

## Historical Overview

The San Antonio Water Company's history spans multiple centuries and involves no less than three nations: Spain, Mexico and The United States. We are one of the oldest mutual water companies in the nation and extremely proud of our heritage. The genesis of our story predates the United States of America and the State of California.

In 1771, four years prior to the Declaration of Independence, the Mission San Gabriel was established by Spaniards of the Franciscan order. It was the fourth of twenty-one Spanish missions established in California along the El Camino Real. Given the remote locations of California missions, self-sufficiency was critical to survival. To that end the missionaries established rancheros surrounding Mission San Gabriel to provide food and supplies. Along with dozens of other rancheros, Cucamonga was established for cattle grazing in support of the Mission. The name Cucamonga derives from the native Tongva Indian word kukamonga, interpreted as "sandy place".

Mexico (including the lands of Alta California) gained its independence from Spain in 1821. The Mexican secularization act of 1833 removed most of the mission's property rights, transferring to the Mexican government those lands granted to the Franciscan missions by the Spanish crown.

In 1839 the 13,000-acre Rancho Cucamonga (and its water rights) was granted by the Mexican Governor of California to Tiburcio Tapia, a wealthy Los Angeles merchant (and smuggler). The Rancho extended from San Antonio Creek eastward to present day Hermosa Avenue and from Eighth Street northward to the foothills. As an unencumbered property right, this land grant established Rancho Cucamonga under private ownership. Tapia is also credited with planting the first grape vines in the area and establishing the first winery in California.

In 1841, Antonio Maria Lugo was granted the Rancho Santa Ana de Chino. His son-in-law, Isaac Williams, managed the ranch from its inception and inherited the grant. Isaac's wife, Lugo's daughter María de Jesús, passed away in 1842 during childbirth.

In 1845 Governor Pio Pico granted 2,200 acres of land in Temecula Valley from the San Luis Rey Mission to Pablo Apis, a Luiseño Indian. The Indian village of Temecula was included in this land grant.

After traveling to Temecula around 1844 in search of laborers, Williams developed a close relationship to Apis and his family. Apis's two daughters each bore a daughter to Williams in 1846. The Williams and Apis families remained closely connected for years while Williams ranched cattle in Temecula.

Marking the end of the Mexican-American war, the Treaty of Guadalupe Hidalgo, signed in 1848, ensured that previous land grants and associated water rights would be honored by the American government in its newly acquired California territory. California was admitted as the 31<sup>st</sup> State of the Union on September 9, 1850.

In 1854 Williams hired ex-Texas Ranger John Rains to oversee his cattle holdings in Temecula.

Isaac and María de Jesús' 17-year-old daughter, Maria Merced Williams, married Rains in 1856, days after William's death. With this newly married wealth Rains traded Maria Merced's half of Rancho Santa Ana de Chino to her sister for \$25,000 (in reality the deal was brokered between the husbands). He used the proceeds to purchase Rancho Cucamonga from Tapia in 1858. Rains inappropriately, and probably

illegally, kept Merced's name off the Rancho Cucamonga deed. Rains also purchased Warner Ranch in San Diego County from José Pico, a relative of Governor Pio Pico. Rains also continued to keep a working relationship with the Apis family and the Luisaño Indians in Temecula.

For a variety of reasons (the end of the gold rush, civil war, drought, and flood all included) Rains' holdings devolved into severe financial trouble. Statehood for California also played a part. Lending practices, property taxes and other legalities in Mexico differed dramatically from the United States. Those issues, coupled with the population demands pressing westward proved too much for the rancho bucolic way of life.

In 1862 Rains borrowed \$16,000, mortgaging Rancho Cucamonga. Five days after signing the mortgage Rains was murdered in Mud Springs (now San Dimas) while on his way to Los Angeles. Interestingly, he was traveling unarmed because his pistols went missing just prior to the trip. His body was found eleven days later. He had been lassoed, dragged from his wagon, right arm torn from the socket, shot twice in the back, once in the left breast and once in the right side.

There were many suspects to the murder, including his wife, Maria Merced. John and Maria Merced did not see eye-to-eye regarding how he was handling her financial holdings. Soon after Rains body was found a group of vigilantes arrived at Billy Rubottom's Inn with intent to lynch the widowed Rains. Mr. Rubottom disarmed the men, thereby protecting Ms. Rains.

In 1864 Ramon Carillo, the Rains' ranch foreman (and suspected love interest of Maria Merced) was shot in the back while traveling next to her carriage. He died at the Rubottom Inn. It is said that his ghost continues to haunt what is now known as the Sycamore Inn.

After Carillo's death a pregnant Maria Merced and her four children moved in with her sister and brother-in-law, Francisca and Robert Carlisle. She stayed for two weeks before returning to Rancho Cucamonga, along with her children and three Apis half-sisters from Temecula. Two weeks later she married Jose Clemente Carrillo (no relation to Ramon), one of two Los Angeles constables investigating her husband's murder.

Three months later Robert Carlisle browbeat Maria Merced into granting him legal control of her property. Maria Merced recognized her mistake almost immediately and spent the next few years in a legal fight to have Carlisle's power revoked. During that time Carlisle proceeded to strip the property of value while avoiding payment of the \$16,000 mortgage. Eventually a judge removed Carlisle's control and appointed a new Executer, Andrew "Jack" King, a Los Angeles deputy sheriff.

Carlisle blamed King for losing control of Rancho Cucamonga. In 1865 Carlisle confronted King during a wedding celebration in Los Angeles. Carlisle was shot and killed during the ensuing fight.

Apparently, King was unable to stabilize Maria Merced's finances because in 1870 a judge ordered the foreclosure of Rancho California for outstanding debt. Isaias Hellman purchased the 13,000-acre Rancho Cucamonga for about \$50,000 and proceeded to return it to profitability.

In 1882 Canadians George and William Chaffey purchased 8,000-acres of the Cucamonga Rancho, including the water rights, for \$90,000 and established an irrigation colony which they named Ontario, in honor of their homeland. On October 25<sup>th</sup> of that same year, they also established the San Antonio Water Company under the General Corporation Laws of the United States. Those rancho water rights established

way back in the 1700's, passed down from owner to owner, were transferred to the Company to support the newly established irrigation colony.

The brothers sold irrigation colony land in 10-acre blocks, primarily intended for the booming citrus industry. Along with the land, the brothers sold shares in the Company, one share for each purchased acre. Each shareholder was entitled to a portion of available local water, distributed equally by the company amongst all the shareholders. The Company was responsible for distributing water on a non-profit basis to the shareholders. Ensuring a water supply was critical for the success of the Ontario Colony. Water, as always, has been scarce in Southern California. In 1882 it was not common for irrigation systems to be developed to serve and provide for multiple independently owned farms. Thus, the San Antonio Water Company served as the 'sugar' in the lemonade that the Chaffey Brothers were selling to potential citrus grove farmers.

Since 1882 the San Antonio Water Company has consistently provided water service to its shareholders. Although the local citrus industry has largely disappeared, the Company maintains delivery to current shareholders utilizing the same successful 'per share' distribution plan established over 144 years ago.

The Company does not import any water. Instead, we are dependent on our local San Antonio Mountain watershed and groundwater basins. Utilizing local water sources dramatically keeps costs down but also increases the risk associated with long term drought. The State of California has been in a prolonged drought for many years. It is important to remember that every year of 'below average' rainfall will require at least one equal year of 'above average' rainfall to balance. Like all Southern Californians, we remain on a constant water conservation watch.

Currently, our shareholders include most residents of the unincorporated area of San Antonio Heights, the Cities of Upland and Ontario, the Monte Vista Water District, the US Forest Service, the San Bernardino County Flood Control District, local quarries, and the proud heritage of remaining grove irrigators.

Annual shareholder water entitlements are established based on projected availability. For 2025, full water entitlement was established at 13,000 Acre Feet (AF). The table below shows how that 13,000 AF was divided among current shareholders, along with actual water delivered in 2025. Steady rainfall and temperate weather suppressed water consumption for much of 2025.

Shareholders	Shares (owned and leased, rounded)	Annual Entitlement, Acre Feet per Year ( AFY)	2025 Delivery (AFY)
City of Upland	4,511.50	9,179.76	8,798.69
Monte Vista Water District	341.75	695.37	663.36
City of Ontario	295.25	600.76	709.75
Domestic Customers (Heights and Red Hill HOA)	641.50	1,305.29	1,263.59
Rock Company	132.25	269.10	23.14
Golf Courses	163.50	332.68	389.43
Grove Irrigators	45.25	92.07	38.59
Misc. Shareholders	11.0	22.5	22.0
Dormant Shares	247.0	502.65	0
<b>Total shares</b>	<b>6,389</b>	<b>13,000</b>	<b>12,159</b>

## CORE VALUES

San Antonio Water Company's core company values create a framework within which individuals within the Company are free to act in a way that enables them to contribute to the long term prosperity of the business.

### As a Company, we value:

- High standards of business ethics and personal integrity - We believe that doing what is right, in accordance with the Company's core values, will enhance the perception of its shareholders and its counterparts.
- Personal growth through continuing education and certification, thereby reinforcing the confidence of our shareholders in our ability to provide excellent water quality.
- Respect for the dignity and importance of all members of staff and their contribution towards achievement of the Company's objectives. We are committed to creating a workplace where employees are encouraged to strive for their personal best.
- Cost effectiveness and efficiency. We encourage our employees to contribute their ideas for improving our business and operational processes.
- Safety. We are committed to ensuring a work environment that is clean, orderly and safe.
- Following through on our commitments as management and employees, we pledge accountability to our shareholders and employees for achieving our commitments, results, and quality.

### Our continued vision is to achieve the following goals:

- Be the place where the best people choose to work - to encourage creative thinking and reward performance in appropriate, measurable ways.
- Embrace change, growth, and diversity.
- Seize every opportunity to serve our shareholders better through expanding services, staff culture, education, and technological development.
- Enable our employees to realize their full potential by encouraging self-development and professional growth.



## Board of Directors 2025



President  
Rudy Zuniga



Vice President  
Will Elliot



Secretary  
Bob Cable



CFO  
Bill Velto



Kati Parker



Becky Miller



Bob Bowcock

## Advisory Committees 2025

(PROC)  
Planning, Resources & Operations Committee  
Will Elliott - Chairman  
Kati Parker  
Bob Bowcock

(AFC)  
Administrative & Finance Committee  
Bill Velto - Chairman  
Bob Cable  
Becky Miller

## Manager's Message

On behalf of the Board of Directors, I am pleased to present the Company's 2025 Annual Report highlighting some of the Water Company's accomplishments and challenges in this past calendar year.

I am happy to report that your water company achieved a remarkable amount of progress this past year.

Highlights for 2025 include completion of the following:

- Obtained all planning and zone change approvals for new Company Campus on 20<sup>th</sup> Street. This project will be funded through property sales and not through rates.
- Completed the installation of our Well 31 pipeline replacement project.
- Finished design and bid the Forebay Outfall Pipeline replacement project. Construction is scheduled for 2026.
- Awarded a contract for the design of our new Well 19 pipeline project. Construction is scheduled for 2027.
- Completed a Rate Study in 2025, with new rates implemented in January 2026. This is a critical rate adjustment and the first since 2017. Funding for future capital improvement projects is dependent on an incremental increase in rates. Starting in 2026, the Company has set a 4.75% increase in rates every year for the next five years.

All the above are intended to improve the Company's existing infrastructure and continue the high-quality water delivery that our shareholders have come to expect.

The company continues our patient efforts to develop a regional consensus regarding watershed protection in the San Antonio Canyon. Ultimately, we want to protect the Company's water rights, establish stronger relationships within the canyon and ensure clean water for all canyon stakeholders.

We continue building relationships with all our shareholders, neighboring agencies, government entities and stakeholders in the protection and enhancement of our beautiful and beloved area.

We remain engaged in the management of all three groundwater basins important to the Company: Chino, Six Basins and Cucamonga. In 2024 I took over as our representative as a Director on Six Basins Water Master Board. I also continued serving at the Chino Basin Appropriative Pool. We continue working with staff from Cucamonga Valley Water District and West End Consolidated Water Company to draft an update to the Cucamonga Basin judgment, replacing outdated terminology and inserting the current understanding of basin hydrology.

Our annual rainfall average is approximately 17 inches. In 2025 we received 24.12 inches. Consumption was down due to last year's mild weather allowing us to put 2,600 acre-feet (AF) of water into groundwater storage for future use.

The Company is embarking on a new entitlement program for 2026. The Company is setting full yearly entitlement of 15,000 AF for 2026, a 2,000 AF per year increase above prior years. We are not expecting more rainfall in 2026. Instead, we are planning on utilizing water we would typically divert into storage. Over the last five years we have diverted on average about 3,800 acre-feet into storage. We are attempting to immediately make some of that water available to our shareholders while continuing to save for a non-rainy day. The company currently has about 17,000 acre-feet in groundwater storage.

<b>Rainfall Totals for 2025 (inches)</b>												
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
0.94	4.77	2.70	0.68	0.96	0.37	0	0.03	0.33	2.50	5.77	5.07	24.12

For the Board and staff of San Antonio Water Company, it remains an honor to continue building on the legacy established by William and George Chaffey 140 years ago - improving regional water security by increasing our ability to utilize local sources.

Sincerely,

Brian C. Lee

General Manager, San Antonio Water Company

February 21, 2026

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**SAN ANTONIO WATER COMPANY**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2024)**

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**SAN ANTONIO WATER COMPANY  
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DECEMBER 31, 2025**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
San Antonio Water Company  
Upland, CA

### ***Opinion***

We have audited the accompanying financial statements of San Antonio Water Company (the Company), a nonprofit corporation, which comprise the consolidated statements of financial position as of December 31, 2025, and the related statements of operations, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements..

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of San Antonio Water Company as of December 31, 2025, and the changes in its net assets and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 San Antonio Water Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the financial statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Antonio Water Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 San Antonio Water Company'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 San Antonio Water Company'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.



William Harris, CPA  
License Number #103005  
Arcadia, California  
February 26, 2026

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**BALANCE SHEET**  
**December 31, 2025**  
**(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2024)**

	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash		
Cash undesignated	\$ 1,178,088	\$ 1,005,032
Cash designated	3,913,781	3,956,051
Accounts Receivable		
Due from domestic customers	162,267	175,434
Due from municipal customers	230,321	301,358
Due from miscellaneous customers	6,747	33,575
Other receivables	651,342	481,178
Prepaid expenses	9,238	9,238
Prepaid income tax	-	2,786
Inventory - supplies, materials	98,098	90,833
<b>TOTAL CURRENT ASSETS</b>	<b>6,249,882</b>	<b>6,055,485</b>
<b>NONCURRENT ASSETS</b>		
Property, plant, and equipment, net	25,421,114	25,795,934
Deferred compensation asset	155,566	133,710
Pomona Valley Protective Association	1	1
Documents and studies, net	277,770	283,989
<b>TOTAL NONCURRENT ASSETS</b>	<b>25,854,451</b>	<b>26,213,634</b>
<b>TOTAL ASSETS</b>	<b>\$ 32,104,333</b>	<b>\$ 32,269,119</b>

**SAN ANTONIO WATER COMPANY**  
**BALANCE SHEET (CONTINUED)**  
December 31, 2025  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2024)

<b>LIABILITIES AND NET ASSETS</b>		<u>2025</u>	<u>2024</u>
<b>CURRENT LIABILITIES</b>			
Trade accounts payable	\$	227,648	\$ 11,618
Accrued expenses		156,603	190,771
Deposits		2,550	1,700
<b>TOTAL CURRENT LIABILITIES</b>		<u>386,801</u>	<u>204,089</u>
<b>NONCURRENT LIABILITIES</b>			
Deferred compensation liabilities		155,566	133,710
<b>TOTAL NONCURRENT LIABILITIES</b>		<u>155,566</u>	<u>133,710</u>
<b>TOTAL LIABILITIES</b>		<u>542,367</u>	<u>337,799</u>
<b>STOCKHOLDERS' EQUITY</b>			
Capital stock, par value \$100; authorized 15,000 shares; issued and outstanding 6,389 shares		638,900	638,900
Paid-in capital in excess of par value		447,258	447,258
Contributed property, plant and equipment		2,432,257	2,432,257
Retained earnings:			
Undesignated cumulative retained earnings		24,129,770	24,456,854
Designated by Board of Directors:			
Depreciation/Obsolescence reserve		3,913,781	3,956,051
Total retained earnings		<u>28,043,551</u>	<u>28,412,905</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>		<u>31,561,966</u>	<u>31,931,320</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$	<u><u>32,104,333</u></u>	\$ <u><u>32,269,119</u></u>

**SAN ANTONIO WATER COMPANY**  
**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2024)**

	<b>Total 2025</b>	<b>Total 2024</b>
<b>REVENUE</b>		
Domestic water income - stockholders		
Base rate - Includes availability charges	\$ 514,926	\$ 505,273
Supplemental usage - Includes Tier 2 and 3 charges	465,931	438,532
Municipal water income - stockholders		
Base rate - Includes availability charges	3,308,526	3,630,388
Miscellaneous water income - stockholders		
Base rate - Includes availability charges	242,815	244,616
Supplemental usage - Includes Tier 2 and 3 charges	39,733	75,199
Dormant water availability charge	51,287	51,548
Sale of stored ground water	426,744	189,000
Water connections	19,538	26,238
Net gain on sale of assets	28,450	35,000
Miscellaneous	17,258	35,206
	<b>5,115,208</b>	<b>5,231,000</b>
<b>OPERATING EXPENSE</b>		
Payroll taxes & benefits	641,773	631,916
Administrative services	684,524	569,157
Directors fees & expenses	37,305	39,021
Field labor	497,616	434,544
Human resources expense	38,146	1,360
Communication	60,730	34,434
Conservation	6,808	14,071
Depreciation & amortization	1,274,575	1,177,551
Insurance	107,798	96,142
IT support	101,153	99,966
Office supplies/expenses	54,881	23,557
Outside services	12,660	16,611
Power-gas & electric (Utilities)	1,068,868	751,662
Professional Fee	230,059	281,239
Property taxes	305,576	280,458
Repairs	-	42,893
Staff development & training	5,497	422
Vehicle & equipment	50,335	51,286
Water infrastructure maintenance	352,498	484,637
Water resource management	111,649	272,748
All other	9,611	16,599
	<b>5,652,062</b>	<b>5,320,274</b>
<b>LOSS FROM OPERATIONS</b>	<b>(536,854)</b>	<b>(89,274)</b>
<b>OTHER INCOME</b>		
Ground lease	60,846	62,046
Interest (net of fees)	123,154	125,503
	<b>(352,854)</b>	<b>98,275</b>
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	<b>(352,854)</b>	<b>98,275</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>16,500</b>	<b>16,414</b>
<b>NET (LOSS) INCOME</b>	<b>(369,354)</b>	<b>81,861</b>
<b>RETAINED EARNINGS, JANUARY 1</b>	<b>28,412,905</b>	<b>28,331,044</b>
<b>RETAINED EARNINGS, DECEMBER 31</b>	<b>\$ 28,043,551</b>	<b>\$ 28,412,905</b>

See Accompanying Auditor's Report and Notes.

**SAN ANTONIO WATER COMPANY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2024)**

	<b>2025</b>	<b>2024</b>
<b>NET (LOSS) INCOME</b>	\$ (369,354)	\$ 81,861
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	1,274,575	1,177,551
Gain on sale of asset	(28,450)	(35,000)
Changes in assets and liabilities related to operations:		
Change in receivables	111,032	84,769
Change in other receivables	(170,164)	9,230
Change in prepaid expense	-	21,606
Change in prepaid income tax	2,786	(2,786)
Change in inventories	(7,265)	66,087
Change in payables	216,030	(97,669)
Change in accrued expenses	(34,168)	(116,487)
Change in income taxes payable	-	(9,435)
Change in deferred revenue	-	(1,200)
Change in deposit	850	(850)
Net Cash Provided \ (Used) By Operating Activities	995,872	1,177,677
<b>CASH FROM INVESTING ACTIVITIES:</b>		
Proceeds from disposal of assets	36,714	35,000
Purchases of property, plant and equipment	(849,473)	(1,034,906)
Purchases and expensed documents and studies	(52,327)	(4,286)
Net Cash Provided \ (Used) By Investing Activities	(865,086)	(1,004,192)
<b>CASH FROM FINANCING ACTIVITIES:</b>		
None	-	-
Net Cash Provided \ (Used) By Financing Activities	-	-
<b>NET INCREASE \ (DECREASE) IN CASH</b>	130,786	173,485
<b>CASH - Beginning of the Year</b>	4,961,083	4,787,598
<b>CASH - Ending of the Year</b>	\$ 5,091,869	\$ 4,961,083
<b><u>Supplement Information</u></b>		
<b>Interest Paid During the Year</b>	\$ -	\$ -
<b>Taxes Paid During the Year</b>	\$ 16,500	\$ 16,414

See Accompanying Auditor's Report and Notes.

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 1**      **NATURE OF ORGANIZATION**

The San Antonio Water Company (Company) was founded on October 25, 1882 under the laws of the State of California as a mutual water company and, in accordance with Internal Revenue Code Section 501 (c) (12), is exempt from federal income taxes. To qualify for the exemption, at least 85% of the Company's revenue must be from shareholders. The Company does pay California income taxes on other income unrelated to the water operations.

**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Method of Accounting**

These financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Basis of Accounting**

The financial statements of the Company have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Measure of Operations**

The statements of activities report all changes in stockholders' equity, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Company's ongoing activities. Nonoperating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported time. Actual results could differ from those activities.

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. If excess funds are available, the Company places its temporary cash investments with high-credit, quality financial institutions. At times, during the year, the Company maintains cash balances in excess of the FDIC-insurance limits. The Company has not incurred losses related to these investments and management believes it is not exposed to any significant credit risk on cash.

Receivable

Accounts receivable are considered to be fully collectible; accordingly, no allowance for credit losses is normally required. The Company reviews any accounts receivable other than trade receivables that are over a year old for collectability. When collectability is in question, then the process is started to force a sale of the shares to cover the receivable. There was no allowance for uncollectible accounts at December 31, 2025. There was no allowance for uncollectible accounts at December 31, 2025.

Property and Equipment

The Company uses the straight-line method of depreciation over the useful lives of 4 years to 50 years depending on the asset for its plant and equipment. Property and equipment are carried at historical cost, which is purchase or construction cost, less accumulated depreciation and any recognized impairment loss. Work in progress includes all direct and certain indirect costs of construction, in accordance with our accounting policy. Depreciation of constructed assets commences when the assets are ready for their intended use.

Other Assets

Documents and studies are carried at historical cost less accumulated amortization and any recognized impairment loss. The Company amortizes the documents and studies with finite lives on a straight-line basis over their estimated useful lives. Documents and studies include maps and research documents that are being amortized over 5-15 years.

Inventory

Inventories are valued at lower of cost or market using the first-in, first-out method.

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Impairment of Long-Lived Assets

The Company assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made full recovery of the asset's carrying value unlikely. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. Should impairment exist, the impairment loss would be measured based on the excess of the carrying amount of the asset over the asset's fair value. No impairment charges were recognized on long-lived assets during the years ending December 31, 2025 and 2024.

Revenue Recognition

San Antonio Water delivers water to its shareholders. Each shareholder must have at least a quarter share of stock in the Company in order to receive water. This is considered the shareholder's entitlement. Water is delivered to each shareholder at the base rate up to their entitlement and any water delivered after that is delivered at the excess, or tier 2 or tier 3 rate. Revenue is recognized every other month at a single point in time when the shareholders water meter is read.

Investments

Changes in fair value of investments that occur during the year are recognized as investment earnings reported for that year. Investment income includes interest earnings, dividends, unrealized gains and losses and any gains or losses realized upon the liquidation or sale of investments.

Reclassifications

Certain accounts in the December 31, 2024 have been reclassified for comparative purposes to conform to the December 31, 2025 presentation in the current year financial statements.

Income Tax

Management has considered its tax positions and believes that all of the positions taken by the Company in its federal exempt and state organization tax return are more likely than not to be sustained upon examination. The Company believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) asset operating lease and operating lease liabilities on the statement of financial position. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The lease liability is measured as the present value of the unpaid lease payments and the ROU asset is derived from the calculation of the lease liability. As most leases do not provide an implicit rate, the Company uses the risk-free rate based on information available at the commencement date in determining the present value of lease payments. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. As a practical expedient, leases with terms of 12 months or less are expensed as incurred and not included as ROU asset or lease liability on the balance sheet. The Company does not currently have any leases that require ROU recognition.

**NOTE 3      WATER RIGHTS AND ASSESSMENTS**

Chino Basin

The Company holds water rights within the Chino groundwater basin based on a 1978 adjudication. Annual production rights may be adjusted by the Courts. The cost of administering the judgment provisions is assessed annually to the parties and water producers under the terms of the judgment.

Cucamonga Basin

The Company holds water rights within the Cucamonga groundwater basin based on a 1958 Decree. Although the decree defines responsibilities, there is no provision for assessments. Parties to this basin include the San Antonio Water Company, Cucamonga Valley Water District and the West End Consolidated Water Company.

Six Basins

The Company holds water rights within the Six Basins groundwater basin based on a 1998 adjudication. Operating safe yield is adjusted annually. The cost of administering the judgment provisions is assessed annually to the parties and water producers under the terms of the Judgment.

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 3**      **WATER RIGHTS AND ASSESSMENTS (Continued)**

Pomona Valley Protective Association

The Company holds stock in the Pomona Valley Protective Association (PVPA), nonprofit entity that spreads San Antonio Canyon flow waters for the benefit of its shareholders. The water is spread over approximately 760 acres of land owned by PVPA. Under the recent Six Basins Judgment of 1998, PVPA conducts water spreading at the direction of the Six Basins Watermaster.

Stream Diversions

The Company holds water rights in the San Antonio Canyon. Company stream diversions were established pre-1914 and are shared by the Company and the City of Pomona. The two parties have shared expenses to date based on percentage of water rights. There is no assessment mechanism in place.

The Company initiated a water rights investigation of the San Antonio Canyon Watershed in 2009. The investigation confirmed that the Company stripped most riparian, appropriative and overlying rights to property previously sold within the canyon. Those stripped rights remain with the Company. Most of the cabins in the Mt. Baldy area are currently permitted under a U.S. Forest Service special-use permit with no apparent provision of water rights conveyed with said permits.

In 2009, the Company developed a License Agreement for the purpose of allowing certain private and special-use lots to continue using water from the San Antonio Creek, provided that the lots limit and pay for their water usage as an ongoing claim and not as a commodity rate.

**NOTE 4**      **LIQUIDITY**

The following reflects the Company's financial assets as of December 31, 2025, reduced by amounts not available for general use because of board designated reserves that have been created to fund the Depreciation/Obsolescence reserves or due to contractual requirements.

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 4      LIQUIDITY (Continued)**

Financial assets at December 31, 2025:

Cash	\$5,091,869
Receivables	399,335
Other receivables	651,342
Total financial assets	6,142,546

Less: Unavailable for general expenditures within one year due to:

Board designated reserves	3,913,781
Total unavailable financial assets	3,913,781

Financial assets available to meet cash needs for general expenditures within one year	\$2,228,765
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As part of its liquidity management, excess cash is invested in the Local Agency Investment Funds which is a highly liquid account that is managed by the State of California. The fund pays interest and is very liquid. The fund is fully secured and is at no cost to the Company.

**NOTE 5      CONCENTRATION OF CREDIT RISK**

The Company maintains its cash and certificates of deposit balances in two financial institutions. The balance at Citizens Business Bank is collateralized up to \$2,000,000. The remaining balance is insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At December 31, 2025, the Company maintained deposits of \$2,283,994, leaving an uninsured balance of \$33,994 at this institution. Also, at December 31, 2025, the Company had a balance of \$2,843,041 deposited with the Local Agency Investment Fund (LAIF). This is a highly liquid account that is managed by the State of California. The fund is fully secured and is at no cost to the Company. We have included this amount in the cash and cash equivalents due to the amounts being readily convertible to cash. Based on the investments of the LAIF, it is considered to fall into the Level 2 of the fair value hierarchy at December 31, 2025. (See Note 7).

Net earnings on LAIF was comprised of interest in the amount of \$123,154 at December 31, 2025.

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 6      INVESTMENTS**

Investments are recorded at fair value. The historical cost and fair value at December 31, 2025 is as follows:

2025				
	Historical Cost	Reinvested Gains	Book Value	Fair Value
Mutual funds	<u>\$ 130,096</u>	<u>\$ 25,470</u>	<u>\$ 155,566</u>	<u>\$ 190,893</u>
2024				
	Historical Cost	Reinvested Gains	Book Value	Fair Value
Mutual funds	<u>\$ 90,843</u>	<u>\$ 42,867</u>	<u>\$ 133,710</u>	<u>\$ 133,711</u>

Investments in the amount of \$155,566 for 2025 and \$133,710 for 2024, have been restricted by the Board for the payments of a non-qualified deferred compensation plan established for the general manager (See Note 12).

**NOTE 7      FAIR VALUE MEASUREMENTS**

Certificates of deposit with original maturities of greater than three months are reported at net realizable value (which materially approximates fair value) on the consolidated statement of financial position.

Under the Fair Value Measurements statement, which prioritizes the inputs to valuation techniques used to measure fair value, the three levels of the fair value hierarchy are as follows:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at measurement date.

Level 2 – inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 – inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

All of the Company's investments at December 31, 2025 and 2024 are measured within the Level 1 of the fair value hierarchy with the LAIF being measured within the Level 2 (See Note 5).

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 8      PROPERTY AND EQUIPMENT**

Property, plant, and equipment are shown at 1929 appraised values plus subsequent additions at cost. Actual values may be higher.

	<u>2025</u>	<u>2024</u>
Land and water rights	\$ 920,161	\$ 920,161
Tunnels and forebay	1,592,905	1,592,905
Wells, shafts, building	8,181,748	8,268,169
Pipelines	19,767,034	19,727,407
Boosters	2,629,885	2,629,885
Reservoirs	5,302,886	5,302,886
Work in progress	997,172	537,466
All other	4,258,412	4,194,990
	<u>43,650,203</u>	<u>43,173,869</u>
Less: Accumulated depreciation	<u>(18,229,089)</u>	<u>(16,316,085)</u>
<b>TOTALS</b>	<u><u>\$ 25,421,114</u></u>	<u><u>\$ 26,857,784</u></u>

A detailed listing of changes to property, plant, and equipment is as follows:

Depreciation expense was \$1,216,029 for the year ended December 31, 2025.

	<u>Balance</u>		<u>Disposals/</u>	<u>Work in</u>	<u>Balance</u>
	<u>1/1/2025</u>	<u>Additions</u>	<u>Retirements</u>	<u>Progress</u>	<u>12/31/2025</u>
				<u>Transfers</u>	
Land and water rights	\$ 920,161	\$ -	\$ -	\$ -	\$ 920,161
Tunnels and forebay	1,592,905	-	-	-	1,592,905
Wells, shafts, building	8,268,169	21,400	107,821	-	8,181,748
Pipelines	19,727,407	121,975	82,348	-	19,767,034
Boosters	2,629,885	-	-	-	2,629,885
Reservoirs	5,302,886	-	-	-	5,302,886
Work in progress	537,466	547,108	-	87,402	997,172
All other	4,194,990	158,990	178,638	(83,070)	4,258,412
	<u>\$ 43,173,869</u>	<u>\$ 849,473</u>	<u>\$ 368,807</u>	<u>\$ 4,332</u>	<u>\$ 43,650,203</u>

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 9      OTHER ASSETS**

Documents and Studies

	2025	2024
Master Plan Update 2023	\$ 221,703	\$ 221,703
Facilities Mapping	135,534	135,534
Water Rights Study	112,798	112,798
Hydrogeologic Study	48,000	48,000
Urban Water Management Plan (UWMP)	42,942	42,942
Work in Progress	53,073	745
All other	391,402	391,403
	1,005,452	953,125
Less: Accumulated amortization	(727,682)	(669,136)
Total	277,770	\$ 283,989

Amortization of \$58,547 was charged to operations in 2025.

Estimated future amortization expense for the document and studies as December 31, 2025.

December 31,		
2026	\$	58,547
2027		52,437
2028		44,889
2029		44,888
2030		44,888
Thereafter		32,121
	\$	277,770

Master Plan Update

A 2020 Master Plan Update was adopted by the Board on March 21, 2023 and placed in service in March 2023.

Facilities Mapping

The Company has invested in mapping the irrigation and domestic water distribution. In 2020, the Company updated the system maps and incorporated them into a new Geographical Information System (GIS). The Company has also created site plans for strategic facilities and developed a comprehensive Gate Valve Book for its domestic water system, including a database reference for pipelines and appurtenances.

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 9      OTHER ASSETS (Continued)**

Water Rights Study

A legal opinion of the Company's water rights was completed in 1993.

Hydrogeologic Study

This study evaluated the hydrogeologic characteristics of the local ground water basins. Its purpose was to evaluate the feasibility of rehabilitating some existing well casings and identify possible sites for new water wells. The study was completed in 1997.

Urban Water Management Plan

Urban Water Management Plan's (UWMP) are prepared by water suppliers to support long-term resource planning and ensure adequate water supplies are available to meet existing and future water demands. The State of California requires all urban water suppliers to create an UWMP once every five years.

The Company completed its first UWMP in 2005. In 2010, the Company shifted its UWMP from 'retailer' to 'wholesaler', impacting Best Management Practices (BMP's) identified in the 2005 UWMP and the 2010 requirements of a State mandated 20% water reduction by 2020.

The most recent UWMP was completed in the 2021 year.

All Other

These assets include well site evaluations, San Antonio Creek Watershed Sanitary Survey, Cucamonga Basin groundwater study, alternative spread in Cucamonga wash, study to expand spreading grounds, Edison Ponds, alternative energy feasibility study and photo history documentation.

Pomona Valley Protective Association

The Company is a member and owns a small interest (1.5%) in the Pomona Valley Protective Association (PVPA), a nonprofit entity that owns approximately 760 acres of land dedicated to water conservation.

Due to the nature of the PVPA as a membership organization, the Company's investment is stated at \$1 on the Company's records.

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 10      MAJOR CUSTOMERS**

The Company's principal operation consists of providing domestic and irrigation water to its stockholders. Revenue from its major shareholder is as follows:

	<u>2025</u>	<u>2024</u>
City of Upland (see Note 5)	\$2,938,951	\$3,210,057
% of Total Revenue	54.2%	59.2%
Accounts Receivable from Major Customer	\$ 218,817	\$ 269,468

**NOTE 11      LICENSE AGREEMENTS**

City of Upland Water Service Agreement:

The City of Upland's Water Service Agreement started on January 1, 2017 and expired on December 31, 2021. The agreement provides the City full yearly entitlement at the base rate with no seasonal restrictions. In exchange, the City has no guarantee of full entitlement delivery and is prohibited from exceeding its annual entitlement unless agreed to by Company.

The Company is working to renew the agreement for another five-year term.

City of Ontario Water Service Agreement:

The City of Ontario's Water Service Agreement started on January 1, 2017 and expired on December 31, 2021. The agreement provides the City a full yearly entitlement at the base rate with no seasonal restrictions. In exchange, the City has no guarantee of full entitlement delivery and is prohibited from exceeding its annual entitlement unless agreed to by Company.

The Company is working to renew the agreement for another five-year term.

Monte Vista Water District (MVWD) Water Service Agreement:

The Monte Vista Water District Water Service Agreement started on January 1, 2017 and expired on December 31, 2021. The agreement provides the District a full yearly entitlement at the base rate with no seasonal restrictions. In exchange, the District has no guarantee of full entitlement delivery and is prohibited from exceeding its annual entitlement unless agreed to by Company.

The Company is working to renew the agreement for another five-year term.

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 12**      **PENSION PLAN**

On May 15, 2018, the Board approved changing the current employee Nationwide 401(k) plan to the Nationwide Flexible Advantage Program. This changed the current plan from an annuity that provides some protection for principle investments and beneficiaries but carries associated fees which reduce the interest gained relative to current investments in the market.

The Nationwide Flexible Advantage Program provides more investment flexibility for the employee, in person and online education and tools, lowers overall cost and provides a higher return on investments. The transfer of assets and contributions to the new investment platform started in May of 2019. The Company expense for the pension plan was \$97,021 for 2025, and \$84,571 for 2024 respectively.

On February 5, 2019, the Company established a non-qualified deferred compensation plan for the General Manager. The plan pays 14% of the General Manager salary to the deferred compensation. In 2025, the life insurance policy was cancelled and all proceeds from such were transferred into the deferred compensation plan. At December 31, 2025, the plan had a total liability of \$155,566 which is comprised of mutual funds investments (See Note 6). Total cost for the deferred compensation plan and life insurance policy was \$23,500 and \$23,000 for 2025 and 2024, respectively.

The Water Company changed investment advisors in 2024 and in 2025, the Trustee changed to Brian Lee.

**NOTE 13**      **PAYROLL AND RELATED EXPENSES**

The San Antonio Water Company tracks all expenses based on a specific activity and desires to expand the understanding of our shareholders by presenting a clear picture of labor expenses. For 2025, the Company's payroll expense was \$1,481,474 which includes base pay and time off compensation (i.e., vacation, sick leave, holidays, etc.). Benefit costs (i.e. health insurance, retirement, etc.) were \$320,978 and the cost of employment (i.e., payroll taxes and worker's compensation insurance) was \$116,521. This is a total of \$1,918,973 for labor and related expenses.

**NOTE 14**      **CASH ACCUMULATION DESIGNATED BY BOARD OF DIRECTORS FOR DEPRECIATION AND OBSOLESCENCE RESERVES**

On February 18, 2020, the Board approved the following reserve policies:

- Operating reserve – 90-180 days budgeted operating expense
- Capital Investment and Depreciation Reserve Funds (D&O Reserve) – 5%-20% of Company's total property & equipment from auditor's statement

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 14**      **CASH ACCUMULATION DESIGNATED BY BOARD OF DIRECTORS FOR DEPRECIATION AND OBSOLESCENCE RESERVES** (Continued)

- Debt Service Reserves – Minimum as set forth in borrowing documents

On February 16, 2021, the Board approved a Facility Modernization Fund for the purpose of funding rehabilitation of abandoned property and a new office and yard facility in the future. This reserve is called Modernization Fund.

Given the above reserve policies, at year end, the Company's status is as follows:

<b>Reserve</b>	<b>Desired Amount based on policy</b>	<b>Actual Amount</b>
Operating Reserve	\$958K - \$1.91M	\$1.17 million
D&O Reserve	\$1.3 million - \$5.2 million	\$2.1 million
Debt Service Reserve	\$0	\$0
Modernization Fund	\$0	\$1.78 million

The Company currently does not have any debt and does not require any reserves in the Debt Service Reserves Fund.

The 2023 master plan update recommended Capital Improvement projects and cost estimates for the domestic and irrigation system totaling \$9,079,200.

During 2025, a total of \$28,391 was spent on projects in the Capital Facilities Improvement Plan [Master Plan] and \$79,057 was spent on capital improvement projects or other asset not identified in the master plan.

The following details the amount required to fund the reserves as established by the board of directors.

Board of Directors Established Reserves Amounts	(in thousands)
Depreciation and Obsolescence Reserve	\$ 9,050.8
 Cash Available for Reserves at Year End	 <u>3,913.7</u>
 Additional funds required to fund the reserves	 <u>\$ 5,137.1</u>

**NOTE 15**      **CONTINGENCIES**

The Company is periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations. The ultimate resolution of these actions is not expected to have a material adverse effect on the Company's financial position.

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 16**      **STOCK AUCTION**

The Company implemented a procedure to collect debt on past water usage bills from shareholders who were no longer receiving services through the process of a stock auction. Our last auction was held on November 14, 2024. No stock auction was held in 2025. Upon collecting the delinquent fees and calculated related expenses associated with the auction, the remaining funds are distributed to the delinquent shareholder or turned over to the State of California or respective state in accordance with State law.

In 2025 the Company was able to locate and distribute \$6,475 of unclaimed money to the past shareholder from the 2023 stock auction. On June 5, 2025, a total of \$29,109.54 was turned over to the state of California for the money collected and unclaimed from the 2020 stock auction. At this point in time, the financial statements include under accrued expenses a total of \$65,958 owed to respective shareholders for prior year's stock auctions.

The unclaimed liability is listed under accrued liabilities on the balance sheet. The unclaimed balance is \$65,959 and \$101,543 for 2025 and 2024, respectively.

**NOTE 17**      **SALE OF STORED GROUND WATER**

In December of 2025, the Water Company leased the pumping rights from Six Basins of 250 acre-feet of water for \$650 per acre foot for \$162,500 to the Three Valleys Municipal Water District.

An Additional 145 acre-feet of pumping rights from Six Basins was leased to Three Valleys Municipal Water District for the year 2025 but revenue was invoiced and recorded in 2026.

In December of 2025, the Water company leased the pumping rights from Chino Basin of 5.09 acre-feet of water for \$296 to Calmat Company, 8 acre-feet for \$296 for Cucamonga Valley Water District, 2 acre-feet of water for \$296 to Fontana Water Company, 138 acre-feet of water for \$296 to City of Ontario, and 738 acre-feet of water for \$296 to City of Upland. Total dollar amount equaled \$264,244.

**NOTE 18**      **GROUND LEASES**

The Company has ground leases with cell phone service companies and a contractor in order for them to set up cell phone towers and for the contractor to store their materials on land owned by the Company. The Company is following the newly issued ASU 2016-02, Leases (Topic 842). For the Company as lessor, there is very little change to the accounting and disclosure. There are a total of two cell tower leases with varying payments.

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 18**      **GROUND LEASES (Continued)**

The following is the future lease income:

December 31,		
2026	\$	61,520
2027		63,539
2028		55,060
2029		29,621
2030		29,621
Thereafter		<u>364,336</u>
	\$	<u><u>603,697</u></u>

**NOTE 19**      **CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT**

Government Entities

San Antonio Water Company received assets from government entities from the construction of the SR 30/210 freeway by Caltrans, the United States Forest Service requested construction of certain water services related assets for their purposes of which the Company was reimbursed and received title, and the Company received monies from FEMA for the repair of company assets that had been damaged by prior-year storm events.

Developers

San Antonio Water Company received assets from developers of housing projects after completion. The developers installed waterlines, equipment, and other assets, which are then quit claimed to the Company.

	<u>2025</u>	<u>2024</u>
Total Contributed Property, Plant and Equipment	<u>\$2,432,257</u>	<u>\$2,432,257</u>

**NOTE 20**      **FUNCTIONAL CLASSIFICATION OF EXPENSES**

The costs of providing the operations and maintenance and general and administrative activities has been summarized on a functional basis in the following schedule. Accordingly, the costs have been recorded to the operations or administrative services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Company.

**SAN ANTONIO WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**NOTE 20**      **FUNCTIONAL CLASSIFICATION OF EXPENSES (Continued)**

	<u>Operations &amp; Maintenance</u>	<u>General &amp; Administrative</u>	<u>Total</u>
Payroll taxes & benefits	\$ -	\$ 641,773	\$ 641,773
Administrative services	-	684,524	684,524
Directors fees & expenses	-	37,305	37,305
Field labor	497,616	-	497,616
Human resources expense	-	38,146	38,146
Communication	60,730	-	60,730
Conservation	6,808	-	6,808
Depreciation & amortization	1,274,575	-	1,274,575
Insurance	-	107,798	107,798
IT support	-	101,153	101,153
Office supplies/expenses	-	54,881	54,881
Outside services	-	12,660	12,660
Power-gas & electric (Utilities)	1,068,868	-	1,068,868
Professional Fee	-	230,059	230,059
Property taxes	305,576	-	305,576
Staff development & training	5,497	-	5,497
Vehicle & equipment	50,335	-	50,335
Water infrastructure maintenance	352,498	-	352,498
Water resource management	111,649	-	111,649
All other	-	9,611	9,611
TOTAL	<u>\$ 3,734,152</u>	<u>\$ 1,917,910</u>	<u>\$ 5,652,062</u>

**NOTE 21**      **SUBSEQUENT EVENTS**

Events subsequent to December 31, 2025 have been evaluated through February 26, 2026, the date which the Company's audited financial statements were available to be issued. There were no subsequent events requiring disclosure have occurred through.