

**WESTLANDS WATER DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
February 28, 2025

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WESTLANDS WATER DISTRICT  
AUDITED FINANCIAL STATEMENTS  
February 28, 2025

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Westlands Water District  
Fresno, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and each major fund of the Westlands Water District (the District), as of and for the year ended February 28, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Westlands Water District as of February 28, 2025, 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 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, 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. 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 O to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is 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.

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 generally accepted auditing standards 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 generally accepted auditing standards 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 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### ***Report on Summarized Comparative Information***

We have previously audited the District's February 29, 2024 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated September 4, 2024. In our opinion, the summarized comparative information presented herein as of for the year ended February 29, 2024, is consistent in all material respects, with audited financial statements from which it has been derived.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 September 4, 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

To the Board of Directors  
Westlands Water District

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 the District's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

September 4, 2025

**WESTLANDS WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED FEBRUARY 28, 2025**

The following management's discussion and analysis of Westlands Water District (the District) provides an overview of the financial activities and transactions for fiscal year 2024-2025 in the context of the requirements of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements; Management's Discussion and Analysis for State and Local Governments, as amended. This discussion and analysis should be read in conjunction with the District's audited financial statements and accompanying notes.

**Financial Highlights**

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$512.9 million (net position), representing \$263.8 million in net investment in capital assets, \$51.7 million restricted for specific purposes, \$31.7 million for the rate stabilization fund, \$16.8 million for the special purpose fund and \$152.1 million unrestricted for operations. This represents an increase of \$63.5 million, or 14% versus the prior year's net position of \$449.2 million.
- In the fiscal year ending February 28, 2025, the District's operating revenues from all sources decreased by \$25.1 million or 14% from the prior year primarily due to a decrease in agricultural water deliveries compared to fiscal year 2024, which was roughly 300k acre feet less.
- Total non-operating revenue (expenses) for the fiscal year increased by \$10.8 million, primarily due to a \$16.2 million gain on the sale of approximately 1,388 acres of land. This increase was partially offset by a decrease in other non-operating revenue sources, such as government grants and refund revenue.
- The District's outstanding long-term debt was \$238.5 million as compared to \$249.3 million in the prior year. The decrease of \$10.7 million or 4% was due to the District's scheduled annual payments for debt service.

**Financial Reporting and Explanation of Financial Statements**

The District's accounting records are maintained in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The District's financial statements include the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. The statement of net position provides information about assets and obligations of the District at a specific point in time. The statement of revenues, expenses and changes in net position provides information regarding the District's operations during the fiscal year indicated. The statement of cash flows reports cash sources and cash uses for operations, capital and non-capital financing, and investing activities.

**WESTLANDS WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED FEBRUARY 28, 2025**

**Statement of Net Position**

The following is a condensed presentation of assets, deferred outflows, liabilities, and deferred inflows. The balances as of February 28, 2025, and February 29, 2024 are:

Condensed Statement of Net Position

	2025	2024 (As Restated)	Change	% Change
<b>Assets</b>				
Current assets	\$ 291,964,030	\$ 256,865,901	\$ 35,098,129	14%
Capital assets, net	485,362,666	462,437,749	22,924,917	5%
Other assets	68,605,758	64,979,267	3,626,491	6%
<b>Total Assets</b>	<b>845,932,454</b>	<b>784,282,917</b>	<b>61,649,537</b>	<b>8%</b>
<b>Deferred Outflows of Resources</b>				
	9,130,881	12,924,474	(3,793,593)	-29%
<b>Liabilities</b>				
Current liabilities	76,733,928	69,725,427	7,008,501	10%
Long-term debt, net of current portion	238,548,816	249,271,507	(10,722,691)	-4%
Other long-term liabilities	23,430,957	25,189,029	(1,758,072)	-7%
<b>Total Liabilities</b>	<b>338,713,701</b>	<b>344,185,963</b>	<b>(5,472,262)</b>	<b>-2%</b>
<b>Deferred Inflows of Resources</b>				
	3,431,824	3,833,794	(401,970)	-10%
<b>Net Position</b>				
Net investment in capital assets	263,785,297	232,467,695	31,317,602	13%
Restricted	100,248,086	85,932,423	14,315,663	17%
Unrestricted	148,884,427	130,787,516	18,096,911	14%
<b>Total Net Position</b>	<b>\$ 512,917,810</b>	<b>\$ 449,187,634</b>	<b>\$ 63,730,176</b>	<b>14%</b>

**Current Assets**

Current assets increased in fiscal year 2024-2025 by \$35.1 million or 14%. Prepaid water and other current assets increased by \$17 million or 127%, due to the District receiving more water outside of its allocation that was prepaid and carried over into the following fiscal year. Receivables decreased by \$9.5 million or 47% primarily due to a \$5.3 million decrease in grants receivable, a \$2.3 million decrease in refunds receivable and another \$2.2 million reduction in outstanding water user receivables at year end. Those decreases were offset by a slight increase of \$236K in assessments receivable. Cash and cash equivalents increased by approximately \$30.8 million primarily due to the conversion of receivables and unexpected non-operating revenue.

**Noncurrent Assets**

Noncurrent assets increased by \$26.6 million or 5%. Restricted cash and cash equivalents increased by \$4.0 from the prior year, mainly due to additional land sales and an increase in investment income that added to the Land and Water Fund described in Note D to the financial statements. The Land Flex grant receivable also increased by \$306k. These increases were offset by a decrease in the Land Flex restricted cash of \$821k. Non-depreciable assets increased by \$18.7 million due to land purchases throughout the year, and depreciable assets increased by \$4.2 million mostly due to transmission system improvements.

**Deferred Outflows of Resources**

Deferred outflows of resources decreased by \$3.8 million or 29%. These amounts represent changes in the assumptions used in the actuarial valuation that are amortized over the service life of the participants or, for the difference between the expected and actual investment earnings, over five years.

**WESTLANDS WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED FEBRUARY 28, 2025**

**Current Liabilities**

Current liabilities increased by \$7 million or 10%. Unearned revenue increased by \$9.2 million primarily due to land-based charges for planned extraordinary pipe repair that was not completed in the fiscal year. The current portion of long-term debt increased by \$1.1 million and reflects the debt principal due in the next year. Accounts payable decreased by \$3 million, which includes an increase in refunds to water users of \$2 million and a decrease in trade payables of \$5 million.

**Noncurrent Liabilities**

Noncurrent liabilities decreased by \$12.5 million or 5%. The noncurrent portion of long-term debt decreased \$10.7 million and is attributable to the payments made on bond issuances. The net pension liability decreased by \$66K due to the District's share of the miscellaneous risk pool decreasing and recognizing positive investment earnings. More information on the District's pension plan can be found in Note H. The net OPEB liability decreased by \$1.7 million due to positive investment earnings and changes in actuarial assumptions. More information on the District's Other Post-Employment Benefits can be found in Note I.

**Deferred Inflows of Resources**

Deferred inflows of resources decreased \$402K or 10% related to pensions and other post-employment benefits due to the amortization of actuarial changes.

**Net Position**

Net position is the residual of all other elements. Net position increased during fiscal year 2024-2025 by \$63.7 million or 14%. Net position is classified into three categories: 1) net investment in capital assets; 2) restricted for specific purposes; and 3) designated and unrestricted net position.

Net investment in capital assets – This is the carrying amount of capital assets less accumulated depreciation and less any liability outstanding related to the capital assets. This increased by \$31.3 million or 14% due to a reduction in long-term capital debt of \$9.8 million offset by an increase in the net carrying value of capital assets of \$22.9 million. Changes to the carrying value of capital assets included assets sold, assets acquired and depreciation.

Restricted net position – Net position is considered restricted when constraints on its use have been imposed externally by creditors or imposed by law through constitutional provisions or enabling legislation. Restricted net position includes amounts restricted for specific purposes that consists of the Section 125 trust account, debt service reserve accounts held by the bond trustee, the land and water fund, a WINN credit receivable held by Reclamation for Folsom Dam costs and funds receivable for a Land Flex grant. Also included in restricted net position are the Rate Stabilization Fund and Special Purpose Fund that are restricted under debt covenants. This category increased by \$14.3 million or 17%, primarily due to \$3.1 million of gains on sale of land and investment earnings on the restricted land and water fund and the board approving a \$10 million addition to the Rate Stabilization Fund during the year.

Unrestricted net position – The unrestricted amount of net position is the portion that is not already classified in the above categories. As a result of the net increase in assets over liabilities that was not attributable to the other net position categories, this category increased \$18.1 million or 14%.

**Statement of Changes in Net Position**

The following is a condensed presentation of the revenues, expenses, and changes in net position for the fiscal years ended February 28, 2025, and February 29, 2024:

**WESTLANDS WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED FEBRUARY 28, 2025**

**Statement of Changes in Net Position**

The following is a condensed presentation of the revenues, expenses, and changes in net position for the fiscal years ended February 28, 2025, and February 29, 2024:

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2025	2024 (As Restated)	Change	% Change
<b>Revenues and Expenses</b>				
Operating revenues	\$ 156,187,966	\$ 181,258,080	\$ (25,070,114)	-14%
Operating expenses	(139,751,316)	(188,309,648)	48,558,332	-26%
Net (loss) income from operations	16,436,650	(7,051,568)	23,488,218	-333%
Nonoperating revenues and expenses	46,096,482	35,281,608	10,814,874	31%
Capital Contributions	1,197,044	7,284,056	(6,087,012)	100%
<b>Change in Net Position</b>	63,730,176	35,514,096	28,216,080	79%
Net position at beginning of year, as previously reported	449,187,634	414,191,993	34,995,641	8%
Restatement		(518,455)	518,455	
Net position at beginning of year - as restated	449,187,634	413,673,538	35,514,096	9%
Net Position - End of Year	<u>\$ 512,917,810</u>	<u>\$ 449,187,634</u>	<u>\$ 63,730,176</u>	<u>14%</u>

**Operating Revenues**

Operating revenues decreased by \$25.1 million or 14%, compared to fiscal year 2023-2024. Revenues from water sales decreased by \$30.1 million, primarily due to decreases in irrigation water sales of \$17.4 million, O&M reserve charges of \$1.8 million, temporary facilities power charges \$1.8 million, restoration fund charges of \$5.7 million and finally \$6.1 million in USBR debt repayment was moved to a land-based charge. The decreases were offset by an increase in groundwater pumping power charges of \$4.2 million. Water sales to municipal & industrial (M&I) users increased \$1.9 million. Land based charges increased by \$1.6 million because of increases in the extraordinary pipe repair fees and District assessments and Other Operating revenues increased by \$1.5 million due to increased transportation charges.

**Operating Expenses**

Operating expenses decreased by \$48.6 million or 26% from the prior fiscal year. Purchased water expenses decreased \$54.1 million mainly due to decreased water costs from the prior year's 100 percent CVP contract water allocation. General and administrative expenses increased by \$3 million due to increases in pension expenses, land clearing expenses, and project consultant costs. Operational expenses related to transmission and distribution increased \$2.3 million due to increases in salaries and wages and system repairs.

**Non-Operating Revenues and Expenses**

Non-operating revenues and expenses increased \$10.8 million or 31% from fiscal year 2023-2024. Net revenues from the disposal of capital assets increased by \$4.8 million from fiscal year 2023-2024. Refund revenues decreased by \$8.8 million, grant revenues decreased by \$1.5 million and investment income increased by \$555K while other non-operating revenues increased by \$6.5 million mostly due to the inclusion of 100% of debt repayment being collected via fees. Non-operating water user refund expenses decreased by \$8.8 million. Other non-operating expenses decreased by \$1 million, including interest expense.

**WESTLANDS WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED FEBRUARY 28, 2025**

**Capital Assets**

The District's investment in capital assets as of February 28, 2025, amounts to \$485,362,666 (net of accumulated depreciation). This investment includes land, water rights, distribution and drainage system, buildings, vehicles, and equipment, and includes properties acquired under certain land and water acquisition programs. The total increase in the District's investment in capital assets was approximately 5%.

	2025	2024	Change	% Change
Land	\$ 5,184,136	\$ 5,756,382	\$ (572,246)	-10%
Other land held	104,214,083	96,889,595	7,324,488	8%
Water rights - CVP	267,739,715	255,008,491	12,731,224	5%
Construction in progress	12,667,664	13,438,960	(771,296)	-6%
Land improvements	13,702	13,702	-	0%
Distribution system	189,272,464	182,337,450	6,935,014	4%
Buildings	11,084,314	12,694,639	(1,610,325)	-13%
Furniture and fixtures/informtion systems	2,922,137	2,917,742	4,395	0%
Equipment	2,361,618	2,231,723	129,895	6%
Autos/trucks	4,511,086	4,024,784	486,302	12%
Fishing club assets	3,089,862	2,770,176	319,686	12%
	<u>603,060,781</u>	<u>578,083,644</u>	<u>24,977,137</u>	<u>4%</u>
Less accumulated depreciation	<u>(117,698,115)</u>	<u>(115,645,895)</u>	<u>(2,052,220)</u>	<u>2%</u>
Capital Assets, Net	<u>\$ 485,362,666</u>	<u>\$ 462,437,749</u>	<u>\$ 22,924,917</u>	<u>5%</u>

Capital asset events during the 2024-2025 fiscal year included the following:

- Completion of AMI Groundwell Meters worth \$3.62 million
- Improvements to Pleasant Valley Reactance Controls worth \$1.28 million
- Improvements to the Subline Division Valve worth \$922k
- Purchase of 837.52 acres of land and water rights at a cost of \$9.81 million
- Purchase of 1,094 acres land and water rights at a cost of \$10.47 million
- Sale of 1,388.13 acres for a gain on sale of roughly \$16.2 million
- Sale of the Districts Fresno Street office for a gain of \$1.31 million

Additional information on the District's capital assets may be found in Note E in this report.

**Long-term Debt**

On February 28, 2025, the District's long-term debt outstanding totaled \$238.5 million compared to \$249.3 million for the fiscal year ended February 29, 2024. This \$10.7 million decrease is attributable to the annual debt service payments on outstanding bond issuances.

Details of the District's long-term debt may be found in Note F in this report.

**Economic Factors and Next Year's Budget and Rates**

The District, under its 9(d) contracts, is entitled to receive up to 1,195,383 acre-feet of water per fiscal year when the CVP allocation for south of delta agricultural contractors is 100%. The District received 55% of its entitlement in the 2025-2026 fiscal year. On February 20, 2025, the Board of Directors approved the budget and rates for fiscal year 2025-2026 based upon a 20% allocation of CVP water. The budget totaled \$229,750,100, an overall decrease of \$3,989,100 million from the prior year.

The District collects fixed operations and maintenance charges through assessments to landowners and variable operations and maintenance charges through the water rate. In fiscal year 2017-2018, the District adopted a benefit assessment methodology based on categories of land eligible for other water and eligible for CVP allocation. The benefit assessment methodology will be in place for ten years. In fiscal year 2025-2026, all lands eligible for other water will be charged \$12.87 per acre. All lands eligible for CVP allocation will be charged \$44.20 per acre. The total assessment for 2025-2026 is \$20.8 million.

**WESTLANDS WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED FEBRUARY 28, 2025**

The District is continually engaged in efforts to supplement its water supply from other sources. The annual debt service to finance these acquisitions is collected through land-based charges and assessments. In fiscal years 2024-2025 and 2025-2026, the costs for long-term water supply acquisitions have been included in the District's assessment. The costs for District water supply are collected through land-based charges. A comparison of these rates between 2024-2025 and 2025-2026 is detailed below:

<u>Land-Based Charges</u>	<u>2024-2025</u>	<u>2025-2026</u>	<u>Change</u>
District Water Supply Rate – Pre-Merger	\$ 2.44	\$ 2.10	\$ (0.34)
District Water Supply Rate – Merged	\$ 5.70	\$ 4.88	\$ (0.82)
Extraordinary Pipe Repair	\$ 16.13	\$ 2.91	\$ (13.22)

The agricultural water rate, adjusted on July 18, 2025, for 2025-2026 is \$159.88 per acre foot. This rate includes pass-through rates from the United States Bureau of Reclamation and the San Luis and Delta-Mendota Water Authority. The District's municipal and industrial water supply rate is \$232.21 per acre foot.

**Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If you have any questions about the information contained in this report or need additional financial information, contact the Finance and Administration Division at Westlands Water District, 286 W Cromwell, Fresno, CA 93711.

WESTLANDS WATER DISTRICT

STATEMENT OF NET POSITION

February 28, 2025

(With Prior Year Data for Comparative Purposes Only)

	Enterprise Funds		Totals for Comparative Purposes Only	
	Water District Fund	Other Fund	2025	2024 (as Restated)
	<b>ASSETS</b>			
<b>Current assets:</b>				
Cash and cash equivalents	\$ 245,950,007		\$ 245,950,007	\$ 218,284,271
Receivables:				
Water and other users	8,069,454		8,069,454	10,225,970
Refunds receivable				2,286,942
Landowner assessments/land-based charges	681,955		681,955	445,961
Grants receivable	1,440,775		1,440,775	6,738,268
Interest receivable	44,927		44,927	40,858
Current portion of notes receivable	557,644		557,644	584,341
Supplies inventory	4,769,195		4,769,195	4,849,296
Prepaid water and other current assets	30,450,073		30,450,073	13,409,994
Total current assets	291,964,030		291,964,030	256,865,901
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	42,475,013		42,475,013	38,465,763
Restricted grants receivable - LandFlex program	1,378,432		1,378,432	1,072,020
Advances to water users	305,910		305,910	394,410
Deposits	126,399		126,399	483,353
Banked water inventory	12,089,454		12,089,454	11,855,788
Noncurrent portion of notes receivable	945,682		945,682	1,252,097
Restricted refund receivable held for Folsom Dam improvements	7,852,641		7,852,641	7,852,641
Prepaid expenses, net - debt insurance costs	3,289,927		3,289,927	3,512,710
Due from other funds	142,300		142,300	90,485
Capital assets:				
Nondepreciable	389,805,598		389,805,598	371,093,428
Depreciable, net	93,946,307	\$ 1,610,761	95,557,068	91,344,321
Total capital assets, net	483,751,905	1,610,761	485,362,666	462,437,749
Total noncurrent assets	552,357,663	1,610,761	553,968,424	527,417,016
<b>TOTAL ASSETS</b>	<b>844,321,693</b>	<b>1,610,761</b>	<b>845,932,454</b>	<b>784,282,917</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	98,453		98,453	104,244
Pension plan	6,747,048		6,747,048	9,525,996
Other postemployment benefits plan	2,285,380		2,285,380	3,294,234
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,130,881</b>		<b>9,130,881</b>	<b>12,924,474</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	10,862,986		10,862,986	15,872,373
Accounts payable - refunds to water users	19,883,107		19,883,107	17,950,295
Accrued interest payable	3,994,268		3,994,268	4,108,120
Unearned revenue	31,757,409		31,757,409	22,606,413
Current portion of long-term liabilities	10,236,158		10,236,158	9,188,226
Total current liabilities	76,733,928		76,733,928	69,725,427
<b>Noncurrent liabilities:</b>				
Due to other funds		142,300	142,300	90,485
Noncurrent portion of long-term liabilities	238,548,816		238,548,816	249,271,507
Net pension liability	20,668,625		20,668,625	20,734,672
Net other postemployment benefits liability	2,620,032		2,620,032	4,363,872
Total noncurrent liabilities	261,837,473	142,300	261,979,773	274,460,536
<b>TOTAL LIABILITIES</b>	<b>338,571,401</b>	<b>142,300</b>	<b>338,713,701</b>	<b>344,185,963</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Debt refunding	753,730		753,730	818,388
Pension plan	1,191,136		1,191,136	1,758,318
Other postemployment benefits plan	1,486,958		1,486,958	1,257,088
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,431,824</b>		<b>3,431,824</b>	<b>3,833,794</b>
<b>NET POSITION</b>				
Net investment in capital assets	262,174,536	1,610,761	263,785,297	232,467,695
Restricted:				
Restricted for specific purposes	51,706,086		51,706,086	47,390,423
Rate stabilization fund	31,700,000		31,700,000	21,700,000
Special purpose fund	16,842,000		16,842,000	16,842,000
Unrestricted	149,026,727	(142,300)	148,884,427	130,787,516
<b>NET POSITION</b>	<b>\$ 511,449,349</b>	<b>\$ 1,468,461</b>	<b>\$ 512,917,810</b>	<b>\$ 449,187,634</b>

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

**WESTLANDS WATER DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION**

**For the Year Ended February 28, 2025  
(With Prior Year Data for Comparative Purposes Only)**

	Enterprise Funds		Totals for Comparative Purposes Only	
	Water District Fund	Other Fund	2025	2024 (as Restated)
<b>OPERATING REVENUES</b>				
Irrigation water sales	\$ 126,612,570		\$ 126,612,570	\$ 156,683,410
Municipal and industrial water sales	4,020,179		4,020,179	2,130,181
Land-based charges and assessments	23,573,884		23,573,884	21,959,581
Other operating revenues	1,559,000	\$ 422,333	1,981,333	484,908
<b>TOTAL OPERATING REVENUES</b>	<b>155,765,633</b>	<b>422,333</b>	<b>156,187,966</b>	<b>181,258,080</b>
<b>OPERATING EXPENSES</b>				
Purchased water	94,702,563		94,702,563	148,777,344
Pumping	661,376		661,376	557,689
Transmission and distribution	10,381,113		10,381,113	8,127,115
Customer accounts	3,216,135		3,216,135	3,218,323
General and administrative	26,828,401	550	26,828,951	23,846,267
Depreciation and amortization	3,512,970	113,326	3,626,296	3,464,078
Other operating expenses		334,882	334,882	318,832
<b>TOTAL OPERATING EXPENSES</b>	<b>139,302,558</b>	<b>448,758</b>	<b>139,751,316</b>	<b>188,309,648</b>
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	<b>16,463,075</b>	<b>(26,425)</b>	<b>16,436,650</b>	<b>(7,051,568)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Refund revenue	4,783,297		4,783,297	14,137,987
Grant income	2,628,756		2,628,756	4,095,390
District water supply	2,174,379		2,174,379	3,662,723
Other nonoperating revenues	19,334,067		19,334,067	11,393,910
Investment income	14,047,649		14,047,649	13,492,745
Gain on disposal of capital assets	17,604,616		17,604,616	12,774,807
Refunds to water users	(5,871,681)		(5,871,681)	(14,713,191)
Interest expense	(8,262,026)		(8,262,026)	(8,497,900)
Other nonoperating expenses	(342,575)		(342,575)	(1,064,863)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<b>46,096,482</b>		<b>46,096,482</b>	<b>35,281,608</b>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>62,559,557</b>	<b>(26,425)</b>	<b>62,533,132</b>	<b>28,230,040</b>
<b>CAPITAL CONTRIBUTIONS</b>				
Capital contributions				
State	1,119,537		1,119,537	7,043,923
Federal	77,507		77,507	240,133
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b>1,197,044</b>		<b>1,197,044</b>	<b>7,284,056</b>
<b>CHANGE IN NET POSITION</b>	<b>63,756,601</b>	<b>(26,425)</b>	<b>63,730,176</b>	<b>35,514,096</b>
Net position at beginning of year, as previously reported	447,692,748	1,494,886	449,187,634	414,191,993
Change in accounting principle (GASB 101)				(518,455)
Net position at beginning of year - as restated	447,692,748	1,494,886	449,187,634	413,673,538
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 511,449,349</b>	<b>\$ 1,468,461</b>	<b>\$ 512,917,810</b>	<b>\$ 449,187,634</b>

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

**WESTLANDS WATER DISTRICT**

**STATEMENTS OF CASH FLOWS**

**For the Year Ended February 28, 2025  
(With Prior Year Data for Comparative Purposes Only)**

	Enterprise Funds		Totals for Comparative Purposes Only	
	Water District Fund	Other Fund	2025	2024 (as Restated)
	Fund	Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	\$ 154,685,063	\$ 422,333	\$ 155,107,396	\$ 168,814,264
Cash paid for water purchases	(94,936,229)		(94,936,229)	(160,633,132)
Cash paid to suppliers for goods and services	(30,427,998)	(203,558)	(30,631,556)	(19,656,091)
Cash paid to employees for services	(13,935,465)	(131,874)	(14,067,339)	(12,075,490)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>15,385,371</u>	<u>86,901</u>	<u>15,472,272</u>	<u>(23,550,449)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer to/from other funds	(232,785)	232,785		
Operating grants	10,648,505		10,648,505	(381,052)
Proceeds from other nonoperating activities	20,077,487		20,077,487	13,416,566
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>30,493,207</u>	<u>232,785</u>	<u>30,725,992</u>	<u>13,035,514</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital grants	(1,831,624)		(1,831,624)	4,255,388
Interest payments on long-term liabilities	(8,845,023)		(8,845,023)	(8,835,843)
Principal payments on long-term liabilities	(9,276,726)		(9,276,726)	(10,678,695)
Purchases of capital assets	(27,837,278)	(319,686)	(28,156,964)	(32,264,834)
Proceeds from disposal of capital assets	19,210,367		19,210,367	13,364,890
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(28,580,284)</u>	<u>(319,686)</u>	<u>(28,899,970)</u>	<u>(34,159,094)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment earnings	14,043,580		14,043,580	13,699,327
Principal payments received on notes receivable	333,112		333,112	53,253
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>14,376,692</u>		<u>14,376,692</u>	<u>13,752,580</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,674,986		31,674,986	(30,921,449)
Cash and cash equivalents, beginning of year	<u>256,750,034</u>		<u>256,750,034</u>	<u>287,671,483</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 288,425,020</u>	<u>\$ -</u>	<u>\$ 288,425,020</u>	<u>\$ 256,750,034</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>				
Cash and cash equivalents	\$ 245,950,007		\$ 245,950,007	\$ 218,284,271
Restricted cash and cash equivalents	42,475,013		42,475,013	38,465,763
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 288,425,020</u>	<u>\$ -</u>	<u>\$ 288,425,020</u>	<u>\$ 256,750,034</u>

**WESTLANDS WATER DISTRICT**

**STATEMENTS OF CASH FLOWS (Continued)**

**For the Year Ended February 28, 2025  
(With Prior Year Data for Comparative Purposes Only)**

	Enterprise Funds		Totals for only Comparative Purposes	
	Water District Fund	Other Fund	2025	2024
	<b>RECONCILIATION OF NET INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Net income (loss) from operations	\$ 16,463,075	\$ (26,425)	\$ 16,436,650	\$ (7,051,568)
Adjustments to reconcile net income from operations to net cash provided (used) by operating activities:				
Depreciation and amortization	3,512,970	113,326	3,626,296	3,464,078
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Receivables:				
Water and other users	2,156,516		2,156,516	(2,668,485)
Refund receivable	2,286,942		2,286,942	14,693
Landowner assessments	(235,994)		(235,994)	7,357
Supplies inventory	80,101		80,101	(613,028)
Prepaid water and other current assets	(17,040,079)		(17,040,079)	32,642,000
Advances to water users	88,500		88,500	14,700
Deposits	356,954		356,954	321,099
Banked water inventory	(233,666)		(233,666)	(11,855,788)
Prepaid expenses, net - debt issuance costs	222,783		222,783	202,177
Net pension and OPEB deferred outflows of resources	3,787,802		3,787,802	74,195
Accounts payable and accrued expenses	(5,009,387)		(5,009,387)	2,778,388
Accounts payable - refunds to water users	1,932,812		1,932,812	2,626,962
Unearned revenue	9,150,996		9,150,996	(60,282,483)
Compensated absences	12,245		12,245	(14,172)
Net pension and OPEB liabilities	(1,809,887)		(1,809,887)	3,178,364
Net pension and OPEB deferred outflows of resources	(337,312)		(337,312)	(1,067,102)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 15,385,371</u>	<u>\$ 86,901</u>	<u>\$ 15,472,272</u>	<u>\$ (23,550,449)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:</b>				
Change in unrealized gains/losses on investments	\$ 1,262,576	\$ -	\$ 1,262,576	\$ 1,758,861

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

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Westlands Water District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted accounting standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

**Organization:** Westlands Water District (the District) was organized under Division 13 of the California Water Code in 1952 as a California water district. The District administers delivery of water from the United States Bureau of Reclamation’s (the Reclamation) Central Valley Project (CVP) to water users primarily consisting of water users involved in the Central California agriculture industry within the District’s boundaries encompassing approximately 614,700 acres in Fresno and Kings Counties, of which approximately 564,000 acres are irrigable and approximately 467,000 acres are entitled to receive contract water from the District. The water is purchased from Reclamation and sold to water users at prices designed to cover the cost of purchasing the water, plus the administrative, operating and maintenance expenses of the District. In addition to administering water delivery, the District also implements state and federal regulations, is a member of a power utility, manages District owned land, maintains distribution and conveyance infrastructure.

Reclamation constructed a distribution and drainage system in the 1960s and 1970s to convey water within the District’s boundaries. This system provides water service to all but approximately 70,000 acres of District land. The District currently provides agricultural water service to approximately 642 water user accounts through over 2,668 meters and municipal and industrial water to approximately 194 water user accounts. The District had two separate contracts, a 20-year and a 40-year contract with Reclamation to repay the construction costs. The obligation for the 20-year contract was completed in December 2000 and the obligation for the 40-year contract was completed in 2018. During the 2019-20 fiscal year, the District operated under IRCs. The IRCs were renewed on or about February 29, 2020 and continued to provide the terms for water service until the IRCs were converted to repayment contracts (referred to individually as “9(d) Contract” or collectively as “9(d) Contracts”. The 9(d) Contracts are perpetual contracts for water service from the CVP that provides up to 1,150,000 acre-feet of CVP water to the District, subject to “conditions of shortage” described in the 9(d) contract. The following table provides the effective date for conversion of each of the IRCs:

<u>Contract</u>	<u>9(d) Contract Number</u>	<u>Effective Date</u>
Westlands Water District	14-06-200-495A-IR1-P	June 1, 2020
Centinella Assignment (DD1)	07-07-20-W0055B-IR5-P	June 1, 2020
Broadview Assignment (DD1)	14-06-200-8092-IR5-P	June 1, 2020
Widren Assignment (DD1)	14-06-200-8018B-IR5-P	June 1, 2020
Mercy Springs 2-way Partial Assignment (DD1)	14-06-200-3365AB-IR5-P	June 1, 2020
Mercy Springs Partial Assignment (DD2)	14-06-200-3365AC-IR5-P	July 1, 2020
Oro Loma Partial Assignment	14-06-200-7823J-LTR1-P	October 1, 2020

State law provides for the election of a nine-member governing Board of Directors (the Board) by District landowners, or their representatives, each voting according to the District’s assessed value of the landowner’s land within the District. The District is not subject to state or federal income taxes.

**Reporting Entity:** GASB Statement No. 61, *The Financial Reporting Entity*, amends GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*. Under GASB Statement No. 61, fiscal dependency alone no longer requires inclusion of a potential component unit. Instead, to justify inclusion, a financial benefit or burden relationship must also exist between the potential component unit and the primary government.

A primary government must be a legally separate entity, with a separately elected governing body, that is fiscally independent in its financial management. The District’s blended component units, the Westlands Water District Financing Corporation and the San Luis Unit/Westlands Water Financing Authority, are included in these financial statements. GASB 85 reaffirms inclusion of component unit if paragraph 53 of GASB Statement No. 14, as amended, is met whereby the component unit has the same governing body and provides service entirely or almost entirely to the primary government. The financial statements include the activities of the Broadview Water District that was merged into and became a part of the District but has not been formally dissolved by the Local Agency Formation Commission.

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation:** The District's resources are accounted for in these basic financial statements using the enterprise fund type of the proprietary fund group. A fund is a self-balancing set of accounts. The District's activities are financed and operated in a manner similar to that of a private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to its customers on a continuing basis are financed or recovered primarily through user charges. Net position of enterprise funds represents the amounts available for future operations.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the District's activities are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned while expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District reports the following major proprietary funds:

The Water District fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The Other Fund accounts for the activities of District owned land temporarily made available by reservation for use by the public during the fishing season located in Shasta County, California.

The District's funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's ongoing operations. The principal operating revenues of the District are irrigation water sales and land-based charges and assessments. Operating expenses include water purchases, pumping costs, transmission and distribution system costs, administrative expenses, depreciation and amortization on capital assets and water rights. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, including refunds received from Reclamation, the San Luis & Delta-Mendota Water Authority and others for previous year rate adjustments and related refunds to District water users.

Net position is reported in three components defined as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding debt and capital payable balances used to put in place the capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the assets or debt are also included in this component.
- *Restricted* – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted* – This component consists of net position that does not meet the definition of restricted or net investment in capital assets.

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

Under GAAP, the Statement of Cash Flows is required to be presented using the direct method of presentation. The statement is also required to present a reconciliation of operating cash flows to operating income (loss).

**Management's Discussion and Analysis:** GAAP requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of a "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Budgetary Control:** Annual budgets are approved and adopted each year by the District’s Board. The budget is used to estimate annual revenues and expenditures and is amended primarily upon Board committee or Board approval. Budgeting control is maintained at the department level.

**Cash and Cash Equivalents:** Cash and cash equivalents include investments in highly liquid debt instruments, when present, with an original maturity of three months or less or subject to withdrawal upon request. The District’s investment pool utilizes investments authorized by Section 53601 of the California Government Code and is further defined by the District’s investment policy. Revisions, if any, to the District’s investment policy are reviewed and approved by the Board in accordance with Section 53646(a)(2) of the California Government Code. Authorized investments include the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer	Minimum Rating
Local agency bonds	5 Years	None	None	N/A
U. S. Treasury obligations	5 Years	None	None	N/A
U.S. Agency securities	5 Years	None	None	N/A
California local agency obligations	5 Years	None	None	N/A
Bankers acceptances	180 Days	40%	30%	N/A
High grade commercial paper	270 Days	40%	10%	A-1
Non-negotiable certificates of deposits	5 Years	50%	30%	N/A
Medium term corporate notes	5 Years	30%	None	A
Money market mutual funds	N/A	20%	None	AAA
Repurchase agreements	7 Days	None	None	N/A
County pooled investments	N/A	None	None	N/A
Joint Powers Authority Pool	N/A	None	None	N/A
California Local Agency Investment Fund (LAIF)	N/A	None	None	N/A
Local government investments pools	N/A	None	None	N/A

\*Excluding amounts held by bond trustees that are not subject to California Government code restrictions.

Allowable investments for bond proceeds are governed by the related bond trust agreement rather than the District’s investment policy or the California Government Code. Investments authorized by the District’s bond trust agreements are generally consistent with authorized investments under the California Government Code. However, the trust agreements add additional rating requirements by Moody’s and Standard & Poor’s, including the highest letter and number rating for municipal bonds and banker’s acceptances, a rating of A2/A for state obligations and a rating of A1/A1+/P-1 on short term certificates of deposit of domestic commercial banks issuing banker’s acceptances.

**Fair Value Measurements:** GASB Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs, other than quoted prices; Level 3 inputs are significant unobservable inputs.

**Accounts Receivable:** The District’s management believes that all accounts receivable from water users and others are fully collectible for the year ended February 28, 2025. Accordingly, an allowance for doubtful accounts has not been recorded in these financial statements.

**Inventory:** Inventory consists of operating supplies used in the course of maintaining operations and are recorded on the basis of cost, determined by a weighted average which does not exceed net realizable value.

**Prepaid Water and Other Current Assets:** Prepaid water includes advance payments made for water, either rescheduled or supplemental, that has not been delivered to the user. Other current assets include prepaid insurance, employee benefits and bond debt service applicable to the next fiscal year.

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Banked Water Inventory:** The District operates a groundwater recharge program to generate groundwater credits to benefit groundwater users, minimize cap and rescheduling losses, ensure the groundwater subbasin achieves sustainability by 2040, maximize conjunctive uses and avoid concentrated pumping in the Westside Subbasin. Under the District's Policy for Allocating District Groundwater Recharge Credits, groundwater credits will be allocated by staff if the CVP allocation is 25% or less and the subbasin's groundwater levels are not within 15% or less of established minimum thresholds, unless otherwise directed by the Board. No more than one third of the groundwater credit inventory will be disposed of in any given year under the policy. Groundwater credits will be allocated on or before May 31 to groundwater users that submit a timely application for groundwater allocation and the user will pay for use of the groundwater credits according to Article 2 rules and regulations. As of February 28, 2025, the District had 73,300 AF of shared groundwater credits.

**Equipment Notes:** The District provides financing of certain irrigation equipment to various water users under two loan programs. See Note C for a the terms of the loan programs. The amounts are included on the statement of net position as notes receivable.

**Prepaid Expenses – Debt Insurance Costs:** Under GASB 65, *Items Previously Reported as Assets and Liabilities*, prepaid insurance costs related to debt issues are required to be amortized over the life of the related debt. As of February 28, 2025, the unamortized prepaid insurance outstanding from four debt issuances was \$3,289,927. Prepaid insurance costs associated with debt are amortized using the straight-line method over the life of the related debt.

**Capital Assets:** Capital assets are recorded at historical cost. Donated capital assets are recorded at their acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Capital assets are defined as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 10 to 75 years for distribution, drainage and related facilities, 20 to 40 years for buildings and 2 to 25 years for other operating equipment. The cost of assets sold or retired (and the related accumulated depreciation) is eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized as a nonoperating revenue or expense. Expenditures for maintenance, repairs and renewals are charged to expenses as incurred, while expenditures for significant improvements that increase the value or extend the useful life of the asset are capitalized.

The District capitalizes water rights according to GASB Statement No. 51, *Intangible Assets*, as well as the construction costs for irrigation water distribution and drainage collector facilities which have been constructed by Reclamation and to which title is retained by the United States of America. A liability for repayment was recorded by the District. The obligation was relieved in 2018 and the District is working with Reclamation to facilitate transfer of title, which could take several years.

**Land and Water Rights:** The District's Board of Directors authorized a Land and Water Acquisition Program in 1998. When land and water rights are purchased together, the District values the land at 39% of the cost and the water rights at 61% of the cost. The value of the water rights was previously amortized using the straight-line method over what was the remaining life of the District's water service contracts with Reclamation, or up to 34 years, based upon the expiration of the contracts on December 31, 2007, and the guaranteed renewal for a minimum of 25 years as provided by the CVP Improvement Act. The IRCs were converted to the 9(d) Contracts, which are perpetual. The District reclassified the net unamortized water rights to non-depreciable capital assets on March 1, 2021. More information on the District's Land and Water Acquisition Program may be found in Note J to the financial statements.

**Deferred Outflows/Inflows of Resources:** Deferred outflows of resources represent a consumption of net position that applies to future periods. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Items in these categories include deferred outflows and inflows on debt refunding that are amortized over the life of the related debt and deferred outflows or inflows related to the District's pension and other postemployment benefits (OPEB) plans, including changes in assumptions or other differences that occurred during the fiscal year, as described in Notes H and I.

**Compensated Absences:** The District's policy allows employees to accumulate annual leave, capped at 240 hours. Upon termination, employees will be paid their accrued annual leave at the employee's rate of pay upon separation.

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District's policy allows employees to accumulate an unlimited amount of medical leave. Upon separation from the District, an employee who is eligible for retirement with California Public Employees Retirement System (CalPERS) shall have the remaining unused medical leave converted to service credit on an hour for hour basis, up to a maximum of six months additional service credit, subject to the rules and regulations of CalPERS. Up to 6 months of medical leave is included in the District's net pension liability and is excluded from the compensated absences liability according to GASB Statement No. 101.

**Net Pension Liability:** For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS as described in Note H. 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.

**Other Postemployment Benefits (OPEB):** For purposes of measuring the net OPEB and deferred outflow/inflows of resources related to the OPEB and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes as described in Note I. Investments are reported at fair value.

**Property Assessments:** The District levies an assessment on all landowners within the District's boundaries typically each fiscal year. After the assessment roll is completed and the District has made the roll available for public review, the District then equalizes the assessment roll. Liens are then placed on the land and assessments become due and payable within six months from the date of the lien. For fiscal year 2024-2025, the assessments were levied on May 16, 2024, with a lien date of May 16, 2024. The assessments were due on November 16, 2024. Penalties and interest are assessed if payment is not received by the due date.

**Land-Based Charges:** Certain costs associated with improving or enhancing the water supply within the District and improving the distribution system are passed along to District landowners in the form of land-based charges. The payments are due in one or two installments depending on the type of charge and the location of the land within the District. The first installment was due on March 27, 2024, and the second installment was due on September 25, 2024.

**Revenue Recognition:** Water sales are recorded when water is delivered to the water user. Assessments are recorded when levied. When prepayments or deposits are received on future water deliveries, they are recognized as revenue when the water is delivered to the water user. District land-based charges are recognized as revenue in the year the installments are due.

**Comparative Totals:** The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended February 29, 2024, from which the summarized information was derived. The summarized comparative information was adjusted for the implementation of GASB Statement No. 101 as described in Note O to the financial statements.

**New Accounting Pronouncements Adopted**

**Governmental Accounting Standards Board Statement No. 100:** In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections, an Amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for each type of accounting change, including changes in accounting principles, changes in accounting estimates and changes to or within the financial reporting entity, and error corrections. This Statement requires changes in accounting principles and error corrections to be reported retroactively by restating prior periods; requires changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period; and requires changes in accounting estimates to be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of new pronouncements in absence of specific transition provisions in the new pronouncement. This Statement also requires the aggregate amount of adjustments to and restatements of beginning net position, fund

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

balance or fund net position, as applicable, to be displayed by reporting unit in the financial statements. Furthermore, this Statement requires information presented in required supplementary information or supplementary information to be restated for error corrections, if practicable, but not for changes in accounting principles. The provisions of this Statement were implemented during the year ended February 28, 2025 and affected how the restatement recorded during the year was reported in Note O to the financial statements.

**Governmental Accounting Standards Board Statement No. 101:** In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. This Statement was implemented during the year ended February 28, 2025, which affected how compensated absences were computed, as described in Note O to the financial statements.

**New Accounting Pronouncements Not Yet Adopted**

**Governmental Accounting Standards Board Statement No. 102:** In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes a primary government, or reporting unit that reports a liability for revenue debt, vulnerable to the risk of a substantial impact and to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to occur within 12 months of the date the financial statements are issued. If the criteria in the Statement have been met for a concentration or constraint, the government should disclose information in notes to financial statements in sufficient detail to enable users of financial statements understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The provisions of this Statement are effective for years beginning after June 15, 2024.

**Governmental Accounting Standards Board Statement No. 103:** In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability, including 1) certain topics and disclosures in Management's Discussion and Analysis; 2) requiring the display of inflows and outflows of unusual and infrequent items to be reported separately as the last presented flow(s) of resources prior to the net change in resources flows in the government-wide, governmental fund, and proprietary fund statement of resources flows; 3) changing the definition of proprietary fund nonoperating revenues and expenses to include subsidies received and provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory and investment income and expenses and defines operating revenues and expenses as revenue and expenses other than nonoperating revenue and expenses; 4) requires major component units to be presented 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 budgetary comparison schedules to be reported as Required Supplementary Information (RSI), requires the presentation of variances between original and final budget amounts and final budget and actual amounts in the RSI and requires the explanation of significant variances to be reported in notes to the RSI. The provisions of this Statement are effective for years beginning after June 15, 2025.

**Governmental Accounting Standards Board Statement No. 104:** In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires lease assets recognized in accordance with GASB Statement No. 87, *Leases*, right-to-use assets recognized in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, subscription assets recognized in

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

accordance with GASB Statement. No 96, Subscription-Based Information Technology Arrangements, and other intangible assets to be disclosed separately in capital assets footnote disclosures. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should disclose the ending historical cost and accumulated depreciation by major class of asset and the carrying amount of debt for which the assets are pledged as collateral by major class of asset held for sale under this Statement. The provisions of this Statement are effective for fiscal years beginning after June 15, 2025.

The District will fully analyze the impact of these new Statements prior to the effective dates listed above.

**NOTE B – CASH AND INVESTMENTS**

Cash and investments are classified in the accompanying financials statements as follows at February 28, 2025:

Cash and cash equivalents	\$ 245,950,007
Restricted cash and cash equivalents	<u>42,475,013</u>
Total cash and cash equivalents	<u><u>\$ 288,425,020</u></u>

Cash and investments consisted of the following at February 28, 2025:

Cash on hand	\$ 175
Bank deposits	<u>(4,992,134)</u>
Total cash and deposits	<u>(4,991,959)</u>
Local Agency Investment Fund (LAIF)	6,446,270
Investment Trust of California (CalTrust)	283,235,568
Investments with fiscal agents:	
Money market mutual funds	<u>3,735,141</u>
Total investments	<u>293,416,979</u>
Total cash and investments	<u><u>\$ 288,425,020</u></u>

**Interest Rate Risk:** In accordance with its investment policy, the District manages its exposure to changes in market interest rates by diversifying its investment in various security types and institutions. In addition, the maximum authorized term of maturity shall be five years unless authorized by the Board of Directors; provided, the weighted average maturity of all investments is 36 months or less.

The following table illustrates the distribution of the District's investments by maturity as of February 28, 2025:

Investment Type	Total	12 Months or Less	25 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 6,446,270	\$ 6,446,270	
Investment Trust of California (CalTrust)	283,235,568	215,314,149	\$ 67,921,419
Investments with fiscal agent:			
Money market mutual funds	<u>3,735,141</u>	<u>3,735,141</u>	
Total Investments	<u><u>\$ 293,416,979</u></u>	<u><u>\$ 225,495,560</u></u>	<u><u>\$ 67,921,419</u></u>

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE B – CASH AND INVESTMENTS (Continued)**

**Credit Risk:** The District limits its exposure to credit risk, that is, the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, by limiting its investments to instruments with the top ratings issued by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District’s investment policy, or debt agreements, and the actual rating for each investment type as of February 28, 2025:

Investment Type	Total	Minimum Rating	Ratings as of Year-end			
			Aaa/AAA	Aaf	AA-f	Not Rated
Local Agency Investment Fund (LAIF)	\$ 6,446,270	N/A				\$ 6,446,270
Investment Trust of California (CalTrust)	283,235,568	AAA	\$ 91,420,737	\$ 123,893,412	\$ 67,921,419	
Investments with fiscal agent:						
Money market mutual funds	3,735,141	(1)	3,735,141			
<b>Total Investments</b>	<b>\$ 293,416,979</b>		<b>\$ 95,155,878</b>	<b>\$ 123,893,412</b>	<b>\$ 67,921,419</b>	<b>\$ 6,446,270</b>

<sup>(1)</sup> Must be rated the highest rating by 2 of the 3 nationally recognized rating agencies.

**Concentration of Credit Risk:** The District’s investment policy provides for diversification of investments by security type and institution. There are no investments in any one issuer that represent 5% or more of total District investments.

**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. In accordance with the California Government Code, the District’s financial institution secures deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities must equal at least 110% of the total amount deposited by the public agencies. At February 28, 2025, the District had deposits with a carrying amount of (\$4,992,134) and a balance in financial institutions of \$927,171. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and the remaining amount was secured by a pledge of securities by the financial institution, but not in the name of the District.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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. As of February 28, 2025, none of the District’s investments were subject to custodial credit risk.

**Investments in External Investment Pools:** The District is a voluntary participant in the following external investment pools: Local Agency Investment Fund (LAIF) and the Investment Trust of California (CalTrust). LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. CalTrust is administered under the oversight of a Board of Trustees, comprised of experienced investment managers. The weighted average maturity of investments held by LAIF was 237 days as of February 28, 2025. The District invests in the CalTRUST liquidity, short-term and medium-term pools. The fair value of the District’s investments in these pools are reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by the pools for their entire portfolio (in relation to the amortized cost of that portfolio). The weighted average maturity of the liquidity, short-term and medium-term pools in CalTRUST was 42, 303, and 854 days, respectively as of February 28, 2025.

**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 investments. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant observable inputs. When quoted prices in active markets are not readily available, fair values are based on pricing models or matrices maximizing the use of observable inputs for similar securities. Level 3 inputs are significant observable events. The District’s investments in money market mutual funds are categorized as level 2 investments. The District’s investments in LAIF and CalTRUST are not categorized under the fair value hierarchy.

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE C – NOTES RECEIVABLE**

Notes receivable consisted of a long-term note with Santa Clara Valley Water District and equipment notes at February 28, 2025, as follows:

	Total	Current	Noncurrent
Irrigation equipment notes	\$ 913,098	\$ 368,851	\$ 544,247
Note receivable from Santa Clara Valley Water District	590,228	188,793	401,435
Total notes receivable	\$ 1,503,326	\$ 557,644	\$ 945,682

The District provides funding to water users for the lease-purchase of irrigation system equipment under the Expanded Irrigation System Improvement Program (EISIP) and Expanded Irrigation System Improvement Program/Public Purpose Program (P3) Grant (EISIP/P3). The EISIP allows funding up to \$200,000 with a 20% down payment and repayment over a maximum term of four years at 3.1%. Applicants must designate 160 acres of non-annexed land as security for the borrowing. The EISIP/P3 offers similar terms and allows water users to apply for the lesser of \$70,000 or 35% of the total borrowing in grant funding. The lease-purchase agreements are considered notes receivable under GASB Statement No. 87 as the water users will own the equipment at the end of the term. Future minimum payments receivable under irrigation system equipment notes were as follows for the years ended the last day of February:

2026	\$ 368,851
2027	261,499
2028	222,650
2029	60,098
	\$ 913,098

As of February 28, 2025, the District had a note receivable from Santa Clara Valley Water District in the amount of \$772,050 payable at an amount equal to one-half the annual net debt service costs incurred by the District to finance the acquisition of the rights to water acquired from Mercy Springs Water District. Payments from Santa Clara Valley Water District are to be made two times per year on a date not less than 90 days prior to the date the District is obligated to pay the principal and interest on the debt. Remaining yearly principal payments range from \$188,793 to \$204,510 and remaining semi-annual interest payments range from \$5,112 to \$14,755, which are due on March 1 and September 1. The maturity date of the note is September 1, 2027.

**NOTE D – RESTRICTED CASH AND CASH EQUIVALENTS**

Restricted cash and cash equivalents consisted of the following balances at February 28, 2025:

Section 125 Trust account	\$ 2,422
LandFlex grant unspent funds	87,872
Bond Indenture Agreements – Series 2016A	546,661
Bond Indenture Agreements – Series 2020A	3,188,480
Bond Indenture Agreements - 2020A	868,529
Bond Indenture Agreements - 2020B	135,638
Land and Water Fund	37,645,411
Total	\$ 42,475,013

The Section 125 Trust is a cafeteria plan held for employee benefits.

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE D – RESTRICTED CASH AND CASH EQUIVALENTS (Continued)**

**LandFlex Grant Unspent Funds:** The District receives restricted State LandFlex grant funds when agreements are approved with landowners in the District to provide a response to drought scenarios as defined in Water Code Section 13918(a) that is intended to address immediate impacts on human health and safety, address immediate impacts on fish and wildlife resources and provide water to persons or communities that lose or are threatened with the loss or contamination of water. Under the program, landowners are provided payments of \$350 for each acre-foot not consumed due to conservation efforts, \$1,000 (or \$700 for transitional Water Year 2023) for each acre-foot of Transitional Allocation foregone for the enrolled lands, and payments ranging from \$250 to \$2,800 for the permanent removal of permanent tree crops, purchasing upcycled agricultural waste for dairy feed replacing, and planning cover crops that use natural rainfall to grow.

**Bond Indenture Agreements – Series 2016A:** During the year ended February 28, 2017, \$51,280,000 Series 2016A Refunding Revenue Bonds were issued to refund the outstanding Revenue Certificates of Participation, Series 2005A and Series 2007A and Adjustable-Rate Refunding Revenue Certificates of Participation, Series 2008A. In accordance with the offering, a Bond Reserve Fund was required to be established. A Surety Policy held by the trustee has been provided as an alternative to the District depositing the funds. The face amount of the Surety Policy is equal to the Reserve requirement and the premium was fully paid at the time of delivery of the 2016A Bonds. As of February 28, 2025, the District had \$546,661 in the Payment Fund for the payment due March 1.

**Bond Indenture Agreements – Series 2020A:** During the year ended February 28, 2021, the San Luis Unit/Westlands Water District Financing Authority issued \$197,990,000 Revenue Bonds, Series 2020A. In accordance with the offering, a bond reserve fund was required to be established. A Surety Policy held by the trustee has been provided as an alternative to the District depositing funds. The face amount of the Surety Policy is equal to the Reserve requirement and the premium was fully paid at the time of delivery of the 2020A Bonds. As of February 28, 2025, the District had \$3,188,480 held by the trustee for future principal and interest payments and \$868,529 of unspent bond proceeds.

**Bond Indenture Agreements – Series 2020B:** During the year ended February 28, 2021, the San Luis Unit/Westlands Water District Financing Authority issued \$27,375,000 Subordinate Revenue Bonds, Series 2020B. In accordance with the offering, a bond reserve fund was required to be established. A Surety Policy held by the trustee has been provided as an alternative to the District depositing funds. The face amount of the Surety Policy is equal to the Reserve requirement and the premium was fully paid at the time of delivery of the 2020B Bonds. As of February 28, 2025, the District had \$135,638 in unspent bond proceeds.

**Land and Water Fund:** The Land and Water Fund consists of funds that have been received from the sale of land or otherwise returned to the District on parcels purchased with debt proceeds (Revenue Certificates of Participation, Series 2005A) under the land and entitlement acquisition program. The funds are restricted for future land and water acquisitions or for the retirement of debt. During the years ended February 29, 2022 and February 28, 2025, \$30.59 million and \$3.17 million, respectively, was received from the sale of land. As of February 28, 2025, the balance of this fund was \$37,645,411.

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE E – CAPITAL ASSETS**

The District's capital assets consisted of the following at February 28, 2025:

	Balance at March 1, 2024	Additions	Retirements	Transfers	Balance at February 28, 2025
<b>Not depreciated:</b>					
Land held for normal operations	\$ 5,756,382		\$ (572,246)		\$ 5,184,136
Other land held	96,889,595	\$ 8,139,634	(815,146)		104,214,083
Water rights - CVP	255,008,491	12,731,224			267,739,715
Construction in progress	13,438,960	6,199,920		\$ (6,971,216)	12,667,664
Total capital assets, not being depreciated	<u>371,093,428</u>	<u>27,070,778</u>	<u>(1,387,392)</u>	<u>(6,971,216)</u>	<u>389,805,598</u>
<b>Being depreciated/amortized:</b>					
Land improvements	13,702				13,702
Distribution	182,337,450	27,455		6,907,559	189,272,464
Buildings	12,694,639	77,120	(1,751,102)	63,657	11,084,314
Furniture & fixtures/information system	2,917,742	11,161	(6,766)		2,922,137
Equipment	2,231,723	147,575	(17,680)		2,361,618
Autos/trucks	4,024,784	503,189	(16,887)		4,511,086
Total Water District assets being depreciated/amortized	<u>204,220,040</u>	<u>766,500</u>	<u>(1,792,435)</u>	<u>6,971,216</u>	<u>210,165,321</u>
Total Fishing Club assets being depreciated	<u>2,770,176</u>	<u>319,686</u>			<u>3,089,862</u>
Total assets being depreciated/amortized	<u>206,990,216</u>	<u>1,086,186</u>	<u>(1,792,435)</u>	<u>6,971,216</u>	<u>213,255,183</u>
<b>Less accumulated depreciation/amortization for:</b>					
Land improvements	(13,702)				(13,702)
Distribution	(102,457,689)	(2,712,583)			(105,170,272)
Buildings	(6,153,723)	(305,260)	1,544,819		(4,914,164)
Furniture & fixtures/information system	(1,525,832)	(139,231)	6,766		(1,658,297)
Equipment	(1,545,488)	(94,560)	6,104		(1,633,944)
Autos/trucks	(2,583,686)	(261,336)	16,387		(2,828,635)
Total Water District accumulated depreciation/amortization	<u>(114,280,120)</u>	<u>(3,512,970)</u>	<u>1,574,076</u>		<u>(116,219,014)</u>
Total Fishing Club accumulated depreciation	<u>(1,365,775)</u>	<u>(113,326)</u>			<u>(1,479,101)</u>
Total accumulated depreciation/amortization	<u>(115,645,895)</u>	<u>(3,626,296)</u>	<u>1,574,076</u>		<u>(117,698,115)</u>
Total Water District assets, net	<u>461,033,348</u>	<u>24,324,308</u>	<u>(1,605,751)</u>		<u>483,751,905</u>
Total Fishing Club assets, net	<u>1,404,401</u>	<u>206,360</u>			<u>1,610,761</u>
Total capital assets, net	<u>\$ 462,437,749</u>	<u>\$ 24,530,668</u>	<u>\$ (1,605,751)</u>	<u>\$ -</u>	<u>\$ 485,362,666</u>

The District prepaid its capital obligation to Reclamation for its share of the construction costs of the CVP for its main contract and four assignment contracts. The District recorded water rights in the amount of \$185,350,033 for its perpetual contracts for water service in March 2021. As the contracts are perpetual, these water rights are reported as non-depreciated assets.

Land held consisted of the following at February 28, 2025:

Land held for normal operations	\$ 5,184,136
Other land held - water rights and other uses:	
Land held under land and water acquisition programs	63,125,951
McCloud River property	32,889,157
Yolo Ranch Property	7,601,241
Land held for future use	597,734
Total other land held	<u>104,214,083</u>
Total	<u>\$ 109,398,219</u>

Land held under land and water acquisition programs represents land purchased under the land and water rights acquisition program described in Note J.

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE E – CAPITAL ASSETS (Continued)**

During the year ended February 28, 2007, the District acquired approximately 3,000 acres of property located in Shasta County, California, along the McCloud River. The property was acquired to facilitate the raising of Shasta Dam by the United States Department of the Interior. Until that time, or for a period of 25 years from the closing date, the District has agreed to maintain the property and the property is available to the public during the fishing season. A separate enterprise fund has been established to report the financial transactions called the Other Fund.

During the year ended February 29, 2008, the District acquired approximately 3,400 acres of property located in Yolo County, California. The property was acquired to pursue projects to address water supply-related environmental and/or Endangered Species Act issues. Acquisition of this property included 3,582 shares of the Sweetwater Company (Company), a mutual water company. The District's shares represents 83.07% of the total ownership of the Sweetwater Company. The land was the majority of the value of the Company so once separated from the assets of the Company the remaining equity interest was considered to be immaterial and was not recorded on the District's statement of net position.

**NOTE F – LONG-TERM LIABILITIES**

	Balance at March 1, 2024 as Restated	Additions	Retirements	Balance at February 28, 2025	Current Portion
Refunding Revenue Bonds, Series 2016A	\$ 25,215,000		\$ (2,870,000)	\$ 22,345,000	\$ 2,705,000
Revenue Bonds, Series 2020A	197,990,000			197,990,000	5,295,000
Subordinate Revenue Bonds, Series 2020B	5,220,000		(5,220,000)		
Refunding Revenue Bonds, Series 2021B	23,298,974		(1,098,226)	22,200,748	1,106,515
Total bond principal	<u>251,723,974</u>		<u>(9,188,226)</u>	<u>242,535,748</u>	<u>9,106,515</u>
Add premiums	5,193,011		(410,278)	4,782,733	
Total bonds	<u>256,916,985</u>		<u>(9,598,504)</u>	<u>247,318,481</u>	<u>9,106,515</u>
Water exchange payable	394,410		(88,500)	305,910	
Compensated absences	1,148,288	\$ 12,295 *		1,160,583	1,129,643
Total long-term liabilities	<u>\$ 258,459,683</u>	<u>\$ 12,295</u>	<u>\$ (9,687,004)</u>	<u>\$ 248,784,974</u>	<u>\$ 10,236,158</u>

\* The change in compensated absences liability is presented as a net change

**Revenue Bonds, Series 2016A:** On October 1, 2016, the District issued Refunding Revenue Bonds, Series 2016A (Bonds) in the amount of \$51,280,000. The Bonds were issued to refund the Revenue Certificates of Participation, Series 2005A and Series 2007A and the Adjustable Rate Refunding Revenue Certificates of Participation, Series 2008A. These Certificates were issued 1) to acquire land within the Broadview Water District so the Broadview Water District water contract with Reclamation could be transferred to the District, to acquire water rights from Oro Loma Water District, to provide funds for the Land Retirement and Water Entitlement Acquisition Program, and to finance the San Luis Unit portion of a pipeline connection between the California Aqueduct and the Delta-Mendota Canal (the "Intertie Project") (Series 2005A); 2) to purchase approximately 3,040 acres of land and water rights in Shasta County adjacent to the McCloud River to facilitate the raising of Shasta Dam (Series 2007A); and 3) to refund the Revenue Certificates of Participation, Series 2005A used to refund Revenue Certificates of Participation, Series 1999A issued for the purchase of land and water rights (Series 2008A). A fully paid surety bond satisfied a reserve requirement for the bond. The Bonds are secured by a pledge of revenues from the operation of the District's water system. The Bonds contain a covenant to collect revenues sufficient to yield net revenues equal to 125% of debt service payments. Principal payments of \$1,250,000 to \$4,245,000 are due on September 1 from September 1, 2017 through September 1, 2036. Interest payments of \$36,800 to \$893,700 are due on March 1, and September 1 from March 1, 2017 through September 1, 2036 at interest rates ranging from 3.0% to 5.0%. The principal and interest may be called immediately due and payable by the Trustee upon default.

**Revenue Bonds, Series 2020A:** On April 1, 2020, the San Luis Unit/Westlands Water Financing Authority issued Revenue Bonds (Westlands Water District), Series 2020A in the amount of \$197,990,000. The proceeds of the Bonds were used to secure a perpetual right to purchase water from the CVP and to prepay the District's capital obligation to Reclamation for the water contracts listed in Note A. The Bonds are secured by a pledge of revenues from the operation of the District's water system as well as the Rate Stabilization Fund and Special Purpose Fund, as defined in the

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE F – LONG-TERM LIABILITIES (Continued)**

agreement. The Bonds contain a covenant to collect revenues sufficient to yield net revenues equal to 125% of debt service payments. Principal payments of \$5,295,000 to \$11,250,000 are due on September 1 from September 1, 2025 through September 1, 2050. Interest payments of \$210,206 to \$3,188,433 are due on March 1, and September 1 from March 1, 2020 through September 1, 2050 at interest rates ranging from 1.599% to 3.737%. The principal and interest may be called immediately due and payable by the Trustee upon default.

**Subordinate Revenue Bonds, Series 2020B:** On April 1, 2020, the San Luis Unit/Westlands Water Financing Authority issued Subordinate Revenue Bonds (Westlands Water District), Series 2020B in the amount of \$27,375,000. The proceeds of the Bonds were used to secure a perpetual right to purchase water from the CVP and to prepay the District's capital obligation to Reclamation for the water contracts listed in Note A. The Bonds were secured by a pledge of revenues from the operation of the District's water system as well as the Rate Stabilization Fund and Special Purpose Fund, as defined in the agreement. The Bonds contained a covenant to collect revenues sufficient to yield net revenues equal to 100% of debt service payments. Principal payments of \$5,050,000 to \$6,850,000 were due on September 1 from September 1, 2020 through September 1, 2024. Interest payments of \$37,819 to \$122,932 were due on March 1, and September 1 from September 1, 2020 through September 1, 2024 at interest rates ranging from 0.892% to 1.449%. The Bonds were fully repaid at February 28, 2025.

**Revenue Refunding Bonds, Series 2021B:** On January 26, 2021, the San Luis & Delta Mendota Water Authority (the Authority), issued Refunding Revenue Bonds (DHCCP Development Project), Series 2021B (the 2021B Bonds) in the amount of \$32,725,000 and other funds to refund \$33,080,000 of the outstanding San Luis & Delta Mendota Water Authority Refunding Revenue Bonds (DHCCP Development Project), Series 2013A (2013A Bonds). The District has an obligation to repay 100% of the principal and interest of the 2021B Bonds under a DHCCP Activity Agreement entered into with the Authority although the District is responsible for 82.885% and five other water districts (Financing Participants) have agreed to pay approximately 17.115% of the 2021B Bonds under Activity Agreements, which will be collected by the Authority and remitted to the District. The 2013A Bonds were issued to finance planning, preliminary design and environmental activities of the Delta Habitat Conservation and Conveyance Program (DHCCP), which is a program consisting of joint efforts by agencies of the federal government, State of California and local agencies to fund and plan habitat conservation and water supply activities in the Sacramento-San Joaquin River Delta/San Francisco Bay Estuary (the "Bay-Delta"), including Bay-Delta water conveyance options. Principal payments of \$160,000 to \$1,915,000 are due on March 1 from March 1, 2021 to March 1, 2042. Interest payments of \$2,432 to \$333,929 are due on March 1 and September 1, from March 1, 2021 to March 1, 2042 at interest rates ranging from 0.35% to 3.04%. The principal and interest may be called immediately due and payable by the Trustee upon default and a default interest rate of 8% would apply on past due payments.

The District has been a member of the Authority since its formation in 1992. The District's Board approved the DHCCP activity agreement with the Authority on March 17, 2009. The fact that the District has agreed to make debt service payments on the 2021B Bonds for other Financing Participants is considered a nonexchange financial guarantee under GASB Statement No. 70. The District's financial guarantee for the bonds extends through the 2021B Bonds maturity date of March 1, 2042. As of February 28, 2025, the total guarantees outstanding extended by the District (17.115% of 2021B Bonds future principal and interest payments due from other Financing Participants) were \$5,667,050. If a financing participant fails to make the payments required by its activity agreement, the Authority has agreed to take reasonable action for collection to reimburse the District.

**Water Exchange Payable:** The water exchange payable represents a 1995-1996 Kern County Water Agency (KCWA) liability for 13,147 acre-feet of water to be acquired and provided to certain Priority II water users as a result of an exchange transaction. The amount is included in the District's financial statements as both a non-current asset and liability. The agreement expires February 28, 2030.

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE F – LONG-TERM LIABILITIES (Continued)**

Debt service requirements to maturity are as follows at February 28, 2025:

Years Ending Last Day of February	Principal	Interest	Total
2026	\$ 9,106,515	\$ 7,867,402	\$ 16,973,917
2027	9,328,948	7,623,421	16,952,369
2028	9,566,380	7,357,311	16,923,691
2029	7,992,102	7,114,041	15,106,143
2030	8,203,679	6,895,440	15,099,119
2031-2035	44,751,375	30,624,531	75,375,906
2036-2040	46,354,370	23,157,345	69,511,715
2041-2045	45,507,379	15,410,470	60,917,849
2046-2050	50,475,000	6,947,803	57,422,803
2051	11,250,000	210,206	11,460,206
	<u>\$ 242,535,748</u>	<u>\$ 113,207,970</u>	<u>\$ 355,743,718</u>

**Pledged Revenue:** The District pledged future revenue from the operation of the District's water system to repay the Refunding Revenue Bonds, Series 2016A and Revenue Bonds, Series 2020A in the original amounts of \$51,280,000 and \$197,990,000, respectively. The Bonds are payable solely from the District's net water system revenues through September 1, 2051. Total principal and interest remaining to be paid on the Bonds was \$328,299,170 at February 28, 2025. Total cash basis principal and interest paid on the Bonds was \$10,471,516 and the total net water system operating revenues were \$80,240,636 during the year ended February 28, 2025.

**S&P Bond Ratings:** On April 19, 2024, S&P Global Ratings affirmed "A+" ratings on the District's revenue bonds and affirmed the District's A+ Issuer Default Rating. The ratings reflect the District's strong revenue defensibility and midrange operating risk profile.

**NOTE G – NET POSITION RESTRICTIONS AND DESIGNATIONS**

Certain funds have been set aside by the District for future use for specific purposes. These amounts are included in unrestricted net position, unless shown as a separate component. As of February 28, 2025, restricted and designated assets consisted of the following cash balances:

Restricted for specific purposes	\$ 51,706,086
Rate Stabilization Fund	31,700,000
Special Purpose Fund	16,842,000
Total Restrictions	<u>100,248,086</u>
General Reserve	7,671,191
Self-Insurance/Unemployment Reserves	54,838
O&M Reserves-Drought	12,273,947
O&M Reserves-Asset Replacement	4,940,519
Capital Fund	2,528,296
PWRPA Funds	471,905
Irrigation Equipment Loan Programs	5,696,943
Total Designations	<u>33,637,639</u>
Total Restrictions and Designations	<u>\$ 133,885,725</u>

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE G – NET POSITION RESTRICTIONS AND DESIGNATIONS**

**Restricted for Specific Purposes:** The amount restricted for specific purposes represents the restricted cash and cash equivalents described in Note D plus a restricted receivable for the LandFlex grant program and a restricted refund receivable of an overpayment to Reclamation of the prepaid CVP capital obligation that is being held by Reclamation for future Folsom Dam improvements.

**Rate Stabilization Fund:** The Rate Stabilization Fund is required to be maintained as long as the Revenue Refunding Bond, Series 2016 and the Revenue Bonds, Series 2020A and 2020B (the Bonds) remain outstanding. During the years ended February 28, 2017, February 28, 2019, February 29, 2024, and February 28, 2025, the District deposited \$5.5 million \$7.7 , \$8.5 million and \$10 million, respectively, of O&M Reserves into the Rate Stabilization Fund for a total balance of \$31,700,000. The revenues deposited in the Rate Stabilization Fund are pledged to payment of the Bonds or may be used to transfer to the Revenue Fund. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund within 270 days after the end of the fiscal year are considered revenues in the calculation of the debt service coverage ratio described in Note F.

**Special Purpose Fund:** The Special Purpose Fund is pledged under the Revenue Refunding Bond, Series 2016 and the Revenue Bonds, Series 2020A and 2020B (the Bonds). During the year ended February 29, 2017, the District deposited \$5.2 million of O&M Reserves into the Special Purpose Fund and, prior to finalizing the February 29, 2017 financial statements, the Board deposited \$11.7 million of the increase in net position in the Special Purpose Fund. The Board of Directors approved the use of \$58,000 of Special Purpose Funds to cover Bollibokka Club repairs in water year ending February 29, 2019, resulting in a total balance of \$16,842,000. The Special Purpose Fund may be withdrawn upon a determination by resolution of the Board of Directors of the District substantially to the effect that (a)(i) non-routine expenditures resulting from extraordinary events, including, but not limited to (A) droughts, (B) natural disasters, (C) failure of infrastructure necessary to deliver water by the Bureau or other water providers to the District or by the District to landowners or water users, (D) adoption of any federal or state law or any regulatory actions (whether newly promulgated, newly interpreted by a regulator, administrative agency or court, or otherwise), in each case which are reasonably expected by the District to be incurred, or reduced revenues have resulted or are expected to result from such an extraordinary event. In addition, amounts transferred from the Special Purpose Fund to the Revenue Fund within 270 days after the end of the fiscal year are considered to be revenues in the calculation of the debt service coverage ratio described in Note F.

**General Reserve:** The general reserve was established to help the District meet unanticipated operating or capital expenses or credits to water rates or land-based charges. There is no established minimum or maximum target level for this reserve. As of February 28, 2025, the District had designated funds of \$7,671,191 in this reserve.

**Self-Insurance/Unemployment Reserves:** The District established a self-insurance reserve for vehicle collision and comprehensive expenses as they occur. In addition, funds are available for unemployment insurance expenses. The target level is \$50,000. As of February 28, 2025, \$54,838 was held in this reserve.

**O&M Reserves - Drought:** Through water rates, the District collects an amount to be set aside to fund current and future operations and maintenance activities or capital expenses due to drought conditions or regulatory mandated reductions in supply. Funds are collected for distribution system maintenance, vehicle purchases, facility maintenance and replacement, and information systems. The intended reserve is 4% of annually budgeted amounts of water sales revenue and the approved range is 3% to 15%. As of February 28, 2025, the balance of the O&M Reserves was \$12,273,947.

**O&M Reserves - Asset Replacement:** Through water rates, the District collects an amount to be set aside to fund current and future operations and maintenance activities. Funds are collected for vehicle purchases, facility maintenance and replacement, and information systems. The target level is 5% of annual general and administrative budgeted expenses. As of February 28, 2025, the balance of the O&M Reserves-Asset Replacement was \$4,940,519.

**Capital Fund:** In fiscal year 2018-2019, and each year thereafter, the District budget has included an amount to be set aside for the funding of new capital assets or the replacement of capitalized assets when they reach the end of their useful lives. Funds within the Capital Fund may also be used for the design, engineering, environmental and planning purposes related to capital projects and unanticipated capital expenditures. There is no established minimum or maximum target level for this reserve. An amount is established in the annual capital budget. During the year ended February 29, 2022, the Board approved a \$1,000,000 to the fund and authorized the purchase of 640 acres of land from the fund. As of February 28, 2025, the District had \$2,528,296 in the Capital Fund.

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE G – NET POSITION RESTRICTIONS AND DESIGNATIONS (Continued)**

**PWRPA Funds:** P3 funds have been designated for the District's Automated Meter Infrastructure program. As of February 28, 2025, the District had \$471,905 in the PWRPA Fund.

**Irrigation Equipment Loan Programs:** The District has designated funds under the EISIP and EISIP/P3 loan programs described in Note C to purchase and install irrigation systems to be repaid by certain water users. As of February 28, 2025, the District had \$5,596,943 available for future loans.

**NOTE H – DEFINED BENEFIT PENSION PLAN AND DEFERRED COMPENSATION PLAN**

**Defined Benefit Pension Plan**

**Plan Description:** The District participates in a cost-sharing, multiple-employer defined benefit pension plan (the Plan) administered by the California Public Employees' Retirement System (CalPERS). The District participates in the Miscellaneous Risk Pool and the following Rate Plans:

- Miscellaneous Rate Plan
- PEPRA Miscellaneous Rate Plan

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures, and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA and may be amended by the California state legislature and in some cases require approval by the CalPERS Board. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2023 Annual Valuation Report. Details of the benefits provided can be obtained in Appendix B of the funding valuation report. The actuarial valuation reports and CalPERS' audited financial statements are publicly available reports that can be obtained from CalPERS' website under Forms and Publications, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**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 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments are applied as specified by the Public Employees' Retirement Law.

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE H – DEFINED BENEFIT PENSION PLAN AND DEFERRED COMPENSATION PLAN (Continued)**

The Plan's provisions and benefits in effect at February 28, 2025, are summarized as follows:

	Miscellaneous Plan First Tier (Prior to January 1, 2013)	PEPRA Miscellaneous Plan (On or after January 1, 2013)
Hire date		
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	1.426-2.418%	1.0% to 2.5%
Final average compensation period	One year	Three years
Required employee contribution rates		
March 1, 2024 to June 30, 2024	6.920%	7.750%
July 1, 2024 to February 28, 2025	7.000%	7.750%
Required employer contribution rates		
March 1, 2024 to June 30, 2024	12.47%	7.68%
July 1, 2024 to February 28, 2025	12.52%	7.87%
Unfunded liability payment	\$ 1,527,307	\$ 11,825

**Contributions:** Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on 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. For public agency cost-sharing plans covered by the miscellaneous risk pool, the actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. For the year ended February 28, 2025, the employer contributions to the Plan were \$2,619,118.

**Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources:** At February 28, 2025, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$20,668,625.

The District's net pension liability was measured as the total pension liability, less the pension plans fiduciary net position. The net pension liability of the plan is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures as required by GASB Statement No. 68. The District's proportion of the net pension liability was based on a projection of the District's long-term share of the contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan was as follows at February 28, 2025:

Proportion - February 28, 2024	0.41466%
Proportion - February 28, 2025	0.42734%
Change - Increase (Decrease)	<u>0.01268%</u>

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE H – DEFINED BENEFIT PENSION PLAN AND DEFERRED COMPENSATION PLAN (Continued)**

For the year ended February 28, 2025, the District recognized a pension expense of \$4,391,884. At February 28, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 531,227	
Differences between actual and expected experience	1,786,992	\$ (69,727)
Differences between the employer's contributions and the employer's proportionate share of contributions		(1,121,409)
Change in employer's proportion	992,798	
Net differences between projected and actual earnings on plan investments	1,189,865	
Pension contributions subsequent to measurement date	2,246,166	
Total	\$ 6,747,048	\$ (1,191,136)

The amount in the table above reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as net deferred outflows (inflows) of resources related to the Plan will be recognized as pension expense as follows at February 28, 2025:

Year Ended Last Day of February	
2026	\$ 1,302,992
2027	2,451,145
2028	(36,636)
2029	(407,755)
Total	\$ 3,309,746

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

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

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE H – DEFINED BENEFIT PENSION PLAN AND DEFERRED COMPENSATION PLAN (Continued)**

**Actuarial Assumptions:** The total pension liability for the Plan was determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	6.90% (1)
Inflation	2.30%
Projected Salary Increase	.4% - 8.5% (2)
Mortality	Derived using CalPERS Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation.

(2) Depending on entry age and service.

The underlying mortality assumptions were developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. Further details can be found in the 2021 experience study on the CalPERS website under Forms and Publications.

**Change of Assumptions:** There were no changes in assumptions at the June 30, 2024, measurement date.

**Discount Rate:** The discount rate used to measure the total pension liability was 6.90%. To determine whether the municipal bond rate should be used in the calculation of the discount rate, CalPERS stress tested all plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current discount rate is adequate, and the use of a municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from CalPERS' website under the GASB 68 section.

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.

In determining the long-term expected rate of return, CalPERS took into account both the short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all of the funds' asset classes, expected compound (geometric) 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 values of benefits was calculated 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 on quarter of one percent.

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

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE H – DEFINED BENEFIT PENSION PLAN AND DEFERRED COMPENSATION PLAN (Continued)**

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.0%	

(a) An expected inflation of 2.3% used for this period.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:** The following table presents the District's proportionate share of the net pension liability/(asset) for the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability	\$ 33,467,399	\$ 20,668,625	\$ 10,133,353

**Pension Plan Fiduciary Net Position:** Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**Payable to the Pension Plan:** At February 28, 2025, the District's contributions payable to the Plan were \$243,999.

**Deferred Compensation Plan**

The District offers an Internal Revenue Code Section 457 deferred compensation plan to all employees called the Westlands Water District Deferred Compensation Plan and Trust (the Plan). The Plan is administered by Mission Square Retirement and Lincoln Financial Group. Benefit terms, including contribution requirements, are established and may be amended by the Board of Directors. Participation is voluntary and employees are eligible to participate in the month after signing a participation agreement. Each employee is allowed to contribute up to the applicable Internal Revenue Code limit, has a separate account held in trust for their benefit and self-directs the investment of their account balance. Employees are fully vested in their contributions immediately. The District does not contribute to the Plan.

**NOTE I – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Plan Description:** The District participates in an agent multiple-employer defined benefit retiree healthcare plan (the Plan). Through CalPERS, the District offers medical insurance to active and retired employees, as well as their qualified dependents under the Public Employees' Medical and Hospital Care Act (PEMHCA). Under PEMHCA, health coverage for the employee continues into retirement. An eligible participant is defined as an employee who is continuously employed by the District who qualifies and retires from the CalPERS with a service or disability retirement and elects continued enrollment in the CalPERS Health Benefit Plan. Current plans offered are PERSCare, PERS Select, PERS Choice, Blue Shield Access, HealthNet SmartCare, Kaiser, United HealthCare, Western Health Advantage, Anthem HMO Select and Anthem HMO Traditional. The District is a participant in the CERBT which is an agent multiple-

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE I – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

employer plan available to employers to pre-fund OPEB benefits. CERBT is administered through CalPERS. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT Fund financial reports which can be obtained by writing to California Public Employees' Retirement System, P.O. Box 942701, Sacramento, CA 94229-2701.

**Funding Policy and Contribution Requirements:** The contribution requirements of the plan members and the District vary depending on the hire date of the employee and may be amended in the future. The District's contribution for current retirees consists of the annual statutory minimum contribution pursuant to the Public Employees' Medical and Hospital Care Act (PEMHCA) and a variable amount approved annually by the District's Board of Directors funded through the District's Health Reimbursement Arrangement (HRA) Plan. For the year ended February 28, 2025, the PEMHCA required contribution for all plan members was \$157 per month for the period of March 1 – December 31, 2024, and \$158 per month for the period of January 1 – February 28, 2025. The maximum HRA monthly contribution for current retirees was:

<u>Variable Benefit if Hired:</u>	<u>Retiree</u>	<u>Couple</u>	<u>Family</u>
2023 Amounts:			
Prior to January 1, 2013	\$ 652.81	\$ 1,255.67	\$ 1,617.39
January 1, 2013 and later	359.00	359.00	359.00
2024 Amounts:			
Prior to January 1, 2013	761.78	1,450.86	1,864.31
January 1, 2013 and later	353.00	353.00	353.00

As of February 28, 2025, there were 98 retirees receiving benefits under the plan, 115 employees that may be eligible for future benefits upon retirement from the District and no inactive participants that were eligible for benefits.

**Contributions:** The Plan's contribution requirements are established and may be amended by the District's Board of Directors, subject to Memoranda of Understanding with bargaining units and CalPERS funding requirements. The District's annual OPEB cost is calculated based on the actuarially determined contribution (ADC) under GASB Statement No. 75. The ADC represents a target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standard of Practice based on the most recent measurement available with the contribution for the reporting period is adopted. The following is a schedule of contributions for the year ending February 28, 2025:

Benefits paid outside of trust	\$ 889,987
Implicit benefits paid	<u>205,860</u>
Total OPEB contributions	<u><u>\$ 1,095,847</u></u>

**Actuarial Assumptions Used to Determine Total OPEB Liability:** Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made in the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE I – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation based on the following actuarial methods and assumptions:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Actuarial cost method	Entry-age normal cost method
Funding policy	The District intends to contribute the full ADC
Actuarial assumptions:	
Discount rate	6.40%
Inflation	2.30%
Salary increases	2.80%
Investment rate of return	6.40%
Mortality factors	Derived using CalPERS 2021 study
Pre-retirement turnover	Derived using CalPERS 2021 study
Participation rate	100% participation by eligible participants and 60% participation by spouses
Healthcare cost trend rates	Pre-65 and Post-65: 5.50% for 2024 through 2034; 4.50% for 2035 through 2074; and 4.00% for 2075 and later years.
PEMCHA minimum	4.00%

**Long-Term Expected Rate of Return:** The long-term expected rate of return on OPEB plan investments was based on the CalPERS CERBT Strategy 1 investment policy, as shown below. As of the June 30, 2024 measurement date, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

Investment Class	Target Allocation	Long-term Expected Real Rate of Return (1)
Global Equity	49.00%	6.80%
Fixed Income	23.00%	3.70%
Global REITs	5.00%	6.00%
TIPS	20.00%	2.80%
Commodities	3.00%	3.40%
Total	<u>100.00%</u>	

**Discount Rate:** The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by the Plan. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in Assumptions:** The discount rate was changed from 6.00% to 6.40% and the inflation factor was changed from 2.50% to 2.30% during the June 30, 2024 measurement period.

**Changes in the Net OPEB Liability:** The following table shows the changes in the net OPEB liability for the year ended February 28, 2025, computed as of the Plan's measurement date:

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE I – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at February 29, 2024	\$ 18,721,118	\$ 14,357,246	\$ 4,363,872
Changes for the year:			
Service cost	509,266		509,266
Interest on the total OPEB liability	1,124,215		1,124,215
Changes in assumptions	(804,721)		(804,721)
Contribution - employer		1,001,506	(1,001,506)
Net investment income		1,575,774	(1,575,774)
Benefit payments	(1,001,506)	(1,001,506)	
Administrative expense		(4,680)	4,680
Net changes	<u>(172,746)</u>	<u>1,571,094</u>	<u>(1,743,840)</u>
Balance at February 28, 2025	<u>\$ 18,548,372</u>	<u>\$ 15,928,340</u>	<u>\$ 2,620,032</u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:** The following presents the District's Net OPEB liability if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Current Discount Rate		
	1% Decrease	6.40%	1% Increase
Net OPEB liability	\$ 4,940,993	\$ 2,620,032	\$ 666,079

**Sensitivity of the Net OPEB Liability to Changes in the Trend Rate:** The following presents the District's Net OPEB liability if it were calculated using a healthcare cost trend table that is 1% point lower or 1% point higher than the current rate:

	Current Healthcare Cost Trend Rates		
	1% Decrease	6.40%	1% Increase
Net OPEB liability	\$ 495,116	\$ 2,620,032	\$ 5,223,137

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB:** For the year ended February 28, 2025, the District recognized OPEB expense of \$590,731. At February 28, 2025, the District had deferred outflows and inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 260,456	\$ (8,543)
Changes in assumptions	979,723	(1,478,415)
Net differences between projected and actual earnings on OPEB plan investments	295,803	
OPEB contributions subsequent to measurement date	749,398	
Total	<u>\$ 2,285,380</u>	<u>\$ (1,486,958)</u>

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE I – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Recognition of Deferred Outflows and Deferred Inflows of Resources:** The amount in the table above reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the subsequent fiscal year. Other gains and losses related to changes in total OPEB liability and fiduciary net position 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. Straight-line amortization is used and the recognition period differs depending on the source of the gain or loss, with assumption changes and experience gains/losses being amortized over the average future working lifetime of all active and retired participants and amortized over 5 years for investment gains and losses.

The amounts reported as deferred outflows and inflows of resources will be recognized as OPEB expense as follows:

<u>Year Ended Last Day of February</u>	
2025	\$ (243,380)
2026	397,209
2027	(76,980)
2028	(39,784)
2029	103,111
Thereafter	<u>(91,152)</u>
	<u>\$ 49,024</u>

**NOTE J – LAND AND RIGHTS TO WATER ACQUISITION**

Since 1992, the long-term reliability of the District’s CVP water supply (Contract Water) has been significantly reduced due to changes in federal law and the manner in which federal and state laws have been implemented. In an effort to increase the reliability of water available for delivery to landowners and water users, the District’s Board of Directors authorized a Land and Water Acquisition Program in 1998. According to its guidelines, the CVP Contract Water entitlement acquired, or associated with the land to be acquired, would be reallocated and transferred to the landowners and water users within the District. Likewise, other water supplies acquired would be similarly allocated. Under this program, the District acquired 13,336 acres of land and approximately 37,155 acre-feet of water rights at a total cost of \$21,609,923.

In August 1998, the District entered into a Land Retirement Agreement with the United States Department of the Interior, to cooperate on a project for the retirement of up to 15,000 acres of land within the District over a period of three years. During the term of the agreement, a total of 1,433 acres of land were acquired by the United States of America, with the District contributing up to \$1,150 per acre towards the purchase price in order to retain the right to receive the District’s CVP Contract Water associated with the lands. The District acquired approximately 3,812 acre-feet of rights to apply for water under this agreement at a total cost of \$1,677,092.

On April 29, 2002, the District’s Board of Directors approved the Agreement for Distribution of Water, Allocation of Costs, and Settlement of Claims (Sagouspe Settlement Agreement), reached between the Pre-Merger Lands and Merged Lands landowners that were parties to the litigation, and the courts validated this agreement on December 3, 2002. The lands and associated rights to water acquired by the District and/or the United States of America through the Land and Water Acquisition Program, the Land Retirement Agreement and the Peck Settlement Agreements (described below), and repayment of the debt obligation for these lands and associated rights to water, were incorporated into and are now governed by the Sagouspe Settlement Agreement. Through this agreement, the District expended \$108.5 million (\$8.5 million of District reserves and \$100 million obtained through the issuance of new debt) to acquire sufficient land within the District, the permanent right to an allocation of the District’s CVP Contract Water that is apportioned among lands in the District, or a long-term water supply other than the District’s CVP Contract Water, in order to make an equal water supply allocation of 2.60 acre-feet per acre to eligible Pre-Merger Lands and Merged

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE J – LAND AND RIGHTS TO WATER ACQUISITION (Continued)**

Lands that are not retired lands (i.e., lands acquired within the District, or lands for which the permanent right to an allocation of the District's CVP Contract Water has been acquired) in any water year that the District's Contract Water supply is not less than 1,150,000 acre-feet. Pursuant to this agreement, prior to March 1, 2008, the allocation of water supply was equalized by allocating to Merged Lands, lands that are not retired lands, the District Contract Water and other water supplies obtained through the acquisitions contemplated by the agreement. On and after March 1, 2008, District Contract Water and other supplies from this agreement will be allocated equally on a per-acre basis to eligible Pre-Merger Lands and Merged Lands that are not retired lands. Repayment of debt issued by the District which implements this settlement agreement is being accomplished by the collection of land-based charges imposed on irrigable lands in Pre-Merger Lands and Merged Lands that are not retired lands according to a formula specified in the agreement. Approximately 28,626 acres of land and 86,271 acre-feet of rights to water at a cost of \$50,116,121 have been acquired to complement the Land and Water Acquisition Program, the Land Retirement Agreement and the Peck Settlement Agreement acquisitions.

In September and December 2002, the District, the United States of America and owners of approximately 36,000 acres of farmland in the District reached a settlement in a long-standing lawsuit involving drainage issues (Peck Settlement Agreements). Under the agreements, the District purchased approximately 35,000 acres of land over a three-year period and permanently removed the land from irrigated agriculture. The cost of the settlement to the District was approximately \$35 million and was funded by the debt issuance from the Sagouspe Settlement Agreement. Likewise, the water formerly allocated to the lands that were acquired is now distributed to other farmers within the District pursuant to the Sagouspe Settlement Agreement. Approximately 29,487 acres of land and 90,597 acre-feet of rights to water has been acquired at a cost of \$31,921,273.

In February and March 2005, the District acquired approximately 8,750 acres of land within the Broadview Water District, which is substantially all of Broadview's irrigable acreage. With the acquisition, the District initiated and completed the processes to annex all of Broadview's lands and received a permanent assignment of Broadview's CVP Water Contract totaling 27,000 acre-feet to the District from Reclamation. From this water supply, the District annually makes available 6,000 acre-feet of entitlement to the Naval Air Station Lemoore (NASL) pursuant to the Supplemental Water Allocation Agreement between the District and NASL. The remaining 21,000 acre-feet of entitlement is annually allocated according to the Sagouspe Settlement Agreement.

On May 14, 1999, the District entered into an agreement with Mercy Springs Water District, Santa Clara Valley Water (Santa Clara) District and the Pajaro Valley Water Management Agency (Pajaro) for the partial assignment of Mercy Springs Water District's existing CVP Water Contract. Under this agreement, Mercy Springs Water District assigned its right, title and interest in 6,260 annual acre-feet of CVP water to the District, Santa Clara and Pajaro. The total cost was \$5,663,134. Under this agreement, Santa Clara has the first priority to the water, but may not receive more than 25% of the actual deliveries in each ten-year period. Additionally, Pajaro had until February 29, 2020, to exercise an option to obtain the District's share of the assignment, but the option was not exercised. The ten-year period for Santa Clara to receive 25% of the subject water supply was reset in 2020-2021.

In February 2005, the District acquired 4,000 acre-feet of water supply entitlement associated with Oro Loma Water District's CVP Water Contract. As of March 1, 2012, the District received a permanent assignment of this portion of Oro Loma's water contract from Reclamation and plans to annually make available the 4,000 acre-feet of entitlement to NASL pursuant to the aforementioned Supplemental Water Allocation Agreement between the District and NASL.

Through these initiatives and agreements, the District has acquired approximately 274,998 acre-feet of rights to water at a total cost of \$102,617,296. The value of these rights to water has been capitalized. The contracts were converted to 9(d) contracts, which are perpetual, resulting in the water rights being reported as non-depreciable.

In fiscal year 2003-2004, the Board also authorized the acquisition of permanent, long-term water supplies for M&I use within the District, thereby making the District's CVP Contract Water supply previously used for these purposes available for agricultural use. In October 2003, the District executed an agreement with the County of Kings and acquired 5,000 acre-feet of State Water Project water entitlement from Angiola Water District in order to make this water available to the NASL, pursuant to the Supplemental Water Allocation Agreement between the District and NASL. In May 2004, the District executed an agreement with Widren Water District and acquired all 2,990 acre-feet of Widren's CVP Water Contract. In October 2004, the District executed an agreement with Centinella Water District and acquired all 2,500 acre-feet of Centinella's CVP Water Contract.

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE J – LAND AND RIGHTS TO WATER ACQUISITION (Continued)**

In July 2022, the District's Board of Directors authorized the District to solicit from landowners offers to sell land through a "reverse auction" which resulted in the District agreeing to purchase 2,471 acres of land at a total purchase price of \$23,842,700, which included associated rights to surface and groundwater. The District completed the purchase of 470 acres at a total purchase price of \$4,676,700 by the end of the fiscal year, with the remaining "reverse auction" acres being purchased in the following fiscal year. Additionally, the District, through a direct solicitation and negotiation, purchased 847 acres, at a total purchase price of \$8,483,400, which included associated rights to surface and groundwater.

In fiscal year 2023-24 the District continued to acquire land that was authorized for purchase under the 2022 reverse auction, completing the purchase of an additional 1,958 acres, at a total purchase price of \$19,166,000. The District's Board of Directors also authorized purchase of another 2,063 acres at a total purchase price of \$21,293,444. Of these additional authorized purchases, the District completed the purchase of 84 acres at a total purchase price of \$504,960 by the end of the fiscal year. The District also acquired 10 acres at a total purchase price of \$40,000, approved in fiscal year 2020-21.

During the year ended February 28, 2025, the District purchased 1,979.24 acres at a total purchase price of \$20,870,858 through a direct solicitation and negotiation, which included associated rights to surface and groundwater.

**NOTE K – CVP OPERATIONS & MAINTENANCE (O&M) OBLIGATIONS**

Federal legislation enacted in 1986 directed Reclamation to determine each water contractor's share of main projects O&M costs (occurring after October 1, 1985) which are not currently reimbursed to Reclamation under existing water contracts. Reclamation was further directed to accumulate these excess costs; including interest (collectively O&M deficits) until such time that the new water contracts were renewed. Beginning in fiscal year 2008-2009, the District is required to reimburse Reclamation for such O&M deficits through increased costs of its water supply. According to Reclamation calculations, the federal fiscal year ending September 30, 2023 O&M surplus was \$4,775,354 and it was received on January 27, 2025.

**NOTE L – CONTINGENCIES AND COMMITMENTS**

The following were previously identified as claims that could have a direct, material impact on the District if the outcome is unfavorable, but have now been resolved:

**Westlands Water District v. All Persons Interested, Fifth District Court of Appeal Case No., F083632 (Consolidated with F084202)/Fresno Superior Court Case No. 19CECG03887.** After the District was authorized to execute the contract to convert its principal water service contract to a repayment contract – a 9(d) Contract – the District filed an action on October 25, 2019 seeking to validate the proceedings that authorized execution of that 9(d) Contract, pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure of the State of California (the "Validation Statute"). Four groups answered: (1) North Coast Rivers Alliance, et al. ("NCRA"), (2) California Water Impact Network, et al. ("CWIN"), (3) Counties of San Joaquin and Trinity ("Counties"); and (4) South Delta Water Agency and Central Delta Water Agency ("Water Agencies"). Each of the answers asserted the District lacked the authority to enter into the repayment contract. Each group of answering parties prayed for recovery of costs and attorneys' fees.

On March 15, 2022, the trial court entered judgment against the District dismissing the District's validation complaint. The District filed a notice of appeal from the judgment on March 29, 2022. The judgment of dismissal was affirmed by the Court of Appeal and the District's Petition for Review to the California Supreme Court was denied on November 29, 2023.

NCRA, et al., CWIN, et al., and the Counties filed motions seeking recovery of attorneys' fees. NCRA et al. also sought recovery of costs. The trial court granted the motions, (i) finding that the answering parties were entitled to recover their attorneys' fees, and (ii) awarding the Counties \$197,164, CWIN et al. \$104,370, and NCRA et al. \$105,797 ("2022 Fees Awards"). The District appealed the 2022 Fees Awards (Case No. F085374). NCRA also appealed its award seeking a higher hourly rate than what was granted by the trial court (Case No. F085567).

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)**

The District reached settlement with the Counties and CWIN as to all of their fees and dismissed the Counties and CWIN from the Appeal of the 2022 Fees Award. Oral argument on both the District's and NCRA's appeal of the 2022 Fees Awards was heard on July 17, 2024. The Court of Appeal affirmed both the award of fees to NCRA and the trial court's reduction of the amount awarded to NCRA in the 2022 Fees Award.

In 2024, NCRA, CWIN, and the Counties filed motions seeking recovery of supplemental attorneys' fees, which motions were granted awarding the Counties \$87,465, CWIN et al. \$8,985, and NCRA et al. \$84,837.98 (the "2024 Fees Awards"). The District reached a settlement with the Counties, CWIN, and NCRA regarding the 2024 Fees Awards.

A joint request for dismissal was filed with the court on August 28, 2024. This matter is now closed without further liability to the District.

**Westlands Water District Distribution District No. 1 v. All Persons Interested, Fifth District Court of Appeal Case No.: F084294/Fresno Superior Court Case No.: 20CECG01011 and Westlands Water District Distribution District No. 2 v. All Persons Interested, Fifth District Court of Appeal, Case No.: F084291/Fresno Superior Court Case No.: 20CECG01012.** After Westlands Water District Distribution District No. 1 ("DD1") and Westlands Water District Distribution District No. 2 ("DD2") were authorized to execute contracts to convert existing water service contracts to repayment contracts – 9(d) Contracts – DD1 and DD2 filed validation actions on March 18, 2020, which sought to validate the proceedings that authorized execution of the 9(d) Contracts, pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure of the State of California ("Validation Statute"). Three groups filed answers: (1) California Water Impact Network et al., (2) Central Delta Water Agency and South Delta Water Agency, and (3) North Coast Rivers Alliance et al. Each of the answers asserted that DD1 and DD2 lacked the authority to enter into the repayment contracts. Each group of answering parties prayed for recovery of costs and attorneys' fees.

On September 24, 2021, DD1 and DD2 filed motions for entry of validation judgment. The answering parties opposed the motions, and, on November 5, 2021, the trial court denied DD1's and DD2's motions. DD1 and DD2 filed notices of appeal on May 3, 2022 (Case No. F084294 and Case No. F084291) (the "Appeals"). On August 28, 2023, the Appeals were dismissed for lack of appellate jurisdiction and a Remittitur was issued on October 30, 2023. On March 14, 2024, DD1 and DD2 filed Motions for Leave to File a First Amended Complaint in their respective cases. The court denied the Motions and ordered Defendants to submit a proposed judgment and order of dismissal. The court entered judgment of dismissal on June 6, 2024. DD1 and DD2 negotiated settlements regarding defendants' attorneys' fees.

Judgment was entered on June 6, 2024 and this matter is now closed without further liability to the District.

**AquAlliance et al. v. United States Bureau of Reclamation, U.S. District Court Eastern District of California, Case No. 1:20-CV-00878-JLT-EPG.** On May 11, 2020, AquAlliance, California Sportfishing Protection Alliance, California Water Impact Network, Central Delta Water Agency, and South Delta Water Agency filed in the United States District Court a complaint for declaratory and injunctive relief and petition for writ of mandate, challenging the "Long-Term Water Transfers" effort. The environmental document prepared for that effort provides coverage during the period 2020 through 2024 for a range of potential water transfers from water contractors north of the Sacramento-San Joaquin Delta to Central Valley Project water contractors south of the Sacramento-San Joaquin Delta, including the District. Among other relief, AquAlliance et al. sought recovery of costs and attorney's fees. The parties filed and briefed cross motions for summary judgment at the end of 2021 and beginning of 2022. Although the District was not a party to the litigation, such attorneys' fees and costs, if awarded to plaintiffs, would have been payable by the members of San Luis & Delta-Mendota Water Authority, including the District.

The motions remained pending before the District Court until November 12, 2024 when the District Court entered an order dismissing Plaintiffs' federal law claims as moot and dismissing Plaintiffs' state law claims for lack of jurisdiction. The order directed the Clerk of Court to terminate all pending motions and close the case.

Plaintiffs appealed the District Court order on November 26, 2024, but subsequently moved to dismiss the appeal. The appellate court granted Plaintiffs' motion for voluntary dismissal on February 24, 2025.

This matter is now closed without further liability to the District.

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)**

**AquAlliance et al. v. San Luis & Delta-Mendota Water Authority, Merced County Superior Court, Case No. 21CV-03487.** AquAlliance et al. filed an action on October 18, 2021, concerning the “Long-Term Water Transfers” program. In this action, AquAlliance et al. allege the San Luis & Delta-Mendota Water Authority violated the California Environmental Quality Act (CEQA) when it adopted an addendum to the environmental document challenged in another case (AquAlliance et al. v. United States Bureau of Reclamation, U.S. District Court Eastern District of California, Case No. 1:20-CV-00878–JLT-EPG ). On November 5, 2021, the parties to the case filed a stipulation to stay the case pending the outcome of the AquAlliance et al. v. United States Bureau of Reclamation, U.S. District Court Eastern District of California, Case No. 1:20-CV-00878–JLT-EPG\_case. On or about November 16, 2021, the Court issued an order, granting the stay. Like the AquAlliance et al. v. United States Bureau of Reclamation, U.S. District Court Eastern District, Case No. 1:20-cv-00878–DAD-EPG case, although the District is not a party to the litigation, such attorneys’ fees and costs, if awarded, would have been payable by the members of San Luis & Delta-Mendota Water Authority, including the District. However, on February 21, 2025, the superior court entered dismissal of the lawsuit at Plaintiffs’ request.

This matter is now closed without further liability to the District.

The following claims could have a direct, material impact on the District if the outcome is unfavorable:

**Drainage Water System: Firebaugh Canal Water District et al. v. United States of America et al.**, United States District Court, Eastern District of California, Case Nos. 1:88-cv-634-JLT- SKO, 1:91-cv-048-LJO-DLB and *Westlands Water District v. United States*, United States Court of Appeal for the Federal Circuit, Case No. 13-5069, are long-standing lawsuits against the United States concerning management of drainage water within the San Luis Unit of the Central Valley Project. In *Firebaugh*, the court entered an injunction in the year 2000 against the Secretary of Interior, requiring Interior to provide drainage service “without delay.” Interior still has not complied with its drainage obligation. *Westlands Water District v. United States* is an action for breach of contract brought by Westlands against the United States, alleging the government’s failure to provide drainage service to the Westlands’ service area constituted a breach of Westlands’ 1963 Water Service and 1965 Repayment contracts (including the interim renewal of those contracts). The district court dismissed the action and it is now on appeal, with oral argument having not yet occurred.

No provision has been made in the financial statements for any liability that may result from the suit filed by the Firebaugh Canal Water District (Firebaugh) and the Central California Irrigation District (CCID). Firebaugh and CCID filed an amended complaint, which sought damages from the District, other water districts within the San Luis Unit, and the United States of America. In addition to damages, they sought injunctive relief requiring the District, other districts within the San Luis Unit, and the United States of America to undertake measures to eliminate or mitigate for drainage problems on lands in Firebaugh’s and CCID’s service areas, and related water quality problems in the San Joaquin River. They alleged that lands within their districts have been damaged by irrigation of “upslope” lands within the San Luis Unit, on a theory that water migrates to their lands and worsens drainage problems on their lands. The District vigorously disputed these claims.

The United States District Court for the Eastern District of California dismissed claims against the District. While the Court ruled that the United States of America is obligated under Section 1 (a) of the San Luis Unit Act to provide drainage service to lands within the San Luis Unit, Firebaugh and CCID are not within the San Luis Unit. Firebaugh and CCID, however, allege that irrigation of lands in the San Luis Unit created a “continuing nuisance” on their lands. The nuisance claims likewise were dismissed.

A claim against the United States of America under the Administrative Procedure Act is still pending, and plaintiffs contend that the District is a necessary party to that claim. Any remedy for that claim would be limited to declaratory and injunctive relief, and not damages. The ultimate outcome of these matters, and any insurance coverage, together with the amount of the District’s potential liability, if any, resulting from the ultimate resolution of these matters cannot presently be determined.

The District had drainage system assets of approximately \$10,593,845 pertaining to the existing, but closed drainage collector system. The drainage system has not been in use as part of the District’s operations since 1986 and is not scheduled to reopen until an alternative drainage plan can be developed. Consequently, the assets were removed from the District’s capital assets. The ultimate recovery of the cost of the drainage system is contingent upon the development of alternative drainage plans.

**WESTLANDS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED FEBRUARY 28, 2025**

**NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)**

The United States of America has been ordered by the District Court to provide a plan for drainage service. On September 15, 2015, the U.S. Department of Interior, the U.S. Department of Justice and the District executed a settlement to end decades-long dispute over the Reclamation's responsibility to provide drainage for farmland within the District. The settlement required Congressional authorization by January 15, 2017, which was extended to January 15, 2018. Because Congress failed to authorize the settlement by that date, the settlement agreement is voidable by either the United States of America or by the District. Neither party has voided the agreement, and both parties have been working to overcome the obstacles that have prevented implementation of the settlement. The ultimate cost of drainage management remains unknown.

Although the United States of America has been ordered by the District Court to provide a plan for drainage service, the District remains actively involved in the United States of America's efforts to identify a solution to the drainage problem. Projects evaluated have included a selenium removal treatment plant, and a deep well injection program, both of which have been terminated due to technical problems and higher than anticipated costs. The District has also conducted other preliminary investigations into drainage reduction programs and potential solutions to the drainage problem, including cogeneration, shallow groundwater pumping, upper aquifer groundwater pumping, and treatment. The Reclamation is currently in the process of designing a drainage collector system in the central area of the District. The design of this drainage collector system provides drainage service to approximately 18,000 acres.

Westlands continues to work with the United States toward settlement of all the drainage litigation.

**Pacific Gas and Electric Company, Wholesale Distribution Tariff, FERC Docket Nos. ER20-2878-000 et seq.** On September 15, 2020, pursuant to Section 205 of the Federal Power Act and Section 35.13 of the Rules and Regulations of the Federal Energy Regulatory Commission ("FERC"), Pacific Gas and Electric Company ("PG&E") submitted for filing proposed rate changes and revisions to certain non-rate terms and conditions of PG&E's Wholesale Distribution Tariff ("WDT"). PG&E also submitted for filing related proposed rate changes to the existing Service Agreements for Wholesale Distribution Service ("WDT Service Agreements") of held by the City and County of San Francisco, the Port of Oakland, the Power and Water Resources Pooling Authority ("PWRPA"), the Shelter Cove Resort Improvement District No. 1, the Westside Power Authority and Western Area Power Authority ("WAPA"). Changes to the WDT impact the rates the District pays to the PWRPA and WAPA (through the United States Bureau of Reclamation) for distribution of power generated by the CVP as well as power acquired by PWRPA under long-term and annual supplemental purchase arrangements. A partial settlement was reached in the spring of 2022. As a result, PG&E's rates and rate methodologies changed, albeit likely different than those proposed by PG&E. Those changes increased the rates the District pays in excess of \$50,000 per year. A hearing on those issues not settled was held in March 2023.

On April 3, 2024, PG&E and "Settling Parties" (including PWRPA) circulated an offer of settlement. FERC approved the settlement on September 3, 2024. On February 24, 2025 PWRPA issued its notice of withdrawal of pleadings and other filings in accordance with the April 3, 2024 offer of settlement. On October 25, 2024, PG&E filed a new proposed formula to its WDT (now WDT4) with FERC, pending the expiration of its prior WDT. PWRPA, along with other power agencies protested the new formula rate. On December 23, 2024, FERC suspended the proposed formula rate until May 25, 2025 to pursue a settlement. FERC appointed a settlement judge on January 6, 2025. The first settlement conference was held on February 5, 2025 and the second settlement conference was held on April 15, 2025. The next settlement conference is on July 30, 2025. In the interim, the proposed formula rate was implemented, subject to refund, pending the outcome of the settlement negotiations. At this time, the ultimate resolution of the outstanding issues and the amount of the District's potential liability, if any, resulting from that ultimate resolution cannot be determined. Thus, it is not possible to reasonably assess if or the extent to which resolution of the outstanding issues may have a material adverse effect on the District's financial position.

**Protests on Pending Surface Water Rights Applications.** Westlands has three appropriative right applications that have been noticed and that are now pending before the State Water Board: (1) Application A033485, submitted on February 18, 2025, seeks authorization to divert water at a maximum rate of 30 cubic feet per second (cfs), with an annual storage limit of 3,560 AF, from a point of diversion located at latitude/longitude 36.4428/-120.3104; (2) Application A033480, submitted on January 3, 2025, seeks authorization to divert water at a maximum rate of 30 cfs, with an annual storage limit of 3,560 AF, from two points of diversion located at latitude/longitude 36.6677/-120.6129 and 36.7492/-120.4398; and (3) Application A033406, submitted on November 8, 2023, seeks authorization to divert water at a maximum rate of 110 cfs, with an annual storage limit of 15,000 AF, from three points of diversion located at latitude/longitude 36.2179/-120.1293, 36.2119/-120.1352, and 36.2267/-120.1175.

Westlands received protests on the Arroyo Pasajero Mutual Water Company (APMWC), State Water Contractors, and DWR related to the Panoche and Arroyo Pasajero applications. Westlands also received a protest from the Pleasant

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Valley Water District (PVWD) related to the Arroyo Pasajero application, related to alleged impacts to projects contemplated in its PVWD Groundwater Sustainability Plan. Westlands also may receive protests on the Cantua Creek during the notice periods.

Westlands staff is meeting with the protesting parties to see if the parties can resolve their concerns about the applications and dismiss their respective protests to avoid a contested hearing on the applications. If Westlands cannot resolve the protests, the State Water Board may require an administrative hearing. Depending on the outcome of the hearing, Westlands or the protestants may file litigation challenging the State Water Board's action. At this time, the ultimate resolution of the outstanding issues and the amount of the District's potential liability, if any, resulting from that ultimate resolution cannot be determined. Thus, it is not possible to reasonably assess if or the extent to which resolution of the outstanding issues may have a material adverse effect on the District's financial position.

**Government Claims Act Claims.**

Westlands has two potential pending claims for monetary damages pursuant to the Government Claims Act (Gov. Code, § 810 et seq.).

Dalena Farms, Inc. filed a timely claim for crop loss and damages to agricultural land arising from a pipeline failure on December 4, 2024. The claim for damages totals \$225,000 for damages related to lost crop, silt removal, and repairs to planted and prepared soil beds. There is evidence that indicates that Dalena Farms, Inc. also had installed a local water line within the vicinity of Westlands pipe, which is contrary to Westlands regulations and may have contributed to the alleged pipeline failure. Westlands and Dalena Farms, Inc. are currently in settlement discussions to attempt to resolve the claim.

Mr. Rogelio Gamez filed a late claim for damages against Westlands due to a pipeline failure that flooded a rental house and agricultural property. The claim for damages totals an estimated \$500,000; however, Westlands has not receive a detailed estimate. Westlands alleges the claim was untimely because it was filed more than 6 months after the incident and provided Mr. Gamez the opportunity to file a late claim application consistent with the Government Claims Act. Mr. Gamez has not yet completed the late claim application form, which must be submitted within one year of the incident (i.e., on or before October 1, 2025).

**Other Litigation.**

The following claims are not expected to result in a direct material financial impact to the District but could affect water deliveries through the CVP, which could result in future operational or financial impacts on the District.

**Tehama-Colusa Canal Authority et al. v. California Department of Water Resources et al., Sacramento Superior Court Case No. 24WM000183.** Westlands joined a group of CVP water users in filing this lawsuit in late 2024 challenging the California Department of Water Resources' (DWR) approval of an environmental impact report (EIR) for the Long-Term Operation of the State Water Project (SWP) and California Department of Fish and Wildlife's (CDFW) approval of an Incidental Take Permit for the SWP. The Petition outlines concerns related to the alignment of proposed SWP operations with CVP operations under applicable environmental laws. The case is in the very early stages, with merits briefing not yet scheduled.

The ultimate outcome of this matter, and any insurance coverage, together with the amount of the District's potential liability, if any, resulting from the ultimate resolution of this matter cannot presently be determined.

**Center for Biological Diversity, et al. v. Reclamation, et al., United States District Court, Eastern District of California Case No. 1:20-cv-00706.** The plaintiffs in this case filed their complaint in May 2020 against Reclamation, Interior, and the Interior Secretary, bringing challenges to the contracts converted from water service to repayment – Water Infrastructure Improvements for the Nation (WIIN) Act contracts (some of which are discussed above). The plaintiffs amended their complaint later that year. The plaintiffs seek to invalidate those contracts because the Plaintiffs allege that the contracts were entered into without Reclamation first conducting environmental review allegedly required under the National Environmental Policy Act (NEPA) and the Endangered Species Act (ESA). Westlands, Distribution District No. 1, and Distribution District No. 2, are defendants in this case, as are other contractors that converted their water service contracts to repayment contracts per the WIIN Act. Briefing for Plaintiffs' Motion for Summary Judgment and Defendants' Cross-Motions for Summary Judgment was completed on January 27, 2022. Plaintiffs seek to "set aside, and rescind" repayment contracts, including Westlands' and others', which have already been executed and to enjoin Reclamation from entering into repayment contracts with other water contractors. As of February 28, 2025, cross motions for summary judgment by defendants have been briefed.

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On June 30, 2025, the district court issued an order granting summary judgment in favor of Federal Defendants and Contractor Defendants, including Westlands, disposing of the NEPA and ESA claims. As of July 31, 2025 (the date of this update), Plaintiffs had not yet appealed the ruling.

No monetary damages are sought, although the Center for Biological Diversity et al. may seek, pending favorable outcome of any eventual appeal, recovery of attorney's fees and costs from the Federal Defendants, the District, and/or other contractors. The ultimate outcome of this matter, and any insurance coverage, together with the amount of the District's potential liability, if any, resulting from the ultimate resolution of this matter cannot presently be determined.

**North Coast Rivers Alliance, et al. v. U.S. Department of Interior; Westlands Water District Intervenor, United States District Court, Eastern District of California Case No. 1:20-cv-00706.** The plaintiffs in this case seek to invalidate WIIN Act contracts for lack of NEPA review, as well as for lack of validation by a state court, and other alleged Reclamation law violations. Westlands is an intervenor-defendant in this case. Distribution No. 1 and Distribution No. 2 were joined as required parties, as were other contractors that have converted WIIN Act contracts. The parties in this case have agreed that the Court's decisions on the Motion and Cross-Motion for Summary Judgment in the Center for Biological Diversity case (described above) will also decide Plaintiffs' NEPA claim in this case. On March 31, 2023, Federal Defendants filed a Motion for Summary Judgment on the Plaintiffs' remaining claims. Contractor Defendants filed Motions for Summary Judgment on the Plaintiffs' remaining claims on April 21, 2023. Briefing on the motions was completed on July 14, 2023. As of February 28, 2025, the court had not requested a hearing or ruled on the papers.

On June 30, 2025, however, the District Court issued an order granting summary judgment in favor of Federal Defendants and Contractor Defendants, including Westlands, disposing of the NEPA claim in this case, as well as the Center for Biological Diversity case, described above. The District Court indicated that it will address other remaining claims via a separate order. As of July 31, 2025 (the date of this update), Plaintiffs had not yet appealed the ruling and the District Court had not issued a further order addressing the other remaining claims.

No monetary damages are sought, although the NCRA may seek, in the circumstances of a favorable outcome on appeal or the remaining claims, recovery of attorney's fees and costs from the Federal Defendants, the District, and/or other contractors. The ultimate outcome of this matter, and any insurance coverage, together with the amount of the District's potential liability, if any, resulting from the ultimate resolution of this matter cannot presently be determined.

**Hoopa Valley Tribe v. Reclamation, et al., United States District Court, Eastern District of California, Case No. 1:20-cv-01814.** This action by the Hoopa Valley Tribe (Hoopa) was filed in August 2020 against Reclamation and Interior also challenging the WIIN Act repayment contracts of Westlands and other water contractors under NEPA and other laws. In particular, Hoopa's complaint includes a number of allegations that the Federal Defendants violated the Central Valley Project Improvement Act (CVPIA).

On December 29, 2022, the Court granted Westlands' request to intervene in this case as a defendant.

On March 6, 2023, Federal Defendants filed a Motion to Dismiss all of the Plaintiffs' claims lack of jurisdiction and for failure to state a claim upon which relief can be granted. On March 20, 2023, Westlands filed a Motion to Dismiss all of the Plaintiffs' claims related to Westlands' repayment contracts for lack of jurisdiction, failure to state a claim upon which relief can be granted, and failure to join required parties. Briefing on the motions was completed on May 22, 2023. The court has not required a hearing and it is anticipated that the court will decide the matter on the papers as filed. As of February 28, 2025, the pending Motion to Dismiss remains in the court's backlog of cases. As of July 31 2025 (the date of this update), the court had still not ruled.

Through its pending complaint, Hoopa does not seek monetary damages, although it may seek from the Federal Defendants recovery of attorney's fees and costs if it receives a favorable outcome in the litigation. The ultimate outcome of this matter, and any insurance coverage, together with the amount of the District's potential liability, if any, resulting from the ultimate resolution of this matter cannot presently be determined.

**PCFFA et al. v. Ross, United States District Court, Eastern District of California Case No. 1:20-cv-00431-DAD-EPG/California Natural Resources Agency v. Ross, United States District Court, Eastern District of California Case No. 1:20-cv-00426-DAD-EPG.** On or about December 12, 2019, Pacific Coast Federation of Fishermen's Association ("PCFFA") and several other Non-Governmental Organizations filed suit challenging biological opinions that analyzed coordinated operations of the CVP and SWP, issued by the FWS and NMFS. PCFFA et al. subsequently filed an amended complaint which added a challenge to Reclamation's issuance of a Record of Decision for the coordinated operations and reliance on the biological opinions. On February 20, 2020, the Attorney General of California, California Natural Resources Agency, and California Environmental Protection Agency (collectively, the

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“State Agencies”) filed a similar complaint, which also challenges the biological opinions, Reclamation’s record of decision and its reliance on the biological opinions. Both PCFFA et al. and the State Agencies asked the Court for declaratory and injunctive relief and preliminary and permanent injunctions. The District was granted leave to intervene in the PCFFA et al. and State Agencies cases to assist in the defense of the cases.

Both cases were stayed pending issuance of new biological opinions, related environmental review, and a new Record of Decision in late 2024. The court has directed the parties to file motions so it may decide whether to dismiss the cases as moot in light of the new biological opinions and Record of Decision. Briefing on motions to dismiss the cases based on mootness are scheduled to begin in August 2025 and is expected to be completed in December 2025.

At this time, the ultimate resolution of the outstanding issues and the amount of the District’s potential liability, if any, resulting from that ultimate resolution cannot be determined. Thus, it is not possible to reasonably assess if or the extent to which resolution of the outstanding issues may have a material adverse effect on the District’s financial position.

**City of Fresno v. United States, Federal Circuit Case No. 22-1994.** This case challenged the United States’ use of water from the San Joaquin River to meet delivery obligations under the Exchange Contracts during the critical drought in 2014. In October 2016, the City of Fresno and other users who receive CVP water under the Friant Division contracts sued the United States, arguing those actions violated different CVP contracts and resulted in a taking of their property rights in violation of the Fifth Amendment. Westlands, SLDMWA, and various other south of Delta CVP contractors intervened on behalf of the United States. The United States and intervenors prevailed in the Court of Federal Claims and on appeal in the Federal Circuit Court of Appeals, which issued a decision on December 17, 2024. The plaintiffs’ petition to the Federal Circuit Court of Appeals for rehearing en banc was denied on April 9, 2025. The plaintiffs have stated an intention to file a petition for writ of certiorari with the United States Supreme Court. That petition is due by September 6, 2025.

At this time, the ultimate resolution of the outstanding issues and the amount of the District’s potential liability, if any, resulting from that ultimate resolution cannot be determined. Thus, it is not possible to reasonably assess if or the extent to which resolution of the outstanding issues may have a material adverse effect on the District’s financial position.

**State Water Resources Control Board Curtailment Cases, Judicial Council Coordinated Cases Proceeding No. 5229, Santa Clara Superior Court Case No. 22CV402030.** This coordinated proceeding involves cases challenging emergency regulations adopted by the State Water Resources Control Board (State Water Board) in 2021 and 2022 to curtail water diversions during the drought. The State Water Board issued a curtailment order to diverters based on the regulations, and a methodology for determining water availability in the Bay Delta watershed. Seven cases were filed in 2021, and five more in 2022. Westlands intervened because certain of petitioners’ arguments regarding water rights and the methodology implicate protections for CVP stored water.

The trial court has ruled on several demurrers and motions to strike portions of the petitions. The State Water Resources Control Board has lodged the administrative record with the court. After resolving any issues related to discovery and the administrative record, the court will set a schedule for merits briefing.

At this time, the ultimate resolution of the outstanding issues and the amount of the District’s potential liability, if any, resulting from that ultimate resolution cannot be determined. Thus, it is not possible to reasonably assess if or the extent to which resolution of the outstanding issues may have a material adverse effect on the District’s financial position.

**State Water Board Cases, Judicial Council Coordinated Proceeding No. 5013, Sacramento Superior Court; appellate case no. C101232.** This case involves challenges to the Phase 1 amendments to the Bay Delta Water Quality Control Plan adopted by the State Water Resources Control Board in 2018. The amendments added new water quality objectives for tributaries to the San Joaquin River using an “unimpaired flow” approach. Westlands challenged the amendments based on violations of the California Environmental Quality Act (CEQA), the Porter-Cologne Act, and Article X, section 2 of the California Constitution. Westlands’ case has been coordinated with ten other cases challenging the amendments. The trial court issued a decision on March 15, 2024 rejecting all claims. Westlands filed a notice of appeal on May 10, 2024. Multiple other petitioners filed appeals as well.

The Sacramento Superior Court clerk is revising the clerk’s transcript for the Court of Appeal. The deadline to submit the revised transcript was July 25, 2025. Once the complete record is lodged, the Court of Appeal will issue a briefing schedule.

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At this time, the ultimate resolution of the outstanding issues and the amount of the District's potential liability, if any, resulting from that ultimate resolution cannot be determined. Thus, it is not possible to reasonably assess if or the extent to which resolution of the outstanding issues may have a material adverse effect on the District's financial position.

**CSPA v. State Water Resources Control Board, Sacramento Superior Court Case No. 34-2-21-80003761.** In this case the Plaintiffs allege that the State Water Resources Control Board's approvals of temporary urgency change petitions filed by the CVP and SWP in the drought years of 2021, 2022, and early 2023 violated the Water Code, the public trust doctrine, and Article X, section 2 of the California Constitution. The temporary urgency change petitions sought and were granted relief from achieving Delta water quality objectives because there was not enough water in the system to meet all environmental requirements and essential human health and safety needs. The administrative record has not been lodged and merits briefing has not been scheduled.

At this time, the ultimate resolution of the outstanding issues and the amount of the District's potential liability, if any, resulting from that ultimate resolution cannot be determined. Thus, it is not possible to reasonably assess if or the extent to which resolution of the outstanding issues may have a material adverse effect on the District's financial position.

**CSPA v. State Water Resources Control Board, Sacramento Superior Court Case No. 34-2-21-80003763.** In this case Plaintiffs allege that the State Water Board's approvals of Reclamation's temperature management plans for operations at Shasta in the drought years of 2021 and 2022 violated the Water Code, Fish and Game Code, public trust doctrine, and Article X, section 2 of the California Constitution. The administrative record has not been lodged and merits briefing has not been scheduled.

At this time, the ultimate resolution of the outstanding issues and the amount of the District's potential liability, if any, resulting from that ultimate resolution cannot be determined. Thus, it is not possible to reasonably assess if or the extent to which resolution of the outstanding issues may have a material adverse effect on the District's financial position.

**Pollution Remediation:** In February 2005, the District annexed the Broadview Water District and acquired most of the privately-owned lands within its boundaries. Broadview Water District continues to exist as a separate legal entity from the District, but its activities are funded by the District. At the time of the annexation, the Bullard Avenue Airstrip, a property which was and is still owned by Broadview Water District, was known to be potentially contaminated by various pesticides used within the agriculture industry during that time. The airstrip has not been in use since the District's annexation of Broadview Water District in 2005. The District retained the services of a consultant who is working with the Regional Water Quality Control Board (RWQCB) to determine the extent of the contamination. Currently work consists of annual water and soil sampling. The expected outlays for remediation are not reasonably estimable. Accordingly, no liability has been included in these financial statements.

**General Legal Contingencies:** The District is a party to other legal proceedings and claims, related to and/or in addition to those discussed explicitly herein, which arise during the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation will not have a material adverse effect on the District's financial position.

**Other Contingencies and Commitments:**

**Bankruptcy and Receivership Proceedings Involving Westlands Customers:** Westlands routinely receives notice of any bankruptcy and receivership proceedings involving its customers and monitors those proceedings to protect its interests, in addition to proactively addressing customer delinquencies before such proceedings commence.

**New Conveyance.** The District previously supported the development of the California WaterFix (CWF), a project that would have resulted in two tunnels that would have been used to convey water from the north Delta to the existing C.W. "Bill" Jones Pumping Plant and Harvey O. Banks Pumping Plant, both in the south Delta. The District invested considerable financial resources, time and expertise into the CWF's planning, but consistently stated it would not obligate landowners it serves to billions of dollars in debt without reasonable assurances that the project would produce reliable, affordable water supplies. On September 19, 2017, after an analysis by independent consultants and District staff, the District's Board of Directors voted to not participate in the CWF. The District also participated in proceedings conducted by the California State Water Resources Control Board on change petitions filed by the DWR and the United

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States Reclamation to add points of diversion or rediversion to their respective permits to appropriate water that would have been conveyed through CWF facilities. None of those activities would have a material adverse effect on the District's financial position. DWR and Reclamation decided not to proceed with the WaterFix project, including its efforts to add points of diversion or re-diversion.

In December 2023, DWR completed planning efforts for a new infrastructure project, one that would result in a single tunnel (the "Delta Conveyance Project"). In 2024, DWR filed a change petition to add two new points of diversion and re-diversion to the water right permits associated with the SWP as part of the Delta Conveyance Project, which would allow DWR to divert water from the northern Delta and convey the water through a tunnel to existing water distribution facilities in the southern Delta. Several parties protested DWR's petition. The State Water Board's Administrative Hearing Office is holding a hearing on the petition. Westlands did not protest DWR's petition and has appeared in the proceeding as an interested party.

DWR finished presentation of its case-in-chief on June 11, 2025. On July 11, 2025, protesting parties were required to submit their proposed permit terms and case in chief testimony. Westlands submitted a letter outlining its proposal to modify one proposed permit term and add two additional permit terms that are intended to address potential impacts on south of Delta CVP exports. The hearing will resume in August 2025 and is currently anticipated to continue into October 2025. Westlands will continue to monitor the proceeding and its financial impacts to the District's interests.

**Risk Management:** The District maintains general liability, property, auto, crime, and excess liability coverage through the California Association of Mutual Water Companies Joint Powers Risk and Insurance Management Authority (JPRIMA) by Allied Community Insurance Services, LLC. General liability coverage, which encompasses wrongful acts, bodily, personal and professional injury, including public officials' errors and omissions and employment practices, as well as auto liability coverage, is \$1,000,000 per occurrence and \$10,000,000 general aggregate plus \$10,000,000 excess liability. Each claim is subject to a \$20,000 deductible with the exception that auto claims are subject to a \$5,000 deductible.

Coverage for real property and business personal property, including property coverage extensions, is \$97,288,844. Scheduled mobile equipment is separately covered for \$2,134,455. All coverage deductibles are \$20,000. The crime insurance policy covers employee theft, dishonesty, forgery, theft, disappearance and destruction with a limit of \$250,000 each; computer fraud with a limit of \$250,000, and robbery burglary with a limit of \$100,000. Each has a \$1,000 deductible.

Equipment breakdown coverage through Hartford Steam Boiler Inspection and Insurance Company is \$50,000,000 with a \$10,000 deductible

Cyber enterprise risk coverage is through NetGuard Plus. Coverage limits are maximum single and aggregate limit of \$1,000,000.

Workers' compensation coverage is through Zenith Insurance Company. Coverage limits are \$1,000,000 per occurrence for accidents and bodily injury.

**Grants:** On September 16, 2014, the California State Legislature passed comprehensive groundwater legislation contained in three bills: SB1168, SB1319 and AB1739. These bills, collectively known as SGMA, require the formation of groundwater sustainability agencies (GSA) to prepare groundwater sustainability plans (GSP) for high and medium priority groundwater basins to prevent overdraft conditions and to implement measures that promote sustainable management of over drafted basins. Under SGMA, GSAs managing critically over drafted basins are required to develop a GSP by 2020 and achieve sustainable management of their subbasins by 2040 through balanced levels of pumping and recharge.

The District's service area encompasses nearly all of the Westside Subbasin defined by the Department of Water Resources (DWR) in its Bulletin 118. On July 19, 2016, the District's Board approved applying to become the GSA for the Westside Subbasin. Subsequently, the District was approved by DWR to serve as a GSA.

The District, serving as the GSA, adopted a GSP and submitted the plan to DWR by the required deadline, January 31, 2020. The GSP describes the sustainable use of groundwater in the subbasin, the mitigation measures that will be implemented to address undesirable results, enhancement strategies for subbasin optimization, management policies

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to administer the GSP, and cost or charges that may be levied for GSP implementation. The District amended the GSP in 2022 to address areas that sections that DWR identified as deficient. On August 4, 2023, the DWR approved the Westside Subbasin GSP and provided the final assessment, which included ten recommended corrective actions DWR would like to see addressed in the periodic update required by January 2025. In 2022, the District implemented a Groundwater Allocation Program. The Groundwater Allocation Program includes an 8-year transition period from 2022 to 2030.

During the year ended February 28, 2022, the District was awarded a \$500,000 Department of Water Resources grant for the installation of up to 75 groundwater flow meters, subsidence benchmark monitoring and GSP updates. This grant was awarded under the Proposition 68 Implementation Grant. As of February 28, 2023, the District incurred expenses of \$525,088 under the agreement. The project was completed February 28, 2023.

During the year ended February 28, 2022, the District was awarded \$3.9 million from the Department of Water Resources grant for the Pasajero Recharge Project. The project could recharge up to 10,800 acre-feet per year, provides a basin wide benefit, and supports the District's sustainability goals in the Westside Subbasin GSP. This grant was awarded under the Proposition 68 Implementation grant round 2. As of February 28, 2025, the District incurred expenses of \$3,962,000 under the grant agreement.

During the year ended February 28, 2022, the District's Broadview Aquifer Storage and Recovery project was awarded \$809,000 from the Department of Water Resources through the Proposition 1 Integrated Regional Water Management (IRWM) Program grant round 1. This grant is managed by the San Luis Delta Mendota Water Authority. The project could recharge up to 2,000 acre-feet per year, provides a basin wide benefit, and supports the District's sustainability goals in the Westside Subbasin GSP. As of February 28, 2025, the District incurred expenses of \$809,263 under the grant agreement.

During the year ended February 28, 2022, the District was awarded \$1.16 million from the Reclamation for the District's automatic meter infrastructure. This grant was awarded under Reclamation's Water SMART grant. As of February 28, 2025, the District incurred expenses of \$1,059,583 under the grant agreement.

On April 28, 2022, the District was notified by the DWR that it was awarded a Budget Act of 2021 SGR Grant Program Sustainable Groundwater Management Act Implementation – Round 1 grant in the amount of \$7.6 million for the Westside Subbasin Recharge Optimization Study and Program. As of February 28, 2025, the District incurred expenses of \$4,483,886 under the grant.

During the year ended As of February 29, 2024, The District was awarded \$8.89M from the Department of Conservation's Round 2 MultiBenefit Land Repurposing Program regional block grant. The program will allow the District and its partners to develop a plan and build projects that will assist the Groundwater Sustainability Agency to identify and put into practice long-term opportunities to repurpose agricultural lands, cut groundwater use, reduce subsidence, improve groundwater supply, avoid undesirable results as defined by the Westside Groundwater Sustainability Plan, and provide benefits to disadvantaged communities. As of February 28, 2025, the District incurred expenses of \$148,388 under the grant.

In June 2023, the District was awarded \$5.2M and other \$200k, via an amendment, for a total award of \$5.4M from the California Department of Water Resources for the LandFlex grant through the Sustainable Groundwater Grant Program funded by the Budget Act of 2021. The program allows growers within the District to receive \$2,800 per acre land-use transition payment to remove trees or vines, a payment to applicants in proximity of vulnerable domestic wells of up to \$350 per acre-foot of water saved through September 2023 and a one-time payment of \$1,000 for each acre-foot of 2023 overdraft allocation above the sustainable yield that are permanently eliminated. The agreement allows the District to charge \$25,000 each for administration and monitoring/assessment. As of February 28, 2025, the District incurred expenses of \$1,619,108.04 for payments to growers and had revenues of \$1,104,159 under the grant.

As of February 29, 2024, the District was awarded \$1M from the Flood Diversion and Recharge Enhancement Initiative through the California Governor's Office of Emergency Services. As of February 28, 2025, the District incurred expenses of \$924,380 under the grant.

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In May 2023, the District was awarded \$1.5M from DWR to support Westlands' Desalination and On-Farm Recycling Project. Grant funding is for projects that help produce clean, safe, and reliable water as part of the Water Quality, Supply, and Infrastructure Improvement Act of 2014. As of February 28, 2025, the District incurred expenses of \$193,530 under the grant.

As of February 29, 2024, the District was awarded \$100,000 from the Bureau of Reclamation, through the Small-Scale Water Efficiency Projects. As of February 28, 2025, the District incurred expenses of \$28,585 under the grant.

In April 2024, the District was awarded \$200,000 from the Bureau of Reclamation, through the WaterSMART Grants to complete the 90 percent design for the District's Lateral Interconnection Project. As of February 28, 2025, the District incurred expenses of \$13,391 under the grant.

In March 2023, the District authorized the development of a District Groundwater Recharge Program spending \$12M as of February 28, 2025, and generating approximately 73,300 AF of Recharge Credits. which are posted in an inventory account. The District's Recharge Credits will remain in inventory until the Board acts on the distribution of the Recharge Credits.

In December 2024, the District was notified it would be awarded a \$247,000 Cybersecurity Grant from Cal OES. The grant is intended to improve the District's data backup and recovery capabilities, improve communication systems and provide training for staff. However, as of February 28, 2025, the District has not yet entered into a contract with Cal OES. Expenses will not be incurred until a contract is signed.

On May 21, 2024, the District was awarded \$25 million from the Inflation Reduction Act from the Investing in America agenda for water conservation and drought resilience. The agreement is currently not executed.

**Irrevocable Standby Letter of Credit:** On September 2, 2020, the District established an Irrevocable Standby Letter of Credit (ISBLC) through Bank of the West with the California Department of Fish and Wildlife (CDFW) as beneficiary with a principal sum of \$2,236,900. The ISBLC was established pursuant to the terms of the incidental take permit (permit) for the Lower Yolo Restoration Project issued on August 4, 2020. The ISBLC serves as a security device for the performance of the District to complete certain mitigation requirements as set forth in the permit. The ISBLC was renewed on February 5, 2025, for a one-year period.

**Grant Contingencies:** All grant awards may be audited by grant agencies at any time and may result in a netting of a future draw or a liability to repay the granting agency because of disallowed costs found in the audit.

**Los Vaqueros Reservoir Expansion Project:** On April 18, 2023, the Board received a presentation by the Los Vaqueros Reservoir JPA on the Los Vaqueros Reservoir Expansion Project. The project sought to expand the reservoir from 160 to 275 thousand acre-feet (TAF). However, the JPA dissolved in Fiscal Year 2025 and in April 2025 the District was refunded its contribution to the project.

**B.F. Sisk Raise and Expansion Project:** In October of 2023 the Expansion Project was approved by the Lead Agencies. The Expansion Project capacity is expected to be allocated with 91 TAF ("Investor share") going to a subset of six (6) SLDMWA members and 39 TAF to Reclamation for Project uses ("CVP share"), which is non-reimbursable. Average annual yield of the Expansion Project is estimated at 53 TAF, with the Investor share being 38.9 TAF. Based on latest projections, the Expansion Project design and construction cost is estimated to be \$1,045M with the dam crest raise comprising \$516M and raising State Route (SR) 152 comprising \$529M. Approximately \$313.5M will be funded by the Department of Interior, and the Investors would fund the balance of \$731.5M, based on the currently agreed upon 70/30 (Investor/Reclamation) cost split. The preconstruction and design costs are estimated at \$25.9M. The District is participating in the Expansion Project at 13.1% (11,921 AF storage & 5,069 AF average yield) through the First Amended and Related B.F. Sisk Dam Raise and Reservoir Expansion Project Activity Agreement (Activity Agreement) with SLDMWA.

**Clean Energy Infrastructure Agreement:** On January 17, 2023, the District entered into a Clean Energy Infrastructure Agreement (Agreement) with a private company to develop a master development clean energy infrastructure plan called the Valley Clean Infrastructure Plan (the Plan). The Plan will define the structure and major components of a project for constructing transmission lines, generation tie lines, substations, and related infrastructure for conveyance

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)**

of clean energy, and the actual generation and storage of clean energy and associated opportunities (the “Project”). The Agreement identifies three types of property: 1) “Exclusive Property,” which is District-owned property; 2) “Option Property,” which is District-owned property under which the District has granted options to third parties to purchase the property; and 3) “Private Property,” which is additional property that may be acquired or where an option interest may be obtained in privately owned land in the future (collectively “Project Property”). The Agreement would allow Project Property to be developed or sold for clean energy projects, which could result in the generation of revenue available to be used for the District’s mission to provide timely, reliable, and affordable water services to landowners and water users. The agreement is contingent upon the completion of an environmental review under CEQA. The District released the draft environmental impact report for public review in early August 2025 and anticipates that the environmental review process under CEQA will be complete by the end of 2025.

The Agreement includes strategies to maximize the financial benefits associated with Project development. The Agreement provides for the District and private company to share in the sales price of Exclusive Property initially exceeding \$12,500 per acre, which increases after the eighth anniversary date of the agreement according to the United States City Average for All Urban Consumers, All Items, Not Seasonally Adjusted. Lease payments exceeding \$12,500 per acre on Exclusive Property will also be shared under the agreement and option payments on Exclusive Property will be shared 67.6% by the District and 32.4% by the private company. Option Property is automatically designated as Exclusive Property for these provisions when options expire or are terminated subject to the terms of the Agreement. Private property acquired will be included as Exclusive Property subject to the District’s ability to retain certain properties for its own use as specified in the Agreement. The agreement allows the District to use the private company’s expertise to secure clean energy at scale, build clean energy systems and secure power purchase agreements. The agreement also allows the district to co-invest in an amount not to exceed 33% of the capital cost of high-voltage transmission infrastructure the private company builds and owns. Should the District to acquire rights-of-way for a transmission corridor, the private company will provide the District with an option to at least 3%, but no more than 5%, of the capacity rights or value associated with the transmission line the private company builds and owns on the District’s right-of-way. The Agreement requires the private company to reimburse the District for certain internal costs of complying with the Agreement and to pay for the costs to prepare the CEQA document.

**NOTE M – JOINT VENTURES**

**Power and Water Resources Pooling Authority:** On January 22, 2004, the District entered into the Power and Water Resources Pooling Authority (PWRPA) Joint Powers Agreement. This is an independent authority established to study, promote, develop, conduct, design, finance, acquire, construct, and/or operate water and energy related projects and programs. The District, along with fourteen other public agencies, was an initial party or stakeholder to the agreement.

The Agreement includes pro rata sharing of general and administrative costs and other mutual expenses. Specific project costs are paid only by the project participants of that specific project. Initial contributions made to PWRPA included an amount to establish and maintain a reserve fund. Should the District choose to terminate its participation in PWRPA, it would not be entitled to a refund of general and administrative expenses paid. The District would be entitled to a refund of its portion of the reserve fund after paying its share of all costs and liabilities incurred under the agreement on the date of withdrawal. The PWRPA operates on a calendar year basis. The financial transactions of PWRPA are subject to an annual audit. Copies of the financial statements may be obtained from the Power and Water Resources Pooling Authority – 3514 W Lehman Rd, Tracy, California 95304, <https://www.pwrpa.org/contact/>.

**The San Joaquin & Delta-Mendota Water Authority:** The San Luis & Delta-Mendota Water Authority (the Authority) was established in January 1992, and consists of 27 agencies representing approximately 2,100,000 acres, 25 of which hold contracts for CVP water. The Authority’s member agencies are located within the western San Joaquin Valley, San Benito and Santa Clara counties. The District has been a member of the Authority since its inception. The Authority operates and maintains certain Reclamation CVP facilities. As a member of the Authority, the District pays dues to cover the operations and maintenance costs based upon its contracted water supply. The Authority operates on a March 1 through the last day of February fiscal year. The Authority is required to perform an audit annually. The administrative offices of the Authority are located at 842 6<sup>th</sup> Street – Los Banos, CA 93635 and its website is [www.sldmwa.org](http://www.sldmwa.org).

**WESTLANDS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED FEBRUARY 28, 2025**

**NOTE M – JOINT VENTURES (Continued)**

**State and Federal Contractors Water Agency:** The State and Federal Contractors Water Agency (SFCWA) was formed by various water agencies in August of 2009 as a Joint Powers Authority according to California law. The water agencies that formed SFCWA receive water transported across the Sacramento-San Joaquin Delta by the State Water Project and the CVP. The SFCWA's mission is to develop and support programs to produce robust science and habitat restoration projects that improve the Bay-Delta ecosystem and assist its member agencies in assuring an adequate reliable and high-quality water supply. The core focus of activities in pursuing this mission is centered on facilitating habitat conservation measures and research related to the restoration of the Delta ecosystem while assuring sufficient and reliable export water supplies. The District, along with five other water agencies, was an initial party to the agreement. In 2018, a decision was made to wind down the SFCWA activities, with the ultimate objective of terminating the entity and related agreement(s) that formed the entity, which timing of termination is not yet known. At this time, SFCWA projects that it holds sufficient assets to cover existing and projected liabilities through the time of termination.

SFCWA operates on a March 1 through the last day of February fiscal year. The SFCWA is required to perform an audit annually. The SFCWA offices are located at 1121 L Street Suite 806 - Sacramento, CA 95814 and its website is [www.sfcwa.org](http://www.sfcwa.org).

**San Luis Unit/Westlands Water District Financing Authority:** The San Luis Unit/Westlands Water District Financing Authority (SLU/WWDFA) is a JPA and was formed by the District and San Luis Water District (SLWD) on January 21, 2020. The JPA was created to assist the District and SLWD in issuing bonds. The SLU/WWDFA operates on a March 1 through the last day of February fiscal year. The SLU/WWDFA is a blended component unit of the District that is audited on a yearly basis as part of the District's financial statement audit. The SLU/WWDFA offices are located at 286 W Cromwell, Fresno, CA 93711.

**NOTE N – SUBSEQUENT EVENTS**

**CVP Water Allocation for 2025:** In April 2025, Reclamation approved Central Valley Project 2025 water supply allocations for irrigation water service, Municipal & Industrial water service and repayment contractors for south-of-Delta Contractors of 50% of the contract total.

**NOTE O – RESTATEMENT TO IMPLEMENT GASB STATEMENT NO. 101**

The Agency implemented GASB Statement No. 101, *Compensated Absences*, during the year ended February 28, 2025, which resulted in additional sick leave payable being accrued for expected payments for time used for illnesses in addition to termination payments previously recognized as part of the compensated absences liability. As a result of this change of accounting principle, the compensated absences liability and net position increased as of March 1, 2023 and total operating expenses for the year ended February 28, 2023 changed as follows:

	February 28, 2023 As previously Reported	Change in Accounting Principle for GASB 101	March 01, 2023 As Restated
Net Position	\$ 414,191,993	\$ (518,455)	\$ 413,673,538
Compensated absences	\$ 644,055	\$ 504,233	\$ 1,148,288
Change in net position for the year	\$ 35,528,318	\$ (14,222)	\$ 35,514,096

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**WESTLANDS WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended February 28, 2025**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY (UNAUDITED)**  
**Last 10 Years**

	February 28, 2025	February 29, 2024	February 28, 2023	February 28, 2022	February 28, 2021	February 29, 2020	February 28, 2019	February 28, 2018	February 28, 2017	February 29, 2016
Proportion of the Net Pension Liability	0.42734%	0.41466%	0.40397%	0.29833%	0.35103%	0.32294%	0.29461%	0.28770%	0.25690%	0.21300%
Proportionate Share of the Net Pension Liability	\$ 20,668,625	\$ 20,734,672	\$ 18,902,900	\$ 5,664,669	\$ 14,806,921	\$ 12,932,239	\$ 11,103,150	\$ 11,343,143	\$ 8,926,037	\$ 3,102,735
Covered Payroll - Plan Measurement Period	\$ 9,749,092	\$ 9,370,979	\$ 9,119,226	\$ 9,111,395	\$ 8,695,607	\$ 8,708,584	\$ 8,142,270	\$ 7,800,437	\$ 7,628,010	\$ 7,760,192
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	212.01%	221.26%	207.29%	62.17%	170.28%	148.50%	136.36%	145.42%	117.02%	39.98%
Plan Fiduciary Net Position	\$ 74,178,974	\$ 71,815,461	\$ 69,625,119	\$ 77,980,989	\$ 65,538,715	\$ 64,847,575				
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.21%	77.60%	78.65%	93.23%	81.57%	83.37%	86.13%	84.32%	86.47%	92.50%

Notes to Schedule:  
Changes in benefit terms: None

Changes in assumptions:  
Changes in the discount rate 6.90% 6.90% 6.90% 7.00% 7.25% 7.375% 7.50% 7.50% 7.50% 7.50%

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN (UNAUDITED)**  
**Last 10 Years**

	February 28, 2025	February 29, 2024	February 28, 2023	February 28, 2022	February 28, 2021	February 29, 2020	February 28, 2019	February 28, 2018	February 28, 2017	February 29, 2016
Contractually Required Contribution - Employer Fiscal Year (Actuarially Determined)	\$ 2,619,118	\$ 2,182,083	\$ 2,193,523	\$ 1,959,529	\$ 1,478,332	\$ 1,207,884	\$ 922,110	\$ 761,503	\$ 727,749	\$ 636,029
Contributions in Relation to the Actuarially Determined Contributions	(2,619,118)	(2,182,083)	(2,193,523)	(1,959,529)	(1,478,332)	(1,207,884)	(922,110)	(761,503)	(727,749)	(636,029)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll - Employer Fiscal Year	\$ 10,581,949	\$ 9,749,092	\$ 9,370,979	\$ 9,119,226	\$ 9,111,395	\$ 8,695,607	\$ 8,708,584	\$ 8,142,270	\$ 7,800,437	\$ 7,628,010
Contributions as a Percentage of Covered Payroll	24.75%	22.38%	23.41%	21.49%	16.23%	-13.89%	10.59%	9.35%	9.33%	8.34%

Notes to Schedule:  
Contribution valuation date - June 30: 2022 2021 2020 2019 2018 2017 2016 2015 2014 2013  
Reporting valuation date - June 30: 2023 2022 2021 2020 2019 2018 2017 2016 2015 2014  
Reporting measurement date - June 30: 2024 2023 2022 2021 2020 2019 2018 2017 2016 2015

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Method	Entry Age Normal Cost Method									
Amortization Method	Level percentage of payroll, closed									
Remaining Amortization Period	Varies by rate plan, but not more than 30 years									
Asset Valuation Method	Market value									
Inflation	2.30%	2.30%	2.30%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%
Salary Increases	Varies by entry age and service									
Investment rate of return and discount rate	6.90%	6.90%	6.90%	7.00%	7.00%	7.25%	7.735%	7.50%	7.50%	7.50%
Retirement Age	50 to 67 years. Probabilities of retirement are based on the most recent CalPERS Experience Study.									
Mortality	Most recent CalPERS Experience Study									

**WESTLANDS WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended February 28, 2025**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)**

Measurement date:	February 28, 2025	February 29, 2024	February 28, 2023	February 28, 2022	February 28, 2021	February 29, 2020	February 28, 2019
<b>Total OPEB liability:</b>							
Service cost	\$ 509,266	\$ 345,770	\$ 374,120	\$ 320,376	\$ 305,120	\$ 355,304	\$ 338,575
Interest	1,124,215	1,195,789	1,150,556	1,203,979	1,152,882	1,191,638	1,141,988
Differences between expected and actual experience		190,572		314,465	34,675	(69,659)	(37,172)
Changes of assumptions	(804,721)	1,356,541		(1,792,248)		(1,129,795)	
Benefit payments	(1,001,506)	(879,476)	(870,652)	(798,939)	(812,883)	(845,878)	(712,680)
Net change in total OPEB liability	(172,746)	2,209,196	654,024	(752,367)	679,794	(498,390)	730,711
Total OPEB liability - beginning	18,721,118	16,511,922	15,857,898	16,610,265	15,930,471	16,428,861	15,698,150
<b>Total OPEB liability - ending (a)</b>	<b>\$ 18,548,372</b>	<b>\$ 18,721,118</b>	<b>\$ 16,511,922</b>	<b>\$ 15,857,898</b>	<b>\$ 16,610,265</b>	<b>\$ 15,930,471</b>	<b>\$ 16,428,861</b>
<b>Plan fiduciary net position:</b>							
Contributions - employer	\$ 1,001,506	\$ 879,476	\$ 870,652	\$ 798,939	\$ 1,012,883	\$ 1,045,878	\$ 1,242,680
Net investment income (loss)	1,575,774	866,524	(2,085,902)	3,361,308	416,596	681,308	755,696
Benefit payments	(1,001,506)	(879,476)	(870,652)	(798,939)	(812,883)	(845,878)	(712,680)
Administrative expenses	(4,680)	(3,920)	(3,947)	(4,627)	(5,767)	(2,329)	(5,213)
Net change in plan fiduciary net position	1,571,094	862,604	(2,089,849)	3,356,681	610,829	878,979	1,280,483
Plan fiduciary net position - beginning	14,357,246	13,494,642	15,584,491	12,227,810	11,616,981	10,738,002	9,457,519
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 15,928,340</b>	<b>\$ 14,357,246</b>	<b>\$ 13,494,642</b>	<b>\$ 15,584,491</b>	<b>\$ 12,227,810</b>	<b>\$ 11,616,981</b>	<b>\$ 10,738,002</b>
<b>Net OPEB liability - ending (a)-(b)</b>	<b>\$ 2,620,032</b>	<b>\$ 4,363,872</b>	<b>\$ 3,017,280</b>	<b>\$ 273,407</b>	<b>\$ 4,382,455</b>	<b>\$ 4,313,490</b>	<b>\$ 5,690,859</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>85.87%</b>	<b>76.69%</b>	<b>81.73%</b>	<b>98.28%</b>	<b>73.62%</b>	<b>72.92%</b>	<b>65.36%</b>
<b>Covered-employee payroll - measurement period</b>	<b>\$ 10,494,491</b>	<b>\$ 9,817,270</b>	<b>\$ 9,196,129</b>	<b>\$ 9,119,226</b>	<b>\$ 8,666,512</b>	<b>\$ 8,708,584</b>	<b>\$ 8,142,270</b>
<b>Net OPEB liability as percentage of covered-employee payroll</b>	<b>24.97%</b>	<b>44.45%</b>	<b>32.81%</b>	<b>3.00%</b>	<b>50.57%</b>	<b>49.53%</b>	<b>69.89%</b>

Notes to schedule:

Valuation date - June 30:	2023	2023	2021	2021	2019	2019	2017
Measurement period - year ended June 30:	2024	2023	2022	2021	2019	2019	2017

Benefit changes: None.

Changes in assumptions:

Changes in the discount rate	6.40%	6.00%	6.00%	7.28%	7.28%	7.28%	7.28%
Changes in inflation	2.30%	2.30%	2.01%	2.01%	2.01%	2.25%	2.25%

At the 2021 measurement date, the average per capita claims cost was updated to reflect actual 2021 and 2022 premiums and the health care trend rate was updated to reflect 2022 industry survey data and use of the 2022 Getzen model.

Omitted years: GASB Statement No. 75 was implemented during the year ended February 28, 2019. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

**WESTLANDS WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended February 28, 2025**

**SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)**

	February 28, 2025	February 29, 2024	February 28, 2023	February 28, 2022	February 28, 2021	February 29, 2020	February 28, 2019
Actuarially determined contribution - measurement period	\$ 800,723	\$ 778,913	\$ 701,399	\$ 679,321	\$ 663,646	\$ 849,176	\$ 818,426
Contributions in relation to the actuarially determined contributions	<u>(1,001,506)</u>	<u>(879,476)</u>	<u>(579,716)</u>	<u>(835,973)</u>	<u>(1,012,883)</u>	<u>(1,045,878)</u>	<u>(1,045,878)</u>
Contribution deficiency (excess)	<u>\$ (200,783)</u>	<u>\$ (100,563)</u>	<u>\$ 121,683</u>	<u>\$ (156,652)</u>	<u>\$ (349,237)</u>	<u>\$ (196,702)</u>	<u>\$ (227,452)</u>
Covered-employee payroll - measurement period	\$ 10,494,491	\$ 9,817,270	\$ 9,196,129	\$ 9,119,226	\$ 8,666,512	\$ 8,708,584	\$ 8,142,270
Contributions as a percentage of covered-employee payroll	9.54%	8.96%	6.30%	9.17%	11.69%	12.01%	12.85%

**Notes to Schedule:**

Valuation date - June 30:	2023	2023	2021	2021	2019	2019	2017
Measurement period - year ended June 30:	2024	2023	2022	2021	2019	2019	2017
Actuarial cost method					Entry age normal cost method		
Discount rate	6.40%	6.00%	7.28%	7.28%	7.28%	7.28%	7.28%
Inflation	2.30%	2.30%	2.01%	2.01%	2.01%	2.25%	2.25%
Salary increases	2.80%	2.80%	3.25%	3.25%	3.25%	3.25%	3.25%
Investment rate of return	6.40%	6.00%	7.28%	7.28%	7.28%	7.28%	7.28%
Mortality factors				Derived using CalPERS study			
Pre-retirement turnover				Derived using CalPERS study			
Participation - participant/spouse	100%/60%	100%/60%	100%/60%	100%/60%	100%/60%	100%/60%	100%/60%
Healthcare cost trend rates							
Pre-65 - initial	5.50%	5.50%	7.00%	7.00%	6.65%	5.39%	5.39%
Pre-65 - final	4.00%	4.00%	4.00%	4.00%	5.00%	5.00%	5.00%
Post-65 - initial	5.50%	5.50%	5.25%	5.25%	5.00%	5.00%	5.00%
Post-65 - final	4.00%	4.00%	4.00%	4.00%	5.00%	5.00%	5.00%
PEMCHA minimum	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

An actuarially determined contribution rate was not calculated. The required contributions and covered employee payroll reported represent amounts computed for the measurement period. Actuarially determined contributions and covered payroll for the employer fiscal year were not available.

Omitted years: GASB Statement No. 75 was implemented during the year ended February 28, 2019. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

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## **COMPLIANCE REPORT**

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FAX: (916) 564-8728

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

To the Board of Directors  
Westlands Water District  
Fresno, 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 business-type activities and major funds of the Westlands Water District (the District) as of and for the year ended February 28, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 4, 2025.

**Report on 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) as a basis for designing 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 District'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 or significant deficiencies may exist that were not identified.

**Report on 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 financial statements. 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*.

**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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This

To the Board of Directors  
Westlands Water District

report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Richardson & Company, LLP*

September 4, 2025

**WESTLANDS WATER DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED FEBRUARY 28, 2025**

**CURRENT YEAR FINDINGS:**

**INTERNAL CONTROL OVER FINANCIAL REPORTING FINDINGS**

None

**PRIOR YEAR FINDINGS:**

**Finding 2024-001 – Significant Deficiency**

**Condition:** Over 50 audit adjustments and closing entries were posted during the audit to report the District's financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

**Current Status:** This finding was resolved during the year ended February 28, 2025.

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