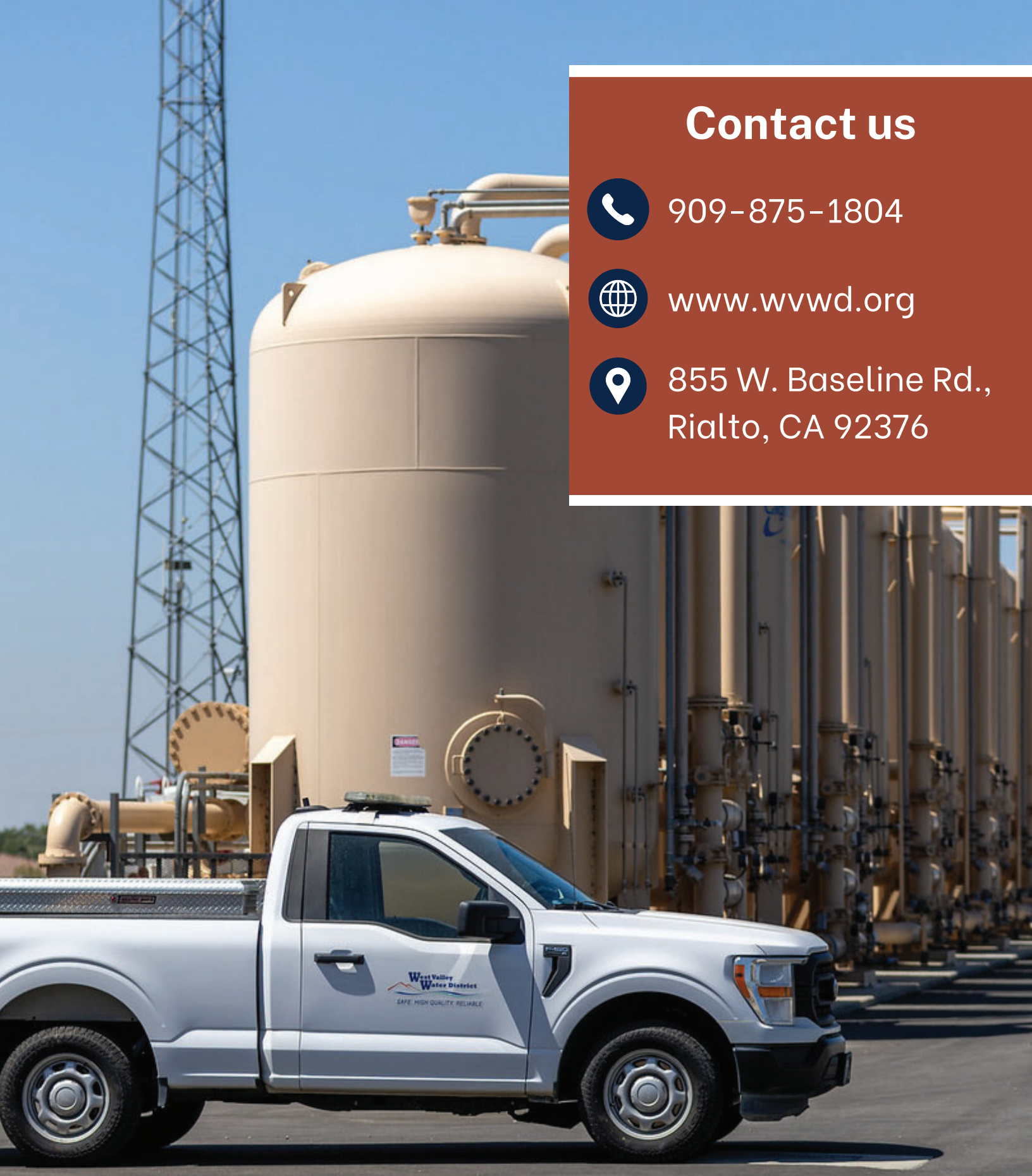
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

Santa Ana, California
November 19, 2026



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