

PIXLEY PUBLIC UTILITY DISTRICT
FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2026

**PIXLEY PUBLIC UTILITY DISTRICT
JUNE 30, 2026**

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GENERAL INFORMATION

**PIXLEY PUBLIC UTILITY DISTRICT
BOARD MEMBERS
JUNE 30, 2026**

BOARD MEMBERS

Ronnie Prine (President)	Term expires November 2026
David G. Terrel Jr. (Vice President)	Term expires November 2028
Matthew Martinez	Term expires November 2028
Ramon Cisneros	Term expires November 2026
Jose Moreno	Term expires November 2028

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pixley Public Utility District
Pixley, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying basic financial statements of the Pixley Public Utility District (the District), as of and for the fiscal year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior fiscal year's comparative information has been derived from the District's 2025 basic financial statements and, in our report dated September 23, 2025, we expressed an unmodified opinion on the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2026, and the changes in financial position and cash flows thereof for the fiscal 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 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is 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. Such 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
September 24, 2026

**PIXLEY PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS)**

This section of the Pixley Public Utility District's (the District's) basic financial statements presents management's discussion and analysis of the District's performance during the fiscal year ended June 30, 2026. Please read it in conjunction with the District's basic financial statements, which follow this section.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This financial report consists of this management's discussion and analysis, the District's basic financial statements, the notes to the basic financial statements, and supplementary information.

The District is a single enterprise fund and presents three basic financial statements, each providing a different view of its finances:

The Statement of Net Position – Reports all of the District's assets and liabilities, with the difference between the two reported as net position. It presents the District's financial position at a single point in time, and changes in net position over time are one indicator of whether the District's financial health is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Position – Reports revenues and expenses for the fiscal year and explains the change in net position between the beginning and the end of the year. It is reported on the accrual basis of accounting, under which revenue is reported when earned and expenses are reported when incurred, regardless of when cash is received or paid. This statement separates operating revenues and expenses, the water and sewer services the District provides to its customers, from non-capital subsidies and other non-operating revenues and expenses, such as grants and financing costs.

The Statement of Cash Flows – Reports the District's cash receipts and cash payments for the year by category and explains the change in cash and cash equivalents. Because the other two statements are prepared on the accrual basis of accounting, this statement shows how much cash the District's activities actually generated and used during the year.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the amounts reported in the statements. The supplementary information following the notes presents the District's net position, results of operations, and operating expenses separately for its water and sewer activities.

FINANCIAL SUMMARY

The condensed financial information below is derived from the District's basic financial statements and compares the current fiscal year with the prior fiscal year.

Condensed Statements of Net Position

	June 30, 2026	June 30, 2025	Change	%
Assets				
Current Assets	\$ 8,939,945	\$ 8,434,085	\$ 505,860	6%
Noncurrent Assets	263,134	240,104	23,030	10%
Capital Assets, Net	16,500,945	16,070,495	430,450	3%
Total Assets	25,704,024	24,744,684	959,340	4%
Liabilities				
Current Liabilities	548,993	517,384	31,609	6%
Long-Term Liabilities	3,113,591	3,193,527	(79,936)	-3%
Total Liabilities	3,662,584	3,710,911	(48,327)	-1%
Net Position				
Net Investment in Capital Assets	13,115,366	12,533,627	581,739	5%
Restricted - USDA Debt Service	156,035	147,105	8,930	6%
Restricted - USDA Renewal and Extension	98,349	84,249	14,100	17%
Unrestricted	8,671,690	8,268,792	402,898	5%
Total Net Position	\$ 22,041,440	\$ 21,033,773	\$ 1,007,667	5%

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position

	June 30, 2026	June 30, 2025	Change	%
Operating Revenues				
Water Charges	\$ 689,722	\$ 670,596	\$ 19,126	3%
Sewer Charges	717,639	693,965	23,674	3%
Other Fees	38,422	43,285	(4,863)	-11%
Rental Income	56,482	25,155	31,327	125%
Total Operating Revenues	1,502,265	1,433,001	69,264	5%
Operating Expenses				
Operating Expenses, Excluding Depreciation	(1,143,134)	(1,092,404)	(50,730)	5%
Depreciation	(836,924)	(832,065)	(4,859)	1%
Total Operating Expenses	(1,980,058)	(1,924,469)	(55,589)	3%
Operating Loss	(477,793)	(491,468)	13,675	-3%
Non-Operating Revenues and Expenses				
Non-Operating Revenues	1,595,205	1,167,755	427,450	37%
Non-Operating Expenses	(109,745)	(101,030)	(8,715)	9%
Total Non-Operating Revenues and Expenses	1,485,460	1,066,725	418,735	39%
Change in Net Position	1,007,667	575,257	432,410	75%
Beginning Net Position	21,033,773	20,458,516	575,257	3%
Ending Net Position	\$ 22,041,440	\$ 21,033,773	\$ 1,007,667	5%

DETAILED ANALYSES

Financial Position

Total assets increased \$959,340, or 4%, to \$25,704,024. The increase is driven by cash: unrestricted cash grew \$505,078 to \$8,788,197 as operations generated \$362,780 of cash; grant reimbursements of \$1,327,049 exceeded the \$1,168,259 paid for capital assets during the year; and restricted cash grew \$23,030 to \$254,384 as a result of the annual deposits the District is required to make to the debt service reserve and renewal and extension funds under its United States Department of Agriculture (USDA) Letter of Conditions (see Note 6). Capital assets, net of accumulated depreciation, increased \$430,450 to \$16,500,945 as the \$1,267,374 of capital expenditures exceeded depreciation expense of \$836,924; upon completion of the District's Well 4 project, \$2,213,140 was transferred out of construction in progress to wells, pumps, and pipelines, leaving no construction in progress at June 30, 2026 (see Note 4). Accounts receivable decreased \$2,238 to \$126,336, and prepaid expenses increased \$3,020 to \$25,412.

Total liabilities decreased \$48,327, or 1%, to \$3,662,584. Certificates of participation outstanding decreased \$77,969 to \$3,193,527, reflecting scheduled principal payments on the District's three USDA Rural Development certificates, and the line of credit balance decreased \$73,320 to \$192,052 as \$1,229,828 of payments exceeded \$1,156,508 of draws during the year. No new debt was issued during the fiscal year (see Notes 3 and 5). Those decreases were partially offset by a \$99,115 increase in accounts payable, with no comparable balance at June 30, 2025, representing the accrual of the final retention payment on the District's Well 4 project, which was capitalized during the fiscal year. Customer deposits increased \$4,431 to \$155,270.

Total net position increased \$1,007,667, or 5%, to \$22,041,440. Net investment in capital assets increased \$581,739 to \$13,115,366, representing the \$430,450 increase in capital assets, net, together with the \$77,969 of scheduled debt principal payments and the \$73,320 reduction in the capital-related line of credit. Restricted net position increased \$23,030 to \$254,384, consisting of \$156,035 restricted for debt service and \$98,349 restricted for renewal and extension under the District's USDA financing agreements; the increase reflects the annual deposits the District is required to make to those accounts. Unrestricted net position increased \$402,898 to \$8,671,690.

Results of Operations

Total operating revenues increased \$69,264, or 5%, to \$1,502,265:

- Water charges increased \$19,126, or 3%, to \$689,722 due to a scheduled rate adjustment that went into effect January 1, 2026. Water charges went from \$48.55 to \$50.28.
- Sewer charges increased \$23,674, or 3%, to \$717,639 due to a scheduled rate adjustment that went into effect January 1, 2026. Sewer charges went from \$54.69 to \$56.60.
- Other fees decreased \$4,863, or 11%, to \$38,422. The decrease is due to customers paying their monthly bills on time by the 25th rather than paying late and receiving a late charge fee of \$25.00.
- Rental income increased \$31,327, or 125%, to \$56,482, consisting of payments received under the District's cell site agreements for the use of District land. The increase is due to a new rental agreement for leasing the use of District property with T-Mobile.

Total operating expenses increased \$55,589, or 3%, to \$1,980,058:

- Operating expenses excluding depreciation increased \$50,730, or 5%, to \$1,143,134. The increase reflects a shift in the composition of the District's spending as the Well 4 project moved from design into completion; engineering costs declined \$33,481 while repairs to the water and sewer system increased \$69,962. Significant repairs included water main repairs/leaks, meter repairs and replacements, and repairs at the Wastewater Treatment Plant which include crane rental and cost of labor for operation of the crane and purchasing of a new chain for Train A. The remaining costs of operating the water and sewer systems, including labor, utilities, and insurance, were largely unchanged. Operating expenses by category and by activity are presented in the supplementary information.

- Depreciation increased \$4,859, or 1%, to \$836,924. The assets transferred out of construction in progress on completion of the Well 4 project will affect depreciation principally in future fiscal years.

The District reported an operating loss of \$477,793 for the fiscal year ended June 30, 2026, compared with an operating loss of \$491,468 in the prior fiscal year, a decrease of \$13,675. Operating revenues exceeded operating expenses other than depreciation by \$359,131, so the District's rates recovered the cash cost of providing service but did not recover the \$836,924 of depreciation on the District's water and sewer systems.

The District had no non-capital subsidies and no unusual or infrequent items in either fiscal year presented.

Total non-operating revenues and expenses increased \$418,735, or 39%, to \$1,485,460:

- Non-operating revenues increased \$427,450, or 37%, to \$1,595,205, reflecting the reimbursement of capital construction costs by the USDA and the State of California. Grant reimbursements rose \$425,402 as work on the Well 4 project was completed, with capital expenditures of \$1,267,374 during the fiscal year compared with \$1,036,627 in the prior fiscal year. Interest earnings on the District's invested funds were essentially unchanged.
- Non-operating expenses increased \$8,715, or 9%, to \$109,745. This line consists of interest on the District's USDA certificates of participation and on its line of credit. The increase reflects interest paid to the Rural Community Assistance Corporation on line of credit draws for the Well 4 project, which was completed during the fiscal year; interest on the certificates of participation varies from year to year as scheduled principal payments reduce the outstanding balances.

As a result, net position increased \$1,007,667 in the current fiscal year, compared with an increase of \$575,257 in the prior fiscal year. Because grant income funds capital construction rather than operations, excluding grant income the District's revenues were \$319,382 less than its expenses in the fiscal year ended June 30, 2026, compared with \$326,390 in the prior fiscal year.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Assets

At June 30, 2026, the District had \$16,500,945 invested in capital assets, net of accumulated depreciation, an increase of \$430,450 from \$16,070,495 at June 30, 2025. The District incurred \$1,267,374 of capital expenditures during the fiscal year, of which \$1,168,259 was paid in cash and \$99,115 remained in accounts payable at year end, compared with \$1,036,627 in the prior fiscal year. The District's Well 4 project was completed during the year, and \$2,213,140 was transferred from construction in progress to wells, pumps, and pipelines; no construction in progress remained at June 30, 2026. Current-year depreciation was \$836,924. The District did not dispose of any capital assets during either fiscal year presented. For detailed capital asset information, see Note 4 to the basic financial statements.

Long-Term Financing

At June 30, 2026, the District had \$3,193,527 of certificates of participation outstanding with the USDA Rural Development, of which \$79,936 is due within one year, a decrease of \$77,969 from \$3,271,496 at June 30, 2025. The decrease reflects scheduled principal payments; no new debt was issued during the fiscal year. The District also maintains a \$700,000 line of credit with the Rural Community Assistance Corporation for capital water system improvements, renewed through February 1, 2027, of which \$192,052 was outstanding at year end. The District has no leases, public-private or public-public partnerships, or subscription-based information technology arrangements, and there were no changes in credit ratings or debt limitations during the fiscal year that affect the financing of planned facilities or services. See Notes 3 and 5 to the basic financial statements for further detail.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

A planned rate change is scheduled for January 1, 2027, for both Water and Sewer charges. The District anticipates that construction of its TCP project will begin within the next fiscal year. The District's engineer is in the early stages of pursuing planning grants for a new well and water storage tank, and a separate planning grant for the wastewater treatment plant, each intended to fund the repairs and upgrades the District's systems require. In the meantime, the District expects to continue making repairs as needed to the wastewater treatment plant and to water mains, given the condition of its existing infrastructure.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to Pixley Public Utility District, P.O. Box 535, Pixley, California 93256.

PIXLEY PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2026
(WITH COMPARATIVE TOTALS)

	2026	2025
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 8,788,197	\$ 8,283,119
Accounts Receivable	126,336	128,574
Prepaid Expenses	25,412	22,392
Total Current Assets	<u>8,939,945</u>	<u>8,434,085</u>
Noncurrent Assets		
Restricted Cash	254,384	231,354
Capital Assets		
Land	207,548	207,548
Buildings and Improvements	9,541,176	9,541,176
Sewer Treatment Plant	74,631	74,631
Wells, Pumps, and Pipelines	13,462,935	11,150,680
Equipment	109,741	109,741
Construction in Progress	-	1,044,881
Less Accumulated Depreciation	<u>(6,895,086)</u>	<u>(6,058,162)</u>
Total Capital Assets, Net of Depreciation	<u>16,500,945</u>	<u>16,070,495</u>
Other Assets	<u>8,750</u>	<u>8,750</u>
Total Noncurrent Assets	<u>16,764,079</u>	<u>16,310,599</u>
TOTAL ASSETS	<u><u>\$ 25,704,024</u></u>	<u><u>\$ 24,744,684</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 99,115	\$ -
Deposits from Customers	155,270	150,839
Interest Payable	22,620	23,204
Line of Credit	192,052	265,372
Current Portion of Long-Term Debt	<u>79,936</u>	<u>77,969</u>
Total Current Liabilities	<u>548,993</u>	<u>517,384</u>
Noncurrent Liabilities		
Long-Term Debt, Net of Current Portion	<u>3,113,591</u>	<u>3,193,527</u>
Total Noncurrent Liabilities	<u>3,113,591</u>	<u>3,193,527</u>
TOTAL LIABILITIES	<u>3,662,584</u>	<u>3,710,911</u>
NET POSITION		
Net Investment in Capital Assets	13,115,366	12,533,627
Restricted - USDA Debt Service	156,035	147,105
Restricted - USDA Renewal and Extension	98,349	84,249
Unrestricted	<u>8,671,690</u>	<u>8,268,792</u>
TOTAL NET POSITION	<u>22,041,440</u>	<u>21,033,773</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 25,704,024</u></u>	<u><u>\$ 24,744,684</u></u>

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

**PIXLEY PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2026
(WITH COMPARATIVE TOTALS)**

	2026	2025
OPERATING REVENUES		
Water Charges	\$ 689,722	\$ 670,596
Sewer Charges	717,639	693,965
Other Water Fees	18,448	18,818
Other Sewer Fees	19,974	24,467
Rental Income	56,482	25,155
Total Operating Revenues	1,502,265	1,433,001
OPERATING EXPENSES		
Transmission and Distribution Expenses	772,878	692,572
Customer Accounting and Collection Expenses	126,094	125,612
General Expenses	244,162	274,220
Depreciation	836,924	832,065
Total Operating Expenses	1,980,058	1,924,469
Operating Loss	(477,793)	(491,468)
NON-OPERATING REVENUES AND EXPENSES		
Grant Income	1,327,049	901,647
Interest Income	268,156	266,108
Interest Expense	(109,745)	(101,030)
Total Non-Operating Revenues and Expenses	1,485,460	1,066,725
Net Increase in Net Position	1,007,667	575,257
Net Position, Beginning of Year	21,033,773	20,458,516
Net Position, End of Year	\$ 22,041,440	\$ 21,033,773

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

**PIXLEY PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026
(WITH COMPARATIVE TOTALS)**

	<u>2026</u>	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 1,508,934	\$ 1,434,228
Payments to Suppliers	(879,625)	(836,119)
Payments to Employees	(266,529)	(263,472)
Net Cash Provided by Operating Activities	<u>362,780</u>	<u>334,637</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures	(1,168,259)	(1,036,627)
Payments on Long-Term Debt	(77,969)	(75,084)
Interest Expense	(110,329)	(101,592)
Proceeds from Line of Credit	1,156,508	969,402
Payments on Line of Credit	(1,229,828)	(779,800)
Proceeds from Capital Grants	1,327,049	901,647
Net Cash Used in Capital and Related Financing Activities	<u>(102,828)</u>	<u>(122,054)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	268,156	266,108
Net Cash Provided by Investing Activities	<u>268,156</u>	<u>266,108</u>
Net Increase in Cash and Cash Equivalents	528,108	478,691
Cash and Cash Equivalents at Beginning of Year	<u>8,514,473</u>	<u>8,035,782</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 9,042,581</u></u>	<u><u>\$ 8,514,473</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating Loss	\$ (477,793)	\$ (491,468)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	836,924	832,065
(Increase) Decrease in:		
Accounts Receivable	2,238	(14,016)
Prepaid Expenses	(3,020)	(2,228)
Increase (Decrease) in:		
Accounts Payable	-	(4,959)
Deposits from Customers	4,431	15,243
Net Cash Provided by Operating Activities	<u><u>\$ 362,780</u></u>	<u><u>\$ 334,637</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Acquired Through Accounts Payable	<u><u>\$ 99,115</u></u>	<u><u>\$ -</u></u>

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

PIXLEY PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pixley Public Utility District (the District) was organized on January 28, 1947, under the statutes of 1921, Chapter 560, as amended and incorporated in the Public Utilities Code (PUC), Section 15501 and following, codified in 1953. On July 1, 1961, the District took over the plan and system of the Pixley Mutual Water Company and assumed the responsibility for its continued operation. The District now provides both water and sewer facilities for its members.

Basis of Accounting and Presentation

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District is accounted for as a business-type activity, as defined by GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, and its basic financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The District adopted GASB Statement No. 34, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that those resources be classified for accounting and reporting purposes into three net position categories, namely, net investment in capital assets, restricted net position, and unrestricted net position.

The District also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and applied the standards on a retroactive basis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial disclosure requirements.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Capital Assets

Capital assets, which include land, buildings, sewer treatment plant, improvements, vehicles, equipment, and furniture, are defined as assets with an estimated useful life in excess of one year and cost in excess of \$2,500. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the appraised value at the time of donation.

Land is not depreciated. Other capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Useful Life</u>
Buildings and grounds	5 - 50 years
Improvements	2 - 50 years
Mobile equipment	3 - 30 years
Furniture, fixtures, and equipment	3 - 50 years
Sewer treatment plant	10 - 50 years
Wells, pumps, and pipelines	10 - 50 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets includes assets invested in capital assets that are reduced by the accumulated depreciation and the outstanding balances of any borrowing used for the acquisition or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. The remaining net position is unrestricted.

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

Classification of Revenues

Proprietary funds distinguish operating revenues and expenses from non-capital subsidies and other non-operating revenues and expenses, as defined by GASB Statement No. 103. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operational activities. Charges to customers represent the District's principal operating revenues and include water and sewer charges. Operating expenses include the cost of operating maintenance and support of providing water services and sewage collection and disposal services and related capital assets, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-capital subsidies or as other non-operating revenues and expenses.

Cash and Cash Equivalents

Certain cash and cash equivalents are classified as restricted because their use is limited by applicable contracts or stipulations of the granting agency. Some of these restricted funds are required to be maintained in separate bank accounts. For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

All accounts receivable are deemed collectible by the District. As such, no allowances are required.

Property Tax Revenues

The District did not levy property taxes from 1967 to 1978, when Proposition 13 was passed. The District is now prohibited from receiving property taxes.

Governmental Accounting Standards Board Update

The District adopted the following GASB Statements during the current fiscal year:

GASB Statement No. 103 – Financial Reporting Model Improvements. The requirements of this statement are effective for reporting periods beginning after June 15, 2025. The District has adopted this statement in the current fiscal year. Adoption resulted in changes to the presentation of management's discussion and analysis, reclassification of certain amounts, and additional disclosures in the accompanying financial statements; it did not change any previously recognized asset, liability, revenue, or expense amount, or total net position, for either fiscal year presented.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Accounting Standards Board Update (Continued)

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The requirements of this statement are effective for reporting periods beginning after June 15, 2025. The District has adopted this statement in the current fiscal year. Adoption is limited to the capital asset disclosures in Note 4 and did not change any recognized or measured amount.

Recently released GASB Statements affecting future fiscal years are as follows:

GASB Statement No. 105 – *Subsequent Events*. The requirements of this statement are effective for reporting periods beginning after June 15, 2026. The District has not fully judged the impact of implementation of this standard on the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2026 and 2025, consisted of the following:

	<u>2026</u>	<u>2025</u>
General Cash		
Money Market	\$ 8,174,007	\$ 7,927,364
Checking	98,923	142,808
Savings	310,391	56,211
Capital Improvement Account	203,826	155,686
Change Fund	1,000	1,000
Petty Cash	50	50
Restricted Cash	<u>254,384</u>	<u>231,354</u>
Total Cash and Cash Equivalents	<u>\$ 9,042,581</u>	<u>\$ 8,514,473</u>

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 governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments. \$8,900,804 and \$8,711,200 of the District's deposits with financial institutions were in excess of Federal Deposit Insurance Corporation limits and were not held in collateralized accounts as of June 30, 2026 and 2025, respectively.

NOTE 3 – LINE OF CREDIT

In November 2017, the District entered into a line of credit agreement with Rural Community Assistance Corporation for capital water system improvements expenditures. The credit line was renewed through February 1, 2027. The District has an available balance of \$700,000 from the credit line, and the credit line bears interest at 5% per annum. As of June 30, 2026 and 2025, the balance on the line of credit was \$192,052 and \$265,372, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of changes in District capital assets during the fiscal year ended June 30, 2026, was as follows:

	Balances June 30, 2025	Additions	Deletions and Transfers	Balances June 30, 2026
Land	\$ 207,548	\$ -	\$ -	\$ 207,548
Buildings and Improvements	9,541,176	-	-	9,541,176
Sewer Treatment Plant	74,631	-	-	74,631
Wells, Pumps, and Pipelines	11,150,680	99,115	2,213,140	13,462,935
Equipment	109,741	-	-	109,741
Construction in Progress	1,044,881	1,168,259	(2,213,140)	-
Property and Equipment - Gross	22,128,657	1,267,374	-	23,396,031
Less: Accumulated Depreciation	(6,058,162)	(836,924)	-	(6,895,086)
Property and Equipment - Net	<u>\$ 16,070,495</u>	<u>\$ 430,450</u>	<u>\$ -</u>	<u>\$ 16,500,945</u>

Depreciation expense for the fiscal year ended June 30, 2026, was \$836,924.

A summary of changes in District capital assets during the fiscal year ended June 30, 2025, was as follows:

	Balances June 30, 2024	Additions	Deletions and Transfers	Balances June 30, 2025
Land	\$ 207,548	\$ -	\$ -	\$ 207,548
Buildings and Improvements	9,541,176	-	-	9,541,176
Sewer Treatment Plant	74,631	-	-	74,631
Wells, Pumps, and Pipelines	11,025,204	-	125,476	11,150,680
Equipment	109,741	-	-	109,741
Construction in Progress	133,730	1,036,627	(125,476)	1,044,881
Property and Equipment - Gross	21,092,030	1,036,627	-	22,128,657
Less: Accumulated Depreciation	(5,226,097)	(832,065)	-	(6,058,162)
Property and Equipment - Net	<u>\$ 15,865,933</u>	<u>\$ 204,562</u>	<u>\$ -</u>	<u>\$ 16,070,495</u>

Depreciation expense for the fiscal year ended June 30, 2025, was \$832,065.

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)**Summary of Sewer and Water Systems**

The District's capital assets were split between the Water and Sewer Systems as of June 30, 2026, as follows:

	Water System	Sewer System	Total
Total Property and Equipment	\$ 17,051,357	\$ 6,344,674	\$ 23,396,031
Less: Accumulated Depreciation	<u>(4,179,134)</u>	<u>(2,715,952)</u>	<u>(6,895,086)</u>
Property and Equipment - Net	<u>\$ 12,872,223</u>	<u>\$ 3,628,722</u>	<u>\$ 16,500,945</u>

The District's capital assets were split between the Water and Sewer Systems as of June 30, 2025, as follows:

	Water System	Sewer System	Total
Total Property and Equipment	\$ 14,739,102	\$ 7,389,555	\$ 22,128,657
Less: Accumulated Depreciation	<u>(3,469,413)</u>	<u>(2,588,749)</u>	<u>(6,058,162)</u>
Property and Equipment - Net	<u>\$ 11,269,689</u>	<u>\$ 4,800,806</u>	<u>\$ 16,070,495</u>

NOTE 5 – LONG-TERM DEBT

A summary of changes in District's long-term debt during the fiscal year ended June 30, 2026, was as follows:

	Balance June 30, 2025	Additional Debt	Debt Retirement	Balance June 30, 2026	Due Within One Year
COP - USDA 2008A	\$ 1,219,058	\$ -	\$ (31,807)	\$ 1,187,251	\$ 33,199
COP - USDA 2008B	504,438	-	(13,162)	491,276	13,737
COP - USDA 2020	<u>1,548,000</u>	<u>-</u>	<u>(33,000)</u>	<u>1,515,000</u>	<u>33,000</u>
	<u>\$ 3,271,496</u>	<u>\$ -</u>	<u>\$ (77,969)</u>	<u>\$ 3,193,527</u>	<u>\$ 79,936</u>

A summary of changes in District's long-term debt during the fiscal year ended June 30, 2025, was as follows:

	Balance June 30, 2024	Additional Debt	Debt Retirement	Balance June 30, 2025	Due Within One Year
COP - USDA 2008A	\$ 1,249,532	\$ -	\$ (30,474)	\$ 1,219,058	\$ 31,807
COP - USDA 2008B	517,048	-	(12,610)	504,438	13,162
COP - USDA 2020	<u>1,580,000</u>	<u>-</u>	<u>(32,000)</u>	<u>1,548,000</u>	<u>33,000</u>
	<u>\$ 3,346,580</u>	<u>\$ -</u>	<u>\$ (75,084)</u>	<u>\$ 3,271,496</u>	<u>\$ 77,969</u>

NOTE 5 – LONG-TERM DEBT (Continued)**USDA Rural Development Certificate of Participation #1 (COP – USDA 2008A)**

During 2008, the District issued the United States Department of Agriculture (USDA) Rural Development Certificate of Participation (COP) #1 in the amount of \$1,595,000 with an interest rate of 4.375%. Proceeds were used to finance construction of wastewater treatment improvements. The certificate matures in 2048. Principal payments are made annually on April 1 while interest payments are made semiannually on April 1 and October 1. The payment of interest and principal is secured by a pledge of net revenues, as defined.

Future amortization of the principal and interest of the debt outstanding as of June 30, 2026, was as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2027	\$ 33,199	\$ 51,942	\$ 85,141
2028	34,651	50,490	85,141
2029	36,167	48,974	85,141
2030	37,750	47,391	85,141
2031	39,401	45,740	85,141
2032-2036	224,421	201,284	425,705
2037-2041	278,000	147,704	425,704
2042-2046	344,373	81,333	425,706
2047-2048	159,289	10,518	169,807
	<u>1,187,251</u>	<u>\$ 685,376</u>	<u>\$ 1,872,627</u>
Less Current Portion	<u>(33,199)</u>		
Long-Term Portion	<u>\$ 1,154,052</u>		

USDA Rural Development Certificate of Participation #2 (COP – USDA 2008B)

During 2008, the District issued the USDA Rural Development COP #2 in the amount of \$660,000 with an interest rate of 4.375%. Proceeds were used to finance construction of wastewater treatment improvements. The certificate matures in 2048. Principal payments are made annually on April 1 while interest payments are made semiannually on April 1 and October 1. The payment of interest and principal is secured by a pledge of net revenues, as defined.

NOTE 5 – LONG-TERM DEBT (Continued)

Future amortization of the principal and interest of the debt outstanding as of June 30, 2026, was as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2027	\$ 13,737	\$ 21,493	\$ 35,230
2028	14,338	20,892	35,230
2029	14,966	20,265	35,231
2030	15,621	19,610	35,231
2031	16,304	18,927	35,231
2032-2036	92,864	83,290	176,154
2037-2041	115,035	61,119	176,154
2042-2046	142,499	33,655	176,154
2047-2048	65,912	4,352	70,264
	<u>491,276</u>	<u>\$ 283,603</u>	<u>\$ 774,879</u>
Less Current Portion	<u>(13,737)</u>		
Long-Term Portion	<u>\$ 477,539</u>		

USDA Rural Development Certificate of Participation #3 (COP – USDA 2020)

On July 15, 2020, the District issued the USDA Rural Development COP #3 in the amount of \$1,704,000 with an interest rate of 1.125%. Proceeds were used to finance construction of water system improvements. The payment of interest and principal is secured by a pledge of net revenues, as defined. The certificate matures in 2060. Principal payments are made annually while interest payments are made semiannually.

Future amortization of the principal and interest of the debt outstanding as of June 30, 2026, was as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2027	\$ 33,000	\$ 14,947	\$ 47,947
2028	34,000	14,266	48,266
2029	35,000	13,588	48,588
2030	35,000	12,913	47,913
2031	36,000	12,251	48,251
2032-2036	187,000	51,643	238,643
2037-2041	202,000	36,681	238,681
2042-2046	221,000	23,503	244,503
2047-2051	239,000	12,631	251,631
2052-2056	265,000	4,733	269,733
2057-2060	228,000	588	228,588
	<u>1,515,000</u>	<u>\$ 197,744</u>	<u>\$ 1,712,744</u>
Less Current Portion	<u>(33,000)</u>		
Long-Term Portion	<u>\$ 1,482,000</u>		

NOTE 6 – RESTRICTED CASH

The District is required, under the terms of its COPs with the USDA, to establish and maintain certain restricted accounts. The USDA Letter of Conditions requires the District to deposit annually into a Debt Service Reserve Fund an amount equal to one-tenth of the average annual installment of principal and interest until the reserve is fully funded. Once the Debt Service Reserve Fund is fully funded, the District is required to make equivalent annual deposits into a Renewal and Extension Fund to be used for emergency maintenance, facility extensions, or replacement of short-lived assets. These deposits are required to be maintained as restricted assets for the life of the loan.

At June 30, 2026 and 2025, restricted cash balances related to these requirements totaled \$254,384 and \$231,354, respectively, which represents amounts held for the Debt Service Reserve Funds and Renewal and Extension Funds across the District's outstanding USDA COP agreements. These balances are not available for general operating purposes and are restricted to the purposes set forth in the USDA agreements.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 24, 2026, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PIXLEY PUBLIC UTILITY DISTRICT
COMBINING STATEMENT OF NET POSITION BY ACTIVITY
JUNE 30, 2026

	Water	Sewer	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,496,595	\$ 5,291,602	\$ 8,788,197
Accounts Receivable	37,901	88,435	126,336
Prepaid Expenses	12,706	12,706	25,412
Restricted Cash	127,192	127,192	254,384
Capital Assets			
Land	206,688	860	207,548
Buildings and Improvements	4,099,360	5,441,816	9,541,176
Sewer Treatment Plant	24,727	49,904	74,631
Wells, Pumps, and Pipelines	12,664,878	798,057	13,462,935
Equipment	55,704	54,037	109,741
Less Accumulated Depreciation	(4,179,134)	(2,715,952)	(6,895,086)
Total Capital Assets, Net of Depreciation	12,872,223	3,628,722	16,500,945
Other Assets	4,375	4,375	8,750
Total Assets	<u><u>\$ 16,550,992</u></u>	<u><u>\$ 9,153,032</u></u>	<u><u>\$ 25,704,024</u></u>
LIABILITIES AND NET POSITION			
Liabilities			
Accounts Payable	\$ 49,557	\$ 49,558	\$ 99,115
Deposits from Customers	155,270	-	155,270
Interest Payable	-	22,620	22,620
Line of Credit	-	192,052	192,052
Current Portion of Long-Term Debt	-	79,936	79,936
Long-Term Debt	-	3,113,591	3,113,591
Total Liabilities	<u>204,827</u>	<u>3,457,757</u>	<u>3,662,584</u>
Net Position			
Net Investment in Capital Assets	12,872,223	243,143	13,115,366
Restricted - USDA Debt Service	-	156,035	156,035
Restricted - USDA Renewal and Extension	-	98,349	98,349
Net Position - Unrestricted	3,473,942	5,197,748	8,671,690
Total Net Position	<u>16,346,165</u>	<u>5,695,275</u>	<u>22,041,440</u>
Total Liabilities and Net Position	<u><u>\$ 16,550,992</u></u>	<u><u>\$ 9,153,032</u></u>	<u><u>\$ 25,704,024</u></u>

**PIXLEY PUBLIC UTILITY DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION BY ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2026**

	Water	Sewer	Total
OPERATING REVENUES			
Water Charges	\$ 689,722	\$ -	\$ 689,722
Sewer Charges	-	717,639	717,639
Other Water and Sewer Fees	18,448	19,974	38,422
Rental Income	28,241	28,241	56,482
	<u>736,411</u>	<u>765,854</u>	<u>1,502,265</u>
Total Operating Revenues	<u>736,411</u>	<u>765,854</u>	<u>1,502,265</u>
OPERATING EXPENSES			
Transmission and Distribution Expenses	391,957	380,921	772,878
Customer Accounting and Collection Expenses	64,316	61,778	126,094
General Expenses	121,862	122,300	244,162
Depreciation	709,721	127,203	836,924
	<u>1,287,856</u>	<u>692,202</u>	<u>1,980,058</u>
Total Operating Expenses	<u>1,287,856</u>	<u>692,202</u>	<u>1,980,058</u>
Operating Income (Loss)	<u>(551,445)</u>	<u>73,652</u>	<u>(477,793)</u>
NON-OPERATING REVENUES (EXPENSES)			
Grant Income	1,327,049	-	1,327,049
Interest Income	256,367	11,789	268,156
Interest Expense	(32,868)	(76,877)	(109,745)
	<u>1,550,548</u>	<u>(65,088)</u>	<u>1,485,460</u>
Total Non-Operating Revenues (Expenses)	<u>1,550,548</u>	<u>(65,088)</u>	<u>1,485,460</u>
Net Increase in Net Position	999,103	8,564	1,007,667
Net Position, Beginning of Year	<u>15,347,062</u>	<u>5,686,711</u>	<u>21,033,773</u>
Net Position, End of Year	<u>\$ 16,346,165</u>	<u>\$ 5,695,275</u>	<u>\$ 22,041,440</u>

**PIXLEY PUBLIC UTILITY DISTRICT
COMBINING STATEMENT OF OPERATING EXPENSES BY ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2026**

	Water	Sewer	Total
Transmission and Distribution Expenses			
Labor	\$ 73,088	\$ 73,090	\$ 146,178
Payroll Taxes	6,638	6,637	13,275
Repairs to Equipment and System	109,743	156,650	266,393
Utilities	140,601	60,176	200,777
Tools and Shop Supplies	2,780	2,818	5,598
Insurance	3,203	3,203	6,406
California Water Fees	9,848	55,160	65,008
Auto Maintenance	1,241	1,241	2,482
Water and Sewer Testing	29,928	11,004	40,932
Department of Health	60	-	60
Meter Repairs and Supplies	3,886	-	3,886
Geographic Information System (GIS)	10,538	10,538	21,076
Uniforms	403	404	807
Total Transmission and Distribution Expenses	\$ 391,957	\$ 380,921	\$ 772,878
Customer Accounting and Collection Expenses			
Clerks	\$ 45,409	\$ 45,411	\$ 90,820
Postage	7,031	4,565	11,596
Office Supplies	3,059	3,058	6,117
Payroll Taxes	3,557	3,557	7,114
Insurance	203	202	405
Office Software	4,968	4,891	9,859
Other Expenses	89	94	183
Total Customer Accounting and Collection Expenses	\$ 64,316	\$ 61,778	\$ 126,094
General Expenses			
Salaries and Wages	\$ 14,762	\$ 14,769	\$ 29,531
Employee Benefits	17,429	17,429	34,858
Telephone Expense	6,801	5,452	12,253
Fuel/Mileage	7,979	8,145	16,124
Advertising and Publication	3,304	3,304	6,608
Utilities	1,483	1,483	2,966
Building and Ground Maintenance	755	621	1,376
Accounting	10,225	10,225	20,450
Engineering	27,129	28,169	55,298
Legal	8,439	8,439	16,878
Licenses/Permits	2,840	6,915	9,755
Insurance	15,281	15,280	30,561
Irrigation Taxes	1,170	1,170	2,340
Miscellaneous	4,265	899	5,164
Total General Expenses	\$ 121,862	\$ 122,300	\$ 244,162

PIXLEY PUBLIC UTILITY DISTRICT
COMBINING STATEMENT OF NET POSITION BY ACTIVITY
JUNE 30, 2025

	Water	Sewer	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,058,392	\$ 4,224,727	\$ 8,283,119
Accounts Receivable	38,572	90,002	128,574
Prepaid Expenses	11,196	11,196	22,392
Restricted Cash	115,677	115,677	231,354
Capital Assets			
Land	206,688	860	207,548
Buildings and Improvements	4,099,360	5,441,816	9,541,176
Sewer Treatment Plant	24,727	49,904	74,631
Wells, Pumps, and Pipelines	10,352,623	798,057	11,150,680
Equipment	55,704	54,037	109,741
Construction in Progress	-	1,044,881	1,044,881
Less Accumulated Depreciation	(3,469,413)	(2,588,749)	(6,058,162)
Total Capital Assets, Net of Depreciation	11,269,689	4,800,806	16,070,495
Other Assets	4,375	4,375	8,750
Total Assets	\$ 15,497,901	\$ 9,246,783	\$ 24,744,684
LIABILITIES AND NET POSITION			
Liabilities			
Deposits from Customers	\$ 150,839	\$ -	\$ 150,839
Interest Payable	-	23,204	23,204
Line of Credit	-	265,372	265,372
Current Portion of Long-Term Debt	-	77,969	77,969
Long-Term Debt	-	3,193,527	3,193,527
Total Liabilities	150,839	3,560,072	3,710,911
Net Position			
Net Investment in Capital Assets	11,269,689	1,263,938	12,533,627
Restricted - USDA Debt Service	-	147,105	147,105
Restricted - USDA Renewal and Extension	-	84,249	84,249
Net Position - Unrestricted	4,077,373	4,191,419	8,268,792
Total Net Position	15,347,062	5,686,711	21,033,773
Total Liabilities and Net Position	\$ 15,497,901	\$ 9,246,783	\$ 24,744,684

**PIXLEY PUBLIC UTILITY DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION BY ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	Water	Sewer	Total
OPERATING REVENUES			
Water Charges	\$ 670,596	\$ -	\$ 670,596
Sewer Charges	-	693,965	693,965
Other Water and Sewer Fees	18,818	24,467	43,285
Rental Income	12,578	12,577	25,155
Total Operating Revenues	701,992	731,009	1,433,001
OPERATING EXPENSES			
Transmission and Distribution Expenses	396,889	295,683	692,572
Customer Accounting and Collection Expenses	64,643	60,969	125,612
General Expenses	135,529	138,691	274,220
Depreciation	699,125	132,940	832,065
Total Operating Expenses	1,296,186	628,283	1,924,469
Operating Income (Loss)	(594,194)	102,726	(491,468)
NON-OPERATING REVENUES (EXPENSES)			
Grant Income	901,647	-	901,647
Interest Income	259,928	6,180	266,108
Interest Expense	(23,832)	(77,198)	(101,030)
Total Non-Operating Revenues (Expenses)	1,137,743	(71,018)	1,066,725
Net Increase in Net Position	543,549	31,708	575,257
Net Position, Beginning of Year	14,803,513	5,655,003	20,458,516
Net Position, End of Year	<u>\$ 15,347,062</u>	<u>\$ 5,686,711</u>	<u>\$ 21,033,773</u>

**PIXLEY PUBLIC UTILITY DISTRICT
COMBINING STATEMENT OF OPERATING EXPENSES BY ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	Water	Sewer	Total
Transmission and Distribution Expenses			
Labor	\$ 71,194	\$ 71,194	\$ 142,388
Payroll Taxes	6,673	6,627	13,300
Repairs to Equipment and System	109,848	86,583	196,431
Utilities	151,713	57,882	209,595
Tools and Shop Supplies	2,820	2,821	5,641
Insurance	3,350	3,351	6,701
California Water Fees	10,574	51,726	62,300
Auto Maintenance	3,859	3,859	7,718
Water and Sewer Testing	27,081	10,419	37,500
Meter Repairs and Supplies	8,554	-	8,554
Geographic Information System (GIS)	871	871	1,742
Uniforms	352	350	702
Total Transmission and Distribution Expenses	\$ 396,889	\$ 295,683	\$ 692,572
Customer Accounting and Collection Expenses			
Clerks	\$ 44,544	\$ 44,545	\$ 89,089
Postage	7,416	3,965	11,381
Office Supplies	4,786	4,519	9,305
Payroll Taxes	3,406	3,449	6,855
Insurance	196	196	392
Office Software	4,243	4,242	8,485
Bank Service Charges	(1)	-	(1)
Other Expenses	53	53	106
Total Customer Accounting and Collection Expenses	\$ 64,643	\$ 60,969	\$ 125,612
General Expenses			
Salaries and Wages	\$ 15,997	\$ 15,998	\$ 31,995
Employee Benefits	16,188	16,187	32,375
Telephone Expense	6,944	5,711	12,655
Fuel/Mileage	7,421	7,135	14,556
Advertising and Publication	1,648	1,632	3,280
Utilities	2,064	2,064	4,128
Building and Ground Maintenance	1,812	1,811	3,623
Accounting	11,625	11,625	23,250
Engineering	41,287	47,492	88,779
Legal	7,701	7,701	15,402
Licenses/Permits	2,819	7,121	9,940
Insurance	13,814	13,814	27,628
Irrigation Taxes	2,544	-	2,544
Miscellaneous	3,665	400	4,065
Total General Expenses	\$ 135,529	\$ 138,691	\$ 274,220

OTHER REPORT

**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**

Board of Directors
Pixley Public Utility District
Pixley, 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 Pixley Public Utility District (the District), as of and for the fiscal year ended June 30, 2026, 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 September 24, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
September 24, 2026