



Walnut Valley Water District
Walnut, California



Annual Comprehensive Financial Report

Fiscal Years Ended
June 30, 2025 and 2024



Our Mission Statement

“Dedicated to meeting the water supply needs of the communities we serve.”

Walnut Valley Water District Board of Directors as of June 30, 2025



Scarlett P. Kwong
President
2024-2028



Jerry Tang
1st Vice President
2024-2028



Henry Woo
2nd Vice President
2024-2028



Edwin M. Hilden
Assistant Treasurer
2022-2026



Theresa Lee
Director
2022-2026

District Management

Sheryl L. Shaw
General Manager
Chief Engineer
Secretary

James Ning
Director of Finance

Walnut Valley Water District
271 S Brea Canyon Road
Walnut, CA 91789
(909) 595-7554 | www.walnutvalleywater.gov



Annual Comprehensive Financial Report

**Fiscal Years Ended
June 30, 2025 and 2024**

*Prepared by:
Finance Department*

Walnut Valley Water District
271 S Brea Canyon Road
Walnut, CA 91789

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Introductory Section



WALNUT VALLEY WATER DISTRICT

271 SOUTH BREA CANYON ROAD • WALNUT, CALIFORNIA 91789-3002
(909) 595-7554 • FAX: (909) 444-5521
WALNUTVALLEYWATER.GOV

BOARD OF DIRECTORS

Scarlett P. Kwong
President
Election Division V

Jerry Tang
First Vice President
Election Division I

Henry Woo
Second Vice President
Election Division IV

Edwin M. Hilden
Assistant Treasurer
Election Division II

Theresa Lee
Director
Election Division III

STAFF

Sheryl L. Shaw, P.E.
General Manager
Chief Engineer
Secretary

Jared Macias
Assistant General Manager

Bertha Perez, P.E.
Director of Engineering

Lily Lopez
Director of External Affairs &
Sustainability

James Ning
Director of Finance

Alanna Diaz
Director of Administrative
Services

Thomas M. Monk
Director of Operations

Lucie Cazares, MPA
Executive Services
Administrator

LEGAL COUNSEL

James D. Ciampa

December 15, 2025

To the Honorable Board of Directors and Customers of Walnut Valley Water District:

It is our pleasure to submit Walnut Valley Water District's (WVWD or District) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. This report meets the requirements set forth by the Governmental Accounting Standards Board for an annual report prepared in accordance with accounting principles generally accepted in the United States and contains information to help readers gain a reasonable understanding of the District's financial position and activities.

The District is responsible for both the accuracy of the data and the completeness and fairness of its presentation, including all disclosures in this financial report. District staff certifies that the data presented in this report is accurate in all material respects.

Generally Accepted Accounting Principles (GAAP) require that District management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal complements the MD&A and should be read in conjunction with it.

The District's financial statements have been audited by C.J. Brown & Company, CPAs, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the District's financial statements for the fiscal year ended June 30, 2025, are free of material misstatement.

The independent audit is a test-based examination of the evidence supporting the District's financial statements, an assessment of the accounting principles used by District management, and an evaluation of the overall financial statement presentation. The auditor's report is included as the first component of the financial section of this report. Based on the report's findings, it is concluded that there is a reasonable basis for rendering an unmodified opinion for the fiscal year ended June 30, 2025, and that the District's financial statements are fairly presented in conformity with GAAP.

Sincerely,

Sheryl L. Shaw, P.E.
General Manager
Walnut Valley Water District



STRUCTURE AND LEADERSHIP PROFILE

Formed in 1952, Walnut Valley Water District (District), an independent special district, operates under the authority of Division 13 of the California Water Code. The District provides water service to customers in the City of Diamond Bar, portions of the cities of Industry, Pomona, Walnut, West Covina, and the easterly section of the unincorporated area of Rowland Heights. WVWD is governed by a five-member Board of Directors who are elected to overlapping four-year terms in even-numbered years. The District has five separate election divisions, each represented by a Director residing in and elected by the voters of the



division. The Board of Directors is responsible for setting District policy and establishing long-range goals and direction for the District to ensure that its operations continue to run efficiently and effectively, both today and in the decades to come. The District's Board of Directors meets on the third Monday of each month. Meetings are publicly noticed, and members of the public are encouraged to attend.

The Board of Directors oversees the appointment of the General Manager. As the Chief Executive Officer of the District, the General Manager is responsible for the District's daily operations and works with the Board of Directors to develop long-range plans for the betterment of the District. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The General Manager oversees and manages District staff, including up to 57 full-time employees. The District's General Manager is Sheryl L. Shaw, P.E. – who has served the District over a 20+ year career.





PEOPLE-FIRST CULTURE, PURPOSE-DRIVEN FINANCES

Walnut Valley Water District thrives on a “people-first, mission-always” culture that treats employees not as line items, but as the engine behind every smart, sustainable decision made. WVWD’s commitment to developing leaders, strengthening communication, and fostering a workplace where collaboration is second nature directly supports its financial stewardship. When teams are empowered, informed, and equipped to do their best work, the District avoids costly inefficiencies, reduces operational risks, and increases the value delivered to customers. Whether it’s optimizing water systems, improving customer service, advancing innovation, or preventing water loss with proactive programs, our workforce culture ensures that every dollar is used with intention. At WVWD, a strong organizational culture isn’t just good for employees, it’s a cornerstone of how we safeguard resources, protect ratepayer investment, and plan responsibly for the future.





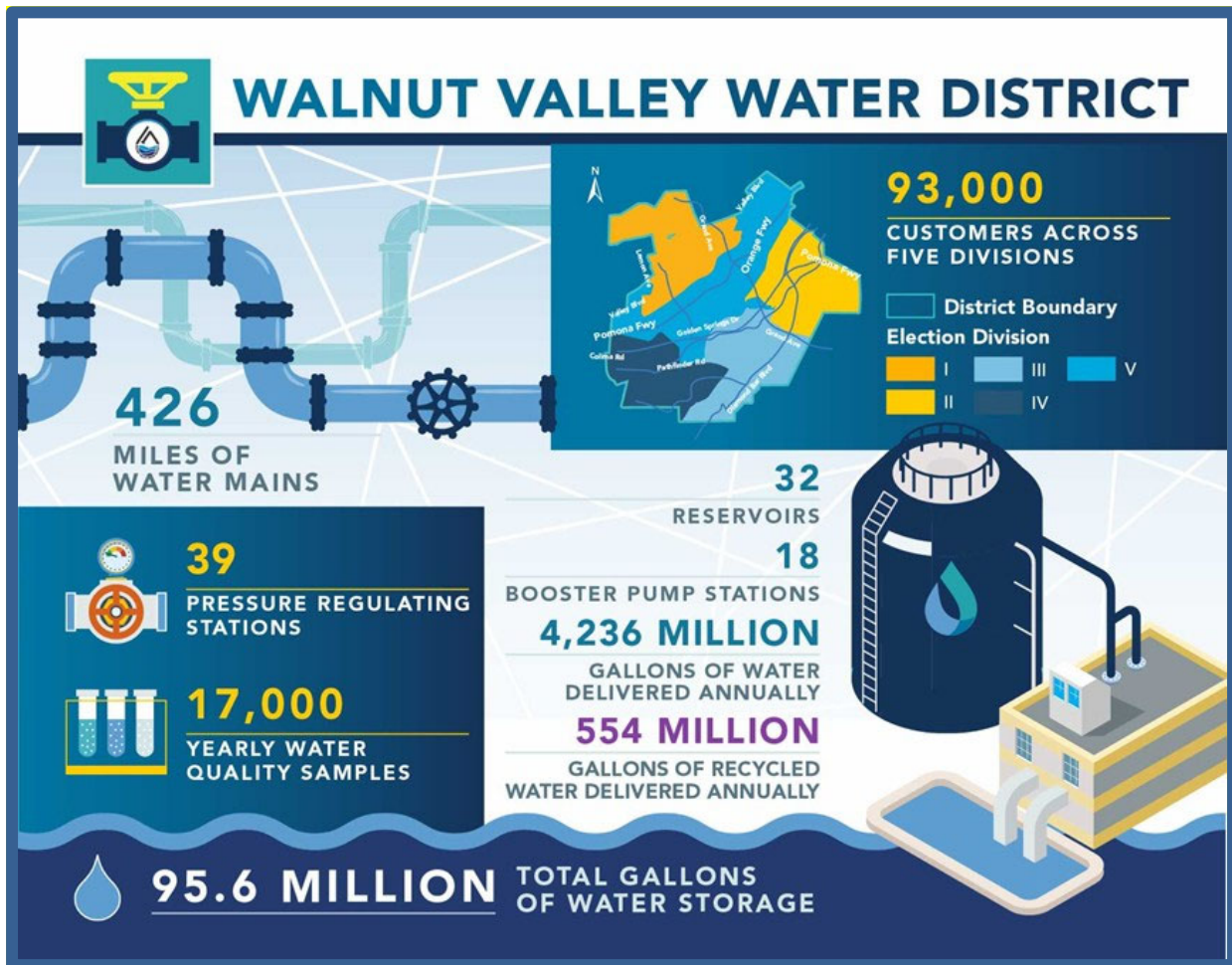
WATER SYSTEM OVERVIEW

The District is located about 20 miles east of Los Angeles in the San Gabriel Valley and encompasses an area of approximately 17,900 acres of land, comprising 29 square miles. The District serves a population of nearly 93,000 residents and currently provides service to over 28,000 residential, multi-family, commercial, and industrial connections.

With seven decades of service to the community, the District operates and maintains two large, imported water pipelines, 428 miles of distribution mains (ranging in size from 4 inches to 60 inches), 18 pump plants, and 32 reservoirs with a storage capacity of 95.6 million gallons of water. The District delivers an average of 4.5 billion gallons of water to its customers every year.

Recycled water, used for irrigation and to decrease reliance on imported water, is delivered through a separate distribution system comprised of approximately 42 miles of water mains, 5 production wells, 4 pump plants, and 4 reservoirs with a combined capacity of 7 million gallons.

The District’s entire service area is monitored by a supervisory control and data acquisition (SCADA) system that records reservoir levels, system pressures, and pump operations. The District owns and operates a 182-kilowatt hydroelectric generating station. The power generated by this station is sold to Southern California Edison.



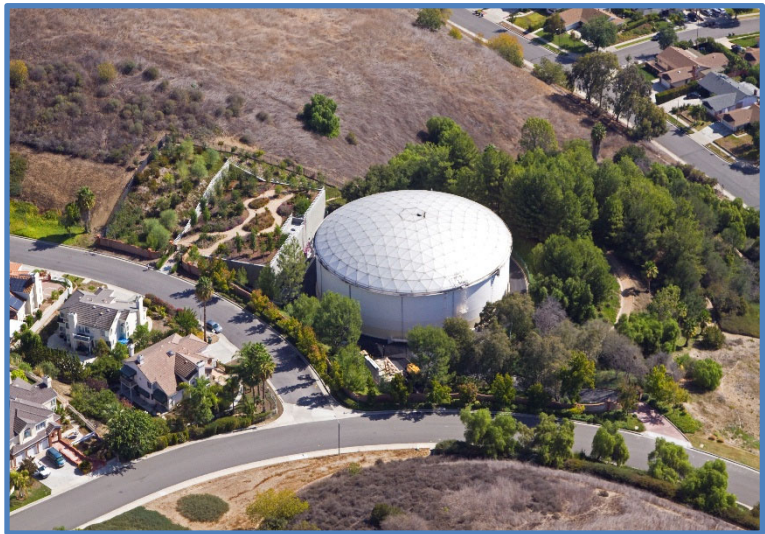


WATER SYSTEM OVERVIEW, continued

Potable Water Supply

Due to the limited availability of local groundwater sources, the District is almost 100% dependent on treated imported water obtained from the Metropolitan Water District of Southern California (MWD) through its member agency Three Valleys Municipal Water District (TVMWD). MWD's primary sources of water include imports from the Colorado River and the State Water Project. All the District's potable water is treated at either MWD's Weymouth Treatment Plant, or TVMWD's Miramar Treatment Plant. Annually the District purchases approximately 15,000 acre-feet of water from MWD/TVMWD.

Unlike other regional water districts, the District is unique in that it is nearly 100% reliant on imported water. Because of the demand and pressure placed on water systems throughout California, the District has invested in several water supply reliability projects to decrease our reliance on treated imported water. The District, along with Rowland Water District (RWD), through a joint powers agreement, formed the Puente Basin Water Agency (PBWA) in 1971. Through the PBWA, the Districts identified, and



have completed or are in the process of completing the La Habra Heights Pipeline Project, California Domestic Water Project, and the Pomona Basin Project. In total these projects are expected to provide the District up to 4,000-acre feet of water per annum, decreasing the District's dependence on treated imported water supplies, and enhancing overall water supply reliability.

- La Habra Heights Project (Completed) - The District in partnership with the Rowland Water District (RWD) entered into a project agreement to construct and operate the La Habra Heights County Water District Pipeline Project. The project is expected to yield up to 2,000-acre feet per year of potable water from the Central Basin. Water from the project is shared equally by the District and RWD.
- Cal Domestic Project/Pathfinder Pipeline Project (Completed) - The Walnut Valley Water District (WVWD) in partnership with the RWD has entered into a Water Production and Delivery agreement with the California Domestic Water Company for the delivery of up to approximately 5,000-acre feet per year of potable water from the Main San Gabriel Basin. Water produced from the project is dependent on the agencies purchasing and storing untreated imported water in the basin. Water produced will be shared by the District and RWD.
- Pomona Basin Project (Scheduled Completion 2026) - The Project involves the production of water from two groundwater wells in the Six Basins. Once completed, the project will provide approximately 1,800 acre-feet per year of local groundwater. Water produced from the project will be shared equally by the District and RWD.



WATER SYSTEM OVERVIEW, continued

Recycled Water Supply

The District operates a recycled water system that provides nearly two million gallons of water each day to irrigate landscape areas such as parks, medians, and school grounds. Investment in recycled water adds a low-cost water supply to our water portfolio and lessens our dependence on imported water. The District purchases recycled water from the Los Angeles County Sanitation District's Pomona Water Reclamation



Plant. These supplies are augmented by groundwater from the District's recycled water wells. Recently, the District purchased the North Side Line from the Los Angeles County Sanitation Districts, facilitating direct access to recycled water on the Upper Portion Pipeline from the Pomona Water Reclamation Plant to the City of Walnut.

This acquisition ensures a secure and reliable recycled water supply for Walnut Valley and neighboring areas. By integrating this new infrastructure, WVWD enhanced its capacity to meet increasing recycled water demands.

WATER RATES & CHARGES

The District prioritizes affordability and transparency through its rate-setting process. In 2024, the District developed and implemented a comprehensive water rates educational campaign that included print, digital, audio, and visual elements. The campaign came to life as "Let's Dive In," an invitation to all District customers and community members to learn about the operational, financial, and administrative structure of WVWD. The Let's Dive In campaign is supported by nearly a dozen educational videos, all of which are available on the District's website, Instagram, YouTube, and other social media platforms. These short-form videos discuss what water rates cover:

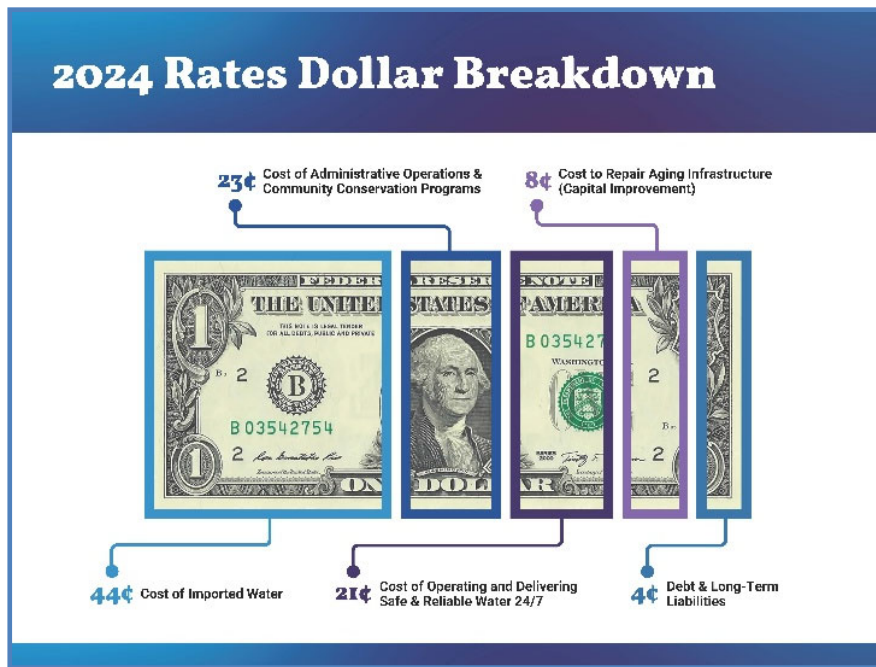
- Cost of Imported Water (nearly 50%)
- Cost of Administrative Programs & Community Conservation Programs
- Cost of Operating and Delivering Safe & Reliable Water 24/7
- Cost to Repair Aging Infrastructure (Capital Improvement Projects CIP)
- Debt & Long-Term Liabilities



WATER RATES & CHARGES, continued

The 2024 water rates process also included developing an updated rate study. This rate study establishes the rate structure under California Proposition 218 for the next five years. All board meetings and workshops are open to the public so they may learn about the District’s financial operations and provide input.

Water rates are user charges imposed on customers for services and are the District's major revenue source. Water rates include a monthly meter charge, commodity charge, pump zone charge, and fire protection charge.



ECONOMIC CONDITIONS AND OUTLOOK

The information in the financial statements is best understood when considered from the broader perspective of the specific environment in which the District operates.

Economy

The economy of Walnut Valley Water District continues to feel the impact of supply chain issues and inflation as of 2025. As a provider of essential water services, the District depends on a stable and efficient supply chain to maintain its infrastructure and deliver clean water to the community.



ECONOMIC CONDITIONS AND OUTLOOK, continued

Economy, continued

However, lingering disruptions from global trade tensions, the COVID-19 pandemic, and geopolitical conflicts have resulted in delays in receiving critical equipment and materials for maintenance and expansion projects. These delays have increased operational costs and have challenged the District's ability to consistently ensure a reliable water supply to its customers.



Inflationary pressures remain a significant concern for Walnut Valley Water District in 2025. Rising costs for essential goods and services—such as energy, labor, chemicals, and equipment—have driven up operational expenses, complicating the District's efforts to keep water rates affordable for residents. The sustained cost-of-living increases have forced the District to carefully prioritize essential projects and seek cost-effective solutions to maintain water quality and infrastructure while inflation continues to challenge the financial stability of the District.

In response to these challenges, Walnut Valley Water District has been proactive in exploring innovative solutions, including investing in sustainable practices and infrastructure upgrades to improve efficiency and reduce long-term operating costs. The District has also strengthened its resilience by entering into long-term contracts with key suppliers, increasing critical inventory, and collaborating with other local agencies through joint contracts. These measures are designed to mitigate the effects of inflation and supply chain disruptions while ensuring continued high-quality service to the community.

Industry Outlook

California continues to face challenges with decreasing water supply due to significantly dry conditions year after year. The hot and dry weather has not only contributed to a decrease in water supply but has also led to an increase in wildfires. However, in a dramatic shift, the Metropolitan Water District of Southern California (MWD) reported that California's Sierra Nevada Snowpack was measured at 96% of the April 1 average in 2025, a year when it is historically at its peak. Following the three driest years on record, severe storms have highlighted the unpredictable nature of California's changing climate and the new reality the water industry must navigate. While the storms provided temporary relief, they underscore the importance of long-term water management strategies.

Along with ongoing concerns about future drought conditions, the California Legislature enacted Assembly Bill 1668 and Senate Bill 606, which set increasingly stringent water use efficiency standards. Currently, residents must meet a standard of 55 gallons per person per day (GPCD) through December 31, 2024. Under Senate Bill 1157, this standard will decrease to 47 GPCD on January 1, 2025, and will further reduce to 42 GPCD by January 1, 2030.



ECONOMIC CONDITIONS AND OUTLOOK, continued

Water Use Efficiency

In response to Jerry Brown’s 2016 Executive Order and the subsequent passage of AB 1668 and SB 606 in 2018, California’s approach to urban water use shifted from reactive drought response to long-term efficiency planning. The regulation titled Making Conservation a California Way of Life, adopted by the State Water Resources Control Board in July 2024, sets a requirement for each urban retail water supplier to establish an “urban water use objective” (UWUO). This objective is a customized water-budget that includes: efficient indoor residential use, outdoor residential use, irrigation of commercial/industrial/institutional landscapes with dedicated meters, and real water losses.

As of January 1, 2025, WVWD is in compliance with the UWUO requirements and upcoming compliance that takes place on January 1, 2027.

In parallel with compliance deadlines, the broader framework anticipates refinements through 2040, with interim milestones and the ability to leverage bonus credits for potable reuse.

At WVWD, we have long maintained cost-effective efficiency programs and recently completed a comprehensive water-use-efficiency strategic plan that positions us to not only meet but exceed these evolving standards. We update that strategic plan regularly, integrating regulatory changes, data-driven insights and robust metrics so the District remains ahead of the curve and continues to safeguard both water supplies and ratepayer dollars.

Water Supply

California’s water supply continues to pose many new and complex challenges for water agencies throughout the state. The District has been an active participant and leader in addressing these concerns in recent years. Through coordination and planning with other local and regional water agencies, the District continues to engage in developing long-term solutions to the various water supply challenges, including drought resiliency efforts.

Because of above-average precipitation and runoff in recent seasons, the State Water Project (SWP) allocation for 2025 was raised to 50 % of requested supplies in the month of April 2025. This drastic increase prompted MWD to deliver as much water as possible into their and other agencies' storage. Facing the new reality of regularly occurring water shortages, MWD has also invested in the design of their Pure Water Southern California project, located adjacent to the Sanitation District’s Carson plant. This advanced water treatment facility would purify reclaimed water to drinking water standards and is estimated to produce 150 million gallons of drinking water per day. Although the District seeks to increase local water supplies, as evidenced by the District’s water supply reliability projects, it remains heavily dependent upon MWD for its potable water. MWD continues to experience increases in the cost of acquiring water and delivering water to its member agencies. As a result, MWD’s rate will increase from \$1,395 per acre-foot to \$1,528 per acre-foot on January 1, 2026, a 9.5% increase. Managing these costs and ensuring supply reliability remains a strategic focus of the District.



FISCAL MANAGEMENT & FINANCIAL POLICIES

Internal Control Structure

District management is responsible for the internal control structure established to protect its assets from theft or loss, ensure compliance with District policies, and allow for accurate and reliable financial statements. When establishing and implementing controls, management must consider the cost of the control and the value of the benefit derived. Management maintains only those controls for which value exceeds its costs.

Budgetary Control

The District’s Board of Directors annually adopts an operating budget and capital expenditure budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and controlling financial operations and accountability for the District’s enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Debt Administration

The District has two bonded indebtedness and additional obligations under separate agreements. Additional information regarding these issues can be found in the District’s audited financial statements and accompanying notes.

Description	Purpose
2021 Series A Water Revenue Bonds	Provided to finance certain capital facilities of the District.
2024 Series A Water Revenue Bonds	Provided to finance the construction of a new administration building as well as modifications of the District’s existing operations and maintenance building.

Investment Policy

The investment policy is adopted annually and provides guiding objectives of safety, liquidity, and yield. The policy lists, in detail, the investment types, percentage of each type, and rating of the investment type. It applies to all cash and investment assets of the District, except those held in a non-revocable trust.

Reserve Policy

The policy states the purpose, source, and minimum/maximum funding levels for each of its designated reserves. These reserves have been established to meet internal and/or external legal requirements. These policy guidelines enable restricting funds for further infrastructure needs, replacement of aging facilities, bond compliance, and mitigation of unexpected occurrences.



FISCAL MANAGEMENT & FINANCIAL POLICIES, continued

Audit and Financial Reporting

State law and District bylaws require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm: C.J. Brown & Company, CPAs, has conducted the audit of the District’s financial statements. Their unmodified Independent Auditor’s Report appears in the Financial Section.

Risk Management

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA). The purpose of the ACWA/JPIA is to arrange and administer risk management programs for the pooling of self-insured losses and the purchase of excess insurance and workers’ compensation coverage.

MAJOR INITIATIVES AND PROJECTS

Meter Replacement Program

The District’s Advanced Metering Infrastructure (AMI) project started in FY 2015/2016 and was completed in April of 2024. All of WVWD’s nearly 28,000 water meters are now automated “smart” meters. The goal of the project was to modernize infrastructure to increase water conservation through accurate and automated real-time meter readings that will further aid in leak detection and system loss reporting. AMI technology provides a link from the customer’s meter to the District, allowing almost near real-time monitoring to occur. The technology eliminates the need to manually read water meters therefore reducing District costs and environmental impacts by minimizing mileage driven by District vehicles. In addition, the AMI technology is integrated into the District’s customer portal which provides customers with their water usage on an hourly basis. This has become a key resource in the District’s water education outreach.



Capital Improvement Projects

The City of Industry and Diamond Bar have a joint project involving the widening of Grand Avenue, intersection improvements at Grand Avenue and Golden Springs Drive, and the relocation of the Diamond Bar Golf Course Tunnel. The District has facilities within the construction zone which required abandonment, relocation and reconnection. The project consists of the abandonment of approximately 80 linear feet of 12” domestic water main, 80 linear feet of 12” recycled water main, and 8” and 1 ½” recycled metered services; the installation of 6” and 2” recycled metered service; relocations of existing 6” fire service, fire hydrant, metered service, and 2 auto air/vac assemblies; and reconnection of approximately 80 linear feet of 12” domestic water main and 80 linear feet of 12” recycled water main. This Capital Improvement Project was completed in January 2024 and will ensure customers have a continuous water supply and reliability.



MAJOR INITIATIVES AND PROJECTS, continued

Capital Improvement Projects, continued

Developer Projects

The Industry Business Center (IBC) is a 552-acre development in the City of Industry, north of the Pomona Freeway (I-60) and extending east and west of Grand Avenue. Irrigation demands for the IBC are served with recycled water. The work included the installation of domestic and recycled water systems of pipelines, service meters, a 2.0 million-gallon (MG) circular steel recycled water reservoir, and a booster pump station to provide the required pressure. The 2.0 million-gallon (MG) circular steel reservoir measures 107 feet in diameter and 32 feet in height. The reservoir is equipped with a common inlet/outlet piping with a flex-ten expansion joint, overflow piping, an inlet-outlet drain, exterior spiral stairways, two manways, an aluminum dome roof with hatch and vent, electrical, and site improvements. The reservoir has increased recycled water storage capacity and system reliability to serve existing and future customers. Although the IBC development construction is ongoing, the booster pump station, the water system pipeline, and the reservoir were installed in April 2019, December 2019, and October 2022, respectively.

The Terraces at Walnut Tract No. 78210 is a developer project located in the City of Walnut on the North side of Valley Blvd., across from Faure Ave. The project includes the installation of domestic and recycled water distribution systems to serve the proposed residential and commercial development, which consists of 211 single-family homes, 79 single-family townhomes, and 3 commercial buildings. The District-designed water system facilities at that project consists of the installation of 1,241 linear feet of 12-inch water main, 7,253 linear feet of 8-inch water main, 289 linear feet of 6-inch main, 211 residential metered services, 20 fire hydrants, 4 fire services, 3 domestic metered services, 2 master meter assemblies, 2 blow-off assemblies, and 2 combination air/vacs.

This project is completed in 2025 and will provide water services and fire protection for the proposed residential units. The landscape will be irrigated with recycled water.



MAJOR INITIATIVES AND PROJECTS, continued

Water Use Efficiency Objectives

To help California achieve long-term water resilience, the State Water Resources Control Board has established Urban Water Use Objectives that set customized, standard-based water budgets for every retail water agency. These objectives are designed to support the state’s shifting natural water supply and emphasize efficient indoor and outdoor residential use, efficient irrigation of commercial/industrial/institutional landscapes with dedicated meters, and reductions in real water loss.

In anticipation of these requirements taking effect in 2026–2027, Walnut Valley Water District has expanded its suite of water-saving programs, tools, and educational initiatives to empower customers to make sustainable choices.

Efforts include:

- Enhanced customer service utilizing AI through the District’s website Chatbot
- Text and email leak alert notifications that are distributed to customers on a weekly basis
- Conservation messaging through social media platforms (Instagram, TikTok, YouTube, Twitter and Facebook).
- Musical parody videos utilizing pop trends to promote conservation messaging.
- Conservation messaging on District trucks and facilities
- Conservation messaging through e-newsletters, monthly bill inserts and snipes, flyers, fact sheets, and more.
- Conservation messaging at in-person community events via a conservation booth.
- Water use efficiency workshops, virtual and in-person, are offered in both English and Mandarin.
- Direct purchase programs for water savings devices (Flume and Rachio).
- A wide range of rebate programs, including premium high-efficiency toilets and urinals, sprinkler nozzles, weather-based irrigation controllers, pool covers, rain barrels, soil moisture sensors, and others.
- Turf removal incentives for both residential (\$3 per sq. ft.) and commercial customers (\$7 per sq. ft.) for sustainable landscape transformation.
- Landscape and garden design resources to support customer in creating water-wise outdoor spaces.





MAJOR INITIATIVES AND PROJECTS, continued

Public Education & Outreach

Walnut Valley Water District is deeply committed to excellence in communication, water awareness education, and community partnership. Over the last four years, the District has invested in collaborative programs that bring residents into the conversation about conservation and sustainability. Participants include the Asian American Pacific Islander (AAPI) community, homeowners, senior citizens, students, business owners, locally elected representatives, and parent associations across local schools.

High School Internship Program

As part of its long-standing commitment to education and workforce development, Walnut Valley Water District offers an immersive High School Internship Program designed to nurture the next generation of water leaders. This paid program provides students with hands-on exposure to the water industry, including water conservation, sustainability, communications, operations, engineering, and customer service.

Interns gain real-world experience through job shadowing, field demonstrations, interactive workshops, and a capstone project that often incorporates water-use efficiency concepts. By giving students meaningful opportunities to explore career pathways in water, the program strengthens community awareness, builds a future-ready workforce, and inspires young people to become advocates for sustainable water use, right here in the WVWD service area.



OTHER REFERENCES

Detailed information is contained in the *Management's Discussion and Analysis* and the *Notes to the Basic Financial Statements* found in the Financial Section of this report.



AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to WVWD for its ACFR for the fiscal year ended June 30, 2024. This was the fifth year that WVWD has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS



The combined efforts of District staff accomplished the preparation of this report. We appreciate the dedicated efforts and professionalism that our staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of Walnut Valley Water District’s fiscal policies.

Respectfully submitted,

Sheryl L. Shaw, P.E.
General Manager

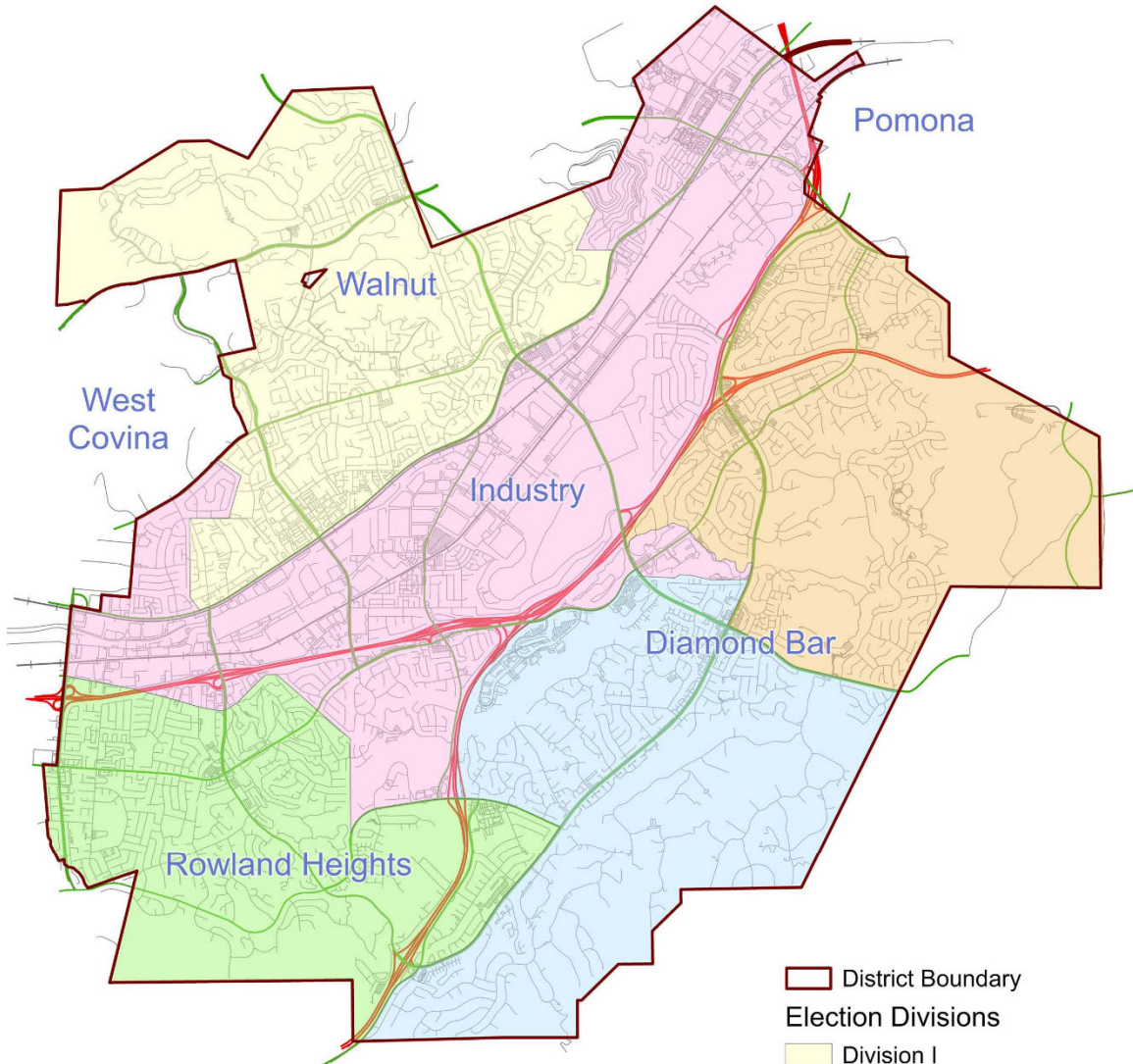
James Ning
Director of Finance







Walnut Valley Water District Organizational Chart

As of June 30, 2025



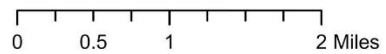
Walnut Valley Water District District Service Area



-  District Boundary
- Election Divisions**
-  Division I
-  Division II
-  Division III
-  Division IV
-  Division V



**Walnut Valley Water District
Board Election Divisions**





Government Finance Officers Association

Certificate of
Achievement
for Excellence
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Reporting

Presented to

**Walnut Valley Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

Financial Section



C.J. Brown & Company CPAs

An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
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Riverside, California 92507
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Independent Auditor's Report

Board of Directors
Walnut Valley Water District
Walnut, California

Report on the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; 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 our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 controls 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.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits 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 audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 22 through 31 and the required supplementary information on pages 82 through 85 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section on pages 1 through 15, and statistical section on pages 86 through 99, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025, 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 100 and 101.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs

Cypress, California
December 15, 2025

Walnut 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 Walnut 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 transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2025, the District's net position increased 1.39% or \$2,112,824 to \$154,613,121, primarily due to \$1,075,470 in capital contributions and \$1,037,354 from ongoing operations. In fiscal year 2024, the District's net position increased 1.07% or \$1,620,700 to \$152,500,297, primarily due to \$3,701,886 in capital contributions offset by a decrease of \$2,081,186 from ongoing operations.
- Total revenues increased 19.56% or \$8,266,013 to \$50,526,592. In fiscal year 2024, total revenues increased 0.61% or \$257,483 to \$42,260,579.
- Operating revenues increased 18.71% or \$7,222,386 to \$45,830,200. In fiscal year 2024, operating revenues decreased 2.68% or \$1,061,956 to \$38,607,814.
- Non-operating revenues increased 28.57% or \$1,043,627 to \$4,696,392. In fiscal year 2024, non-operating revenues increased 56.55% or \$1,319,439 to \$3,652,765.
- Total expenses including depreciation increased by 11.61% or \$5,147,473 to \$49,489,238. In fiscal year 2024, total expenses including depreciation increased by 11.50% or \$4,573,415 to \$44,341,765.
- Operating expenses before depreciation increased 11.66% or \$4,379,292 to \$41,936,708. In fiscal year 2024, operating expenses before depreciation increased 13.55% or \$4,482,680 to \$37,557,416.
- Depreciation and amortization expense decreased 0.26% or \$15,381 to \$5,861,223. In fiscal year 2024, depreciation and amortization expense increased 2.26% or \$130,088 to \$5,876,604.
- Non-operating expenses increased 86.32% or \$783,562 to \$1,691,307. In fiscal year 2024, non-operating expenses decreased 4.16% or \$39,353 to \$907,745.
- Capital contributions from developers and others decreased 70.95% or \$2,626,416 to \$1,075,470. In fiscal year 2024, capital contributions from developers and others decreased 6.88% or \$273,546 to \$3,701,886.

Required Financial Statements

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

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

Required Financial Statements

The Statements 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 current year's revenues and expenses are accounted for in the Statements 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 fiscal stability and credit worthiness. The final required financial statement is the Statements of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statements of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides 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 Statements of Net Position and the Statements 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 of resources, liabilities, and deferred inflows of resources 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 of resources, less liabilities plus deferred inflows of resources – as a 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 and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 37 through 81.

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

Statements of Net Position

Condensed Statements of Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>2023</u>	<u>Change</u>
Assets:					
Current assets	\$ 50,848,878	58,239,536	(7,390,658)	25,559,891	32,679,645
Non-current assets	43,589,008	46,341,250	(2,752,242)	51,443,159	(5,101,909)
Capital assets, net	132,948,632	119,090,254	13,858,378	114,437,216	4,653,038
Total assets	<u>227,386,518</u>	<u>223,671,040</u>	<u>3,715,478</u>	<u>191,440,266</u>	<u>32,230,774</u>
Deferred outflows of resources	<u>9,219,611</u>	<u>13,082,659</u>	<u>(3,863,048)</u>	<u>14,732,624</u>	<u>(1,649,965)</u>
Liabilities:					
Current liabilities	14,410,358	12,127,468	2,282,890	13,767,418	(1,639,950)
Non-current liabilities	64,066,465	67,679,852	(3,613,387)	37,739,077	29,940,775
Total liabilities	<u>78,476,823</u>	<u>79,807,320</u>	<u>(1,330,497)</u>	<u>51,506,495</u>	<u>28,300,825</u>
Deferred inflows of resources:	<u>3,516,185</u>	<u>4,446,082</u>	<u>(929,897)</u>	<u>3,786,798</u>	<u>659,284</u>
Net position:					
Net investment in capital assets	85,819,390	104,246,051	(18,426,661)	98,999,367	5,246,684
Restricted	26,343,496	26,336,279	7,217	26,475,019	(138,740)
Unrestricted	42,450,235	21,917,967	20,532,268	25,405,211	(3,487,244)
Total net position	<u>\$ 154,613,121</u>	<u>152,500,297</u>	<u>2,112,824</u>	<u>150,879,597</u>	<u>1,620,700</u>

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 of the District exceeded liabilities and deferred inflows of the District by \$154,613,121 and \$152,500,297 as of June 30, 2025 and 2024, respectively.

Compared to the prior year, net position increased 1.39% or \$2,112,824 to \$154,613,121, primarily due to \$1,075,470 in capital contributions and \$1,037,354 from ongoing operations. In fiscal year 2023, the District's net position increased 1.07% or \$1,620,700 to \$152,500,297, primarily due to \$3,701,886 in capital contributions offset by a decrease of \$2,081,186 from ongoing operations. The District's total net position is made-up of three components: (1) net investment in capital assets, (2) restricted net position and (2) unrestricted net position.

By far the largest portion of the District's net position (56% and 68% as of June 30, 2025 and 2024, respectively) reflects its investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets still outstanding. 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.

Restricted net position represents assets restricted for use by statutory requirements or contractual agreements. At the end of fiscal years 2025 and 2024, the District showed a positive balance in its unrestricted net position of \$42,450,235 and \$21,916,575, respectively, which may be utilized in future years.

The Board of Directors has taken action to reserve aspects of the unrestricted net position for specified purposes such as asset replacement, growth accommodation, and emergency reserves.

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

Statements of Net Position, continued

The District has committed to the following funds and objectives:

- Replacement Reserve – Established for the funding of the replacement of capital assets when they reach the end of their useful lives.
- Capital Improvement Reserve – Established for the funding of new capital assets necessary to improve or maintain the District's water infrastructure.
- Project Reserve – Established to fund components of Regional Water Supply Projects or District Headquarters that were not funded from bond proceeds.
- Badillo Grand Catastrophic Insurance Reserve – Established to provide self-insurance for the funding emergency repair and maintenance of the Badillo Grand Line.
- Rate Stabilization Reserve – Established for the purpose of avoiding rate fluctuations in water rates. In addition, the reserve can be withdrawn to meet its bond covenant.
- Stored Water Reserve – Established for the purpose of obtaining stored water to purchase untreated imported water necessary to operate Water Supply Reliability Projects.
- Operating Fund Reserve – Established to provide essential services in cases where normal cash flows are interrupted.
- Employee Liabilities Fund Reserve – Established to accumulate funds for repayment of employee legacy liabilities such as pension benefits or other post-employment benefits.

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

Statements of Revenues, Expenses, and Changes in Net Position

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

	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>2023</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 45,830,200	38,607,814	7,222,386	39,669,770	(1,061,956)
Non-operating revenues	4,696,392	3,652,765	1,043,627	2,333,326	1,319,439
Total revenues	<u>50,526,592</u>	<u>42,260,579</u>	<u>8,266,013</u>	<u>42,003,096</u>	<u>257,483</u>
Expenses:					
Operating expenses	41,936,708	37,557,416	4,379,292	33,074,736	4,482,680
Depreciation and amortization	5,861,223	5,876,604	(15,381)	5,746,516	130,088
Non-operating expenses	1,691,307	907,745	783,562	947,098	(39,353)
Total expenses	<u>49,489,238</u>	<u>44,341,765</u>	<u>5,147,473</u>	<u>39,768,350</u>	<u>4,573,415</u>
Net income (loss) before capital contributions	1,037,354	(2,081,186)	3,118,540	2,234,746	(4,315,932)
Capital contributions	<u>1,075,470</u>	<u>3,701,886</u>	<u>(2,626,416)</u>	<u>3,975,432</u>	<u>(273,546)</u>
Changes in net position	2,112,824	1,620,700	492,124	6,210,178	(4,589,478)
Net position, beginning of year	<u>152,500,297</u>	<u>150,879,597</u>	<u>1,620,700</u>	<u>144,669,419</u>	<u>6,210,178</u>
Net position, end of year	<u>\$ 154,613,121</u>	<u>152,500,297</u>	<u>2,112,824</u>	<u>150,879,597</u>	<u>1,620,700</u>

The statements of revenues, expenses, and changes in net position show how the District's net position changed during the fiscal years. In the case of the District, the District's net position increased 1.39% or \$2,112,824 to \$154,613,121, primarily due to \$1,075,470 in capital contributions and \$1,037,354 from ongoing operations. In fiscal year 2024, the District's net position increased 1.07% or \$1,620,700 to \$152,500,297, that included \$3,701,886 in capital contributions offset by a decrease of \$2,081,186 from ongoing operations.

Financial Analysis for Fiscal Year 2025

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

In 2025, the District's total revenues increased 19.56% or \$8,266,013 to \$50,526,592. The District's operating revenues increased 18.71% or \$7,222,386 to \$45,830,200, primarily due to increases of \$4,355,237 in water sales, \$2,053,706 in meter charges, \$854,761 in recycled water sales, \$51,834 in standby charges, offset by a decrease of \$117,610 in other water charges as compared to the previous year.

In 2025, the District's non-operating revenues increased 28.57% or \$1,043,627 to \$4,696,392 primarily due to increases of \$1,165,086 in investment earnings, net of fair value and \$81,929 in property tax revenue, offset by a decrease of \$187,998 in rental income from cellular site leases as compared to the previous year.

In 2025, the District's total expenses including depreciation increased by 11.61% or \$5,147,473 to \$49,489,238. The District's operating expenses before depreciation increased 11.66% or \$4,379,292 to \$41,936,708, primarily due to increases of \$3,488,115 in source of supply, \$367,590 in consumer accounts, \$249,447 in general and administrative, and \$230,186 in transmission and distribution expenses as compared to the previous year.

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

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

Financial Analysis for Fiscal Year 2025, continued

In 2025, the District's depreciation and amortization expense decreased 0.26% or \$15,381 to \$5,861,223, due to the ongoing maturation of existing depreciable assets.

In 2025, the District's non-operating expenses increased 86.32% or \$783,562 to \$1,691,307, due to an increase of \$1,177,464 in interest expense related to long-term debt primarily due to the 2024 Series A Water Revenue bonds, offset by decreases of \$235,803 in cost of issuance of debt related to the 2024 Series A Water Refunding bond issuance, \$145,667 in share of joint venture loss as compared to the previous year.

In 2025, the District's capital contributions from developers and others decreased 70.95% or \$2,626,416 to \$1,075,470, primarily due to decreases of \$2,481,105 in contributed capital from developers and \$120,252 in State and local capital grants compared to the previous year.

Financial Analysis for Fiscal Year 2024

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

In 2024, the District's total revenues increased 0.61% or \$257,483 to \$42,260,579. The District's operating revenues decreased 2.68% or \$1,061,956 to \$38,607,814, primarily due to a decrease of \$1,591,955 in water sales, offset by increases of \$400,960 in meter charges, \$106,847 in recycled water sales, and \$41,287 in other water charges as compared to the previous year.

In 2024, the District's non-operating revenues increased 56.55% or \$1,319,439 to \$3,652,765 primarily due to increases of \$1,451,264 in investment earnings, net of fair value and \$153,881 in other non-operating income offset by a decrease of \$242,938 in share of joint venture income as compared to the previous year.

In 2024, the District's total expenses including depreciation increased by 11.50% or \$4,573,415 to \$44,341,765. The District's operating expenses before depreciation increased 13.55% or \$4,482,680 to \$37,557,416, due to increases of \$3,145,467 in transmission and distribution, \$1,738,193 in general and administrative, \$599,811 in consumer accounts, \$497,374 in pumping, which were offset by decreases of \$1,402,855 in source of supply and \$95,310 in operating expenses capitalized during the construction period as compared to the previous year.

In 2024, the District's depreciation and amortization expense increased 2.26% or \$130,088 to \$5,876,604, due to the addition on depreciable assets in the prior year and the ongoing maturation of existing depreciable assets.

In 2024, the District's non-operating expenses decreased 4.16% or \$39,353 to \$907,745, due to a decrease of \$653,838 in loss on disposition of assets, offset by increases of \$267,573 in share of joint venture loss, \$244,453 in cost of issuance of debt related to the 2024 Series A Water Refunding bond issuance, and \$102,459 in interest expense related to long-term debt primarily due to the 2021 Series A Water Revenue bonds as compared to the previous year.

In 2024, the District's capital contributions from developers and others decreased 6.88% or \$273,546 to \$3,701,886, primarily due to decreases of \$241,809 in capacity and supply charges and \$37,782 in contributed capital from developers as compared to the previous year.

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

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

Total District Revenues

	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>2023</u>	<u>Change</u>
Operating revenues:					
Water sales	\$ 29,686,262	25,331,025	4,355,237	26,922,980	(1,591,955)
Meter charges	11,820,253	9,766,547	2,053,706	9,365,587	400,960
Recycled water sales	2,627,581	1,772,820	854,761	1,665,973	106,847
Standby charges	790,486	738,652	51,834	761,611	(22,959)
Hydroelectric sales	50,193	25,735	24,458	21,871	3,864
Other water charges	855,425	973,035	(117,610)	931,748	41,287
Total operating revenues	<u>45,830,200</u>	<u>38,607,814</u>	<u>7,222,386</u>	<u>39,669,770</u>	<u>(1,061,956)</u>
Non-operating revenues:					
Property taxes	1,446,293	1,364,364	81,929	1,378,819	(14,455)
Rental income – cellular site leases	18,873	206,871	(187,998)	212,628	(5,757)
Interest earnings – leases	26,439	51,143	(24,704)	73,699	(22,556)
Investment earnings, net	2,892,149	1,727,063	1,165,086	275,799	1,451,264
Share of joint venture income	-	-	-	242,938	(242,938)
Gain on disposition of capital assets	29,571	-	29,571	-	-
Other non-operating income	283,067	303,324	(20,257)	149,443	153,881
Total non-operating revenues	<u>4,696,392</u>	<u>3,652,765</u>	<u>1,043,627</u>	<u>2,333,326</u>	<u>1,319,439</u>
Total revenues	<u>\$ 50,526,592</u>	<u>42,260,579</u>	<u>8,266,013</u>	<u>42,003,096</u>	<u>257,483</u>

In 2025, total District revenues increased \$8,266,013 to \$50,526,592 as compared to the prior year.

In 2024, total District revenues increased \$257,483 to \$42,260,579 as compared to the prior year.

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

Total District Expenses

	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>2023</u>	<u>Change</u>
Operating expenses including depreciation expense:					
Source of supply	\$ 23,311,940	19,823,825	3,488,115	21,226,680	(1,402,855)
Pumping	2,237,322	2,226,259	11,063	1,728,885	497,374
Transmission and distribution	7,767,935	7,537,749	230,186	4,392,282	3,145,467
Consumer accounts	2,460,721	2,093,131	367,590	1,493,320	599,811
General and administrative	7,084,822	6,835,375	249,447	5,097,182	1,738,193
Operating expenses capitalized during construction period	(926,032)	(958,923)	32,891	(863,613)	(95,310)
Depreciation and amortization	5,861,223	5,876,604	(15,381)	5,746,516	130,088
Total operating expenses including depreciation and amortization expense	<u>47,797,931</u>	<u>43,434,020</u>	<u>4,363,911</u>	<u>38,821,252</u>	<u>4,612,768</u>
Non-operating expenses:					
Share of joint venture loss	121,906	267,573	(145,667)	-	267,573
Loss on disposition of capital assets	-	12,432	(12,432)	666,270	(653,838)
Interest expense – long-term debt	1,560,751	383,287	1,177,464	280,828	102,459
Bond issuance costs	8,650	244,453	(235,803)	-	244,453
Total non-operating expenses	<u>1,691,307</u>	<u>907,745</u>	<u>783,562</u>	<u>947,098</u>	<u>(39,353)</u>
Total expenses	<u>\$ 49,489,238</u>	<u>44,341,765</u>	<u>5,147,473</u>	<u>39,768,350</u>	<u>4,573,415</u>

In 2025, total District expenses increased \$5,147,473 to \$49,489,238 as compared to the prior year.

In 2024, total District expenses increased \$4,573,415 to \$44,341,765 as compared to the prior year.

Capital Asset Administration

Changes in capital assets for 2025 were as follows:

	<u>Balance</u>		<u>Transfers/</u>	<u>Balance</u>
	<u>2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>2025</u>
Capital assets:				
Non-depreciable assets	\$ 19,168,423	19,629,462	(6,891,400)	31,906,485
Depreciable and Amortizable assets	235,941,244	7,004,832	(214,358)	242,731,718
Accumulated depreciation and amortization	(136,019,413)	(5,861,223)	191,065	(141,689,571)
Total capital assets, net	<u>\$ 119,090,254</u>	<u>20,773,071</u>	<u>(6,914,693)</u>	<u>132,948,632</u>

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

Capital Asset Administration, continued

At the end of fiscal year 2025, the District's investment in capital assets amounted to \$132,948,632 (net of accumulated depreciation and amortization). This investment in capital assets includes terminal storage, pumping equipment, transmission and distribution systems, PWR capacity, hydroelectric system, recycled water system, general plant, subscription leases and an equipment lease. Major capital asset additions during the year include the acquisition of pumping equipment, transmission and distribution systems, recycled water systems, and general plant assets. Major capital asset transfers sourced from terminal storage, for the purpose of merging the terminal storage asset category into transmission and distribution. See Note 5 to the basic financial statements for further detailed information on the District's capital assets.

Changes in capital assets for 2024 were as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2024</u>
Capital assets:				
Non-depreciable assets	\$ 13,471,856	10,449,009	(4,752,442)	19,168,423
Depreciable and Amortizable assets	231,271,458	4,845,507	(175,721)	235,941,244
Accumulated depreciation and amortization	<u>(130,306,098)</u>	<u>(5,876,604)</u>	<u>163,289</u>	<u>(136,019,413)</u>
Total capital assets, net	<u>\$ 114,437,216</u>	<u>9,417,912</u>	<u>(4,764,874)</u>	<u>119,090,254</u>

At the end of fiscal year 2024, the District's investment in capital assets amounted to \$119,090,254 (net of accumulated depreciation and amortization). This investment in capital assets includes terminal storage, pumping equipment, transmission and distribution systems, PWR capacity, hydroelectric system, recycled water system, general plant, subscription leases and an equipment lease. Major capital asset additions during the year include the acquisition of pumping equipment, transmission and distribution systems, recycled water systems, and general plant assets. Major capital asset transfers sourced from terminal storage, for the purpose of merging the terminal storage asset category into transmission and distribution. See Note 5 to the basic financial statements for further detailed information on the District's capital assets.

Debt Administration

Changes in long-term debt amounts for 2025 were as follows:

	<u>Balance 2024</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2025</u>
Long-term debt:				
Subscriptions payable	\$ 94,203	113,999	(56,291)	151,911
Bonds payable	<u>48,016,792</u>	<u>-</u>	<u>(1,039,461)</u>	<u>46,977,331</u>
Total long-term debt	48,110,995	<u>113,999</u>	<u>(1,095,752)</u>	47,129,242
Less: current portion	<u>(996,577)</u>			<u>(1,522,386)</u>
Non-current portion	<u>\$ 47,114,418</u>			<u>45,606,856</u>

In 2025, long-term debt increased by \$113,999 in subscription leases payable, offset by decreases of \$56,291 in scheduled subscription payments and \$1,039,461 in scheduled bond payments. See further detailed information in Note 7.

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

Debt Administration, continued

Changes in long-term debt amounts for 2024 were as follows:

	<u>Balance</u> <u>2023</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance</u> <u>2024</u>
Long-term debt:				
Subscriptions payable	\$ 57,849	93,557	(57,203)	94,203
Bonds payable	<u>15,380,000</u>	<u>33,266,793</u>	<u>(630,001)</u>	<u>48,016,792</u>
Total long-term debt	15,437,849	<u>33,360,350</u>	<u>(687,204)</u>	48,110,995
Less: current portion	<u>(667,189)</u>			<u>(996,577)</u>
Non-current portion	<u>\$ 14,770,660</u>			<u>47,114,418</u>

In 2024, long-term debt increased by \$93,557 in leases payable and \$33,266,793 in bonds payable due to the issuance of the 2024 Series A bonds, offset by decreases of \$57,203 in scheduled subscription payments and \$630,001 in scheduled bond payments. See further detailed information in Note 7.

Conditions Affecting Current Financial Position

Management is unaware of any 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 periods.

Requests for Information

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability 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 General Manager, Sheryl Shaw at Walnut Valley Water District at 271 South Brea Canyon Road, Walnut, California 91789 or (909) 595-7554.

Basic Financial Statements

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

	2025	2024
Current assets:		
Cash and cash equivalents (note 2)	\$ 8,388,658	7,133,962
Restricted – cash and cash equivalents (note 2)	23,623,528	34,585,967
Investments (note 2)	10,135,314	7,935,202
Restricted – investments (note 2)	905,762	1,520,158
Accrued interest receivable	198,569	182,433
Restricted – accrued interest receivable	55,612	13,708
Accounts receivable – water sales and services	5,192,776	4,467,162
Accounts receivable – other	258,542	351,330
Leases receivable (note 4)	75,712	165,589
Property tax receivable	116,984	98,514
Prepaid expenses	406,766	405,836
Inventory – materials and supplies	1,490,655	1,379,675
Total current assets	50,848,878	58,239,536
Non-current assets:		
Investments (note 2)	15,031,809	16,190,304
Restricted – Investments (note 2)	4,609,557	5,677,749
Restricted – Investment in joint ventures (note 3)	23,413,627	23,412,235
Leases receivable (note 4)	534,015	1,060,962
Capital assets – not being depreciated (note 5)	31,906,485	19,168,423
Capital assets – being depreciated, net (note 5)	101,042,147	99,921,831
Total non-current assets	176,537,640	165,431,504
Total assets	227,386,518	223,671,040
Deferred outflows of resources:		
Deferred OPEB outflows (note 8)	3,547,347	4,873,104
Deferred pension outflows (note 9)	5,672,264	8,209,555
Total deferred outflows of resources	\$ 9,219,611	13,082,659

Continued on next page

See accompanying notes to the basic financial statements.

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

	2025	2024
Current liabilities:		
Accounts payable and accrued expenses	\$ 9,058,977	5,576,921
Accrued payroll and employee benefits	281,277	156,904
Customer and developer deposits	2,202,884	2,085,383
Construction advances	694,528	2,628,032
Unearned revenue	251,761	310,696
Accrued interest payable	143,132	126,279
Long-term liabilities – due in one year:		
Compensated absences (note 6)	255,413	246,676
Subscriptions payable (note 7)	62,386	41,577
Bonds payable (note 7)	1,460,000	955,000
	14,410,358	12,127,468
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 6)	766,239	740,028
Subscriptions payable (note 7)	89,525	52,626
Bonds payable (note 7)	45,517,331	47,061,792
Net OPEB liability (note 8)	1,856,776	2,630,411
Net pension liability (note 9)	15,836,594	17,194,995
	64,066,465	67,679,852
	78,476,823	79,807,320
Deferred inflows of resources:		
Deferred lease inflows (note 4)	480,224	951,694
Deferred OPEB inflows (note 8)	1,668,541	2,124,488
Deferred pension inflows (note 9)	1,367,420	1,369,900
	3,516,185	4,446,082
Net position: (note 10)		
Net investment in capital assets	85,819,390	104,246,051
Restricted:		
Reservoir capacity charge	658,767	754,939
Acreage supply charge	457,985	448,016
Investment in joint venture – PBWA	22,944,545	22,932,690
Investment in joint venture – Spadra	469,082	479,545
Badillo Grand surcharge	278,436	294,404
Water supply charge	1,267,517	1,239,313
Capacity charge	267,164	187,372
Unrestricted	42,450,235	21,917,967
	154,613,121	152,500,297

See accompanying notes to the basic financial statements.

Walnut 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	\$ 29,686,262	25,331,025
Meter charges	11,820,253	9,766,547
Recycled water sales	2,627,581	1,772,820
Standby charges	790,486	738,652
Hydroelectric sales	50,193	25,735
Other water charges	855,425	973,035
Total operating revenues	45,830,200	38,607,814
Operating expenses:		
Source of supply	23,311,940	19,823,825
Pumping	2,237,322	2,226,259
Transmission and distribution	7,767,935	7,537,749
Consumer accounts	2,460,721	2,093,131
General and administrative	7,084,822	6,835,375
Operating expenses capitalized during construction period	(926,032)	(958,923)
Total operating expenses	41,936,708	37,557,416
Operating income before depreciation and amortization expense	3,893,492	1,050,398
Depreciation and amortization expense	(5,861,223)	(5,876,604)
Operating loss	(1,967,731)	(4,826,206)
Non-operating revenue(expense):		
Property taxes	1,446,293	1,364,364
Rental income – cellular site leases	18,873	206,871
Interest earnings – leases	26,439	51,143
Investment earnings, net of fair value	2,892,149	1,727,063
Share of joint venture loss	(121,906)	(267,573)
Gain (Loss) on disposition of capital assets	29,571	(12,432)
Interest expense – long-term debt	(1,560,751)	(383,287)
Cost of issuance of debt	(8,650)	(244,453)
Other non-operating income	283,067	303,324
Total non-operating revenue, net	3,005,085	2,745,020
Net income(loss) before capital contributions	1,037,354	(2,081,186)
Capital contributions:		
Developers and others	1,000,639	3,481,744
Capacity and supply charges	74,831	99,890
Capital grants – state and local	-	120,252
Total capital contributions	1,075,470	3,701,886
Change in net position	2,112,824	1,620,700
Net position, beginning of the year	152,500,297	150,879,597
Net position, end of year	\$ 154,613,121	152,500,297

See accompanying notes to the basic financial statements.

Walnut 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 for sales and services	\$ 45,539,007	38,859,898
Cash paid to vendors and suppliers	(29,693,777)	(29,527,992)
Cash paid to employees for salaries and wages	(7,440,879)	(7,037,390)
Net cash provided by operating activities	8,404,351	2,294,516
Cash flows from non-capital financing activities:		
Proceeds from property taxes	1,427,823	1,403,942
Payments to joint ventures	(123,298)	(890,142)
Net cash provided by non-capital financing activities	1,304,525	513,800
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(19,742,894)	(10,542,567)
Proceeds from capital contributions	858,034	944,485
Proceeds from principal issued on long-term debt	113,999	33,360,350
Payment of loan issuance costs	(8,650)	(244,453)
Principal paid on bonds payable and leases payable	(1,095,752)	(687,204)
Interest paid on bonds payable and leases payable	(1,543,898)	(280,125)
Net cash (used in)provided by capital and related financing activities	(21,419,161)	22,550,486
Cash flows from investing activities:		
Interest and investment earnings, net of fair value	2,834,109	1,748,922
Purchase of securities	(4,500,000)	(2,150,000)
Proceeds from sale of securities	3,032,736	5,562,825
Principal received from leases receivable	635,697	816,849
Net cash provided by investing activities	2,002,542	5,978,596
Net (decrease) increase in cash and cash equivalents	(9,707,743)	31,337,398
Cash and cash equivalents, beginning of year	41,719,929	10,382,531
Cash and cash equivalents, end of year	\$ 32,012,186	41,719,929
Reconciliation of cash and cash equivalents to statement of net position:		
	2025	2024
Cash and cash equivalents	\$ 8,388,658	7,133,962
Cash and cash equivalents – restricted	23,623,528	34,585,967
Total cash and cash equivalents	\$ 32,012,186	41,719,929

Continued on next page

See accompanying notes to the basic financial statements.

Walnut 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 provided by operating activities:		
Operating loss	\$ (1,967,731)	(4,826,206)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	5,861,223	5,876,604
Other non-operating income	283,067	303,324
Change in assets, deferred outflows, liabilities, and deferred inflows:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services	(725,614)	(1,022,585)
Accounts receivable – other	92,788	991,020
Prepaid expenses and other deposits	(930)	(15,641)
Materials and supplies inventory	(110,980)	(143,365)
(Increase)Decrease in deferred outflows of resources:		
Deferred OPEB outflows	1,325,757	711,928
Deferred pension outflows	2,537,291	938,037
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	3,482,056	728,159
Accrued payroll and employee benefits	124,373	(69)
Deposits for work-orders	117,501	62,773
Unearned revenues	(58,935)	(82,448)
Compensated absences	34,948	(94,055)
Net OPEB liability	(773,635)	(1,445,357)
Net pension liability	(1,358,401)	(887,085)
Increase(Decrease) in deferred inflows of resources:		
Deferred OPEB inflows	(455,947)	1,059,866
Deferred pension inflows	(2,480)	139,616
Total adjustments	10,372,082	7,120,722
Net cash provided by operating activities	\$ 8,404,351	2,294,516
Non-cash investing, capital, and financing transaction:		
Changes in fair value of investments	\$ 1,019,359	844,238

See accompanying notes to the basic financial statements.

Walnut Valley Water District
Notes to the Basic Financial Statements
For Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Walnut Valley Water District (District) is an independent special district formed in July 1952, which operates under the authority of Division 12 of the California Water Code. The District's service area includes the communities of Diamond Bar, portion of the cities of Walnut, Industry, West Covina and Pomona, as well as the easterly unincorporated area of Rowland Heights. The District is governed by a five-member Board of Directors who serve overlapping four-year terms in even-numbered years.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Complete financial statements for the Walnut Valley Water District are available at the District's office or upon request of the District's Director of Finance, James Ning at Walnut Valley Water District at 271 South Brea Canyon Road, Walnut, California 91789.

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 customers on a continuing basis be 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 along with 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 value. 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. Non-operating revenues and expenses, such as grant funding, investment income, and interest expense, result from non-exchange transactions, in which the District gives (receives) value without directly receiving (giving) value in exchange.

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.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

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

C. Financial Reporting, continued

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

Governmental Accounting Standards Board Statement No. 101

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. 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.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. See Note 1.D.13 and Note 6 for the impact of this note on the financial statements due to implementation in the current fiscal year.

Governmental Accounting Standards Board Statement No. 102

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.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

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

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, deferred inflows of resources, and disclosures of contingent assets and liabilities 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.

For purposes of the statement of cash flows, cash and cash equivalents have been defined as demand deposits, money market mutual funds, and external cash management pools (local agency investment fund).

3. Investments and Investment Policy

The District has adopted an investment policy directing the Treasurer to deposit and invest funds in financial institutions in accordance with California Government Code section 53600. The investment policy applies to all financial assets and investment activities of the District.

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. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

5. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as capital projects or debt service. These assets are for the benefit of a specified purpose and, as such, are legally or contractually restricted by an external third-party agreement.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

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

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

6. Accounts Receivable and Allowance for doubtful accounts

The District extends credit to customers in the normal course of operations. Management evaluates all accounts receivable, and if determined that they are uncollectable, the District uses the allowance method for the reservation and write-off of those accounts.

7. Lease Receivable / Payable

Leases receivable / payable are measured at the present value of payments expected to be received during the lease term.

8. Materials and Supplies Inventory

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

9. 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.

10. Property Taxes

The County of Los Angeles Assessor's Office assesses all real and personal property within the County each year. The County of Los Angeles Tax Collector's Office bills and collects the District's share of property taxes. The County of Los Angeles 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.

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

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

11. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value rather than fair 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.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

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

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

11. Capital Assets, continued

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

Wells	30 years
Terminal storage	30 years
Telemetry SCADA equipment	20 years
Pumping, transmission facilities and meters	20 – 60 years
PWR capacity	75 years
Recycled water system	30 years
General structures	30 years
Office equipment/GIS	5 – 7 years
Vehicles and equipment	7 years
Master plan	7 years

Leased right-to-use assets are amortized on a straight-line basis over the life of the lease.

12. Deferred Outflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents an acquisition of resources applicable to future periods and, therefore, will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net OPEB liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the OPEB plans fiduciary net position. This amount is amortized over a 5-year period.

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

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

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

12. Deferred Outflows of Resources, continued

Pensions

- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5-year period.
- Deferred outflow for the net difference in actual and proportionate share of employer contribution and net changes in proportion which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

13. Compensated Absences

The District's policy is to permit employees to accumulate a limited amount of earned vacation and sick leave. Accumulated vacation time is accrued at year-end to account for the District's obligation to the employees for the amount owed.

The District has adopted the provisions of *GASB Statement No. 101*. 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. The District has determined that the accrued vested sick liability meets the provisions, as reported above, of *GASB Statement No. 101* for reporting. Therefore, a liability for the vested and accrued value of sick leave that will be settled in the future by employees as time off is included in the liability for compensated absences.

14. 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 Plans' 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 timeframes are used:

- Valuation Date: June 30, 2023
- Measurement Dates: June 30, 2024 and 2023
- Measurement Periods: July 1, 2023 to June 30, 2024 and July 1, 2022 to June 30, 2023

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

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

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

15. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, 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.

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

- Valuation Dates: June 30, 2023 and 2022
- Measurement Dates: June 30, 2024 and 2023
- Measurement Period: July 1, 2023 to June 30, 2024 and July 1, 2022 to June 30, 2023

16. Premium on Issued Debt

Premiums received on issued debt are amortized over the life of the respective debt service.

17. Deferred Inflows of Resources

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, deferred inflows of resources, represents an acquisition of resources applicable to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan.

Pensions

- Deferred inflow for the net changes due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

18. Water Sales

Water sales are billed on a monthly basis. Estimated unbilled water revenue through June 30 has been accrued at year-end.

19. Overhead Absorption

Certain operating expenses are allocated to capital assets using management's allocation of manpower and services estimates that are directly related to the construction of capital assets.

20. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

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

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

21. Net Position

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

- *Net Investment in Capital Assets Component of Net Position*– This component of net position 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 is included in this component of net position
- *Restricted Component of Net Position* – This component of net position 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 Component of Net Position* – This component of net position is 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 component of net position.

22. Budgetary Policies

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

(2) Cash and Investments

Cash and investments as of June 30 are classified in the Statements of Net Position as follows:

	2025	2024
Cash and cash equivalents	\$ 8,388,658	7,133,962
Restricted – cash and cash equivalents	23,623,528	34,585,967
Total cash and cash equivalents	32,012,186	41,719,929
Investments	10,135,314	7,935,202
Restricted – investments	905,762	1,520,158
Investments non-current	15,031,809	16,190,304
Restricted – Investments non-current	4,609,557	5,677,749
Total investments	30,682,442	31,323,413
Total cash and investments	\$ 62,694,628	73,043,342

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Investments, continued

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

	2025	2024
Cash and investments		
Cash on hand	\$ 2,342	3,000
Deposits with financial institutions	5,803,037	4,691,712
Investments	56,889,249	68,348,630
Total cash and investments	\$ 62,694,628	73,043,342

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio *	Maximum Investment in One Issuer
State and Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years**	None	None
U.S. Agency Securities	5 years**	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Non-negotiable Certificates of Deposit	1 year	30%	None
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Repurchase agreements	1 year	20%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Supranational Obligations	N/A	30%	None
County Pooled Investment Funds	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

* Excluding amounts held by bond trustee that are not subject to California Government Code.

** Except when authorized by the District's legislative body in accordance with Government Code Section 53601

N/A – Not Applicable

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Investments, continued

Investments Authorized by Debt Agreements, continued

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio *</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	None	None	None
Investment Agreements	None	None	None
Local Agency Obligations	None	None	None
Non-negotiable Certificates of Deposit	None	None	None
Negotiable Certificates of Deposit	None	None	None
Medium-Term Notes	3 years	None	None
Repurchase agreements	30 days	None	None
Money Market Mutual Funds	None	None	None
Asset Backed Securities	5 years	None	None
Mortgage Backed Securities	5 years	20%	None
California Local Agency Investment Fund (LAIF)	None	None	None

Investment in State Investment Pool and Joint Powers Authority

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. The District also has investments with the California Cooperative Liquid Assets Securities System (CLASS), which is a joint powers authority that provides for high-quality, short- to medium-term investments in carefully selected securities with prompt access to funds as needed by the District.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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).

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Investments, continued

Custodial Credit Risk, continued

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), and, the District's investment policy that requires no more than two-thirds of the District's deposits in a depository shall be collateralized by mortgage-backed securities, with the remainder to be secured by non-mortgage-backed securities.

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. 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. Of the District's bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. 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.

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. 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. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Investments, continued

Interest Rate Risk, continued

Investment maturities as of June 30, 2025, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
California Local Agency Investment Fund \$	2,901,155	2,901,155	-	-
California Cooperative Liquid Assets				
Securities System (CLASS)	2,040,141	2,040,141	-	-
Certificates-of-deposit	238,799	-	238,799	-
United States Government Sponsored				
Agency Securities	3,543,320	2,299,550	-	1,243,770
United States Treasury notes	14,752,159	3,803,851	4,507,826	6,440,482
Corporate obligations	7,599,169	388,680	2,370,151	4,840,338
Supranational obligations	1,079,771	1,079,771	-	-
Equities	1,429,083	1,429,083	-	-
Held by Bond Trustee:				
Cash with fiscal agent (PBWA Bond Rev)	23,305,652	23,305,652	-	-
Total	\$ 56,889,249	37,247,883	7,116,776	12,524,590

Investment maturities as of June 30, 2024, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
California Local Agency Investment Fund \$	2,758,488	2,758,488	-	-
Certificates-of-deposit	703,356	474,958	-	228,398
United States Government Sponsored				
Agency Securities	6,624,837	3,212,356	2,194,426	1,218,055
United States Treasury notes	13,573,664	3,139,301	3,629,014	6,805,349
Corporate obligations	7,917,604	1,156,080	370,460	6,391,064
Supranational obligations	1,031,287	-	1,031,287	-
Equities	1,472,665	1,472,665	-	-
Held by Bond Trustee:				
Money market mutual fund	1,244,389	1,244,389	-	-
Cash with fiscal agent (PBWA Bond Rev)	33,022,340	33,022,340	-	-
Total	\$ 68,348,630	46,480,577	7,225,187	14,642,866

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Investments, continued

Credit Risk

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

Per the District’s investment policy, credit risk is mitigated by investing in safe securities, and diversifying the investment portfolio so the failure of one issuer would not materially affect the District’s cash flow. Presented below is the minimum rating required by (where applicable) the California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2025, were as follows:

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Amount</u>	<u>Exempt from Disclosure</u>	<u>Rating as of year-end</u>	
				<u>AAAm/A-1+ AA/AA+/AA-</u>	<u>A-1/A+/ A/A-</u>
California Local Agency Investment Fund	N/A	\$ 2,901,155	2,901,155	-	-
California Cooperative Liquid Assets Securities System (CLASS)	N/A	2,040,141	2,040,141	-	-
Certificates-of-deposit	N/A	238,799	238,799	-	-
Money market mutual funds	Aaa	23,305,652	-	23,305,652	-
United States Government Sponsored Agency Securities	N/A	3,543,320	-	3,543,320	-
United States Treasury notes	N/A	14,752,159	14,752,159	-	-
Corporate obligations	A	7,599,169	-	1,815,233	5,783,936
Supranational obligations	AA	1,079,771	-	1,079,771	-
Equities	AA	1,429,083	1,429,083	-	-
Total		\$ 56,889,249	21,361,337	29,743,976	5,783,936

Credit ratings of investments as of June 30, 2024, were as follows:

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Amount</u>	<u>Exempt from Disclosure</u>	<u>Rating as of year-end</u>	
				<u>AAAm/A-1+ AA/AA+/AA-</u>	<u>A-1/A+/ A/A-</u>
California Local Agency Investment Fund	N/A	\$ 2,758,488	2,758,488	-	-
Certificates-of-deposit	N/A	703,356	703,356	-	-
Money market mutual funds	Aaa	34,266,729	-	34,266,729	-
United States Government Sponsored Agency Securities	N/A	6,624,837	-	6,624,837	-
United States Treasury notes	N/A	13,573,664	13,573,664	-	-
Corporate obligations	A	7,917,604	-	887,496	7,030,108
Supranational obligations	AA	1,031,287	-	1,031,287	-
Equities	AA	1,472,665	1,472,665	-	-
Total		\$ 68,348,630	18,508,173	42,810,349	7,030,108

Concentration of Credit Risk

The District’s investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District’s deposit portfolio with governmental agencies, LAIF, is 5% and 4% as of June 30, 2025 and 2024, respectively, of the District’s total depository and investment portfolio.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Investments, continued

Concentration of Credit Risk, continued

There were no instruments in any one issuer that represent 5% or more of the District's investments as of June 30, 2025 and 2024, respectively (excluding external investment pools and debt explicitly guaranteed by the U.S. government).

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

<u>Description</u>	<u>June 30,</u> <u>2025</u>	<u>Fair Value Measurement at Reporting Date using:</u>		
		<u>Quoted Prices in</u> <u>Active Markets</u> <u>for Identical Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Certificates-of-deposit	\$ 238,799	-	238,799	-
United States Government Sponsored				
Agency securities	3,543,320	-	3,543,320	-
United States Treasury notes	14,752,159	14,752,159	-	-
Corporate obligations	7,599,169	-	7,599,169	-
Supranational obligations	1,079,771	-	1,079,771	-
Equities	1,429,083	-	1,429,083	-
	<u>28,642,301</u>	<u>14,752,159</u>	<u>13,890,142</u>	<u>-</u>
Investments not subject to fair value hierarchy:				
Local Agency Investment Fund	2,901,155			
California Cooperative Liquid Assets				
Securities System (CLASS)	2,040,141			
Money market mutual funds	<u>23,305,652</u>			
Total	<u>\$ 56,889,249</u>			

The District has the following recurring fair value measurements as of June 30, 2025:

- Certificates-of-deposit of \$238,799 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Governmental Sponsored Agency securities of \$3,543,320 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Treasury securities of \$14,752,159 are valued using quoted market prices (Level 1 inputs).
- Corporate obligations of \$7,599,169 are valued using a matrix pricing model (Level 2 inputs).
- Supranational obligations of \$1,079,771 are valued using a matrix pricing model (Level 2 inputs).
- Equities of \$1,429,083 are valued using a matrix pricing model (Level 2 inputs).

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Investments, continued

Fair Value Measurements, continued

- Local Agency Investment funds of \$2,901,155 are valued at amortized cost and are not subject to fair value hierarchy.
- California Cooperative Liquid Assets Securities System (CLASS) funds of \$2,040,141 are valued at amortized cost and are not subject to fair value hierarchy.
- Money Market Mutual funds of \$23,305,652 are not subject to fair value hierarchy.

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

Description	June 30, 2024	Fair Value Measurement at Reporting Date using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates-of-deposit	\$ 703,356	-	703,356	-
United States Government Sponsored Agency securities	6,624,837	-	6,624,837	-
United States Treasury notes	13,573,664	13,573,664	-	-
Corporate obligations	7,917,604	-	7,917,604	-
Supranational obligations	1,031,287	-	1,031,287	-
Equities	1,472,665	-	1,472,665	-
Total	31,323,413	13,573,664	17,749,749	-

Investments not subject to fair value hierarchy:

Local Agency Investment Fund	2,758,488
Money market mutual funds	34,266,729
Total	\$ 68,348,630

The District has the following recurring fair value measurements as of June 30, 2024:

- Certificates-of-deposit of \$703,356 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Governmental Sponsored Agency securities of \$6,624,837 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Treasury securities of \$13,573,664 are valued using quoted market prices (Level 1 inputs).
- Corporate obligations of \$7,917,604 are valued using a matrix pricing model (Level 2 inputs).
- Supranational obligations of \$1,031,287 are valued using a matrix pricing model (Level 2 inputs).
- Equities of \$1,472,665 are valued using a matrix pricing model (Level 2 inputs).
- Local Agency Investment funds of \$2,758,488 are valued at amortized cost and are not subject to fair value hierarchy.
- Money Market Mutual funds of \$34,266,729 are not subject to fair value hierarchy.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(3) Investment in Joint Ventures

Changes in investments in joint-powers-authorities for 2025 were as follows:

	<u>Balance 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2025</u>
Investment in joint-powers-authorities:				
Puente Basin Water Agency	\$ 22,932,690	11,855	-	22,944,545
Spadra Basin Groundwater Sustainability Agency	<u>479,545</u>	<u>(10,463)</u>	<u>-</u>	<u>469,082</u>
Total investment in joint-powers-authorities	<u>\$ 23,412,235</u>	<u>1,392</u>	<u>-</u>	<u>23,413,627</u>

Changes in investments in joint-powers-authorities for 2024 were as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2024</u>
Investment in joint-powers-authorities:				
Puente Basic Water Agency	\$ 22,299,660	633,030	-	22,932,690
Spadra Basin Groundwater Sustainability Agency	<u>490,006</u>	<u>(10,461)</u>	<u>-</u>	<u>479,545</u>
Total investment in joint-powers-authorities	<u>\$ 22,789,666</u>	<u>622,569</u>	<u>-</u>	<u>23,412,235</u>

Puente Basin Water Agency

The District is a member of the Puente Basin Water Agency (the “Agency”). The Agency was created April 1, 1971 by the execution of a Joint Powers Agreement between Rowland Water District and Walnut Valley Water District. The agreement was made pursuant to Article 1, Chapter 5, Division 7, and Title 1 of the Government Code of the State of California. The Agency was organized for the purpose of protection and utilization of the local, imported, and recycled water supply within the Puente Basin. The Agency is governed by an appointed board of Commissioners consisting of four members. Since the Agency undertakes projects of interest to the District, an ongoing financial interest exists. Furthermore, the District has an ongoing financial responsibility because the Agency's continued existence depends on continued funding by the District. The District's equity in the Puente Basin Water Agency is reflected in the accompanying Statement of Net Position as an investment in joint venture.

The Rowland Water District performs the administration and operating functions of the Agency. The District purchased \$7,494,558 and \$9,284,771 in water from the Agency in the years ended June 30, 2025 and 2024, respectively. Complete financial statements may be obtained from the Puente Basin Water Agency, 3021 Fullerton Road, Rowland Heights, California.

Spadra Basin Groundwater Sustainability Agency

The District is a member of the Spadra Basin Groundwater Sustainability Agency (the “Spadra”). Spadra was created February 28, 2017, by the execution of an agreement between the City of Pomona and the Walnut Valley Water District. The agreement was made pursuant to the Sustainable Groundwater Management Act of 2014. Spadra was organized to provide groundwater management for the Spadra Basin, which was previously unmanaged. Spadra is governed by an appointed Executive Committee consisting of two members, one from each member agency.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(3) Investment in Joint Ventures, continued

Spadra Basin Groundwater Sustainability Agency, continued

The Walnut Valley Water District performs the administration and operating functions of the Agency. Complete financial statements may be obtained from the Spadra Basin Groundwater Sustainability Agency, 271 S. Brea Canyon Road, Walnut, California.

Pomona-Walnut-Rowland Joint Water Line Commission

The District is also a member of the Pomona-Walnut-Rowland Joint Water Line Commission (the “Commission”). The Commission was formed under the Joint Powers Agreement of 1956 between the City of Pomona, the Walnut Valley Water District and the Rowland Water District for the purpose of constructing, operating, and managing a water transmission pipeline for the benefit of the three member agencies. On December 21, 2006, the Agreement was amended, and renewed for an additional twenty years, with three, ten-year extensions allowed upon the consent of each of the member agencies. The governing body of the Commission is comprised of three members, with one representative appointed by the governing body of each member agency.

The Commission purchases water for resale to the member agencies at a price sufficient to provide reserve funds for emergencies. In addition, the member agencies are billed for the cost of maintenance and operation of the pipeline.

Since the Commission undertakes projects of interest to the District, an ongoing financial interest exists. Furthermore, the District has an ongoing financial responsibility because the Commission's continued existence depends on continued funding by the District. The District's equity in the Pomona-Walnut-Rowland Joint Water Line Commission is reflected in the accompanying Statement of Net Position, within capital assets. In addition to its equity interest in the Commission, the District also has an undivided interest in certain capacity rights associated with the Water Line.

This undivided interest is reported in the accompanying financial statements as PWR capacity rights that are included as an intangible asset in the capital assets note of the accompanying financial statements. See note 5 for further information. The Walnut Valley Water District performs the administration and operating functions of the Commission. Complete financial statements may be obtained from the Pomona-Walnut-Rowland Joint Water Line Commission, 271 S. Brea Canyon Road, Walnut, California.

(4) Leases Receivable

Changes in leases receivable for the year ended June 30, were as follows:

	<u>Balance</u> <u>2024</u>	<u>Additions/</u> <u>Deletions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2025</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>	<u>Deferred</u> <u>Inflows</u>
Leases receivable:							
Cingular Wireless – Eastgate	\$ 74,608	-	(68,827)	5,781	5,781	-	(2,318)
Phoenix Tower – Eastgate	234,735	-	(36,891)	197,844	39,355	158,489	(173,206)
APC Towers LLC – Parker Canyon	434,462	-	(28,360)	406,102	30,576	375,526	(304,700)
APC Towers LLC – Ridgeline	482,746	(482,746)	-	-	-	-	-
Total leases receivable	<u>\$ 1,226,551</u>	<u>(482,746)</u>	<u>(134,078)</u>	<u>609,727</u>	<u>75,712</u>	<u>534,015</u>	<u>(480,224)</u>
Current portion	<u>(165,589)</u>			<u>(75,712)</u>			
Non-current portion	<u>\$ 1,060,962</u>			<u>534,015</u>			

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(4) Leases Receivable, continued

Changes in leases receivable for the year ended June 30, were as follows:

	<u>Balance</u> <u>2023</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance</u> <u>2024</u>	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Deferred Inflows</u>
Leases receivable:							
CCMT2-T-Mobile – Bourdet	\$ 46,368	-	(46,368)	-	-	-	-
Cingular Wireless – Eastgate	136,484	-	(61,876)	74,608	68,827	5,781	(30,192)
Phoenix Tower – Eastgate	681,052	(411,779)	(34,538)	234,735	36,891	197,844	(211,697)
APC Towers LLC – Parker Canyon	460,712	-	(26,250)	434,462	28,360	406,102	(336,221)
APC Towers LLC – Ridgeline	511,913	-	(29,167)	482,746	31,511	451,235	(373,584)
Total leases receivable	<u>\$ 1,836,529</u>	<u>(411,779)</u>	<u>(198,199)</u>	<u>1,226,551</u>	<u>165,589</u>	<u>1,060,962</u>	<u>(951,694)</u>
Current portion	<u>(185,475)</u>			<u>(165,589)</u>			
Non-current portion	<u>\$ 1,651,054</u>			<u>1,060,962</u>			

CCMT2-T-Mobile – Bourdet

On May 18, 2004, the District entered into a lease agreement with Cingular Wireless PCS, LLC, whereby ownership subsequently transferred to T-Mobile Wireless (T-Mobile). T-Mobile has agreed to pay the District for purpose of leasing communication tower space at the J.P. Bourdet Recycled Water Pump Station. The terms of the agreement require T-Mobile to pay the District in annual installments through May 2024 and is adjusted annually by a CPI rate of 3.00%.

Following the adoption implementation of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 4.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2025 and 2024, deferred inflows were reported at \$0, respectively. At June 30, 2024, the lease agreement had matured in full.

Cingular Wireless – Eastgate

On August 15, 2005, the District entered into a lease agreement with Cingular Wireless, LLC, whereby ownership subsequently transferred to AT&T Wireless (AT&T). AT&T has agreed to pay the District for purpose of leasing communication tower space at the Eastgate Reservoir. The terms of the agreement require AT&T to pay the District in annual installments through August 2024 and is adjusted annually by a CPI rate of 4.14%.

Following the adoption implementation of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 6.50%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2025 and 2024, deferred inflows were reported at \$2,318 and \$30,192, respectively.

Future payments to be received and deferred inflows as of June 30, 2025, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2026	\$ 5,781	376	6,157	(2,318)
Total	5,781	376	6,157	(2,318)
Current	<u>(5,781)</u>			
Non-current	<u>\$ -</u>			

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(4) Leases Receivable, continued

Phoenix Tower – Eastgate

On January 1, 2020, the District entered into a lease agreement with PTI US Towers II, LLC, (PTI). PTI has agreed to pay the District for purpose of leasing communication tower space at the Eastgate Reservoir. The terms of the agreement require PTI to pay the District in annual installments through January 2040 and is adjusted annually by a CPI rate of 3.00%.

Following the adoption implementation of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.09%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2025 and 2024, deferred inflows were reported at \$173,206 and \$211,697, respectively.

Future payments to be received and deferred inflows as of June 30, 2025, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2026	\$ 39,355	6,702	46,057	(38,491)
2027	41,936	5,525	47,461	(38,491)
2028	44,636	4,270	48,906	(38,491)
2029	47,464	2,933	50,397	(38,491)
2030	24,453	1,511	25,964	(19,242)
Total	197,844	<u>20,941</u>	<u>218,785</u>	<u>(173,206)</u>
Current	<u>(39,355)</u>			
Non-current	\$ <u>158,489</u>			

APC Towers LLC – Parker Canyon

On March 2, 2015, the District entered into a lease agreement with APC Towers, LLC, (APC). APC has agreed to pay the District for purpose of leasing communication tower space at the Parker Canyon Reservoir and Pump Station. The terms of the agreement require APC to pay the District in annual installments through March 2035 and is adjusted annually by a CPI rate of 3.00%.

Following the adoption implementation of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.30%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2025 and 2024, deferred inflows were reported at \$304,700 and \$336,221, respectively.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(4) Leases Receivable, continued

APC Towers LLC – Parker Canyon, continued

Future payments to be received and deferred inflows as of June 30, 2025, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2026	\$ 30,576	13,401	43,977	(31,521)
2027	32,904	12,392	45,296	(31,521)
2028	35,349	11,307	46,656	(31,521)
2029	37,915	10,547	48,462	(31,521)
2030	40,607	9,325	49,932	(31,521)
2031-2035	<u>228,751</u>	<u>25,082</u>	<u>253,833</u>	<u>(147,095)</u>
Total	406,102	<u>82,054</u>	<u>488,156</u>	<u>(304,700)</u>
Current	<u>(30,576)</u>			
Non-current	\$ <u>375,526</u>			

APC Towers LLC – Ridgeline

On March 2, 2015, the District entered into a lease agreement with APC Towers, LLC, (APC). APC has agreed to pay the District for purpose of leasing communication tower space at the Ridge Line Reservoir. The terms of the agreement require APC to pay the District in annual installments through March 2035 and is adjusted annually by a CPI rate of 3.00%.

Following the adoption implementation of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.30%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2024, deferred inflows were reported at \$373,584. As of June 30, 2025 the lease was terminated by APC Towers, LLC.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(5) Capital Assets

Changes in capital assets for 2025 were as follows:

	<u>Balance 2024</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2025</u>
Non-depreciable assets:				
Land	\$ 5,148,000	-	-	5,148,000
Water rights	6,638	-	-	6,638
Construction-in-process	14,013,785	19,629,462	(6,891,400)	26,751,847
Total non-depreciable assets	<u>19,168,423</u>	<u>19,629,462</u>	<u>(6,891,400)</u>	<u>31,906,485</u>
Depreciable assets:				
Pumping equipment	20,765,852	-	-	20,765,852
Transmission and distribution	167,522,800	6,156,931	(24,407)	173,655,324
PWR capacity	927,744	-	-	927,744
Hydroelectric	924,270	-	-	924,270
Recycled water system	32,297,634	137,429	-	32,435,063
General plant	13,325,025	596,473	(110,153)	13,811,345
Subscription based assets	177,919	113,999	(79,798)	212,120
Total depreciable and amortizable assets	<u>235,941,244</u>	<u>7,004,832</u>	<u>(214,358)</u>	<u>242,731,718</u>
Accumulated depreciation and amortization:				
Pumping equipment	(13,443,744)	(706,601)	-	(14,150,345)
Transmission and distribution	(100,290,375)	(3,836,052)	1,114	(104,125,313)
PWR capacity	(743,585)	(29,072)	-	(772,657)
Hydroelectric	(646,851)	(25,348)	-	(672,199)
Recycled water system	(13,477,001)	(622,790)	-	(14,099,791)
General plant	(7,335,971)	(582,398)	110,153	(7,808,216)
Subscription based assets	(81,886)	(58,962)	79,798	(61,050)
Total accumulated depreciation and amortization	<u>(136,019,413)</u>	<u>(5,861,223)</u>	<u>191,065</u>	<u>(141,689,571)</u>
Total depreciable and amortizable assets, net	<u>99,921,831</u>	<u>1,143,609</u>	<u>(23,293)</u>	<u>101,042,147</u>
Total capital assets, net	<u>\$ 119,090,254</u>	<u>20,773,071</u>	<u>(6,914,693)</u>	<u>132,948,632</u>

Major depreciable capital assets additions during the fiscal year ended 2025 consists of additions to the following categories: transmission and distribution systems, recycled water system, general plant assets, and subscription based assets. The District removed \$6,891,400 from construction-in-progress, which was transferred from construction-in-process for completed projects constructed by the District and/or sub-contractors to depreciable assets and \$567 was expensed.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(5) Capital Assets, continued

Changes in capital assets for 2024 were as follows:

	<u>Balance 2023</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2024</u>
Non-depreciable assets:				
Land	\$ 5,148,000	-	-	5,148,000
Water rights	6,638	-	-	6,638
Construction-in-process	8,317,218	10,449,009	(4,752,442)	14,013,785
Total non-depreciable assets	<u>13,471,856</u>	<u>10,449,009</u>	<u>(4,752,442)</u>	<u>19,168,423</u>
Depreciable assets:				
Pumping equipment	20,703,547	62,305	-	20,765,852
Transmission and distribution	165,093,932	2,456,881	(28,013)	167,522,800
PWR capacity	927,744	-	-	927,744
Hydroelectric	924,270	-	-	924,270
Recycled water system	30,564,473	1,733,161	-	32,297,634
General plant	12,893,287	499,603	(67,865)	13,325,025
Subscription based assets	164,205	93,557	(79,843)	177,919
Total depreciable and amortizable assets	<u>231,271,458</u>	<u>4,845,507</u>	<u>(175,721)</u>	<u>235,941,244</u>
Accumulated depreciation and amortization:				
Pumping equipment	(12,739,403)	(704,341)	-	(13,443,744)
Transmission and distribution	(96,385,461)	(3,920,508)	15,594	(100,290,375)
PWR capacity	(714,512)	(29,073)	-	(743,585)
Hydroelectric	(620,562)	(26,289)	-	(646,851)
Recycled water system	(12,890,890)	(586,111)	-	(13,477,001)
General plant	(6,849,121)	(554,702)	67,852	(7,335,971)
Subscription based assets	(106,149)	(55,580)	79,843	(81,886)
Total accumulated depreciation and amortization	<u>(130,306,098)</u>	<u>(5,876,604)</u>	<u>163,289</u>	<u>(136,019,413)</u>
Total depreciable and amortizable assets, net	<u>100,965,360</u>	<u>(1,031,097)</u>	<u>(12,432)</u>	<u>99,921,831</u>
Total capital assets, net	<u>\$ 114,437,216</u>	<u>9,417,912</u>	<u>(4,764,874)</u>	<u>119,090,254</u>

Major depreciable capital assets additions during the fiscal year ended 2024 consists of additions to the following categories: pumping equipment, transmission and distribution systems, recycled water system, and general plant assets. The District removed \$4,752,442 from construction-in-progress, which was transferred from construction-in-process for completed projects constructed by the District and/or sub-contractors to depreciable assets and \$493 was expensed.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(5) Capital Assets, continued

Construction-In-Process

The District has been involved in various construction projects throughout the year. The balance of the various construction projects that comprise the construction-in-process balances at year-end are as follows:

The balance at June 30 consists of the following projects:

	2025	2024	2023
Construction-in-progress:			
Developer projects	\$ 3,915,388	5,433,708	2,877,754
System modifications	2,920,863	6,105,712	3,576,660
General projects	19,663,227	2,117,628	1,613,769
Vehicles and equipment	152,596	274,365	207,392
Various small projects under \$100,000	99,773	82,372	41,643
Total construction-in-progress	\$ 26,751,847	14,013,785	8,317,218

(6) Compensated Absences

The District recognizes a liability for compensated absences in accordance with GASB Statement No. 101, “Compensated Absences”. Compensated absences comprise unpaid vacation leave that accrue when benefits are fully vested and are determined annually based on the District’s policy. The District’s liability for compensated absences is determined annually and will be liquidated through the water fund.

As of June 30 2025, 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 to be used or paid out. The liability is reported in the Statement of Net Position.

The net change in the compensated absence liability for the fiscal years ended June 30, 2025 and 2024, increased and decreased by \$34,948 and \$94,055, respectively.

The changes to compensated absences balances at June 30 were as follows:

Balance 2024	Earned	Taken	Balance 2025	Current Portion	Long-term Portion
\$ 986,704	34,948 *		1,021,652	255,413	766,239

*The changes in the compensated absence liabilities are presented as a net change.

The changes to compensated absences balances at June 30 were as follows:

Balance 2023	Earned	Taken	Balance 2024	Current Portion	Long-term Portion
\$ 1,080,759	-	(94,055) *	986,704	246,676	740,028

*The changes in the compensated absence liabilities are presented as a net change.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(7) Long-term Debt

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

	<u>Balance 2024</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2025</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Subscriptions payable:						
Eagle aerial subscription lease	\$ 39,289	-	(17,963)	21,326	19,673	1,653
EKOS subscription lease	3,577	-	(410)	3,167	454	2,713
Esri subscription lease	16,142	84,426	(26,209)	74,359	28,844	45,515
iLand subscription lease	941	-	(941)	-	-	-
Pitney Bowes subscription lease	34,254	-	(6,121)	28,133	6,656	21,477
Planetbids subscription lease	<u>-</u>	<u>29,573</u>	<u>(4,647)</u>	<u>24,926</u>	<u>6,759</u>	<u>18,167</u>
Subtotal subscriptions payable	<u>94,203</u>	<u>113,999</u>	<u>(56,291)</u>	<u>151,911</u>	<u>62,386</u>	<u>89,525</u>
Bonds payable:						
2021 Series A Water Revenue Bonds	14,750,000	-	(955,000)	13,795,000	965,000	12,830,000
2024 Series A Water Revenue Bonds	30,740,000	-	-	30,740,000	495,000	30,245,000
Add: Unamortized premium	<u>2,526,792</u>	<u>-</u>	<u>(84,461)</u>	<u>2,442,331</u>	<u>-</u>	<u>2,442,331</u>
Subtotal bonds payable	<u>48,016,792</u>	<u>-</u>	<u>(1,039,461)</u>	<u>46,977,331</u>	<u>1,460,000</u>	<u>45,517,331</u>
Total lease and bonds payable	<u>\$ 48,110,995</u>	<u>113,999</u>	<u>(1,095,752)</u>	<u>47,129,242</u>	<u>1,522,386</u>	<u>45,606,856</u>

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

	<u>Balance 2023</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2024</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Subscriptions payable:						
Aqua backflow subscription lease	\$ 3,463	-	(3,463)	-	-	-
Eagle aerial subscription lease	-	57,852	(18,563)	39,289	17,963	21,326
EKOS subscription lease	4,168	-	(591)	3,577	410	3,167
Esri subscription lease	39,847	-	(23,705)	16,142	16,142	-
iLand subscription lease	4,562	-	(3,621)	941	941	-
InfoSend subscription lease	-	35,705	(1,451)	34,254	6,121	28,133
Planetbids subscription lease	<u>5,809</u>	<u>-</u>	<u>(5,809)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal subscriptions payable	<u>57,849</u>	<u>93,557</u>	<u>(57,203)</u>	<u>94,203</u>	<u>41,577</u>	<u>52,626</u>
Bonds payable:						
2021 Series A Water Revenue Bonds	15,380,000	-	(630,000)	14,750,000	955,000	13,795,000
2024 Series A Water Revenue Bonds	-	30,740,000	-	30,740,000	-	30,740,000
Add: Unamortized premium	<u>-</u>	<u>2,526,793</u>	<u>(1)</u>	<u>2,526,792</u>	<u>-</u>	<u>2,526,792</u>
Subtotal bonds payable	<u>15,380,000</u>	<u>33,266,793</u>	<u>(630,001)</u>	<u>48,016,792</u>	<u>955,000</u>	<u>47,061,792</u>
Total lease and bonds payable	<u>\$ 15,437,849</u>	<u>33,360,350</u>	<u>(687,204)</u>	<u>48,110,995</u>	<u>996,577</u>	<u>47,114,418</u>

Aqua Backflow Subscription Payable

On September 1, 2020, the District entered into an agreement with Aqua Backflow, (Aqua Backflow), to lease subscription information technology software for the purpose of managing the District's cross connection control program. Terms of the agreement commenced on September 1, 2020, for a period of 36 months, with payments due monthly at \$1,738 per month for the entire lease term.

Following the guidelines set forth by GASB Statement No. 96, the District has recorded a right-to-use asset and a subscription payable at present value with an implicit rate of 3.25%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

At June 30, 2024, the subscription agreement had matured-in-full.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(7) Long-term Debt, continued

Eagle Aerial Subscription Payable

On August 1, 2019, the District entered into an agreement with Eagle Aerial Solutions to lease subscription information technology software for the purpose of the District's irrigated landscape measurement analysis. Terms of the agreement commenced on August 1, 2019, for a period of 2 years, with payments due annually at \$18,900 per year for the entire lease term.

Following the guidelines set forth by GASB Statement No. 96, the District has recorded a right-to-use asset and a subscription payable at present value with an implicit rate of 7.48%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual subscription payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 19,673	1,759	21,432
2027	<u>1,653</u>	<u>136</u>	<u>1,789</u>
Total	21,326	<u>1,895</u>	<u>23,221</u>
Current	<u>(19,673)</u>		
Non-current	\$ <u>1,653</u>		

EKOS Subscription Payable

On January 1, 2023, the District entered into an agreement with GE Software, Inc. to lease subscription information technology software for the purpose of fuel management for the District's fleet. Terms of the agreement commenced on January 1, 2023, for a period of 7 years, with payments due annually at \$1,188 per year for the entire lease term.

Following the guidelines set forth by GASB Statement No. 96, the District has recorded a right-to-use asset and a subscription payable at present value with an implicit rate of 10.68%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual subscription payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 454	158	612
2027	502	132	634
2028	556	104	660
2029	615	73	688
2030	681	39	720
2031	<u>359</u>	<u>15</u>	<u>374</u>
Total	3,167	<u>521</u>	<u>3,688</u>
Current	<u>(454)</u>		
Non-current	\$ <u>2,713</u>		

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(7) Long-term Debt, continued

ESRI Subscription Payable

On February 18, 2022, the District entered into an agreement with Esri to lease geographic information system software for the purpose of mapping of the District's infrastructure. Terms of the agreement commenced on February 18, 2022, for a period of 3 years, with payments due annually at \$25,000 per year for the entire lease term.

On February 18, 2025, the District re-entered into an agreement with Esri to lease geographic information system software for the purpose of mapping of the District's infrastructure. Terms of the agreement commenced on February 18, 2025, for a period of 3 years, with payments due annually at \$30,200 per year for the entire lease term.

Following the guidelines set forth by GASB Statement No. 96, the District has recorded a right-to-use asset and a subscription payable at present value with an implicit rate of 3.25%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual subscription payments are as follows:

Year	Principal	Interest	Total
2026	\$ 28,844	-	28,844
2027	26,786	4,067	30,853
2028	18,729	2,107	20,836
Total	74,359	6,174	80,533
Current	(28,844)		
Non-current	\$ 45,515		

iLand Subscription Lease

On October 1, 2022, the District entered into an agreement with iLand to lease software for the purpose of managed infrastructure solutions. Terms of the agreement commenced on October 1, 2022, for a period of 24 months, with payments due annually at \$317 per month for the entire lease term.

Following the guidelines set forth by GASB Statement No. 96, the District has recorded a right-to-use asset and a subscription payable at present value with an implicit rate of 6.25%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

At June 30, 2025, the subscription agreement had matured-in-full.

Pitney Bowes (formerly InfoSend) Subscription Lease

On March 17, 2017, the District entered into an agreement with InfoSend, Inc. to lease information system software for the purpose of managing the District's billing communication. Terms of the agreement commenced on March 17, 2017, for a period of 72 months, with payments due annually at \$16,300 per month for the entire lease term.

Following the guidelines set forth by GASB Statement No. 96, the District has recorded a right-to-use asset and a subscription payable at present value with an implicit rate of 3.25%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(7) Long-term Debt, continued

Pitney Bowes (formerly InfoSend) Subscription Lease, continued

Annual subscription payments are as follows:

Year	Principal	Interest	Total
2026	\$ 6,656	2,719	9,375
2027	7,242	2,184	9,426
2028	7,877	1,598	9,475
2029	6,358	963	7,321
Total	28,133	7,464	35,597
Current	(6,656)		
Non-current	\$ 21,477		

Planetbids Subscription Lease

On April 12, 2024, the District entered into an agreement with PlanetBids, Inc. to lease information system software for the purpose of eProcurement solutions to assist with managing the District's bids. Terms of the agreement commenced on October 2, 2024, for a period of 4 years, with payments due annually at \$8,561 per year for the entire lease term.

Following the guidelines set forth by GASB Statement No. 96, the District has recorded a right-to-use asset and a subscription payable at present value with an implicit rate of 4.63%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual subscription payments are as follows:

Year	Principal	Interest	Total
2026	\$ 6,759	1,870	8,629
2027	7,564	1,314	8,878
2028	8,437	693	9,130
2029	2,166	-	2,166
Total	24,926	3,877	28,803
Current	(6,759)		
Non-current	\$ 18,167		

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(7) Long-term Debt, continued

2021 Series A Water Revenue Bonds

On March 1, 2013, the Puente Basin Water Agency (“Agency”) issued \$17,300,000 of 2013 Series A Water Revenue Bonds. The Bonds will be used to finance certain capital facilities of the District, as well as the District’s share of capital facilities to be owned by the Agency. Under terms of the Installment Purchase Contract associated with the Bonds, the District makes semiannual installment purchase payments that are equal in amount and timing to the principal and interest payments that are paid on a semiannual basis by the Agency to the holders of the Bonds. The bonds were issued at a premium of \$2,695,738 which will be amortized over the life of the debt service. Interest is payable on December 1st and June 1st of each year, and principal is payable June 1st of each year commencing June 1, 2014 with interest rates ranging from 1.0% to 5.0%. The Bonds are scheduled to mature on June 1, 2038. The rate covenants of the Installment Purchase Contract require that net revenues of the District for each fiscal year be equal to at least 125% of the annual debt service payments required for that fiscal year. At June 30, 2022, the Series 2013A Bonds were defeased in full.

On August 19, 2021, the District issued \$15,380,000 of 2021 Series A Water Revenue Bonds. The Bonds were issued for the purpose of refunding the Series 2013A Bonds in full to take advantage of lower interest rates. Under terms of the Installment Purchase Contract associated with the Bonds, the District makes semiannual installment purchase payments that are equal in amount and timing to the principal and interest payments that are paid on a semiannual basis by the District to the holders of the Bonds. Interest is payable on December 1st and June 1st of each year, and principal is payable June 1st of each year commencing December 1, 2021 with interest rates ranging from 0.468% to 2.564%. The Bonds are scheduled to mature on June 1, 2038. The rate covenants of the Installment Purchase Contract require that net revenues of the District for each fiscal year be equal to at least 125% of the annual debt service payments required for that fiscal year.

Future principal and interest obligations on the note as of June 30, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 965,000	267,178	1,232,178
2027	970,000	257,895	1,227,895
2028	985,000	246,527	1,231,527
2029	995,000	233,013	1,228,013
2030	1,015,000	216,953	1,231,953
2031-2035	5,355,000	791,806	6,146,806
2036-2038	<u>3,510,000</u>	<u>178,520</u>	<u>3,688,520</u>
Total	13,795,000	<u>2,191,892</u>	<u>15,986,892</u>
Current	<u>(965,000)</u>		
Non-current	\$ <u>12,830,000</u>		

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(7) Long-term Debt, continued

2024 Series A Water Revenue Bonds

On June 1, 2024, the District issued \$30,740,000 of Series 2024A Water Revenue Bonds. The proceeds of the bonds will be used to finance the construction of a new administration building as well as modifications of the District’s existing operations and maintenance building. District is obligated under the terms of the agreement, to make semiannual installment purchase payments that are equal in amount and timing to the principal and interest payments that are paid on a semiannual basis by the District to the holders of the Bonds. The bonds were issued at a premium of \$2,526,793, which will be amortized over the life of the debt service. Interest and principal are payable on December 1st and June 1st of each year beginning on June 1, 2025, with interest rates ranging from 5% to 4%. The bonds are scheduled to mature on June 1, 2054. The rate covenants of the bonds require that net revenues of the District for each fiscal year be equal to at least 125% of the annual debt service payments required for that fiscal year.

Future principal and interest obligations on the note as of June 30, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 495,000	1,450,400	1,945,400
2027	520,000	1,425,650	1,945,650
2028	545,000	1,399,650	1,944,650
2029	575,000	1,372,400	1,947,400
2030	605,000	1,343,650	1,948,650
2031-2035	3,505,000	6,233,500	9,738,500
2036-2040	4,465,000	5,265,500	9,730,500
2041-2045	5,700,000	4,032,500	9,732,500
2046-2050	7,270,000	2,458,250	9,728,250
2051-2055	7,060,000	720,000	7,780,000
Total	30,740,000	<u>25,701,500</u>	<u>56,441,500</u>
Premium	<u>2,442,331</u>		
Current	<u>(495,000)</u>		
Non-current	\$ <u>32,687,331</u>		

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

Plan Description

The District’s defined benefit Other Post-Employment Benefit (OPEB) Plan (Plan) provides OPEB for all vested full-time employees with at least 5 years of service, 15 years of service if hired on or after July 1, 2005, with the District. The Plan is a single employer defined benefit OPEB plan administered by the District. The District’s Board has the authority to establish and amend the benefit terms and financing requirements of the Plan. The District participates in Public Agency Retirement Services (PARS), a Prefunding Plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code. Copies of CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

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

Benefits Provided

The District offers post-employment medical and dental benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District’s medical and dental programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

The District's financial obligation varies based on an eligible retiree's date of hire. For eligible retirees hired prior to March 1, 1989, the District provides full coverage for medical, dental, vision and Medicare Part B premiums for the retiree and any covered spouse. For eligible retirees hired on or after March 1, 1989, the District provides full coverage for medical, dental vision and Medicare Part B premiums for the retiree only. Coverage for an eligible spouse is also available to these retirees but is subject to a vesting schedule which varies by employee group. In addition to health benefits, the District also provides some life insurance coverage for retired employees.

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	46	46
Active employees	56	56
Total plan membership	102	102

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District, District’s Board of Directors, and/or the employee associations. The District pays 100% of its share of the cost of health insurance for retirees under any group plan offered by Association of California Water Agencies (ACWA) Health Program, subject to certain restrictions as determined by the District. Currently, contributions are not required from plan members. The District has established a trust for the purpose of holding funds that have been irrevocably contributed by the District toward funding of its OPEB obligation. This trust is being administered by Public Agency Retirement Services (PARS). Annually, the Board of Directors determines the amount that the District will fund to this trust.

As of the fiscal year ended June 30, the contributions were as follows:

	2025	2024
Contributions premium payment – employer	\$ 698,327	637,719
Total employer paid contributions	\$ 698,327	637,719

As of June 30, 2025 and 2024, employer pension contributions of \$698,327 and \$637,719, respectively, were reported as deferred outflows of resources related to contributions subsequent to the measurement dates.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

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

Actuarial Assumptions and Other Inputs

The net OPEB liability in the June 30, 2024 and 2023, actuarial valuations, which were measured at June 30, 2023, respectively, were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2025 – 2.50 percent 2024 – 2.30 percent
Salary increases	2025 – 2.80 percent, average, including inflation 2024 – 2.80 percent, average, including inflation
Discount rate	2025 – 5.25 percent 2024 – 5.25 percent
Healthcare cost trend rates	2025 – Based on 2023 Getzen model that reflects actual premium increases from 2023 to 2024, followed by 6.20% non-Medicare / 5.50% Medicare in 2024, decreasing gradually to an ultimate rate of 3.94% non-Medicare / 4.51% Medicare % in 2075. 2024 – Based on 2023 Getzen model that reflects actual premium increases from 2023 to 2024, followed by 6.50% non-Medicare / 5.75% Medicare in 2024, decreasing gradually to an ultimate rate of 3.94% non-Medicare / 4.51% Medicare % in 2075.

Changes in the Net OPEB Liability

Changes in the net OPEB liability for the year ended June 30, were as follows:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2024	\$ 17,865,398	15,234,987	2,630,411
Changes for the year:			
Service cost	349,896	-	349,896
Interest	935,655	-	935,655
Employer contributions	-	796,773	(796,773)
Net investment income	-	1,338,121	(1,338,121)
Benefit payments	(796,773)	(796,773)	-
Trust administrative expenses	-	(75,708)	75,708
Net change	<u>488,778</u>	<u>1,262,413</u>	<u>(773,635)</u>
Balance at June 30, 2025	<u>\$ 18,354,176</u>	<u>16,497,400</u>	<u>1,856,776</u>

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

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

Changes in the Net OPEB Liability, continued

Changes in the net OPEB liability for the year ended June 30, were as follows:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2023	\$ 17,934,847	13,859,079	4,075,768
Changes for the year:			
Service cost	284,011	-	284,011
Interest	944,593	-	944,593
Differences between expected and actual experience	(1,515,813)	-	(1,515,813)
Changes in assumptions or other inputs	1,020,819	-	1,020,819
Employer contributions	-	1,553,059	(1,553,059)
Net investment income	-	696,084	(696,084)
Benefit payments	(803,059)	(803,059)	-
Trust administrative expenses	-	(70,176)	70,176
Net change	<u>(69,449)</u>	<u>1,375,908</u>	<u>(1,445,357)</u>
Balance at June 30, 2024	<u>\$ 17,865,398</u>	<u>15,234,987</u>	<u>2,630,411</u>

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

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 a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

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

	<u>Discount Rate 1% Lower</u>	<u>Valuation Discount Rate</u>	<u>Discount Rate 1% Higher</u>
Net OPEB liability	\$ <u>4,664,000</u>	<u>1,856,776</u>	<u>(415,259)</u>

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

	<u>Discount Rate 1% Lower</u>	<u>Valuation Discount Rate</u>	<u>Discount Rate 1% Higher</u>
Net OPEB liability	\$ <u>5,381,767</u>	<u>2,630,411</u>	<u>407,206</u>

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:

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

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

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

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB liability	\$ (672,685)	1,856,776	5,055,472

As of June 30, 2024, the healthcare cost trend rate comparison was the following:

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB liability	\$ 302,599	2,630,411	5,565,051

For the year ended June 30, 2025 and 2024, the District recognized OPEB expense of \$794,503 and \$964,155, respectively.

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

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

	June 30, 2025		June 30, 2024	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	\$ 698,327	-	637,719	-
Change of assumptions	2,278,090	-	2,790,298	-
Difference between expected and actual experience	-	(1,668,541)	-	(2,124,488)
Net difference between projected and actual earnings on investments	570,930	-	1,445,087	-
Total	\$ 3,547,347	(1,668,541)	4,873,104	(2,124,488)

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 \$698,327 and \$637,719 will be/were recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2026 and 2025, respectively.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

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

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

As of 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, respectively. OPEB related amounts will be recognized as pension expense as follows.

Fiscal Year	Deferred Net
Ending	Outflows(Inflows)
June 30,	of Resources
<u> </u>	<u> </u>
2026	\$ 352,913
2027	535,392
2028	(40,541)
2029	231,025
2030	(7,164)
Thereafter	108,854

Schedules of Changes in the District’s Net OPEB Liability and Related Ratios

Schedules of Other Post-Employment Benefits Plan Contributions

See pages 82 and 83 for the Required Supplementary Schedules.

(9) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District’s separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government 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 the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 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. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. Classic Plan members, who began employment either with the District or at another CalPERS member agency, on or before December 31, 2012, are eligible for one-year final compensation and a 3.0% cost of living adjustment.

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 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013, are eligible for the District’s CalPERS 2.0% at 62 Retirement Plan under PEPRA.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(9) Defined Benefit Pension Plan, continued

Benefits Provided, continued

The Plans' provision and benefits in effect at June 30, are summarized as follows:

	<u>Classic</u>	<u>New Classic</u>	<u>PEPRA</u>
Hire date	Prior to October 1, 2010	On or after January 1, 2010 and before January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.4% to 2.0%	1.0% to 2.0%
2025:			
Required employee contribution rates	7.96%	6.93%	8.00%
Required employer contribution rates	16.70%	13.05%	8.07%
2024:			
Required employee contribution rates	7.96%	6.92%	8.00%
Required employer contribution rates	16.63%	13.00%	7.91%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1, following notice of a change in the rate. Funding contributions for the Plan are 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.

For the fiscal years ended June 30, the contributions were as follows:

	<u>2025</u>	<u>2024</u>
Contributions – employer	\$ <u>1,884,602</u>	<u>2,654,679</u>

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 were as follows:

	<u>2025</u>	<u>2024</u>
Proportionate share of net pension liability	\$ <u>15,836,594</u>	<u>17,194,995</u>

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(9) Defined Benefit Pension Plan, continued

Net Pension Liability

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

The District's change in the proportionate share of the pension liability for the Plan as of the fiscal year end June 30, was as follows:

	Proportionate Share
Proportion – June 30, 2024	0.13783 %
Change in proportion	(0.00725)
Proportion – June 30, 2025	0.13058 %
Proportionate Share	
Proportion – June 30, 2023	0.15654 %
Change in proportion	(0.01871)
Proportion – June 30, 2024	0.13783 %

Net Pension Liability

As a result of the calculation of the District's share of pension amounts at June 30, 2025 and 2024, the District recognized pension expense of \$406,334 and \$2,845,246, respectively.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(9) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

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

<u>Description</u>	<u>June 30, 2025</u>		<u>June 30, 2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date at June 30	\$ 1,884,602	-	2,654,679	-
Net, differences between actual and expected experience	1,315,793	-	742,150	-
Net, changes in assumptions	407,033	-	1,038,139	-
Net, differences between projected and actual earnings on plan investments	911,693	-	2,784,023	-
Net, differences between actual contribution and proportionate share of contributions	1,153,143	-	990,564	-
Net, change due to differences in proportion of net pension liability	-	(1,367,420)	-	(1,369,900)
Total	<u>\$ 5,672,264</u>	<u>(1,367,420)</u>	<u>8,209,555</u>	<u>(1,369,900)</u>

As of June 30, 2025 and 2024, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$1,884,602 and \$2,654,679 will be/were recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026 and 2025, respectively.

As a result of the calculation of the District's share of pension amounts at June 30, 2025, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows(Inflows) of Resources</u>
2026	\$ 718,564
2027	2,043,058
2028	(28,954)
2029	(312,426)
2030	-
Thereafter	-

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(9) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities were determined as of June 30, 2023 and 2022 (valuation dates), which were rolled forward to June 30, 2024 and 2023 (measurement dates), respectively, using the following actuarial assumptions:

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:

Discount rate/ Investment Rate of Return	2024 – 6.90%
	2023 – 6.90%
Inflation	2024 – 2.30%
	2023 – 2.30%
Salary increase	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial Experience Survey assumptions were based	2024 and 2023 – 1997–2015
Post Retirement Benefit	2024 and 2023 – Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.90% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(9) Defined Benefit Pension Plan, continued

Discount Rate, continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

As of June 30, 2024 (measurement date), the target allocation and the long-term expected real rate of return by asset class were as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10</u>
Global Equity - Cap-weighted	30.00 %	4.45 %
Global Equity Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	<u>(5.00)</u>	(0.59)
Total	<u>100.00 %</u>	

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

The following tables presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension 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 the following:

	<u>Discount Rate - 1%</u>	<u>Discount Rate</u>	<u>Discount Rate + 1%</u>
District's net pension liability	\$ <u>25,416,504</u>	<u>15,836,594</u>	<u>7,950,919</u>

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(9) Defined Benefit Pension Plan, continued

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

	Discount Rate - 1%	Discount Rate	Discount Rate + 1%
	5.90%	6.90%	7.90%
District's net pension liability	\$ <u>26,142,865</u>	<u>17,194,995</u>	<u>9,830,130</u>

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 84 and 85 for the Required Supplementary Schedules.

Payable to the Pension Plan

As of June 30, 2025 and 2024, the District reported no payables for the outstanding amount of contribution to the pension plan, respectively.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(10) Net Position

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

	<u>2025</u>	<u>2024</u>
Net investment in capital assets:		
Capital assets, net	\$ 132,948,632	119,090,254
Lease payable, current	(62,386)	(41,577)
Lease payable, non-current	(89,525)	(52,626)
Bonds payable, current	(1,460,000)	(955,000)
Bonds payable, non-current	<u>(45,517,331)</u>	<u>(13,795,000)</u>
Total investment in capital assets	<u>85,819,390</u>	<u>104,246,051</u>
Restricted net position:		
Capital projects	23,305,652	34,266,729
Unspent capital project debt	(23,305,652)	(34,266,729)
Reservoir capacity charge	658,767	754,939
Acreage supply charge	457,985	448,016
Investment in joint venture – PBWA	22,944,545	22,932,690
Investment in joint venture – Spadra	469,082	479,545
Badillo Grand surcharge	278,436	294,404
Water supply charge	1,267,517	1,239,313
Capacity charge	<u>267,164</u>	<u>187,372</u>
Total restricted net position	<u>26,343,496</u>	<u>26,336,279</u>
Unrestricted net position:		
Operating reserve	15,528,263	(5,024,485)
Replacement	16,273,930	17,313,320
Capital improvements	2,046,013	1,628,776
Employee liabilities	1,893,294	1,864,499
Rate stabilization	4,543,125	4,543,125
Project reserve	1,292,310	967,232
Badillo Grand catastrophic insurance	500,000	500,000
Stored water	<u>373,300</u>	<u>125,500</u>
Total unrestricted net position	<u>42,450,235</u>	<u>21,917,967</u>
Total net position	<u>\$ 154,613,121</u>	<u>152,500,297</u>

Restricted Net Position

The District's Investment in Joint Venture is restricted to the uses determined by the Board of Directors of the joint venture.

Unrestricted Net Position

Unrestricted assets, although not legally restricted, have been reserved pursuant to Board determined levels for various purposes. While these reserves may not be externally restricted, the Board adopted this policy in its desire to provide a stable and equitable rate structure.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(11) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by CalPERS and Mission Square at June 30, 2025 and 2024, amounted to \$7,494,558 and \$10,845,887, respectively.

The District has implemented *GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statements of net position.

(12) Risk Management

The Agency is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA).

Description of JPIA

JPIA is an intergovernmental risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

On June 30, 2025, the Agency's participation in the self-insurance programs of JPIA is as follows:

- General, Automobile, Employment Practices & Public Officials' Liability. Broad coverage against third-party claims for the Agency, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools for first \$5 million and purchases excess coverage with limit up to \$55 million with aggregated policy limits.
- Property Loss: Scheduled property is covered up to replacement value with a \$5,000 deductible per occurrence on scheduled buildings, fixed equipment and contents, actual cash value on scheduled mobile equipment with a \$1,000 deductible per occurrence and actual cash value on scheduled vehicles with a \$500 deductible per occurrence. JPIA is self-insured up to \$10,000,000 per loss and has purchased re-insurance coverage up to a \$150,000,000 limit per occurrence. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sub-limit of \$100,000,000 with deductible \$25,000 to \$50,000 depending on type of equipment.
- Workers' Compensation: Covered for statutory limits, and Employer's Liability is Covered up to \$2,000,000 per accident and \$2,000,000 per disease. JPIA is self-insured up to \$2,000,000 and excess insurance coverage has been purchased.

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

- Cyber Liability: Limit up to \$3,000,000 per member limit and \$5,000,000 Aggregate Limit. Cyber Liability Deductible varies from \$50,000 to \$100,000 depending on Agency total scheduled values.
- Employee Dishonesty/Crime Coverage: Covered up to \$100,000 per occurrence with a \$1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program covers all employees, the Board of Directors, and the Treasurer.

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(12) Risk Management, continued

- Underground storage tank pollution liability program: Provides coverage for third-party claims arising from bodily injury and property damage caused by environmental incidents resulting from a UST. It also includes coverage for government mandated clean-up costs. This is a claims-made coverage. The District participates in a group purchase insurance policy with limits up to \$3 million. Deductibles: Basic \$500,000 or \$1,000,000 if the claim is discovered while the tank is being removed.

Separate financial statements of JPIA can be obtained at 2100 Professional Drive, Roseville, CA 95661 or <http://www.acwajpia.com/FinancialStatements.aspx>.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years, and there were no reductions in the District's insurance coverage during the fiscal years ended June 30, 2025, 2024, and 2023. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred, but not reported (IBNR). There was no IBNR claims payable as of June 30, 2025, 2024, and 2023.

(13) Benefit Assessment District

Beginning with the tax year 1982-83, the District elected to levy a standby charge on all lands within the District. This standby charge is calculated on the size of each parcel, with a minimum of \$14 for any parcel one-quarter of an acre or less in size. The proceeds of this charge are used for the construction of the District's fire related storage requirements and its terminal storage facilities to procure alternate sources of supply, to defray the ordinary operation or maintenance expenses incurred in providing fire protection facilities, and for any other lawful District purpose.

(14) Capacity Fees

Every applicant that requests water service from any of the District's lines or works or requests a modification of service or change in land use, with respect to the land to be served, is assessed a capacity charge based on meter size.

Capacity fees are charged as a buy-in to the system. The current charges are:

<u>Meter size</u>	<u>Capacity fee</u>
3/4"	\$ 5,630
1"	9,384
1 1/2"	18,768
2"	30,029
3"	60,057
4"	93,840
6"	187,679
8"	300,287

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2025, that has 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.

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.

(16) Commitments and Contingencies

Construction Contracts

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

As of June 30, 2025, the District’s open balance of construction contract commitments is \$12,270,344, shown as follows:

<u>Funding Source / Project Purpose</u>	<u>Project Name</u>	<u>Total Approved Contract</u>	<u>Construction Costs to Date</u>	<u>Balance to Complete</u>
Replacement/Bond Capital	District Administration Building	\$ 28,794,478	(16,564,538)	12,229,940
	Gang Truck	193,000	(152,596)	40,404
		<u>\$ 28,987,478</u>	<u>(16,717,134)</u>	<u>12,270,344</u>

Walnut Valley Water District
Notes to the Basic Financial Statements, continued
For Fiscal Years Ended June 30, 2025 and 2024

(16) Commitments and Contingencies, continued

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.

Grant Awards

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

(17) Subsequent Events

Events occurring after June 30, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of December 15, 2025, which is the date the financial statements were available to be issued.

Required Supplementary Information

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

	Measurement Dates							
	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	\$ 349,896	284,011	207,385	193,613	212,981	206,277	207,344	200,817
Interest	935,655	944,593	940,604	1,037,835	981,944	955,638	912,011	877,856
Employer contributions	-	-	-	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	(1,515,813)	-	(1,979,697)	263,923	-	261,666	-
Changes of assumptions or other inputs	-	1,020,819	2,150,715	-	220,291	-	479,432	-
Benefit payments	(796,773)	(803,059)	(827,035)	(787,853)	(781,933)	(700,097)	(588,894)	(514,282)
Net change in total OPEB liability	488,778	(69,449)	2,471,669	(1,536,102)	897,206	461,818	1,271,559	564,391
Total OPEB liability – beginning	17,865,398	17,934,847	15,463,178	16,999,280	16,102,074	15,640,256	14,368,697	13,804,306
Total OPEB liability – ending	18,354,176	17,865,398	17,934,847	15,463,178	16,999,280	16,102,074	15,640,256	14,368,697
Plan fiduciary net position								
Contribution – employer	796,773	1,553,059	1,202,035	2,498,929	1,532,902	1,789,827	1,684,754	1,662,734
Net investment income	1,338,121	696,084	(1,917,093)	1,664,027	487,894	282,591	494,962	625,506
Benefit payments	(796,773)	(803,059)	(827,035)	(787,853)	(781,933)	(700,097)	(588,894)	(514,282)
Administrative expense	(75,708)	(70,176)	-	-	-	-	-	-
Net change in plan fiduciary net position	1,262,413	1,375,908	(1,542,093)	3,375,103	1,238,863	1,372,321	1,590,822	1,773,958
Plan fiduciary net position – beginning	15,234,987	13,859,079	15,401,172	12,026,069	10,787,206	9,414,885	7,824,063	6,050,105
Plan fiduciary net position – ending	16,497,400	15,234,987	13,859,079	15,401,172	12,026,069	10,787,206	9,414,885	7,824,063
Net OPEB liability	\$ 1,856,776	2,630,411	4,075,768	62,006	4,973,211	5,314,868	6,225,371	6,544,634
Covered payroll	\$ 6,392,522	5,457,652	5,445,491	5,148,856	5,291,282	5,203,041	4,900,008	5,313,725
Total OPEB liability as a percentage of covered payroll	29.05%	48.20%	74.85%	1.20%	93.99%	102.15%	127.05%	123.16%

Notes:

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

Walnut Valley Water District
Schedules of Other Post-Employment Benefits Plan Contributions
As of June 30, 2025
Last Ten Years*

Description	Fiscal Years Ended							
	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 604,782	615,992	1,553,059	2,498,929	1,532,902	1,789,827	1,684,754	1,662,734
Contributions in relation to the actuarially determined contribution	<u>(843,848)</u>	<u>(796,773)</u>	<u>(1,411,360)</u>	<u>(637,719)</u>	<u>(1,789,732)</u>	<u>(1,789,732)</u>	<u>(1,703,516)</u>	<u>(1,662,734)</u>
Contribution deficiency(excess)	\$ <u>(239,066)</u>	<u>(180,781)</u>	<u>141,699</u>	<u>1,861,210</u>	<u>(256,830)</u>	<u>95</u>	<u>(18,762)</u>	<u>-</u>
District's covered payroll	\$ <u>6,940,575</u>	<u>6,392,522</u>	<u>5,457,652</u>	<u>5,445,491</u>	<u>5,148,856</u>	<u>5,291,282</u>	<u>5,203,041</u>	<u>4,900,008</u>
Contribution's as a percentage of covered payroll	<u>12.16%</u>	<u>12.46%</u>	<u>25.86%</u>	<u>11.71%</u>	<u>34.76%</u>	<u>33.82%</u>	<u>32.74%</u>	<u>33.93%</u>

Note:

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

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

Description	Measurement Dates									
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.13058%	0.13783%	0.15654%	0.17364%	0.14173%	0.13957%	0.13653%	0.13506%	0.13391%	0.13080%
District's proportionate share of the net pension liability	\$ 15,836,594	17,194,995	18,082,080	9,390,716	15,420,693	14,301,343	13,156,366	13,394,625	11,587,515	8,978,245
District's covered payroll	\$ 5,646,343	5,132,768	5,191,997	5,128,701	5,148,856	4,884,068	5,168,829	4,856,448	4,868,910	4,653,252
District's proportionate share of the net pension liability as a percentage of its covered payroll	280.48%	335.00%	348.27%	183.10%	299.50%	292.82%	254.53%	275.81%	237.99%	192.95%
Plan's fiduciary net position as a percentage of the total pension liability	74.01%	74.01%	71.37%	84.41%	73.32%	73.63%	74.67%	73.08%	74.36%	78.96%

Notes to schedule:

There were no changes in benefits.

Changes in assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.75% to 2.50%

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%

The inflation rate was reduced from 2.50% to 2.30%

From fiscal year June 30, 2023 to June 30, 2024:

There were no changes in assumptions.

From fiscal year June 30, 2024 to June 30, 2025:

There were no changes in assumptions.

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

Description	Fiscal Years Ended									
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Actuarially determined contribution	\$ 2,207,034	2,030,538	2,036,291	1,897,790	1,719,003	1,630,495	1,411,486	1,165,468	1,097,578	989,754
Contributions in relation to the actuarially determined contribution	(1,884,602)	(2,654,679)	(3,862,630)	(1,719,115)	(1,623,306)	(1,464,186)	(1,307,070)	(1,163,663)	(1,120,609)	(989,754)
Contribution deficiency(excess)	\$ 322,432	(624,141)	(1,826,339)	178,675	95,697	166,309	104,416	1,805	(23,031)	-
District's covered payroll	\$ 5,662,086	5,646,343	5,132,768	5,191,997	5,128,701	5,148,856	4,884,068	5,168,829	4,856,448	4,868,910
Contribution's as a percentage of covered payroll	38.98%	35.96%	39.67%	36.55%	33.52%	31.67%	28.90%	22.55%	22.60%	20.33%
Notes to schedule:										
Valuation date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Methods and assumptions used to determine contribution rates:										
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation	2.30%	2.30%	2.30%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.90% (3)	6.90% (3)	6.90% (3)	7.15% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

- (1) Level of percentage payroll, closed.
- (2) Depending on age, service, and type of employment.
- (3) Net of pension plan investment expense, including inflation.
- (4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study. adopted by the CalPERS Board.

Statistical Section

**Walnut Valley Water District
Statistical Section**

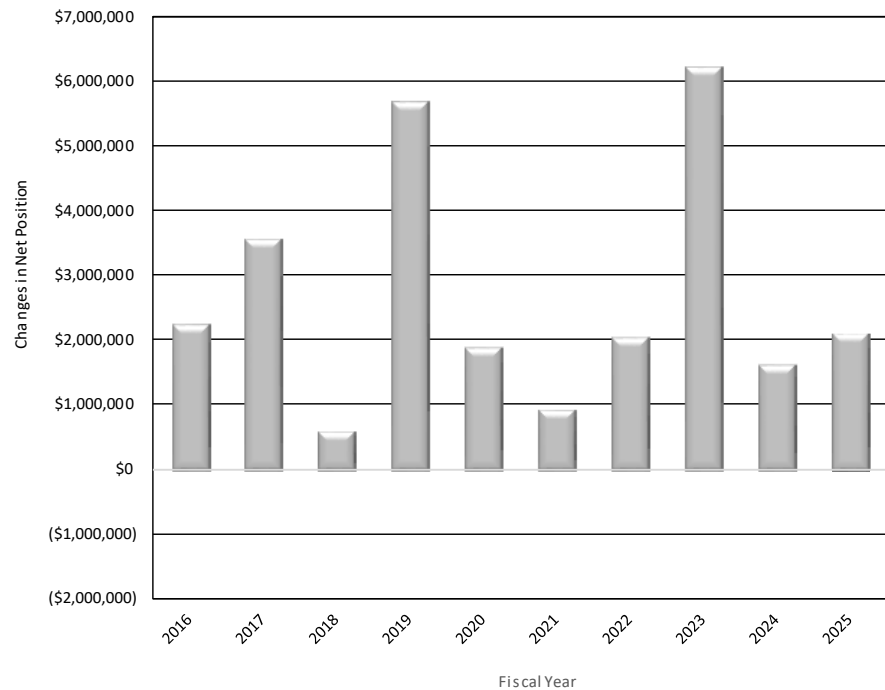
This part of the District’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the District’s overall financial health.

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Debt Capacity These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	95-96
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	97
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides.	98-99

Walnut Valley Water District Changes in Net Position and Net Position by Component Last Ten Fiscal Years

	Fiscal Year		
	2016	2017	As Restated 2018
Changes in net position:			
Operating revenues (see Schedule 2)	\$ 33,924,726	34,916,303	38,210,311
Operating expenses (see Schedule 3)	(30,721,847)	(31,827,660)	(35,341,232)
Depreciation and amortization	(5,021,533)	(5,109,038)	(5,286,808)
Operating income (loss)	(1,818,654)	(2,020,395)	(2,417,729)
Non-operating revenues (expenses)			
Property taxes	943,033	985,113	999,707
Rental income - cellular site leases	284,011	277,607	284,849
Interest earnings - cellular site leases	-	-	-
Investment earnings(expense), net of fair value	824,415	1,635	122,673
Share in investment in joint venture income (loss)	315,763	(8,092)	(139,606)
Amounts received for annexation	1,065,457 (3)	-	-
Gain (Loss) on disposition of assets	(129,390)	(85,825)	(798,859) (4)
Interest expense	(377,577)	(386,321)	(676,951)
Cost of issuance of debt	-	-	-
Other revenue (expense), net	210,384	271,605	283,851
Total non-operating revenues (expenses), net	3,136,096	1,055,722	75,664
Net income (loss) before capital contributions	1,317,442	(964,673)	(2,342,065)
Capital contributions	946,623	4,545,716	2,950,904
Changes in net position	\$ 2,264,065	3,581,043	608,839
Net position by component:			
Net investment in capital assets	\$ 100,096,835	102,444,898	99,730,658
Restricted	18,983,396	26,408,666	31,189,404
Unrestricted	18,405,093	12,212,803	2,476,916
Total net position	\$ 137,485,324	141,066,367	133,396,978



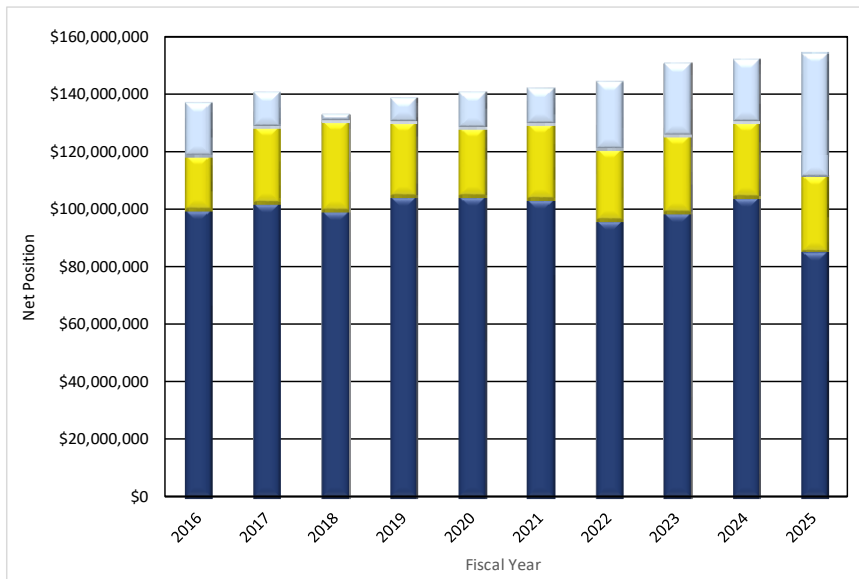
Source: Walnut Valley Water District Accounting Department

- (1) The decrease in Contributions to other agencies due to a contribution for joint capital project.
- (2) Started with FY 13/14 expenses included the 2013 Series A Water Revenue Bonds interest.
- (3) The increase in Contributions from other agency for joint venture due to an annexation fees related to large development in service ar
- (4) The increase in loss on disposition of assets related to abandoned project

Walnut Valley Water District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years, Continued

Schedule 1

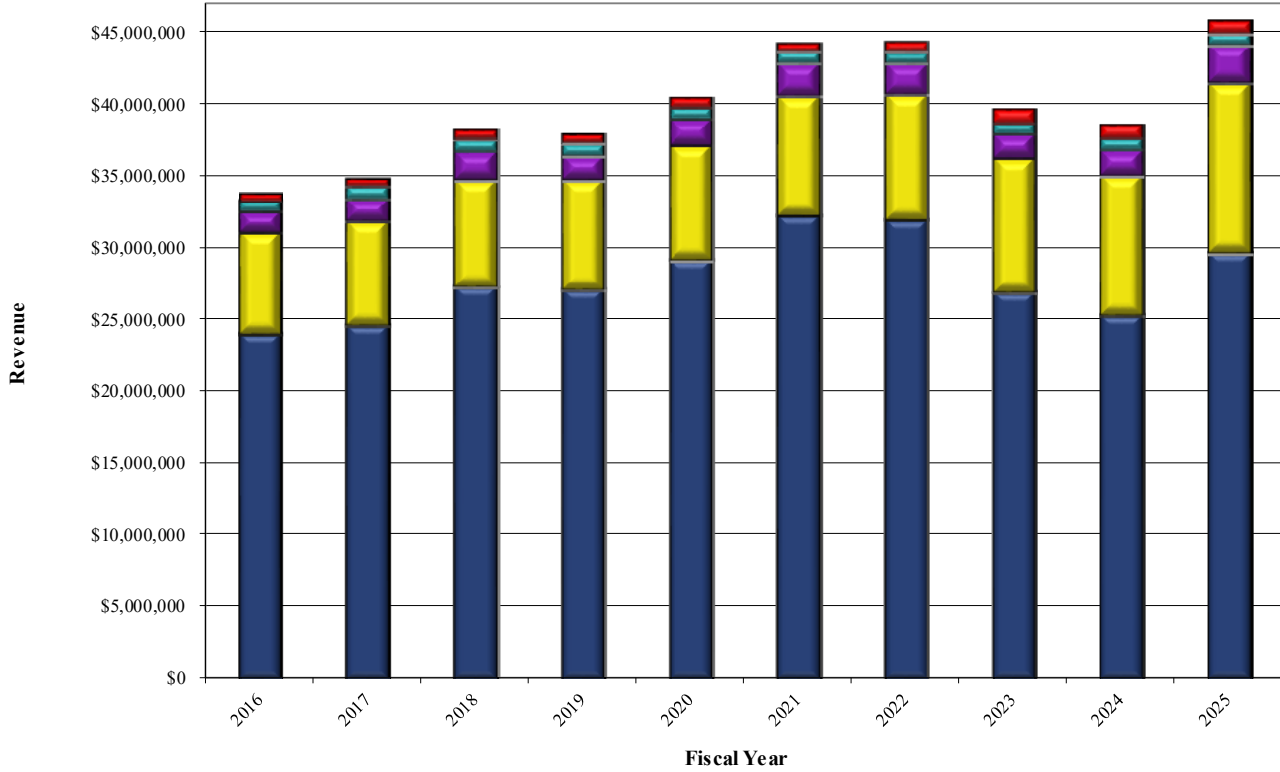
Fiscal Year						
2019	2020	As Restated 2021	As Restated 2022	2023	2024	2025
37,912,508	40,456,434	44,260,619	44,391,343	39,669,770	38,607,814	45,830,200
(34,149,759)	(38,205,724)	(40,065,073)	(40,962,957)	(33,074,736)	(37,557,416)	(41,936,708)
(5,219,938)	(5,455,123)	(5,705,983)	(5,768,802)	(5,746,516)	(5,876,604)	(5,861,223)
(1,457,189)	(3,204,413)	(1,510,437)	(2,340,416)	848,518	(4,826,206)	(1,967,731)
1,098,378	1,162,465	1,199,446	1,232,651	1,378,819	1,364,364	1,446,293
298,104	318,148	230,384	175,184	212,628	206,871	18,873
-	-	40,485	82,691	73,699	51,143	26,439
2,069,109	2,009,604	63,284	(1,600,045)	275,799	1,727,063	2,892,149
874,098	180,329	(41,029)	(87,374)	242,938	(267,573)	(121,906)
-	-	-	-	-	-	-
18,098	(39,748)	(99,640)	153,711	(666,270)	(12,432)	29,571
(658,698)	(635,343)	(609,102)	(249,933)	(280,828)	(383,287)	(1,560,751)
-	-	-	(188,885)	-	(244,453)	(8,650)
316,717	512,942	257,449	841,593	149,443	303,324	283,067
4,015,806	3,508,397	1,041,277	359,593	1,386,228	2,745,020	3,005,085
2,558,617	303,984	(469,160)	(1,980,823)	2,234,746	(2,081,186)	1,037,354
3,116,814	1,574,591	1,403,720	4,012,468	3,975,432	3,701,886	1,075,470
5,675,431	1,878,575	934,560	2,031,645	6,210,178	1,620,700	2,112,824
104,543,390	104,609,392	103,712,477	96,171,867	98,999,367	104,246,051	85,819,390
25,986,720	24,191,055	26,199,369	25,266,486	27,097,588	26,337,671	26,343,496
8,542,299	12,150,537	12,471,662	23,231,066	24,782,642	21,916,575	42,450,235
139,072,409	140,950,984	142,383,508	144,669,419	150,879,597	152,500,297	154,613,121



Walnut Valley Water District Operating Revenue by Source Last Ten Fiscal Years

Schedule 2

Fiscal Year	Water Consumption Fees	Monthly Water Service Charges	Recycled Water Sales	Standby Charges	Hydroelectric Sales	Other Water Service Charges	Total Operating Revenue
2016	\$ 23,995,290	7,094,212	1,497,329	820,221	(10,000)	527,674	33,924,726
2017	24,649,066	7,285,380	1,609,661	815,294	10,534	546,368	34,916,303
2018	27,341,339	7,487,410	1,926,283	822,514	24,072	608,693	38,210,311
2019	27,111,901	7,701,303	1,634,443	837,186	22,250	605,425	37,912,508
2020	29,197,399	7,982,535	1,816,820	795,775	38,892	625,013	40,456,434
2021	32,236,607	8,406,618	2,199,928	766,999	39,341	611,126	44,260,619
2022	31,953,010	8,759,271	2,155,578	718,171	31,455	773,858	44,391,343
2023	26,922,980	9,365,587	1,665,973	761,611	21,871	931,748	39,669,770
2024	25,331,025	9,766,547	1,772,820	738,652	25,735	973,035	38,607,814
2025	29,686,262	11,820,253	2,627,581	790,486	50,193	855,425	45,830,200

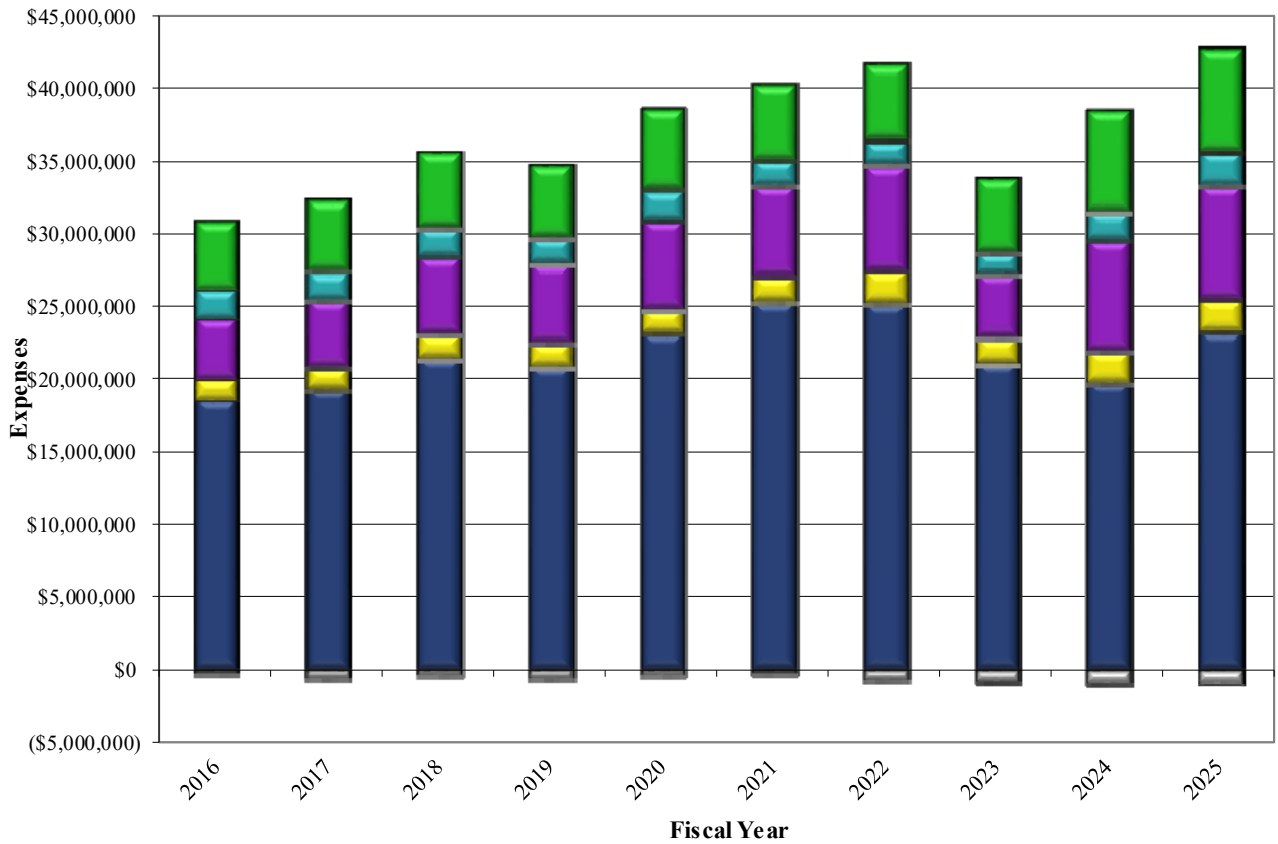


Source: Walnut Valley Water District Accounting Department

**Walnut Valley Water District
Operating Expenses by Activity
Last Ten Fiscal Years**

Schedule 3

Fiscal Year	Source of Supply	Pumping	Transmission and Distribution	Customer Accounts	General and Administrative	Operating Exp. Capitalized during Constr. Period	Total Operating Expenses
2016	\$ 18,694,558	1,507,275	4,167,820	1,967,633	4,682,473	(297,912)	30,721,847
2017	19,397,392	1,540,557	4,598,923	2,042,953	4,918,327	(670,492)	31,827,660
2018	21,505,419	1,712,649	5,280,765	2,091,767	5,165,828	(415,196)	35,341,232
2019	20,999,925	1,672,204	5,339,816	1,910,756	4,892,522	(665,464)	34,149,759
2020	23,156,600	1,703,819	6,118,670	2,111,048	5,535,032	(419,445)	38,205,724
2021	25,338,762	1,819,324	6,181,794	1,804,476	5,240,165	(319,448)	40,065,073
2022	25,282,557	2,226,536	7,284,321	1,783,368	5,105,223	(719,048)	40,962,957
2023	21,226,680	1,728,885	4,392,282	1,493,320	5,097,182	(863,613)	33,074,736
2024	19,823,825	2,226,259	7,537,749	2,093,131	6,835,375	(958,923)	37,557,416
2025	23,311,940	2,237,322	7,767,935	2,460,721	7,084,822	(926,032)	41,936,708



Note:

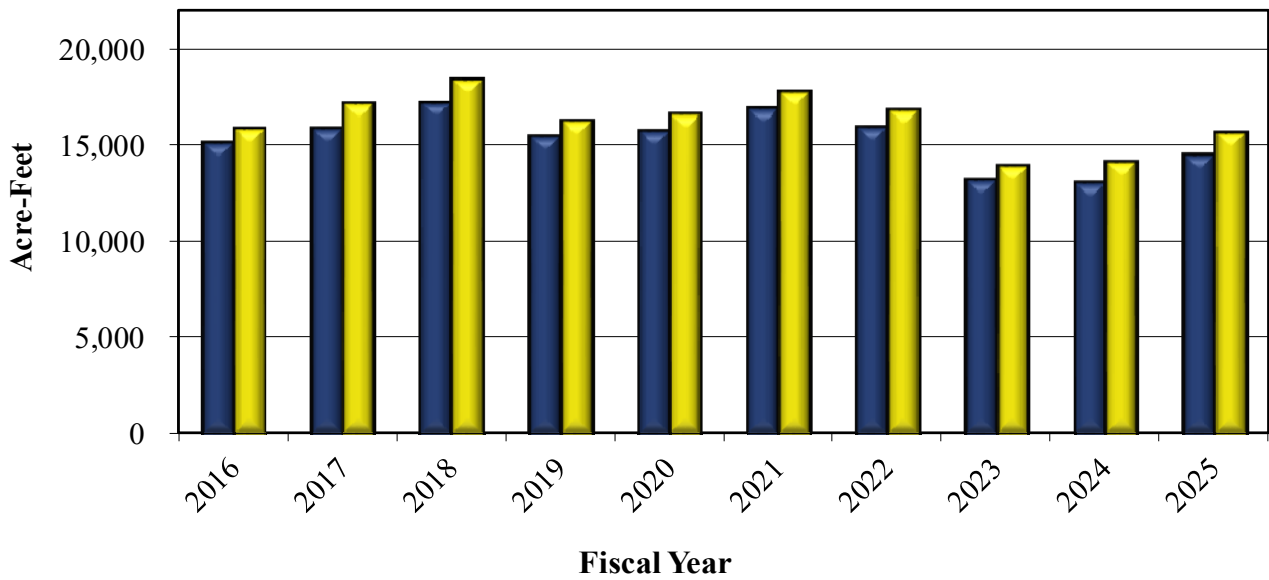
(1) Account groupings were revised in 2020 and regrouped for the prior two fiscal years

Source: Walnut Valley Water District Accounting Department

**Walnut Valley Water District
Revenue Base
Last Ten Fiscal Years**

Schedule 4

Fiscal Year	Water Sales (Acre Feet) ⁽¹⁾	Water Produced (Acre Feet) ⁽¹⁾
2016	15,111	15,905
2017	15,905	17,197
2018	17,245	18,485
2019	15,444	16,275
2020	15,751	16,630
2021	16,953	17,854
2022	15,977	16,844
2023	13,163	13,921
2024	13,050	14,163
2025	14,503	15,671



Note: See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.

(1) Excludes wholesale water sales and purchases

Source: Walnut Valley Water District Accounting Department

**Walnut Valley Water District
Revenue Rates⁽¹⁾
Last Ten Fiscal Years**

Schedule 5

**Commodity Rates
Fiscal Year**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Residential - Tier 1 (per HCF)	\$ 2.85	2.97	3.16	3.27	2.94	3.03	3.22	3.42	3.60	3.55
Residential - Tier 2 (per HCF)	3.25	3.39	3.58	3.69	3.93	4.05	4.30	4.56	4.79	4.49
Residential - Tier 3 (per HCF)	3.25	3.39	3.58	3.69	4.52	4.66	4.94	5.24	5.51	5.97
Multi-Family (per HCF)	3.06	3.19	3.38	3.49	3.36	3.47	3.68	3.90	4.10	4.46
Non-Residential (per HCF)	3.12	3.25	3.44	3.55	3.56	3.67	3.90	4.13	4.34	4.46
Recycled (per HCF)	1.63	1.71	1.79	1.88	1.87	1.97	2.07	2.18	2.29	4.46
Pump Zone - Zone 1 (per HCF)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pump Zone - Zone 2 (per HCF)	0.19	0.20	0.21	0.22	0.24	0.25	0.27	0.30	0.32	0.26
Pump Zone - Zone 3 (per HCF)	0.37	0.39	0.34	0.42	0.44	0.46	0.49	0.53	0.56	0.48

**Meter Charge per Month
Fiscal Year**

Meter Size	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
All District Accounts:										
3/4" or smaller	\$ 18.87	19.43	20.00	20.54	20.67	21.30	22.58	23.94	25.14	37.15
1"	23.77	24.47	25.20	25.88	32.60	33.58	35.60	37.75	39.64	51.59
1 1/2"	56.17	57.82	59.53	61.14	62.42	64.30	68.16	72.28	75.90	87.65
2"	73.34	75.51	77.73	79.84	98.20	101.15	107.22	113.69	119.38	130.93
3"	150.17	154.60	159.17	163.48	193.64	199.45	211.42	224.18	235.39	246.35
4"	236.63	243.61	250.80	257.59	301.00	310.03	328.64	348.46	365.89	376.19
6"	449.79	463.07	476.74	489.65	599.22	617.20	654.24	693.69	728.38	736.85
8"	692.54	712.98	734.02	753.90	957.09	985.81	1,044.96	1,107.96	1,163.36	1,169.65

Notes:

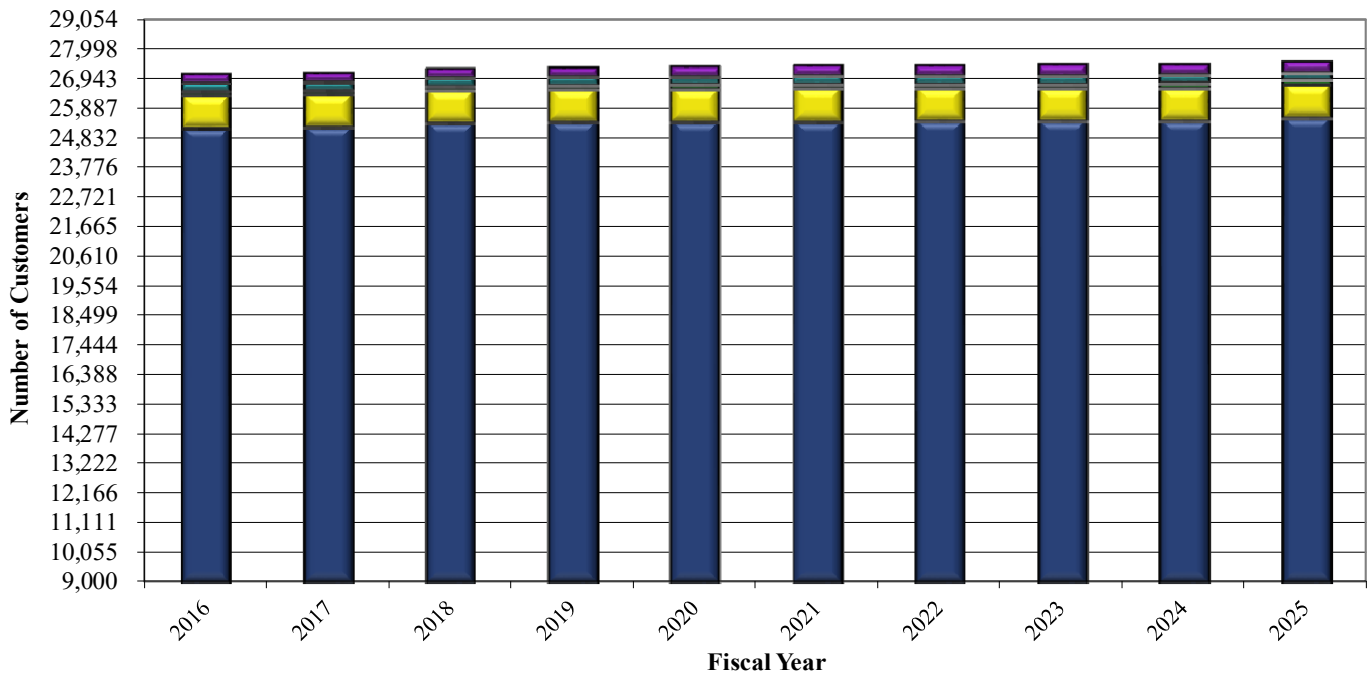
(1) Rates as of June 30 of each fiscal year.

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

**Walnut Valley Water District
Customers by Type
Last Ten Fiscal Years**

Schedule 6

Fiscal Year	Customer Type					Total
	Residential	Commercial/ Industrial	Multi-User	Government	Recycled	
2016	25,258	1,154	161	268	290	27,131
2017	25,275	1,164	163	272	302	27,176
2018	25,415	1,174	163	276	302	27,330
2019	25,467	1,165	163	277	309	27,381
2020	25,474	1,166	163	276	327	27,406
2021	25,479	1,174	163	277	338	27,431
2022	25,486	1,175	163	277	340	27,441
2023	25,497	1,169	163	288	343	27,460
2024	25,510	1,175	166	289	351	27,491
2025	25,604	1,179	166	290	353	27,592



Note: Number of customers as of June 30 of fiscal year.

Source: Walnut Valley Water District Accounting Department

**Walnut Valley Water District
Principal Customers
Current Fiscal Year and Ten Years Ago**

Schedule 7

Rank	Customer	2025		Rank	2016	
		Water Consumed (AF)	Percentage of Total		Water Consumed (AF)	Percentage of Total
1	City Of Walnut	460	2.7%	1	497	2.9%
2	American Golf Corp	393	2.3%			0.0%
3	City of Diamond Bar	353	2.1%	4	204	1.2%
4	City Of Industry	306	1.8%			0.0%
5	Walnut Unified School Dist	261	1.6%	2	265	1.5%
6	Montefino Homeowners Assoc	223	1.3%	3	225	1.3%
7	Pomona Unified School Dist	151	0.9%	6	113	0.7%
8	Diamond Bar Tennis Club HOA	138	0.8%	5	124	0.7%
9	Rowland Unified School Dist	89	0.5%			0.0%
10	Majestic Management	80	0.5%			0.0%
	Cimarron Oaks Tract 43756-11	-	0.0%	7	59	0.3%
	Cimarron Oaks Village No 5	-	0.0%	8	52	0.3%
	Walnut Heights	-	0.0%	9	51	0.3%
	Fall Creek Homeowners Assoc	-	0.0%	10	50	0.3%
	Total	2,454	14.59%		1,639	9.59%
	Potable Sales	14,503			15,174	
	Recycled Sales	2,314			1,911	
	Total Water Consumed (AF)	16,817	100.00%		17,085	100.00%

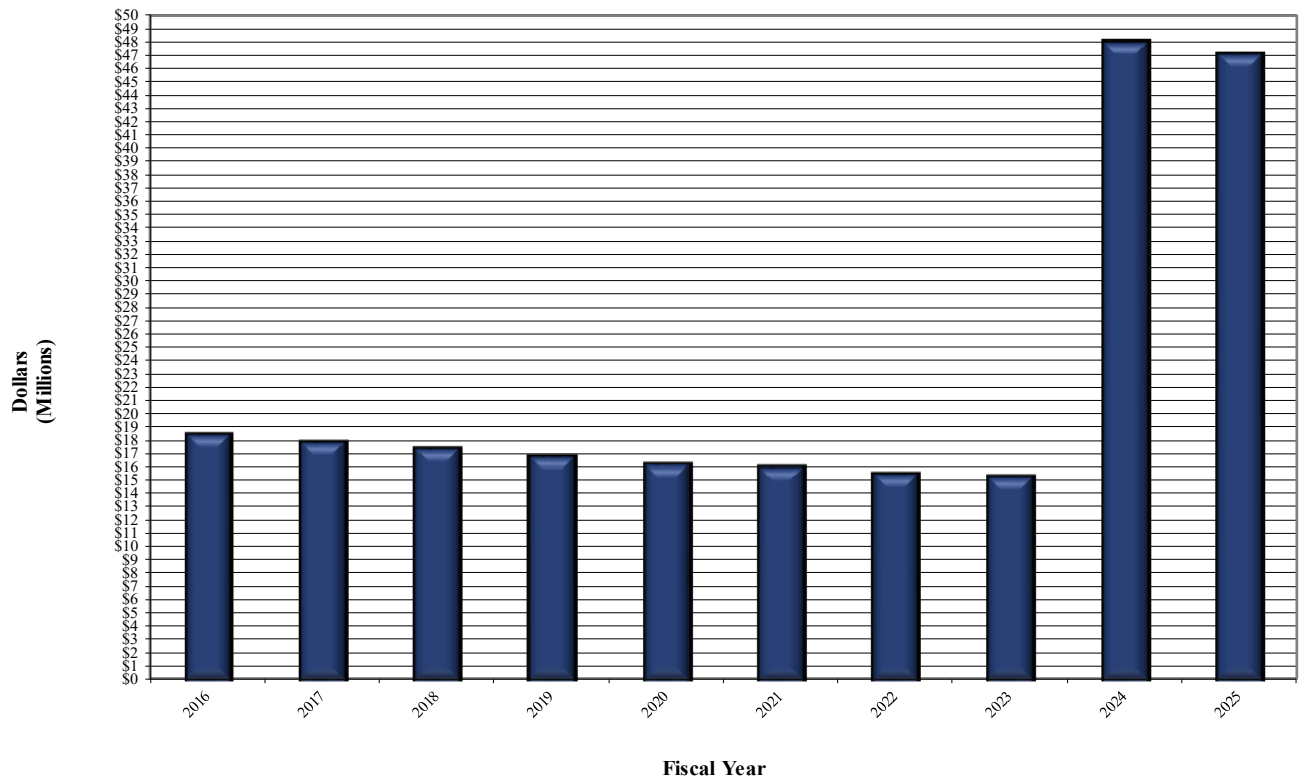
AF = Acre Feet

Source: Walnut Valley Water District Accounting Department

**Walnut Valley Water District
Ratio of Outstanding Debt
Last Ten Fiscal Years**

Schedule 8

<u>Fiscal Year</u>	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Lease Payable</u>	<u>Total Debt</u>	<u>Per Capita</u>	<u>As a Share of Personal Income</u>
2016	\$ 18,577,613	-	-	18,577,613	180.29	0.33%
2017	18,040,497	-	-	18,040,497	174.36	0.31%
2018	17,488,382	-	-	17,488,382	168.33	0.27%
2019	16,916,266	-	-	16,916,266	160.39	0.25%
2020	16,319,151	-	49,905	16,369,056	153.65	0.22%
2021	15,702,036	-	409,191	16,111,227	160.99	0.22%
2022	15,380,000	-	231,421	15,611,421	155.61	0.21%
2023	15,380,000	-	57,849	15,437,849	153.50	0.20%
2024	48,016,792	-	94,203	48,110,995	478.38	0.61%
2025	46,977,331	-	151,911	47,129,242	511.27	0.62%



Source: Walnut Valley Water District Accounting Department

**Walnut Valley Water District
Debt Coverage
Last Ten Fiscal Years**

Schedule 9

Fiscal Year	Net Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Interest	Total	
2016	\$ 36,862,499	(30,321,989)	6,540,510	415,000	819,350	1,234,350	5.30
2017	36,914,828	(31,642,531)	5,272,297	430,000	802,750	1,232,750	4.28
2018	40,259,265	(34,156,423)	6,102,842	445,000	785,550	1,230,550	4.96
2019	40,383,991	(33,550,440)	6,833,551	465,000	767,750	1,232,750	5.54
2020	43,210,890	(36,868,845)	6,342,045	490,000	744,500	1,234,500	5.14
2021	46,759,072	(39,351,972)	7,407,100	510,000	720,000	1,230,000	6.02
2022	47,469,671	(39,330,873)	8,138,798	-	217,300	217,300	37.45
2023	42,158,101	(38,372,045)	3,786,056	-	277,404	277,404	13.65
2024	41,275,353	(37,340,393)	3,934,960	630,000	1,350,553	1,980,553	1.99
2025	48,421,302	(41,626,550)	6,794,752	955,000	1,620,154	2,575,154	2.64

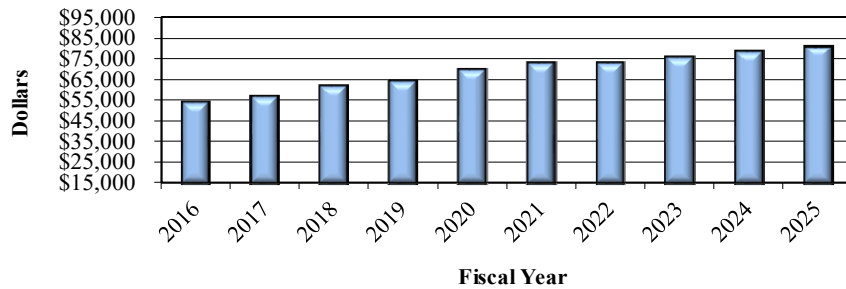
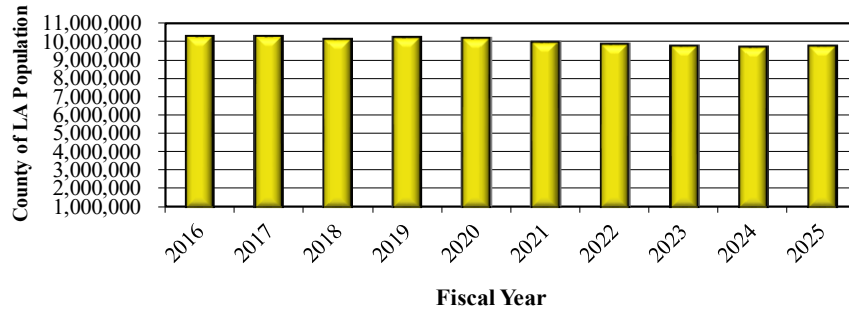
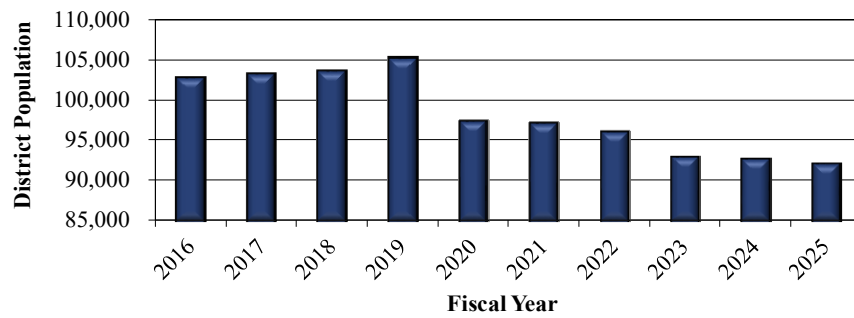
Note: (1) Operating revenues excludes: unrealized gain (loss) on investment income
Operating revenues includes property tax revenue, investment income, and other non-operating revenue.
(2) Operating expenses before depreciation excludes: GASB 68 pension expense, GASB 75 OPEB expense.
Operating expenses before depreciation includes: overhead on capital construction expense.

Source: Walnut Valley Water District Accounting Department

Walnut Valley Water District Demographic and Economic Statistics Last Ten Fiscal Years

Schedule 10

County of Los Angeles ⁽¹⁾					
Year	District Population	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2016	103,045	540.0%	10,240,000	557,382,000	54,432
2017	103,469	4.9%	10,278,000	585,515,000	56,968
2018	103,892	4.9%	10,106,000	628,809,000	62,221
2019	105,469	4.6%	10,184,000	658,900,000	64,700
2020	97,475	17.9%	10,136,000	708,700,000	69,919
2021	97,226 (2)	10.3%	9,931,000	728,400,000	73,346
2022	96,155	5.2%	9,835,000	722,300,000	73,442
2023	93,046	5.3%	9,761,000	743,300,000	76,150
2024	92,813	5.9%	9,700,000	764,112,400	78,774
2025	92,181	5.4%	9,757,179	798,561,600	81,843



Sources: Bureau of Labor Statistics
California Department of Finance, Bureau of Economic Analysis (BEA)
LAEDC Economic Forecast

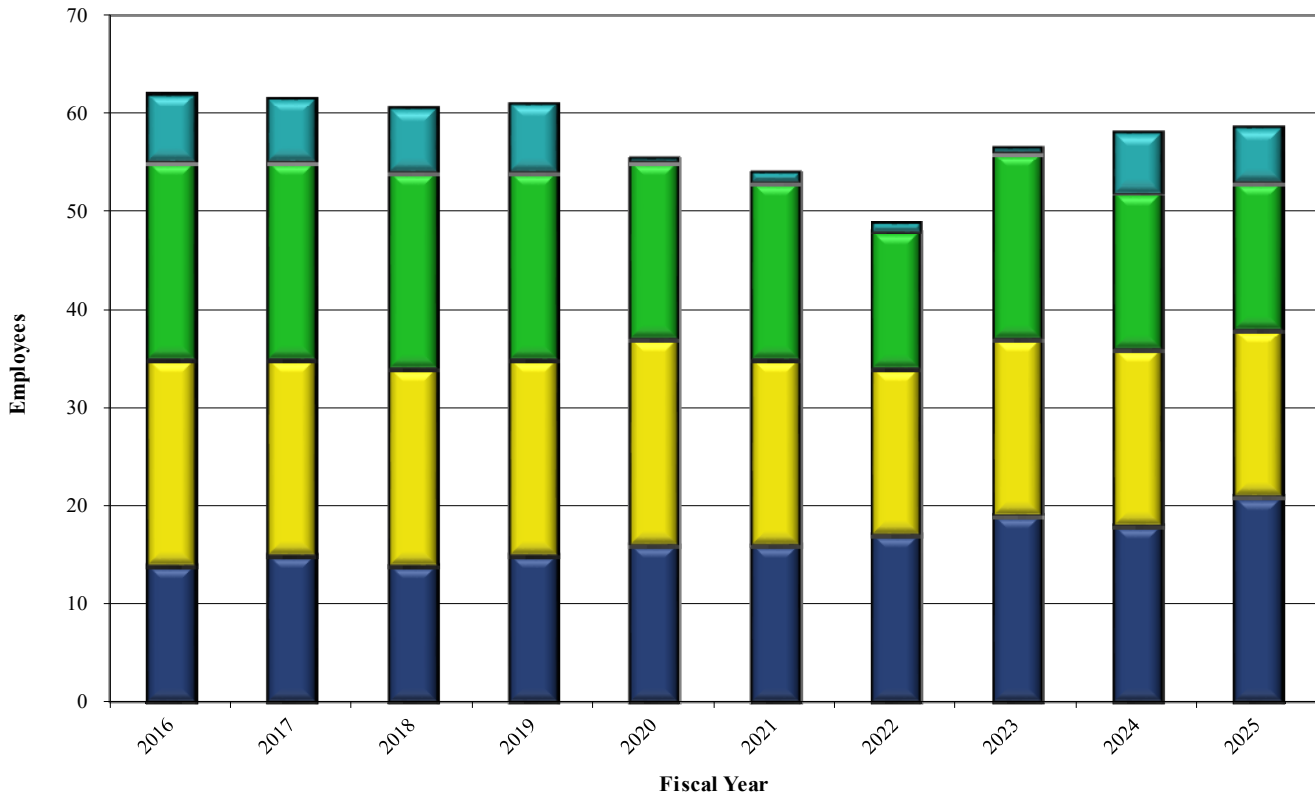
Notes:
(1) Only County data is updated annually. Therefore, the District has chose to use its data since the District believes that the County data is representative of the conditions and experience of the District.
(2) Recalculated due to 2020 Census

**Walnut Valley Water District
Full-Time Equivalent Employees
Last Ten Fiscal Years**

Schedule 11

Full-time Equivalent District Employees by Department

Fiscal Year	District Administration	Office and Engineering	Operations	Part-time/ Student Intern	Total
2016	14	21	20	7.0	62.0
2017	15	20	20	6.5	61.5
2018	14	20	20	6.5	60.5
2019	15	20	19	7.0	61.0
2020	16	21	18	0.5	55.5
2021	16	19	18	1.0	54.0
2022	17	17	14	1.0	49.0
2023	19	18	19	0.5	56.5
2024	18	18	16	6.0	58.0
2025	21	17	15	5.5	58.5



Source: Walnut Valley Water District Accounting Department

**Walnut Valley Water District
Operating and Capacity Indicators
Last Ten Fiscal Years**

Schedule 12

Other Operating and Capacity Indicators

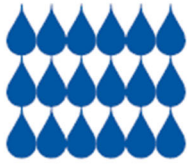
Fiscal Year	District Area (Square Miles)	Miles of Pipeline	Storage Capacity (MG)	Reservoirs	Booster Pump Stations	Pressure Regulating Stations	Fire Hydrants
2016	29	417	93.8	31	17	48	3,031
2017	29	417	93.8	31	17	47	3,035
2018	29	418	93.8	31	17	45	3,050
2019	29	421	93.8	31	17	43	3,055
2020	29	421	93.8	31	18	42	3,055
2021	29	422	93.8	31	18	42	3,093
2022	29	426	93.8	31	18	41	3,094
2023	29	426	95.6	32	18	39	3,094
2024	29	426	95.6	32	18	39	3,094
2025	29	428	95.6	32	19	39	3,111

MG - Millions of Gallons

MGD - Millions of Gallons per Day

Source: Walnut Valley Water District Engineering Department

Report on Internal Controls and Compliance



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**Independent Auditor’s Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Walnut Valley Water District
Walnut, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Walnut Valley Water District (District) as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises the District’s basic financial statements, and have issued our report thereon dated December 15, 2025.

Internal Control Over Financial Reporting

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

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

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

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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
December 15, 2025