Westlands Water District
Finance and Administration Committee

Notice of Regular Meeting and Agenda

Notice is hereby given that a regular meeting of the Finance and Administration Committee of the Board of Directors of Westlands Water District will be held on September 15, 2026, at 8:15 a.m. at the District's Fresno Office, 286 W. Cromwell Avenue, Fresno, California 93711.

Any member of the public may participate in the meeting through Zoom

Join the meeting from a computer, tablet or smartphone:

Join Zoom

Meeting ID: 878 2072 7606
Passcode: 3130

Dial-In Number:
(669) 900-9128

Use the meeting ID and passcode from above

After you join, please mute your line.

If you have problems using the Zoom prior to the start of the meeting, please contact the District's IT staff at 559-224-1523 or itstaff@wwd.ca.gov.

Committee Members

William Bourdeau, Chair
Justin Diener
Jeff Fortune
Jeremy Hughes

Meeting Agenda

Public Comment: Any member of the public may address the Board concerning any matter on the Agenda when the item is considered by the Board. Public comment is limited to three minutes per person and no more than fifteen minutes per topic. For good cause, the meeting Chair may waive these limitations. Reminder that this meeting is being recorded.

Pursuant to the Brown Act any person who willfully disrupts the meeting to render orderly conduct of the meeting infeasible, or who refuses to comply with the orders of the Chair, may be removed from the meeting. While the Board welcomes public participation, it does not endorse any remarks or conduct that fail to uphold commonly understood standards of civility and decorum.

1. **Call to Order**
   The Chair may acknowledge Board members participating remotely as authorized by Government Code Section 54950 et seq.

2. Committee to Consider Modifications, Corrections or Additions to the Agenda of Items, as authorized by Government Code Section 54950 et seq.

3. Committee to Consider Approval of Minutes of the Regular Meeting of the Finance and Administration Committee of the Westlands Water District Board of Directors of March 17, 2026

4. Consider Recommendation to the Board to Accept the Westlands Water District Annual Comprehensive Financial Report and Fiscal Year 2025 Financial Statements

5. Consider Pension Liability and Other Post Employment Benefits (OPEB) Actions

6. Consider Recommendation to the Board to Adopt a Revised Policy for Statement of Investment

7. Consider Recommendation to the Board to Adopt a Policy for the Transfer of Water Out of the District

8. **Public Comment** - Any member of the public may address the Committee concerning any matter not on the Agenda within the Committee's jurisdiction. Public comment is limited to three minutes per person and no more than fifteen minutes per topic. For good cause, the Committee Chairperson may waive these limitations. In accordance with the Brown Act, the Committee cannot act on any items not on the agenda. Public questions and comments on items listed on the Agenda will be accepted at the time the item is considered by the Committee

9. **Adjournment**

Order of Business
The order of business reflected in this Agenda is subject to change.

Accessibility
A person with a qualifying disability under the Americans with Disabilities Act of 1990 may request the District provide a disability-related modification or accommodation in order to facilitate that person's participation in any public meeting of the District. Such assistance includes appropriate alternative formats for the agendas and agenda packets used for any public meetings of the District. Requests for such assistance may be made in person at the District's Fresno office, which is located at 286 W. Cromwell Avenue, Fresno, California, 93711, by telephone (559-224-1523), facsimile (559-241-6277), email to Abby Castillo (acastillo@wwd.ca.gov), or written correspondence addressed to Westlands Water District, Attn: Abby Castillo, P.O. Box 5199, Fresno, California 93711. Notifications of at least 48 hours prior to the meeting will assist staff in assuring that reasonable arrangements can be made.

Remote Participation by Members of the Public
At this time, the District permits any member of the public to participate in meetings of its Board and Committees from any location by telephone or video, or both. Remote participation by members of the public from any location is offered as a courtesy and is not required by law. Telephone and internet access and reliability varies widely, and District staff may not be able to assist members of the public with technical difficulties. To avoid issues that may arise from participating remotely by phone or video, members of the public who wish to provide public comment are encouraged to attend in person at a noticed location.

At the appropriate time to provide the comment, members of the public wishing to comment will be acknowledged by the Chair of the meeting. Members of the public participating by video should use the "Raise Hand" tool located in Zoom meeting link when seeking to provide public comment on an item.

Document Availability
Written material related to an item on this agenda that is distributed less than 72 hours prior to this meeting to at least a majority of the members of the legislative body will be available for inspection at the District's Fresno office, which is located at 286 W. Cromwell Avenue, Fresno, California, 93711. Electronic material related to an item on this agenda that is distributed electronically less than 72 hours prior to this meeting will be made available on the District's website (https://wwd.ca.gov/).

Written material distributed during a public meeting will be available for public inspection at the meeting, if prepared by District staff or a member of its legislative body, or after the meeting if prepared by some other person.

Disclosure
This agenda has been prepared pursuant to applicable laws of the State of California, including but not limited to, Government Code section 54950 et seq. The agenda and

information to support items on the agenda have not been prepared to inform an investment decision concerning the District, including in any of District's bonds, notes, or any other financial obligations. Any projections, plans, or other forward-looking statements included in the information in this agenda or the information supporting the items on the agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from such statements. The information in this agenda and the information supporting the items on the agenda are not intended to be used by investors or potential investors in considering the purchase or sale of the District's bonds, notes, or other financial obligations. Investors and potential investors should rely only on information filed by the District on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures and the District's Investor Relations website, maintained on the World Wide Web at emma.msrb.org and wwd.ca.gov/investor-relations, respectively. For purposes of this note, "District" means Westlands Water District, Westlands Water District Distribution District No. 1, Westlands Water District Distribution District No. 2, San Luis Unit/Westlands Water District Financing Authority, and/or Westlands Water District Financing Corporation.

Minutes of the Finance and Administration Committee of Westlands Water District
March 17, 2026

A regular meeting of the Finance and Administration Committee was held on March 17, 2026, at 8:30 a.m., at the District's Fresno Office, 286 W. Cromwell, Fresno, CA 93711.

Finance and Administration Committee present:

William Bourdeau, Chair (Absent)
Jeff Fortune
Justin Diener
Jeremy Hughes

Staff present:

Allison Febbo, General Manager
Jose Gutierrez, Assistant General Manager
Stephen Farmer, Chief Administrative Officer
Russ Freeman, Deputy General Counsel
Kelly Vandergon, Deputy General Manager, Operations and Maintenance
Sherman Dix, Deputy General Manager, Finance & Administration
Luis Magallanes, Supervisor of General Accounting
Dalia Lopez, Supervisor of Customer Accounting
Liana Leyva, Executive Assistant
Abby Castillo, Administrative Assistant

Others present:

Elisabeth Esposito, Brownstein Hyatt Farber Schreck LLP

Item 1. Call to Order

Director Diener called the meeting to order at approximately 8:31 a.m.

Item 2. Committee to Consider Corrections or Additions to the Agenda of Items, as authorized by the Government Code Section 54950 et seq.

Mr. Farmer stated that there were no additions or corrections to the agenda.

Item 3. Committee to Consider Approval of Minutes of the Regular Meeting of the Finance and Administration Committee of the Westlands Water District and Joint Special Meeting of the Westlands Water District Board of Directors on January 22, 2026.

The Committee deemed the minutes approved as submitted.

Item 4. Committee to Consider Request for Waiver of Rules and Regulations, Terms and Conditions, or Other District Financial Provisions- Request for Acceptance of Late Year-End Reading-Calaveras Avenue Coalinga LP

Ms. Lopez requested the Committee to Consider Request for Waiver of Rules and Regulations, Terms and Conditions, or Other District Financial Provisions- Request for Acceptance of Late Year-End Reading-Calaveras Avenue Coalinga LP**.** Mr. Silviera requested that the Committee accept a late year-end reading due to family bereavement. The Committee noted that multiple reminders regarding the submission deadline had been provided and stated that District Rules and Regulations must be applied consistently. Director Hughes moved to deny the waiver, and Director Fortune seconded the motion. Members of the Public offered no comments. The Committee members moved to deny the waiver with a vote as follows:

Ayes: Fortune, Diener, Hughes

Nayes: None

Absent: Bourdeau

Item 5. Committee to Consider Directing Staff to Research Long Term Recharge Agreements with District Landowners.

Mr. Dix requested that the Committee give staff direction on whether to research long-term recharge agreements with private facility owners when District recharge capacity is exceeded, and what key terms should be included. Staff stated such agreements could expand operational flexibility, increase recharge during high-need periods, and help avoid losing water due to rescheduling caps and other constraints.

Director Diener recommended that staff evaluate additional recharge program options to help prevent a recurrence of the 14 TAF loss the District experienced this year.

Item 6. Public Comment

Director Diener asked for public comments concerning any matter not on the agenda but within the Committee's jurisdiction, however no public comments were given.

Closed Session

Ms. Esposito announced that there was no need for the Closed Session.

Report from Closed Session, if any required by Government Code Section 54957.6

Director Diener reported that there was no need for Closed Session and adjourned at 8:53 am.

Item 7. Adjournment

There being no further business, the meeting was adjourned at approximately 8:53 a.m.

Westlands Water District

DATE: September 15, 2026

TO: Finance and Administration Committee

THROUGH: Allison Febbo, General Manager
Stephen Farmer, Chief Administrative Officer

FROM: Sherman Dix, Deputy General Manager - Finance and Administration

SUBJECT: Consider Recommendation to the Board to Acceptance of the Westlands Water District Fiscal Year 2025-2026 Annual Comprehensive Financial Report and Financial Statements

DISCUSSION:

The purpose of this item is for the Finance and Administration Committee to consider recommending that the Board of Directors accept the Westlands Water District Fiscal Year 2025-2026 Annual Comprehensive Financial Report (ACFR) and audited financial statements. The financial statements covering the period from March 1, 2025, through February 28, 2026, are included within the ACFR and are attached for the Committee's review.

Fiscal Year 2025-2026 marks the first year the District has issued an Annual Comprehensive Financial Report. While the District has historically prepared audited financial statements, the ACFR provides expanded financial, statistical, demographic, and operational information intended to provide landowners, creditors, rating agencies, and other stakeholders with a more comprehensive understanding of the District's financial condition and operations.

Richardson & Company LLP, the District's independent auditors, issued an unmodified (unqualified) opinion on the District's Fiscal Year 2025-2026 financial statements. The auditor will present the results of the audit, together with the ACFR, Independent Auditor's Report, Governance Letter, and Management Letter, for the Committee's review and discussion..

PROPOSED MOTION:

1. Recommend that the Board of Directors accept the Westlands Water District Fiscal Year 2025-2026 Annual Comprehensive Financial Report and Financial Statements.

RECOMMENDATION:

Approve Motion 1.

Attachment

1. Westlands Water District Fiscal Year 2025-2026 Annual Comprehensive Financial Report and Financial Statements
2. Westlands Water District Fiscal Year 2025-2026 Governance Letter
3. Westlands Water District Fiscal Year 2025-2026 Management Letter

Westlands Water District

A California Water District

Fresno, California

2025-2026 ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years Ended

March 1, 2025 – February 28, 2026 and

March 1, 2024 – February 28, 2025

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WESTLANDS WATER DISTRICT
FRESNO, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Years Ended February 28, 2026 and 2025

Prepared by the Finance and Administration Division

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TABLE OF CONTENTS

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INTRODUCTORY SECTION

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Westlands Water District

286 W. Cromwell Ave
Fresno CA 93711

August 31, 2026

To the President of the Board, Members of the Board of Directors and Landowners of Westlands Water District:

State law requires special districts to prepare and submit audited financial statements following the close of each fiscal year. This report is published to fulfill that requirement for Westlands Water District for the year ended February 28, 2026.

The District has elected to present those financial statements as part of an Annual Comprehensive Financial Report (ACFR). The ACFR is widely recognized as a governmental finance best practice that promotes transparency, accountability, and excellence in financial reporting by providing readers with additional operational, financial, and statistical information beyond that included in the audited financial statements alone. This broader reporting framework provides landowners, bondholders, regulators, and other stakeholders with enhanced context regarding the District's financial condition, operations, and long-term trends.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Richardson & Company LLP, Certified Public Accountants, has issued an unmodified opinion on Westlands Water District’s financial statements for the year ended February 28, 2026. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. Management’s discussion and analysis complements this letter of transmittal and should be read in conjunction with it.

DISTRICT PROFILE

Westlands Water District is the largest agricultural water district in the United States, encompassing over 1,000 square miles of prime farmland in western Fresno and Kings Counties. Stretching approximately 70 miles from Firebaugh in the north to Kettleman City in the south, the District provides water to around 700 family-owned farms, each averaging 875 acres in size. Its advanced water delivery system includes more than 1,000 miles of fully enclosed buried pipes and thousands of water meters, ensuring efficient distribution with minimal losses from seepage or evaporation.

The District's growers produce over sixty varieties of high-quality food and fiber crops, generating more than $1 billion in annual agricultural output and supporting approximately $3.5 billion in related economic activity for local communities. More than 50,000 people live and work in areas dependent on Westlands' agricultural economy.

Formed in 1952 under California Water District Law, Westlands was established by farmers and landowners seeking a reliable surface water supply to supplement severely over-drafted groundwater. Today, the District receives its water allocation through a joint venture between the federal government and the State of California, as part of the San Luis Unit of the Central Valley Project—one of the nation's largest public works projects. The District's mission remains focused on providing reliable water supplies to landowners and water users in an efficient and cost-effective manner.

The District's Board of Directors are elected by landowners to serve overlapping four-year terms. The President of the Board and other District officers are then chosen by a majority vote of the Board. The Board sets policy and exercises legislative authority over the District. The Board delegates authority to the District General, or designee, to appoint District personnel and conduct daily operations.

MISSION AND GOALS

Since its formation in 1952, the mission of Westlands Water District has been to provide timely, reliable and affordable water services to landowners and water users in western Fresno and Kings Counties. These water services include the sustainable management and delivery of water supply, ongoing education, advanced technology, and innovative methods that support environmental conservation and long-term water reliability.

To advance this mission, Westlands has adopted the following goals:

- Preserve and restore the federal contract water supply.
- Obtain supplemental water supplies through short- and long-term purchases and transfers.
- Evaluate and implement options for supply enhancement and drainage mitigation.
- Support timely construction of cost-effective facilities that enhance the quality and reliability of water supplies.
- Conduct the maintenance, operational, financial and administrative functions of Westlands in an efficient and effective manner.
- Implement and maintain an effective Water Conservation Program by providing growers with accurate and current information and technical assistance to aid with water management planning.

ORGANIZATIONAL STRUCTURE AND DIVISIONS

Westlands Water District operates under the direction of a Board of Directors, with day-to-day management delegated to the General Manager and a team of division leaders. The District is organized into several key divisions, each handling distinct operational areas:

General Manager's Office: Oversees executive administration and public information, ensuring that Board policies and strategic objectives are implemented effectively. This office coordinates district-wide activities and supervises division leaders.

Finance & Administration Division: Manages financial operations, including purchasing, general accounting, customer accounting, and human resources. This division ensures fiscal responsibility, oversees budgeting, and supports administrative functions essential to district operations. Additionally, it manages District reserves through a dedicated Division (8), ensuring proper stewardship and accountability of these resources.

Resources Division: Focuses on water resource management and related activities. This division is responsible for securing, allocating, and conserving water supplies, as well as implementing regulatory programs and sustainability initiatives. Additionally, the division manages the Bollibokka property and its recreational operations through a separate Division (10).

Operations & Maintenance Division: Handles the operation and maintenance of the District's extensive water delivery infrastructure. This includes mechanical and electrical maintenance, field engineering, planning, fleet services, and civil and preventative maintenance. The division ensures reliable water delivery and system integrity across the district's service area.

Additionally, the District employs specialized staff for legal counsel and external affairs and maintains collaborative relationships with labor unions and employee associations to support its workforce.

FINANCIAL PLANNING AND POLICIES

The Westlands Water District Board of Directors adopted its current Strategic Plan in September 2024 to provide a long-term framework for achieving the District's mission of securing reliable and affordable water supplies, maintaining critical infrastructure, managing financial resources, and addressing emerging challenges facing the District and its landowners. The Strategic Plan establishes seven key strategies and associated activities that guide District operations, capital planning, and policy development. The District’s annual budget includes funding and work programs that support implementation of the Strategic Plan, and budget priorities are evaluated in relation to the goals, objectives, and activities identified therein.

Westlands adopts an annual balanced budget and maintains a multi-year financial planning approach to evaluate revenues, expenditures, capital needs, water supply investments, and reserve requirements. Budget development is based on financial assumptions, operational needs, anticipated water supply conditions, infrastructure requirements, and strategic priorities. This planning process enables the District to address both current operational demands and long-term obligations while maintaining financial stability. The Board of Directors adopts the budget and appropriates funds in advance of the District’s fiscal year, which begins on March 1. Long-range planning, prudent reserve management, and preparation for future water supply and infrastructure needs remain key principles guiding Board policy and financial decision-making.

FINANCIAL OUTLOOK

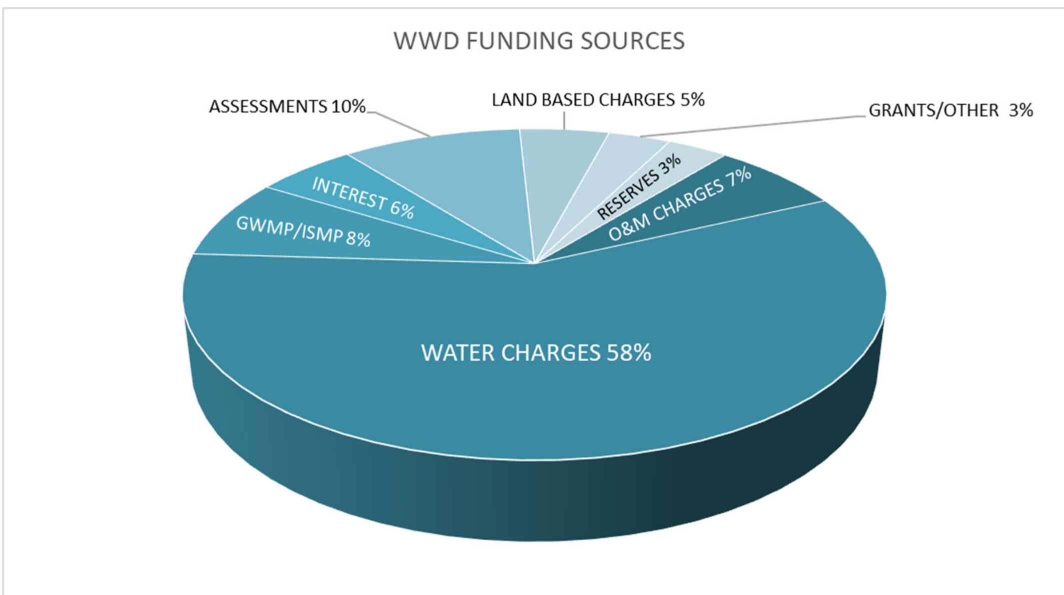
Westlands Water District's long-term financial outlook remains closely tied to water supply reliability, groundwater sustainability, and the continued productivity of the agricultural economy it serves. The District operates in an environment characterized by hydrologic variability, evolving regulatory requirements, and increasing demands for long-term water resource management. Despite these challenges, the District continues to maintain a stable financial position supported by prudent reserve management, diversified revenue sources, and a financial structure that adapts to changing water supply conditions. Over the past decade, annual budgets have generally remained above $200 million, with year-to-year fluctuations driven primarily by the volume and cost of water available for delivery. A substantial portion of annual expenditures consists of pass-through water acquisition and delivery costs. Excluding those direct water costs, District expenditures have historically represented a relatively modest share of total spending (under 20%), reflecting the District's ability to efficiently manage operations while supporting one of the largest agricultural water districts in the nation.

The District continues to invest in groundwater sustainability through recharge facilities, groundwater credit programs, and implementation of the Westside Subbasin Groundwater Sustainability Plan. Recent efforts have expanded opportunities for groundwater replenishment through recharge basins, aquifer storage and recovery wells, dry well injection, and other recharge methods designed to enhance long-term groundwater reliability. In addition, the District has secured approximately $8.9 million in grant funding through the Westside Subbasin Multibenefit Land Repurposing Program to support projects that provide measurable groundwater benefits and expand recharge capacity within the subbasin.

Adaptive land use and land repurposing initiatives are also expected to contribute to the District's long-term financial sustainability. Through implementation of the Valley Clean Infrastructure Plan (VCIP) and related programs, the District is pursuing strategies that direct limited water resources to the most productive agricultural lands while creating alternative uses for drainage-impaired and other lands facing long-term water supply constraints. These efforts are intended to support groundwater sustainability, reduce subsidence risks, improve drought resilience, and enhance long-term water supply reliability throughout the Westside Subbasin.

Although the number of irrigated acres within the District has declined over the past decade as a result of water supply limitations and regulatory requirements, the value of agricultural production has remained relatively stable and, in some years, increased as growers have adapted through changes in cropping patterns, improved water management practices, and continued investment in high-value permanent crops. The District believes that groundwater sustainability initiatives, expanded recharge opportunities, and strategic land repurposing can work together to preserve the long-term value of agricultural land and concentrate finite water supplies on the highest and best agricultural uses. The continued financial strength of the District is fundamentally linked to maintaining reliable water supplies for lands that remain in production. By promoting water supply reliability, agricultural resiliency, and alternative economic opportunities on lands less suited for long-term irrigation, the District is positioning itself to support both a sustainable groundwater basin and a productive regional agricultural economy for decades to come.

DISTRICT REVENUES (SOURCES)



- **Water Charges:** Payments from growers for delivered water, representing the district's primary income stream and supporting reliable water supply across the service area. The revenues included are based on anticipated available supply when the District's CVP allocation is 20% of it's total contract multiplied by acquisition and delivery costs from USBR, SLDMWA and other supplemental vendors.
- **Land-Based Charges:** Assessments on acreage within the district, funding infrastructure maintenance and improvements.
- **Annual Assessments:** Contributions for debt service, reserve funds, and capital projects, ensuring financial stability and future investments.
- **Grant Funds:** External funding for sustainability initiatives, regulatory compliance, and infrastructure upgrades.

- **Groundwater Management Program:** Revenues dedicated to the district's groundwater management efforts, which include monitoring, conservation, and regulatory compliance activities. This program is essential for supplementing surface water supplies, protecting local aquifers, and ensuring long-term water sustainability for growers and communities.
- **Other Revenues:** Miscellaneous income from district operations, such as service fees and interest earnings.

This comprehensive revenue structure enables the District to fulfill its responsibilities and advance the district's strategic objectives.

NET POSITION AND RESERVES

The District's Designated Reserve Funds Policy is a key component of prudent financial planning, ensuring that sufficient funding is available for current operating, capital, and debt service needs, as well as for unforeseen events. The policy's primary objectives are to maintain financial sustainability, support stable customer rates, and enhance or maintain the District's credit ratings. Reserve funds are accumulated and maintained to meet these needs and to avoid significant rate fluctuations due to changes in cash flow requirements. The policy is reviewed annually during the budget process, and balances are updated quarterly to ensure compliance. The Board of Directors has the authority to amend the policy as needed, and any use of reserves typically requires Board authorization.

Operating Reserve Fund: To meet routine cash flow needs caused by unanticipated shortfalls in revenues or unexpected expenses exceeding budgeted amounts.
Target Level: $20,300,000
Current Level: $20,300,000

General Reserve Fund: For District activities, projects, and unanticipated operating or capital expenses. May also be used for credits to water rates or land-based charges.
Target Level: $7,500,000
Current Level: $7,500,000

Capital Fund: Used for funding new capital assets or replacing capitalized assets at the end of their useful lives.
Target Level: $18,000,000
Current Level: $18,000,000

Asset Replacement Fund: Used to fund certain administration and overhead projects, particularly those related to the replacement of assets.
Target Level: $3,000,000
Current Level: $5,778,054

Drought Reserve Fund: Used to offset financial impacts caused by extraordinary events (such as drought conditions), such as reduced water deliveries and increased O&M water rates.
Target Level: $14,400,000
Current Level: $14,357,778

Self-Insurance/Unemployment Fund: Used to fund certain administration and overhead projects, particularly those related to the replacement of assets.
Target Level: $100,000
Current Level: $100,000

Rate Stabilization Fund **(Bond Covenant)**: Used to stabilize rates in years with significant revenue or cost fluctuations, such as wet years with high water allocations or years with unexpected expenses.
Target Level: No Maximum
Current Level: $31,700,000

Special Purpose Fund **(Bond Covenant)**: Used to offset financial impacts caused by extraordinary events (such as drought conditions), such as reduced water deliveries and increased O&M water rates.
Target Level: No Maximum
Current Level: $16,842,000

DISTRICT ACCOMPLISHMENTS (Fiscal Year 2026)

Water Supply and Resource Management

- Achieved significantly improved water supply conditions during the 2025 water year by conjunctively using the available surface water and, reduced groundwater pumping. This approach reduced operating costs, improved groundwater conditions and supported groundwater sustainability efforts.
- Supported federal operational changes, referred to as Action 5, that produced approximately 75 TAF of additional export opportunities, improving water supply reliability for District landowners.
- Managed over 900,000 acre-feet of available water supply during the 2025 contract year while maintaining significant carryover and rescheduling flexibility for future years.

Sustainable Groundwater Management (SGMA)

- Continued implementation of the Westside Subbasin Groundwater Sustainability Plan, including groundwater monitoring, reporting, allocation administration, annual reporting, and compliance activities to achieve the sustainability objectives.
- Adopted and updated groundwater management regulations and funding mechanisms necessary to support long-term SGMA compliance.
- Advanced implementation of the Resolution No. 104-26, the District’s Subsidence Policy, recognizing the District’s role as a Groundwater Sustainability Agency (GSA) in managing and preventing subsidence through a wide policy initiative documenting Westlands' leadership role in SGMA implementation and efforts to address and reverse subsidence impacts affecting regional infrastructure.
- Continued implementation of conjunctive use strategies to balance surface and groundwater supplies while protecting aquifer conditions.

Infrastructure and Capital Improvements

- Advanced the Lateral 6 Capital Improvement Project, a major conveyance improvement expected to increase water supply reliability through a new pumping plant and force main capable of conveying approximately 70 cfs and increasing annual supply by roughly 5,150 acre-feet.
- Continued implementation of multiple operations and maintenance capital projects focused on distribution system reliability, pumping facilities, electrical infrastructure, and plant improvements.
- Approved participation in the Delta-Mendota Canal Subsidence Correction Project, including committing advance funding toward restoration of canal capacity impacted by subsidence.

Valley Clean Infrastructure Plan (VCIP)

- Advanced development of the Valley Clean Infrastructure Plan, including transmission planning, landowner outreach, easement planning, interconnection activities, and development of a Community Benefits framework.
- Conducted stakeholder and landowner engagement efforts related to transmission infrastructure and renewable energy development opportunities within the District.
- Established a framework for future local economic development, workforce development, local procurement, and energy affordability programs associated with VCIP revenues.

Financial Stewardship

- Maintained strong investment and financial performance throughout the fiscal year.
- Developed and adopted fiscal policies supporting reserve management, claims processing, credit card administration, and financial governance.
- Successfully prepared and adopted budgets, water rates, charges, and financial plans necessary to maintain long-term financial stability.
- Managed SGMA funding programs through adoption of annual maximum charge resolutions while maintaining flexibility for future rate-setting decisions.

Customer Service and Technology

- Implemented the Point & Pay online payment platform, providing expanded customer payment options, digital payment capabilities, and enhanced account management functionality for water users.
- Continued investment in cybersecurity assessments, IT infrastructure improvements, network upgrades, and technology modernization initiatives.

Operations and Maintenance

- Continued proactive management of District facilities, pumping plants, canals, laterals, and distribution infrastructure.
- Responded to emerging Golden Mussel threats through monitoring, agency coordination, evaluation of mitigation measures, and grower outreach efforts.
- Advanced critical electrical reliability projects and major equipment replacement initiatives identified in the District's capital improvement program.

Organizational Excellence

- Maintained exceptionally strong staffing levels, reporting 0% vacancies across bargaining units and implementing recruitment and retention strategies aligned with the District's Strategic Plan.
- Continued implementation of the District Strategic Plan, including initiatives focused on:
    - Supplemental and contract water supplies
    - Groundwater sustainability
    - Land use strategies
    - Critical infrastructure investment
    - Financial sustainability
    - Collaborative partnerships and stakeholder engagement.

The preparation of this report was made possible by the collaborative efforts of staff in the Administrative Services Department and other departments, as well as the District's audit firm, Richardson & Company, LLP. A special thanks and acknowledgement goes to our Finance staff for their work on the audit. We would also like to recognize the Board of Directors for their guidance and support in the District's pursuit of excellence in financial reporting.

Stephen Farmer
Chief Administrative Officer

WESTLANDS WATER DISTRICT
Organizational Chart

Westlands Water District
Principal Officers
Fiscal Year 2025/2026

President
Jeff Fortune

Vice President
Jim Anderson

Director William Bourdeau *Treasurer*	**Director** Frank Coelho, Jr.	**Director** Ernie Costamagna
Director Justin Diener	**Director** Donald Ross Franson III	**Director** Ryan Ferguson
	Director Jeremy Hughes *Secretary*	

Administration Personnel

General Manager	Allison Febbo
Chief Administrative Officer	Stephen Farmer
Deputy General Manager – Finance and Administration	Sherman Dix

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FINANCIAL SECTION

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

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 years ended February 28, 2026 and 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, 2026 and 2025, and the respective changes in financial position and cash flows thereof for the years 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 audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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 reported a restatement for a change within the reporting entity to combine the Water District Fund and Other Fund as of March 1, 2024. 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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

August 28, 2026

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 2025-2026 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 $665.9 million (net position), representing $292.7 million in net investment in capital assets, $78.7 million restricted for specific purposes, $31.7 million for the rate stabilization fund, $16.8 million for the special purpose fund and $245.9 million unrestricted for operations. This represents an increase of $130.0 million, or 30% versus the prior year's net position of $512.9 million.

- In the fiscal year ending February 28, 2026, the District's operating revenues from all sources increased by $3.0 million or 2% from the prior year primarily due to an increase in agricultural water deliveries compared to fiscal year 2025, which was roughly 84k acre feet more.

- Total non-operating revenue (expenses) for the fiscal year increased by $106.4 million, primarily due to a $108.5 million gain on the sale of assets including approximately 10,872 acres of land. Additionally, increases in refund revenue ($3.3 million), other nonoperating revenues ($6.6 million) and a one-time gain on the refunding of the 2016A bonds contributed to the overall increase. These increases were partially offset by a decrease in grants and district water supply revenue.

- The District's outstanding long-term debt, net of current portion, was $207.9 million as compared to $238.5 million in the prior year. The decrease of $30.6 million or 13% was due to the District's scheduled annual payments for debt service and the defeasance of the 2016A Bonds, which resulted in a gain of $4.7 million to the District.

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.

Statement of Net Position

The following is a condensed presentation of assets, deferred outflows, liabilities, and deferred inflows. The balances as of the last day of February 2026, 2025, and 2024 are:

Condensed Statement of Net Position

	2026	2025 As Restated	2026 / 2025 Variance	% Change	2024 As Restated	2025 / 2024 Variance	% Change
Assets							
Current assets	$ 388,868,972	$ 291,964,030	$ 96,904,942	33%	$ 256,865,901	$ 35,098,129	14%
Capital assets, net	481,370,866	485,362,666	(3,991,800)	-1%	462,437,749	22,924,917	5%
Other assets	94,199,525	68,463,458	25,736,067	38%	64,979,267	3,484,191	5%
Total Assets	964,439,363	845,790,154	118,649,209	14%	784,282,917	61,507,237	8%
Deferred Outflows of Resources	13,828,021	9,130,881	4,697,140	51%	12,924,474	(3,793,593)	-29%
Liabilities							
Current liabilities	72,866,009	76,733,928	(3,867,919)	-5%	69,725,427	7,008,501	10%
Long-term debt, net of current portion	207,870,158	238,548,816	(30,678,658)	-13%	249,271,507	(10,722,691)	-4%
Other long-term liabilities	26,989,336	23,288,657	3,700,679	16%	25,189,029	(1,900,372)	-8%
Total Liabilities	307,725,503	338,571,401	(30,845,898)	-9%	344,185,963	(5,614,562)	-2%
Deferred Inflows of Resources	4,647,285	3,431,824	1,215,461	35%	3,833,794	(401,970)	-10%
Net Position							
Net investment in capital assets	292,670,437	263,785,297	28,885,140	11%	232,467,695	31,317,602	13%
Restricted	127,268,910	100,248,086	27,020,824	27%	85,932,423	14,315,663	17%
Unrestricted	245,955,249	148,884,427	97,070,822	65%	130,787,516	18,096,911	14%
Total Net Position	$ 665,894,596	$ 512,917,810	$ 152,976,786	30%	$ 449,187,634	$ 63,730,176	14%

Current Assets

2025 to 2026: Current assets increased in fiscal year 2025-2026 by $96.9 million or 33%. Prepaid water and other current assets decreased by $7.5 million or 25%, due to the District receiving more water outside of its allocation that was prepaid and carried over into the following fiscal year. Receivables increased by $4.2 million or 38% primarily due to a $2.1 million increase in grants receivable, which was primarily due to a Proposition 68 grant received for the Westside Subbasin Recharge Optimization Study, and another $2.2 million increase in outstanding water user receivables at year end. Those increases were offset by a slight decrease of $205K in assessments receivable. Cash and cash equivalents increased by approximately $98.6 million primarily due to the conversion of receivables and unexpected non-operating revenue.

2024 to 2025: Current assets increased in fiscal year 2024-2025 by $35.1 million or 14%. During fiscal year 2024-2025 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 year. Receivables decreased by $10 million or 47% primarily due to a $5 million decrease in grants receivable, a $2 million decrease in refunds receivable and another $2 million reduction in outstanding water user receivables at year end. Cash and cash equivalents increased by approximately $30.8 million primarily due to the conversion of receivables and recognition of non-operating revenue.

Noncurrent Assets

2025 to 2026: Noncurrent assets increased by $25.7 million or 38%. Restricted cash and cash equivalents increased by $28.1 million from the prior year, mainly due to additional land sales and an increase in investment income. This increase was partially offset by a $1.04 million decrease in the Land Flex restricted grant receivable and an approximately $1 million decrease in banked water inventory because the amount was moved to current assets due to the expectation it would be delivered during the next year. Capital assets decreased $4.0 million, which was mainly due to the sale of 10,872 acres of land, offset by an increase in non-depreciable assets of $5.3 million that was mostly due to transmission system improvements.

2024 to 2025: In fiscal year 2024-2025 Noncurrent assets increased by $26.4 million or 5%. In fiscal year 2024-2025, restricted cash and cash equivalents increased $4.0 million from the prior year due to additional land sales and the Land Flex grant receivable increased by $306K. 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 improvements during fiscal year 2024-2025.

Deferred Outflows of Resources

Deferred outflows of resources increased by $4.7 million or 51% in 2026 and decreased $3.8 or 29% in 2025. 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.

Current Liabilities

2025 to 2026: Current liabilities decreased by $3.9 million or 5%. Unearned revenue increased by $9.0 million primarily due to water delivery proceeds collected in fiscal year 2025-26 that were considered unearned and will be recognized in fiscal year 2026-27 when the water is delivered. The current portion of long-term debt decreased by $2.8 million primarily due to the reduction in outstanding principal resulting from the defeasance of the 2016A Bonds. Accounts payable decreased by $9.5 million, which includes a decrease in refunds payable to water users of $7.7 million and a decrease in trade payables of $1.7 million.

2024 to 2025: In fiscal year 2024-2025 Current liabilities increased by $7 million or 10%. The increase in fiscal year 2024-2025 can be primarily attributed to a $9 million increase in unearned revenue due to land-based charges for extraordinary pipe repair.

Noncurrent Liabilities

2025 to 2026: Noncurrent liabilities decreased by $27.0 million or 10.3%. The noncurrent portion of long-term debt decreased $30.7 million and is attributable to the scheduled payments made on bonds, the defeasance of the 2016A Bonds and the completion of payments on the 2020B Bonds. The net pension liability decreased by $2.7 million due to recognizing positive investment earnings. More information on the District's pension plan can be found in Note H. The net OPEB liability increased by $6.4 million due to changes in actuarial assumptions. More information on the District's Other Post-Employment Benefits can be found in Note I.

2024 to 2025: During fiscal year 2024-2025 noncurrent liabilities decreased by $12.6 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 increased $1.2 million or 35% in 2026 and decreased $0.4 million in 2025 or 10% in 2025 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 2025-2026 by $153.0 million or 30% and 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 amount increased by $28.9 million or 11% during fiscal year 2025-2026 , which is mainly due to a reduction in long-term capital debt of $32.4 million offset by a decrease in the net carrying value of capital assets of $4.0 million. This amount increased by $31.3 million or 13% during fiscal year 2024-2025 , which is mainly 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 for specific purposes – Items are considered restricted when constraints for their use have been imposed externally by creditors or imposed by law through constitutional provisions or enabling legislation. Included in this category is the Section 125 trust account, the debt service accounts held by the bond trustee and the land and water fund, WINN credit receivable held by Reclamation for Folsom Dam improvements and funds receivable for the Land Flex grant. This category increased by $27 million or 27% during fiscal year 2025-2026, primarily due to current year land sales and investment earnings on sales of land whose proceeds were deposited into the land and water fund that are restricted under bond covenants for the purchase of land or the repayment of debt. This category increased by

$14.3 million or 17% during fiscal year 2024-2025, primarily due to $3.1 million of gains on sale of land and investment earnings 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 $97.1 million or 65% during fiscal year 2025-2026 and $18.1 million or 14% during fiscal year 2024-2025.

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 ending the last day of February 2026, 2025, and 2024:

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2026	2025	2026 / 2025 Variance	% Change	2024 As Restated	2025 / 2024 Variance	% Change
Revenues and Expenses							
Operating revenues	$ 159,154,260	$ 156,187,966	$ 2,966,294	2%	$ 181,258,080	$ (25,070,114)	-14%
Operating expenses	(162,019,059)	(139,751,316)	(22,267,743)	16%	(188,309,648)	48,558,332	-26%
Net (loss) income from operations	(2,864,799)	16,436,650	(19,301,449)	-117%	(7,051,568)	23,488,218	-333%
Nonoperating revenues and expenses	152,515,817	46,096,482	106,419,335	231%	35,281,608	10,814,874	31%
Capital Contributions	3,325,768	1,197,044	2,128,724	178%	7,284,056	(6,087,012)	-84%
Change in Net Position	152,976,786	63,730,176	89,246,610	140%	35,514,096	28,216,080	79%
Net position at beginning of year, as previously report	512,917,810	449,187,634	63,730,176	14%	414,191,993	34,995,641	8%
Restatement					(518,455)	518,455	
Net position at beginning of year - as restated	512,917,810	449,187,634	63,730,176	14%	413,673,538	35,514,096	9%
Net Position - End of Year	$ 665,894,596	$ 512,917,810	$ 152,976,786	30%	$ 449,187,634	$ 63,730,176	14%

Operating Revenues

2025 to 2026: Operating revenues increased by $3.0 million or 2%, compared to fiscal year 2024-2025. Revenues from water sales increased by $4.0 million, primarily due to a $5.3 million increase in irrigation water sales, partially offset by a $1.3 million decrease in municipal & industrial (M&I) water sales. The increase in irrigation water sales was driven by slightly higher deliveries, which resulted in $2.8 million in additional fees, $2.2 million from the collection of water overuse penalties, and $0.3 million from other irrigation water sales transactions. The $1.3 million decrease in M&I water sales was related to lower capital cost pass-through charges to M&I users.

2024 to 2025: In fiscal year 2024-2025 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

2025 to 2026: Operating expenses increased by $22.3 million or 16% from the prior fiscal year. Purchased water expenses increased by $20.7 million due to recognition of higher dollar value water supplies being delivered to users. General and administrative expenses increased by $680K due to higher pension expenses, land clearing costs, and project consultant costs. Transmission and distribution expenses increased by $306K due to higher salaries and wages and system repair costs. The remaining increase was attributable to higher depreciation and amortization expenses and other administrative costs.

2024 to 2025: During fiscal year 2024-2025 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

2025 to 2026: Non-operating revenues and expenses increased $106.4 million or 231% from fiscal year 2025-2026. Net gains from the disposal of capital assets increased by $90.9 million from fiscal year 2024-2025 due to the sale of 10,872 acres during the year. Refund revenues increased by $3.3 million due to a refund for AAA surplus water costs received from Reclamation, grant revenues decreased by $1.7 million due to a reduction of activity on the Land Flex grant and investment income increased by $263K due to higher invested funds after the land sale while other non-operating revenues increased by $6.6 million mostly due to the recognition of option payments as revenue upon completion of the related land sales. Non-operating water user refund expenses decreased by $3.6 million due to a reduction in the size of refunds received from Reclamation . Other non-operating expenses increased by $874K, including interest expense, which was mainly the purchase of equipment related to irrigation system improvement loans, which increased during the year.

2024 to 2025: In fiscal year 2024-2025 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 roughly $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.

Capital Assets

The District's investment in capital assets (net of accumulated depreciation) as of the last day of February 2026 and 2025 are discussed below . 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 change in the District's investment in capital assets was a decrease approximately 1% in 2026 and an increase of approximately 5% in 2025.

	2026	2025 As Restated	2026 / 2025 Variance	% Change	2024 As Restated	2025 / 2024 Variance	% Change
Land	$ 5,184,136	$ 5,184,136		0%	$ 5,756,382	$ (572,246)	-10%
Other land held	96,793,877	104,214,083	$ (7,420,206)	-7%	96,889,595	7,324,488	8%
Water rights - CVP	267,739,715	267,739,715		0%	255,008,491	12,731,224	5%
Construction in progress	10,741,067	12,667,664	(1,926,597)	-15%	13,438,960	(771,296)	-6%
Land improvements	582,878	463,096	119,782	26%	13,702	449,394	3280%
Distribution system	197,452,574	189,272,465	8,180,109	4%	182,337,450	6,935,015	4%
Buildings	14,000,344	13,645,926	354,418	3%	12,694,639	951,287	7%
Furniture and fixtures/informtion systems	3,054,997	2,922,136	132,861	5%	2,917,742	4,394	0%
Equipment	2,450,372	2,418,519	31,853	1%	2,231,723	186,796	8%
Autos/trucks	4,680,178	4,533,041	147,137	3%	4,024,784	508,257	13%
Fishing club assets				0%	2,770,176	(2,770,176)	-100%
	602,680,138	603,060,781	(380,643)	0%	578,083,644	24,977,137	4%
Less accumulated depreciation	(121,309,272)	(117,698,115)	(3,611,157)	3%	(115,645,895)	(2,052,220)	2%
Capital Assets, Net	$ 481,370,866	$ 485,362,666	$ (3,991,800)	-1%	$ 462,437,749	$ 22,924,917	5%

Capital asset events during the 2025-2026 fiscal year included the following:

- Improvements to Pleasant Valley Reactance Controls worth $547K
- Improvements to the Distribution system worth $7.63 million
- Purchase of new fleet vehicles worth $608K
- Retirement of multiple fleet vehicles worth $461K
- Sale of 10,872 acres for a gain on sale of roughly $108.5 million

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 at a cost of $9.81 million
- Purchase of 1,094 acres 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 District's 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, 2026, the District's long-term debt outstanding, net of current portion, totaled $207.9 million compared to $238.5 million for the fiscal year ended February 28, 2025. This $30.7 million decrease is attributable to the annual debt service payments on outstanding bond issuances in addition to the defeasance of the 2016A bond.

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 17, 2026, the Board of Directors approved the budget and rates for fiscal year 2026-2027 based upon a 20% allocation of CVP water. The budget totaled $217,130,100, an overall decrease of $12,620,000 million from the prior year.

The District collects fixed operations and maintenance charges through assessments of 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 methodology was adopted for a ten-year period and fiscal year 2025-2026 was the tenth and final year of existing benefit assessment. The District is in the process of renewing the benefit assessment and will complete an engineer's report, mail notices, and ballots to affected landowners, and hold a public hearing in accordance with Proposition 218 requirements. The public hearing and ballot tabulation are scheduled for December 15th, 2026. At this time, the District does not have plans to change the benefit assessment methodology and will continue to use the same assessment land categories: lands eligible for other water wand lands eligible for CVP allocation.

In addition to water rates and benefit assessments, the District collects separate land-based charges for certain property-related costs or obligations that are allocated to the lands or users associated with those costs. With the defeasance of the 2016A Bonds, the District Water Supply land-based charge is no longer collected. Other land-based charges continue to be collected, as applicable, to fund extraordinary pipe repair, USBR capital repayment, Sustainable Groundwater Management Act (SGMA) compliance, and Irrigated Lands Regulatory Program (ILRP) compliance. These charges are assessed based on the applicable land characteristics or landowner participation related to each charge.

A comparison of these rates between 2024-2025 and 2025-2026 is detailed below:

Land-Based Charges	2025-2026	2026-2027	Change
District Water Supply Rate – Pre-Merger	$ 2.10	$ 0.00	$ (2.10)
District Water Supply Rate – Merged	$ 4.88	$ 0.00	$ (4.88)
Extraordinary Pipe Repair	$ 2.91	$ 3.00	$ 0.09
USBR Capital Repayment Debt Service	$ 26.16	$ 12.66	$(13.50)
Sustainable Groundwater Mgmt. Act	$ 1.41	$ 2.50	$ 1.09
Westlands Water Quality Coalition	$ 2.81	$ 3.73	$ 1.12

The agricultural water rate for 2026-2027 is $178.59 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 $233.44 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, 2026 and 2025

	2026	2025 (as Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 344,562,371	$ 245,950,007
Receivables:		
Water and other users	10,220,203	8,069,454
Landowner assessments/land-based charges	476,760	681,955
Grants receivable	3,507,493	1,440,775
Interest receivable	80,095	44,927
Current portion of notes receivable	663,452	557,644
Supplies inventory	5,390,510	4,769,195
Banked water inventory	989,580	
Prepaid water and other current assets	22,978,508	30,450,073
Total current assets	388,868,972	291,964,030
Noncurrent assets:		
Restricted cash and cash equivalents	70,538,309	42,475,013
Restricted grants receivable - LandFlex program	335,960	1,378,432
Advances to water users	285,330	305,910
Deposits	50,305	126,399
Banked water inventory	11,099,874	12,089,454
Noncurrent portion of notes receivable	1,089,244	945,682
Restricted refund receivable held for Folsom Dam improvements	7,852,641	7,852,641
Prepaid expenses, net - debt insurance costs	2,947,862	3,289,927
Capital assets:		
Nondepreciable	380,458,795	389,805,598
Depreciable, net	100,912,071	95,557,068
Total capital assets, net	481,370,866	485,362,666
Total noncurrent assets	575,570,391	553,826,124
TOTAL ASSETS	964,439,363	845,790,154
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	92,662	98,453
Pension plan	5,059,890	6,747,048
Other postemployment benefits plan	8,675,469	2,285,380
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,828,021	9,130,881
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	9,125,164	10,862,986
Accounts payable - refunds to water users	12,162,816	19,883,107
Accrued interest payable	3,405,772	3,994,268
Unearned revenue	40,782,168	31,757,409
Current portion of long-term liabilities	7,390,089	10,236,158
Total current liabilities	72,866,009	76,733,928
Noncurrent liabilities:		
Noncurrent portion of long-term liabilities	207,870,158	238,548,816
Net pension liability	17,943,065	20,668,625
Net other postemployment benefits liability	9,046,271	2,620,032
Total noncurrent liabilities	234,859,494	261,837,473
TOTAL LIABILITIES	307,725,503	338,571,401
DEFERRED INFLOWS OF RESOURCES		
Debt refunding		753,730
Pension plan	3,218,284	1,191,136
Other postemployment benefits plan	1,429,001	1,486,958
TOTAL DEFERRED INFLOWS OF RESOURCES	4,647,285	3,431,824
NET POSITION		
Net investment in capital assets	292,670,437	263,785,297
Restricted:		
Restricted for specific purposes	78,726,910	51,706,086
Rate stabilization fund	31,700,000	31,700,000
Special purpose fund	16,842,000	16,842,000
Unrestricted	245,955,249	148,884,427
NET POSITION	$ 665,894,596	$ 512,917,810

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 Years Ended February 28, 2026 and 2025

		2025		
	2026	Water District Fund (as Restated)	Other Fund (as Restated)	Total
OPERATING REVENUES				
Irrigation water sales	$ 131,941,990	$ 126,612,570		$ 126,612,570
Municipal and industrial water sales	2,698,985	4,020,179		4,020,179
Land-based charges and assessments	23,911,722	23,573,884		23,573,884
Other operating revenues	601,563	1,981,333		1,981,333
TOTAL OPERATING REVENUES	159,154,260	156,187,966		156,187,966
OPERATING EXPENSES				
Purchased water	115,401,444	94,702,563		94,702,563
Pumping	643,053	661,376		661,376
Transmission and distribution	10,686,661	10,381,113		10,381,113
Customer accounts	3,408,230	3,216,135		3,216,135
General and administrative	27,508,741	26,828,951		26,828,951
Depreciation and amortization	4,064,096	3,626,296		3,626,296
Other operating expenses	306,834	334,882		334,882
TOTAL OPERATING EXPENSES	162,019,059	139,751,316		139,751,316
NET INCOME (LOSS) FROM OPERATIONS	(2,864,799)	16,436,650		16,436,650
NONOPERATING REVENUES (EXPENSES)				
Refund revenue	8,069,296	4,783,297		4,783,297
Grant income	917,213	2,628,756		2,628,756
District water supply	1,761,581	2,174,379		2,174,379
Other nonoperating revenues	25,950,844	19,334,067		19,334,067
Investment income	14,311,484	14,047,649		14,047,649
Gain on disposal of capital assets	108,521,917	17,604,616		17,604,616
Gain on refunding	4,698,094			
Refunds to water users	(2,236,035)	(5,871,681)		(5,871,681)
Interest expense	(7,470,161)	(8,262,026)		(8,262,026)
Other nonoperating expenses	(2,008,416)	(342,575)		(342,575)
TOTAL NONOPERATING REVENUE (EXPENSES)	152,515,817	46,096,482		46,096,482
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	149,651,018	62,533,132		62,533,132
CAPITAL CONTRIBUTIONS				
Capital contributions				
State	3,325,768	1,119,537		1,119,537
Federal		77,507		77,507
TOTAL CAPITAL CONTRIBUTIONS	3,325,768	1,197,044		1,197,044
CHANGE IN NET POSITION	152,976,786	63,730,176		63,730,176
Net position at beginning of year, as previously reported	512,917,810	447,692,748	$ 1,494,886	449,187,634
Restatement - change within reporting entity		1,494,886	(1,494,886)	
Net position at beginning of year, as restated	512,917,810	449,187,634		449,187,634
NET POSITION AT END OF YEAR	$ 665,894,596	$ 512,917,810	$ -	$ 512,917,810

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

WESTLANDS WATER DISTRICT

STATEMENT OF CASH FLOWS

For the Years Ended February 28, 2026 and 2025

	2026	2025 (as Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$ 166,423,478	$ 155,107,396
Cash paid for water purchases	(115,401,444)	(94,936,229)
Cash paid to suppliers for goods and services	(26,381,450)	(30,631,556)
Cash paid to employees for services	(17,539,166)	(14,067,339)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	7,101,418	15,472,272
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants	2,248,092	10,648,505
Proceeds from other nonoperating activities	31,537,270	20,077,487
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	33,785,362	30,725,992
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants	970,643	(1,831,624)
Interest payments on long-term liabilities	(13,589,329)	(8,845,023)
Principal payments on long-term liabilities	(28,767,095)	(9,276,726)
Debt refunding to net escrow	4,698,094	
Purchases of capital assets	(7,606,079)	(28,156,964)
Proceeds from disposal of capital assets	116,055,700	19,210,367
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	71,761,934	(28,899,970)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	14,276,316	14,043,580
Principal payments received on notes receivable	(249,370)	333,112
NET CASH PROVIDED BY INVESTING ACTIVITIES	14,026,946	14,376,692
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	126,675,660	31,674,986
Cash and cash equivalents, beginning of year	288,425,020	256,750,034
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 415,100,680	$ 288,425,020
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 344,562,371	$ 245,950,007
Restricted cash and cash equivalents	70,538,309	42,475,013
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 415,100,680	$ 288,425,020

WESTLANDS WATER DISTRICT

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended February 28, 2026 and 2025

	2026	2025 (as Restated)
RECONCILIATION OF NET INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net income (loss) from operations	$ (2,864,799)	$ 16,436,650
Adjustments to reconcile net income from operations to net cash provided (used) by operating activities:		
Depreciation and amortization	4,064,096	3,626,296
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Receivables:		
Water and other users	(2,150,749)	2,156,516
Refund receivable		2,286,942
Landowner assessments	205,195	(235,994)
Supplies inventory	(621,315)	80,101
Prepaid water and other current assets	7,471,565	(17,040,079)
Advances to water users	20,580	88,500
Deposits	76,094	356,954
Banked water inventory		(233,666)
Prepaid expenses, net - debt issuance costs	342,065	222,783
Pension and OPEB deferred outflows of resources	(4,702,931)	3,787,802
Accounts payable and accrued expenses	(1,737,822)	(5,009,387)
Accounts payable - refunds to water users	(7,720,291)	1,932,812
Unearned revenue	9,024,759	9,150,996
Compensated absences	25,101	12,245
Net pension and OPEB liabilities	3,700,679	(1,809,887)
Pension and OPEB deferred inflows of resources	1,969,191	(337,312)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 7,101,418	$ 15,472,272
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Change in unrealized gains/losses on investments	$ 605,497	$ 1,262,576

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

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 (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:

Contract	9(d) Contract Number	Effective Date
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.

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 fund:

> 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. As discussed in Note O, the District previously reported the Other Fund used to disclose the activities of a fishing club in Shasta County, California, which was combined with the Water District Fund as of March 1, 2024.

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 payables related to 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. The District's restricted net assets are discussed in Note G.

- *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: GASB requires the basic financial statements be supplemented 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.

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; and 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 years ended the last day of February 2026 and 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 have not been delivered to the user Payments received from water users for undelivered water with expenses reported as prepaid water are reported as unearned revenue until the water is delivered. Other current assets include prepaid insurance, employee benefits and bond debt service applicable to the next fiscal year.

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 the last day of February 2026 and 2025, the District had 71,564 and 73,300 acre-feet of shared groundwater credits.

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

Restricted Refund Receivable: The District received a refund from Reclamation for an overpayment made when the District repaid its capital obligation for the CVP as described in Note E. However, Reclamation withheld part of the refund and is holding it for future Folsom Dam improvements. The amount will be considered collected when applied to the District's share of Folsom Dam improvement costs.

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. 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.

Accounts Payable – Refunds to Water Users: Accounts payable – refunds to water users includes refunds of purchased water expenses from external parties that were approved to be refunded to water users by the Board of Directors as well as overpayments on water user accounts that are expected to be refunded.

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

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

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: Under GASB Statement No. 101, a liability for compensated absences is recognized for unused leave for services already rendered if the leave accumulates and is more likely than not to be used for time-off or otherwise paid in cash or settled through noncash means. The District's policy allows employees to accumulate annual leave, capped at 240 hours, and an unlimited amount of medical leave. Upon termination, employees will be paid their accrued annual leave at the employee's rate of pay upon separation. 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.

Lease and Subscription Liabilities: Lease and subscription-based technology arrangement (subscription) liabilities represent the District's obligation to make lease and subscription payments arising from lease agreements and subscription contracts. Liabilities are recognized at the lease and subscription commencement date based on the present value of future payments expected to be made during the lease and subscription terms. The payments are discounted at the rate inherent in the lease agreement or subscription contract or, if not determinable, at an estimated incremental borrowing rate. The District considers all lease agreements and subscription contracts to be immaterial to the financial statements and have not recognized lease or subscription assets or liabilities in the statement of net position.

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. The assessments were levied on May 16, with a lien date of May 16. The assessments were due on November 16. 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, and the second installment was due on September 25.

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 recorded as unearned revenue and 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.

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

New Accounting Pronouncements 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 were implemented during the year ended February 28, 2026 and had no effect on the District's financial statements.

New Accounting Pronouncements Not Yet Adopted

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 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.

Governmental Accounting Standards Board Statement No. 105: In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued, requires the date through which subsequent events have been evaluated to be disclosed and provides other disclosure requirements. The provisions of this Statement are effective for fiscal years beginning after June 15, 2026.

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 of the last day of February:

	2026	2025
Cash and cash equivalents	$344,562,371	$245,950,007
Restricted cash and cash equivalents	70,538,309	42,475,013
Total cash and cash equivalents	$415,100,680	$288,425,020

Cash and investments consisted of the following as of the last day of February:

	2026	2025
Cash on hand	$ 183	$ 175
Bank deposits	3,398,028	(4,992,134)
Total cash and deposits	3,398,211	(4,991,959)
Local Agency Investment Fund (LAIF)	6,706,152	6,446,270
Investment Trust of California (CalTRUST)	374,245,587	283,235,568
U.S. Treasury State and Local Government Series Securities (SLGS)	27,600,001	
Investments with fiscal agents - money market mutual funds	3,150,729	3,735,141
Total investments	411,702,469	293,416,979
Total cash and investments	$415,100,680	$288,425,020

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 the last day of February:

	2026		
Investment Type	Total	12 Months or Less	25 to 60 Months
Local Agency Investment Fund (LAIF)	$ 6,706,152	$ 6,706,152	
Investment Trust of California (CalTRUST)	374,245,587	302,928,549	$ 71,317,038
U.S. Treasury SLGS	27,600,001	27,600,001	
Investments with fiscal agent - money market mutual funds	3,150,729	3,150,729	
Total Investments	$ 411,702,469	$ 340,385,431	$ 71,317,038

	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	3,735,141	3,735,141	
Total Investments	$ 293,416,979	$ 225,495,560	$ 67,921,419

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 the last day of February:

NOTE B – CASH AND INVESTMENTS (Continued)

			2026			
		Minimum	Ratings as of Year-end			
Investment Type	Total	Rating	Aaa/AAA	AAf	AA-f	Not Rated
Local Agency Investment Fund (LAIF)	$ 6,706,152	N/A				$ 6,706,152
Investment Trust of California (CalTRUST)	374,245,587	AAA	$170,562,689	$ 132,365,860	$ 71,317,038	
U.S.Treasury SLGS	27,600,001	AAA	27,600,001			
Investments with fiscal agent:						
Money market mutual funds	3,150,729	(1)	3,150,729			
Total Investments	$411,702,469		$201,313,419	$ 132,365,860	$ 71,317,038	$ 6,706,152

			2025			
		Minimum	Ratings as of Year-end			
Investment Type	Total	Rating	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			
Total Investments	$293,416,979		$ 95,155,878	$ 123,893,412	$ 67,921,419	$ 6,446,270

(1) 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, other than investment pools, 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. As of the last day of February 2026, the District had deposits with a carrying amount of $3,398,028 and a balance in financial institutions of $4,749,581. Of the balance in financial institutions, $500,000 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. As of the last day of February 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 the last day of February 2026 and 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 258 days and 237 days as of the last day of February 2026 and 2025 respectively. 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 46, 292, and 861 days, respectively, as of the last day of February 2026 and 42, 303 and 854 days, respectively, as of the last day of February 2025.

NOTE B – CASH AND INVESTMENTS (Continued)

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. Money market mutual funds are at $1 net asset value per share. This type of investment trades daily and primarily invests in short-term U.S. Treasury and government agency securities and repurchase agreements collateralized by such securities. The District's investments in LAIF and CalTRUST are not categorized under the fair value hierarchy.

NOTE C – NOTES RECEIVABLE

Notes receivable consisted of a long-term note with Santa Clara Valley Water District and equipment notes as follows as of the last day of February:

	2026		
	Total	Current	Noncurrent
Irrigation equipment notes	$ 1,351,261	$ 466,527	$ 884,734
Note receivable from Santa Clara Valley Water District	401,435	196,925	204,510
Total notes receivable	$ 1,752,696	$ 663,452	$ 1,089,244

	2025		
	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 as of the last day of February:

	2026	2025
2026		$ 368,851
2027	$ 466,527	261,499
2028	435,286	222,650
2029	279,373	60,098
2030	170,075	
	$ 1,351,261	$ 913,098

NOTE C – NOTES RECEIVABLE (Continued)

As of the last day of February 2026 and 2025, the District had a note receivable from Santa Clara Valley Water District in the amount of $401,435 and $590,228, respectively, 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 $196,925 to $204,510 and remaining semi-annual interest payments range from $5,112 to $10,035, 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 as of the last day of February:

	2026	2025
Section 125 Trust account	$ 9,007	$ 2,422
LandFlex grant unspent funds	75,007	87,872
Bond Indenture Agreements – Series 2016A, principal and interest	4,601	546,661
Bond Indenture Agreements – Series 2020A, principal and interest	3,146,128	3,188,480
Bond Indenture Agreements - Series 2020A, unspent proceeds	905,325	868,529
Bond Indenture Agreements - Series 2020B, unspent proceeds	141,384	135,638
Land and Water Fund	66,256,857	37,645,411
Total	$70,538,309	$42,475,013

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

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 the last day of February 2026 and 2025, the District had $4,601 and $546,661, respectively, 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 the last day of February 2026 and 2025, the District had $3,146,128 and $3,188,480 held by the trustee for future principal and interest payments and $905,325 and $868,529 of unspent bond proceeds, respectively.

NOTE D – RESTRICTED CASH AND CASH EQUIVALENTS (Continued)

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 the last day of February 2026 and 2025, the District had $141,384 and $135,638, respectively, 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 purchased with debt proceeds under the land and entitlement acquisition program discussed in Note J. The original source of funds was proceeds of the 1999 and 2022 Installment Purchase Agreements, which were refunded by Revenue Certificates of Participation, Series 2005A. The 2005A Certificates were refunded by Refunding Revenue Bonds, Series 2016A. The Series 2016A Bonds were legally defeased with proceeds of land sales by depositing such proceeds into an escrow fund during the year ended February 28, 2026 and the Bonds will be fully paid on their call date of September 1, 2026. The proceeds from sales of land purchased with the proceeds of the bonds above are considered restricted for future land and water acquisitions or for the retirement of debt for five years after repayment of the 2016A Bonds. As of the last day of February 2026 and 2025, the balance of this fund, with interest earned, was $66,256,857 and $37,645,411, respectively.

NOTE E – CAPITAL ASSETS

The District's capital assets consisted of the following as of the last day of February:

	Balance at March 1, 2025 (As Restated)	Additions	Retirements	Transfers	Balance at February 28, 2026
Not depreciated:					
Land held for normal operations	$ 5,184,136				$ 5,184,136
Other land held	104,214,083		$ (7,420,206)		96,793,877
Water rights - CVP	267,739,715				267,739,715
Construction in progress	12,667,664	$ 6,253,512		$ (8,180,109)	10,741,067
Total capital assets, not being depreciated	389,805,598	6,253,512	(7,420,206)	(8,180,109)	380,458,795
Being depreciated/amortized:					
Land improvements	463,096	119,782			582,878
Distribution	189,272,465			8,180,109	197,452,574
Buildings	13,645,926	372,184	(17,766)		14,000,344
Furniture & fixtures/information system	2,922,136	132,861			3,054,997
Equipment	2,418,519	119,461	(87,608)		2,450,372
Autos/trucks	4,533,041	608,279	(461,142)		4,680,178
Total assets being depreciated/amortized	213,255,183	1,352,567	(566,516)	8,180,109	222,221,343
Less accumulated depreciation/amortization for:					
Land improvements	(78,193)	(44,301)			(122,494)
Distribution	(105,170,272)	(3,039,153)			(108,209,425)
Buildings	(6,278,756)	(412,144)	13,770		(6,677,130)
Furniture & fixtures/information system	(1,658,297)	(149,509)			(1,807,806)
Equipment	(1,664,672)	(117,075)	79,868		(1,701,879)
Autos/trucks	(2,847,925)	(301,914)	359,301		(2,790,538)
Total accumulated depreciation/amortization	(117,698,115)	(4,064,096)	452,939		(121,309,272)
Total capital assets being depreciated/amortized	95,557,068	(2,711,529)	(113,577)	8,180,109	100,912,071
Total capital assets, net	$ 485,362,666	$ 3,541,983	$ (7,533,783)	$ -	$ 481,370,866

NOTE E – CAPITAL ASSETS (Continued)

	Balance at March 1, 2024	Additions	Retirements	Transfers	Balance at February 28, 2025
Not depreciated:					
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	371,093,428	27,070,778	(1,387,392)	(6,971,216)	389,805,598
Being depreciated/amortized:					
Land improvements	13,702	177,827		271,567	463,096
Distribution	182,337,450	27,456		6,907,559	189,272,465
Buildings	12,694,639	218,979	(1,751,102)	2,483,410	13,645,926
Furniture & fixtures/information system	2,917,742	11,160	(6,766)		2,922,136
Equipment	2,231,723	147,575	(17,680)	56,901	2,418,519
Autos/trucks	4,024,784	503,189	(16,887)	21,955	4,533,041
Total Water District assets being depreciated/amortized	204,220,040	1,086,186	(1,792,435)	9,741,392	213,255,183
Total Fishing Club assets being depreciated	2,770,176			(2,770,176)	
Total assets being depreciated/amortized	206,990,216	1,086,186	(1,792,435)	6,971,216	213,255,183
Less accumulated depreciation/amortization for:					
Land improvements	(13,702)	(27,157)		(37,334)	(78,193)
Distribution	(102,457,689)	(2,712,583)			(105,170,272)
Buildings	(6,153,723)	(387,109)	1,544,819	(1,282,743)	(6,278,756)
Furniture & fixtures/information system	(1,525,832)	(139,231)	6,766		(1,658,297)
Equipment	(1,545,488)	(98,880)	6,104	(26,408)	(1,664,672)
Autos/trucks	(2,583,686)	(261,336)	16,387	(19,290)	(2,847,925)
Total Water District accumulated depreciation/amortization	(114,280,120)	(3,626,296)	1,574,076	(1,365,775)	(117,698,115)
Total Fishing Club accumulated depreciation	(1,365,775)			1,365,775	
Total accumulated depreciation/amortization	(115,645,895)	(3,626,296)	1,574,076		(117,698,115)
Total capital assets being depreciated/amortized	91,344,321	(2,540,110)	(218,359)	6,971,216	95,557,068
Total capital assets, net	$ 462,437,749	$ 24,530,668	$ (1,605,751)	$ -	$ 485,362,666

As discussed in Note O, the District closed the Other Fund into the Water District Fund in 2025. Capital assets of both funds were combined in the table above as a result.

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:

	2026	2025
Land held for normal operations	$ 5,184,136	$ 5,184,136
Other land held - water rights and other uses:		
Land held under land and water acquisition programs	55,705,745	63,125,951
McCloud River property	32,889,157	32,889,157
Yolo Ranch Property	7,601,241	7,601,241
Land held for future use	597,734	597,734
Total other land held	96,793,877	104,214,083
Total	$101,978,013	$109,398,219

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

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.

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

The activity of the District's long-term liabilities were as follows during the years ended the last day of February:

	Balance at March 1, 2025	Additions	Retirements	Balance at February 28, 2026	Current Portion
Private Placements:					
Refunding Revenue Bonds, Series 2016A	$ 22,345,000		$(22,345,000)		
Revenue Bonds, Series 2020A	197,990,000		(5,295,000)	$ 192,695,000	$ 5,380,000
Refunding Revenue Bonds, Series 2021B	22,200,748		(1,106,515)	21,094,233	1,118,948
Total bond principal, amortizing debt	242,535,748		(28,746,515)	213,789,233	6,498,948
Add premiums	4,782,733		(4,782,733)		
Total bonds	247,318,481		(33,529,248)	213,789,233	6,498,948
Water exchange payable	305,910		(20,580)	285,330	
Compensated absences	1,160,583	$ 25,101 *		1,185,684	891,141
Total long-term liabilities	$248,784,974	$ 25,101	$(33,549,828)	$ 215,260,247	$ 7,390,089

	Balance at March 1, 2024	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	251,723,974		(9,188,226)	242,535,748	9,106,515
Add premiums	5,193,011		(410,278)	4,782,733	
Total bonds	256,916,985		(9,598,504)	247,318,481	9,106,515
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	$258,459,683	$ 12,295	$ (9,687,004)	$ 248,784,974	$ 10,236,158

* 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

NOTE F – LONG-TERM LIABILITIES (Continued)

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 were due on September 1 from September 1, 2017 through September 1, 2036. Interest payments of $36,800 to $893,700 were 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%.

On January 12, 2026, the District used proceeds from land sales (e.g., existing resources) to advance refund $22,345,000 of outstanding Revenue Bonds, Series 2016A with interest rates ranging from 4% to 5%. The District purchased U.S. Treasury State and Local Government Securities and deposited them into an irrevocable trust with an escrow agent to provide for all future debt service payments on the Bonds. As a result, the Revenue Bonds, Series 2016A are considered to be defeased as of the last day of February 2026 and the liability for the Bonds has been removed from the statement of net position. The District obtained an economic gain (difference between the present values of the old debt service payments and cash used to refund the Bonds) of $450,949 due to the advance refunding.

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 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.

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, 2026, the total guarantees outstanding extended by the District (17.115% of 2021B Bonds future principal and interest payments due from other Financing Participants) were $5,331,325. 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, which are reduced as water is returned under the agreement. There are no scheduled payments due under the agreement. The agreement expires February 28, 2030.

NOTE F – LONG-TERM LIABILITIES (Continued)

Debt service requirements to maturity are as follows as of the last day of February 2026:

Years Ending Last Day of February	Principal	Interest	Total
2027	$ 6,498,948	$ 6,748,271	$ 13,247,219
2028	6,611,380	6,626,786	13,238,167
2029	6,742,102	6,488,641	13,230,742
2030	6,883,679	6,334,290	13,217,969
2031	7,044,400	6,167,684	13,212,083
2032-2036	38,071,424	27,869,938	65,941,362
2037-2041	44,112,438	21,593,631	65,706,069
2042-2046	45,479,864	13,819,532	59,299,395
2047-2051	52,345,000	5,033,646	57,378,646
	$ 213,789,233	$ 100,682,418	$ 314,471,651

Pledged Revenue: The District pledged future revenue from the operation of the District's water system to repay the Refunding Revenue Bonds, Series 2016A (advance refunded at February 28, 2026) 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, 2050 Total principal and interest remaining to be paid on the Bonds was $288,652,963 and $328,299,170 as of the last day of February 2026 and 2025, respectively. Total cash basis principal and interest paid on the Bonds was $15,458,016 and $10,471,516 during the years ended the last day of February 2026 and 2025, respectively. The total net water system operating revenues were $160,690,267 and $70,240,636 during the years ended the last day of February 2026 and 2025, respectively.

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 the last day of February, restricted and designated assets consisted of the following balances:

	2026	2025
Restricted for specific purposes	$ 78,726,910	$ 51,706,086
Rate Stabilization Fund	31,700,000	31,700,000
Special Purpose Fund	16,842,000	16,842,000
Total Restrictions	127,268,910	100,248,086
Operating Reserve	20,300,000	
General Reserve	7,500,000	7,671,191
Self-Insurance/Unemployment Reserves	100,000	54,838
O&M Reserves-Drought	14,357,778	12,273,947
O&M Reserves-Asset Replacement	5,778,054	4,940,519
Capital Fund	18,000,000	2,528,296
PWRPA Funds	962,264	471,905
Irrigation Equipment Loan Programs	5,217,800	5,696,943
Total Designations	72,215,896	33,637,639
Total Restrictions and Designations	$199,484,806	$133,885,725

NOTE G – NET POSITION RESTRICTIONS AND DESIGNATIONS (Continued)

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 million, $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.

Operating Reserve Fund: The Operating Reserve Fund is established to meet routine cash flow caused by unanticipated shortfalls in revenues or unanticipated expenses in excess of budgeted amounts. The policy has a target for the Operating Reserve Fund of 120 days of the following fiscal year's budgeted operating and maintenance expenses with a minimum of 90 days and a maximum 180 days. Non-cash amounts are excluded from the calculation of operating and maintenance expenses for the purpose of the calculation of amounts on deposit in this fund. The Operating Reserve Fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and unexpected decreases in revenues or unexpected increases in expenses. However, the Operating Reserve Fund balance may not be reduced below 90 days of budgeted operating and maintenance expenses without Board approval. If the balance in the Operating Reserve Fund falls below 90 days, the District's policy is to strive to restore the balance to a minimum of 90 days within one fiscal year. The target level of the Operating Reserve Fund will be reviewed by staff, the Finance & Administration Committee and the Board during the preparation and approval of the annual budget.

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.

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.

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%.

NOTE G – NET POSITION RESTRICTIONS AND DESIGNATIONS (Continued)

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.

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.

PWRPA Funds: P3 funds have been designated for the District's Automated Meter Infrastructure program.

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.

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, 2025 and 2025 Annual Valuation Report. Details of the benefits provided can be obtained in Appendix B of the funding valuation reports. 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.

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.

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

The Plan's provisions and benefits in effect as of the last day of February 2026 and 2025, are summarized as follows:

Hire date	Miscellaneous Plan First Tier (Prior to January 1, 2013)	PEPRA Miscellaneous Plan (On or after January 1, 2013)
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

Hire date	Miscellaneous Plan First Tier (Prior to January 1, 2013)	PEPRA Miscellaneous Plan (On or after January 1, 2013)
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%
March 1, 2025 to June 30, 2025	7.000%	7.750%
July 1, 2025 to February 28, 2026	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%
March 1, 2025 to June 30, 2025	12.52%	7.87%
July 1, 2025 to February 28, 2026	12.58%	7.96%
2025 Unfunded liability payment	$ 1,527,307	$ 11,825
2026 Unfunded liability payment	$ 1,821,674	$ 25,380

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 years ended the last day of February 2026 and 2025, the employer contributions to the Plan were $2,998,453 and $2,619,118, respectively.

Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources: As of the last day of February 2026 and 2025, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of $17,943,065 and $20,668,625, respectively.

The District's net pension liability was measured as the total pension liability, less the pension plans fiduciary net position. The net pension liability as of the last day of February 2026 and 2025 was measured as of June 30, 2025 and 2024, using an annual actuarial valuation as of June 30, 2024 and 2023, rolled forward to June 30, 2025 and 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 as of the last day of February:

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

Proportion - 2025	0.42734%
Proportion - 2026	0.44979%
Change - Increase (Decrease)	0.02245%
Proportion - 2024	0.41466%
Proportion - 2025	0.42734%
Change - Increase (Decrease)	0.01268%

For the years ended the last day of February, the District recognized a pension expense of $3,604,829 and $4,391,884, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions			$ 531,227	
Differences between actual and expected experience	$ 2,150,010		1,786,992	$ (69,727)
Differences between the employer's contributions and the employer's proportionate share of contributions		$ (790,390)		(1,121,409)
Change in employer's proportion	293,797		992,798	
Net differences between projected and actual earnings on plan investments		(2,427,894)	1,189,865	
Pension contributions subsequent to measurement date	2,616,083		2,246,166	
Total	$ 5,059,890	$ (3,218,284)	$ 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 as of the last day of February:

Year Ended Last Day of February	2026	2025
2026		$ 1,302,992
2027	$ 1,950,819	2,451,145
2028	(673,397)	(36,636)
2029	(1,125,071)	(407,755)
2030	(926,828)	
Total	$ (774,477)	$ 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, which was 3.8 years for the years ended the last day of February 2026 and 2025.

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

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).

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

	2026		2025	
Valuation Date	June 30, 2024		June 30, 2023	
Measurement Date	June 30, 2025		June 30, 2024	
Actuarial Cost Method	Entry-Age Normal Cost Method		Entry-Age Normal Cost Method	
Amortization Method	Level Percent of Payroll		Level Percent of Payroll	
Asset Valuation Method	Market Value		Market Value	
Actuarial Assumptions:				
Discount Rate	6.90%	(1)	6.90%	(1)
Inflation	2.30%		2.30%	
Projected Salary Increase	.2% - 7.64%	(2)	.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 each year 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, 2025 and 2024, measurement dates.

***Discount Rate*:** The discount rate used to measure the total pension liability was 6.90% as of the last day of February 2026 and 2025. 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.

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

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.

	2026	
Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)
Public Equity	37.0%	4.56%
Private Equity	17.0%	5.56%
Fixed Income	28.0%	2.53%
Real Assets	15.0%	3.30%
Private Debt	8.0%	4.93%
Strategic Leverage	-5.0%	1.40%
Total	100.0%	

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

	2025	
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:

	2026	2025
1% Decrease	5.90%	5.90%
Net Pension Liability	$ 31,264,521	$ 33,467,399
Current Discount Rate	6.90%	6.90%
Net Pension Liability	$ 17,943,065	$ 20,668,625
1% Increase	7.90%	7.90%
Net Pension Liability	$ 6,979,647	$ 10,133,353

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

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: As of the last day of February 2026 and 2025, the District's contributions payable to the Plan were $143,054 and $243,999, respectively.

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-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 years ended the last day of February 2026 and 2025, the PEMHCA required contribution for all plan members for the months within calendar years 2026, 2025 and 2024 were $162, $158 and $157, respectively. The maximum HRA monthly contribution for current retirees was:

Variable Benefit if Hired:	Retiree	Couple	Family
2025 Amounts:			
Prior to January 1, 2013	$ 928.18	$1,634.31	$2,041.99
January 1, 2013 and later	510.00	510.00	510.00
2026 Amounts:			
Prior to January 1, 2013	998.24	1,746.92	2,196.12
January 1, 2013 and later	510.00	510.00	510.00

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

Employees Covered by Benefit Terms: As of the last day of February, the following employees were covered by benefit terms:

	2026	2025
Active members	125	115
Retired members and beneficiaries	107	98
	232	213

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:

	2026	2025
Benefits paid outside of trust	$ 1,093,550	$ 889,987
Implicit benefits paid	207,498	205,860
Total OPEB contributions	$ 1,301,048	$ 1,095,847

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. 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:

	2026	2025
Valuation date	June 30, 2025	June 30, 2023
Measurement date	June 30, 2025	June 30, 2024
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Funding policy	ADC	ADC
Actuarial assumptions:		
Discount rate	6.40%	6.40%
Inflation	2.30%	2.30%
Salary increases	2.80%	2.80%
Investment rate of return	6.40%	6.40%
Mortality factors	Derived using CalPERS 2021 study	Derived using CalPERS 2021 study
Pre-retirement turnover	Derived using CalPERS 2021 study	Derived using CalPERS 2021 study
Participation rate	100% participation by eligible participants and 60% participation by spouses	100% participation by eligible participants and 60% participation by spouses
Healthcare cost trend rates	Pre-65: 8.76% for 2026 declining to 4.37% in 2074. Post-65: 6.38% for 2026 declining to 4.37% in 2074.	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.

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

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 of the June 30, 2025 and 2024 measurement dates, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

	2026		2025	
Investment Class	Target Allocation	Long-term Expected Real Rate of Return (1)	Target Allocation	Long-term Expected Real Rate of Return (1)
Global Equity	49.00%	6.80%	49.00%	6.80%
Fixed Income	23.00%	3.70%	23.00%	3.70%
Global REITs	20.00%	6.00%	5.00%	6.00%
TIPS	5.00%	2.80%	20.00%	2.80%
Commodities	3.00%	3.40%	3.00%	3.40%
Total	100.00%		100.00%	

(1) JPMorgan arithmetic Long-term Capital Market assumptions and expected inflation of 2.01%.

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: Changes in assumptions at the June 30, 2025 measurement date included a change to the Society of Actuaries recommended 2025 Getzen Model for medical cost trends, removing the post-65 implicit subsidy assumption and changing morbidity factors to CalPERS Risk Factors.

Changes in the Net OPEB Liability: The following tables show the changes in the net OPEB liability for the year ended the last day of February 2026 and 2025 respectively, computed as of the Plan's measurement date:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at February 28, 2025	$ 18,548,372	$ 15,928,340	$ 2,620,032
Changes for the year:			
Service cost	491,776		491,776
Interest on the total OPEB liability	1,181,388		1,181,388
Differences between expected and actual experience	5,134,427		5,134,427
Changes in assumptions	2,752,428		2,752,428
Contributions - employer		1,180,241	(1,180,241)
Net investment income		1,958,524	(1,958,524)
Benefit payments	(1,180,241)	(1,180,241)	
Administrative expenses		(4,985)	4,985
Net changes	8,379,778	1,953,539	6,426,239
Balance at February 28, 2026	$ 26,928,150	$ 17,881,879	$ 9,046,271

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)
Contributions - 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 expenses		(4,680)	4,680
Net changes	(172,746)	1,571,094	(1,743,840)
Balance at February 28, 2025	$ 18,548,372	$ 15,928,340	$ 2,620,032

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:

	1% Decrease	Current Discount Rate	1% Increase
2026 Net OPEB liability	$ 12,390,990	$ 9,046,271	$ 6,250,222
2025 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 higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
2026 Net OPEB liability	$ 6,094,529	$ 9,046,271	$ 12,665,230
2025 Net OPEB liability	495,116	2,620,032	5,223,137

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the years ended the last day of February, 2026 and 2025, the District recognized OPEB expense of $1,279,241 and $590,731 respectively. As of the last day of February 2026 and 2025, the District had deferred outflows and inflows of resources related to OPEB as follows:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 4,628,512		$ 260,456	$ (8,543)
Changes in assumptions	3,176,752	$ (941,700)	979,723	(1,478,415)
Net differences between projected and actual earnings on OPEB plan investments		(487,301)	295,803	
OPEB contributions subsequent to measurement date	870,205		749,398	
Total	$ 8,675,469	$ (1,429,001)	$ 2,285,380	$ (1,486,958)

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 recognized using straight-line amortization over the average future working lifetime of all active and retired participants, with the exception of investment gains and losses that are amortized over 5 years.

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

Year Ended Last Day of February	2026	2025
2025		$ (243,380)
2026	$ 1,260,934	397,209
2027	786,747	(76,980)
2028	823,943	(39,784)
2029	966,836	103,111
2030	982,780	
Thereafter	1,555,023	(91,152)
	$ 6,376,263	$ 49,024

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 13,978 acres of land and approximately 37,181 acre-feet of water rights at a total cost of $21,777,090.

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 1,443 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 3,838 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 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

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

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 11,044 acres of land and 29,378 acre-feet of rights to water at a cost of $20,149,295 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 33,309 acres of land and 88,602 acre-feet of rights to water has been acquired at a cost of $36,044,703.

In February and March 2005, the District acquired approximately 8,772 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.

In the 2025-2026 water year the District acquired 6,604 acres with 17,567 acre feet of water for a total of $16,279,301. This land was acquired through the Land and Water Acquisition fund using COP 2005A Bond proceeds.

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.

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

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

$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. In the 2023-24 fiscal year, 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.

In the 2024-25 fiscal year, through a direct solicitation and negotiation, the District purchased 5,349.36 acres, at a total purchase price of $53,662,774, which included associated rights to surface and groundwater.

Through these initiatives and agreements, the District has acquired approximately 234,516 acre-feet of rights to water at a total cost of $206,525,800. 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.

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:

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 "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 subsequently 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. In the *CNRA case,* the parties field a stipulated dismissal on December 23, 2025, which was approved by the court on December 30, 2025. This case is now closed without further liability to the District. In the *PCFFA* case, the parties filed a stipulated dismissal on December 17, 2025, which was approved by the court on December 18, 2025. While the plaintiffs have moved for attorneys' fees against Reclamation, the plaintiffs' motion clarifies that their request for fees is against Reclamation only. The District is therefore unlikely to face potential liability for attorneys' fees.

NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)

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. The District, 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 petition for writ of certiorari to the United States Supreme Court was denied on December 15, 2025. This case is now closed without further liability to the District.

Government Claims Act – Claims: The District resolved two previously reported 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 totaled $225,000 for damages related to lost crops, 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 the District pipe, which is contrary to the District regulations and may have contributed to the alleged pipeline failure. The District and Dalena Farms, Inc. resolved the claim and the claim is closed without further liability to the District.

Mr. Rogelio Gamez filed a late claim for damages against the District due to a pipeline failure that flooded a rental house and agricultural property. The claim for damages totals an estimated $500,000; however, the District has not received a detailed estimate. The District 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 did not complete the late claim application form by the October 1, 2025 deadline. This claim is therefore 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 the District against the United States, alleging the government's failure to provide drainage service to the District's service area constituted a breach of The District' 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

NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)

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.

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' 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. 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. The District 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 several settlement conferences were held since. The parties agreed to a settlement that will last at least through 2028, and on July 1, 2026 PG&E filed the Offer of Settlement. The comment period closed on July 31, with Trial Staff filing comments in support of the Offer of Settlement and recommending that the Commission approve it. It is expected that the Commission will approve the Offer of Settlement in the coming months. If adopted, the resulting 2026 rates for Secondary and Primary Voltage service would be reduced by 30% and 34%, respectively, and the 2025 Rate Year will be trued up with refunds to the District expected due to reductions in the rates for Secondary and Primary Voltage of 37% and 23%, respectively. At this time, however, 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.

NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)

Protests on Pending Surface Water Rights Applications: The District 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.

The District received protests on the Arroyo Pasajero Mutual Water Company (APMWC), State Water Contractors, and the California Department of Water Resources (DWR) related to the Panoche and Arroyo Pasajero applications. The District also received a protest from the Pleasant Valley Water District (PVWD) related to the Arroyo Pasajero application, related to alleged impacts to projects contemplated in its PVWD Groundwater Sustainability Plan. The District received protests on the Cantua Creek from APMWC and the California Department of Fish and Wildlife (CDFW).

The District's 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 the District cannot resolve the protests, the State Water Board may require an administrative hearing. Depending on the outcome of the hearing, the District 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: The District has two potential pending claims for monetary damages pursuant to the Government Claims Act (Gov. Code, § 810 et seq.).

Mr. Rick Yribarren filed a timely claim for crop loss and damages to agricultural land arising from two pipeline failures on November 16, 2025. The claim for damages totaled $10,830 for damages related to tree damage/loss, lost crop, degraded crop and harvest delays; however, the District did not receive a fully documented estimate. The District and Mr. Yribarren mutually agreed to extend the time for the District to act on the claim, so that additional information could be obtained and/or a proposed resolution could be reached. The District is waiting on final price documentation for the 2025 crop, expected on or about September 30, 2026, to decide next steps.

Mr. Sean Marsh filed an application for leave to present late claim for damages against the District due to an incident where Mr. Marsh was injured performing work for the Department of Water Resources near the District's property. The claim for damages estimated more than $10,000 in damages; however, the District never received a detailed estimate. On June 16, 2026, The District's Board of Directors rejected the claim as untimely because it was filed more than 6 months after the incident and the late filing was not due to mistake, inadvertence, surprise, or excusable neglect. The District provided Mr. Marsh with notice of the rejection. As of August 13, 2026, Mr. Marsh has not filed suit to challenge the Board's decision to reject the late claim. At this time, the ultimate resolution of the outstanding issues with the late claim application 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.

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: The District 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. 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.

NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)

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). The District, 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 the District's 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.

On June 30, 2025, the district court issued an order granting summary judgment in favor of Federal Defendants and Contractor Defendants, including the District, disposing of the NEPA and ESA claims. Plaintiffs appealed to the Ninth Circuit, which heard oral argument on May 22, 2026, and parties are currently waiting for the court to issue a decision.

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.

North Coast Rivers Alliance, et al. v. U.S. Department of Interior; Westlands Water District Intervenors, 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. The District 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.

On June 30, 2025, the District Court issued an order granting summary judgment in favor of Federal Defendants and Contractor Defendants, including the District, disposing of the NEPA claim in this case, as well as the Center for Biological Diversity case, described above. On March 26, 2026, the court issued an order granting summary judgment in favor of Federal Defendants and Contractor Defendants on the remaining WIIN Act claims related to contract validation.

Plaintiffs appealed the decision on April 15, 2026, to the Ninth Circuit where briefing is currently underway, with the plaintiffs' opening brief due July 31, 2026. Pending additional extensions to the schedule, oral argument will likely be set in early 2027.

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.

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 the District 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).

NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)

On December 29, 2022, the Court granted the District' 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, the District filed a Motion to Dismiss all of the Plaintiffs' claims related to the District's 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.

On May 4, 2026, the parties filed a joint status update at the court's request to address whether any pending claims had become moot or required supplemental briefing. As of the date of this update, the court had still not ruled or otherwise communicated further with the parties.

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. The District 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. Merits briefing is underway with trial set for late October 2026.

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. The District 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. The District' case has been coordinated with ten other cases challenging the amendments. The trial court issued a decision on March 15, 2024 rejecting all claims. The District filed a notice of appeal on May 10, 2024. Multiple other petitioners filed appeals as well.

The District and other parties filed opening briefs with the court of appeal on March 2, 2026 along with multiple other petitioner-appellants. The State's opposition brief is due on September 21, 2026 with an optional reply brief due 20 days after. There is currently no date set for oral argument.

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.

NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)

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.

Center for Biological Diversity et al v. U.S. Bureau of Reclamation et al., Eastern District of California case no. 2:26-cv-00671: This case involves allegations that Reclamation's operations of the Central Valley Project, in particular Shasta Reservoir, violates the terms of the 2024 Biological Opinions and therefore violates the Endangered Species Act. Plaintiffs filed suit against Reclamation on March 2, 2026. The District and other CVP and SWP water users filed motions to intervene, which the court granted on July 7, 2026. Plaintiffs filed a motion for temporary restraining order and preliminary injunction specifically related to Shasta Reservoir operations and carryover storage requirements. The court denied the motion for a temporary restraining order on July 9, 2026, and denied the motion for a preliminary injunction on August 3, 2026.

Reclamation will be preparing the administrative record, with the current deadline for production in September 2026. Briefing on the merits of the case is currently scheduled to begin in October and be completed some time in 2027.

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.

L.S. Power Eminent Domain Proceedings (LS Power Grid California, LLC v. Olivia M. Chaney, Westlands Water District, et al., Fresno County Superior Court Case No. 26CECG01238; LS Power Grid California, LLC v. Joesph O. Souza, Jr., Westlands Water District, et al., Fresno County Superior Court Case No. 26CU00873; LS Power Grid California, LLC v. William & Donna Souza, Westlands Water District, et al., Fresno County Superior Court Case No. 26CU00897; LS Power Grid California, LLC v. Sair Partnership 7, LLC, Westlands Water District, et al., Fresno County Superior Court Case No. 26CU00852; LS Power Grid California, LLC v. Procacci, Westlands Water District, et al., Fresno County Superior Court Case No. 26CU01405; and LS Power Grid California, LLC v. Luna Valley Land Holdings, LLC, Westlands Water District, et al., Fresno County Superior Court Case No. 26CU1426): L.S. Power filed multiple eminent domain cases against the District to condemn easements for electrical transmission infrastructure over real property or easements held by the District. These cases are in the earliest stage, with answers having just been filed in summer 2026.

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.

Westlands Water District vs. McCrometer, Inc. (Pre-Litigation): On March 10, 2026, the District, through its counsel, sent a demand letter to McCrometer, Inc. alleging that the District purchased McMag 3000 meters based upon McCrometer's representations that the meters would operate properly and accurately measure waterflow. Subsequently, the meters began registering a condition called "phantom flow" when no water was flowing through the pipes. The District investigated and attempted to cure the conditions, but now contends that the meters should never have been sold by McCrometer to the District. The District has demanded a full refund on the meters and expenses.

NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)

Since the date of the letter, the District and McCrometer have been in settlement discussions. To date, no litigation has been filed. However, if the matter is not resolved to the District's satisfaction, the District intends to proceed with litigation and vigorously pursue this matter. 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.

Westlands Water District vs. Load King (Pre-Litigation): On May 29, 2026, the District, through its counsel, sent a demand letter to Load King in connection with the District's revocation of purchase of a 2019 Peterbilt Crane. The District contends that the crane had substantial defects. The District has demanded the return of the crane, its repair and a refund on expenses.

Since the date of the letter, The District and Load King have had multiple settlement discussions. To date, no litigation has been filed. However, if the matter is not resolved to the District's satisfaction, District intends to proceed with litigation and vigorously pursue this matter. 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 District Customers: The District 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 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

NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)

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. The District 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. The District 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. The District will continue to monitor the proceeding and its financial impacts to the District's interests.

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 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 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'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. In June 2026, the grant term was extended by an additional three (3) years, with no change to the grant award amount, resulting in a revised grant end date of April 2027. As of the last day of February 2026 and 2025, the District incurred expenses of $809,263 under the grant.

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 the last day of February 2026 and 2025, the District incurred expenses of $1,059,583 under the grant. The grant was formally closed out in May 2025.

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 the last day of February 2026 and 2025, the District incurred expenses of $7,379,997 and $4,483,886, respectively, 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 the last day of February 2026 and 2025, the District incurred expenses of $497,424 and $148,388, respectively, under the grant.

NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)

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 the last day of February 2026 and 2025, the District incurred expenses of $5,400,000 and $1,619,108, respectively, 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 the last day of February 2026 and 2025, the District incurred expenses of $999,380 and $924,380, respectively, under the grant.

In May 2023, the District was awarded $1.5M from DWR to support the District's 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 the last day of February 2026 and 2025, the District incurred expenses of $606,680 and $195,530, respectively, 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 the last day of February 2026 and 2025, the District incurred expenses of $33,800 and $28,585, respectively, 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 the last day of February 2026 and 2025, the District incurred expenses of $108,316 and $13,391, respectively, under the grant.

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. During fiscal year 2026, the District entered into a contract and, as of last day of February 2026, had incurred $69,478 in expenses under the grant.

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.

In February 2026 the District was awarded $1.8 million to expand its Advanced Metering Infrastructure (AMI) Project. The project will include installation and upgrade of 1,603 meters throughout the District's distribution system to improve monitoring and near real time data. The grant period extends through December 2028. As of the last day of February 2026, the District has not incurred any expenses under the grant.

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.

Irrevocable Standby Letter of Credit: On September 2, 2020, the District established an Irrevocable Standby Letter of Credit (ISBLC) 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. Upon expiration of the Bank of the West ISBLC, the District obtained a new ISBLC through Citizens Business Bank for the same purpose and principal amount.

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 91,000 AF ("Investor share") going to a subset of six (6) SLDMWA members and 39,000 AF to Reclamation for Project uses ("CVP share"), which is non-reimbursable. Average annual yield of the Expansion Project is estimated at 53,000 AF, with the Investor share being 38,900 AF. 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

NOTE L – CONTINGENCIES AND COMMITMENTS (Continued)

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 and 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 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 2026.

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 private company 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/.

NOTE M – JOINT VENTURES (Continued)

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 6th Street – Los Banos, CA 93635 and its website is www.sldmwa.org.

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.

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 May 2026, Reclamation approved Central Valley Project 2026 water supply allocations for irrigation water service, and repayment contractors for south-of-Delta Contractors of 25% of the contract total.

Delta-Mendota Subsidence Correction Project – Advance Funding: On February 18, 2026, the District entered into an agreement with the San Luis & Delta-Mendota Water Authority (SLDMWA) to advance SLDMWA $4,100,000 at 4.35% over 5 years for Phase 1 of the Delta-Mendota Canal Subsidence Correction Project, which is anticipated to begin in 2027. The Board of Directors approved increasing the amount advanced to up to $11 million if necessary. Repayment of the advance is expected to be funded through grant proceeds from the California Department of Water Resources or other non-reimbursable funding sources received by SLDMWA. No advances were made under the agreement.

NOTE O – RESTATEMENT FOR CHANGE WITHIN REPORTING ENTITY

The Agency combined the Water District Fund and Other Fund with a restatement for a change within the reporting entity as of March 1, 2024 as follows:

	February 28, 2025 As Previously Reported	Change Within Reporting Entity	March 1, 2025 As Restated
Total assets:			
Water District Fund	$ 844,321,693	$ 1,610,761	$ 845,932,454
Other Fund	$ 1,610,761	$ (1,610,761)	$ -
Total liabilities:			
Water District Fund	$ 338,571,401	$ 142,300	$ 338,713,701
Other Fund	$ 142,300	$ (142,300)	$ -
Net position:			
Water District Fund	$ 447,692,748	$ 1,494,886	$ 449,187,634
Other Fund	$ 1,494,886	$ (1,494,886)	$ -
Change in net position:			
Water District Fund	$ 63,756,601	$ (26,425)	$ 63,730,176
Other Fund	$ (26,425)	$ 26,425	$ -

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Required Supplementary Information

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WESTLANDS WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended February 28, 2026

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

	February 28, 2026	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
Proportion of the Net Pension Liability	0.44979%	0.42734%	0.41466%	0.40397%	0.29833%	0.35103%	0.32294%	0.29461%	0.28770%	0.25690%
Proportionate Share of the Net Pension Liability	$ 17,943,065	$ 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
Covered Payroll - Plan Measurement Period	$ 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
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	169.56%	212.01%	221.26%	207.29%	62.17%	170.28%	148.50%	136.36%	145.42%	117.02%
Plan Fiduciary Net Position	$ 80,772,610	$ 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	81.82%	78.21%	77.60%	78.65%	93.23%	81.57%	83.37%	86.13%	84.32%	86.47%

Notes to Schedule:

Changes in benefit terms: None

Changes in assumptions:

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

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

	February 28, 2026	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
Contractually Required Contribution - Employer Fiscal Year (Actuarially Determined)	$ 2,998,453	$ 2,619,118	$ 2,182,083	$ 2,193,523	$ 1,959,529	$ 1,478,332	$ 1,207,884	$ 922,110	$ 761,503	$ 727,749
Contributions in Relation to the Actuarially Determined Contributions	(2,998,453)	(2,619,118)	(2,182,083)	(2,193,523)	(1,959,529)	(1,478,332)	(1,207,884)	(922,110)	(761,503)	(727,749)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll - Employer Fiscal Year	$ 11,493,942	$ 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
Contributions as a Percentage of Covered Payroll	26.09%	24.75%	22.38%	23.41%	21.49%	16.23%	-13.89%	10.59%	9.35%	9.33%

Notes to Schedule:

Contribution valuation date - June 30:	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting valuation date - June 30:	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Reporting measurement date - June 30:	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016

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%	2.30%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%
Salary Increases	Varies by entry age and service									
Investment rate of return and discount rate	6.80%	6.90%	6.90%	6.90%	7.00%	7.00%	7.25%	7.735%	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, 2026

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

Measurement date:	February 28, 2026	February 28, 2025	February 29, 2024	February 28, 2023	February 28, 2022	February 28, 2021	February 29, 2020	February 28, 2019
Total OPEB liability:								
Service cost	$ 491,776	$ 509,266	$ 345,770	$ 374,120	$ 320,376	$ 305,120	$ 355,304	$ 338,575
Interest on the total pension liability	1,181,388	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	5,134,427		190,572		314,465	34,675	(69,659)	(37,172)
Changes in assumptions	2,752,428	(804,721)	1,356,541		(1,792,248)		(1,129,795)	
Benefit payments	(1,180,241)	(1,001,506)	(879,476)	(870,652)	(798,939)	(812,883)	(845,878)	(712,680)
Net change in total OPEB liability	8,379,778	(172,746)	2,209,196	654,024	(752,367)	679,794	(498,390)	730,711
Total OPEB liability - beginning	18,548,372	18,721,118	16,511,922	15,857,898	16,610,265	15,930,471	16,428,861	15,698,150
Total OPEB liability - ending (a)	$ 26,928,150	$ 18,548,372	$ 18,721,118	$ 16,511,922	$ 15,857,898	$ 16,610,265	$ 15,930,471	$ 16,428,861
Plan fiduciary net position:								
Contributions - employer	$ 1,180,241	$ 1,001,506	$ 879,476	$ 870,652	$ 798,939	$ 1,012,883	$ 1,045,878	$ 1,242,680
Net investment income (loss)	1,958,524	1,575,774	866,524	(2,085,902)	3,361,308	416,596	681,308	755,696
Benefit payments	(1,180,241)	(1,001,506)	(879,476)	(870,652)	(798,939)	(812,883)	(845,878)	(712,680)
Administrative expenses	(4,985)	(4,680)	(3,920)	(3,947)	(4,627)	(5,767)	(2,329)	(5,213)
Net change in plan fiduciary net position	1,953,539	1,571,094	862,604	(2,089,849)	3,356,681	610,829	878,979	1,280,483
Plan fiduciary net position - beginning	15,928,340	14,357,246	13,494,642	15,584,491	12,227,810	11,616,981	10,738,002	9,457,519
Plan fiduciary net position - ending (b)	$ 17,881,879	$ 15,928,340	$ 14,357,246	$ 13,494,642	$ 15,584,491	$ 12,227,810	$ 11,616,981	$ 10,738,002
Net OPEB liability - ending (a)-(b)	$ 9,046,271	$ 2,620,032	$ 4,363,872	$ 3,017,280	$ 273,407	$ 4,382,455	$ 4,313,490	$ 5,690,859
Plan fiduciary net position as a percentage of the total OPEB liability	66.41%	85.87%	76.69%	81.73%	98.28%	73.62%	72.92%	65.36%
Covered-employee payroll - measurement period	$ 11,043,913	$ 10,494,491	$ 9,817,270	$ 9,196,129	$ 9,119,226	$ 8,666,512	$ 8,708,584	$ 8,142,270
Net OPEB liability as percentage of covered-employee payroll	81.91%	24.97%	44.45%	32.81%	3.00%	50.57%	49.53%	69.89%
Notes to schedule:								
Valuation date - June 30:	2025	2023	2023	2021	2021	2019	2019	2017
Measurement period - year ended June 30:	2025	2024	2023	2022	2021	2019	2019	2017

Benefit changes: None.

Changes in assumptions: .								
Changes in the discount rate	6.40%	6.40%	6.00%	6.00%	7.28%	7.28%	7.28%	7.28%
Changes in inflation	2.30%	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, 2026

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

	February 28, 2026	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	$ 1,138,768	$ 800,723	$ 778,913	$ 701,399	$ 679,321	$ 663,646	$ 849,176	$ 818,426
Contributions in relation to the actuarially determined contributions	(1,180,241)	(1,001,506)	(879,476)	(579,716)	(835,973)	(1,012,883)	(1,045,878)	(1,045,878)
Contribution deficiency (excess)	$ (41,473)	$ (200,783)	$ (100,563)	$ 121,683	$ (156,652)	$ (349,237)	$ (196,702)	$ (227,452)
Covered-employee payroll - measurement period	$ 11,043,913	$ 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	10.69%	9.54%	8.96%	6.30%	9.17%	11.69%	12.01%	12.85%

Notes to Schedule:

Valuation date - June 30:	2025	2023	2023	2021	2021	2019	2019	2017
Measurement period - year ended June 30:	2025	2024	2023	2022	2021	2019	2019	2017
Actuarial cost method						Entry age normal cost method		
Discount rate	6.40%	6.40%	6.00%	7.28%	7.28%	7.28%	7.28%	7.28%
Inflation	2.30%	2.30%	2.30%	2.01%	2.01%	2.01%	2.25%	2.25%
Salary increases	2.80%	2.80%	2.80%	3.25%	3.25%	3.25%	3.25%	3.25%
Investment rate of return	6.40%	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%	100%/60%
Healthcare cost trend rates								
Pre-65 - initial	8.76%	5.50%	5.50%	7.00%	7.00%	6.65%	5.39%	5.39%
Pre-65 - final	4.37%	4.00%	4.00%	4.00%	4.00%	5.00%	5.00%	5.00%
Post-65 - initial	6.38%	5.50%	5.50%	5.25%	5.25%	5.00%	5.00%	5.00%
Post-65 - final	4.37%	4.00%	4.00%	4.00%	4.00%	5.00%	5.00%	5.00%

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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STATISTICAL SECTION

Table of Contents

This part of the Annual Comprehensive Financial Report presents detailed information to aid in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial trends
These schedules contain trend information to help the reader understand how the District's financial performance has changed over time:

Revenue capacity
These schedules give information on the District's most significant local revenue sources:

Debt capacity
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future:

Demographic and economic information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place:

Operating information
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the City provides and the activities it performs:

Sources: Unless otherwise noted, the information in these schedules is derived from the audited financial statements for the relevant year.

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Westlands Water District

TABLE 1 - Net Position by Component - Last 10 Fiscal Years (Accrual Basis of Accounting)

Source: Westlands Water District

Component	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Net investment in capital assets	$110,394,451	$118,160,969	$119,604,393	$106,868,167	$140,544,642	$189,230,293	$195,292,618	$232,467,695	$263,785,297	$292,670,437
Restricted - For Specific Purposes	$10,672,344	$2,855,229	$4,636,034	$18,879,371	$15,015,701	$36,079,713	$36,037,030	$47,390,423	$51,706,086	$78,726,910
Restricted - Rate Stabilization Fund	$8,700,000	$8,700,000	$13,200,000	$13,200,000	$13,200,000	$13,200,000	$13,200,000	$21,700,000	$31,700,000	$31,700,000
Restricted - Special Purpose Fund	$16,900,000	$16,900,000	$16,842,000	$16,842,000	$16,842,000	$16,842,000	$16,842,000	$16,842,000	$16,842,000	$16,842,000
Unrestricted	$105,337,830	$123,191,502	$131,106,497	$163,814,891	$157,215,082	$117,407,925	$152,820,345	$130,787,516	$148,884,427	$245,955,249
Total Primary Government Net Position	$252,004,625	$269,807,700	$285,388,924	$319,604,429	$342,817,425	$372,759,931	$414,191,993	$449,187,634	$512,917,810	$665,894,596

Westlands Water District
TABLE 2 - Changes in Net Position - Last 10 Fiscal Years
Source: Westlands Water District

Fiscal Year	Operating Revenue	Operating Expenses	Operating Income/ (Loss)	Net Non-Operating Revenue	Income/(Loss) Before Capital Contributions & Prior Period Adjustments	Capital Contributions	Change in Net Position
2026	$ 159,154,260	$162,019,059	$ (2,864,799)	$ 152,515,817	$ 149,651,018	$ 3,325,768	$ 152,976,786
2025	$ 156,187,966	$139,751,316	$ 16,436,650	$ 46,096,482	$ 62,533,132	$ 1,197,044	$ 63,730,176
2024	$ 181,258,080	$188,309,648	$ (7,051,568)	$ 35,281,608	$ 28,230,040	$ 7,284,056	$ 35,514,096
2023	$ 183,429,334	$173,005,918	$ 10,423,416	$ 31,008,646	$ 41,432,062		$ 41,432,062
2022	$ 152,117,008	$140,443,076	$ 11,673,932	$ 18,268,572	$ 29,942,504		$ 29,942,504
2021	$ 164,675,550	$145,927,860	$ 18,747,690	$ 4,392,723	$ 23,140,413		$ 23,140,413
2020	$ 213,259,949	$200,723,799	$ 12,536,150	$ 21,679,355	$ 34,215,505		$ 34,215,505
2019	$ 190,442,820	$179,315,703	$ 11,127,117	$ 10,029,980	$ 21,157,097		$ 21,157,097
2018	$ 250,787,099	$237,891,077	$ 12,896,022	$ 4,907,053	$ 17,803,075		$ 17,803,075
2017	$ 208,593,239	$204,666,833	$ 3,926,406	$ 22,834,719	$ 26,761,125		$ 26,761,125

Notes
2019 - As restated for implementation of GASB No. 75, Other Postemployment Benefits Other than Pensions.
2021 - As restated correction of error.
2024 - As restated for implementation of GASB No. 101, Compensated Absences.

Westlands Water District

TABLE 3 - Revenues by Source - Last 10 Fiscal Years

Source: Westlands Water District

Fiscal Year	Water Sales	Land Based Charges and Assessments	Other Operating Revenues	Total Operating Revenues	Investment Income (Loss)	Other Non-Operating Revenues	Total Non-Operating Revenues	Total Noncapital Revenues
2026	$ 134,640,975	$ 23,911,722	$ 601,563	$ 159,154,260	$ 14,311,484	$ 149,918,945	$ 164,230,429	$ 323,384,689
2025	$ 130,632,749	$ 23,573,884	$ 1,981,333	$ 156,187,966	$ 14,047,649	$ 46,525,115	$ 60,572,764	$ 216,760,730
2024	$ 158,813,591	$ 21,959,581	$ 484,908	$ 181,258,080	$ 13,492,745	$ 46,064,817	$ 59,557,562	$ 240,815,642
2023	$ 159,239,757	$ 21,908,809	$ 2,280,768	$ 183,429,334	$ 959,273	$ 58,125,726	$ 59,084,999	$ 242,514,333
2022	$ 130,896,196	$ 20,943,897	$ 276,915	$ 152,117,008	$ (1,050,630)	$ 78,661,835	$ 77,611,205	$ 229,728,213
2021	$ 141,383,519	$ 22,940,650	$ 351,381	$ 164,675,550	$ 2,810,908	$ 13,684,882	$ 16,495,790	$ 181,171,340
2020	$ 192,364,692	$ 20,401,734	$ 524,867	$ 213,291,293	$ 5,059,842	$ 22,305,284	$ 27,365,126	$ 240,656,419
2019	$ 169,350,086	$ 20,531,892	$ 560,842	$ 190,442,820	$ 3,439,432	$ 12,596,464	$ 16,035,896	$ 206,478,716
2018	$ 230,777,193	$ 19,311,107	$ 698,799	$ 250,787,099	$ 1,317,232	$ 9,871,614	$ 11,188,846	$ 261,975,945
2017	$ 192,136,815	$ 15,924,608	$ 531,816	$ 208,593,239	$ 1,817,404	$ 29,288,983	$ 31,106,387	$ 239,699,626

Westlands Water District

TABLE 4 - Water Rates - Last 10 Fiscal Years

Source: Westlands Water District

Component	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	10 Yr Avg
Ag Water Rate	$262.63	$160.18	$211.21	$183.13	$241.98	$277.95	$288.06	$113.29	$136.61	$147.24	$202.23
M&I Water Rate	$391.86	$402.12	$499.05	$481.31	$544.74	$388.18	$432.37	$158.62	$182.43	$207.55	$368.82

[Note] Rates provided are final year end rates.

Westlands Water District

TABLE 5 - Assessment Rates - Last 10 Fiscal Years

Source: Westlands Water District

Land Use Category	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Eligible for CVP Allocation (Per Acre)		$36.50	$37.37	$38.26	$39.18	$40.12	$41.10	$42.10	$43.14	$44.20
Eligible for Other Water Supply (Per Acre)		$10.63	$10.88	$11.14	$11.41	$11.69	$11.97	$12.26	$12.56	$12.87
Per $100 of Assessed Value	$4.56									

[Note] Beginning in Fiscal Year 2017-2018 the District moved to a new Special Benefit Assessment methodology.

Westlands Water District

TABLE 6 - Land-Based Charges - Last 10 Fiscal Years

Source: Westlands Water District

Land Based Charge	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
District Water Supply Area 1	$10.98	$6.62	$6.30	$5.98	$7.36	$3.50	$4.16	$4.22	$2.44	$2.10
District Water Supply Area 2	$25.59	$15.43	$14.67	$13.93	$17.14	$8.10	$9.66	$9.82	$5.70	$4.88
Extraordinary Pipe Repair	$0.87	$0.73	$6.31	$4.63	$4.60	$0.42	$8.76		$16.13	$2.91
Drainage Service Area	$1.72	$1.75	$1.75	$1.75	$0.29	$6.41			$1.49	$1.49
Westlands Water Quality Coalition	$3.09	$2.15	$1.80	$1.82	$2.42	$2.92	$2.73	$2.63	$3.26	$2.61
Sustainable Groundwater Mgmt Act					$1.30	$1.31	$2.25	$2.99	$2.01	$1.41
USBR Capital Repayment Debt Svc						$12.85	$12.82	$13.04	$26.18	$26.16
Long-Term Water Supply	$8.50	$7.93								
O&M All Lands	$5.96	$5.62								
O&M Lands w/Allocation	$6.36	$6.00								
O&M Lands w/System	$3.49	$3.30								
O&M Lands w/Allocation & System	$18.36	$17.31								

Westlands Water District

TABLE 7 - Principal Property Assessment Payers - Current Year and Nine Years Ago

Source: Westlands Water District

Fiscal Year	Property Assessment Payer	Assessed ($000's)	% of Total Assessment	Fiscal Year	Property Assessment Payer	Assessed ($000's)	% of Total Assessment
2026	D&S&E LLC	688	3.3%	2017	WOOLF FAMILY TRUST NO 1	35	1.7%
2026	LEMOORE NAVAL AIR STATION	531	2.6%	2017	RE MUSTANG LANDCO LLC	29	1.4%
2026	MAVERICKS RANCH LLC	496	2.4%	2017	G3 FARMING TRUST	18	0.9%
2026	WOOLF FAMILY TRUST NO 1	482	2.3%	2017	THREE D TRUST	15	0.8%
2026	HARRIS FARMS INC	379	1.8%	2017	E G FARMING TRUST	10	0.5%
2026	SAGEBERRY FARMS LLC	330	1.6%	2017	UNION PACIFIC RAILROAD CO.	9	0.4%
2026	G3 FARMING TRUST	214	1.0%	2017	WESTLAKE ONE TRUST	9	0.4%
2026	BENGARD FARMING CO.	213	1.0%	2017	WOOLF CHILDREN'S TRUST	9	0.4%
2026	VERVE GREENS INC	212	1.0%	2017	CARDELLA-FUNDUS FARMS TRUST	9	0.4%
2026	CANTUA ORCHARDS LLC	203	1.0%	2017	PACIFIC GAS & ELECTRIC CO	8	0.4%

[Note] Beginning in Fiscal Year 2017-2018 the District moved to a new Special Benefit Assessment methodology.

Westlands Water District

TABLE 8 - Debt Coverage Ratios - Last 10 Fiscal Years

Source: Westlands Water District

Fiscal Year	Gross Revenues[1]	Operating Expenses[2]	Transfers to (from) Reserve Funds[3]	Net Revenue Available for Debt Service	Cash Basis Debt Service Payments	Coverage Ratio
2026	$321,406,866	$160,716,599		$160,690,267	$15,458,016	10.40x
2025	$216,695,823	$136,455,187	$10,000,000	$70,240,636	$10,471,516	6.71x
2024	$246,340,837	$185,516,657	$8,500,000	$52,324,180	$12,058,766	4.34x
2023	$246,858,428	$171,174,286		$75,684,142	$12,415,166	6.10x
2022	$235,339,713	$144,628,227		$90,711,486	$12,453,379	7.28x
2021	$180,458,752	$139,629,301		$40,829,451	$12,391,356	3.29x
2020	$239,035,140	$192,984,109		$46,051,031	$10,996,306	4.19x
2019	$206,290,332	$173,760,862	$4,500,000	$28,029,470	$11,304,599	2.48x
2018	$255,694,152	$230,528,910		$25,165,242	$13,579,621	1.85x
2017	$231,427,958	$197,317,356		$34,110,602	$11,104,450	3.07x

1. Revenues include operating revenues, nonoperating revenues and capital contributions other than noncash revenues (fair value adjustment on investments and gain on refunding).

2. Expenses include operating expenses and other nonoperating expenses, less depreciation and amortization, noncash pension and OPEB expenses, and GL 59300.

3. Transfers to the rate stabilization fund and special purpose fund are treated as expenses and withdrawls from these funds are treated as revenues in the debt service coverage ratio calculation.

Westlands Water District
TABLE 9 - Computation of Direct and Overlapping Debt

Source: California Municipal Statistics, Inc.

2025-26 Assessed Valuation: $4,643,934,223

	Total Debt	%	District's Share of
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	6/30/2026	Applicable (1)	Debt 6/30/26
West Hills Community College District	$8,495,000	28.63%	$2,431,694
West Hills Community College District School Facilities Improvement District No. 1	10,726,590	37.556	4,028,478
West Hills Community College District School Facilities Improvement District No. 2	12,946,860	35.365	4,578,657
West Hills Community College District School Facilities Improvement District No. 3	27,517,774	18.727	5,153,254
Coalinga/Huron Joint Unified School District	67,218,534	35.365	23,771,835
Firebaugh-Las Deltas Joint Unified School District	29,315,000	2.09	612,684
Golden Plains Unified School District	8,320,000	42.751	3,556,883
Mendota Unified School District	33,494,618	75.832	25,399,639
Reef Sunset Unified School District	32,844,152	20.441	6,713,673
Riverdale Joint Unified School District	23,767,997	39.685	9,432,330
Other Unified School Districts	230,305	4.451	10,251
Lemoore Union High School District	22,010,000	8.232	1,811,863
Westside School District	7,786,935	97.927	7,625,512
Corcoran Hospital District	10,841,034	3.877	420,307
Coalinga-Huron Recreation and Park District	14,400,000	35.533	5,116,752
Westlands Water District		**100**	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$100,663,812
OVERLAPPING GENERAL FUND DEBT:			
Fresno County General Fund and Pension Obligation Bonds	168,348,782	3.44%	5,791,198
Kings County General Fund Obligations	3,630,000	3.513	127,522
West Hills Community College District General Fund Obligations	10,305,000	28.625	2,949,806
Dos Palos -Oro Loma Joint Unified School District General Fund Obligations	1,879,709	4.451	83,666
Firebaugh-Las Deltas Unified School District Certificates of Participation	16,095,000	2.09	336,386
Golden Plains Unified School District General Fund Obligations	10,180,000	42.751	4,352,052
Reef-Sunset Unified School District General Fund Obligations	4,072,800	20.441	832,521
Lemoore Union High School District Certificates of Participation	2,557,000	8.232	210,492
City of Mendota General Fund Obligations	3,325,000	22.344	742,938
TOTAL OVERLAPPING GENERAL FUND DEBT			$15,426,581
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	$2,060,000	4.81%	$99,107
TOTAL DIRECT DEBT			
TOTAL OVERLAPPING DEBT			$116,189,500
COMBINED TOTAL DEBT			$116,189,500

(1) The percentage of overlapping debt applicable to the fire protection district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the fire protection district divided by the overlapping district's total taxable assessed value.

(2) Excludes tax revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratio to 2025-26 Assessed Valuation:

Direct Debt ($0)	**0.00%**
Total Direct and Overlapping Tax and Assessment Debt	2.17%
Combined Total Debt	2.50%

Westlands Water District

TABLE 10 - Crop Values - Most Recent 10 Fiscal Years With Data (000's)

Source: Westlands Water District

Rank	2015		2016		2017		2018		2019	
	CROP	$VALUE	CROP	$VALUE	CROP	$VALUE	CROP	$VALUE	CROP	$VALUE
1	Almonds	518,351	Almonds	476,537	Pistachios	224,258	Almonds	449,462	Almonds	534,703
2	Tomatoes (P)	263,127	Tomatoes (P)	207,843	Pistachios	224,258	Almonds	391,528	Pistachios	304,548
3	Garlic	114,431	Garlic	117,402	Tomatoes (P)	196,732	Garlic	260,916	Tomatoes (P)	239,790
4	Cantaloupes	78,992	Pistachios	114,612	Cotton (Pima)	88,023	Tomatoes (P)	238,980	Garlic	194,968
5	Pistachios	65,599	Cantaloupes	80,968	Garlic	82,778	Flowers	110,940	Cantaloupes	66,674
6	Tomatoes (F)	64,708	Tomatoes (F)	55,325	Cantaloupes	70,829	Onions (F)	101,068	Grapes (W)	66,588
7	Grapes (W)	55,153	Grapes (W)	44,994	Grapes (W)	67,764	Onions (D)	98,719	Garbanzo	65,026
8	Lettuce - Fall	45,472	Cotton (Pima)	43,064	Lettuce (S)	45,486	Cotton (Pima)	90,380	Cotton (Pima)	64,659
9	Tangerines	34,077	Lettuce - Fall	31,287	Garbanzo	43,782	Broccoli	81,686	Onions (F)	52,555
10	Other	313,058	Other	292,205	Other	384,574	Other	514,219	Other	373,170
	TOTAL	**1,552,969**		**1,464,237**		**1,653,687**		**2,286,226**		**1,962,681**

Rank	2020		2021		2022		2023		2024	
	CROP	$VALUE	CROP	$VALUE	CROP	$VALUE	CROP	$VALUE	CROP	$VALUE
1	Pistachios	445,031	Almonds	488,151	Pistachios	378,614	Pistachios	409,595	Pistachios	436,403
2	Almonds	439,542	Pistachios	362,230	Almonds	313,438	Tomatoes (P)	373,727	Almonds	334,757
3	Tomatoes (P)	229,190	Tomatoes (P)	205,835	Garlic	181,847	Almonds	226,593	Tomatoes (P)	284,374
4	Garlic	197,319	Garlic	178,396	Tomatoes (P)	175,906	Garlic	163,586	Garlic	159,674
5	Cantaloupes	64,884	Lettuce - Fall	83,689	Lettuce - Fall	84,573	Onions (F)	68,626	Onions (F)	124,054
6	Grapes (W)	51,389	Grapes (W)	62,121	Grapes (W)	59,841	Cantaloupes	57,030	Cantaloupes	83,434
7	Lettuce - Fall	49,695	Cantaloupes	51,412	Cantaloupes	54,700	Grapes (W)	54,577	Grapes (W)	50,283
8	Onions (F)	41,590	Grapes (R)	49,718	Grapes (R)	42,821	Grapes (R)	45,377	Lettuce - Fall	41,806
9	Tomatoes (F)	33,100	Garbanzo	44,912	Cotton (Pima)	40,735	Lettuce (S)	43,360	Onions (D)	38,255
10	Other	391,507	Other	320,007	Other	292,515	Other	365,219	Other	364,404
	TOTAL	**1,943,248**		**1,846,472**		**1,624,989**		**1,807,691**		**1,917,445**

(D) Dehydrated, (F) Fresh, (P) Processed, (R) Raisin, (S) Spring, (W) Wine

Westlands Water District

TABLE 11 - Demographic and Economic Statistics - Last 10 Calendar Years

Source: FRED Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, U.S. Census Bureau

Fiscal Year	Estimated Service Area Population	Fresno County Population	Kings County Population	Estimated Combined Personal Income	Per Capita Personal Income	Blended County Unemployment Rate	State Unemployment Rate
2026	10,264	1,063,413 *	158,494 *	$573,321,941	$55,857	9.0%	6.1%
2025	9,994	1,035,456	154,327	$541,989,526	$54,231	8.0%	5.3%
2024	9,984	1,033,698	154,913	$525,685,085	$52,651	7.9%	4.9%
2023	9,895	1,025,304	152,682	$483,493,516	$48,862	12.1%	4.0%
2022	9,835	1,017,870	152,987	$472,020,696	$47,993	9.7%	8.0%
2021	9,792	1,012,952	152,775	$462,197,233	$47,201	7.0%	15.1%
2020	9,764	1,009,563	152,844	$438,491,538	$44,908	7.9%	4.1%
2019	9,665	997,847	152,727	$382,098,722	$39,535	8.3%	4.5%
2018	9,597	991,298	151,221	$363,175,714	$37,842	8.9%	4.7%
2017	9,528	984,726	149,542	$357,408,754	$37,512	8.9%	5.4%

FRED Federal Reserve Economic Data, Federal Reserve Bank of St. Louis

District population is estimated to be 0.84% of the combined populations of Fresno and Kings Counties

*Estimated 2.7% increase per U.S. Census Bureau.

Westlands Water District

TABLE 12 - Jobs by NAICS Industry Sector

Source: U.S. Census Bureau

Industry	2017	2018	2019	2020	2021	2022	2023	2024*	2025*	2026*
Agriculture, Forestry, Fishing and Hunting	62.6%	56.9%	55.2%	50.3%	47.7%	40.8%	41.1%	41.1%	41.1%	41.1%
Accommodation and Food Services	12.1%	12.2%	13.4%	12.2%	10.4%	11.4%	11.3%	11.3%	11.3%	11.3%
Transportation and Warehousing	2.7%	3.5%	4.0%	6.2%	10.0%	9.9%	10.1%	10.1%	10.1%	10.1%
Manufacturing	4.1%	6.1%	5.9%	6.8%	7.8%	8.1%	8.7%	8.7%	8.7%	8.7%
Professional, Scientific, and Technical Services	2.3%	2.3%	2.2%	3.2%	3.4%	7.0%	7.2%	7.2%	7.2%	7.2%
Retail Trade	5.2%	5.0%	4.8%	5.4%	4.9%	5.2%	5.3%	5.3%	5.3%	5.3%
Wholesale Trade	2.9%	5.7%	5.6%	6.1%	4.9%	4.2%	4.7%	4.7%	4.7%	4.7%
Health Care and Social Assistance	2.9%	2.9%	2.8%	3.2%	3.1%	3.1%	3.6%	3.6%	3.6%	3.6%
Utilities	0.6%	0.7%	0.5%	0.6%	2.1%	2.2%	3.0%	3.0%	3.0%	3.0%
Real Estate and Rental and Leasing	2.5%	2.3%	2.7%	3.0%	2.8%	2.4%	2.3%	2.3%	2.3%	2.3%
Other	2.0%	2.4%	2.7%	3.1%	2.9%	5.8%	2.8%	2.8%	2.8%	2.8%

*(2023 Most Recent Data)

Westlands Water District

TABLE 13 - Number of Employees - Last 10 Fiscal Years

Source: Westlands Water District

Department	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
GENERAL MANAGEMENT	**18**	**16**	**15**	**15**	**15**	**15**	**17**	**17**	**15**	**16**
Executive Management	*5*	*5*	*5*	*4*	*4*	*4*	*4*	*4*	*4*	*4*
Public Affairs	*1*	*1*	*1*	*1*	*1*	*2*	*2*	*2*	*2*	*2*
Human Resources & Admininstration	*6*	*6*	*6*	*6*	*6*	*6*	*6*	*6*	*6*	*6*
Other Positions	*6*	*4*	*3*	*4*	*4*	*3*	*5*	*5*	*3*	*4*
RESOURCES	**11**	**12**	**13**	**12**	**12**	**9**	**10**	**10**	**10**	**10**
Dept. Management	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*
Dept. Supervisor(s)	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*
Other Positions	*9*	*10*	*11*	*10*	*10*	*7*	*8*	*8*	*8*	*8*
OPERATIONS & MAINTENANCE	**63**	**62**	**62**	**62**	**62**	**62**	**62**	**62**	**62**	**62**
Dept. Management	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*
Dept. Supervisor(s)	*5*	*5*	*5*	*5*	*5*	*5*	*5*	*5*	*5*	*4*
Dept. Senior(s)	*9*	*9*	*9*	*9*	*9*	*9*	*9*	*9*	*9*	*9*
Other Positions	*48*	*47*	*47*	*47*	*47*	*47*	*47*	*47*	*47*	*48*
FIELD ENGINEERING AND PLANNING	**6**	**6**	**6**	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Dept. Supervisor(s)	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*
Other Positions	*5*	*5*	*5*	*5*	*5*	*5*	*5*	*5*	*5*	*5*
FINANCE & ADMINISTRATION	**26**	**27**	**27**	**25**	**25**	**24**	**23**	**23**	**23**	**23**
Dept. Management	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*
Dept. Supervisor(s)	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*4*
Dept. Senior(s)	*2*	*2*	*2*	*2*	*2*	*2*	*2*	*2*	*2*	*2*
Other Positions	*19*	*20*	*20*	*18*	*18*	*17*	*16*	*16*	*16*	*16*
TOTAL POSITIONS	**124**	**123**	**123**	**120**	**120**	**116**	**118**	**118**	**116**	**117**

Westlands Water District

TABLE 14 - Capital Assets - Last 5 Fiscal Years

Source: Westlands Water District

Component	2022	2023	2024	2025	2026
Land	$ 5,054,534	$ 5,054,534	$ 5,756,382	$ 5,184,136	$ 5,184,136
Other Land Held	$ 99,395,446	$ 89,781,895	$ 96,889,595	$ 104,214,083	$ 96,793,877
Water Rights - CVP	$ 234,928,671	$ 242,968,369	$ 255,008,491	$ 267,739,715	$ 267,739,715
Construction in Progress	$ 12,426,755	$ 8,420,410	$ 13,438,960	$ 12,667,664	$ 10,741,067
Land Improvements	$ 17,561	$ 13,702	$ 13,702	$ 463,096	$ 582,878
Distribution System	$ 191,276,988	$ 181,513,098	$ 182,337,450	$ 189,272,464	$ 197,452,574
Buildings	$ 7,792,040	$ 7,612,425	$ 12,694,639	$ 13,645,926	$ 14,000,344
Furniture and Fixtures/Information Systems	$ 3,261,198	$ 2,860,412	$ 2,917,742	$ 2,922,137	$ 3,054,997
Equipment	$ 2,605,346	$ 1,983,751	$ 2,231,723	$ 2,418,519	$ 2,450,372
Autos/Trucks	$ 3,598,868	$ 3,581,817	$ 4,024,784	$ 4,533,041	$ 4,680,178
Fishing Club Assets	$ 2,547,609	$ 2,618,480	$ 2,770,176		
	$ 562,905,016	$ 546,408,893	$ 578,083,644	$ 603,060,781	$ 602,680,138
Less Accum Deprec	$ (110,145,947)	$ (112,181,817)	$ (115,645,895)	$ (117,698,115)	$ (121,309,272)
Capital Assets, net	$ 452,759,069	$ 434,227,076	$ 462,437,749	$ 485,362,666	$ 481,370,866

Notes

Years prior to 2022 were not available in the same format at time of report issuance. Years will be added prospectively until ten years are reported.

COMPLIANCE REPORT

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
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 Westlands Water District (the District) as of and for the year ended February 28, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 28, 2026.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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

August 28, 2026

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GOVERNANCE LETTER

To the Board of Directors
Westlands Water District
Fresno, California

We have audited the financial statements of Westlands Water District (the District) for the year ended February 28, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 4, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. The District did not implement any new accounting policies and the application of existing policies was not changed during 2026, with the exception of the decision to combine the Other Fund and the Water District Fund and report one enterprise fund during the year as described in Note O to the financial statements. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the fair value of investments, billing rates used for prepaid water and unearned revenue transactions, the determination of qualifying expenses used as the basis for grants receivable, depreciable lives of capital assets and the computation of the net other postemployment benefits and net pension liabilities and related deferred inflows and outflows of resources. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The net other postemployment benefits liability and net pension liability and related deferred inflows and outflows of resources were determined by actuarial valuations performed by licensed actuaries.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures related to long-term debt in Note F, the disclosures related to the pension plan in Note H, the disclosures related to the other postemployment benefits (OPEB) plan in Note I, the disclosures related to the land and rights to water acquisitions disclosed in Note J and the contingencies and commitments disclosed in Note L to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We posted 6 adjustments and closing entries during the audit, including the entry to record a gain on debt refunding, an entry to true-up the net investment in capital assets due to the gain on refunding closing entry and various reclassifications for reporting purposes.

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, the uncorrected misstatements are immaterial to the financial statements under audit.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 28, 2026.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to management discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions to the pension plan, schedule of changes in the net OPEB liability and related ratios and schedule of contributions to the OPEB plan, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

* * * * *

Restriction of Use

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Richardson & Company, LLP

August 28, 2026

WESTLANDS WATER DISTRICT
SUMMARY OF UNADJUSTED DIFFERENCES
YEAR ENDED FEBRUARY 28, 2026

Description (Nature) of Audit Difference	Financial Statement Effect - Amount of Overstatement (Understatement) of: Total Assets	Total Liabilities	Total Deferred Inflows	Net Position	Change in Net Position
To accrue land lease receivable under GASB No. 87.	$ (449,000)	$ -	$ (449,000)	$ -	$ -
Long-term subscription liabilities not accrued as required by GASB 96.	(147,712)	(193,689)	-	45,977	-
Restoration water unearned revenue overstated due to incorrect calculation.	-	745,044	-	745,044	(745,044)
Grant revenues for prior year expenditures submitted for reimbursement	-		-	(73,434)	73,434
Net Unadjusted Audit Differences	(596,712)	551,355	(449,000)	717,587	(671,610)
Financial Statement Caption Totals	$ 964,439,363	$ 307,725,503	$ 4,647,285	$ 665,894,596	$ 152,976,786
Net Audit Differences as % of Financial Statement Captions	-0.06%	0.18%	-9.66%	0.11%	-0.44%

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MANAGEMENT LETTER

To the Board of Directors and Management
Westlands Water District
Fresno, California

In planning and performing our audit of 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, 2026, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

The following additional matters have been included in this letter for your consideration:

Capital Assets

It would be helpful if the District ensures the Depreciation Expense Report includes all assets down to the individual asset or property level, including all land and water rights, to simplify the reconciliation to the general ledger. The District should also consider combining general ledger accounts similarly to the capital asset rollforward and note to the financial statements to simplify the reconciliation. The construction in progress detail should include the project description, contractor name, amount and date of each invoice to make it easier to compare to other balances, such as accounts payable to identify capital payables for the statement of cash flows. The use of one general ledger account for construction in process would also simplify the reconciliation. The District should also consider writing off assets below its capitalization threshold to reduce the size of its depreciation list.

The District has been using 61% for water rights and 39% for land for many years when splitting the total amount paid between water rights and land in the land and water acquisition program. The District should review that split to determine whether it is still reasonable based on recent activity in land sales without water rights compared to the market price of water rights.

We recommend the District complete a complete capital asset inventory to verify the accuracy of the capital asset detail list since a complete inventory has not been performed recently.

We recommend the District maintain a complete listing of parcels by assessor's parcel number, county, and purchase cost and source of funds that ties to the General Ledger and recommend using the same information on the summary of assets sold. Such a listing is necessary to ensure when sales occur, there is a summary showing what to remove to compute gains or losses and whether land sold was purchased with restricted debt proceeds.

Policies and Procedures

The District should consider approving a comprehensive capital asset policy that documents the definition of capital asset costs to capitalize, including internal costs to place into service, taxes, etc., a definition repairs and maintenance that should be expensed as incurred, useful lives of each type of asset, policies for approval of disposals and taking physical inventories of capital assets, etc. We understand a capital asset policy is in progress.

The District should consider approving a policy documenting specific employee expenses that are not allowed to be reimbursed by the District (i.e., traffic tickets while traveling on District business, alcohol with business meals, first class plane tickets, limits on meal reimbursements, etc.) to provide approvers specific criteria to use while approving these expenses. We understand an expense reimbursement policy is in progress.

Website

We recommend the District create a transparency page on its website where it should disclose or provide a link to a several years its approved budgets, audited financial statements, rate schedules, Proposition 218 hearing materials, board meeting agendas, full board minutes, board packages, strategic and financial plans, policies and procedures, organizational charts, job descriptions, salary schedules, current and historical water rates, information needed to understand how rates are determined, a link to the State Controller's Financial Transaction report and other important information.

* * * * *

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Richardson & Company, LLP

August 28, 2026

Westlands Water District

DATE: September 15, 2026

TO: Finance and Administration Committee

THROUGH: Allison Febbo, General Manager
Stephen Farmer, Chief Administrative Officer

FROM: Sherman Dix, Deputy General Manager - Finance and Administration

SUBJECT: Consider Pension Liability and Other Post Employment Benefits (OPEB) Actions

DISCUSSION:

The District's most recent Annual Comprehensive Financial Report identified approximately $17.9 million in net pension liability and approximately $9.0 million in net OPEB liability. While the District has made significant progress in prefunding retiree health benefits through the California Employers' Retiree Benefit Trust (CERBT), sizable pension costs and growing OPEB obligations highlight the need for a more formal long-term funding strategy. The purpose of this item is for the Finance and Administration Committee to consider OPEB prefunding as a means of maximizing potential investment returns on funds already designated for OPEB in the budget, and to provide an update on staff's ongoing evaluation of funding strategies to address the District's OPEB and pension liabilities.

<u>OPEB Prefunding</u>
Staff would annually prefund budgeted OPEB costs at the beginning of each fiscal year and pay retiree medical costs from trust assets rather than directly from operating revenues.

Rationale:
Staff recommends establishing a policy that annual budgeted OPEB costs be contributed to a prefunding trust at the beginning of each fiscal year. Retiree medical benefit costs would then be paid from trust assets as they are incurred. This approach maximizes investment earnings, will reduce reliance on operating revenues to fund retiree benefits overtime, and promotes a disciplined funding strategy.

<u>Other Updates</u>
Additionally, Staff is evaluating whether an independent Section 115 trust structure, administered outside of CalPERS, could provide investment or financial advantages for management of the District's pension and OPEB obligations. As part of that evaluation, staff will assess the potential benefits, costs, legal considerations, and implementation requirements associated with consolidating the District's existing CERBT assets into a non-CalPERS Section 115 trust that could accommodate both OPEB and pension stabilization assets. If the evaluation demonstrates meaningful financial and

administrative benefits to the District, staff will return to the Committee or Board with options and recommendations for further consideration.

PROPOSED MOTION:

1. Approve annually prefunding budgeted OPEB costs at the beginning of each fiscal year and pay retiree medical costs from trust assets.

RECOMMENDATION:

Approve Motion.

Attachment

None

Westlands Water District

DATE: September 15, 2026

TO: Finance and Administration Committee

THROUGH: Allison Febbo, General Manager
Stephen Farmer, Chief Administrative Officer

FROM: Sherman Dix, Deputy General Manager - Finance and Administration

SUBJECT: Consider Recommending Board Adopt a Revised Policy for Statement of Investment

DISCUSSION:

As part of Activity 5(f) of the District's Strategic Plan, staff has initiated a comprehensive review of District fiscal policies to improve operational efficiency, strengthen internal controls, and enhance transparency. Pursuant to Section 53646(a)(2) of the California Government Code, local agency investment policies must be reviewed annually and any modifications must be approved by the Board of Directors.

The District's Policy for Statement of Investment was originally adopted in 2007 and was last revised by the Board on September 15, 2020. On August 18, 2026, the District retained Meeder Public Funds, Inc. to serve as its investment advisor. Following a review of the current investment policy, Meeder provided recommendations intended to align the policy with current investment practices, regulatory requirements, and industry best practices for public agencies.

Based on that review, staff is recommending revision of the Policy for Statement of Investment, as presented in Attachment 1. The proposed revisions update authorized investments and applicable limits; establish diversification, credit-risk monitoring, portfolio maturity, safekeeping and custody, internal control, ethics, performance measurement, and reporting requirements; and clarify the use and oversight of qualified investment advisers and financial institutions. The revisions also clarify delegated authority by providing that references to the Treasurer under the policy include the Assistant Treasurer and any authorized designee, and reference Fair Political Practice Commission reporting requirements for public officials who manage public investments.

The revised policy is intended to modernize the District's investment framework, ensure continued compliance with applicable provisions of the California Government Code, clarify investment practices and responsibilities, and support prudent management of public funds while maintaining the primary investment objectives of safety, liquidity, and yield.

Staff recommends that the Committee recommend the Board adopt the revised Policy for Statement of Investment as presented in Attachment 1.

PROPOSED MOTION:

Recommend the Board of Directors adopt a Revised Policy for Statement of Investment

RECOMMENDATION:

Approve the proposed motion.

Attachment

1. Westlands Water District Policy for Statement of Investment (Revised – Redlined)
2. Westlands Water District Policy for Statement of Investment (Revised – Clean)

ATTACHMENT 1

ADOPTED: 04/16/07
REVISED: 09/15/26~~09/15/20~~

WESTLANDS WATER DISTRICT
POLICY FOR STATEMENT OF INVESTMENT

Board Policy No. 3

I. PURPOSE

This statement~~ is intended to provide a guideline ~~ establishes the policies and procedures for the prudent investment of operating funds, capital project funds~~temporary surplus cash~~, trust funds, restricted monies, bond proceeds and other funds under control of Westlands Water District (District) ~~and restricted monies~~ in accordance with California Government Code (CGC). The policy is intended to preserve principal, provide sufficient liquidity to meet the District's cash flow requirements, manage investment risks, and provide a market rate of return consistent with these objectives.~~and to outline a policy for maximizing the efficiency of the cash management system.~~

II. POLICY

The cash management system of Westlands Water District (District) will be maintained to accurately monitor and forecast expenditures and revenues, thus, ensuring the investment of monies to the fullest extent possible. As specified in the CGC Section 53600.5, the primary objectives, in priority order, of the District's investment activities shall be:

1. Safety of Principal - Investments shall be undertaken in a manner which first seeks to ensure the preservation of capital in the portfolio.

2. Liquidity - Investment portfolio will remain sufficiently liquid to meet all operating requirements reasonably anticipated.

3. Return - Achieve the highest rate of return on funds after first considering safety of principal and liquidity and the prudent investor standard.

The District will ~~maintain the level of invested~~seek to invest surplus funds, defined as those funds not required for immediate cash flow, together with trust funds, and restricted monies held by the Treasurer, to the extent prudent and consistent with anticipated liquidity needs~~as near to 100 percent as possible~~. Investments will be made in accordance with applicable provisions of CGC Sections 53600 through 53686, Sections 16429.1 through 16429.3, and other applicable law. The following restrictions apply:~~under the terms and conditions of Sections 53600-53686 and Section 16429.1 to 16429.3 of the CGC. Under this investment policy, the following specific conditions or restrictions apply:~~

4. Certificates of Deposit, savings accounts, and active bank accounts will be collateralized in accordance with existing law or regulation.

5. The investment portfolio will not be leveraged through the use of Reverse

Repurchase Agreements or other instruments, nor will investments be made in any derivative products.

III. DELEGATION OF AUTHORITY

Except as otherwise provided herein, the authority of the Board of Directors to invest or reinvest District funds and to deposit for safekeeping the securities evidencing such investments is delegated to the Treasurer. The Treasurer is responsible for implementing this policy, establishing procedures and internal controls, monitoring compliance, and providing required reports. The Treasurer may use qualified staff and may retain qualified investment advisers or managers as authorized by this policy. Any Designee that qualifies as a public official who manages public investments shall file an annual statement of economic (Form 700) pursuant to Section XIV of this policy. In exercising this authority, the Treasurer shall consult with the Chairman of the Finance & Administration Committee when appropriate or necessary. For purposes of this policy, references to the Treasurer include the Assistant Treasurer and any Designee authorized by the Treasurer or Assistant Treasurer to act under this policy.

IV. PRUDENT INVESTOR STANDARD

Pursuant to CGC Section 53600.3, all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the Prudent Investor Standard. The Treasurer, and members of the Board of Directors so involved, who in their capacity are authorized to make investment decisions on behalf of the District, are trustees and, therefore, fiduciaries subject to the Prudent Investor Standard. These persons must act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aim, to safeguard the principal and maintain the liquidity needs of the agency when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing funds.

The Treasurer and members of the Board of Directors, acting in accordance with this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or~~of~~ market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The investment portfolio shall be managed as a whole and not solely on the performance or risk of an individual security.

V. AUTHORIZED INVESTMENTS AND LIMITS

The following instruments are authorized for investment of District funds:

1. U.S. Treasury Bills and Notes, for which the full faith and credit of the United States are pledged for the payment of principal and interest. There is no limit on the total dollar amount that may be invested in these instruments.

2. Instruments of or issued by, or fully guaranteed as to principal and interest by, a federal agency or a U.S. government-sponsored enterprise, such as obligations issued by the Federal Farm Credit Banks, Federal Home Loan Banks, or Federal National Mortgage Association. There is no limit on the total dollar amount that may be invested in these instruments.

3. Investment-grade rated registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority thereof. There is no limit on the total dollar amount that may be invested in this category.

4. Bonds, notes, warrants, or other evidences of indebtedness of any investment-grade rated local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority thereof. There is no limit on the total dollar amount that may be invested in these instruments.

5. Non-Negotiable Certificates of Deposit may be placed with federally or state-chartered banks, savings associations, or other financial institutions authorized under applicable California law. Deposits shall be insured or collateralized in accordance with ~~California Government Code~~CGC Sections 53651 and 53652 and other applicable requirements. Investments shall be made only with institutions determined to be financially sound and that meet applicable regulatory requirements. Investments with any one institution shall not exceed 20 percent of the District's total funds available for investment, and aggregate investments in this category shall not exceed 50 percent. In the event percentages are exceeded due to disbursements or withdrawals from the investment pool, these will not be considered violations and the Treasurer shall reestablish these limits at the earliest convenient date.~~Non-negotiable Time Certificates of Deposit (CDs) issued by a federally or state-chartered bank or savings and loan. These require full collateralization with government securities (110 percent) or mortgages (150 percent) in accordance with CGC Sections 53651 and 53652. Waiver of Security on deposits covered by FDIC or FSLIC insurance (up to $250,000) will require Treasurer approval. Investments in this category will be limited to those banking institutions which receive an overall rating of not less than "satisfactory" from the appropriate federal supervisory agency for meeting the criteria specified in Section 2906 of Title 12 of the U.S. Code (Community Reinvestment Act of 1977). Investments with qualified institutions shall be equally distributed, providing yield is comparable. Investments with any one type of institution, bank, or savings and loan, shall not exceed 50 percent of the District's total available funds and investments with any one~~

~~institution shall not exceed 20 percent of the District's total available funds. In the event percentages are exceeded due to disbursements of pool, these will not be considered violations and the Treasurer shall reestablish these limits at the earliest convenient date.~~

6. Negotiable Certificates of Deposit issued by eligible institutions in accordance with CGC Section 53601(i). Purchases shall not exceed 30 percent of the District's moneys available for investment and shall comply with all applicable statutory requirements.

~~6.~~7. Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization (NRSRO) in accordance with CGC Section 53601(h). Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of $500,000,000 and having an A or its equivalent or higher, by an NRSRO, rating on debt other than commercial paper. Purchases of eligible Commercial paper may not exceed ~~270~~ 397 days' maturity nor exceed 40 percent of the District's surplus funds. No more than 5~~10~~ percent of the District's total ~~portfolio~~investment assets ~~shall~~may be invested in commercial paper and medium-term notes of any ~~one~~single issuer.

~~7. Bills of Exchange or Time Drafts drawn on and accepted by a commercial bank, otherwise known as Bankers Acceptances. Purchases of Bankers Acceptances may not exceed 180 days' maturity nor exceed 40 percent of the District's surplus funds. However, no more than 30 percent of the agency's surplus funds may be invested in the bankers' acceptances of any one commercial bank.~~

8. Medium-term notes, as defined by CGC Section 53601(k) ~~as all corporate and depository institution debt securities~~ with a maximum remaining maturity of five years or less and rated in a rating category of "A" or its equivalent or better by an NRSRO, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.~~, rated "A" or better by a NRSRO. Purchases of medium-term notes may not exceed 30 percent of the District's surplus funds~~ Purchases of medium-term notes shall not exceed 30 percent of the District's moneys available for investment. No more than 5 percent of the District's total investment assets may be invested in the commercial paper and medium-term notes of any single issuer.

9. Mortgage pass-through securities, collateralized mortgage obligations, and other asset-backed securities authorized by CGC Section 53601(o), with a maximum remaining maturity of five years or less, rated in a rating category of "AA" or its equivalent or better by an NRSRO, and limited in aggregate to 20 percent of the District's surplus moneys available for

investment.

~~8.~~10. United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, as authorized by CGC Section 53601(q). Such obligations shall have a maximum remaining maturity of five years or less, be rated in a rating category of "AA" or its equivalent or better by an NRSRO, and shall not exceed 30 percent of the District's moneys available for investment.

~~9.~~11. Repurchase Agreements secured only by U.S. Treasur~~ies~~y Obligations. A Repurchase Agreement is a purchase of securities pursuant to an agreement by the seller to repurchase the securities from the District at a specified date. Repurchase Agreements shall not exceed 7 days in maturity, shall be collateralized and held in accordance with applicable law and written agreement, and must comply with CGC Section 53601(j)~~and must be purchased in accordance with CGC Section 53601 (j).~~

~~10.~~12. Shares of beneficial interest issued by diversified management companies including qualifying mutual funds and money market mutual funds registered with the ~~that are money market funds registered with the~~ Securities and Exchange Commission under the Investment Company Act of 1940. Investments shall satisfy the quality, experience, portfolio composition, and other requirements of CGC Section 53601(l). The purchase price of shares of beneficial interest purchased shall not exceed 20 percent of the District's moneys available for investment, subject to any more restrictive statutory sub-limits.~~surplus funds and must be purchased in accordance with CGC Section 53601 (l).~~

~~11.~~13. Funds may be deposited, to the extent permitted by law and as conditions dictate, in the State of California Local Agency Investment Fund (LAIF) in accordance with CGC Section 16429.1~~ of the CGC~~.

~~12.~~14. Funds may be deposited, to the extent permitted by law and as conditions dictate, in a county treasury for the purpose of investment by the county treasurer in accordance with CGC Section 53684~~ of the CGC~~.

~~13.~~15. Shares of beneficial interest issued by a joint powers authority organized pursuant to CGC Section 6509.7 that invests in the securities and obligations authorized in CGC Section 53601~~ of the CGC~~.

~~14.~~16. Bond proceeds may be invested in accordance with ~~the~~ applicable CGC provisions, or they may be invested in alternative vehicles if authorized by bond documents (CGC 53635.2 and California Debt and Investment Advisory Commission (CDIAC) Local Agency Investment Guidelines). Investment of bond proceeds shall consider the anticipated draw schedule, required liquidity, arbitrage and rebate requirements, permitted investments under the governing bond documents, and the objective of obtaining fair market value consistent with applicable requirements.

VI. ~~VI.~~ DIVERSIFICATION

Investment of District funds shall be diversified by security type issuer, maturity, and financial institution to reduce credit, concentration, liquidity, and market risk. The portfolio shall comply with the percentage limitations established by this policy and applicable law at the time of purchase. Except where a different limit is expressly stated in this policy or applicable law, exposure to a single issuer shall be limited to 5 percent of the portfolio. U.S. Treasury obligations, federal agency/government-sponsored enterprise (GSE) obligations, LAIF, county pools, and qualifying joint powers authority investment pools are exempt from this issuer guideline.~~and institution.~~

VII. RISK MANAGEMENT

The Treasurer or investment adviser shall monitor credit ratings and material credit developments affecting portfolio holdings. If a security is downgraded below the minimum rating required at the time of purchase, the security shall be evaluated and an appropriate course of action determined based on safety, liquidity, market conditions, and the District's best interests. A downgrade below the minimum purchase rating shall not, by itself, require an immediate sale unless required by law.

~~VII.~~VIII. MAXIMUM MATURITIES

The maximum authorized term of maturity shall be 5 years unless ~~authorized by~~ the Board of Directors has granted express authority for a longer maturity in accordance with applicable law. ~~; provided, t~~The weighted-average maturity of all investments shall be 36 months or less. Maturities shall be structured to provide sufficient liquidity to meet reasonably anticipated operating and capital cash flow requirements.

~~VIII.~~IX. INVESTMENT MANAGEMENT AGREEMENT

Upon recommendation of the Treasurer, and approval by the Board of Directors' Finance & Administration Committee, the Treasurer may enter into an investment management agreement with a bank or qualified investment manager to invest a portion of the District's funds pursuant to this or a similar investment policy. Any adviser exercising investment discretion shall be appropriately registered, possess demonstrated experience managing public funds, acknowledge receipt of this policy, and manage the portfolio in compliance with this policy and applicable law.

~~IX.~~X. SAFEKEEPING AND CUSTODY

All securities shall be held in the District's name by an independent third-party custodian or trust department under a written custodial agreement, except investments for which alternative custody is permitted by law. Securities transactions shall be conducted on a delivery-versus-payment basis. The safekeeping/custody function shall be independent of the investment transaction function to the extent practicable, and custodial records shall be reconciled to the District's investment records. Collateral for Repurchase Agreements shall be held by an independent third-party custodian pursuant to the applicable written or tri-party agreement. ~~Investments, excluding Non-negotiable Certificates of Deposit, Repurchase Agreements and investments under the management of contracted parties, will be held in custody with the District's primary service bank or its correspondent bank, or other qualified institutions. Investments in Repurchase Agreements will be held in custody by the custodian to the tri-party agreement.~~

XI. INTERNAL CONTROLS

The Treasurer shall establish and maintain internal controls designed to safeguard public funds. Controls should include, as appropriate, separation of transaction authority from accounting and custody functions, transaction confirmations, reconciliation of investment and custodial records, controls over wire transfers, and periodic independent review of the investment program.

~~X.~~XII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

All non-negotiable ~~Time~~ Certificates of Deposit will be purchased directly from the institution receiving the deposit. All other authorized instruments will be purchased through the District's primary service bank, and other qualified financial institutions or broker/dealers upon approval of the Finance & Administration Committee. Institutions, broker/dealers, and investment advisers shall be subject to appropriate due diligence, qualification standards, and periodic review. Investment professionals shall be provided a copy of this policy and, as appropriate, acknowledge their responsibility to transact within its parameters. Competitive market information or quotations should be obtained when practical and consistent with best execution.

~~XI.~~XIII. ACCOUNTING RECORDS

Accounts shall be established and maintained in the District's accounting records to record surplus, restricted and trust funds invested at all times in accordance with the State Controller's chart of accounts as authorized by Section 53891 of the CGC.

~~XII.~~XIV. ETHICS AND CONFLICT OF INTEREST

The Treasurer and designees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. The Treasurer and designees shall disclose any personal financial interests that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Under GCG 87500(a)(2)(O), any public official who manages public investments must annually file a statement of economic interest (Form 700) with the Fair Political Practices Commission (FPPC) under applicable law, FPPC regulations, and District's Conflict of Interest Code.

XV. PERFORMANCE MEASUREMENT

Investment performance shall be evaluated in the context of the District's objectives of safety, liquidity, and return. Portfolio performance shall be compared over appropriate periods to a market benchmark or reference rate consistent with the portfolio's duration, risk characteristics, and investment constraints.

~~XIII.~~XVI. INVESTMENT POLICY REVIEW AND REPORTING

This investment policy shall be reviewed at least annually and any changes shall be presented to the Board of Directors for review and approval in accordance with applicable law. The Treasurer shall provide the Board of Directors a monthly investment report consistent with CGC Section 53646 and this policy. Reports should include, as applicable, investment type, issuer, maturity date, par value, book value, market value, credit quality, yield, portfolio diversification, transactions, and a statement of compliance with this policy. The report shall also address the District's ability to meet anticipated expenditure requirements for the period required by law. Market values shall be obtained from a reputable source independent of the transaction and reported at least quarterly.~~Any change to this investment policy will be reviewed and approved by the Board of Directors in accordance with Section 53646(a)(2) of the CGC. The Treasurer shall render a monthly report to the Board of Directors showing all investments in accordance with Section 53646(b) of the CGC.~~

ATTACHMENT 2

ADOPTED: 04/16/07
REVISED: 09/15/26

WESTLANDS WATER DISTRICT
POLICY FOR STATEMENT OF INVESTMENT

Board Policy No. 3

I. PURPOSE

This statement establishes the policies and procedures for the prudent investment of operating funds, capital project funds, trust funds, restricted monies, bond proceeds and other funds under control of Westlands Water District (District) in accordance with California Government Code (CGC). The policy is intended to preserve principal, provide sufficient liquidity to meet the District's cash flow requirements, manage investment risks, and provide a market rate of return consistent with these objectives.

II. POLICY

The cash management system of Westlands Water District (District) will be maintained to accurately monitor and forecast expenditures and revenues, thus ensuring the investment of monies to the fullest extent possible. As specified in the CGC Section 53600.5, the primary objectives, in priority order, of the District's investment activities shall be:

1. Safety of Principal - Investments shall be undertaken in a manner which first seeks to ensure the preservation of capital in the portfolio.

2. Liquidity - Investment portfolio will remain sufficiently liquid to meet all operating requirements reasonably anticipated.

3. Return - Achieve the highest rate of return on funds after first considering safety of principal and liquidity and the prudent investor standard.

The District will seek to invest surplus funds, defined as those funds not required for immediate cash flow, together with trust funds, and restricted monies held by the Treasurer, to the extent prudent and consistent with anticipated liquidity needs. Investments will be made in accordance with applicable provisions of CGC Sections 53600 through 53686, Sections 16429.1 through 16429.3, and other applicable law. The following restrictions apply:

4. Certificates of Deposit, savings accounts, and active bank accounts will be collateralized in accordance with existing law or regulation.

5. The investment portfolio will not be leveraged through the use of Reverse Repurchase Agreements or other instruments, nor will investments be made in any derivative products.

III. DELEGATION OF AUTHORITY

Except as otherwise provided herein, the authority of the Board of Directors to invest or reinvest District funds and to deposit for safekeeping the securities evidencing such investments is delegated to the Treasurer. The Treasurer is responsible for implementing this policy, establishing procedures and internal controls, monitoring compliance, and providing required reports. The Treasurer may use qualified staff and may retain qualified investment advisers or managers as authorized by this policy. Any Designee that qualifies as a public official who manages public investments shall file an annual statement of economic (Form 700) pursuant to Section XIV of this policy. In exercising this authority, the Treasurer shall consult with the Chairman of the Finance & Administration Committee when appropriate or necessary. For purposes of this policy, references to the Treasurer include the Assistant Treasurer and any Designee authorized by the Treasurer or Assistant Treasurer to act under this policy.

IV. PRUDENT INVESTOR STANDARD

Pursuant to CGC Section 53600.3, all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the Prudent Investor Standard. The Treasurer, and members of the Board of Directors so involved, who in their capacity are authorized to make investment decisions on behalf of the District, are trustees and, therefore, fiduciaries subject to the Prudent Investor Standard. These persons must act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aim, to safeguard the principal and maintain the liquidity needs of the agency when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing funds.

The Treasurer and members of the Board of Directors, acting in accordance with this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The investment portfolio shall be managed as a whole and not solely on the performance or risk of an individual security.

V. AUTHORIZED INVESTMENTS AND LIMITS

The following instruments are authorized for investment of District funds:

1. U.S. Treasury Bills and Notes, for which the full faith and credit of the United States are pledged for the payment of principal and interest. There is no limit on the total dollar amount that may be invested in these instruments.

2. Instruments of or issued by, or fully guaranteed as to principal and interest by, a federal agency or a U.S. government-sponsored enterprise, such as obligations issued by the Federal Farm Credit Banks, Federal Home Loan Banks, or Federal National Mortgage Association. There is no limit on the total dollar amount that may be invested in these instruments.

3. Investment-grade rated registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority thereof. There is no limit on the total dollar amount that may be invested in this category.

4. Bonds, notes, warrants, or other evidences of indebtedness of any investment-grade rated local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority thereof. There is no limit on the total dollar amount that may be invested in these instruments.

5. Non-Negotiable Certificates of Deposit may be placed with federally or state-chartered banks, savings associations, or other financial institutions authorized under applicable California law. Deposits shall be insured or collateralized in accordance with CGC Sections 53651 and 53652 and other applicable requirements. Investments shall be made only with institutions determined to be financially sound and that meet applicable regulatory requirements. Investments with any one institution shall not exceed 20 percent of the District's total funds available for investment, and aggregate investments in this category shall not exceed 50 percent. In the event percentages are exceeded due to disbursements or withdrawals from the investment pool, these will not be considered violations and the Treasurer shall reestablish these limits at the earliest convenient date.

6. Negotiable Certificates of Deposit issued by eligible institutions in accordance with CGC Section 53601(i). Purchases shall not exceed 30 percent of the District's moneys available for investment and shall comply with all applicable statutory requirements.

7. Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization (NRSRO) in accordance with CGC Section 53601(h). Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of $500,000,000 and having an A or its equivalent or higher, by an NRSRO, rating on debt other than commercial paper. Purchases of eligible Commercial paper may not exceed 397 days' maturity nor exceed 40 percent of the District's surplus funds. No more than 5 percent of the District's total investment assets may be invested in commercial paper and medium-term notes of any single issuer.

8. Medium-term notes, as defined by CGC Section 53601(k) with a

maximum remaining maturity of five years or less and rated in a rating category of “A” or its equivalent or better by an NRSRO, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases of medium-term notes shall not exceed 30 percent of the District’s moneys available for investment. No more than 5 percent of the District’s total investment assets may be invested in the commercial paper and medium-term notes of any single issuer.

9. Mortgage pass-through securities, collateralized mortgage obligations, and other asset-backed securities authorized by CGC Section 53601(o), with a maximum remaining maturity of five years or less, rated in a rating category of “AA” or its equivalent or better by an NRSRO, and limited in aggregate to 20 percent of the District’s surplus moneys available for investment.

10. United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, as authorized by CGC Section 53601(q). Such obligations shall have a maximum remaining maturity of five years or less, be rated in a rating category of “AA” or its equivalent or better by an NRSRO, and shall not exceed 30 percent of the District’s moneys available for investment.

11. Repurchase Agreements secured only by U.S. Treasury Obligations. A Repurchase Agreement is a purchase of securities pursuant to an agreement by the seller to repurchase the securities from the District at a specified date. Repurchase Agreements shall not exceed 7 days in maturity, shall be collateralized and held in accordance with applicable law and written agreement, and must comply with CGC Section 53601(j).

12. Shares of beneficial interest issued by diversified management companies including qualifying mutual funds and money market mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. Investments shall satisfy the quality, experience, portfolio composition, and other requirements of CGC Section 53601(l). The purchase price of shares of beneficial interest purchased shall not exceed 20 percent of the District's moneys available for investment, subject to any more restrictive statutory sub-limits.

13. Funds may be deposited, to the extent permitted by law and as conditions dictate, in the State of California Local Agency Investment Fund (LAIF) in accordance with CGC Section 16429.1.

14. Funds may be deposited, to the extent permitted by law and as

conditions dictate, in a county treasury for the purpose of investment by the county treasurer in accordance with CGC Section 53684.

15. Shares of beneficial interest issued by a joint powers authority organized pursuant to CGC Section 6509.7 that invests in the securities and obligations authorized in CGC Section 53601.

16. Bond proceeds may be invested in accordance with applicable CGC provisions, or they may be invested in alternative vehicles if authorized by bond documents (CGC 53635.2 and California Debt and Investment Advisory Commission (CDIAC) Local Agency Investment Guidelines). Investment of bond proceeds shall consider the anticipated draw schedule, required liquidity, arbitrage and rebate requirements, permitted investments under the governing bond documents, and the objective of obtaining fair market value consistent with applicable requirements.

VI. DIVERSIFICATION

Investment of District funds shall be diversified by security type issuer, maturity, and financial institution to reduce credit, concentration, liquidity, and market risk. The portfolio shall comply with the percentage limitations established by this policy and applicable law at the time of purchase. Except where a different limit is expressly stated in this policy or applicable law, exposure to a single issuer shall be limited to 5 percent of the portfolio. U.S. Treasury obligations, federal agency/government-sponsored enterprise (GSE) obligations, LAIF, county pools, and qualifying joint powers authority investment pools are exempt from this issuer guideline.

VII. RISK MANAGEMENT

The Treasurer or investment adviser shall monitor credit ratings and material credit developments affecting portfolio holdings. If a security is downgraded below the minimum rating required at the time of purchase, the security shall be evaluated and an appropriate course of action determined based on safety, liquidity, market conditions, and the District’s best interests. A downgrade below the minimum purchase rating shall not, by itself, require an immediate sale unless required by law.

VIII. MAXIMUM MATURITIES

The maximum authorized term of maturity shall be 5 years unless the Board of Directors has granted express authority for a longer maturity in accordance with applicable law. The weighted-average maturity of all investments shall be 36 months or less. Maturities shall be structured to provide sufficient liquidity to meet reasonably anticipated operating and capital cash flow requirements.

IX. INVESTMENT MANAGEMENT AGREEMENT

Upon recommendation of the Treasurer, and approval by the Board of Directors' Finance & Administration Committee, the Treasurer may enter into an investment management agreement with a bank or qualified investment manager to invest a portion of the District's funds pursuant to this or a similar investment policy. Any adviser exercising investment discretion shall be appropriately registered, possess demonstrated experience managing public funds, acknowledge receipt of this policy, and manage the portfolio in compliance with this policy and applicable law.

X. SAFEKEEPING AND CUSTODY

All securities shall be held in the District’s name by an independent third-party custodian or trust department under a written custodial agreement, except investments for which alternative custody is permitted by law. Securities transactions shall be conducted on a delivery-versus-payment basis. The safekeeping/custody function shall be independent of the investment transaction function to the extent practicable, and custodial records shall be reconciled to the District’s investment records. Collateral for Repurchase Agreements shall be held by an independent third-party custodian pursuant to the applicable written or tri-party agreement.

XI. INTERNAL CONTROLS

The Treasurer shall establish and maintain internal controls designed to safeguard public funds. Controls should include, as appropriate, separation of transaction authority from accounting and custody functions, transaction confirmations, reconciliation of investment and custodial records, controls over wire transfers, and periodic independent review of the investment program.

XII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

All non-negotiable Certificates of Deposit will be purchased directly from the institution receiving the deposit. All other authorized instruments will be purchased through the District's primary service bank, and other qualified financial institutions or broker/dealers upon approval of the Finance & Administration Committee. Institutions, broker/dealers, and investment advisers shall be subject to appropriate due diligence, qualification standards, and periodic review. Investment professionals shall be provided a copy of this policy and, as appropriate, acknowledge their responsibility to transact within its parameters. Competitive market information or quotations should be obtained when practical and consistent with best execution.

XIII. ACCOUNTING RECORDS

Accounts shall be established and maintained in the District’s accounting records to record surplus, restricted and trust funds invested at all times in accordance with the State Controller's chart of accounts as authorized by Section 53891 of the CGC.

XIV. ETHICS AND CONFLICT OF INTEREST

The Treasurer and designees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. The Treasurer and designees shall disclose any personal financial interests that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Under CGC 87500(a)(2)(O), any public official who manages public investments must annually file a statement of economic interest (Form 700) with the Fair Political Practices Commission (FPPC) under applicable law, FPPC regulations, and District's Conflict of Interest Code.

XV. PERFORMANCE MEASUREMENT

Investment performance shall be evaluated in the context of the District's objectives of safety, liquidity, and return. Portfolio performance shall be compared over appropriate periods to a market benchmark or reference rate consistent with the portfolio's duration, risk characteristics, and investment constraints.

XVI. INVESTMENT POLICY REVIEW AND REPORTING

This investment policy shall be reviewed at least annually and any changes shall be presented to the Board of Directors for review and approval in accordance with applicable law. The Treasurer shall provide the Board of Directors a monthly investment report consistent with CGC Section 53646 and this policy. Reports should include, as applicable, investment type, issuer, maturity date, par value, book value, market value, credit quality, yield, portfolio diversification, transactions, and a statement of compliance with this policy. The report shall also address the District's ability to meet anticipated expenditure requirements for the period required by law. Market values shall be obtained from a reputable source independent of the transaction and reported at least quarterly.

Westlands Water District

DATE: September 15, 2026

TO: Finance and Administration Committee

THROUGH: Allison Febbo, General Manager
Stephen Farmer, Chief Administrative Officer

FROM: Katarina Campbell, Deputy General Manager - Resources

SUBJECT: Consider Recommending Board Adopt a Policy for the Transfer of Water Out of the District

STRATEGIC PLAN KEY STRATEGIES:

1. Protect Central Valley Project (CVP) Contract and Secure Supplemental Water Supplies
2. Enhance Groundwater Resources

DISCUSSION:

The purpose of this item is for the Finance and Administration Committee to consider recommending that the Board of Directors (Board) adopt the Policy for the Transfer of Water Out of the District (Policy). The Board requested that staff develop a Policy for the Transfer of Water Out of the District in 2025. Additionally, Strategies 1 and 2 of the Strategic Plan emphasize the importance of improving surface water and groundwater management to ensure the District's water supplies are managed sustainably and optimize flexibility for Water Users.

The proposed Policy establishes the guidelines and conditions under which a Water User may request to transfer water outside the District. Transfers are only permitted when District water supplies are at risk of loss due to Reclamation's policies, the transfer will not increase groundwater pumping in the Westside Subbasin, and the transfer generally benefits a related "farming" entity in a receiving district.

More specifically, a Transfer Out may be considered when at least one of the following sub criteria is satisfied:

1. There is a risk of loss of water in San Luis Reservoir (SLR) due to USBR rescheduling limitations (Cap Loss or Rescheduling Loss as described in Article 2.10); or
2. There is a surplus of surface water available for the Transfer Out due to an acquired long-term supply that is assigned to or was transferred into the District for at least the prior 5 years; or
3. The Supplemental Water Program is undersubscribed and the water is not storable in SLR.

Groundwater banking transfers are excluded from this Policy and governed by Policy No. 12, which applies to Transfers Out with an obligation to return water in a subsequent year via an exchange.

Consistent with historic practice, all transfer requests are subject to review and approval by the Board.

PROPOSED MOTION:

Move that the Committee recommends that the Board of Directors adopt the Policy for the Transfer of Water Out of the District.

RECOMMENDATION:

Approve the proposed motion.

Attachment

1. Westlands Water District Policy for the Transfer of Water Out of the District

APPENDIX B
DRAFT
Westlands Water District
Policy for the Transfer of Water Out of the District
Board Policy No. ##

I. PURPOSE

Westlands Water District (District) Policy for the Transfer of Water Out of the District (Policy) establishes guidelines for staff to consider when evaluating requests for water transfers out of the District submitted by Water Users under Article 2.6(A). This Policy ensures that transfers out of the District (Transfer Out) only occur when there is a risk of loss due to the United States Bureau of Reclamation (USBR) rescheduling limitations (Cap Loss or Rescheduling Loss), surplus long-term water supply, or unsubscribed non-storage Supplemental Water. The Policy seeks to optimize the District's water supplies and flexible water management, while protecting the interests of all District Water Users.

II. POLICY

All Transfer Out requests must be initiated by a District Water User, benefit a related transferee in the receiving district, not increase groundwater pumping in the Westside Subbasin, and be subject to District Board of Director approval as provided below.

Groundwater Banking Transfers are governed by Policy No. 12, which applies to Transfers Out with an obligation to return water in a subsequent year via an exchange. See Policy No. 12 for more information.

All Transfer Out requests (other than those governed by Policy No. 12) are permitted only when the Board of Directors makes <u>all</u> the following findings (1-5 below):

1. The Transfer Out request meets at least one of the following sub-criteria:
    a. There is a risk of loss of water in San Luis Reservoir (SLR) due to USBR rescheduling limitations (Cap Loss or Rescheduling Loss as described in Article 2.10); or
    b. There is a surplus of surface water available for the Transfer Out due to an acquired long-term supply that is assigned to or was transferred into the District for at least the prior 5 years; or
    c. The Supplemental Water Program is undersubscribed and the water is not storable in SLR.
2. Water User agrees with enforceable to commitments to not pump groundwater from any of their accounts for the balance of the Contract Water Year.

3. The Transfer Out benefits the requesting Water User's related entity(ies).
4. Water User has satisfied all the requirements of this Policy, including, but not limited to, attempting to transfer water internal to the District.
5. The Transfer Out will not impair the District's interest in recharging water, or the Subbasin's recharge needs are otherwise satisfied.

III. Water Transfer Out Request Procedure

1. The requesting Water User shall post the proposed Transfer Out water on the District's Water User Portal for 30 days, either for the exchange of equivalent groundwater credits or for purchase at the current year's Supplemental Water rate, prior to submission of a Transfer Out request to the District.
2. The requesting Water User must submit a written request 30 days in advance of the requested Transfer Out date to the District and provide:
    a. All necessary authorizations, including approvals and permits, to Transfer Out, proof of posting on Water User Portal; and
    b. The quantity and source of water proposed for Transfer Out; and
    c. The proposed transferee, the relationship between the transferor and transferee, and intended use; and
    d. Commitment to pay all District rates and charges, plus any conveyance costs necessary to transport the Transfer Out; and
    e. An official statement and enforceable commitment to not increase groundwater pumping in the Westside Subbasin from any of their accounts for the balance of the Contract Water Year; and
3. The Water User's accounts involved in the transfer must be in good standing.
4. The General Manager, or designee, will review the request and supporting documentation to determine if the Transfer Out meets the conditions outlined above. District staff will determine whether or not the District's water demands are satisfied and the proposed Transfer Out will mitigate the rescheduling risk criteria.
5. If the request is consistent with this Policy, applicable law, and District rules, the General Manager, or designee, will seek approval for the Transfer Out from the Board of Directors, except where the Board has already delegated approval authority to the General Manager, subject to any necessary agreements and conditions.

IV. Conditions of Approval

The District shall place conditions on the approval of a requested Transfer Out, including, but not limited to, the following:

1. If the proposed Transfer Out is not included in USBR's Accelerated Water Transfer Program, the Water User must obtain all necessary authorizations from relevant federal, state, and local agencies for the Transfer Out and provide proof thereof to the District 30 days prior to the requested Transfer Out date.
2. The transferor shall execute a Water Transfer Agreement with the District, which shall include, but is not limited to the commitment to pay all District rates and charges plus all incremental costs and fees associated with the Transfer Out, including administrative, operations, and maintenance expenses.
3. All Transfer Out approvals are contingent upon payment of all rates and charges in advance, and compliance with the terms of the Transfer Agreement.
4. Under no circumstances shall a Transfer Out be approved if the Water User pumps groundwater from any of their accounts for the balance of the Contract Water Year.
5. The District shall find that the Transfer Out is acceptable because the Westside Subbasin groundwater conditions are in good condition in accordance with Article 1.
6. The transferor shall not receive an internal transfer of surface water or pump additional groundwater from the submission date of the Transfer Out written request until the start of the next Contract Water Year.

V. Reporting

All transfers shall be documented and tracked in accordance with the District's accounting policies. A summary of approved transfers out of the District will be documented on the District's water schedule.

VI. Amendments

The Board retains discretion to amend or rescind this Policy at any time by formal action.