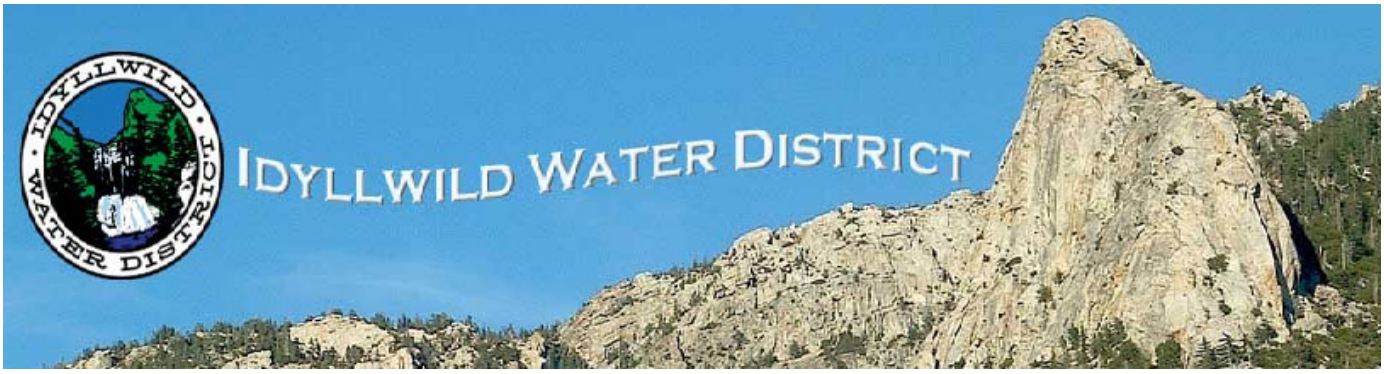


FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
JUNE 30, 2026

Idyllwild Water District

Table of Contents

Page

List of Principal Officers i

Independent Auditor’s Report 1

Management's Discussion and Analysis 4

Statement of Net Position 8

Statement of Revenues, Expenses and Changes in Net Position 9

Statement of Cash Flows 10

Notes to the Basic Financial Statements 12

Required Supplementary Information:

Schedule of Changes in Total OPEB Liability and Related Ratios 26

Idyllwild Water District

List of Principal Officers
As of June 30, 2026

BOARD OF DIRECTORS

Title	Name
President	Charles Schelly
Vice-President	Jessica Priefer
Director	Mitch Davis
Director	Steve Olson
Director	John Stamper

ADMINISTRATION

General Manager	Bill Rojas
Chief Financial Officer	Hosny Shouman

ORGANIZATION

The Idyllwild Water District was formed on March 21, 1955 for the purpose of providing a domestic water supply to the community of Idyllwild, California under Section 30000 of the California Water Code. Improvement District No. 1 (Wastewater) was established by Board action on March 10, 1966 to provide wastewater services within the community.

Independent Auditor's Report

Board of Directors
Idyllwild Water District
Idyllwild, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Water Fund and Improvement District No. 1 Wastewater Fund of the Idyllwild Water District (the District), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Water Fund and Improvement District No. 1 Wastewater Fund of the District, as of June 30, 2026, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing Special Districts.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Tel. 909-889-0871 | www.ramscpa.net | 735 E. Carnegie Dr. Suite 100, San Bernardino, CA 92408

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and the schedule as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2026 on our consideration of 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 solely 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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, CA
November 6, 2026

The purpose of management's discussion and analysis (MD&A) is to help the District's residents and other financial statement users understand what the financial statements and the notes related to the financial statements say regarding the District's financial health, what changed between fiscal years, and why the changes occurred. It contains information drawn from those parts of the report, accompanied by District staff's knowledge and explanations for those changes.

Questions concerning any of the information provided in this report or requests for additional financial information, please contact the District located at 25945 CA-243, Idyllwild, California 92549 or online at idyllwildwater.com.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements present the District's finances at both an overall and a detailed level. The District's basic financial statements consist of two components: 1) basic financial statements and 2) notes to the basic financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements themselves.

The basic financial statements present the District's finances in detail. Fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted.

The next section of the financial report contains the notes to the financial statements providing a deeper level of detail of the District's finances as reported in the financial statements. The information in the notes is as important to understanding the District's finances as the information within the financial statements and are used to: 1) present information in greater detail than possible within the financial statements, 2) explain the nature of amounts reported and how those amounts are derived, and 3) report certain information that does not meet the requirements for inclusion in the financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* for the schedule of changes in the Total OPEB Liability and related ratios.

Types of Information in the Financial Statements

The District's financial statements use the *accrual method of accounting*. They comprehensively report all types of financial elements:

- Assets – resources controlled by the District including short-term assets like cash and receivables to long-term assets like equipment and infrastructure.

- Liabilities – amounts owed by the District including short-term such as salaries payable and long-term such as bonds payable and net amounts owed to employees for pensions.

- Deferred outflows and inflows of resources – amounts recorded in the current or previous years that will not be reported as revenues or expenses until the future year they relate to.

- Revenues and expenses – inflows and outflows of economic resources, respectively, that relate to the current fiscal year.

More detail about the measurement focuses and bases of accounting can be found in Note 1 to the financial statements in the summary of significant accounting policies.

FINANCIAL SUMMARY

Table 1 – Idyllwild Water District's Overall Net Position

	2025	2026	Change Amount	Change %
Assets:				
Other assets	$ 6,382,258	$ 7,333,148	$ 950,890	14.9%
Capital assets	10,544,255	11,201,281	657,026	6.2%
Total assets	16,926,513	18,534,429	1,607,916	9.5%
Deferred outflow of resources				
OPEB related	149,555	124,422	(25,133)	-16.8%
Liabilities:				
Other	2,163,486	2,964,429	800,943	37.0%
Long-term liabilities	1,282,540	1,089,936	(192,604)	-15.0%
Total liabilities	3,446,026	4,054,365	608,339	17.7%
Deferred inflow of resources				
OPEB related	377,794	492,585	114,791	30.4%
Net position:				
Net investment in capital assets	10,530,330	11,051,381	521,051	4.9%
Unrestricted	2,721,918	3,060,520	338,602	12.4%
Total net position	$ 13,252,248	$ 14,111,901	$ 859,653	6.5%

Table 1, above, shows that as of June 30, 2026, the District's total net position – assets and deferred outflows minus liabilities and deferred inflows – was $14,111,901, an increase of $859,653 or 6.5% compared to June 30, 2025.

The remainder of this page intentionally left blank

Table 2 – Revenues, Expenses, and Changes in Net Position

	Water		Change		Improvement District No. 1 - Wastewater		Change	
	2025	2026	Amount	%	2025	2026	Amount	%
Total operating revenues	$ 2,113,144	$2,193,300	$ 80,156	3.8%	$ 961,667	$1,095,417	$133,750	13.9%
Total operating expenses	2,477,397	2,517,051	39,654	1.6%	770,862	866,210	95,348	12.4%
Operating income (loss)	(364,253)	(323,751)	40,502	-11.1%	190,805	229,207	38,402	20.1%
Noncapital subsidies								
Property taxes and assessments	496,652	539,281	42,629	8.6%	178,590	203,283	24,693	13.8%
Total noncapital subsidies	496,652	539,281	42,629	8.6%	178,590	203,283	24,693	13.8%
Other nonoperating revenues (expenses)								
Investment income	99,443	78,141	(21,302)	-21.4%	67,603	56,257	(11,346)	-16.8%
Standby fees	17,833	17,009	(824)	-4.6%	5,256	5,252	(4)	-0.1%
Capacity fees	14,954	12,429	(2,525)	-16.9%	15,345	15,345	-	0.0%
Gain on sale of capital asset	-	12,600	12,600	100.0%	-	14,600	14,600	100.0%
Total other nonoperating revenues (expenses)	132,230	120,179	(12,051)	-9.1%	88,204	91,454	3,250	3.7%
Increase in net position	264,629	335,709	$ 71,080	26.9%	457,599	523,944	$ 66,345	14.5%
Net position, beginning of year	8,444,554	8,709,183			4,085,466	4,543,065		
Net position, end of year	$ 8,709,183	$9,044,892			$ 4,543,065	$5,067,009		

DETAILED ANALYSES

Revenue

During the current fiscal year, the District had overall increases in water and wastewater sales. Water sales increased by $73,483 or 3.0%, from the prior year attributed to a combination of increased residential and commercial rates (8.0% increase in fiscal year 2026) and a decrease in total water sold from 10,956,601 cubic feet in fiscal year ending June 30, 2025, to 10,384,907 cubic feet in fiscal year ending June 30, 2026. Wastewater services increased by $133,750, or 14.6%, from the prior year, primarily due to a rate increase of 13.0%.

Expenses

In the current fiscal year, the District's Water fund operating expenses increased by $39,654, or 1.6%, from the prior year primarily associated with increased depreciation expense and increased employee benefits offset by lower repairs and maintenance costs. The Wastewater fund operating expenses increased by $95,348, or 12.4% from the prior year. The increase was primarily associated with increased salaries and benefits (health insurance), general plant expense (the manhole adjustment project), and sewer treatment fees.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

At the end of fiscal year 2026, the District reported a total of $11,201,281 in capital assets, net of depreciation. During the current fiscal year, the District completed one project: the Strawberry Division Pipeline project. In addition, the District also purchased 3 work trucks for a total of $147,224, to be used in operations, $57,000 in a new roof at the District's shop, and $29,143 for two new generators.

The District currently does not have any long-term financing activity.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The District is aware of 3 developments that will have an impact on its finances in the future and have been incorporated into next year's budget.

1) Rate increases for wastewater and sewer,
2) Multiple capital projects, and
3) Expense increases.

Rate Increases

The District will be in its third year of the revised rate structure with two more increases scheduled to be in effect for fiscal years ending June 30, 2027 and 2028 for 8% increases per year. The District's base charge for sewer will also increase by $8.29 per equivalent dwelling unit.

Multiple Capital Projects

The District is currently working on the Tank No. 5 project and the Wastewater Treatment Plant project with a total of $1,100,000 budgeted for overall capital improvement. District staff are actively researching funding opportunities and preparing to apply for grant funding for the Wastewater Treatment Plant.

Expense Increases

The District is anticipating a total increase of 2.5-5% in operating expenses due to an increase in the cost of utilities and personnel expenses. The District is currently expecting a 5% increase in all utilities, a 3% increase in health and life insurance costs, and a 5% wage increase for all regular employees.

Idyllwild Water District
Statement of Net Position
June 30, 2026

	Water	Improvement District No. 1 - Wastewater	Total
Assets			
Current assets:			
Cash and investments	$ 2,482,373	$ 1,587,702	$ 4,070,075
Certificates of deposit	134,818	266,509	401,327
Accounts receivable, net:			
Sales and service	44,110	16,190	60,300
Taxes and assessments	18,795	6,696	25,491
Accrued interest receivable	17,071	13,459	30,530
Inventories	51,149	-	51,149
Prepaids	8,184	2,728	10,912
Due from other funds	-	2,683,364	2,683,364
Total current assets	2,756,500	4,576,648	7,333,148
Capital assets:			
Land and land improvements	580,135	100,365	680,500
Construction in progress	207,461	379,239	586,700
Property, plant and equipment, net	9,521,555	412,526	9,934,081
Total capital assets	10,309,151	892,130	11,201,281
Total assets	13,065,651	5,468,778	18,534,429
Deferred Outflows of Resources			
OPEB related	93,316	31,106	124,422
Total deferred outflows of resources	93,316	31,106	124,422
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	179,322	12,609	191,931
Compensated absences payable	31,458	10,486	41,944
Due to other funds	2,683,364	-	2,683,364
Current portion total OPEB liability	35,393	11,798	47,190
Total current liabilities	2,929,537	34,893	2,964,429
Noncurrent liabilities:			
Total OPEB liability	802,411	267,470	1,069,880
Unearned revenue	12,689	7,367	20,056
Total noncurrent liabilities	815,100	274,837	1,089,936
Total liabilities	3,744,636	309,729	4,054,365
Deferred Inflows of Resources			
OPEB related	369,439	123,146	492,585
Total deferred inflows of resources	369,439	123,146	492,585
Net Position (deficit)			
Net investment in capital assets	10,159,251	892,130	11,051,381
Unrestricted	(1,114,359)	4,174,879	3,060,520
Total net position	$ 9,044,892	$ 5,067,009	$ 14,111,901

The notes are an integral part of these financial statements.

Idyllwild Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2026

	Water	Improvement District No. 1 - Wastewater	Total
Operating Revenues			
Sales and charges for services:			
Residential	$ 1,472,481	$ 345,418	$ 1,817,899
Commercial	712,972	749,999	1,462,971
Other fees and charges	7,847	-	7,847
Total operating revenues	2,193,300	1,095,417	3,288,717
Operating Expenses			
Source of supply	332,592	-	332,592
Transmission and distribution	234,522	-	234,522
Pumping	41,920	-	41,920
Water treatment	294,731	-	294,731
Customer accounts	149,214	-	149,214
Wastewater collection	-	15,905	15,905
Wastewater treatment	-	260,359	260,359
Wastewater disposal	-	81,789	81,789
Other operating expenses	457,116	222,889	680,005
General and administrative	1,006,956	285,268	1,292,224
Total operating expenses	2,517,051	866,210	3,383,261
Operating income (loss)	(323,751)	229,207	(94,544)
Noncapital subsidies			
Property taxes and assessments	539,281	203,283	742,564
Total noncapital subsidies	539,281	203,283	742,564
Operating income (loss) and noncapital subsidies	215,530	432,490	648,020
Other nonoperating revenues (expenses)			
Investment income	78,141	56,257	134,398
Standby fees	17,009	5,252	22,261
Capacity fees	12,429	15,345	27,774
Gain on sale of capital asset	12,600	14,600	27,200
Total other nonoperating revenues	120,179	91,454	211,633
Change in net position	335,709	523,944	859,653
Net position, beginning of year	8,709,183	4,543,065	13,252,248
Net position, end of year	$ 9,044,892	$ 5,067,009	$ 14,111,901

The notes are an integral part of these financial statements.

Idyllwild Water District
Statement of Cash Flows
For the Year Ended June 30, 2026

	Water	Improvement District No. 1 - Wastewater	Total
Cash Flows from Operating Activities			
Cash received from customers	$ 2,185,408	$ 1,098,562	$ 3,283,970
Cash payments for and employees	(2,076,693)	(833,462)	(2,910,155)
Net cash provided by (used for) operating activities	108,715	265,100	373,815
Cash Flows from Noncapital Financing Activities			
Property taxes	538,980	202,979	741,959
Other nonoperating income	17,009	5,252	22,261
Net cash provided by (used for) noncapital financing activities	555,989	208,231	764,220
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(1,055,050)	(514)	(1,055,564)
Proceeds from disposal of capital assets	12,600	14,600	27,200
Capacity fees received	12,429	15,345	27,774
Cash paid to/received by other funds	675,158	(675,158)	-
Net cash provided by (used for) capital and related financing activities	(354,863)	(645,727)	(1,000,590)
Cash Flows from Investing Activities			
Investment income	79,441	57,281	136,722
Net cash provided by investing activities	79,441	57,281	136,722
Net increase (decrease) in cash and cash equivalents	389,282	(115,115)	274,167
Cash and cash equivalents, beginning of year	2,227,909	1,969,326	4,197,235
Cash and cash equivalents, end of year	$ 2,617,191	$ 1,854,211	$ 4,471,402
Cash and Investments are presented in the Statement of Net Position as follows:			
Cash and investments	$ 2,482,373	$ 1,587,702	$ 4,070,075
Certificates of deposit	134,818	266,509	401,327
Total	$ 2,617,191	$ 1,854,211	$ 4,471,402

The notes are an integral part of these financial statements.

	Water	Improvement District No. 1 - Wastewater	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	$ (323,751)	$ 229,207	$ (94,544)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	495,452	52,986	548,438
(Increase) decrease in assets and deferred outflows of resources:			
Receivables	(6,615)	3,145	(3,470)
Inventories	635	-	635
Prepaids	(337)	(112)	(449)
OPEB related deferred outflows of resources	18,849	6,284	25,133
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable and accrued liabilities	(13,207)	(348)	(13,555)
Unearned revenue	(1,277)	(5,717)	(6,994)
Total OPEB liability	(139,547)	(46,516)	(186,063)
Compensated absences payable	(7,580)	(2,527)	(10,107)
OPEB related deferred inflows of resources	86,093	28,698	114,791
Net cash provided by (used for) operating activities	$ 108,715	$ 265,100	$ 373,815
Noncash, investing, capital and financing activities			
Construction in process in accounts payable	$ 149,900	$ -	$ 149,900

The notes are an integral part of these financial statements.

Note 1: Significant accounting policies

Description of reporting District

The Idyllwild Water District (the District) was formed on March 21, 1955 for the purpose of providing a domestic water supply to the community of Idyllwild, California under Section 30000 of the California Water Code. Improvement District No. 1 was established by Board action on March 10, 1966 to provide wastewater services within the community. The financial statements of the Idyllwild Water District include the financial activities of both the Water Fund and Improvement District No. 1 Fund. The oversight responsibility of the District arises from the fact that the two operations are related financially and have the same management and governing board.

The District reports the following enterprise funds:

> *Water* – This fund is used to account for the sale of water to domestic and commercial accounts. It is also used to account for the costs of distributing, new construction, and repair and maintenance of various water facilities and other related infrastructure.
>
> *Improvement District No. 1 Wastewater* – This fund is used to account for the treatment and disposal of wastewater. It is also used to account for the costs of collection, new construction, and repair and maintenance of various wastewater facilities and other related infrastructure.

Measurement focus and basis of accounting

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, revenue and expenses are recognized on an accrual basis of accounting and the economic resources measurement focus.

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

The District recognizes revenue from water sales, wastewater service fees and water availability fees as it is earned. Taxes and assessments are recognized as revenue based upon amounts reported to the District by the County of Riverside, net of an allowance for delinquencies.

Net position flow assumption

At various times, the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Budgetary accounting

The District prepares and adopts budgets for both the Water and Improvement District but does not present budgetary information because it is not legally required to adopt and adhere to a budget. All budgets are adopted on a basis consistent with generally accepted accounting principles.

Note 1: Significant accounting policies, continued

Use of estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the statements. Actual results could differ from those estimates.

Property tax calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	January 1
Levy date	July 1 through June 30
Due date	November 1 – First installment
	February 1 – Second installment
Delinquent date	December 10 – First installment
	April 10 – Second installment

Under California law, property taxes and other charges (such as assessments) are assessed and collected by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to agencies based on complex formulas prescribed by state statutes. The County of Riverside bills, collects and remits property taxes and assessments to the District through the County's property tax billing process.

Cash and cash equivalents

For purposes of the statement of cash flows, the District considers all investments purchased with a maturity of three months or less to be cash equivalents.

Deposits and investments

Investments for the District are reported at fair value as applicable.

Water receivables

No allowance for doubtful accounts is provided because management believes all receivables are collectible.

Materials inventory

Inventory consists primarily of supplies used in the maintenance of plant and equipment and is valued at cost using the first in/first out method.

Capital assets and depreciation

Acquisitions of property, plant and equipment of $5,000 or more with a useful life of greater than three years are capitalized and depreciated. Donated and contributed capital assets are recorded are recorded at their acquisition value at the date of donation/contribution. Self-constructed assets are recorded at the amount of direct labor and materials.

Note 1: Significant accounting policies, continued

Capital assets and depreciation, continued

Depreciation is provided on a straight-line basis over the following estimated useful lives of the assets:

Water District	Years
Source of supply	15 - 100
Pumping plant	7 - 50
Treatment plant	25 - 40
Transmission and distribution	40 - 60
General plant	3 - 40

Improvement District No.1	Years
Subsurface lines	20 - 40
Wastewater treatment facilities	5 - 40
Wastewater disposal facilities	12 - 100
General plant	3 - 20

Net position is categorized as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Other Post-Employment Benefits (OPEB)

The District’s OPEB Plan is unfunded, and benefits are paid as they become due. The total OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense are measured in accordance with GASB Statement No. 75. Benefit payments are recognized when due and payable in accordance with the benefit terms. Generally accepted accounting principles require 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, 2025
Measurement Date:	June 30, 2025
Measurement Period:	June 30, 2024 to June 30, 2025

Implementation of GASB Statement No. 103

For the fiscal year ending June 30, 2026, the District implemented GASB Statement No. 103, *Financial Reporting Model Improvements*, which revises certain financial statement presentation and required supplementary information requirements. Implementation resulted in a change in formatting of the MDA and Statement of Revenues, Expenses and Changes in Net Position and did not affect beginning net position or fund balance.

Note 2: Concentrations

During the year ended June 30, 2026, the District had revenues from an unrelated party that amount to more than 10% of net sales. Accounts receivable and net sales to this customer as of and for the year ending June 30, 2026, were as follows:

	Net Sales		Accounts Receivable	
	Water	Improvement District No. 1 - Wastewater	Water	Improvement District No. 1 - Wastewater
Customer A	$ 244,094	$ 162,187	$ 19,234	$ 13,516

There are no indications that the customer will not continue to operate.

Note 3: Cash and cash equivalents

	Water	Improvement District No. 1
Cash and cash equivalents	$ 2,482,373	$ 1,587,702
Certificates of deposit	134,818	266,509
Total cash and cash equivalents	$ 2,617,191	$ 1,854,211

Cash and cash equivalents consisted of the following at June 30, 2026:

Deposits with financial institutions	$ 364,087	$ 207,685
Money market deposit accounts	256,154	2,874
Cash on hand	275	-
LAIF	1,746,791	1,377,143
California CLASS pooled investment	115,066	-
Certificates of deposit	134,818	266,509
Total cash and cash equivalents	$ 2,617,191	$ 1,854,211

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Each participant may invest up to $75,000,000. Investments in LAIF are highly-liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Also, LAIF is overseen by the Local Agency Investment Advisory Board which consists of five members, in accordance with State statute. LAIF is not currently rated by any rating agency. LAIF allows a maximum of 15 transactions per month, with a minimum of $5,000 per transaction. Any withdrawal of over $10,000,000 requires a 24-hour notice.

The District is a voluntary participant in the California Cooperative Liquid Assets Securities System (California CLASS). California CLASS is a joint exercise of powers District authorized under Section 6509.7, California Government Code. CLASS is supervised by a Board of Trustees comprised of eligible Participants of the California CLASS program. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. CLASS offers participants a means to pool and invest excess funds in a diversified portfolio of high-quality, short-term investments, while maintaining liquidity and safety of principal. The fair value of the District's investment in this pool is reported in the accompanying financial statements.

Note 3: Cash and cash equivalents, continued

The pool seeks to maintain, but does not guarantee, a constant net asset value of $1.00 per share. A participant may withdraw funds from its pool accounts at any time by wire transfer. Requests for wire transfers must be made by 11:00 AM that day.

For both LAIF and CLASS, the reported fair value equals its pool-share value.

Interest rate risk

The District has adopted an investment policy which limits the weighted-average maturity of the District's investments to one year as a means of managing their exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk

During the fiscal year, the District did not hold investments in one issuer that represented 5% or more of the District's total investment portfolio. Investments issued or explicitly guaranteed by the U.S. government as well as mutual funds, external investment pools and other pooled assets are exempt from disclosure.

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

The following table identifies the investment types that are authorized by the 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 trustees that are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or the Districts' investment policies.

Authorized Investment Type	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
United States treasury obligations	None	None
U.S. government sponsored securities	75%	None
California State warrants/notes/bonds	67%	None
Local Agency Investment Fund	67%	$75,000,000
Other pooled investments	67%	None
Money market funds	20%	None
Non-negotiable certificates of deposit	50%	50%
District bonds	None	None
Any other investment authorized by the provisions of CGC 5922 and 53601		

* = Surplus funds (monies not expected to be expended for at least six months from the date of investment of such monies).

Investments authorized by debt agreements

Investments of debt proceeds held by trustees (fiscal agents) are governed by provisions of the debt agreements, rather than the provisions of the California Government Code or the District's investment policies. The District currently does not have any debt or cash held by trustees.

Note 3: Cash and cash equivalents, continued

Investment maturities as of June 30, 2026 were as follows:

		Remaining maturity	
Investment type	Fair Value	12 Months or Less	13 to 60 Months
Water District			
Local Agency Investment Fund	$ 1,746,791	$ 1,746,791	$ -
Certificates of Deposit	134,818	134,818	-
California Class pooled investment	115,066	115,066	-
Money market deposit account	256,154	256,154	-
Total investments - Water District	$ 2,252,829	$ 2,252,829	$ -
Improvement District No. 1			
Local Agency Investment Fund	$ 1,377,143	$ 1,377,143	$ -
Certificates of deposit	266,509	133,032	133,477
Money market deposit account	2,874	2,874	-
Total investments - Improvement District No. 1	$ 1,646,526	$ 1,513,049	$ 133,477

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a 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 California Government Code requires that a financial institute secure deposits made by state and local governmental units by pledging securities in an individual collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the pool must equal at least 110% of the total amount deposited by public agencies.

California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes, having a value of 150% of the secured public deposits. As of June 30, 2026, the District's deposits (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California law.

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. The District does not have any investments subject to the fair value hierarchy.

Note 3: Cash and cash equivalents, 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. State law limits investments in certain investments in commercial paper, corporate bonds and mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy further limits investments in Money Market Mutual Funds to funds that carry the highest rating of at least two of the three largest national rating organizations.

Investment type	Amount	Minimum Legal Rating	Rating	Not Rated
Water District				
Local Agency Investment Fund	$ 1,746,791	NA	NA	$ 1,746,791
Certificates of deposit	134,818	None	NA	134,818
California Class pooled investment	115,066	None	AAAm	-
Money market deposit account	256,154	None	NA	256,154
Total investments - Water District	$ 2,252,829			$2,137,763
Improvement District No. 1				
Local Agency Investment Fund	$ 1,377,143	NA	NA	$ 1,377,143
Certificates of deposit	266,509	None	NA	266,509
Money market deposit account	2,874	None	NA	2,874
Total investments - Improvement District No. 1	$ 1,646,526			$1,646,526

The remainder of this page intentionally left blank

Note 4: Capital assets

Capital assets as of June 30, 2026 consists of the following:

Water District	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Construction in progress	$ 57,561	$ 814,995	$ -	$ (665,095)	$ 207,461
Land and land improvements	580,135	-	-	-	580,135
Total capital assets not being depreciated	637,696	814,995	-	(665,095)	787,596
Capital assets being depreciated:					
Source of supply	1,421,324	50,318	-	635,535	2,107,177
Pumping plant	97,162	-	-	-	97,162
Treatment plant	872,161	-	-	-	872,161
Transmission and distribution	10,171,721	-	-	-	10,171,721
General plant	3,249,785	339,637	(31,654)	29,560	3,587,328
Total capital assets being depreciated	15,812,153	389,955	(31,654)	665,095	16,835,549
Less accumulated depreciation	(6,850,196)	(495,452)	31,654	-	(7,313,994)
Net capital assets being depreciated	8,961,957	(105,497)	-	665,095	9,521,555
Net capital assets	$ 9,599,653	$ 709,498	$ -	$ -	$ 10,309,151

Improvement District No. 1	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Construction in progress	$ 378,725	$ 514	$ -	$ -	$ 379,239
Land	100,365	-	-	-	100,365
Total capital assets not being depreciated	479,090	514	-	-	479,604
Capital assets being depreciated:					
Subsurface lines	1,389,330	-	-	-	1,389,330
Wastewater treatment facilities	1,120,216	-	-	-	1,120,216
Wastewater disposal facilities	413,024	-	-	-	413,024
General plant	325,338	-	(31,652)	-	293,686
Total capital assets being depreciated	3,247,908	-	(31,652)	-	3,216,256
Less accumulated depreciation	(2,782,396)	(52,986)	31,652	-	(2,803,730)
Net capital assets being depreciated	465,512	(52,986)	-	-	412,526
Net capital assets	$ 944,602	$ (52,472)	$ -	$ -	$ 892,130

Note 5: Net position

The District has adopted net position reserve policies that clearly identify reserve categories and purposes while also setting target levels that are consistent with the District's mission, uniqueness and philosophy. The District believes the reserves are prudent fiscal management tools that provide a cornerstone of long-term financial management. The reserve balances are reviewed annually to ensure they meet the needs, current and long-term, of the District. As of June 30, 2026, the District had the following reserves in unrestricted net position:

Net position reserves policy	Water	Improvement District No. 1 - Wastewater
Working capital	$ 112,500	$ 37,500
Emergency	150,000	50,000
Capital improvement and replacement	150,000	50,000
Vehicle and equipment replacement	75,000	25,000
Vacation/sick/annual leave liability	25,000	6,000
OPEB	400,000	150,000
Total reserves	$ 912,500	$ 318,500

Note 6: Compensated absences payable

A liability and expense are recognized for accumulated vacation and sick leave attributable to services already rendered that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The change in compensated absences for the year is as follows:

	Beginning Balance	Net Change	Ending Balance
Compensated absences	$ 52,051	$ (10,107)	$ 41,944

Note 7: Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2026, the District participated in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA), which was organized for the purpose of providing liability insurance for the member agencies. The JPIA is a risk-pooling self-insurance authority created under the provisions of California Government Code Section 6500. The JPIA is governed by a board consisting of a representative from each member agency. The board controls the operations of the JPIA, including selections of management and approval of operating budgets. The purpose of the JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The accounts and records of ACWA/JPIA are audited by an independent certified public accounting firm.

Note 7: Risk management, continued

The District has deductibles as follows:

Buildings, fixed equipment and personal property:	$2,500
Mobile equipment:	$2,500
Licensed vehicles:	$1,000
Crime	$1,000
Boiler and machinery	various

The District pays annual premiums for the coverages, which are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and there were no instances in the past three years where a settlement exceeded the District's coverage.

Note 8: Employees' retirement plan – defined contribution

All permanent employees hired on or before December 31, 2013, are covered under the Idyllwild Water District Money Purchase Pension Plan 401(a) (the Plan) administered by the District through Alliance Plan acting as trustee. The Plan is fully funded by a contribution rate of 21.5% of eligible salaries and wages made entirely by the District. The Board of Directors of the District has the authority, in its sole discretion, to amend, reduce contributions or terminate the Plan at any time. There were no forfeitures in the 401(a) plan during the current fiscal year.

The District adopted a new pension plan 457(b) (the 457(b) Plan) starting January 1, 2014. For employees hired on or after January 1, 2014, the District contributes 10% for each new employee and matches up to 5% if the employee elects to contribute up to 5%. The 457(b) Plan is administrated by the District through Alliance Plan acting as trustee. The 457(b) Plan is also available to all current employees hired before December 31, 2013; however, the District will not provide matching contributions. In addition, District employees are also covered under Social Security, funded equally by the District and the employee, or as prescribed by applicable laws. There were a net of $4,992 in forfeitures in the 457(b) plan during the current fiscal year.

The District's contributions to the employees' retirement plans for the year ended June 30, 2026 were $142,140.

Note 9: Postemployment benefits other than pensions

Plan description

The District has established a single-employer Retiree Healthcare Plan (Retiree Plan). This coverage is available for employees who reach the following: 1) age 55 and ten years of service (before 1/1/2014, closed to new entrants) or 2) age 65 with ten years of service (after 12/31/2013, open to new entrants). The healthcare coverage provided by the District meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 75. A separate financial report is not prepared for the Plan. No assets have been accumulated in a trust for the Plan.

Plan benefits

For the closed Retiree Plan, the District pays a variable percentage (50% - 100%) of the retiree and spouses pre-Medicare medical premiums and 100% of the retiree and spouse supplemental Medicare and prescription drug coverage upon reaching Medicare age.

Note 9: Postemployment benefits other than pensions, continued

For the open Retiree Plan, the District pays a variable percentage (50% - 100%) of the retiree and spouses Medicare supplement and prescription drug coverage.

Projections of the sharing of benefit-related costs are based on an established pattern of practice.

Employees covered

As of the June 30, 2025, actuarial valuation, the following current and former employees were covered by the benefit terms under the Retiree Plan:

Active employees	9
Inactive employees or beneficiaries currently receiving benefits	6
Total	15

Contributions

The Retiree Plan and its contribution requirements are established and may be amended by the Board of Directors. For the year ending June 30, 2026, the District's cash contributions were $47,190 in payments for insurance premiums not reimbursed by a trust. There was no implicit contribution in the current year.

Total OPEB liability

The District's total OPEB liability was measured as of June 30, 2025. The current valuation and the total OPEB liability are based on the June 30, 2025 valuation using the following actuarial methods and assumptions:

Actuarial assumptions:	
Discount rate	5.20%
Inflation	2.50%
Salary increases	3.00% per year, used only to allocate the cost of benefits between service years
Mortality rate	CalPERS 2025 experience study
Pre-retirement turnover healthcare trend rate	6.5% in 2027, fluctuating down to 3.9% by 2075

Discount rate

The discount rate used to measure the total OPEB liability was 5.20%. The District is currently financing its OPEB liability on a pay-as-you-go basis. The discount rate used in the valuation is based on the Bond Buyer General Obligation 20 Year Bond Municipal Bond Index.

Changes in assumptions

As of measurement date June 30, 2025, the discount rate used was 5.20%, which increased from the previous discount rate of 3.93%.

The healthcare trend was updated from the Getzen Model 2023 to the Getzen Model 2025 sponsored by the Society of Actuaries.

The demographic assumptions were updated the termination and mortality assumptions from those in the 2021 CalPERS Experience Study to those recommended in the CalPERS 2025 Experience Study report.

Note 9: Postemployment benefits other than pensions, continued

Changes in the OPEB liability

The changes in the total OPEB liability for the plan are as follows:

	Total OPEB Liability
Balance at June 30, 2025 (Measurement Date June 30, 2024)	$ 1,303,133
Changes during the period:	
Service cost	75,328
Interest cost	53,237
Changes of assumptions	(213,346)
Plan experience differences	(53,639)
Benefit payments	(47,643)
Net change in fiscal year	(186,063)
Balance at June 30, 2026 (Measurement Date June 30, 2025)	$ 1,117,070

Sensitivity of the total OPEB liability to changes in the discount rate

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

	Discount Rate		
	1% Decrease 4.20%	Current Rate 5.20%	1% Increase 6.20%
Total OPEB Liability	$ 1,286,876	$ 1,117,070	$ 982,494

Sensitivity of the total OPEB liability to changes in the health care cost trend rates

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

	Healthcare Cost Trend Rates		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	$ 969,097	$ 1,117,070	$ 1,310,262

Note 9: Postemployment benefits other than pensions, continued

Recognition of deferred outflows and deferred inflows of resources

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

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are recognized in future OPEB expense.

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service Lifetime (EARSL) 8.65 years

OPEB expense and deferred outflows/inflows of resources related to OPEB

For the year ended June 30, 2026, the District recognized OPEB expense of $1,051. The following is a breakdown of items impacting OPEB expense:

Service cost	$ 75,328
Interest cost	53,237
Recognized deferred resources items	
Assumption changes	(54,257)
Plan experience	(73,257)
Total OPEB expense	$ 1,051

As of June 30, 2026, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	$ 47,190	$ -
Differences between expected and actual experience	-	145,707
Changes of assumptions	77,232	346,878
Total	$ 124,422	$ 492,585

Note 9: Postemployment benefits other than pensions, continued

The $47,190 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the upcoming fiscal year. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2027	$ (112,462)
2028	(101,356)
2029	(74,190)
2030	(22,586)
2031	(24,470)
Thereafter	(80,289)

Note 10: Due to/from other funds

In the current year, the District had short-term borrowings from the Wastewater Fund to the Water Fund of $2,683,364 to cover costs of various capital projects in the Water Fund which resulted in negative cash in the bank balances. These funds are anticipated to be repaid in the following fiscal year.

The remainder of this page intentionally left blank

Idyllwild Water District
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last 10 years*

Fiscal year	2026	2025	2024	2023	2022
Total OPEB Liability					
Service cost	$ 75,328	$ 68,942	$ 59,173	$ 107,689	$ 108,708
Interest cost	53,237	51,214	46,869	32,065	42,137
Plan experience differences	(53,639)	-	(24,680)	-	(247,615)
Changes in assumptions	(213,346)	37,934	54,704	(365,450)	39,727
Benefit payments	(47,643)	(52,114)	(51,363)	(50,083)	(60,235)
Net change in Total OPEB Liability	(186,063)	105,976	84,703	(275,779)	(117,278)
Total OPEB Liability - beginning	1,303,133	1,197,157	1,112,454	1,388,233	1,505,511
Total OPEB Liability - ending	$ 1,117,070	$ 1,303,133	$ 1,197,157	$ 1,112,454	$ 1,388,233
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	$ 895,245	$ 890,946	$ 796,265	$ 417,225	$ 707,862
Total OPEB liability as a percentage of covered-employee payroll	124.78%	146.26%	150.35%	266.63%	196.12%

Fiscal year	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 101,592	$ 111,866	$ 103,549	$ 114,967
Interest cost	40,665	47,273	45,325	38,546
Plan experience differences	-	(211,280)	-	-
Changes in assumptions	31,426	(16,483)	32,602	(89,965)
Benefit payments	(48,226)	(51,602)	(51,445)	(33,233)
Net change in Total OPEB Liability	125,457	(120,226)	130,031	30,315
Total OPEB Liability - beginning	1,380,054	1,500,280	1,370,249	1,339,934
Total OPEB Liability - ending	$ 1,505,511	$ 1,380,054	$ 1,500,280	$ 1,370,249
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	$ 487,181	$ 642,100	$ 564,056	$ 474,999
Total OPEB liability as a percentage of covered-employee payroll	309.02%	214.93%	265.98%	288.47%

Notes to Schedule:
Changes Since the Prior Valuation:

Discount rate: Increased from 3.93% to 5.20%.

Mortality: CalPERS 2025 from the CalPERS 2021 experience study

The District does not currently have funds accumulated in a trust, as defined by GASB 75, to pay for future benefits.

** Historical information is required only for measurement periods for which GASB 75 is applicable.*
Future years' information will be displayed up to 10 years as information becomes available.