Herlong Public Utility District

FINANCIAL STATEMENTS

AUDIT REPORT

December 31, 2025

May 15, 2026

Herlong Public Utility District

Herlong, CA

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of Herlong Public Utility District as of and for the year-ended December 31, 2025, as listed in the Table of Contents. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Herlong Public Utility District as of and December 31, 2025, and the respective changes in financial position, and cash flows where applicable for the years then ended, in conformity 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 (GAGAS). 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

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 statem ent 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 GAGAS 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.

Certified Public Accountant || Master of Business Administration
1 E Liberty St, Ste 600 | Reno, NV 89501 | Phone: 707-279-4259 | Zach@PehlingCPA.com

In performing an audit in accordance with GAGAS, 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.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information and Budget VS. Actual comparison 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 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 principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with managements 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 assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide an assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2026, on our consideration of the Herlong Public Utility 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

PNPCPA

Certified Public Accountant || Master of Business Administration
1 E Liberty St, Ste 600 | Reno, NV 89501 | Phone: 707-279-4259 | Zach@PehlingCPA.com

Herlong Public Utility District

Audit Report
December 31, 2025

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Herlong Public Utility District
Management's Discussion and Analysis
For the Year-Ended December 31, 2025

Our discussion and analysis of the financial activities for the fiscal year-ended December 31, 2025. Please review it in conjunction with the District's basic financial statements.

Financial Highlights

The District has shown a pattern of increasing revenues over the past years.

2025

- Total Net Position was $25,413,744
- Overall Revenues were $ 1,743,780
- Overall Expenses were $ 2,242,888

2024

- Total Net Position was $25,912,879
- Overall Revenues were $ 2,277,398
- Overall Expenses were $ 2,170,880

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of four statements (1) Net Position, (2) Activities, (3) Proprietary fund statement of Net Position, (4) Proprietary fund statement of Revenues and Expenses and the Notes to the Financial Statements. This report also contains supplementary information in addition to the basic financial statements themselves.

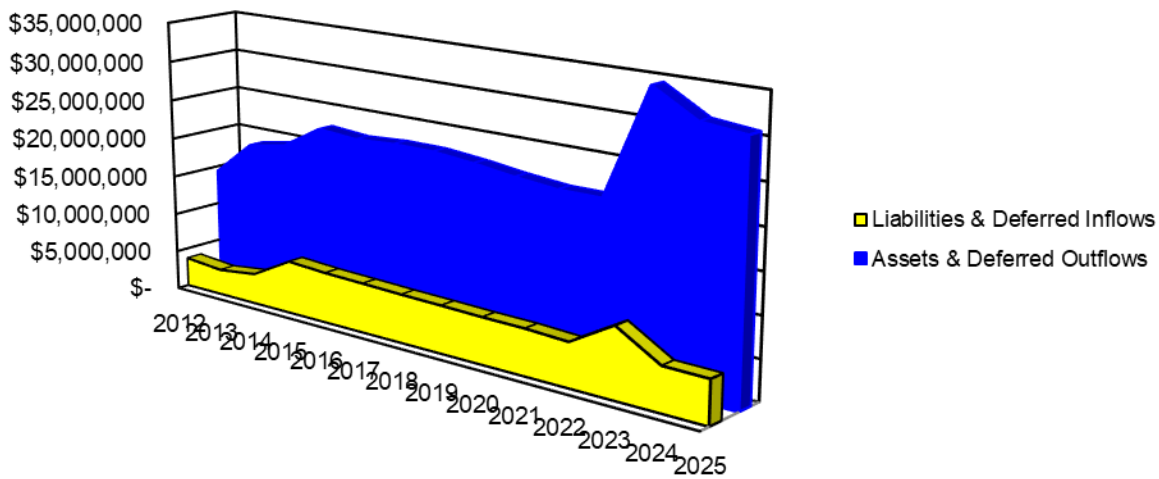
The District's financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The District is responsible for ensuring that the assets reported are used for their intended purposes. The District's activities have increased greatly with the SIAD project and USDA sewer project and SWRCB water and sewer projects for West Patton Village.

The following graphs depict the financial information from our financial statements of the District. A discussion and analysis of the graphs of our financial information is as follows:

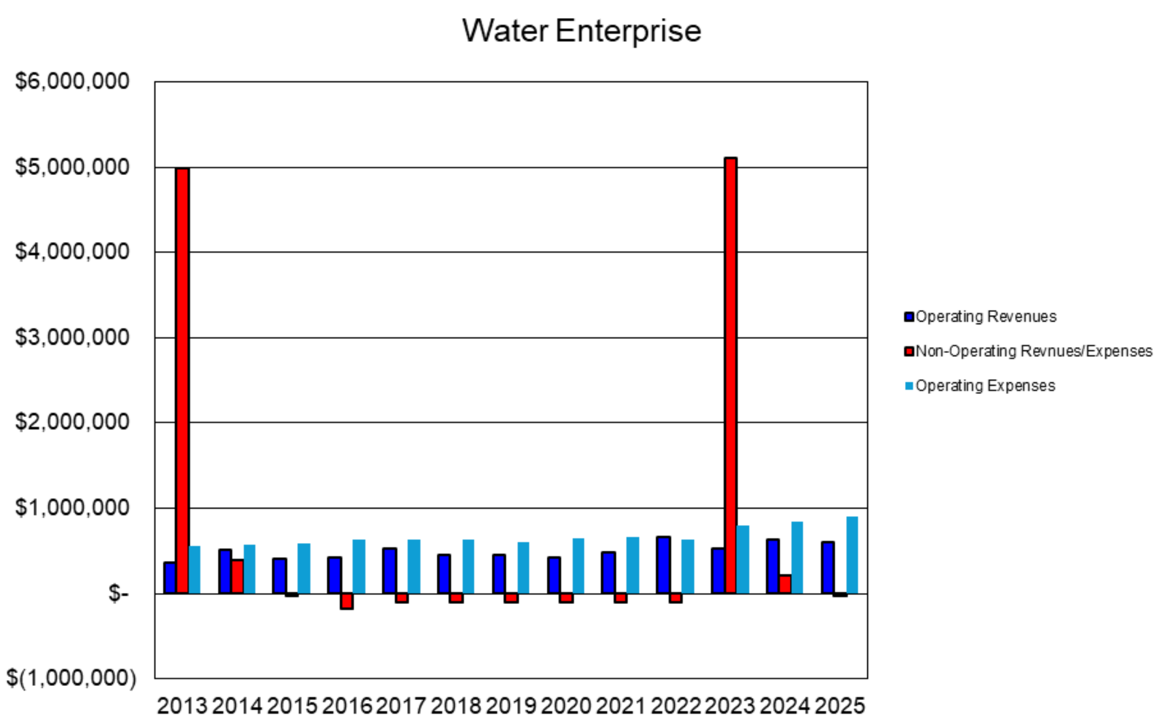
Statement of Net Position

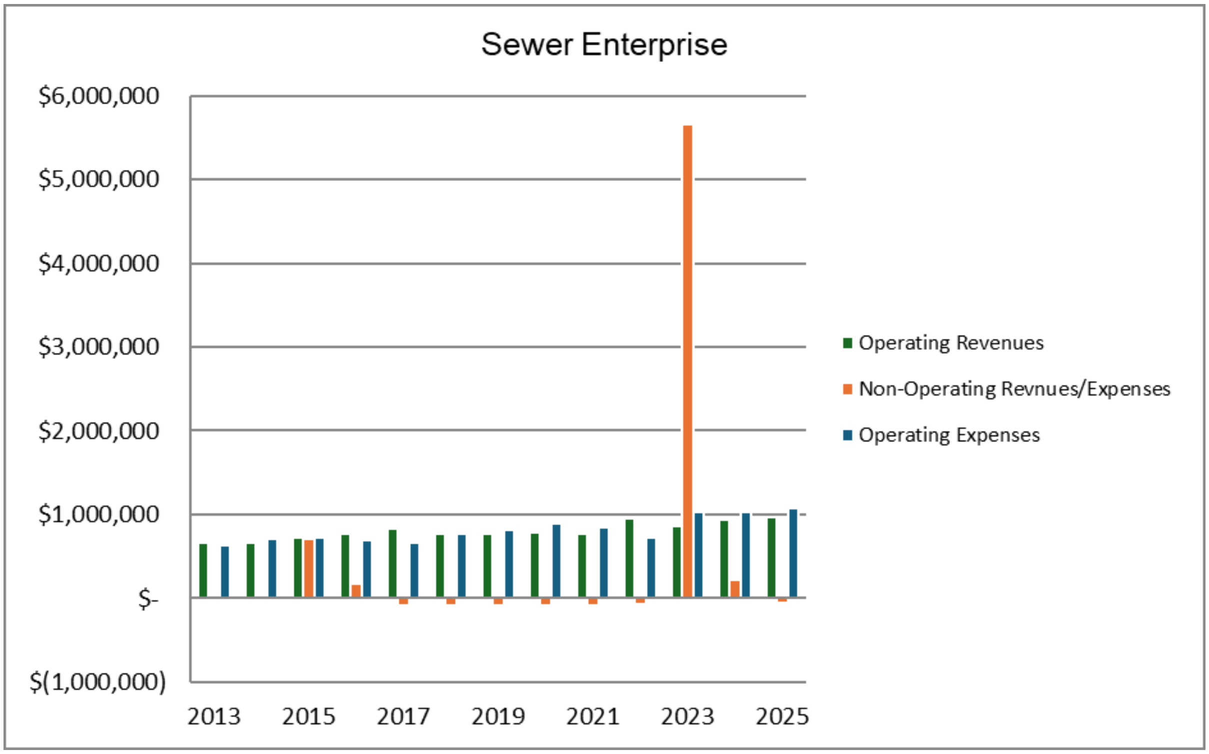
Analyzing the flow of all of the assets and liabilities of the District over this time period. As seen in the graph the District has shown large increases in Assets. This was accomplished through several USDA grants/loans for the building of water and sewer infrastructure. Most recently in 2023 and 2024 for WPV



Statement of Activities

Matching the revenue and the expenses of the District by the fiscal year. In FY 2013 the District received the bulk of the SIAD grant contract. By 2014 the grant was almost completed and therefore non-operating revenues were lower. In 2023 grant revenues for the WPV project was received

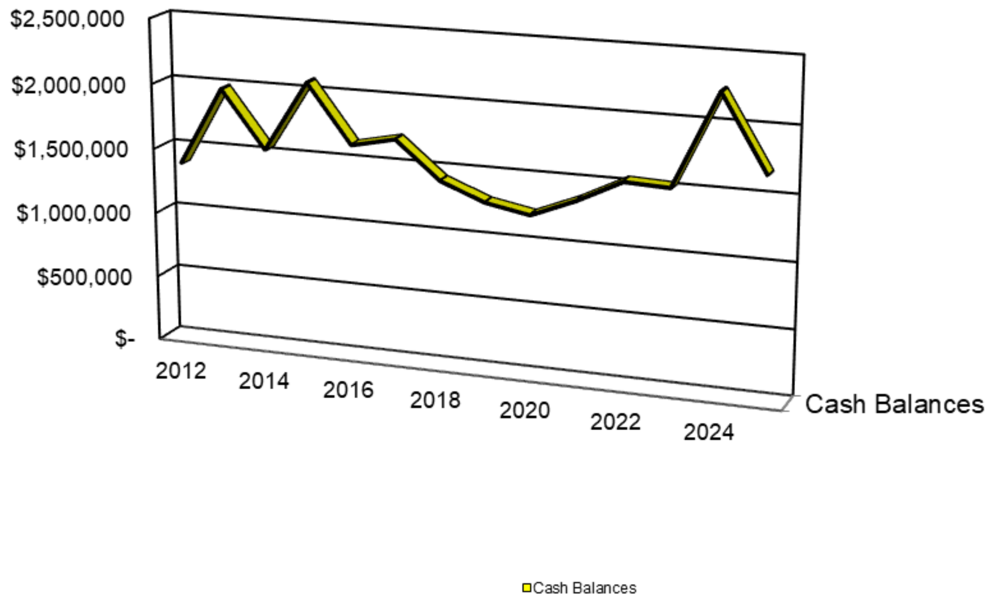


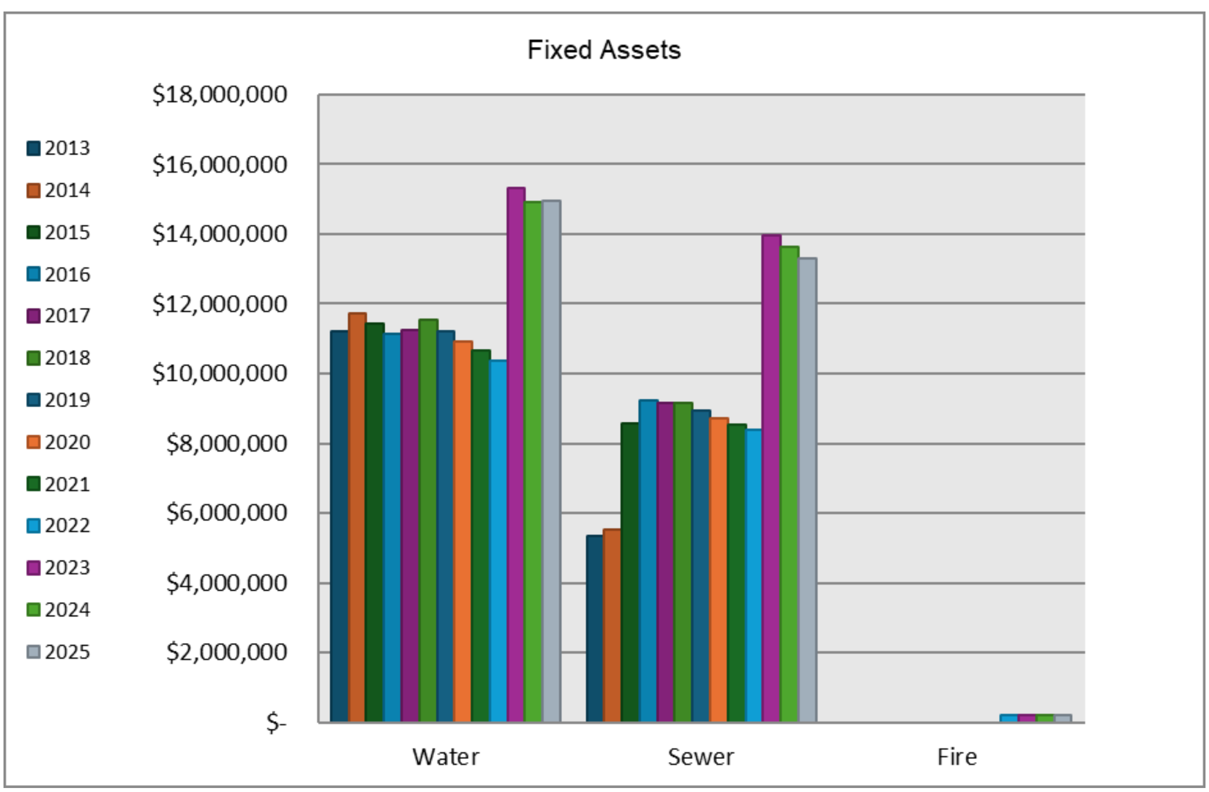


Matching the revenue and the expenses of the District by the fiscal year. In FY 2015 the District received the bulk of the USDA sewer grant/loan. Interest Expense makes up the primary portion of non-operating deficit.

Statement of Cash Flows

Observing the cash balance at the District's year-end shows the funds available to meet current operating needs, pay current liabilities, and meet the amount of current deferred revenue resulting from grant receipts prior to the grant or project completion.


$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$-
2012
2014
2016
2018
2020
2022
2024
Cash Balances
Cash Balances


Fixed Assets
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
Water
Sewer
Fire

Notes to the financial statements.
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all citizens, taxpayers, customers, investors, and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Herlong Public Utility District, PO Box 115, Herlong, California 96113

Herlong Public Utility District

Statement of Net Position
December 31, 2025

	Governmental Activities	Business-type Activites	Total
ASSETS & DEFERRED OUTFLOWS			
Current Assets:			
Cash	$ 165,743	$ 1,509,415	$ 1,675,158
Restricted Investment USDA	-	298,842	298,842
Pre-paid Expenses	2,552	49,334	51,886
Accounts Receivable	43,429	183,088	226,517
Total Current Assets	211,724	2,040,675	2,252,399
Fixed Assets:			
CIP	-	426,538	426,538
Land	-	1,079,880	1,079,880
Buildings and Improvements	-	35,628,012	35,628,012
Equipment	231,124	813,387	1,044,511
Less: Accumulated Depreciation	(30,816)	(9,658,627)	(9,689,443)
Total Fixed Assets	200,308	28,289,189	28,489,497
Other Assets:			
Loan Receivable	-	-	-
Total Other Assets	-	-	-
DEFERRED OUTFLOWS			
Deferred outflows	-	37,281	37,281
TOTAL DEFERRED OUTFLOWS	-	37,281	37,281
TOTAL ASSETS & DEFERRED OUTFLOWS	412,032	30,367,144	30,779,177
LIABILITIES & DEFERRED INFLOWS			
Current Liabilities:			
Notes Payable - Current Portion	-	114,000	114,000
Accounts Payable & Accrued Liabilities	818	63,126	63,944
Unearned Revenue	20,041	-	20,041
Accrued Vacation	3,707	53,543	57,250
Total Current Liabilities	24,566	230,668	255,235
Long-Term Liabilites:			
Net Pension Liability	-	70,725	70,725
Notes Payable	-	4,999,000	4,999,000
Total Long-Term Liabilities	-	5,069,725	5,069,725
TOTAL LIABILITIES	24,566	5,300,393	5,324,960
DEFERRED INFLOWS	-	40,476	40,476
TOTAL LIABILITIES AND DEFERRED INFLOWS	24,566	5,340,869	5,365,436
NET POSITION			
Net Investment in Capital Assets	200,308	23,176,189	23,376,497
Restricted	-	298,842	298,842
Unrestricted	187,159	1,551,245	1,738,405
TOTAL NET POSITION	$ 387,467	$ 25,026,276	$ 25,413,744

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

Herlong Public Utility District
Statement of Activities
For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Business-type Activities	Total
Primary government						
Governmental Activities						
Fire Service	$ 41,658	$ 351	$ -	$ (41,307)	$ -	$ (41,307)
Administration	21,160	-	-	(21,160)	-	(21,160)
Depreciation	7,704	-	-	(7,704)	-	(7,704)
Interest on long-term debt	-	-	-	-	-	-
Total governmental activities	70,522	351	-	(70,171)	-	(70,171)
Business-type activities						
Water	1,005,914	599,453	-	-	(406,461)	(406,461)
Wastewater	1,148,317	963,704	-	-	(184,613)	(184,613)
Parks	5,397	-	-	-	(5,397)	(5,397)
Lighting	12,746	9,869	-	-	(2,877)	(2,877)
Total business-type activities	2,172,374	1,573,026	-		(599,348)	(599,348)
Total primary government	2,242,896	1,573,377	-	(70,171)	(599,348)	(669,519)

	Governmental Activities	Business-type Activities	Total
General revenues:			
Taxes:			
Property taxes, levied for general purposes	$ 83,170	$ 2,504	$ 85,674
Unrestricted investment earnings	-	84,709	84,709
Miscellaneous	-	-	-
Total general revenues, special items	83,170	87,213	170,383
Change in net position	12,999	(512,133)	(499,135)
Net Position - beginning	374,468	25,538,409	25,912,877
Net Position - ending	$ 387,467	$ 25,026,276	$ 25,413,743

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

Herlong Public Utility District

Statement of Net Position - Proprietary Funds
December 31, 2025

	Water	Sewer	Lighting	Parks	Total
ASSETS & DEFERRED OUTFLOWS					
Current Assets:					
Cash	$ 653,547	$ 847,989	$ (3,470)	$ 11,349	$ 1,509,415
Restricted Investment USDA	165,600	133,242	-	-	298,842
Pre-paid Expenses	12,334	37,000	-	-	49,334
Accounts Receivable	96,377	83,540	3,172	-	183,088
Total Current Assets	927,850	1,101,771	(298)	11,349	2,040,672
Fixed Assets:					
CIP	426,538	-	-	-	426,538
Land	737,899	341,981	-	-	1,079,880
Buildings and Improvements	18,787,271	16,825,327	-	15,414	35,628,012
Equipment	607,110	206,275	-	-	813,385
Less: Accumulated Depreciation	(5,589,199)	(4,067,886)	-	(1,541)	(9,658,626)
Total Fixed Assets	14,969,619	13,305,697	-	13,873	28,289,189
Other Assets:					
Loan Receivable	-	-	-	-	-
Total Other Assets	-	-	-	-	-
DEFERRED OUTFLOWS					
Deferred outflows	12,427	24,854	-	-	37,281
TOTAL DEFERRED OUTFLOWS	12,427	24,854	-	-	37,281

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

TOTAL ASSETS & DEFERRED OUTFLOWS	15,909,896	14,432,322	(298)	25,222	30,367,142
LIABILITIES & DEFERRED INFLOWS					
Current Liabilities:					
Notes Payable - Current Portion	56,000	58,000	-	-	114,000
Accounts Payable & Accrued Liabilities	54,218	8,908	-	-	63,126
Accrued Vacation	14,312	39,230	-	-	53,542
Total Current Liabilities	124,530	106,138	-	-	230,668
Long-Term Liabilites:					
Net Pension Liability(Asset)	23,641	47,083	-	-	70,724
Notes Payable	2,363,000	2,636,000	-	-	4,999,000
Total Long-Term Liabilities	2,386,641	2,683,083	-	-	5,069,724
TOTAL LIABILITIES	2,511,171	2,789,221	-	-	5,300,392
DEFERRED INFLOWS	13,759	26,717	-	-	40,476
TOTAL LIABILITIES AND DEFERRED INFLOWS	2,524,930	2,815,938	-	-	5,340,869
NET POSITION					
Net Investment in Capital Assets	12,550,619	10,611,697	-	13,873	23,176,189
Restricted	165,600	133,242	-	-	298,842
Unrestricted	668,747	871,445	(298)	11,349	1,551,245
TOTAL NET POSITION	$ 13,384,966	$ 11,616,384	$ (298)	$ 25,222	$ 25,026,276

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

Herlong Public Utility District

Statement of Revenues, Expenses & Change in Net Position
For the Year Ended
December 31, 2025

	Proprietary Funds Statements				Total Memorandum Only
	Water	**Waste Water**	**Lighting**	**Parks**	
OPERATING REVENUES					
Charges for Services	$ 599,453	$ 963,704	$ 9,869	$ -	$ 1,573,026
Operating Grants	-	-	-	-	-
Total Operating Revenues	599,453	963,704	9,869	-	$ 1,573,026
OPERATING EXPENSES					
Water Treratment, Transmission & Distribution	472,277	-	-	-	472,277
Sewer Treatment & Disposal	-	602,297	-	-	602,297
Lighting Service	-	-	9,830	-	9,830
Parks Service	-	-	-	4,626	4,626
Administrative	28,953	132,167	2,916	-	164,036
Depreciation	400,644	338,929	-	771	739,573
TOTAL OPERATING EXPENSES	901,874	1,073,393	12,746	5,397	1,992,639
NON-OPERATING REVENUES/EXPENSES					
Grants	-	-	-	-	-
Interest Expense	(104,040)	(74,924)	-	-	(178,964)
Interest Income	71,419	13,290	-	-	84,709
Taxes and Intergovernmental	-	-	2,504	-	2,504
Total Non-Operating Revenues/Expenses	(32,621)	(61,634)	2,504	-	(91,751)
NET CHANGE IN NET POSITION	(335,042)	(171,323)	(373)	(5,397)	(512,135)
NET POSITION, BEGINNING OF YEAR	13,720,008	11,787,707	75	30,619	25,538,409
NET POSITION, END OF YEAR	$ 13,384,966	$ 11,616,384	$ (298)	$ 25,222	$ 25,026,276

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

Herlong Public Utility District
Statement of Cash Flows
For the Year-Ended
December 31, 2025

	Enterprise Funds				
	Water	Sewer	Lighting	Parks	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Charges for Service and Operating Grants	$ 574,799	$ 966,881	$ 9,442	$ -	$ 1,551,122
Deduct: Cash paid for Operating Expenses	(447,392)	(712,362)	(12,746)	(4,627)	(1,177,127)
NET CASH FLOWS FROM OPERATING ACTIVITIES	127,407	254,519	(3,304)	(4,627)	373,995
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Tax Assessment	-	-	-	-	-
Interest Expense	(104,040)	(74,924)	-	-	(178,964)
Payment on Principle on Notes Payable	(56,000)	(58,000)	-	-	(114,000)
Purchase of Capital Assets	(459,041)	(13,800)	-	-	(472,841)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(619,081)	(146,724)	-	-	(765,805)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Property Tax Receipts	-	-	2,504	-	2,504
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-	-	2,504	-	2,504
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase Investment CD's	-	-	-	-	-
Interest Receipts	71,419	13,290	-	-	84,709
NET CASH FLOWS FROM INVESTING ACTIVITIES	71,419	13,290	-	-	84,709
NET INCREASE (DECREASE) IN CASH	(420,255)	121,085	(800)	(4,627)	(304,596)
CASH, BEGINNING OF YEAR	1,073,802	726,904	(2,670)	15,976	1,814,013
CASH, END OF YEAR	$ 653,547	$ 847,989	$ (3,470)	$ 11,350	$ 1,509,415
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	$ (302,421)	$ (109,689)	$ (2,877)	$ (5,397)	$ (412,110)
Adjustments to reconcile operating income to net cash provided by operating activities					
Add back depreciation	400,644	338,929	-	-	739,573
Add back Pension Expense	10,472	20,943	-	-	31,415
(Increase) Decrease in Operating Accounts Receivable	(24,654)	3,177	(427)	-	(21,477)
(Increase) Decrease in Prepaid	2,678	8,033	-	-	10,711
Increase (Decrease) in Accounts Payable	39,227	(10,990)	-	771	28,237
Increase (Decrease) in Accrued Liabilities	1,461	4,116	-	-	5,577
Net Cash Provided by Operating Activities	$ 127,407	$ 254,519	$ (3,304)	$ (4,626)	$ 373,996

The accompanying notes to the financial statements are an integral part of this statement.

Herlong Public Utility District

Balance Sheet
December 31, 2025

ASSETS & DEFERRED OUTFLOWS		Fire
Current Assets:		
Cash	$	165,743
Prepaid Expenses		2,552
Accounts Receivable		43,429
Total Current Assets		211,724
TOTAL ASSETS & DEFERRED OUTFLOWS		211,724
LIABILITIES & DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable & Accrued Liabilities		818
Unearned Revenue		20,041
Total Current Liabilities		20,859
TOTAL LIABILITIES		20,859
Fund Balance		
Restricted		-
Unrestricted		190,865
TOTAL FUND BALANCE	$	190,865

Total Fund Balances - Governmental Funds	$	190,865
Capital Assets used in Governmental Funds are not financial resources and therefore are not reported as assets in the Governmental Funds.		
Total Historical Cost of Capital Assets		231,124
Less: Accumulated Depreciation		(30,816)
Accrued Vacation is not due in the current period and therefore, are not reported as liabilities in the governmental funds.		(3,707)
Net Position	$	387,467

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

Herlong Public Utility District

Statement of Revenues, Expenditures & Change in Fund Balance
For the Year Ended
December 31, 2025

	Fire
Expenditrues	
Salaries, Services, & Supplies	$ 62,549
Total Expenditures	62,549
Revenues	
Chargers for Service	351
Misc. Income	-
Taxes and Intergovernmental	83,169
TOTAL REVENUES	83,520
NET CHANGE IN FUND BALANCE	20,971
FUND BALANCE, BEGINNING OF YEAR	169,894
NET POSITION, END OF YEAR	$ 190,865

Net Change in Fund Balances - Total Governmental Funds	$ 20,971
Amounts reported for governmental activities in the Statement of Activities are different as follows:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense during the year	
Current Year Capital Outlays	0
Less: Current Year Depreciation Expense	(7,704)
In the Government Funds expenditure is measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities,Interest expense is measured by the amounts accrued during the year.	(268)
Change in Net Position of Governmental Activities	$ 12,999

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

Herlong Public Utility District
Notes to Financial Statements
December 31, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Herlong Public Utility District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Description of the Reporting Entity

The District was established in 2/14/2008, under the California State Government Code. The District currently provides water, sewer services, fire services, lighting and parks throughout the Herlong and West Patton Village after the annexation of the WPV CSD.

The District is a governed entity administered by a Board of Directors (Board) that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members who are elected by voters living within the District's boundaries. Elections are held within the Board to appoint the President. The President's responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission, or business organization; and exercise supervision over the business of the District, its officers, and its employees.

The accompanying general-purpose financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

B. Basis of Accounting/Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, revenues, expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

C. Government-Wide Financial Statements

The District Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net

Position. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as operating revenues for the District are reported as charges for services.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities demonstrating the degree to which the direct expenses of a given project are offset by project revenues. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function or segment. Operating revenues include (1) charges paid by the recipients of services offered by the program and (2) grants and contributions that are restricted to meeting the operational or capital requirements if a particular program. Revenues that are not classified as program revenues, including taxes are presented instead as non-operating revenues.

Enterprise Funds – The enterprises funds are used to account for all the financial resources of the District. The enterprise net assets is available to the District for any purpose, provided it is expended or transferred according to the general laws of California and the bylaws of the District. The District maintains separate funds for Water, and Sewer, lighting and parks.

Fire Fund – The Fire Fund is used to account for all financial resources of the District. The fire fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California and the bylaws of the District.

Exchange and Non-Exchange Transactions of Revenues – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the District receives value without directly giving value in return, include taxes and donations. Revenues are recognized when susceptible to accrual, when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Expenses - On an accrual basis of accounting, expenses are recognized at the time they are incurred.

D. Funds on Deposit, County and Bank

The District is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. cash balances held in banks and revolving funds are insured to $250,000 by the FDIC. The remaining balance is fully insured and collateralized.
$298,842 of the cash balances are restricted for future USDA debt repayments.

Interest rate risk. - The District policy is to find highest investment return with maximum security that meets daily cash flow demands.

Credit risk. - The District policy is to use only US treasury bills, registered state warrants or notes or bonds issued by the state of California, bonds notes warrants issued by a local agency within California, obligations issued by the Federal government, prime commercial paper from corporations with assets greater than 500 million with the highest ranking by Moody's or S&P not to exceed 15% for up to 180 days and up to 30% if the average maturity does not exceed 31 days, Bankers acceptance with a term not exceed 270 days up to 40% with not more than 30% in a single commercial bank, 30% of funds in certificates of deposit, repurchase/reverse purchase agreements given that agreement shall be no less than 102% of market value, medium term notes not to exceed 5 years of us corporations rate "A" or better by Mood's or S&P with no more than 30%, shares of beneficial interested issued by a diversified management company up to 15%, mortgage pass through security that are rated "AA" or better up to 30% and bonds issued by the Herlong Public Utility District, collaterlized bank deposits, funds held under the terms of a trust indenture or other contract agreement, or any other investment authorized by Government Code. The District is prohibited from investing in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investments that may result in a zero interest accrual if held to maturity.

Custodial credit risk. - The District is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. cash balances held in banks and revolving funds are insured to $250,000 by the FDIC. The remaining balance is fully insured and collateralized.

Concentration of credit risk. - The District policy is to follow prudent diversification strategies.

E. Accounts Receivable

Accounts receivable are recorded at their gross value, where appropriate are reduced by the portion that is considered uncollectable. Accounts receivable consists primarily of service fees that have been billed but not paid as of year-end. Management believes its receivables to be fully collectable due to the ability to place a lien against property for unpaid receivables and, accordingly no allowance for doubtful accounts is necessary.

F. Prepaid Expenses

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

G. Fixed Assets

Capital assets, which include property, plant, and equipment, infrastructure assets and intangible are reported in the applicable governmental -type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed capital assets are recorded at their estimated fair value on the date received. The current capitalization threshold is $5,000 for an individual item.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

	2025				2024			
	Water	Sewer	Lighting	Parks	Water	Sewer	Lighting	Parks
Fixed Assets:								
CIP	426,538	-	-	-	-	-	-	-
Land	737,899	341,981	-	-	737,899	341,981	-	-
Buildings and Improvements	18,787,271	16,825,327	-	15,414	18,787,271	16,825,327	-	15,414
Equipment	607,110	206,275	-	-	578,068	196,595	-	-
Less: Accumulated Depreciation	(5,589,199)	(4,067,886)	-	(1,541)	(5,188,555)	(3,728,957)	-	(771)
	14,969,619	13,305,697	-	13,873	14,914,683	13,634,946	-	14,643

H. Accounts Payable

On an accrual basis, expenses are recognized in the fiscal year in which the goods or services are received. Payables are liabilities of the District based upon current year charges for goods or services received but not paid in the current year.

I. Accrued Expenses

Any accumulated vacation leave is paid-out to employees at their most recent rate of pay upon termination. The District records a liability for compensated absences based upon total accumulated vacation and comp leave hours. Balances at 2025 and 2024 respectively were 57,249 and 51,404

J. Net Position

The District’s net position represents the difference between its assets and liabilities in the statement of net position. Net position is reported as restricted when there are legal limitations imposed on their use by their source.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

L. Long-Term Debt

All long-term liabilities to be repaid from the governmental resources are reported as liabilities in the government-wide statements.

The following is a summary of long-term liabilities activities of the District for the year ended

	Balance at 2024	Additions	Repayments	Balance at 2025
Long Term Debt				
USDA Water	$ 2,477,000	$ -	$ 56,000	$ 2,421,000
USDA Sewer	2,751,000	-	58,000	2,693,000
Total Long Term Debt	$ 5,228,000	$ -	$ 114,000	$ 5,114,000

USDA Loan/Grant, 4.25% payable in semiannual installments for 40 years to the water fund
One year's payment in reserves with the first 10 years. Total Loan December 2009 $3,075,000.

Herlong Public Utility District
Notes to Financial Statements
December 31, 2025

	2025	2024
USDA loan bearing interest at 4.25%	2,421,000	2,477,000
	2,421,000	2,477,000
Less current installments	56,000	56,000
Long-term debt, excluding current installments	$ 2,365,000	$ 2,421,000
Maturities of long-term debt Footnote:		
2026	$ 56,000	
2027	57,000	
2028	57,000	
2029	60,200	
2030	60,200	
	$ 290,400	
2031-2033	236,000	
2034-2038	456,000	
2039-2043	561,000	
2044-2048	714,600	
2049	163,000	
	2,130,600	
Total	$ 2,421,000	

USDA Loan/Grant, 2.75% payable in semiannual installments for 40 years to the waste water fund
One year’s payment in reserves with the first 10 years. Total Loan December 2015 $3,206,000.00

	2025	2024
USDA loan bearing interest at 2.75%	2,693,000	2,751,000
	2,693,000	2,751,000
Less current installments	58,000	58,000
Long-term debt, excluding current installments	$ 2,635,000	$ 2,693,000
Maturities of long-term debt Footnote:		
2026	$ 58,000	
2027	59,000	
2028	59,000	
2029	61,000	
2030	62,000	
	$ 299,000	
2031-2033	160,000	
2034-2038	387,000	
2039-2043	444,000	
2044-2048	508,000	
2049-2054	707,000	
2055	130,000	
	2,336,000	
Total	$ 2,635,000	

NOTE 2: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2025, the District contracted with SDRMA for liability, property, crime damage, and employee and director insurances.

NOTE 3: DEFINED BENEFIT PENSION PLAN

Plan Description - The Herlong Public Utility District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Herlong Public Utility District's defined benefit pension plan is part if the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by the State statutes within the Public Employees' Retirement

Law. The Herlong Public Utility District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts the benefits though local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

Summary of Significant Accounting Policies

For Purposes of Measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this Purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used.

Validation Date (VD)	June 30, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For Public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by the employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Actuarial Methods and Assumptions

The collective total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The collective total pension liability was based on the following assumptions:

Investment rate of return	6.90%
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Mortality rate table[1]	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.30% 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.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.90 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report call the "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

Asset class[1]	Assumed Asset Allocation	Real Return Years 1 - 10[2]	Real Return Years 11 +[3]
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00	1.00	2.62
Inflation assets	-	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in your GASB 68 accounting valuation report may differ from the plan assets reported in your funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

Allocation of Net Pension Liability and Pension Expense to Individual Plans

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relations ships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations if individual plan amounts as of the valuation date are used where not available.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

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

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings		5 year straight-line amortization
All other amounts		Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of participants (active, inactive and retired) in PERF C.The EARSL for the 2013-14 measurement period is 3.8 years, which was obtained by dividing to total service years 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees are retirees have remaining service lifetimes equal to 0. Also, note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Ending Balances - Net Pension Liability & Deferred Outflows/Deferred Inflows of Resources Related to Pensions - 12/31/2024 Reporting Date:

		Deferred Outflows of Resources	Deferred Inflows of Resources
	Changes of Assumptions	1,815	-
	Differences between Expected and Actual Experience	5,868	-
Differ		4,066	-
	Differences between Employer's Contributions and Proportionate Share of Contributions	-	40,075
	Change in Employer's Proportion	11,081	-
Pensi		14,451	-
		37,281	40,075
	Net Pension Liability as of 12/31/2024	70,625	

NOTE: Detailed breakdown of ending balances by Miscellaneous vs Safety can be found in the **Jul 2024-Jun 2025 JE Flow** worksheet

Pension Expense as of December 31, 2024	42,096

At 12/31/2024, proportionate shares of Net Pension Liability/(Asset) by plan(s):

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	70,625
Safety	-
Total	**70,625**

Proportionate share of the Net Pension Liability/(Asset) for the Plan as of 12/31/2023 and 12/31/2024:

	Miscellaneous	**Safety**	**Total**
Proportion - December 31, 2023	0.00252%	0.00000%	0.00252%
Proportion - December 31, 2024	0.00146%	0.00000%	0.00146%
Change - Increase/(Decrease)	-0.00106%	0.00000%	-0.00106%

Note: Due to the nature of calculating proportionate share of the Net Pension Liability/(asset), total proportion for all employer plans will not equal the sum of the miscellaneous proportion % and the safety proportion %

Other deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31:	**Miscellaneous**	**Safety**	**Total**
2025	$ 2,315	$ -	$ 2,315
2026	(7,379)	-	$ (7,379)
2027	(10,788)	-	$ (10,788)
2028	(1,393)	-	$ (1,393)
2029	-	-	$ -
Thereafter	-	-	$ -
	(17,245)	-	$ (17,245)

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

	Discount Rate -1% 5.90%	**Current Discount Rate 6.90%**	**Discount Rate +1% 7.90%**
Employer's Net Pension Liability/(Asset) - **Miscellaneous**	297,736	70,625	(116,320)
Employer's Net Pension Liability/(Asset) - **Safety**	-	-	-
Employer's Net Pension Liability/(Asset) - **Total**	297,736	70,625	(116,320)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other that the employer-specific item, will be recognized in future pension expense.

MISC.	2025	2024	2023	2022	2021	2020	2019	2018
Proportion of the net pension liability	0.00146%	0.00252%	0.00248%	-0.00335%	0.00217%	0.00242%	0.00285%	0.00349%
Proportionate share of the net pension liability	$ 70,365	$ 126,019	$ 115,975	$ 91,598	$ 103,310	$ 97,046	$ 107,531	$ 555,506
Plan fiduciary net position as a percentage of the total pension liability	95.80%	90.33%	90.58%	90.24%	90.24%	85.61%	81.75%	73.02%

NOTE 4: USE OF RESTRICTED/UNRESTRICTED NET POSITION

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

NOTE 5: COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

NOTE 6: JOINT POWERS INSURANCE AUTHORITY

The District participates in a joint venture under a joint agreement (JPA) with the Special District Risk Management Authority (SDRMA). The relationship between the District and the JPA is such that is not a component unit of the District and the JPA is not a component unit of the District for financial reporting purposes.

The JPA'S purpose is to jointly fund and develop programs to provide comprehensive and economical funding of property, workers compensation and employers liability coverage's for bodily injury by accident or by disease, including resulting from death, arising out of and in the course of an employee's employment with the District. This program is provided through collective self-insurance; the purchase of insurance benefit's; or a combination thereof.

NOTE 7: CONTINGENCIES

As of December 31, 2025, the District did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 8: ECONOMIC DEPENDENCY

The majority of the water and wastewater revenue is from the District's main customer, the Federal Bureau of Prisons. The District supplies water and wastewater services to the prison facility located in Herlong, CA which represents approximately 88% of its total utility sales revenue.

NOTE 9: BUDGET

In the Budget vs Actual the District reported expenses that were over budget. This can be attributed to the District not budgeting for Deprecation as it expects that the assets will still have value after being fully depreciated.

NOTE 10: DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated through **May 15, 2026**, which is the date the financial statements were available to be issued.

Herlong Public Utility District

Supplemental Information

December 31, 2025

Herlong Public Utility District

Statement of Revenues, Expenditures & Change in Fund Balance
For the Year Ended
December 31, 2025

	Fire		
Expenditrues	Budget	Actual	Variance
Salaries, Services, & Supplies	$ 77,200	$ 62,549	$ 14,651
Total Operating Revenues	77,200	62,549	14,651
Revenues			
Chargers for Service	-	351	351
Misc. Income	5,000	-	(5,000)
Taxes and Intergovernmental	72,200	83,169	10,969
TOTAL OPERATING EXPENSES	77,200	83,520	6,320
NET CHANGE IN FUND BALANCE		20,971	
FUND BALANCE, BEGINNING OF YEAR		169,894	
NET POSITION, END OF YEAR		$ 190,865	

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

Herlong Public Utility District

Statement of Activities
Budget vs Actual
For the Year Ended
December 31, 2025

	Water		
	Budget	Actual	Variance
OPERATING REVENUES			
Charges for Services	$ 571,886	$ 599,453	$ 27,567
Total Operating Revenues	571,886	599,453	27,567
OPERATING EXPENSES			
Water Expenses	475,386	901,874	(426,488)
TOTAL OPERATING EXPENSES	475,386	901,874	(426,488)
NON-OPERATING REVENUES/EXPENSES			
Interest Expense	(108,000)	(104,040)	(3,960)
Interest Income	11,500	71,419	59,919
Capital Grants	-	-	-
Taxes and Intergovernmental	-	-	-
Total Non-Operating Revenues/Expenses	(96,500)	(32,621)	55,959
NET CHANGE IN NET POSITION		(335,042)	
NET POSITION, BEGINNING OF YEAR		13,720,008	
NET POSITION, END OF YEAR		$ 13,384,966	

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

Herlong Public Utility District

Statement of Activities
Budget vs Actual
For the Year Ended
December 31, 2025

	Waste Water		
	Budget	Actual	Variance
OPERATING REVENUES			
Charges for Services	$ 934,717	$ 963,704	$ 28,987
Total Operating Revenues	934,717	963,704	28,987
OPERATING EXPENSES			
Sewer Treatment & Disposal	859,217	1,073,393	(214,176)
TOTAL OPERATING EXPENSES	859,217	1,073,393	(214,176)
NON-OPERATING REVENUES/EXPENSES			
Interest Expense	(78,000)	(74,924)	(3,076)
Interest Income	2,500	13,290	10,790
Capital Grants	-	-	-
Taxes and Intergovernmental	-	-	-
Total Non-Operating Revenues/Expenses	(75,500)	(61,634)	7,714
NET CHANGE IN NET POSITION		(171,323)	
NET POSITION, BEGINNING OF YEAR		11,787,707	
NET POSITION, END OF YEAR		$ 11,616,384	

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

May 15, 2026

Board of Directors
Herlong Public Utility District

Herlong, CA

INDEPENDENT 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*

We have audited the financial statements of Herlong Public Utility District as of and for the year ended December 31, 2025, and have issued our report thereon dated **May 15, 2026**. 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.

Internal Control Over Financial Reporting

Management of Herlong Public Utility District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Herlong Public Utility District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Herlong Public Utility District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of the internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

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 controls such 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 in internal control is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Certified Public Accountant || Master of Business Administration
1 E Liberty St, Ste 600 | Reno, NV 89501 | Phone: 707-279-4259 | Zach@PehlingCPA.com

INDEPENDENT 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*
(continued)

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PNPCPA

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