

**STANISLAUS REGIONAL  
WATER AUTHORITY**

**BASIC FINANCIAL STATEMENTS**

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

**STANISLAUS REGIONAL WATER AUTHORITY  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Stanislaus Regional Water Authority  
Turlock, California

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of the Stanislaus Regional Water Authority (the Authority) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority'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 financial position of the Authority as of June 30, 2025, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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 Authority 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 opinion.

#### **Responsibilities of Management for the Financial Statements**

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

In performing an audit in accordance with 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 Authority'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 Authority'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.

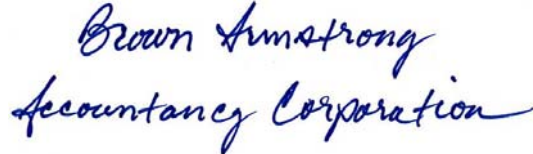
## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2026, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California  
May 15, 2026

**STANISLAUS REGIONAL WATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

The following narrative provides an overview and analysis of the financial activities of the Stanislaus Regional Water Authority (the Authority) for the year ended June 30, 2025, with comparative information for June 30, 2024. It is provided in order to enhance the information in the financial statements and should be reviewed together with the Independent Auditor's Report.

**THE PURPOSE OF THE AUTHORITY**

The Authority was established by the Cities of Ceres, Modesto, and Turlock on September 26, 2011. In November 2015, the City of Modesto formally withdrew from membership in the Authority and in December 2015 the Authority's Bylaws as well as the Joint Powers Authority Agreement were amended to reflect this change. Currently, only the Cities of Ceres and Turlock (Participants) are participating members of the Authority.

The Participants are interested in finding and evaluating surface water supply options and facilities to supplement the ground-water potable water sources currently serving the municipal and industrial water customers within their service areas. Each of the cities is authorized to develop, obtain, and serve a municipal and industrial water supply, pursuant to California law. The Participants are working with the Turlock Irrigation District (TID) to develop a Regional Surface Water Supply Project (RSWSP) that will provide a safe and reliable high-quality surface water supply for the long-term drinking water needs of each participating City. The Participants have formed this Joint Powers Authority (JPA) for the purpose of making responsible decisions related to the development and operation of the future RSWSP.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2025, the Authority's assets exceed liabilities by \$90,733,062 (net position).
- Total net position decreased by \$9,738,397, below the balance at June 30, 2024, of \$100,471,459.
- Total Authority operating revenues for 2024-2025 were \$3,466,877 compared to operating expenses of \$8,781,779. The Authority also expended \$1,411,691 on project costs which were capitalized and are presented on the Statement of Net Position as "Capital assets."

**THE BASIC FINANCIAL STATEMENTS**

The basic financial statements comprise the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The Statement of Net Position provides information about the financial position of the Authority as a whole, including all its capital assets and long-term liabilities. The Statement of Revenues, Expenses, and Changes in Net Position explains in detail the change in net position for the year.

The Statement of Net Position presents information on the Authority's assets and liabilities, the difference between them representing the Authority's net position. Net position of the Authority includes the net amount invested in capital assets and an unrestricted amount.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing total revenues versus total expenses and shows how the Authority's net position changed during the fiscal year. All revenues and expenses are recognized as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the disbursement or collection of cash during future fiscal years.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of the Authority's operations and significant accounting policies and clarify unique financial information.

The following are condensed Statements of Net Position for the Authority as of June 30:

**Table A**  
**Condensed Statements of Net Position**  
**June 30, 2025 and 2024**

	2025	2024	Variance 2025 vs. 2024
<b>Assets</b>			
Cash	\$ 24,988,697	\$ 37,070,982	\$ (12,082,285)
Accounts Receivable	1,399,108	-	1,399,108
Interest Receivable	151,021	298,308	(147,287)
Prepaid Expenses	152,770	149,670	3,100
Capital Assets Not Being Depreciated/Amortized	2,292,252	-	2,292,252
Capital Assets Being Depreciated/Amortized	217,322,251	220,732,700	(3,410,449)
<b>Total Assets</b>	<b>\$ 246,306,099</b>	<b>\$ 258,251,660</b>	<b>\$ (11,945,561)</b>
<b>Liabilities</b>			
Loan Payable	\$ 154,339,883	\$ 156,170,967	\$ (1,831,084)
Accounts Payable	322,817	716,812	(393,995)
Interest Payable	910,337	892,422	17,915
<b>Total Liabilities</b>	<b>\$ 155,573,037</b>	<b>\$ 157,780,201</b>	<b>\$ (2,207,164)</b>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 65,274,620	\$ 64,561,733	\$ 712,887
Unrestricted	25,458,442	35,909,726	(10,451,284)
<b>Total Net Position</b>	<b>\$ 90,733,062</b>	<b>\$ 100,471,459</b>	<b>\$ (9,738,397)</b>

The following are condensed Statements of Revenues, Expenses, and Change in Net Position for the years ended June 30:

**Table B**  
**Condensed Consolidated Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2025 and 2024**

	2025	2024	Variance 2025 vs. 2024
Operating Revenues	\$ 3,466,877	\$ 1,972,125	\$ 1,494,752
Operating Expenses	8,781,779	4,217,680	4,564,099
Net Operating Loss	(5,314,902)	(2,245,555)	(3,069,347)
Non-Operating Revenues (Expenses)			
Interest Revenue	1,288,332	1,118,481	169,851
Interest Expense	(1,856,976)	(1,726,038)	(130,938)
Net Loss Before Capital Grants, Contributions, and Reimbursements	(5,883,546)	(2,853,112)	(3,030,434)
Capital Grants	1,597,816	-	1,597,816
Capital Contributions from Participating Agencies	15,917,908	31,020,397	(15,102,489)
Capital Reimbursements to Participating Agencies	(21,370,575)	(30,805,853)	9,435,278
Change in Net Position	(9,738,397)	(2,638,568)	(7,099,829)
Net Position, July 1	100,471,459	103,110,027	(2,638,568)
Net Position, June 30	\$ 90,733,062	\$ 100,471,459	\$ (9,738,397)

#### **FINANCIAL ACTIVITIES OF THE AUTHORITY AS A WHOLE**

This analysis focuses on the net position and change in net position of the Authority's activities in the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position.

As of June 30, 2025, total assets of \$246,306,099 were offset by liabilities of \$155,573,037. Assets primarily consist of \$219,614,503 in capital assets. These represent contractual expenditures over the years incurred in the development of the project, including work required to prepare and issue the Environmental Impact Report; the development of the design, size, and scope of the potential treatment facility; and the development of design and specifications as well as construction costs associated with the wet well and treatment facility. In addition to participant contributions, the project is being funded by a construction installment sale agreement with the State Water Resources Control Board comprised of a grant of \$27,750,000 and loan of up to \$184,924,000. During fiscal year 2025, the Authority drew down \$2,766,799 of additional loan proceeds and made principal payments of \$4,597,883.

The completion of these tasks provided the Authority Board of Directors with the information and documents necessary to make final decisions related to the size and scope of the project and the type of water treatment facilities that the Authority decided to construct as well as the environmental documents necessary to proceed with the project. On June 29, 2020, the Authority awarded a design-build contract for the project to CH2M Hill Engineers, Inc., for an amount not to exceed \$195,400,357, which includes all project components except the individual Project Participants' terminal facilities. Construction was completed in December 2024, with the Board of Directors' acceptance of the completed project and authorization to record the Notice of Completion.

Operating revenues are used to fund operating expenses and capital contributions are used to fund the capitalized project costs. The Participants have entered into various cost sharing agreements which provide the methodology for allocating costs based on each Participant's beneficial use of the project. As the project progresses, these agreements are revisited to ensure that each Participant's beneficial use and corresponding proportional share of costs is appropriately assigned.

#### **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

These Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances. Questions about this report should be directed to the City of Turlock, Finance Department, at 156 South Broadway, Suite 110, Turlock, CA 95380.

**STANISLAUS REGIONAL WATER AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

<b>ASSETS</b>	
Current Assets	
Cash and Investments	\$ 24,988,697
Accounts Receivable	1,399,108
Interest Receivable	151,021
Prepaid Expenses	<u>152,770</u>
Total Current Assets	<u>26,691,596</u>
Non-Current Assets	
Capital Assets, Not Being Depreciated/Amortized (Note 3)	2,292,252
Capital Assets, Being Depreciated/Amortized (Note 3)	<u>217,322,251</u>
TOTAL ASSETS	<u>246,306,099</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	322,817
Interest Payable	<u>910,337</u>
Total Current Liabilities	<u>1,233,154</u>
Long-Term Liabilities	
State Revolving Loan Payable (Note 4)	<u>154,339,883</u>
TOTAL LIABILITIES	<u>155,573,037</u>
<b>NET POSITION (Note 5)</b>	
Net Investment in Capital Assets	65,274,620
Unrestricted	<u>25,458,442</u>
TOTAL NET POSITION	<u><u>\$ 90,733,062</u></u>

See accompanying notes to the financial statements

**STANISLAUS REGIONAL WATER AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2025**

OPERATING REVENUES	
Participating Operating Contributions	<u>\$ 3,466,877</u>
OPERATING EXPENSES	
Administrative Services	143,184
Contractual Services	6,108,707
Depreciation/Amortization Expense	<u>2,529,888</u>
TOTAL OPERATING EXPENSES	<u>8,781,779</u>
Operating Loss	<u>(5,314,902)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Revenue	1,288,332
Interest Expense	<u>(1,856,976)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(568,644)</u>
Capital Grants	1,597,816
Capital Contributions from Participating Agencies	15,917,908
Capital Reimbursements to Participating Agencies	<u>(21,370,575)</u>
Change in Net Position	(9,738,397)
Net Position, Beginning of Year	<u>100,471,459</u>
Net Position, End of Year	<u><u>\$ 90,733,062</u></u>

See accompanying notes to the financial statements

**STANISLAUS REGIONAL WATER AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2025**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Participants	\$ 3,466,877
Payments for Administrative Services	(143,184)
Payments to Suppliers	<u>(6,107,892)</u>
Net Cash Used by Operating Activities	<u>(2,784,199)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Grants	1,597,816
Capital Contributions	14,518,800
Reimbursements of Prior Capital Contributions	(21,768,485)
Acquisition of Capital Assets	(1,411,691)
Principal Paid on Loan	(1,831,084)
Interest on Loan	<u>(1,839,061)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(10,733,705)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	<u>1,435,619</u>
Net Decrease in Cash and Investments	(12,082,285)
<b>CASH AND INVESTMENTS AT BEGINNING OF YEAR</b>	
	<u>37,070,982</u>
<b>CASH AND INVESTMENTS AT END OF YEAR</b>	
	<u><u>\$ 24,988,697</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Operating Loss	\$ (5,314,902)
Depreciation/Amortization	2,529,888
Change in Assets and Liabilities:	
Prepays	(3,100)
Accounts Payable	<u>3,915</u>
Net Cash Used by Operating Activities	<u><u>\$ (2,784,199)</u></u>

See accompanying notes to the financial statements

**STANISLAUS REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description and Reporting Entity

The Stanislaus Regional Water Authority (the Authority) was originally established by the Cities of Ceres, Modesto, and Turlock (Participants) on September 26, 2011. In November 2015, the City of Modesto formally withdrew from membership in the Authority. Subsequently, the Authority's governing documents were amended to reflect the City of Modesto's withdrawal, as well as to revise the functional administrative duties of the remaining participants and the composition of the Board of Directors, which now consists of two members of the City Council for each City participant.

The Participants are interested in finding and evaluating surface water supply options and facilities to supply water to the municipal and industrial customers within their service areas. Each of the Participants is authorized to develop, obtain, and serve a municipal and industrial water supply, pursuant to California law. The Participants are working with the Turlock Irrigation District (TID) to develop a Regional Surface Water Supply Project (RSWSP) that will provide a safe and reliable high-quality surface water supply for the long-term drinking water needs of each participating city. The Participants formed the Authority as a Joint Powers Authority (JPA) for the purpose of making responsible decisions related to the development and operation of the future RSWSP. Each Participant is responsible for its share of expenditures incurred by the Authority during a fiscal year pursuant to various funding/cost sharing agreements approved by the Authority's Board of Directors and each Participant's respective governing body.

Since December 2015, the City of Turlock assumed responsibility for the processing of all financial transactions and accounting for the Authority. The following is a summary of the significant accounting policies.

B. Basis of Presentation

The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

C. Fund Accounting

The Authority is accounted for as an enterprise fund. This fund is a set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

D. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenses are recognized. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred, regardless of when cash changes hands. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues are those revenues that are generated from the primary operations of the Authority. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Authority. All other expenses are reported as non-operating expenses.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### D. Basis of Accounting and Measurement Focus (Continued)

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

### E. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

### F. 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 and disclosure of contingent 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.

## **NOTE 2 – CASH AND INVESTMENTS**

The Authority participates in the City of Turlock's cash and investment pool.

Cash and investments of the Authority are pooled with other City of Turlock funds. The Authority's portion of this pooled amount was \$24,988,697 at June 30, 2025. At June 30, 2025, the City's investment pool was unrated. The Authority can spend cash at any time without prior notice or penalty. Interest earned on pooled cash and investments is credited to each participant in the pool based on each participant's average quarterly cash and investment balance. Detailed information concerning the City of Turlock's pooled cash and investments, including information regarding the fair value of investments, may be found in the City of Turlock's Basic Financial Statements. As of June 30, 2025, the fair value of the Authority's position in the pool is the same as the value of its pool shares.

### *Fair Value Hierarchy*

The Authority 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 fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority's investment in the City's investment pool is not subject to the fair value hierarchy.

### NOTE 3 – CAPITAL ASSETS

Capital assets acquired by the Authority are recorded at cost and are depreciated using the straight-line method over estimated useful lives. The Authority has set the capitalization threshold for reporting capital assets at \$5,000. Operating expenses include depreciation/amortization on all depreciable/amortizable capital assets. Repairs and maintenance are charged to expense when the services are rendered.

During fiscal year 2017, the Authority began constructing the RSWSP. During fiscal year 2025, costs totaling \$1,411,691 were incurred. As of June 30, 2025, capital assets consisted of land of \$2,292,252, buildings of \$204,176,632, and infrastructure of \$15,675,507, less accumulated depreciation/amortization of \$2,529,888, for total capital assets, net of accumulated depreciation/amortization, of \$219,614,503. The Authority participant Cities of Ceres and Turlock contribute a proportionate share of the overall project costs. During fiscal year 2025, the Cities of Ceres and Turlock contributed \$12,853,256 and \$6,499,471, respectively, and TID contributed \$32,058 to the RSWSP.

Depreciation/amortization has been calculated on a straight-line basis over the following useful lives:

	<u>Years</u>
Infrastructure	25-60
Buildings	30-50

The following is a summary of capital assets for the Authority at June 30, 2025:

	<u>June 30, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments/ Transfers</u>	<u>June 30, 2025</u>
Capital assets not being depreciated/amortized:					
Land	\$ -	\$ -	\$ -	\$ 2,292,252	\$ 2,292,252
Construction in progress	220,732,700	1,411,691	-	(222,144,391)	-
Total capital assets not being depreciated/amortized:	220,732,700	1,411,691	-	(219,852,139)	2,292,252
Capital assets being depreciated/amortized:					
Buildings	-	-	-	204,176,632	204,176,632
Infrastructure	-	-	-	15,675,507	15,675,507
Total capital assets being depreciated/amortized:	-	-	-	219,852,139	219,852,139
Less accumulated depreciation/amortization	-	(2,529,888)	-	-	(2,529,888)
Net capital assets being depreciated/amortized	-	(2,529,888)	-	219,852,139	217,322,251
Capital assets, net	<u>\$ 220,732,700</u>	<u>\$ (1,118,197)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,614,503</u>

#### **NOTE 4 – STATE REVOLVING LOAN PAYABLE**

##### Regional Surface Water Supply Project State Revolving Fund Loan

On September 23, 2021, the Authority entered into a construction installment sale agreement with the California State Water Resources Control Board in the amount of \$212,674,000 to fund the construction of a new surface water treatment plant and construct finished water transmissions to the Cities of Ceres and Turlock. The agreement includes a loan component of \$184,924,000 and a grant component of \$27,750,000. The loan bears annual interest of 1.2%, which will be paid annually by January of each year, until one year after the completion of construction. Construction was completed in December 2024, with the Board of Directors' acceptance of the completed project and authorization to record the Notice of Completion. Thereafter, the Authority is required to make annual principal and interest payments.

During the year ended June 30, 2025, the Authority drew down \$2,766,799 of additional loan proceeds and made principal payments of \$4,597,883. In addition, the Authority reimbursed the Cities of Ceres and Turlock from loan proceeds for prior capital contributions in the amounts of \$7,025,936 and \$14,344,639, respectively. The loan balance was \$154,339,883 at June 30, 2025.

#### **NOTE 5 – NET POSITION**

Net position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources. Net position is divided into three categories, which are described below:

Net Investment in Capital Assets describes the portion of net position that is represented by the current net book value of the capital assets, less depreciation/amortization and the outstanding balance of any debt used to finance these assets.

Restricted describes the portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. The Authority has no restricted net position at June 30, 2025.

Unrestricted describes the portion of net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

#### **NOTE 6 – RELATED PARTY TRANSACTIONS**

The Authority reimburses the City of Turlock for administrative and other costs incurred by the City of Turlock on the Authority's behalf. During the year ended June 30, 2025, contractual service expenditures of \$6,108,707 were allocated to the Authority from the City of Turlock.

#### **NOTE 7 – COMMITMENTS AND CONTINGENCIES**

##### A. Program Management and Other Contracts

The Authority had the following outstanding commitments at June 30, 2025, related to the RSWSP:

Design Build Contract	\$	80,155
Program Management		455,450
Legal Services		43,800
Security		1,724
Maintenance		23,043
Contract Help - Service		219,758

**NOTE 7 – COMMITMENTS AND CONTINGENCIES** (Continued)

B. Lease Concerning Turlock Irrigation District Delivery Facilities for Regional Surface Water Supply Project

In April 2020, the Authority Board of Directors approved a lease with TID to convey leasehold rights in TID's delivery facilities and underlying real property to the Authority in order to facilitate the Authority's construction, operation, and maintenance of the facilities that will be located on TID property. The lease will expire in 2065. There will be no separate rent paid under the lease, rather, the water payments to be made by the Authority under the Water Sales Agreement will constitute consideration for the lease. The proposed lease contains standard and commercially reasonable lease terms, including the Authority's payment of fees, charges, etc., relating to its use of the property; Authority compliance with applicable law and regulations; indemnity; and insurance.

C. Acquisition of the Water Treatment Plant Site from Turlock Irrigation District

The planned water treatment plant site is owned by TID and the Authority's agreement with TID provides that TID agrees to sell the treatment plant site, subject to a reservation of such easements for TID's pipelines to the treatment plant from the pump station and from the treatment plant to the Ceres Main Canal, to the Authority at a sales price of \$1,436,674. In April 2020, the Authority Board of Directors approved the acquisition of the site from TID. The site is a 47.9-acre parcel located near the new wet well facility.

**NOTE 8 – SUBSEQUENT EVENTS**

In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the basic financial statements. Events were considered through May 15, 2026, which is the date of issuance of the Authority's independent auditor's report. There were no events that are required to be disclosed.

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

To the Board of Directors  
Stanislaus Regional Water Authority  
Turlock, 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 basic financial statements of the Stanislaus Regional Water Authority (the Authority), as of and for the year ended June 30, 2025, and have issued our report thereon dated May 15, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority'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 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 Authority'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 Authority'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  
May 15, 2026