MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

INDEPENDENT AUDITOR'S REPORTS
AND
FINANCIAL STATEMENTS
JUNE 30, 2026

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Merced County Mosquito Abatement District
Merced, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Merced County Mosquito Abatement District (the "District"), as of and for the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the District, as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the District's Budgetary Comparison Schedule – General Fund, Notes to Budgetary Comparison Schedule, Schedule of Changes in the District's Net OPEB Liability and Related Ratios, Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions on pages 31-35 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 September 30, 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 District's internal control over financial reporting and compliance.

Fresno, California
September 30, 2026

MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
JUNE 30, 2026

	General Fund	(Note 12) Adjustments	Statement of Net Position
Assets			
Cash and investments	$ 5,414,406	$ -	$ 5,414,406
Accounts receivable	24,933	-	24,933
Prepaids	9,685	-	9,685
Inventory	264,610	-	264,610
Capital assets, net of accumulated depreciation	-	12,022,241	12,022,241
Total assets	5,713,634	12,022,241	17,735,875
Deferred Outflows of Resources			
Deferred outflows of resources related to OPEB	-	139,076	139,076
Deferred outflows of resources related to pensions	-	891,572	891,572
Toal deferred outflows of resources	-	1,030,648	1,030,648
Liabilities			
Accounts payable and other accrued liabilities	120,299	-	120,299
Accrued payroll	83,725	-	83,725
Interest payable	88,403	-	88,403
Compensated absences	78,775	-	78,775
Current portion of long-term debt		1,135,376	1,135,376
Long-term liabilities			
Lease liability	-	236,461	236,461
Note payable	-	4,000,000	4,000,000
Net pension liability	-	2,930,699	2,930,699
Post-retirement health benefits	-	581,707	581,707
Total liabilities	371,202	8,884,243	9,255,445
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	-	44,761	44,761
Deferred inflows of resources related to pensions	-	525,878	525,878
Total deferred inflows of resources	-	570,639	570,639
Fund Balances			
Nonspendable	274,295	(274,295)	-
Unassigned	5,068,137	(5,068,137)	-
Total fund balances	5,342,432	(5,342,432)	-
Total liabilities, deferred inflows of resources and fund balances	$ 5,713,634	$ 4,112,450	9,826,084
Net Position			
Net investment in capital assets			6,650,404
Unrestricted			2,290,035
Total net position			$ 8,940,439

MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

	General Fund	(Note 12) Adjustments	Statement of Activities
Revenue			
Property taxes	$ 4,165,855	$ -	$ 4,165,855
Parcel fees and service charges	1,190,622	-	1,190,622
Interest	167,685	-	167,685
Other income	154,051	-	154,051
Total revenue	5,678,213	-	5,678,213
Expenditures			
Salaries and wages	1,525,240	(135,310)	1,389,930
Employee and retiree benefits	1,116,457	215,792	1,332,249
Chemicals	1,014,336	-	1,014,336
Communications	35,750	-	35,750
Insurance	161,601	-	161,601
Repairs and maintenance	29,453	-	29,453
Memberships and publications	16,642	-	16,642
Office	27,596	-	27,596
Equipment rent	20,020	-	20,020
Professional services	155,638	-	155,638
Special district expenditures	52,177	-	52,177
Materials and supplies	31,016	-	31,016
Travel and transportation	40,713	-	40,713
Gas and petroleum	59,601	-	59,601
Utilities	27,051	-	27,051
Other	5,822	-	5,822
Principal payment	126,337	(126,337)	-
Interest	266,522	-	266,522
Capital outlay	197,141	(197,141)	-
Depreciation	-	516,523	516,523
Total expenditures	4,909,113	273,527	5,182,640
Excess of revenue over expenditures	769,100	(273,527)	495,573
Other Financing Sources			
Issuance of long-term debt - leases	82,387	(82,387)	-
Change in fund balance/net position	851,487	(355,914)	495,573
Fund Balances/Net Position			
Beginning of year	4,490,945	3,953,921	8,444,866
End of year	$ 5,342,432	$ 3,598,007	$ 8,940,439

Note 1 – Summary of Significant Accounting Policies

The accounting and reporting policies of the Merced County Mosquito Abatement District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled "Audits of State and Local Governmental Units" and by the Financial Accounting Standards Board (when applicable). The following is a summary of the significant accounting policies:

Reporting Entity – The Merced County Mosquito Abatement District is a California special district formed in 1946 for the control and eradication of mosquitoes in the County of Merced. The District is governed by a Board of Trustees, which consists of nine members.

Government-Wide and Fund Financial Statements – The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities or discretely presented component units and therefore, the statements reflect only activity from governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational and capital requirement of a particular function. Taxes and other items are reported as general revenue.

Fund financial statements display information about major funds individually and non-major funds in the aggregate for governmental funds. The District has only one governmental fund and reports it as a major governmental fund as follows:

Governmental Fund Type:

General Fund – The primary fund of the District is used to account for all revenue and expenditures of the District not legally restricted as to use.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability in incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be collectible when it is collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers property taxes and other revenue to be available in the period for which levied if it is collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue in the current period.

Cash and Investments – The Cash deposits consist of demand deposits with financial institutions and cash held by fiscal agents.

Receivables and Payables – Billed but unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable.

Merced County is responsible for the assessment, collection, and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is March 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The District considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

Inventory – Inventories are stated at cost on a first-in, first-out basis.

Capital Assets – Capital outlays are recorded as expenditures of the General Fund and as assets in the Statement of Net Position to the extent the District's capitalization threshold is met.

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Note 1 – Summary of Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings, structures and improvements	40
Aircraft	15
Furniture and equipment	7
Automobiles and trucks	5

Compensated Absences – The District provides compensated absences benefits to its employees in accordance with its employee handbook and applicable California laws.

The District recognizes a liability for compensated absences in accordance with the provisions of GASB Statement No. 101. Under GASB 101, compensated absences are accrued if they meet the following criteria: (1) the leave is earned, (2) the leave is attributable to services already rendered, (3) the leave accumulates, and (4) the leave is more likely than not to be used for time off or paid upon separation.

Long-Term Liabilities – Long-term liabilities consist of a note payable. In the Government-Wide Financial Statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt principal payments are reported as decreases in the balance of the liability on the Statement of Net Position. In the fund financial statements, however, debt principal payments of Governmental Funds are recognized as expenditures when paid. The face amount of debt issued is reported as other financing sources.

Leases Lessee – The District is a lessee for a fleet of vehicles under various noncancellable lease agreements. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the Statement of Net Position. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources – In addition to assets, liabilities and net position, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Pension Plan – All full-time District employees are members of the State of California Public Employees' Retirement System. The District's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1 by the System's actuary. For purpose of measuring net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employee Retirement System (CalPERS) plan and additions to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's (OPEB Plan) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Balance – In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.

- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.

- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District Board. The District Board has the authority establish, modify, or rescind a fund balance commitment.

- Assigned fund balance are amounts designated by the District Board for specific purposes and do not meet the criteria to be classified as restricted or committed.

- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the District's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the District's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

Net Position – Government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- Restricted Net Position – This category presents external restrictions on net position imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This category represents the net position of the District, not restricted for any project or other purpose.

Note 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information – The District budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The District Manager is required to prepare and submit to the District Board the annual budget of the District and administer it after adoption. District Board approval is required for budget revisions that affect the total appropriations of the District.

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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Cash and Investments

The District pools all of its cash and investments with the County of Merced except those funds required to be held by outside fiscal agents. The District uses the County of Merced as a fiscal agent for processing all cash receipts and disbursements. Although the County maintains separate fund accounts for the District, the cash is not segregated, but rather commingled with other County funds and investments.

Cash and investments as of June 30, 2026 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	$ 5,414,406

Cash and investments as of June 30, 2026 consist of the following:

County of Merced's Pooled Cash	$ 5,414,056
Petty Cash	350
Total Cash and Investments	$ 5,414,406

Note 2 – Cash and Investments (Continued)

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

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

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District is considered to be an involuntary participant in an external investment pool, which is under the direct authority of the Merced County Treasurer and Tax Collector and governed by the California Government Code. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on an amortized cost basis.

The District's only investments, which are allocated at fair value, are in the County of Merced Treasurer's Investment Pool. The County invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, it is not an investment type that can be categorized in any particular level in the fair value hierarchy.

Investments Authorized by the California Government Code

The District is authorized under the California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Note 2 – Cash and Investments (Continued)

Limitations as they related to interest rate risk, credit risk, and concentration of credit risk are described below:

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Vector Control Joint Powers Authority.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in external investment pools and are therefore exempt.

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 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, 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. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2026, was as follows:

	Balance July 1, 2025	Additions	Retirements	Balance June 30, 2026
Capital assets, not being depreciated				
Land	$ 30,000	$ -	$ -	$ 30,000
Construction in progress	-	22,239	-	22,239
Total capital assets, not being depreciated	30,000	22,239	-	52,239
Capital assets, being depreciated				
Buildings and improvements	13,620,460	-	-	13,620,460
Machinery and equipment	1,195,711	92,515	-	1,288,226
Right-to-use leased assets	696,593	82,387	(81,507)	697,473
Total capital assets, being depreciated/amortized	15,512,764	174,902	(81,507)	15,606,159
Less accumulated depreciation for:				
Buildings and improvements	(1,828,909)	(334,128)	-	(2,163,037)
Machinery and equipment	(1,080,904)	(50,759)	-	(1,131,663)
Right-to-use leased assets	(291,328)	(131,636)	81,507	(341,457)
Total accumulated depreciation/amortization	(3,201,141)	(516,523)	81,507	(3,636,157)
Total capital assets, being depreciated/amortized, net	12,311,623	(341,621)	-	11,970,002
Governmental activities capital assets, net	$ 12,341,623	$ (319,382)	$ -	$ 12,022,241

Note 4 – Compensated Absences

Compensated absences activity for the year ended June 30, 2026, was as follows:

	Balance July 1, 2025	Additions	Retirements	Balance June 30, 2026	Current Portion
Note payable	$ 5,000,000	$ -	$ -	$ 5,000,000	$ 1,000,000

Note 5 – Lease Liability

Lease liability activity for the year ended June 30, 2026 was as follows:

	Balance July 1, 2025	Additions	Retirements	Balance June 30, 2026	Current Portion
Lease liability	$ 415,787	$ 82,387	$ (126,337)	$ 371,837	$ 135,376

Note 5 – Lease Liability (Continued)

During the fiscal year ended June 30, 2026, the District added $82,387 in new vehicle leases. As of June 30, 2026, the value of the lease liability was $371,837. The District is required to make annual principal and interest payments of up to $153,906, subject to lease lapses and new leases. The District used incremental borrowing rates ranging from 2.4% to 7.75%, which approximate the prime rate at lease inception.

The fleet vehicles estimated useful life is the term of the lease, 60 months. The value of the right to use assets as of June 30, 2026 is $697,473 and is being amortized over the term of their respective leases with an accumulated amortization of $341,457.

The future principal and interest lease payments as of June 30, 2026, are as follows:

Years ending June 30,	Principal	Interest	Total
2027	$ 135,376	$ 18,530	$ 153,906
2028	109,131	12,167	121,298
2029	79,454	6,452	85,906
2030	37,215	1,717	38,932
2031	10,661	244	10,905
	$ 371,837	$ 39,110	$ 410,947

Note 6 – Note Payable

Note payable activity for the year ended June 30, 2026 was as follows:

	Balance July 1, 2025	Additions	Retirements	Balance June 30, 2026	Current Portion
Note payable	$ 5,000,000	$ -	$ -	$ 5,000,000	$ 1,000,000

On August 15, 2023 the District entered into a note purchase contract (the Note) with the Merced County Treasurer (the "Note Holder") to borrow $8,000,000 in order to finance the construction of the new Administration and Maintenance Buildings.

Terms of the Note are the following: the Note shall be issued in a face amount (maximum principal amount) of $8,000,000 and shall mature on August 15, 2028; the Note carries 5% annual interest with principal and accrued interest payable on the maturity date; the Note provides the District the option to request funding in the amounts of $1,000,000 increments, there is no requirement for the maximum amount of the Note to be drawn-down by the District; the District will be billed for the interest on the outstanding Note balance semi-annually on February 15th and August 15th until maturity on August 15, 2028; the Note is secured by a pledge of grants and property tax revenues.

Note 6 – Note Payable (continued)

As of June 30, 2026 the District had drawn down $5,000,000 of the Note funding available. The future principal and interest payments based on amount drawn down as of June 30, 2026, are as follows:

Years ending June 30,	Principal	Interest	Total
2027	$ 1,000,000	$ 200,000	$ 1,200,000
2028	-	200,000	200,000
2029	4,000,000	31,944	4,031,944
	$ 5,000,000	$ 431,944	$ 5,431,944

Note 7 – Deferred Compensation Plans

The District offers its employees deferred compensation plans created in accordance with IRC Section 457. The plan is available to all District employees and permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or an unforeseeable emergency. The District does not match employee contributions.

In accordance with Small Business Job Protection Act of 1996, all deferred compensation plan assets are held in trust for the exclusive benefit of participating employees and are not accessible by the District or its creditors. Accordingly, these assets have been removed from the District's financial statements.

Note 8 – Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports the following deferred outflows:

- The District has $891,572 in pension related items that qualify to be reported in deferred outflows of resources. The pension related deferred outflows of resources are described in Note 9.

- The District has $139,076 in other post-employment health care benefits related items that qualify to be reported in deferred outflows of resources. The other post-employment heath care benefits related items are described in Note 10.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports the following deferred inflows of resources:

Note 8 – Deferred Outflows and Deferred Inflows of Resources (continued)

- The District has $525,878 in pension related items that qualify to be reported in deferred inflows of resources. The pension related deferred outflows of resources are described in Note 9.
- The District has $44,761 in other post-employment heath care benefits related items that qualify to be reported in deferred inflows of resources. The other post-employment heath care benefits related items are described in Note 10.

Note 9 – Defined Benefit Pension Plan

Plan Description – The District contributes to the California Public Employees' Retirement System (PERS), an cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy – Participants are required to contribute eight percent of their annual covered salary. The District contributes $96.01 per month for each Classic employee towards the employees' 8 percent contribution. PEPRA employees pay the full amount of their 7.75 percent contribution. The District is required to contribute at an actuarially determined rate; the current rate is 16.56 and 7.96 percent of annual covered payroll for Miscellaneous Classic and PEPRA, respectively. The contribution requirements of plan members and the District are established and may be amended by PERS.

The Plans' provisions and benefits in effect at June 30, 2026, are summarized as follows:

	Miscellaneous	Miscellaneous PEPRA
Hire Date	Prior to January 1, 2013	After January 1, 2013
Benefit Formula	3.0% at 60; maximum 2% COLA	2.0% at 62; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	60	62
Monthly Benefits, as a % of Eligible Compensation	3.00%	2.00%
Required Employee Contribution Rates	8.00%	7.75%
Required Employer Contribution Rates	16.56%	7.96%

Note 9 – Defined Benefit Pension Plan (continued)

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

For the year ended June 30, 2026, the District's contributions recognized as part of the pension expense were $415,186.

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

As of June 30, 2026, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	Proportionate Share of Net Pension Liability
Total Net Pension Liability – Miscellaneous	$2,930,699

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2025, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024 rolled forward to June 30, 2025 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2025 and 2026 was as follows:

	Miscellaneous
Proportion – June 30, 2025	0.06826%
Proportion – June 30, 2026	0.07347%
Change – Increase/(Decrease)	0.00521%

Note 9 – Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2026, the District recognized pension expense of $618,207. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 445,449	$ -
Differences between employer's contributions and proportionate share of contributions	94,955	-
Changes of assumptions	-	-
Differences in projected and actual experience	351,168	-
Net differences between projected and actual earnings on pension plan investments	-	(396,556)
Change in employer's proportion	-	(129,322)
Total	$ 891,572	$ (525,878)

$445,449 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2027	$ 353,295
2028	(98,215)
2029	(183,454)
2030	(151,381)
	$ (79,755)

Note 9 – Defined Benefit Pension Plan (Continued)

Actuarial Methods Assumptions – The collective total pension liability for the June 30, 2024 measurement period was determined by an actuarial valuation as of June 30, 2025, with update procedures used to roll forward the total pension liability to June 30, 2025. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' membership date for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

[1] The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Note 9 – Defined Benefit Pension Plan (Continued)

Discount rate – The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected rate of returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2025.

Note 9 – Defined Benefit Pension Plan (Continued)

The table below reflects long-term expected real rates of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation [1]	Real Return[2]
Public Equity	37%	4.56%
Private Equity	17%	5.56%
Fixed Income	28%	2.53%
Real Assets	15%	3.03%
Private Debt	8%	4.93%
Strategic Leverage	-5%	1.40%
Total	100%	

[1] Figures are based on the 2024 Mid-Cycle Asset Liability Management study.

[2] An expected inflation of 2.30% is used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.90%) or 1-percentage point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability	$ 4,551,006	$ 2,930,699	$ 1,597,203

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

Payable to the Pension Plan – At June 30, 2026, the District has no amount to report as outstanding amount of contributions to the pension plan required for the year ended June 30, 2026.

Note 10 – Other Post Employment Benefits (OPEB) Plan

Plan Description and Benefits Provided

Non-Represented Operational Employees:

Effective July 1, 2013 all newly hired employees will not be eligible for payment of medical premiums upon retirement.

Current employees are still eligible to receive the District's contribution for medical benefits contingent upon reaching a minimum age of 55 and completing 20-years of service with the District. The benefit ends at Retiree's age 65 or if the employee is deceased before reaching the age of 65. Spouses may also be covered.

All existing benefits presently enjoyed by employees within the Non-Represented Operational Unit shall remain in full force and effect during the life of this agreement, except as they may be amended by District Policy (MOU's).

Management/Administration Employees

Employees hired before October 1, 1992 are eligible for District-paid retiree medical coverage upon attaining age 50 with at least 10 years of District service. Employees hired on or after October 1, 1992 are eligible upon attaining age 55 with at least 20 years of District service. Coverage continues until the retiree reaches age 65 or dies, if earlier. Eligible spouses may also be covered.

District Contribution

Effective July 1, 2024 the District pays the full medical premium for eligible retirees and their covered dependents. Dental and vision coverage are not provided after retirement.

Plan Provision Changes

Effective July 1, 2024, the District contribution was changed from capped/shared-premium to fully covered premium as described in District Contribution.

Note 10 – Other Post Employment Benefits (OPEB) Plan (continued)

Employees Covered

As of the June 30, 2025 actuarial valuation, the following inactive and active employees were covered by the benefit terms under the OPEB Plan:

Retirees and beneficiaries receiving benefits	1
Active plan members eligible	7
Total	8

Contributions

The District provides benefits on a pay-as-you-go basis. The District's employees are not required to contribute to the plan.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined using the Entry Age Normal Method with a valuation date of June 30, 2025. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:	
Salary Increases	2.80% annual increases
Discount rate	5.20%, net of OPEB plan investment expense
Health care cost trend rates	Actual for 2025 and a range of 8.63% to 4.00% for 2025 and later years

Mortality rates were based on the CalPERS 2021 valuations.

Assumption Changes:

1. Trend was updated to reflect the Society of Actuaries recommended 2025 Getzen Model.
2. The discount rate increased from 3.97% to 5.20%
3. Salary scale decreased from 3.25% to 2.80% consistent with CalPERS assumptions

Long-term Expected Rate of Return

Not applicable, the District has reported no plan assets as of June 30, 2026.

Note 10 – Other Post Employment Benefits (OPEB) Plan (continued)

Discount Rate

Accounting standards for OPEB require a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;

b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

The discount rate used to measure the total OPEB liability is based on a blend of (i) the long-term expected rate of return on plan assets for benefits projected to be covered by investments and (ii) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa or higher for any benefits not expected to be covered by plan assets:

	June 30, 2025	June 30, 2024
Discount Rate	5.20%	3.97%
Fidelity Municipal 20-Bond GO Index	N/A	3.97%
Bond Buyer 20-year Bond GO Index	5.20%	N/A

Changes in the Net OPEB Liability

The changes in the Net OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Beginning of the year	$ 429,182	$ -	$ 429,182
Changes recognized for the measurement period			
Service cost	20,005	-	20,005
Interest	16,939	-	16,939
Differences between expected and actual experience	105,306	-	105,306
Changes of assumptions	8,219	-	8,219
Benefit payments	(45,490)	(45,490)	-
Contributions - employer	-	45,490	(45,490)
Change of benefit terms	47,546	-	47,546
End of the year	$ 581,707	$ -	$ 581,707

Note 10 – Other Post Employment Benefits (OPEB) Plan (continued)

Sensitivity of the District's Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
Net OPEB Liability	$ 547,605	$ 581,707	$ 617,094

Sensitivity of the District's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease	Trend Rate	1% Increase
Net OPEB Liability	$ 531,944	$ 581,707	$ 638,682

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period is 5 years which is the expected average remaining service lives (EARSL) of plan participants.

Note 10 – Other Post Employment Benefits (OPEB) Plan (continued)

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2026, the District recognized OPEB expense of $80,171. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 4,516	$ -
Difference between expected and actual plan experience	107,673	(31,884)
Changes in assumptions	26,887	(12,877)
	$ 139,076	$ (44,761)

The $4,516 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2025 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2027. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30	
2027	$ 1,742
2028	9,984
2029	20,360
2030	17,075
2031	14,443
Thereafter	26,195
	89,799

Note 11 – Risk Management

The District is exposed to various risks of loss to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District joined together with other special districts for insurance coverage under Special District Risk Management Authority (SDRMA). The District pays an annual premium to SDRMA for its general insurance coverage.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, and employee health and accident insurance.

Note 12 – Reconciliation of Government-Wide and Fund Financial Statements

A) Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Amounts reported for governmental activities in the Statement of Net Position are different from the fund balance of the General Fund because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the General Fund	$ 12,022,241
Post-retirement benefits are not due and payable in the current period and therefore are not reported in the General Fund	(581,707)
Deferred inflows of resources related to net pension liability and OPEB, represent an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as inflow of resources (revenue) until that time	(570,639)
Deferred outflows of resources related to net pension liability and OPEB, represent a consumption of net position or fund balance that applies to future period(s) and so will not be recognized as outflow of resources (expenses) until that time	1,030,648
Only current liabilities are recorded in the General Fund balance sheet. In the statement of net position, all liabilities, including long-term liabilities, are reported.	
Long-term liabilities relating to governmental activities consist of:	
Lease liabilities	(371,837)
Note payable	(5,000,000)
Net pension liability	(2,930,699)
Net adjustment to increase net change in fund balances to arrive at net position of governmental activities	$ 3,598,007

Note 12 – Reconciliation of Government-Wide and Fund Financial Statements (Continued)

B) Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

Amounts reported for governmental activities in the Statement of Activities are different from the governmental fund statement of revenues, expenditures, and changes in fund balance because:

Compensated absences costs in the Statement of Activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.	$	(135,310)
Post-retirement benefit costs in the Statement of Activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund		43,034
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities and Changes in Net Position the cost of those assets are capitalized as an asset and depreciated over the period of service		(197,141)
Repayment of long-term debt is an expenditure in the General Fund, but the repayment reduces long-term liabilities in the statement of net position		(126,337)
Pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the General Fund		172,758
Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not recorded as expenditures in the General Fund		516,523
Proceeds from long-term debt is revenue in governmental funds, but the borrowing increases long-term liabilities in the statement of net position		82,387
Net adjustment to decrease net change in fund balances total governmental funds to arrive at change in net position of governmental activities	$	355,914

Note 13 – Subsequent Events

The District evaluated subsequent events for recognition and disclosure through September 30, 2026, the date which these financial statements were available to be issued. Management concluded that no other material subsequent events have occurred since June 30, 2026 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
JUNE 30, 2026

	Budgeted Amounts		Actual Amounts Budgetary (and GAAP	Variance with Final Budget- over (under)
	Original	Final	Basis)	Actual Amounts
Revenue				
Property taxes	$ 3,481,750	$ 3,481,750	$ 4,165,855	$ 684,105
Parcel fees and service charges	1,100,000	1,100,000	1,190,622	90,622
Interest	50,000	50,000	167,685	117,685
Other income	140,100	140,100	154,051	13,951
Total budgetary revenues	4,771,850	4,771,850	5,678,213	906,363
Expenditures				
Salaries and wages	1,301,200	1,301,200	1,525,240	224,040
Employee benefits	929,000	929,000	1,116,457	187,457
Chemicals	900,000	900,000	1,014,336	114,336
Communications	30,000	30,000	35,750	5,750
Insurance	116,500	116,500	161,601	45,101
Repairs and maintenance	63,000	63,000	29,453	(33,547)
Memberships and publications	31,500	31,500	16,642	(14,858)
Office	50,000	50,000	27,596	(22,404)
Equipment rent	23,663	23,663	20,020	(3,643)
Professional services	172,000	172,000	155,638	(16,362)
Special district expenditures	39,500	39,500	52,177	12,677
Materials and supplies	42,000	42,000	31,016	(10,984)
Travel and transportation	53,000	53,000	40,713	(12,287)
Gas and petroleum	60,000	60,000	59,601	(399)
Utilities	21,000	21,000	27,051	6,051
Other	2,500	2,500	5,822	3,322
Principal payment	126,337	126,337	126,337	-
Interest	100,000	100,000	266,522	166,522
Capital outlay	100,000	100,000	197,141	97,141
Total budgetary expenditures	4,161,200	4,161,200	4,909,113	747,913
Budgetary revenue over (under) expenditures	610,650	610,650	769,100	158,450
Other Financing Sources				
Issuance of long-term debt - leases	-	-	82,387	82,387
Net Change in Fund Balance	610,650	610,650	851,487	240,837
Budgetary fund balance - beginning of year	4,490,945	4,490,945	4,490,945	-
Budgetary fund balance - end of year	$ 5,101,595	$ 5,101,595	5,342,432	$ 240,837
RECONCILIATION TO GAAP BASIS				
Total fund balance GAAP basis			$ 5,342,432	

MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2026

	General Fund over (under)
BUDGETARY REVENUES	
Differences-final budget to actual	
Property taxes: the District budgeted conservatively resulting in underbudgeting	$ 684,105
Parcel fees and service charges: the District budgeted conservatively resulting in underbudgeting	90,622
Interest: the District budgeted conservatively resulting in underbudgeting	117,685
BUDGETARY EXPENDITURES	
Differences-final budget to actual	
Salaries and wages: new positions were created and certain employees were reclassified	224,040
Employee benefits: new positions were created and certain employees were reclassified	187,457
Chemicals: the District's drone malfunctioned, therefore the District was unable to utilize it for treatments These services were contracted out, requiring the District to use specific products, resulting in additional expenses	114,336
Interest: the District underbudgeted interest expenditures	166,522
Capital outlay: the District underbudgeted capital outlay for equipment purchases	97,141
Other Financing Sources	
Differences-final budget to actual	
Issuance of long-term debt - leases: the District did not budget for issuance of new fleet leases	82,387

MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS LAST 10 YEARS* FOR THE MEASUREMENT PERIODS ENDED JUNE 30,

Fiscal Year Ending	2026	2025	2024	2023	2022	2021	2020
Measurement date	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Discount rate on measurement date	5.20%	3.97%	3.86%	3.69%	2.16%	2.21%	3.50%
Total OPEB Liability							
Service cost	$ 20,005	$ 19,410	$ 13,675	$ 17,261	$ 20,287	$ 14,947	$ 14,962
Interest	16,939	16,480	14,546	9,577	11,545	17,113	23,005
Differences between expected and actual experience	105,306	-	28,608	3,348	(88,227)	(1,465)	(95,307)
Changes of assumptions	8,219	(2,368)	4,607	(31,212)	24,346	42,714	(11,436)
Benefit payments, including refunds of employee contributions	(45,490)	(23,543)	(45,490)	(43,383)	(47,803)	(42,462)	(31,042)
Change in benefit terms	47,546	-	-	-	1,625	-	-
Net Change in Total OPEB Liability	152,525	9,979	15,946	(44,409)	(78,227)	30,847	(99,818)
Total OPEB Liability - beginning (a)	$ 429,182	$ 419,203	$ 403,257	$ 447,666	$ 525,893	$ 495,046	$ 594,864
Total OPEB Liability - ending (b)	$ 581,707	$ 429,182	$ 419,203	$ 403,257	$ 447,666	$ 525,893	$ 495,046
Net Change in Plan Fiduciary Net Position	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Plan Fiduciary Net Position - beginning (c)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Plan Fiduciary Net Position - ending (d)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net OPEB Liability - beginning (a) - (c)	$ 429,182	$ 419,203	$ 403,257	$ 447,666	$ 525,893	$ 495,046	$ 594,864
Net OPEB Liability - ending (b) - (d)	$ 581,707	$ 429,182	$ 419,203	$ 403,257	$ 447,666	$ 525,893	$ 495,046
Covered-employee payroll	$ 1,331,408	$ 1,099,498	$ 1,060,719	$ 927,085	$ 867,630	$ 705,767	$ 749,885
District's net OPEB liability as a percentage of covered-employee payroll	44%	39%	40%	43%	52%	75%	66%

Notes to Schedule:
The discount rate changed from 3.97% as of June 30, 2024, to 5.20% as of June 30, 2025 (Measurement dates).
*Fiscal year 2019-2020 was the first year of implementation, therefore only seven years are shown.

MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 YEARS
YEAR ENDED JUNE 30, 2026

	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered - employee payroll	Proportionate share of the net pension liability as a percentage of covered-employee payroll	Plan's fiduciary net position	Plan's fiduciary net position as a percentage of the Total Pension Liability
2016	0.06080%	$ 2,112,149	$ 799,979	264.03%	$ 5,980,603	73.90%
2017	0.06122%	$ 2,413,502	$ 740,052	326.13%	$ 6,578,187	73.16%
2018	0.06443%	$ 2,428,192	$ 737,065	329.44%	$ 7,160,916	74.68%
2019	0.06698%	$ 2,682,175	$ 811,572	330.49%	$ 7,203,733	72.87%
2020	0.06777%	$ 2,858,480	$ 781,636	365.70%	$ 7,332,068	71.95%
2021	0.09439%	$ 1,792,254	$ 876,871	204.39%	$ 8,599,317	82.75%
2022	0.06812%	$ 3,187,311	$ 961,049	331.65%	$ 7,571,958	70.38%
2023	0.06713%	$ 3,356,620	$ 996,640	336.79%	$ 7,853,876	70.06%
2024	0.06826%	$ 3,301,394	$ 1,210,813	272.66%	$ 8,219,874	71.35%
2025	0.07347%	$ 2,930,699	$ 1,332,753	219.90%	$ 9,076,226	75.59%

MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS
YEAR ENDED JUNE 30, 2026

	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2017	$ 211,290	$ (211,290)	$ -	$ 740,052	28.55%
2018	$ 133,584	$ (133,584)	$ -	$ 737,065	18.12%
2019	$ 250,227	$ (250,227)	$ -	$ 811,572	30.83%
2020	$ 302,577	$ (302,577)	$ -	$ 781,636	38.71%
2021	$ 345,837	$ (345,837)	$ -	$ 876,871	39.44%
2022	$ 338,521	$ (338,521)	$ -	$ 961,049	35.22%
2023	$ 371,357	$ (371,357)	$ -	$ 996,640	37.26%
2024	$ 390,011	$ (390,011)	$ -	$ 1,147,332	33.99%
2025	$ 415,186	$ (415,186)	$ -	$ 1,210,813	34.29%
2026	$ 445,449	$ (445,449)	$ -	$ 1,332,753	33.42%

RYAN P. JOLLEY
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

Ryan P. Jolley C.P.A.
Bryant L. Jolley C.P.A.
Darryl L. Smith C.P.A.
Luis A. Perez C.P.A.
Brandon J. Lang C.P.A.
Lan T. Kimoto
Kali A. Kaakah

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 Trustees
Merced County Mosquito Abatement District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Merced County Mosquito Abatement District (the "District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ryan L Jolley CPA APC

Fresno, California
September 30, 2026