FERN VALLEY WATER DISTRICT
55790 SOUTH CIRCLE DRIVE
IDYLLWILD CA 92549

BOARD OF DIRECTORS
MEETING AGENDA
JULY 16, 2026

Notice is hereby given that the Fern Valley Water District will be having a Board Meeting at the office as well as via teleconference and virtually. The meeting will be on Thursday, July 16, 2026 at 9:15 AM

You can dial in or go to the link below. If you dial in, when prompted, enter the Meeting ID followed by the passcode. This will allow you to enter this call for this meeting only.

Please join my Zoom meeting from your computer, tablet or smartphone.
https://us06web.zoom.us/j/82068352372?pwd=DAil3lhBXerluQFb6XD7aV30nymffC.1

Meeting ID: 820 6835 2372
Passcode: 578305
You can also dial in using your phone.
(669) 444-9171, 82068352372#,*578305#

1. Call to Order 9:15 AM

2. Minutes:
   A. Approval of Minutes for the Meeting on June 18, 2026

3. Public Comments for Items not on the Agenda: Please state your name for the record and keep your comments to a maximum of 5 minutes.

   Members of the public may address the Board regarding any item listed on the agenda, and the Board may discuss and act upon any listed item. In response to any public comment on an item or matter which has ***not been placed on this Agenda*** *pursuant to Government Code Section 54954.2, members of the Board may only:* ***1)*** *briefly respond to statements made or questions posed by the public;* ***2)*** *ask a question for clarification;* ***3)*** *make a brief report on his or her own activities;* ***4)*** *provide a reference to staff or other resources for factual information;* ***5)*** *request staff to report back to the Board at a subsequent meeting concerning any matter raised by the public; or,* ***6)*** *take action to direct staff to place a matter of business on a future Agenda. (California Government Code Section 54954)*

4. Financial Report
   A. Presentation from Jonathan Abadesco, C.J. Brown & Company CPAs of the 2024/2025 Annual Audit Report
   B. District Warrants for June 2026
   C. Assets/Investments
   D. Billing Comparison

5. General Manager's Report

6. Discussion:

7. Action:

   A. Review and approve investment strategy based on TVI's current investment options.

8. Correspondence:

9. Standing Committees/Ad Hoc Committees

10. Director Comments

11. Confirm August 20, 2026 for next scheduled Board meeting.

12. Adjourn

***This meeting will be teleconferenced with Director Scott at Fubbs väg 4, 388 32 Ljungbyholm, Sweden**

Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the Americans with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to the Office Manager, at 951-659-2200 or by email to fvwd@verizon.net at least 72 hours before the meeting. Pursuant to Government Code Section 54957.5, any writing that: (1) is a public record; (2) relates to an agenda item for an open session of a regular meeting of the Board of Directors; and (3) is distributed less than 72 hours prior to that meeting, will be made available for public inspection at the time the writing is distributed to the Board of Directors.

MINUTES OF THE REGULAR MEETING OF
THE BOARD OF DIRECTORS
OF THE FERN VALLEY WATER DISTRICT

The regular meeting of the Board of Directors of the Fern Valley Water District was held at the office of the Fern Valley Water District, 55790 South Circle Drive, Idyllwild, CA., on the 18th day of June 2026, at 9:15 A.M. via teleconference and virtually.

DIRECTORS PRESENT: Jon Brown, Dan DeVoy, Christine Pyo (remote), Kevin Scott, and Chrissie Teeling

STAFF PRESENT: Jessica Priefer and Victor Jimenez

1. President Scott called the meeting to order at 9:15 A.M. There were two visitors, JP Crumrine, Town Crier Correspondent and visitor, Michael Miller.

2. **MINUTES:**

   A. A motion was made by Director Scott, seconded by Director Brown to approve the minutes of the Board Meeting held on May 21, 2026. The motion passed unanimously. Director Pyo did not vote because the agenda had been posted before it was determined that she was ill and would attend the meeting remotely.

3. **PUBLIC COMMENTS FOR ITEMS NOT ON AGENDA:** Mr. Crumrine is always happy to watch the Fern Valley Water District Board meeting.

4. **FINANCIAL REPORT**:

   A. A motion was made by Director Scott, seconded by Director DeVoy, to approve the May 2026 warrants. The motion passed unanimously.

   B. Assets/Investments: Reviewed. The CalPERS unfunded liability will be completely funded in July.

   Due to LAIF's current yield rate, Mr. Jimenez will reach out to TVI to obtain their current investment rates.

5. **GENERAL MANAGER:**

   In addition to his written report Mr. Jimenez stated the project is progressing well. Staff has completed the flooring installation and the windows are jammed out. The remaining work includes finish trim, final painting, and completion of the plumbing. Once those items are finished, Mr. Jimenez will be able to relocate to his new office.

   Mr. Jimenez also reported that the District received an unexpected financial benefit when a Boy Scout troop leader contacted the District seeking brass and copper for a robotics competition. The District sold approximately 5,500 pounds of obsolete brass and copper for $19,250. The materials will be distributed to troops throughout the region

   Mr. Jimenez reported that the District's wells are performing well. Although the creeks have begun to slow down, they are continuing to provide water.

   He further stated that recent events reinforced the need to move forward with purchasing and installing generators at our facilities, as the District remains uncertain whether unplanned power outages will continue throughout the summer.

   Mr. Jimenez also reported that the turbidity meters have been installed, calibrated, and are working great. That project has been completed.

6. **DISCUSSION:**

7. **ACTION:**

   A. **Resolution No. 626: Establishing the Appropriations Limit for FY 2026/2027.** A motion was made by Director DeVoy, seconded by Director Scott to adopt Resolution No. 626, Establishing the Appropriations Limit for FY 2026/2027. The motion passed unanimously.

   B. **Resolution No. 627: Fixing Assessment Charges for FY 2026/2027.** A motion was made by Director Scott, seconded by Director DeVoy to adopt Resolution No. 627, Fixing Assessment Charges for FY 2026/2027. The motion passed unanimously.

   C. **Resolution No. 628: Establishing a Policy for the Investment of District Reserve Funds**. A motion was made by Director Scott, seconded by Director Brown to adopt Resolution No. 628, Establishing a Policy for the Investment of District Funds. The motion passed unanimously.

   A. **Resolution No. 629: Adopting the Budget for FY 2026/2027**. A motion was made by Director Brown, seconded by Director DeVoy, to adopt Resolution No. 629, Adopting the Budget for FY 2026/2027. The motion passed unanimously.

8. **CORRESPONDENCE**:

9. **STANDING COMMITTEES/AD HOC COMMITTEES:**

10. **DIRECTOR'S COMMENTS:**

    Director Brown- No comment.

    Director DeVoy- He appreciates the progress that's being made on the office expansion.

    Director Pyo- No comment.

    Director Scott- No comment.

11. The regular scheduled meeting was confirmed for July 16, 2026 at 9:15 a.m. Director Scott will be attending remotely.

12. On a motion made by Director Scott, seconded by Director Brown to adjourn the meeting, the meeting was adjourned at 9:40 a.m. The motion passed unanimously.

Christine Teeling
Vice-President, Board of Directors

ATTEST:

Richard Jon Brown, Secretary/Treasurer

Fern Valley Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2025 and 2024

FERN VALLEY WATER DISTRICT

Our Mission Statement

"To assure the sound management of Fern Valley water resources; to assure a dependable supply of quality water for Fern Valley's present and future needs; to build trust and credibility with the citizens of the water district and to educate the public on water management issues and encourage participation in water management decisions."

Board of Directors as of June 30, 2025

Name	Title	Term Expires
Jon Brown	Secretary/Treasurer	12/5/2025
Kevin Scott	President	12/3/2027
Chrissie Teeling	Vice President	12/3/2027
Dan Devoy	Director	12/5/2025
Christine Pyo	Director	12/5/2025

Victor Jimenez, General Manager
55790 South Circle Dr
Idyllwild, CA 92549
(951) 659-2200

Fern Valley Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2025 and 2024

Fern Valley Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2025 and 2024

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Financial Section

Independent Auditor's Report

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Idyllwild, CA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Fern Valley Water District (District), which comprises the statements of net position as June 30, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the required supplementary information on pages 37 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 audits 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.

Independent Auditor's Report, continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 43 and 44.

C.J. Brown & Company, CPAs
Cypress, California
July 16, 2026

Fern Valley Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2025 and 2024

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Fern Valley Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2025 and 2024. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 5.50% or $562,110 to $10,781,878. In 2024, the District's net position increased 2.81% or $279,101 to $10,219,768.
- The District's total revenues increased 4.90% or $96,918 to $2,073,824. In 2024, the District's total revenues increased 5.15% or $96,861 to $1,976,906.
- The District's total expenses decreased 10.96% or $186,091 to $1,511,714. In 2024, the District's total expenses increased 17.72% or $255,611 to $1,697,805.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net change in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in it. One can think of the District's net position (the difference between assets plus deferred outflows, and liabilities plus deferred inflows), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Fiduciary Fund Financial Statements

The District is the trustee, or fiduciary, for Assessment District 96-1 (Fiduciary Fund). The Fiduciary Fund is to be used solely to received monies regarding assessments related to Assessment District 96-1, "Saunders Meadow" for assessments levied on property. The District accounts for collection of the assessments and the payment of debt service in fiduciary capacity in its Custodial Funds. Please see note 8 for further discussion.

The District's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 13 and 14. The District excludes these activities from its other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 15 through 36.

Statement of Net Position

Below is a summary of the statements of net position.

Condensed Statements of Net Position

	2025	2024	Change	As restated 2023	Change
Assets:					
Current assets	$ 1,436,202	1,621,669	(185,467)	1,944,767	(323,098)
Non-current assets	174,252	314,145	(139,893)	557,008	(242,863)
Capital assets, net	9,149,374	8,965,300	184,074	8,072,848	892,452
Total assets	10,759,828	10,901,114	(141,286)	10,574,623	326,491
Deferred outflows of resources	1,281,922	561,143	720,779	557,416	3,727
Liabilities:					
Current liabilities	108,216	84,085	24,131	95,882	(11,797)
Non-current liabilities	1,086,791	1,067,803	18,988	938,787	129,016
Total liabilities	1,195,007	1,151,888	43,119	1,034,669	117,219
Deferred inflows of resources	64,865	90,601	(25,736)	156,703	(66,102)
Net position:					
Net investment in capital assets	9,149,374	8,965,300	184,074	8,072,848	892,452
Unrestricted	1,632,504	1,254,468	378,036	1,867,819	(613,351)
Total net position	$ 10,781,878	10,219,768	562,110	9,940,667	279,101

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $10,781,878 and $10,219,768 as of June 30, 2025 and 2024, respectively.

Statement of Net Position, continued

A portion of the District's net position reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding (84.86% and 87.73% as of June 30, 2025 and 2024, respectively). The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending. (See note 7 for further discussion)

At the end of fiscal years 2025 and 2024, the District showed a positive balance in its unrestricted net position of $1,632,504 and $1,254,468, respectively.

Statement of Revenues, Expenses, and Changes in Net Position

Below is a summary of the statements of revenues, expenses, and changes in net position.

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

		2025	2024	Change	As restated 2023	Change
Revenue:						
Water sales	$	943,991	889,206	54,785	905,993	(16,787)
Other operating revenue		4,180	14,045	(9,865)	8,575	5,470
Non-operating revenue		1,125,653	1,073,655	51,998	965,477	108,178
Total revenue		2,073,824	1,976,906	96,918	1,880,045	96,861
Expense:						
Operating expense		1,177,364	1,388,639	(211,275)	1,136,477	252,162
Depreciation expense		335,210	306,616	28,594	301,781	4,835
Non-operating expense		(860)	2,550	(3,410)	3,936	(1,386)
Total expense		1,511,714	1,697,805	(186,091)	1,442,194	255,611
Changes in net position		562,110	279,101	283,009	437,851	(158,750)
Net position, beginning of year		10,219,768	9,940,667	279,101	9,502,816	437,851
Net position, end of year	$	10,781,878	10,219,768	562,110	9,940,667	279,101

The statement of revenues, expenses, and changes in net position shows how the District's net position changed during the fiscal year.

A closer examination of the sources of changes in net position reveals that:

In the case of the District, net position increased 5.50% or $562,110 for the fiscal year ended June 30, 2025 as a result of an increase from ongoing operations. In June 30, 2024, net position increased 2.81% or $279,101. See note 7 for further discussion.

In fiscal year 2025, the District's total revenues increased 4.90% or $96,918 to $2,073,824 due primarily to increases of $54,785, and $51,998 in water sales, and non-operating revenue (as a result of an increase in gain on disposal of capital assets); which were offset by a decrease of $9,865 in other operating revenues, as compared to the prior year.

In fiscal year 2024, the District's total revenues increased 5.15% or $96,861 to $1,976,906 due primarily to increases of $108,178 in non-operating revenue (as a result of an increase in property taxes) which was offset by a decrease of $16,787 in water sales as compared to the prior year.

In fiscal year 2025, the District's total expenses decreased 10.96% or $186,091 to $1,511,714, due primarily to a $211,275 decrease in operating expenses (including depreciation expense) as a result of administration and general, which decreased from the prior year.

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

In fiscal year 2024, the District's total expenses increased 17.72% or $255,611 to $1,697,805, due primarily to a $252,162 increase in operating expenses (including depreciation expense) as a result of administration and general, which increased from the prior year.

Capital Asset Administration

The change in capital assets for 2025 was as follows:

		Balance 2024	Transfers/ Additions	Transfers/ Deletions	Balance 2025
Non-depreciable assets	$	745,628	293,469	(238,156)	800,941
Depreciable assets		16,341,843	530,538	(186,887)	16,685,494
Accumulated depreciation		(8,122,171)	(335,210)	120,320	(8,337,061)
Total capital assets, net	$	8,965,300	488,797	(304,723)	9,149,374

The change in capital assets for 2025 was as follows:

		As restated Balance 2023	Transfers/ Additions	Transfers/ Deletions	Balance 2024
Non-depreciable assets	$	746,428	1,197,883	(1,198,683)	745,628
Depreciable assets		15,143,692	1,199,868	(1,717)	16,341,843
Accumulated depreciation		(7,817,272)	(306,616)	1,717	(8,122,171)
Total capital assets, net	$	8,072,848	2,091,135	(1,198,683)	8,965,300

At the end of fiscal years 2025 and 2024, the District's capital assets (net of accumulated depreciation) amounted to $9,149,374 and $8,965,300, respectively. This capital assets (net of accumulated depreciation) includes transmission and distribution systems, reservoirs, water treatment plant, wells, equipment and furniture, maintenance facility, office facility and above ground fuel tank. Major capital asset additions during the year include transmission and distribution, equipment and furniture, and maintenance facility. See note 3 for further information.

Conditions Affecting Current Financial Position

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

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Assistant General Manager at 55790 South Circle Dr, Idyllwild, CA 92549.

Basic Financial Statements

Fern Valley Water District
Statements of Net Position
June 30, 2025 and 2024

		2025	2024
Current assets:			
Cash and cash equivalents (note 2)	$	1,231,829	1,200,338
Investments (note 2)		-	242,636
Accounts receivable, net		27,147	28,269
Accrued interest receivable		10,535	7,200
Property taxes receivable		35,505	35,531
Materials and supplies inventory		108,303	87,294
Prepaid expenses		22,883	20,401
Total current assets		1,436,202	1,621,669
Non-current assets:			
Net OPEB asset (note 6)		174,252	314,145
Capital assets – not being depreciated (note 3)		800,941	745,628
Capital assets – being depreciated (note 3)		8,348,433	8,219,672
Total non-current assets		9,323,626	9,279,445
Total assets		10,759,828	10,901,114
Deferred outflows of resources:			
Deferred pension outflows (note 5)		1,003,596	404,384
Deferred OPEB outflows (note 6)		278,326	156,759
Total deferred outflows of resources	$	1,281,922	561,143

Continued on next page

See accompanying notes to the basic financial statements

Fern Valley Water District
Statements of Net Position, continued
June 30, 2025 and 2024

		2025	2024
Current liabilities:			
Accounts payable	$	20,492	6,037
Accrued expenses		11,511	8,727
Customer deposits		12,794	10,756
Long-term liabilities – due within one year:			
Compensated absences (note 4)		63,419	58,565
Total current liabilities		108,216	84,085
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 4)		193,449	175,695
Net pension liability (note 5)		893,342	892,108
Total non-current liabilities		1,086,791	1,067,803
Total liabilities		1,195,007	1,151,888
Deferred inflows of resources:			
Deferred pension inflows (note 5)		16,205	30,379
Deferred OPEB inflows (note 6)		48,660	60,222
Total deferred inflows of resources		64,865	90,601
Net position: (note 7)			
Net investment in capital assets		9,149,374	8,965,300
Unrestricted		1,632,504	1,254,468
Total net position	$	10,781,878	10,219,768

See accompanying notes to the basic financial statements

Fern Valley Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024

		2025	2024
Operating revenues:			
Water Sales:			
Residential	$	855,362	827,393
Other		88,629	61,813
Other operating revenue		4,180	14,045
Total operating revenues		948,171	903,251
Operating expenses:			
Pumping		10,411	18,806
Water treatment		77,773	64,470
Transmission and distribution		2,407	11,886
Customer accounts		39,250	46,003
Administration and general		1,047,523	1,247,474
Total operating expenses		1,177,364	1,388,639
Operating loss before depreciation		(229,193)	(485,388)
Depreciation expense		(335,210)	(306,616)
Operating loss		(564,403)	(792,004)
Non-operating revenue(expense), net:			
Property taxes		1,040,599	1,007,741
Investment earnings		38,399	65,914
Gain on disposal of capital assets		46,655	-
Other non-operating revenue(expense), net		860	(2,550)
Total non-operating revenues, net		1,126,513	1,071,105
Changes in net position		562,110	279,101
Net position, beginning of year		10,219,768	9,940,667
Net position, end of year	$	10,781,878	10,219,768

See accompanying notes to the basic financial statements

Fern Valley Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2025 and 2024

		2025	2024
Cash flows from operating activities:			
Cash receipts from customers	$	951,331	893,921
Cash paid to employees for services		(612,016)	(539,868)
Cash paid to suppliers for goods and services		(1,154,380)	(779,711)
Net cash used in operating activities		(815,065)	(425,658)
Cash flows from non-capital financing activities:			
Property taxes		1,040,625	1,015,684
Other non-operating revenues, net		860	7,376
Net cash provided by non-capital financing activities		1,041,485	1,023,060
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(585,851)	(1,208,994)
Proceeds from the sale of capital assets		113,222	-
Net cash used in capital and related financing activities		(472,629)	(1,208,994)
Cash flows from investing activities:			
Purchase of investments		(290,231)	-
Proceeds from maturities and called investments		529,532	757,740
Investment earnings		38,399	68,741
Net cash provided by investing activities		277,700	826,481
Net increase in cash and cash equivalents		31,491	214,889
Cash and cash equivalents, beginning of year		1,200,338	985,449
Cash and cash equivalents, end of year	$	1,231,829	1,200,338
Reconciliation of cash and cash equivalents to the statement of net position			
Cash and cash equivalents	$	1,231,829	1,200,338
Total cash and cash equivalents	$	1,231,829	1,200,338

Continued on next page

See accompanying notes to the basic financial statements

Fern Valley Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2025 and 2024

	2025	2024
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (564,403)	(792,004)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	335,210	306,616
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Decrease(increase) in assets and deferred outflows:		
Accounts receivable, net	1,122	(3,234)
Materials and supplies inventory	(21,009)	18,544
Prepaid expenses	(2,482)	(3,851)
Net OPEB asset	139,893	881
Deferred pension outflows	(599,212)	(14,253)
Deferred OPEB outflows	(121,567)	10,526
Increase(decrease) in liabilities and deferred inflows:		
Accounts payable	14,455	(14,076)
Accrued expenses	2,784	1,035
Customer deposits	2,038	(6,096)
Compensated absences	22,608	29,360
Net pension liability	1,234	106,996
Deferred pension inflows	(14,174)	(21,204)
Deferred OPEB inflows	(11,562)	(44,898)
Total adjustments	(250,662)	366,346
Net cash used in operating activities	$ (815,065)	(425,658)

See accompanying notes to the basic financial statements

Fern Valley Water District
Statements of Fiduciary Net Position
June 30, 2025 and 2024

		2025	2024
Current assets:			
Special assessment receivables	$	12,566	9,542
Total assets		12,566	9,542
Net position:			
Restricted for:			
Bondholders		12,566	9,542
Total net position	$	12,566	9,542

See accompanying notes to the basic financial statements

Fern Valley Water District
Statements of Changes in Fiduciary Net Position
For the Fiscal Years Ended June 30, 2025 and 2024

		2025	2024
Additions:			
Special Assessments	$	22,639	22,648
Total additions		22,639	22,648
Deductions:			
Administrative Expenses		-	621
Debt Service Payments		19,615	19,447
Total deductions		19,615	20,068
Changes in net position		3,024	2,580
Net position, beginning of period		9,542	6,962
Net position, end of period	$	12,566	9,542

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Fern Valley Water District (District) was incorporated in 1958, succeeding the Fern Valley Mutual Water Company, which was formed in 1937. The District was formed under Section 30,000 et. Seq., of the Water Code. The District provides water and water treatment within its service area. Residents of Fern Valley decided to petition to become a California Water District. Following a petition to the Board of Supervisors of Riverside County, an election was held and the Fern Valley Water District was officially organized and became a California Water District on January 7, 1958. As a state water district, all property owners vote in District-related elections. Each property owner has one vote for each dollar of assessed land value possessed. The District is governed by an elected five-member Board of Directors, who serve four-year terms. These elections are scheduled every two years. The operations of the District are under the direction of the General Manager and staff of four, an Assistant General Manager and three Field Operators.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis are financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses, not included in the above categories, are reported as non-operating revenues and expenses.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncements in the current year:

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

3. Investments

The District has adopted an investment policy to deposit funds in financial institutions. 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.

4. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

5. Property Taxes and Assessments

The County of Riverside Assessor's Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector's Office bills and collects the District's share of property taxes and assessments. The County of Riverside Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

5. Property Taxes and Assessments, continued

Property taxes and special assessments receivable at year-end are related to property taxes collected by the County of Riverside which have not been credited to the District's cash balance as of June 30th. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

6. Prepaid Expenses

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

7. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold at $5,000 for purchases with at least an anticipated useful life of five years. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and Distribution – 10 to 60 years
- Reservoirs – 40 years
- Water Treatment Plant – 10 to 40 years
- Wells – 10 to 15 years
- Equipment and Furniture – 4 to 60 years
- Maintenance Facility – 10 to 40 years
- Office Facility – 10 years
- Above Ground Fuel Vault – 10 years

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

9. Compensated Absences

The District’s policy is to permit employees to accumulate earned vacation. Upon termination of employment, employees are paid all unused vacation.

10. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

11. Pensions

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

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

11. Pensions, continued

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

- Valuation date: June 30, 2023
- Measurement date: June 30, 2024
- Measurement period: July 1, 2023 to June 30, 2024

12. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan (Plan) and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following time frames are used:

- Valuation date: June 30, 2023
- Measurement date: June 30, 2024
- Measurement period: July 1, 2023 to June 30, 2024

13. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- *Restricted* – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.

- *Unrestricted* – consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted* components of net position.

(2) Cash and investments

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

		2025	2024
Cash and cash equivalents	$	1,231,829	1,200,338
Investments - current		-	242,636
Total		1,231,829	1,442,974

Cash and investments as of June 30 consist of the following:

		2025	2024
Cash on hand	$	400	400
Deposits with financial institutions		-	22,211
Investments		1,231,429	1,420,363
Total	$	1,231,829	1,442,974

As of June 30, the District's authorized deposit had the following maturities:

	2025	2024
California Local Agency Investment Fund	248 days	217 days

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills	1 year	None	None
Certificates of Deposit	1 year	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Investment in State Investment Pool

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

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

(2) Cash and investments, continued

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

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

As of June 30, 2025 and 2024, bank balances are federally insured up to $250,000. The remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2025, the District's investment in LAIF and money market deposit account are unrated.

Interest Rate Risk

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

Investments in the California Local Agency Investment Fund (LAIF) and money market mutual funds are highly liquid and redeemable daily. Accordingly, they are not subject to interest rate risk related to contractual maturity.

As of June 30, 2025, the District's investments that are not subject to interest rate risk related to contractual maturity are as follows:

Investment Type	Amount
California Local Agency Investment Fund	$ 1,226,296
Money market deposit account	5,133
Total	$ 1,231,429

(2) Cash and investments, continued

Interest Rate Risk, continued

As of June 30, 2024, the District's investments are scheduled to mature as follows:

		Remaining Maturity		
Investment Type	**Amount**	**12 Months or Less**	**13 to 24 Months**	**25-60 Months**
Certificate of deposit	$ 242,636	242,636	-	-
Total investment with contractual maturity	242,636	242,636	-	-
California Local Agency Investment Fund	901,576		-	-
Money market deposit account	276,151		-	-
Total	$ 1,420,363			

Fair Value Measurements

As of June 30, 2025, investments measured at fair value on a recurring and non-recurring basis, are as follows:

		Fair Value Measurements Using		
Investment type	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Total investments measured at fair value	$ -	-	-	-
Investments measured at amortized cost				
Money market deposit account	5,133			
Local Agency Investment Fund (LAIF)	1,226,296			
Total	$ 1,231,429			

As of June 30, 2024, investments measured at fair value on a recurring and non-recurring basis, are as follows:

		Fair Value Measurements Using		
Investment type	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Certificate of deposit	$ 242,636		242,636	
Total investments measured at fair value	242,636	-	242,636	-
Investments measured at amortized cost:				
Money market deposit account	276,151			
Local Agency Investment Fund (LAIF)	901,576			
Total	$ 1,420,363			

(3) Capital Assets

The change in capital assets for 2025 was as follows:

	Balance 2024	Additions/ Transfers	Deletions/ Transfers	Balance 2025
Non-depreciable assets:				
Land	$ 719,638	-	-	719,638
Easements	2,791	-	-	2,791
Water rights	1	-	-	1
Construction-in-progress	23,198	293,469	(238,156)	78,511
Total non-depreciable assets	745,628	293,469	(238,156)	800,941
Depreciable assets:				
Transmission and Distribution	11,597,689	238,156	-	11,835,845
Reservoirs	1,464,517	-	-	1,464,517
Water Treatment Plant	1,364,588	-	-	1,364,588
Wells	721,357	-	-	721,357
Equipment and Furniture	627,127	292,382	(186,887)	732,622
Maintenance Facility	421,204	-	-	421,204
Office Facility	127,254	-	-	127,254
Above Ground Fuel Vault	18,107	-	-	18,107
Total depreciable assets	16,341,843	530,538	(186,887)	16,685,494
Accumulated depreciation				
Transmission & Distribution	(4,751,518)	(204,378)	-	(4,955,896)
Reservoirs	(1,384,520)	(36,613)	-	(1,421,133)
Water Treatment Plant	(572,099)	(38,707)	-	(610,806)
Wells	(650,648)	(5,205)	-	(655,853)
Equipment and Furniture	(351,705)	(43,575)	120,320	(274,960)
Maintenance Facility	(266,320)	(6,732)	-	(273,052)
Office Facility	(127,254)	-	-	(127,254)
Above Ground Fuel Vault	(18,107)	-	-	(18,107)
Total accumulated depreciation	(8,122,171)	(335,210)	120,320	(8,337,061)
Total depreciable assets, net	8,219,672	195,328	(66,567)	8,348,433
Total capital assets, net	$ 8,965,300			9,149,374

In 2025, major capital assets additions include additions to the transmission and distribution and equipment and furniture. A significant portion of this rehabilitation were constructed by the District and/or subcontractors and transferred out of construction-in-progress upon completion of these various projects. Total depreciation expense of $335,210 was charged to the District's water fund.

(3) Capital Assets, continued

The change in capital assets for 2024 was as follows:

		As restated Balance 2023	Additions/ Transfers	Deletions/ Transfers	Balance 2024
Non-depreciable assets:					
Land	$	719,638	-	-	719,638
Easements		2,791	-	-	2,791
Water rights		1	-	-	1
Construction-in-progress		23,998	1,197,883	(1,198,683)	23,198
Total non-depreciable assets		746,428	1,197,883	(1,198,683)	745,628
Depreciable assets:					
Transmission and Distribution		10,399,006	1,198,683	-	11,597,689
Reservoirs		1,464,517	-	-	1,464,517
Water Treatment Plant		1,364,588	-	-	1,364,588
Wells		721,357	-	-	721,357
Equipment and Furniture		627,659	1,185	(1,717)	627,127
Maintenance Facility		421,204	-	-	421,204
Office Facility		127,254	-	-	127,254
Above Ground Fuel Vault		18,107	-	-	18,107
Total depreciable assets		15,143,692	1,199,868	(1,717)	16,341,843
Accumulated depreciation					
Transmission & Distribution		(4,567,566)	(183,952)	-	(4,751,518)
Reservoirs		(1,347,907)	(36,613)	-	(1,384,520)
Water Treatment Plant		(533,392)	(38,707)	-	(572,099)
Wells		(645,443)	(5,205)	-	(650,648)
Equipment and Furniture		(318,015)	(35,407)	1,717	(351,705)
Maintenance Facility		(259,588)	(6,732)	-	(266,320)
Office Facility		(127,254)	-	-	(127,254)
Above Ground Fuel Vault		(18,107)	-	-	(18,107)
Total accumulated depreciation		(7,817,272)	(306,616)	1,717	(8,122,171)
Total depreciable assets, net		7,326,420	893,252	-	8,219,672
Total capital assets, net	$	8,072,848			8,965,300

In 2024, major capital assets additions include additions to the transmission and distribution and equipment and furniture. A significant portion of this rehabilitation were constructed by the District and/or subcontractors and transferred out of construction-in-progress upon completion of these various projects. Total depreciation expense of $306,616 was charged to the District's water fund.

(4) Compensated Absences

The District recognizes liability for compensated absences in accordance with GASB Statement No. 101, "Compensated Absences". Compensated absences include unpaid vacation leave, and sick leave which is accrued as earned, which are expected to be settled through paid time off or cash payments upon termination or retirement.

As of June 30, 2025 and 2024, the liability for compensated absences was calculated based on employees' pay rates at the fiscal year-end and historical usage data, considering employment policies. The liability represents amounts that are more likely than not be used or paid out.

Compensated absences as of June 30 are classified in the statements of net position as follows:

		2025	2024
Current	$	63,419	58,565
Non-current		193,449	175,695
Total		256,868	234,260

The total liability for compensated absences amounted to $256,868 and $234,260, respectively.

The net change in the compensated absences liability for the fiscal years ended June 30, 2025 and 2024 was $22,608 and $29,360, respectively, reflecting net increases due to changes in employee leave balances, pay rates, and usage patterns. The liability is reported in government-wide financial statements and business type fund financial statements.

(5) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety pools, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.7% at 55 Risk Pool Retirement Plan to new employee entrants not previously employed by an agency under CalPERS, effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

(5) Defined Benefit Pension Plan, continued

Benefits Provided, continued

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect as June 30, are summarized as follows:

	Classic	New Classic	PEPRA
Hire date	Prior to January 2011	On or after January 2011 - December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule		5 years of service	
Benefit payments		monthly for life	
Retirement age	50 - 55	55 - 60	52 - 62
Monthly benefits, as a % of eligible compensation	2%	2%	2%
2025:			
Required employee contribution rates	7.96%	6.93%	8.25%
Required employer contribution rates	16.94%	11.49%	8.18%
2024:			
Required employee contribution rates	7.96%	6.93%	8.25%
Required employer contribution rates	16.87%	11.43%	8.00%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1, following notice of a change in rate. Funding contribution for the Plan is determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Net Pension Liability

As of the fiscal year ended June 30, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	2025	2024
Proportionate share of the net pension liability	$ 893,342	892,108

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2025 and 2024, the net pension liability of the Plan is measured as of June 30, 2024 and 2023 (the measurement dates), respectively. The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and 2022 (the valuation dates), rolled forward to June 30, 2024 and 2023, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

(5) Defined Benefit Pension Plan, continued

Net Pension Liability, continued

The District's changes in proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement dates June 30, 2024 and 2023, were as follows:

	Proportionate Share	
Proportion – June 30, 2022	0.00680	%
Change in proportionate share	0.00035	
Proportion – June 30, 2023	0.00715	
Change in proportionate share	0.00022	
Proportion – June 30, 2024	0.00737	%

Deferred Pension Outflows(Inflows) of Resources

For the fiscal year ended June 30, 2025, the District recognized pension expense of $93,468 and $71,539, respectively. As of the fiscal years ended June 30, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2025		2024	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 819,040	-	113,420	-
Difference between actual and expected experience	74,224	-	38,504	-
Changes in assumptions	22,961	-	53,861	-
Net adjustment due to difference in proportions of net pension liability	35,942	-	54,159	-
Net difference between projected and actual earnings on plan investments	51,429	-	144,440	-
Difference between actual contribution and proportionate share of contribution	-	(16,205)	-	(30,379)
Total	$ 1,003,596	(16,205)	404,384	(30,379)

For the fiscal years ended June 30, 2025 and 2024, the District's deferred outflows of resources related to contributions subsequent to the measurement date totaled $819,040, and $113,420, respectively. Pension contributions subsequent to the measurement date for the year ended June 30, 2025 and 2024, will be recognized as a reduction of the net pension liability for the fiscal years ended June 30, 2026 and 2025, respectively.

(5) Defined Benefit Pension Plan, continued

Deferred Pension Outflows(Inflows) of Resources, continued

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

Fiscal Year Ending June 30,	Net Deferred Outflows(Inflows) of Resources
2026	$ 62,211
2027	121,073
2028	2,692
2029	(17,625)
2027	-
Thereafter	-

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 and 2022 actuarial valuations, which were rolled forward to June 30, 2024 and 2023, using the following actuarial assumptions and methods:

Valuation Dates	June 30, 2023 and 2022
Measurement Dates	June 30, 2024 and 2023
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	6.90%
Discount rate	2.30%
Inflation	Varies by Entry Age and Service
Salary increases	Derived using CalPERS' Membership Data for all
Mortality Rate Table*	Funds
	Contract COLA up to 2.30% until Purchasing
Post Retirement Benefit	Power Protection Allowance Floor on purchasing power applies

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

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. This discount rate is not adjusted for administrative expenses.

(5) Defined Benefit Pension Plan, continued

Discount Rate, continued

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

The table below reflects the expected real rates of return by asset class.

Asset Class	New Strategic Allocation	Real Return 1-10[1,2]
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

[1] An expected inflation of 2.30% used for this period.

[2] Figures are based on the 2021-22 Asset Liability Management Study.

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

The following table presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate.

As of June 30, 2025, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
District's net pension liability	$ 1,436,588	893,342	446,171

(5) Defined Benefit Pension Plan, continued

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

As of June 30, 2024, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
District's net pension liability	$ 1,381,027	892,108	489,685

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 37 through 39 for the Required Supplementary Information.

(6) Other Post-Employment Benefits (OPEB) Plan

Plan Description

The District's defined benefit other post-employment benefit plan, District Retiree Healthcare Plan or DRHP (Plan) provides medical benefits to eligible retired employees and qualified dependents. for all vested full-time employees with at least 5 years of service with the District. The Plan is part of the Public Agency portion of the California Public Employees' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS Plan. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA 95814.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District Board of Directors. The District contributes 100% of the retiree and dependent up to the maximum of cost of the highest PERS HMO premium per month.

Employees Covered by Benefit Terms

Membership in the OPEB plan consisted of the following members as of June 30:

	2025	2024
Inactive employees or beneficiaries currently receiving benefit payments	3	3
Active employees	5	5
Total plan membership	8	8

(6) Other Post-Employment Benefits (OPEB) Plan, continued

Contributions

The annual contribution is based on the actuarially determined contributions.

For the fiscal year ended June 30, 2025, the District's $28,392 in payments to the trust, cash benefit payments of $72, and the estimated implied subsidy was $5,521 resulting in total payments (employer contributions) of $33,985.

For the fiscal year ended June 30, 2024, the District's $26,403 in payments to the trust, cash benefit payments of $85, and the estimated implied subsidy was $6,308 resulting in total payments (employer contributions) of $32,796.

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

At June 30, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	$ 33,985		32,796	
Change of assumptions	17,486	(19,554)	26,158	(539)
Difference between expected and actual experience	173,517	(29,106)		(59,683)
Net difference between projected and actual earnings on investments	53,338	-	97,805	-
	$ 278,326	(48,660)	156,759	(60,222)

As of June 30, 2025 and 2024, employer OPEB contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of $33,985 and $32,796, respectively, will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2026, and 2025, respectively.

For the fiscal years ended June 30, 2025 and 2024, the District recognized OPEB expense (credit) of $6,764, and $(33,491), respectively.

(6) Other Post-Employment Benefits (OPEB) Plan, continued

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

At June 30, 2025, there were amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB which are required to be recognized in OPEB expense over future periods. OPEB related amounts will be recognized as expense as follows:

Fiscal Year Ending June 30,	Deferred Net Outflows(Inflows) of Resources
2026	$ 30,441
2027	68,740
2028	28,878
2029	23,631
2030	27,493
Thereafter	16,498

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2024, and 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024 and 2022, rolled forward to June 30, 2024 and 2023.

Changes in the Net OPEB Liability (Asset)

	2025	2024
Balance, beginning of year	$ (314,145)	(315,026)
Changes for the year:		
Service cost	35,656	34,702
Interest	48,568	45,990
Contributions - employer	(32,796)	(41,023)
Difference between expected and actual experience	204,502	-
Changes in assumptions	(23,046)	-
Net investment income (loss)	(93,443)	(39,197)
Administrative expenses	452	409
Net change	139,893	881
Balance, end of year	$ (174,252)	(314,145)

(6) Other Post-Employment Benefits (OPEB) Plan, continued

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2024 and 2022, actuarial valuation, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation dates	June 30, 2024 and 2022
Measurement dates	June 30, 2024 and 2023
Actuarial cost method	Entry Age Normal, Level % of pay
Discount rate	5.75%
Inflation	2.50%
Salary increases	2.75% annually
Medical Trend	Non-Medicare - 7.35% for 2027, decreasing to 3.45% in 2076; Medicare (Non-Kaiser) - 6.50% for 2027, decreasing to an ultimate rate of 3.45% in 2076; Medicare (Kaiser) - 5.45% for 2027, decreasing to an ultimate rate of 3.45% in 2076;
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Mortality, Retirement, Disability, Termination	CalPERS 2000-2023 Experience Study

Expected Long-Term Rate of Return

CalPERS approved new CERBT asset allocation for each major asset class as of June 30, 2025, are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Global Equity	34.00 %	4.56 %
Fixed Income	41.00	1.56
TIPS	5.00	(0.08)
Commodities	3.00	1.22
REITs	17.00	4.06
Total	100.00 %	

Discount Rate

As of June 30, 2025 and 2024, the discount rate used to measure the net OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the retiree's benefits. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(6) Other Post-Employment Benefits (OPEB) Plan, continued

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

The following tables presents the District's net OPEB liability, calculated using the discount rate, as well as what the District's proportional share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

As of June 30, 2025, the discount rate comparison was as follows:

		Discount Rate	
	1% Decrease 4.75%	Current Rate 5.75%	1% Increase 6.75%
Total OPEB Liability (Asset)	$ (24,276)	(174,252)	(298,165)

As of June 30, 2024, the discount rate comparison was as follows:

		Discount Rate	
	1% Decrease 4.75%	Current Rate 5.75%	1% Increase 6.75%
Total OPEB Liability (Asset)	$ (200,155)	(314,145)	(408,513)

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

As of June 30, 2025, the healthcare cost trend rate comparison was as follows:

		Healthcare Trend Rate	
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability (Asset)	$ (315,410)	(174,252)	(36)

As of June 30, 2025, the healthcare cost trend rate comparison was as follows:

		Healthcare Trend Rate	
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability (Asset)	$ (428,021)	(314,145)	(173,173)

Schedules of Changes in the District's Net OPEB Liability, Plan Contributions, and Related Ratios

See pages 40 through 42 for the Required Supplementary Information.

(7) Net Position

Calculation of net position as of June 30 was as follows:

		2025	2024
Net investments in capital assets:			
Capital assets, net	$	9,149,374	8,965,300
Total net investments in capital assets		9,149,374	8,965,300
Unrestricted net position:			
Non-spendable net position:			
Materials and supplies inventory		108,303	87,294
Prepaid expenses		22,883	20,401
Total non-spendable net position		131,186	107,695
Spendable net position:			
Unrestricted		1,501,318	1,146,773
Total spendable net position		1,501,318	1,146,773
Total unrestricted net position		1,632,504	1,254,468
Total net position	$	10,781,878	10,219,768

(8) Fiduciary Fund - Assessment District 96-1 (Saunders Meadow)

On June 20, 1996, Assessment District No. 96-1 (Saunders Meadow) Bonds was issued in the original amount of $343,789 to finance capital improvements in Assessment District 96-1 (Saunders Meadow). This was secured by unpaid assessments levied on property within the assessment district. Neither the credit nor taxing power of the District is pledged to the payment of the bonds. Interest is payable on the bond at 4.875% per year, in semi-annual installments. Principal due in annual installments starting in September 1998, maturing in the year 2037. The District accounts for collection of the assessments and the payment of debt service in a fiduciary capacity in its custodial funds.

At June 30, 2025 and 2024, bonds outstanding totaled $175,787, and $186,394, respectively.

(9) Restatement

In fiscal year 2024, the District determined that capital asset additions related to fiscal year 2023 were expensed. As a result, the District has recorded prior period adjustment to adjust its capital assets in the amount of $22,763, which affected net position and changes in net position as of June 30, 2023.

The restatement to net position and changes in net position are as follows:

Net position at July 1, 2022, as previously stated			$	9,502,816
Changes in net position at June 30, 2023, as previously stated	$	415,088		
Effect of adjustment to record:				
Capital asset		22,763		
Change in net position at June 30, 2023, as restated				437,851
Net position at June 30, 2023, as restated			$	9,940,667

(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 insured for a variety of potential exposures.

The following is a summary of the insurance policies carried by the District as of June 30, 2025:

- Commercial General Liability: $10,000,000 General Aggregate Limit; $1,000,000 Personal and Advertising Injury Limit; $1,000,000 Each Occurrence Limit; $1,000,000 Rented to You Limit; $10,000 Medical Expenses Limit (Any One Person).
- Commercial Excess Liability: $5,000,000 Each Occurrence Limit; $5,000,000 Products/Completed Operations Aggregate Limit; $5,000,000 Aggregate Limit.
- Property: $225,000 per occurrence with liability limits varying by property type with a $1,000 deductible.
- Automobile: $1,000,000 Combined Bodily Injury and Property Damage Single Limit (each accident); $1,000,000 Uninsured Motorists Single Limit. $500 deductible for comprehensive and $500 deductible for collision.
- Public Officials and Management Liability: $10,000 Aggregate Limit Coverage; $1,000,0000 Coverage A Liability for each wrongful act or offense with no deductible; $5,000 Coverage B Liability for each action for injunctive or declaratory relief.

(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2022 that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 105

In December 2025, the GASB issued Statement No. 105 – *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

(12) Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(13) Subsequent Events

Events occurring after June 30, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of July 16, 2026, which is the date the financial statements were available to be issued.

Required Supplementary Information

Fern Valley Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2025
Last Ten Years

Defined Benefit Plan

	Measurement Dates									
Description	06/30/24	06/30/23	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15
District's proportion of the net pension liability	0.00737%	0.00715%	0.00680%	0.00594%	0.00575%	0.00499%	0.00466%	0.00490%	0.00455%	0.00365%
District's proportionate share of the net pension liability	$ 893,342	892,108	785,112	321,522	625,277	511,313	449,157	486,330	394,014	250,833
District's covered-employee payroll	$ 540,223	465,581	410,715	383,630	305,462	279,784	270,793	370,366	259,529	253,238
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.37%	191.61%	191.16%	83.81%	204.70%	182.75%	165.87%	131.31%	151.82%	99.05%
Plan's proportionate share of the fiduciary net position as a percentage of total pension liability	78.08%	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

In fiscal year 2024 and 2023, there were no changes to actuarial assumptions or methods.

In fiscal year 2022, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term.

The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

In fiscal year 2021, there were no changes to actuarial assumptions or methods.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses.

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability, continued

Change of Assumptions and Methods, continued

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

Fern Valley Water District
Schedules of Pension Plan Contributions
As of June 30, 2025
Last Ten Years

Description		06/30/25	06/30/24	06/30/23	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16
		Fiscal Years Ended									
Actuarially determined contribution	$	164,040	113,420	104,199	88,430	94,820	80,929	21,688	36,510	30,646	31,151
Contributions in relation to the actuarially determined contribution		(819,040)	(113,420)	(104,199)	(88,430)	(94,820)	(80,929)	(21,688)	(36,510)	(30,646)	(31,151)
Contribution deficiency(excess)	$	(655,000)	-	-	-	-	-	-	-	-	-
District's covered payroll	$	599,942	540,223	465,581	410,715	383,630	305,462	279,784	270,793	370,366	259,529
Contributions as a percentage of covered-employee payroll		27.34%	21.00%	22.38%	21.53%	24.72%	26.49%	7.75%	13.48%	8.27%	12.00%

Fern Valley Water District
Schedules of Changes in Net OPEB Liability and Related Ratios
As of June 30, 2025
Last Ten Years*

	Measurement Dates							
	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB liability								
Service cost	$ 35,656	34,702	35,305	34,360	24,718	23,998	28,010	27,194
Interest	48,568	45,990	41,244	39,337	47,855	46,164	54,569	52,418
Difference between expected and actual experience	204,502	-	(492)	-	(131,805)	-	(158,530)	-
Changes in assumptions	(23,046)	-	15,151	-	41,239	-	(8,585)	-
Benefit payments	(32,711)	(40,929)	(40,421)	(39,471)	(44,784)	(42,856)	(49,017)	(42,354)
Net change in total OPEB liability	232,969	39,763	50,787	34,226	(62,777)	27,306	(133,553)	37,258
Total OPEB liability - beginning	825,358	785,595	734,808	700,582	763,359	736,053	869,606	832,348
Total OPEB liability - ending	$ 1,058,327	825,358	785,595	734,808	700,582	763,359	736,053	869,606
Fiduciary net position								
Employer contribution	32,796	41,023	40,498	39,548	94,874	294,937	356,139	356,139
Net investment income	93,443	39,197	(158,361)	206,935	51,504	56,504	18,539	18,539
Benefit payments	(32,711)	(40,929)	(40,421)	(39,471)	(44,784)	(42,856)	(49,017)	(49,017)
Administrative fees	(452)	(409)	(395)	(460)	(560)	(232)	(730)	(730)
Net change in fiduciary net position	93,076	38,882	(158,679)	206,552	101,034	308,353	324,931	324,931
Total fiduciary net position - beginning	1,139,503	1,100,621	1,259,300	1,052,748	951,714	643,361	318,430	318,430
Total fiduciary net position - ending	1,232,579	1,139,503	1,100,621	1,259,300	1,052,748	951,714	643,361	643,361
Net OPEB liability (asset)	(174,252)	(314,145)	(315,026)	(524,492)	(352,166)	(188,355)	92,692	226,245
Covered employee payroll	582,468	524,488	452,020	398,752	363,335	296,565	280,180	267,622
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	116.46%	138.06%	140.10%	171.38%	150.27%	124.67%	87.41%	73.98%
Net OPEB liability as a percentage of covered-employee payroll	-29.92%	-59.90%	-69.69%	-131.53%	-96.93%	-63.51%	33.08%	84.54%

Notes to the Schedule of Changes in the Net OPEB Liability and Related Ratios

In fiscal year 2025 and 2024, there were no changes in assumptions and changes in benefit terms.

In fiscal year 2023, change in assumptions include the change in the discount rate from 5.50% to 5.75%.

In fiscal year 2022, there are no changes in the discount rate and healthcare cost trend rates.

In fiscal year 2021, change in assumptions include inflation rate decreasing from 2.75 as of the June 30, 2019 measurement date to 2.50% as of the June 30, 2020 measurement date. There are no changes in the discount rate and healthcare cost trend rates.

In fiscal year 2020, change in assumptions include the change in the discount rate from 6.25% as of the June 30, 2018 measurement date to 5.50% as of June 30, 2020 measurement date; change in healthcare cost trend rates was assumed to start at 7.25% as of the June 30, 2018 measurement date to 6.75% as of the June 30, 2019 measurement date.

In fiscal year 2019, there are no changes in the discount rate and healthcare cost trend rates

* The District has presented information for those years for which information is available until a full 10- year trend is compiled.

Fern Valley Water District
Schedules of OPEB Plan Contributions
As of June 30, 2025
Last Ten Years*

Description		Fiscal Years Ended 6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Actuarially determined contribution	$	-	-	1,917	1,863	10,651	10,593	92,000	80,000
Contributions in relation to the actuarially determined contribution		33,985	32,796	(41,023)	(40,498)	(39,548)	(94,874)	(242,458)	(356,139)
Contribution deficiency(excess)	$	33,985	32,796	(39,106)	(38,635)	(28,897)	(84,281)	(150,458)	(276,139)
District's covered payroll	$	619,887	582,468	524,488	452,020	398,752	363,335	296,565	280,180
Contributions as a percentage of covered-employee payroll		-5.48%	-5.63%	7.82%	8.96%	9.92%	26.11%	81.76%	127.11%

Notes to the Schedule of OPEB Plan Contributions

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

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Report on Internal Controls and Compliance

Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on the Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Fern Valley Water District
Idyllwild, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fern Valley Water District (District), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 16, 2026.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on the Audits of Financial Statements Performed in Accordance with *Government Auditing Standards,* continued

Purpose of this Report

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

C.J. Brown & Company, CPAs
Cypress, California
July 16, 2026

Fern Valley Water District

Management Report

June 30, 2025

Fern Valley Water District

Management Report

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Board of Directors
Fern Valley Water District
Idyllwild, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Fern Valley Water District (District) as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

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

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

Current Year Comment and Recommendation

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America.

Current Year Comment and Recommendation, continued

Disclosure of Audit Adjustments and Reclassifications, continued

For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system as of June 30, 2025.

Prior Year Comment and Recommendation

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America.

For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system as of June 30, 2024.

* * * * * * * * * *

This communication is intended solely for the information and use of management, the Board of Directors, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

C.J. Brown & Company, CPAs
Cypress, California
July 16, 2026

APPENDIX

Fern Valley Water District

Audit/Finance Committee Letter

June 30, 2025

Board of Directors
Fern Valley Water District
Idyllwild, California

We have audited the financial statements of the governmental activities and each major fund of the Fern Valley Water District (District) for the year ended June 30, 2025, and have issued our report thereon dated July 16, 2026.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 16, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

If any, we have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated July 16, 2026.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that was prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

Required Risk Assessment Procedures per Auditing Standards

As auditors of the District, we are required per AU-C Section 240, “Consideration of Fraud in a Financial Statement Audit”, to “ordinarily” presume and consider the following risks in designing our audit procedures:

- Management override of controls
- Revenue recognition

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements, where the District adopted the provisions of GASB Statement No. 1, *Compensated Absences*. There have been no initial selection of accounting policies and no other changes in significant accounting policies or their application during 2025. No other matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments. The most sensitive accounting estimates affecting the financial statements are as follows:

Management’s estimate of the fair value of cash and investments which is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that they are reasonable in relation to the financial statements taken as a whole.

Management’s estimate of capital assets depreciation which is based on historical estimates of each capitalized item’s useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the net pension liability which is based on an actuarial valuation that was conducted by a third-party actuary. We evaluated the basis, methods, and assumptions used by the actuary, to calculate the net pension liability, pension expense, and deferred pension outflows/inflows in determining that they are reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the net other post-employment benefit (OPEB) liability is based on an actuarial valuation that was conducted by a third-party actuary. We evaluated the basis, methods, and assumptions used by the actuary in calculating the net OPEB liability, OPEB expense, and deferred OPEB outflows/inflows for the District to determine that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements which represents amounts susceptible to market fluctuations.

The disclosure of capital assets, net in Note 3 to the basic financial statements which is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the District's defined benefit pension plan in Note 5 to the basic financial statements which is based on actuarial assumptions.

The disclosure of the District's net OPEB liability in Note 6 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management:

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule on pages 5 and 6 presents the material journal entries that we identified as a result of our audit procedures and were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated July 16, 2026.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Schedules of the District's Proportionate Share of the Net Pension Liability, Schedules of Pension Plan Contributions Schedules of Changes in the Net OPEB Liability and Related Ratios, and Schedules of OPEB Plan Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Conclusion

We appreciate the cooperation extended us by Victor Jimenez, General Manager, and Jessica Priefer, Assistant General Manager in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

C.J. Brown & Company, CPAs
Cypress, California
July 16, 2026

Fern Valley Water District
Schedule of Adjusting and Reclassifying Journal Entries
June 30, 2025

Account	Description		Debit	Credit
Adjusting Journal Entries JE # 1				
To close out balances relating to Saunders Meadow to fiduciary fund per GASB 34.				
49-330	Saunders Meadow	$	22,638.80	
13-903	Spec assmt receivable-saunders			180.38
22-912	RECDS (SM) Loan			10,606.94
49-500	Non Operating Income			3,023.35
58-604	RECDS Interest			8,828.13
Adjusting Journal Entries JE # 2				
To reconcile beginning net position.				
30-300	Unappropriated Fund Balance		5,641.69	
49-500	Non Operating Income			5,641.69
Adjusting Journal Entries JE # 3				
To correct year end adjusting journal entry to properly state inventory balance.				
14-600	Inventory		42,017.12	
53-100	Operating Expenses-Inventory Ad			42,017.12
Adjusting Journal Entries JE # 4				
To correct cash balance and capital assets at year-end.				
17-920	Mobile Equipment		113,221.50	
13-100	Cash/Checking account			113,221.50
Adjusting Journal Entries JE # 5				
To adjust LAIF account to FMV at year-end.				
13-220	LAIF - Cash Reserves		1,467.72	
49-211	FMV Adjustment for Investments			1,467.72
Adjusting Journal Entries JE # 6				
To adjust prepaid expenses at year-end.				
14-300	Prepaids		2,482.50	
56-205	General Insurance Expense			2,482.50
Adjusting Journal Entries JE # 7				
To capitalize CIP additions placed in service during FY25.				
17-400	Trans & Distribution		238,156.00	
15-340	Pipeline	$		238,156.00

Fern Valley Water District
Schedule of Adjusting and Reclassifying Journal Entries, continued
June 30, 2025

Account	Description		Debit	Credit
Adjusting Journal Entries JE # 8				
To reclassify credit balances in AR to customer deposit account.				
13-710	Accounts Receivable	$	12,793.93	
23-000	Deposits from Customers			12,793.93
Adjusting Journal Entries JE # 9				
To adjust gain on sale on capital assets to its proper account.				
53-212	Gain (Loss) on Disposal of Asse		15,732.35	
18-200	Allow for Depr/Amor			15,732.35
Adjusting Journal Entries JE # 10				
To correct long outstanding debit balance in AP.				
30-300	Unappropriated Fund Balance		5,000.00	
22-200	Accounts Payable			5,000.00
Adjusting Journal Entries JE # 11				
To record net pension liability at year-end.				
19-500	Deferred Outflow of Resources		599,212.00	
22-950	Deferred Inflow of Resources		14,174.00	
22-940	Net Pension Liability			1,234.00
56-401	Retirement Benefits/Employer			612,152.00
Adjusting Journal Entries JE # 12				
To recognized net OPEB Liability at year-end.				
19-600	Deferred Outflows of ResrcsOPEB		121,567.00	
22-975	Deferred Inflows of Rsrcs OPEB		11,562.00	
56-451	OPEB Health Insurance		6,764.00	
22-914	Net OPEB Obligation	$		139,893.00

Fern Valley Water District

Independent Accountant's Report
Report on Agreed Upon Procedures

For the Fiscal Year Ended June 30, 2025

Fern Valley Water District
Independent Accountant's Report
Report on Agreed Upon Procedures
For the Fiscal Year Ended June 30, 2025

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Independent Accountant's Report on Applying Agreed Upon Procedures

Board of Directors
Fern Valley Water District
Idyllwild, CA

We have performed the procedures enumerated below to assess Fern Valley Water District's (District) Appropriations Limit worksheet are in compliance with Section 1.5 of Article XIII B of the California Constitution for the fiscal year ended June 30, 2025.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assessing District's compliance with Section 1.5 of Article XIII B of the California Constitution. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and findings are as follows:

1. *Procedure:* We obtained the completed documents by Article XIIIB, Government Spending Limitation, and determined that the limit and annual adjustment factors were adopted by resolution of the Board of Directors.

   Finding: The appropriations limit for fiscal year ended June 30, 2025 was adopted by the District's Board per Resolution No. 614 dated June 20, 2024. There were no exceptions noted as a result of our procedures.

2. *Procedure:* We compared the per capita personal income change and the population change factors from the Department of Finance letter dated May 2024, "Price Factor and Population Information".

   Finding: There were no exceptions noted as a result of our procedures.

3. *Procedure:* We recalculated the appropriations limit in the "Appropriations Limit Worksheet" schedule based on procedures no. 1 and 2 above.

   Finding: Based on our recalculation, it appears that the appropriations limit is reasonably computed.

We were engaged by the District to perform this agreed upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, or respectively, on the accompanying Appropriations Limit worksheet's compliance with Section 1.5 of Article XIII B of the California Constitution. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Independent Accountant's Report on Applying Agreed Upon Procedures, continued

We are required to be independent of the District and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed upon procedures engagement.

This report is intended solely for the information and use of specified users listed above and is not intended to be and should not be used by anyone other than those specified parties.

C.J. Brown & Company, CPAs
Cypress, California
July 16, 2026

Fern Valley Water District
Appropriations Limit Worksheet
For the Fiscal Year Ended June 30, 2025

		2024/2025
Per Capital Personal Income Change		3.62 %
Population Change		
County Population Growth		0.95 %
Factor: CPI Change Converted to a Ratio		1.0362
Factor: Population Change Converted to a Ratio		1.0095
Calculation of Growth Factor		1.0460
2023-2024 Appropriations Limit	$ 3,484,812	
2024-2025 Appropriations Limit ($3,484,112 x 1.0460)	$ 3,645,113	

FERN VALLEY WATER DISTRICT
WARRANTS FOR MONTH ENDING
June 2026

Num	Date	Name	Memo	Amount
ACH	06/02/2026	AUTHORIZE.NET	Credit card processing	30.80
28144	06/01/2026	FOREST LUMBER	Supplies	39.82
28145	06/01/2026	NAPA AUTO PARTS	Battery	218.88
28146	06/01/2026	UNDERGROUND SERVICE	Dig alert service	29.35
28147	06/01/2026	VILLAGE HARDWARE	Supplies	129.01
28148	06/09/2026	BEST, BEST & KRIEGER	Review and analyze agenda packet and CEQA	351.41
28149	06/09/2026	C.J. BROWN & COMPANY, CPAS	Audit services through May 2026	1,048.00
28150	06/09/2026	VERIZON WIRELESS	On call cell phone and IPads	299.93
28151	06/10/2026	CANON BUSINESS SOLUTIONS	Qrtrly maintenance & copy usage	162.47
28152	06/10/2026	COASTAL INSTRUMENTATION & TELEMETRY	Turbidity Meters installation	15,800.00
28153	06/15/2026	BABCOCK LABORATORIES, INC	May Sample testing	4,330.00
28154	06/15/2026	CR&R	June waste disposal	308.22
28155	06/15/2026	EDISON CO.	District facilities	2,372.12
28157	06/18/2026	CHRISTINE TEELING	6/18 Board Mtg	75.00
28158	06/18/2026	DAN DEVOY	6/18 Board Mtg	75.00
28159	06/18/2026	KEVIN SCOTT	6/18 Board Mtg	75.00
28160	06/18/2026	RICHARD JON BROWN	6/18 Board Mtg	75.00
28161	06/18/2026	LOCAL AGENCY INVESTMENT FUND	LAIF DEPOSIT	270,000.00
28162	06/18/2026	CHRISTINE PYO	6/18 Board Mtg	75.00
28163	06/18/2026	BANK OF AMERICA	Board meeting snacks, ChatGPT monthly subscription, Staff lunches, Office Expansion~Airless paint gun parts, paint, moulding	2,829.78
28164	06/18/2026	BANK OF AMERICA	Office supplies (coffee, trash bags, toilet paper), Stamps, Quickbooks upgrade, staff lunch, answering service, Spectrum (Office, Maintenance & Treatment Plant telephone and internet) and Treatment Plant paper towels	3,130.17
28165	06/24/2026	CURRY COPY	CCR Newlsetter	1,473.92
ACH	06/29/2026	BANK OF AMERICA	Generator purchase	8,000.00
28166	06/30/2026	SWRCB-DWOCP	Tony White Treatment license renewal	80.00
28167	06/30/2026	VERIZON WIRELESS	On call cell phone and IPads	299.93
28168	06/30/2026	WEX BANK	Chevron fuel	152.39
28169	06/30/2026	VILLAGE HARDWARE	Supplies	40.81
28170	06/30/2026	UNDERGROUND SERVICE	Dig alert service	22.90
28171	06/30/2026	FOSTER & FOSTER, INC	GASB 75 & 2024 Valuation report	10,500.00
28172	06/30/2026	FOREST LUMBER	Supplies	19.99
28173	06/30/2026	CALIFORNIA STEEL	Impact Building Kit-Maintenance facility~Balance	16,970.00
28175	06/30/2026	PHIL & SUZANNE WEATHERLY	Refund credit balance after escrow closed	112.06
28176	06/30/2026	CLARE CORCORAN	Refund credit balance after escrow closed	67.89
28177	06/30/2026	BARBARA J & DAVID LEE CUTTER	Refund credit balance after escrow closed	93.16
28178	06/30/2026	BEST, BEST & KRIEGER	Review and analyze agenda packet , audit documents, and CEQA	732.76
				340,020.77

FERN VALLEY WATER DISTRICT
WARRANTS FOR MONTH ENDING
June 2026

EMPLOYEE EXPENSES:

		PAYROLL		32,972.43
		PAYROLL TAXES		19,171.00
		CALIFORNIA PUBLIC EMPL RETIREMENT SYS	Retirement~June 2026	10,016.94
		CALPERS 457 PLAN	457 plan-June 2026	1,800.00
28139	06/01/2026	A WHITE	med/opt/dent	400.00
28140	06/01/2026	B QUEEN	med/opt/dent	400.00
28141	06/01/2026	C CLARK	med/opt/dent	400.00
28142	06/01/2026	J PRIEFER	med/opt/dent	400.00
28143	06/01/2026	V JIMENEZ	med/opt/dent	400.00
	06/10/2026	CALPERS HEALTH	June 2026 Health	8,870.46
28156	06/17/2026	UNUM LIFE INSURANCE CO OF AMERICA	Life/disability insurance	10.00
				74,840.83

JUNE WARRANTS 414,861.60

FERN VALLEY WATER DISTRICT
ASSETS/INVESTMENTS
JULY 9, 2026

		AMOUNT
CASH/CHECKING		27,772.95
LAIF	YLD 4.20%	1,642,148.97
MONEY MARKET/SAVINGS	YLD 0.03%	5,137.35
AS OF 6/11/26 - $ 1,790,823.11	CURRENT TOTAL	$1,675,059.27

OTHER POST EMPLOYEE BENEFITS (OPEB)~MEDICAL

OPEB LIABILITY (Balance as of 6/30/24)		$ 1,058,327.00
California Employers' Retiree Benefit Trust (CERBT) Balance as of 07/09/26	$ 1,547,121.16	
OPEB Funding Credit		$ (488,794.16)

RETIREMENT

Retirement Plans		$ 119,226.00
Payment from CEPPT		$ (115,000.00)
California Employers' Pension Plan Trust (CEPPT) Fund balance as of 07/9/26	$ 60,303.72	
Retirement unfunded liability balance		$ (56,077.72)

CREDIT CARD PAYMENTS CONVENIENCE FEE

June Credit Card Convenience Fees charged to District		$255.54
June Credit Card Fees Received from Customers	$239.03	
Assumed Cost by District		$16.51

FERN VALLEY WATER DISTRICT

June 1, 2026
BILLING COMPARISON
MAY/JUNE

CUSTOMERS	2025	2026	
No. Single Customers	1164	1165	
No. Multiple Customers	13	13	
Office/Lot 6 (unbilled meters)	2	2	
DSSC (Astro Camp)	2	2	
Total	**1181**	**1182**	
WATER CONSUMPTION (cu.ft.)			
Residential (single connection)	731,478	744,100	
Multiple Connection	98,147	108,413	
Total	**829,625**	**852,513**	**2.76%**
WATER SALES			
Residential	$ 56,489.76	$ 57,582.28	
Multiple	$ 12,692.01	$ 14,590.72	
Subtotal	**$ 69,181.77**	**$ 72,173.00**	**4.32%**
Service Charge	$ 91,936.18	$ 92,106.84	
Total	**$ 161,117.95**	**$ 164,279.84**	**1.96%**

OTHER STATISTICS ~ MAY/JUNE

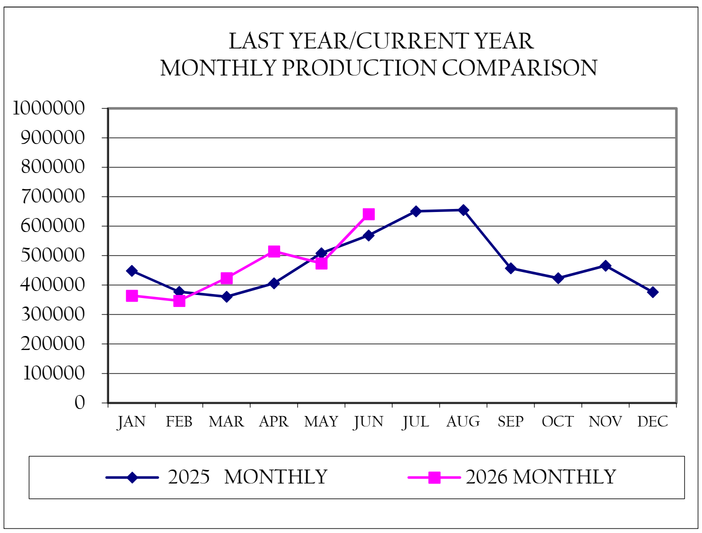
New Customers (Current Billing Period)	**-0-**	**-0-**
Adjusted Production	**1,003,380**	**1,009,868**
Unaccounted for Water (12 Month Running Average	**17.0%**	**16.1%**
Unaccounted for water (May/June 2026)	**17.3%**	**15.6%**

July 16, 2026

General Manager's Report
to the
Fern Valley Water District
Board of Directors

Monthly Production

June 2026	641,421 cu.ft.	(4,797,829 gallons)	23.8 %	Groundwater Production
June 2025	568,477 cu.ft.	(4,252,208 gallons)	6 %	Groundwater Production



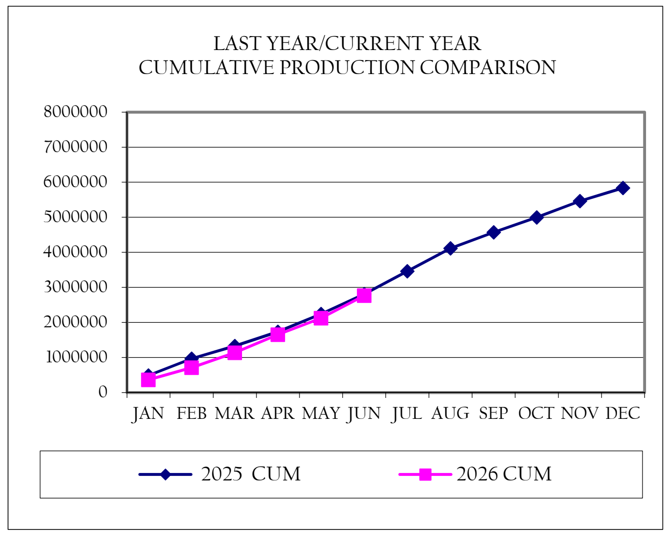


Chart below is a running fiscal year average; current year reflects averages from July 1, 2025 to date.
2015/16 depicts our worst year for surface water production while 2011/12 depicts our best year on record.

Year	Average Demand GPM	Groundwater Production GPM	SWTP Production GPM	Idyllwild Precipitation Inches/Fiscal Year
25/26	82	37	45	11.13
15/16	69	20	51	25.42
11/12	93	6	91	20.01

Moisture in inches		Snow in inches	
To date this season:	11.13 (estimated)	To date this season:	11(estimated)
To date last season:	1.94 (estimated)	To date last season:	17 (estimated)

WELL DATA SHOWING DEPTH TO WATER IN FEET															
WELL	OFFICE	1	2	3	4	4A	6	7	8	9	10	11	12	13	14
JUNE 2011 (BEST)	9.1	38.9	9.8	30.1	10.9	7.1	N/A	35.9	11	37.5	24.5	26.5	N/A	17.8	17.9
JUNE 2015 (WORST)	15.8	52.3	N/A	N/A	27.3	20.3	N/A	43.5	21.7	44.8	45.8	37.8	N/A	35.8	43.3
JUNE 2026	16.4	47.5	12.4	34.8	20.8	2.2	N/A	40.7	17.8	42.3	35.9	32.6	N/A	28.3	36.3
Monthly Change	-0.25	-0.33	-1.3	-1.7	-2.6	-2.2	N/A	-1	-2.6	-0.8	-2.8	-6.3	N/A	-2.3	-2.8

Current Production and Storage
Current demand is averaging approximately 115 gallons per minute. Tahquitz Creek is producing approximately 74 gpm and Strawberry Creek is producing approximately 16 gpm. Production has increased by approximately 13% from the same month last year.

Treated water storage is at 3.8 MG 88.25% of maximum capacity (4.29 MG), and raw water storage is at 2.32 MG, 99% of maximum capacity (2.34 MG).

Operations Report Ending June 9, 2026
In addition to routine system operation, Field Staff:

- performed vehicle & equipment maintenance
- performed intake maintenance on both intakes
- continued on office expansion as workload permitted
- abated district facilities

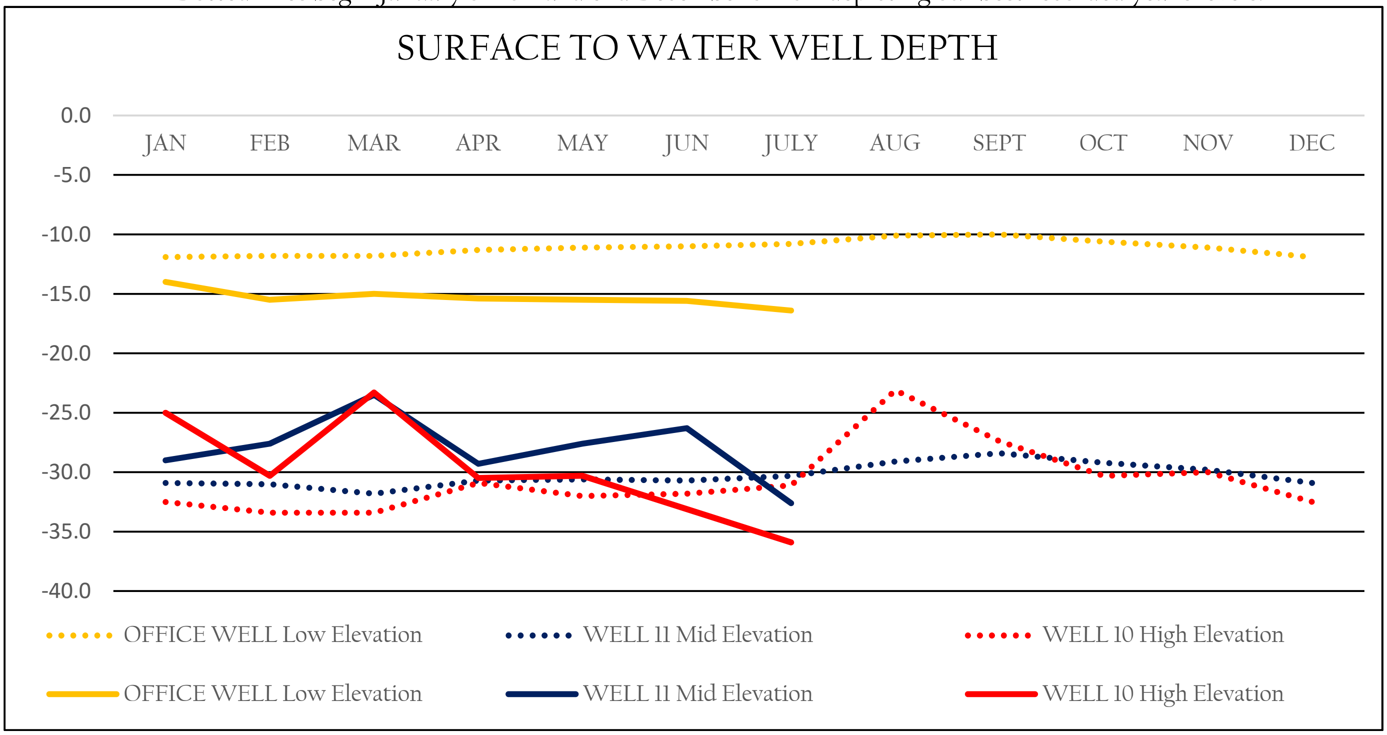
In addition to routine daily duties, Administrative Staff has kept busy:

- working on audit data
- working on rate study
- researching CIP equipment to purchase
- purchasing equipment
- meeting with Actuary regarding completed reports

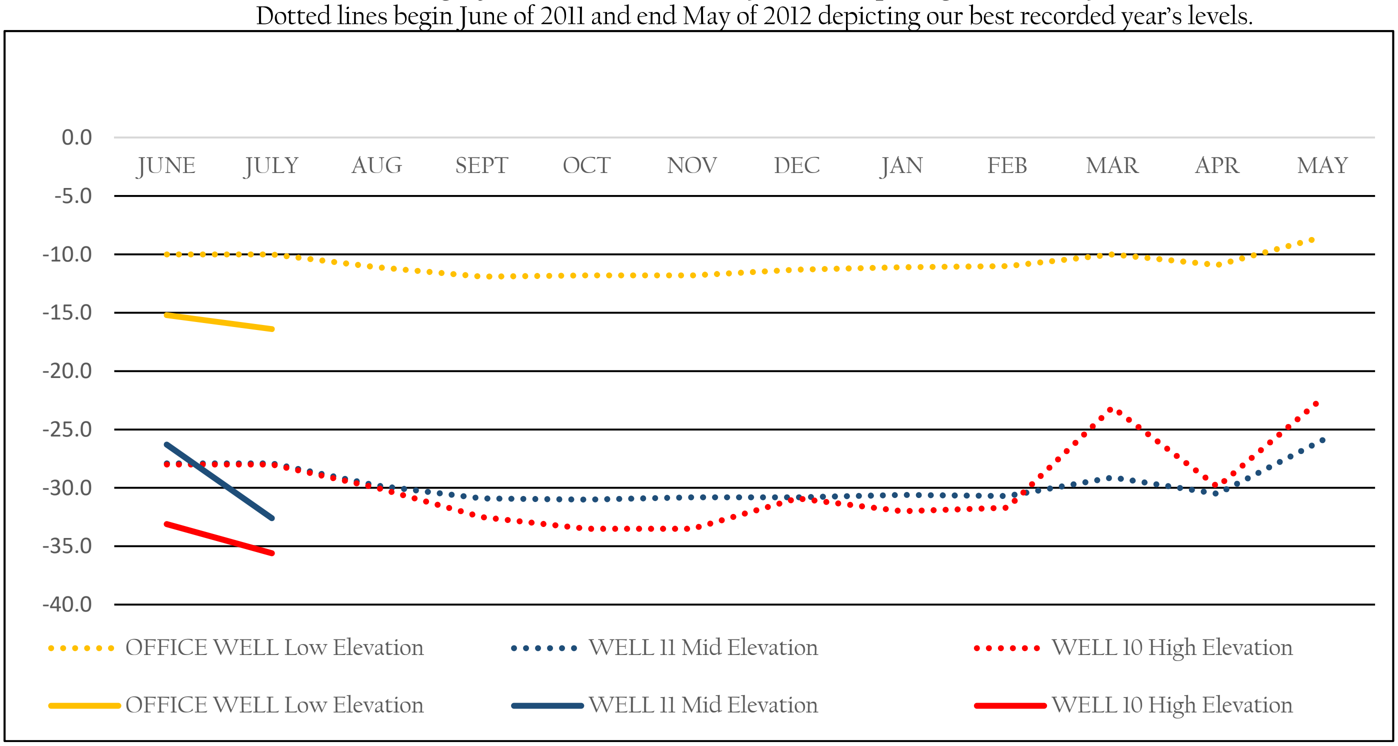
Office Expansion Update
The project has progressed well as workload permits. Trim has been completed and painting is near completion.

Well 7
Well 7 production became seriously reduced, so we had Wicker Water Well respond and pull it, to find that there were several substantial holes. We had them replace the pump, motor and drive, installing a VFD (variable speed drive) to allow us to regulate the flow as it is substantially more than it was. Initial testing is showing a flow of 40 gpm as opposed 18 gpm previously recorded.

Solid lines begin January of 2026 and end December of 2026 depicting our current year's levels.
Dotted lines begin January of 2011 and end December of 2011 depicting our best recorded year's levels.



Solid lines begin June of 2026 and end May of 2027 depicting our current year's levels.
Dotted lines begin June of 2011 and end May of 2012 depicting our best recorded year's levels.



July 16, 2026

Current Investment Options

1-3 Year CD's

TERM	BANK NAME	MATURITY DATE	CUSIP	YIELD TO MATURITY
1 YEAR	LIGHTHOUSE FCU	7/14/2027	53229WAK9	4.20%
1 YEAR	FLORIDA CREDIT UNION	7/22/2027	34061LAF5	4.00%
18 MONTH	WESTERN ALLIANCE BANK	1/21/2028	95763PJ36	4.20%
18 MONTH	ALLY BANK	1/18/2028	02007QDN8	4.15%
2 YEAR	BMW BANK	7/10/2028	05612LLF7	4.25%
2 YEAR	MORGAN STANLEY PVT BANK	7/17/2028	61781BEL2	4.25%
3 YEAR	SALLIE MAE BANK	7/16/2029	795451EX7	4.30%
3 YEAR	MORGAN STANLEY BANK NA	7/16/2029	61778EA35	4.35%