



Tehachapi-Cummings County Water District

Our Water ♡ Our Future

Tehachapi-Cummings County Water District
Tehachapi, California

Annual Comprehensive Financial Report
For the Year Ended June 30, 2025



**TEHACHAPI-CUMMINGS
COUNTY WATER DISTRICT
TEHACHAPI, CALIFORNIA**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2025**

Prepared by:

Crystal Sampson, Accounting & Finance Specialist

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025**

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INTRODUCTORY SECTION



**Tehachapi-Cummings
County Water District**
Our Water • Our Future

Directors:
John M. Ables
Gerald Davis
Jonathan Hall
Joseph B. Sasia
Robert W. Schultz

Officers:
Robert W. Schultz, *President*
Jonathan Hall, *Vice President*
Thomas P. Neisler, *General Manager*
Catherine Adams, *Secretary*
Crystal Sampson, *Treasurer*

December 5, 2025

To the Board of Directors and Citizens of the Tehachapi-Cummings County Water District:

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that law, we hereby issue the Annual Comprehensive Financial Report (ACFR) of the Tehachapi-Cummings County Water District (the District) for the fiscal year ended June 30, 2025.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefit, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Brown Armstrong Accountancy Corporation. 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 misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the District's financial statements for the fiscal year ended June 30, 2025, are fairly presented in conformity with GAAP. The independent auditor's report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the 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 auditor.

Profile of the Tehachapi-Cummings County Water District

The Tehachapi-Cummings County Water District was organized on March 10, 1965, under provisions of the County Water District Law (Sections 30000 et seq. of the Water Code of the State of California). The District is located in the Tehachapi Mountains east of the Southern San Joaquin Valley and encompasses approximately 266,000 acres. The District provides an imported water supply, groundwater resource management, and flood protection. The District imports State Water Project (SWP) water from the California Aqueduct and sells this imported water to municipal & industrial (M&I) and agricultural (Ag) customers. Approximately one-half to two-thirds of imported water sales are for agricultural customers in a typical year.

The local groundwater supply is located in three basins, which are the Brite, Cummings, and Tehachapi Basins. The District is the court-appointed Watermaster for these three adjudicated basins. As Watermaster, the District protects the groundwater resources within the basins by administering the judgments and providing annual reports to the Kern County Superior Court as required.

The District is governed by a five-person Board of Directors (Board) elected “from divisions” to four-year staggered terms. “From divisions” means election of directors who are residents of the division from which they are elected by the voters of the entire District. The divisions are roughly equal in acreage. The directors are responsible for policies and decisions which govern the operations of the District.

The District has operated under the council-manager form of government since its inception. Policy making and legislative authority are vested in the Board of Directors. The Board is responsible for adopting the budget; setting policy by ordinance, resolution, or minute order; and hiring the general manager, legal counsel, and auditor. The general manager is responsible for carrying out the policies of the Board, for overseeing the day-to-day operations of the District, and the hiring of all District employees. The District serves a population of approximately 37,000 residents, which is projected to increase to 53,000 by 2040 per the 2015 Tehachapi Regional Urban Water Management Plan.

Mission. The District’s mission is to ensure the most reliable, cost-effective water supply for its customers through the importation of State Water Project water and management of the groundwater basins and to operate and maintain certain flood control structures to protect customers’ safety and property.

Budget Process. The annual budget serves as the foundation for the District’s financial planning and control. All departments of the District are required to submit budget requests to the general manager on or before April 1 each year. The general manager, assistant general manager, administration manager, and accounting and finance specialist, together with an ad-hoc budget committee, prepare the draft budget. The Board holds meetings on and adopts a preliminary budget no later than June 30 and a final budget no later than September 1. Each January, a mid-year budget review is performed by the noted District staff and ad-hoc budget committee, and any necessary revisions are approved by the Board during the January Board meeting. To provide transparency to its ratepayers, the District maintains its funds in separate sub-accounts in a clearly identifiable manner. Thus, the budget is prepared by sub-accounts (“funds,” e.g., general) and departments (e.g., administration). Department heads may transfer resources within a department as they see fit. Transfers between funds must be approved by a resolution of the Board.

Strategic Plan. The District’s Strategic Plan is a structured process that establishes long-term financial planning to guide operations and manage financial resources. The plan is updated biennially, with the most recent update approved on August 20, 2025. Each biennial Strategic Plan update includes a Capital Improvement Plan with short-term (1-2 years), mid-term (3-5 years), and long-term (6-10 years) goals. The Strategic Plan is considered while the District’s annual budget is being devised due to its effect on capital reserve funds.

Information Useful in Assessing the District’s Economic Condition

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

Local Economy. Since the District receives no sales taxes, fuel taxes, or other taxes that are sensitive to the business cycle, nonoperating revenues tend to be stable. Property taxes from income-producing properties can be impacted by the business cycle, but, generally, property taxes are more stable than revenues from other taxes. The District’s tax base is estimated by Kern County to increase by 2.77% in fiscal year 2025-26. Fiscal year 2024-25 growth rate was 0.50%.

The District’s second largest source of revenue, imported water sales, experienced an increase of 4% in fiscal year 2024-25 over fiscal year 2023-24. This increase was comprised of a 1% decrease in M&I water sales and 49% increase in Ag water sales. M&I water deliveries were 282 acre-feet (AF) in calendar year 2024 and 140 AF in calendar year 2023. Ag water deliveries were 5,497 AF in calendar year 2024 and 3,859 AF in calendar year 2023. Revenue and expenditure records are kept on a fiscal year basis whereas water delivery records are kept on a calendar year basis. Thus, these records are not directly comparable.

State Water Project Allocation. For calendar year 2025, the SWP Table A Allocation is 50% (9,650 acre-feet), which was the same amount allocated for calendar year 2024.

The District entered calendar year 2024 with no SWP carryover water and ended the year with no SWP carryover water. As of June 30, 2025, the District has imported 1,386 AF and has not banked any water in the San Joaquin Valley. Water banking will commence within the District's recharge facilities as soon as surface delivery demands decrease.

Energy Costs. The District's water rates are driven by the price it pays for natural gas to power its pump plants. Natural gas prices have increased substantially for the past several years. Due to the District's desired practice of securing a portion of its supplies three years in advance, it has been able to maintain stable pricing. Going forward, the District will continue its endeavor to lock in long-term natural gas supplies at prices that will stabilize its water rates at consistent levels for several years to come. However, this is becoming more difficult. The District continues to seek opportunities to lock in long-term natural gas supplies at prices that will stabilize its water rates at consistent levels for several years to come, which includes locating additional sources for its natural gas supplies.

The District purchased 100% of its natural gas needs for calendar year 2025 at the melded price of \$3.35 per MMBtu. Prices decreased significantly in late 2024 and stayed reasonably low through 2025, allowing the District to purchase natural gas at lower prices than budgeted. The District contracted for approximately 50% of its total gas requirement for 2026 from a new supplier, ARM Energy Management, LLC ("ARM Energy"). The contracted price is \$3.775 per MMBtu. While this is higher than the District's 2025 costs, it is less than the District's other supplier and less than previous estimates received. Additionally, ARM Energy will be able to provide natural gas supplies on both the Kern River Pipeline for Pump Plants 1-3 and the SoCal Gas distribution system for Pump Plant 4. The District anticipates cost savings by purchasing its SoCal gas supplies from ARM Energy rather than from SoCal Gas.

Air Quality Regulations. The San Joaquin Valley Air Pollution Control District's Governing Board limited the District's engines at Pump Plant 1 to 4,000 operating hours per year, restricting the amount of water that could be pumped. To increase pumping capacity, the District secured financing to replace all four engines at Pump Plant 1 and controls at the other three pump plants in fiscal year 2015-16. Since that time, all Air Quality Regulations have been continually met for Pump Plant 1 in the San Joaquin Valley Air Pollution Control District and for Pump Plants 2-4 in the Eastern Kern Air Pollution Control District.

Long-Term Debt. The District continually replaces and upgrades its pumping infrastructure as necessary to ensure a reliable, cost-effective water supply while complying with tightening air quality regulations. In June 2023, the District completed bond financing with US Bank for its Pump Plants 2 and 3 engine replacement project. The financing closed with just over \$12,000,000 in total proceeds at 3.65% true interest cost over a 15-year term. The debt is scheduled to be paid in full in June of 2038. During fiscal year 2024-25, the District made just over \$1.05 million in principal and interest payments and included just over \$1.05 million in its budget for fiscal year 2025-26. As of the fiscal year ended June 30, 2025, the District spent nearly \$10.2 million of the bond proceeds nearly completing Pump Plant 3's engine replacement and starting the work on Pump Plant 2's engine replacement. During fiscal year 2025-26, the District has budgeted to spend the remaining bond proceeds and transfer just over \$1.7 million from reserves to complete the project. Construction is expected to be completed during fiscal year 2025-26.

Workforce. The District's workforce consists of 19 full-time positions and one to three temporary summer helpers.

Pension Liability. District employees are members of the California Public Employees' Retirement System (CalPERS). See Note 6 of the ACFR for the fiscal year ended June 30, 2025.

The District has been actively managing its pension unfunded accrued liability (UAL) balances over the past several fiscal years. During fiscal year 2021-22, the District made an additional discretionary payment (ADP) in the amount of \$2,600,000 followed by \$414,000 in fiscal year 2022-23. During fiscal year 2023-24, the District made a payment of \$1,153,700, which fully satisfied the UAL balance per the CalPERS Actuarial Valuation as of June 30, 2022. At the beginning of fiscal year 2024-25, CalPERS released its Actuarial Valuation as of June 30, 2023, reflecting a UAL balance of \$229,061, which the District included in its 2024-25 Budget. That UAL balance was paid off in September 2024. Through making \$4,396,761 in ADP payments since fiscal year 2021-22, the District has been able to eliminate its UAL balances and achieved \$3,742,003 in interest savings as compared to making the minimum contribution payments on the UAL balances. As a result of the District's proactive management of its UAL balances and CalPERS's 9.3% investment return exceeding the 6.8% discount rate, the Actuarial Valuation as of June 30, 2024, reflected a zero UAL balance for the District.

Reserves. The Board approved an updated reserves policy, prior to adopting the fiscal year 2025-26 budget, which sets forth reserve targets and an approach for accumulating reserves over time. The policy requires management to review reserve funds balances, at a minimum, on an annual basis to ensure compliance with the policy. Full and interim reserve targets were calculated and progress toward achieving those targets was reported to the Board with their inclusion in the budget.

Accumulation of sufficient reserves in the flood control reserve funds is challenging due to the extensive size of the assets, their replacement cost, and their expected long lives. It is hoped that backstop funding from Federal Emergency Management Agency (FEMA) and California Office of Emergency Services (CalEMA) would be available if the District were to suffer catastrophic losses to its flood control facilities due to a declared disaster. Until the District is able to amass such large reserves for these needs, its short-term goal consists of ensuring funds are adequate for normal maintenance and replacement needs, emergency response to floods, and any required matching funds to qualify for FEMA assistance during disasters.

As of June 30, 2025, all full or interim reserve targets are satisfied, with the exception of the three flood control improvement districts. Management will review the need for additional reserve contributions during budget development for fiscal year 2026-27.

The following table shows the amounts as of June 30, 2025:

| Reserve Funds & Descriptions | Reserve Formula | Audited Actual Balance 6/30/2024 | FY 2024-25 (Targets per Mid-Year Budget) | | | | | FY 2025-26 (Targets per Final Budget) | | | | |
|--|--|----------------------------------|--|------------------------|--------------------------|---------------------|---------------------|---------------------------------------|----------------------------|---------------------|---------|-----|
| | | | Full Reserve Target | Interim Reserve Target | Actual Balance 6/30/2025 | Reserve Target Met? | Full Reserve Target | Interim Reserve Target | Forecast Balance 6/30/2026 | Reserve Target Met? | | |
| DESIGNATED RESERVES | | | | | | | | | | | | |
| 70 General Fund | | | | | | | | | | | | |
| Working capital | 90 days of general fund operating expenses (PY audit) | 2,679,951 | 2,069,000 | 2,069,000 | 3,266,610 | Full | Yes | 2,129,000 | 2,129,000 | 2,981,960 | Full | Yes |
| 85 Tax Revenue Liability | | | | | | | | | | | | |
| Tax revenue liability reserve | 50% of Kern County's liability estimate | 1,341,445 | 1,703,000 | 851,500 | 1,705,000 | Full | Yes | 1,703,000 | 851,500 | 1,764,000 | Full | Yes |
| 71 Emergency | | | | | | | | | | | | |
| Emergency reserve | 5% of general fund operating expenses (prior year audit) | 426,949 | 420,000 | 210,000 | 440,773 | Full | Yes | 432,000 | 216,000 | 455,773 | Full | Yes |
| 81 Major Repairs & Overhaul | | | | | | | | | | | | |
| Asset maintenance / replacement reserve | 5% of capital assets' book value (prior year audit) | 1,814,148 | 1,750,000 | 875,000 | 1,872,963 | Full | Yes | 1,824,000 | 912,000 | 1,937,963 | Full | Yes |
| 87 Rate Stabilization | | | | | | | | | | | | |
| Rate stabilization reserve | 1% to 5% of general fund operating expenses (PY audit) | 666,364 | 420,000 | 210,000 | 687,958 | Full | Yes | 432,000 | 216,000 | 711,958 | Full | Yes |
| 74 Unfunded Pension Liability | | | | | | | | | | | | |
| Unfunded pension liability reserve | Initial target of \$250,000 | N/A | N/A | N/A | N/A | N/A | N/A | 250,000 | 125,000 | 259,000 | Full | Yes |
| 83 Equip./Infra. - Repl./Upgrade | | | | | | | | | | | | |
| Strategic planning capital improvements | 20% mid-term CIP | 2,915,713 | 2,134,000 | 1,067,000 | 3,008,246 | Full | Yes | 1,588,000 | 794,000 | 1,305,472 | Interim | Yes |
| 72 Water banking reserve | | | | | | | | | | | | |
| Cost to replace or extract banked water | N/A | 2,760,190 | N/A | N/A | 2,843,792 | N/A | N/A | N/A | N/A | 3,042,792 | N/A | N/A |
| RESTRICTED RESERVES | | | | | | | | | | | | |
| 82 State Payment | | | | | | | | | | | | |
| Six-month operating reserve | 50% of current year expenditure budget | 7,981,510 | 2,020,600 | 2,020,600 | 9,965,089 | Full | Yes | 1,839,000 | 1,839,000 | 10,024,089 | Full | Yes |
| Tax revenue liability reserve | 50% of Kern County's liability estimate | 582,200 | 780,000 | 780,000 | 780,000 | Full | Yes | 780,000 | 780,000 | 780,000 | Full | Yes |
| 76 Improvement District No. 2 | | | | | | | | | | | | |
| Asset maintenance / replacement reserve | 50% of construction cost indexed for inflation | 31 | 306,000 | 306,000 | 25 | Interim | No | 312,000 | 312,000 | 25 | Interim | No |
| 77 Improvement District No. 3 | | | | | | | | | | | | |
| Asset maintenance / replacement reserve | 50% of construction cost indexed for inflation | 210,682 | 681,000 | 681,000 | 228,943 | Interim | No | 694,000 | 694,000 | 237,843 | Interim | No |
| 86 Benefit Assessment District No. 1 | | | | | | | | | | | | |
| Asset maintenance / replacement reserve | 50% of construction cost indexed for inflation | 1,209,727 | 1,952,000 | 1,952,000 | 1,267,385 | Interim | No | 1,989,000 | 1,989,000 | 1,310,385 | Interim | No |
| 73 Engine Project | | | | | | | | | | | | |
| Certificates of Participation (COP) proceeds | N/A | 10,978,786 | N/A | N/A | 1,542,226 | N/A | N/A | N/A | N/A | - | N/A | N/A |

Awards and Acknowledgements

Certificate of Achievement for Excellence in Financial Reporting. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tehachapi-Cummings County Water District for its annual comprehensive report for the fiscal year ended June 30, 2024. This was the sixteenth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government 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.

A Certificate of Achievement is valid for a period of one year only. We believe that our current 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.

Acknowledgements. The preparation of this report was accomplished by the combined efforts of District staff. We are grateful for the dedicated efforts and professionalism that our staff members bring to the District. Additionally, we appreciate the professional assistance provided by Brown Armstrong Accountancy Corporation. Finally, we would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Tehachapi-Cummings County Water District's fiscal policies.

Sincerely,



Thomas P. Neisler
General Manager

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2025**

Elected Officials

BOARD OF DIRECTORS

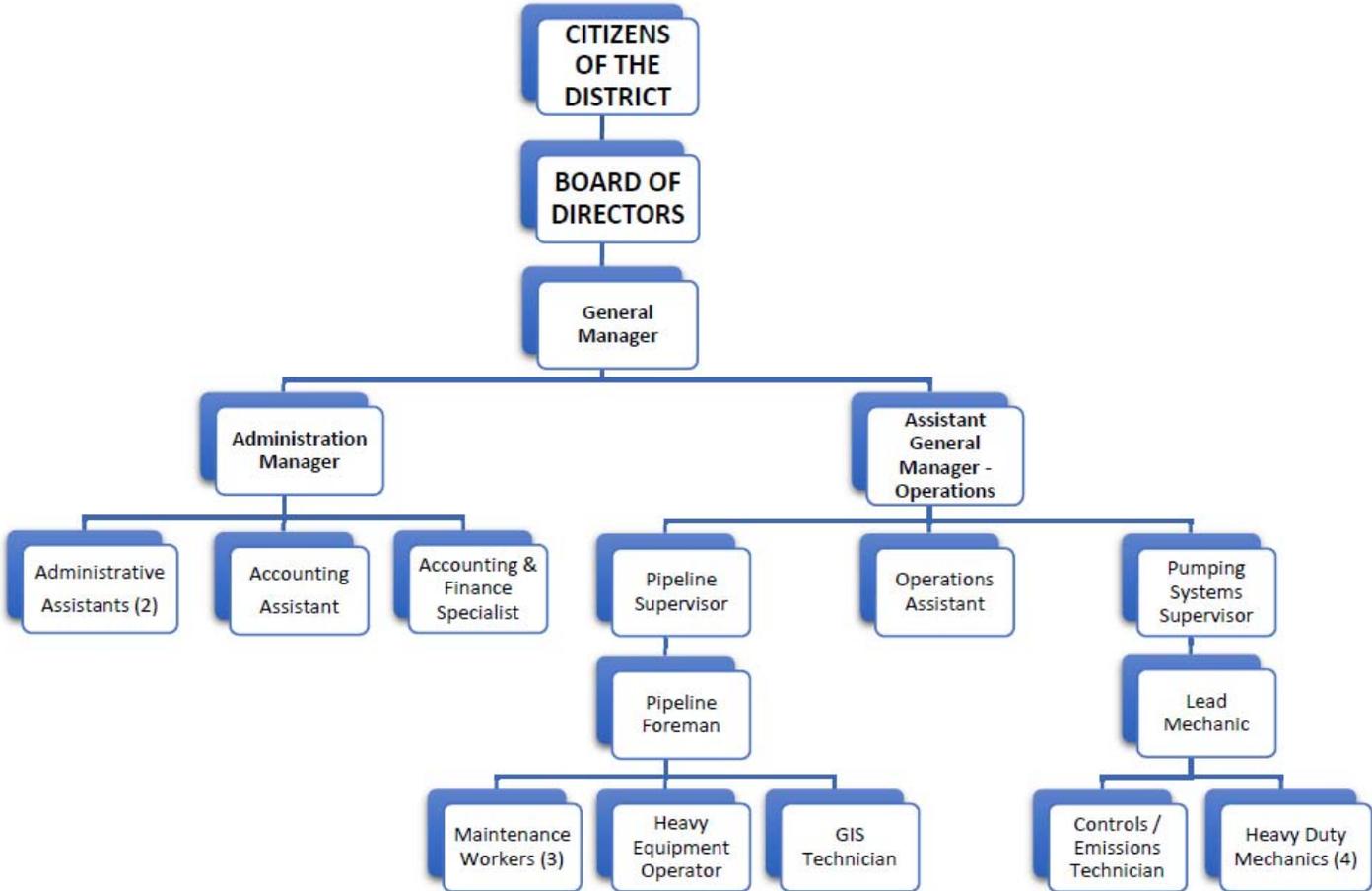
| | |
|-------------------|---------------|
| John M. Ables | December 2026 |
| Gerald Davis | December 2028 |
| Jonathan Hall | December 2028 |
| Joseph B. Sasia | December 2026 |
| Robert W. Schultz | December 2026 |

Appointed Officials

| | |
|-------------------|-----------------|
| Robert W. Schultz | President |
| Jonathan Hall | Vice President |
| Thomas P. Neisler | General Manager |
| Crystal Sampson | Treasurer |
| Catherine Adams | Secretary |

Tehachapi-Cummings County Water District
22901 Banducci Road
Tehachapi, California 93561
P.O. Box 326
Tehachapi, California 93581
(661) 822-5504 www.tccwd.com

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
ORGANIZATION CHART**



Revision No. 18
Date: 08/13/25



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Tehachapi-Cummings County Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tehachapi-Cummings County Water District
Tehachapi, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Tehachapi-Cummings County Water District (the District) as of and for the year ended June 30, 2025, and the related notes to the basic 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 the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying combining schedules and other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules and other supplementary information, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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 the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION
Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 5, 2025

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

INTRODUCTION

As management of the Tehachapi-Cummings County Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report, basic financial statements, and notes to the basic financial statements. All amounts are expressed in whole dollars, unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- The District's total combined cash balance decreased by \$4,771,919 (14%) over the prior fiscal year, of which restricted cash decreased by \$7,549,534 (35%) and unrestricted cash increased by \$2,777,615 (22%).
- The District's total net position improved by \$4,556,529 (13%) over the prior fiscal year to a balance of \$40,815,650 as of June 30, 2025. The change in net position was comprised of an increase in restricted net position of \$2,900,246 (28%) over the prior year that was largely attributable to an increase in State Water Payment Reserves, a \$711,230 (5%) increase in net investment in capital assets due to capital asset activity during the fiscal year and related debt, and a \$945,053 (7%) increase in unrestricted net position for the portion of the net position improvement that is not subject to external restrictions.
- During the year, the District's operating revenues increased by \$102,477 (4%) over the prior fiscal year. Between the 50% water allocation in calendar years 2024 and 2025, more water was available for sale. Agriculture (Ag) sales increased by 49%, municipal and industrial (M&I) sales decreased by 1%, and banked water reserve account sales (mandatory and voluntary) decreased by 99% over the prior year.
- Operating expenses decreased by \$297,151 (2%) compared to the prior fiscal year. Although there were significant decreases in source of supply and pumping expenses there was a significant adjustment necessary to accurately measure pension-related accounts, which nearly offset those decreases.
- Total long-term liabilities decreased by \$1,410,892 (11%) over the prior fiscal year. The largest reductions were comprised of a \$530,000 reduction in the principal balance of the 2023 Revenue Certificates of Participation, a \$1,357,178 improvement in the net pension liability, which caused the liability to become an asset during the 2024-25 fiscal year due to several additional discretionary payments made to CalPERS to pay-off the unfunded accrued liabilities for the District's three pension plans.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report includes management's discussion and analysis, basic financial statements, required supplementary information, and supplementary information. The District reports information using accounting principles appropriate for an enterprise fund to report its activities, which is the same accounting framework used by private sector companies. An enterprise fund is a distinct fiscal entity that carries on its activities with the objective of recovering its costs through user charges.

Basic Financial Statements. The basic financial statements include three types of statements that are interconnected and create different views of the District's activities and performance as well as notes that explain in more detail some of the information in the financial statements and can be found on pages 11-33 of this report.

Statement of Net Position. This statement shows the District's financial position as of June 30, 2025, and includes its assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position represents the District's remaining value after the liabilities and deferred inflows of sources are deducted from assets and deferred outflows of sources. It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Statement of Revenues, Expenses, and Change in Net Position. The current year's revenues and expenses for the year ended June 30, 2025, are identified within this report. Additionally, this statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its operating (e.g., water sales, user fees, and other charges) and nonoperating (e.g., taxes and assessments) revenues.

Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It also provides answers to such questions as: Where did cash come from? What was cash used for? And what was the cash balance during the reporting period?

Required Supplementary Information. Although not considered to be part of the basic financial statements, required supplementary information (RSI) is an essential part of financial reporting as it provides a full understanding of the basic financial statements by placing them in an appropriate operational, economic, or historical context. RSI includes this management's discussion and analysis report as well as schedules providing details about pension and other postemployment benefit liabilities. This information can be found on pages 34-38 of this report.

Supplementary Information. For the purposes of additional analysis, the provided supplementary information was derived from and directly relates to the underlying accounting and other records used to prepare the basic financial statements. This section includes rate covenant information and combining schedules and can be found on pages 39-43 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Position (page 11) and Statement of Revenues, Expenses, and Changes in Net Position (page 12) provide an indication of the District's financial condition and measure whether the financial condition of the District improved during the last fiscal year. In this analysis, the District uses a summarized format of those statements to reflect on trend information for periods prior to the period presented in the financial statements.

Net Position. As previously noted, net position may serve over time as a useful indicator of a government's financial strength. The District's Condensed Statements of Net Position (Table 1) shows assets plus deferred outflows of resources exceed liabilities plus deferred inflows of resources by \$40,815,650 as of fiscal year end 2025, for an overall net increase of \$4,556,529 (13%) compared with the prior year.

In addition to presenting assets, liabilities, and net position, this statement also has separate sections for deferred outflows/inflows of resources. These sections represent, respectively, the consumption/acquisition of net assets that applies to future periods and will not be recognized as an expense/revenue until then.

The District's net position is comprised of the net investment in capital assets (e.g., land, water infrastructure, and equipment) of \$13,846,772 (34%), unrestricted net position of \$13,593,301 (33%), and restricted net position of \$13,375,577 (33%). The net investment in capital assets increased by 5% (\$711,230) over the prior year and is used by the District to provide services to citizens and its customers; consequently, these assets are not available for future spending. An unrestricted net position may be used to meet the District's ongoing obligations. As of June 30, 2025, the District shows that unrestricted net position increased by \$945,053 (7%) over the prior year. The remaining 33% of the District's net position (\$13,375,577) is externally restricted by state law, an experienced an increase of \$2,900,246 (28%) over the prior year. See Note 4 on pages 22-23 for additional information about restricted assets.

Table 1
Condensed Statements of Net Position
June 30, 2025 and 2024
(in thousands)

| | <u>2025</u> | <u>2024</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|---------------------------------------|------------------|------------------|--------------------------|---------------------------|
| ASSETS | | | | |
| Current Assets | \$ 16,386 | \$ 13,420 | \$ 2,966 | 22% |
| Noncurrent Assets | 14,741 | 21,723 | (6,982) | -32% |
| Capital Assets, Net of Depreciation | <u>23,087</u> | <u>13,434</u> | <u>9,653</u> | <u>72%</u> |
| Total Assets | <u>54,214</u> | <u>48,577</u> | <u>5,637</u> | <u>12%</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>384</u> | <u>2,672</u> | <u>(2,288)</u> | <u>-86%</u> |
| LIABILITIES | | | | |
| Current Liabilities | 1,620 | 1,480 | 140 | 9% |
| Noncurrent Liabilities | <u>10,326</u> | <u>11,767</u> | <u>(1,441)</u> | <u>-12%</u> |
| Total Liabilities | <u>11,946</u> | <u>13,247</u> | <u>(1,301)</u> | <u>-10%</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>1,836</u> | <u>1,743</u> | <u>93</u> | <u>5%</u> |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 13,847 | 13,136 | 711 | 5% |
| Restricted | 13,376 | 10,475 | 2,901 | 28% |
| Unrestricted | <u>13,593</u> | <u>12,648</u> | <u>945</u> | <u>7%</u> |
| Total Net Position | <u>\$ 40,816</u> | <u>\$ 36,259</u> | <u>\$ 4,557</u> | <u>13%</u> |

Revenues, Expenses, and Changes in Net Position. Various revenue streams, expense categories, any special items, and their resulting effect on the net position are identified in the Condensed Statements of Revenues, Expenses, and Changes in Net Position (Table 2). During the year, revenues exceeded expenses by \$4,556,529, which resulted in an increase to net position by the same amount.

During the fiscal year, the District's total revenues amounted to \$16,717,452. Of the total revenue, 17% was attributable to operating revenues of water sales and services, and the remaining 83% of revenue was made up of 71% for nonoperating revenues composed of taxes, assessments, and 12% for other nonoperating revenue, mostly comprised of interest earnings. During the prior fiscal year, total revenues were \$15,684,049 of which 17% was attributable to water sales and services and 83% pertained to nonoperating revenues of taxes and assessments, and other nonoperating revenue composed of interest earnings. During fiscal year 2024-25, revenue from M&I water decreased by 1% while revenue from Ag water sales increased by 49%.

The District's total expenses were \$12,160,923 and decreased by \$303,697 (2%) over the prior year. Despite some large decreases in operating expenses, the District had to record \$1,024,212 in pension expense to accurately measure and recognize pension liabilities, expenses, and related resources. This

expense was allocated amongst pumping, transmission and distribution, and general and administrative, which was a large factor in the change to total expenses over the prior year. Of the District's total expenses, 68% pertained to operating expenses associated with source of supply, pumping, and transmission and distribution. Source of supply costs decreased by \$663,275 (20%) over the prior year largely attributable to receiving \$1,081,777 in credits on the 2025 SWP obligation and \$381,544 on prior years' billings. Pumping expenses decreased by \$449,528 (10%) over the prior year primarily attributable to an \$869,321 decrease in natural gas expense driven by a reduction in supply needed to import and distribute water supply because of delays in completion of the Engine Replacement Project at Pump Plant 3. The reduction in pumping expenses pertaining to the decrease in natural gas expense was partially offset by the recording of \$368,716 in pension expense. Transmission and distribution expenses increased by \$658,289 (66%). This increase was mainly attributable to recording \$297,021 in pension expense and increases in electricity costs, and repairs and maintenance expenses.

To establish more stable energy prices, the District commits to advance purchases of natural gas. When the District receives water allocations that are much lower than forecasted and it is unable to import the forecasted amount of water, excess quantities of natural gas become available for resale to the supplier. In fiscal years 2024-25 and 2023-24, there were no excess quantities of natural gas available for resale.

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024
(in thousands)

| | <u>2025</u> | <u>2024</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|------------------------------|------------------|------------------|--------------------------|---------------------------|
| OPERATING REVENUES | | | | |
| Water Sales | \$ 2,727 | \$ 2,635 | \$ 92 | 3% |
| Other Operating Revenues | 98 | 88 | 10 | 11% |
| Total Operating Revenues | <u>2,825</u> | <u>2,723</u> | <u>102</u> | <u>4%</u> |
| NONOPERATING REVENUES | | | | |
| Taxes and Assessments | 11,844 | 11,628 | 216 | 2% |
| Benefit Assessments | 105 | 106 | (1) | -1% |
| Other Nonoperating Revenues | 1,943 | 1,227 | 716 | 58% |
| Total Nonoperating Revenues | <u>13,892</u> | <u>12,961</u> | <u>931</u> | <u>7%</u> |
| TOTAL REVENUES | <u>16,717</u> | <u>15,684</u> | <u>1,033</u> | <u>7%</u> |
| EXPENSES | | | | |
| Depreciation Expense | 1,071 | 1,038 | 33 | 3% |
| Other Operating Expenses | 10,631 | 10,962 | (331) | -3% |
| Nonoperating Expenses | 458 | 465 | (7) | -2% |
| TOTAL EXPENSES | <u>12,160</u> | <u>12,465</u> | <u>(305)</u> | <u>-2%</u> |
| Change in Net Position | 4,557 | 3,219 | 1,338 | 42% |
| Net Position - Beginning | <u>36,259</u> | <u>33,040</u> | <u>3,219</u> | <u>10%</u> |
| Net Position - Ending | <u>\$ 40,816</u> | <u>\$ 36,259</u> | <u>\$ 4,557</u> | <u>13%</u> |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2025, the District had invested \$48,458,901 in a broad range of capital assets (Table 3). This amount represents a net increase (i.e., additions less deductions) of \$10,695,716 or 28% compared with last year due to water system improvements, various capital improvement projects in process, and vehicle and equipment acquisitions during the year. Accumulated depreciation increased 4% due to these improvements. The District's capital assets are 68% depreciated. Per the District's capitalization policy, assets with a value exceeding \$5,000 are capitalized. See Note 3 on page 22 for more detailed information on capital asset activity.

Table 3
Capital Assets
June 30, 2025 and 2024
(in thousands)

| | <u>2025</u> | <u>2024</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|-------------------------------------|-------------------------|-------------------------|--------------------------|---------------------------|
| Land | \$ 931 | \$ 931 | \$ - | 0% |
| Construction in Progress | 10,328 | 350 | 9,978 | 2851% |
| Water System Improvements | 30,115 | 31,455 | (1,340) | -4% |
| General Office, Shop, and Equipment | 4,920 | 4,807 | 113 | 2% |
| Flood Control Facilities | 2,165 | 220 | 1,945 | 884% |
| Total Capital Assets | 48,459 | 37,763 | 10,696 | 28% |
| Less Accumulated Depreciation | <u>(25,372)</u> | <u>(24,329)</u> | <u>(1,043)</u> | <u>-4%</u> |
| Net Capital Assets | <u>\$ 23,087</u> | <u>\$ 13,434</u> | <u>\$ 9,653</u> | <u>72%</u> |

Long-Term Liabilities. At the end of the current fiscal year, the District had total long-term liabilities of \$10,344,665, a decrease of 16% compared to the prior year (Table 4). This amount includes the outstanding principal balance of the 2023 Revenue Certificates of Participation and long-term liability for compensated absences. The Net Pension Liability is detailed in this section due to having a liability balance in the prior year. However, this year, that long-term liability is classified as a noncurrent asset. More detailed information pertaining to long-term liabilities can be found at Note 5 on pages 23-24.

Table 4
Long-Term Liabilities
June 30, 2025 and 2024
(in thousands)

| | <u>2025</u> | <u>2024</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|------------------------------------|-------------------------|-------------------------|--------------------------|---------------------------|
| Compensated Absences | \$ 126 | \$ 126 | \$ - | 0% |
| Net Pension Liability | - | 805 | (805) | -100% |
| 2023 Certificates of Participation | 10,881 | 11,487 | (606) | -5% |
| Total Long-Term Liabilities | <u>\$ 11,007</u> | <u>\$ 12,323</u> | <u>\$ (1,411)</u> | <u>-11%</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Assessed valuations of the Tehachapi-Cummings County Water District will increase by approximately 2.77% in fiscal year 2025-26. A stable or growing tax base is extremely important for the District, as approximately 71% of the District's total revenue in 2024-25 was from property taxes and assessments, which are directly linked to assessed valuations.
- The 2025-26 tax rate reflects balanced State Water Project obligations, revenues, and expenditures. The amount required to be collected from the tax levy will decrease slightly from the current fiscal year (from 0.053148% to 0.052340%) due to reserve balances.
- The Department of Water Resources provided a 2025 State Water Project allocation of 50% (9,650 acre-feet). Although this allocation would have allowed the District to meet nearly all its forecast demands, recharge obligations, and goals (e.g., importing 10,000 AF/year), delays in completion of the Engine Replacement Project at Pump Plant 3 resulted in less water being imported than desired. The District used banked water supplies to meet customers' demands.
- Imported water sales (Ag and M&I) are forecast to decrease in fiscal year 2025-26 by 8%.
- The District increased banked water supplies on its own account by 1,558 AF in calendar year 2024. The District will continue water banking on its own account.
- As of January 1, 2017, all term M&I customers are required to bank water and execute the necessary contracts.
- The District has a contract with California Correctional Institution (CCI) to purchase high-quality disinfected tertiary recycled water. This recycled water, under a permit with the State to distribute it, is sold for golf course irrigation and for non-food crop agricultural irrigation.
- Investment earnings are projected to be slightly lower into fiscal year 2025-26 than the fiscal year just ended due to expected interest rate reductions that will lower the District's average yield as proceeds from higher yielding investments that mature during the period are invested in securities with lower yields
- At June 30, 2025, the weighted yield to maturity for the District's 35 securities was 4.63%. Yields for the District's pooled fund investments consisted of California Asset Management Program (CAMP) at 4.40%, Kern County Treasury Pool at 3.83%, and Local Agency Investment Fund (LAIF) at 4.40%. In the prior year, yields for CAMP, Kern County Treasury Pool, and LAIF were 5.43%, 3.55%, and 4.55%, respectively.
- Employee benefit costs account for 31% of total salaries and benefits in the adopted 2025-26 budget.
- Currently, staff is comprised of 19 full-time employees plus 1 to 3 temporary, full-time summer helpers.
- The District sold \$10,925,000 in municipal bonds in 2023 to fund the replacement of eight engines at Pump Plants 2 and 3. The repayment term was 15 years. During fiscal year 2023-24, work on the project began. During fiscal year 2024-25, the engine replacement project at Pump Plant 3 was nearly complete and work began on Pump Plant 2. The project is expected to be completed prior to the end of fiscal year 2025-26.
- The District used \$5/MMBtu as an estimate while budgeting for its natural gas expense during fiscal years 2024-25 and 2025-26. Natural gas was successfully purchased by the District for less than that estimate during fiscal year 2024-25 and has contracted for nearly half of its natural gas needs through 2026 at a rate of \$3.775/MMBtu.

- The District's pressure zone water rates were developed in 2010 to generate revenues that closely matched costs to reduce operating losses in the general reserve. During fiscal year 2025-26, the District intends to perform a water rate study to determine if a water rate change is necessary to keep up with rising costs.
- The District is working toward contracting for the preparation of a Cost-of-Service, Rate, and Fee Study. The study will review District expenses, including increased natural gas costs and debt service for the new bonds. If the study is completed in fiscal year 2025-26, and if rate increases are indicated, the required Proposition 218 protest elections will be held.
- The adopted 2025-26 budget includes a reserves policy, which sets forth reserve targets and an approach to accumulating those reserves over time. As of June 30, 2025, all of the interim or full reserve targets had been satisfied except for the three flood control improvement districts.
- As in prior years, the District will not establish a budget for depreciation expense.

All of these factors were considered in preparing the Tehachapi-Cummings County Water District's budget for the 2025-26 fiscal year. The final budget for 2025-26 fiscal year was approved by the District's Board of Directors on August 20, 2025.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, creditors, 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. If you have questions about this report or need additional financial information, contact the District Office in-person at 22901 Banducci Road, Tehachapi, California 93561, by mail at P.O. Box 326, Tehachapi, CA 93581, or by email at tccwd@tccwd.com.

BASIC FINANCIAL STATEMENTS

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025**

ASSETS

Current Assets:

| | |
|-----------------------------|---------------|
| Cash and Cash Equivalents | \$ 15,249,364 |
| Accounts Receivable | 436,131 |
| Accrued Interest Receivable | 535,866 |
| Prepaid Expenses | 164,884 |

| | |
|----------------------|------------|
| Total Current Assets | 16,386,245 |
|----------------------|------------|

Noncurrent Assets:

Restricted Assets:

| | |
|---------------------------|------------|
| Cash and Cash Equivalents | 14,078,035 |
|---------------------------|------------|

Capital Assets Not Being Depreciated:

| | |
|---|------------|
| Land | 832,021 |
| Land Not in Use | 99,355 |
| Construction in Progress | 10,327,439 |
| Capital Assets, Net of Accumulated Depreciation | 11,828,109 |
| Net Pension Asset | 552,108 |
| Net OPEB Asset | 110,359 |

| | |
|-------------------------|------------|
| Total Noncurrent Assets | 37,827,426 |
|-------------------------|------------|

| | |
|--------------|------------|
| Total Assets | 54,213,671 |
|--------------|------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---------------------------------------|---------|
| Deferred Outflows Related to Pensions | 384,025 |
|---------------------------------------|---------|

LIABILITIES

Current Liabilities:

| | |
|--|---------|
| Accounts Payable | 792,802 |
| Accrued Wages Payable | 96,258 |
| Interest Payable | 41,230 |
| Customer Deposits | 8,531 |
| Current Portion of Long-Term Liabilities | 681,276 |

| | |
|---------------------------|-----------|
| Total Current Liabilities | 1,620,097 |
|---------------------------|-----------|

Noncurrent Liabilities:

| | |
|--|------------|
| Compensated Absences Payable, Less Current Portion | 80,775 |
| Bonds Payable, Less Current Portion | 10,245,081 |

| | |
|------------------------------|------------|
| Total Noncurrent Liabilities | 10,325,856 |
|------------------------------|------------|

| | |
|-------------------|------------|
| Total Liabilities | 11,945,953 |
|-------------------|------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|--------------------------------------|-----------|
| Deferred Inflows Related to Pensions | 1,836,093 |
|--------------------------------------|-----------|

NET POSITION

| | |
|----------------------------------|------------|
| Net Investment in Capital Assets | 13,846,772 |
|----------------------------------|------------|

Restricted For:

| | |
|-------------------|------------|
| Debt Repayment | 11,152,521 |
| Flood Control | 1,560,589 |
| Employee Benefits | 662,467 |

| | |
|--------------|------------|
| Unrestricted | 13,593,301 |
|--------------|------------|

| | |
|--------------------|---------------|
| Total Net Position | \$ 40,815,650 |
|--------------------|---------------|

The accompanying notes are an integral part of this statement.

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

| | |
|---|----------------------|
| OPERATING REVENUES | |
| Water Sales | \$ 2,727,523 |
| Water Services | 97,851 |
| | <u>2,825,374</u> |
| OPERATING EXPENSES | |
| Source of Supply | 2,605,725 |
| Pumping | 3,979,025 |
| Transmission and Distribution | 1,655,775 |
| General and Administrative | 2,391,130 |
| Depreciation | 1,070,964 |
| | <u>11,702,619</u> |
| Total Operating Expenses | <u>11,702,619</u> |
| Operating Loss | <u>(8,877,245)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Taxes and Assessments | 11,844,131 |
| Benefit Assessments | 104,539 |
| Interest and Penalties | 1,343,455 |
| Interest Expense | (443,202) |
| Loss on Disposal of Capital Assets | (15,102) |
| Other Revenues | 599,953 |
| | <u>13,433,774</u> |
| Total Nonoperating Revenues (Expenses) | <u>13,433,774</u> |
| Change in Net Position | 4,556,529 |
| Net Position - Beginning of Year | <u>36,259,121</u> |
| Net Position - End of Year | <u>\$ 40,815,650</u> |

The accompanying notes are an integral part of this statement.

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

| | |
|---|----------------------|
| Cash Flows from Operating Activities | |
| Cash Received from Customers | \$ 3,117,844 |
| Cash Payments to Employees for Services | (1,950,674) |
| Cash Payments to Suppliers for Goods and Services | <u>(7,636,433)</u> |
| Net Cash Used by Operating Activities | <u>(6,469,263)</u> |
| Cash Flows from Non-Capital Financing Activities | |
| Receipts from Property Taxes and Assessments | <u>11,948,670</u> |
| Net Cash Provided by Non-Capital Financing Activities | <u>11,948,670</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Payments for Purchase and Construction of Property and Equipment | (10,738,870) |
| Payment on Long-Term Debt | (605,840) |
| Interest Paid on Long-Term Debt | <u>(445,410)</u> |
| Net Cash Used by Capital and Related Financing Activities | <u>(11,790,120)</u> |
| Cash Flows from Investing Activities | |
| Investment Gains | <u>1,538,794</u> |
| Net Cash Provided by Investing Activities | <u>1,538,794</u> |
| Net Decrease in Cash and Cash Equivalents | (4,771,919) |
| Cash and Cash Equivalents - Beginning of Year | <u>34,099,318</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 29,327,399</u> |
| Cash and Cash Equivalents as Reported in the Statement of Net Position | |
| Unrestricted Cash and Cash Equivalents | \$ 15,249,364 |
| Restricted Cash and Cash Equivalents | <u>14,078,035</u> |
| Total Cash and Cash Equivalents | <u>\$ 29,327,399</u> |

The accompanying notes are an integral part of this statement.

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2025**

Reconciliation of Operating Loss to Net Cash

Used by Operating Activities:

| | |
|--|--------------------|
| Operating Loss | \$ (8,877,245) |
| Adjustments to Reconcile Operating Loss to Net Cash | |
| Used by Operating Activities: | |
| Depreciation | 1,070,964 |
| Changes in Operating Assets and Liabilities: | |
| Decrease in Accounts Receivable - Water Customers | 291,070 |
| (Increase) in Prepaid Expenses and Refundable Deposits | (74,877) |
| Increase in Accounts Payable | 99,873 |
| Increase in Accrued Wages Payables | 10,943 |
| Increase in Customer Deposits | 1,400 |
| Increase in Compensated Absences Payable | 18 |
| (Decrease) in Net OPEB Liability (Asset) | (15,621) |
| (Decrease) in Net Pension Liability (Asset) and Related Deferred Inflows/Outflows | 1,024,212 |
| Net Cash Used by Operating Activities | \$ (6,469,263) |

The accompanying notes are an integral part of this statement.

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Tehachapi-Cummings County Water District (the District) was established by local election held within the boundaries of the proposed District on February 16, 1965, and by resolution of the Kern County (the County) Board of Supervisors in accordance with the provisions of the County Water District Law, Division 12, Section 30000 et seq. of the Water Code of the State of California. The District is a successor to the Tehachapi-Cummings Water Conservation District and by motion of the Board of Directors all of its existing assets, liabilities, and equities were transferred to the newly formed District effective April 15, 1965. The District is governed by a Board of Directors comprised of five members who are voters within the District.

The District was formed to provide for the organization and management of water works by the acquisition or construction of water facilities for distribution and sale of water. The District's area is approximately 266,000 acres.

The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Currently, the District has no such component units to report.

B. Financial Reporting

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34, as amended, established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications, as stated in GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was implemented by the District in the 2012-13 fiscal year, are defined as follows:

Net Investment in Capital Assets: This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position components as the unspent proceeds.

Restricted: This component of net position consists of amounts with constraints placed on its use through external constraints imposed by creditors, grantors, contributors, or laws and regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets."

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting

The District utilizes accounting for enterprise entities that account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges for water sales. Operating expenses for enterprise funds 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.

D. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of cash payments or receipts.

E. Basis of Presentation

The District's basic financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting* and conform to accounting principles generally accepted in the United States of America.

When both restricted and unrestricted resources are available for use, it is the District's practice to first expend restricted resources, subsequently utilizing unrestricted resources as needed.

F. Accounts Receivable

The District provides for probable uncollectible amounts in accounts receivable through a charge to earnings and a credit to a valuation allowance based on its assessments of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District reports deferred outflows of resources related to the pension and other postemployment benefit (OPEB) contributions in accordance with GASB Statements No. 68 and No. 75.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Use of Estimates

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

I. Capital Assets

Capital assets are stated at cost and are being depreciated over their estimated useful lives, ranging from 5 to 99 years. The District uses a capitalization threshold of \$5,000. Donated capital assets received prior to the implementation of GASB Statement No. 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB Statement No. 72 are recorded at acquisition value as of the date received. Depreciation of capital assets is computed principally on the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|---|--------------|
| Buildings | 40-50 |
| Wells, Pipelines, and Other Delivery Infrastructure | 20-75 |
| Transportation Equipment | 7-15 |
| Office Equipment | 5-10 |

Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of capital assets, the cost and accumulated depreciation are eliminated from the accounts and a gain or loss is included in non-operating revenue (expense).

J. Flood Control Improvement Districts No. 2 and No. 3, and Assessment Zone No. 1

These three special improvement districts are maintained separate from other activities of the District, although falling within its jurisdiction. The District is responsible for the maintenance of the three flood control districts, which impose a separate tax on property within their boundaries for maintenance of facilities.

K. Compensated Absences

The District provides vacation and sick leave to eligible employees. Vacation leave is conditional and is vested upon completion of twelve months of employment. Unused, vested vacation leave is paid upon separation. Sick leave is unconditional and is vested upon completion of 90 days of employment. Unused sick leave is not paid upon separation; accordingly, no liability is recognized for sick leave. The compensated absences liability includes related salary-driven payments and is measured at year-end pay rates. At June 30, 2025, the total compensated absences liability was \$126,211, of which \$45,436 is reported as current and \$80,775 as noncurrent. The District implemented GASB Statement No. 101, Compensated Absences, in the current year; adoption did not have a material effect because existing policies already recognized conditional vacation leave as earned while sick leave is not payable at separation.

L. Taxes Receivable and Allowance for Delinquent Taxes

Unportioned taxes in the County Treasury at year-end are recorded as current assets of the District. Delinquent taxes for the current year are only recognized as assets and are offset by an allowance of an equal amount, having the effect of a zero balance for delinquent taxes receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Inventory of Water in Storage

Water in the District's reservoir facility at June 30, 2025, measured approximately 911 acre-feet. Of this amount, 450 acre-feet is considered a minimum pool for emergency reserve. The remaining 461 acre-feet in storage on June 30, 2025, is for the purpose of agricultural peaking when the demand is greater than the system pumping capacity. The value of this water is not recorded as an asset of the District; said policy is consistent with prior years.

N. Property Taxes

Under California law, property taxes are assessed and collected by counties for up to 1 percent of assessed value, plus other increases as approved by affected voters. Property tax revenues are pooled and then allocated based on assessed valuation. Property taxes on the second rolls are payable in two installments, November 1 and February 1. Property tax payments become delinquent after December 10 and April 10, respectively.

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

| | | |
|-----------------|-------------------|-------------------|
| Lien Date | January 1 | |
| Levy Date | July 1 to June 30 | |
| Due Date | November 1 | - 1st Installment |
| | February 1 | - 2nd Installment |
| Delinquent Date | December 10 | - 1st Installment |
| | April 10 | - 2nd Installment |

O. Cash and Cash Equivalents

For purposes of reporting cash flows, the District considers highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents also include cash on hand and amounts deposited with banks, the County Treasurer's office, the Local Agency Investment Fund (LAIF), and California Asset Management Program (CAMP).

P. Investments

Investments are reported in the accompanying statement of net position at fair value.

Q. Pensions

For purposes of measuring the net pension liability (asset), 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) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

R. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, accounting principles generally accepted in the United States of America require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2023 |
| Measurement Date | June 30, 2025 |
| Measurement Period | July 1, 2024 to June 30, 2025 |

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Accounting Changes

Implemented Standards – During the fiscal year ended June 30, 2025, the District has implemented the following new GASB pronouncements:

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. There was no effect on the District’s accounting and financial reporting.

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. There was no effect on the District’s accounting and financial reporting as a result of implementing this standard.

Future Accounting Pronouncements – Recently released standards by GASB affecting future fiscal years are as follows:

GASB Statement No. 103 – *Financial Reporting Model*. 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. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The District will implement this statement when and where applicable.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The District will implement this statement when and where applicable.

NOTE 2 – CASH AND INVESTMENTS

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

| | |
|--|----------------------|
| Current Assets - Cash and Cash Equivalents | \$ 15,249,364 |
| Noncurrent Assets - Restricted Cash and Cash Equivalents | <u>14,078,035</u> |
| Total Cash and Cash Equivalents | <u>\$ 29,327,399</u> |

Cash and Investments as of June 30, 2025, consist of the following:

| | |
|--------------------------------------|----------------------|
| Petty Cash | \$ 500 |
| Deposits with Financial Institutions | 1,387,579 |
| Investments | <u>27,939,320</u> |
| Total Cash and Investments | <u>\$ 29,327,399</u> |

Investments Authorized by the District’s Investment Policy

The District’s investment policy authorizes investment of funds using several of the investment instruments permitted by California Government Code Sections 53600 et seq. The investment policy does not address investment of debt proceeds held by bond trustees that are governed by the provisions of debt agreements.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk and Credit 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. The District manages its exposure to interest rate risk by limiting the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analyses to eliminate the need to sell securities prior to maturity, and avoiding the purchase of long-term securities for the sole purpose of short-term speculation.

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. The District does not have a formal policy regarding credit risk. The County Investment Pool, LAIF, and CAMP are not rated. Federal Agency Securities held by the District have an AA+ rating and money market funds have an A+ rating. Ratings are from S&P Global Ratings (S&P).

As of June 30, 2025, the District had the following investments and maturities:

| Investment Type | Fair Value | Investment Maturities | | |
|---|----------------------|-----------------------|----------------------|------------------------|
| | | Less than 1 Year | 1 Year to 5 Years | 6 Years to 10 Years |
| Kern County Investment Pool | \$ 520,044 | \$ 520,044 | \$ - | \$ - |
| Local Agency Investment Fund (LAIF) | 13,256 | 13,256 | - | - |
| California Asset Management Program (CAMP) | 7,364,984 | 7,364,984 | - | - |
| U.S. Government Issues | 18,346,933 | 4,360,185 | 13,986,748 | - |
| Investments Held by Trustee and Custodian: Money Market Mutual Funds | 1,694,103 | 1,694,103 | - | - |
| Total | <u>\$ 27,939,320</u> | <u>\$ 13,952,572</u> | <u>\$ 13,986,748</u> | <u>\$ -</u> |

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of year-end, the District had no investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investments pools) that represent 5% or more of total District investments.

Custodial Credit Risk

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

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 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2025, the District had \$1,236,404 on deposit with financial institutions in excess of federal depository insurance limits, held in uncollateralized accounts.

NOTE 2 – CASH AND INVESTMENTS (Continued)**Fair Value of Investments**

| Investment Type | Quoted Prices (Level 1) | Observable Inputs (Level 2) | Total |
|-----------------------------|----------------------------|-----------------------------------|---------------|
| U.S. Treasury Notes | \$ 5,796,977 | \$ - | \$ 5,796,977 |
| Federal Agency Securities | - | 12,549,956 | 12,549,956 |
| Total | \$ 5,796,977 | \$ 12,549,956 | 18,346,933 |
| Other investments | | | |
| Kern County Investment Pool | | | 520,044 |
| Money Market Mutual Funds | | | 1,694,103 |
| LAIF | | | 13,256 |
| CAMP | | | 7,364,984 |
| | | | \$ 27,939,320 |

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

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment in CAMP Pool

The District invests in CAMP's short-term cash reserve money market portfolio and cash management vehicle managed to maintain a dollar-weighted average portfolio maturity of sixty days or less and seeks to maintain a constant net asset value of one dollar per share. CAMP invests in obligations of the U.S. Government and its agencies, high quality, short-term debt obligations of U.S. companies and financial institutions and is AAAM rated by S&P.

Investment In County Pool

Cash funds deposited with the County Treasurer's office are in a pooled money fund. The County Investment Pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code Section 27143. Pooled funds may be invested in: (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral, and (3) savings accounts at savings and loan associations and banks, to the extent fully insured.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Fair Value of Investments (Continued)

Investment In County Pool (Continued)

The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by the County for the entire County portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County, which are recorded on an amortized cost basis.

NOTE 3 – CAPITAL ASSETS

Presented in the following table is the District’s capital asset activity for the 2024-25 fiscal year:

| | Beginning Balance | Increases | Decreases | Adjustments | Ending Balance |
|--|----------------------|---------------------|--------------------|-------------|----------------------|
| Capital Assets, Not Being Depreciated | | | | | |
| Land | \$ 832,021 | \$ - | \$ - | \$ - | \$ 832,021 |
| Land Not in Use | 99,355 | - | - | - | 99,355 |
| Construction in Progress | 349,540 | 10,028,859 | (50,960) | - | 10,327,439 |
| Total Capital Assets, Not Being Depreciated | 1,280,916 | 10,028,859 | (50,960) | - | 11,258,815 |
| Capital Assets, Being Depreciated | | | | | |
| Pumping Plants | 14,021,376 | 509,399 | - | 5,476,360 | 20,007,135 |
| Mainline Pipeline | 4,293,120 | - | - | - | 4,293,120 |
| Dams and Reservoir | 2,126,245 | 16,139 | (43,154) | (1,944,244) | 154,986 |
| Transmission and Distribution System | 1,925,835 | 28,901 | - | - | 1,954,736 |
| General Office, Shop, and Equipment | 4,807,487 | 112,792 | - | - | 4,920,279 |
| Emissions Reduction | 5,476,360 | - | - | (5,476,360) | - |
| Water Reclamation | 388,990 | - | - | - | 388,990 |
| Groundwater Recharge and Recovery | 3,222,432 | 93,740 | - | - | 3,316,172 |
| Flood Control Facilities | 220,424 | - | - | 1,944,244 | 2,164,668 |
| Total Capital Assets, Being Depreciated | 36,482,269 | 760,971 | (43,154) | - | 37,200,086 |
| Less Accumulated Depreciation | | | | | |
| Pumping Plants | (8,960,542) | (619,590) | - | (5,476,360) | (15,056,492) |
| Mainline Pipeline | (2,860,424) | (57,242) | - | - | (2,917,666) |
| Dams and Reservoir | (1,033,229) | (8,116) | - | 980,552 | (60,793) |
| Transmission and Distribution System | (1,397,785) | (31,474) | - | - | (1,429,259) |
| General Office, Shop, and Equipment | (2,854,127) | (221,328) | 28,052 | - | (3,047,403) |
| Emissions Reduction | (5,476,360) | - | - | 5,476,360 | - |
| Water Reclamation | (101,139) | (7,780) | - | - | (108,919) |
| Groundwater Recharge and Recovery | (1,638,879) | (103,635) | - | - | (1,742,514) |
| Flood Control Facilities | (6,580) | (21,799) | - | (980,552) | (1,008,931) |
| Total Accumulated Depreciation | (24,329,065) | (1,070,964) | 28,052 | - | (25,371,977) |
| Net Capital Assets, Depreciated | 12,153,204 | (309,993) | (15,102) | - | 11,828,109 |
| Total Capital Assets | \$ 13,434,120 | \$ 9,718,866 | \$ (66,062) | \$ - | \$ 23,086,924 |

NOTE 4 – RESTRICTED ASSETS

Water Payment Fund Reserves: This cash is restricted by tax assessment for payment of the District’s obligations to the Kern County Water Agency for the District’s share of State Water Project costs pursuant to contracts for agricultural water and municipal and industrial water.

Improvement District No. 2 Reserves: This cash is restricted by tax assessment for flood control maintenance, operations, and capital improvements within the boundaries of Flood Control Improvement District No. 2.

NOTE 4 – RESTRICTED ASSETS (Continued)

Improvement District No. 3 Reserves: This cash is restricted by tax assessment for flood control maintenance, operations, and capital improvements within the boundaries of Flood Control Improvement District No. 3.

Assessment Zone No. 1 Reserves: This cash is restricted by tax assessment for flood control maintenance, operations, and capital improvements within the boundaries of Assessment Zone No. 1.

2023 Certificates of Participation (COPS) Reserves: This cash is restricted by trust agreement and held with a fiscal agent to pay for the costs of the 2023 Engine Project or to reimburse the District for previous costs expended in the acquisition or construction of the project, including any incidental expenses. The balance also includes interest earnings received from the investment of the unspent project proceeds.

Cash is restricted at June 30, 2025, as follows:

| | |
|------------------------|----------------------|
| Water Payment Reserves | \$ 10,938,360 |
| Improvement Districts | 239,131 |
| Assessment Zone #1 | 1,259,775 |
| Cash with Fiscal Agent | <u>1,640,769</u> |
| Total | <u>\$ 14,078,035</u> |

NOTE 5 – LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities for the year ended June 30, 2025:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|--|----------------------|--------------|-----------------------|----------------------|------------------------|
| Compensated Absences | \$ 126,193 | \$ 18 | \$ - | \$ 126,211 | \$ 45,436 |
| Net Pension Liability | 805,070 | - | (805,070) | - * | - |
| 2023 Revenue Certificates of Participation | 10,425,000 | - | (530,000) | 9,895,000 | 560,000 |
| Unamortized Premium | <u>1,061,761</u> | <u>-</u> | <u>(75,840)</u> | <u>985,921</u> | <u>75,840</u> |
| Total Long-Term Liabilities | <u>\$ 12,418,024</u> | <u>\$ 18</u> | <u>\$ (1,410,910)</u> | <u>\$ 11,007,132</u> | <u>\$ 681,276</u> |

* The previous Net Pension Liability balance became an asset in the current year.

2023 Revenue Certificates of Participation

In June of 2023, the District issued \$10,925,000 in 2023 Revenue Certificates of Participation (Certificates or COPs) to finance certain capital improvements to the District's water system. The Certificates are payable from Series 2023 installment payments payable by the District pursuant to an Installment Purchase Agreement dated as of June 1, 2023. The obligation of the District to make installment payments is a special obligation of the District payable solely from net revenues, consisting of revenues of the District's water system remaining after payment of operation and maintenance costs.

Interest due with respect to the Certificates (5%) is payable on June 1 and December 1 of each year, commencing on December 1, 2023. 100% of the water system revenues are pledged to repayment of the bonds and approximate \$3 million per year. For the 2024-25 fiscal year, system net revenues after transfers, if any, were \$3,861,276. As of June 30, 2025, the amount outstanding is \$9,895,000. The installment purchase agreement contains a provision that, in the event of default, outstanding amounts may become immediately due and payable.

NOTE 5 – LONG-TERM LIABILITIES (Continued)**2023 Revenue Certificates of Participation** (Continued)

The future debt service requirements are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|---------------------|---------------------|----------------------|
| 2026 | \$ 560,000 | \$ 494,750 | \$ 1,054,750 |
| 2027 | 585,000 | 466,750 | 1,051,750 |
| 2028 | 615,000 | 437,500 | 1,052,500 |
| 2029 | 645,000 | 406,750 | 1,051,750 |
| 2030 | 680,000 | 374,500 | 1,054,500 |
| 2031-2034 | 3,940,000 | 1,327,250 | 5,267,250 |
| 2035-2038 | 2,870,000 | 291,750 | 3,161,750 |
| | <u>\$ 9,895,000</u> | <u>\$ 3,799,250</u> | <u>\$ 13,694,250</u> |

NOTE 6 – DEFINED BENEFIT PENSION PLAN**General Information about the Pension Plan*****Plan Description***

All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Employee Pension Plan, a Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous pool. Accordingly, rate plans within the miscellaneous pool are not separate plans under GASB Statement No. 68.

Individual employers may sponsor more than one rate plan in the miscellaneous pool. The District sponsors two rate plans. Benefit provisions under the Plan are established by State statute and District resolution. 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 at www.calpers.ca.gov.

Benefits Provided

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2023 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2023 Actuarial Valuation Report. This report is a publicly available valuation report that can be obtained at CalPERS' website at www.calpers.ca.gov under Forms and Publications.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

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

| | Miscellaneous | |
|--|-----------------------------|--------------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire Date | | |
| Benefit Formula | 2% @ 60 | 2% @ 62 |
| Benefit Vesting Schedule | 5 years of service | 5 years of service |
| Benefit Payments | Monthly for life | Monthly for life |
| Retirement Age | 50 | 50 |
| Monthly Benefits, as a Percentage of Eligible Compensation | 2% | 2% |
| Required Employee Contribution Rates | 6.94% | 8.00% |
| Required Employer Contribution Rates | 10.94% + \$0 | 7.75% + \$0 |

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District pays the required employee contribution on behalf of the employees.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The District's required contribution was \$153,101 in fiscal year 2025. The District's contributions to the Plan for the year ended June 30, 2025, were \$382,162.

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

As of June 30, 2025, the District reported a net pension liability (asset) of \$(552,108) for its proportionate share of the net pension liability (asset). The District's net pension liability (asset) for the Plan is measured as the proportionate share of the net pension liability (asset). The net pension liability (asset) of the Plan is measured as of June 30, 2024, and the total pension liability for the Plan used to calculate the net pension liability (asset) 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 (asset) was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

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

The District's proportionate share of the net pension liability (asset) as of June 30, 2025 and 2024, was as follows:

| | <u>Miscellaneous</u> |
|------------------------------|------------------------|
| Proportion - June 30, 2024 | 0.01610% |
| Proportion - June 30, 2025 | <u>-0.01142%</u> |
| Change - Increase (Decrease) | <u><u>0.02752%</u></u> |

For the year ended June 30, 2025, the District recognized a pension credit of \$93,273. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Pension Contributions Subsequent to Measurement Date | \$ 382,162 | \$ - |
| Differences between Actual and Expected Experience | 1,863 | 47,735 |
| Changes in Assumptions | - | 14,190 |
| Change in Employer's Proportion | - | 1,211,046 |
| Differences Between the Employer's Contributions and Proportionate Share of Contributions | - | 531,338 |
| Net Differences between Projected and Actual Earnings on Plan Investments | - | 31,784 |
| Total | <u>\$ 384,025</u> | <u>\$ 1,836,093</u> |

\$382,162 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended 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:

| <u>Year Ended June 30,</u> | |
|--------------------------------|-----------------------|
| 2026 | \$ (1,134,082) |
| 2027 | (492,252) |
| 2028 | (218,789) |
| 2029 | <u>10,893</u> |
| Total | <u>\$ (1,834,230)</u> |

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial Assumptions

The total pension liabilities in the June 30, 2023, actuarial valuation were determined using the following actuarial assumptions:

| | <u>Miscellaneous</u> |
|----------------------------------|--|
| Valuation Date | June 30, 2023 |
| Measurement Date | June 30, 2024 |
| Actuarial Cost Method | Entry Age Actuarial Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 6.90% |
| Inflation | 2.30% |
| Salary Increases | Varies by entry age and service |
| Mortality (1) | Derived using CalPERS' Membership Data for all Funds |
| Post-Retirement Benefit Increase | Contract Cost of Living Adjustment (COLA) or 2.3% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.3% thereafter |

(1) The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Morality to capture ongoing morality improvement probabilities of morality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the *2021 CalPERS Experience Study and Review of Actuarial Assumptions* report from November 2021 that can be found on the CalPERS website.

Long-Term Expected Rate of Return

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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses for 10 basis points.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions** (Continued)**Long-Term Expected Rate of Return** (Continued)

The expected real rates of return by asset class are as follows:

| Asset Class (1) | Assumed Asset Allocation | Real Return (1,2) |
|----------------------------------|--------------------------|-------------------|
| Global Equity - Cap-Weighted | 30% | 4.54% |
| Global Equity - Non-Cap-Weighted | 12% | 3.84% |
| Private Equity | 13% | 7.28% |
| Treasury | 5% | 0.27% |
| Mortgage-Backed Securities | 5% | 0.50% |
| Investment Grade Corporates | 10% | 1.56% |
| High Yield | 5% | 2.27% |
| Emerging Market Debt | 5% | 2.48% |
| Private Debt | 5% | 3.57% |
| Real Assets | 15% | 3.21% |
| Leverage | -5% | -0.59% |
| | 100% | |

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

(2) Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability (asset) for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | Miscellaneous |
|-------------------------------|----------------|
| 1% Decrease | 5.90% |
| Net Pension Liability | \$ 1,483,765 |
| Current Discount Rate | 6.90% |
| Net Pension Liability (Asset) | \$ (552,108) |
| 1% Increase | 7.90% |
| Net Pension Liability (Asset) | \$ (2,227,932) |

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS’ financial reports and can be found at the CalPERS website at www.calpers.ca.gov.

Payable to the Pension Plan

At June 30, 2025, the District reported no payables for the year ended June 30, 2025.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description

The District has established a Retiree Healthcare Plan (HC Plan) and participates in an agent multiple-employer defined benefit retiree healthcare plan. A separate financial report is prepared for the HC Plan.

Benefits Provided

The HC Plan provides full-time employees who retire directly from the District, at a minimum age of 50 with a minimum of twenty-five years of service, a 50% cash subsidy for monthly medical insurance premiums for employee-only coverage. Payments cease at age 65 when the retiree is eligible for Medicare. Employees who retire directly from the District at a minimum age of 50 with a minimum of twenty-five years of full-time service are eligible to continue medical coverage as a participant with active employees at a blended premium rate until eligible for Medicare at age 65 as an implied subsidy.

Employees Covered

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

| | |
|---------------------------------------|------------------|
| Retirees Currently Receiving Benefits | - |
| Active Employees | <u>15</u> |
| Total | <u><u>15</u></u> |

Contributions

In December of 2011, the District created a trust account with the California Employers’ Retiree Benefit Trust (CERBT). The HC Plan and its contribution requirements are established by Board of Directors Resolution No. 21-11, Agreement and Election of TCCWD to Prefund Other Postemployment Benefits Through CalPERS, adopted December 21, 2011. The annual contribution is based on the actuarially determined contribution.

For the fiscal year ended June 30, 2025, the District’s cash contributions were \$0 in payments to the trust, and the payments for retiree health benefits were \$1,595.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability (Asset)

The District’s net OPEB liability (asset) was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation dated June 30, 2023, based on the following actuarial methods and assumptions:

| | |
|----------------------------|---|
| Discount Rate | 5.00% |
| Inflation | 4.00% |
| Salary Increases | 3.3% per annum, in aggregate |
| Investment Rate of Return | 5.00% |
| Mortality Rate * | Derived using CalPERS’ Membership Data for all funds |
| Pre-retirement Turnover ** | Derived using CalPERS’ Membership Data for all funds |
| Healthcare Trend Rate | 4.00% |

*Pre-retirement and post-retirement mortality information was derived from data collected during 2000 to 2019 in the 2021 CalPERS Experience Study. The Experience Study Report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

**The pre-retirement turnover information was developed based on CalPERS’ specific data. For more details, please refer to the 2021 CalPERS Experience Study. The Experience Study Report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

CalPERS offers three asset allocation strategies for selection by employers who contract to pre-fund their future OPEB costs through CERBT.

The asset allocation and associated expected asset return, and thus the assumed discount rate, have a considerable impact on valuation results and the magnitude of liabilities. CalPERS periodically reviews the expected asset returns and the rates used in this valuation are based on CalPERS revised guidance. The following table summarizes financial characteristics of the three strategies:

| | <u>Strategy 1</u> | <u>Strategy 2</u> | <u>Strategy 3</u> |
|---|-------------------|-------------------|-------------------|
| Expected 20 Year Return / Discount Rate | 6.0% | 5.5% | 5.0% |
| Standard Deviation of Expected Returns | 12.1% | 9.9% | 8.4% |

All three asset allocation strategies invest to some extent in each of the six asset classes (Global Equity, Fixed Income, Global Real Estate, Treasury Inflation Protected Securities, Commodities, and Cash invested in 91-Day Treasury Bills). The portion of assets allocated to each asset class varies among the strategies, and thus, the long-term expected rate of return and level of risk of each asset allocation is different for each strategy.

The District chooses to invest in Strategy 3.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability (Asset) (Continued)

Changes in the Net OPEB Liability (Asset)

| | Increase (Decrease) | | |
|-------------------------------------|-------------------------|--------------------------------|-------------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability/(Asset) |
| Balance at June 30, 2024 | \$ 74,628 | \$ 169,366 | \$ (94,738) |
| Changes in the Year: | | | |
| Service Cost | - | (57) | 57 |
| Interest Cost | - | (73) | 73 |
| Deferred Actuarial | - | - | - |
| Changes of Benefit Terms | - | - | - |
| Employer Contributions | - | - | - |
| Actual Investment Income | - | 15,751 | (15,751) |
| Benefit Payments, Including Refunds | - | - | - |
| Implicit Rate | - | - | - |
| Net Changes | - | 15,621 | (15,621) |
| Balance at June 30, 2025 | \$ 74,628 | \$ 184,987 | \$ (110,359) |

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the District if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for the measurement period ended June 30, 2025:

| | 1% Decrease | Discount Rate | 1% Increase |
|----------------------------|--------------|---------------|--------------|
| Net OPEB Liability (Asset) | \$ (105,274) | \$ (110,359) | \$ (115,193) |

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

| | 1% Decrease | Current Trend Rates | 1% Increase |
|----------------------------|--------------|------------------------|--------------|
| Net OPEB Liability (Asset) | \$ (114,829) | \$ (110,359) | \$ (105,547) |

OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report that may be obtained from CalPERS website at: <https://www.calpers.ca.gov/page/employers/benefit-programs/cerbt>.

OPEB Income and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the District recognized OPEB income of \$15,751. There were no deferred outflows or deferred inflows related to the net OPEB liability (asset) as of June 30, 2025.

NOTE 8 – RISK MANAGEMENT

The District is a member of the Association of California Water Agencies, Joint Powers Insurance Authority (JPIA). JPIA is a group of California Water Districts who have pooled funds to provide self-insurance coverage as follows:

| Type of Coverage | Limits Per Occurrence | |
|---|------------------------------|-----------------------------|
| | Pooled Self-Insured | Excess Insurance |
| General, Automobile, and Public Officials Liability | \$5,000,000 | \$5,000,000 - 55,000,000 |
| Property Insurance | \$10,000,000 | \$ 10,000,000 - 150,000,000 |
| Fidelity Insurance | \$100,000 | \$1,000,000 |
| Dam Failure Liability | \$4,000,000 | \$4,000,000 |
| Workers' Compensation | \$2,000,000 | \$ 2,000,000 - 4,000,000 |
| Cyber Insurance | \$3,000,000 - 5,000,000 | \$3,000,000 - 5,000,000 |

The District is in a group that has a \$2,500 retention level (deductible) per occurrence for property damage due to theft and natural causes. Property includes buildings, personal property, fixed equipment, mobile equipment, turbines, generators, and transformers. For mechanical damage to turbines, generators, and transformers, the deductible ranges from \$25,000 to \$50,000. The deductible for dam failure is \$1,000,000. The District also carries a policy for fidelity insurance with a \$1,000 to a \$100,000 deductible. There is a \$1,000 deductible on mobile equipment and a \$500 deductible for licensed vehicles. Self-insured retention for cyber liability insurance ranges from \$50,000 to \$100,000. The auto and general liability program no longer has a deductible.

Claims over the retention levels are insured by the group up to the self-insurance limits and by policies purchased by JPIA from various insurance companies for the excess. JPIA bills the District a deposit premium at the beginning of each policy year, which is placed in a reserve fund to cover the self-insurance portion of any claim. Settlements and/or expenses related to claims during the year are charged against the reserve. If the balance of the reserve at the end of the year is deemed too low in relation to the outstanding claims, the District is retrospectively billed for additional premiums. When the claims are fully settled, any amounts remaining in the reserve are refunded to the District.

There have been no losses exceeding coverage limits during any of the previous three years.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Water Supply Contract with Kern County Water Agency

The District obtained its surface water supply in accordance with certain contracts signed in December 1966 with the Kern County Water Agency (Agency), amended to its current annual amount of 19,300 acre-feet of entitlement surface water, through the year 2039, for a supply of water for agricultural purposes and for municipal and industrial water purposes. To the extent water under these contracts is not taken, it can be returned for credit. Credit for water not taken is received the following calendar year.

The Agency will also guarantee the sale of excess municipal and industrial water to other members of the Agency. The Agency, in turn, obtained its surface water supply in 1963, when it signed a contract with the State of California, Department of Water Resources (DWR), to purchase annual surface water, currently contracted at 982,730 acre-feet, through the State Water Project (SWP) through the year 2039.

The District's contract with the Agency provides for various separate charges, all of which are included in "source of supply" in operating expenses of the District's statement of revenue, expenses, and changes in net position. The "fixed charge" component of the contract is not necessarily reduced by annual water supply deficiencies as the District is obligated to pay 100% of the annual fixed costs billed to the Agency. Under certain circumstances, fixed charges could be reduced by the DWR when the District receives less than its full entitlement in years of low water supply. The source of supply costs attributable to this contract were \$2,579,281 the year ended June 30, 2025.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

Natural Gas Purchase Commitment

The District entered into contracts with Twin Eagle Resource Management, LLC and ARM Energy Management, LLC to purchase natural gas. These commitments are fixed in the amount of natural gas to be purchased and when the natural gas will be delivered to the District, as follows:

| <u>Vendor</u> | <u>Delivery Period</u> | <u>Commitment</u> |
|-------------------------------------|------------------------------|-------------------|
| Twin Eagle Resource Management, LLC | April 2025 - September 2025 | \$ 753,228 |
| Twin Eagle Resource Management, LLC | August 2025 - October 2025 | \$ 144,900 |
| ARM Energy Management, LLC | April 2026 - Septemeber 2026 | \$ 828,990 |

Property Tax Appeals

Certain taxpayers within the County have made appeals to the County for reductions of their property taxes. These pending appeals may affect the amount of property taxes the District receives in the future. However, the amounts of any future reductions are currently unknown.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 5, 2025, which is the date the financial statements were available to be issued. There were no subsequent events identified by management that would require disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)
LAST TEN YEARS**

| Measurement Date | Proportion of the Net Pension Liability (Asset) | Proportionate Share of Net Pension Liability (Asset) | Covered Payroll | Proportionate Share of the Net Pension Liability (Asset) as a % of Payroll | Plan Fiduciary Net Position as a % of the Total Pension Liability |
|------------------|---|--|--------------------|---|--|
| 2024 | -0.01142% | \$ (552,108) | \$ 2,050,133 | -26.93% | 79.91% |
| 2023 | 0.01610% | 805,070 | 1,906,336 | 42.23% | 77.97% |
| 2022 | 0.02667% | 1,248,141 | 1,728,818 | 72.20% | 90.85% |
| 2021 | 0.02987% | 1,615,339 | 1,633,782 | 98.87% | 88.01% |
| 2020 | 0.02770% | 3,014,111 | 1,699,719 | 177.33% | 76.68% |
| 2019 | 0.02672% | 2,738,424 | 1,646,396 | 166.33% | 77.56% |
| 2018 | 0.02550% | 2,457,691 | 1,601,521 | 153.46% | 79.39% |
| 2017 | 0.02520% | 2,499,304 | 1,525,054 | 163.88% | 78.21% |
| 2016 | 0.02421% | 2,094,927 | 1,497,937 | 139.85% | 79.96% |
| 2015 | 0.02110% | 1,448,016 | 1,339,895 | 108.07% | 85.62% |

Notes to Schedule:

Benefit Changes: None.

Changes in Assumptions: In 2022, the accounting discount rate changed from 7.15% to 6.90%. In 2017, the accounting discount rate changed from 7.65% to 7.15%.

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSION
LAST TEN YEARS**

| Fiscal Year | Contractually Required Contributions | Contributions in Relation to the Actuarially Determined Contributions | Contribution Deficiency/ (Excess) | Covered Payroll | Contributions as a % of Covered Payroll |
|-------------|--|---|---|--------------------|--|
| 2025 | \$ 153,101 | \$ (382,162) | \$ (229,061) | \$ 1,960,247 | 19.50% |
| 2024 | 162,101 | (1,315,801) | (1,153,700) | 2,050,133 | 64.18% |
| 2023 | 231,268 | (645,268) | (414,000) | 1,906,336 | 33.85% |
| 2022 | 358,598 | (2,958,598) | (2,600,000) | 1,728,818 | 171.13% |
| 2021 | 321,619 | (321,619) | - | 1,633,782 | 19.69% |
| 2020 | 273,132 | (273,132) | - | 1,699,719 | 16.07% |
| 2019 | 241,653 | (241,653) | - | 1,646,396 | 14.68% |
| 2018 | 200,814 | (200,814) | - | 1,601,521 | 12.54% |
| 2017 | 167,497 | (167,497) | - | 1,525,054 | 10.98% |
| 2016 | 218,649 | (218,649) | - | 1,497,937 | 14.60% |

Notes to Schedule:

Valuation Dates: 6/30/14, 6/30/15, 6/30/16, 6/30/17, 6/30/18, 6/30/19, 6/30/20, 6/30/21, 6/30/22, 6/30/23

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB
LIABILITY (ASSET) AND RELATED RATIOS
LAST TEN YEARS***

| Measurement Period | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> |
|---|---------------------|--------------------|-------------------|-------------------|
| Total OPEB Liability | | | | |
| Service Cost | \$ - | \$ 4,469 | \$ 3,857 | \$ 3,857 |
| Interest on the Total OPEB Liability | - | 4,101 | 11,005 | 11,342 |
| Changes in Assumptions | - | - | - | - |
| Deferred Actuarial Gains/(Losses) | - | (10,440) | - | - |
| Changes in Benefits | - | (110,464) | 1,794 | 1,794 |
| Benefit Payments, Including Refunds | - | (4,400) | - | (17,038) |
| Implicit Rate | - | (1,114) | (1,114) | 7,161 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net Change in Total OPEB Liability | - | (117,848) | 15,542 | 7,116 |
| Total OPEB Liability - Beginning | <u>74,628</u> | <u>192,476</u> | <u>176,934</u> | <u>169,818</u> |
| Total OPEB Liability - Ending (a) | <u>\$ 74,628</u> | <u>\$ 74,628</u> | <u>\$ 192,476</u> | <u>\$ 176,934</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - Employer | \$ - | \$ 15,580 | \$ 49,643 | \$ 37,258 |
| Actual Investment Income | 15,751 | 7,598 | 8,834 | 2,583 |
| Benefit Payments | - | (4,400) | (41,900) | (17,038) |
| Other Adjustments | (130) | (8,019) | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net Change in Plan Fiduciary Net Position | 15,621 | 10,759 | 16,577 | 22,803 |
| Plan Fiduciary Net Position - Beginning | <u>169,366</u> | <u>158,607</u> | <u>142,030</u> | <u>119,227</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 184,987</u> | <u>\$ 169,366</u> | <u>\$ 158,607</u> | <u>\$ 142,030</u> |
| Net OPEB Liability (Asset) [(a) - (b)] | <u>\$ (110,359)</u> | <u>\$ (94,738)</u> | <u>\$ 33,869</u> | <u>\$ 34,904</u> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 247.88% | 226.95% | 82.40% | 80.27% |
| Covered Payroll | \$ 1,960,247 | \$ 2,050,133 | \$ 1,906,336 | \$ 1,728,818 |
| Net OPEB Liability (Asset) as a Percentage of Covered Payroll | -5.63% | -4.62% | 1.78% | 2.02% |

* Fiscal year 2018 was the first year of implementation; therefore, 10 years of information are not yet available.

Notes to Schedule:

Benefit Changes: None.

Changes in Assumptions: None.

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB
LIABILITY (ASSET) AND RELATED RATIOS (Continued)
LAST TEN YEARS***

| <i>Measurement Period</i> | 2021 | Restated 2020 | 2019 | 2018 |
|---|-------------------|-------------------|-------------------|-------------------|
| Total OPEB Liability | | | | |
| Service Cost | \$ 3,446 | \$ 3,446 | \$ 3,397 | \$ 3,397 |
| Interest on the Total OPEB Liability | 10,457 | 12,224 | 10,176 | 9,632 |
| Changes in Assumptions | - | (19,642) | - | - |
| Deferred Actuarial Gains/(Losses) | - | - | - | - |
| Changes in Benefits | 5,861 | (5,719) | - | - |
| Benefit Payments, Including Refunds | (17,038) | - | - | (3,290) |
| Implicit Rate | (1,026) | (1,026) | (1,012) | (1,012) |
| Net Change in Total OPEB Liability | 1,700 | (10,717) | 12,561 | 8,727 |
| Total OPEB Liability - Beginning | 168,118 | 178,835 | 166,274 | 157,547 |
| Total OPEB Liability - Ending (a) | <u>\$ 169,818</u> | <u>\$ 168,118</u> | <u>\$ 178,835</u> | <u>\$ 166,274</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - Employer | \$ 31,024 | \$ 13,986 | \$ 21,582 | \$ 13,210 |
| Actual Investment Income | 7,160 | 10,983 | 3,850 | 3,754 |
| Benefit Payments | (17,038) | (19,642) | (11,471) | (3,290) |
| Other Adjustments | 2,137 | - | - | - |
| Net Change in Plan Fiduciary Net Position | 23,283 | 5,327 | 13,961 | 13,674 |
| Plan Fiduciary Net Position - Beginning | 95,944 | 90,617 | 76,656 | 62,982 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 119,227</u> | <u>\$ 95,944</u> | <u>\$ 90,617</u> | <u>\$ 76,656</u> |
| Net OPEB Liability (Asset) [(a) - (b)] | <u>\$ 50,591</u> | <u>\$ 72,174</u> | <u>\$ 88,218</u> | <u>\$ 89,618</u> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 70.21% | 57.07% | 50.67% | 46.10% |
| Covered Payroll | \$ 1,615,127 | \$ 1,699,719 | \$ 1,646,396 | \$ 1,601,521 |
| Net OPEB Liability (Asset) as a Percentage of Covered Payroll | 3.13% | 4.25% | 5.36% | 5.60% |

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS – OPEB
LAST TEN YEARS***

| Fiscal Year | Actuarially Determined Contributions | Contributions in Relation to the Actuarially Determined Contributions | Contribution Deficiency/ (Excess) | Covered Payroll | Contributions as a % of Covered Payroll |
|-------------|--|---|---|--------------------|--|
| 2025 | \$ - | \$ (1,595) | (1,595) | \$ 1,960,247 | 0.08% |
| 2024 | 7,743 | (15,580) | (7,837) | 2,050,133 | 0.76% |
| 2023 | 49,643 | (49,643) | - | 1,906,336 | 2.60% |
| 2022 | 37,258 | (37,258) | - | 1,728,818 | 2.16% |
| 2021 | 31,024 | (31,024) | - | 1,615,127 | 1.92% |
| 2020 | 13,986 | (13,986) | - | 1,699,719 | 0.82% |
| 2019 | 21,582 | (21,582) | - | 1,646,396 | 1.31% |
| 2018 | 13,210 | (13,210) | - | 1,601,521 | 0.82% |

* Fiscal year 2018 was the first year of implementation; therefore, 10 years of information are not yet available.

SUPPLEMENTARY INFORMATION

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
RATE COVENANT
FOR THE YEAR ENDED JUNE 30, 2025**

The District covenants that it shall prescribe, revise, and collect charges for Water Service that, after allowances for contingencies and errors in estimates, shall produce revenues sufficient in each fiscal year to produce net revenues equal to at least 1.25 times the sum of: (1) debt service payments related to the 2023 Revenue Certificates of Participation, and (2) all debt service and any additional payments required with respect to outstanding debt of the District.

The rate covenant for the 2024-25 fiscal year is as follows:

Rate Covenant: Net revenues + all other available revenues
Installment payments due in the fiscal year

The rate covenant is calculated as follows:

| | |
|--|-------------------------|
| Revenues | |
| Water Sales | \$ 2,727,523 |
| Water Services | 97,851 |
| Property Taxes | 7,327,388 |
| Interest and Penalties | 1,053,545 |
| Other (Operating and Nonoperating) | <u>564,515</u> |
| Total Gross Revenue | 11,770,822 |
| Less: Operation and Maintenance Expenses | (8,978,350) |
| Add: Depreciation Expense | <u>1,068,804</u> |
| Net Revenues | 3,861,276 |
| Transfers (to)/from Rate Stabilization Fund | <u>-</u> |
| Net Revenues After Transfers (a) | <u>\$ 3,861,276</u> |
| Annual Debt Service | |
| 2023 Revenue Certificates of Participation - Principal | \$ 530,000 |
| 2023 Revenue Certificates of Participation - Interest | <u>521,250</u> |
| Total Debt Service in Fiscal Year 2024-25 (b) | <u>\$ 1,051,250</u> |
| Rate Covenant Calculation (a)/(b) | <u>3.67</u> |
| Net Revenues Remaining After Debt Service | <u>\$ 2,810,026</u> |

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2025**

| | General Activities | Major Repairs | Tax Revenue Liability | Emergency Repairs | Water Payment Fund | 2023 COPS |
|--|-----------------------|---------------------|--------------------------|----------------------|--------------------------|-------------------|
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and Cash Equivalents | \$ 4,499,752 | \$ 1,905,544 | \$ 1,739,695 | \$ 448,458 | \$ - | \$ - |
| Accounts Receivable | 436,018 | - | - | - | - | - |
| Accrued Interest Receivable | 49,458 | 42,718 | 39,417 | 10,066 | 214,161 | - |
| Due from Other Funds | 83,909 | - | - | - | - | (83,909) |
| Prepaid Expenses | 134,031 | - | - | - | - | - |
| Total Current Assets | 5,203,168 | 1,948,262 | 1,779,112 | 458,524 | 214,161 | (83,909) |
| Noncurrent Assets: | | | | | | |
| Restricted Assets: | | | | | | |
| Cash and Cash Equivalents | - | - | - | - | 10,938,360 | 1,640,769 |
| Capital Assets: | | | | | | |
| Land | 832,021 | - | - | - | - | - |
| Land Not In Use | 99,355 | - | - | - | - | - |
| Construction in Progress | 59,436 | - | - | - | - | 10,268,003 |
| Pumping Plants | 20,007,135 | - | - | - | - | - |
| Mainline Pipeline | 4,293,120 | - | - | - | - | - |
| Dams and Reservoir | 154,986 | - | - | - | - | - |
| Transmission and Distribution System | 1,954,736 | - | - | - | - | - |
| General Office, Shop, and Equipment | 4,920,279 | - | - | - | - | - |
| Water Reclamation | 388,990 | - | - | - | - | - |
| Groundwater Banking and Recovery | 3,316,172 | - | - | - | - | - |
| Flood Control Facilities | 6,580 | - | - | - | - | - |
| Total Capital Assets | 36,032,810 | - | - | - | - | 10,268,003 |
| Less: Accumulated Depreciation | (24,369,626) | - | - | - | - | - |
| Total Capital Assets, Net | 11,663,184 | - | - | - | - | 10,268,003 |
| Other Noncurrent Assets: | | | | | | |
| Net Pension Asset | 552,108 | - | - | - | - | - |
| Net OPEB Asset | 110,359 | - | - | - | - | - |
| Total Noncurrent Assets | 12,325,651 | - | - | - | 10,938,360 | 11,908,772 |
| Total Assets | 17,528,819 | 1,948,262 | 1,779,112 | 458,524 | 11,152,521 | 11,824,863 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred Outflows Related to Pensions | 384,025 | - | - | - | - | - |
| Total Deferred Outflows of Resources | 384,025 | - | - | - | - | - |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts Payable | 791,500 | - | - | - | - | - |
| Accrued Wages Payable | 96,258 | - | - | - | - | - |
| Interest Payable | - | - | - | - | - | 41,230 |
| Customer Deposits | 8,531 | - | - | - | - | - |
| Current Portion of Long-Term Liabilities | 45,436 | - | - | - | - | 635,840 |
| Total Current Liabilities | 941,725 | - | - | - | - | 677,070 |
| Noncurrent Liabilities: | | | | | | |
| Compensated Absences Payable, Less Current Portion | 80,775 | - | - | - | - | - |
| Bonds Payable, Less Current Portion | - | - | - | - | - | 10,245,081 |
| Total Noncurrent Liabilities | 80,775 | - | - | - | - | 10,245,081 |
| Total Liabilities | 1,022,500 | - | - | - | - | 10,922,151 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred Inflows Related to Pensions | 1,836,093 | - | - | - | - | - |
| Total Deferred Inflows of Resources | 1,836,093 | - | - | - | - | - |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 11,663,184 | - | - | - | - | 1,027,851 |
| Restricted | 662,467 | - | - | - | 11,152,521 | - |
| Unrestricted | 2,728,600 | 1,948,262 | 1,779,112 | 458,524 | - | (125,139) |
| Total Net Position | \$ 15,054,251 | \$ 1,948,262 | \$ 1,779,112 | \$ 458,524 | \$ 11,152,521 | \$ 902,712 |

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION (Continued)
JUNE 30, 2025**

| | Improvement District No. 2 | Improvement District No. 3 | Assessment Zone No. 1 | Water Banking Reserve | Equipment Infrastructure Replacement | Water Rate Stabilization | Totals |
|--|-------------------------------|-------------------------------|--------------------------|-----------------------------|--|--------------------------------|----------------------|
| ASSETS | | | | | | | |
| Current Assets: | | | | | | | |
| Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ 2,895,720 | \$ 3,060,268 | \$ 699,927 | \$ 15,249,364 |
| Accounts Receivable | - | - | 113 | - | - | - | 436,131 |
| Accrued Interest Receivable | 16 | 4,935 | 27,068 | 63,575 | 68,762 | 15,690 | 535,866 |
| Due from Other Funds | - | - | - | - | - | - | - |
| Prepaid Expenses | - | - | 30,853 | - | - | - | 164,884 |
| Total Current Assets | 16 | 4,935 | 58,034 | 2,959,295 | 3,129,030 | 715,617 | 16,386,245 |
| Noncurrent Assets: | | | | | | | |
| Restricted Assets: | | | | | | | |
| Cash and Cash Equivalents | 5,535 | 233,596 | 1,259,775 | - | - | - | 14,078,035 |
| Capital Assets: | | | | | | | |
| Land | - | - | - | - | - | - | 832,021 |
| Land Not In Use | - | - | - | - | - | - | 99,355 |
| Construction in Progress | - | - | - | - | - | - | 10,327,439 |
| Pumping Plants | - | - | - | - | - | - | 20,007,135 |
| Mainline Pipeline | - | - | - | - | - | - | 4,293,120 |
| Dams and Reservoir | - | - | - | - | - | - | 154,986 |
| Transmission and Distribution System | - | - | - | - | - | - | 1,954,736 |
| General Office, Shop, and Equipment | - | - | - | - | - | - | 4,920,279 |
| Water Reclamation | - | - | - | - | - | - | 388,990 |
| Groundwater Banking and Recovery | - | - | - | - | - | - | 3,316,172 |
| Flood Control Facilities | 86,045 | 197,208 | 1,874,835 | - | - | - | 2,164,668 |
| Total Capital Assets | 86,045 | 197,208 | 1,874,835 | - | - | - | 48,458,901 |
| Less: Accumulated Depreciation | (41,286) | (1,992) | (959,073) | - | - | - | (25,371,977) |
| Total Capital Assets, Net | 44,759 | 195,216 | 915,762 | - | - | - | 23,086,924 |
| Other Noncurrent Assets: | | | | | | | |
| Net Pension Asset | - | - | - | - | - | - | 552,108 |
| Net OPEB Asset | - | - | - | - | - | - | 110,359 |
| Total Noncurrent Assets | 50,294 | 428,812 | 2,175,537 | - | - | - | 37,827,426 |
| Total Assets | 50,310 | 433,747 | 2,233,571 | 2,959,295 | 3,129,030 | 715,617 | 54,213,671 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Deferred Outflows Related to Pensions | | | | | | | |
| | - | - | - | - | - | - | 384,025 |
| Total Deferred Outflows of Resources | - | - | - | - | - | - | 384,025 |
| LIABILITIES | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts Payable | - | - | 1,302 | - | - | - | 792,802 |
| Accrued Wages Payable | - | - | - | - | - | - | 96,258 |
| Interest Payable | - | - | - | - | - | - | 41,230 |
| Customer Deposits | - | - | - | - | - | - | 8,531 |
| Current Portion of Long-Term Liabilities | - | - | - | - | - | - | 681,276 |
| Total Current Liabilities | - | - | 1,302 | - | - | - | 1,620,097 |
| Noncurrent Liabilities: | | | | | | | |
| Compensated Absences Payable, Less Current Portion | - | - | - | - | - | - | 80,775 |
| Bonds Payable, Less Current Portion | - | - | - | - | - | - | 10,245,081 |
| Total Noncurrent Liabilities | - | - | - | - | - | - | 10,325,856 |
| Total Liabilities | - | - | 1,302 | - | - | - | 11,945,953 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Deferred Inflows Related to Pensions | | | | | | | |
| | - | - | - | - | - | - | 1,836,093 |
| Total Deferred Inflows of Resources | - | - | - | - | - | - | 1,836,093 |
| NET POSITION | | | | | | | |
| Net Investment in Capital Assets | 44,759 | 195,216 | 915,762 | - | - | - | 13,846,772 |
| Restricted | 5,551 | 238,531 | 1,316,507 | - | - | - | 13,375,577 |
| Unrestricted | - | - | - | 2,959,295 | 3,129,030 | 715,617 | 13,593,301 |
| Total Net Position | \$ 50,310 | \$ 433,747 | \$ 2,232,269 | \$ 2,959,295 | \$ 3,129,030 | \$ 715,617 | \$ 40,815,650 |

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

| | General Activities | Major Repairs | Tax Revenue Liability | Emergency Repairs | Water Payment Fund | 2023 COPS |
|---|-----------------------|---------------------|--------------------------|----------------------|--------------------------|-------------------|
| OPERATING REVENUES | | | | | | |
| Water Sales | \$ 2,727,523 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Water Services | 97,851 | - | - | - | - | - |
| Total Operating Revenues | <u>2,825,374</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| OPERATING EXPENSES | | | | | | |
| Source of Supply | 26,444 | - | - | - | 2,579,281 | - |
| Pumping | 3,979,025 | - | - | - | - | - |
| Transmission and Distribution | 1,655,775 | - | - | - | - | - |
| General and Administrative | 2,248,302 | - | - | - | 11,153 | - |
| Depreciation | 1,068,804 | - | - | - | - | - |
| Total Operating Expenses | <u>8,978,350</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,590,434</u> | <u>-</u> |
| Operating Loss | <u>(6,152,976)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,590,434)</u> | <u>-</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Taxes and Assessments | 7,327,388 | - | - | - | 4,493,852 | - |
| Benefit Assessments | - | - | - | - | - | - |
| Interest and Penalties | 129,821 | 87,339 | 80,245 | 20,540 | 434,262 | 222,857 |
| Interest Expense | - | - | - | - | - | (443,202) |
| Loss on Sale of Capital Assets | (15,102) | - | - | - | - | - |
| Other Revenues | 47,815 | 46,775 | 47,422 | 11,035 | 251,131 | - |
| Total Nonoperating Revenues (Expenses) | <u>7,489,922</u> | <u>134,114</u> | <u>127,667</u> | <u>31,575</u> | <u>5,179,245</u> | <u>(220,345)</u> |
| Income (Loss) Before Transfers | 1,336,946 | 134,114 | 127,667 | 31,575 | 2,588,811 | (220,345) |
| Transfers Between Funds | <u>(2,022,570)</u> | <u>-</u> | <u>310,000</u> | <u>-</u> | <u>-</u> | <u>726,614</u> |
| Change in Net Position | (685,624) | 134,114 | 437,667 | 31,575 | 2,588,811 | 506,269 |
| Net Position - Beginning of Year | <u>15,739,875</u> | <u>1,814,148</u> | <u>1,341,445</u> | <u>426,949</u> | <u>8,563,710</u> | <u>396,443</u> |
| Net Position - End of Year | <u>\$ 15,054,251</u> | <u>\$ 1,948,262</u> | <u>\$ 1,779,112</u> | <u>\$ 458,524</u> | <u>\$ 11,152,521</u> | <u>\$ 902,712</u> |

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (Continued)
FOR THE YEAR ENDED JUNE 30, 2025**

| | Improvement District No. 2 | Improvement District No. 3 | Assessment Zone No. 1 | Water Banking Reserve | Equipment Infrastructure Replacement | Water Rate Stabilization | Totals |
|---|-------------------------------|-------------------------------|--------------------------|-----------------------------|--|--------------------------------|---------------|
| OPERATING REVENUES | | | | | | | |
| Water Sales | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,727,523 |
| Water Services | - | - | - | - | - | - | 97,851 |
| Total Operating Revenues | - | - | - | - | - | - | 2,825,374 |
| OPERATING EXPENSES | | | | | | | |
| Source of Supply | - | - | - | - | - | - | 2,605,725 |
| Pumping | - | - | - | - | - | - | 3,979,025 |
| Transmission and Distribution | - | - | - | - | - | - | 1,655,775 |
| General and Administrative | 46,998 | 90 | 84,587 | - | - | - | 2,391,130 |
| Depreciation | 60 | 1,992 | 108 | - | - | - | 1,070,964 |
| Total Operating Expenses | 47,058 | 2,082 | 84,695 | - | - | - | 11,702,619 |
| Operating Loss | (47,058) | (2,082) | (84,695) | - | - | - | (8,877,245) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | |
| Taxes and Assessments | 10,560 | 12,331 | - | - | - | - | 11,844,131 |
| Benefit Assessments | - | - | 104,539 | - | - | - | 104,539 |
| Interest and Penalties | 55 | 10,163 | 56,835 | 129,912 | 139,356 | 32,070 | 1,343,455 |
| Interest Expense | - | - | - | - | - | - | (443,202) |
| Loss on Sale of Capital Assets | - | - | - | - | - | - | (15,102) |
| Other Revenues | - | 5,445 | 29,993 | 69,193 | 73,961 | 17,183 | 599,953 |
| Total Nonoperating Revenues (Expenses) | 10,615 | 27,939 | 191,367 | 199,105 | 213,317 | 49,253 | 13,433,774 |
| Income (Loss) Before Transfers | (36,443) | 25,857 | 106,672 | 199,105 | 213,317 | 49,253 | 4,556,529 |
| Transfers Between Funds | 80,815 | - | 905,141 | - | - | - | - |
| Change in Net Position | 44,372 | 25,857 | 1,011,813 | 199,105 | 213,317 | 49,253 | 4,556,529 |
| Net Position - Beginning of Year | 5,938 | 407,890 | 1,220,456 | 2,760,190 | 2,915,713 | 666,364 | 36,259,121 |
| Net Position - End of Year | \$ 50,310 | \$ 433,747 | \$ 2,232,269 | \$ 2,959,295 | \$ 3,129,030 | \$ 715,617 | \$ 40,815,650 |

STATISTICAL SECTION

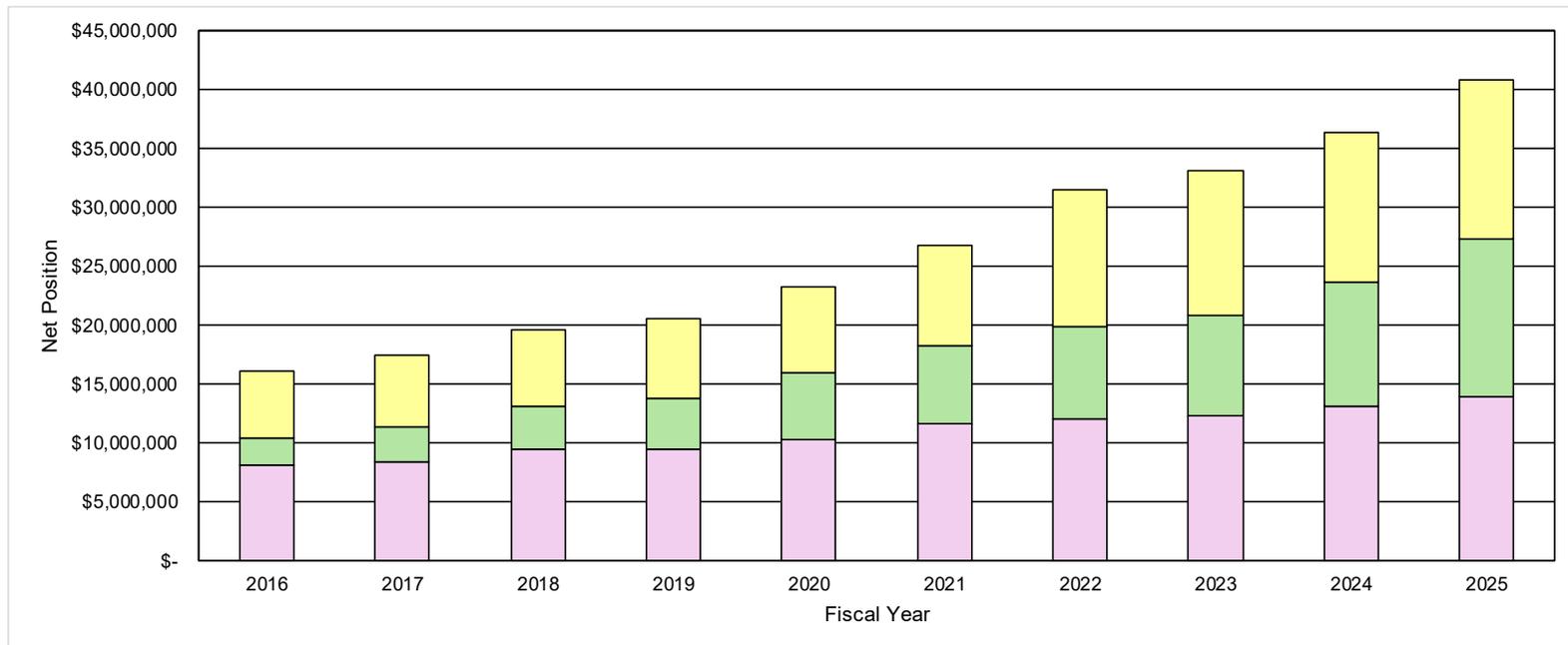
STATISTICAL SECTION

This part of the Tehachapi-Cummings County Water District's (the District) Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

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| Financial Trends | |
| These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time. | 45 |
| Revenue Capacity | |
| These schedules contain information to help the reader assess the District's most significant local revenue source and property tax revenues. Additional information is provided for the District's other significant own-source revenue, water rates, and charges. | 47 |
| Debt Capacity | |
| These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. | 54 |
| Demographic and Economic Information | |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. | 58 |
| Operating Information | |
| These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the government provides and the activities it performs. | 60 |

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

| | Fiscal Year | | | | | | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| PRIMARY GOVERNMENT | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 8,090,795 | \$ 8,313,751 | \$ 9,484,993 | \$ 9,425,255 | \$ 10,252,447 | \$ 11,658,013 | \$ 11,934,099 | \$ 12,328,410 | \$ 13,135,542 | \$ 13,846,772 |
| Restricted | 2,332,799 | 3,001,728 | 3,558,393 | 4,361,160 | 5,675,767 | 6,617,503 | 7,851,486 | 8,466,457 | 10,475,331 | 13,375,577 |
| Unrestricted | 5,641,709 | 6,093,012 | 6,536,020 | 6,738,346 | 7,236,981 | 8,433,312 | 11,660,774 | 12,244,825 | 12,648,248 | 13,593,301 |
| Total Primary Government Net Position | \$ 16,065,303 | \$ 17,408,491 | \$ 19,579,406 | \$ 20,524,761 | \$ 23,165,195 | \$ 26,708,828 | \$ 31,446,359 | \$ 33,039,692 | \$ 36,259,121 | \$ 40,815,650 |



Notes:

Unrestricted net position in 2010 and later is affected by a prior-period adjustment pertaining to the booking of a liability for pension-related debt for a California Public Employees' Retirement System (CalPERS) side fund balance. That side fund balance was paid in full in June 2012 with a new six-year financing in the amount of \$1,719,700. The loan balance was paid in full in December 2016.

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| OPERATING REVENUES | | | | | | | | | | |
| Water Sales | \$ 2,752,766 | \$ 3,283,122 | \$ 3,165,019 | \$ 3,108,692 | \$ 3,492,339 | \$ 4,029,085 | \$ 2,366,905 | \$ 1,659,192 | \$ 2,634,729 | \$ 2,727,523 |
| Water Services | 74,792 | 94,373 | 130,907 | 92,988 | 101,768 | 105,947 | 101,495 | 69,752 | 88,168 | 97,851 |
| Total Operating Revenues | <u>2,827,558</u> | <u>3,377,495</u> | <u>3,295,926</u> | <u>3,201,680</u> | <u>3,594,107</u> | <u>4,135,032</u> | <u>2,468,400</u> | <u>1,728,944</u> | <u>2,722,897</u> | <u>2,825,374</u> |
| OPERATING EXPENSES | | | | | | | | | | |
| Source of Supply | 2,930,542 | 2,359,233 | 2,631,392 | 2,709,312 | 2,451,904 | 2,655,940 | 2,988,516 | 3,716,290 | 3,269,000 | 2,605,725 |
| Pumping | 2,566,889 | 3,717,915 | 3,478,766 | 4,190,602 | 3,720,033 | 3,766,575 | 3,015,082 | 3,665,907 | 4,428,553 | 3,979,025 |
| Transmission and Distribution | 1,097,929 | 1,566,557 | 893,107 | 1,186,672 | 1,271,710 | 1,229,463 | 1,094,086 | 1,577,265 | 997,486 | 1,655,775 |
| General and Administrative | 1,473,593 | 1,698,386 | 1,684,384 | 1,797,989 | 1,737,563 | 2,035,767 | 1,791,351 | 2,488,540 | 2,266,760 | 2,391,130 |
| Depreciation Expense | 507,970 | 705,045 | 820,972 | 880,039 | 896,727 | 943,560 | 993,995 | 1,007,266 | 1,037,971 | 1,070,964 |
| Total Operating Expenses | <u>8,576,923</u> | <u>10,047,136</u> | <u>9,508,621</u> | <u>10,764,614</u> | <u>10,077,937</u> | <u>10,631,305</u> | <u>9,883,030</u> | <u>12,455,268</u> | <u>11,999,770</u> | <u>11,702,619</u> |
| Operating Loss | <u>(5,749,365)</u> | <u>(6,669,641)</u> | <u>(6,212,695)</u> | <u>(7,562,934)</u> | <u>(6,483,830)</u> | <u>(6,496,273)</u> | <u>(7,414,630)</u> | <u>(10,726,324)</u> | <u>(9,276,873)</u> | <u>(8,877,245)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | | | | |
| Taxes and Assessments | 6,818,390 | 7,876,330 | 8,044,202 | 8,161,988 | 8,673,121 | 9,193,482 | 10,475,312 | 10,970,168 | 11,628,109 | 11,844,131 |
| Benefit Assessments | 109,594 | 100,977 | 107,308 | 103,622 | 134,590 | 127,604 | 109,634 | 113,435 | 105,871 | 104,539 |
| Grant Revenues | 108,707 | 41,399 | 149,475 | 46,766 | - | 355,624 | 300,000 | - | - | - |
| Interest and Penalties | 63,310 | 92,718 | 156,452 | 187,820 | 251,974 | 150,698 | 148,601 | 407,788 | 1,103,560 | 1,343,455 |
| Interest Expense | (91,729) | (137,272) | (110,863) | (94,078) | (77,061) | (59,213) | (41,104) | (66,536) | (464,850) | (443,202) |
| Gain (Loss) on Sale of Assets | 112,500 | - | 6,334 | - | - | 7,500 | - | (282) | 17,500 | (15,102) |
| Other Revenues | 93,496 | 38,677 | 25,538 | 107,335 | 141,640 | 264,211 | 165,608 | 895,084 | 106,112 | 599,953 |
| Total Nonoperating Revenues (Expenses) | <u>7,214,268</u> | <u>8,012,829</u> | <u>8,378,446</u> | <u>8,513,453</u> | <u>9,124,264</u> | <u>10,039,906</u> | <u>11,158,051</u> | <u>12,319,657</u> | <u>12,496,302</u> | <u>13,433,774</u> |
| Special Item - Natural Gas Resale | - | - | - | - | - | - | 994,110 | - | - | - |
| Change in Net Position | 1,464,903 | 1,343,188 | 2,165,751 | 950,519 | 2,640,434 | 3,543,633 | 4,737,531 | 1,593,333 | 3,219,429 | 4,556,529 |
| Net Position - Beginning of Year | <u>14,600,400</u> | <u>16,065,303</u> | <u>17,408,491</u> | <u>19,574,242</u> | <u>20,524,761</u> | <u>23,165,195</u> | <u>26,708,828</u> | <u>31,446,359</u> | <u>33,039,692</u> | <u>36,259,121</u> |
| Net Position - End of Year | <u>\$ 16,065,303</u> | <u>\$ 17,408,491</u> | <u>\$ 19,574,242</u> | <u>\$ 20,524,761</u> | <u>\$ 23,165,195</u> | <u>\$ 26,708,828</u> | <u>\$ 31,446,359</u> | <u>\$ 33,039,692</u> | <u>\$ 36,259,121</u> | <u>\$ 40,815,650</u> |

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (in thousands)**

| Fiscal Year | Real Property ¹ | | Personal Property | Gross Current Assessed Value | Less: Tax Exempt Real Property | Net Current Assessed Value | Total Direct Tax Rate | Estimated Actual Value | Assessed Value ² as a % of Est. Actual Value |
|-------------|----------------------------|---------|-------------------|------------------------------|--------------------------------|----------------------------|-----------------------|------------------------|---|
| | Local Secured | Utility | | | | | | | |
| 2016 | \$ 3,111,543 | \$ 672 | \$ 1,085,786 | \$ 4,198,001 | \$ 42,427 | \$ 4,155,574 | 0.378670 | \$ 3,400,693 | 123.45% |
| 2017 | 3,248,057 | 1,467 | 933,818 | 4,183,342 | 41,468 | 4,141,874 | 0.693970 | 3,574,099 | 117.05% |
| 2018 | 3,382,537 | 1,467 | 966,914 | 4,350,918 | 40,986 | 4,309,932 | 0.566530 | 3,768,947 | 115.44% |
| 2019 | 3,571,967 | 1,082 | 970,280 | 4,543,329 | 40,685 | 4,502,644 | 0.567780 | 3,936,823 | 115.41% |
| 2020 | 3,820,687 | 1,082 | 948,176 | 4,769,945 | 40,310 | 4,729,635 | 0.513330 | 4,191,148 | 113.81% |
| 2021 | 4,052,359 | 1,405 | 941,340 | 4,995,104 | 39,603 | 4,955,501 | 0.500460 | 4,723,641 | 105.75% |
| 2022 | 4,251,328 | 1,404 | 1,282,816 | 5,535,548 | 38,202 | 5,497,346 | 0.535590 | 5,378,667 | 102.92% |
| 2023 | 4,558,234 | 1,403 | 1,281,197 | 5,840,834 | 37,796 | 5,803,038 | 0.534980 | 5,185,035 | 112.65% |
| 2024 | 4,913,433 | 1,402 | 1,279,343 | 6,194,178 | 36,911 | 6,157,267 | 0.537320 | 3,807,961 | 162.66% |
| 2025 | 5,038,993 | 1,559 | 1,183,798 | 6,224,350 | 36,464 | 6,187,886 | 0.531480 | 4,698,693 | 132.47% |

¹ Beginning with fiscal year 2024, the assessed values for Real Property were broken down to amounts for Local Secured and Utility assets.

² Includes tax-exempt property.

Note:

Estimated Actual Value is the prior year's Estimated Actual Value times the change in population times the change in house values as expressed in dollars per square foot as reported by Kerndata.com. Population is used as a proxy for growth and \$/sq. ft. for existing residential is a proxy for real estate market value. Unfortunately, this estimate does not take into consideration the taxable value of industrial improvements, such as the two cement plants and the expansion of wind turbines on the east side of the District. Tax rate is per \$1,000 of assessed value.

Sources: Kern County Auditor-Controller-County Clerk and Kerndata.com

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$100 of assessed value)**

| Fiscal Year | TCCWD Debt Service Tax Rate | Overlapping Property Tax Rates | | | | | Total Direct and Overlapping Tax Rates |
|-------------|-----------------------------------|--------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---|
| | | Kern County Operating Tax Rate | KCCD Debt Service Tax Rate | KCWA Debt Service Tax Rate | TUSD Debt Service Tax Rate | TVHD Debt Service Tax Rate | |
| 2016 | 0.037867 | 1.000000 | 0.013571 | 0.013572 | 0.044537 | 0.078107 | 1.187654 |
| 2017 | 0.069397 | 1.000000 | 0.015316 | 0.013180 | 0.053490 | 0.080016 | 1.231399 |
| 2018 | 0.056653 | 1.000000 | 0.036249 | 0.017842 | 0.050000 | 0.080672 | 1.241416 |
| 2019 | 0.056778 | 1.000000 | 0.033625 | 0.016577 | 0.040475 | 0.071111 | 1.218566 |
| 2020 | 0.051333 | 1.000000 | 0.033028 | 0.018945 | 0.056412 | 0.079896 | 1.239614 |
| 2021 | 0.050046 | 1.000000 | 0.033851 | 0.017706 | 0.046585 | 0.067375 | 1.215563 |
| 2022 | 0.053559 | 1.000000 | 0.038609 | 0.017314 | 0.012495 | 0.068039 | 1.190016 |
| 2023 | 0.053498 | 1.000000 | 0.031243 | 0.014844 | - | 0.059048 | 1.158633 |
| 2024 | 0.053732 | 1.000000 | 0.034261 | 0.013145 | - | 0.042682 | 1.143820 |
| 2025 | 0.053148 | 1.000000 | 0.033259 | 0.010054 | - | 0.065429 | 1.161890 |

Taxing Agencies:

TCCWD: Tehachapi-Cummings County Water District
KCCD: Kern Community College District
KCWA: Kern County Water Agency
TUSD: Tehachapi Unified School District
TVHD: Tehachapi Valley Hospital District

Source: Kern County Treasurer-Tax Collector

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
GENERAL FUND
LAST TEN FISCAL YEARS**

| Fiscal Year | Taxes Levied | Collected Within the Fiscal Year of the Levy | | Prior Year Collections ¹ | Total Collections | Delinquent Tax | |
|-------------|--------------|--|--------------------|-------------------------------------|-------------------|----------------|--------------------|
| | | Amount | Percentage of Levy | Amount | Amount | Amount | Percentage of Levy |
| 2016 | \$ 4,756,897 | \$ 4,753,678 | 99.93% | \$ (10,513) | \$ 4,743,165 | \$ 3,219 | 0.07% |
| 2017 | 4,695,481 | 4,690,481 | 99.89% | (18,320) | 4,672,161 | 5,000 | 0.11% |
| 2018 | 4,833,039 | 4,827,648 | 99.89% | (8,638) | 4,819,010 | 5,391 | 0.11% |
| 2019 | 5,062,850 | 5,053,669 | 99.82% | (11,077) | 5,042,592 | 9,181 | 0.18% |
| 2020 | 4,833,039 | 4,827,648 | 99.89% | 15,726 | 4,843,374 | 5,391 | 0.11% |
| 2021 | 5,661,284 | 5,642,592 | 99.67% | 6,832 | 5,649,424 | 18,692 | 0.33% |
| 2022 | 6,144,421 | 6,106,519 | 99.38% | 156,860 | 6,263,379 | 37,902 | 0.62% |
| 2023 | 6,438,882 | 6,424,686 | 99.78% | 32,325 | 6,457,011 | 14,196 | 0.22% |
| 2024 | 6,798,332 | 6,790,429 | 99.88% | 33,883 | 6,824,312 | 7,903 | 0.12% |
| 2025 | 6,844,179 | 6,827,550 | 99.76% | 21,265 | 6,848,815 | 16,629 | 0.24% |

Note:

This fund is on the “Teeter Plan” whereby the County of Kern (the County) guarantees distribution of 100% of the assessment levied but retains all penalties and interest on delinquent taxes when collected.

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
STATE PAYMENT FUND
LAST TEN FISCAL YEARS**

| Fiscal Year | Taxes Levied | Collected Within the Fiscal Year of the Levy | | Prior Year Collections ¹ | Total Collections | Delinquent Tax | |
|-------------|--------------|--|--------------------|-------------------------------------|-------------------|----------------|--------------------|
| | | Amount | Percentage of Levy | Amount | Amount | Amount | Percentage of Levy |
| 2016 | \$ 1,845,559 | \$ 1,817,559 | 98.48% | \$ 32,956 | \$ 1,850,515 | \$ 28,000 | 1.52% |
| 2017 | 2,924,384 | 2,871,752 | 98.20% | (7,952) | 2,863,800 | 52,632 | 1.80% |
| 2018 | 2,927,287 | 2,886,689 | 98.61% | 67,327 | 2,954,016 | 40,598 | 1.39% |
| 2019 | 3,132,776 | 3,092,405 | 98.71% | (2,498) | 3,089,907 | 40,371 | 1.29% |
| 2020 | 2,927,287 | 2,886,689 | 98.61% | 67,110 | 2,953,799 | 40,598 | 1.39% |
| 2021 | 3,269,307 | 3,178,969 | 97.24% | 77,696 | 3,256,665 | 90,338 | 2.76% |
| 2022 | 3,757,363 | 3,621,246 | 96.38% | 61,188 | 3,682,434 | 136,117 | 3.62% |
| 2023 | 4,038,684 | 3,969,414 | 98.28% | 67,812 | 4,037,226 | 69,270 | 1.72% |
| 2024 | 4,314,014 | 4,252,558 | 98.58% | 77,043 | 4,329,601 | 61,456 | 1.42% |
| 2025 | 4,471,494 | 4,415,209 | 98.74% | 24,153 | 4,439,362 | 56,285 | 1.26% |

¹ Includes penalties and redemptions.

Source: Kern County Auditor-Controller-County Clerk

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO**

| Property Owner | 2025 | | | 2016 | | |
|---|-------------------------|------|---------------------|-------------------------|------|---------------------|
| | Assessed Value | Rank | Percentage of Total | Assessed Value | Rank | Percentage of Total |
| Alta Wind I Owner Lessor ABCD | \$ 322,829,000 | 1 | 5.22% | \$ 305,354,153 | 1 | 7.35% |
| Lehigh Cement West, Inc. | 240,276,150 | 2 | 3.88% | | | |
| Alta Wind XI, LLC | 199,961,000 | 3 | 3.23% | 166,845,000 | 2 | 4.01% |
| Coram California Development, LP | 137,811,262 | 4 | 2.23% | 138,165,532 | 4 | 3.32% |
| Alta Wind II Owner Lessor ABCDE | 130,516,800 | 5 | 2.11% | 123,993,600 | 5 | 2.98% |
| CEFF II Tehachapi Prop, LLC | 128,000,984 | 6 | 2.07% | | | |
| Voyager Wind IV Expansion, LLC | 123,553,000 | 7 | 2.00% | | | |
| California Portland Cement Co. | 103,615,589 | 8 | 1.67% | 142,037,250 | 3 | 3.42% |
| Mustang Hills, LLC | 92,740,120 | 9 | 1.50% | 103,973,320 | 7 | 2.50% |
| Wind Wall 1, LLC | 70,012,308 | 10 | 1.13% | | | |
| Calaveras Cement Co. | | | | 112,300,580 | 6 | 2.70% |
| Windstar Energy, LLC | | | | 95,387,744 | 8 | 2.30% |
| Sunselect Prod Cal, Inc. | | | | 65,735,670 | 9 | 1.58% |
| Grimmway Farms (FKA Crystal Organic Farms, LLC) | | | | 20,013,571 | 10 | 0.48% |
| Total Assessed Value for Principal Taxpayers | <u>\$ 1,549,316,213</u> | | <u>25.04%</u> | <u>\$ 1,273,806,420</u> | | <u>30.64%</u> |
| Total Assessed Value | <u>\$ 6,187,886,112</u> | | <u>100.00%</u> | <u>\$ 4,155,574,377</u> | | <u>100.00%</u> |

Source: Kern County Treasurer-Tax Collector data extracted by Kerndata.com

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
WATER SALES AND SERVICES REVENUE AND QUANTITIES SOLD BY CUSTOMER CLASS
LAST TEN FISCAL YEARS**

Water Sales and Services Revenue

| Fiscal Year | Agricultural | Municipal and Industrial | Surplus | Wheeled¹ | BWRA¹ | Storage¹ | Recycled | Total |
|--------------------|---------------------|---------------------------------|----------------|----------------------------|-------------------------|----------------------------|-----------------|--------------|
| 2016 | \$ 2,073,356 | \$ 493,037 | \$ 247,291 | \$ - | \$ - | \$ - | \$ 13,874 | \$ 2,827,558 |
| 2017 | 2,472,006 | 871,383 | - | - | - | - | 34,106 | 3,377,495 |
| 2018 | 2,195,171 | 1,054,616 | - | - | - | - | 46,139 | 3,295,926 |
| 2019 | 1,737,453 | 1,235,687 | - | 194,648 | - | - | 33,892 | 3,201,680 |
| 2020 | 2,329,420 | 796,540 | 4,610 | 246,157 | 180,800 | - | 36,580 | 3,594,107 |
| 2021 | 1,988,395 | 1,120,559 | 15,559 | 175,659 | 800,000 | - | 34,860 | 4,135,032 |
| 2022 | 1,184,374 | 1,109,909 | 57,498 | 72,991 | - | 8,462 | 35,166 | 2,468,400 |
| 2023 | 962,944 | 481,765 | - | 27,650 | 218,539 | 13,119 | 24,927 | 1,728,944 |
| 2024 | 1,414,469 | 578,973 | 11,020 | 34,906 | 644,855 | 13,114 | 25,560 | 2,722,897 |
| 2025 | 2,100,733 | 574,973 | 69,862 | 43,821 | 3,339 | 11,372 | 21,274 | 2,825,374 |

Quantities of Water Sold (Acre-Feet (AF))²

| Calendar Year | Agricultural | Municipal and Industrial | Surplus | Wheeled¹ | BWRA¹ | Storage¹ | Recycled | Total |
|----------------------|---------------------|---------------------------------|----------------|----------------------------|-------------------------|----------------------------|-----------------|--------------|
| 2015 | 4,349 | 1,309 | 226 | - | - | - | 158 | 6,042 |
| 2016 | 5,679 | 1,371 | 226 | - | - | - | 357 | 7,633 |
| 2017 | 5,419 | 2,052 | - | - | - | - | 509 | 7,980 |
| 2018 | 4,903 | 1,373 | - | - | - | - | 497 | 6,773 |
| 2019 | 5,371 | 243 | 8 | 1,124 | - | - | 364 | 7,110 |
| 2020 | 5,781 | 400 | 22 | 1,508 | 452 | - | 402 | 8,565 |
| 2021 | 4,379 | 487 | 96 | 845 | 2,000 | 212 | 346 | 8,365 |
| 2022 | 2,195 | 271 | 16 | 231 | 538 | 328 | 408 | 3,985 |
| 2023 | 3,859 | 140 | - | 222 | 1,510 | 328 | 296 | 6,355 |
| 2024 | 5,497 | 282 | 75 | 220 | 10 | 284 | 269 | 6,637 |

¹ Beginning fiscal year 2022, Wheeled, Banked Water Reserve Account (BWRA), and Storage water sales revenues and quantity of water sold are detailed in this report starting with 2019.

² Water records are maintained on a calendar year basis.

Sources: District's audited financial statements and billing records

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
WATER RATES BY CUSTOMER CLASS
LAST TEN FISCAL YEARS**

| Fiscal Year | Monthly Meter Charge | | Commodity Charge (per AF) | | | | | | | | |
|-------------|----------------------|-----------------|--|-----------------|-----------------|-------------------------------|--|-----------------|-----------------|----------------------------------|--|
| | All Customers | Pressure Zone 1 | Agricultural | | | Term Municipal and Industrial | | | | Regular Municipal and Industrial | |
| | | | Over-Extraction Fee ¹ Pressure Zone 1 | Pressure Zone 2 | Pressure Zone 3 | Pressure Zone 1 | Over-Extraction Fee ¹ Pressure Zone 1 | Pressure Zone 2 | Pressure Zone 3 | | |
| 2016 | \$ 4.50 | \$ 363.00 | \$ - | \$ 436.00 | \$ 676.00 | \$ 363.00 | \$ - | \$ 436.00 | \$ 676.00 | \$ 1,385.00 | |
| 2017 | 4.50 | 363.00 | - | 436.00 | 676.00 | 363.00 | - | 436.00 | 676.00 | 1,385.00 | |
| 2018 | 4.50 | 363.00 | - | 436.00 | 676.00 | 363.00 | - | 436.00 | 676.00 | 1,385.00 | |
| 2019 | 4.50 | 363.00 | - | 436.00 | 676.00 | 363.00 | - | 436.00 | 676.00 | 1,385.00 | |
| 2020 | 4.50 | 363.00 | - | 436.00 | 676.00 | 363.00 | - | 436.00 | 676.00 | 1,385.00 | |
| 2021 | 4.50 | 363.00 | - | 436.00 | 676.00 | 363.00 | - | 436.00 | 676.00 | 1,385.00 | |
| 2022 | 4.50 | 363.00 | - | 436.00 | 676.00 | 363.00 | - | 436.00 | 676.00 | 1,385.00 | |
| 2023 | 4.50 | 363.00 | - | 436.00 | 676.00 | 363.00 | - | 436.00 | 676.00 | 1,385.00 | |
| 2024 | 4.50 | 363.00 | - | 436.00 | 676.00 | 363.00 | - | 436.00 | 676.00 | 1,385.00 | |
| 2025 | 4.50 | 363.00 | 472.00 | 436.00 | 676.00 | 363.00 | 472.00 | 436.00 | 676.00 | 1,385.00 | |

¹ Beginning with fiscal year 2025, the over-extraction fee was imposed pursuant to Paragraph 13 of the Amended and Restated Judgment and Physical Solution pertaining to the Cummings Basin (located within Pressure Zone 1). The fee was prescribed as a consequence for extracting in any year more than the approved annual allocation and is only applicable to Pressure Zone 1 based on the location covered in the judgment.

Notes:

In 2010, the District established three pressure zones with varying rates. In addition to the commodity charges, customers taking recharge water pay a \$15/acre foot (AF) surcharge and a 6% spreading loss surcharge per AF calculated using their pressure zone rate. Pressure Zone 3 customers have their spreading loss surcharge calculated using the rate for Pressure Zone 2 customers.

Source: Resolutions approved by the District’s Board of Directors

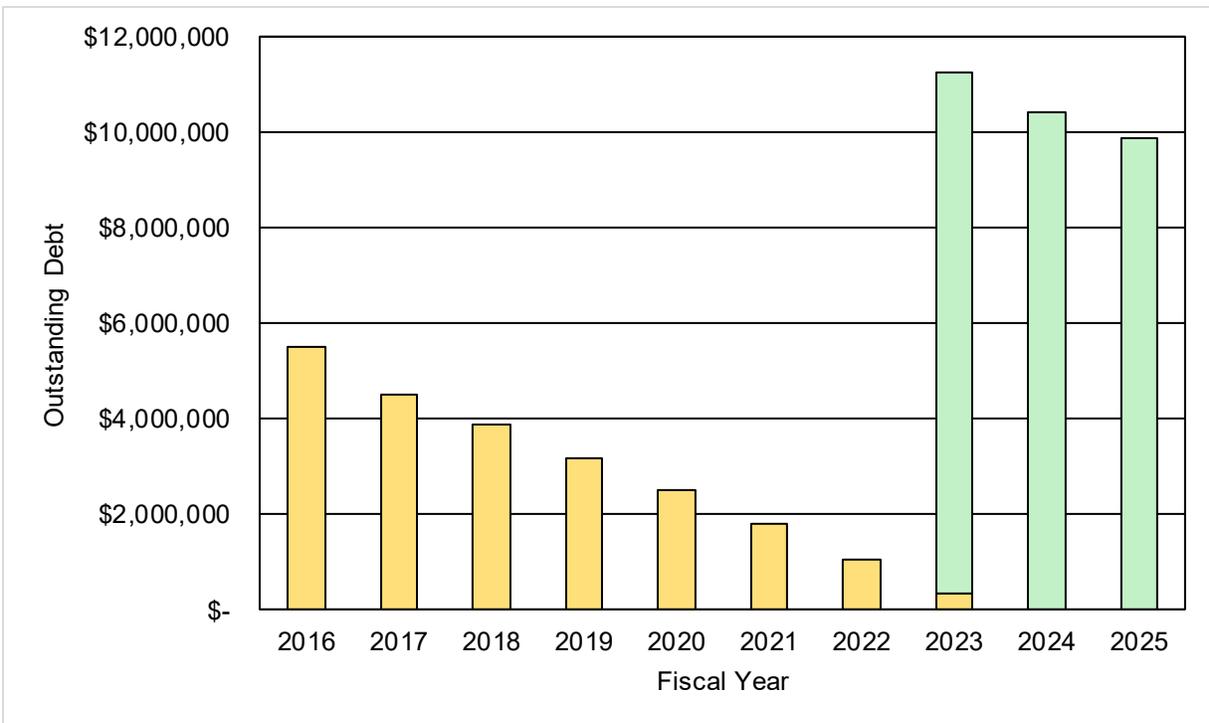
**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
PRINCIPAL WATER CUSTOMERS
CURRENT FISCAL YEAR AND NINE YEARS AGO**

| Property Owner | 2025 | | | 2016 | | |
|--|--------------------------|------|---------------------|--------------------------|------|---------------------|
| | Water Sales and Services | Rank | Percentage of Total | Water Sales and Services | Rank | Percentage of Total |
| Grimmway Farms (FKA Crystal Organic Farms, LLC) | \$ 1,797,290 | 1 | 63.44% | \$ 729,178 | 2 | 25.15% |
| Bear Valley Community Services District | 249,491 | 2 | 8.81% | 98,528 | 4 | 3.40% |
| Valley Sod (FKA Tehachapi Turf) | 161,272 | 3 | 5.69% | 60,654 | 8 | 2.09% |
| City of Tehachapi | 116,279 | 4 | 4.10% | 68,572 | 6 | 2.36% |
| Stallion Springs Community Services District | 44,592 | 5 | 1.57% | 79,027 | 5 | 2.73% |
| David Ha | 30,589 | 6 | 1.08% | | | |
| Happy Growers | 15,669 | 7 | 0.55% | | | |
| CA Water Service | 15,514 | 8 | 0.55% | | | |
| Holland Flower Market | 14,627 | 9 | 0.52% | | | |
| Greenrich Farms | 12,938 | 10 | 0.46% | | | |
| Bornt & Sons Farms | | | | 1,011,811 | 1 | 34.90% |
| Granite Construction Company | | | | 251,664 | 3 | 8.68% |
| Golden Hills Community Services District | | | | 63,840 | 7 | 2.20% |
| Lehr Brothers (FKA Kundert Brothers Farms) | | | | 50,344 | 9 | 1.74% |
| Sun Select | | | | 32,726 | 10 | 1.13% |
| Total Water Sales and Services for Principal Water Customers | <u>\$ 2,458,261</u> | | <u>87.01%</u> | <u>\$ 2,446,344</u> | | <u>84.37%</u> |
| Total Water Sales and Services | <u>\$ 2,825,374</u> | | <u>100.00%</u> | <u>\$ 2,899,467</u> | | <u>100.00%</u> |

Source: District's billing records

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

| Fiscal Year | Business-Type Activities | | Total | | |
|-------------|--|----------------------------------|--------------|------------|-------------------------------------|
| | Bank Loans / Installment Purchases | Certificates of Participation | Debt | Per Capita | As a Share of Personal Income |
| 2016 | \$ 5,484,300 | \$ - | \$ 5,484,300 | \$ 153.62 | 0.49% |
| 2017 | 4,518,632 | - | 4,518,632 | 125.67 | 0.39% |
| 2018 | 3,863,211 | - | 3,863,211 | 105.28 | 0.31% |
| 2019 | 3,191,004 | - | 3,191,004 | 85.94 | 0.25% |
| 2020 | 2,501,866 | - | 2,501,866 | 66.75 | 0.19% |
| 2021 | 1,794,795 | - | 1,794,795 | 47.84 | 0.13% |
| 2022 | 1,069,615 | - | 1,069,615 | 28.66 | 0.07% |
| 2023 | 325,863 | 10,925,000 | 11,250,863 | 312.74 | 0.73% |
| 2024 | - | 10,425,000 | 10,425,000 | 312.94 | 0.70% |
| 2025 | - | 9,895,000 | 9,895,000 | 287.82 | 0.61% |



**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2025**

| | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable¹</u> | <u>Estimated Share of Direct and Overlapping Debt</u> |
|---|-----------------------------|--|---|
| Overlapping Debt: | | | |
| Bear Valley Community Services District | \$ 241,000 | 100.00% | \$ 241,000 |
| Kern Community College District | 525,964,195 | 5.30% | 27,865,323 |
| Tehachapi Valley Healthcare District | 56,185,000 | 87.88% | <u>49,373,338</u> |
| Total Overlapping Debt | | | 77,479,660 |
| TCCWD Direct Debt ² | 9,895,000 | 100.00% | <u>9,895,000</u> |
| Total Direct and Overlapping Debt | | | <u><u>\$ 87,374,660</u></u> |

¹ Estimated percentage applicable is determined by comparing the assessed value of each of the taxing agencies with that of the District. Bear Valley Community Services District is fully contained within the District; therefore, 100% of its debt overlaps.

² Tehachapi-Cummings County Water District's (TCCWD) Direct Debt excludes bank loans and pension-related debt.

Sources: Kern County Auditor-Controller-County Clerk and business offices of noted taxing agencies

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
(in thousands)**

| | Fiscal Year | | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Debt limit | \$ 629,700 | \$ 627,382 | \$ 653,764 | \$ 681,557 | \$ 709,445 | \$ 749,265 | \$ 830,332 | \$ 876,125 | \$ 929,127 | \$ 933,653 |
| Total debt applicable to limit | <u>5,484</u> | <u>4,519</u> | <u>3,863</u> | <u>3,191</u> | <u>2,502</u> | <u>1,795</u> | <u>1,070</u> | <u>11,251</u> | <u>10,425</u> | <u>9,895</u> |
| Legal debt margin | <u>\$ 624,216</u> | <u>\$ 622,863</u> | <u>\$ 649,901</u> | <u>\$ 678,366</u> | <u>\$ 706,943</u> | <u>\$ 747,470</u> | <u>\$ 829,262</u> | <u>\$ 864,874</u> | <u>\$ 918,702</u> | <u>\$ 923,758</u> |
| Total debt applicable to the limit as a percentage of debt limit | 0.9% | 0.7% | 0.6% | 0.5% | 0.4% | 0.2% | 0.1% | 1.3% | 1.1% | 1.1% |

Legal Debt Margin Calculation for FYE 2025

| | |
|--|-------------------|
| Assessed value | \$ 6,187,886 |
| Add back: exempt real property | <u>36,464</u> |
| Total assessed value | 6,224,350 |
| Debt limit (15% of total assessed value) | 933,653 |
| Debt applicable to limit: | |
| Certificates of participation | <u>9,895</u> |
| Total debt applicable to limit | <u>9,895</u> |
| Legal debt margin | <u>\$ 923,758</u> |

Note:

The California Water Code does not specify a debt limit for county water districts. However, many other types of special districts in California have a statutory debt limit of 15% of assessed value of all taxable property in the district. We shall use this figure as a guide.

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
 PLEDGED REVENUE COVERAGE
 LAST TEN FISCAL YEARS***

| 2023 Revenue Certificates of Participation | | | | | | |
|--|--|--|--------------------------|--------------|------------|--------------------------------|
| Fiscal Year | Water Charges and Other Revenue ¹ | Less: Operating Expenses ² | Net Available Revenue | Debt Service | | Pledged Revenue Coverage |
| | | | | Principal | Interest | |
| 2024 | \$ 10,661,527 | \$ 7,595,874 | \$ 3,065,653 | \$ 500,000 | \$ 537,146 | 2.96 |
| 2025 | 11,770,822 | 7,909,546 | 3,861,276 | 530,000 | 521,250 | 3.67 |

¹ All revenues in the General Activities, Water Banking Reserve, and Rate Stabilization funds.

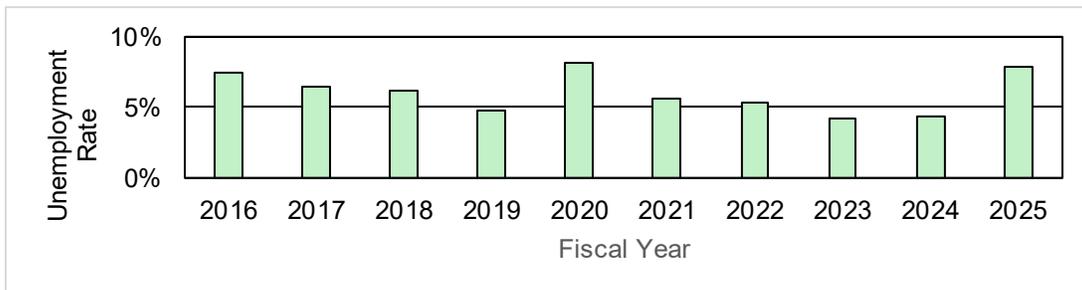
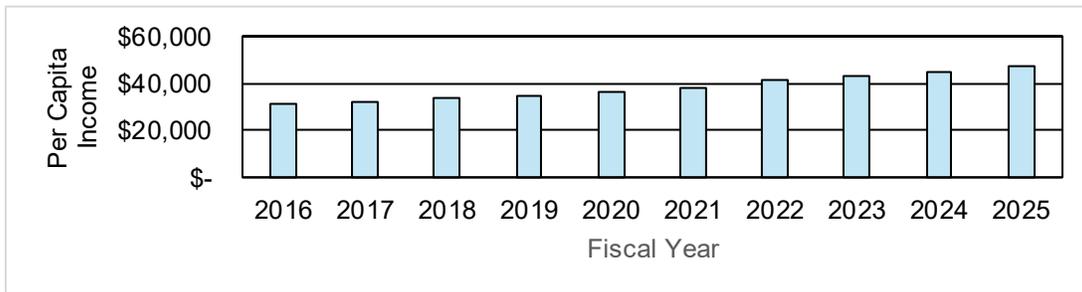
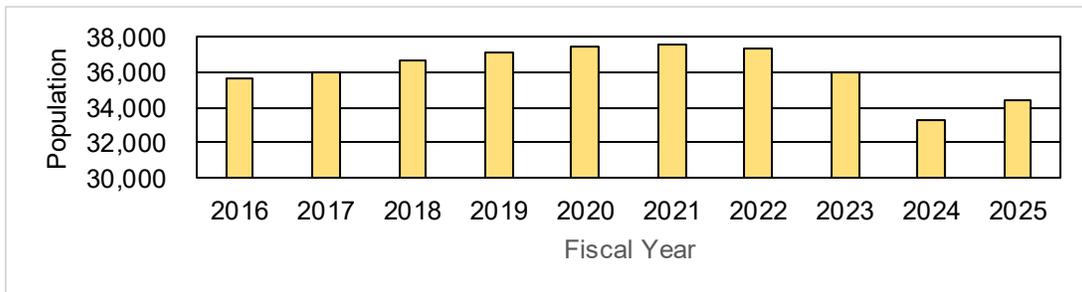
² All operation and maintenance costs (including amounts reasonably required to be set aside in contingency reserves for operation and maintenance costs, the payment of which is not immediately required) as such costs become due and payable.

* This is a 10-year schedule. Information in this schedule is not available prior to fiscal year 2023-24. Additional years will be added to this schedule until 10 years of data are presented.

Source: District's accounting records

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
DEMOGRAPHICS AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

| Fiscal Year | Population ¹ | Personal Income (in thousands) | Personal Income per Capita ² | Unemployment Rate |
|-------------|-------------------------|-----------------------------------|--|----------------------|
| 2016 | 35,700 | \$ 1,112,347 | \$ 31,158 | 7.5% |
| 2017 | 35,957 | 1,161,697 | 32,308 | 6.4% |
| 2018 | 36,694 | 1,229,020 | 33,494 | 6.2% |
| 2019 | 37,131 | 1,291,526 | 34,783 | 4.8% |
| 2020 | 37,480 | 1,352,293 | 36,080 | 8.2% |
| 2021 | 37,517 | 1,431,209 | 38,148 | 5.6% |
| 2022 | 37,318 | 1,531,108 | 41,029 | 5.3% |
| 2023 | 35,975 | 1,541,522 | 42,850 | 4.2% |
| 2024 | 33,313 | 1,479,125 | 44,401 | 4.3% |
| 2025 | 34,379 | 1,624,746 | 47,260 | 7.8% |



Sources:

- ¹ California Department of Finance. The 2016 figure is from the 2015 Regional Urban Water Management Plan (RUWMP). The 2015 RUWMP is the most recent version available. Population is adjusted annually by Tehachapi's total population change over the prior year.
- ² California Department of Finance. Personal Income Per Capita is adjusted annually by the statewide change in this measure over the prior year.
- ³ California Employment Development Department. Unemployment Rate data is calculated as a weighted average of unemployment rates for June each year for the sub-county places: Bear Valley Springs, Golden Hills, Stallion Springs, and Tehachapi City.

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO**

| <u>Employer</u> | <u>Product / Service</u> | <u>2025</u> | | <u>2016</u> | |
|--|--------------------------|------------------|-------------|------------------|-------------|
| | | <u>Employees</u> | <u>Rank</u> | <u>Employees</u> | <u>Rank</u> |
| California Correctional Institution | State prison | 1,314 | 1 | 1,911 | 1 |
| Tehachapi Unified School District | Public school system | 545 * | 2 | 464 | 2 |
| Adventist Health (FKA Tehachapi Hospital) | Healthcare | 315 | 3 | 175 | 3 |
| Walmart | Retail | 200 * | 4 | | |
| UNACEM Tehachapi Cement, LLC (FKA Lehigh Southwest Cement Co.) | Cement production | 150 | 5 | 120 | 4 |
| Home Depot | Retail store | 128 | 6 | 115 | 5 |
| Chemtool, Inc. | Specialty lubricants | 115 * | 7 | | |
| Albertson's Supermarket | Retail grocery store | 105 | 8 | 112 | 6 |
| Pearce Renewables | Renewable energy | 100 | 9 | | |
| City of Tehachapi | Government | 98 | 10 | 58 | 10 |
| Kmart | Retail | | | 107 | 7 |
| Benz Sanitation | Waste hauler | | | 70 | 8 |
| Save Mart Supermarket | Retail grocery store | | | 65 | 9 |
| Total | | <u>3,070</u> | | <u>3,197</u> | |

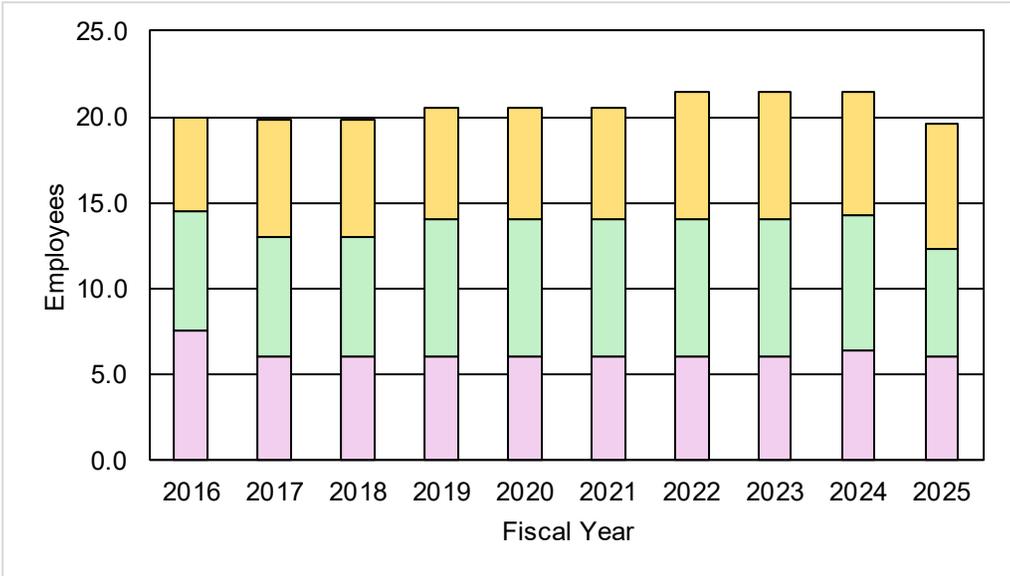
Note:

Employee counts denoted with an asterisk (*) were unable to be updated with 2025 employee counts. Therefore, 2022 data was carried forward because the District felt that any differences in employee counts over the past several years would likely be insignificant and that omitting these major employers could be misleading.

Source: Greater Tehachapi Chamber of Commerce

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
OPERATING AND CAPACITY INDICATORS
LAST TEN FISCAL YEARS**

| Full-Time Equivalent District Employees by Department | | | | |
|--|-----------------------|----------------|-----------------|--------------|
| Fiscal Year | Administration | Pumping | Pipeline | Total |
| 2016 | 7.5 | 7.0 | 5.5 | 20.0 |
| 2017 | 6.0 | 7.0 | 6.8 | 19.8 |
| 2018 | 6.0 | 7.0 | 6.8 | 19.8 |
| 2019 | 6.0 | 8.0 | 6.5 | 20.5 |
| 2020 | 6.0 | 8.0 | 6.5 | 20.5 |
| 2021 | 6.0 | 8.0 | 6.5 | 20.5 |
| 2022 | 6.0 | 8.0 | 7.5 | 21.5 |
| 2023 | 6.0 | 8.0 | 7.5 | 21.5 |
| 2024 | 6.4 | 7.9 | 7.2 | 21.5 |
| 2025 | 6.0 | 6.3 | 7.3 | 19.6 |



**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
OTHER OPERATING AND CAPACITY INDICATORS
LAST TEN FISCAL YEARS**

| Fiscal Year | Water Stored in Brite Lake (AF) on June 30 | Water Stored in SJV GW Banks ¹ (AF) on June 30 | Calendar Year | State Water Imported (AF) | State Water Project Allocation | System Losses % of SWP | Watermaster Statistics | | | | |
|-------------|--|---|---------------|------------------------------|--------------------------------------|------------------------------|--------------------------|-------------------|----------------|--------------------------------|-------------------|
| | | | | | | | Groundwater Pumping (AF) | | | Banked Water (AF) ² | |
| | | | | | | | Tehachapi Basin | Cummings Basin | Brite Basin | Tehachapi Basin | Cummings Basin |
| 2016 | 817 | 2,520 | 2015 | 5,160 | 20% | 16.6% | 5,541 | 3,629 | 347 | 4,572 | 8,510 |
| 2017 | 1,407 | 2,520 | 2016 | 7,639 | 60% | 12.6% | 5,934 | 3,569 | 333 | 4,001 | 9,285 |
| 2018 | 1,400 | 8,360 | 2017 | 10,453 | 85% | 6.5% | 5,782 | 3,437 | 341 | 6,107 | 10,508 |
| 2019 | 1,373 | 5,210 | 2018 | 9,997 | 35% | 5.5% | 4,916 | 3,754 | 337 | 8,156 | 11,317 |
| 2020 | 1,003 | 2,410 | 2019 | 9,973 | 75% | 5.0% | 4,378 | 2,592 | 350 | 10,064 | 11,774 |
| 2021 | 1,484 | 190 | 2020 | 7,211 | 20% | 15.7% | 5,139 | 2,757 | 370 | 9,871 | 10,803 |
| 2022 | 1,239 | 190 | 2021 | 3,940 | 5% | 31.5% | 4,563 | 2,779 | 275 | 7,793 | 6,570 |
| 2023 | 1,614 | - | 2022 | 1,151 | 5% | 19.9% | 3,655 | 2,726 | 379 | 5,782 | 4,998 |
| 2024 | 1,057 | - | 2023 | 9,556 | 100% | 7.0% | 3,450 | 2,110 | 377 | 8,025 | 7,791 |
| 2025 | 911 | - | 2024 | 7,498 | 50% | 8.0% | 3,677 | 2,113 | 335 | 9,124 | 7,972 |

¹ SJV GW Banks: San Joaquin Valley Groundwater Banks are comprised of Kern Water Bank and West Kern Water District.

² Banked Water includes artificial replenishment and return flows of applied imported water on the District's account only.

Note:

Water pumping statistics are maintained on a calendar year basis.

Sources: District's Watermaster Reports and Water System End of Calendar Year Summary Reports

OTHER REPORT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Tehachapi-Cummings County Water District
Tehachapi, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Tehachapi-Cummings County Water District (the District), as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 5, 2025