Crestline Sanitation District

(A California Special District)

Financial Statements
and
Independent Auditors' Report

For the Year Ended June 30, 2026

smithmarion

Crestline Sanitation District

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Crestline Sanitation District

List of Elected and Appointed Officials
June 30, 2026

Elected Officials

Board of Directors

Title	Director	Term Expires
Chair	Matthew Philippe	December, 2028
Vice-Chair	Niki Wiessner	December, 2026
Director	Sherri Fairbanks	December, 2028
Director	Mike Harris	December, 2028
Director	Raquel Comstock	December, 2026

Appointed Official

General Manager Dawn Grantham

Crestline Sanitation District
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Crestline, CA 92325-3395

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Board of Directors
Crestline Sanitation District
Crestline, CA

Independent Auditors' Report

Opinion
We have audited the financial statements of the business-type activities of Crestline Sanitation District, as of and for the year ended June 30, 2026, and the related notes to financial statements, which collectively comprise Crestline Sanitation District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Crestline Sanitation District as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Crestline Sanitation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Crestline Sanitation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Crestline Sanitation 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.

Summarized Comparative Information

We have previously audited Crestline Sanitation District's June 30, 2025 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited financial statement from which it has been derived.

Required Supplementary Information

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

Smith Marion & Co.

November 04, 2026
Redlands, CA

This discussion and analysis explains the District's financial activities for the year ended June 30, 2026, compared with the prior year. It should be read with the financial statements and accompanying notes.

Overview of the Financial Statements

The District reports its sewer operations as a business-type activity using the economic resources measurement focus and the accrual basis of accounting. The statement of net position presents the District's assets and deferred outflows of resources, less liabilities and deferred inflows of resources, at year-end. The resulting net position measures financial position but does not, by itself, indicate cash available to spend.

The statement of revenues, expenses, and changes in net position explains the year's change in net position. It recognizes revenues and expenses when earned or incurred, regardless of when cash is received or paid. The statement of cash flows explains changes in cash and cash equivalents from operating, noncapital financing, capital and related financing, and investing activities. Together, the three statements present financial position, operating results, and cash activity from different perspectives; the notes provide the related accounting policies and details.

Financial Summary

Condensed Statements of Net Position

	2026	2025	Increase (Decrease)
ASSETS			
Current assets	$18,117,525	$16,630,687	$ 1,486,838
Capital assets, net	22,558,727	22,445,292	113,435
Total assets	40,676,252	39,075,979	1,600,273
DEFERRED OUTFLOWS OF RESOURCES	1,415,960	1,314,282	101,678
LIABILITIES			
Current liabilities	622,305	604,366	17,939
Long-term liabilities	13,215,585	13,399,384	(183,799)
Total liabilities	13,837,890	14,003,750	(165,860)
DEFERRED INFLOWS OF RESOURCES	1,312,043	1,343,898	(31,855)
NET POSITION			
Net investment in capital assets	10,870,015	10,703,070	166,945
Restricted for debt service	458,789	448,056	10,733
Unrestricted	15,613,475	13,891,487	1,721,988
Total net position	$26,942,279	$25,042,613	$ 1,899,666

Financial Summary (continued)

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

	2026	2025	Increase (Decrease)
Operating revenues	$ 4,180,480	$ 4,041,558	$ 138,922
Operating expenses	(4,546,337)	(4,674,085)	127,748
Operating loss	(365,857)	(632,527)	266,670
Noncapital subsidies	1,884,505	1,799,479	85,026
Operating loss and noncapital subsidies	1,518,648	1,166,952	351,696
Other nonoperating revenues (expenses)	381,018	373,189	7,829
Change in net position	1,899,666	1,540,141	359,525
Net position - beginning of the year	25,042,613	23,502,472	1,540,141
Net position - end of the year	$ 26,942,279	$ 25,042,613	$ 1,899,666

Detailed Analysis

Total net position increased $1,899,666, or approximately 7.6%, from $25,042,613 to $26,942,279. Unrestricted net position increased $1,721,988 to $15,613,475, and net investment in capital assets increased $166,945 to $10,870,015. Total assets rose $1,600,273, primarily reflecting a $1,466,760 increase in investments; total liabilities declined $165,860, primarily reflecting a $176,472 decrease in the net pension liability. Much of the financial resources generated during the year were invested, contributing to the higher investment balance. Pension and other postemployment benefit amounts contributed to changes in deferred outflows, deferred inflows, and liabilities, as described in Notes 5 and 6.

Operating revenues increased $138,922, or approximately 3.4%, to $4,180,480. Charges for services increased $195,898, while other services revenue decreased $55,020. The monthly sewer rate per equivalent dwelling unit (EDU) increased from $55.99 to $58.79 effective July 1, 2025. Substantially all of the increase in charges for services resulted from the rate increase, with no substantive change in billed EDUs.

Detailed Analysis (continued)

Operating expenses declined $127,748, or approximately 2.7%, to $4,546,337. Salaries and benefits declined $95,563. Position vacancies contributed to the decline in salaries and benefits. Pension contribution rates declined by less than 1% over the prior year, although pension expense can vary due to changes in actuarial valuations. Depreciation increased $65,227 primarily because the Huston Creek Dewatering Building and Clarifier Project was completed and placed in service. As a result, the operating loss narrowed by $266,670, from $632,527 in 2025 to $365,857 in 2026.

Noncapital subsidies increased $85,026 to $1,884,505, consisting of property taxes and special assessments. Increases in both sources resulted from higher assessed valuations of the affected properties. Other nonoperating revenues and expenses totaled a net $381,018, compared with $373,189 in 2025. Investment income fell $61,150 as market yields softened, while interest expense fell $79,758. The District made its first scheduled CWSRF loan payment in fiscal year 2026. Together, the improved operating loss and higher noncapital subsidies and other nonoperating results raised the annual change in net position by $359,525 over the prior year.

The District's Board designated $15,613,475 of unrestricted net position among operating, capital replacement, catastrophe response, and capital-project reserves. The Board's reserve policy sets a combined target of $17,849,695; the designated balance was 87% of that target at June 30, 2026, leaving a $2,236,220 gap. These Board designations guide planning but do not impose external restrictions on net position.

Significant Capital Asset and Long-Term Financing Activity

Net capital assets increased $113,435 to $22,558,727 at June 30, 2026. The most significant capital activity was completion of the Huston Creek Dewatering Building and Clarifier Project in June 2026. That project accounted for substantially all of the reduction in construction in progress; structures and improvements increased $13,414,535 as assets were placed in service. Note 3 also reports $654,389 of additions to construction in progress, $198,289 of land-improvement additions, $108,400 of vehicle additions, and $607,414 of depreciation. The newly completed project contributed to the increase in depreciation expense.

The Clean Water State Revolving Fund (CWSRF) loan declined $69,849 to $11,665,955 after $274,421 of final loan advances and $344,270 of principal payments. The loan financed the Huston Creek project. Additional details on capital assets and long-term financing are available in Notes 3 and 4.

Currently Known Facts, Decisions, or Conditions

The Board approved a sewer rate of $61.73 per EDU per month effective July 1, 2026, an increase of $2.94, or approximately 5%, from the 2026 rate. Management expects the number of customers and billed EDUs to remain stable, so the higher rate should increase sewer-service revenue in 2027. No material changes are anticipated in the 2027 operating budget. The 2027 capital budget totals $4,679,504, of which the District plans to fund $2,645,504 from existing resources, and the state is expected to fund the remaining $2,034,000.

Basic Financial Statements

Statement of Net Position
June 30, 2026 (with comparative data for 2025)

	2026	2025
Assets		
Current Assets:		
Cash and cash equivalents	$ 2,428,953	$ 2,455,486
Investments	13,674,305	12,218,278
Restricted investments - CWSRF reserve fund	458,789	448,056
Receivables:		
Accounts receivable	1,417,747	1,360,272
Taxes receivable	59,440	75,756
Special assessments receivable	6,924	5,367
Interest receivable	12,942	13,788
Material and supplies inventory	8,988	14,449
Prepaid expenses	49,437	39,235
Total Current Assets	18,117,525	16,630,687
Noncurrent Assets:		
Capital assets:		
Capital assets not being depreciated (note 3)	259,240	13,323,356
Capital assets being depreciated (note 3)	22,299,487	9,121,936
Total Capital Assets, Net	22,558,727	22,445,292
Total Assets	40,676,252	39,075,979
Deferred Outflows of Resources		
Pension related (note 5)	623,232	673,655
OPEB related (note 6)	792,728	640,627
Total Deferred Outflows of Resources	1,415,960	1,314,282

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

Statement of Net Position (continued)
June 30, 2026 (with comparative data for 2025)

	2026	2025
Liabilities		
Current Liabilities:		
Accounts payable	$ 28,443	$ 37,919
Accrued liabilities	122,977	113,424
Accrued interest payable	77,181	77,380
Current portion of long-term liabilities (note 4)	393,704	375,643
Total Current Liabilities	622,305	604,366
Noncurrent Liabilities:		
Long-term liabilities, net of current portion (note 4)	11,446,322	11,510,770
Net pension liability (note 5)	938,765	1,115,237
Net other post-employment benefits liability (note 6)	830,498	773,377
Total Noncurrent Liabilities	13,215,585	13,399,384
Total Liabilities	13,837,890	14,003,750
Deferred Inflows of Resources		
Pension related (note 5)	127,862	313,715
OPEB related (note 6)	1,184,181	1,030,183
Total Deferred Inflows of Resources	1,312,043	1,343,898
Net Position		
Net investment in capital assets	10,870,015	10,703,070
Restricted for debt service	458,789	448,056
Unrestricted	15,613,475	13,891,487
Total Net Position	$ 26,942,279	$ 25,042,613

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

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2026 (with comparative data for 2025)

	2026	2025
Operating Revenues		
Charges for services	$ 3,924,055	$ 3,728,157
Permit and inspection fees	46,342	43,677
Connection fees	14,964	18,705
Other services	195,119	250,139
Other revenue	-	880
Total Operating Revenues	4,180,480	4,041,558
Operating Expenses		
Salaries and benefits	2,488,507	2,584,070
Professional services	352,853	444,935
Services and supplies	878,360	865,825
Utilities	219,203	237,068
Depreciation	607,414	542,187
Total Operating Expenses	4,546,337	4,674,085
Operating Loss	(365,857)	(632,527)
Noncapital Subsidies		
Property taxes	1,843,908	1,770,885
Special assessments	40,597	28,594
Total Noncapital Subsidies	1,884,505	1,799,479
Operating Loss and Noncapital Subsidies	1,518,648	1,166,952
Other Nonoperating Revenues (Expenses)		
Investment income (note 2)	480,305	541,455
Gain on sales of capital assets	4,300	3,750
Interest expense	(103,587)	(183,345)
Capital contributions	-	11,329
Total Other Nonoperating Revenues (Expenses)	381,018	373,189
Change in net position	1,899,666	1,540,141
Net position - beginning of the year	25,042,613	23,502,472
Net position - end of the year	$ 26,942,279	$ 25,042,613

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

Statement of Cash Flows
Year Ended June 30, 2026 (with comparative data for 2025)

	2026	2025
Cash Flows from Operating Activities		
Receipts from customers	$ 4,123,005	$ 3,866,892
Payments to suppliers for goods and services	(1,464,633)	(1,422,617)
Payments for employee's salaries and benefits	(2,724,715)	(2,725,400)
Net Cash Used for Operating Activities	(66,343)	(281,125)
Cash Flows from Noncapital Financing Activities		
Property taxes	1,860,224	1,769,208
Special assessments	39,040	28,125
Net Cash Provided by Noncapital Financing Activities	1,899,264	1,797,333
Cash Flows from Capital And Related Financing Activities		
Acquisition of capital assets	(692,625)	(1,574,064)
Proceeds from loan payable - CWSRF	274,421	709,172
Principal payments on loan payable - CWSRF	(344,270)	-
Proceeds from sale of capital assets	4,300	3,750
Principal payments on lease obligations	(11,885)	(5,359)
Interest payments	(103,786)	-
Net Cash (Used for) Provided by Capital and Related Financing Activities	(873,845)	(866,501)
Cash Flows from Investing Activities		
Investment income	498,032	398,046
Purchase of investments	(9,836,613)	(5,163,729)
Proceeds from investments	8,352,972	4,274,738
Net Cash Used for Investing Activities	(985,609)	(490,945)
Net Change in Cash and Cash Equivalents	(26,533)	158,762
Cash and cash equivalents - beginning of the year	2,455,486	2,296,724
Cash and cash equivalents - end of the year	$ 2,428,953	$ 2,455,486

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

Statement of Cash Flows (continued)
Year Ended June 30, 2026 (with comparative data for 2025)

	2026	2025
Reconciliation of operating loss to net cash used for operating activities:		
Operating Loss	$ (365,857)	$ (632,527)
Adjustments:		
Depreciation expense	607,414	542,187
Prior year construction in progress expensed	-	117,810
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) Decrease in:		
Accounts receivable	(57,475)	(174,666)
Material and supplies inventory	5,461	-
Prepaid expenses	(10,202)	(2,121)
Deferred outflows of resources	(101,678)	376,076
Increase (Decrease) in:		
Accounts payable	(9,476)	9,522
Accrued liabilities	9,553	15,580
Compensated absences payable	7,123	(4,377)
Net pension liability	(176,472)	(225,175)
Net other post-employment benefits liability	57,121	(77,349)
Deferred inflows of resources	(31,855)	(226,085)
Net Cash Used for Operating Activities	$ (66,343)	$ (281,125)

Noncash transaction from noncapital financing activities, capital and related financing activities, and investing activities:

Capital contributions	$ -	$ 11,329
Capital lease acquisition	$ 28,224	$ -
Accrued interest added to loan payable - CWSRF	$ -	$ 105,965

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

Note 1: Summary of Significant Accounting Policies

Organization and Operations of the District

The Crestline Sanitation District (District) was established by an act of the Board of Supervisors of the County of San Bernardino on January 21, 1946 as a component unit of the County of San Bernardino, to provide sewer services to the Crestline area. The District operates and maintains three treatment plants, 90 miles of collection systems, a 14-mile effluent outfall line, and an effluent disposal site. The District provides sewage collection, treatment, and disposal services for approximately 6,014 Equivalent Dwelling Units (EDUs).

On November 4, 2008, Measure R was passed by the community of Crestline. This measure established a Governance Committee, whose purpose is to conduct a study and recommend to the County Board of Supervisors whether or not the District should change its governance to a district governed by a locally elected board composed of residents of the District. On February 16, 2010, the Governance Committee issued its Governance Feasibility Report, which recommends a reorganization of the governing body of the District from a Board-governed to self-governed Board of Directors. As a result of this recommendation, a special election was held on August 3, 2010 for the community of Crestline to give final vote as to the future governance of the District and the five local residents that would serve as the Board of Directors. The voters voted in favor of the District to become a self-governed District. As of October 1, 2010, the governance of the District was transferred from the County Board of Supervisors to the District's locally elected board.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District's financial statements have been prepared using the *economic resources measurement focus* and the *accrual basis of accounting,* in conformity with generally accepted accounting principles (GAAP). Under this basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District has elected to follow all pronouncements of the Governmental Accounting Standards Board (GASB).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1: Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in money market funds, and certificates of deposit with an original maturity of 3 months or less.

Investments

Investments are stated at fair value (the value at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale). Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Allowance for Uncollectible Accounts

No allowance for uncollectible accounts receivable was recorded at June 30, 2026 and 2025 based on management's expectation that all accounts receivable will be collected through the property tax roll.

Prepaid Expenses

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

Inventory

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenses when used (consumption method).

Capital Assets

The District defines capital assets as assets with an initial, individual cost of more than $5,000 (for improvements to land, structures and improvements, vehicles, and equipment) and have an estimated useful life in excess of two years. Purchased or constructed capital assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at acquisition value at the acquisition date. The cost of normal maintenance and repairs that do not add to the asset's value or materially extend its life is not capitalized.

Note 1: Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Major capital outlays are capitalized as construction in progress and are not depreciated until placed into service.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Improvements to land	10 - 45
Structures and improvements	5 - 45
Vehicles	5 - 15
Equipment	3 - 15

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Employee Benefits/Compensated Absences

District employees earn vacation and sick leave based on length of service. Upon termination of employment, employees are compensated for 100% of accrued, unused vacation leave. Upon retirement, employees are compensated for 50% of accrued, unused sick leave, up to a maximum of 1,000 hours.

The District recognizes a liability for accumulated leave attributable to services already rendered to the extent it is more likely than not to be used as paid time off or otherwise paid or settled. The estimate considers the District's leave policies, employee eligibility, and historical patterns of leave use, payment, and forfeiture. Leave expected to be used as paid time off is measured at employees' pay rates as of the financial statement date. Sick leave expected to be paid upon retirement is measured at 50% of those rates, subject to the 1,000-hour limit. The liability includes applicable salary-related payments that are directly and incrementally associated with the recognized leave, but excludes payments related to defined benefit pension and other postemployment benefit plans. Compensated absences payable are reported as liabilities in the statement of net position.

The District provides health benefits through a cafeteria plan that includes health, dental, and vision care for eligible District employees. Benefit expenses are recognized in the period in which the benefits were provided.

Note 1: Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has pension-related and other post-employment benefits-related deferred outflows of resources, which are disclosed in notes 5 and 6.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has pension-related and other post-employment benefits-related deferred inflows of resources, which are disclosed in notes 5 and 6.

Net Position

Net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding debt against the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of constraints on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The District reported a portion of its net position as restricted for debt service as of June 30, 2026 or June 30, 2025, in accordance with its debt covenants.

Unrestricted – This component of net position consists of net position that does not meet the definition of *restricted* net position or *net investment in capital assets*.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Operating and Nonoperating Activities

The District distinguishes operating revenues and expenses from noncapital subsidies and other nonoperating revenues and expenses. Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are (a) subsidies received and provided, (b) contributions to permanent and term endowments, (c) revenues and expenses related to financing, (d) resources from the disposal of capital assets and inventory, and (e) investment income and expenses. The principal operating revenues of the District are charges for wastewater services. Operating expenses also include management, administrative expenses, and depreciation of capital assets.

Note 1: Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are due in two installments. The first installment is due on November 1, and is payable through December 10 without penalty. The second installment is due February 1, and becomes delinquent on April 10. Property taxes are remitted to the District from the County of San Bernardino at various times throughout the year.

Stewardship, Compliance, and Accountability

Although the District prepares and adopts an annual budget, budgetary information is not presented because financial reporting standards do not require the presentation of budgetary information for business-type activities in the financial statements.

Pension Plan

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the San Bernardino County Employees' Retirement Association (SBCERA) and additions to/deductions from SBCERA's fiduciary net position have been determined on the same basis as they are reported by SBCERA. For this purpose, employer and employee contributions are recognized in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms, and investments are reported at fair value. SBCERA's audited financial statements are publicly available reports that can be obtained at SBCERA's website at www.sbcera.org. Generally accepted accounting principles require that the reported results pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

	Fiscal Year 2026	Fiscal Year 2025
Valuation Date	June 30, 2025	June 30, 2024
Measurement Date	June 30, 2025	June 30, 2024
Measurement Period	July 1, 2024 to June 30, 2025	July 1, 2023 to June 30, 2024

Note 1: Summary of Significant Accounting Policies (continued)

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	Fiscal Year 2026	Fiscal Year 2025
Valuation Date	June 30, 2026	June 30, 2024
Measurement Date	June 30, 2026	June 30, 2025
Measurement Period	July 1, 2025 to June 30, 2026	July 1, 2024 to June 30, 2025

Prior Year Comparative Data

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

Implementation of New Pronouncements

Effective July 1, 2025, the District adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. The adoption is reported as a change in accounting principle. The District changed the presentation of its statement of revenues, expenses, and changes in net position to report noncapital subsidies separately from other nonoperating revenues and expenses. The affected revenue line items are property taxes, special assessments, and capital contributions. The 2025 comparative amounts have been presented on the same basis as 2026. Property taxes and special assessments are included in noncapital subsidies, and capital contributions are included in other nonoperating revenues. These presentation changes did not affect the operating loss, the change in net position, or beginning or ending net position.

Effective July 1, 2025, the District adopted GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The District presents lease assets by major class of underlying asset and other intangible assets by major class in Note 3. Comparative capital-asset disclosures have been presented on the same basis. Adoption affected note disclosures only and did not change amounts reported in the financial statements.

Note 2: Cash and Investments

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

	2026	2025
Statement of Net Position:		
Cash and cash equivalents	$ 2,428,953	$ 2,455,486
Investments	13,674,305	12,218,278
Restricted investments - CWSRF reserve fund	458,789	448,056
Total Cash and Investments	$ 16,562,047	$ 15,121,820

See note 4B in these financial statements for information about the CWSRF reserve fund.

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

	2026	2025
Cash on hand	$ 470	$ 470
Deposits with financial institutions	2,428,483	2,455,016
Investments	14,133,094	12,666,334
Total Cash and Investments	$ 16,562,047	$ 15,121,820

Investment income includes interest, dividends, realized gains and losses, and changes in fair value in accordance with generally accepted accounting principles. Changes in fair value are reported as positive or negative amounts at the reporting date. The change in fair value is not a cash flow item reported in the investing activities section of the statement of cash flows.

Investment income for the years ended June 30, 2026 and 2025, consist of the following:

	2026	2025
Interest revenue	$ 497,186	$ 382,033
Change in fair value	(16,881)	159,422
Investment income	$ 480,305	$ 541,455

Note 2: Cash and Investments (continued)

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

The following table identifies the investment types that are authorized by the District's investment policy and in accordance with Section 53601 of the California Government Code. The table also identifies certain provisions of the District's investment policy that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills, Notes and Bonds	5 years	100%	None
Government Agency Securities	5 years	100%	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	397 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
California Local Agency Investment Fund	N/A	100%	$75,000,000
Medium-Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	100%	None
Investment Pools	N/A	100%	None

Note 2: Cash and Investments (continued)

Interest Rate Risk

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

As of June 30, 2026, the District had the following investments:

	Remaining Maturity (in Months)			
Investment type	12 or less	13 to 24	25 to 60	Total
United States Government Sponsored Enterprise Securities	432,234	249,059	3,170,305	$ 3,851,598
Local Agency Investment Fund	2,312,133	-	-	2,312,133
Investment Trust of California	1,571,640	-	494,239	2,065,879
Medium-Term Notes	1,388,075	876,666	1,886,431	4,151,172
Negotiable Certificates of Deposit	501,779	249,019	248,154	998,952
Money Market Mutual Funds	753,360	-	-	753,360
Totals	$ 6,959,221	$ 1,374,744	$ 5,799,129	$ 14,133,094

As of June 30, 2025, the District had the following investments:

	Remaining Maturity (in Months)			
Investment type	12 or less	13 to 24	25 to 60	Total
United States Government Sponsored Enterprise Securities	$ 1,530,569	$ 790,224	$ 2,566,863	$ 4,887,656
Local Agency Investment Fund	1,262,163	-	-	1,262,163
Investment Trust of California	1,511,732	-	480,086	1,991,818
Medium-Term Notes	374,663	370,044	2,020,406	2,765,113
Negotiable Certificates of Deposit	-	504,802	499,511	1,004,313
Money Market Mutual Funds	755,271	-	-	755,271
Totals	$ 5,434,398	$ 1,665,070	$ 5,566,866	$ 12,666,334

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

On June 30, 2026 and 2025, the District did not hold investments that were highly sensitive to interest rate fluctuations beyond that already indicated in the information provided above.

Note 2: Cash and Investments (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will default on its obligations to the holder of the investment. This is measured by a rating assigned 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, and the actual rating as of year-end for each investment type.

June 30, 2026

Investment Type	Amount	Minimum Legal Rating	AAA	AA	A	Unrated
United States Government Sponsored Enterprise Securities	$ 3,851,598	N/A	$ -	$ 3,851,598	$ -	$ -
Local Agency Investment Fund	2,312,133	N/A	-	-	-	2,312,133
Investment Trust of California - Short Term Fund	381,984	N/A	-	381,984	-	-
Investment Trust of California - Medium Term Fund	494,239	N/A	-	494,239	-	-
Investment Trust of California - Liquidity Fund	1,189,656	N/A	1,189,656	-	-	-
Medium-Term Notes	4,151,172	A	-	706,696	3,444,476	-
Negotiable Certificates of Deposit	998,952	N/A	-	-	-	998,952
Money Market Mutual Funds	753,360	N/A	-	-	-	753,360
Totals	$ 14,133,094		$ 1,189,656	$ 5,434,517	$ 3,444,476	$ 4,064,445

June 30, 2025

Investment Type	Amount	Minimum Legal Rating	AAA	AA	A	Unrated
United States Government Sponsored Enterprise Securities	$ 4,887,656	N/A	$ -	$ 4,887,656	$ -	$ -
Local Agency Investment Fund	1,262,163	N/A	-	-	-	1,262,163
Investment Trust of California - Short Term Fund	368,549	N/A	-	368,549	-	-
Investment Trust of California - Medium Term Fund	480,086	N/A	-	480,086	-	-
Investment Trust of California - Liquidity Fund	1,143,183	N/A	1,143,183	-	-	-
Medium-Term Notes	2,765,113	A	-	900,977	1,864,136	-
Negotiable Certificates of Deposit	1,004,313	N/A	-	-	-	1,004,313
Money Market Mutual Funds	755,271	N/A	-	-	-	755,271
Totals	$ 12,666,334		$ 1,143,183	$ 6,637,268	$ 1,864,136	$ 3,021,747

Note 2: Cash and Investments (continued)

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond those stipulated by the California Government Code. The District's investment policy is to apply the prudent investor standard as set forth in the California Government Code: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The District's investment policy limits certain investments to minimum credit ratings issued by nationally recognized statistical rating organizations. The District's investments in commercial paper, medium-term notes, and money market funds as of June 30, 2026 and 2025, met their respective minimum credit rating requirements.

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total District's investments are as follows:

Issuer	Investment type	2026	2025
Federal Home Loan Banks	Federal Agency Securities	$ -	$2,346,222
Federal Farm Credit Bank	Federal Agency Securities	491,554	847,234
Federal Natl Mtg Assn	Federal Agency Securities	1,140,923	946,385
Federal Home Ln Mtg Corp	Federal Agency Securities	133,213	747,814

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 collateral securities held by an outside party. The custodial credit risk for *investments* is the risk that, in the event of the counterparty's failure in a transaction, a government will not be able to recover the value of its investment or collateral held by another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

As of June 30, 2026 and 2025, $2,194,222 and $2,254,859 of the District's deposits with financial institutions, respectively, were in excess of the Federal Deposit Insurance Corporation (FDIC) limits. As of June 30, 2026 and 2025, these funds were fully collateralized by securities in a separate account held by the same institution.

Note 2: Cash and Investments (continued)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account, regulated by the California Government Code under the oversight of the State Treasurer, the Director of Finance, and the State Controller. The District may invest up to $75 million in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at www.treasurer.ca.gov.

The District's investment in this pool is reported in the accompanying financial statements at cost, which approximates fair value 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). Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities totaling $6.69 billion and $6.79 billion, which represent 1.58% and 2.02% of the total LAIF portfolio of $193.1 billion and $178.1 billion as of June 30, 2026 and 2025, respectively. LAIF's (and the District's) exposure to risk (credit, market, or legal) is not currently available.

Investment Trust of California

The District voluntarily participates in the Investment Trust of California (CalTRUST), a Joint Powers Authority ("JPA"), established by public agencies in California to pool and invest local agency funds, operating reserves, and bond proceeds. A Board of Trustees supervises and administers the investment program of the Trust. The Board is comprised of experienced investment officers and policy-makers of the public agency members.

For the CalTRUST Short-Term, Medium-Term, and Long-Term Accounts, funds from all participants are pooled in each of the accounts. Participants receive units in the Trust and designated shares for the particular accounts in which they invest. The District invests in the Short-Term and Medium-Term Accounts, with targeted investment durations of up to two years. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. Seq. and 53635, et. Seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust, and leveraging within the Trust's portfolios is prohibited. Separate CalTRUST financial statements are available from the Trustee on the Internet at www.caltrust.org.

Fair Value Measurements

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs that have the lowest priority and consist of unobservable inputs for an asset or liability.

Note 2: Cash and Investments (continued)

Fair Value Measurements (continued)

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2026 and 2025.

June 30, 2026	Total	Fair Value Measurement Using Level 1	Level 2	Level 3
Investment by fair value level:				
United States Government Sponsored Enterprise Securities	$ 3,851,598	$ -	$ 3,851,598	$ -
Medium-Term Corporate Notes	4,151,172	-	4,151,172	-
Negotiable Certificates of Deposit	998,952	-	998,952	-
Total investments by fair value level	9,001,722	$ -	$ 9,001,722	$ -
Investments measured at the net asset value (NAV) or not subject to the fair value hierarchy:				
Local Agency Investment Fund	2,312,133			
Investment Trust of California	2,065,879			
Money Market Mutual Funds	753,360			
Total investments not measured by fair value level	5,131,372			
Total investments measured at fair value	$14,133,094			

June 30, 2025	Total	Fair Value Measurement Using Level 1	Level 2	Level 3
Investment by fair value level:				
United States Government Sponsored Enterprise Securities	$ 4,887,656	$ -	$ 4,887,656	$ -
Medium-Term Corporate Notes	2,765,113	-	2,765,113	-
Negotiable Certificates of Deposit	1,004,313	-	1,004,313	-
Total investments by fair value level	8,657,082	$ -	$ 8,657,082	$ -
Investments measured at the net asset value (NAV) or not subject to the fair value hierarchy:				
Local Agency Investment Fund	1,262,163			
Investment Trust of California	1,991,818			
Money Market Mutual Funds	755,271			
Total investments not measured by fair value level	4,009,252			
Total investments measured at fair value	$12,666,334			

Note 3: Capital Assets

Summaries of changes in capital assets in service for the years ended June 30, 2026 and 2025, were as follows:

June 30, 2026

	Balance 6/30/25	Additions	Deletions	Balance 6/30/26
Capital assets, not being depreciated:				
Land	$ 226,124	$ -	$ -	$ 226,124
Construction in progress	13,097,232	654,389	(13,718,505)	33,116
Total capital assets, not being depreciated	13,323,356	654,389	(13,718,505)	259,240
Capital assets, being depreciated:				
Improvements to land	17,783,457	198,289	-	17,981,746
Structures and improvements	13,955,461	13,414,535	-	27,369,996
Vehicles	1,471,252	108,400	(51,080)	1,528,572
Equipment	740,312	35,517	-	775,829
Leased equipment - right-to-use	13,190	28,224	-	41,414
Intangible - engineering study	263,529	-	-	263,529
Total capital assets, being depreciated	34,227,201	13,784,965	(51,080)	47,961,086
Less accumulated depreciation for:				
Improvements to land	(16,499,863)	(113,241)	-	(16,613,104)
Structures and improvements	(6,611,495)	(405,315)	-	(7,016,810)
Vehicles	(1,158,743)	(50,010)	51,080	(1,157,673)
Equipment	(577,455)	(24,518)	-	(601,973)
Leased equipment - right-to-use	(6,839)	(13,907)	-	(20,746)
Intangible - engineering study	(250,870)	(423)	-	(251,293)
Total accumulated depreciation	(25,105,265)	(607,414)	51,080	(25,661,599)
Total capital assets, being depreciated, net	9,121,936	13,177,551	-	22,299,487
Total capital assets, net	$ 22,445,292	$ 13,831,940	$ (13,718,505)	$ 22,558,727

Depreciation expense for the year ended June 30, 2026, was $607,414.

Note 3: Capital Assets (continued)

June 30, 2025

	Balance 6/30/24	Additions	Deletions	Balance 6/30/25
Capital assets, not being depreciated:				
Land	$ 226,124	$ -	$ -	$ 226,124
Construction in progress*	12,479,254	1,467,583	(849,605)	13,097,232
Total capital assets, not being depreciated	12,705,378	1,467,583	(849,605)	13,323,356
Capital assets, being depreciated:				
Improvements to land	17,441,455	342,002	-	17,783,457
Structures and improvements	13,517,900	437,561	-	13,955,461
Vehicles	1,418,085	70,042	(16,875)	1,471,252
Equipment	740,312	-	-	740,312
Leased equipment - right-to-use	60,746	-	(47,556)	13,190
Intangible - engineering study	263,529	-	-	263,529
Total capital assets, being depreciated	33,442,027	849,605	(64,431)	34,227,201
Less accumulated depreciation for:				
Improvements to land	(16,395,133)	(104,730)	-	(16,499,863)
Structures and improvements	(6,265,066)	(346,429)	-	(6,611,495)
Vehicles	(1,114,884)	(60,734)	16,875	(1,158,743)
Equipment	(552,497)	(24,958)	-	(577,455)
Leased equipment - right-to-use	(49,482)	(4,913)	47,556	(6,839)
Intangible - engineering study	(250,447)	(423)	-	(250,870)
Total accumulated depreciation	(24,627,509)	(542,187)	64,431	(25,105,265)
Total capital assets, being depreciated, net	8,814,518	307,418	-	9,121,936
Total capital assets, net	$ 21,519,896	$ 1,775,001	$ (849,605)	$ 22,445,292
*Construction in progress expensed			$ 117,810	

Depreciation expense for the year ended June 30, 2025, was $542,187.

Note 4: Long-Term Liabilities

Changes in the District's long-term liabilities for the years ended June 30, 2026 and 2025, were as follows.

	Balance 6/30/25	Additions	Deletions	Balance 6/30/26	Due within one year	Due beyond one year
Compensated absences	$ 144,191	$ 248,638	$ (241,515)	$ 151,314	$ 29,830	$ 121,484
Loan payable-CWSRF	11,735,804	274,421	(344,270)	11,665,955	355,359	11,310,596
Lease liabilities	6,418	28,224	(11,885)	22,757	8,515	14,242
Total long-term liabilities	$ 11,886,413	$ 551,283	$ (597,670)	$ 11,840,026	$ 393,704	$ 11,446,322

	Balance 6/30/24	Additions	Deletions	Balance 6/30/25	Due within one year	Due beyond one year
Compensated absences	$ 148,568	$ 232,977	$ (237,354)	$ 144,191	$ 28,426	$ 115,765
Loan payable-CWSRF	10,920,667	815,137	-	11,735,804	344,271	11,391,533
Lease liabilities	11,777	-	(5,359)	6,418	2,946	3,472
Total long-term liabilities	$ 11,081,012	$ 1,048,114	$ (242,713)	$ 11,886,413	$ 375,643	$ 11,510,770

A. Compensated Absences

The District's policies relating to compensated absences are described in Note 1.

B. Loan Payable – CWSRF

The District entered into a construction installment sale agreement, reported as a direct borrowing, with the California State Water Resources Control Board's Clean Water State Revolving Fund (CWSRF) on August 4, 2021. The agreement finances eligible costs of the Huston Creek Wastewater Treatment Plant Dewatering Building and Primary Clarifier Project. As amended, the agreement authorized project funding of $11,904,260, all of which had been disbursed by June 30, 2026. Construction-period interest of approximately $105,965 was added to the amount repayable. After the September 2025 principal payment, the loan balance reported at June 30, 2026 was $11,665,955. The borrowing bears interest at 0.90% per year and is payable in annual installments. The final installment is scheduled for September 30, 2054. The borrowing is secured by a lien on and pledge of the District's enterprise fund, net revenues, and a restricted reserve fund equal to one year's debt service. The reserve fund must be maintained throughout the agreement and may be used only to pay this obligation.

Significant events of default include failure to make required payments, failure to maintain the required reserve or to comply with applicable debt covenants, a material misrepresentation or covenant breach, and a material adverse change that the State Water Board determines would impair the District's ability to meet its obligations. Upon an event of default, the State Water Board may demand immediate repayment of outstanding principal and additional amounts, impose interest at the highest legal rate, or terminate the agreement. A material adverse change is therefore a condition under which the State Water Board may require accelerated repayment.

Note 4: Long-Term Liabilities (continued)

B. Loan Payable – CWSRF (continued)

Loan payable – CWSRF debt service requirements to maturity are as follows.

Year Ending June 30	Principal	Interest	Total
2027	$ 355,359	$ 103,429	$ 458,788
2028	356,993	101,795	458,788
2029	360,206	98,582	458,788
2030	363,448	95,341	458,789
2031	366,719	92,070	458,789
2032-2036	1,883,700	410,242	2,293,942
2037-2041	1,970,006	323,937	2,293,943
2042-2046	2,060,266	233,676	2,293,942
2047-2051	2,154,662	139,281	2,293,943
2052-2055	1,794,596	40,559	1,835,155
	$ 11,665,955	$ 1,638,912	$ 13,304,867

C. Lease Liabilities

The District entered into a lease agreement in March 2023 as lessee for the right-to-use a postage machine located at the District's headquarters building. An initial lease liability was recorded in the amount of $13,190 as of July 1, 2023. The District also entered into a lease agreement as lessee for the right-to-use a copier machine. An initial lease liability was recorded in the amount of $28,224 as of July 1, 2025. As of June 30, 2026, the value of the lease liabilities is $22,757. The cost of the leased assets was $41,414, and accumulated amortization on the leased assets as of June 30, 2026, is $20,746.

Lease service requirements to maturity are as follows.

Year Ending June 30	Principal	Interest	Total
2027	$ 8,515	$ 164	$ 8,679
2028	6,388	95	6,483
2029	6,255	40	6,295
2030	1,599	1	1,600
	$ 22,757	$ 300	$ 23,057

Note 5: Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The District participates in the San Bernardino County Employees' Retirement Association (SBCERA) pension plan - a cost-sharing multiple-employer defined benefit pension plan (the Plan). SBCERA was established in 1945 and operates under the provisions of the California County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA) and the regulations, procedures, and policies adopted by SBCERA's Board of Retirement. The Plan's provisions may be amended by the California state legislature and in some cases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board. SBCERA is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

All benefits established by the CERL and PEPRA, as amended from time to time, are administered by SBCERA for its participating employers. SBCERA administers benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General members. Generally, those who became members prior to January 1, 2013 (effective date of PEPRA) are Tier 1 members. All other members are Tier 2. Employees become eligible for membership on their first day of regular employment, and members become fully vested after earning five years of service credit or attaining the age of 70. Additional information regarding SBCERA's benefits is included in the Summary Plan Description, also known as the Member Guide, which is available on SBCERA's website at www.SBCERA.org.

SBCERA is a legally separate entity from the District, not a component unit, and there is no financial interdependency with the County of San Bernardino. For these reasons, the District's financial statements exclude the SBCERA pension plan as of June 30, 2026. SBCERA publishes its own Annual Comprehensive Financial Report (ACFR), which is available on SBCERA's website at www.SBCERA.org.

Note 5: Defined Benefit Pension Plan (continued)

A. General Information about the Pension Plan (continued)

Benefits Provided

SBCERA provides retirement, disability, death and survivor benefits. The CERL and PEPRA establish benefit terms. Retirement benefits are calculated on the basis of age, average final compensation and service credit as follows:

	General - Tier 1	General - Tier 2
Final Average Compensation	Highest 12 months	Highest 36 months
Normal Retirement Age	Age 55	Age 55
Early Retirement: Years of Service required and/or age eligible for	Age 70 any years	Age 70 any years
	10 Years ago 50	5 years age 52
	30 years any age	N/A
Benefit percent per year of service for normal retirement age	2% per year of final average compensation for every year of service credit	2.5% per year of final average compensation for every year of service credit
Benefit Adjustments	Reduced before age 55, increased after 55 up to age 65	Reduced before age 67
Final Average Compensation Limitation	Internal Revenue Code section 401(a)(17)	Government Code section 7522.10

An automatic cost of living adjustment is provided to benefit recipients based on changes in the local region Consumer Price Index (CPI) up to a maximum of 2% per year. Any increase greater than 2% is banked and may be used in years where the CPI is less than 2%. There is a one-time 7% increase at retirement for members hired before August 19, 1975. The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retired members, the death benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to benefits based on the members years of service or if the death was caused by employment. General members are also eligible for survivor benefits which are payable upon a member's death.

Note 5: Defined Benefit Pension Plan (continued)

A. General Information about the Pension Plan (continued)

Contributions

Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

Employer contribution rates are as follows:

	Tier 1 Members Membership Dates Before January 1, 2013	Tier 2 Members Membership Dates On or After January 1, 2013
Actuarially Determined Required Contribution Percentages for Years Ended:		
June 30, 2026	23.42%	20.84%
June 30, 2025	24.21%	21.57%

The required employer contributions and the amount paid to SBCERA by the District for the years ended June 30, 2026 and 2025, were $357,607 and $357,456, respectively. The District's employer contributions were equal to the required employer contributions for the years ended June 30, 2026 and 2025.

B. Net Pension Liability

At June 30, 2026, the District reported a net pension liability of $938,765 for its proportionate share of the SBCERA's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2025. The District's reported liability at June 30, 2026, decreased by $176,472 from the District's prior year liability of $1,115,237 because of changes in the SBCERA net pension liability and the District's proportionate share of that liability. The SBCERA's publicly available financial report provides details on the change in the net pension liability.

Note 5: Defined Benefit Pension Plan (continued)

B. Net Pension Liability (continued)

The District's proportion of the net pension liability at June 30, 2026, was based on the District's contributions received by SBCERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of SBCERA's participating employers. At the measurement date, June 30, 2025, the District's proportionate share of total employer contributions was 0.060%, which was a decrease of 0.001% from its proportion measured as of the measurement date June 30, 2024. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The significant actuarial assumptions and methods used to measure the total pension liability as of June 30, 2026 are as follows:

Valuation Date	June 30, 2025
Measurement Date	June 30, 2025
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Remaining Amortization Period	20-year closed period for each valuation
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Discount Rate (1)	7.25%
Inflation	2.50%
Salary Increases (2)	4.30% - 9.50%
Consumer Price Index (CPI) and Cost-of-Living Adjustments (COLA)	Consumer price index increases of 2.50% per year. Retiree COLA increases 2.00% per year.
Administrative Expenses	0.90% of payroll
Mortality Rate Table (3)	Derived using SBCERA's participant data for all employers
Other Assumptions	Same as those used in the June 30, 2025 funding valuation. These assumptions were developed in the actuarial experience study for the period July 1, 2019 through June 30, 2022.

(1) Includes inflation and is net of pension plan investment expense.

(2) Includes inflation, real "across the board" salary increases of 0.50%, plus merit and promotional increases. Amounts vary by service.

(3) Post-retirement mortality is based on the Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally with the two-dimensional MP-2021 projection scale.

Note 5: Defined Benefit Pension Plan (continued)

B. Net Pension Liability (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (continued)

The long-term expected rate of return on Plan investments was determined using a building-block method, in which expected future real rates of return (expected returns net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocations and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used to derive the long-term expected investment rate of return assumptions, are summarized in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the June 30, 2025 and 2024 actuarial valuations. This information will change every three years based on the triennial actuarial experience study.

SBCERA'S Long-Term Expected Real Rate of Return
As of June 30, 2025

Asset Class	Investment Classification	Target Allocation[(1)]	Long-Term Expected Arithmetic Real Rate of Return
Large Cap U.S. Equity	Domestic Common and Preferred Stock	14.50%	6.00%
Small Cap U.S. Equity	Domestic Common and Preferred Stock	2.50%	6.65%
Developed International Equity	Foreign Common and Preferred Stock	7.00%	7.01%
Emerging Market Equity	Foreign Common and Preferred Stock	6.00%	8.80%
U.S. Core Fixed Income	U.S. Government and Municipals/Domestic Bonds	2.00%	1.97%
High Yield/Credit Strategies	Domestic Bonds/Foreign Bonds	13.00%	6.48%
Emerging Market Debt	Emerging Market Debt	6.00%	4.76%
Real Estate Core	Real Estate	2.50%	3.86%
Real Estate Non-Core	Real Estate	2.50%	5.40%
International Credit	Foreign Alternatives	11.00%	7.10%
Absolute Return	Domestic Alternatives/Foreign Alternatives	7.00%	7.10%
Real Assets	Domestic Alternatives/Foreign Alternatives	6.00%	10.10%
Private Equity	Domestic Alternatives/Foreign Alternatives	18.00%	9.84%
Cash and Equivalents	Short-Term Cash Investment Funds	2.00%	0.63%
Total		**100.00%**	7.12%

(1) For actuarial purposes, target allocations only change once every three years based on the triennial actuarial experience study.

Note 5: Defined Benefit Pension Plan (continued)

B. Net Pension Liability (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for both the measurement periods ended June 30, 2025 and June 30, 2024. The projection of cash flows used to determine the discount rates assumed that contributions from participating employers and active Plan members are made at the actuarially determined contribution rates. For this purpose, only employee and employer contributions intended to fund benefits for current Plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future Plan members and their beneficiaries, as well as projected contributions from future Plan members, are not included. 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 of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability as of both measurement dates June 30, 2025 and 2024.

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

The following table presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

District's proportionate share of the net pension liability for fiscal year ended	1% Lower 6.25%	Valuation Discount Rate 7.25%	1% Higher 8.25%
June 30, 2026	$ 2,575,744	$ 938,765	$ (397,053)
June 30, 2025	$ 2,722,210	$ 1,115,237	$ (197,981)

Pension Plan Fiduciary Net Position

Additional information supporting the preparation of the Pension Schedules is located in SBCERA's ACFR, which contains audited financial statements and required supplementary information, as well as information on the Plan's actuarial valuations. The ACFR and actuarial valuations are available on SBCERA's website at www.SBCERA.org. A copy may also be obtained by submitting a request to:

San Bernardino County Employees' Retirement Association
Attn: Fiscal Services Department
348 West Hospitality Lane Ste 100
San Bernardino, CA 92408

Note 5: Defined Benefit Pension Plan (continued)

C. Proportionate Share of Net Pension Liability

The following table shows the Plan's proportionate share of the net pension liability over the measurement periods.

June 30, 2026	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2024 (VD & MD)	$ 12,062,263	$ 10,947,026	$ 1,115,237
Balance at: 6/30/2025 (VD & MD)	12,308,415	11,369,650	938,765
Net changes during measurement period 2024-25	$ 246,152	$ 422,624	$ (176,472)

June 30, 2025	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2023 (VD & MD)	$ 12,017,273	$ 10,676,861	$ 1,340,412
Balance at: 6/30/2024 (VD & MD)	12,062,263	10,947,026	1,115,237
Net changes during measurement period 2023-24	$ 44,990	$ 270,165	$ (225,175)

Valuation Date (VD), Measurement Date (MD).

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. 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, 2026 and 2025, was as follows:

Proportionate share at June 30, 2026 (measurement date June 30, 2025)	0.05037%
Proportionate share at June 30, 2025 (measurement date June 30, 2024)	0.05257%
Change - Increase (Decrease)	(0.00220%)

Note 5: Defined Benefit Pension Plan (continued)

C. Proportionate Share of Net Pension Liability (continued)

Subsequent Events

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

Recognition of Gains and Losses

Gains and losses related to changes in total pension liability and fiduciary net position are recognized systematically over time in pension expense. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) for all employees who receive pensions through SBCERA is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Plan. The EARSL for the Plan as of July 1, 2024 (the beginning of the measurement period ended June 30, 2025) is 4.97 years. The EARSL for the Plan as of July 1, 2023 (the beginning of the measurement period ended June 30, 2024) is 5.10 years.

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

For the years ended June 30, 2026 and 2025, the District recognized pension expense of $45,705 and $171,675, respectively.

Note 5: Defined Benefit Pension Plan (continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (continued)

As of June 30, 2026 and 2025, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

June 30, 2026

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in employer's proportion	$ 78,624	$ 94,510
Changes of assumptions or other inputs	-	25,432
Net difference between projected and actual earnings on pension plan investments	46,522	-
Difference between expected and actual experience	140,479	7,920
Pension contributions subsequent to the measurement date	357,607	-
Total	$ 623,232	$ 127,862

June 30, 2025

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in employer's proportion	$ 151,227	$ 231,429
Changes of assumptions or other inputs	23,448	39,185
Net difference between projected and actual earnings on pension plan investments	-	28,475
Difference between expected and actual experience	141,524	14,626
Pension contributions subsequent to the measurement date	357,456	-
Total	$ 673,655	$ 313,715

The amounts above are net of outflows and inflows recognized in the 2024-2025 and 2023-2024 measurement periods expense. Deferred outflows of resources related to contributions subsequent to the measurement date of $357,607 as of June 30, 2026 will be recognized as a reduction of the net pension liability in the year ended June 30, 2027 (measurement period 2025-2026). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Note 5: Defined Benefit Pension Plan (continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (continued)

Fiscal Year Ended June 30	June 30, 2026	June 30, 2025
2026	N/A	$ (2,712)
2027	$ 130,902	4,674
2028	14,340	598
2029	(4,928)	(76)
2030	(2,764)	-
2031	213	-
	$ 137,763	$ 2,484

E. Payable to the Pension Plan

The District reported a payable of $20,038 and $17,076 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2026 and 2025, respectively.

Note 6: Other Post-Employment Benefits (OPEB)

Plan Description

The District offers other post-employment benefits in the form of a health care plan (OPEB Plan) to qualified retired employees. Medical insurance benefits are offered through CalPERS. The CalPERS Plan is an agent multiple-employer plan governed by the Public Employees' Medical & Hospital Care Act (PEMHCA). The OPEB Plan is available to retired employees who have retired from the District and met the eligibility requirements under the District's pension plan. Eligible retirees are entitled to statutory minimum employer contributions under Government Code Section 22892 of the PEMHCA, further subject to the unequal contribution provisions of Section 22892(c). The benefit payments are provided by the District in the form of a cash subsidy for monthly medical insurance premiums, which is a fractional proportion of the statutory minimum employer contribution rate of $162 and $158 for calendar years 2026 and 2025, respectively. Under the District's OPEB Plan, the fractional proportion is determined by multiplying 5% by the number of years since the OPEB Plan was established in 2010. At June 30, 2026, the benefit amount was 80% of the statutory minimum employer contribution rate, or $130 per month. Eligible retirees may enroll in any of the programs available through the CalPERS Plan. The District-provided health care benefits continue for the life of the retiree. The authority to establish and amend the benefit terms of the OPEB Plan are vested in the District's Board. The OPEB Plan does not issue a stand-alone financial report.

Note 6: Other Post-Employment Benefits (OPEB) (continued)

Employees Covered

As of the June 30, 2026 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	21
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to, but not yet receiving benefits	-
Total	24

Contributions

The OPEB Plan and its contribution requirements are established by Board action and may be amended by Board action. The District contributes 100% of the cost of current-year premiums for eligible retired plan members and their dependents (pay-as-you-go). The projection of future retiree benefit payments includes adjustments for any implicit rate subsidy. For fiscal years ended June 30, 2026 and 2025, the District's cash contributions were $9,174 and $40,388 in payments to CalPERS, respectively.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2026 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2026, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount rate	4.67% per year net of expenses
Inflation	2.50% per year
Salary increases	2.75% per year
Mortality rate	2025 CalPERS Mortality for Miscellaneous Employees
Retirement rates	Hired before 2013: SBCERA - Classic Employees
	Hired after 2012: SBCERA - PEPRA Employees
Service requirement	Hired after 2012: 100% at 5 Years of Service
	Hired before 2013: 100% at 10 Years of Service
Healthcare trend rate	4.00% per year

The District does not presently fund an OPEB trust. Therefore, the net OPEB liability is equal to the total OPEB liability.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.67 percent. The discount rate depends on the nature of underlying assets for funded plans. For an unfunded plan, the discount rate is based on an index of 20-year General Obligation municipal bonds.

Note 6: Other Post-Employment Benefits (OPEB) (continued)

Changes in the OPEB Liability

The changes in the OPEB liability for the OPEB Plan are as follows:

	Measurement Date 6/30/26		
	Financial Reporting Date 6/30/26		
	(a)	(b)	(a) - (b) = (c)
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2025	$ 773,377	$ -	$ 773,377
Changes recognized for measurement period:			
Service cost	41,276	-	41,276
Interest	41,050	-	41,050
Experience (gains)/losses	(63,511)	-	(63,511)
Assumption changes	47,480	-	47,480
Contributions – employer	-	9,174	(9,174)
Benefit payments	(9,174)	(9,174)	-
Net changes	57,121	-	57,121
Balance at June 30, 2026	$ 830,498	$ -	$ 830,498

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2026:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB Liability	$ 931,413	$ 830,498	$ 744,372

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2026:

	Trend 1% Lower	Valuation Healthcare Cost Trend Rates	Trend 1% Higher
Net OPEB Liability	$ 719,147	$ 830,498	$ 968,079

Note 6: Other Post-Employment Benefits (OPEB) (continued)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

For the fiscal years ended June 30, 2026 and 2025, the District recognized OPEB expense of $68,192 and $73,636, respectively. As of June 30, 2026 and 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB, from the following sources.

June 30, 2026	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 787,709	$ 222,895
Differences between expected and actual experience	5,019	961,286
Total	$ 792,728	$ 1,184,181

June 30, 2025	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 640,627	$ -
Differences between expected and actual experience	-	1,030,183
Total	$ 640,627	$ 1,030,183

The amounts above are net of outflows and inflows recognized in the measurement period expense. The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows.

Fiscal Year Ended June 30	June 30, 2026	June 30, 2025
2026	N/A	$ (12,786)
2027	$ (14,134)	(12,786)
2028	(14,134)	(12,786)
2029	(14,134)	(12,786)
2030	(14,134)	(12,786)
2031	(14,145)	(12,786)
Thereafter	(320,772)	(312,840)
	$ (391,453)	$ (389,556)

Note 7: Net Position

The components of the District's net position are shown below.

	2026	2025
Capital assets, net	$ 22,558,727	$ 22,445,292
Less:		
Loan payable - CWSRF	(11,665,955)	(11,735,804)
Lease liabilities	(22,757)	(6,418)
Net investment in capital assets	10,870,015	10,703,070
Restricted for debt service	458,789	448,056
Unrestricted	15,613,475	13,891,487
Total Net Position	$ 26,942,279	$ 25,042,613

Note 8: Federal and State Grants

From time to time, the District may receive funds from various Federal and State agencies. Grant programs are subject to audit by agents of the granting authority to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantors cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Note 9: Proposition 111 Appropriation Limits

Proposition 111, which added Article XIIIB to the State Constitution, established limits on budget appropriations in order to restrict government spending. Proceeds of taxes received by the District during the 2025-2026 and 2024-2025 fiscal years were within the guidelines established by Proposition 111.

Note 10: Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk-sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2026 and 2025, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $10,000,000, combined single limit at $10,000,000 per occurrence.

Note 10: Risk Management (continued)

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

- Employee dishonesty coverage up to $1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $1.0 billion per occurrence, subject to a $2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to a $1,000 deductible per occurrence.
- Public official's personal liability up to $500,000 each occurrence, with an annual aggregate of $500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with no deductible per claim.
- Workers' compensation insurance with statutory limits per occurrence and Employer's Liability Coverage up to $5 million.

Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no material IBNR claims payable as of June 30, 2026 and 2025.

Required Supplementary Information

Required Supplementary Information
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date
Last 10 Years

Measurement Date	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered payroll	District's proportionate share of the net pension liability as a percentage of its covered payroll	District's proportion of the fiduciary net position	District's share of risk pool fiduciary net position	District's proportionate share of the fiduciary net position as a percentage of the District's total pension liability
6/30/2016	0.084%	$ 2,084,814	$ 1,433,543	145.43%	0.104%	$ 8,485,298	80.28%
6/30/2017	0.077%	$ 2,023,707	$ 1,378,996	146.75%	0.096%	$ 8,962,589	81.58%
6/30/2018	0.069%	$ 1,750,781	$ 1,348,131	129.87%	0.090%	$ 9,048,439	83.79%
6/30/2019	0.071%	$ 1,938,996	$ 1,388,668	139.63%	0.091%	$ 9,662,226	83.29%
6/30/2020	0.079%	$ 3,162,801	$ 1,523,192	207.64%	0.093%	$ 9,563,192	75.15%
6/30/2021	0.050%	$ 654,827	$ 1,599,044	40.95%	0.084%	$ 11,438,406	94.59%
6/30/2022	0.060%	$ 1,398,334	$ 1,486,709	94.06%	0.079%	$ 10,462,408	88.21%
6/30/2023	0.056%	$ 1,340,412	$ 1,592,547	84.17%	0.076%	$ 10,676,861	88.85%
6/30/2024	0.053%	$ 1,115,237	$ 1,645,772	67.76%	0.072%	$ 10,947,026	90.75%
6/30/2025	0.050%	$ 938,765	$ 1,547,689	60.66%	0.069%	$ 11,369,650	92.37%

See accompanying auditor's report.

Required Supplementary Information
Schedule of Pension Plan Contributions
Last 10 Years

Fiscal Year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2016-17	$ 296,144	$ (296,144)	$ -	$ 1,378,996	21.48%
2017-18	$ 286,532	$ (286,532)	$ -	$ 1,348,131	21.25%
2018-19	$ 346,824	$ (346,824)	$ -	$ 1,388,668	24.98%
2019-20	$ 369,365	$ (369,365)	$ -	$ 1,523,192	24.25%
2020-21	$ 354,107	$ (354,107)	$ -	$ 1,599,044	22.14%
2021-22	$ 370,342	$ (370,342)	$ -	$ 1,486,709	24.91%
2022-23	$ 361,128	$ (361,128)	$ -	$ 1,592,547	22.68%
2023-24	$ 348,073	$ (348,073)	$ -	$ 1,645,772	21.15%
2024-25	$ 357,456	$ (357,456)	$ -	$ 1,547,689	23.10%
2025-26	$ 357,607	$ (357,607)	$ -	$ 1,642,251	21.78%

Notes to Schedule:

Change in benefit terms: None

Change in assumptions: The discount rate was lowered from 7.50% to 7.25% in fiscal year 2017-18, which is the measurement period ended June 30, 2017.

Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last 10 Years*

Measurement Period	2018	2019	2020	2021	2022
Total OPEB Liability					
Service cost	$ 13,781	$ 14,160	$ 15,893	$ 149,135	$ 154,389
Interest	10,282	10,224	11,191	47,905	50,829
Experience (gains)/losses	-	-	12,061	-	(1,436,073)
Assumption changes	-	5,551	1,768,260	10,475	(183,830)
Benefit payments	(2,842)	(2,956)	(3,440)	(29,045)	(39,865)
Net change in total OPEB liability	21,221	26,979	1,803,965	178,470	(1,454,550)
Total OPEB liability - beginning	265,303	286,524	313,503	2,117,468	2,295,938
Total OPEB liability - ending	286,524	313,503	2,117,468	2,295,938	841,388
Plan Fiduciary Net Position	-	-	-	-	-
Net OPEB Liability	$ 286,524	$ 313,503	$ 2,117,468	$ 2,295,938	$ 841,388
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%
Covered-employee payroll	$ 1,348,131	$ 1,388,668	$ 1,523,192	$ 1,599,044	$ 1,486,709
Total OPEB liability as a percentage of covered-employee payroll	21%	23%	139%	144%	57%

Measurement Period	2023	2024	2025	2026
Total OPEB Liability				
Service cost	$ 47,877	$ 48,081	$ 52,746	$ 41,276
Interest	30,552	33,639	33,676	41,050
Experience (gains)/losses	-	(111,809)	-	(63,511)
Assumption changes	(12,867)	(11,943)	(123,383)	47,480
Benefit payments	(4,564)	(9,628)	(40,388)	(9,174)
Net change in total OPEB liability	60,998	(51,660)	(77,349)	57,121
Total OPEB liability - beginning	841,388	902,386	850,726	773,377
Total OPEB liability - ending	902,386	850,726	773,377	830,498
Plan Fiduciary Net Position	-	-	-	-
Net OPEB Liability	$ 902,386	$ 850,726	$ 773,377	$ 830,498
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Covered-employee payroll	$ 1,592,547	$ 1,645,772	$ 1,547,689	$ 1,642,251
Total OPEB liability as a percentage of covered-employee payroll	57%	52%	50%	51%

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available. Fiscal Year 2017-18 was the first year of implementation.

See accompanying auditor's report.

Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last 10 Years*

Notes to Schedule:

Changes in assumptions: The discount rate was lowered from 5.20% to 4.67% in fiscal year 2025-26, which is the measurement period ended June 30, 2026. The discount rate was raised from 3.93% to 5.20% in fiscal year 2024-25, which is the measurement period ended June 30, 2025. The discount rate was raised from 3.65% to 3.93% in fiscal year 2023-24, which is the measurement period ended June 30, 2024. The discount rate was raised from 3.54% to 3.65% in fiscal year 2022-23, which is the measurement period ended June 30, 2023. The discount rate was raised from 2.16% to 3.54% in fiscal year 2021-22, which is the measurement period ended June 30, 2022. Actuarial assumptions in fiscal year 2019-20, measurement period ended June 30, 2020, were modified to include the effect of the implicit rate subsidy on future retiree benefits. The discount rate was lowered from 2.2% to 2.16% in fiscal year 2020-21, which is the measurement period ended June 30, 2021. The discount rate was lowered from 3.5% to 2.2% in fiscal year 2019-20, which is the measurement period ended June 30, 2020. The discount rate was lowered from 3.8% to 3.5% in fiscal year 2018-19, which was the measurement period ended June 30, 2019.

The District has not calculated an actuarially determined contribution amount, and contribution requirements are not statutorily or contractually established.

The District does not have assets accumulated in a trust that meet the criteria of GASB 75 to pay related benefits.