Annual Financial Statements

FOR THE YEAR ENDED

JUNE 30, 2024

AND

INDEPENDENT AUDITOR'S REPORT

MUN CPAs, LLP
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rodeo Sanitary District
Rodeo, California

Opinion

We have audited the accompanying financial statements of the business-type activities of Rodeo Sanitary District (the "District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Rodeo Sanitary District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 10, and the schedules related to the District's net pension liability on pages 34 - 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rodeo Sanitary District's financial statements as a whole. The combining fund financial statements and Schedule of Operating Expenses, Budget to Actual information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

MUN CPAS, LLP

Sacramento, California
December 18, 2024

RODEO SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

As management of the Rodeo Sanitary District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024. The District encourages readers to consider the information presented here in conjunction with the District's financial statements that follow this section.

The District is a governmental enterprise fund that is a business-type activity. Thus, the District charges a fee to customers to help it cover all or most of the cost of the sewer collection and sanitation treatment services the District provides.

Overview of the Financial Statements

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and an optional supplementary information section that presents combining schedules for the District's proprietary fund. The basic financial statements present proprietary fund statements that offer short and long-term financial information about the District's activities which operate like a business. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition, the District has included a section with combining schedules that provide details about the proprietary fund by operating area, which are added together and presented in an individual column in the basic financial statements.

Financial Statement Analysis and Highlights

Statements of Net Position as of June 30, 2024 and 2023

	2024	2023
Current and other assets	$ 4,688,743	$ 3,057,271
Net pension asset	142,440	117,962
Capital assets, net	24,384,474	24,488,060
Total Assets	29,215,657	27,663,293
Deferred outflow of resources	1,345,489	1,941,841
Current liabilities	1,205,416	1,059,827
Non-current liabilities	13,173,184	12,137,587
Total Liabilities	14,378,600	13,197,414
Deferred inflow of resources	930,398	1,505,863
Net Position	$ 15,252,148	$ 14,901,857

Net Position increased significantly from 2023 to 2024 by $350,291 or 2%. The increase in current assets of $1,631,472 or 53% is a result of the Operating Cash Balance. Capital assets decreased by $103,586 or 0.42%; capital assets totaled $40,551,500, netted with total accumulated depreciation of $16,167,026. The increase in non-current liabilities of $1,035,597 or 9% is a result of increasing outstanding loan balances.

Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2024 and 2023

	2024	2023
Sewer service charges	$ 3,844,580	$ 3,381,146
Operating expenses	4,003,908	3,490,115
Net Operating Income	(159,328)	(108,969)
Ad valorem taxes	503,457	485,220
Other non-operating revenues (expense)	6,162	21,308
Total Capital Contributions and Non-Operating Revenues	509,619	506,528
Change in Net Position	$ 350,291	$ 397,559

Sewer service charges increased $463,434 from 2023 to 2024. Operating expenses increased by $513,793. Of this amount, salaries increased $209,194 or 21%, while pension benefit increased by $70,866 or 48%, and sodium hypochlorite increased by $67,370 or 96%.

Capital Assets

The infrastructure of the Rodeo Sanitary District ranges drastically in age. The original treatment plant was constructed in 1957. A large plant expansion was performed in 1973. Since the expansion, there was minimal preventative maintenance performed on plant equipment for various reasons. Since fiscal year 1999-2000, many of the plant's systems have been overhauled or replaced.

The District's collection system age varies from 100 plus years old to newly replaced lines. Prior to the CWWMP, the District's financial position required replacement of collection system components on a reactive basis. Typical non-CWWMP capital projects in the collection system have bypasses to alleviate hydraulic bottlenecks, addition of manholes to ease maintenance of sewer lines, and the replacement of failed sewers.

The District's current maintenance budget covers the maintenance of existing plant equipment and collection system infrastructure to maintain the level of treatment and collection the state requires. As items are replaced or rehabilitated, the expenditures on large scale maintenance activities will be reduced making way for lower cost maintenance.

Fiscal Year 2023 - 2024 major capital projects included the following:

District Wide Electrical and Control Rehabilitation. The District continues a District wide project to rehabilitate the electrical and control systems throughout the District's facilities. This project is needed due to the 40+ year old electrical infrastructure. During 2013-2014 the District began to experience frequent electrical system failures which resulted in numerous outages and emergency repairs. As a result of this, the District completed an overall evaluation of the electrical systems and implemented several major rehabilitations including a major SCADA Alarming Computer, Main Plant PLC, and Emergency Notification project. Currently, construction activities include replacing corroded conduits and wires and bringing electrical infrastructure up to current code. Expenditures through June 30, 2024 were $22,481. Frequently, the projects are based on reactive discovery and not planned.

Miscellaneous Collection System Rehabilitation. The District continues to complete Collection System Rehabilitation Projects on an as discovered basis. The projects are generally initiated as the result of CCTV inspection or local sewer line failure. Expenditures through June 30, 2024 were $63,813.

2023 Priority Improvements. The District initiated the 2023 Priority Improvements Project to perform minor sewer rehabilitations. The project bid in early summer 2023 and the project was awarded to APB General Engineer in July 2023 for a bid of $138,280. Construction began early in 2024 and was completed by spring 2024. Expenditures through June 30,2024 were $169,013.

Aeration System Rehab Project. The Aeration panels are at the end of their useful life as are many other components of this system. The District is implementing the project on its own with District Staff and minor support from outside.

The scope of the project includes:

- New Aeration Diffusers RSD staff to perform partial rehab of Aeration Basin A (June 2023) and completed rehab of Aeration Basin B (August 2023). Aeration Basin A to be done in May 2025.

- New RAS System Isolation Valves South basin valves completed, north basin valves to be completed in December 2023.

- New Flow Sensors for each Aeration Zone RSD staff to perform. Project to be completed in early 2025.

- Rehabilitated Gate Operator Mechanisms RSD staff to perform. Project completed in early 2024.

- New grating for east and west end of basin RSD staff to perform. Project to be completed in early 2025.

Expenditures through June 30, 2024, were $85,392

2024 Primary Clarifier Improvements Project. The Primary Clarifier bridge and walkway are at the end of their useful service life. These components are original to the 1957 primary plant. Project elements include:

- Replacing the Primary Clarifier bridge and walkway,
- New electrical feed for the Primary Clarifier mechanism,
- Concrete coating of a portion of the Primary Clarifier,
- Replacing the handrail on the Headworks Structure, and
- Headworks walking surface coating.

Design and bid for the project was completed in Spring 2024 and the construction contract was awarded to Pacific Infrastructure in May 2024 for $515,800. Project completion is expected to be in October 2024.

Expenditures through June 30, 2024, were $107,048

2024/2025 RAS/WAS System Improvements Project. Project elements include:

- Replace all three RAS and WAS pumps and VFDs (to be completed by RSD staff)
- Replace and Upgrade the Thickened Waste Activate Sludge Local Control Panel.
- Design new features (polymer feed, thickened sludge pump control, etc) to allow for 24-hour automated operation of the Thickened Waste Activated Sludge System.
- Replace and Upgrade the Return Activated Sludge and Waste Activate Sludge Local Control Panel.
- Design new elevated platform in the Return Activated Sludge and Waste Activate Sludge Room.
- Integrate SCADA Alarm and Control Telemetry to/from WPCP SCADA Computer in Operations Building.

RSD Staff completed replacing RAS pump 9 in May 2024. Pumps 7 and 8 are scheduled to be replaced in fall of 2024.

The design service for the balance of the project was awarded to HydroScience Engineers in August 2024 with construction anticipated to start in spring of 2025.

Expenditures through June 30, 2024, were $57,741

2024/2025 Secondary Clarifier Improvements Project. This project was originally to be included with the Primary Clarifier Improvements Project. Due to funding limitations, the project was removed and separated into its own project. Design will be completed in the 2024-2025 Fiscal year to be “shovel ready” when funding is available. RSD plans to fund the project with Clean Water State Revolving Fund low interest loans. This wont likely occur until the 2025-2026 Fiscal Year.

Expenditures through June 30, 2024, were $119,645.

Debt Activities

The District's mission is "To safely provide the highest level of wastewater collection and treatment as economically possible for the people of Rodeo while protecting the sensitive ecosystem of the and the overall environment." In June 2013, the District completed a planning process to determine how to best meet this mission over the next 20 years. The plan is identified in the Comprehensive Wastewater Master Plan (CWWMP) prepared for the District.

The District secured a $1,850,000 loan through Capital One Funding in June 2024. The term of the loan is twenty years and is scheduled to be fully repaid by December 2044. Funds from this loan are allocated for the Aeration System Rehab Project, Primary Clarifier Improvements Project, and the 2024/2025 RAS/WAS System Improvements Project.

The primary objectives of the CWWMP were to assess the ability of existing facilities to provide reliable wastewater collection and treatment, plan for future regulations, and develop a prioritized and comprehensive 20-year Capital Improvement Program (CIP) that address the District's current and future needs. The District Board reviewed a number of potential options presented in the master plan and selected a CIP alternative that included various hydraulic improvements at the wastewater treatment plant (WWTP) and Influent Pump Station, along with an extensive sewer replacement program to address sewer rehabilitation needs where sanitary sewer overflows had occurred or risk of overflow was very high. The estimated budget to fund these projects over the next 20 years was approximately $16.6 million. The District Board chose to finance the initial CIP projects primarily through the use of Clean Water State Revolving Fund (CWSRF) low interest loans in order to minimize the long-term cost of borrowing. The District Board prioritized eight separate projects as listed in the table below. The final CWWMP Project was completed in spring 2019.

Schedule	Project	Budget Cost (million)
Complete 2015	Sewer Year 1 Improvements	$2.0
Complete 2016	Sewer Year 2A Improvements	$2.4
Start September 2016	WWTP Improvements	$1.8
Start October 2016	Sewer Year 2B Improvements	$2.4
Start January 2017	Sewer Year 3A Improvements	$2.4
Start December 2016	Influent Pump Station Improvements	$1.8
Start May 2017	Sewer Year 3B Improvements	$2.4
Start July 2018	Sewer Year 3C Improvements	$1.4
	TOTAL COST	$16.6

Additional information on the District's Debt can be found in Note 4 to the Financial Statements included in this report.

District Highlights

Rodeo Sanitary District achieved the District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF) in recognition of its outstanding efforts to promote transparency and good governance.

Investments

The District opened an investment pool managed by the State of California and regulated by California government code Section 16429 known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

LAIF allows local agencies such as the District to participate in a Pooled Money Investment Account (PMIA) managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value. The total amount invested by all public agencies in LAIF, as of June 30, 2024, was approximately $19.5 billion. Of that amount, 100% is invested in non-derivative financial products. The balance in LAIF is available for withdrawal on demand.

Budget and Rates

The Board of Directors reviews and approves the budget annually based on their analysis of current operating expenses. Rates for sewer service fees are a reflection of the current operating budget. Rate increases will be determined on an as needed basis for the continuing operations of the District.

The Board of Directors approved a 13% rate increase for fiscal year 2023-2024, increasing the annual residential sewer service fee to $1,165.62.

Each year, District staff will present a comprehensive financial report to the Board during the FY Budget preparation. The Board has asked that each years' increase be justified or omitted for the fiscal year.

Economic Factors and Future Outlook

The District is dependent upon user service and capacity fees for the funding of operations and capital improvements. Increases in service fees can only be implemented upon completing the State of California Proposition 218 process. During the fiscal year, the District completed the Proposition 218 process which provides for an increase of revenue of 8%, 8%, 9%, 9% and 9% over the next five years beginning in fiscal year 24-25. The five-year revenue increase plan outlined in the Proposition 218 notice was developed and based on a third-party service fee rate study. Subsequent to the year ended June 30, 2024, the District board of directors approved the five-year revenue plan. As outlined in the Proposition 218 notice, the primary purpose of the five-year revenue plan include:

- New and increasingly stringent state and federal environmental regulations.
- Major inflationary market.
- Higher utility costs to operate facilities.
- Capital projects to ensure compliance with the state and federal requirements.

The District is governed by the 1923 California Sanitary District Act, as well as the regulations of the State Water Resources Control Board (SWRCB) that require rate-based revenues that must cover the costs of operation, maintenance and recurring capital replacement (OM&R). The District's Ad Valorem tax component of revenue is subject to general economic conditions that result in increases or decreases in property tax values. Accordingly, the District sets its rates to its users to cover the costs of OM&R and debt financed capital improvements. Operating costs continue to be kept at or below inflationary levels for the past several years.

After the completion of the CWWMP projects in 2021 and the Bar Screen Project in 2022, the District has focused on energy optimization and continued facility rehabilitation as identified in the CWWMP. The District is seeking funding through grants from the Inflation Reduction Act for energy related projects and bank loans for facility and sewer infrastructure rehabilitation.

The District is in the design phase of a 2024 Water Pollution Control Plant Priority Improvement Project that will replace the Primary Clarifier Bridge, construct a new center well platform, and replace the nearly 70 year-old handrail around the Headworks. Other project components include the replacement of the effluent troughs, scum collection system and coating rehab of the secondary clarifiers. This project will be funded through debt service.

Contacting the District's Financial Management

This financial report is designed to provide a general overview for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District Administrator at Rodeo Sanitary District, 800 San Pablo Avenue, Rodeo, California 94572.

RODEO SANITARY DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2024

ASSETS		
Current assets		
Cash and investments (Note 2)	$	4,497,210
Accounts receivable		46,694
Franchise fee receivable		37,824
Prepaid assets		101,382
Other assets		5,633
Total current assets		4,688,743
Noncurrent assets		
Net pension asset (Note 6)		142,440
Capital assets, net of accumulated depreciation (Note 3)		24,384,474
Total noncurrent assets		24,526,914
Total Assets		29,215,657
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension (Note 6)		1,345,489
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	30,561,146
LIABILITIES		
Current liabilities		
Accounts payable	$	296,513
Accrued payroll		28,281
Compensated absences (Note 4)		51,247
Other liabilities		14,972
Long term liabilities, current portion (Note 4)		814,403
Total current liabilities		1,205,416
Noncurrent liabilities		
Long term liabilities, net of current portion (Note 4)		13,173,184
Total noncurrent liabilities		13,173,184
Total Liabilities		14,378,600
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension (Note 6)		930,398
NET POSITION		
Net investment in capital assets		12,246,887
Restricted for current capital projects		1,021,185
Board-designated reserves		1,984,076
Total Net Position		15,252,148
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$	30,561,146

See accompanying notes to the financial statements.

RODEO SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

OPERATING REVENUE		
Sewer service charges	$	3,844,580
OPERATING EXPENSES		
Operating expenses		4,003,908
OPERATING LOSS		(159,328)
NONOPERATING REVENUES (EXPENSES)		
Ad valorem taxes		503,457
Franchise fees		134,864
Interest income		9,539
Miscellaneous income		116,769
Interest expense		(255,010)
Total nonoperating revenue, net		509,619
CHANGE IN NET POSITION		350,291
TOTAL NET POSITION, BEGINNING OF YEAR		14,901,857
TOTAL NET POSITION, END OF YEAR	$	15,252,148

See accompanying notes to the financial statements.

RODEO SANITARY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$ 3,827,397
Cash paid to suppliers for goods and services	(1,317,999)
Cash paid to employees	(1,622,764)
NET CASH PROVIDED BY OPERATING ACTIVITIES	886,634
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of equipment and capital improvements	(899,124)
Proceeds on new debt	1,850,000
Principal paid on capital debt	(745,632)
Interest paid on capital debt	(262,851)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(57,607)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Ad valorem taxes collected	503,457
Miscellaneous income	116,769
Franchise fees collected	134,864
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	755,090
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	9,539
NET CASH PROVIDED BY INVESTING ACTIVITIES	9,539
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,593,656
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,903,554
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,497,210

See accompanying notes to the financial statements.

RODEO SANITARY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	$ (159,328)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,001,110
(Increase) decrease in:	
Accounts receivable, net	(17,183)
Prepaid assets	(13,390)
Other assets	2,198
Deferred outflows of resources - pension	596,352
Increase (decrease) in:	
Accounts payable	63,971
Accrued payroll	9,482
Other liabilities	2,038
Net pension asset	(24,478)
Compensated absences	1,327
Deferred inflows of resources - pension	(575,465)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 886,634

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Rodeo Sanitary District (the "District") was originally formed in 1914. It was subsequently re-organized in 1939 under the 1923 Sanitary District Law so that the 1923 statutes would apply and is one of the oldest Districts of its type in California. The District provides sewage collection, treatment, and disposal services to the town of Rodeo and the Village of Tormey. The District serves an estimated 10,000 people.

The District is governed by a five-member elected Board of Directors and has 8 full-time employees. The District receives funding from local government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined by the GASB pronouncement, since the Board members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations, and be accountable for fiscal matters.

B. Basis of Presentation

Rodeo Sanitary District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-wide Financial Statements:

The statement of net position displays information about the reporting special district as a whole. It includes the activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. The District's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities. Business-type activities are generally financed in whole or in part by fees charged to external parties for goods or services.

The District consists of one proprietary fund, the main operating fund. The main operating fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. The main operating fund consists of two subfunds - the operating fund and the capital fund.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

Measurement Focus

The statement of net position and the statement of revenues, expenses and changes in net position, are presented using the economic resources measurement focus as defined below.

All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

In the statement of net position and statement of revenues, expenses and changes in net position, business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and become measurable; expenses are recognized in the period incurred.

D. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District's cash and cash equivalents include unrestricted cash on hand or on deposit, and demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value.

E. Accounts Receivable

Receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. The District reports sewer charges and franchise fees as their major receivables.

The District utilizes the allowance method with respect to its accounts receivable. Delinquent sewer charges are submitted to the County Tax Assessor annually to be encumbered on the secured property tax bills. As of June 30, 2024, there is no allowance for uncollectible accounts.

F. Ad Valorem Taxes

Ad valorem tax revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills and collects taxes and special assessments for the District. Under the County's "Teeter Plan", the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. The County's assessor's office prepares the property assessment rolls with property tax liens as of March 1 of every year. The collection dates for ad valorem tax receipts are November 1 for the first installment (50%) and February 1 for the second installment (50%). The County credits each applicable fund with its total secure taxes upon completion of the secured tax roll, approximately October 1st of each year.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

H. Restricted Assets

Certain resources set aside for capital projects are classified as restricted assets on the statement of net position as their use is limited by applicable covenants and specific requirements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets

Capital assets, which include property, plant equipment, and infrastructure assets, are reported on the statement of net position. Capital assets are currently defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are valued at historical cost. Contributed assets are valued at their estimated fair market value on the date contributed.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is provided over the useful lives of assets using the straight-line method. Estimated useful lives of all depreciable assets are as follows:

Plant (prior to 1974)	40 years
Plant and related equipment	5 - 30 years
Pump station, collection system, and sewer lines	5 - 60 years
Office and laboratory equipment	5 - 10 years
Vehicles	5 - 10 years

J. Compensated Absences

Full-time employees of the District can accumulate sick leave on the basis of one full day per full month of service. Part-time employees will accrue sick leave on a pro rata basis according to their percentage of full time work; sick leave may be accumulated without limit for employees hired before January 1, 2012, except as covered in the union memorandum of understanding. Employees hired or given benefits on or after January 1, 2012 will accrue sick leave to a cap of thirty days, except as covered in the union memorandum of understanding. Employees do not accrue sick leave when they are on short-term or long term disability. Employees will not be compensated for unused sick leave under any conditions.

Vacation, which is based upon the employee’s length of service, may be accumulated each month based on the following:

Up to 4 years	0.9166 days per month
4 - 10 years	1.33 days per month
10 - 20 years	1.75 days per month
Over 20 years	2.166 days per month

K. Pension Plan

For purposes of measuring the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's Contra Costa County Employees' Retirement Association (CCCERA) plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CCCERA. For this purpose, benefit payments (Including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

L. Net Position

The net position amount is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by the District or external restrictions by other governments, creditors or grantors.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Operating and Non-operating Revenues

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations of the proprietary fund. The principal operating revenue of the District's fund is charges to customers for sewer charges. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

N. Restricted Resources

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the District may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenses. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

O. Deferred Inflows/Outflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

P. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted by the Board of Directors for the general budget, which includes operations, maintenance and administration, and construction. Budgets are used as a management tool and are not a legal requirement.

Q. Management 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 at the reporting date and revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

R. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2023, the District implemented the following accounting and financial reporting standards:

Governmental Accounting Standards Board Statement No. 99

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for guarantees. The requirements of this statement related to leases, PPPs and SBITAs were effective for the District's fiscal year ending June 30, 2023 and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the District's fiscal year ending June 30, 2024. Application of this statement had no material impact on the District's financial statements for the fiscal year ending June 30, 2024.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board Statement No. 100

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Application of this statement had no material impact on the District's financial statements for the fiscal year ending June 30, 2024.

Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2024 or later and may be applicable for the District. However, the District has not determined the effects, if any, on the financial statements.

Governmental Accounting Standards Board Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for the District's fiscal year ending June 30, 2025.

Governmental Accounting Standards Board Statement No. 102

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A concentration is defined as a lack of diversity related to an aspect of a significant inflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. The requirements of this statement are effective for the District's fiscal year ending June 30, 2026.

Governmental Accounting Standards Board Statement No. 103

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The requirements of this statement are effective for the District’s fiscal year ending June 30, 2026.

Governmental Accounting Standards Board Statement No. 104

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objectives of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital asset note disclosures required by Statement 34, and also requires additional disclosures for capital assets held for sale. The requirements of this statement are effective for the District's fiscal year ending June 30, 2026.

NOTE 2: CASH AND INVESTMENTS

Cash and investments were comprised of the following at June 30, 2024:

County Investment Pool	$ 1,675,671
Local Area Investment Fund (LAIF)	2,821,539
Total Cash and Investments	$ 4,497,210

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the District's Investment Policy

The California Government Code Section 53601 authorizes the District to invest in their own bonds, certain time deposits, obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper, bankers' acceptances with maturities not to exceed 270 days, and medium-term notes issued by corporations operating within the U.S., rated A or higher by Moody's or Standard & Poor's rating services, repurchase agreements of obligations of the U.S. Government or its agencies for a term of one year or less, and the Local Agency Investment Fund.

Disclosures Related to Interest Rate Risk

Interest rate risk is the risk that market rate changes could adversely affect the fair values of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2024, the District had investments in the County Investment Pool and Local Agency Investment Fund. The fair value of the District's investments in this pool and Local Agency Investment Fund are classified as cash equivalents.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County Pool and Local Agency Investment Fund are not rated.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2024, there were no investments in any one issuer that represented 5% or more of the total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depositary financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The California Government Code and the District’s investments policy do not contain legal or policy requirements that would limit the exposure of custodial risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depositary regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must be equal to least 100% of the total amount deposited by public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2024, the deposits with financial institutions, in excess of the federal depositary insurance limits, were collateralized as required by law. As of June 30, 2024, the carrying amount of the District’s bank deposits totaled $1,675,671 and the bank balances totaled $1,892,841. The differences between the carrying amounts and the bank totals are due to the normal deposits in transit and outstanding checks.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investment in County and State Investment Pool:

The District is a voluntary participant in the Contra Costa Investment Pool and Local Agency Investment Fund that are regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investments in the Contra Costa Investment Pool is classified as a cash equivalent in the accompanying financial statements. Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. The fair value of the District's investment in the Local Agency Investment Fund is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio).

NOTE 3: CAPITAL ASSETS

The following is a summary of capital assets and related depreciation as of June 30, 2024:

	Balance July 1, 2023	Additions	Deletions	Transfers	Balance June 30, 2024
Non-Depreciable Assets:					
Land	$ 40,000	$ -	$ -	$ -	$ 40,000
Construction in progress	213,154	899,124	(1,600)	(616,306)	494,372
Total Non-Depreciable Assets	253,154	899,124	(1,600)	(616,306)	534,372
Depreciable Assets:					
Plant (prior to 1974)	3,703,053	-	-	-	3,703,053
Plant	10,203,301	-	-	1,025	10,204,326
Plant maintenance	1,493,888	-	-	270,845	1,764,733
Pump station	3,931,857	-	-	36,996	3,968,853
Collection system	3,000,566	-	-	63,813	3,064,379
Administration	64,003	-	-	6,544	70,547
Underground sewer lines	15,575,857	-	-	237,083	15,812,940
Pre-1970 District system	1,428,297	-	-	-	1,428,297
Total Depreciable Assets	39,400,822	-	-	616,306	40,017,128
Accumulated Depreciation:					
Plant (prior to 1974)	(3,703,053)	-	-	-	(3,703,053)
Plant	(3,750,970)	(260,189)	-	-	(4,011,159)
Plant maintenance	(740,434)	(136,430)	-	-	(876,864)
Pump station	(1,197,548)	(116,173)	-	-	(1,313,721)
Collection system	(1,260,041)	(89,340)	-	-	(1,349,381)
Administration	(42,618)	(3,254)	-	-	(45,872)
Underground sewer lines	(3,042,955)	(395,724)	-	-	(3,438,679)
Pre-1970 District system	(1,428,297)	-	-	-	(1,428,297)
Total Accumulated Depreciation	(15,165,916)	(1,001,110)	-	-	(16,167,026)
Total Capital Assets, net	$ 24,488,060	$ (101,986)	$ (1,600)	$ -	$ 24,384,474

Depreciation expense for the year ended June 30, 2024 totaled $1,001,110.

NOTE 4: LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
Long-term liabilities:					
SRF Loan (Year 1) 14-822-550-0	$ 1,218,026	$ -	$ (93,398)	$ 1,124,628	$ 94,799
SRF Loan (Year 2) D15-01006-550-0	3,687,855	-	(219,486)	3,468,369	222,997
SRF Loan (Year 3) D15-01032-550-0	5,070,899	-	(259,770)	4,811,129	264,186
SRF Loan - IPS D15-01008-550-0	1,518,632	-	(90,382)	1,428,250	91,829
SRF Loan - WWTP D15-01020-550-0	1,387,807	-	(82,596)	1,305,211	83,918
Municipal Finance Corporation Installment Purchase Contract	-	1,850,000	-	1,850,000	56,674
Total long-term liabilities	$ 12,883,219	$ 1,850,000	$ (745,632)	$ 13,987,587	$ 814,403
Other liabilities:					
Compensated absences	$ 49,920	$ 62,205	$ (60,878)	$ 51,247	$ 51,247

The following is a description of the District's long-term liabilities:

A. State Revolving Fund Year 1 Loan

In March 2015, the District entered into a loan agreement with the State Water Resources Control Board. The loan provided proceeds of $1,999,643 which were used for capital expenditures relating to the SRF Year 1 project. The note is payable in annual installments of $111,669, including interest at 1.5% through July 2035. Future debt service payments as of June 30 are as follows:

Year Ending June 30	Principal	Interest	Total
2025	$ 94,799	$ 16,869	$ 111,668
2026	96,221	15,447	111,668
2027	97,665	14,004	111,669
2028	99,129	12,539	111,668
2029	100,616	11,052	111,668
2030-2034	526,179	32,164	558,343
2035	110,019	1,650	111,669
Total	$ 1,124,628	$ 103,725	$ 1,228,353

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

B. State Revolving Fund Year 2 Loan

On September 21, 2015, the District entered into a loan agreement with the State Water Resources Control Board. The loan provided up to $4,983,016 to be used for capital expenditures relating to the SRF Year 2 project. The note is payable in annual installments of $278,491, including interest at 1.6% through October 2037. Future debt service payments as of June 30 are as follows:

Year Ending June 30	Principal	Interest	Total
2025	$ 222,997	$ 55,494	$ 278,491
2026	226,565	51,926	278,491
2027	230,190	48,301	278,491
2028	233,873	44,618	278,491
2029	237,615	40,876	278,491
2030-2034	1,246,336	146,121	1,392,457
2035-2038	1,070,793	43,172	1,113,965
Total	$ 3,468,369	$ 430,508	$ 3,898,877

C. State Revolving Fund Year 3 Loan

In August 2016, the District entered into a loan agreement with the State Water Resources Control Board. The loan provides up to $5,740,000 to be used for capital expenditures relating to the SRF Year 3 project. The note is payable in annual installments of $345,975, including interest at 1.7% through September 2039. Future debt service payments as of June 30 are as follows:

Year Ending June 30	Principal	Interest	Total
2025	$ 264,186	$ 81,789	$ 345,975
2026	268,677	77,298	345,975
2027	273,244	72,731	345,975
2028	277,890	68,085	345,975
2029	282,614	63,361	345,975
2030-2034	1,486,789	243,086	1,729,875
2035-2039	1,617,538	112,337	1,729,875
2040	340,191	5,783	345,974
Total	$ 4,811,129	$ 724,470	$ 5,535,599

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

D. State Revolving Fund IPS Loan

In September 2017, the District entered into a loan agreement with the State Water Resources Control Board. The loan provides up to $1,945,600 to be used for capital expenditures related to the Influent Pump Station project. The note is payable in annual installments of $114,680, including interest at 1.6% through March 2038. Future debt service payments as of June 30 are as follows:

Year Ending June 30	Principal	Interest	Total
2025	$ 91,829	$ 22,852	$ 114,681
2026	93,298	21,383	114,681
2027	94,791	19,890	114,681
2028	96,307	18,373	114,680
2029	97,848	16,832	114,680
2030-2034	513,232	60,171	573,403
2035-2038	440,945	17,778	458,723
Total	$ 1,428,250	$ 177,279	$ 1,605,529

E. State Revolving Fund Wastewater Treatment Plan Loan

In March 2016, the District entered into a loan agreement with the State Water Resources Control Board. The loan provided up to $1,900,000 to be used for capital expenditures related to the Wastewater Treatment Plan project. The note is payable in annual installments of $104,802, including interest at 1.6% through December 2037. Future debt service payments as of June 30 are as follows:

Year Ending June 30	Principal	Interest	Total
2025	$ 83,918	$ 20,883	$ 104,801
2026	85,261	19,541	104,802
2027	86,625	18,177	104,802
2028	88,011	16,791	104,802
2029	89,419	15,382	104,801
2030-2034	469,019	54,988	524,007
2035-2038	402,958	16,246	419,204
Total	$ 1,305,211	$ 162,008	$ 1,467,219

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

F. Municipal Finance Corporation Loan

In June 2024, the District entered into a loan agreement with the Municipal Finance Corporation. The loan provided $1,850,000 to be used for capital expenditures related to the Wastewater Treatment Plan project. The note is payable in annual installments of $145,169, including interest at 5% through June 2044. Future debt service payments as of June 30 are as follows:

Year Ending June 30	Principal	Interest	Total
2025	$ 56,674	$ 88,495	$ 145,169
2026	59,438	85,731	145,169
2027	62,338	82,831	145,169
2028	65,378	79,790	145,168
2029	68,568	76,601	145,169
2030-2034	396,394	329,448	725,842
2035-2039	502,981	222,862	725,843
2040-2044	638,229	87,618	725,847
Total	$ 1,850,000	$ 1,053,376	$ 2,903,376

G. Compensated Absences

Compensated absences comprise unused vacation, which are accrued as earned.

NOTE 5: INTRAFUND TRANSACTIONS

The following intrafund transactions are between the sub funds of the main operating fund of the District. Therefore these transactions are shown on the combining schedules on pages 31 and 32, but are eliminated and not shown on the statement of net position and statement of revenue, expenses and changes in net position on pages 11 and 12, respectively.

Due to/from Other Funds

Receivable Fund	Payable Fund	Description	Amount
Operating Fund	Capital Fund	Capital Improvements	$ 12,466,928

The Capital Fund has borrowed from the Operating Fund a cumulative amount of $12,466,928 as of June 30, 2024 to finance on-going construction projects as part of the Capital Improvements Program. This loan is to be repaid from future receipts of the ad valorem tax, capital improvement charges, connection fees and additional sewer service fees designated for the Capital Fund. The Operating Fund has made these funds available for the capital improvement Program by incurring loans from the State Revolving Fund as presented in Note 4. The interfund loan will be repaid to the Operating Fund and then in turn the Operating Fund will repay loans from State Revolving Fund. No payments were made to the Operating Fund during the year ended June 30, 2024.

NOTE 5: INTRAFUND TRANSACTIONS (CONTINUED)

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2024 were as follows:

Transfer from	Transfer To	Description of Transfers	Amount
Capital Fund	Operating Fund	Capital Improvements	$ (338,693)

NOTE 6: RETIREMENT PLAN

A. General Information about the Pension Plan

Plan Description – The District participates in the Contra Costa County Employees' Retirement Association (CCCERA), a cost-sharing multiple employers defined benefit pension plan. Contra Costa County adopted this plan under the County Employees' Retirement Law of 1937. The plan provides for retirement, disability, death and survivor benefits. Annual cost-of-living adjustments to retirement benefits can be granted by the Retirement Board as provided by state statues. The plan issues stand-alone financial statements as of December 31, which can be directly obtained from its offices at 1200 Concord Avenue, Suite 300, Concord, California 94520.

Benefits Provided - CCCERA provides service retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees of the County of Contra Costa or participating agencies become members of CCCERA effective on the first day of the first full pay period after employment. Part-time employees in permanent positions must work at least 20 hours a week in order to be a member of CCCERA.

The Plan's provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	1.67% @ 55	1.0% @ 52
Benefit vesting schedule	Minimum of Five Years	Minimum of Five Years
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	52
Monthly benefits, as a % of eligible compensation	1.67% to 2.61%	1.0% to 2.50%
Required employee contribution rates	11.69%-16.26%	14.22%
Required employer contribution rates	17.59%	14.37%

Contributions – The County of Contra Costa and participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from CCCERA's actuary after the completion of the annual actuarial valuation. The District's employer contribution rate for the fiscal year beginning July 1, 2023 (based on the December 31, 2023 valuation) was 17.59% of compensation for legacy and 14.37% of compensation for PEPRA***.***

For the year ended June 30, 2024, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	$	193,580
Contributions - employee		151,675

NOTE 6: RETIREMENT PLAN (CONTINUED)

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

As of June 30, 2024, the District reported a net pension asset of $142,440 for its proportionate share of the net pension asset of the Plan.

The District’s net pension asset for the Plan is measured as the proportionate share of the net pension (asset) liability. The net pension asset of the Plan is measured as of December 31, 2023 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The District’s proportion of the net pension (asset) liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension (asset) liability for the Plan as of June 30, 2023 and 2024 was as follows:

Proportion - June 30, 2023	(0.007)%
Proportion - June 30, 2024	(0.009)%
Change - Increase (Decrease)	(0.002)%

For the year ended June 30, 2024, the District recognized pension benefit of $214,704. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Pension contributions subsequent to measurement date	$ 108,472	$ -
Differences between actual and expected experience	(18,216)	-
Changes in assumptions	(6,625)	(167)
Change in employer's proportion and differences between the employer's contributions and employer's proportionate share of contributions.	1,328,742	930,565
Net differences between projected and actual earnings on plan investments	(66,884)	-
Total	$ 1,345,489	$ 930,398

During the fiscal year, $108,472 was reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension (asset) liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2025	$ 378,651
2026	51,756
2027	(144,393)
2028	20,605

NOTE 6: RETIREMENT PLAN (CONTINUED)

C. Actuarial Assumptions - The total pension liabilities in the December 31, 2023 actuarial valuations were dertermined using the following actuarial assumptions:

	Legacy	PEPRA
Valuation Date	December 31, 2023	December 31, 2023
Measurement Date	December 31, 2023	December 31, 2023
Actuarial Cost Method	Entry-Age	Entry-Age
Actuarial Assumptions:		
Discount Rate	6.75%	6.75%
Inflation	2.50%	2.50%
Projected Salary Increases		
General	3.50% to 14.00%	3.50% to 14.00%
Safety	4.00% to 15.00%	4.00% to 15.00%
Investment Rate of Return	6.75%	6.75%
Mortality	RP-2014 Healthy Annuitant Mortality Table	RP-2014 Healthy Annuitant Mortality Table

Discount Rate - The discount rate used to measure the total pension liability and net pension asset was 6.75% as of December 31, 2023. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer and employee contributions that are intended to fund benefits for current plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments to determine the Total Pension Liability as of December 31, 2023.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 6.75% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 1.17% of the projected beginning plan fiduciary net position amount. An investment return excluding administrative expenses would have been 7.92%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CCCERA checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

NOTE 6: RETIREMENT PLAN (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	10%	5.40%
Small Cap Equity	3%	6.17%
Developed International Equity	10%	6.13%
Emerging Market Equity	9%	8.17%
Core Fixed	4%	0.39%
Short-Term Credit	14%	-0.14%
Cash & Equivalents	3%	-0.73%
Private Equity	15%	10.83%
Private Credit	13%	5.93%
Infrastructure	3%	6.30%
Value Add Real Estate	5%	7.20%
Opportunistic Real Estate	5%	8.50%
Risk Parity	3%	3.80%
Hedge Funds	3%	2.40%
Total	100%	

Sensitivity of the Proportionate Share of the Net Pension Asset to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension asset for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

1% Decrease	5.75%
Net Pension Liability	$723,617
Current Discount Rate	6.75%
Net Pension (Asset)	($142,440)
1% Increase	7.75%
Net Pension (Asset)	($852,293)

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

NOTE 7: INSURANCE

The District is insured for the cost of claims filed against it for general liability subject to a deductible of $5,000. The District is a member of California Sanitation Risk Management Authority (CSRMA) and is in a primary insurance program that supplies coverage up to $5,000,000 per occurrence, with total coverage up to $6,000,000 in the aggregate. CSRMA was formed to provide common risk management and loss prevention programs related to public liability, auto liability, public official's errors and omissions, property loss, and workers' compensation risk for member governmental agencies. CSRMA is not a component unit of the District for financial reporting purposes, but the District does retain an on-going financial responsibility in CSRMA. During the year ended June 30, 2024, the District made $110,655 in insurance premium payments to CSRMA.

Condensed audited financial statements for CSRMA was as follows for the year ended June 30, 2023 (the most recent available):

Total Assets	$ 35,837,500
Total Liabilities	$ 25,803,417
Total Net Position	$ 10,034,083
Total Revenues	$ 21,686,396
Total Expenses	$ 18,692,969
Change in Net Position	$ 2,993,427

Complete financial statements for CSRMA can be obtained from CSRMA, care of Alliant Insurance Services, Inc. 100 Pine Street, 11th floor, San Francisco, California 94111.

NOTE 8: SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 18, 2024, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

RODEO SANITARY DISTRICT
COMBINING SCHEDULE OF NET POSITION
AS OF JUNE 30, 2024

	Operating Fund	Capital Fund	Total
ASSETS			
Current assets			
Cash and investments	$ 3,476,025	$ 1,021,185	$ 4,497,210
Accounts receivable	46,694	-	46,694
Franchise fee receivable	37,824	-	37,824
Prepaid assets	101,382	-	101,382
Interfund receivable	12,466,928	-	12,466,928
Other assets	5,633	-	5,633
Total current assets	16,134,486	1,021,185	17,155,671
Noncurrent assets			
Net pension asset	142,440	-	142,440
Capital assets, net of accumulated depreciation	24,384,474	-	24,384,474
Total noncurrent assets	24,526,914	-	24,384,474
Total Assets	40,661,400	1,021,185	41,682,585
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	1,345,489	-	1,345,489
Total Assets and Deferred Outflow of Resources	$ 42,006,889	$ 1,021,185	$ 43,028,074
LIABILITIES			
Current liabilities			
Accounts payable	$ 296,513	$ -	$ 296,513
Accrued payroll	28,281	-	28,281
Compensated absences	51,247	-	51,247
Interfund payable	-	12,466,928	12,466,928
Other liabilities	14,972	-	14,972
Long term liabilities, current portion	814,403	-	814,403
Total current liabilities	1,205,416	12,466,928	13,672,344
Noncurrent liabilities			
Long term liabilities, net of current portion	13,173,184	-	13,173,184
Total noncurrent liabilities	13,173,184	-	13,173,184
Total Liabilities	14,378,600	12,466,928	26,845,528
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	930,398	-	930,398
Total Deferred Inflows of Resources	930,398	-	930,398
NET POSITION			
Net investments in capital assets	12,246,887	-	12,246,887
Restricted for current capital projects	12,466,928	(11,445,743)	1,021,185
Board-designated reserves	1,984,076	-	1,984,076
Total Net Position	$ 26,697,891	$ (11,445,743)	$ 15,252,148

RODEO SANITARY DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

	Operating Fund	Capital Fund	Total
OPERATING REVENUE			
Sewer service charges	$ 2,972,580	$ 872,000	$ 3,844,580
OPERATING EXPENSES			
Operating expenses	4,003,908	-	4,003,908
OPERATING (LOSS) INCOME	(1,031,328)	872,000	(159,328)
NONOPERATING REVENUES (EXPENSES)			
Ad valorem taxes	503,457	-	503,457
Franchise fees	134,864	-	134,864
Interest income	1,118	8,421	9,539
Miscellaneous income	116,769	-	116,769
Interest expense	(255,010)	-	(255,010)
Total nonoperating revenue, net	501,198	8,421	509,619
(LOSS) INCOME BEFORE TRANSFERS	(530,130)	880,421	350,291
TRANSFERS			
Interfund transfers	338,693	(338,693)	-
CHANGE IN NET POSITION	(191,437)	541,728	350,291
TOTAL NET POSITION, BEGINNING OF YEAR	26,889,328	(11,987,471)	14,901,857
TOTAL NET POSITION, END OF YEAR	$ 26,697,891	$ (11,445,743)	$ 15,252,148

RODEO SANITARY DISTRICT
SCHEDULE OF OPERATING EXPENSES
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2024

	Budget	Actual	Favorable (Unfavorable) Variance
Salaries	$ 1,173,909	$ 1,194,720	$ (20,811)
Payroll taxes	81,395	86,317	(4,922)
Employee benefits - retirement	176,000	214,704	(38,704)
Employee benefits - insurance	149,645	134,241	15,404
Plant insurance and worker's compensation insurance	153,044	164,388	(11,344)
Director fees and costs	16,500	5,510	10,990
Solid disposal	23,970	24,450	(480)
Utilities and telephone	274,968	290,498	(15,530)
Chemicals	245,119	229,309	15,810
Maintenance supplies	154,500	192,505	(38,005)
Laboratory supplies and services	53,457	51,771	1,686
Vehicle operations and maintenance	9,000	15,367	(6,367)
Small tools	3,500	13,883	(10,383)
Permits, licenses, and fees	76,494	75,022	1,472
Legal counsel	40,000	40,160	(160)
Professional services	80,350	167,334	(86,984)
Training and education	19,500	12,616	6,884
Janitorial supplies and services	9,350	9,091	259
Office supplies and expenses	21,850	30,084	(8,234)
Safety items	17,500	13,800	3,700
Regulatory payments	-	3,025	(3,025)
Pollution prevention	14,500	7,652	6,848
Grant program	30,000	24,000	6,000
Miscellaneous expense	-	2,351	(2,351)
	2,824,551	3,002,798	(178,247)
Depreciation	-	1,001,110	(1,001,110)
Total Operating Expenses	$ 2,824,551	$ 4,003,908	$ (1,179,357)

REQUIRED SUPPLEMENTARY INFORMATION

RODEO SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY
AS OF JUNE 30, 2024
LAST 10 YEARS

	2024	2023	2022	2021	2020
Proportion of the net pension (asset) liability	(0.00900)%	(0.00700)%	(0.48900)%	(0.18100)%	(0.04800)%
Proportionate share of the net pension (asset) liability	$ (142,440)	$ (117,962)	$(1,188,800)	$(1,054,861)	$ (501,019)
Covered payroll	$ 981,805	$ 754,314	$ 687,478	$ 738,498	$ 734,973
Proportionate share of the net pension (asset) liability as a percentage of covered payroll	(14.51)%	(15.64)%	(172.92)%	(142.84)%	(68.17)%
Plan fiduciary net position as a percentage of the total pension (asset) liability	102.21 %	102.01 %	121.93 %	119.25 %	109.10 %

Notes to Schedule:

Changes in assumptions- Inflation changed from 3.25% to 2.75% in the 2015 valuation report. In addition, estimated salary increase changed from 4.75% to 13.55% in the 2014 valuation report to 4.00% to 13.25% in the 2015 valuation report. Finally, the projected investment rate of return changed from 7.25% to 7.00% in the 2015 valuation report and from 7.00% to 6.75% in the 2023 valuation report.

See accompanying notes to the financial statements.

RODEO SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS

	2019	2018	2017	2016	2015
Proportion of the net pension (asset) liability	0.01300 %	0.01400 %	0.01500 %	0.02600 %	0.01530 %
Proportionate share of the net pension (asset) liability	$ 187,143	$ 111,965	$ 203,750	$ 393,628	$ 182,951
Covered payroll	$ 689,729	$ 635,682	$ 609,667	$ 568,265	$ 589,379
Proportionate share of the net pension (asset) liability as a percentage of covered payroll	27.13 %	17.61 %	33.42 %	69.27 %	31.04 %
Plan fiduciary net position as a percentage of the total pension (asset) liability	96.58 %	98.00 %	95.67 %	91.43 %	95.83 %

See accompanying notes to the financial statements.

RODEO SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2024
LAST 10 YEARS

	2024	2023	2022	2021	2020
Contractually required contribution (actuarially determined)	$ 193,580	$ 130,179	$ 116,801	$ 121,533	$ 141,303
Contributions in relation to the actuarially determined contributions	(193,580)	(130,179)	(116,801)	(121,533)	(141,303)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 981,805	$ 754,314	$ 687,478	$ 738,498	$ 734,973
Contributions as a percentage of payroll	19.72 %	17.26 %	16.99 %	16.46 %	19.23 %

See accompanying notes to the financial statements.

RODEO SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS

	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 230,441	$ 189,027	$ 177,632	$ 178,020	$ 200,506
Contributions in relation to the actuarially determined contributions	(230,441)	(189,027)	(177,632)	(178,020)	(200,506)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 689,729	$ 635,682	$ 609,667	$ 568,265	$ 589,379
Contributions as a percentage of payroll	33.41 %	29.74 %	29.14 %	31.33 %	34.02 %

See accompanying notes to the financial statements.

RODEO SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS

Notes to Schedule:

Valuation Date:	December 31, 2023

<u>Methods and assumptions used to determine contribution rates:</u>

Single and agent's employers example	Entry age
Amortization method	Level percent of payroll
Remaining amortization period	Varies by type
Asset valuation method	Market value of assets less unrecognized returns
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	6.75%, net of pension plan investment and administrative expenses, includes inflation
Retirement age	59 and 54
Mortality	RP-2014 Healthy Annuitant Mortality Table

See accompanying notes to the financial statements.

OTHER REPORTS

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

To the Board of Directors
Rodeo Sanitary District
Rodeo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Rodeo Sanitary District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Rodeo Sanitary District's basic financial statements and have issued our report thereon dated December 18, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MUN CPAs, LLP

Sacramento, California
December 18, 2024