



# Crestline Sanitation District

(A California Special District)

**Financial Statements  
and  
Independent Auditors' Report**

**For the Year Ended June 30, 2025**



**smithmarion**

*Crestline Sanitation District*

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**Year Ended June 30, 2025 (with comparative data for 2024)**

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*Crestline Sanitation District*

**List of Elected and Appointed Officials  
June 30, 2025**

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Elected Officials

Board of Directors

<u>Title</u>	<u>Director</u>	<u>Term Expires</u>
Chair	Matthew Philippe	October, 2028
Vice-Chair	Mike Harris	October, 2028
Director	Sherri Fairbanks	October, 2028
Director	Ken Nelsen	October, 2026
Director	Niki Wiessner	October, 2026

Appointed Official

General Manager          Dawn Grantham

Crestline Sanitation District  
24516 Lake Drive  
PO Box 3395  
Crestline, CA 92325-3395

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• redlands, ca 92374



**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, 2025, 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, 2025, 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 statements date, including any currently known information that may arise 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, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2024. 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 14, 2025  
Redlands, CA

## *Crestline Sanitation District*

### **Management's Discussion and Analysis Years Ended June 30, 2025 and 2024**

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Our discussion and analysis of Crestline Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2025 and 2024. Please read it in conjunction with the District's basic financial statements.

#### **Financial Highlights**

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2025 and 2024 by \$25,042,613 and \$23,502,472 respectively, which is reported as net position.

The Sewer enterprise of the District is a business-type activity that is intended to recover all or a significant portion of its costs through user fees and charges. The District regularly monitors current financial position and anticipated future costs in line with its master plan and periodically adjusts sewer rates to ensure fiscal and service capacity sustainability. The rate for fiscal year 2024-25 was \$55.99 per month per economic dwelling unit (EDU). At June 30, 2025 and 2024, the District was carrying accounts receivable in the amount of \$1,360,272 and \$1,185,606, respectively.

The District's net pension liability decreased from \$1,340,412 in 2024, to \$1,115,237 in 2025, due to payments on the liability and changes in actuarial assumptions used in the updated actuarial valuation report.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The **Statement of Net Position** presents information on all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The **Statement of Revenues, Expenses and Changes in Net Position** reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported for some items that will result in cash flows in the subsequent years.

The **Statement of Cash Flows**, as the name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from noncapital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

*Crestline Sanitation District*

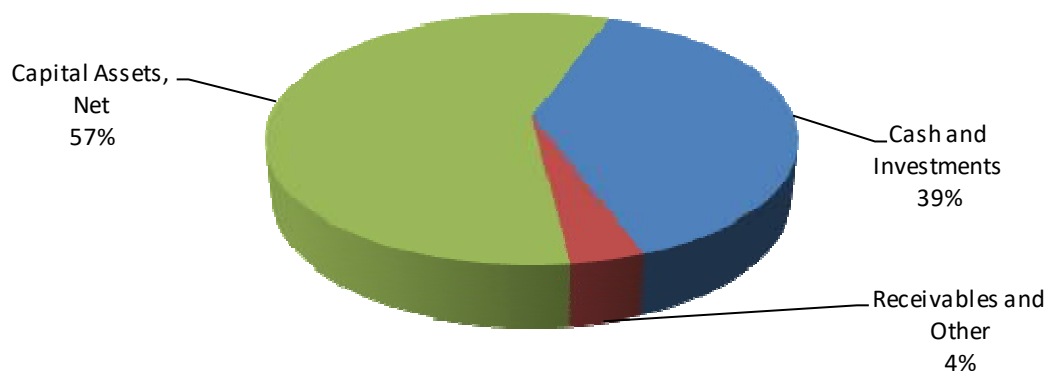
**Management’s Discussion and Analysis  
Years Ended June 30, 2025 and 2024**

**Financial Summary and Analysis**

**Condensed Statements of Net Position**

	2025	2024	Increase (Decrease)
<b>ASSETS</b>			
Current assets	\$16,630,687	\$15,260,592	\$ 1,370,095
Capital assets, net	22,445,292	21,519,896	925,396
Total assets	<u>39,075,979</u>	<u>36,780,488</u>	<u>2,295,491</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>1,314,282</u>	<u>1,690,358</u>	<u>(376,076)</u>
<b>LIABILITIES</b>			
Current liabilities	604,366	161,314	443,052
Long-term liabilities	13,399,384	13,237,077	162,307
Total liabilities	<u>14,003,750</u>	<u>13,398,391</u>	<u>605,359</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	<u>1,343,898</u>	<u>1,569,983</u>	<u>(226,085)</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,703,070	10,587,452	115,618
Unrestricted	14,339,543	12,915,020	1,424,523
Total net position	<u>\$25,042,613</u>	<u>\$23,502,472</u>	<u>\$ 1,540,141</u>

**Total Assets  
June 30, 2025**



## Crestline Sanitation District

### Management's Discussion and Analysis Years Ended June 30, 2025 and 2024

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#### Financial Summary and Analysis (continued)

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

	2025	2024	Increase (Decrease)
Operating revenue	\$ 4,040,678	\$ 3,843,946	\$ 196,732
Operating expenses	<u>(4,669,570)</u>	<u>(4,335,920)</u>	<u>(333,650)</u>
Loss from operations	<u>(628,892)</u>	<u>(491,974)</u>	<u>(136,918)</u>
Nonoperating revenues	2,345,563	2,253,742	91,821
Nonoperating expenses	<u>(187,859)</u>	<u>(5,967)</u>	<u>(181,892)</u>
Total nonoperating revenues (expenses)	<u>2,157,704</u>	<u>2,247,775</u>	<u>(90,071)</u>
Capital contributions	<u>11,329</u>	<u>-</u>	<u>11,329</u>
Change in net position	<u>1,540,141</u>	<u>1,755,801</u>	<u>(215,660)</u>
Net position - beginning of year	<u>23,502,472</u>	<u>21,746,671</u>	<u>1,755,801</u>
Net position - end of the year	<u>\$ 25,042,613</u>	<u>\$ 23,502,472</u>	<u>\$ 1,540,141</u>

#### Capital Assets

The District's investment in capital assets includes land, buildings, distribution systems, vehicles, and equipment (see Note 3 for more details). An analysis of these capital assets is provided as follows:

	2025	2024	Increase (Decrease)
Capital assets:			
Land	\$ 226,124	\$ 226,124	\$ -
Construction in progress	13,097,232	12,479,254	617,978
Improvements to land	17,783,457	17,441,455	342,002
Structures and improvement	13,955,461	13,517,900	437,561
Vehicles	1,471,252	1,418,085	53,167
Equipment	740,312	740,312	-
Leased assets	13,190	60,746	(47,556)
Intangible assets	263,529	263,529	-
Accumulated depreciation	<u>(25,105,265)</u>	<u>(24,627,509)</u>	<u>(477,756)</u>
Total capital assets, net	<u>\$ 22,445,292</u>	<u>\$ 21,519,896</u>	<u>\$ 925,396</u>

## *Crestline Sanitation District*

### **Management's Discussion and Analysis Years Ended June 30, 2025 and 2024**

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#### **Long-Term Liabilities**

The District's long-term liabilities consist of the following:

	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>
Compensated absences	\$ 144,191	\$ 148,568	\$ (4,377)
Loan payable	11,735,804	10,920,667	815,137
Lease liability	6,418	11,777	(5,359)
Net pension liability	1,115,237	1,340,412	(225,175)
Net other post-employment benefits liability	<u>773,377</u>	<u>850,726</u>	<u>(77,349)</u>
 Total long-term liabilities	 <u>\$ 13,775,027</u>	 <u>\$ 13,272,150</u>	 <u>\$ 502,877</u>
 <u>Summary</u>			
Current portion	\$ 375,643	\$ 35,073	\$ 340,570
Noncurrent portion	<u>13,399,384</u>	<u>13,237,077</u>	<u>162,307</u>
 Total long-term liabilities	 <u>\$ 13,775,027</u>	 <u>\$ 13,272,150</u>	 <u>\$ 502,877</u>

The change in liabilities results from principal repayments and adjustments related to pension and other post-employment benefits. More detailed information about the District's long-term liabilities is presented in Notes 4, 5, and 6 of the financial statements.

## *Crestline Sanitation District*

### **Management's Discussion and Analysis Years Ended June 30, 2025 and 2024**

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#### **Unrestricted Net Position**

The District had unrestricted net position of \$14,339,543 and \$12,915,020 at June 30, 2025 and 2024, respectively. The Board of Directors has designated unrestricted net position for current reserves as follows:

<u>Designated Reserves</u>	<u>Current Reserve</u>	<u>Percent Funded</u>	<u>Reserve at 100%</u>
Reserve for operations	\$ 1,855,636	83%	\$ 2,244,811
Reserve for capital replacement	5,039,008	80%	6,298,760
Reserve for catastrophe response	4,414,339	80%	5,517,924
Reserve for capital projects	<u>3,030,560</u>	80%	<u>3,788,200</u>
Total reserved net position	<u>\$ 14,339,543</u>	80%	<u>\$ 17,849,695</u>

The District's reserve policy endeavors to designate unrestricted net position as follows: reserve for operations at six months of projected operating costs for the 2024/25 budget year; reserve for replacement at 25% of accumulated depreciation as of the beginning of the 2024/25 budget year; reserve for catastrophe response at 25% of net capital assets as of the beginning of the 2024/25 budget year; and reserve for capital projects as necessary to fund capital projects identified in the 2024/25 budget. The District's target reserve balance for 2024/25 is \$17,849,695 in accordance with the reserve policy and the 2024/25 budget, which is \$3,510,152 higher than the available unrestricted net position as of June 30, 2025.

#### **Economic Factors and Rates**

Sewer fees are set at a monthly flat fee per equivalent dwelling unit (EDU). Rates for the sewer enterprise are set by the Board of Directors to meet the costs of operations, capital improvements, and to fund debt service. The District's sewer rate per EDU was \$55.99 per month, which was effective since July 1, 2024.

#### **Conditions Affecting Current Financial Position**

Management is unaware of any conditions that could have a significant impact on the District's current financial position, net position, or operating results in the past, present, or future.

#### **Requests for Information**

This financial report aims to provide readers with a general overview of the District's finances. Questions about any information in this report or for additional financial information should be addressed to the District at 24516 Lake Drive, Crestline, CA 92325.

## **Basic Financial Statements**

*Crestline Sanitation District*

**Statement of Net Position**  
**June 30, 2025 (with comparative data for 2024)**

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	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,455,486	\$ 2,296,724
Investments	12,218,278	11,197,819
Restricted investments - CWSRF reserve fund	448,056	420,102
Receivables:		
Accounts receivable	1,360,272	1,185,606
Taxes receivable	75,756	74,079
Special assessments receivable	5,367	4,898
Interest receivable	13,788	29,801
Material and supplies inventory	14,449	14,449
Prepaid expenses	<u>39,235</u>	<u>37,114</u>
 Total Current Assets	 <u>16,630,687</u>	 <u>15,260,592</u>
 Noncurrent Assets:		
Capital Assets:		
Capital assets not being depreciated (note 3)	13,323,356	12,705,378
Capital assets being depreciated (note 3)	<u>9,121,936</u>	<u>8,814,518</u>
 Total Capital Assets, Net	 <u>22,445,292</u>	 <u>21,519,896</u>
 Total Assets	 <u>39,075,979</u>	 <u>36,780,488</u>
 <b>Deferred Outflows of Resources</b>		
Pension related (note 5)	673,655	807,045
OPEB related (note 6)	<u>640,627</u>	<u>883,313</u>
 Total Deferred Outflows of Resources	 <u>1,314,282</u>	 <u>1,690,358</u>

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

*Crestline Sanitation District*

**Statement of Net Position (continued)**  
**June 30, 2025 (with comparative data for 2024)**

	<u>2025</u>	<u>2024</u>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	\$ 37,919	\$ 28,397
Accrued liabilities	113,424	97,844
Accrued interest payable	77,380	-
Current portion of long-term liabilities (note 4)	<u>375,643</u>	<u>35,073</u>
Total Current Liabilities	<u>604,366</u>	<u>161,314</u>
Noncurrent Liabilities:		
Long-term liabilities, net of current portion (note 4)	11,510,770	11,045,939
Net pension liability (note 5)	1,115,237	1,340,412
Net other post-employment benefits liability (note 6)	<u>773,377</u>	<u>850,726</u>
Total Noncurrent Liabilities	<u>13,399,384</u>	<u>13,237,077</u>
Total Liabilities	<u>14,003,750</u>	<u>13,398,391</u>
<b>Deferred Inflows of Resources</b>		
Pension related (note 5)	313,715	407,711
OPEB related (note 6)	<u>1,030,183</u>	<u>1,162,272</u>
Total Deferred Inflows of Resources	<u>1,343,898</u>	<u>1,569,983</u>
<b>Net Position</b>		
Net investment in capital assets	10,703,070	10,587,452
Unrestricted	<u>14,339,543</u>	<u>12,915,020</u>
Total Net Position	<u><u>\$ 25,042,613</u></u>	<u><u>\$ 23,502,472</u></u>

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

*Crestline Sanitation District*

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

	<u>2025</u>	<u>2024</u>
<b>Operating Revenues</b>		
Charges for services	\$ 3,728,157	\$ 3,507,818
Permit and inspection fees	43,677	45,173
Connection fees	18,705	11,223
Other services	<u>250,139</u>	<u>279,732</u>
Total Operating Revenues	<u>4,040,678</u>	<u>3,843,946</u>
<b>Operating Expenses</b>		
Salaries and benefits	2,584,070	2,466,927
Professional services	444,935	408,895
Services and supplies	861,310	700,318
Utilities	237,068	237,648
Depreciation	<u>542,187</u>	<u>522,132</u>
Total Operating Expenses	<u>4,669,570</u>	<u>4,335,920</u>
Operating Loss	<u>(628,892)</u>	<u>(491,974)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	1,761,673	1,698,925
Special assessments	28,594	34,247
State assistance	9,211	9,301
Investment income (note 2)	541,455	413,846
Gain on sales of capital assets	3,750	-
Other income	880	97,423
Interest expense	(183,345)	(1,734)
Other expense	<u>(4,514)</u>	<u>(4,233)</u>
Total Nonoperating Revenues (Expenses)	<u>2,157,704</u>	<u>2,247,775</u>
<b>Capital Contributions</b>	<u>11,329</u>	<u>-</u>
Change in net position	<u>1,540,141</u>	<u>1,755,801</u>
Net position - beginning of the year	<u>23,502,472</u>	<u>21,746,671</u>
Net position - end of the year	<u><u>\$ 25,042,613</u></u>	<u><u>\$ 23,502,472</u></u>

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

*Crestline Sanitation District*

**Statement of Cash Flows**  
**Year Ended June 30, 2025 (with comparative data for 2024)**

	<u>2025</u>	<u>2024</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 3,866,012	\$ 3,814,913
Payments to suppliers for goods and services	(1,418,102)	(1,266,450)
Payments for employee's salaries and benefits	(2,725,400)	(2,513,564)
Other income	880	97,423
Other expense	(4,514)	(4,233)
	<u>(281,124)</u>	<u>128,089</u>
<b>Net Cash Used for Operating Activities</b>		
<b>Cash Flows from Noncapital Financing Activities</b>		
Property taxes	1,759,996	1,675,108
Special assessments	28,125	34,128
State assistance	9,211	9,301
	<u>1,797,332</u>	<u>1,718,537</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>		
<b>Cash Flows from Capital And Related Financing Activities</b>		
Acquisition of capital assets	(1,574,064)	(5,092,906)
Proceeds from loan payable - CWSRF	709,172	6,586,069
Proceeds from sale of capital assets	3,750	-
Principal payments on lease obligations	(5,359)	(11,700)
Principal payments on pension obligation bonds	-	(56,664)
Interest payments	-	(1,734)
	<u>(866,501)</u>	<u>1,423,065</u>
<b>Net Cash (Used for) Provided by Capital and Related Financing Activities</b>		
<b>Cash Flows from Investing Activities</b>		
Investment income	398,046	181,814
Purchase of investments	(5,163,729)	(4,499,305)
Proceeds from investments	4,274,738	825,029
	<u>(490,945)</u>	<u>(3,492,462)</u>
<b>Net Cash Used for Investing Activities</b>		
<b>Net Change in Cash and Cash Equivalents</b>	158,762	(222,771)
Cash and cash equivalents - beginning of the year	<u>2,296,724</u>	<u>2,519,495</u>
Cash and cash equivalents - end of the year	<u>\$ 2,455,486</u>	<u>\$ 2,296,724</u>

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

*Crestline Sanitation District*

**Statement of Cash Flows (continued)**  
**Year Ended June 30, 2025 (with comparative data for 2024)**

	<u>2025</u>	<u>2024</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>		
Operating loss	\$ (628,892)	\$ (491,974)
Adjustments:		
Depreciation expense	542,187	522,132
Capital assets included in accounts payable	-	(1,268)
Prior year construction in progress expensed	117,810	54,728
Other income	880	97,423
Other expense	(4,514)	(4,233)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) Decrease in:		
Accounts receivable	(174,666)	(29,033)
Prepaid expenses	(2,121)	36,529
Deferred outflows of resources	376,076	173,566
Increase (Decrease) in:		
Accounts payable	9,522	(9,578)
Accrued liabilities	15,580	1,385
Compensated absences payable	(4,377)	13,753
Net pension liability	(225,175)	(57,922)
Net other post-employment benefits liability	(77,349)	(51,660)
Deferred inflows of resources	(226,085)	(125,759)
Net Cash Used for Operating Activities	<u>\$ (281,124)</u>	<u>\$ 128,089</u>

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

Acquisition of capital assets included in accounts payable	\$ -	\$ 1,268
Capital contributions	\$ 11,329	\$ -
Capital lease acquisition	\$ -	\$ 13,190
Accrued interest added to loan payable-CWSRF	\$ 105,965	\$ -

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

## *Crestline Sanitation District*

### **Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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#### **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.

## *Crestline Sanitation District*

### **Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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#### **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, 2025 and 2024, 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.

## *Crestline Sanitation District*

### **Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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#### **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:

<u>Assets</u>	<u>Years</u>
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 days based on length of service. Upon termination, the District is obligated to compensate employees for 100% of the accrued unused vacation time. Upon retirement, the District is obligated to compensate employees for 50% of the accrued unused sick leave to a maximum of 1,000 hours. Compensated absences payable are presented in the liabilities section of 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.

##### **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.

## *Crestline Sanitation District*

### **Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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#### **Note 1: Summary of Significant Accounting Policies (continued)**

##### **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 did not have any restricted net position as of June 30, 2025 or June 30, 2024.

*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 nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The District's principal operating revenue is charges to customers for sewer services. Operating expenses include the costs associated with providing sewer services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### **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.

*Crestline Sanitation District*

**Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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**Note 1: Summary of Significant Accounting Policies (continued)**

**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](http://www.sbcera.org).

GASB 68 requires that the reported results pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	<u>Fiscal Year 2025</u>	<u>Fiscal Year 2024</u>
Valuation Date	June 30, 2024	June 30, 2023
Measurement Date	June 30, 2024	June 30, 2023
Measurement Period	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

**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:

	<u>Fiscal Year 2025</u>	<u>Fiscal Year 2024</u>
Valuation Date	June 30, 2024	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

*Crestline Sanitation District*

**Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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**Note 1: Summary of Significant Accounting Policies (continued)**

**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 Pronouncement**

Effective for the year ending June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*, which establishes a unified recognition and measurement model for compensated absences, including associated salary-related payments. The implementation of this standard did not significantly impact the District's financial statements; therefore, prior-period amounts have not been restated.

**Note 2: Cash and Investments**

Cash and investments as of June 30, 2025 and 2024, are classified in the accompanying financial statements as follows:

	<u>2025</u>	<u>2024</u>
Statement of Net Position:		
Cash and cash equivalents	\$ 2,455,486	\$ 2,296,724
Investments	12,218,278	11,197,819
Restricted investments - CWSRF reserve fund	<u>448,056</u>	<u>420,102</u>
 Total Cash and Investments	 <u>\$ 15,121,820</u>	 <u>\$ 13,914,645</u>

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

Cash and investments as of June 30, 2025 and 2024, consist of the following:

	<u>2025</u>	<u>2024</u>
Cash on hand	\$ 470	\$ 470
Deposits with financial institutions	2,455,016	2,296,254
Investments	<u>12,666,334</u>	<u>11,617,921</u>
 Total Cash and Investments	 <u>\$ 15,121,820</u>	 <u>\$ 13,914,645</u>

*Crestline Sanitation District*

**Notes to Financial Statements  
Year Ended June 30, 2025 (with comparative data for 2024)**

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**Note 2: Cash and Investments (continued)**

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, 2025 and 2024, consist of the following:

	2025	2024
Interest paid	\$ 382,033	\$ 206,813
Change in fair value	159,422	207,033
Investment income	<u>\$ 541,455</u>	<u>\$ 413,846</u>

**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	270 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

*Crestline Sanitation District*

**Notes to Financial Statements  
Year Ended June 30, 2025 (with comparative data for 2024)**

**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, 2025, the District had the following investments:

Investment type	Remaining Maturity (in Months)			Total
	12 or less	13 to 24	25 to 60	
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	<u>\$ 5,434,398</u>	<u>\$ 1,665,070</u>	<u>\$ 5,566,866</u>	<u>\$ 12,666,334</u>

As of June 30, 2024, the District had the following investments:

Investment type	Remaining Maturity (in Months)			Total
	12 or less	13 to 24	25 to 60	
United States Government				
Sponsored Enterprise Securities	\$ 1,262,104	\$ 1,462,692	\$ 277,381	\$ 3,002,177
Local Agency Investment Fund	2,629,966	-	-	2,629,966
Investment Trust of California	3,372,042	-	453,061	3,825,103
Negotiable Certificates of Deposit	832,660	-	496,260	1,328,920
Money Market Mutual Funds	831,755	-	-	831,755
Totals	<u>\$ 8,928,527</u>	<u>\$ 1,462,692</u>	<u>\$ 1,226,702</u>	<u>\$ 11,617,921</u>

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

On June 30, 2025 and 2024, the District did not hold investments that were highly sensitive to interest rate fluctuations beyond that already indicated in the information provided above.

*Crestline Sanitation District*

**Notes to Financial Statements  
Year Ended June 30, 2025 (with comparative data for 2024)**

**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, 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	<u>\$ 12,666,334</u>		<u>\$ 1,143,183</u>	<u>\$ 6,637,268</u>	<u>\$ 1,864,136</u>	<u>\$ 3,021,747</u>

June 30, 2024

Investment Type	Amount	Minimum Legal Rating	AAA	AA	A	Unrated
United States Government						
Sponsored Enterprise Securities	\$ 3,002,177	N/A	\$ 3,002,177	\$ -	\$ -	\$ -
Local Agency Investment Fund	2,629,966	N/A	-	-	-	2,629,966
Investment Trust of California -						
Short Term Fund	350,698	N/A	-	350,698	-	-
Investment Trust of California -						
Medium Term Fund	453,061	N/A	-	453,061	-	-
Investment Trust of California -						
Liquidity Fund	3,021,344	N/A	3,021,344	-	-	-
Negotiable Certificates of Deposit	1,328,920	N/A	-	-	-	1,328,920
Money Market Mutual Funds	831,755	N/A	-	-	-	831,755
Totals	<u>\$ 11,617,921</u>		<u>\$ 6,023,521</u>	<u>\$ 803,759</u>	<u>\$ -</u>	<u>\$ 4,790,641</u>

## *Crestline Sanitation District*

### **Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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#### **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, 2025 and 2024, 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:

<u>Issuer</u>	<u>Investment type</u>	<u>2025</u>	<u>2024</u>
Federal Home Loan Banks	Federal Agency Securities	\$2,346,222	\$1,719,044
Federal Farm Credit Bank	Federal Agency Securities	847,234	619,224
Federal Natl Mtg Assn	Federal Agency Securities	946,385	-
Federal Home Ln Mtg Corp	Federal Agency Securities	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, 2025 and 2024, \$2,254,859 and \$2,063,663 of the District's deposits with financial institutions, respectively, were in excess of the Federal Deposit Insurance Corporation (FDIC) limits. As of June 30, 2025 and 2024, these funds were fully collateralized by securities in a separate account held by the same institution.

## *Crestline Sanitation District*

### **Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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#### **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. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at [www.treasurer.ca.gov](http://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 \$6.79 billion and \$5.35 billion, which represent 2.02% and 1.40% of the total LAIF portfolio of \$178.1 billion and \$178.0 billion as of June 30, 2025 and 2024, 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](http://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.

*Crestline Sanitation District*

**Notes to Financial Statements**  
**Year Ended June 30, 2025 (with comparative data for 2024)**

**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, 2025 and 2024.

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	\$ -
Negotiable Certificates of Deposit	1,004,313	-	1,004,313	-
Total investments by fair value level	<u>8,657,082</u>	<u>\$ -</u>	<u>\$ 8,657,082</u>	<u>\$ -</u>
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	<u>755,271</u>			
Total investment measured at the NAV	<u>4,009,252</u>			
Total investments measured at fair value	<u>\$12,666,334</u>			

June 30, 2024	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investment by fair value level:				
United States Government				
Sponsored Enterprise Securities	\$ 3,002,177	\$ -	\$ 3,002,177	\$ -
Medium-Term Corporate Notes	-	-	-	-
Negotiable Certificates of Deposit	<u>1,328,920</u>	<u>-</u>	<u>1,328,920</u>	<u>-</u>
Total investments by fair value level	<u>4,331,097</u>	<u>\$ -</u>	<u>\$ 4,331,097</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV) or not subject to the fair value hierarchy:				
Local Agency Investment Fund	2,629,966			
Investment Trust of California	3,825,103			
Money Market Mutual Funds	<u>831,755</u>			
Total investment measured at the NAV	<u>7,286,824</u>			
Total investments measured at fair value	<u>\$11,617,921</u>			

*Crestline Sanitation District*

**Notes to Financial Statements**  
**Year Ended June 30, 2025 (with comparative data for 2024)**

**Note 3: Capital Assets**

Summaries of changes in capital assets in service for the years ended June 30, 2025 and 2024, were as follows:

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	<u>12,705,378</u>	<u>1,467,583</u>	<u>(849,605)</u>	<u>13,323,356</u>
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 assets	60,746	-	(47,556)	13,190
Intangible assets	263,529	-	-	263,529
Total capital assets, being depreciated	<u>33,442,027</u>	<u>849,605</u>	<u>(64,431)</u>	<u>34,227,201</u>
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 assets	(49,482)	(4,913)	47,556	(6,839)
Intangible assets	(250,447)	(423)	-	(250,870)
Total accumulated depreciation	<u>(24,627,509)</u>	<u>(542,187)</u>	<u>64,431</u>	<u>(25,105,265)</u>
Total capital assets, being depreciated, net	<u>8,814,518</u>	<u>307,418</u>	<u>-</u>	<u>9,121,936</u>
Total capital assets, net	<u>\$ 21,519,896</u>	<u>\$ 1,775,001</u>	<u>\$ (849,605)</u>	<u>\$ 22,445,292</u>

\*Construction in progress expensed \$ 117,810

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

*Crestline Sanitation District*

**Notes to Financial Statements**  
**Year Ended June 30, 2025 (with comparative data for 2024)**

**Note 3: Capital Assets (continued)**

June 30, 2024

	Balance 6/30/23	Additions	Deletions	Balance 6/30/24
Capital assets, not being depreciated:				
Land	\$ 226,124	\$ -	\$ -	\$ 226,124
Construction in progress*	9,721,675	3,174,646	(417,067)	12,479,254
Total capital assets, not being depreciated	9,947,799	3,174,646	(417,067)	12,705,378
Capital assets, being depreciated:				
Improvements to land	17,441,455	-	-	17,441,455
Structures and improvements	13,256,418	261,482	-	13,517,900
Vehicles	1,359,786	58,299	-	1,418,085
Equipment	710,944	29,368	-	740,312
Leased right-to-use assets	47,556	13,190	-	60,746
Intangible assets	263,529	-	-	263,529
Total capital assets, being depreciated	33,079,688	362,339	-	33,442,027
Less accumulated depreciation for:				
Improvements to land	(16,296,104)	(99,029)	-	(16,395,133)
Structures and improvements	(5,945,182)	(319,884)	-	(6,265,066)
Vehicles	(1,057,623)	(57,261)	-	(1,114,884)
Equipment	(527,016)	(25,481)	-	(552,497)
Leased right-to-use assets	(37,648)	(11,834)	-	(49,482)
Intangible assets	(241,804)	(8,643)	-	(250,447)
Total accumulated depreciation	(24,105,377)	(522,132)	-	(24,627,509)
Total capital assets, being depreciated, net	8,974,311	(159,793)	-	8,814,518
Total capital assets, net	\$ 18,922,110	\$ 3,014,853	\$ (417,067)	\$ 21,519,896

\*Construction in progress expensed \$ 54,728

Depreciation expense for the year ended June 30, 2024, was \$522,132.

*Crestline Sanitation District*

**Notes to Financial Statements  
Year Ended June 30, 2025 (with comparative data for 2024)**

**Note 4: Long-Term Liabilities**

Changes in the District's long-term liabilities for the years ended June 30, 2025 and 2024, were as follows:

	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	<u>\$ 11,081,012</u>	<u>\$ 1,048,114</u>	<u>\$(242,713)</u>	<u>\$ 11,886,413</u>	<u>\$ 375,643</u>	<u>\$ 11,510,770</u>

	Balance 6/30/23	Additions	Deletions	Balance 6/30/24	Due within one year	Due beyond one year
Compensated absences	\$ 134,815	\$ 217,558	\$(203,805)	\$ 148,568	\$ 29,714	\$ 118,854
Loan payable-CWSRF	4,334,598	6,586,069	-	10,920,667	-	10,920,667
Lease liabilities	10,287	13,190	(11,700)	11,777	5,359	6,418
Pension obligation bonds	56,664	-	(56,664)	-	-	-
Total long-term liabilities	<u>\$ 4,536,364</u>	<u>\$ 6,816,817</u>	<u>\$(272,169)</u>	<u>\$ 11,081,012</u>	<u>\$ 35,073</u>	<u>\$ 11,045,939</u>

**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 (loan) on August 4, 2021, with the California State Water Resources Control Board's Clean Water State Revolving Fund (CWSRF), for the construction of the Huston Creek Wastewater Treatment Plant Dewatering Building and Primary Clarifier Project. Eligible work started on July 1, 2018, and eligible construction started on March 26, 2021. The District pays all construction costs from its current financial resources and receives advances on the loan upon periodic remittance and approval of invoices to the CWSRF. Construction is anticipated to be completed in fiscal year 2026, and the final loan amount will be approximately \$11.9 million. The District has established a reserve fund in accordance with the loan agreement equal to the maximum annual debt service with respect to the obligation. The reserve fund is subject to a lien and pledged as security for the loan, and its use is restricted to payment of the loan during the term of the agreement.

The District's first annual principal and interest debt service payment is scheduled for September 2025. The interest rate is 0.90% per annum, and payments will be made over a 30-year term.

## Crestline Sanitation District

### Notes to Financial Statements

Year Ended June 30, 2025 (with comparative data for 2024)

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#### Note 4: Long-Term Liabilities (continued)

##### C. Lease Liabilities

The District entered into a lease agreement on October 11, 2018, as lessee for financing the acquisition of a modular building located at the Huston Creek wastewater treatment plant. An initial lease liability of \$32,991 was recorded as of June 30, 2020. As of June 30, 2025, the lease ended and the District purchased the modular building.

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. As of June 30, 2025, the value of the lease liability is \$6,418. The cost of the leased asset was \$13,190, and accumulated amortization on the leased asset on June 30, 2025, is \$6,839.

Lease service requirements to maturity are as follows.

Year Ending	Principal	Interest	Total
June 30			
2026	\$ 2,946	\$ 43	\$ 2,989
2027	2,973	17	2,990
2028	499	-	499
	<u>\$ 6,418</u>	<u>\$ 60</u>	<u>\$ 6,478</u>

##### D. Pension Obligation Bonds

The District participates in the San Bernardino County Employees' Retirement Association (SBCERA) pension plan. Prior to the District becoming self-governed in 2010, it was a component unit of the County of San Bernardino (County), and because of its participation in SBCERA, the District was a deemed participant in the issuance of three pension obligation bonds.

In November 1995, San Bernardino County Financing Authority issued Revenue Bonds for the purpose of enabling the County to finance its share of unfunded pension indebtedness. The 1995 Revenue Bonds were fully paid in fiscal year 2022. On June 24, 2004, the County issued County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds). The Bonds have various maturity dates ranging from: 2005 to 2018 for Fixed Rate Bonds; 2004 to 2023 for Auction Rate Bonds; and 2004 to 2023 for Index Bonds. Series 2004 A Fixed Rate Bonds have fixed interest rates that range from 2.43% to 5.86%. The Series 2004 B Pension Obligation Bonds were fully refunded in April 2008 by the issued Pension Obligation Refunding Bonds, Series 2008, which have a fixed interest rate of 6.020%.

## *Crestline Sanitation District*

### **Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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#### **Note 4: Long-Term Liabilities (continued)**

##### ***D. Pension Obligation Bonds (continued)***

The District's liability for its proportionate share of the pension obligation bonds is contractually determined with the County and is subject to change based on a number of relevant factors. The District's funding requirements for its proportionate share of the outstanding pension obligation bonds is based on a percentage of covered payroll, at a rate determined annually by the County. Funding requirements for the years ended June 30, 2025 and 2024, were 0% and 3.7% of covered payroll, respectively. Additional information about the pension obligation bonds is available in the County's Annual Comprehensive Financial Report and its Adopted Budget, which are both available at [www.sbcounty.gov](http://www.sbcounty.gov).

Debt-to-maturity amortization schedules for the variable-rate issues are based on the estimated average interest rate at issuance. The District's proportionate share of the County's outstanding pension obligation bonds was estimated by multiplying the average of the District's proportionate share of pension obligation bond payments of approximately 0.1% by the total outstanding pension obligation bonds of the County. The difference between the District's change in proportionate share of the outstanding principal balance of the pension obligation bonds from the previous year and the District's actual payments to the County during the year is reported as interest expense in the accompanying financial statements. Principal and interest payments made to the County for the years ended June 30, 2025 and 2024, were \$-0- and \$50,089, respectively. The District's interest expense related to the pension obligation bonds during the years ended June 30, 2025 and 2024, was \$-0- and \$1,368, respectively.

The pension obligation bonds were paid in full during the year ended June 30, 2024. The District received a refund from the County for an overpayment of the final bond payoff balance of \$7,939 in September 2024, which is included with accounts receivable as of June 30, 2024, in the accompanying financial statements.

**Notes to Financial Statements**  
**Year Ended June 30, 2025 (with comparative data for 2024)**

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**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](http://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, 2025. SBCERA publishes its own Annual Comprehensive Annual Financial Report (ACFR), which is available on SBCERA's website at [www.SBCERA.org](http://www.SBCERA.org).

*Crestline Sanitation District*

**Notes to Financial Statements  
Year Ended June 30, 2025 (with comparative data for 2024)**

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**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:

	<b>General - Tier 1</b>	<b>General - Tier 2</b>
<b>Final Average Compensation</b>	Highest 12 months	Highest 36 months
<b>Normal Retirement Age</b>	Age 55	Age 55
<b>Early Retirement: Years of Service required and/or age eligible for</b>	Age 70 any years	Age 70 any years
	10 Years ago 50	5 years age 52
	30 years any age	N/A
<b>Benefit percent per year of service for normal retirement age</b>	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
<b>Benefit Adjustments</b>	Reduced before age 55, increased after 55 up to age 65	Reduced before age 67
<b>Final Average Compensation Limitation</b>	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.

*Crestline Sanitation District*

**Notes to Financial Statements**  
**Year Ended June 30, 2025 (with comparative data for 2024)**

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**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	Tier 2 Members
	Membership Dates Before January 1, 2013	Membership Dates On or After January 1, 2013
Actuarially Determined Required Contribution		
Percentages for Years Ended:		
June 30, 2025	24.21%	21.57%
June 30, 2024	25.54%	22.53%

The required employer contributions and the amount paid to SBCERA by the District for the years ended June 30, 2025 and 2024, were \$357,456 and \$348,073, respectively. The District’s employer contributions were equal to the required employer contributions for the years ended June 30, 2025 and 2024.

**B. Net Pension Liability**

At June 30, 2025, the District reported a net pension liability of \$1,115,237 for its proportionate share of the SBCERA’s net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024. The District’s reported liability at June 30, 2025, decreased by \$225,175 from the District’s prior year liability of \$1,340,412 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.

## *Crestline Sanitation District*

### **Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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#### **Note 5: Defined Benefit Pension Plan (continued)**

##### ***B. Net Pension Liability (continued)***

The District's proportion of the net pension liability at June 30, 2025, was based on the District's contributions received by SBCERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of SBCERA's participating employers. At the measurement date, June 30, 2024, the District's proportionate share of total employer contributions was 0.061%, which was a decrease of 0.005% from its proportion measured as of the measurement date June 30, 2023. 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, 2025, are as follows:

Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
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, 2024 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.

*Crestline Sanitation District*

**Notes to Financial Statements  
Year Ended June 30, 2025 (with comparative data for 2024)**

**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, 2024 and 2023 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, 2024**

<b>Asset Class</b>	<b>Investment Classification</b>	<b>Target Allocation<sup>(1)</sup></b>	<b>Long-Term Expected Arithmetic Real Rate of Return</b>
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%
<b>Total</b>		<b>100.00%</b>	<b>7.12%</b>

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

*Crestline Sanitation District*

**Notes to Financial Statements  
Year Ended June 30, 2025 (with comparative data for 2024)**

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**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, 2024 and June 30, 2023. 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, 2024 and 2023.

**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, 2025	\$ 2,722,210	\$ 1,115,237	\$ (197,981)
June 30, 2024	\$ 2,944,483	\$ 1,340,412	\$ 28,585

**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](http://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

*Crestline Sanitation District*

**Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

**Note 5: Defined Benefit Pension Plan (continued)**

**C. Proportionate Share of Net Pension Liability**

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

<u>June 30, 2025</u>	<u>Increase (Decrease)</u>		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2023 (VD & MD)	\$ 9,289,436	\$ 7,949,024	\$ 1,340,412
Balance at: 6/30/2024 (VD & MD)	9,131,153	8,015,916	1,115,237
Net changes during measurement period 2023-24	<u>\$ (158,283)</u>	<u>\$ 66,892</u>	<u>\$ (225,175)</u>

<u>June 30, 2024</u>	<u>Increase (Decrease)</u>		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2022 (VD & MD)	\$ 9,400,096	\$ 8,001,762	\$ 1,398,334
Balance at: 6/30/2023 (VD & MD)	9,289,436	7,949,024	1,340,412
Net changes during measurement period 2022-23	<u>\$ (110,660)</u>	<u>\$ (52,738)</u>	<u>\$ (57,922)</u>

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, 2025 and 2024, was as follows:

Proportionate share at June 30, 2025 (measurement date June 30, 2024)	0.05257%
Proportionate share at June 30, 2024 (measurement date June 30, 2023)	0.05649%
Change - Increase (Decrease)	(0.00392%)

*Crestline Sanitation District*

**Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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**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, 2023 (the beginning of the measurement period ended June 30, 2024) is 4.97 years. The EARSL for the Plan as of July 1, 2022 (the beginning of the measurement period ended June 30, 2023) is 5.10 years.

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

For the years ended June 30, 2025 and 2024, the District recognized pension expense of \$171,675 and \$215,567, respectively.

*Crestline Sanitation District*

**Notes to Financial Statements  
Year Ended June 30, 2025 (with comparative data for 2024)**

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**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, 2025 and 2024, 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, 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	<u>\$ 673,655</u>	<u>\$ 313,715</u>

June 30, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in employer's proportion	\$ 248,197	\$ 329,469
Changes of assumptions or other inputs	52,003	55,691
Net difference between projected and actual earnings on pension plan investments	48,506	-
Difference between expected and actual experience	110,266	22,551
Pension contributions subsequent to the measurement date	348,073	-
Total	<u>\$ 807,045</u>	<u>\$ 407,711</u>

The amounts above are net of outflows and inflows recognized in the 2023-2024 and 2022-2023 measurement periods expense. Deferred outflows of resources related to contributions subsequent to the measurement date of \$357,456 as of June 30, 2025, will be recognized as a reduction of the net pension liability in the year ended June 30, 2025 (measurement period 2024-2025). 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:

*Crestline Sanitation District*

**Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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**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, 2025	June 30, 2024
2025	N/A	\$ 12,076
2026	\$ (2,712)	(36,385)
2027	4,674	65,824
2028	598	9,426
2029	(76)	320
2030	-	-
	<u>\$ 2,484</u>	<u>\$ 51,261</u>

**E. Payable to the Pension Plan**

The District reported a payable of \$17,076 and \$17,801 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2025 and 2024, 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 \$158 and \$157 for calendar years 2025 and 2024, 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, 2025, the benefit amount was 75% of the statutory minimum employer contribution rate, or \$119 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.

## *Crestline Sanitation District*

### **Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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

##### **Employees Covered**

As of the June 30, 2024 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	19
Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>23</u>

##### **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, 2025 and 2024, the District's cash contributions were \$40,388 and \$9,628 in payments to CalPERS, respectively.

##### **Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2024, based on the following actuarial methods and assumptions:

##### **Actuarial Assumptions:**

Discount rate	5.20% per year net of expenses
Inflation	2.50% per year
Salary increases	2.75% per year
Mortality rate	2021 CalPERS Mortality for Miscellaneous Employees
Retirement rates	Hired before 2013: SBCERS - Classic Employees Hired after 2012: SBCERS - 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 5.20 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.

*Crestline Sanitation District*

**Notes to Financial Statements**  
**Year Ended June 30, 2025 (with comparative data for 2024)**

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

**Changes in the OPEB Liability**

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

	Measurement Date 6/30/25		
	Financial Reporting Date 6/30/25		
	(a)	(b)	(a) - (b) = (c)
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2024	\$ 850,726	\$ -	\$ 850,726
<i>Changes recognized for measurement period:</i>			
Service cost	52,746	-	52,746
Interest	33,676	-	33,676
Experience (gains)/losses	-	-	-
Assumption changes	(123,383)	-	(123,383)
Contributions – employer	-	40,388	(40,388)
Benefit payments	(40,388)	(40,388)	-
Net changes	(77,349)	-	(77,349)
Balance at June 30, 2025	\$ 773,377	\$ -	\$ 773,377

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

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

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB Liability	\$ 869,401	\$ 773,377	\$ 700,325

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

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

	Trend 1% Lower	Valuation Healthcare Cost Trend Rates	Trend 1% Higher
Net OPEB Liability	\$ 664,033	\$ 773,377	\$ 897,519

*Crestline Sanitation District*

**Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

**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, 2025 and 2024, the District recognized OPEB expense of \$73,636 and \$80,359, respectively. As of June 30, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB, from the following sources:

<u>June 30, 2025</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 640,627	\$ -
Differences between expected and actual experience	-	1,030,183
Total	<u>\$ 640,627</u>	<u>\$ 1,030,183</u>
<u>June 30, 2024</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 883,313	\$ -
Differences between expected and actual experience	-	1,162,272
Total	<u>\$ 883,313</u>	<u>\$ 1,162,272</u>

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, 2025	June 30, 2024
June 30		
2025	N/A	\$ (1,361)
2026	\$ (12,786)	(1,361)
2027	(12,786)	(1,361)
2028	(12,786)	(1,361)
2029	(12,786)	(1,361)
2030	(12,786)	(1,361)
Thereafter	(325,626)	(270,793)
	<u>\$ (389,556)</u>	<u>\$ (278,959)</u>

## *Crestline Sanitation District*

### **Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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#### **Note 7: Net Position**

The components of the District's net position were determined as follows.

	<u>2025</u>	<u>2024</u>
Capital assets, net	\$ 22,445,292	\$ 21,519,896
Less:		
Loan payable - CWSRF	(11,735,804)	(10,920,667)
Lease liabilities	<u>(6,418)</u>	<u>(11,777)</u>
Net investment in capital assets	10,703,070	10,587,452
Unrestricted	<u>14,339,543</u>	<u>12,915,020</u>
 Total Net Position	 <u>\$ 25,042,613</u>	 <u>\$ 23,502,472</u>

#### **Note 8: Federal and State Grants**

From time to time, the District may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is 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 which 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 XIII B to the State Constitution, established limits on budget appropriations in order to restrict government spending. Proceeds of taxes received by the District during the 2024-2025 and 2023-2024 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, 2025 and 2024, 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.

## *Crestline Sanitation District*

### **Notes to Financial Statements**

**Year Ended June 30, 2025 (with comparative data for 2024)**

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#### **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, 2025 and 2024.

#### **Note 11: Subsequent Events**

Management has evaluated subsequent events through November 14, 2025, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the District or require reporting.

**Required Supplementary Information**

*Crestline Sanitation District*

**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
6/30/2015	0.079%	\$ 1,533,165	\$ 1,250,213	122.63%	0.100%	\$ 8,286,710	84.39%
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	0.690%	\$ 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%

See accompanying auditor's report.

*Crestline Sanitation District*

**Required Supplementary Information  
Schedule of Pension Plan Contributions  
Last 10 Years**

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<u>Fiscal Year</u>	<u>Contractually required contributions</u>	<u>Contributions in relation to the contractually required contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2015-16	\$ 308,919	\$ (308,919)	\$ -	\$ 1,433,543	21.55%
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)	\$ -	\$ 1,577,674	22.66%

**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.

See accompanying auditor's report.

*Crestline Sanitation District*

**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	\$ 1,337,719	\$ 1,423,182	\$ 1,509,739	\$ 1,497,755	\$ 1,326,979
Total OPEB liability as a percentage of covered-employee payroll	21%	22%	140%	153%	63%
Measurement Period	2023	2024	2025		
Total OPEB Liability					
Service cost	\$ 47,877	\$ 48,081	\$ 52,746		
Interest	30,552	33,639	33,676		
Experience (gains)/losses	-	(111,809)	-		
Assumption changes	(12,867)	(11,943)	(123,383)		
Benefit payments	(4,564)	(9,628)	(40,388)		
Net change in total OPEB liability	60,998	(51,660)	(77,349)		
Total OPEB liability - beginning	841,388	902,386	850,726		
Total OPEB liability - ending	902,386	850,726	773,377		
Plan Fiduciary Net Position	-	-	-		
Net OPEB Liability	\$ 902,386	\$ 850,726	\$ 773,377		
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%		
Covered-employee payroll	\$ 1,397,642	\$ 1,474,048	\$ 1,577,674		
Total OPEB liability as a percentage of covered-employee payroll	65%	58%	49%		

\*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.

*Crestline Sanitation District*

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

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**Notes to Schedule:**

Changes in assumptions: 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 including 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 meets the criteria of GASB 75 to pay related benefits.