ALTA IRRIGATION DISTRICT

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 2025 AND 2024

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HUDSON& COMPANYINC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Alta Irrigation District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Alta Irrigation District (the District) as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of September 30, 2025 and 2024, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 14 to the financial statements, in fiscal year 2025, the District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

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

HUDSON & COMPANY, INC.

Fresno, California

January 27, 2026

ALTA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

As management of Alta Irrigation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended September 30, 2025 and 2024. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

History

Alta Irrigation District (District) was formed in 1888 as the successor agency to The 76 Land and Water Company (The Company). The Company was formed on June 7, 1882 with $280,000 in capital stock divided into fourteen (14) shares. The Company took its name from Tulare State Senator and cattleman Thomas Fowler's "76 Ranch" which had significant land holdings in the area. In March 1884, the Company moved its headquarters from its original location in Visalia to the newly formed town of Traver. The original intent was to develop a water supply and canal network to divert water from the Kings River to serve lands owned by the Company near Traver.

Due to the numerous landholdings, rising importance of water and the passage of legislation that allowed for public irrigation districts (Wright Act), nineteen (19) landowners posted a petitioner's bond of $1,000 in U.S. gold coin to initiate the election process to form a public irrigation district. The community held an election on August 14, 1888 and voted 326 to 19 to form the second public irrigation district in California. It was named "Alta", which in Spanish means high or highest due to the fact that Alta's diversion location on the Kings River is the highest diversion point and first diversion point on the river.

The newly formed District authorized a bond election to improve and expand the canal and delivery infrastructure purchased from The Company. In 1919, the District was relocated to Dinuba, CA to its present offices. Currently, the District comprises 130,000 acres and delivers surface water through two hundred and fifty (250) miles of canals and pipelines.

Governance

The District is governed by a board of seven (7) directors. Each director represents a separate division of the District and is elected to four (4) year terms by the voters within the division.

Board of Directors

Name	Division	Title
Christopher "C.J." Myers	1	Director
Jack Brandt	2	President
Jerry Halford	3	Vice President
Domenic Fino	4	Director
Elliott Rossotti	5	Director
Larry Tout	6	Director
John Kalender	7	Director

Regular Board meetings are held once a month. The budget is adopted by the Board of Directors in September for the following fiscal year. Day to day management of the District is the responsibility of the General Manager, Chad Wegley.

Financial Highlights

- Assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources as of September 30, 2025 by $15,411,622. Of this amount, a deficit unrestricted net position of $1,785,291 must be subsequently funded before it may be used to meet the District's ongoing obligations to customers and creditors.

Financial Highlights (continued)

As of September 30, 2024, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $13,667,878 with a deficit unrestricted net position equaling $1,655,766.

- Total net position increased by $1,743,744 for the year ended September 30, 2025. The primary reason for the increase was due to operating and non-operating revenues exceeding operating and non-operating expenses. For the prior year, total net position increased by $2,218,902.

- Actual operating revenue was less than anticipated operating revenue by $201,563 and actual operating expenditures were $84,382 less than budgeted expenditures for the year ended September 30, 2025. For the year ended September 30, 2024, actual operating revenue was more than anticipated operating revenue by $96,085 and actual operating expenditures were $688,183 less than budgeted expenditures.

- During the current fiscal year, the District's capital assets increased by a net of $4,022,731. The increase was mostly attributable to the District's acquisition of the London West Pond. Depreciation amounted to $396,946 during the current year on existing capital assets and additions, and accumulated depreciation was reduced by $71,483 due to dispositions. Capital asset additions totaled $4,421,306 for the current fiscal year. Depreciation expense for the prior year was $279,407.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements are comprised of four components: 1) the Statements of Net Position, 2) the Statements of Revenues, Expenses, and Changes in Net Position, 3) the Statements of Cash Flows, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements.

Statements of Net Position. The Statements of Net Position present information on all of the District's assets and deferred outflows as well as all of the District's liabilities and deferred inflows, with 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.

Statements of Revenues, Expenses, and Changes in Net Position. The Statements of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the year reported. 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 these statements for some items that will only result in cash flow for future fiscal periods.

Statements of Cash Flows. The Statements of Cash Flows show how changes in balance sheet accounts and income affect cash and investments. The statement is broken down into four categories: cash flows from operating activities, cash flows from investing activities, cash flows from non-capital financing activities, and cash flows from capital and related financing activities.

These financial statements include only the District itself. The District has no component units.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds. The District has one proprietary fund and no governmental funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

Financial Analysis

As noted earlier, net position may serve, over a time, as a useful indicator of a government's financial position. As of September 30, 2025, the District's assets and deferred outflows exceeded liabilities and deferred inflows by $15,411,622. A significant portion of the District's total net position (18 percent) reflects its net investment in capital assets. Capital assets are used to provide services to customers, and they are not available for future spending.

The following represent summaries of the District's net position and changes in net position for the current and prior years:

Alta Irrigation District's Net Position

	2025	2024	2023
Current assets	$ 17,306,880	$ 6,729,379	$ 5,779,632
Noncurrent assets	16,088,868	12,059,037	10,572,086
Deferred outflows	1,396,157	1,643,791	1,551,977
Total assets and deferred outflows	34,791,905	20,432,207	17,903,695
Current liabilities	1,676,984	1,291,397	1,485,844
Noncurrent liabilities	17,270,127	4,976,377	4,279,738
Deferred inflows	433,172	496,555	689,137
Total liabilities and deferred inflows	19,380,283	6,764,329	6,454,719
Total net position	$ 15,411,622	$ 13,667,878	$ 11,448,976

Alta Irrigation District's Changes in Net Position

	2025	2024	2023
Operating revenues			
Assessments	$ 5,230,010	$ 5,267,179	$ 5,232,331
Water use and surcharges	763,205	1,234,488	1,234,016
Grant revenue	426,035	-	-
Other operating revenue	-	22,981	166,479
Total operating revenues	6,419,250	6,524,648	6,632,826
Operating expenditures			
Payroll and related expenses	2,338,139	2,136,364	1,347,276
Depreciation	396,946	279,407	260,076
General and administrative	1,236,557	1,035,090	924,039
Maintenance	1,619,450	1,474,707	1,067,769
Operations	133,073	194,796	203,579
Urban expenses	7,000	7,000	5,250
Total operating expenditures	5,731,165	5,127,364	3,807,989
Net operating income (loss)	688,085	1,397,284	2,824,837
Total non-operating revenues (expenses)	1,055,659	821,618	463,557
Change in net position	1,743,744	2,218,902	3,288,394
Net Position, Beginning of Year	13,667,878	11,448,976	8,160,582
Net Position, End of Year	$ 15,411,622	$ 13,667,878	$ 11,448,976

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its business-type activities as of September 30, 2025, amounted to $16,081,768 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment. The District acquired new capital assets during the year ended September 30, 2025, totaling $4,421,306, and depreciation for the year amounted to $396,946.

Debt Administration. The District's total liabilities and deferred inflows of resources increased by $12,615,954 during the year ended September 30, 2025. This included an increase in accrued salaries and compensated absences of $52,511; an increase in notes payable of $12,842,919; an increase in accrued interest of $124,109; and an increase in the net OPEB liability of $22,726; offset with a decrease of $137,071 in accounts payable; a decrease of $30,308 in unearned revenues; a decrease of $115,400 in finance lease obligations; a decrease in net pension liability of $80,777; and a decrease of $63,383 in deferred inflows of resources.

Additional information on the District's capital assets can be found in Note 5 to the financial statements and more details regarding the District's debt can be found in Notes 6-9.

Economic Factors and Next Year's Budgets and Rates

The budget for the year ending September 30, 2026, projects an increase in net position of $778,190 before capital expenditures and a deficit of $76,201 after capital expenditures. Excluding contributions of capital assets, total revenue is anticipated to remain constant. Total expenses, excluding capital outlay and depreciation, is expected to increase by $701,686, mostly attributed to $600,000 in interest expense. Assessment revenue, including water surcharge is anticipated to increase by $44,857. The budget is created using an average four (4) month water run and an eight (8) month maintenance season. Non-operating revenue is expected to be $294,150. General and administrative expenses are expected to increase by $571,761, including $600,000 in interest payments, payroll expenses are expected to increase by $90,351, maintenance expenses are expected to increase by $10,000, operational expense is expected to increase by $29,575, and urban expense is expected to remain constant. Capital assets expenditures are expected to be $854,390.

Request for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Operations Manager, Marc Limas at 289 North L Street, Dinuba, California 93618 or at the District's website at www.altaid.org.

ALTA IRRIGATION DISTRICT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2025 AND 2024

	2025	2024
ASSETS		
Current Assets		
Cash and investments	$ 1,831,913	$ 2,160,509
Restricted cash and investments	14,432,464	3,860,507
Receivables:		
Assessments receivable	487,809	380,945
Interest	20,678	24,676
Other	164,212	229,277
Prepaid expenses	264,561	17,474
Inventories	105,243	55,991
Total current assets	17,306,880	6,729,379
Non-Current Assets		
Deposits	7,100	-
Capital assets, not being depreciated	4,719,379	2,811,484
Capital assets, net of accumulated depreciation	11,362,389	9,247,553
Total non-current assets	16,088,868	12,059,037
Total Assets	33,395,748	18,788,416
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions	1,262,280	1,556,518
Deferred OPEB	133,877	87,273
Total deferred outflows of resources	1,396,157	1,643,791

The accompanying notes are an integral part of the financial statements.

ALTA IRRIGATION DISTRICT
STATEMENTS OF NET POSITION (continued)
SEPTEMBER 30, 2025 AND 2024

	2025	2024
LIABILITIES		
Current Liabilities		
Accounts payable	$ 283,166	$ 420,237
Accrued wages and payroll liabilities	66,197	59,469
Accrued compensated absences	157,169	104,658
Accrued interest	124,109	-
Unearned revenues	555,225	585,533
Notes payable, current	363,518	-
Finance lease obligation, current	127,600	121,500
Total current liabilities	1,676,984	1,291,397
Non-Current Liabilities		
Notes payable, non-current	12,479,401	-
Finance lease obligation, non-current	346,800	474,400
Net OPEB liability	1,323,821	1,301,095
Net pension liability	3,120,105	3,200,882
Total non-current liabilities	17,270,127	4,976,377
Total Liabilities	18,947,111	6,267,774
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions	136,157	178,674
Deferred OPEB	297,015	317,881
Total deferred inflows of resources	433,172	496,555
NET POSITION		
Net investment in capital assets	2,764,449	11,463,137
Restricted	14,432,464	3,860,507
Unrestricted	(1,785,291)	(1,655,766)
Total Net Position	$ 15,411,622	$ 13,667,878

The accompanying notes are an integral part of the financial statements.

ALTA IRRIGATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Assessments	$ 5,230,010	$ 5,267,179
Water use and surcharges	763,205	1,234,488
Grant revenue	426,035	-
Other operating revenue	-	22,981
Total operating revenues	6,419,250	6,524,648
OPERATING EXPENSES		
Payroll and related expenses	2,338,139	2,136,364
Depreciation	396,946	279,407
General and administrative	1,236,557	1,035,090
Maintenance	1,619,450	1,474,707
Operations	133,073	194,796
Urban expenses	7,000	7,000
Total operating expenses	5,731,165	5,127,364
Net operating income (loss)	688,085	1,397,284
NON-OPERATING REVENUES (EXPENSES)		
Interest income	307,082	268,257
Penalties and costs	4,688	15,832
Equipment lease and rents	3,700	3,700
Administrative fees	10,050	10,050
Pine Flat power	177,184	278,284
Miscellaneous	793,354	261,870
Interest expense	(240,399)	(16,375)
Total non-operating revenues (expenses)	1,055,659	821,618
Change in Net Position	1,743,744	2,218,902
Net Position, Beginning of Year	13,667,878	11,448,976
Net Position, End of Year	$ 15,411,622	$ 13,667,878

The accompanying notes are an integral part of the financial statements.

ALTA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
Cash Flows from Operating Activities:		
Cash received from assessments, water surcharges, and related activities	$ 6,348,772	$ 6,373,547
Cash received from other operating activities	-	22,981
Payments to suppliers of goods and services	(3,436,590)	(2,766,712)
Payments to employees and employee benefit programs	(2,152,700)	(2,216,806)
Net cash and investments provided (used) by operating activities	759,482	1,413,010
Cash Flows from Non-Capital Financing Activities:		
Other non-operating revenue	985,276	566,036
Net cash and investments provided (used) by non-capital financing activities	985,276	566,036
Cash Flows from Capital and Related Financing Activities:		
Interest payments on finance lease	(28,312)	(16,375)
Principal payments on finance lease	(121,500)	-
Proceeds from debt borrowings	12,989,000	595,900
Interest payments on notes payable	(87,978)	-
Principal payments on notes payable	(146,081)	-
Acquisition of capital assets	(4,421,306)	(1,766,358)
Net cash and investments provided (used) by capital and related financing activities	8,183,823	(1,186,833)
Cash Flows from Investing Activities:		
Interest income received	311,080	243,598
Rental income received	3,700	3,700
Net cash and investments provided (used) by investing activities	314,780	247,298
Net increase (decrease) in cash and investments	10,243,361	1,039,511
Cash and Investments - Beginning of Year	6,021,016	4,981,505
Cash and Investments - End of Year	$ 16,264,377	$ 6,021,016
Reconciliation of cash and investments to Statements of Net Position:		
Cash and investments	$ 1,831,913	$ 2,160,509
Restricted cash and investments	14,432,464	3,860,507
Total cash and investments	$ 16,264,377	$ 6,021,016

The accompanying notes are an integral part of the financial statements.

ALTA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
Reconciliation of net operating income (loss) to net cash and investments provided (used) by operating activities:		
Net operating income (loss)	$ 688,085	$ 1,397,284
Adjustments to reconcile net operating income (loss) to net cash and investments provided (used) by operating activities:		
Depreciation	396,946	279,407
(Gain) loss on disposition of capital assets	1,629	-
Changes in operating assets and liabilities:		
Receivables:		
Assessments receivable	(106,864)	162,190
Other receivable	65,065	(229,277)
Prepaid expenses	(247,087)	189,021
Inventories	(49,252)	(7,511)
Deposits	(7,100)	-
Accounts payable	(137,071)	(236,629)
Accrued wages and payroll liabilities	6,728	(23,579)
Accrued compensated absences	52,511	5,294
Unearned revenues	(30,308)	(61,033)
Net OPEB liability and deferred OPEB	(44,744)	(64,208)
Net pension liability and deferred pensions	170,944	2,051
Total adjustments	71,397	15,726
Net cash and investments provided (used) by operating activities	$ 759,482	$ 1,413,010

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Alta Irrigation District (the District) was organized under the Wright Act in 1887 and operates under the provision of the California Water Code. The District covers an area of approximately 130,000 acres and distributes water to the agricultural lands in Tulare, Fresno, and Kings Counties.

The District has the authority, with prior voter approval in accordance with Proposition 218, to fix rates and charges for commodities and services furnished. It may also, with prior voter approval, incur indebtedness and issue bonds. The District is exempt from payment of federal and state income taxes. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements unless those pronouncements conflict with or contradict GASB pronouncements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The accounts of the District are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses.

All activities of the District are accounted for within one proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through users charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or operating income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation.

The District's operating revenues and expenses generally result from providing water related services in connection with the District's ongoing operations. The principal operating revenues of the District are assessments, water related charges, and administrative fees. Operating expenses include maintenance, transmission and distribution, general and administrative expenses, urban expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District presents comparative financial statements in the accompanying financial statements to improve financial reporting of the District. All activities of the District are reported under one major proprietary (enterprise) fund.

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

Cash and Investments: For purposes of the Statements of Cash Flows, the District considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash and cash investments.

All investments are stated at fair value. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investments consist of deposits in the Local Agency Investment Fund, a state investment pool, and certificates of deposit.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable: Receivables arise from billings to landowners for water service charges, water use surcharges and certain improvements made to the landowners' property. Substantially all of the District's sales are to landowners located within the District's boundaries.

The District does not anticipate any material write-off of bad debts and, therefore, has not established an "allowance for bad debts" in the Statements of Net Position as of September 30, 2025 or 2024. During the years ended September 30, 2025 and 2024, $89,465 and $0 was written off to bad debt expense, respectively.

All assessments are considered collectible because the District obtains a lien upon all assessed property once the assessment becomes delinquent. After a five-year period, the District can sell the property to recover all prior assessments, costs, penalties, and interest due to the District.

Inventory: Inventory is stated at the lower of cost or market on a first-in, first-out basis.

Capital Assets: Capital assets are defined by the District as assets with estimated useful lives of more than one year. All such assets are recorded at cost or estimated historical cost. Donated assets are recorded at the estimated market value at the date donated. The District has set the capitalization threshold for reporting capital assets at $5,000. Depreciable assets are depreciated over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Transmission and distribution plant:	20-50 years
General plant:	5-39 years

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Compensated Absences: District employees are granted vacation, sick leave, and paid time-off benefits in varying amounts depending on the number of years of service and other factors. Vested leave is recorded as an expense and a liability of the District as the benefits accrue. Sick leave, after five years of employment and upon employment termination, is paid out at 50% of their accrued hours up to a maximum of 240 hours. Activity in current compensated absences was as follows for the years ended September 30, 2025 and 2024:

Balance at October 1, 2024	*Additions	Payments	Balance at September 30, 2025	Due Within One Year
$ 104,658	$ 52,511	$ -	$ 157,169	$ 157,169

Balance at October 1, 2023	*Additions	Payments	Balance at September 30, 2024	Due Within One Year
$ 99,364	$ 5,294	$ -	$ 104,658	$ 104,658

*The additions are shown as a net increase.

Capital Lease Obligations: The District's capital lease obligations are measured at the present value of payments expected to be made by the District during the lease term. As lease payments are made, the District will reduce the liability and recognize lease expense.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assessments: In accordance with provisions of Division 11 of the Water Code of the State of California, an annual assessment is levied upon the land within the District to provide the funds necessary for the District to meet its financial obligations. The assessment is levied in October and becomes delinquent on December 20th. The District publicizes the delinquencies and they become unredeemed assessments upon the passing of three weeks from the date of the first publication. Unredeemed assessments may be addressed by means of statutory authority under the Water Code, i.e. collector's deeds and auctions. The District may retain the property or dispose of it at a public auction to redeem delinquencies owed to it.

Deferred Outflows and Inflows of Resources: Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the District that is applicable to a future reporting period.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

Deferred Compensation Plan: The District offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The District has the duty of reasonable care in the selection of investment alternatives, but neither the District nor its directors or offices have any liability for losses under the deferred compensation plan.

Retirement Pension Plan: The District is a member of the California Public Employee's Retirement System for Local Miscellaneous Members, a contributory pension plan covering qualified employees.

Non-Exchange Transactions: Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property tax increments. With the accrual basis of accounting, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position: Net position represents the residual interest in the District's assets after liabilities are deducted. The Statements of Net Position report total net position and presents it in three broad components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets includes capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. Amounts included as unrestricted net assets are available for designation for specific purposes established by the District's Board of Directors. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Budgeting Procedures: Each year, management of the District prepares a proposed budget, which is presented to the District's Board of Directors. The annual budget is then legally enacted through adoption of a budget resolution.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments: Financial instruments include cash, receivables, prepaid expenses, inventories, accounts payable, accrued wages and payroll liabilities, accrued compensated absences, accrued interest, and unearned revenues, none of which are held for trading purposes. The fair values of all financial instruments do not differ materially from the aggregate carrying values of the financial instruments recorded in the accompanying Statements of Net Position.

Contributions in Aid of Construction: Transmission and distribution plants in service are recorded net of contributions in aid of construction. Contributions of aid of construction represent nonrefundable costs paid to the District by its customers for construction of irrigation systems. In accordance with generally accepted accounting principles, these contributions are recorded as reductions to transmission and distribution plant investments.

Governmental Accounting Standards Update: During the year ending September 30, 2025, the District implemented the following standards:

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

GASB Statement No. 102 – *Certain Risk Disclosures.* The requirements of this statement are effective for fiscal years beginning after June 15, 2024.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 103 – *Financial Reporting Model Improvements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 105 – *Subsequent Events*. The requirements of this statement are effective for fiscal years beginning after June 15, 2026.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through January 27, 2026, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments held by the District are reflected in the accompanying Statements of Net Position at September 30, 2025 and 2024, as follows:

	2025	2024
Cash and investments	$ 1,831,913	$ 2,160,509
Restricted cash and investments	14,432,464	3,860,507
Total Cash and Investments	$ 16,264,377	$ 6,021,016

NOTE 2 – CASH AND INVESTMENTS (continued)

Cash and investments consisted of the following as of September 30, 2025 and 2024:

	2025	2024
Cash and investments:		
Treasurer's general accounts:		
Money market accounts	$ 5,708,041	$ 971,756
General fund	6,203	6,077
Total Treasurer's general accounts	5,714,244	977,833
Savings account	5	5
Collector's petty cash	500	500
Project account	466,991	523,411
Investments:		
Local Agency Investment Fund (LAIF)	2,111	2,018
Valley Strong certificate of deposit	-	1,912,790
Valley Strong certificate of deposit #2	-	1,134,338
LPL Financial certificates of deposit	1,251,647	1,000,000
LPL Financial investment account - cash	248,431	2,266
Total investments	1,502,189	4,051,412
Restricted cash for capital purchases:		
IBank - Traver North Escrow Account	3,051,071	-
IBank - London West Escrow Account	5,529,377	-
Flag Star Bank equipment escrow account	-	467,855
Total restricted cash for capital purchases	8,580,448	467,855
Total Cash and Investments	$ 16,264,377	$ 6,021,016

Investment Policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

During the years ended September 30, 2025 and 2024, the District's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	5%	None
State Warrants, Treasury Notes or Bonds	5 years	5%	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Negotiable Certificates of Deposit	5 years	5%	None
Time Certificates of Deposit	5 years	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

NOTE 2 – CASH AND INVESTMENTS (continued)

Investment Policy (continued): The District complied with all other provisions of the California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

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.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee and cash equivalents) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

September 30, 2025		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Cash	$ 248,431	$ 248,431	$ -	$ -	$ -
Certificates of Deposit (FDIC Insured)	1,251,647	1,251,647	-	-	-
LAIF	2,111	2,111	-	-	-
Money Market Funds	5,708,041	5,708,041	-	-	-
	$ 7,210,230	$ 7,210,230	$ -	$ -	$ -

September 30, 2024		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Cash	$ 2,266	$ 2,266	$ -	$ -	$ -
Certificates of Deposit (FDIC Insured)	4,047,128	4,047,128	-	-	-
LAIF	2,018	2,018	-	-	-
Money Market Funds	971,756	971,756	-	-	-
	$ 5,023,168	$ 5,023,168	$ -	$ -	$ -

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment and cash equivalent type.

NOTE 2 – CASH AND INVESTMENTS (continued)

Credit Risk (continued):

Investment Type	Amount	Minimum Legal Rating	September 30, 2025 AAA/Aaa	AA/Aa	A	Not Rated
Cash	$ 248,431	N/A	$ -	$ -	$ -	$ 248,431
Certificates of Deposit (FDIC Insured)	1,251,647	N/A	-	-	-	1,251,647
LAIF	2,111	N/A	-	-	-	2,111
Money Market Funds	5,708,041	N/A	-	-	-	5,708,041
	$ 7,210,230		$ -	$ -	$ -	$ 7,210,230

Investment Type	Amount	Minimum Legal Rating	September 30, 2024 AAA/Aaa	AA/Aa	A	Not Rated
Cash	$ 2,266	N/A	$ -	$ -	$ -	$ 2,266
Certificates of Deposit (FDIC Insured)	4,047,128	N/A	-	-	-	4,047,128
LAIF	2,018	N/A	-	-	-	2,018
Money Market Funds	971,756	N/A	-	-	-	971,756
	$ 5,023,168		$ -	$ -	$ -	$ 5,023,168

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. No investments in any one issuer (other than U.S. Treasury securities, timed certificates of deposit, money market funds, and external investment pools) represented 5% or more of total District investments.

September 30, 2025

Issuer	Investment Type	Reported Amount	% of Total Investments
LPL Financial	Certificates of Deposits	$ 1,251,647	17.4%
LPL Financial	Cash	$ 248,431	3.4%
Local Agency Investment Funds	Investment Pool	$ 2,111	0.0%
Valley Strong Credit Union	Money Market Funds	$ 5,708,041	79.2%

September 30, 2024

Issuer	Investment Type	Reported Amount	% of Total Investments
LPL Financial	Certificates of Deposits	$ 1,000,000	19.9%
LPL Financial	Cash	$ 2,266	0.0%
Valley Strong Credit Union	Certificates of Deposit	$ 3,047,128	60.7%
Local Agency Investment Funds	Investment Pool	$ 2,018	0.0%
Valley Strong Credit Union	Money Market Funds	$ 971,756	19.3%

NOTE 2 – CASH AND INVESTMENTS (continued)

Foreign Currency Risk: Foreign currency risk is the risk of adverse effects on the fair value of an investment from changes in exchange rates involving currencies outside the United States. The District's investment policy does not allow for investments in foreign currencies.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. None of the District's investments were subject to custodial credit risk.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The District's deposits with financial institutions held in uncollateralized accounts are subject to custodial credit risk for deposits, including investments that were subject to custodial credit risk. The District had certain deposits with financial institutions that were insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). The District's deposits exceeded the FDIC or NCUA coverages at September 30, 2025 and 2024. Of the balances in financial institutions as of September 30, 2025 and 2024, $250,000 was insured by the FDIC and $250,000 was insured by the NCUA. At September 30, 2025 and 2024, $6,077,916 and $4,429,024, respectively, were held by financial institutions that were in excess of the insurance limit. These excess funds would still be secured by the pledged securities in the collateral pool at 110% as noted in the paragraph above and as such are secure in that manner. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

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

NOTE 3 – FAIR VALUE MEASUREMENTS

The District applies generally accepted accounting principles for fair value measurements of financial assets and liabilities. These accounting principles define fair value and establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques. The District uses appropriate valuation techniques to determine value based on inputs available.

When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. The following description summarizes the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statements of Net Position.

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

The three levels of inputs used to measure fair value are as follows:

Level 1 – Values measured using quoted prices in active markets for identical investments. The fair value of these financial instruments and investments is based on quoted market prices or dealer quotes in active markets.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The District did not have any assets reported at fair value with Level 3 inputs for the years ended September 30, 2025 and 2024.

The valuation methods of the fair value measurements are as follows:

- Certificates of deposit – approximates fair value based on estimates using current market rates offered for deposits with similar remaining maturities.
- Money Market Mutual Fund – uses a net asset value as determined by the fund manager. Money market mutual funds may include several different underlying obligations, of which at least 80% of the net assets are invested in U.S. Government obligations including, U.S. Treasury obligations and obligations of U.S. Government Agencies, authorities, instrumentalities, or sponsored enterprises obligations, and municipal securities.

The table below presents the District's investments measured on a recurring basis for the years ended September 30, 2025 and 2024:

September 30, 2025	Fair Value Measurements on a Recurring Basis			
Investment Type	Total	Level 1	Level 2	Level 3
Cash	$ 248,431	$ 248,431	$ -	$ -
Certificates of Deposit	1,251,647	-	1,251,647	-
Money Market Funds	5,708,041	5,708,041	-	-
	7,208,119	$ 5,956,472	$ 1,251,647	$ -
Investment Measured at Amortized Cost				
State of California LAIF Investment Pool	2,111			
Total Investments	$ 7,210,230			

September 30, 2024	Fair Value Measurements on a Recurring Basis			
Investment Type	Total	Level 1	Level 2	Level 3
Cash	$ 2,266	$ 2,266	$ -	$ -
Certificates of Deposit	4,047,128	-	4,047,128	-
Money Market Funds	971,756	971,756	-	-
	5,021,150	$ 974,022	$ 4,047,128	$ -
Investment Measured at Amortized Cost				
State of California LAIF Investment Pool	2,018			
Total Investments	$ 5,023,168			

NOTE 4 – INVENTORIES

Inventories consisted of the following at September 30, 2025 and 2024:

	2025	2024
Teranap geomembrane	$ 14,576	$ 14,576
Herbicides	86,469	35,512
Spreader	-	251
Shop parts	4,198	5,652
	$ 105,243	$ 55,991

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2025 was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,322,341	$ 1,530,829	$ -	$ 2,853,170
Pine Flat Reservoir	1,489,143	-	-	1,489,143
Construction in progress	-	377,066	-	377,066
Total capital assets not being depreciated	2,811,484	1,907,895	-	4,719,379
Capital assets being depreciated:				
Transmission and distribution plant	14,604,091	1,470,797	-	16,074,888
General plant	2,912,517	1,042,614	(73,112)	3,882,019
Total capital assets being depreciated	17,516,608	2,513,411	(73,112)	19,956,907
Less accumulated depreciation:				
Transmission and distribution plant	(6,126,761)	(81,133)	-	(6,207,894)
General plant	(2,142,294)	(315,813)	71,483	(2,386,624)
Total accumulated depreciation	(8,269,055)	(396,946)	71,483	(8,594,518)
Total capital assets being depreciated, net	9,247,553	2,116,465	(1,629)	11,362,389
Total Capital Assets, Net	$ 12,059,037	$ 4,024,360	$ (1,629)	$ 16,081,768

Depreciation expense for the year ended September 30, 2025, was $396,946.

NOTE 5 – CAPITAL ASSETS (continued)

Capital assets activity for the year ended September 30, 2024 was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Capital assets not being depreciated:				
Land	$ 704,710	$ 617,631	$ -	$ 1,322,341
Pine Flat Reservoir	1,489,143	-	-	1,489,143
Total capital assets not being depreciated	2,193,853	617,631	-	2,811,484
Capital assets being depreciated:				
Transmission and distribution plant	13,907,413	696,678	-	14,604,091
General plant	2,460,468	452,049	-	2,912,517
Total capital assets being depreciated	16,367,881	1,148,727	-	17,516,608
Less accumulated depreciation:				
Transmission and distribution plant	(5,900,515)	(226,246)	-	(6,126,761)
General plant	(2,089,133)	(53,161)	-	(2,142,294)
Total accumulated depreciation	(7,989,648)	(279,407)	-	(8,269,055)
Total capital assets being depreciated, net	8,378,233	869,320	-	9,247,553
Total Capital Assets, Net	$ 10,572,086	$ 1,486,951	$ -	$ 12,059,037

Depreciation expense for the year ended September 30, 2024, was $279,407.

NOTE 6 – NOTES PAYABLE

Notes payable activity for the years ended September 30, 2025 and 2024 is as follows:

	Beginning Balance September 30, 2024	Additions	Retirements	Ending Balance September 30, 2025	Due Within One Year
Notes payable:					
Ibank - Traver North	$ -	$ 4,400,000	$ 146,081	$ 4,253,919	$ 152,085
Ibank - London West	-	8,589,000	-	8,589,000	211,433
	$ -	$ 12,989,000	$ 146,081	$ 12,842,919	$ 363,518

	Beginning Balance September 30, 2023	Additions	Reductions	Ending Balance September 30, 2024	Due Within One Year
Note payable:					
Ibank - Traver North	$ -	$ -	$ -	$ -	$ -
Ibank - London West	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -

The District entered into a note dated February 19, 2025 with IBank in the original amount of $4,400,000 to finance the Traver North land purchase and development of the surface water utilization project. The note will be paid annually each August 1 in principal amounts ranging from $146,081 to $314,015 and semi-annual interest payments ranging from $6,453 to $87,418 on February 1 and August 1 through the maturity date of August 1, 2044. Interest is at the rate of 4.11% per annum. Interest expense on the note payable for the years ended September 30, 2025 and 2024 were $116,517 and $0, respectively. For the first 3-year period upon execution of the note agreement, the District is required to maintain a reserve account equal to the amount of the sum of installment payments due and payable within the following 12-month period. The note is secured by a pledge of and first lien on all the net system revenues of the District and all legally available amounts of the District.

The District entered into a note dated June 25, 2025 with IBank in the original amount of $8,589,000 to finance the Lond West land purchase and development of the recharge basin project. The note will be paid annually each August 1 in principal amounts ranging from $211,433 to $556,817 and semi-annual interest payments ranging from $11,972 to $221,596 on February 1 and August 1 through the maturity date of August 1, 2049. Interest is at the rate of 4.30% per annum. Interest expense on the note payable for the years ended September 30, 2025 and 2024 were $94,970 and $0, respectively. For the first 3-year period upon execution of the note agreement, the District is required to maintain a reserve account equal to the amount of the sum of installment payments due and payable within the following 12-month period. The note is secured by a pledge of and first lien on all the net system revenues of the District and all legally available amounts of the District.

Debt service requirements of the notes payable are as follows:

Year Ended September 30,	Principal	Interest	Total
2026	$ 363,518	$ 581,096	$ 944,614
2027	378,861	528,820	907,681
2028	394,851	512,831	907,682
2029	411,516	496,165	907,681
2030	428,885	478,796	907,681
Thereafter	10,865,288	4,746,056	15,611,344
	$ 12,842,919	$ 7,343,764	$ 20,186,683

NOTE 7 – FINANCE LEASE

In November 2023, the District entered into a five-year finance lease in the amount of $655,000 which expires November 2028, or until any amount remains unpaid, for the funding and acquisition of equipment. The interest rate on the lease is 5%. Lease payments are due semi-annually on May 17 and November 17. The leased assets, included in capital assets being depreciated in note 5, totaled $630,758 and has accumulated depreciation totaling $82,286. Interest expense on the finance lease was $28,312 and $16,375 for the years ended September 30, 2025 and 2024, respectively.

Future minimum payments under the finance lease agreement are as follows:

Year Ending September 30,	
2026	$ 149,765
2027	149,608
2028	149,728
2029	73,903
Total Minimum Lease Payments	523,004
Less Amount Representing Interest	48,604
Present Value of Minimum Lease Payments	$ 474,400

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description: *Plan administration:* The District offers medical benefits to its employees, retirees, and their dependents. The medical plans consist of Anthem Blue Cross. Medical premiums for non-Medicare eligible retirees are equal to the premiums for active employees. There are standard rates and incentive rates (the District is currently at incentive rates). These coverages are insured on a pooled basis through the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA).

Benefits provided: Employees hired before October 1, 2010 who were at least age 50 with 9 years of District service on October 1, 2010 are eligible for District-paid retiree benefits if they obtain age 55 and have accumulated 12 years of District Service. Employees hired before October 1, 2010 who were not at least age 50 with 9 years District service by October 1, 2010 are eligible for District-paid retiree benefits if they obtain age 60 and have accumulated 15 years of District service. The District-paid retiree benefit for those hired before October 1, 2010 is the full retiree premium plus 60% of the spouse premium for those with two-party or family coverage. Employees hired on or after October 1, 2010 covered by the Union MOUs are eligible for a District paid benefit at retirement if they obtain age 60 and have at least 15 years of District service. This benefit is capped at $500 per month. Non-Union employees hired after January 1, 2019 will also be capped at $500 per month. These benefits are paid until 65. When a qualified retiree turns age 65 and/or enrolls in Medicare, the District shall enroll them in a Medicare-type health plan approved by the District's Board of Directors. Once the retiree turns age 65 or enrolls in Medicare, the dependent will qualify for COBRA. The District does not offer dental, vision, or life insurance benefits to its retirees. The District recognizes expenditures for its share of the annual premiums as these benefits become due. For 2025, the District paid $40,872 for benefits for 30 participants, including spouses. For 2024, the District paid $43,778 for benefits for 28 participants, including spouses.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Employees Covered: The following employees were covered by the benefit terms at September 30, 2025 and September 30, 2024, respectively:

	2025	2024
Inactive employees or beneficiaries currently receiving benefit payments	12	12
Active employees	18	18
Total Members	30	30

Net OPEB Liability: The District's total OPEB Liability at September 30, 2025 and 2024, was $1,323,821 and $1,301,095, respectively, as shown below, and was determined by an actuarial valuation as of September 30, 2024. Standard actuarial update procedures were used to roll forward to the measurement date from the actuarial valuation.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at September 30, 2024	$ 1,301,095	$ -	$ 1,301,095
Changes in the year:			
Service cost	57,425	-	57,425
Interest on the total OPEB liability	54,335	-	54,335
Differences between expected and actual experience	71,710	-	71,710
Changes in assumptions	(119,872)	-	(119,872)
Contributions from the employer	-	40,872	(40,872)
Benefit payments, including refunds of employee contributions	(40,872)	(40,872)	-
Net change	22,726	-	22,726
Balance at September 30, 2025	$ 1,323,821	$ -	$ 1,323,821

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at September 30, 2023	$ 1,223,640	$ -	$ 1,223,640
Changes in the year:			
Service cost	33,197	-	33,197
Interest on the total OPEB liability	57,189	-	57,189
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(52,598)	-	(52,598)
Changes in assumptions	83,445	-	83,445
Contributions from the employer	-	43,778	(43,778)
Benefit payments, including refunds of employee contributions	(43,778)	(43,778)	-
Net change	77,455	-	77,455
Balance at September 30, 2024	$ 1,301,095	$ -	$ 1,301,095

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Assumptions and Other Inputs: The total OPEB liability in the September 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.80%
Discount rate	4.90% for 2025 and 4.06% for 2024
Medical/Rx trend rate	Health care trend rates have been updated to an initial rate of 8.00%, decreasing 0.25% annually to an ultimate rate of 4.50% for Pre-65 and 6.50% decreasing by 0.25% annually to an ultimate rate of 4.50% for Post-65. This change caused an increase in liabilities.

Mortality rates for general mortality were based on SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021. Surviving spouses mortality were based on SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021.

The plan does not have sufficient data to have credible experience. Therefore, mortality assumptions are set to reflect general population trends based upon Pub-2010 Mortality tables and the most recent generational projection scale MP-2021 released by the Society of Actuaries (SOA) for future mortality improvements.

The discount rate was based on the following:

- A yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) tax-exempt, high quality 20-year municipal bonds.

The amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments was compared in each period of projected benefit payments. A discount rate of 4.90% and 4.06% was determined for the years ending September 30, 2025 and 2024, respectively. The actuarial assumptions used in the September 30, 2024 valuation were based on a review of plan experience.

Changes of Benefit Terms: None since the September 30, 2024 valuation.

Changes of Assumptions: The discount rate was changed from 4.06% as of September 30, 2024 to 4.90% as of September 30, 2025. The discount rate was changed from 4.63% as of September 30, 2023 to 4.06% as of September 30, 2024. The healthcare cost trend rate was changed from 6.50% as of September 30, 2024 to 8.00% as of September 30, 2025. The healthcare cost trend rate was changed from 5.50% as of September 30, 2023 to 6.50% as of September 30, 2024.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the District at September 30, 2025 and 2024, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current discount rate:

2025	Discount Rate - 1% (3.90%)	Current Discount Rate 4.90%	Discount Rate + 1% (5.90%)
Net OPEB Liability	$ 1,499,241	$ 1,323,821	$ 1,176,158

2024	Discount Rate - 1% (3.06%)	Current Discount Rate 4.06%	Discount Rate + 1% (5.06%)
Net OPEB Liability	$ 1,482,914	$ 1,301,095	$ 1,148,999

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the District at September 30, 2025 and 2024, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

2025	1% Decrease (7.00% for 2025, 3.50% ultimate, 5.50% at Medicare ages)	Current Trend Rate (8.00% for 2025, 4.50% ultimate, 6.50% at Medicare ages)	1% Increase (9.00% for 2025, 5.50% ultimate, 7.50% at Medicare ages)
Net OPEB Liability	$ 1,145,751	$ 1,323,821	$ 1,545,904

2024	1% Decrease (7.00% for 2024, 3.50% ultimate, 5.50% at Medicare ages)	Current Trend Rate (8.00% for 2024, 4.50% ultimate, 6.50% at Medicare ages)	1% Increase (9.00% for 2024, 5.50% ultimate, 7.50% at Medicare ages)
Net OPEB Liability	$ 1,126,576	$ 1,323,821	$ 1,519,711

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At September 30, 2025 and 2024, respectively, the District reported deferred outflows of resources and deferred inflows of resources to OPEB from the following sources

2025	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 64,539	$ (79,904)
Changes in assumptions or other inputs	69,338	(217,111)
Differences between projected and actual return investments	-	-
Total	$ 133,877	$ (297,015)

2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (145,313)
Changes in assumptions or other inputs	87,273	(172,568)
Differences between projected and actual return investments	-	-
Total	$ 87,273	$ (317,881)

(1) The difference between expected and actual experience is due to the valuation performed in fiscal year September 30, 2025, with a valuation date of September 30, 2024 which is being amortized at the rate of $58,238 annually;
(2) The changes in assumptions during fiscal years ended September 30, 2025 and 2024 consisted of a change in the discount rate from 4.06% at September 30, 2024 to 4.90% at September 30, 2025 and a change in the discount rate from 4.63% at September 30, 2023 to 4.06% at September 30, 2024;
(3) There were no differences between projected and actual return investments for the years ended September 30, 2025 and 2024 as the District is on a pay-as-you-go basis.

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

Year ended September 30:	Deferred Outflows/(Inflows) of Resources
2026	$ (79,160)
2027	(62,687)
2028	(3,960)
2029	(960)
2030	(960)
Thereafter	(15,411)
	$ (163,138)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Net OPEB Expense: For the years ended September 30, 2025 and 2024, the District recognized OPEB expense (credit) of $(3,872) and $(20,430), respectively.

	2025	2024
Change in Net OPEB Liability	$ 22,726	$ 77,455
Change in Deferred Outfows	(46,604)	(65,510)
Change in Deferred Inflows	(20,866)	(76,153)
Employer Contributions	40,872	43,778
OPEB Expense	$ (3,872)	$ (20,430)

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

Plan Description: The District contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan in which all full-time employees of the District are eligible to participate. CalPERS acts as a common investment agent for participating public entities within the State of California and is administered by the CalPERS Board of Administration according to the provisions set forth in the California Public Employees Retirement Law. Benefit provisions under the plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan are applied as specified by the Public Employees' Retirement Law. The Public Employees' Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. Pursuant to PEPRA, the Miscellaneous "Classic" plan is closed to new entrants as of January 1, 2013.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

The Plans' provisions and benefits in effect at September 30, 2025, are summarized as follows:

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

Net Pension Liability: The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability for the Plan is measured as of June 30, 2024 and 2023, using an annual actuarial valuation as of June 30, 2023 and 2022 rolled forward to June 30, 2024 and 2023, respectively, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown next.

Actuarial Assumptions - The total pension liabilities in the actuarial valuations were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2023 and 2022
Measurement Date:	June 30, 2024 and 2023
Actuarial Cost Method:	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate-	6.90%
Inflation-	2.30%
Salary Increases-	Varies by entry age and service
Investment Rate of Return-	6.90%
Mortality Rate Table[1]-	Derived using CalPERS' Membership Data for all Funds

[1] The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 6.90 percent. 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 9 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Long-Term Expected Rate of Return: In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

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

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*~
Global equity - cap-weighted	30.00%	4.45%
Global equity non cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	-5.00	-0.59
Total	100.00%	

* An expected inflation of 2.3% used for this period

~ Figures are based on the 2021-22 Asset Liability Management study

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Changes in the Net Pension Liability: The changes in the net pension liability for the years ended September 30, 2025 and 2024 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at September 30, 2024	$ 11,017,603	$ 7,816,721	$ 3,200,882
Changes in the year:			
Service cost	266,175	-	266,175
Interest on the total pension liability	727,151	-	727,151
Changes of benefit terms	12	-	12
Changes in assumptions	-	-	-
Differences between expected and actual experience	172,307	-	172,307
Contributions from the employer	-	360,335	(360,335)
Contributions from employees	-	187,114	(187,114)
Net investment income (loss)	-	704,923	(704,923)
Benefit payments, including refunds of employee contributions	(1,047,227)	(1,047,227)	-
Administrative expense	-	(5,950)	5,950
Net change	118,418	199,195	(80,777)
Balance at September 30, 2025	$ 11,136,021	$ 8,015,916	$ 3,120,105

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at September 30, 2023	$ 11,018,813	$ 7,962,715	$ 3,056,098
Changes in the year:			
Service cost	254,904	-	254,904
Interest on the total pension liability	719,643	-	719,643
Changes of benefit terms	84	-	84
Changes in assumptions	-	-	-
Differences between expected and actual experience	147,238	-	147,238
Plan to plan resource movement	-	-	-
Contributions from the employer	-	360,335	(360,335)
Contributions from employees	-	164,418	(164,418)
Net investment income	-	457,747	(457,747)
Benefit payments, including refunds of employee contributions	(1,123,079)	(1,123,079)	-
Administrative expense	-	(5,415)	5,415
Net change	(1,210)	(145,994)	144,784
Balance at September 30, 2024	$ 11,017,603	$ 7,816,721	$ 3,200,882

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

The District's net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2024 and 2023, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and 2022 rolled forward to June 30, 2024 and 2023, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2024 and 2023 was as follows:

Proportion - June 30, 2023	0.06401%
Proportion - June 30, 2024	0.06451%
Change - Increase (Decrease)	0.00050%
Proportion - June 30, 2022	0.06531%
Proportion - June 30, 2023	0.06401%
Change - Increase (Decrease)	-0.00130%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the District as of September 30, 2025 and 2024, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

2025	Discount Rate - 1% (5.90%)	Current Discount Rate 6.90%	Discount Rate + 1% (7.90%)
Net Pension Liability	$ 4,622,804	$ 3,120,105	$ 1,883,163

2024	Discount Rate - 1% (5.90%)	Current Discount Rate 6.90%	Discount Rate + 1% (7.90%)
Net Pension Liability	$ 4,690,966	$ 3,200,882	$ 1,974,415

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the years ended September 30, 2025 and 2024, the District recognized net pension expense (credit) of $544,514 and $386,280 respectively. At September 30, 2025 and 2024, respectively, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued):

2025	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 80,193	$ -
Differences between expected and actual experiences	269,762	10,526
Differences between projected and actual investment earnings	179,621	-
Adjustment due to differences in proportions	40,059	40,730
Change in employer's proportion	-	84,901
Pension contributions subsequent to measurement date	692,645	-
Total	$ 1,262,280	$ 136,157

2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 193,252	$ -
Differences between expected and actual experiences	163,518	25,366
Differences between projected and actual investment earnings	518,252	-
Adjustment due to differences in proportions	-	109,027
Change in employer's proportion	2,087	44,281
Pension contributions subsequent to measurement date	679,409	-
Total	$ 1,556,518	$ 178,674

Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending September 30,	Amount
2026	$ 121,630
2027	375,336
2028	(1,934)
2029	(61,554)
2030	-
Total	$ 433,478

NOTE 10 – NET POSITION

Restricted: The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets include the following at September 30, 2025 and 2024:

	2025	2024
Ground water only surcharge	$ (8,492)	$ (12,869)
Acceptable measurement fund	63,399	57,668
Meter calibration fund	48,501	44,343
Urban fund	310,373	331,373
Surface water utilization	3,603,679	2,302,355
Pipeline replacement reserves	18,688	148,410
Projects deposits	462,033	521,372
Flag Star Bank equipment escrow account	-	467,855
IBank debt service	927,800	-
Facility repairs	426,035	-
IBank - Traver North Escrow Account	3,051,071	-
IBank - London West Escrow Account	5,529,377	-
	$ 14,432,464	$ 3,860,507

Unrestricted: A deficit unrestricted net position of $14,432,464 must be subsequently funded before it may be used to meet the District's ongoing obligations to customers and creditors. The total unrestricted deficit net position of the District as of September 30, 2025 and 2024, amount to $1,785,291 and $1,655,766, respectively.

NOTE 11 – MAINTENANCE/GENERAL, OPERATIONAL AND URBAN ACTIVITIES

The following is a summary of maintenance/general, operational, and urban activities for the years ended September 30, 2025 and 2024:

2025	Maintenance/ General	Operations	Urban	2025 Total
Revenues	5,656,045	$ 763,205	$ -	$ 6,419,250
Expenses	(4,992,345)	(731,820)	(7,000)	(5,731,165)
Non-operating revenues (expenses)	1,055,659	-	-	1,055,659
Change in net position	$ 1,719,359	$ 31,385	$ (7,000)	$ 1,743,744

2024	Maintenance/ General	Operations	Urban	2024 Total
Revenues	$ 5,267,179	$ 1,234,488	$ 22,981	$ 6,524,648
Expenses	(3,848,471)	(1,271,893)	(7,000)	(5,127,364)
Non-operating revenues (expenses)	821,618	-	-	821,618
Change in net position	$ 2,240,326	$ (37,405)	$ 15,981	$ 2,218,902

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Litigation and Contingencies:

The District is involved in two administrative/litigation matters. The first matter involves an administrative proceeding before the State Water Resources Control Board (State Board), which is the California administrative agency primarily responsible for regulating water rights and water quality. The proceeding involves resolution of two petitions to revise the fully appropriated stream status (FAS) of the Kings River. The petitions focus on flood waters that may be available for appropriation and use in certain years. The matter is still at a preliminary phase. If the State Board grants the petitions, then the parties (and others) may file water right applications for those Kings River flows identified as potentially available for appropriation. That stage of the process is several years in the future, and any ruling on the FAS petitions will likely be challenged by lengthy court proceedings.

The second matter involves the case of *Kings River Water Association, et al. v. Tulare Lake Reclamation District No. 761, et al.* (hereafter referred to as the "KRWA Litigation"), which was filed in Kings County Superior Court. The District is not a party to the KRWA Litigation but is interested in the outcome because the District is a member entity of the KRWA. The case involves claims that the defendants breached certain contractual terms regarding where water delivered to KRWA members may be put to beneficial use. The District has no direct liability associated with the matter.

In the opinion of management, based upon discussion with legal counsel, there is no pending litigation other than the litigation noted in the previous paragraphs which is likely to have a material adverse effect on the financial position of the District. The ultimate outcome of the matters noted in the previous paragraphs is not presently determinable. In the opinion of the District, these actions when finally adjudicated will not have a material adverse effect on the financial position of the District.

NOTE 13 – 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 provides coverage for these losses through commercial insurance policies.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 101, *Compensated Absences* establishes governments to recognize liabilities for compensated absences when leave has been earned but not yet used or paid, provided it is attributable to past service, accumulates, and is likely to be used or paid. Certain types of leave, like parental or military leave, only result in liabilities once the leave begins. The liability should be measured based on current pay rates and include directly related salary costs, with expenditures recognized in financial statements based on the amount expected to be paid with available financial resources. This change in accounting principle was applied prospectively.

The impact of GASB 101 was an increase to current and long-term liabilities totaling $52,511 and is included in the line item accrued compensated absences on the Statement of Financial Position.

ALTA IRRIGATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

ALTA IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Date - Last 10 Fiscal Years*	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
For use in	FY 2025	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Total OPEB Liability								
Service cost	$ 57,425	$ 33,197	$ 32,230	$ 52,860	$ 56,187	$ 50,417	$ 59,706	$ 64,008
Interest on total OPEB liability	54,335	57,189	53,627	34,845	36,610	38,896	55,139	49,523
Change of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	71,710	(52,598)	-	(104,002)	-	(253,596)	-	-
Changes in assumptions	(119,872)	83,445	(33,020)	(299,966)	44,275	(34,844)	218,900	(89,496)
Benefit payments, including refunds of employee contributions	(40,872)	(43,778)	(31,169)	(52,786)	(57,521)	(51,055)	(62,923)	(62,500)
Net change in total OPEB liability	22,726	77,455	21,668	(369,049)	79,551	(250,182)	270,822	(38,465)
Total Net OPEB liability- beginning	1,301,095	1,223,640	1,201,972	1,571,021	1,491,470	1,741,652	1,470,830	1,509,295
Total Net OPEB liability- ending (a)	$ 1,323,821	$ 1,301,095	$ 1,223,640	$ 1,201,972	$ 1,571,021	$ 1,491,470	$ 1,741,652	$ 1,470,830
Plan Fiduciary Net Position								
Contributions- employer	$ 40,872	$ 43,778	$ 31,169	$ 52,786	$ 57,521	$ 51,055	$ 62,923	$ 62,500
Contributions- employees	-	-	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-	-	-
Benefit payments	(40,872)	(43,778)	(31,169)	(52,786)	(57,521)	(51,055)	(62,923)	(62,500)
Trustee fees	-	-	-	-	-	-	-	-
Administrative expense	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-	-	-	-
Total plan fiduciary net position- beginning	-	-	-	-	-	-	-	-
Total plan fiduciary net position- ending (b)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net OPEB liability- ending (a)-(b)	$ 1,323,821	$ 1,301,095	$ 1,223,640	$ 1,201,972	$ 1,571,021	$ 1,491,470	$ 1,741,652	$ 1,470,830
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's covered-employee payroll	1,159,017	1,059,530	884,993	950,348	937,855	1,050,682	1,290,394	1,050,283
Net OPEB liability as a percentage of covered-employee payroll	114.22%	122.80%	138.27%	126.48%	167.51%	141.95%	134.97%	140.04%

NOTES TO SCHEDULE:

*Fiscal Year 2018 was the first year of retroactive implementation; therefore, only eight available years are shown as of September 30, 2025.

ALTA IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF PLAN CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Date - Last 10 Fiscal Years*	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
For use in	FY 2025	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Actuarially determined contribution	$ 40,872	$ 43,778	$ 103,351	$ 100,341	$ 99,305	$ 96,413	$ 122,159	$ 118,601
Contributions in relation to the actuarially determined contribution	(40,872)	(43,778)	(31,169)	(52,786)	(57,521)	(51,055)	(62,923)	(62,500)
Contribution deficiency (excess)	$ -	$ -	$ 72,182	$ 47,555	$ 41,784	$ 45,358	$ 59,236	$ 56,101
District's covered-employee payroll	$ 1,159,017	$ 1,059,530	$ 884,993	$ 950,348	$ 937,855	$ 1,050,682	$ 1,290,394	$ 1,050,283
Contributions as a percentage of covered-employee payroll	3.53%	4.13%	3.52%	5.55%	6.13%	4.86%	4.88%	5.95%

NOTES TO SCHEDULE:

Valuation Date: September 30, 2024

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Salary increases	2.80%
Discount rate	4.63% for 2023 and 4.06% for 2024, and 4.90% for 2025
Retirement age	Based on District retirement patterns
General mortality	Based on SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021
Surviving spouses mortality	Based on SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021

*Fiscal Year 2018 was the first year of retroactive implementation; therefore, only eight available years are shown as of September 30, 2025.

ALTA IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement date - Last 10 Fiscal Years For use in	6/30/2024 FY 2025	6/30/2023 FY 2024	6/30/2022 FY 2023	6/30/2021 FY 2022	6/30/2020 FY 2021	6/30/2019 FY 2020	6/30/2018 FY 2019	6/30/2017 FY 2018	6/30/2016 FY 2017	6/30/2015 FY 2016
Total Pension Liability										
Service cost	$ 266,175	$ 254,904	$ 252,627	$ 236,256	$ 238,908	$ 234,986	$ 237,040	$ 233,179	$ 213,097	$ 61,149
Interest on total pension liability	727,151	719,643	719,340	712,432	705,268	679,836	662,487	641,285	643,022	178,305
Change of benefit terms	12	84	1,906	518	497	720	389	1,150	667	89
Differences between expected and actual experience	172,307	147,238	(44,304)	89,350	42,752	140,907	114,271	(60,914)	(2,369)	4,666
Changes in assumptions	-	-	337,538	-	-	-	(83,213)	539,772	-	(44,153)
Benefit payments, including refunds of employee contributions	(1,047,227)	(1,123,079)	(799,582)	(940,810)	(617,617)	(808,434)	(626,702)	(786,817)	(593,856)	(138,429)
Net change in total pension liability	118,418	(1,210)	467,525	97,746	369,808	248,015	304,272	567,655	260,561	61,627
Total Pension Liability- Beginning	11,017,603	11,018,813	10,551,288	10,453,542	10,083,734	9,835,719	9,531,447	8,963,792	8,703,231	8,641,604
Total Pension Liability- Ending (a)	$ 11,136,021	$ 11,017,603	$ 11,018,813	$ 10,551,288	$ 10,453,542	$ 10,083,734	$ 9,835,719	$ 9,531,447	$ 8,963,792	$ 8,703,231
Plan Fiduciary Net Position										
Contributions- employer	$ 360,335	$ 295,635	$ 189,317	$ 237,960	$ 214,110	$ 237,122	$ 299,486	$ 87,716	$ 138,857	$ 126,740
Contributions- employees	187,114	164,418	140,432	66,113	65,883	68,376	65,604	76,219	64,827	63,480
Net investment income	704,923	522,447	(600,364)	1,803,619	496,392	525,543	630,300	870,711	97,617	202,089
Administrative expense	(5,950)	(5,415)	(5,404)	(7,562)	(10,539)	(5,228)	(10,910)	(10,008)	(4,409)	(2,231)
Other miscellaneous income (expense)	-	-	-	-	-	17	(20,719)	-	-	-
Benefit payments	(1,047,227)	(1,123,079)	(799,582)	(940,810)	(617,617)	(808,434)	(626,702)	(786,817)	(593,856)	(138,429)
Net change in plan fiduciary net position	199,195	(145,994)	(1,075,601)	1,159,320	148,229	17,396	337,059	237,821	(296,964)	251,649
Total Plan Fiduciary Net Position- Beginning	7,816,721	7,962,715	9,038,316	7,878,996	7,730,767	7,713,371	7,376,312	7,138,491	7,435,455	7,183,806
Total Plan Fiduciary Net Position- Ending (b)	$ 8,015,916	$ 7,816,721	$ 7,962,715	$ 9,038,316	$ 7,878,996	$ 7,730,767	$ 7,713,371	$ 7,376,312	$ 7,138,491	$ 7,435,455
Net Pension Liability- Ending (a)-(b)	$ 3,120,105	$ 3,200,882	$ 3,056,098	$ 1,512,972	$ 2,574,546	$ 2,352,967	$ 2,122,348	$ 2,155,135	$ 1,825,301	$ 1,267,776
Plan fiduciary net position as a percentage of the total pension liability	71.98%	70.95%	72.26%	85.66%	75.37%	76.67%	78.42%	77.39%	79.64%	85.43%
Commission's covered-employee payroll	1,135,051	1,090,314	944,088	918,343	929,100	1,093,312	1,136,691	1,202,633	1,121,038	1,157,333
Net pension liability as a percentage of covered-employee payroll	274.89%	293.57%	323.71%	164.75%	277.10%	215.21%	186.71%	179.20%	162.82%	109.54%

NOTES TO SCHEDULE:

Changes in assumptions:

The discount rate was changed from 7.15% (net of administrative expenses) to 6.90% in fiscal year 2023.
The discount rate was changed from 7.65% (net of administrative expenses) to 7.15% in fiscal year 2018.

ALTA IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement date - Last 10 Fiscal Years For use in	6/30/2024 FY 2025	6/30/2023 FY 2024	6/30/2022 FY 2023	6/30/2021 FY 2022	6/30/2020 FY 2021	6/30/2019 FY 2020	6/30/2018 FY 2019	6/30/2017 FY 2018	6/30/2016 FY 2017	6/30/2015 FY 2016
Actuarially determined contribution	$ 360,335	$ 295,635	$ 189,317	$ 237,960	$ 333,029	$ 220,953	$ 196,736	$ 87,716	$ 138,857	$ 126,740
Contributions in relation to the actuarially determined contribution	360,335	295,635	189,317	237,960	214,110	237,122	299,486	87,716	138,857	126,740
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ 118,919	$ (16,169)	$ (102,750)	$ -	$ -	$ -
Commission's covered-employee payroll	$ 1,135,051	$ 1,090,314	$ 944,088	$ 918,343	$ 929,100	$ 1,093,312	$ 1,136,691	$ 1,202,633	$ 1,121,038	$ 1,157,333
Contributions as a percentage of covered-employee payroll	31.75%	27.11%	20.05%	25.91%	23.04%	21.69%	26.35%	7.29%	12.39%	10.95%

NOTES TO SCHEDULE:

Valuation Date:	June 30, 2023
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Asset valuation method	15 year smooth market
Inflation	2.30%
Salary increases	Varies by entry age and service
Investment rate of return	6.90%
Retirement age	Derived using CalPERS' Membership data for all funds
Mortality	Derived using CalPERS' Membership data for all funds

ALTA IRRIGATION DISTRICT

SUPPLEMENTARY INFORMATION

ALTA IRRIGATION DISTRICT
SCHEDULES OF PAYROLL AND RELATED EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
Wages		
General and administrative wages	$ 618,926	$ 440,601
Maintenance wages less projects	490,670	430,894
Operations wages	315,481	576,822
Total wages	1,425,077	1,448,317
Payroll Taxes and Employee Benefits		
Payroll taxes	42,847	26,755
Employee benefits	297,445	276,526
Employee retirement	540,360	358,241
Employee allowances	1,434	1,487
Total payroll taxes and employee benefits	882,086	663,009
Other Payroll Related Expenses		
Payroll expenses	5,423	5,302
Workers' compensation insurance	25,553	19,736
Total other payroll related expenses	30,976	25,038
Total Payroll and Related Expenses	$ 2,338,139	$ 2,136,364

ALTA IRRIGATION DISTRICT
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
General and Administrative Expenses		
Accounting services	$ 19,661	$ 14,781
Assessments and dues	519,119	485,664
Bad debt expense	89,465	-
Bank charges	155	189
Collector's expenses	12,008	18,398
Computer expenses	35,482	48,119
Director's fees	11,307	12,527
Engineering services	112,095	87,725
Fuel	10,868	12,000
Insurance	110,379	49,295
Janitorial and yard services	7,560	7,560
Legal expenses	207,119	196,953
Licenses, permits and testing	80	2,044
Medical and safety equipment	8,038	14,901
Meetings and workshops	13,419	1,824
Miscellaneous administrative expenses	25,404	27,919
Miscellaneous expenses	1,535	2,036
Office and shop maintenance agreements	4,056	3,921
Office supplies	4,477	8,007
Postage	768	561
Rug and coverall service	4,270	2,625
Telephone and cellular expenses	7,677	7,232
Utilities	31,615	30,809
Total General and Administrative Expenses	$ 1,236,557	$ 1,035,090

ALTA IRRIGATION DISTRICT
SCHEDULES OF MAINTENANCE EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
Materials and Supplies		
Gates	$ 39,715	$ 44,659
Herbicides	128,717	161,596
Miscellaneous canal maintenance	206,406	565,815
Pipes	146,485	294,284
Total materials and supplies	521,323	1,066,354
Repairs and Maintenance		
Autos and trucks	71,536	58,063
Machinery and equipment	15,834	57,805
Shop equipment	1,263	3,747
Rental equipment	101,420	39,341
Real estate and buildings	23,949	12,917
Total repairs and maintenance	214,002	171,873
Other Maintenance Expenses		
Fuel	64,416	62,494
Oil	8,648	5,256
Farm expense	794,013	138,120
Miscellaneous maintenance	17,048	30,610
Total other maintenance expenses	884,125	236,480
Total Maintenance Expenses	$ 1,619,450	$ 1,474,707

ALTA IRRIGATION DISTRICT
SCHEDULES OF OPERATIONS AND URBAN EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
Operations Expenses		
Vehicle maintenance	$ 17,109	$ 32,065
Fuel - water run	55,192	70,863
Miscellaneous - water run	30,212	48,721
Cellular - water run	3,469	4,665
Utilities	9,621	13,255
Spray program	14,821	20,829
Uniform service - operational	2,144	2,405
Acceptable measurement	505	1,993
Total Operations Expenses	$ 133,073	$ 194,796
Urban Expenses		
Water forum	$ 7,000	$ 7,000
Total Urban Expenses	$ 7,000	$ 7,000

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

To the Board of Directors
Alta Irrigation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Alta Irrigation District (the District), as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated January 27, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

HUDSON & COMPANY, INC.

Fresno, California
January 27, 2026