Olivenhain Municipal Water District

Annual Comprehensive Financial Report

FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

OLIVENHAIN MUNICIPAL WATER DISTRICT, ENCINITAS, CALIFORNIA

OLIVENHAIN
Municipal Water District

Encinitas, CA

Annual Comprehensive Financial Report
Fiscal years ended June 30, 2025 and 2024
Prepared by the Finance Department

COVER

2025 WINNER
32nd Annual North County Water Awareness Fourth Grade Poster Contest
Submitted by a student of Stone Ranch Elementary School

Our Mission

Olivenhain Municipal Water District is committed to serving present and future customers with safe, reliable, high quality water while exceeding all regulatory requirements in a cost effective and environmentally responsive manner.

The District is dedicated to providing recycled water, wastewater treatment, and hydroelectricity in the most cost effective, environmentally responsive, and service-oriented manner.

The District is devoted to the safe operation of the Elfin Forest Recreational Reserve and providing all users with a unique recreational, educational, and environmental experience.

Board of Directors

Matthew R. Hahn, President
Neal Meyers, Vice President
Scott Maloni, Treasurer
Christy Guerin, Secretary
Ebin Lanfried, Director

General Manager

Kimberly A. Thorner, Esq.

General Counsel

Alfred Smith, Esq., Nossaman LLP

Matthew R. Hahn
President

Neal Meyers
Vice President

Scott Maloni
Treasurer

Christy Guerin
Secretary

Ebin Lanfried
Director

Kimberly A. Thorner
General Manager

Alfred Smith
General Counsel

Pure Excellence

Olivenhain Municipal Water District is a public agency proudly serving portions of Encinitas, Carlsbad, Solana Beach, Rancho Santa Fe, San Marcos, Elfin Forest, 4S Ranch, San Diego and the Olivenhain Valley.

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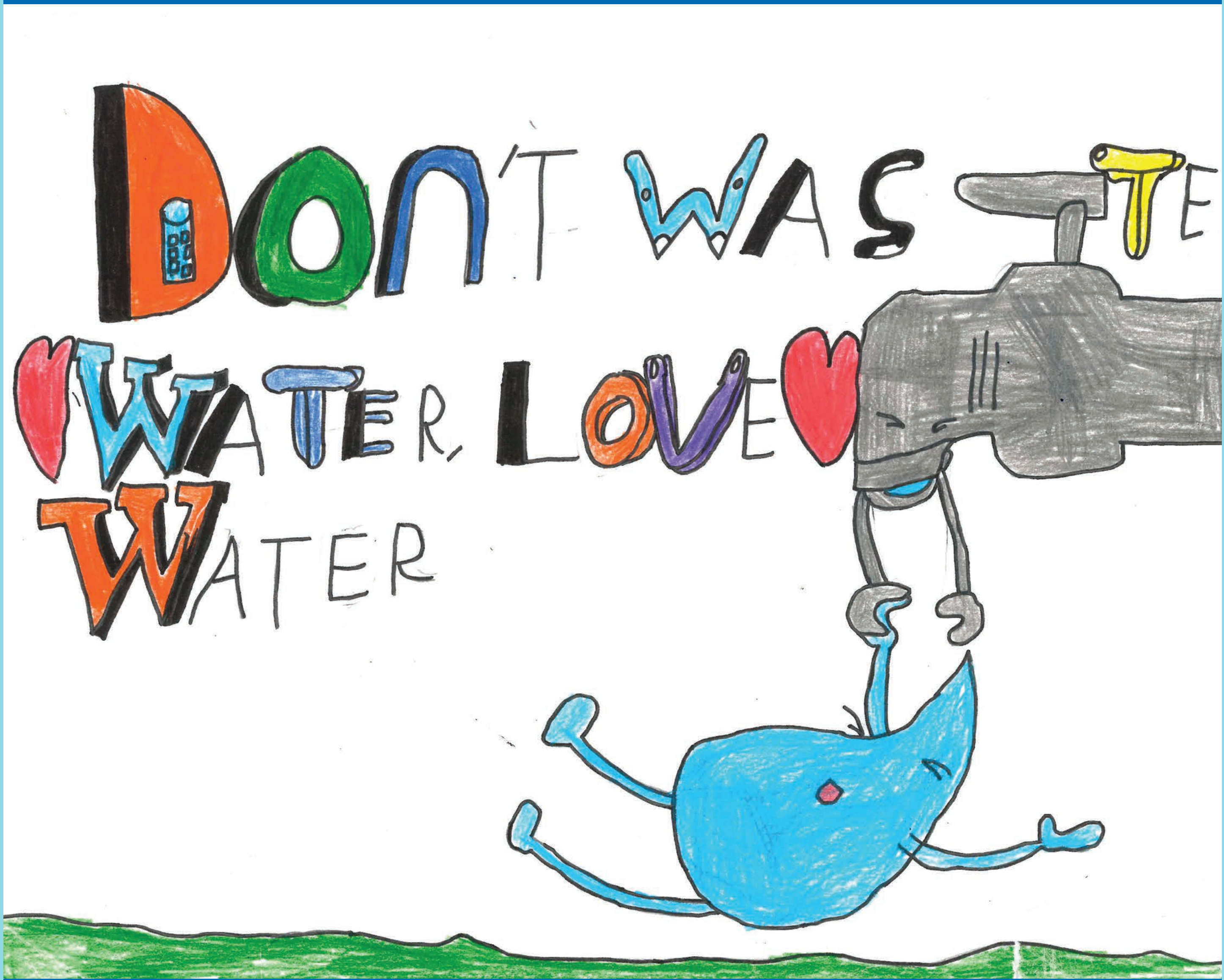
Introductory Section

ANNUAL COMPREHENSIVE FINANCIAL REPORT



2025 WINNER

32nd Annual North County Water Awareness Fourth Grade Poster Contest

Submitted by a student of Olivenhain Pioneer Elementary School

2024 WINNER

31st Annual North County Water Awareness Fourth Grade Poster Contest

Submitted by a student of La Costa Heights Elementary School

November 18, 2025

Ratepayers and Members of the Board of Directors
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92024-5699

OLIVENHAIN
Municipal Water District

We are pleased to submit the Annual Comprehensive Financial Report of the Olivenhain Municipal Water District (District) for the fiscal year ended June 30, 2025. The purpose of the report is to provide ratepayers, investors, and other interested parties with reliable financial information about the District.

This Annual Comprehensive Financial Report was prepared by the District's Finance Department in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with District management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the District, and that all disclosures necessary to enable readers to gain the maximum understanding of the District's financial activity have been included.

The District's financial statements have been audited by The Pun Group, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2025, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2025, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

This letter of transmittal is designed to complement the Management's Discussion & Analysis (MD&A) and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Reporting Entity

The District is a governmental corporation governed by a publicly elected five member Board of Directors. The District was incorporated in 1959 under the provisions of the *California Municipal Water District Act of 1911, section 71000 et.seq.* of the *California Water Code* as amended.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are sub-funds of the reporting entity, are identified in the District's books and records as the General Fund, Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Ranch Sanitation District Fund, 4S Regional Recycled Water Fund, 2015 Water Revenue Refunding Bond Fund, 2013 Note Payable Fund, 2016 Water Revenue Refunding Bond Fund, 2021A Wastewater (Sewer) Revenue Bond Fund and 2021B Wastewater (Sewer) Revenue Refunding Bond Fund. All significant inter sub-fund transactions and accounts are eliminated in the combination of the accounts of the sub-funds at the end of each fiscal year for the consolidated financial statements of the District as presented in the financial section of this report. More detailed information on the District's accounting policies can be found in note 1 of the Notes to the Basic Financial Statements.

General District Operations

The District is operated as an enterprise fund. The finances of the District are kept on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

As an enterprise fund, the District maintains a self-balancing set of accounts established to record the financial position and results that pertain to each activity. The activities of enterprise funds are similar to regular businesses whereby a governmental agency collects sufficient revenues through rates and user charges to pay for on-going operating expenses and maintaining infrastructure in order to sustain operations.

The District's service area is approximately 48.6 square miles. This service area lies within the northern region of San Diego County and includes portions of incorporated areas such as Encinitas, Carlsbad, San Diego, Solana Beach, San Marcos and large portions of unincorporated areas such as 4S Ranch, Rancho Cielo, Rancho Santa Fe, Elfin Forest, and Santa Fe Valley. All these communities are fairly affluent.

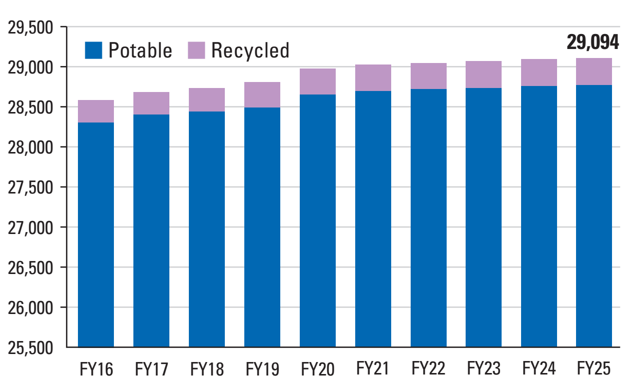
According to recent EDU (Equivalent Dwelling Units) projections, the District has about 1,180 EDUs remaining until it is completely built-out at an estimated 32,929 EDUs. For the fiscal year ended June 30, 2025, 69.3% of water delivered was for domestic use, 29.7% for commercial and irrigation use (including construction and recycled water), and 1.0% for agricultural use. The District relies on the San Diego County Water Authority (SDCWA) as a sole source of untreated water. The District's primary treated water source is the David C. McCollom Water Treatment Plant.

The District provides wastewater collection and treatment services to a portion of the District's service area and sells recycled water to golf courses and other customers for irrigation. The District's 4S Ranch Water Reclamation Facility (WRF) collects and treats sewage from two specific areas of the District, Rancho Cielo and 4S Ranch. Sewage is processed in the 4S WRF through various treatment stages to produce California Title 22 tertiary treated recycled water that can be used for unrestricted irrigation purposes. The 4S WRF currently produces approximately 1.2 million gallons per day (mgd) of its maximum production of 2.0 mgd to meet recycled water demand in the southeast quadrant of the District's service area. In order to meet demand in the southeast, the District also purchases recycled water from Santa Fe Valley Community Services District and City of San Diego.

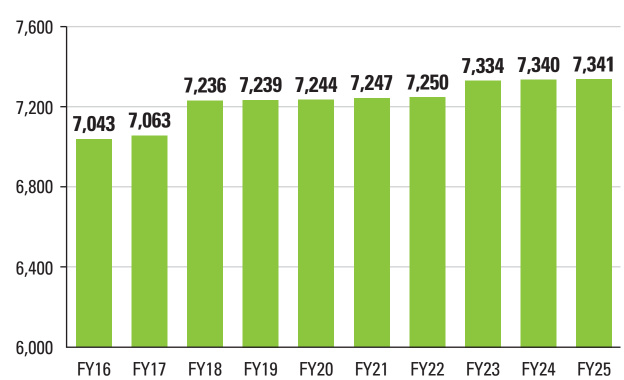
The District also sells recycled water in the northwest of its service area. To meet recycled water demand in the northwest, the District has entered into recycled water purchase agreements with Vallecitos Water District and San Elijo Joint Powers Authority. Recycled water in the northwest is delivered through the utilization of interagency service connections.

During the fiscal year ended June 30, 2025, the District billed 16,619 acre-feet (AF) of potable water through 28,764 active potable water meters and 2,816 AF of recycled water through 330 active recycled meters. The District provided wastewater collection services to 7,341 sewer equivalent dwelling units (EDUs) in 4S Ranch, Rancho Cielo, Santa Luz, and Black Mountain Ranch. Historical information of the District's number of water meters and sewer EDUs is shown in the graphs below.

Active Potable & Recycled Water Meters



Active Sewer EDUs



San Diego Region Water Supply and Diversification Strategy

California's water supply outlook is stable. The 2024–2025 water year ended with precipitation in California at 106% of average, and statewide reservoir levels at 107% of historical averages. Snowpack levels peaked in April at 122% of historical averages in the northern Sierras. Locally, however, San Diego had a very dry winter and got only about half of the normal amount of rain.

The Colorado River is the main source of imported water for Southern California, and its water supply conditions have not improved in recent years. At the end of the 2024–2025 water year, the river system was down to just 38% of capacity. Lake Mead and Lake Powell, the two main reservoirs feeding water to Southern California, were down to 30% of capacities. The low reservoir levels triggered mandatory reductions in water use for Arizona, Nevada, and Mexico for 2026; however, California is currently spared from mandatory conservation measures due to its senior contractual rights.

In 2023, the states of California, Nevada, and Arizona reached an agreement to voluntarily use less water from the over-drafted Colorado River through September 2026. Conservation-based approaches to shortages on the Colorado River assure that the San Diego County Water Authority's Quantification Settlement Agreement supplies are not subject to mandatory reductions. Given this Colorado River deal as well as stable water supply conditions regionally, the San Diego County Water Authority has assured its member agencies that no mandatory cutbacks will be necessary to meet water demands through 2026.

However, SDCWA's investments in water supply have come at a high price. In April 2024, SDCWA announced that it expected to increase wholesale water costs by 39% over three years. For 2025, SDCWA increased the rate to the District by 14%. Effective January 1, 2026, SDCWA will increase the rate to the District by 9.8%. As wholesale water purchases are the District's largest expense, the dramatic escalation in SDCWA's rates has an inevitable impact on the District's expenditures and the retail rate it charges its customers.

Climatic conditions in 2025–2026 water year are not anticipated to be favorable for water supply, with the National Oceanic and Atmospheric Administration predicting warmer-than-average temperatures and below-average precipitation for much of the west coast. The forecasted weather conditions could trigger drier and warmer conditions for Southern California but could also trigger infrequent atmospheric river storms for the Pacific Northwest. These chaotic storm systems have the potential to generate significant amounts of precipitation in very short time frames, replenishing water supplies while also creating the possibility of flood damage.

To contend with water supply challenges, as well as to better prepare for the next bout with drought conditions, the District continues to diversify its water supply portfolio away from imported water. For example, the District continues to expand recycled water infrastructure throughout its service area such that irrigation demands can be met with this locally produced supply. This has been achieved largely through interagency coordination with the North San Diego Water Reuse Coalition, a group of water and wastewater agencies for which the District provides leadership. To date, the Coalition has achieved $30 million in funding from the US Bureau of Reclamation via the Title XVI Water Reclamation and Reuse Program, as well as $5 million in Proposition 84 funding. Individual Coalition members have secured additional funds via Proposition 1 as well. These grant funds have contributed more than $4 million to help the District offset costs for multiple recycled water infrastructure projects. These projects include the construction of new Recycled Water Pipeline Extensions for Calle Barcelona, Village Park, and Summerhill Drive, several HOA irrigation system conversions from potable to recycled water, as well as the construction of the 4S Ranch Neighborhood Pump Station.

Additionally, the District continues to advance the San Dieguito Brackish Groundwater Desalination Project, which would produce approximately 1.5 million gallons per day of potable water from a previously untapped source. A feasibility study for the project has been completed, and in 2024, Congress approved $960,000 in Community Project Funding for the project. This grant award, once received, will allow the District to construct a new test well and conduct a pumping test at an existing well to refine hydrogeologic modeling and treatment design criteria that may ultimately lead to construction of a full-scale treatment facility.

With these proactive measures, the District remains positioned to provide essential water services to the communities we serve.

Internal Controls

District Management is responsible for establishing and maintaining a system of internal controls designed to safeguard District assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. When establishing or reviewing controls, management must recognize that the cost to implement a control should not exceed the benefits likely to be derived, and that in order to assess cost versus benefit, estimates and judgment on the part of management will be required. All internal control evaluations occur within the above framework. Management believes the current system of internal controls adequately safeguards District assets and provides reasonable assurance that accounting transactions are properly recorded.

Budget Process

The District has a multi-year operating and capital budget that is approved by the board in June of every other year (biennial budget). The District's Budget is used as a management tool for estimating and planning District revenues and expenditures based on historic and current financial information. Having a two-year budget allows the District to redeploy resources to other activities other than budget preparation, such as putting more emphasis into the budget monitoring process, and promotes a longer-term view to see and measure results greater than a 12-month period. The Finance Department prepares estimates for departmental review. Department managers review and revise the estimates. All managers meet several times to discuss the budgets, after which there is a final review by the General Manager prior to submittal to the Board of Directors for their consideration.

The proposed Budget is submitted to the Board within 45 days prior to July 1st of each budget-approval year. The budget does not go into effect until approved by the Board. Once adopted, the budget becomes the parameter for operating and capital expenditures for each fiscal year.

The District has been the proud recipient of the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award and the California Society of Municipal Finance Officers (CSMFO) Excellence in Budgeting Award for its budget in previous fiscal years. These awards reflect the commitment of the District's Board of Directors and staff to apply the highest principles of governmental budgeting to satisfy nationally recognized guidelines for effective budget presentation.

The District conducts a mid-term review of its multi-year budget in March of non-budget approval years to analyze actual operating and capital expenditures and compares the numbers to the original budget amounts. The purpose of this review is to present the Board with amended budget amounts when required, due to changes in circumstances that were not anticipated at the time the original budget was developed. Project managers may find after the first half of the budget that some projects need to be accelerated or delayed due to changes in housing development conditions in the District. Progress on status of capital projects is reported to the board during the mid-term budget review.

Designated Fund Balances

The District's Designated Fund Balances Policy is adopted by the District's Board of Directors. This policy represents affirmation of the Board's commitment to financial prudence and careful stewardship of community assets. These funds are designated to carry out specific purposes to ensure prudent management of the District's financial resources. The policy specifies minimum and maximum target balances to be established in each Board-designated fund. All fund balances will be subject to review by the Board when the District's annual financial audit is completed to ensure fund balances meet the goals established in the policy.

To ensure adequate funding to meet the District's short-term and long-term planned capital expenditures and its commitment to the community, the maximum target balance of the District's designated fund balance for capital and equipment for water operations has been adjusted so as not to exceed five fiscal years of approved planned capital expenditures.

Contacting the District's Finance Department

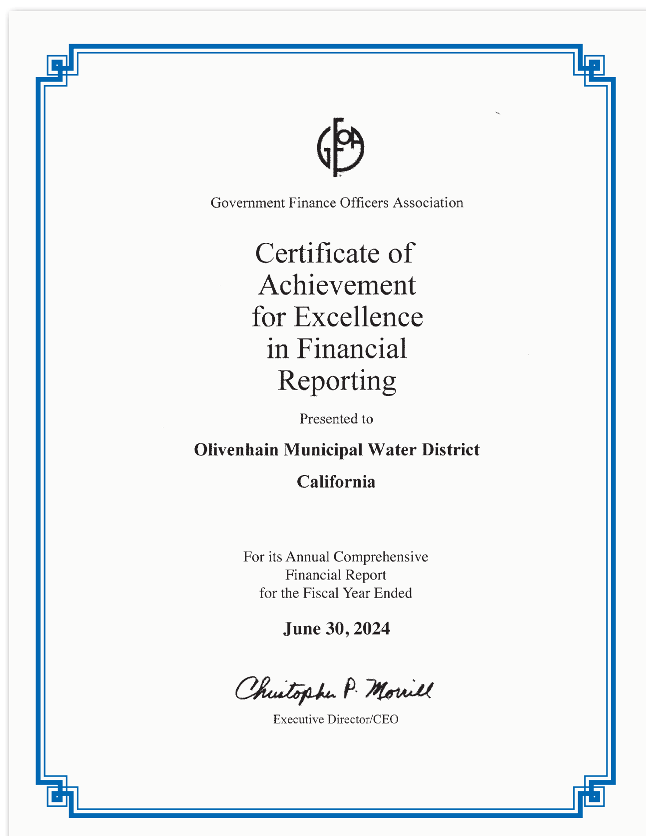
This financial report is designed to provide the Board, customers, creditors and investors with a general overview of the District's financial condition. Should you have any questions regarding the content of this report, please contact Leo Mendez, the District's Finance Manager, at (760) 753-6466.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Olivenhain Municipal Water District for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. This was the 30th consecutive year that the District has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Olivenhain Municipal Water District

California

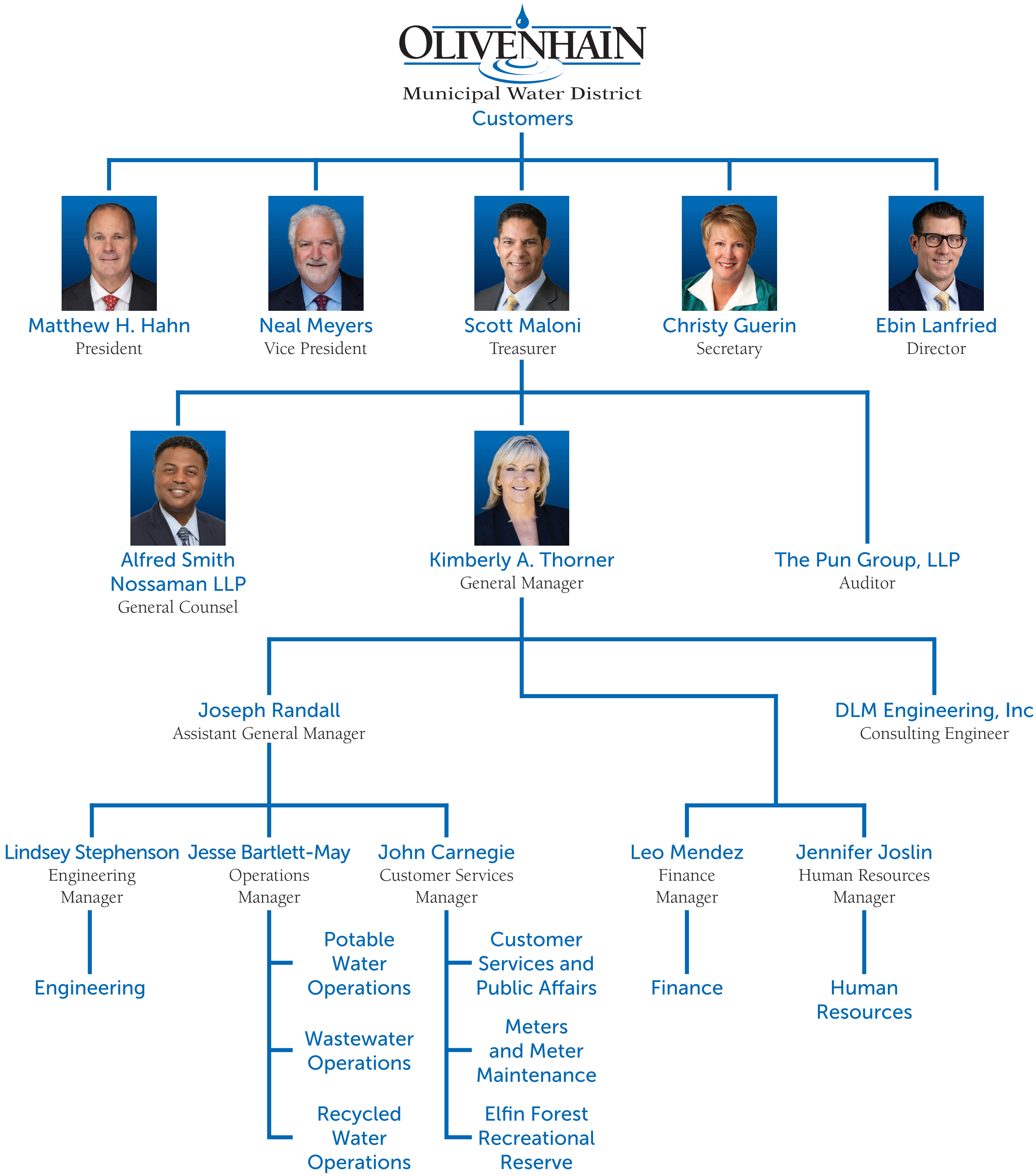
For its Annual Comprehensive Financial Report for the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

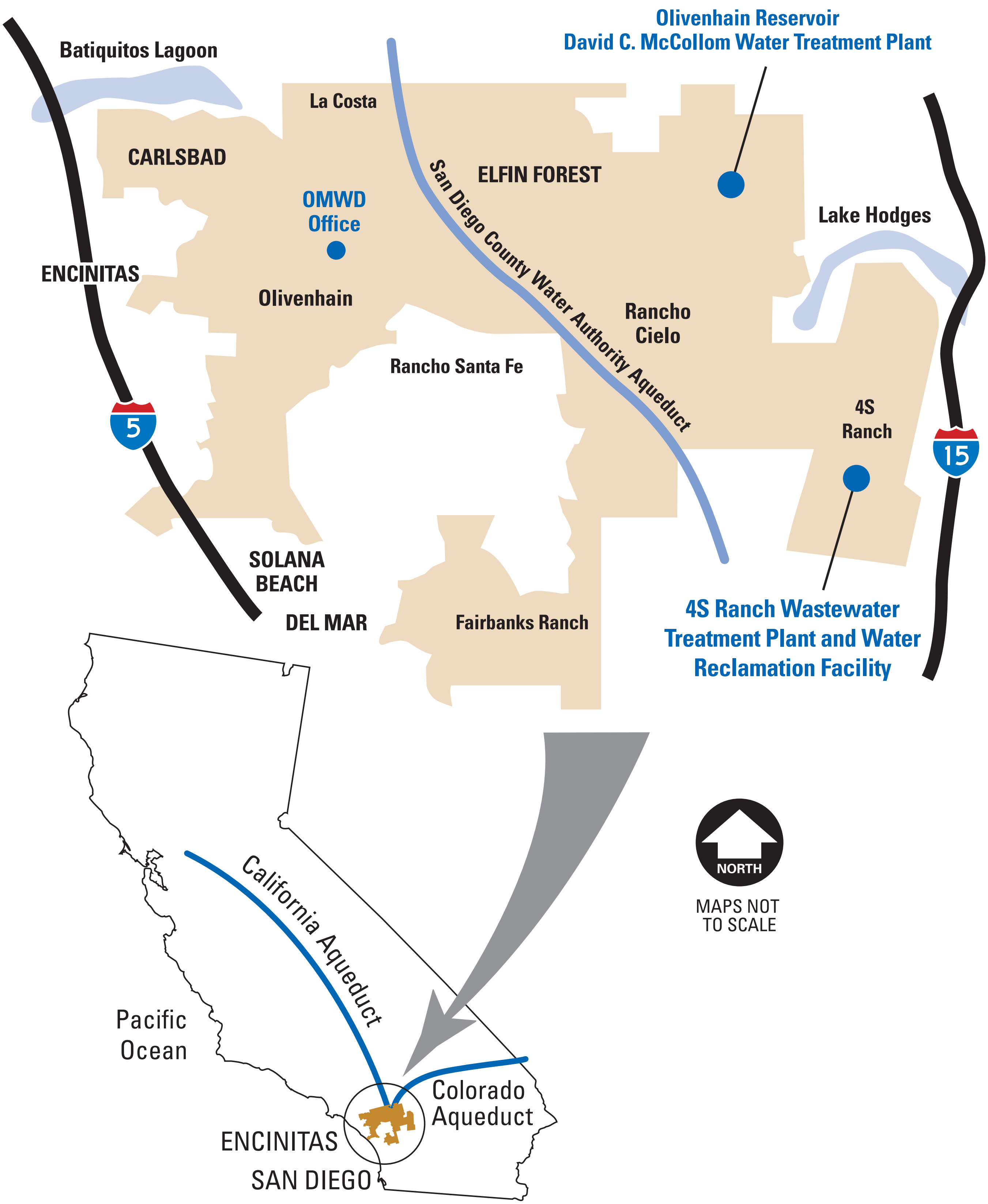
Executive Director/CEO

Organizational Chart



The elected five board members delegate management responsibility of the day-to-day operations of the District to an appointed General Manager. The District is an "at will employer." All of the District's employees serve at the pleasure of the General Manager.

District Service Area



Acknowledgments

The preparation of this report could not have been accomplished without support and input from all departments and our independent auditor, The Pun Group, LLP. We would also like to particularly thank the Board of Directors for their continued dedication supporting the highest level of prudent fiscal management.

Respectfully Submitted:

Kimberly A. Thorner, Esq.
General Manager

Leo Mendez, CPA
Finance Manager

Financial Section

ANNUAL COMPREHENSIVE FINANCIAL REPORT

2024 WINNER

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

4660 La Jolla Village Drive, Suite 100
San Diego, California 92122

www.pungroup.cpa

INDEPENDENT AUDITORS' REPORT

Board of Directors
Olivenhain Municipal Water District
Encinitas, California

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets, the Schedule of Contributions – Defined Benefit Pension Plans, and the Schedule of Proportionate Share of the Net Pension Liability as 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 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 opinion on the basic financial statements does 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 November 18, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The Pun Group, LLP

San Diego, California
November 18, 2025

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2025

Our discussion and analysis of Olivenhain Municipal Water District's (the "District") basic financial statements provides general readers with an overview of the District's financial position and results of operations for the fiscal year ended June 30, 2025. Included in this section are:

- Financial highlights;
- Overview of the accompanying basic financial statements;
- Financial analysis of the District as a whole;
- A discussion of financial restrictions, commitments and limitations.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited financial statements. These statements are in the section following the MD&A.

Financial Highlights

During the fiscal year ended June 30, 2025, the following events impacted, or create the potential to impact, the finances of the District:

- On November 6, 2024, the District's Board of Directors approved a new 5-year rate ordinance, based on a water Cost-of-Service Study, for the period commencing January 1, 2025 to December 31, 2029. The purpose of the ordinance is to pass-through increases on purchased water wholesale costs and increases on OMWD's costs of operations and capital facilities based on the San Diego County Consumer Price Index (SD-CPI). Per the Ordinance, all pass-through increases shall not exceed 12 percent each year and shall not result in rates exceeding the District's cost of providing water service to its customers.

  Based on the results of the water Cost-of-Service Study, the Board of Directors approved a 7.8% revenue adjustment to water rates and charges, effective with water consumption beginning on January 1, 2025, to pass through the District's purchased water wholesale costs from San Diego County Water Authority (SDCWA) and cover the District's cost of operations.
- In July of 2024 the District enacted a 5.5% increase to Wastewater (sewer) rates based on the 5-year Wastewater rate ordinance approved by the District's Board of Directors in June of 2024 following the completion of the 2024 Wastewater Cost of Service Study.
- In March of 2025, Fitch reviewed the District's AAA bond rating on the 2015A and 2016A Water System Refunding Revenue Bonds and concluded that there should be no changes to its existing rating. The Fitch rating reflects the District's ability to maintain a strong financial performance while keeping rates affordable.
- The District is subject to a Single Audit for fiscal year 2025 as a result of grant funds expended for its recycled water and Advanced Metering Infrastructure (AMI) expansion projects. The District reported $7.9 million in federal award expenditures, $7.3 million of which was passed through to grant subrecipients.
- As of June 2025, the District has refunded $2,146,791 to its customers via the Rate Reimbursement Credit (RRC) program, which was established by the Board of Directors in March of 2022. The program stemmed from refund payments received totaling $3,661,917 as a result of settlement proceeds from SDCWA. The Board voted to pass on the refunds to District customers via the RRC. More information about the District's RRC is included under the Water Operations section of the Management Discussion and Analysis (MD&A).
- Total Revenues increased in comparison to the prior year due to increased water demand from changes in weather conditions, changes in water and wastewater rates and charges, and increases in capacity charges.
- Total Expenses increased primarily due to a greater amount of water purchased compared to the prior year and increases in costs for purchasing water from the District's potable and recycled water suppliers, an increase in operating costs due to inflation, and an increase to Other Non-Operating Expenses resulting from the $7.3 million grant pass-through expense for the District's Title XVI grant. This pass-through expense represented funds received and distributed to grant subrecipients, and a corresponding revenue amount was also recorded by the District under Capital Contributions, in accordance with Generally Accepted Accounting Principles (GAAP).

Management's Discussion and Analysis (continued)

Financial Highlights (continued)

- Total Assets decreased primarily due to a $3.3 million reduction in grants receivable for the Title XVI grant funds received by the District and paid to subrecipients, with a corresponding $3.3 million reduction in grants payable under Total Liabilities. In accordance with Generally Accepted Accounting Principles (GAAP), the District recorded a $3.3 million grant receivable and grant payable in 2024 for Title XVI grant funds due to the District, as lead partner, but payable to subrecipients. These amounts were received by the District and paid to subrecipients in 2025.
- Deferred Outflows of Resources decreased from the prior year due to amounts from the District's pension that vary from year-to-year based on California Public Employees Retirement System (CalPERS) actuarial assumptions and Governmental Accounting Standards Board (GASB) Statement No. 68 reporting requirements. More information on the District's pension plan can be found in Note 10 of the financial statements.
- Total Liabilities decreased due to a $3.3 million reduction in grants payable, which was owed to subrecipients of the Title XVI grant as of the end of the previous fiscal year, and has since been paid. Additionally, the District's regular payments of its long-term debt also contributed to the decrease. These reductions were partially offset by an increase in payables related to work in progress, as a result of deposits received for the sale of one of the District's parcels of land (Wiegand).
- Deferred Inflows of Resources decreased from the prior year, primarily due to a reduction in deferred amounts on leases. The District is a lessor for leases of land, primarily cell tower sites, and recognizes leases receivable and deferred inflows of resources related to these leases. Decreases to the District's leases receivable and deferred inflows are recorded as lease payments are received. The District's lease receivables for leases of land comply with GASB Statement No. 87. Additionally, deferred amounts on pension also decreased due to CalPERS actuarial assumptions and GASB Statement No. 68 reporting requirements.
- As of June 30, 2025, the District's Net Position increased by $3.7 million compared to fiscal year 2024. This increase was primarily due to revenue from water sales, capacity charges, grant revenue, and investment income, which were partially offset by increases in the District's operating expenditures as a result of increased purchased water and operating costs.
- The District adopted GASB Statement No. 102, "Certain Risk Disclosures". This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Application of this statement did not have an effect on the District's financial reporting for the fiscal year ending June 30, 2025.

More information about the overall analysis of the District's financial position and results of operations is provided in the following sections.

Overview of the Financial Statements

For financial statement purposes, the District combines several internally maintained funds into one enterprise fund. The financial statements present the financial position, results of operation, and changes in cash balances using the accrual basis of accounting. This methodology is used to account for operations that are financed and operated in a manner similar to business enterprises, where services provided are paid through user charges.

Required Basic Financial Statements

The required financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. These statements offer short-term and long-term financial information about the District. Each financial statement is identified, defined, and analyzed in the following sections.

Management's Discussion and Analysis (continued)

Overview of the Financial Statements (continued)

Required Basic Financial Statements (continued)

The Statement of Net Position includes the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement provides financial information about the nature of investments and ownership (assets), consumption of net position that applies to future periods (deferred outflows), obligations of the District to its bond investors and creditors for all purchases made (liabilities), and acquisition of net position that applies to future periods (deferred inflows). The Statement of Net Position also assesses the liquidity and financial position of the District.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for all activities during the fiscal year. This statement measures the success of the District's operations during the reporting period and can be used to assess whether or not the District has successfully recovered all of its costs through its user fees and other charges. This statement also measures the District's profitability and ability to meet its financial commitments.

The Statement of Cash Flows accounts for the District's cash activities during the reporting period. The primary purpose of this report is to provide information to the general reader about cash inflows and outflows which occurred during the reporting fiscal year. This statement shows cash receipts, cash disbursements, and changes in cash balances based on operating, capital and related financing, noncapital and related financing, and investing activities. The Statement of Cash Flows helps the reader answer the following questions: Where did cash come from? What was cash used for? And, what was the change in cash during the fiscal year?

Financial Analysis of the District as a Whole

The following statements contain a summary of financial information that was extracted from the basic financial statements to assist general readers in evaluating the District's overall financial position and results of operations as described in this MD&A. Increases or decreases in these statements can be used as performance indicators to assess whether the District's overall financial position has improved or deteriorated. At the same time, other external factors such as changes in economic conditions, growth, and legislative mandates should also be considered as part of this assessment.

Net Position

Net Position is the difference between assets acquired, owned, and operated by the District plus its deferred outflows of resources, and its amounts owed (liabilities) plus its deferred inflows of resources. In accordance with Generally Accepted Accounting Principles (GAAP), capital assets acquired through purchase or construction by the District are recorded at historical cost. Capital assets contributed by developers are recorded at developers' bonded cost. Net Position represents the District's net worth including, but not limited to, capital contributions received to date and all investments in capital assets since formation. Net Position helps answer the following question: "Is the District, as a whole, better or worse off as a result of the year's activities?"

Management's Discussion and Analysis (continued)

Financial Analysis of the District as a Whole (continued)

Highlights of Statement of Net Position

	Fiscal Year ended June 30 2025	2024	2023
Current Assets – unrestricted	$ 98,937,989	$ 95,833,829	$ 89,298,112
Current Assets – restricted	11,155,142	16,666,572	14,570,261
Capital Assets, net	371,195,366	371,202,111	374,715,143
Noncurrent Assets – unrestricted	9,736,164	10,556,981	9,355,778
Other Noncurrent Assets	10,215	13,717	17,219
Total Assets	491,034,876	494,273,210	487,956,513
Deferred Amounts on Refunding	594,290	716,964	857,886
Deferred Amount from Pension	5,539,491	7,033,805	7,296,286
Total Deferred Outflows of Resources	6,133,781	7,750,769	8,154,172
Current Liabilities – unrestricted	18,269,054	16,237,483	14,598,670
Current Liabilities – restricted	200,514	3,726,543	189,507
Compensated Absences, long-term	1,049,510	987,859	1,189,983
Net Pension Liability	17,449,508	17,930,299	16,832,760
Long-term Debt	31,206,617	36,792,890	42,393,127
Total Liabilities	68,175,203	75,675,074	75,204,047
Deferred Amounts on Pension	180,627	298,347	720,171
Deferred Amounts on Leases	8,870,260	9,811,059	8,953,346
Total Deferred Inflows of Resources	9,050,887	10,109,406	9,673,517
Net Investment in Capital Assets	335,111,259	330,711,440	332,382,861
Restricted Net Assets	10,954,628	12,129,396	10,503,646
Unrestricted Net Assets	73,876,680	73,398,663	68,346,614
Total Net Position	$ 419,942,567	$ 416,239,499	$ 411,233,121

For a detailed discussion regarding the changes in total net position, please see the section for the Statement of Revenues, Expenses, and Changes in Net Position in the following pages.

Current Assets – unrestricted: an increase in fiscal year 2025 compared to 2024, and an increase in fiscal year 2024 compared to 2023. This was due to a combination of fluctuations in water sales from changes in water demand due to weather conditions and annual rate increases, changes in wastewater (sewer) revenue collected, and investment income.

Current Assets – restricted: a decrease in fiscal year 2025 compared to 2024, and an increase in fiscal year 2024 compared to 2023. The decrease in fiscal year 2025 is due to the collection of $6.8 million in Title XVI grant receivables recorded as of fiscal year end 2024. The increase from fiscal year 2024 compared to 2023 was due to an increase in grants receivable to $6.8 million from $2.1 million in 2023. The District recognizes grant receivables and revenue as they are earned, and reduces grant receivables as the amounts are disbursed from awarding agencies in accordance with Generally Accepted Accounting Principles (GAAP).

Capital Assets, net: a slight decrease between fiscal years 2025 and 2024, and a decrease between fiscal years 2024 and 2023. These decreases are primarily due to increases in accumulated depreciation, which decreased the carrying value of the District's Capital Assets. The decreases were partially offset by increases in capital assets from Construction in Progress (CIP) projects that were capitalized during the fiscal year. See note 6 of the District's financial statements for more details on the District's capital assets.

Management's Discussion and Analysis (continued)

Financial Analysis of the District as a Whole (continued)

Noncurrent Assets – unrestricted: a decrease between fiscal year 2025 compared to 2024, and an increase between fiscal year 2024 compared to 2023. The decrease in fiscal year 2025 is due to the decrease in lease receivable as lease payments are received each month. The increase between fiscal years 2024 and 2023 was due to an increase in the District's lease receivable resulting from a new cell tower site agreement. Governmental Accounting Standards Board Statement (GASB) No. 87 – Leases requires the District to recognize a noncurrent asset for the lease payments that are expected to be received during the lease term of the District's leases, which are primarily composed of cell tower sites. The District has 17 existing lease agreements, which generate other non-operating revenue for the District.

Other Noncurrent Assets: a decrease between fiscal years 2025 and 2024 and a decrease between fiscal years 2024 and 2023. The decrease was caused by the amortization of pre-paid bond insurance for the District's 2015A Water System Refunding Revenue Bonds.

Deferred Outflows of Resources: In 2025, the District had Deferred Outflows of Resources of $6.1 million, a decrease of $1.6 million compared to fiscal year 2024. In 2024, the District had Deferred Outflows of Resources of $7.8 million, a decrease of $403 thousand compared to fiscal year 2023. The change in the District's Deferred Outflows was primarily due to fluctuations in recorded pension amounts as a result of changes in pension contributions subsequent to the measurement date, differences in actual and expected expenses, assumption changes, proportion changes, and net differences between projected and actual earnings on plan investments, as required by GASB Statement No. 68. The remaining change in the District's Deferred Outflows is due to decreases in the deferred loss on refunding recognized for the District's Water System Revenue Bonds. More information on the District's Long-term debt can be found in Note 8 of the basic financial statements.

Current Liabilities – unrestricted: an increase between fiscal years 2025 and 2024, and an increase between fiscal years 2024 and 2023. The increase between fiscal year 2025 and 2024 was primarily due to an increase in payables related to work in progress, resulting from deposits received for the sale of one of the District's parcels of land (Wiegand). The increase from fiscal year 2024 and 2023 was due to an increase in the District's payables related to water purchases and the District's operations. Changes to the current portion of compensated absences and the current portion of long-term debt also contributed to the increases in Current Liabilities - unrestricted.

Current Liabilities – restricted: a decrease in fiscal year 2025 compared to 2024, and an increase in fiscal year 2024 compared to 2023. The decrease in 2025 was primarily due to $3.3 million in grants payable that was recognized in fiscal year 2024 as part of the District's Title XVI grant but paid to subrecipients in 2025. The increase in 2024 compared to 2023 was primarily due to the recognition of the $3.3 million in grants payable. Fluctuations in restricted payables related to the District's various construction projects, and interest payable related to the District's debt, also contributed to the changes.

Compensated Absences, long-term: an increase in fiscal year 2025 compared to fiscal year 2024 and a decrease in fiscal year 2024 compared to fiscal year 2023. The changes are due to fluctuations in accrued benefits included in the Memorandum of Understanding between the District and its two bargaining units that was executed in 2021.

Net Pension Liability: a decrease of $481 thousand in fiscal year 2025 compared to 2024, and an increase of $1.1 million in fiscal year 2024 compared to 2023. Net Pension Liability is reported at $17.4 million for fiscal year 2025 and is based on the District's proportionate share of the net pension liability for the Miscellaneous Classic and Public Employees' Pension Reform Act (PEPRA) plans under the CalPERS retirement program. The District's Net Pension Liability for each fiscal year was recorded based on CalPERS actuarial report as of June 30th of the prior year. The District's Net Pension Liability was $17.9 million and $16.8 million for fiscal years 2024 and 2023, respectively.

Long-term Debt: a decrease in fiscal year 2025 compared to 2024 and a decrease in fiscal year 2024 compared to 2023. The decreases were due to the District's regular payments on its outstanding debt. For more information on the District's outstanding bond debts and payment schedules see Note 8 to the financial statements.

Management's Discussion and Analysis (continued)

Financial Analysis of the District as a Whole (continued)

Deferred Inflows of Resources: The District had Deferred Inflows of Resources of $9.05 million in fiscal year 2025, a decrease of $1.05 million compared to 2024. The District had Deferred Inflows of Resources of $10.1 million in fiscal year 2024, an increase of $436 thousand compared to 2023. The decrease in fiscal year 2025 compared to 2024 and increase in fiscal year 2024 compared to 2023 were mainly due to changes in deferred inflows for the District's pension plan, which vary from year-to-year due to CalPERS actuarial assumptions and GASB 68, as described in the above Net Pension Liability section.

Total Net Position: Total Net Position increased in fiscal year 2025 compared to 2024 by $3.7 million and increased between fiscal years 2024 and 2023 by $5.0 million. The increases in both fiscal years 2025 and 2024 were primarily due to revenue from water sales, capacity charges, grant revenue, and investment income, which were partially offset by increases in the District's operating expenditures because of increased purchased water and operating costs. Fluctuations in the District's Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension expense based on California Public Employees Retirement System (CalPERS) actuarial assumptions and Governmental Accounting Standards Board (GASB) Statement No. 68 reporting requirements have also contributed to the year-to-year changes in the District's Total Net Position.

Statement of Revenues, Expenses, and Changes in Net Position

While the Statement of Net Position focuses on the District's financial position on June 30 of each year, the Statement of Revenues, Expenses, and Changes in Net Position summarizes the District's operations during the year. Revenues are recognized (recorded) when water or services are provided, and expenses are recorded when incurred. Operating revenues and expenses are primarily related to the District's core activities (potable water, recycled water, and wastewater service). Non-operating revenues and expenses are not directly related to the core activities of the District (investment income, property taxes, and capacity charges).

Water Operations

During fiscal year 2025, the District provided potable water and recycled water services to 28,764 active meters. Water services include reading and billing water meters on a monthly basis, a back-flow prevention program, meter maintenance, water quality services, and other on-site services as requested by District customers, including testing meters for accuracy and checking for water leaks.

The District's five board members have independent rate-setting authority. The District's rate structure for monthly water service fees is comprised of three components: commodity charge, monthly system access charge, and SDCWA Infrastructure Access Charge. The District's rates and charges are set to cover the cost of providing water services, such as system administration costs, operations and maintenance expenses, and capital improvement and replacement needs.

On November 6, 2024, the District's Board of Directors adopted an ordinance that allowed the District to pass through to its water customers, for the following five years: (1) increases in Purchased Water Wholesale Costs from San Diego County Water Authority (SDCWA) and the District's recycled water suppliers; (2) increases in the SDCWA Infrastructure Access Charge; and (3) increases to the District's Cost of Operations and Maintenance and Capital Facilities based on over-the-year percent change in the San Diego Consumer Price Index for All Urban Customers (CPI-U). A 2024 Water Cost of Service Study was the basis for allocating costs and calculating the proposed adjustments and increases to the District's water services charges, and a Proposition 218 hearing was held on October 13, 2024 to consider public comment. Per the ordinance, the District's total of annual pass-through increases shall not exceed 12% per year through December 31, 2029.

About 74% of the District's water revenues are collected from commodity charges. The District's commodity charge for domestic customers consists of a tiered rate structure with higher rates per unit of water as the level of consumption increases. Commodity revenues vary from month to month depending on water consumption. Commodity rates for domestic customers range from $4.43 to $8.20 per unit (one unit equals 748 gallons of water).

Water Operations (continued)

About 26% of the District's water revenues are collected from fixed monthly system access charges. The District's fixed monthly system access charge is established on the basis of meter size of the property receiving water service. Currently, average customers with a ¾ inch meter pay $48.53 per month for their monthly system access charge. SDCWA Infrastructure Access Charge is imposed by SDCWA on District water meters for the purpose of recovering certain SDCWA infrastructure costs. Currently, average ¾ inch meter customers pay $4.55 per month for their monthly SDCWA Infrastructure Access Charge.

In March of 2022, the District's Board of Directors established the District's Rate Reimbursement Credit (RRC) Program, which helps reduce the impact of current and future OMWD water rate increases on customers' monthly water bills. The program stemmed from a refund payment received totaling $3,661,917 from SDCWA for the District's share of settlement proceeds resulting from lawsuits between 2010 and 2018, where SDCWA challenged the Metropolitan Water District's (MWD) Water Stewardship Rate. The District's Board of Directors voted to return the $3,661,917 to all District potable water customers (excluding construction users) as a credit on their monthly water bills. As of June 2025, the District has refunded $2,146,791 to District customers via the RRC program.

The District's water pricing remains competitive compared to other water districts in the County.

Wastewater (Sewer) Operations

The District's 4S Ranch Water Reclamation Facility (4S WRF) collects and treats sewage effluent from two areas within its boundaries, 4S Ranch and Rancho Cielo. These service areas, comprised of a wide variety of commercial, industrial, and residential uses, encompass a total of approximately 4,000 acres.

In May of 2024, the District's Board of Directors adopted an ordinance that authorized the District to pass-through to its wastewater customers, for the next five fiscal years (fiscal year 2025 – fiscal year 2029), cost increases to collect, treat, and dispose of sewage and costs to maintain the 4S Ranch Wastewater and Reclamation Facilities within the 4S Ranch Sanitation District. These increases were also necessary for the planned construction of wastewater capital improvements needed to replace and refurbish the District's aging wastewater facilities. The Board of Directors adopted a 5.5% revenue increase adjustment effective July 1, 2024, and 5.5% increases thereafter on July 1st of each fiscal year for fiscal years 2026–2029.

The District's wastewater rate consists of two components: a service access charge, which is a fixed charge; and a commodity charge, which reflects each customer's wintertime water use. The wintertime water use (December through March) for each single-family residential customer is capped at 10 hundred cubic feet (HCF). Other wastewater customer types (multi-family and commercial) are billed commodity charges based on their monthly water usage, as these customers have separate irrigation meters. Revenue derived from the rates and charges is used for the recovery of operations and maintenance costs of the District's wastewater operations, as well as capital improvement expenditures.

Wastewater service fees are billed via the property tax roll and collected by the County of San Diego Property Tax Services Division. Currently, the District bills approximately 7,341 equivalent dwelling units (EDUs) for wastewater discharged from residential and commercial customers.

Management's Discussion and Analysis (continued)

Recycled Water Operations

The 4S Ranch Water Reclamation Facility (4S WRF) is capable of treating wastewater effluent to California Administrative Code Title 22 levels so that treated water from this plant can be used for irrigation purposes in the southeast portion of the District's service area. The District also buys recycled water from other agencies to supply its recycled water demand in the southeast as well as the northwest portion of the District's service area. Recycled water sold by the District to its retail customers is either produced at the 4S Ranch Water Reclamation Facility or purchased from Rancho Santa Fe Community Services District, the City of San Diego, San Elijo Joint Powers Authority, and Vallecitos Water District.

Recycled water revenues are collected from commodity rates and a monthly system access charge. The District adopted a uniform rate structure for collecting recycled water user fees based on monthly water consumption, and adjusts this fee annually to ensure it covers the costs of operation. The recycled commodity rate is currently billed at $4.68 per unit (one unit equals 748 gallons of water).

The District continues to expand its recycled water system in the southeast and northwest recycled water service areas. The board approved the Recycled Water Retrofit Loan Program which offers financial assistance in the form of low-interest loans to qualified Homeowners' Associations (HOA) that retrofit their potable water irrigation system to recycled water.

Management's Discussion and Analysis (continued)

Statements of Revenues, Expenses, and Changes in Net Position

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

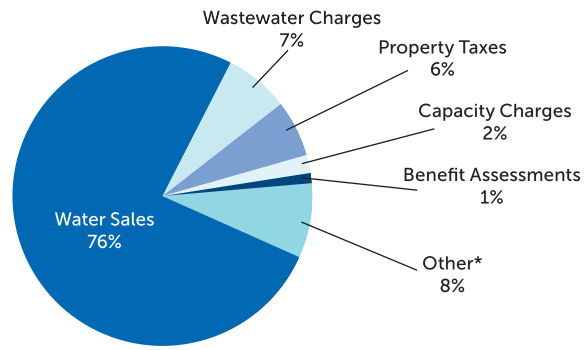
	Fiscal Year ended June 30 2025	2024	2023
REVENUES			
Operating Revenues:			
Water Sales	$ 68,280,862	$ 56,723,757	$ 53,633,877
Wastewater Charges	5,760,887	5,443,940	5,621,985
Other Operating Revenues	1,957,488	1,606,103	1,084,666
Total Operating Revenues	75,999,237	63,773,800	60,340,528
Non-Operating Revenues:			
Property Tax Revenues	5,016,813	4,802,446	4,577,755
Capacity Charges	2,087,570	577,702	1,327,295
Benefit Assessment Revenues	1,121,827	1,048,779	1,045,315
Investment Income	3,172,210	3,195,143	2,105,348
Fair Market Value Adjustment	940,508	1,355,207	(207,285)
Other Non-Operating Revenues	981,204	1,361,331	1,055,260
Total Non-Operating Revenues	13,320,132	12,340,608	9,903,688
Total Revenues	89,319,369	76,114,408	70,244,216
EXPENSES			
Operating Expenses:			
Cost of Water Sold	39,107,409	30,712,658	29,609,781
Depreciation	16,587,148	16,207,532	15,910,790
General and Administrative	9,259,779	8,700,174	6,865,224
Pumping and Water Treatment	5,111,698	5,246,548	4,353,775
Transmission and Distribution	4,781,999	4,992,405	4,434,815
Wastewater Collection and Treatment	2,361,678	2,026,890	2,026,695
Customer Services	2,614,837	2,412,185	1,754,190
Facilities Maintenance	1,396,624	1,441,133	1,274,751
Elfin Forest Recreational Reserve	506,947	493,779	386,905
Other Operating Expenses	440,425	395,808	212,580
Total Operating Expenses	82,168,544	72,629,112	66,829,506
Non-Operating Expenses:			
Interest Expense, net	1,007,869	1,171,516	1,220,156
Other Non-Operating, net	10,540,792	4,291,473	1,935,949
Total Non-Operating Expenses	11,548,661	5,462,989	3,156,105
Total Expenses	93,717,205	78,092,101	69,985,611
Income (Loss) Before Capital Contributions	(4,397,836)	(1,977,693)	258,605
Capital Contributions	8,100,904	6,984,071	3,640,582
Changes in Net Position	3,703,068	5,006,378	3,899,187
Beginning Net Position	416,239,499	411,233,121	407,333,934
Ending Net Position	$ 419,942,567	$ 416,239,499	$ 411,233,121

Management's Discussion and Analysis (continued)

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

Revenues

Sources of Revenues
Fiscal Year Ended June 30, 2025



*Includes Other Operating Revenues, Other Non-operating Revenues, Investment Income, and the fair market value adjustment on the District's investments.

Total Revenues: as reported on the Statement of Revenues, Expenses, and Changes in Net Position for fiscal year ended June 30, 2025, total revenues were $89.3 million, a 17.4% increase compared to fiscal year 2024. Total revenues in fiscal year 2024 were $76.1 million, an 8.4% increase compared to fiscal year 2023. The change in fiscal year 2025 compared to 2024 was primarily due to higher water sales as a result of increased consumption, as well as an increase in capacity charges collected during the year. The increase in fiscal year 2024 compared to 2023 was mainly due to water rate increases and improved investment revenue, attributed to rising investment yields.

Operating Revenues: an increase in fiscal year 2025 compared to 2024, and an increase between fiscal years 2024 and 2023 due to changes in water consumption and a revenue adjustment of 7.8% in fiscal year 2025 and 7.4% in fiscal year 2024 to water rates and charges. Fluctuations in water sales are due to year-to-year changes in customers' water consumption behaviors which vary depending on weather conditions. Revenues from wastewater charges increased in fiscal year 2025 but decreased in 2024. These revenue fluctuations were due to changes in water usage, which directly impact wastewater billing, as well as increases in wastewater rates and charges.

Other Operating Revenues: an increase in fiscal year 2025 compared to 2024, and an increase in fiscal year 2024 compared to 2023. The increases over the years are primarily due to fluctuations in the revenue from the selling of excess treatment services to Vallecitos Water District from the David C. McCollom Water Treatment Plant (DCMWTP). The large increase in 2024 compared to 2023 is due to Vallecitos Water District's temporary shut down of its pipeline for planned repairs during the first six months of fiscal year 2023, which resulted in a decrease in revenue from the selling of excess treatment services.

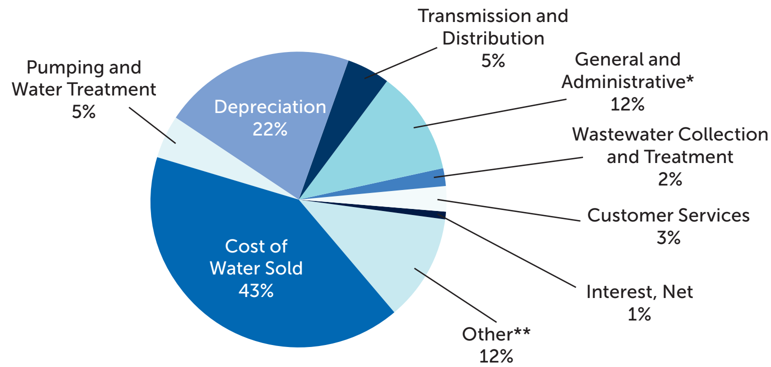
Non-operating Revenues: an increase in fiscal year 2025 compared to 2024, and an increase in fiscal year 2024 compared to 2023. The increase in fiscal year 2025 is mainly due to an increase in capacity fees collected during the year. The increase in fiscal year 2024 was due to higher investment income compared to 2023. The average return on investments grew from 1.18% at the beginning of fiscal year 2023 to 3.21% by year end, and continued to grow to 3.89% by the end of fiscal year 2024, remaining steady throughout fiscal year 2025. The increase in fiscal year 2024 was partially offset by a decrease in capacity fees collected. Fluctuations in the amounts collected from the District's property tax revenues, and benefit assessment revenues from the 96-1 Reassessment District Limited Obligation Improvement Bonds also contributed to the changes in Non-operating revenues over the years.

Management's Discussion and Analysis (continued)

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

Expenses

Sources of Expenses
Fiscal Year Ended June 30, 2025



*Includes Facilities Maintenance and Elfin Forest Recreational Reserve Expenses.
**Includes Other Operating Expenses and Other Non-operating Expenses.

Total Expenses: fiscal year ended June 30, 2025, reported expenses were $93.7 million. Included in Total Expenses were $82.2 million in Operating Expenses and $11.5 million in Non-operating Expenses. Total Expenses reported in fiscal years 2024 and 2023 were $78.1 and $70.0 million, respectively.

Operating Expenses: increased in fiscal year 2025 compared to 2024 and increased in fiscal year 2024 compared to 2023. The increases in both fiscal year 2025 and 2024 were primarily driven by an increase in purchased water costs, an increase in operating costs for the District's water and wastewater operations, and increased salary and wage expenses in accordance with the 2021 Memorandum of Understanding between the District, the District Employee Association, and the Bargaining Unit Members Associations.

Other Non-operating Expenses, net: increased in fiscal year 2025 compared to 2024 and increased in fiscal year 2024 compared to 2023. These increases were due to the recognition of pass-through Title XVI grant funds to subrecipient members of the North San Diego Water Reuse Coalition (NSDWRC) as part of its Title XVI grant, totaling approximately $7.3 million in 2025, $3.3 million in 2024, and $1.0 million in 2023. Corresponding amounts were recognized as income under the Capital Contributions section of the District's Statement of Revenues, Expenses, and Changes in Net Position and in accordance with Generally Accepted Accounting Principles (GAAP). The District also recorded a loss on disposal of fixed assets of $1.9 million in 2025 as a result of wastewater, recycled, and water treatment plant upgrades, and a loss on disposal of fixed assets of $238 thousand in 2024, which is reflected under Non-operating Expenses. Additionally, under the Board of Directors' established Rate Reimbursement Credit (RRC) program, the District passed on $1.1 million in 2025 and $491 thousand in 2024 to its customers. These amounts were also recognized as Other Non-operating Expenses. More information on the District's Rate Reimbursement Credit (RRC) program is included under the Water Operations section earlier in the Management Discussion and Analysis (MD&A).

Management's Discussion and Analysis (continued)

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

Income (Loss) Before Capital Contributions and Capital Contributions

Income (Loss) Before Capital Contributions: decreased in fiscal year 2025 compared to 2024 and decreased in fiscal year 2024 compared to 2023. These decreases were primarily due to increases in pass-through Title XVI grant funds that were paid to subrecipients and were included in Non-Operating Expenses, pursuant to Generally Accepted Accounting Principles (GAAP). A corresponding revenue amount was recorded as income under the Capital Contributions section of the District's Statement of Revenues, Expenses, and Changes in Net Position. Fluctuations due to changes in water sales, investment income, and increases in water and wastewater operating expenses also contributed to the changes in Income (Loss) Before Capital Contributions.

Capital Contributions: increased in fiscal year 2025 compared to 2024 and increased in fiscal year 2024 compared to 2023, primarily due to an increase in grant revenue and pass-through grant revenue. Pass-through grant funds are recorded as Capital Contributions when earned, with a corresponding recognition in Other Non-operating Expenses, in accordance with Generally Accepted Accounting Principles. In fiscal year 2025, the District recognized $7.9 million in grant revenue, including $297 thousand for its share of the NSDWRC Title XVI grant, $7.3 million in pass-through revenue to subrecipients, and $232 thousand related to the Advanced Metering Infrastructure (AMI) project. In fiscal year 2024, the District recognized $6.4 million in grant revenue, including $2.9 million for its share of the NSDWRC Title XVI grant, $3.3 million in pass-through revenue to subrecipients, and $268 thousand related to the Advanced Metering Infrastructure (AMI) project. The District also recognized contributed revenue for assets received from major developers, which fluctuates from year to year, but has been steadily decreasing, as a result of the District being mostly built out.

Changes in Net Position

Changes in Net Position for the fiscal year ended June 30, 2025, amounted to an increase of $3.7 million. The Changes in Net Position for the fiscal years ended June 30, 2024, and June 30, 2023, amounted to an increase of $5.0 million and an increase of $3.9 million, respectively. These year-over-year fluctuations were primarily attributed to the increases in Total Revenues from water sales, capacity charges, grant revenue, and investment income, which were partially offset by increases in the District's purchased water and operating costs. Fluctuations in the District's Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension expense based on California Public Employees Retirement System (CalPERS) actuarial assumptions and Governmental Accounting Standards Board (GASB) Statement No. 68 reporting requirements have also contributed to the year-to-year changes in the District's Net Position.

Management's Discussion and Analysis (continued)

Restrictions, Commitments, and Limitations

Capital Assets and Improvement Program

Condensed Schedule of Capital Assets

Description	As of June 30, 2025	As of June 30, 2024	As of June 30, 2023
Capital Assets, net of depreciation	$ 325,264,073	$ 322,752,333	$ 332,489,700
Land and Steel Tanks	30,866,760	30,866,760	30,866,760
Construction in Progress	15,064,533	17,583,018	11,358,683
Net Capital Assets	$ 371,195,366	$ 371,202,111	$ 374,715,143

The District's capital assets were financed through a combination of cash and debt financing. Construction in Progress (CIP) is currently being funded using cash accumulated in unrestricted funds and restricted cash for construction. The District's CIP fluctuated from year-to-year depending on the construction cost of infrastructure projects that are currently under construction or are in the planning stages. The District has a Ten (10) Year Capital Spending Plan for its Water and Wastewater Capital Improvement Program to address its water and wastewater infrastructure needs. The District is currently estimated at 95% build out. The District's ten-year financial projections for water and wastewater are included in the Long-Term Financial section of the General Manager's Recommended Biennial Budget document which is available on the District's website, www.olivenhain.com.

The District's Net Capital Assets in service as of June 30, 2025, were $371.2 million, net of $271.3 million in accumulated depreciation and amortization. Included in the total Net Capital Assets is $15.1 million in Construction in Progress (CIP), which includes: San Elijo Valley Groundwater project, Water Treatment Plant 4th Stage Centrifuge project, District-Wide PLC Replacements project, Gardendale and Village Park Pressure Reduction Station projects, and other capital improvement projects that are in various stages of construction. More information on the District's Capital Assets can be found in Note 6 of this report.

The District elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Steel Water Storage Tanks System starting in September 2007. Under GASB Statement No. 34, eligible infrastructure capital is not required to be depreciated if all requirements are met.

The Tank Assessment Index (TAI) minimum established by the District is 5.0. The average TAI for fiscal year 2025 is 9.2, well above the established index. The average TAI for fiscal years 2024 and 2023 was 9.1 and 9.2 respectively. The current lowest TAI is 8.4, and the highest is 9.9. It cost about the same as expected to maintain and preserve infrastructure assets at target conditions during the current period.

More detailed information regarding the modified approach can be found in note 1 of the Required Supplementary Information section.

Management's Discussion and Analysis (continued)

Restrictions, Commitments, and Limitations (continued)

Debt Administration

The District has one (1) note payable and five (5) bond issues outstanding: the 2013 State Revolving Fund, the 2019 Reassessment 96-1 Limited Obligation Improvement Bonds, the 2015 Water System Refunding Revenue Bonds Payable, the 2016 Water System Refunding Revenue Bonds Payable, and the 2021A and 2021B Wastewater Revenue Bonds Payable. The District's outstanding bonded indebtedness as of June 30, 2025 is as follows:

Schedule of Bond Indebtedness for Fiscal Year Ended 2025

Description	Year Issued	Total Sold	Final Maturity Date	Interest Rate Range		Bonds Outstanding As of June 30, 2025		
				From	To	Current	Long Term	Total
2019 Reassessment 96-1 Limited Obligation Improvement Bonds	2019	$ 7,130,000	9/2/2027	2.09%	2.09%	$ 912,067	$ 1,883,616	$ 2,795,683
2013 State Revolving Fund	2013	17,069,309	7/1/2035	2.30%	2.30%	865,765	8,217,546	9,083,311
2015 Water System Refunding Revenue Bonds Payable	2015	23,455,000	6/1/2028	2.00%	5.00%	2,130,000	4,580,000	6,710,000
2016 Water System Refunding Revenue Bonds Payable	2016	15,990,000	6/1/2039	2.13%	5.00%	645,000	10,485,000	11,130,000
2021A Wastewater Revenue Bonds Payable	2021	5,042,140	6/1/2041	2.14%	2.14%	220,840	3,940,430	4,161,270
2021B Wastewater Revenue Refunding Bonds Payable	2021	3,932,970	6/1/2028	1.14%	1.14%	588,890	1,197,560	1,786,450

For the fiscal year ended June 30, 2025, the ratio of 2019 Reassessment 96-1 Limited Obligation Improvement Bonds to assessed value was 0.01% and the net bonded debt per capita was $31.

In March of 2025, Fitch Ratings reviewed the District's 2015A Water System Refunding Revenue Bonds and 2016 Water Revenue Refunding Bonds "AAA" rating and concluded that there should be no change to its existing rating. These revenue bonds are secured by the District's net water system revenues after payment of water operations and maintenance (O&M) expenses.

For more details regarding the District's existing long-term debt, please see Note 8 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Southern California water districts are navigating a difficult economic landscape shaped by climate variability, rising operational costs, and shifting regulatory requirements. After two consecutive wet winters in 2022–2023 and 2023–2024, both California and the Colorado River Basin saw significant relief from long-standing drought conditions. However, the increased precipitation also led to a decline in water sales for both wholesale and retail providers, straining the revenue streams that fund critical operations and infrastructure.

In contrast, the 2024–2025 year brought a return to drier conditions in Southern California, which helped increase water sales and temporarily alleviated some of the financial pressure experienced in previous years. Nonetheless, the return of dry weather has renewed concerns about long-term water supply reliability and comes amid continued increases in the cost of purchased water.

Management's Discussion and Analysis (continued)

Economic Factors and Next Year's Budgets and Rates (continued)

To reduce dependence on potable water, the District continues to expand its recycled water infrastructure to meet customers' irrigation needs while easing demand on the potable water supply. Despite these efforts, the District remains fully reliant on the San Diego County Water Authority (SDCWA) for its potable water supply. Rising wholesale water costs from SDCWA have placed significant pressure on the District's budget. Additionally, SDCWA has shifted to allocating more of their costs on a fixed-cost basis for member agencies, increasing the fixed portion of the District's overall water operating expenses. As a result, effective January 1, 2026, the cost of wholesale water purchased from SDCWA will increase by 9.8% for the District.

In addition to the rising cost of purchased water, other operating expenses continue to increase due to inflation, particularly in areas such as chemicals, utilities, and certain internationally sourced materials affected by tariffs. The Federal Reserve continues its efforts to control inflation by maintaining relatively high interest rates while closely monitoring key economic indicators, including GDP, consumer spending, unemployment rates, and wage growth. The Federal Reserve remains cautious about lowering rates too quickly, aiming to avoid reigniting inflationary pressures. Furthermore, ongoing tariffs, especially on imported goods and materials, have added complexity to the Federal Reserve's efforts by introducing additional cost pressures in specific sectors.

Despite rising costs, the District remains dedicated to controlling expenses and minimizing the effects of inflation on its operations and maintenance budget. To support this goal, the District has taken several strategic actions, including reprioritizing infrastructure projects and delaying new positions. Additionally, by providing water treatment services to a neighboring district, the District further reduces its operational costs. To support infrastructure replacement and the expansion of the recycled water system, the District continues to aggressively pursue federal and state grant funding. These efforts have proven successful, resulting in the acquisition of millions of dollars in grants in recent years.

In response to increased costs for purchased water and inflationary pressures, the District's Board of Directors approved a 5.64% revenue adjustment to 2026 water rates and charges at the October 2025 Board meeting, well-below the 12% maximum set by the Board per the 5-year pass-through rate ordinance approved in November of 2024. This adjustment, effective January 1, 2026, reflects pass-through increases in wholesale water costs and inflation based on the San Diego Consumer Price Index (SD-CPI). To help mitigate the impact on customers, the Board also voted to continue the Rate Reimbursement Program, providing a rebate of 11 cents per unit of potable water purchased until the remaining rebate balance is fully refunded.

On the wastewater side, the District continues to collect and treat wastewater from its 4S Ranch Sanitation and Rancho Cielo Sanitation Districts. Annual wastewater service fees are collected by the District on each property owner's property tax bill. Wastewater service fees are due and payable at the same time when a property owner's tax bill is due to the San Diego County Tax Assessor's Office in April and in December of each year. In July of 2024, the District enacted a 5.5% increase to Wastewater (sewer) rates based on a 5-year Wastewater rate ordinance approved by the District's Board of Directors in June of 2024 following the completion of the 2024 Wastewater Cost of Service Study.

Despite ongoing cost and inflationary pressures, the District is positioned for financial stability in the years to come, as a result of fiscally responsible budgeting and rate setting.

Contacting the District's Financial Management

This financial report is designed to provide the District's rate payers, bond investors, and other interested parties with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives and the stewardship of the facilities it maintains. If you have questions about this report or need additional information, contact the Olivenhain Municipal Water District's Finance Department at 1966 Olivenhain Road, Encinitas, California 92024, call the District at (760) 753-6466, or send inquires to our website at www.olivenhain.com.

Statements of Net Position

June 30, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	$ 45,492,417	$ 50,475,982
Investments	38,069,804	30,921,101
Accounts receivable – water and wastewater, net	10,495,272	10,129,094
Interest receivable	526,155	413,665
Taxes receivable	226,260	212,142
Leases receivable, due within one year	470,100	418,980
Other receivables	254,011	388,813
Inventories	1,683,076	1,599,976
Prepaid expenses	1,720,894	1,274,076
Total unrestricted assets	98,937,989	95,833,829
Restricted assets:		
Cash and cash equivalents	7,109,105	7,279,624
Investments	3,986,370	2,565,301
Taxes receivable	57,206	49,448
Grants receivable	2,461	6,772,199
Total restricted assets	11,155,142	16,666,572
Total current assets	110,093,131	112,500,401
Noncurrent assets:		
Capital assets, nondepreciable	45,931,293	48,449,778
Capital assets, depreciable/amortizable, net	325,264,073	322,752,333
Capital assets, net	371,195,366	371,202,111
Leases receivables, due in more than one year	9,736,164	10,556,981
Prepaid bond insurance	10,215	13,717
Total noncurrent assets	380,941,745	381,772,809
Total assets	491,034,876	494,273,210
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	594,290	716,964
Pension-related deferred outflows of resources	5,539,491	7,033,805
Total deferred outflows of resources	6,133,781	7,750,769

(continued)

See accompanying Notes to the Basic Financial Statements.

Statements of Net Position (continued)

June 30, 2025 and 2024

	2025	2024
LIABILITIES		
Current liabilities:		
Liabilities payable from unrestricted assets:		
Accounts payable	$ 8,735,955	$ 8,657,197
Accrued payroll	643,653	566,875
Customer deposits	419,257	403,045
Payable related to work in progress	1,739,980	234,210
Compensated absences, current portion	1,258,429	1,150,778
Current portion of long-term debt:		
Wastewater revenue bonds	809,730	798,190
Water revenue refunding bonds	2,775,000	2,650,000
Special assessment debt with government commitment	912,067	892,931
Notes payable	865,765	846,161
Subscription liability	109,218	38,096
Total liabilities payable from unrestricted assets	18,269,054	16,237,483
Liabilities payable from restricted assets:		
Accounts payable	16,570	109,838
Interest payable	183,944	292,603
Grants payable	—	3,324,102
Total liabilities payable from restricted assets	200,514	3,726,543
Total current liabilities	18,469,568	19,964,026
Noncurrent liabilities:		
Compensated absences	1,049,510	987,859
Net pension liability	17,449,508	17,930,299
Long-term debt, excluding current portion:		
Wastewater revenue bonds	5,137,990	5,947,720
Water revenue refunding bonds	15,887,677	18,954,304
Special assessment debt with government commitment	1,883,616	2,797,851
Notes payable	8,217,546	9,083,311
Subscription liability	79,788	9,704
Total noncurrent liabilities	49,705,635	55,711,048
Total liabilities	68,175,203	75,675,074
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows of resources	180,627	298,347
Lease-related deferred inflows of resources	8,870,260	9,811,059
Total deferred inflows of resources	9,050,887	10,109,406
NET POSITION		
Net investment in capital assets	335,111,259	330,711,440
Restricted for:		
Debt service	2,400,367	2,194,962
Construction	8,554,261	9,934,434
Total restricted	10,954,628	12,129,396
Unrestricted	73,876,680	73,398,663
Total net position	$ 419,942,567	$ 416,239,499

See accompanying Notes to the Basic Financial Statements.

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended June 30, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Water sales	$ 68,280,862	$ 56,723,757
Wastewater charges	5,760,887	5,443,940
Other water operating revenues	1,957,488	1,606,103
Total operating revenues	75,999,237	63,773,800
OPERATING EXPENSES		
Cost of purchased water sold	39,107,409	30,712,658
Pumping and water treatment	5,111,698	5,246,548
Transmission and distribution	4,781,999	4,992,405
Wastewater collection and treatment	2,361,678	2,026,890
Elfin Forest recreation reserve operations	506,947	493,779
Facilities maintenance	1,396,624	1,441,133
Customer services	2,614,837	2,412,185
General and administrative	9,259,779	8,700,174
Other operating expenses	440,425	395,808
Depreciation and amortization	16,587,148	16,207,532
Total operating expenses	82,168,544	72,629,112
Operating (loss)	(6,169,307)	(8,855,312)
NONOPERATING REVENUES (EXPENSES)		
Fair market value adjustment	940,508	1,355,207
Investment income	3,172,210	3,195,143
Property taxes	5,016,813	4,802,446
Capacity charges	2,087,570	577,702
Benefit assessments	1,121,827	1,048,779
Other nonoperating revenues	981,204	1,361,331
Interest expense, net	(1,007,869)	(1,171,516)
Other nonoperating expenses	(10,540,792)	(4,291,473)
Total nonoperating revenues (expenses)	1,771,471	6,877,619
Income (loss) before capital contributions	(4,397,836)	(1,977,693)
Capital contributions	8,100,904	6,984,071
Changes in net position	3,703,068	5,006,378
Net position, beginning of year	416,239,499	411,233,121
Net position, end of year	$ 419,942,567	$ 416,239,499

See accompanying Notes to the Basic Financial Statements.

Statements of Cash Flows

For the years ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from water and wastewater customers	$ 75,784,072	$ 62,021,066
Payments for water	(39,738,345)	(29,727,466)
Payments for services and supplies	(8,975,508)	(11,331,389)
Payments for employee wages, benefits, and related costs	(14,754,790)	(14,036,821)
Net cash provided by operating activities	12,315,429	6,925,390
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes and benefit assessments received	6,116,764	5,852,863
Net cash provided by noncapital financing activities	6,116,764	5,852,863
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(18,074,183)	(12,297,061)
Proceeds from grants and capital contributions	14,648,151	1,685,094
Principal paid on long-term debt	(5,305,812)	(4,695,039)
Interest paid on long-term debt	(1,285,480)	(1,207,235)
Capacity charges received	2,171,308	587,076
Proceeds from sale of capital assets	34,450	132,030
Other capital financing receipts	775,655	870,222
Other capital financing expenses paid	(11,980,821)	(720,143)
Net cash (used in) capital and related financing activities	(19,016,732)	(15,645,056)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	24,260,000	9,951,111
Purchases of investments	(31,798,609)	(6,000,000)
Investment income received	2,969,064	3,249,553
Net cash provided by investing activities	(4,569,545)	7,200,664
Net increase (decrease) in cash and cash equivalents	(5,154,084)	4,333,861
Cash and cash equivalents, beginning of year	57,755,606	53,421,745
Cash and cash equivalents, end of year	$ 52,601,522	$ 57,755,606
FINANCIAL STATEMENT PRESENTATION		
Cash and cash equivalents	$ 45,492,417	$ 50,475,982
Cash and cash equivalents – restricted assets	7,109,105	7,279,624
Total cash and cash equivalents	$ 52,601,522	$ 57,755,606

(continued)

See accompanying Notes to the Basic Financial Statements.

Statements of Cash Flows (continued)

For the years ended June 30, 2025 and 2024

	2025	2024
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss)	$ (6,169,307)	$ (8,855,312)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization	16,587,148	16,207,532
GASB 68 adjustment to pension expense	895,803	938,196
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Receivables	(231,372)	(1,780,956)
Inventories	(83,103)	59,641
Prepaid expenses and deposits	(446,820)	(519,800)
Increase (decrease) in liabilities:		
Accounts payable	1,500,789	874,422
Accrued payroll and compensated absences	246,079	(26,545)
Customer deposits	16,212	28,212
Net cash provided by operating activities	$ 12,315,429	$ 6,925,390
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Contributions of capital assets	$ 222,491	$ 605,565
Amortization of premiums	$ (291,627)	$ (353,969)
Unrealized gains (losses) on investments	$ 940,508	$ 1,355,207

See accompanying Notes to the Basic Financial Statements.

Notes to the Basic Financial Statements

For the years ended June 30, 2025 and June 30, 2024

Note 1 – Reporting Entity

The Olivenhain Municipal Water District (the "District") is a governmental corporation governed by an elected five-member board of directors. The District was incorporated in 1959 under the provisions of the California Municipal Water District Act of 1911. The District's 48.6 square mile service area lies in northern San Diego County and the majority of its sales are to domestic and business users. The District's offices are located in Encinitas, California.

The basic financial statements of the District include the blended financial activities of the District and the Olivenhain Municipal Water District Financing Corporation (the "Corporation").

The Corporation was formed in 1997 under the California Nonprofit Public Benefit Corporation Law. Its sole purpose is to assist the District in acquiring and financing various public facilities.

The criteria used in determining the inclusion of a component unit in the reporting entity for financial reporting purposes are: (1) appointment of voting majority of the component unit board, (2) ability to impose its will, (3) financial benefit or burden, and (4) fiscal dependency.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are sub funds of the reporting entity, are identified in the District's books and records as the General Fund, Recycled Water Capacity Fee Fund, Treated Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Sanitation District Fund, Rancho Cielo Sanitation District Fund, 2015 Water System Revenue Refunding Bond Fund, 2016 Water System Revenue Refunding Bond Fund, 2021A Revenue Bond Fund, 2021B Revenue Bond Fund, and 2013 State Revolving Fund Note Payable. All significant inter sub-fund transactions and accounts are eliminated in the combination of the accounts of the sub-funds for the basic financial statements of the District.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for governmental accounting financial reporting purposes. The more significant of the District's accounting policies are described below:

A. Financial Statements

The financial statements (i.e., the statement of net position, the statement of revenues, expenses, and changes in net position, and statement of cash flows) report information on all of the activities of the District. The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

B. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The financial statements are reported using the "*economic resources*" measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Note 2 – Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods and that, therefore, will not be recognized as revenue until that time.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering water in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Position.

C. Use of Restricted/Unrestricted 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.

D. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents include petty cash, demand deposits with financial institutions, deposits in money market mutual funds (SEC registered), and deposits in external investment pools, and marketable securities that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value.

Risk Disclosures – Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentration of Credit Risk

Investment Valuation – GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Note 2 – Summary of Significant Accounting Policies (continued)

E. Restricted Assets

Amounts shown as restricted assets have been restricted by debt agreements, by law or regulations, or by contractual obligations to be used for specified purposes, such as service of debt and construction of capital assets.

F. Water and Wastewater (Sewer) Sales

Water sales revenue is recorded when water is delivered and service is rendered, including an estimated amount for unbilled service. Wastewater (sewer) service fees are collected on each property owner's property tax bill on an annual basis. Wastewater bills are due and payable at the same time when a property owner's tax bill is due to the San Diego County Tax Assessor's Office, April and December of each year.

G. Allowance for Doubtful Accounts

The District recognizes bad debt expense relating to water and wastewater receivables when it is probable that the accounts will be uncollectible. Water and wastewater accounts receivable at June 30, 2025 and 2024 have been reduced by an allowance for doubtful accounts of $110,000.

H. Leases Receivable

Lessor

The District is a lessor for leases of land, primarily cell tower sites, and recognizes leases receivable and deferred inflows of resources related to leases in the financial statements as required by GASB Statement No. 87 *Leases*. At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. As lease revenue is earned, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are reduced in a straight-line method over the life of the lease term as revenue is recognized.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District used U.S. Treasury rates at the time of GASB Statement No. 87 implementation for its existing leases. The District will use the current rate at the time a new lease is executed.
- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

I. Inventories

Materials inventory is stated at current average cost and was reduced by an allowance for obsolete inventory of $206,600 at June 30, 2025 and 2024. Water inventory is stated at its purchase cost using the first-in, first-out method.

J. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Note 2 – Summary of Significant Accounting Policies (continued)

K. Capital Assets, Depreciation and Amortization

Capital assets are valued at cost when constructed or purchased. Contributed capital assets are recorded at developer bonded cost. The District capitalizes all assets with a historical cost of at least $10,000 and a useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Depreciation or amortization on capital assets in service, excluding land, is computed using the straight-line method over the estimated useful lives of such assets and is reported as an operating expense. Capital projects are subject to depreciation or amortization when completed and placed in service. The ranges of estimated useful lives of capital assets are as follows:

Treatment and distribution system	10–75 years
Non-steel tanks	10–60 years
General plant	3–40 years
Capacity rights	17 years

The District is amortizing capacity rights and is reviewing it annually for impairment, and any impairment losses are recognized in the period in which the impairment is determined.

In September 2007, the District elected to use the Modified Approach as defined by GASB Statement No. 34 for reporting the steel water storage tanks subsystem of infrastructure capital assets.

The detail of the subsystems is not presented in these basic financial statements. However, the operating departments maintain information regarding the subsystems.

Per GASB Statement No. 34, a condition assessment will be performed every three years on the steel tanks. The condition of the District's steel water storage tanks is determined using the USCI AMRS via their maintenance program. The tank condition rating, which is a weighted average of an assessment of the ability of individual steel water storage tanks to function structurally, such that water is stored safely and securely, uses a numerical condition scale ranging from 1.0 (unacceptable) to 10.0 (very good).

It is the District's policy to keep all the steel water storage tanks at a condition level of not less than 5.0 (satisfactory). All steel water storage tanks are inspected every two years and washed out every other year. Repairs are done on an as needed basis.

L. Subscription-Based Information Technology Arrangements (SBITAs)

The District has a policy to recognize a subscription liability and a right-to-use subscription asset (subscription asset) in the financial statements. The District recognizes subscription liabilities with an initial, individual value of $10,000 or more with a subscription term greater than one year. Variable payments based on future performance of the District's usage of the underlying IT asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

At the commencement of a SBITA, the District initially measures the subscription liability at the net present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, less any payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Note 2 – Summary of Significant Accounting Policies (continued)

L. Subscription-Based Information Technology Arrangements (SBITAs) (continued)

Costs associated with a SBITA, other than the subscription payments, are accounted for as follows:

- **Preliminary Project Stage:** Outlays are expensed as incurred.
- **Initial Implementation Stage:** Outlays are capitalized as an addition to the subscription asset.
- **Operation and Additional Implementation Stage:** Outlays are expensed as incurred unless they meet specific capitalization criteria.

Upon adoption, the District elected to exclude the capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage that were incurred prior to the implementation of this Statement in the measurement of subscription assets as of July 1, 2021.

Subscription assets are reported in capital assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the District has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

Key estimates and judgments related to SBITA include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District used the U.S. Treasury rates at the time of GASB Statement No. 96 implementation for its existing SBITAs. The District will use the current rate at the time of a new SBITA agreement is executed. If available, the District uses the interest rate charged by the SBITA vendor as the discount rate.

- The subscription term includes the noncancellable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its subscription liability and will remeasure it accordingly if certain changes occur that are expected to significantly affect the liability.

M. Capital Contributions

Capital contributions are recorded when the District receives cash contributions or accepts contributions of capital assets in kind or when governmental construction grants are earned. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Position.

N. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused personal leave time up to a maximum of 992 hours, which includes both vacation and sick pay benefits. Sick time may be accumulated up to a maximum of 640 hours. The vacation accumulation maximum is based on number of years of continuous service and ranges from 192 hours to 352 hours. All personal leave time is accrued when incurred. In fiscal year 2022, the District implemented GASB Statement No. 101, *Compensated Absences*.

O. Long-Term Obligation

Debt premiums and discounts, if any, are deferred and amortized over the life of the debt. Long-term debt is reported net of the applicable bond premium or discount. Debt issuance costs are expensed when incurred.

Note 2 – Summary of Significant Accounting Policies (continued)

P. Refunding of Debt

Gains or losses occurring from current or advance refunding of debt are reported as deferred inflows or outflows of resources and are being amortized over the original remaining life of the old debt or the life of the new debt, whichever is less.

Q. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System ("CalPERS") plans ("Plans") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The District is participating in a cost-sharing multiple-employer defined benefit plan.

R. Property Taxes

The County of San Diego (the "County") bills and collects property taxes on behalf of the District. The County's tax calendar year is July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

S. Capacity Charges

Capacity charges are water and wastewater (sewer) capacity fees paid by new property owners prior to connecting to the District's system. Such charges are periodically adjusted based upon changes in construction cost index and/or other factors. Owner capacity charges are nonrefundable and are recorded as nonoperating revenues when collected.

T. Net Position

Net position of the District is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted Net Position – This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of "net investment in capital assets," or "restricted net position."

U. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – Summary of Significant Accounting Policies (continued)

V. Reclassification

For the year ended June 30, 2025, certain classifications may have been changed to improve financial statement presentation. For comparative purposes, prior year balances may have been reclassified to conform with the current fiscal year 2025 presentation.

W. Implementation of New GASB Pronouncements for the Year Ended June 30, 2025

During fiscal year ended June 30, 2025, the District has implemented the following new GASB Pronouncements:

- In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Application of this statement did not have an effect on the District's financial reporting for the fiscal year ending June 30, 2025.

X. Upcoming Governmental Accounting Standards Implementation

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve 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. Application of this statement is effective for the District's fiscal year ending June 30, 2026.

- In September 2024, GASB issued Statement No. 104, *Disclosure of Capital Assets*. The objective of this Statement is to require certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Application of this statement is effective for the District's fiscal year ending June 30, 2026.

Note 3 – Cash, Cash Equivalents, and Investments

Cash and investments at June 30, 2025 and 2024 are classified in the accompanying financial statements as follows:

	2025	2024
Statement of Net Position:		
Current Assets:		
Cash and cash equivalents	$ 45,492,417	$ 50,475,982
Restricted cash and cash equivalents	7,109,105	7,279,624
Investments	38,069,804	30,921,101
Restricted investments	3,986,370	2,565,301
Total cash and investments	$ 94,657,696	$ 91,242,008
Cash and investments consist of the following:		
Cash on hand	$ 1,484	$ 1,496
Deposits with financial institutions	3,342,561	2,155,044
Investments	91,313,651	89,085,468
Total cash and investments	$ 94,657,696	$ 91,242,008

Note 3 – Cash, Cash Equivalents, and Investments (continued)

A. Demand Deposits

As of June 30, 2025, the carrying amount of demand deposits was $3,342,561 and the bank balance was $3,366,031 compared to $2,155,044 and $2,548,991 at June 30, 2024, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the District's name as discussed below under *Disclosures Relating Custodial Credit Risk*.

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entities	5 years	50%	None
Banker's Acceptances	180 days	20%	3%
Commercial Paper	270 days	20%	5%
Certificates of Deposit	3 years	30%	$250,000
Repurchase Agreements	90 days	20%	None
Reverse Repurchase Agreements	90 days	10%	None
Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds, Depository Account	N/A	20%	5%
Municipal Obligations	N/A	30%	5%
Local Government Investment Pool	N/A	30%	None
Local Agency Investment Fund	N/A	50%	$40,000,000

C. Investments Authorized by Debt Agreements

Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

D. Disclosures Relating to Interest Rate Risk

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

Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2025 and June 30, 2024

Note 3 – Cash, Cash Equivalents, and Investments (continued)

D. Disclosures Relating to Interest Rate Risk (continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2025.

		Remaining Maturity (in Months)		
Investment Type	**Total**	**12 Months or Less**	**13 to 24 Months**	**25 to 60 Months**
Local Agency Investment Fund (LAIF)	$ 16,633,595	$ 16,633,595	$ —	$ —
California Asset Management Program (CAMP)	25,978,926	25,978,926	—	—
Money Market Mutual Funds	5,625,027	5,625,027	—	—
U.S. Government Sponsored Entities	40,078,765	19,136,821	9,170,618	11,771,326
Municipal Obligations	1,001,390	1,001,390	—	—
U.S. Treasury Obligations	1,995,948	1,995,948	—	—
Total	$ 91,313,651	$ 70,371,707	$ 9,170,618	$ 11,771,326

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2024.

		Remaining Maturity (in Months)		
Investment Type	**Total**	**12 Months or Less**	**13 to 24 Months**	**25 to 60 Months**
Local Agency Investment Fund (LAIF)	$ 6,609,408	$ 6,609,408	$ —	$ —
California Asset Management Program (CAMP)	25,575,955	25,575,955	—	—
Money Market Mutual Funds	5,459,862	5,459,862	—	—
U.S. Government Sponsored Entities	30,566,542	7,836,280	17,888,182	4,842,080
Municipal Obligations	998,460	—	998,460	—
U.S. Treasury Obligations	19,875,241	18,944,071	931,170	—
Total	$ 89,085,468	$ 64,425,576	$ 19,817,812	$ 4,842,080

Note 3 – Cash, Cash Equivalents, and Investments (continued)

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a Nationally Recognized Statistical Rating Organization ("NRSRO"). Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2025. (CAMP is rated by Standard and Poor's and has a rating of AAA).

			Rating as of Year End			
Investment Type	**Total**	**Minimum Legal Rating**	**AAA**	**AA**	**A/1+**	**Not Rated**
Local Agency Investment Fund (LAIF)	$ 16,633,595	N/A	$ —	$ —	$ —	$ 16,633,595
California Asset Management Program (CAMP)	25,978,926	AAA	25,978,926	—	—	—
Money Market Mutual Funds	5,625,027	N/A	—	—	—	5,625,027
U.S. Government Sponsored Entities	40,078,765	AAA	40,078,765	—	—	—
Municipal Obligations	1,001,390	A1/A+	1,001,390	—	—	—
U.S. Treasury Obligations	1,995,948	N/A	1,995,948	—	—	—
Total	$ 91,313,651		$ 69,055,029	$ —	$ —	$ 22,258,622

Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2024.

			Rating as of Year End			
Investment Type	**Total**	**Minimum Legal Rating**	**AAA**	**AA**	**A/1+**	**Not Rated**
Local Agency Investment Fund (LAIF)	$ 6,609,408	N/A	$ —	$ —	$ —	$ 6,609,408
California Asset Management Program (CAMP)	25,575,955	AAA	25,575,955	—	—	—
Money Market Mutual Funds	5,459,862	N/A	—	—	—	5,459,862
U.S. Government Sponsored Entities	30,566,542	AAA	30,566,542	—	—	—
Municipal Obligations	998,460	A1/A+	998,460	—	—	—
U.S. Treasury Obligations	19,875,241	N/A	19,875,241	—	—	—
Total	$ 89,085,468		$ 77,016,198	$ —	$ —	$ 12,069,270

Note 3 – Cash, Cash Equivalents, and Investments (continued)

E. Disclosures Relating to Credit Risk (continued)

Concentration of Credit Risk

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments is as follows:

Issuer	Investment Types	2025	2024
Federal Home Loan Bank	U.S. Govt. Sponsored Entities	$ 38,282,509	$ 30,566,542

F. Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2025 and 2024, $3,116,031 and $2,298,991 of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

G. Local Agency Investment Fund (LAIF)

The District is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. As of June 30, 2025 and 2024, the District had $16,633,595 and $6,609,408, respectively, invested in LAIF. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF is reported at amortized cost, which approximates fair value.

H. California Asset Management Program (CAMP)

The District is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust) and has a rating of AAA. The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act for the purpose of exercising the common power of its Participants to invest funds. The investments are limited to investments permitted by California Government Code. The total amount invested by all public agencies in CAMP at June 30, 2025 and 2024 was $22.3 billion and $20.5 billion, respectively. A board of seven trustees who are officials or employees of public agencies has oversight responsibility for CAMP. The value of the pool shares in CAMP, which may be withdrawn at any time, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool. At June 30, 2025 and 2024 the amortized cost approximated is the District's cost.

Notes 3 – Cash, Cash Equivalents, and Investments (continued)

I. Fair Value Measurements

The following is a summary of the fair value hierarchy of investments held by the District as of June 30, 2025:

	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)	June 30, 2025
Investments by Fair Value Level		
U.S. Government Sponsored Entity Securities		
FHLB	$ 38,282,509	$ 38,282,509
FHLMC	1,796,256	1,796,256
U.S. Treasury Securities	1,995,948	1,995,948
Municipal Bonds	1,001,390	1,001,390
Total Investments by Fair Value Level	$ 43,076,103	43,076,103
Investments not subject to fair value hierarchy:		
Local Agency Investment Fund (LAIF)		16,633,595
California Asset Management Program (CAMP)		25,978,926
Money Market Mutual Funds		3,243,716
Held by Fiscal Agent		
Money Market Mutual Funds		2,381,311
Total investments not subject to fair value hierarchy		48,237,548
Total investments		$ 91,313,651

Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2025 and June 30, 2024

Notes 3 – Cash, Cash Equivalents, and Investments (continued)

I. Fair Value Measurements (continued)

The following is a summary of the fair value hierarchy of investments held by the District as of June 30, 2024:

	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)	June 30, 2024
Investments by Fair Value Level		
U.S. Government Sponsored Entity Securities		
FHLB	$ 30,566,542	$ 30,566,542
U.S. Treasury Securities	19,875,241	19,875,241
Municipal Bonds	998,460	998,460
Total Investments by Fair Value Level	$ 51,440,243	51,440,243
Investments not subject to fair value hierarchy:		
Local Agency Investment Fund (LAIF)		6,609,408
California Asset Management Program (CAMP)		25,575,955
Money Market Mutual Funds		3,153,473
Held by Fiscal Agent		
Money Market Mutual Funds		2,306,389
Total investments not subject to fair value hierarchy		37,645,225
Total investments		$ 89,085,468

Investments securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Note 4 – Leases Receivable

The District leases land, primarily cell tower sites, and recognizes leases receivable. Leases receivable consist of agreements with others for the "right-to-use" the underlying land asset at various locations owned by the District. The remaining terms of the agreements that were used in calculating the leases receivable range from 4 to 31 years, and include options to extend the leases, since the District is reasonably certain that these options will be exercised. The calculated interest rates used to calculate the net present value of the leases receivable vary depending on the length of the lease.

For the fiscal year ended June 30, 2025, the District recognized $643,671 in lease revenue and $319,804 in interest revenue, and the outstanding receivable amount was $10,206,264. For the fiscal year ended June 30, 2024, the District recognized $635,717 in lease revenue and $336,405 in interest revenue, and the outstanding receivable amount was $10,975,961.

Note 4 – Leases Receivable (continued)

A summary of changes in leases receivable for the fiscal year ended June 30, 2025 was as follows:

Balance July 1, 2024	Remeasurement	Additions	Reductions	Balance June 30, 2025	Amounts Due Within One Year	Amounts Due in More Than One Year
$ 10,975,961	$ (338,374)	$ —	$ (431,323)	$ 10,206,264	$ 470,100	$ 9,736,164

A summary of changes in leases receivable for the fiscal year ended June 30, 2024 was as follows:

Balance July 1, 2023	Remeasurement	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year	Amounts Due in More Than One Year
$ 9,759,167	$ 1,019,278	$ 578,962	$ (381,446)	$ 10,975,961	$ 418,980	$ 10,556,981

At June 30, 2025, the required payments for these leases, including interest, are:

Year Ending June 30	Lease Receivable	Interest	Total
2026	$ 470,100	$ 306,230	$ 776,330
2027	509,813	291,425	801,238
2028	547,745	275,462	823,207
2029	553,071	258,493	811,564
2030	498,637	242,817	741,454
2031–2035	1,919,052	1,020,627	2,939,679
2036–2040	1,300,148	786,472	2,086,620
2041–2045	1,770,265	555,821	2,326,086
2046–2050	2,116,545	241,233	2,357,778
2051–2055	516,094	29,583	545,677
2056	4,794	13	4,807
	$ 10,206,264	$ 4,008,176	$ 14,214,440

As of June 30, 2025, the amounts reported as lease-related deferred inflows of resources will be recognized as lease revenue in the upcoming years as follows:

Year Ending June 30	Total
2026	$ 643,671
2027	643,671
2028	643,671
2029	617,467
2030	549,376
2031–2035	2,000,738
2036–2040	1,230,660
2041–2045	1,196,338
2046–2050	1,069,850
2051–2055	271,964
2056	2,854
	$ 8,870,260

Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2025 and June 30, 2024

Note 5 – Inventories

Inventories at June 30, 2025 and 2024 were as follows:

	2025	2024
Water inventory	$ 239,193	$ 236,092
Materials inventory	1,443,883	1,363,884
Total	$ 1,683,076	$ 1,599,976

Materials inventory was reduced by an allowance for obsolete inventory of $206,600 at June 30, 2025 and 2024.

Note 6 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2025, is as follows:

	Balance July 1, 2024	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2025
Capital assets, not being depreciated:					
Land	$ 11,005,363	$ —	$ —	$ —	$ 11,005,363
Steel water storage tanks	19,861,397	—	—	—	19,861,397
Construction in progress	17,583,018	17,980,938	(24)	(20,499,399)	15,064,533
Total capital assets, not being depreciated	48,449,778	17,980,938	(24)	(20,499,399)	45,931,293
Capital assets, being depreciated/amortized:					
Treatment and distribution system	317,097,030	222,491	(2,406,148)	16,826,884	331,740,257
Capacity rights	27,739,008	—	—	—	27,739,008
Non-steel tanks	38,981,357	—	—	—	38,981,357
General plant	197,326,701	—	(3,277,734)	3,672,515	197,721,482
Subscription assets	247,215	257,567	(91,374)	—	413,408
Total capital assets, being depreciated/amortized	581,391,311	480,058	(5,775,256)	20,499,399	596,595,512
Accumulated depreciation/amortization:					
Treatment and distribution system	(130,270,306)	(7,832,793)	1,092,045	—	(137,011,054)
Capacity rights	(21,943,378)	(1,147,867)	—	—	(23,091,245)
Non-steel tanks	(16,313,702)	(944,481)	—	—	(17,258,183)
General plant	(89,920,364)	(6,568,925)	2,711,268	—	(93,778,021)
Subscription assets	(191,228)	(93,082)	91,374	—	(192,936)
Total accumulated depreciation/amortization	(258,638,978)	(16,587,148)	3,894,687	—	(271,331,439)
Total capital assets, being depreciated/amortized, net	322,752,333	(16,107,090)	(1,880,569)	20,499,399	325,264,073
Total capital assets, net	$371,202,111	$ 1,873,848	$ (1,880,593)	$ —	$371,195,366

Note 6 – Capital Assets (continued)

A summary of changes in capital assets for the year ended June 30, 2024, is as follows:

	Balance July 1, 2023	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2024
Capital assets, not being depreciated:					
Land	$ 11,005,363	$ —	$ —	$ —	$ 11,005,363
Steel water storage tanks	19,861,397	—	—	—	19,861,397
Construction in progress	11,358,683	12,524,665	(192,010)	(6,108,320)	17,583,018
Total capital assets, not being depreciated	42,225,443	12,524,665	(192,010)	(6,108,320)	48,449,778
Capital assets, being depreciated/amortized:					
Treatment and distribution system	315,087,524	592,479	(499,206)	1,916,233	317,097,030
Capacity rights	27,739,008	—	—	—	27,739,008
Non-steel tanks	38,990,356	—	(8,999)	—	38,981,357
General plant	194,791,887	13,086	(1,670,359)	4,192,087	197,326,701
Subscription assets	247,215	—	—	—	247,215
Total capital assets, being depreciated/amortized	576,855,990	605,565	(2,178,564)	6,108,320	581,391,311
Accumulated depreciation/amortization:					
Treatment and distribution system	(123,016,222)	(7,587,746)	333,662	—	(130,270,306)
Capacity rights	(20,787,791)	(1,155,587)	—	—	(21,943,378)
Non-steel tanks	(15,373,509)	(944,576)	4,383	—	(16,313,702)
General plant	(85,064,668)	(6,452,495)	1,596,799	—	(89,920,364)
Subscription assets	(124,100)	(67,128)	—	—	(191,228)
Total accumulated depreciation/amortization	(244,366,290)	(16,207,532)	1,934,844	—	(258,638,978)
Total capital assets, being depreciated/amortized, net	332,489,700	(15,601,967)	(243,720)	6,108,320	322,752,333
Total capital assets, net	$374,715,143	$ (3,077,302)	$ (435,730)	$ —	$371,202,111

Depreciation expense for depreciable capital assets was $15,329,117 and $14,984,817 for the years ended June 30, 2025 and 2024, respectively. Amortization expense for amortizable capital assets was $1,240,949 and $1,222,715 for the years ending 2025 and 2024, respectively.

Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2025 and June 30, 2024

Note 6 – Capital Assets (continued)

Construction in progress consisted of the following at June 30:

	2025	2024
San Elijo Valley Groundwater	$ 5,173,651	$ 4,996,608
DCMWTP 4th Stage Centrifuge	3,161,693	482,092
Gardendale Pressure Reducing Station	1,121,239	—
District-wide PLC Replacements (Water)	833,975	—
District-wide PLC Replacements (Wastewater)	789,102	—
Replace Headworks Manual System	537,673	436,658
Village Park Pressure Reducing Station	451,986	—
Replace Neighborhood 1 SPS	—	6,786,608
HOA Recycled Pipeline Ext. – CB, VP, SH	—	984,894
DCMWTP Condition Assessment	—	691,619
RSFe Rd Unit A North Pipeline Replacement	—	507,904
Other capital projects	2,995,214	2,696,635
Total construction in progress	$ 15,064,533	$ 17,583,018

Note 7 – Accounts Payable

Accounts payable to be paid from unrestricted current assets are as follows at June 30:

	2025	2024
Water purchases	$ 5,531,257	$ 6,163,193
Construction in progress	1,621,170	1,493,618
Grants payable to other agencies	—	3,324,102
Other	1,583,528	1,000,386
Total	$ 8,735,955	$ 11,981,299

Accounts payable, to be paid from restricted current assets are as follows at June 30:

	2025	2024
Construction in progress	$ 16,570	$ 109,838
	$ 16,570	$ 109,838

Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2025 and June 30, 2024

Note 8 – Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year	Due More Than One Year
Notes Payable:						
2013 Note Payable – direct borrowing	$ 9,929,472	$ —	$ (846,161)	$ 9,083,311	$ 865,765	$ 8,217,546
Notes Payable	9,929,472	—	(846,161)	9,083,311	865,765	8,217,546
SBITA Liability:						
SBITA Liability – direct borrowing	47,800	257,568	(116,362)	189,006	109,218	79,788
SBITA Liability	47,800	257,568	(116,362)	189,006	109,218	79,788
Revenue Bonds:						
Publicly Offered:						
2015 Water System Refunding Revenue Bonds	8,745,000	—	(2,035,000)	6,710,000	2,130,000	4,580,000
Plus unamortized bond premiums	491,018	—	(213,082)	277,936	—	277,936
2016 Water System Refunding Revenue Bonds	11,745,000	—	(615,000)	11,130,000	645,000	10,485,000
Plus unamortized bond premiums	623,286	—	(78,545)	544,741	—	544,741
Direct Placement Borrowing:						
2021A Wastewater Revenue Bonds	4,377,480	—	(216,210)	4,161,270	220,840	3,940,430
2021B Wastewater Revenue Bonds	2,368,430	—	(581,980)	1,786,450	588,890	1,197,560
Revenue Bonds, net	28,350,214	—	(3,739,817)	24,610,397	3,584,730	21,025,667
2019 Special Assessment Debt with Government Commitment	3,690,782	—	(895,099)	2,795,683	912,067	1,883,616
Total	$ 42,018,268	$ 257,568	$ (5,597,439)	$ 36,678,397	$ 5,471,780	$ 31,206,617

Note 8 – Long-Term Debt (continued)

A summary of changes in long-term debt for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year	Due More Than One Year
Notes Payable:						
2013 Note Payable – direct borrowing	$ 10,345,340	$ —	$ (415,868)	$ 9,929,472	$ 846,161	$ 9,083,311
Notes Payable	10,345,340	—	(415,868)	9,929,472	846,161	9,083,311
SBITA Liability:						
SBITA Liability – direct borrowing	115,752	—	(67,952)	47,800	38,096	9,704
SBITA Liability	115,752	—	(67,952)	47,800	38,096	9,704
Revenue Bonds:						
Publicly Offered:						
2015 Water System Refunding Revenue Bonds	10,680,000	—	(1,935,000)	8,745,000	2,035,000	6,710,000
Plus unamortized bond premiums	760,036	—	(269,018)	491,018	—	491,018
2016 Water System Refunding Revenue Bonds	12,330,000	—	(585,000)	11,745,000	615,000	11,130,000
Plus unamortized bond premiums	708,237	—	(84,951)	623,286	—	623,286
Direct Placement Borrowing:						
2021A Wastewater Revenue Bonds	4,589,160	—	(211,680)	4,377,480	216,210	4,161,270
2021B Wastewater Revenue Bonds	2,944,060	—	(575,630)	2,368,430	581,980	1,786,450
Revenue Bonds, net	32,011,493	—	(3,661,279)	28,350,214	3,448,190	24,902,024
2019 Special Assessment Debt with Government Commitment	4,594,691	—	(903,909)	3,690,782	892,931	2,797,851
Total	$ 47,067,276	$ —	$ (5,049,008)	$ 42,018,268	$ 5,225,378	$ 36,792,890

Note 8 – Long-Term Debt (continued)

2013 Note Payable

On February 24, 2012, the District entered into an agreement with the State of California Department of Public Health for a loan not to exceed $17,812,998 (2013 Note Payable), under and pursuant to Part 12, Chapter 4 of Division 104 of the Health and Safety Code and California Code of Regulations Title 22 to assist in financing construction of a project which will enable the District to meet safe drinking water standards. The loan repayment term commenced on the due date of the first principal and interest invoice, which was on January 19, 2015, and expires twenty years after the due date of the first principal and interest invoice. The rate of interest to be paid on the principal amount of the loan is 2.3035% annually. At June 30, 2025, the outstanding loan balance was $9,083,311.

Future debt service requirements for the above note payable based on the initial loan rate is as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 865,765	$ 204,277	$ 1,070,042
2027	885,822	184,220	1,070,042
2028	906,345	163,697	1,070,042
2029	927,343	142,699	1,070,042
2030	948,827	121,215	1,070,042
2031–2035	4,549,209	265,977	4,815,186
Total	$ 9,083,311	$ 1,082,085	$ 10,165,396

2015 Water System Refunding Revenue Bonds Payable

On August 27, 2015, the District issued Water System Refunding Revenue Bonds, Series 2015A in the amount of $23,455,000 for the purpose of refunding $26,290,000 of the outstanding balance of the Water Revenue Refunding Bonds, Series 2006A. The 2015A bonds are limited obligation bonds maturing annually from December 1, 2015 to June 1, 2028 bearing various interest rates between 2.0% and 5.0%.

The District has pledged all of the Net Water System Revenues for the debt service payments of the bond. The total principal and interest remaining to be paid on the bonds is $7,215,875. For the current year, principal and interest paid on the bonds was $2,413,625. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for the Water Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

The deferred loss on refunding of $610,166 is being amortized over the remaining life of the refunded debt. Amortization expense totaled $45,552 for the year ended June 30, 2025. The remaining unamortized balance was $59,417 at June 30, 2025.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal Year Maturities (varying amounts)	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
2%–5%	2026–2027	$ 6,400,000	$ —	$ (2,035,000)	$ 4,365,000
3%	2028	2,345,000	—	—	2,345,000
		$ 8,745,000	$ —	$ (2,035,000)	$ 6,710,000

Note 8 – Long-Term Debt (continued)

2015 Water System Refunding Revenue Bonds Payable (continued)

Total bonds outstanding as of June 30, 2025, including unamortized bond premiums were as follows:

Principal outstanding at June 30, 2025	$ 6,710,000
Plus unamortized bond premium	277,936
Total bonds outstanding at June 30, 2025	$ 6,987,936

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 2,130,000	$ 276,875	$ 2,406,875
2027	2,235,000	170,375	2,405,375
2028	2,345,000	58,625	2,403,625
Total	$ 6,710,000	$ 505,875	$ 7,215,875

2016 Water System Refunding Revenue Bonds Payable

On October 19, 2016, the District issued Water System Refunding Revenue Bonds, Series 2016A in the amount of $15,990,000 for the purpose of refunding $16,610,000 of the outstanding balance of the Water Revenue Refunding Bonds, Series 2009. The 2016A bonds are limited obligation bonds maturing annually from December 1, 2016 to June 1, 2039 bearing various interest rates between 2.125% and 5.0%.

The District has pledged all of the Net Water System Revenues for the debt service payment of the bond. The total principal and interest remaining to be paid on the bonds is $13,884,065. For the current year, principal and interest paid on the bonds was $977,663. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for the Water Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

The District refunded the Water Revenue Refunding Bonds, Series 2009 to reduce its total debt service payments over 22 years by $3,683,827 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $2,753,343.

The deferred loss on refunding of $1,196,934 is being amortized over the remaining life of the refunded debt. Amortization expense totaled $77,122 for the year ended June 30, 2025. The remaining unamortized balance was $534,873 at June 30, 2025.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal Year Maturities (varying amounts)	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
2%–5%	2026–2036	$ 8,990,000	$ —	$ (615,000)	$ 8,375,000
2.5%	2037–2039	2,755,000	—	—	2,755,000
		$ 11,745,000	$ —	$ (615,000)	$ 11,130,000

Note 8 – Long-Term Debt (continued)

2016 Water System Refunding Revenue Bonds Payable (continued)

Total bonds outstanding as of June 30, 2025, including unamortized bond premiums were as follows:

Principal outstanding at June 30, 2025	$ 11,130,000
Plus unamortized bond premium	544,741
Total bonds outstanding at June 30, 2025	$ 11,674,741

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 645,000	$ 331,913	$ 976,913
2027	675,000	299,663	974,663
2028	705,000	272,663	977,663
2029	730,000	244,463	974,463
2030	745,000	228,950	973,950
2031–2035	4,010,000	872,063	4,882,063
2036–2039	3,620,000	275,400	3,895,400
Total	$ 11,130,000	$ 2,525,115	$ 13,655,115

2019 Reassessment District 96-1 Limited Obligation Improvement Bonds

In July 2019 the District issued Limited Obligation Improvement Bonds Reassessment District No. 2019-96-1 (OMWD Water Storage Project) in the amount of $7,130,000. The Reassessment District 2019-96-1 bonds are limited obligations of the District payable solely from Special Assessments that were previously assessed pursuant to the terms and provisions of the Municipal Improvement Act of 1913 (Division 12 of the Streets and Highways Code of the State of California) to form Assessment District No. 96-1 (OMWD Storage Project). The Reassessment District 2019-96-1 bonds were issued to provide funds to refund and refinance the outstanding principal amount of the District's 2007 Reassessment District No. 96-1 (OMWD Water Storage Project), and to pay for the costs of issuance incurred. The bonds were refinanced at an interest rate of 2.09% and mature in September 2027. The aggregate debt service payments of the new debt are $2.84 million less than the old debt. The issuance of the new debt and the refunding of the old debt resulted in an economic gain (the difference between the net present value of the old debt and new debt service payments) of approximately $2.59 million.

Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Principal of and interest on the Bonds are payable by the trustee, and such principal and interest payments, and premium, if any, are to be disbursed to the beneficial owners of the Bonds through their nominees. Installments of principal and interest sufficient to meet annual Bond debt service are included on the regular county tax bills sent to owners of property against which there are unpaid reassessments.

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	912,067	48,899	960,966
2027	931,894	29,629	961,523
2028	951,722	9,945	961,667
Total	$ 2,795,683	$ 88,473	$ 2,884,156

Note 8 – Long-Term Debt (continued)

2021A Wastewater Revenue Bonds

On October 27, 2021 the District issued Wastewater Revenue Bonds, Series 2021A in the amount of $5,042,140 to finance wastewater (sewer) improvements at the 4S Wastewater Treatment Plant, including rehabilitations, replacements, and modifications to the existing Neighborhood One Sewer Pump Station and the Headworks Screening System at the 4S Wastewater Treatment Plant. The Series 2021A bonds mature on June 1, 2041 and carry an interest rate of 2.14%. The District's annual debt service cost for the 2021A bonds is approximately $310,000. The 2021A Bonds were tax-exempt bonds issued by the Corporation. The District and the Corporation entered into installment purchase agreements to repay the 2021A Bonds from net wastewater revenues. The 2021A Bonds were directly purchased by Sterling National Bank through a private placement financing process.

The District has pledged all of the Net Wastewater System Revenues for the debt service payment of the bond. The total principal and interest remaining to be paid on the bonds is $4,958,197. For the current year, principal and interest paid on the bonds was $309,888. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for wastewater service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 220,840	$ 89,051	$ 309,891
2027	225,560	84,325	309,885
2028	230,390	79,498	309,888
2029	235,320	74,568	309,888
2030	240,350	69,532	309,882
2031–2035	1,281,170	268,270	1,549,440
2036–2040	1,424,250	125,190	1,549,440
2041	303,390	6,493	309,883
Total	$ 4,161,270	$ 796,927	$ 4,958,197

2021B Wastewater Revenue Bonds

On October 27, 2021, the District also issued 2021B Refunding Revenue Bonds in the amount of $3,932,970 to refund and refinance the existing 2018A Wastewater Revenue Bonds, which were issued in fiscal year 2018 to finance improvements to the District's administrative and operations building at 1966 Olivenhain Road, Encinitas, CA. The District received an interest rate of 1.14% for the 2021B Refunding Revenue Bonds, which resulted in an estimated net present value savings of $243,942 after the cost of issuance. The 2021B bonds mature on June 1, 2028. The 2021B Bonds were tax-exempt bonds issued by the OMWD Financing Authority. The District and the OMWD Financing Authority entered into installment purchase agreements to repay the 2021B Bonds from net wastewater revenues. The 2021B Bonds were directly purchased by Sterling National Bank through a private placement financing process.

The District has pledged all of the Net Wastewater System Revenues for the debt service payment of the bond. The total principal and interest remaining to be paid on the bonds is $1,827,334. For the current year, principal and interest paid on the bonds was $608,980. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for wastewater service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net wastewater service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

Note 8 – Long-Term Debt (continued)

2021B Wastewater Revenue Bonds (continued)

The District refunded the 2018 Wastewater Revenue Refunding Bonds to reduce its total debt service payments by $259,233 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $243,942.

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 588,890	$ 20,366	$ 609,256
2027	595,310	13,652	608,962
2028	602,250	6,866	609,116
Total	$ 1,786,450	$ 40,884	$ 1,827,334

Subscription-Based Information Technology Arrangements (SBITA) Liabilities

The District entered into various subscription-based IT arrangements and has recorded a liability to offset the right-to-use assets. These are calculated using the U.S. Treasury rates at the time of GASB Statement No. 96 implementation.

Future minimum payments on SBITA liabilities are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 109,218	$ 4,971	$ 114,189
2027	79,788	1,654	81,442
Total	$ 189,006	$ 6,625	$ 195,631

Note 9 – Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Summary of changes in compensated absences for the years ended June 30, 2025 and 2024, were as follows:

	Beginning Balance	Net Change	Ending Balance	Due Within One Year	Due in More Than One Year
June 30, 2025	$ 2,138,637	$ 169,302	$ 2,307,939	$ 1,258,429	$ 1,049,510
June 30, 2024	2,151,297	(12,660)	2,138,637	1,150,778	987,859

Note 10 – Employee Retirement Systems

A. General Information about the Pension Plan

Plan Description – All qualified full-time District employees are required to participate in the District's Miscellaneous Plan with California Public Employee's Retirement System (CalPERS). Employees hired prior to January 1, 2013 participate in the Miscellaneous Classic plan while employees hired January 1, 2013 and after participate in the Miscellaneous PEPRA (Public Employees' Reform Act) plan. Both plans, Classic and PEPRA, are considered a single pension plan. CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The District selects certain benefit provisions from the CalPERS' menu by contract with CalPERS and adopts those benefits through the Board's approval. Benefits provisions and all other requirements are established by State statute, the District's resolutions, and the memorandum of understanding between the Olivenhain Municipal Water District and the Olivenhain Municipal Water District Employees Association and the Bargaining Unit Members Association. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 or 52 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: Basic Death Benefit, 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Miscellaneous Plan	
	Classic	**PEPRA (Public Employees' Pension Reform Act)**
Hire date	Prior to January 1, 2013	January 1, 2013 and after
Benefit formula	2.5% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50–55	52–67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rate	8.00%	7.75%
Required employer contribution rate	13.41%	7.87%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

Note 10 – Employee Retirement Systems (continued)

A. General Information about the Pension Plan (continued)

Pension Funding Policy – In June 2022, The District's Board of Directors established a Pension Funding Policy to address the District's pension liability and to achieve a minimum target funded ratio goal of 85% by making additional discretionary payments to CalPERS and funding the District's Pension Stabilization Fund.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

Deferred outflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of June 30, 2024. As of June 30, 2025 and 2024 respectively, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	2025	2024
Classic and PEPRA plans	$ 17,449,508	$ 17,930,299
Total net pension liability	$ 17,449,508	$ 17,930,299

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

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool:

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2023). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2024). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2024 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (fiscal year 2024).

(3) The individual plan's TPL, FNP, and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from step (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in step (2) multiplied by the TPL ratio generated in step (4). The plan's FNP as of the measurement date is equal to the FNP generated in step (2) multiplied by the FNP ratio generated in step (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in step (5).

Note 10 – Employee Retirement Systems (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The District's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2023 and 2024 was as follows:

	Classic and PEPRA Plans
Proportion – June 30, 2022 (MD)	0.30884%
Proportion – June 30, 2023 (MD)	0.31088%
Change – Increase (Decrease)	0.00204%
Proportion – June 30, 2023 (MD)	0.31088%
Proportion – June 30, 2024 (MD)	0.30954%
Change – Increase (Decrease)	–0.000134%

For the years ended June 30, 2025 and 2024, the District recognized pension expense of $3,506,543 and $3,212,503, respectively. At June 30, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,610,737	$ —	$ 2,274,308	$ —
Differences between actual and expected experience	1,449,803	—	773,887	—
Change in assumptions	448,489	—	1,082,533	—
Changes in proportions	—	(180,627)	—	(130,817)
Differences between the employer's contributions and the employer's proportionate share of contributions	25,914	—	—	167,476)
Net differences between projected and actual earnings on plan investments	1,004,548	—	2,903,077	—
Total	$ 5,539,491	$ (180,627)	$ 7,033,805	$ (298,347)

The District reported $2,610,737 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2026	$ 875,481
2027	2,201,295
2028	32
2029	(328,681)
Total	$ 2,748,127

Note 10 – Employee Retirement Systems (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Deferred outflows of resources related to the contribution made subsequent to the measurement date in the amount of $2,274,308 were recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2025	$ 1,267,757
2026	880,256
2027	1,229,836
2028	83,301
Total	$ 4,461,150

Actuarial Assumptions – For the measurement period ended June 30, 2024 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2023 total pension liability determined in the June 30, 2023 actuarial accounting valuation. The June 30, 2024 total pension liability was based on the following actuarial methods and assumptions:

	Classic and PEPRA Plans
Valuation date	June 30, 2023
Measurement date	June 30, 2024
Actuarial cost method	Entry-Age Normal Cost Method
Actual assumptions:	
Discount rate	6.90%
Inflation	2.75%
Salary increases	(1)
Mortality rate table	(2)
Post retirement benefit increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2021 experience study report (based on CalPERS demographic data from 1997 to 2020) available on the CalPERS website.

(3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

Change in Assumptions – GASB 68, paragraph 30 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. In fiscal year 2025, the actuarial report did not have a change of assumption. In fiscal year 2018, the discount rate was reduced from 7.65% to 7.15%. In fiscal year 2023, the discount rate was changed from 7.15% to 6.90%. All other actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period 2017 to 2021, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Note 10 – Employee Retirement Systems (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.90% for each Plan and reflects the long-term expected rate of return for each Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 6.90% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 6.90% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the 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 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 short term and long term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short term and long term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2021.

Asset Class	New Strategic Allocation	Real Return
Public equity	42.00%	4.54%
Private equity	13.00%	3.84%
Fixed income	30.00%	7.28%
Real assets	15.00%	0.27%
Private debt	5.00%	0.50%
Strategic leverage	–5.00%	–0.59%
Total	100.00%	

Note 10 – Employee Retirement Systems (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Classic and PEPRA Plans	
	2025	2024
1% decrease	5.90%	5.90%
Net pension liability	$ 27,506,707	$ 27,471,747
Current discount rate	6.90%	6.90%
Net pension liability	$ 17,449,508	$ 17,930,299
1% increase	7.90%	7.90%
Net pension liability	$ 9,170,952	$ 10,076,868

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan – The District had no outstanding contributions to the pension plan required for the years ended June 30, 2025 and 2024.

Note 11 – Health Savings Plan

The Voluntary Employee Benefits Association ("VEBA") plan is a medical savings plan establishing a funded health reimbursement plan for eligible employees, former employees, and their dependents and beneficiaries as defined in the Plan pursuant to Internal Revenue Code Section 501 (c) (9). The District's VEBA plan was implemented on July 1, 2014 following the District's Board of Directors adoption of a resolution approving the VEBA program at the June 18, 2014 board meeting. During the years ended June 30, 2025 and 2024, the District contributed $36,800 and $34,600 to the VEBA plan, respectively.

Note 12 – Deferred Compensation Plan and Defined Contribution Plan

The Board has adopted two deferred compensation plans and a defined contribution plan (the Plans) in accordance with Sections 457(b) and 401(a), respectively, of the Internal Revenue Code, and has discretion to amend the Plans. These plans permit all eligible employees to defer taxation of a portion of their income until future years.

All District employees are eligible to participate in the 457(b) plan. Participation in the 457(b) plan is not required and employee contributions may be modified from time to time at the employee's direction. The District makes annual longevity match contributions to the 457(b) plan as specified in its Memorandum of Understanding (MOU) with its Employees Association and Bargaining Unit Members Association.

Eligible participants of the 401(a) plan are the General Manager, Managers, and Supervisors. The District makes annual contribution to the 401(a) plan on behalf of the General Manager, Managers, and Supervisors as specified in the compensation plan.

Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2025 and June 30, 2024

Note 12 – Deferred Compensation Plan and Defined Contribution Plan (continued)

Contributions to the Plans and interest earnings are 100 percent vested immediately. Benefits depend solely on the amounts contributed to the Plans plus investment earnings. Plan contributions and earnings are not available to employees until termination, retirement, death, disability, or unforeseeable emergencies. All assets and income of the Plans are held in a trust for the exclusive benefit of plan participants and their beneficiaries. The Plans are not considered part of the District's financial reporting entity.

For fiscal year 2025, the employee and employer contributions to the 457(b) plan were $581,682 and $70,500, respectively, and the 401(a) plan had employer contributions of $118,813.

Note 13 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The District purchases commercial insurance for its exposure to risk other than those under the workers' compensation laws from the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). JPIA is an intergovernmental risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Commercial insurance expense amounted to $629,230 and $464,988 for the years ended June 30, 2025 and 2024, respectively.

The District's coverage as part of its participation in the self insurance programs of JPIA is as follows:

General, Automobile, Employment Practices & Public Officials' Liability: Broad coverage against third-party claims for the District, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools for the first $5 million and purchases excess coverage with limit up to $55 million with aggregated policy limits.

Property Loss: Covered up to replacement value with a $10,000 deductible per occurrence on scheduled buildings, fixed equipment and contents. Replacement cost value on scheduled mobile equipment with a $1,000 deductible per occurrence and replacement cash value on scheduled vehicles with $500, deductible per occurrence. JPIA is self insured up to $10,000,000 per loss and has purchased re-insurance coverage up to a $500,000,000 limit per occurrence. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sub-limit of $100,000,000 with deductible $25,000 to $50,0000 depending on type of equipment. Property Program includes Earthquake with aggregate limit of $2,500,000, and is subject to minimum $75,000 deductible, Flood Coverage with aggregate limit of $25,000,000 and subject to a $100,000 deductible.

Cyber Liability: Including Cyber Security up to $3,000,000 per occurrence and $5,000,000 Aggregate Limit. Cyber Liability Deductible varies from $10,000 to $100,000 depending on District Total Insured Values.

Employee Dishonesty/Crime Supplement: Insured up to $1,100,000 per occurrence with a $1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program covers all employees, the Board of Directors, and the Treasurer.

Additionally, the District carries an Excess Crime Policy with a limit of $1,000,000 per occurrence and $100,000 deductible that is in full effect.

The District's workers' compensation risk exposure is handled by the District's participation in the Special District Risk Management Authority (SDRMA) established by the California Special Districts Association. SDRMA is a risk pooling joint powers authority formed under the California Government Code to provide workers' compensation coverage for SDRMA's member districts. SDRMA purchases excess insurance from commercial carriers to reduce its exposure to large losses. Workers' compensation expense amounted to $173,970 and $112,787 for the years ended June 30, 2025 and 2024, respectively. There were no instances in the past three years where a settlement exceeded the District's coverage provided through SDRMA or through the District's commercial carriers.

Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2025 and June 30, 2024

Note 13 – Risk Management (continued)

Workers' Compensation Coverage and Employer's Liability (SDRMA): Statutory limit per occurrence for Workers' Compensation and $5.0 Million for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Certificate of Coverage, effective July 1, 2024.

Note 14 – Net Position

A. Net Investment in Capital Assets

Net Investment in Capital Assets at June 30 consisted of the following:

	2025	2024
Net investment in capital assets		
Capital assets, nondepreciable	$ 45,931,293	$ 48,449,778
Capital assets, depreciable/amortizable, net	325,264,073	322,752,333
Deferred amount on refunding	594,290	716,964
Unspent debt proceeds	—	810,633
Current portion of long-term debt:		
Waste water revenue bonds	(809,730)	(798,190)
Water revenue refunding bonds	(2,775,000)	(2,650,000)
Special assessment debt with government commitment	(912,067)	(892,931)
Note payable	(865,765)	(846,161)
Subscription liability	(109,218)	(38,096)
Long-term debt, excluding current portion:		
Waste water revenue bonds	(5,137,990)	(5,947,720)
Water revenue refunding bonds	(15,887,677)	(18,954,304)
Special assessment debt with government commitment	(1,883,616)	(2,797,851)
Note payable	(8,217,546)	(9,083,311)
Subscription liability	(79,788)	(9,704)
Total net investment in capital assets	$ 335,111,259	$ 330,711,440

Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2025 and June 30, 2024

Note 14 – Net Position (continued)

B. Restricted Net Position

Restricted Net Position at June 30 consisted of the following:

	2025	2024
Net position restricted for debt service:		
Restricted assets		
Cash	$ 2,460,411	$ 2,387,890
Investments	66,694	50,227
Taxes/assessments receivable	57,206	49,448
Total restricted assets for debt service	2,584,311	2,487,565
Less liabilities payable from restricted assets	(183,944)	(292,603)
Net position restricted for debt service	2,400,367	2,194,962
Net position restricted for construction:		
Restricted assets		
Cash	4,648,694	4,081,101
Investments	3,919,676	2,515,074
Grants receivable	2,461	6,772,199
Total restricted assets for construction	8,570,831	13,368,374
Less liabilities from restricted assets	(16,570)	(109,838)
Less: grants payable	—	(3,324,102)
Net position restricted for construction	8,554,261	9,934,434
Total restricted net position	$ 10,954,628	$ 12,129,396

C. Unrestricted Net Position

Unrestricted funds are the District's Designated Fund Balances. These funds are designated by the District's Board of Directors to carry out specific purposes as stated in the Board Designated Fund Balances Policy ("Policy"). Unrestricted funds are reviewed annually with the Board to ensure compliance with the Policy. Changes to the Policy will require Board's approval. Unrestricted funds at June 30 consisted of the following:

	2025	2024
Capital replacement reserve	$ 50,535,556	$ 49,772,400
Rate stabilization reserve	13,860,784	14,491,220
Pension stabilization reserve	1,003,693	738,765
Operating reserve	8,476,647	8,396,278
	$ 73,876,680	$ 73,398,663

The District received refund payments from the San Diego County Water Authority (SDCWA) in 2021 in the amount of $3,661,917 for overpayments on water wholesale costs to the Metropolitan Water District of Southern California (MWD). The District's Board of Directors voted to return these refund payments to the District's potable water customers on their monthly water bills as a Rate Reimbursement Credit (RRC) of 6.9 cents per unit of water billed, which was later increased to 11 cents per unit of water billed then increased to 22 cents. These funds are held and paid from the District's rate stabilization reserves. As of June 30, 2025, the District has refunded $2,146,791 to its customers via the RRC, leaving $1,515,126 in the District's rate stabilization reserves for future refunds.

Note 15 – Capital Contributions

Capital contributions for the years ended June 30, 2025 and 2024 were as follows:

	2025	2024
Contribution of capital assets	$ 222,490	$ 605,565
Grant revenue	528,748	3,054,404
Pass-through grant revenue	7,349,666	3,324,102
Total	$ 8,100,904	$ 6,984,071

Note 16 – Economic Dependency

All potable water sold by the District is purchased from the San Diego County Water Authority (SDCWA). The District purchased 17,718.3 acre-feet (AF) of potable water during fiscal year 2025, and 15,635.4 AF during fiscal year 2024. An acre foot (AF) is a unit of measure equivalent to 325,900 gallons of water, which meets the needs of two average families for one year. The District continues to offset potable water consumption used for irrigation with recycled water through the expansion of its recycled water system. The prospect of future droughts as well as water supply shortages drives the need to diversify water supplies by developing alternative water sources locally to reduce reliance on potable water purchased from SDCWA. Recycled water sold by the District to its retail customers is either produced at the 4S Ranch Water Reclamation Facility or purchased from Rancho Santa Fe Community Services District, the City of San Diego, San Elijo Joint Powers Authority, and Vallecitos Water District.

The District's recycled water system is comprised of two non-contiguous recycled water service areas, the Northwest and Southeast Quadrant. Recycled water sold by the District in the Northwest Quadrant is purchased from Vallecitos Water District and San Elijo Joint Powers Authority. Recycled water sold by the District in the Southeast Quadrant comes from the District's 4S Water Reclamation Facility and purchases from the District's recycled water supplier, the Rancho Santa Fe Community Services District and the City of San Diego.

Note 17 – Commitments and Contingencies

A. Contracts

The District has entered into contracts for the engineering and construction of additions to capital assets. Unfulfilled commitments under open contracts as of June 30 are summarized as follows:

	2025	2024
Total open contracts	$ 14,362,231	$ 19,374,968
Less costs incurred as of June 30,	(5,744,001)	(8,692,148)
Remaining contractual commitments	$ 8,618,230	$ 10,682,820

B. Litigation

Management is of the opinion that there is no outstanding legal litigation that would have a material effect on the basic financial statements.

C. Grant Awards

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

Note 18 – Segment Information

Although the District's financial statements jointly account for water and wastewater (sewer) services, investors in the 2015 and 2016 Water System Refunding Revenue Bonds rely solely on the revenues of the District's water services for repayment. Similarly, investors in the 2021A and 2021B Wastewater Revenue Bonds rely solely on the revenues of the District's wastewater services for repayment. The following condensed financial statements provide a summary of the District's financial information for water and wastewater services for the fiscal year ended June 30, 2025.

Condensed Statement of Net Position
June 30, 2025

	Water Services	Wastewater Services	Total
ASSETS			
Current assets	$ 92,900,647	$ 17,192,484	$ 110,093,131
Capital assets	309,458,015	61,737,351	371,195,366
Long-term assets	9,736,164	—	9,736,164
Other assets	10,215	—	10,215
Total assets	412,105,041	78,929,835	491,034,876
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	594,290	—	594,290
Pension-related deferred outflows of resources	4,635,964	903,527	5,539,491
Total deferred outflows of resources	5,230,254	903,527	6,133,781
LIABILITIES			
Current liabilities	17,074,085	1,395,483	18,469,568
Long-term liabilities	40,554,258	9,151,377	49,705,635
Total liabilities	57,628,343	10,546,860	68,175,203
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows of resources	139,083	41,544	180,627
Lease-related deferred inflows of resources	8,870,260	—	8,870,260
Total deferred inflows of resources	9,009,343	41,544	9,050,887
NET POSITION			
Net investment in capital assets	279,321,628	55,789,631	335,111,259
Restricted for debt service	2,400,367	—	2,400,367
Restricted for construction	8,554,261	—	8,554,261
Unrestricted	60,421,353	13,455,327	73,876,680
Total net position	$ 350,697,609	$ 69,244,958	$ 419,942,567

Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2025 and June 30, 2024

Note 18 – Segment Information (continued)

Changes in Net Position
For the Year Ended June 30, 2025

	Water Services	Wastewater Services	Total
OPERATING REVENUES			
Water sales	$ 68,280,862	$ —	$ 68,280,862
Wastewater charges	—	5,760,887	5,760,887
Other water operating revenues	1,957,488	—	1,957,488
Total operating revenues	70,238,350	5,760,887	75,999,237
OPERATING EXPENSES			
Cost of purchased water sold	39,107,409	—	39,107,409
Pumping and water treatment	5,111,698	—	5,111,698
Transmission and distribution	4,781,999	—	4,781,999
Wastewater collection and treatment	—	2,361,678	2,361,678
Elfin Forest recreation operations	506,947	—	506,947
Facilities maintenance	1,294,402	102,222	1,396,624
Customer services	2,614,837	—	2,614,837
General and administrative	7,260,072	1,999,707	9,259,779
Other operating expenses	440,425	—	440,425
Depreciation and amortization	14,044,167	2,542,981	16,587,148
Total operating expenses	75,161,956	7,006,588	82,168,544
Operating income (loss)	(4,923,606)	(1,245,701)	(6,169,307)
NONOPERATING REVENUES (EXPENSES)			
Fair market value adjustment	741,513	198,995	940,508
Investment income	2,681,072	491,138	3,172,210
Property taxes	5,016,813	—	5,016,813
Capacity charges	2,083,500	4,070	2,087,570
Benefit assessments	1,121,827	—	1,121,827
Other nonoperating revenues	981,204	—	981,204
Interest expense, net	(841,089)	(166,780)	(1,007,869)
Other nonoperating expenses	(9,432,607)	(1,108,185)	(10,540,792)
Total nonoperating revenues (expenses)	2,352,233	(580,762)	1,771,471
Income (loss) before capital contributions	(2,571,373)	(1,826,463)	(4,397,836)
Capital contributions	7,402,506	698,398	8,100,904
Change in net position	4,831,133	(1,128,065)	3,703,068
Net position, beginning of year	345,866,476	70,373,023	416,239,499
Net position, end of year	$ 350,697,609	$ 69,244,958	$ 419,942,567

Note 18 – Segment Information (continued)

Condensed Statement of Cash Flows
For the Year Ended June 30, 2025

	Water Services	Wastewater Services	Total
Net cash provided by operating activities	$ 8,907,438	$ 3,407,991	$ 12,315,429
Net cash provided by noncapital and related financing activities	6,116,764	—	6,116,764
Net cash (used in) capital and related financing activities	(14,576,354)	(4,440,378)	(19,016,732)
Net cash provided by (used in) investing activities	(3,733,180)	(836,365)	(4,569,545)
Net increase (decrease) in cash and cash equivalents	(3,285,332)	(1,868,752)	(5,154,084)
Cash and cash equivalents, beginning	46,789,315	10,966,291	57,755,606
Cash and cash equivalents, ending	$ 43,503,983	$ 9,097,539	$ 52,601,522

Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2025 and June 30, 2024

Note 18 – Segment Information (continued)

The following condensed financial statements provide a summary of the District's financial information for water and wastewater services for the fiscal year ended June 30, 2024.

Condensed Statement of Net Position
June 30, 2024

	Water Services	Wastewater Services	Total
ASSETS			
Current assets	$ 93,274,270	$ 19,226,131	$ 112,500,401
Capital assets	309,452,671	61,749,440	371,202,111
Long-term assets	10,556,981	—	10,556,981
Other assets	13,717	—	13,717
Total assets	413,297,639	80,975,571	494,273,210
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	716,964	—	716,964
Pension-related deferred outflows of resources	5,786,586	1,247,219	7,033,805
Total deferred outflows of resources	6,503,550	1,247,219	7,750,769
LIABILITIES			
Current liabilities	18,254,568	1,709,458	19,964,026
Long-term liabilities	45,639,359	10,071,689	55,711,048
Total liabilities	63,893,927	11,781,147	75,675,074
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows of resources	229,727	68,620	298,347
Lease-related deferred inflows of resources	9,811,059	—	9,811,059
Total deferred inflows of resources	10,040,786	68,620	10,109,406
NET POSITION			
Net investment in capital assets	274,897,276	55,814,164	330,711,440
Restricted for debt service	2,194,962	—	2,194,962
Restricted for construction	8,274,751	1,659,683	9,934,434
Unrestricted	60,499,487	12,899,176	73,398,663
Total net position	$ 345,866,476	$ 70,373,023	$ 416,239,499

Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2025 and June 30, 2024

Note 18 – Segment Information (continued)

Changes in Net Position
For the Year Ended June 30, 2024

	Water Services	Wastewater Services	Total
OPERATING REVENUES			
Water sales	$ 56,723,757	$ —	$ 56,723,757
Wastewater charges	—	5,443,940	5,443,940
Other water operating revenues	1,606,103	—	1,606,103
Total operating revenues	58,329,860	5,443,940	63,773,800
OPERATING EXPENSES			
Cost of purchased water sold	30,712,658	—	30,712,658
Pumping and water treatment	5,246,548	—	5,246,548
Transmission and distribution	4,992,405	—	4,992,405
Wastewater collection and treatment	—	2,026,890	2,026,890
Elfin Forest recreation operations	493,779	—	493,779
Facilities maintenance	1,361,448	79,685	1,441,133
Customer services	2,412,185	—	2,412,185
General and administrative	6,957,913	1,742,261	8,700,174
Other operating expenses	395,808	—	395,808
Depreciation and amortization	13,855,789	2,351,743	16,207,532
Total operating expenses	66,428,533	6,200,579	72,629,112
Operating income (loss)	(8,098,673)	(756,639)	(8,855,312)
NONOPERATING REVENUES (EXPENSES)			
Fair market value adjustment	1,136,334	218,873	1,355,207
Investment income	2,533,159	661,984	3,195,143
Property taxes	4,802,446	—	4,802,446
Capacity charges	577,702	—	577,702
Benefit assessments	1,048,779	—	1,048,779
Other nonoperating revenues	1,245,175	116,156	1,361,331
Interest expense, net	(959,973)	(211,543)	(1,171,516)
Other nonoperating expenses	(4,221,089)	(70,384)	(4,291,473)
Total nonoperating revenues (expenses)	6,162,533	715,086	6,877,619
Income (loss) before capital contributions	(1,936,140)	(41,553)	(1,977,693)
Capital contributions	4,838,272	2,145,799	6,984,071
Change in net position	2,902,132	2,104,246	5,006,378
Net position, beginning of year, as restated	342,964,344	68,268,777	411,233,121
Net position, end of year	$ 345,866,476	$ 70,373,023	$ 416,239,499

Notes to the Basic Financial Statements (continued)

For the years ended June 30, 2025 and June 30, 2024

Note 18 – Segment Information (continued)

Condensed Statement of Cash Flows
For the Year Ended June 30, 2024

	Water Services	Wastewater Services	Total
Net cash provided by operating activities	$ 4,653,509	$ 2,271,881	$ 6,925,390
Net cash provided by noncapital and related financing activities	5,852,863	—	5,852,863
Net cash (used in) capital and related financing activities	(10,303,899)	(5,341,157)	(15,645,056)
Net cash provided by (used in) investing activities	5,830,252	1,370,412	7,200,664
Net increase (decrease) in cash and cash equivalents	6,032,725	(1,698,864)	4,333,861
Cash and cash equivalents, beginning	40,756,590	12,665,155	53,421,745
Cash and cash equivalents, ending	$ 46,789,315	$ 10,966,291	$ 57,755,606

Required Supplementary Information (unaudited)

For the years ended June 30, 2025 and June 30, 2024

Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets

In accordance with GASB Statement No. 34, the District is required to account for and report infrastructure capital assets. The District defines infrastructure as the basic physical assets including water storage tanks system, used by the District to conduct its business. Each major infrastructure system can be divided into subsystems.

The District has elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Steel Water Storage Tanks System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The District manages the eligible infrastructure capital assets using an assets management system with characteristics of: (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.

The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In September 2007, the District commissioned a study of the physical condition assessment of the steel water storage tanks. Tank assessment components include tank structure, tank exterior coating, tank interior coating, tank dry interior, tank foundations, tank security and tank safety. The condition assessment will be performed at least every three years. Each tank was assigned a physical condition based on potential defects. A Tank Assessment Index (TAI), a nationally recognized index, was assigned to each tank and expressed in a continuous scale from 1.0 to 10.0, where 1.0 is assigned to the least acceptable physical condition and 10.0 is assigned the physical characteristics of a new tank. During fiscal year 2025, inspections on the various tanks ended in July 2025.

The following conditions were defined:

Condition	TAI Range
Very Good	9.0 – 10.0
Good	7.0 – 8.9
Satisfactory	5.0 – 6.9
Sub Standard	3.0 – 4.9
Unacceptable	1.0 – 2.9

According to the District's policy, a minimum average rating of 5.0 for all steel tanks is considered a satisfactory rating. As of June 30, 2025, 2024, 2023, 2022, and 2021 the District's steel water storage tanks were rated as follows:

				TAI				
Tank #	**Name**	**Size (Gallons)**	**Type**	**FY 24/25**	**FY 23/24**	**FY 22/23**	**FY 21/22**	**FY 20/21**
1	4 S-2 Tank	4,000,000	Ground Storage	9.4	9.4	9.4	9.4	9.4
2	Zorro Tank	1,200,000	Ground Storage	9.3	9.4	9.5	9.5	9.6
3	Wiegand Tank	1,000,000	Ground Storage	8.4	8.6	8.8	9.0	9.0
4	Peay Tank	10,000,000	Ground Storage	9.1	8.5	8.7	9.0	9.1
5	Denk Tank	10,000,000	Ground Storage	9.7	9.7	9.7	8.2	8.2
6	4S Tank	10,000,000	Ground Storage	8.9	8.9	9.1	9.6	8.7
7	Cielo Tank	1,000,000	Ground Storage	9.7	8.2	8.2	8.3	8.5
8	Roger Miller Tank	8,000,000	Ground Storage	8.6	9.1	9.4	9.4	9.5
9	Thelma Miller Tank	1,000,000	Ground Storage	9.9	9.9	9.9	8.9	8.9

Required Supplementary Information (unaudited) (continued)

For the years ended June 30, 2025 and June 30, 2024

Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets (continued)

The District expensed $921,325 and $873,294 on the steel water storage tanks maintenance for the fiscal years ended June 30, 2025 and 2024, respectively. These expenses delayed deterioration; however, the overall condition of the steel water storage tanks was not improved through these maintenance expenses. The District has estimated that the amount of annual expenses required to maintain the District's steel water storage tanks at the average TAI rating of 5.0 through the year 2025 is a minimum of $873,294.

A schedule of actual expenses to maintain and preserve the steel water storage tanks at the current level is presented below:

		Maintenance Expenses 2025		Maintenance Expenses 2024		Maintenance Expenses 2023		Maintenance Expenses 2022		Maintenance Expenses 2021	
Tank #	Name	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
1	4 S-2 Tank	$ 64,702	$ 64,702	$ 61,329	$ 61,329	$ 63,539	$ 60,776	$ 58,290	$ 58,842	$ 55,251	$ 55,251
2	Zorro Tank	37,747	37,747	35,778	35,779	37,068	35,456	34,006	34,328	32,233	32,233
3	Wiegand Tank	28,355	28,355	26,877	26,877	27,845	26,635	25,545	25,787	24,213	24,213
4	Peay Tank	184,248	184,248	174,643	174,643	180,936	173,070	165,989	167,563	157,336	157,336
5	Denk Tank	195,344	195,344	185,160	185,160	191,832	183,492	175,985	177,654	166,811	166,811
6	4S Tank	185,106	185,106	175,456	175,456	181,779	173,875	166,762	168,343	158,068	158,068
7	Cielo Tank	32,382	32,382	30,694	30,694	31,800	30,418	29,174	29,450	27,653	27,653
8	Roger Miller Tank	163,527	163,527	155,002	155,002	160,588	153,606	147,322	148,718	139,642	139,642
9	Thelma Miller Tank	29,914	29,914	28,355	28,355	29,377	28,100	26,950	27,206	25,545	25,545
	Total	$ 921,325	$ 921,325	$ 873,294	$ 873,295	$ 904,764	$ 865,428	$ 830,023	$ 837,891	$ 786,752	$ 786,752

Required Supplementary Information (unaudited) (continued)

For the years ended June 30, 2025 and June 30, 2024

Schedule of Contributions – Defined Benefit Pension Plans

Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution (acturaially determined)	$2,299,737	$1,963,308	$2,065,470	$1,854,789	$1,733,027	$1,509,929	$1,321,485	$1,144,038	$1,026,323	$ 898,330
Contributions in relation to the actuarially determined contributions	2,610,737	2,274,308	2,376,470	1,854,789	2,183,027	1,809,929	1,321,485	1,144,038	1,026,323	898,330
Contribution deficiency (excess)	$ (311,000)	$ (311,000)	$ (311,000)	$ —	$ (450,000)	$ (300,000)	$ —	$ —	$ —	$ —
Covered payroll	$9,442,995	$8,953,066	$8,748,704	$7,687,861	$7,502,733	$7,168,522	$6,921,133	$6,760,547	$6,392,406	$6,083,865
Contributions as a percentage of covered payroll	27.65%	25.40%	27.16%	24.13%	29.10%	25.25%	19.09%	16.92%	16.06%	14.77%

Notes to Schedule:

Valuation Date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age*
Amortization method	Level percentage of payroll, closed*
Asset valuation method	Market value**
Inflation	2.75%*
Salary increases	Depending on age, service, and type of employment*
Investment rate of return	6.90%, net of pension plan investment expense, including inflation*
Retirement age	50 (2.5%@55), 52 years (2%@62)

*The valuations for June 30, 2014 and 2015 (applicable to fiscal years ended June 30, 2016 and 2017 respectively) included the same actuarial assumptions.

**The market value of asset valuation method was utilized for the June 30, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, and 2022 valuations (applicable to fiscal years ended June 30, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024, respectively).

Required Supplementary Information (unaudited) (continued)

For the years ended June 30, 2025 and June 30, 2024

Schedule of Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Miscellaneous and PEPRA Plan										
Plan's Proportion of the Net Pension Liability	0.36078%	0.35858%	0.35973%	0.41183%	0.34634%	0.34363%	0.33439%	0.32551%	0.12734%	0.12610%
Plan's Proportionate Share of the Net Pension Liability	$17,449,508	$17,930,299	$16,832,760	$ 7,819,768	$14,608,844	$13,760,678	$12,602,286	$12,831,806	$11,018,852	$ 8,653,737
Plan's Covered Payroll	$8,953,066	$ 8,748,704	$ 7,687,861	$ 7,502,733	$ 7,168,522	$ 6,921,133	$ 6,760,547	$ 6,392,406	$ 6,083,865	$ 5,906,665
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	194.90%	204.95%	218.95%	104.23%	203.79%	198.82%	186.41%	200.74%	181.12%	146.51%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.59%	74.58%	74.59%	87.14%	74.69%	74.59%	75.38%	73.57%	74.06%	79.86%
Plan's Proportionate Share of Aggregate Employer Contributions	$2,610,737	$ 2,274,308	$ 2,376,470	$ 2,084,274	$ 1,926,217	$ 1,673,663	$ 1,469,602	$ 1,351,241	$ 1,196,711	$ 1,116,013

Required Supplementary Information (unaudited) (continued)

For the years ended June 30, 2025 and June 30, 2024

Schedule of Proportionate Share of the Net Pension Liability (continued)

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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

There were no changes in assumptions.

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

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2022:

There were no changes in assumptions.

Fiscal year June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%.

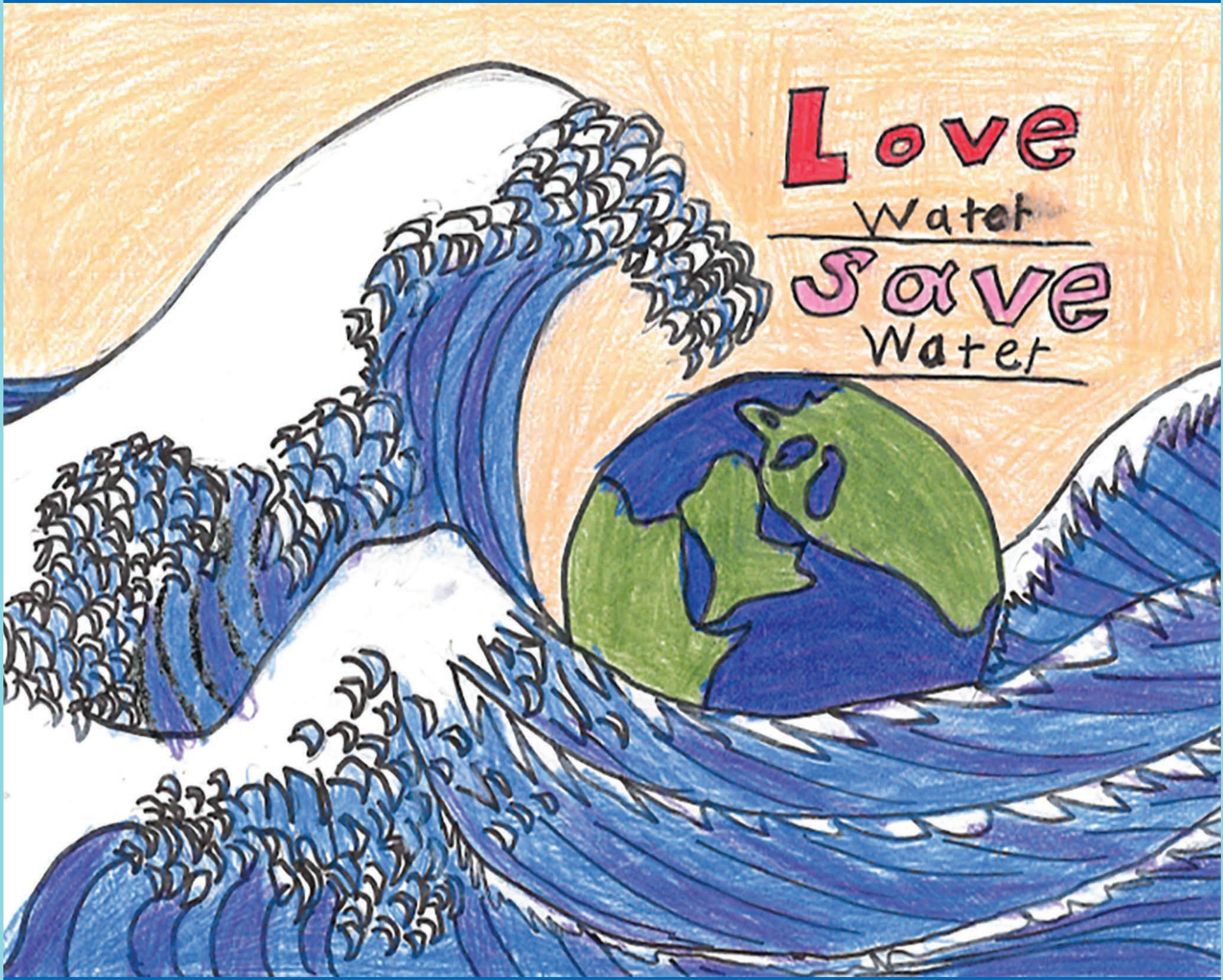
Fiscal year June 30, 2024:

There were no changes in assumptions.

Statistical Section

ANNUAL COMPREHENSIVE FINANCIAL REPORT

2023 WINNER
30th Annual North County Water Awareness Fourth Grade Poster Contest
Submitted by a student of Stone Ranch Elementary School



2023 WINNER

30th Annual North County Water Awareness Fourth Grade Poster Contest

Submitted by a student of Olivenhain Pioneer Elementary School

Statistical Section

Government Accounting Standards Board (GASB) Statement No. 44 "Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)" requires that statistical information be presented as part of the Annual Comprehensive Financial Report.

Contents | Table No.

Table I – Net Position by Component (Water and Wastewater)

Last Ten Fiscal Years

	Fiscal Year ended June 30									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Primary government										
Net investment in capital assets	$ 335,111,259	$ 330,711,440	$ 332,382,861	$ 328,832,740	$ 330,855,961	$ 330,720,794	$ 321,290,220	$ 322,232,147	$ 322,388,785	$ 322,493,799
Restricted	10,954,628	12,129,396	10,503,646	7,727,858	7,121,300	6,593,159	10,947,134	10,912,202	11,690,890	15,355,420
Unrestricted[1]	73,876,680	73,398,663	68,346,614	70,773,336	69,458,948	60,757,811	62,445,287	57,908,178	53,114,033	48,664,923
Total net position	$ 419,942,567	$ 416,239,499	$ 411,233,121	$ 407,333,934	$ 407,436,209	$ 398,071,764	$ 394,682,641	$ 391,052,527	$ 387,193,708	$ 386,514,142

Source: Olivenhain Municipal Water District

Note: (1) Unrestrited Net Position includes $1,515,216 in rebate payments from SDCWA that are being refunded to the District's customers via the Rate Reimbursement Credit (RRC) program. The District received a total of $3,661,917 from SDCWA in 2022 and 2021, $2,146,791 of which has been refunded to customers as of June 2025.

Table II – Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year ended June 30									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Operating Revenues										
Water sales	$ 68,280,862	$ 56,723,757	$ 53,633,877	$ 57,747,541	$ 58,169,813	$ 50,430,847	$ 48,238,490	$ 53,444,449	$ 45,433,161	$ 40,936,218
Wastewater charges	5,760,887	5,443,940	5,621,985	5,480,925	5,127,136	4,952,194	5,245,015	4,464,710	4,447,426	4,474,853
Other water operating revenues	1,957,488	1,606,103	1,084,666	1,303,126	1,461,229	2,200,252	2,269,665	2,271,495	2,217,932	1,560,779
Total operating revenues	$ 75,999,237	$ 63,773,800	$ 60,340,528	$ 64,531,592	$ 64,758,178	$ 57,583,293	$ 55,753,170	$ 60,180,654	$ 52,098,519	$ 46,971,850
Operating Expenses										
Cost of purchased water sold	$ 39,107,409	$ 30,712,658	$ 29,609,781	$ 31,265,804	$ 30,601,983	$ 27,188,350	$ 25,532,687	$ 27,578,413	$ 24,568,729	$ 21,979,036
Pumping and water treatment	5,111,698	5,246,548	4,353,775	4,322,820	4,378,418	4,139,526	4,028,711	4,129,127	3,988,991	3,390,124
Transmission and distribution	4,781,999	4,992,405	4,434,815	4,485,962	4,220,269	4,090,468	3,480,238	3,557,507	3,874,766	3,482,086
Wastewater collection and treatment	2,361,678	2,026,890	2,026,695	2,170,341	2,085,237	1,980,603	1,631,657	1,845,906	1,672,289	1,758,907
Elfin Forest recreation operations	506,947	493,779	386,905	428,174	415,386	381,540	376,635	337,557	316,387	287,923
Facilities maintenance	1,396,624	1,441,133	1,274,751	1,387,010	1,363,564	1,456,702	1,224,506	1,083,246	1,154,241	843,456
Customer services	2,614,837	2,412,185	1,754,190	2,036,267	2,348,700	2,404,916	1,817,086	1,734,656	1,789,423	1,757,388
General and administrative	9,259,779	8,700,174	6,865,224	7,745,048	7,041,160	7,326,820	6,926,933	7,252,941	6,265,690	5,388,804
Other operating expenses	440,425	395,808	212,580	304,037	228,939	329,185	407,811	244,817	388,995	—
Depreciation and amortization	16,587,148	16,207,532	15,910,790	16,132,953	15,559,523	15,029,936	14,892,827	14,584,093	15,069,090	13,053,286
Total operating expenses	$ 82,168,544	$ 72,629,112	$ 66,829,506	$ 70,278,416	$ 68,243,179	$ 64,328,046	$ 60,319,091	$ 62,348,263	$ 59,088,601	$ 51,941,010
Operating income (loss)	(6,169,307)	(8,855,312)	(6,488,978)	(5,746,824)	(3,485,001)	(6,744,753)	(4,565,921)	(2,167,609)	(6,990,082)	(4,969,160)
Non-operating Revenues (Expenses)										
Investment income, net of market value adjustment[1]	$ 4,112,718	$ 4,550,350	$ 1,898,063	$ (2,064,940)	$ (107,057)	$ 1,542,608	$ 2,135,687	$ 658,473	$ 230,271	$ 514,911
Property taxes	5,016,813	4,802,446	4,577,755	4,242,794	4,027,357	3,863,252	3,714,060	3,557,919	3,414,858	3,268,438
Capacity charges	2,087,570	577,702	1,327,295	1,530,925	2,754,730	3,200,022	2,337,015	645,964	3,624,426	1,482,945
Benefit assessments	1,121,827	1,048,779	1,045,315	1,058,241	1,177,302	1,115,704	1,474,830	1,414,791	1,460,881	1,451,751
Other non-operating revenues	981,204	1,361,331	1,055,260	2,237,334[2]	6,592,672[2]	91,836	67,097	2,669	278,589	53,458
Interest expense, net	(1,007,869)	(1,171,516)	(1,220,156)	(1,322,948)	(1,419,009)	(1,457,739)	(1,794,797)	(2,120,456)	(2,342,667)	(2,629,591)
Other non-operating expenses[3]	(10,540,792)[4]	(4,291,473)[4]	(1,935,949)[4]	(606,602)	(1,076,547)	(1,458,033)	(1,036,442)	(561,079)	(1,012,913)	(1,211,973)
Total non-operating revenues (expenses)	$ 1,771,471	$ 6,877,619	$ 6,747,583	$ 5,074,804	$ 11,949,448	$ 6,897,650	$ 6,897,450	$ 3,598,281	$ 5,653,445	$ 2,929,939
Income before capital contributions	(4,397,836)	(1,977,693)	258,605	(672,020)	8,464,447	152,897	2,331,529	1,430,672	(1,336,637)	(2,039,221)
Capital contributions	8,100,904	6,984,071	3,640,582	569,745	899,998	3,236,226	1,298,585	2,428,147	2,016,203	1,878,785
Change in net position	3,703,068	5,006,378	3,899,187	(102,275)	9,364,445	3,389,123	3,630,114	3,858,819	679,566	(160,436)
Net position										
Beginning of year	$ 416,239,499	$ 411,233,121	$ 407,333,934	$ 407,436,209	$ 398,071,764	$ 394,682,641	$ 391,052,527	$ 387,193,708	$ 386,514,142	$ 386,674,578
Prior year adjustment/ equity adjustment	—	—	—	—	—	—	—	—	—	—
End of year	$ 419,942,567	$ 416,239,499	$ 411,233,121	$ 407,333,934	$ 407,436,209	$ 398,071,764	$ 394,682,641	$ 391,052,527	$ 387,193,708	$ 386,514,142

Source: Olivenhain Municipal Water District

Note: (1) Fair market value adjustment of $940,508 for FY 2025, $1,355,207 for FY 2024, $(207,285) for FY 2023, $(2,467,642) for FY 2022 and $(562,019) for FY 2021.

(2) Includes rate refunds from SDCWA in the amount of $2,039,332 in FY 2021 and $1,622,585 in FY 2022, a total of $3,661,917. These amounts are currently being refunded to customers as part of the District's Rate Reimbursement Credit program. As of June 2025, the District has refunded $2,146,791 to customers via the RRC program.

(3) Includes mainly MET Rate Reimbursement Credit, Loss on sale of fixed assets, and grant pass-through amounts.

(4) Includes of grant pass through expenses for the Tittle 16 Grant. $7.3 million in FY 2025, $3.3 million in FY 2024, and $1.0 million in FY 2023.

Table III – Revenues by Source

Last Ten Fiscal Years

Fiscal Year Ended	OPERATING REVENUES						NONOPERATING REVENUES						
	Water Sales[1]	Service Charges[1]	Meter Installs	Wastewater Charges	Other[2]	Total Operating Revenues	Investment Income[3]	Prop. Taxes and Benefit Assessment	Capacity Charges[4]	Capital Contributions[5]	Other[2]	Total Non-operating Revenues	TOTAL REVENUES
2025	$49,998,931	$18,281,930	$ (56)	$ 5,760,887	$ 1,957,545	$75,999,237	$ 4,112,718	$ 6,138,640	$ 2,087,570	$ 8,100,904	$ 981,204	$21,421,036	$97,420,273
2024	39,767,355	16,956,402	(891)	5,443,940	1,606,994	63,773,800	4,550,350	5,851,225	577,702	6,984,071	1,361,331	19,324,679	83,098,479
2023	37,503,235	16,130,642	2,017	5,621,985	1,082,649	60,340,528	1,898,063	5,623,070	1,327,295	3,640,582	1,055,260	13,544,270	73,884,798
2022	42,215,756	15,531,785	1,116	5,480,925	1,302,010	64,531,592	(2,064,940)	5,301,035	1,530,925	569,745	2,237,334	7,574,099	72,105,691
2021	42,879,845	15,289,968	11,940	5,127,136	1,449,289	64,758,178	(107,057)	5,204,659	2,754,730	899,998	6,592,672	15,345,002	80,103,180
2020	35,794,646	14,636,202	5,279	4,952,194	2,194,972	57,583,293	1,542,608	4,978,956	3,200,022	3,236,226	91,836	13,049,648	70,632,941
2019	33,747,315	14,491,175	5,891	5,245,015	2,263,774	55,753,170	2,135,687	5,188,890	2,337,015	1,298,585	67,097	11,027,274	66,780,444
2018	39,411,902	14,032,547	5,405	4,464,710	2,266,090	60,180,654	658,473	4,972,710	645,964	2,428,147	2,669	8,707,963	68,888,617
2017	32,160,956	13,272,205	8,590	4,447,426	2,209,342	52,098,519	230,271	4,875,739	3,624,426	2,016,203	278,589	11,025,228	63,123,747
2016	28,335,031	12,601,187	(23,890)	4,474,853	1,584,669	46,971,850	514,911	4,720,189	1,482,945	1,878,785	53,458	8,650,288	55,622,138

Source: Olivenhain Municipal Water District

Notes: (1) Includes estimated unbilled water revenue, miscellaneous water sales, recycled commodity sales, and fixed monthly fees.
(2) Other revenues includes excess treated water capacity revenues, rental income, MWD lawsuit settlements, and sale of District parcels.
(3) Net of fair market value adjustment of $940,508 for FY 2025, $1,355,207 for FY 2024, $(207,285) for FY 2023, $(2,467,642) for FY 2022 and $(562,019) for FY 2021.
(4) Fees paid by developers and new customers for water services.
(5) Cash contributions or contributions of capital assets in kind or when governmental constructions are earned.

Table IV – Expenses by Function

Last Ten Fiscal Years

Fiscal Year Ended	OPERATING EXPENSES								NONOPERATING EXPENSES			
	Cost of Water Sold	Pumping and Water Treatment	Transmission and Distribution	Wastewater Collection and Treatment	Customer Services	Depreciation and Amortization	Other[1]	Total Operating Expenses	Interest Expense	Other[2]	Total Non-operating Expenses	TOTAL EXPENSES
2025	$39,107,409	$ 5,111,698	$ 4,781,999	$ 2,361,678	$ 2,614,837	$16,587,148	$11,603,775	$82,168,544	$ 1,007,869	$10,540,792	$11,548,661	$93,717,205
2024	30,712,658	5,246,548	4,992,405	2,026,890	2,412,185	16,207,532	11,030,894	72,629,112	$1,171,516	4,291,473	5,462,989	78,092,101
2023	29,609,781	4,353,775	4,434,815	2,026,695	1,754,190	15,910,790	8,739,460	66,829,506	1,220,156	1,935,949	3,156,105	69,985,611
2022	31,265,804	4,322,820	4,485,962	2,170,341	2,036,267	16,132,953	9,864,269	70,278,416	1,322,948	606,602	1,929,550	72,207,966
2021	30,601,983	4,378,418	4,220,269	2,085,237	2,348,700	15,559,523	9,049,049	68,243,179	1,419,009	1,076,547	2,495,556	70,738,735
2020	27,188,350	4,139,526	4,090,468	1,980,603	2,404,916	15,029,936	9,494,247	64,328,046	1,457,739	1,458,033	2,915,772	67,243,818
2019	25,532,687	4,028,711	3,480,238	1,631,657	1,817,086	14,892,827	8,935,885	60,319,091	1,794,797	1,036,442	2,831,239	63,150,330
2018	27,578,413	4,129,127	3,557,507	1,845,906	1,734,656	14,584,093	8,918,561	62,348,263	2,120,456	561,079	2,681,535	65,029,798
2017	24,568,729	3,988,991	3,874,766	1,672,289	1,789,423	15,069,090	8,125,313	59,088,601	2,342,667	1,012,913	3,355,580	62,444,181
2016	21,979,036	3,390,124	3,482,086	1,758,907	1,757,388	13,053,286	6,520,185	51,941,010	2,629,591	1,211,973	3,841,564	55,782,574

Source: Olivenhain Municipal Water District

Notes: (1) Includes General and Administrative, Facilities Maintenance, and Elfin Forest Recreational Reserve operations, and miscellaneous operating expenses such as expenses related to Work for Others projects.
(2) Includes loss on disposal of capital assets, water rebate payments to customers from SDCWA/MWD rate refunds, and miscellaneous other non-operating expenses such as bank fees and bond consultants. Also includes of grant pass through expenses for the Title 16 Grant. $7.3 million in FY 2025, $3.3 million in FY 2024, and $1.0 million in FY 2023.

Table V – Water Sales by Source[1]

Last Ten Fiscal Years

Fiscal Year Ended	Domestic/Commercial Value	Domestic/Commercial Acre Feet	Domestic/Commercial % of Total	Agriculture Value	Agriculture Acre Feet	Agriculture % of Total	Recycled Water Value	Recycled Water Acre Feet	Recycled Water % of Total	Total Value	Total Acre Feet	Combined Direct Rate[2] $/Acre Feet	Combined Direct Rate[2] $/HCF
2025	$ 44,214,476	16,419.3	88.1%	$ 591,224	199.8	1.2%	$ 5,401,351	2,816.4	10.8%	$ 50,207,051	19,435.5	$ 2,583	$ 5.93
2024	34,742,474	14,158.6	88.8%	453,107	163.2	1.2%	$3,918,060	2,192.4	10.0%	39,113,642	16,514.2	2,368	5.44
2023	33,831,813	14,657.2	88.7%	475,857	183.9	1.2%	3,821,445	2,270.1	10.0%	38,129,114	17,111.2	2,228	5.12
2022	38,105,626	17,179.4	88.7%	373,711	237.5[3]	0.9%	4,481,597	2,773.8	10.4%	42,960,934	20,190.6	2,128	4.88
2021	37,551,897	17,477.5	88.2%	820,954	479.3	1.9%	4,204,817	2,719.3	9.9%	42,577,668	20,676.1	2,059	4.73
2020	30,779,447	15,174.0	87.9%	631,705	420.7	1.8%	3,619,602	2,182.8	10.3%	35,030,754	17,777.5	1,971	4.52
2019	30,025,491	15,221.1	87.5%	629,535	457.6	1.8%	3,655,658	2,227.7	10.7%	34,310,684	17,906.3	1,916	4.40
2018	33,672,603	17,455.7	87.2%	805,794	583.1	2.1%	4,137,994	2,615.3	10.7%	38,616,391	20,654.0	1,870	4.29
2017	27,946,765	15,500.9	87.8%	630,479	475.3	2.0%	3,262,852	2,252.3	10.2%	31,840,096	18,228.5	1,747	4.01
2016	25,085,001	14,310.2	88.3%	787,221	497.0	2.8%	2,533,961	1,856.2	8.9%	28,406,182	16,663.4	1,705	3.91

Source: Olivenhain Municipal Water District

Notes: (1) Exclude unbilled water sales.
(2) Calculated based on total water sales divided by total volume. 1 acre-foot = 43,600 cubic feet = 325,900 gallons.
(3) Decrease in FY 2022 due to reclassing certain Agricultural customers to Domestic/Commercial that did not meet requirements for the PSAWR (Ag) program set forth by SDCWA.

Table VI – Rate by Activity

Last Ten Fiscal Years

	Fiscal Year ended June 30 2025	2024	2023	2022	2021	2020	2019	2018	2017	2016[5]
Potable Water[1]										
Monthly system access charge	$ 48.53	$ 44.79	$ 41.94	$ 40.41	$ 39.44	$ 38.46	$ 37.70	$ 37.70	$ 36.08	$ 33.88
Monthly commodity charge										
Domestic rate										
1st tier	4.43	4.24	3.92	3.68	3.39	3.30	2.71	2.64	2.53	2.50
2nd tier	6.47	6.14	5.69	5.34	5.02	4.90	4.75	4.62	4.43	4.35
3rd tier	7.25	6.85	6.35	5.96	5.63	5.49	5.61	5.46	5.23	5.60
4th tier	8.20	8.14	7.55	7.09	6.74	6.58	6.58	6.40	6.13	6.26
Rate Reimbursement Credit[6]	(0.22)	(0.11)	(0.069)	(0.069)	—	—	—	—	—	—
Commercial rate										
1st tier	6.14	5.78	5.35	5.02	4.71	4.59	4.07	3.96	3.79	3.64
Irrigation[2]										
1st tier	6.91	6.50	6.02	5.65	5.33	5.20	4.35	4.23	4.05	3.99
2nd tier	7.80	6.94	6.43	6.04	5.71	5.57	5.90	5.74	5.50	5.61
Agricultural rate	6.90	6.75	6.26	5.88	5.55	5.42	4.75	4.62	4.43	4.26
PSAWR/TSAWR credit[3]	(1.75)	(1.34)	(1.17)	(1.11)	(0.97)	(0.99)	(0.94)	(0.95)	(0.89)	(0.90)
Recycled[1]										
Monthly system access charge	$ 48.53	$ 44.79	$ 41.94	$ 40.41	$ 39.44	$ 38.46	$ 37.70	$ 37.70	$ 36.08	$ 33.88
Monthly commodity charge										
uniform rate	4.68	4.29	4.04	3.79	3.65	3.61	3.85	3.75	3.59	3.37
Wastewater[1]										
Annual system access charge per EDU[4]										
4S Ranch	$ 217.59	$ 197.52	$ 191.76	$ 186.17	$ 181.09	$ 181.09	$ 175.81	$ 170.68	$ 165.70	$ 147.00
Rancho Cielo	217.59	197.52	191.76	186.17	181.09	181.09	175.81	170.68	165.70	147.00
Multi-family and commercial	172.19	156.31	151.75	147.33	181.09	181.09	175.81	170.68	165.70	147.00
Commodity charge per unit										
Domestic rate	7.49	7.24	7.02	6.81	6.59	6.59	6.39	6.20	6.01	6.00
Multi-family rate	7.49	7.24	7.02	6.81	6.59	6.59	6.39	6.20	6.01	6.00
Commercial rate										
Group I	7.49	7.24	7.02	6.81	6.59	6.59	6.39	6.20	6.01	6.00
Group II	10.72	10.02	9.72	9.43	10.16	10.16	9.86	9.57	9.29	9.29
Group III	—	—	—	—	11.36	11.36	11.02	10.69	10.37	15.86

Source: Olivenhain Municipal Water District

Notes: (1) Commodity charges are for one unit of water as of June 30 (1 unit = 748 gallons).
(2) Irrigation tiers are based on seasonal allotments by meter size.
(3) Permanent/Transitional Special Agricultural Water Rate is calendar year based (January 1 to December 31).
(4) An Equivalent Dwelling Unit (EDU) means the standard measurement of sewage discharged into the sewer system equal to the average discharge from a detached single family unit.
(5) Water Supply Shortage Level 2 Rate.
(6) Rate refunds received in FY 2021 and 2022 from SDCWA/MWD given back to customers as a per unit bill credit each month.

Table VII – Principal Water Consumers

Current and Nine Years Ago

FISCAL YEAR ENDED 2025

Customer Name	Usage (AF)	% of Water Sold
The Bridges Club at RSF Inc.(1)	904.7	4.66%
4S Ranch Master HOA(2)	475.0	2.44%
Bando National Corporation(2)(3)	386.3	1.99%
La Costa Oaks Association(2)	259.6	1.34%
La Costa Glen Carlsbad LLC(1)	256.0	1.32%
Del Mar Country Club(2)	246.2	1.27%
Crosby Estates HOA(2)	243.9	1.25%
Cielo Homeowners Association(1)	235.2	1.21%
Rancho Santa Fe Farms Golf Inc.(2)	224.8	1.16%
Rancho Paseana Trust(2)	194.4	1.00%
Total top ten consumers	3,426.2	17.63%
Other consumers	16,009.3	82.37%
Total water billed	19,435.5	100.00%

FISCAL YEAR ENDED 2016

Customer Name	Usage (AF)	% of Water Sold
4S Ranch Master HOA	398.4	2.39%
The Bridges Club at Rest Inc.	309.0	1.85%
The Bridges at RSF Comm. Assoc.	288.1	1.73%
Fairbanks Ranch Country Club	260.9	1.57%
Rancho Santa Fe Farms Golf Inc.	183.2	1.10%
Crosby National Golf Club	175.7	1.05%
La Costa Oaks Association	140.5	0.84%
Crosby Estates HOA	131.8	0.79%
Del Mar Country Club	128.9	0.77%
La Costa Glen Carlsbad	122.1	0.73%
Total top ten consumers	2,138.6	12.83%
Other consumers	14,524.6	87.17%
Total water billed	16,663.2	100.00%

Source: Olivenhain Municipal Water District

Note: (1) Mainly potable water customer.
(2) Mainly recycled water customer.
(3) Previously named Crosby National Golf Club.

Table VIII – Principal Wastewater (Sewer) Customers

Current and Five Years Ago

FISCAL YEAR ENDED 2025

Customer Name	Amount Billed	% of Total Wastewater Billed
Cymer Inc.	$ 324,666	5.64%
4S Ranch Holdco LLC	307,948	5.35%
Amante and Ravenna at 4S Ranch	207,879	3.61%
Summit of Rancho Bernardo HOA	175,811	3.05%
Bridgeport 4S	143,374	2.49%
Gianni at 4S Ranch	121,612	2.11%
Santaluz Family Apartments LP	107,457	1.87%
Poway Unified School District	90,590	1.57%
San Moritz at 4S Ranch HOA	82,086	1.42%
Dove Canyon Apartments	75,542	1.31%
Total top ten consumers	1,636,964	28.42%
Other consumers	4,123,923	71.58%
Total wastewater billed	$ 5,760,887	100.00%

FISCAL YEAR ENDED 2020

Customer Name	Amount Billed	% of Total Wastewater Billed
Cymer Inc.	$ 313,822	6.13%
4S Ranch Holdco LLC	264,327	5.16%
Amante and Ravenna at 4S Ranch	189,320	3.70%
Summit of Rancho Bernardo HOA	174,256	3.40%
Bridgeport 4S	119,255	2.33%
Gianni at 4S Ranch	111,443	2.18%
Santaluz Family Apartments LP	89,493	1.75%
Poway Unified School District	83,738	1.64%
4S Regency Partners LLC	78,087	1.53%
Dove Canyon Apartments	61,606	1.20%
Total top ten consumers	1,485,346	29.01%
Other consumers	3,634,257	70.99%
Total wastewater billed	$ 5,119,604	100.00%

Source: Olivenhain Municipal Water District

Table IX – Property Tax and Special Assessment

Last Ten Fiscal Years

Fiscal Year Ended	Current Year Levy[1] Property Taxes[2]	Special Assessment[3]	Total Levy	Total Collection Through June 30[4]	Net Uncollected at June 30	Percent Uncollected at June 30
2025	$ 4,965,354	$ 1,037,320	$ 6,002,674	$ 6,038,265	$ (35,591)	–0.59%
2024	4,716,595	1,032,120	5,748,715	5,835,739	(87,024)	–1.51%
2023	4,466,104	1,032,342	5,498,447	5,584,041	(85,594)	–1.56%
2022	4,157,765	1,029,837	5,187,602	5,247,821	(60,219)	–1.16%
2021	3,998,833	1,054,717	5,053,550	5,103,286	(49,737)	–0.98%
2020	3,878,790	1,027,879	4,906,669	4,890,204	16,465	0.34%
2019	3,670,386	1,417,674	5,088,059	5,103,906	(15,847)	–0.31%
2018	3,578,486	1,417,716	4,996,202	4,973,806	22,396	0.45%
2017	3,371,836	1,438,673	4,810,509	4,856,043	(45,534)	– 0.95%
2016	3,237,786	1,432,319	4,670,105	4,698,456	(28,351)	– 0.61%

Source: County of San Diego Office of the Auditor Controller

Notes: (1) Excludes Wastewater Service and Stand-by Charges collected on the County's tax roll.
(2) Includes only current secured and unsecured charges. Excludes delinquent charges, which were reported in previous year.
(3) Special Assessment includes special assessment debt with government commitment (RAD 96-1).
(4) Includes monies collected for all outstanding years, and includes late charges and interest on delinquent payments collected.

Table X – Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended	SECURED Real Property	Personal Property	Exemptions	Net Assessed Secured Value	Assessed Unsecured Value	Total Assessed Value
2025	$31,260,472,235	$ 33,493,649	$ (364,480,241)	$30,929,485,643	$ 569,883,381	$31,499,369,024
2024	29,750,083,901	31,170,448	(344,505,718)	29,436,748,631	516,144,903	29,952,893,534
2023	28,259,090,456	29,421,612	(326,716,447)	27,961,795,621	428,194,797	28,389,990,418
2022	26,419,545,022	19,958,978	(303,262,519)	26,136,241,481	335,348,712	26,471,590,193
2021	25,473,591,937	40,376,998	(303,002,411)	25,210,966,524	438,607,395	25,649,573,919
2020	24,494,325,764	37,689,822	(283,228,046)	24,248,787,540	370,522,672	24,619,310,212
2019	23,391,490,448	39,283,241	(271,258,202)	23,159,515,487	372,459,609	23,531,975,095
2018	22,371,096,064	48,645,131	(270,514,800)	22,149,226,395	281,799,829	22,431,026,224
2017	21,383,894,218	67,716,928	(259,092,644)	21,192,518,502	247,856,828	21,440,375,330
2016	20,566,012,446	83,195,335	(226,276,546)	20,422,931,235	211,765,389	20,634,696,624

Source: County of San Diego Office of the Auditor Controller

Note: The District receives its proportionate share of property taxes levied by the County of San Diego in accordance with Proposition 13. The District neither sets its own tax rate nor assesses a tax rate. The County of San Diego bills and collects the District's wastewater service charges on behalf of the District.

Table XI – Ratios of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year Ended	Gross Bonded Debt[1]	Add: Premium[2]	Less: Reserve Funds[3]	Net Bonded Debt	Total Secured Real Property[4]	Debt to Total Secured Real Property	Population Estimate[5]	Net Bonded Debt Per Capita	Personal Income	As a Share of Personal Income
2025	$ 2,795,683	$ —	$ 69,855	$ 2,725,828	$ 31,260,472,235	0.01%	86,804	$ 31	$ 6,995,968,380	0.04%
2024	3,690,782	—	54,918	3,635,864	29,750,083,901	0.01%	86,458	42	6,775,367,628	0.05%
2023	4,594,691	—	79,155	4,515,536	28,259,090,456	0.02%	86,441	52	6,355,401,643	0.07%
2022	5,457,755	—	82,152	5,375,603	26,419,545,022	0.02%	86,614	62	6,055,791,038	0.09%
2021	6,300,863	—	247,578	6,053,286	25,473,591,937	0.02%	86,649	70	5,717,794,212	0.11%
2020	7,130,000	—	71,899	7,058,101	24,494,325,764	0.03%	87,084	81	5,379,178,680	0.13%
2019	9,765,000	22,870	1,438,918	8,348,952	23,391,490,448	0.04%	86,997	96	5,167,708,797	0.16%
2018	10,625,000	25,671	1,431,668	9,219,003	22,371,096,064	0.04%	86,478	107	4,987,791,606	0.18%
2017	11,670,000	28,471	1,435,593	10,262,878	21,383,894,218	0.05%	85,792	120	4,842,786,816	0.21%
2016	12,485,000	31,272	1,397,568	11,118,704	20,566,012,446	0.05%	85,010	131	4,690,851,800	0.24%

Source: Olivenhain Municipal Water District, County of San Diego Office of the Auditor Controller, California Department of Finance, and California Department of Transportation

Notes: (1) Gross Bonded Debt is a special assessment debt with government commitment. It is the outstanding balance of Reassessment District 96-1 Bond at the end of the fiscal year.
(2) Premium was eliminated in fiscal year 2020 due to refinancing of the Reassessment District 96-1 Bond.
(3) Reserve funds decreased significantly in fiscal year 2020 due to refinancing of the Reassessment District 96-1 Bond.
(4) Total Secured Real Property is the total secured value of land and Improvements as stated on County of San Diego Assessed Valuation report for each fiscal year, exclusive of personal property, exemptions and unsecured property.
(5) Population estimate is based on California Department of Finance's Special District Population Benchmark based on 2010 and 2020 census data and population growth estimates for San Diego County.

Table XII – Direct and Overlapping Debt

June 30, 2025

2024–25 Assessed Valuation: $31,499,369,024

	Total Debt as of 6/30/2025	% Applicable[1]	District's Share of Debt as of 6/30/2025
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	$ 17,155,000	0.774%	$ 132,780
Mira Costa Community College District	349,345,000	15.809%	55,227,951
Palomar Community College District	611,941,649	4.522%	27,672,001
Poway Unified School District School Facilities Improvement District No. 2002-1	81,245,766	5.279%	4,288,964
Poway Unified School District School Facilities Improvement District No. 2007-1	152,551,360	3.272%	4,991,480
San Marcos Unified School District	258,157,547	0.082%	211,689
Escondido Union High School District	70,819,327	1.516%	1,073,621
San Dieguito Union High School District	392,195,000	26.236%	102,896,280
Cardiff School District	21,913,006	4.352%	953,654
Encinitas Union School District	97,469,960	57.339%	55,888,300
Escondido Union School District	165,809,622	1.563%	2,591,604
Rancho Santa Fe School District	24,252,722	27.081%	6,567,880
Solana Beach School District Community Facilities District No. 2016-1	85,645,000	27.417%	23,481,290
Palomar Health District	381,893,263	6.548%	25,006,371
Poway Unified School District Community Facilities Districts	178,478,702	19.641–100%	150,164,912
San Dieguito Union High School District Community Facilities Districts	53,870,000	17.425–100%	25,254,029
City of Encinitas Community Facilities District No. 1	12,905,000	25.787%	3,327,812
Rancho Santa Fe Community Services District Community Facilities District No. 1	19,105,000	100%	19,105,000
Olivenhain Municipal Water District	—	100%	—
Olivenhain Municipal Water District Assessment District No. 2019-96-1	2,820,000	100%	2,820,000
Total direct and overlapping tax and assessment debt			$ 511,655,618
OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	$ 351,065,000	4.249%	$ 14,916,752
San Diego County Pension Obligation Bonds	140,370,000	4.249%	5,964,321
San Diego County Superintendent of Schools General Fund Obligations	5,125,000	4.249%	217,761
Mira Costa Community College District General Fund Obligations	48,020,000	15.809%	7,591,482
Palomar Community College District General Fund Obligations	1,030,000	4.522%	46,577
Poway Unified School District Certificates of Participation	51,910,000	11.777%	6,113,441
Other School District General Fund Obligations	175,635,987	Various	5,822,151
City of Encinitas Certificates of Participation	36,730,000	36.345%	13,349,519
City of San Diego General Fund Obligations	746,017,974	0.284%	2,118,691
Other Cities' General Fund Obligations	1,215,000	Various	1,276
Total overlapping general fund debt			$ 56,141,971
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	$ 164,030,000	0.118%	$ 193,555
Total direct debt			—
Total overlapping debt			$ 567,991,144
Combined total debt			$ 567,991,144[2]

Notes: (1) The percentage of overlapping debt applicable to the 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 overlapping District divided by the District's total taxable assessed value.

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

Ratios to 2024–25 Assessed Valuation:	
Direct debt	0.00%
Total direct and overlapping tax and assessment debt	1.62%
Combined total debt	1.80%

Ratios to Redevelopment Successor Agency Incremental Valuation ($15,233,892):	
Total overlapping tax increment debt	1.27%

Source: California Municipal Statistics, Inc.

Table XIII – Water System Revenue to Debt Service Ratio

Last Ten Fiscal Years

Fiscal Year Ended	Water Sales[1]	Property Taxes	Capacity Charges	Other Nonoperating Revenues[2]	Total Water System Revenues	Less: Cost of Water Sold	Less: Operations and Maintenance Costs[3]	Net Water System Revenues[4]	Debt Service Payment[5]	Revenue to Debt Service Ratio	Pledged Revenue Debt Limit
2025	$ 70,238,350	$ 5,016,813	$ 2,083,500	$ 3,778,687	$ 81,117,350	$ 39,107,409	$ 20,996,854	$ 21,013,087	$ 4,461,330	4.71	125%
2024	58,329,860	4,802,446	577,702	6,473,199	70,183,207	30,712,658	20,774,816	18,695,733	4,457,329	4.19	125%
2023	54,718,543	4,577,755	1,327,295	4,622,474	65,246,067	29,609,781	19,271,036	16,365,250	4,462,579	3.67	125%
2022	58,746,630	4,242,794	1,530,925	2,963,069	67,483,418	31,265,804	18,435,197	17,782,417	4,451,579	3.99	125%
2021	59,402,103	4,027,357	2,754,730	4,522,808	70,706,998	30,601,983	17,883,079	22,221,936	4,450,079	4.99	125%
2020	52,301,914	3,863,252	620,224	1,345,972	58,131,362	27,188,350	18,112,974	12,830,038	4,453,579	3.46	125%
2019	50,100,344	3,714,060	1,761,723	1,779,546	57,355,673	25,532,687	16,223,249	15,599,737	4,457,329	3.24	125%
2018	55,471,127	3,557,919	645,964	533,766	60,208,776	27,578,413	16,487,251	16,143,112	4,513,537	3.82	125%
2017	47,262,098	3,414,858	3,624,426	474,085	54,775,467	24,568,729	15,906,059	14,300,679	4,716,802	3.03	125%
2016	42,496,997	3,268,438	1,482,945	452,463	47,700,843	21,979,036	13,743,834	11,977,973	4,681,052	2.56	115%

Source: Olivenhain Municipal Water District

Notes: (1) Includes potable and recycled water sales and other water operating revenues. Excludes other operating revenues related to the District's Work for Other projects.

(2) Includes investment income, gain on sale of capital assets, settlement payments from MWD lawsuit (2022 and 2021 only), sale of District parcels, and contributions from federal and state grant funding for reimbursement of certain capital expenditures. Excludes Wastewater (Sewer) revenues, unrealized gains and loses on investments, contributed assets from developers, GASB year-end adjustments.

(3) Excludes Elfin Forest Recreational Reserve operations & other operating expenses related to the District's Work for Other projects.

(4) Includes Total Water System Revenues less Cost of water sold and Operations and Maintenance Costs.

(5) Debt Service Payments include Interest and Principal paid on Water Revenue Refunding Bonds Series 2015A, 2016A, Water Revenue Bonds Series 2009, and 2013 State Revolving Fund Loan. Excludes Wastewater Bonds.

Table XIV – Reassessment District 96-1 Billings and Collections[1]

Last Ten Fiscal Years

Fiscal Year Ended	AMOUNT LEVIED				Amount Collected[3]	Percent Collected
	Principal	Interest	Other[2]	Total		
2025	$ 912,913	$ 58,462	$ 65,945	$ 1,037,320	$ 1,039,414	100.2%
2024	893,750	77,234	61,136	1,032,120	1,039,275	100.7%
2023	879,601	95,670	57,071	1,032,342	1,034,916	100.2%
2022	862,309	113,983	53,546	1,029,837	1,037,863	100.8%
2021	844,142	131,835	78,740	1,054,717	1,067,741	101.2%
2020	815,000	162,677	50,202	1,027,879	1,047,644	101.9%
2019	915,294	473,591	28,789	1,417,674	1,410,387	99.5%
2018	876,008	511,464	30,244	1,417,716	1,414,221	99.8%
2017	844,112	548,651	45,911	1,438,673	1,446,310	100.5%
2016	804,478	581,889	45,952	1,432,319	1,434,925	100.2%

Source: Olivenhain Municipal Water District

Notes: (1) The Reassessment District (RAD) 96-1 Bond was refinanced in fiscal year 2020 resulting in a decrease to principal and interest. The District issued RAD 2019 96-1 bonds to refund and refinance the outstanding principal on the 2007 RAD 96-1 bonds.

(2) Includes administration and delinquency management fees as well as fund credits.

(3) As of June 30 of the fiscal year listed. Includes penalties and interest for delinquent payments.

Table XV – Net Outstanding Long-Term Debt by Type[1]

Last Ten Fiscal Years

	Water Revenue Bonds			Wastewater Revenue Bond			Special Assessment Bonds	Note Payable		SBITA Liability			
Fiscal Year Ended	2016 Water Revenue Refunding Bonds	2015 Water Revenue Refunding Bonds	2009 Water Revenue Bonds	2018 Wastewater Revenue Bonds	2021A Wastewater Revenue Bonds	2021B Wastewater Revenue Refunding Bonds[3]	Limited Obligation Reassessment District 96-1[2]	2013 State Revolving Fund	2012 California Bank & Trust[1]	SBITA Liability[4]	Total Net Outstanding Debt	Percentage of Personal Income	Per Capita
2025	$ 11,674,741	$ 6,987,936	$ —	$ —	$ 4,161,270	$ 1,786,450	$ 2,795,683	$ 9,083,311	$ —	$ 189,006	$ 36,678,397	0.52%	$ 423
2024	12,368,286	9,236,018	—	—	4,377,480	2,368,430	3,690,782	9,929,472	—	47,800	42,018,268	0.62%	486
2023	13,038,237	11,440,036	—	—	4,589,160	2,944,060	4,594,691	10,345,340	—	115,752	47,067,277	0.74%	545
2022	13,689,319	13,607,376	—	—	4,796,400	3,513,900	5,457,755	11,162,925	—	181,698	52,409,33	0.87%	605
2021	14,316,208	15,730,315	—	4,013,000	—	—	6,300,863	11,961,998	—	—	52,322,384	0.92%	604
2020	14,923,628	17,816,383	—	4,520,000	—	—	7,130,000	12,742,976	—	—	57,132,987	1.06%	656
2019	15,511,305	19,873,396	—	5,011,000	—	—	9,787,870	13,506,271	—	—	63,689,842	1.23%	732
2018	16,084,017	21,899,196	—	5,500,000	—	—	10,650,671	14,252,283	—	—	68,386,167	1.37%	791
2017	16,577,296	23,627,014	—	—	—	—	11,698,471	15,339,748	—	—	67,242,530	1.39%	784
2016	—	25,289,832	16,925,215	—	—	—	12,516,272	15,693,954	518,339	—	70,943,613	1.51%	835

Source: Olivenhain Municipal Water District

Notes: (1) 2012 California Bank and Trust note was paid off in February 2017.
(2) The Limited Obligation Reassessment District (RAD) 96-1 bonds were refinanced in September, 2019. The District issued the 2019 RAD 96-1 bonds to refund and refinance the outstanding principal on the 2007 RAD 96-1 bonds.
(3) The District issued 2021B Wastewater Revenue Refunding Bonds to refund and refinance the 2018 Wastewater Revenue Bonds.
(4) The District implemented GASB 96 Accounting for Subscription-Based Information Technology Arrangements starting with fiscal year 2022.

Table XVI – Demographic Statistics

San Diego County Current and Prior Ten Years

Year	Population Estimate	Personal Income	Per Capita Personal Income[1]	Unemployment Rate[2]
2025	86,804	$6,995,968,380	$ 80,595	4.9%
2024	86,458	6,775,367,628	78,366	4.5%
2023	86,441	6,355,401,643	73,523	3.9%
2022	86,614	6,055,791,038	69,917	3.5%
2021	86,649	5,717,794,212	65,988	7.3%[3]
2020	87,084	5,379,178,680	61,770	13.3%[3]
2019	86,997	5,167,708,797	59,401	3.4%
2018	86,478	4,987,791,606	57,677	3.6%
2017	85,792	4,842,786,816	56,448	4.3%
2016	85,010	4,690,851,800	55,180	4.7%

Source: California Department of Finance and Employment Development Department.

Notes: (1) Per capita personal income is for the San Diego County Region. Source: CA Employment Development Department.
(2) Estimate for the San Diego County Region as of June in respective FY. Source: CA Employment Development Department.
(3) COVID-19 Pandemic.

Table XVII – San Diego County Principal Employers

Current and Nine Years Ago

FISCAL YEAR 2025

Employer Name	Number of Employees(1)	Percentage of Total County Employment
University of California San Diego(4)	52,701	3.44%
Naval Base San Diego	48,000	3.13%
County of San Diego	26,432	1.72%
Sharp HealthCare	22,800	1.49%
Scripps Health	17,800	1.16%
San Diego Unified School District	16,774	1.09%
City of San Diego	14,570	0.95%
Qualcomm Inc.(2)	11,000	0.72%
San Diego State University	10,942	0.71%
Kaiser Permanente San Diego	9,500	0.62%
Total Top Ten County Employers	177,818	11.60%
All Other County Employers	1,355,472	88.40%
Total County Employment(3)	1,533,290	100.00%

FISCAL YEAR 2016

Employer Name	Number of Employees	Percentage of Total County Employment
University of California San Diego(4)	30,671	2.05%
Sharp HealthCare	17,809	1.19%
Scripps Health	14,863	0.99%
City of San Diego	11,347	0.76%
Kaiser Permanente	8,406	0.56%
UC San Diego Health(4)	7,438	0.50%
San Diego Community College District	5,902	0.39%
General Atomics Aeronautical Systems	5,480	0.37%
Rady's Children's Hospital	5,129	0.34%
YMCA of San Diego County	5,102	0.34%
Total Top Ten County Employers	112,147	7.48%
All Other County Employers	1,387,636	92.52%
Total County Employment	1,499,783	100.00%

Sources: California Employment Development Department, PublicPay.ca.gov, military.com, company websites

Note: (1) Numbers are based on most recent data available from California Employment Development Department, company websites, or PublicPay.ca.gov.
(2) Approximate based on secondary sources, no primary sources available.
(3) California Employment Development Department in June.
(4) UC San Diego and UC San Diego Health numbers are combined starting in FY 2022.

Table XVIII – Full-time Equivalent Employees by Activity

Last Ten Fiscal Years

	Full-time Equivalent Employees(1)									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water operations(2)	37	36	37	36	35	37	34	36	34	31
Wastewater and recycled operations(3)	9	9	8	8	8	8	7	7	6	6
Elfin Forest recreation operations	3	3	3	3	3	3	3	3	3	3
General and administration										
General manager	4	4	4	4	4	4	4	4	4	2
Engineering	10	10	10	8	9	8	8	8	8	11
Finance	8	8	8	8	7	8	8	8	8	8
Human resources	4	4	4	4	4	4	4	4	4	4
Customer service and public relations	17	17	16	16	14	16	15	16	14	14
Total	92	91	90	87	84	88	83	86	81	79

Source: Olivenhain Municipal Water District

Notes: (1) Based on active full-time employees included in the District's payroll as of June 30, excludes temporary labor and interns.
(2) Includes treatment plant operations at the David C. McCollom Water Treatment Plant.
(3) Includes treatment plant operations at the 4S wastewater treatment plant and water reclamation facility.

Table XIX – Capital and Operating Indicators by Activity

Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Potable										
Service area (acres)	31,117.9	31,117.9	31,123.0	31,123.0	31,123.0	31,123.0	31,123.0	31,123.0	31,123.0	31,123.0
Miles of water main(1)	466.7	466.6	466.5	466.2	466.2	466.2	466.2	466.2	466.2	419.0
Number of treated reservoirs in service	12	12	12	12	12	12	12	12	12	12
Total treated reservoirs capacity (million gallons)	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	65.9
Number of service connections	28,922	28,909	28,888	28,871	28,848	28,803	28,664	28,585	28,563	28,477
Number of meters in service	28,764	28,757	28,731	28,713	28,696	28,657	28,504	28,431	28,393	28,295
Potable water peak demand (million gallons)(2)	29.8	23.6	24.0	27.0	25.8	25.5	26.7	25.4	29.8	23.9
Average treated water demand (MGD)(2)	15.8	13.9	14.2	17.4	17.4	15.3	15.0	17.3	18.9	14.4
David McCollom treatment plant maximum capacity (MGD)	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0
Average treatment plant production (MGD)(2)	14.6	15.2	14.3	17.6	20.8	18.1	17.7	21.4	18.7	13.9
Wastewater										
Service area (acres)	5,549.5	5,549.5	5,549.5	5,508.0	5,508.0	5,508.0	5,508.0	5,508.0	5,508.0	5,338.0
Maximum system capacity (MGD)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Number of in-service equivalent dwelling units(3)	7,341	7,340	7,334	7,250	7,247	7,244	7,239	7,236	7,063	7,043
Recycled										
Service area (acres)	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,637.8	10,567.0
Miles of recycled water main(6)	69.2	68.2	67.3	67.1	67.1	67.1	67.1	67.0	54.5	48.0
Total recycled storage capacity (million gallons)(4)	136.0	136.0	136.0	136.0	136.0	136.0	136.0	136.0	135.6	135.6
4S WRF maximum capacity (MGD)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Average treatment daily plant flow (MGD)	1.2	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Number of meters in service	330	328	320	314	314	308	295	293	288	278
General Information										
Average years of service of employees(5)	9.2	9.5	9.1	8.5	9.1	8.6	10.0	9.3	9.1	9.5

Source: Olivenhain Municipal Water District

Notes: (1) Total miles for FY 2017 and beyond include hydrant laterals in the Geographic Information System (GIS).
(2) FY 2017 and beyond include selling of treatment capacity to Vallecitos Water District.
(3) An equivalent dwelling unit means the standard measurement of water discharged into the sewer collection and treatment system equal to the average discharge from a detached single-family unit.
(4) Recycled storage includes Wet Weather Storage Pond storage capacity.
(5) Based on the number of full-time equivalent employees as of June 30.
(6) Total miles for FY 2017 and beyond include laterals in the Geographic Information System (GIS).

Olivenhain Municipal Water District

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