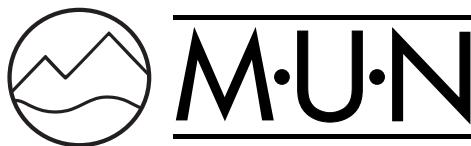




ANNUAL FINANCIAL REPORT  
WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2025

**RODEO SANITARY DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 2025**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rodeo Sanitary District  
Rodeo, California

### **Report on the Audit of the Financial Statements**

#### ***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, 2025, 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, 2025, 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 5, 2025, 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.

*MVN CPAs, LLP*

Sacramento, California  
December 5, 2025

**RODEO SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

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, 2025. 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, 2025 and 2024**

|                                   | <b>2025</b>              | <b>2024</b>              |
|-----------------------------------|--------------------------|--------------------------|
| Current and other assets          | \$ 3,985,101             | \$ 4,688,743             |
| Net pension asset                 | 84,951                   | 142,440                  |
| Capital assets, net               | <u>24,693,609</u>        | <u>24,384,474</u>        |
| <br>Total Assets                  | <br><u>28,763,661</u>    | <br><u>29,215,657</u>    |
| <br>Deferred outflow of resources | <br>716,469              | <br>1,345,489            |
| <br>Current liabilities           | <br>1,203,976            | <br>1,205,416            |
| Non-current liabilities           | <u>12,343,724</u>        | <u>13,173,184</u>        |
| <br>Total Liabilities             | <br><u>13,547,700</u>    | <br><u>14,378,600</u>    |
| <br>Deferred inflow of resources  | <br>495,177              | <br>930,398              |
| <br>Net Position                  | <br><u>\$ 15,437,253</u> | <br><u>\$ 15,252,148</u> |

Net Position increased from 2024 to 2025 by \$185,105 or 1.2%. The decrease in current assets of \$703,642 or 15% is a result of the Operating Cash Balance. Capital assets increased by \$309,135 or 1.3%; capital assets totaled \$41,642,648, netted with total accumulated depreciation of \$16,949,039. The decrease in non-current liabilities of \$829,460 or 6% is a result of decreasing outstanding loan balances.

**RODEO SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2025**

**Statements of Revenues, Expenses, and Changes in Net Position**  
**for the years ended June 30, 2025 and 2024**

|   | <b>2025</b>       | <b>2024</b>       |
|---|-------------------|-------------------|
| Sewer service charges                                     | \$ 4,182,258      | \$ 3,844,580      |
| Operating expenses  | <u>4,565,084</u>  | <u>4,003,908</u>  |
| Net Operating Income                                      | <u>(382,826)</u>  | <u>(159,328)</u>  |
| Ad valorem taxes  | 521,673           | 503,457           |
| Other non-operating revenues (expense)                    | <u>46,258</u>     | <u>6,162</u>      |
| Total Capital Contributions and<br>Non-Operating Revenues | <u>567,931</u>    | <u>509,619</u>    |
| Change in Net Position                                    | <u>\$ 185,105</u> | <u>\$ 350,291</u> |

Sewer service charges increased \$337,678 from 2024 to 2025. Operating expenses increased by \$561,176. Of this amount, salaries increased \$115,235 or 9.7%, while plant insurance increased by \$30,058 or 22.8%, professional services increased by \$67,738 or 40.3% and pension expense increased by \$254,879 or 7,097%.

**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 2024 - 2025 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, 2025 were \$49,567. 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, 2025 were \$95,171.

**RODEO SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

**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. Many elements were completed by District staff. New elements are currently in design, which will be completed in spring 2026. Construction is anticipated in 2026-2027-2028. The District is applying for CWSRF funding for this project.

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 completed in June 2025.
- New Flow Sensors for each Aeration Zone RSD staff to perform. Project to be completed in early 2026.
- Rehabilitated Gate Operator Mechanisms RSD staff to perform. Project completed in summer 2024.
- New grating for east and west end of basin RSD staff to perform. Project to be completed in early 2026.
- Add instrumentation and control to enhance nutrient remove.
- All new electrical service for aeration basins.
- Replace basin isolation gate in basin B.
- Add new isolation gate in Basin A.
- Add anoxic zone mixer.

Expenditures through June 30, 2025, were \$6,046 for a total cost of \$145,879.

**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, 2025, were \$596,063.

**RODEO SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

**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 all three pumps by spring 2025.

The design service for the balance of the project was awarded to HydroScience Engineers in August 2024 with construction anticipated to be completed by winter of 2026.

Expenditures through June 30, 2025, were \$204,969.

**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 2026-2027 Fiscal Year. The District is applying for CWSRF funding for this project.

Expenditures through June 30, 2025, were \$98,914.

**RODEO SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

**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.

**RODEO SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

**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, 2025, was approximately \$21.8 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 an 8% rate increase for fiscal year 2024-2025, increasing the annual residential sewer service fee to \$1,272.00.

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.

**RODEO SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

**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, 2025**

**ASSETS AND DEFERRED OUTFLOW OF RESOURCES**

**Current Assets**

|                               |                      |
|-------------------------------|----------------------|
| Cash and investments (Note 2) | \$ 3,720,658         |
| Accounts receivable           | 156,938              |
| Franchise fee receivable      | 32,250               |
| Prepaid assets                | 70,097               |
| Other assets                  | <u>5,158</u>         |
| <br>Total Current Assets      | <br><u>3,985,101</u> |

**Non-Current Assets**

|  |                       |
|--|-----------------------|
| Net pension asset (Note 6)                               | 84,951                |
| Capital assets, net of accumulated depreciation (Note 3) | <u>24,693,609</u>     |
| <br>Total Non-Current assets                             | <br><u>24,778,560</u> |

**TOTAL ASSETS**

28,763,661

**Deferred Outflows of Resources**

|   |                |
|---|----------------|
| Deferred outflows of resources - pension (Note 6) | <u>716,469</u> |
|---|----------------|

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

\$ 29,480,130

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

**Current Liabilities**

|   |                      |
|---|----------------------|
| Accounts payable                                | \$ 278,725           |
| Accrued payroll                                 | 28,833               |
| Compensated absences (Note 4)                   | 66,421               |
| Other liabilities                               | 537                  |
| Long-term liabilities, current portion (Note 4) | <u>829,460</u>       |
| <br>Total Current Liabilities                   | <br><u>1,203,976</u> |

**Non-Current Liabilities**

|  |                   |
|--|-------------------|
| Long-term liabilities, net of current portion (Note 4) | <u>12,343,724</u> |
|--|-------------------|

**TOTAL LIABILITIES**

13,547,700

**Deferred Inflow of Resources**

|  |                |
|--|----------------|
| Deferred inflows of resources - pension (Note 6) | <u>495,177</u> |
|--|----------------|

**NET POSITION**

|   |                  |
|---|------------------|
| Net investment in capital assets        | 11,520,425       |
| Restricted for current capital projects | 1,068,171        |
| Board-designated reserves               | <u>2,848,657</u> |

**TOTAL NET POSITION**

15,437,253

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

\$ 29,480,130

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, 2025**

**OPERATING REVENUE**

|                       |                     |
|-----------------------|---------------------|
| Sewer service charges | \$ <u>4,182,258</u> |
|-----------------------|---------------------|

**OPERATING EXPENSES**

|                    |                  |
|--------------------|------------------|
| Operating expenses | <u>4,565,084</u> |
|--------------------|------------------|

**OPERATING LOSS**

|  |                  |
|--|------------------|
|  | <u>(382,826)</u> |
|--|------------------|

**NON-OPERATING REVENUES (EXPENSES)**

|                      |                  |
|----------------------|------------------|
| Ad valorem taxes     | 521,673          |
| Franchise fees       | 136,374          |
| Interest income      | 93,712           |
| Miscellaneous income | 94,020           |
| Interest expense     | <u>(277,848)</u> |

|   |                |
|---|----------------|
| Total Non-Operating Revenues (Expenses) | <u>567,931</u> |
|---|----------------|

**INCREASE IN NET POSITION** 185,105

**NET POSITION, BEGINNING OF YEAR** 15,252,148

**NET POSITION, END OF YEAR** \$ 15,437,253

See accompanying notes to the financial statements.

**RODEO SANITARY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2025**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                    |
|---|--------------------|
| Cash receipts from customers                  | \$ 4,072,014       |
| Cash paid to suppliers for goods and services | (1,498,279)        |
| Cash paid to employees                        | <u>(1,736,850)</u> |
| Net Cash Provided by Operating Activities     | <u>836,885</u>     |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

|  |                    |
|--|--------------------|
| Acquisition of equipment and capital improvements          | (1,372,539)        |
| Principal paid on capital debt                             | (814,403)          |
| Interest paid on capital debt                              | <u>(277,848)</u>   |
| Net Cash Used for Capital and Related Financing Activities | <u>(2,464,790)</u> |

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

|   |                |
|---|----------------|
| Ad valorem taxes collected                            | 521,673        |
| Miscellaneous income                                  | 94,020         |
| Franchise fees collected                              | <u>141,948</u> |
| Net Cash Provided by Non-Capital Financing Activities | <u>757,641</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|   |               |
|---|---------------|
| Interest and dividends                    | <u>93,712</u> |
| Net Cash Provided by Investing Activities | <u>93,712</u> |

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (776,552)

**CASH AND CASH EQUIVALENTS, JULY 1, 2024** 4,497,210

**CASH AND CASH EQUIVALENTS, JUNE 30, 2025** \$ 3,720,658

See accompanying notes to the financial statements.

**RODEO SANITARY DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2025**

***RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES***

|   |                          |
|---|--------------------------|
| Operating loss  | \$ (382,826)             |
| Adjustments to reconcile operating loss to net cash provided by operating activities: |                          |
| Depreciation  | 1,063,404                |
| (Increase) decrease in:   |                          |
| Accounts receivable   | (110,244)                |
| Prepaid assets  | 31,285                   |
| Other assets  | 475                      |
| Net pension asset   | 57,489                   |
| Deferred outflows of resources - pension  | 629,020                  |
| Increase (decrease) in:   |                          |
| Accounts payable  | (17,788)                 |
| Accrued payroll   | (6,306)                  |
| Compensated absences  | 15,174                   |
| Other liabilities   | (7,577)                  |
| Deferred inflows of resources - pension   | <u>(435,221)</u>         |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                      | <b>\$ <u>836,885</u></b> |

See accompanying notes to the financial statements.

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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.

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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, 2025, 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.

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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**

The District accounts for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*. Compensated absences include leave for which employees may receive cash payments or other forms of settlement, either during employment or upon termination. These include, but are not limited to, vacation leave, management leave, sick leave, holidays, and bereavement leave. Under GASB 101, a liability is recognized for: (1) leave that has been earned but not yet used, and (2) leave that has been used but not yet paid or settled. The liability is measured based on the amount of leave that is more likely than not to be paid or settled. This includes applicable salary-related payments, if those contributions are directly associated with the payment of compensated absences.

**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 (CCERA) plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CCERA. 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.

**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.

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2024, the District implemented the following accounting and financial reporting standards:

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. Application of this statement had no material impact on the District's financial statements for the 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. Application of this statement had no material impact on the District's financial statements for the fiscal year ending June 30, 2025.

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2025 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. 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, 2025:

|                                   |                     |
|-----------------------------------|---------------------|
| County Investment Pool            | \$ 1,329,408        |
| Local Area Investment Fund (LAIF) | <u>2,391,250</u>    |
| Total Cash and Investments        | <u>\$ 3,720,658</u> |

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, 2025, 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.

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

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, 2025, 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 depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in 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 depository 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, 2025, the deposits with financial institutions, in excess of the federal depositary insurance limits, were collateralized as required by law. As of June 30, 2025, the carrying amount of the District's bank deposits totaled \$1,315,957 and the bank balances totaled \$1,553,710. The differences between the carrying amounts and the bank totals are due to the normal deposits in transit and outstanding checks.

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).

**RODEO SANITARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 3: CAPITAL ASSETS**

The following is a summary of capital assets and related depreciation as of June 30, 2025:

|                                       | <u>July 1, 2024</u>         | <u>Additions</u>          | <u>Deletions</u>        | <u>Transfers</u>          | <u>June 30, 2025</u>        |
|---------------------------------------|-----------------------------|---------------------------|-------------------------|---------------------------|-----------------------------|
| <b>Non-Depreciable Assets:</b>        |                             |                           |                         |                           |                             |
| Land                                  | \$ 40,000                   | \$ -                      | \$ -                    | \$ -                      | \$ 40,000                   |
| Construction in progress              | <u>494,372</u>              | <u>1,372,539</u>          | <u>-</u>                | <u>(1,234,969)</u>        | <u>631,942</u>              |
| <b>Total Non-Depreciable Assets</b>   | <b><u>534,372</u></b>       | <b><u>1,372,539</u></b>   | <b><u>-</u></b>         | <b><u>(1,234,969)</u></b> | <b><u>671,942</u></b>       |
| <b>Depreciable Assets:</b>            |                             |                           |                         |                           |                             |
| Plant (prior to 1974)                 | 3,703,053                   | -                         | -                       | -                         | 3,703,053                   |
| Plant                                 | 10,204,326                  | -                         | (36,552)                | 998,468                   | 11,166,242                  |
| Plant maintenance                     | 1,764,733                   | -                         | (241,200)               | 107,596                   | 1,631,129                   |
| Pump station                          | 3,968,853                   | -                         | -                       | 7,464                     | 3,976,317                   |
| Collection system                     | 3,064,379                   | -                         | (3,639)                 | 95,171                    | 3,155,911                   |
| Laboratories                          | -                           | -                         | -                       | 7,450                     | 7,450                       |
| Administration                        | 70,547                      | -                         | -                       | 7,930                     | 78,477                      |
| Underground sewer lines               | 15,812,940                  | -                         | -                       | 10,890                    | 15,823,830                  |
| Pre-1970 District system              | <u>1,428,297</u>            | <u>-</u>                  | <u>-</u>                | <u>-</u>                  | <u>1,428,297</u>            |
| <b>Total Depreciable Assets</b>       | <b><u>40,017,128</u></b>    | <b><u>-</u></b>           | <b><u>(281,391)</u></b> | <b><u>1,234,969</u></b>   | <b><u>40,970,706</u></b>    |
| <b>Accumulated Depreciation:</b>      |                             |                           |                         |                           |                             |
| Plant (prior to 1974)                 | (3,703,053)                 | -                         | -                       | -                         | (3,703,053)                 |
| Plant                                 | (4,011,159)                 | (308,876)                 | 36,552                  | -                         | (4,283,483)                 |
| Plant maintenance                     | (876,864)                   | (149,974)                 | 241,200                 | -                         | (785,638)                   |
| Pump station                          | (1,313,721)                 | (111,284)                 | -                       | -                         | (1,425,005)                 |
| Collection system                     | (1,349,381)                 | (91,719)                  | 3,639                   | -                         | (1,437,461)                 |
| Laboratories                          | -                           | (1,490)                   | -                       | -                         | (1,490)                     |
| Administration                        | (45,872)                    | (4,064)                   | -                       | -                         | (49,936)                    |
| Underground sewer lines               | (3,438,679)                 | (395,997)                 | -                       | -                         | (3,834,676)                 |
| Pre-1970 District system              | <u>(1,428,297)</u>          | <u>-</u>                  | <u>-</u>                | <u>-</u>                  | <u>(1,428,297)</u>          |
| <b>Total Accumulated Depreciation</b> | <b><u>(16,167,026)</u></b>  | <b><u>(1,063,404)</u></b> | <b><u>281,391</u></b>   | <b><u>-</u></b>           | <b><u>(16,949,039)</u></b>  |
| <b>Capital Assets, net</b>            | <b><u>\$ 24,384,474</u></b> | <b><u>\$ 309,135</u></b>  | <b><u>\$ -</u></b>      | <b><u>\$ -</u></b>        | <b><u>\$ 24,693,609</u></b> |

Depreciation expense for the year ended June 30, 2025 totaled \$1,063,404.

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 4: LONG-TERM LIABILITIES**

The following is a summary of long-term liability activity for the year ended June 30, 2025:

|  | <u>July 1, 2024</u>         | <u>Additions</u>   | <u>Reductions</u>          | <u>June 30, 2025</u>        | <u>Due Within One Year</u> |
|--|-----------------------------|--------------------|----------------------------|-----------------------------|----------------------------|
| <b>Long-Term Liabilities:</b>                                  |                             |                    |                            |                             |                            |
| SRF Loan (Year 1)<br>14-822-550-0                              | \$ 1,124,628                | \$ -               | \$ (94,799)                | \$ 1,029,829                | \$ 96,221                  |
| SRF Loan (Year 2)<br>D15-01006-550-0                           | 3,468,369                   | -                  | (222,997)                  | 3,245,372                   | 226,565                    |
| SRF Loan (Year 3)<br>D15-01032-550-0                           | 4,811,129                   | -                  | (264,186)                  | 4,546,943                   | 268,677                    |
| SRF Loan - IPS<br>D15-01008-550-0                              | 1,428,250                   | -                  | (91,829)                   | 1,336,421                   | 93,298                     |
| SRF Loan - WWTP<br>D15-01020-550-0                             | 1,305,211                   | -                  | (83,918)                   | 1,221,293                   | 85,261                     |
| Municipal Finance Corporation<br>Installment Purchase Contract | <u>1,850,000</u>            | <u>-</u>           | <u>(56,674)</u>            | <u>1,793,326</u>            | <u>59,438</u>              |
| <b>Total Long-Term Liabilities</b>                             | <b><u>\$ 13,987,587</u></b> | <b><u>\$ -</u></b> | <b><u>\$ (814,403)</u></b> | <b><u>\$ 13,173,184</u></b> | <b><u>\$ 829,460</u></b>   |
| <b>Other Liabilities:</b>                                      |                             |                    |                            |                             |                            |
| Compensated absences   | <u>\$ 51,247</u>            | <u>\$ 15,174</u>   | <u>\$ -</u>                | <u>\$ 66,421</u>            | <u>\$ 66,421</u>           |

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:

| <u>Year Ending June 30</u> | <u>Principal</u>           | <u>Interest</u>         | <u>Total</u>               |
|----------------------------|----------------------------|-------------------------|----------------------------|
| 2026                       | \$ 96,221                  | \$ 15,448               | \$ 111,669                 |
| 2027                       | 97,665                     | 14,004                  | 111,669                    |
| 2028                       | 99,129                     | 12,540                  | 111,669                    |
| 2029                       | 100,616                    | 11,053                  | 111,669                    |
| 2030                       | 102,126                    | 9,543                   | 111,669                    |
| 2031-2035                  | <u>534,072</u>             | <u>24,273</u>           | <u>558,345</u>             |
| <b>Total</b>               | <b><u>\$ 1,029,829</u></b> | <b><u>\$ 86,861</u></b> | <b><u>\$ 1,116,690</u></b> |

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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:

| <b>Year Ending June 30</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|----------------------------|---------------------|-------------------|---------------------|
| 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                       | 241,417             | 37,074            | 278,491             |
| 2031-2035                  | 1,266,277           | 126,178           | 1,392,455           |
| 2036-2038                  | <u>809,435</u>      | <u>26,038</u>     | <u>835,473</u>      |
| <b>Total</b>               | <b>\$ 3,245,372</b> | <b>\$ 375,011</b> | <b>\$ 3,620,383</b> |

**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:

| <b>Year Ending June 30</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|----------------------------|---------------------|-------------------|---------------------|
| 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                       | 287,418             | 58,557            | 345,975             |
| 2031-2035                  | 1,512,065           | 217,810           | 1,729,875           |
| 2036-2040                  | <u>1,645,035</u>    | <u>84,840</u>     | <u>1,729,875</u>    |
| <b>Total</b>               | <b>\$ 4,546,943</b> | <b>\$ 642,682</b> | <b>\$ 5,189,625</b> |

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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:

| <b>Year Ending June 30</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|----------------------------|---------------------|-------------------|---------------------|
| 2026                       | \$ 93,298           | \$ 21,382         | \$ 114,680          |
| 2027                       | 94,791              | 19,889            | 114,680             |
| 2028                       | 96,307              | 18,373            | 114,680             |
| 2029                       | 97,848              | 16,832            | 114,680             |
| 2030                       | 99,414              | 15,266            | 114,680             |
| 2031-2035                  | 521,443             | 51,957            | 573,400             |
| 2036-2038                  | <u>333,320</u>      | <u>10,720</u>     | <u>344,040</u>      |
| <b>Total</b>               | <b>\$ 1,336,421</b> | <b>\$ 154,419</b> | <b>\$ 1,490,840</b> |

**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:

| <b>Year Ending June 30</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|----------------------------|---------------------|-------------------|---------------------|
| 2026                       | \$ 85,261           | \$ 19,541         | \$ 104,802          |
| 2027                       | 86,625              | 18,177            | 104,802             |
| 2028                       | 88,011              | 16,791            | 104,802             |
| 2029                       | 89,419              | 15,383            | 104,802             |
| 2030                       | 90,850              | 13,952            | 104,802             |
| 2031-2035                  | 476,523             | 47,487            | 524,010             |
| 2036-2038                  | <u>304,604</u>      | <u>9,802</u>      | <u>314,406</u>      |
| <b>Total</b>               | <b>\$ 1,221,293</b> | <b>\$ 141,133</b> | <b>\$ 1,362,426</b> |

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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:

| <b>Year Ending June 30</b> | <b>Principal</b>           | <b>Interest</b>          | <b>Total</b>               |
|----------------------------|----------------------------|--------------------------|----------------------------|
| 2026                       | \$ 59,438                  | \$ 85,731                | \$ 145,169                 |
| 2027                       | 62,338                     | 82,831                   | 145,169                    |
| 2028                       | 65,378                     | 79,791                   | 145,169                    |
| 2029                       | 68,568                     | 76,601                   | 145,169                    |
| 2030                       | 71,912                     | 73,257                   | 145,169                    |
| 2031-2035                  | 415,731                    | 310,114                  | 725,845                    |
| 2036-2040                  | 527,517                    | 198,328                  | 725,845                    |
| 2041-2044                  | <u>522,444</u>             | <u>58,232</u>            | <u>580,676</u>             |
| <b>Total</b>               | <b><u>\$ 1,793,326</u></b> | <b><u>\$ 964,885</u></b> | <b><u>\$ 2,758,211</u></b> |

**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**

| <b>Receivable Fund</b> | <b>Payable Fund</b> | <b>Description</b>   | <b>Amount</b>        |
|------------------------|---------------------|----------------------|----------------------|
| Operating Fund         | Capital Fund        | Capital Improvements | \$ <u>12,314,283</u> |

The Capital Fund has borrowed from the Operating Fund a cumulative amount of \$12,314,283 as of June 30, 2025 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, 2025.

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 5: INTRAFUND TRANSACTIONS (CONTINUED)**

**Interfund Transfers to/from Other Funds**

Transfers between funds during the fiscal year ended June 30, 2025 were as follows:

| <b>Transfer from</b> | <b>Transfer To</b> | <b>Description of Transfers</b> | <b>Amount</b>       |
|----------------------|--------------------|---------------------------------|---------------------|
| Capital Fund         | Operating Fund     | Capital Improvements            | \$ <u>(719,565)</u> |

**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 statutes. 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, 2025, are summarized as follows:

|   | <b>Prior to<br/>January 1, 2013</b> | <b>On or after<br/>January 1, 2013</b> |
|---|-------------------------------------|--|
| 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              | 11.73%-16.31%                       | 14.69%                                 |
| Required employer contribution rates              | 16.79%                              | 14.82%                                 |

**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 16.79% of compensation for legacy and 14.82% of compensation for PEPRA.

For the year ended June 30, 2025, the contributions recognized as part of pension expense for the Plan were as follows:

|                          |            |
|--------------------------|------------|
| Contributions - employer | \$ 177,466 |
| Contributions - employee | 151,547    |

**RODEO SANITARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 6: RETIREMENT PLAN (CONTINUED)**

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

As of June 30, 2025, the District reported a net pension asset of \$84,951 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, 2024 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, 2024 and 2025 was as follows:

|                              |          |
|------------------------------|----------|
| Proportion - June 30, 2024   | (0.009)% |
| Proportion - June 30, 2025   | (0.007)% |
| Change - Increase (Decrease) | 0.002%   |

For the year ended June 30, 2025, the District recognized pension benefit of \$445,500. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred Outflow<br/>of Resources</b> | <b>Deferred Inflow of<br/>Resources</b> |
|---|--|---|
| Pension contributions subsequent to measurement date  | \$ 95,812                                | \$ -                                    |
| Differences between actual and expected experience  | (11,961)                                 | -                                       |
| Changes in assumptions  | (1,586)                                  | (2,457)                                 |
| Change in employer's proportion and differences between<br>the employer's contributions and employer's<br>proportionate share of contributions. | 660,805                                  | 497,634                                 |
| Net differences between projected and actual earnings on<br>plan investments  | <u>(26,601)</u>                          | <u>-</u>                                |
| <br>Total   | <br><u>\$ 716,469</u>                    | <br><u>\$ 495,177</u>                   |

During the fiscal year, \$95,812 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

**Fiscal Year  
Ended June 30**

|      |            |
|------|------------|
| 2026 | \$ 111,187 |
| 2027 | (82,546)   |
| 2028 | 72,016     |
| 2029 | 24,823     |

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 6: RETIREMENT PLAN (CONTINUED)**

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

|                            | <b>Legacy</b>                                | <b>PEPRA</b>                                 |
|----------------------------|--|--|
| Valuation Date             | December 31, 2023                            | December 31, 2023                            |
| Measurement Date           | December 31, 2024                            | December 31, 2024                            |
| 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<br>Annuitant Mortality Table | RP-2014 Healthy<br>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, 2024. 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, 2024.

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 1.18% of the projected beginning plan fiduciary net position amount. An investment return excluding administrative expenses would have been 7.93%. 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.

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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.

| <b>Asset Class</b>             | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|--------------------------------|--------------------------|---|
| Large Cap U.S. Equity          | 9%                       | 5.59%   |
| Small Cap Equity               | 2%                       | 6.45%   |
| International Developed Equity | 5%                       | 6.23%   |
| Global Equity                  | 10%                      | 6.35%   |
| Emerging Market Equity         | 2%                       | 7.89%   |
| Short-term Gov't/Credit        | 14%                      | 1.84%   |
| US Treasury                    | 3.5%                     | 1.80%   |
| Cash & Equivalents             | 3%                       | 0.98%   |
| Private Equity                 | 15%                      | 9.31%   |
| Private Credit                 | 13%                      | 6.47%   |
| Real Estate - Debt             | 3%                       | 5.00%   |
| Real Estate - Value-add        | 3%                       | 7.90%   |
| Real Estate - Opportunistic    | 3%                       | 9.70%   |
| Infrastructure                 | 3%                       | 7.20%   |
| Hedge Funds                    | 3%                       | 2.40%   |
| Multi-Sector Credit            | 4%                       | 4.50%   |
| <b>Total</b>                   | <b>100%</b>              |   |

**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 | \$922,019   |
|                       |             |
| Current Discount Rate | 6.75%       |
| Net Pension (Asset)   | (\$84,951)  |
|                       |             |
| 1% Increase           | 7.75%       |
| Net Pension (Asset)   | (\$910,016) |

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

**RODEO SANITARY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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, 2025, the District made \$155,505 in insurance premium payments to CSRMA.

Condensed audited financial statements for CSRMA was as follows for the year ended June 30, 2024 (the most recent available):

|                        |               |
|------------------------|---------------|
| Total Assets           | \$ 39,433,497 |
| Total Liabilities      | \$ 27,415,066 |
| Total Net Position     | \$ 12,018,431 |
| Total Revenues         | \$ 24,879,936 |
| Total Expenses         | \$ 22,895,588 |
| Change in Net Position | \$ 1,984,348  |

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 5, 2025, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**RODEO SANITARY DISTRICT  
COMBINING SCHEDULE OF NET POSITION  
AS OF JUNE 30, 2025**

|   | <b>Operating<br/>Fund</b> | <b>Capital Fund</b> | <b>Total</b>         |
|---|---------------------------|---------------------|----------------------|
| <b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>                   |                           |                     |                      |
| <b>Current Assets</b>   |                           |                     |                      |
| Cash and investments  | \$ 2,652,487              | \$ 1,068,171        | \$ 3,720,658         |
| Accounts receivable   | 156,938                   | -                   | 156,938              |
| Franchise fee receivable  | 32,250                    | -                   | 32,250               |
| Prepaid assets  | 70,097                    | -                   | 70,097               |
| Interfund receivable  | 12,314,283                | -                   | 12,314,283           |
| Other assets  | 5,158                     | -                   | 5,158                |
| Total Current Assets  | <u>15,231,213</u>         | <u>1,068,171</u>    | <u>16,299,384</u>    |
| <b>Non-Current Assets</b>   |                           |                     |                      |
| Net pension asset   | 84,951                    | -                   | 84,951               |
| Capital assets, net of accumulated depreciation                           | 24,693,609                | -                   | 24,693,609           |
| Total Non-Current Assets  | <u>24,778,560</u>         | <u>-</u>            | <u>24,778,560</u>    |
| <b>TOTAL ASSETS</b>   | <u>40,009,773</u>         | <u>1,068,171</u>    | <u>41,077,944</u>    |
| <b>Deferred Outflows of Resources</b>                                     |                           |                     |                      |
| Deferred outflows of resources - pension                                  | <u>716,469</u>            | <u>-</u>            | <u>716,469</u>       |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <u>\$ 40,726,242</u>      | <u>\$ 1,068,171</u> | <u>\$ 41,794,413</u> |
| <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u></b> |                           |                     |                      |
| <b>Current Liabilities</b>  |                           |                     |                      |
| Accounts payable  | \$ 278,725                | \$ -                | \$ 278,725           |
| Accrued payroll   | 28,833                    | -                   | 28,833               |
| Compensated absences  | 66,421                    | -                   | 66,421               |
| Interfund payable   | -                         | 12,314,283          | 12,314,283           |
| Other liabilities   | 537                       | -                   | 537                  |
| Long-term liabilities, current portion                                    | 829,460                   | -                   | 829,460              |
| Total Current Liabilities   | <u>1,203,976</u>          | <u>12,314,283</u>   | <u>13,518,259</u>    |
| <b>Non-Current Liabilities</b>  |                           |                     |                      |
| Long-term liabilities, net of current portion                             | <u>12,343,724</u>         | <u>-</u>            | <u>12,343,724</u>    |
| <b>TOTAL LIABILITIES</b>  | <u>13,547,700</u>         | <u>12,314,283</u>   | <u>25,861,983</u>    |
| <b>Deferred Inflows of Resources</b>                                      |                           |                     |                      |
| Deferred inflows of resources - pension                                   | <u>495,177</u>            | <u>-</u>            | <u>495,177</u>       |
| <b>NET POSITION</b>   |                           |                     |                      |
| Net investments in capital assets   | 11,520,425                | -                   | 11,520,425           |
| Restricted for current capital projects                                   | 12,314,283                | (11,246,112)        | 1,068,171            |
| Board-designated reserves   | 2,848,657                 | -                   | 2,848,657            |
| <b>TOTAL NET POSITION</b>   | <u>26,683,365</u>         | <u>(11,246,112)</u> | <u>15,437,253</u>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>  | <u>\$ 40,726,242</u>      | <u>\$ 1,068,171</u> | <u>\$ 41,794,413</u> |

**RODEO SANITARY DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|  | <u>Operating<br/>Fund</u> | <u>Capital Fund</u>    | <u>Total</u>         |
|--|---------------------------|------------------------|----------------------|
| <b><u>OPERATING REVENUE</u></b>                |                           |                        |                      |
| Sewer service charges                          | \$ 3,310,258              | \$ 872,000             | \$ 4,182,258         |
| <b><u>OPERATING EXPENSES</u></b>               |                           |                        |                      |
| Operating expenses                             | 4,565,084                 | -                      | 4,565,084            |
| <b><u>OPERATING (LOSS) INCOME</u></b>          | <u>(1,254,826)</u>        | <u>872,000</u>         | <u>(382,826)</u>     |
| <b><u>NONOPERATING REVENUES (EXPENSES)</u></b> |                           |                        |                      |
| Ad valorem taxes                               | 521,673                   | -                      | 521,673              |
| Franchise fees                                 | 136,374                   | -                      | 136,374              |
| Interest income                                | 46,516                    | 47,196                 | 93,712               |
| Miscellaneous income                           | 94,020                    | -                      | 94,020               |
| Interest expense                               | <u>(277,848)</u>          | <u>-</u>               | <u>(277,848)</u>     |
| Total Non-Operating Revenues (Expenses)        | 520,735                   | 47,196                 | 567,931              |
| <b><u>(LOSS) INCOME BEFORE TRANSFERS</u></b>   | <u>(734,091)</u>          | <u>919,196</u>         | <u>185,105</u>       |
| <b><u>TRANSFERS</u></b>                        |                           |                        |                      |
| Interfund transfers                            | 719,565                   | (719,565)              | -                    |
| <b><u>CHANGE IN NET POSITION</u></b>           | <u>(14,526)</u>           | <u>199,631</u>         | <u>185,105</u>       |
| <b><u>NET POSITION, BEGINNING OF YEAR</u></b>  | <u>26,697,891</u>         | <u>(11,445,743)</u>    | <u>15,252,148</u>    |
| <b><u>NET POSITION, END OF YEAR</u></b>        | <u>\$ 26,683,365</u>      | <u>\$ (11,246,112)</u> | <u>\$ 15,437,253</u> |

**RODEO SANITARY DISTRICT**  
**SCHEDULE OF OPERATING EXPENSES**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|   | <u>Budget</u>    | <u>Actual</u>    | <b>Favorable<br/>(Unfavorable)<br/>Variance</b> |
|---|------------------|------------------|---|
| Salaries  | \$ 1,291,761     | \$ 1,309,954     | \$ (18,193)                                     |
| Payroll taxes                                       | 87,654           | 92,632           | (4,978)   |
| Employee benefits - retirement                      | 199,234          | 445,500          | (246,266)                                       |
| Employee benefits - insurance                       | 174,941          | 158,412          | 16,529  |
| Plant insurance and worker's compensation insurance | 201,381          | 200,321          | 1,060   |
| Director fees and costs                             | 16,500           | 7,384            | 9,116   |
| Solid disposal                                      | 26,604           | 28,588           | (1,984)   |
| Utilities and telephone                             | 307,243          | 303,933          | 3,310   |
| Chemicals   | 231,462          | 226,359          | 5,103   |
| Maintenance supplies                                | 158,000          | 178,369          | (20,369)  |
| Laboratory supplies and services                    | 53,137           | 62,281           | (9,144)   |
| Vehicle operations and maintenance                  | 15,000           | 21,116           | (6,116)   |
| Small tools   | 7,500            | 8,966            | (1,466)   |
| Permits, licenses, and fees                         | 80,482           | 84,717           | (4,235)   |
| Legal counsel                                       | 40,000           | 40,768           | (768)   |
| Professional services                               | 134,350          | 235,822          | (101,472)                                       |
| Training and education                              | 19,500           | 7,027            | 12,473  |
| Janitorial supplies and services                    | 8,350            | 8,616            | (266)   |
| Office supplies and expenses                        | 22,750           | 30,697           | (7,947)   |
| Safety items  | 17,500           | 11,230           | 6,270   |
| Pollution prevention                                | 14,500           | 10,748           | 3,752   |
| Grant program                                       | 30,000           | 27,000           | 3,000   |
| Bad debt expense (recovery)                         | 100              | -                | 100   |
| Miscellaneous expense                               | -                | 1,240            | (1,240)   |
| <br>Operating Expenses, Net of Depreciation         | <br>3,137,949    | <br>3,501,680    | <br>(363,731)                                   |
| Depreciation  | -                | 1,063,404        | (1,063,404)                                     |
| <br>Total Operating Expenses                        | <br>\$ 3,137,949 | <br>\$ 4,565,084 | <br>\$ (1,427,135)                              |

**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, 2025  
LAST 10 YEARS**

|   | <b>2025</b>  | <b>2024</b>  | <b>2023</b>  | <b>2022</b>    | <b>2021</b>    |
|---|--------------|--------------|--------------|----------------|----------------|
| Proportion of the net pension (asset) liability   | (0.00700)%   | (0.00900)%   | (0.00700)%   | (0.48900)%     | (0.18100)%     |
| Proportionate share of the net pension (asset) liability                                    | \$ (84,951)  | \$ (142,440) | \$ (117,962) | \$ (1,188,800) | \$ (1,054,861) |
| Covered payroll   | \$ 1,120,884 | \$ 981,805   | \$ 754,314   | \$ 687,478     | \$ 738,498     |
| Proportionate share of the net pension (asset) liability as a percentage of covered payroll | (7.58)%      | (14.51)%     | (15.64)%     | (172.92)%      | (142.84)%      |
| Plan fiduciary net position as a percentage of the total pension (asset) liability          | 101.13 %     | 102.21 %     | 102.01 %     | 121.93 %       | 119.25 %       |

**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, 2025  
LAST 10 YEARS**

|   | <b>2020</b>  | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> |
|---|--------------|-------------|-------------|-------------|-------------|
| Proportion of the net pension (asset) liability   | (0.04800)%   | 0.01300 %   | 0.01400 %   | 0.01500 %   | 0.02600 %   |
| Proportionate share of the net pension (asset) liability                                    | \$ (501,019) | \$ 187,143  | \$ 111,965  | \$ 203,750  | \$ 393,628  |
| Covered payroll   | \$ 734,973   | \$ 689,729  | \$ 635,682  | \$ 609,667  | \$ 568,265  |
| Proportionate share of the net pension (asset) liability as a percentage of covered payroll | (68.17)%     | 27.13 %     | 17.61 %     | 33.42 %     | 69.27 %     |
| Plan fiduciary net position as a percentage of the total pension (asset) liability          | 109.10 %     | 96.58 %     | 98.00 %     | 95.67 %     | 91.43 %     |

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, 2025**  
**LAST 10 YEARS**

|  | <b>2025</b>        | <b>2024</b>        | <b>2023</b>        | <b>2022</b>        | <b>2021</b>        |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution<br>(actuarially determined)          | \$ 177,466         | \$ 193,580         | \$ 130,179         | \$ 116,801         | \$ 121,533         |
| Contributions in relation to the actuarially<br>determined contributions | <u>(177,466)</u>   | <u>(193,580)</u>   | <u>(130,179)</u>   | <u>(116,801)</u>   | <u>(121,533)</u>   |
| Contribution deficiency (excess)   | \$ <u>      </u> - |
| Covered payroll  | \$ 1,120,884       | \$ 981,805         | \$ 754,314         | \$ 687,478         | \$ 738,498         |
| Contributions as a percentage of payroll                                 | 15.83 %            | 19.72 %            | 17.26 %            | 16.99 %            | 16.46 %            |

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, 2025**  
**LAST 10 YEARS**

|  | <b>2020</b>        | <b>2019</b>        | <b>2018</b>        | <b>2017</b>        | <b>2016</b>        |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution<br>(actuarially determined)          | \$ 141,303         | \$ 230,441         | \$ 189,027         | \$ 177,632         | \$ 178,020         |
| Contributions in relation to the actuarially<br>determined contributions | <u>(141,303)</u>   | <u>(230,441)</u>   | <u>(189,027)</u>   | <u>(177,632)</u>   | <u>(178,020)</u>   |
| Contribution deficiency (excess)   | \$ <u>      </u> - |
| Covered payroll  | \$ 734,973         | \$ 689,729         | \$ 635,682         | \$ 609,667         | \$ 568,265         |
| Contributions as a percentage of payroll                                 | 19.23 %            | 33.41 %            | 29.74 %            | 29.14 %            | 31.33 %            |

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, 2025  
LAST 10 YEARS**

**Notes to Schedule:**

Valuation Date: December 31, 2023

Methods and assumptions used to determine contribution rates:

|                                      |   |
|--------------------------------------|---|
| 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, 2025, 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 5, 2025.

**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.

*MVN CPAs, LLP*

Sacramento, California  
December 5, 2025