Valley Sanitary District
Indio, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ending June 30th,

2024

Prepared By:
The Administration Team

VALLEY SANITARY DISTRICT

Annual Comprehensive Financial Report

Year ended June 30, 2024

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Core Values

Transparent
We provide information to the public in a complete, understandable, and timely form that is readily available.

Responsible
We take into account our environment, community, customers, and ratepayers in everything we do.

Respectful
We value diverse viewpoints, teamwork, and active listening to our community and staff.

Integrity
We maintain high standards of conduct in all our actions and all circumstances.

Valley Sanitary District Staff

INTRODUCTORY SECTION
(UNAUDITED)

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December 10, 2024

To: The Honorable Board of Directors and District Ratepayers

Subject: Annual Comprehensive Financial Report for the Years Ended June 30, 2024, and 2023

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) for the Valley Sanitary District (District) for the fiscal years ending June 30, 2024, and 2023. This report was prepared by the District's Administration Department following guidelines recommended by the Governmental Accounting Standards Board (GASB) and in accordance with Generally Accepted Accounting Principles (GAAP). State law requires that all special-purpose local governments publish these basic financial statements within six (6) months of the close of the agency's fiscal year. This report is published to fulfill that requirement and to provide the Board of Directors (Board), the public, and other interested parties, with these basic financial statements.

Management assumes full responsibility for both the accuracy of the data and the completeness and the fairness of the presentation, including all disclosures in this financial report. To ensure the completeness and reliability of the information contained in this report, management uses established internal controls that have been adopted for effectiveness, reliability, and compliance. These controls are designed to protect the District's assets from loss, theft, or misuse, and to ensure sufficiently reliable information for the preparation of the District's basic financial statements in conformity with GAAP. As management, we assert that this financial report is complete and reliable in all material respects.

The District's basic financial statements have been audited by Davis Farr, LLP, a firm of licensed certified public accountants. The independent firm audited the accompanying financial statements of the business-type activities and the fiduciary fund of the District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The audit was conducted 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. The independent auditor rendered an unmodified opinion that the District's basic financial statements for the fiscal year ending June 30, 2024, are fairly presented, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

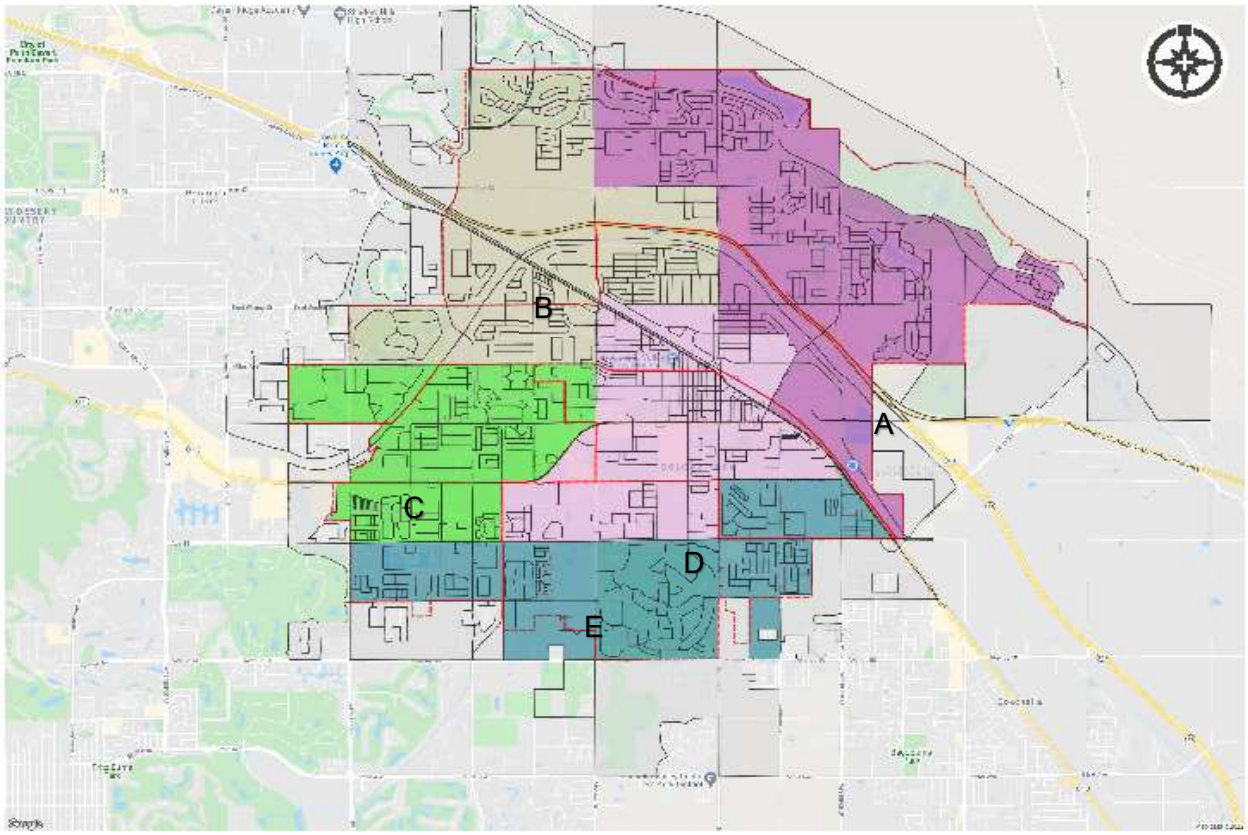
Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A. The District's MD&A can be found immediately after the Independent Auditors' Report and provides an overview and analysis of the basic financial statements.

District Structure and Leadership

Mission Statement
Valley Sanitary District serves and benefits Indio and the surrounding communities by collecting, treating, and recycling wastewater to ensure a healthy environment and sustainable water supply.

District Governance
Valley Sanitary District is a California special district, that operates under the authority of the Health and Safety Code, Sanitary District Act of 1923, § 6400 et seq. The District was formed June 1, 1925, and is governed by a five-member Board of Directors. Each Director is elected through a division-based election system. Each Director represents a specific geographic area within the District known as an Election Division.

Option 3



Under California law, the Board of Directors establishes and implements policies for the operation of the District. The Board of Directors establishes goals and objectives, manages sound fiscal policy and control, sets rates and fees, approves the annual operating and capital budget, approves capital improvement plans, maintains strong communication between the Board of Directors and the General Manager, and advocates for the District. The Board of Directors makes decisions to serve the best interests of the community. The

District's Board of Directors meets on the second and fourth Tuesday of each month. Meetings are publicly noticed, and citizens are encouraged to attend.

The U.S. Environmental Protection Agency, the California Regional Water Quality Control Board, the California Health Service Department, as well as other regulatory agencies, provide permits and standards that the District must meet to collect, treat, recycle, reuse, and dispose of wastewater.

District Services

Valley Sanitary District is in Indio, California located in the eastern desert area of Riverside County. As the largest city in the Coachella Valley, Indio has a population of approximately 90,837. The District provides sanitary sewer services to approximately 28,028 connections within its 19.5 square mile service area. The District encompasses portions of the City of Indio, the City of Coachella, City of La Quinta, and adjacent unincorporated areas of Riverside County, California. Residential customers represent approximately 97% of the District's customer base and produce an estimated 81% of the sewage flow. The District operates and maintains approximately 254 miles of sanitary sewer line and delivers over 6 million gallons per day of wastewater to its water reclamation facility. The reclamation facility has the capacity to treat 12.5 million gallons per day. The treated wastewater is discharged into the Whitewater Storm Channel and becomes a source of freshwater replenishment to the Salton Sea.

Budget Process

The District's budget conforms to Generally Accepted Accounting Principles as applicable to local governments. While it is an enterprise agency, the accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. The District prepares its annual budget on a fund accounting basis, which segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with financial-related legal and contractual provisions. The District maintains the minimum number of funds consistent with legal and managerial requirements and reports the following funds in its annual budget:

- Operating Fund: This is the general operating fund of the District and the primary revenue source for this fund is derived from rates charged to customers for services provided. Other receipts that are not allocated by law or contractual agreement to some other funds are also accounted for in this fund. General operating expenditures, fixed charges, and maintenance costs not paid through other funds are paid from this fund.

- Special Revenue Funds: These funds receive support from various sources, mainly in the form of grants, loans, and other aid, and are restricted to expenditures for particular purposes. The District has three (3) special revenue funds:

    - 2015 Wastewater Revenue Refunding Bonds
    - State Water Resources Control Board Revolving Fund Loan
    - Bank of America Loan

- Fiduciary Fund: The District reports an Agency Fund that is purely custodial in nature (assets equal liabilities), and thus does not involve measurement of results of operations. This fund is used to account for assets for the Assessment District No. 2004 (Shadow Hills Interceptor) for which the District acts as an agent for its debt service activities.

- Capital Improvement Fund: This fund is unrestricted and used to allocate capital expenditures for identified projects.

- Restricted CIP Fund: Indicates the current fiscal year resource allocation and the amount allocated for capital expenditures for increased capacity-related projects.

Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and how activities are controlled. The overview of each fund provides a detailed explanation of the purpose of the fund and its planned budget for each fiscal year.

The budget process for the District is a collaborative effort among all departments that is based on sound financial management and longevity. The operating budget focuses on allocating and using resources within the framework of the strategic plan to ensure the long-term success and development of the District as a whole. The capital budget includes key projects to further advance the District's Capital Improvement Program (CIP) and for capital projects that are necessary to meet regulatory requirements, system reliability, repair, and replacement of District assets.

The District strives to maintain formal policies and procedures that reflect "best practices" for budget development and adjustments. The District uses established budgetary preparation procedures and guidelines, a calendar of events, planning models by fund, budget adjustment procedures, the establishment of rates and fees, indirect costs, and interest income. The budget process is scheduled to allow sufficient review and input by the Board of Directors and constituents. The budget document reflecting all final actions as adopted by the Board of Directors, on or before June 30th of each year, is made available within 30 days of such adoption in both hard copy at the District office and on the District's website.

Budgetary Control
The Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise and capital projects. The budget and reporting guidelines applied to the District are consistent with the accrual basis of accounting and the financial statement basis.

If actual costs are expected to be higher than what was budgeted, these options are available within the requirements of existing policies:

1. Cancel the project or reduce the scope of the project.
2. Transfer funds from another project with lower priority or excess funds available.
3. Appropriate funds from reserves, with Board approval.
4. Re-budget the project, with additional funding, in the following fiscal year.
5. Board approval is required for any new projects added during the fiscal year.

Internal Control Structure
District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of the control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Economic Condition and Outlook
The District utilizes both the State of California's economic forecast and the City of Indio's budget forecast to help understand the State and city's financial health and strategic business decisions. The District reviews the unemployment rate, projected job growth, real personal income forecast, future development projections, and State departmental budgets to understand the overall economic outlook. The information is utilized to create a financial plan with forecasted revenues, expenditures, and ending reserve balances.

State Economy
The District utilizes the state of California's economic forecasts to help understand the state's financial health and strategize business decisions. The District reviews the unemployment rate, projected job growth, the real personal income forecast, future development projections, and state departmental budgets to understand California's overall economic outlook.

According to the UCLA Anderson Forecast, 2024, the housing market in California continues to misbehave. Higher mortgage rates should send prices lower. However, as of May 2022, they have been climbing since December 2022 in San Diego by 9.3%, in Los Angeles by 9.0% and in San Francisco by 3.9%. With existing home sales at depression levels, builders are responding with new developments. Despite the higher interest rates, the continued demand for a limited housing stock coupled with state policies that induce new homebuilding should result in the beginning of a recovery this year, followed by solid growth in new home production after that. The forecast is for 123,000 new developments to be permitted in 2024 and permitted new units to grow 159,500 by the end of 2026. The risks to the forecast are the same as those for the nation: political and geopolitical. There is the potential for interest rates to disrupt the current expansion (UCLA Anderson School of Management, 2024).
In May of 2023, Governor Gavin Newsom published a revision for the fiscal year 2024/25 budget that ensures a balanced budget by stabilizing spending. The revised budget cuts $19.1 billion and ongoing expenditures by $13.7 billion through fiscal year 2025/26. The reduction cuts 8% of state operations and eliminates 10,000 unfilled state positions. According to Governor Newsom, the shortfalls are attributed to the market downturn in 2022 and the IRS extended tax filing deadline in 2023 (California, 2024).

The District reviews and examines the State Water Resources Control Board for programs supporting drinking water and wastewater projects. In the May 2024 budget revision, California added $246 million to the State Water Resources Control Board (Stepehnshaw, 2024). The District uses the information to guide lobbying efforts in Sacramento for Special Districts Legislative Days.

Local Economy
The Indio City Council is very supportive of new enterprises and development. The City of Indio has endorsed the Downtown Specific Plan, the Highway 111 Plan, and the 2040 General Plan. The city is strategically attracting new businesses and developments, with many projects already in action, including the renovation and expansion of the Indio Grand Market Place and adding new eateries and retailers. The investments totaled $200 million from both the public and private sectors. Incoming enterprises include Gabino's Creperie, Indio Taproom, Italica, Indio Distilling Co, Desert Beer Co., Encore Coffee, and Everbloom Coffee. According to Carl Morgan, Economic Development Director, "People are attracted to Indio because of the quality of life, schools, amenities, cool things you can do year-round…and Indio is still very affordable" (Van Horn, 2023, p. 62).

In 2023, the number of permits issued was down 26% from the previous year. Specifically, the number of single-family dwelling permits decreased by 42% over the previous year. New single-family residential construction decreased in part due to mortgage rate increases. Other factors affecting development include the availability of electrical services. However, the City of Indio did entitle a 1,500-unit 55+ community, a 1,200-unit build-to-rent community, a 345-unit market rate owner-occupied and rental community, and 180 affordable housing units. The city issued 3,370 building permits, representing $184 million in new construction. That includes 308 new single-family dwelling permits, one multifamily dwelling permit, and 21 new commercial permits (Montgomery, 2024).

The City of Indio's investment and support of new development and enterprise leads to moderate growth, as seen in its annual permit growth year over year. The District benefits from this growth through the connection fees it collects for new development or changes in use for existing buildings. In the fiscal year 2024/25, the District is estimated to collect $900,000 from connection fees.

In the fiscal year 2021/22, a five-year Sewer Use Charge (SUC) was implemented on July 1, 2021, and will continue through June 30, 2026. In the fiscal year 2024/25, the District is projecting $20.3 million in SUC revenue, an increase of $1.6 million or 8.7% due to the fourth year of the approved rate increase. The additional revenues are needed to maintain operating service levels, fund critical high-risk projects identified in the 20-Year District-Wide Master Plan and meet debt service requirements.

In the fiscal year 2023/24, the District received higher than projected revenues by $3 million. The additional revenue was mainly attributed to higher than projected SUC revenue and interest income earned. The SUC is based on a 70% fixed charge per Equivalent Dwelling Unit (EDU) plus a 30% volumetric water consumption charge by class. In May 2022, the District closed a loan through Bank of America for $71 million to finance the Recycled Water Project Phase I. The loan is held in an interest-bearing escrow account. The higher revenue is due to higher than anticipated returns due to market rates.

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1. California, S. of. (2024, May 10). *Governor Newsom unveils revised state budget, prioritizing balanced solutions for a leaner, more efficient government*. California Governor. https://www.gov.ca.gov/2024/05/10/revised-state-budget-may-2024-25/
2. Montgomery, B. H. (2024, February 21). *City of Indio*. City of Indio - Home. https://indio.civicweb.net/document/168869/
3. Stephenshaw, J. (2024, May 14). 2024-25 *Proposed May Revision Adjustments to the Governor's Budget*. Department of Finance California. https://dof.ca.gov/wp-content/uploads/sites/352/2023/05/HHS.pdf
4. UCLA Anderson School of Management. (2024, March 13). UCLA *Anderson Forecast Sees Restrained In 2024 Growth But No Recession.* https://www.anderson.ucla.edu/news-and-events/press-releases/ucla-anderson-forecast-sees-restrained-2024-growth-no-recession

Major Initiatives

During the fiscal year 2023/2024, the District completed or initiated several significant projects:

- **Collections System Rehabilitation & Replacement Program** – The District operates and maintains approximately 254 miles of sanitary sewer line and delivers over six million gallons per day of wastewater to its wastewater reclamation facility. To keep up with an aging and expanding infrastructure, the District is working with Harris & Associates to develop a $60 million, 12-year rehabilitation and replacement program. The District has completed the construction of the first sewer main rehabilitation project consisting of Cured In Place Pipe (CIPP) lining and manhole rehabilitation along Indio Boulevard from Highway 111 to Dr. Carreon Boulevard. The District has also completed the Indio Downtown District Sewer Improvement Project which consisted of various spot repairs and sewer rehabilitation. Due to lack of funding, this program has been paused until funding becomes available, which is anticipated in fiscal year 2025/26.

- **Westward Ho Sewer Siphon Replacement Project** – An existing sewer siphon crossing the Coachella Stormwater Channel at Westward Ho Drive was damaged by flood waters that occurred on February 14, 2019. The District hired Carollo Engineers to complete the design and obtain the required permits. This work was completed in June of 2022. A significant portion of the estimated project cost of $5.2 million will be reimbursed by the Federal Emergency Management Agency (FEMA) disaster recovery funds through the California Office of Emergency Management. This project has received final approval from FEMA and Cal-OES. The project is out to bid and received three bids. The project is scheduled to begin construction in early 2025.

- **Reclaimed Water Project, Phase 1** – This $82 million project will replace an aging and capacity-restricting infrastructure and provide redundancy by: adding a second digester and expanding the bar screens, replacing the main electrical switch board, and providing a sludge thickener for activated waste thickening. Schneider Electric and Stantec were selected as design-build partners for this project. Construction began in January 2023 with the estimated completion date set for August 2025. All except for approximately $11 million of this project is funded through a 20-year loan with Bank of America Public Capital Corporation.

- **Influent Pump Station Rehabilitation Project** – Stantec assisted the District as an Owner's Representative for the rehabilitation of the influent pump station structure, which was showing significant signs of deterioration. DCI and Dudek were selected as the design-build team for this project. The project included installing a new gate in the forebay, replacing the interior discharge pipes, rehabilitating the wall liner throughout the pump station, replacing the above ground check and isolation valves, and adding additional valves to improve and upgrade the pump station. This project began in May 2022 and was completed in August of 2023. The project cost $3.6 million.

- **New Training & Office Building Project** – The District identified a need for new offices for District personnel as well as an area for training, meetings, and events. The District selected SGH Architects for the initial design of the new building which includes a schematic layout of the building and the estimated construction cost. Due to lack of funding (approximately $15 million), the project has been deferred to fiscal year 2025/26.

- **New Laboratory Building Project** – The District has identified a need for a new laboratory to comply with new regulatory standards. The District selected SGH Architects for the initial design of the new building which includes a schematic layout of the building and the estimated construction cost. Due to lack of funding (approximately $10 million), the project has been deferred to fiscal year 2025/26.

- **Activated Sludge Plant (ASP) Steel Water Line Replacement Project** (Phase 1 & 2) – The above ground, steel waterline adjacent to the aeration basins and the lines within the aeration basins were old and prone to leaks, especially at the grooved joints, and had exceeded their useful life. The design of both phases of this project was awarded to Dudek. The design of Phase 1 was completed in October 2021. The construction contract was awarded to Van Dyke Corporation with work being completed in June 2022. The design on Phase 2 was completed in December 2022. The construction contract was again awarded to Van Dyke Corporation being the successful bidder with work being completed in September 2023. The total cost of the project was $652,000.

- **Biosolids Conversion Project** – Valley Sanitary District is exploring alternate ways to handle biosolids produced at the treatment plant instead of hauling away the biosolids to be processed as compost. Lystek is a company that developed a way to convert biosolids into a liquid fertilizer that is licensed by the State of California. In July 2022, Valley Sanitary District engaged Lystek to develop a feasibility study on what it would take to install this conversion process at our treatment plant facility. The feasibility study is complete. Valley Sanitary District entered a design contract with Lystek to complete the design of the facility. The design is expected to be completed by the end of 2025 with construction beginning in early 2026. The project is estimated to cost between $10 to $15 million.

Sewer Rates and District Revenues

The District receives revenue from limited sources, the Sewer Use Charge (SUC) being the primary source of both operating and capital improvement revenue. In the fiscal year 2020/2021 the District hired an independent consultant to complete a Comprehensive Wastewater Rate Study. The study addressed three (3) key issues.

- Development of net revenue requirements from FY22 to FY41
- Establishing and maintaining reserve funds and targets
- Funding the Capital Improvement Program (CIP)

The findings of the completed study showed a significant funding shortfall in coming years if no adjustment to rates is implemented. Without the additional revenue, the District would not be able to maintain operating service levels, fund critical, high-risk projects identified in the 20-year District-Wide CIP Master Plan and meet debt service requirements. In addition to using the additional SUC revenue, the District plans to finance major projects through various loan programs to bridge the gap.

The public had several opportunities to comment on the proposed rate increases, after which the Board approved the SUC effective July 1, 2021, through June 30, 2026.

Annual Sewer Rate Schedule	July 1, 2021	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025
70% Fixed Service Charge					
	Rates Per Equivalent Dwelling Unit (EDU)				
Single Family	$ 342.72	$ 385.56	$ 433.76	$ 487.98	$ 497.74
Multi-Family	$ 150.00	$ 168.75	$ 189.84	$ 213.57	$ 217.84
Mobile Home	$ 181.28	$ 203.94	$ 229.43	$ 258.11	$ 263.27
RV Park	$ 141.25	$ 158.91	$ 178.77	$ 201.12	$ 205.14
Commercial-Low/Med Strength	$ 199.03	$ 223.91	$ 251.90	$ 283.39	$ 289.06
Commercial-High Strength	$ 607.00	$ 682.88	$ 768.24	$ 862.27	$ 881.56
30% Volumetric Rate					
	$ per Hundred Cubic Feet (HCF) winter average water consumption				
Single Family	$ 0.98	$ 1.10	$ 1.24	$ 1.40	$ 1.43
Multi-Family	$ 0.98	$ 1.10	$ 1.24	$ 1.40	$ 1.43
Mobile Home	$ 0.98	$ 1.10	$ 1.24	$ 1.40	$ 1.43
	$ per Hundred Cubic Feet (HCF) annualized water consumption				
RV Park	$ 1.10	$ 1.23	$ 1.38	$ 1.55	$ 1.58
Commercial-Low/Med Strength	$ 0.88	$ 0.99	$ 1.11	$ 1.25	$ 1.28
Commercial-High Strength	$ 2.00	$ 2.25	$ 2.53	$ 2.85	$ 2.91

Strategic Plan
The District with the support of the Board of Directors, continues to focus its energy and resources towards realizing the goals and objectives identified in the Strategic Plan. The following five (5) goals support the District's mission, vision, and values.

Goal 1: Facilities. Reliable, Sustainable Facilities that Meet Customer Needs
Goal 2: Finance. Sustainable, Long-Term Funding Is in Place
Goal 3: Staff. The District Retains Its Motivated, Well-trained, and Experienced Staff
Goal 4: Outreach. A Well-Designed and Properly Resourced Outreach Plan is Sustained
Goal 5: Governance. An Ever-Improving Board Sets Clear and Thoughtful Direction for the District

Challenges Facing the District
The District is not immune to increasing costs in critical areas such as utility rates, aging infrastructure and replacement needs, mandatory retirement benefit contributions, health care premiums, post-employment benefits, and regulatory changes. Over the past two (2) years, the District has had to reprioritize major initiatives and capital projects due to increased operating costs, construction costs, and inflation. Although the projected revenue estimates moderate growth in upcoming years, the District will need to use $10.2 million in reserves to sustain operations and provide the same level of services that the community expects.

The Unfunded Accrued Liability (UAL) is the difference between the accrued pension liability (the amount of money that an agency needs to have in its pension plan at a certain date to be able to meet its future pension obligations) and the market value of assets (the amount of money the agency actually has in its pension plan as of that date) within a pension plan. In other words, it is the shortfall between what an agency should have and what it actually

has in its pension plan. As of June 30, 2024, the District's UAL projected balance is $2,126,554. The interest rate is estimated at 7.389%. In September 2023, the Board approved a new 5-year fresh start, making the fiscal year 2024/25 contribution $515,872, or more if a lump sum was paid starting in July 2024 and continuing for each of the next five (5) years.

The District's greatest challenges are addressing aging infrastructure and preparing to meet the changing regulatory requirements while maintaining its affordability for ratepayers. In the fiscal year 2024/25, a comprehensive wastewater rate study is budgeted to address revenue requirements to fund the 20-year master plan. The Board remains committed to its desire for affordable rates while continuing to provide the level of service the community expects. The District continues to be proactive in its search for other revenue sources, such as grants and partnerships with private companies, to offset the cost of both operating and capital improvement expenditures.

The District continues to look for other revenue sources, such as grants and partnerships with private companies, to offset the cost of both operations and capital improvements.

Financial Stability

The key to financial stability is the ability to successfully maintain services and functions, efficiently manage expenses, and withstand and adapt to external changes. The District has had long-term financial success through prudent budgets, sound fiscal policy, and both short and long-term strategic planning. In the fiscal year 2024/25, the District will revise its CIP Master Plan and forge a new pathway to accomplish its CIP needs all while maintaining its financial viability and solvency.

The projected revenue for the fiscal year 2024/25 is $23.9 million, an increase of $4.1 million or 20.5% over the budgeted fiscal year 2023/24 budget. The increase in projected revenue is attributed to planned sewer rate increases associated with the adopted 5-year sewer use charge rate from July 1, 2021, to June 30, 2025. Approximately 85% of the District's revenue is derived from sewer use charges. Service fees have a moderate increase of $734,224 or 30.3% due to projected new connections to sewer service and an increase in investment income due to forecasted market rates. Property taxes increased by $69,806 or 87.3% due to an increase in the general-purpose funds county-wide. Other revenues had a projected decrease of $27,260 or 8.4% due to a decrease in projected inspection fees and the sale of surplus of property.

The District acknowledges that the current economic atmosphere has higher levels of uncertainty than in years past. However, it has a long history of sound financial management and planning. The financial stability of the District is solvent despite the external economic stressors. As previously mentioned, the District is not without challenges including increases in costs of supplies, services, premiums, and CIP rehabilitation, replacement, and expansion. Fiscal year 2023/24 was a year of planning and strategy to ensure the continuity and success of the organization.

Awards and Recognition

During the past year, the District received the following awards:

- Government Finance Officers Association (GFOA) – Excellence in Financial Reporting
- GFOA – Distinguished Budget Presentation Award
- California Society of Municipal Finance Officers (CSMFO) – Operating Budget Excellence Award
- California Water Environment Association (CWEA) Colorado River Basin (CORBS) Safety Plant of the Year
- CWEA CORBS Community Engagement and Outreach: Project of the Year
- CWEA CORBS Operator of the Year
- CWEA CORBS Mechanical Technician of the Year
- CWEA CORBS Supervisor of the Year

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Valley Sanitary District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2023. This was the 11th consecutive year that the District received this prestigious award. To receive a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

Acknowledgments

Preparation of this report was accomplished by the combined efforts of District administrative staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would like to thank the members of the Board of Directors for their continued support in the planning and implementation of the District's fiscal policies.

Respectfully submitted,

Jason Dafforn, PE
General Manager

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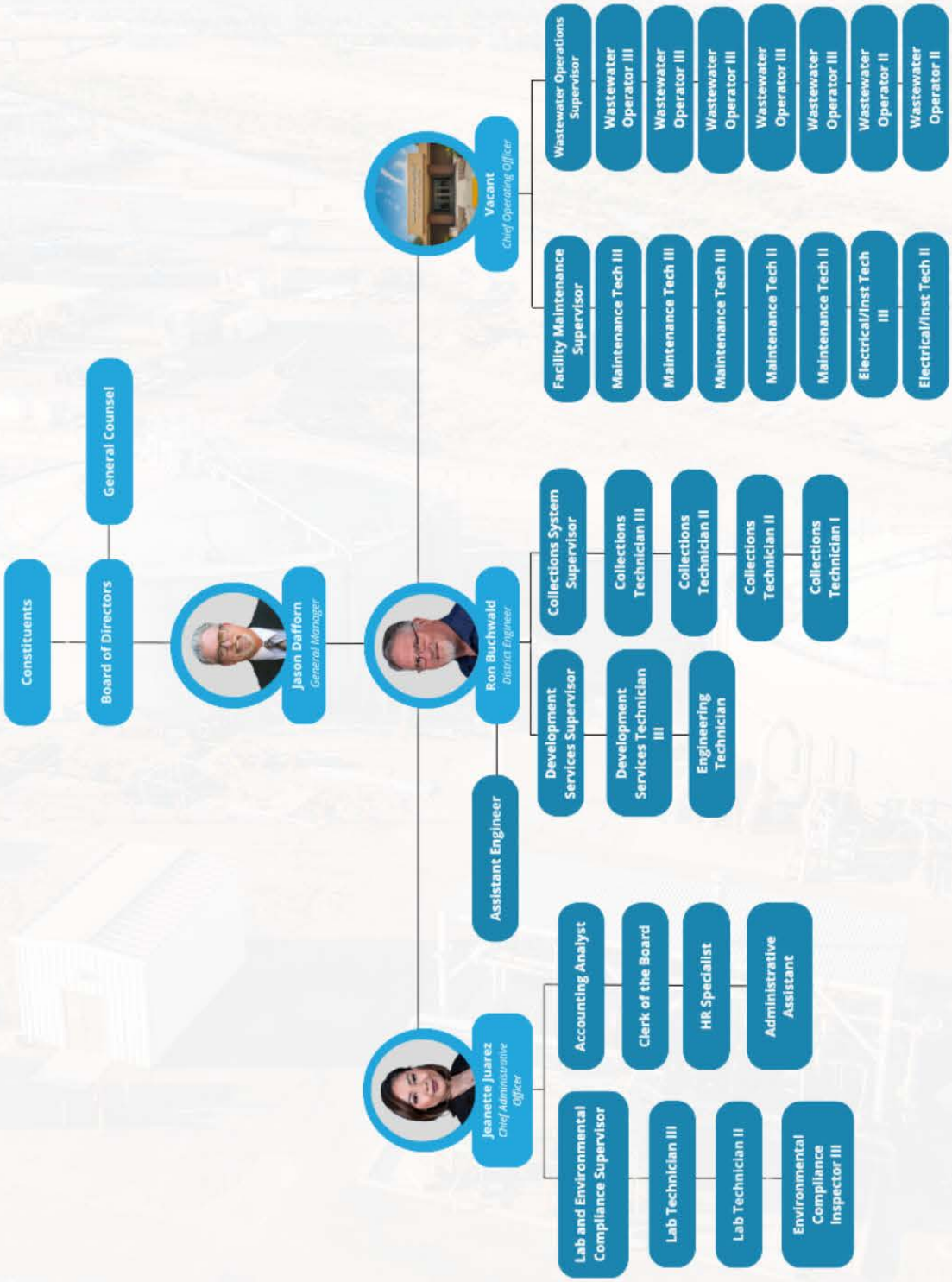
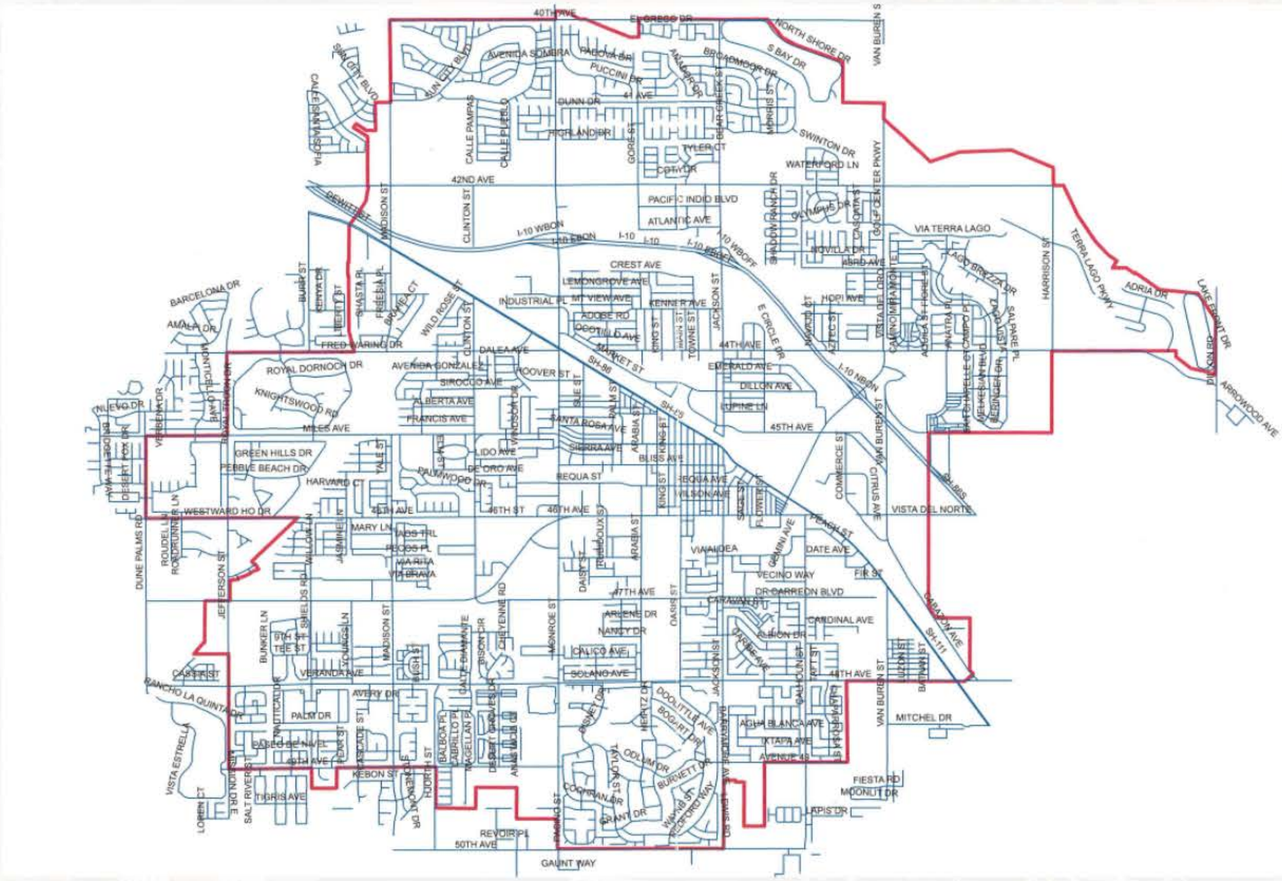
Valley Sanitary District

Org Chart


Constituents
Board of Directors
General Counsel
Jason Dafforn
General Manager
Jeanette Juarez
Chief Administrative Officer
Accounting Analyst
Clerk of the Board
HR Specialist
Administrative Assistant
Lab and Environmental Compliance Supervisor
Lab Technician III
Lab Technician II
Environmental Compliance Inspector III
Ron Buchwald
District Engineer
Assistant Engineer
Development Services Supervisor
Development Services Technician III
Engineering Technician
Collections System Supervisor
Collections Technician III
Collections Technician II
Collections Technician II
Collections Technician I
Vacant
Chief Operating Officer
Facility Maintenance Supervisor
Maintenance Tech III
Maintenance Tech III
Maintenance Tech III
Maintenance Tech II
Maintenance Tech II
Electrical/Inst Tech III
Electrical/Inst Tech II
Wastewater Operations Supervisor
Wastewater Operator III
Wastewater Operator III
Wastewater Operator III
Wastewater Operator III
Wastewater Operator III
Wastewater Operator II
Wastewater Operator II

Service Area



Board of Directors

DEBRA CANERO
BOARD PRESIDENT

First and foremost, I am a stakeholder of Valley Sanitary District. I am a lifelong resident of the Coachella Valley and reside in the beautiful City of Indio, CA, for the last 46 years. I retired in 2019 and have the experience and time to give to our community. I am serving as the first female President of Valley Sanitary District and it is the with great honor. My goal is to be the voice of those citizens who are busy working, raising their family, and/or going to school. I was there once upon a time and now it is my turn to be their voice.

MIKE DURAN
VICE PRESIDENT

Mike L. Duran has served on the Valley Sanitary District Board since 2002, bringing extensive business management experience as president and CEO of Duran's Termite & Pest Control, Inc. His leadership extends to various community roles, including serving on the Structural Pest Control Board appointed by Governor Edmund G. Brown, Jr., and as a Reserve Police Lieutenant. With certifications in business management and adult/vocational instruction, Mike demonstrates a commitment to professional growth and civic duty. A graduate of Leadership Coachella Valley and the Indio Leadership Academy, he remains dedicated to advancing Indio's prosperity. Mike's objective is clear: to contribute to a brighter future for Indio and its residents through his service on the board.

SCOTT SEAR
SECRETARY/TREASURER

A long-time resident of the Coachella Valley, I have a deep understanding of the unique needs and challenges facing our community. Serving as Secretary/Treasurer, I play a pivotal role in ensuring the efficient management of financial resources and maintaining transparent records for Valley Sanitary District. My background in radio hosting and broadcasting has given me the communication tools necessary to speak to our constituents and listen to their needs.

Board of Directors

EDGAR SANTANA
DIRECTOR

Director of Ward A, Edgar Santana has been a proud resident of Indio for the last 21 years. Originally from the Los Angeles area, Edgar moved out to the Coachella Valley for work in 1999. Edgar has a 25-year career in Law Enforcement working for the California Department of Corrections and Rehabilitation. Edgar has been married to Brenda Santana for 27 years who is an Educator in the Palm Spring Unified School District. They have 3 three grown children who were all raised in Indio. His passion is attending his kids sporting events and coaching wrestling. With over 18 years of experience, Edgar is currently an assistant wrestling coach at Palm Desert High School. He loves staying active and spending as much time as possible outdoors. His hobbies and interest include traveling, cooking and attending music concerts with friends and family. Director Santana prides himself in being an effective leader who understands that teamwork and collaboration leads to success in community building and service.

BILL TEAGUE
DIRECTOR

Bill, a distinguished board member at Valley Sanitary District, hails from Duncan, Oklahoma, born on June 15, 1932. His journey led him to California in 1945, where he attended John Kelley School in Thermal. He pursued his education diligently, graduating from CVUHS, Riverside City College, and completing a year at Irvine University before furthering his studies at the College of the Desert. Bill's dedication to community service is evident through his notable roles as the Past President and founding president of CORBS, as well as his tenure as the Past President of CASA in 1980. His personal life is marked by enduring commitment, having been married to JoAnna Carperter Teague for 60 years and raising three daughters, Cynthia, Nancy, and Pamela. Bill's professional career boasts an impressive 30-year tenure as the General Manager of Valley Sanitary District, complemented by his 32-year tenure as a devoted member of the Board. His unwavering dedication and wealth of experience make him an invaluable asset to the district and the community at large.

Senior Staff

JASON DAFFORN
GENERAL MANAGER

Jason Dafforn is a licensed Professional Engineer in the State of California with over 27 years of experience in both private and public utility management and oversight. Jason is a graduate of Purdue University with a Bachelor of Science Degree in Engineering. He has been managing public utilities for the past 13 years with a passion for environmental stewardship and public transparency. Jason is a certified Design-Build Associate with significant wastewater construction experience including facility upgrades, pump stations, lift stations, reservoirs, wastewater collection and water distribution system upgrades, and renewable energy projects.

JEANETTE JUAREZ
CHIEF ADMINISTRATIVE OFFICER

Jeanette Juarez serves as the Chief Administrative Officer at the Valley Sanitary District, overseeing all financial operations, including accounting, audit, budgeting, and investments, as well as managing human resources and environmental compliance. With 13 years of experience in accounting, financial management, and business leadership, including seven years in the public sector, Jeanette brings extensive expertise to her role. She began her professional journey at the Valley Sanitary District in 2020, following significant roles such as Budget Manager/Financial Analyst at Sunline Transit Agency. Jeanette holds a Master of Business Administration with a finance concentration from the University of Redlands School of Business and a Bachelor of Science in Business Administration with an accounting concentration from the University of Phoenix. Actively engaged in professional organizations like CSMFO, GFOA, and CALPELRA, she is currently pursuing certification in GFOA's Certified Public Finance Officer Program, showcasing her dedication to ongoing professional development.

Senior Staff

RON BUCHWALD
DISTRICT ENGINNER

As the District Engineer at Valley Sanitary District, Ron Buchwald brings over 33 years of experience in the design and construction of complex water and wastewater systems, including 24 years in a supervisory capacity. Ron holds a bachelor's degree in civil engineering from California Polytechnic University Pomona and a master's degree in public administration from California State University San Bernardino. Ron maintains a certificate of registration as a Professional Engineer issued by the State of California. His leadership ensures the effective management and integration of various functions, programs, and staff engaged in engineering design, construction, and maintenance activities. Ron's commitment to excellence and his ability to analyze complex issues makes him an asset to the Valley Sanitary District team.

VACANT
CHIEF OPERATING OFFICER

The Chief Operating Officer at Valley Sanitary District oversees the efficient and safe operation of wastewater treatment facilities, ensuring compliance with regulatory standards and environmental protocols. With extensive experience in plant operations and management, [he/she] leads a team of skilled operators in maintaining the functionality of critical equipment and systems. [His/Her] expertise in troubleshooting and problem-solving allows them to address operational challenges effectively, minimizing downtime and optimizing productivity. Dedicated to promoting sustainability, the Chief Operating Officer implements innovative strategies to enhance resource efficiency and reduce environmental impact, contributing to the community's health and well-being.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Valley Sanitary District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

National Night Out 2024

VALLEY SANITARY DISTRICT

Indio, California

Annual Comprehensive Financial Report

Year ended June 30, 2024

Prepared by:
Administration and Finance Department

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

Independent Auditor's Report

Board of Directors
Valley Sanitary District
Indio, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of Valley Sanitary District (the "District"), as of and for the year June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position and 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance

but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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* and *Pension and Other Post Employment Benefit Schedules* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2023. In our opinion, the summarized comparative information presented

herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *Schedule of Operating Expenses* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *Schedule of Operating Expenses* is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Operating Expenses* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Davis Farr LLP

Irvine, California
December 4, 2024

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Valley Sanitary District

The management of the Valley Sanitary District (District) presents the District's financial statements with a narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2024. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements and notes to the basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by $132.3 million for the year ended June 30, 2024. Of this amount, $56.8 million is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's total net position increased $11.8 million or 9.8% for the year ended June 30, 2024, from $120.5 million to $132.3 million. The variance is attributed to an increase in sewer service revenue. In the fiscal year 2020/21, after properly conducting a publicly noticed meeting and as allowed by Proposition 218 the District adopted a rate increase schedule that will continue through the fiscal year 2025/26. The rate increase will fund capital improvement projects, repairs, and rehabilitation of the District's collection and system infrastructure and equipment. Additionally, there has been an increase in investment income due to current market trends and interest rates. Capital assets have also increased due to new additions and construction-in-progress projects.

- Current assets decreased by $22.6 million or 18.4%. The variance for the year ended June 30, 2024, is due to a decrease in investment income. Investments in an escrow account for the Bank of America loan for the Recycled Water Project Phase I decreased from $55.7 million to $30.4 million. The decrease is due to drawdowns of the account to pay for construction expenditures related to the project.

- Noncurrent assets increased by $32.7 million or 37.3% as of June 30, 2024. The variance is attributed to the addition of 25 capital assets such as a 2024 freightliner vactor, steel waterline replacement phase 2, belt press roller, floway pumps, and caterpillar track loader. There are also new construction projects, such as the Recycled Water Project Phase I and the Collection System Repairs / Rehab / Replace Program construction.

- The District's total liabilities decreased by $2.2 million or 2.4%. The decrease in liabilities is attributed to a decrease in loans payable for the Recycled Water Project Phase I and a decrease in net pension liabilities. The Recycled Water Project Phase I will replace an aging and capacity-restricting grit chamber and provide redundancy by adding a second digester and expanding the bar screens. This project will also include adding a sludge thickener unit. This project is necessary to meet anticipated regulatory requirements, tertiary treatment, and recycled water production. The total amount of the loan funded was $71,000,000 at an interest rate of 2.75%. The District will make installment payments commencing December 1, 2022, and scheduled to end June 1, 2042. As of June 30, 2024, the District's Unfunded Accrued Liability (UAL) has a balance of $2.1 million, and the interest rate is estimated at 7.389%. In September 2023, the Board approved a new 5-year fresh repayment plan. The fiscal year 2024/25 contribution would be $515,872, or more, if a lump sum is paid starting July 1, 2024, and continuing for the next five (5) years.

Overview of the Financial Statements

This discussion and analysis serve as an introduction to the District's financial statements. The District's financial statements comprise of two components: 1) fund financial statements and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses, and changes in net position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The business-type activity for the District is the provision of sanitary services to the community.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The various funds are presented in the accompanying financial statements as a proprietary fund category, enterprise fund type.

***Fiduciary Funds*.** Fiduciary funds, which consist solely of trust and agency funds, are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the *statement of net position* or the *statement of revenue, expenses, and changes in net position* because the resources of the funds are *not* available to support the District's own programs. Fiduciary funds are custodial in nature and, therefore, the accounting used does not involve the measurement of the results of operations. The fiduciary fund financial statement can be found on page 22 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 23-45 of this report.

Required Supplementary Information. The Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios are presented as required supplementary information and can be found starting on page 47 of this report.

Supplementary Information. The Schedule of Operating Expenses presents the functional expenses by activity and is presented as supplementary information beginning on page 54 of this report.

Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $132.3 million for the year ended June 30, 2024.

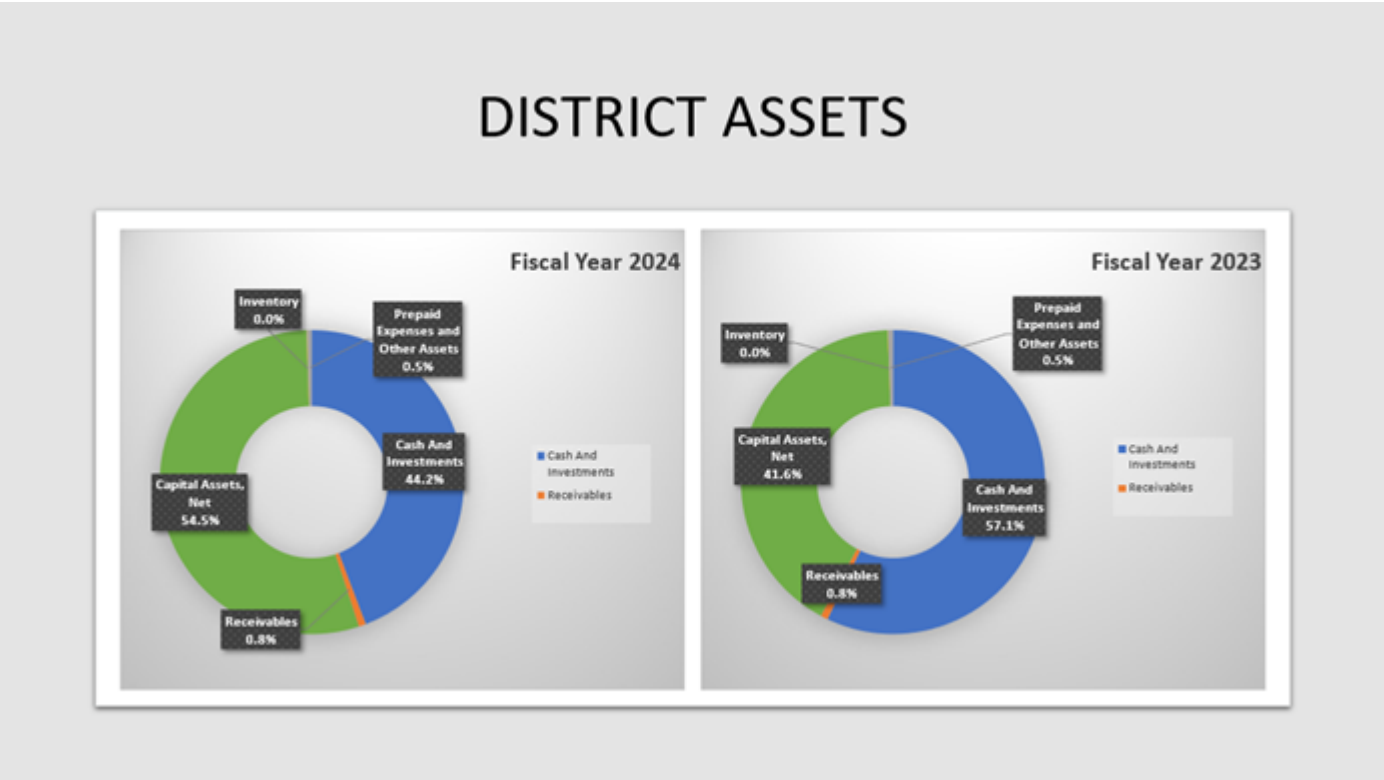
The largest portion of the District's net position during June 30, 2024, 53.2%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

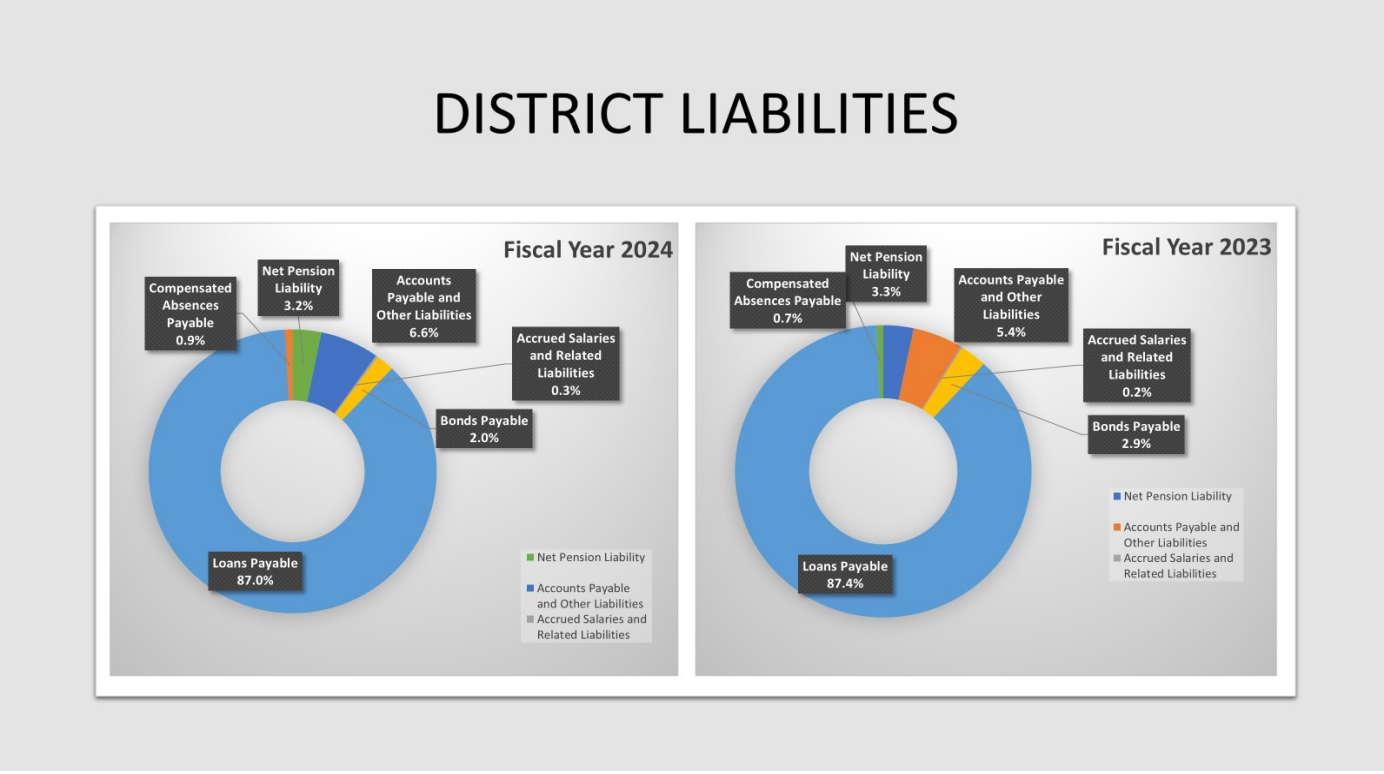
DISTRICT'S NET POSITION

At the end of the fiscal year ending June 30, 2024, the District can report positive balances in all three (3) categories of net position. The same situation held true for the prior fiscal year.

Table I
Valley Sanitary District
Condensed Statement of Net Position
As of June 30, 2024

	2024	2023
Current Assets	$ 100,330,006	$ 123,011,291
Capital Assets	120,692,396	87,925,671
Noncurrent Assets	611,928	611,928
Total Assets	221,634,330	211,548,890
Deferred Outflows of Resources	1,970,569	2,566,017
Current Liabilities	9,260,838	8,779,915
Noncurrent Liabilities	81,517,159	84,191,962
Total Liabilities	90,777,997	92,971,877
Deferred Inflows of Resources	514,007	670,486
Net Position:		
Net Investment in Capital Assets	70,349,013	59,752,362
Restricted	5,141,510	5,821,219
Unrestricted	56,822,372	54,898,963
Total Net Position	$ 132,312,895	$ 120,472,544


DISTRICT ASSETS
Fiscal Year 2024
Inventory 0.0%
Prepaid Expenses and Other Assets 0.5%
Cash And Investments 44.2%
Capital Assets, Net 54.5%
Receivables 0.8%
Cash And Investments
Receivables
Fiscal Year 2023
Inventory 0.0%
Prepaid Expenses and Other Assets 0.5%
Capital Assets, Net 41.6%
Cash And Investments 57.1%
Receivables 0.8%
Cash And Investments
Receivables


DISTRICT LIABILITIES
Fiscal Year 2024
Compensated Absences Payable 0.9%
Net Pension Liability 3.2%
Accounts Payable and Other Liabilities 6.6%
Accrued Salaries and Related Liabilities 0.3%
Bonds Payable 2.0%
Loans Payable 87.0%
Net Pension Liability
Accounts Payable and Other Liabilities
Accrued Salaries and Related Liabilities
Fiscal Year 2023
Compensated Absences Payable 0.7%
Net Pension Liability 3.3%
Accounts Payable and Other Liabilities 5.4%
Accrued Salaries and Related Liabilities 0.2%
Bonds Payable 2.9%
Loans Payable 87.4%
Net Pension Liability
Accounts Payable and Other Liabilities
Accrued Salaries and Related Liabilities

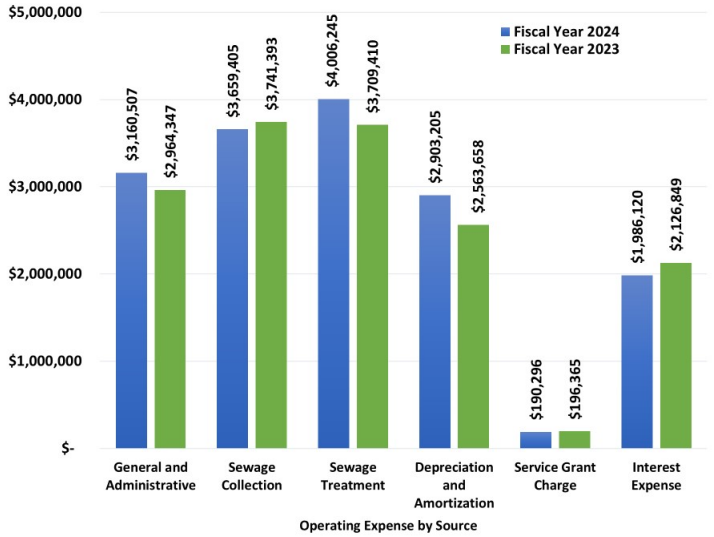
Changes in the District's net position reflect an increase of $11.8 million or 9.8% for the year ended June 30, 2024. The District's total revenues increased during the fiscal year 2023/24 by $4.4 million or 19.1%. The variance is primarily due to an increase in sewer service revenue and connection fees for new developments. As mentioned in the letter of transmittal, in the fiscal year 2021/22, after properly conducting a publicly noticed meeting and as allowed by Proposition 218 the District adopted a rate increase schedule that will continue through the fiscal year 2025/26. The rate increase will fund capital improvement projects, repairs, and rehabilitation of the District's collection and system infrastructure and equipment. The increase in nonoperating income is attributed to higher returns than projected in investment income due to current market trends.

DISTRICT'S CHANGES IN FUND NET POSITION

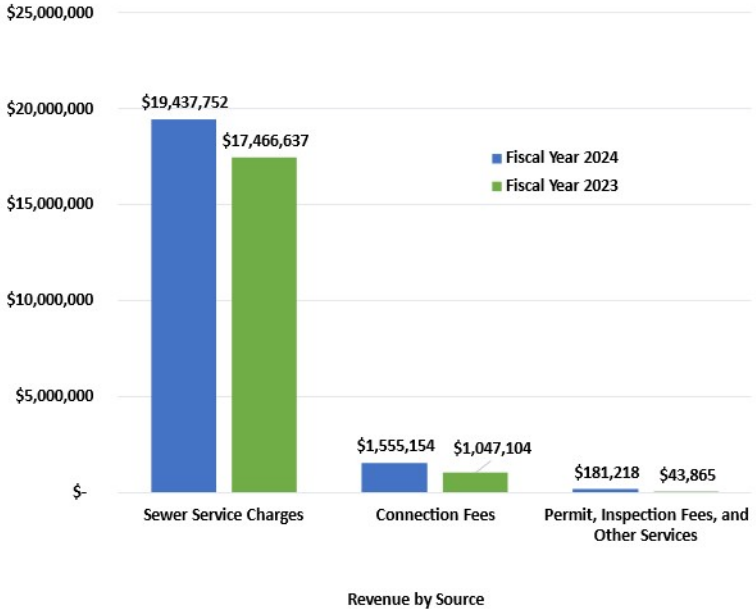
Table II
Valley Sanitary District
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
As of June 30, 2024

	2024	2023
Revenues:		
Sewer Service Charges	$ 19,437,752	$ 17,466,637
Connection Fees	1,555,154	1,047,104
Permits & Inspections	27,060	26,975
Other Operating	154,158	16,890
Nonoperating	6,572,005	4,741,480
Total Revenues	$ 27,746,129	$ 23,299,086
Expenses:		
Depreciation & Nonoperating	$ 5,079,621	$ 4,886,872
Administrative	3,160,507	2,964,347
Sewage Collection	3,659,405	3,741,393
Sewage Treatment	4,006,245	3,709,410
Total Expenses	$ 15,905,778	$ 15,302,022
Increase In Net Position	$ 11,840,351	$ 7,997,064
Beginning Net Position, (As Restated) (Note 14)	120,472,544	112,475,480
Ending Net Position	$ 132,312,895	$120,472,544

OPERATING EXPENSES FISCAL YEAR 2024 VS 2023



OPERATING REVENUES FISCAL YEAR 2024 VS 2023



Capital Asset Administration

The District's capital assets (net of accumulated depreciation) as of June 30, 2024 were $120.7 million. This includes land, buildings, system improvements, machinery, and equipment. The increase is attributed to adding capital assets such as a 2024 freightliner vactor, steel waterline replacement phase 2, belt press roller, floway pumps, and caterpillar track loader. There are also new projects that are in progress in construction, such as the Recycled Water Project Phase I and the Collection System Repairs / Rehab / Replace Program construction.

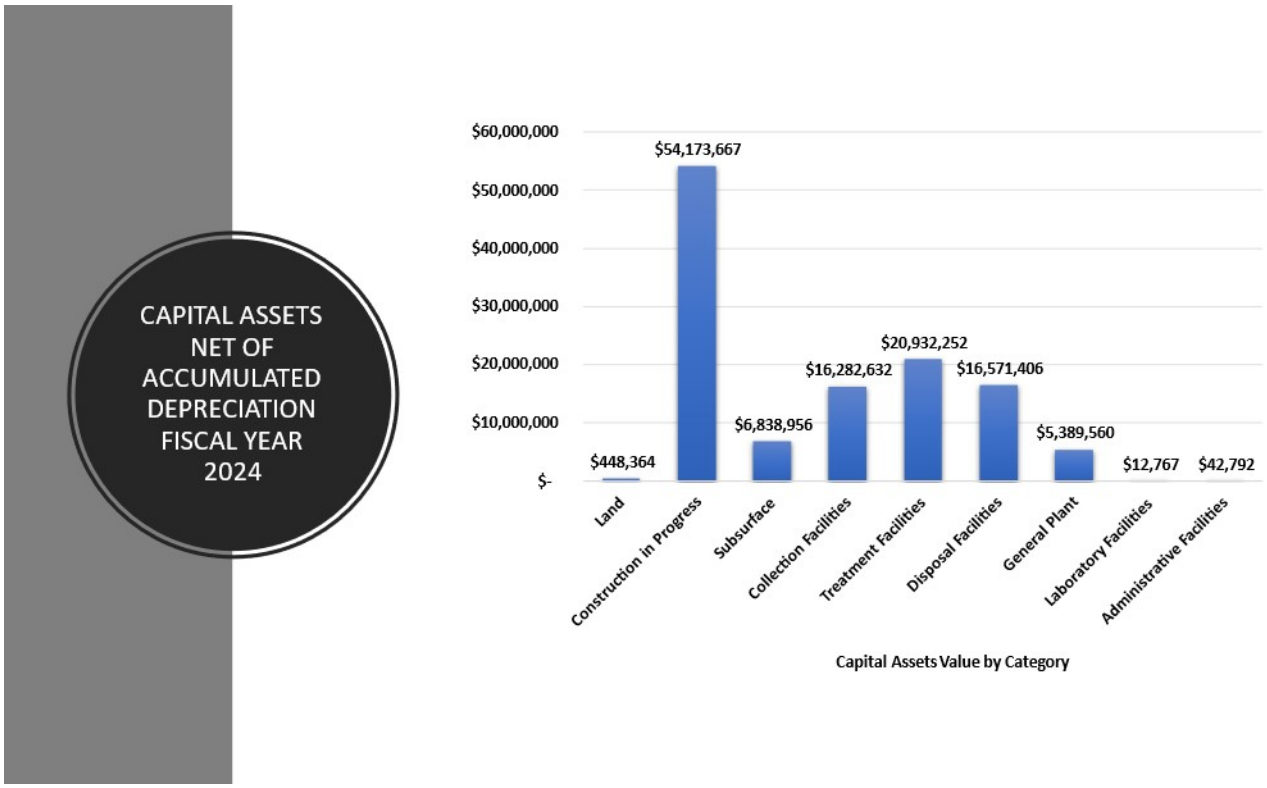
Major capital asset events during the current fiscal year included the following:

- **Recycled Water Project Phase 1 Design-Build**
- **Sewer Siphon Replacement**
- **Biosolid Conversion Project**

DISTRICT'S CAPITAL ASSETS

Table III
Valley Sanitary District
Capital Assets Net of Accumulated Depreciation
As of June 30, 2024

	June 30, 2024	June 30, 2023
Land	$ 448,364	$ 448,364
Construction in progress	54,173,667	28,422,064
Subsurface	6,838,956	7,174,485
Collection facilities	16,282,632	12,019,272
Treatment facilities	20,932,252	17,025,449
Disposal facilities	16,571,406	17,160,417
General plant	5,389,560	5,597,313
Laboratory facilities	12,767	22,111
Admin facilities	42,792	56,196
Total	$ 120,692,396	$ 87,925,671



Additional information on the District's capital assets can be found on page 34, Note 5, of this report.

Long-term Debt Administration

At the end of June 30, 2024, the District had total long-term debt of $80.8 million.

The Certificates of Participation (COPs) was debt incurred to help fund Phase I of the District's Treatment Plant Expansion and Renovation in 2006. On June 18, 2015, the District issued Wastewater Revenue Refunding Bonds, Series 2015 in the amount of $7,540,000, refinancing the COPs and reducing payments by approximately $1,596,780 over the term of the certificates which runs through 2026. Repayment of the debt is funded through sewer use fees of the District.

The District received a Clean Water State Revolving Fund (CWSRF) loan in May 2018 for $12.9 million to construct the Requa Avenue Sewer Interceptor Project. The $12.9 million loan for 30 years at 1.7% interest results in an estimated payment of $553,360 annually. The first payment will be due one (1) year after the completion date of the Requa Avenue Sewer Interceptor Project, and payable thereafter on June 1st, per the 2015 Wastewater Refunding Revenue Bonds parity requirements. A restricted reserve fund has also been established, equal to one (1) year's debt service, prior to the construction completion date of the project and shall be maintained for the full term of the Agreement.

The District executed the installment sale agreement in May of 2022 with Banc of America Capital Corp for the Recycled Water Project Phase I. The Recycled Water Project Phase I will replace an aging and capacity-restricting grit chamber and provide redundancy by adding a second digester and expanding the bar screens. This project will also include adding a sludge thickener unit. This project is necessary to meet anticipated regulatory requirements, tertiary treatment, and recycled water production. The total amount of the loan funded was $71,000,000 at an interest rate of 2.75%. The District will make installment payments commencing December 1, 2022, and scheduled to end June 1, 2042.

DISTRICT'S OUTSTANDING DEBT

Table IV
Valley Sanitary District
Outstanding Debt
As of June 30, 2024

	2024	2023
Revenue refunding bond	$ 1,650,000	$ 2,415,000
Bond premium	192,649	293,161
Banc of America Co	68,178,148	70,079,704
CWSRF loan	10,830,795	11,193,860
Total	$ 80,851,592	$ 83,981,725

Additional information on the District's long-term debt can be found on page 34, Note 8, of this report.

Economic Factors and Next Year's Budget

The Indio City Council is very supportive of new enterprises and development. The City of Indio has endorsed the Downtown Specific Plan, the Highway 111 Plan, and the 2040 General Plan. The city is strategically attracting new businesses and developments, with many projects already in action, including the renovation and expansion of the Indio Grand Market Place and adding new eateries and retailers. The investments totaled $200 million from both the public and private sectors. Incoming enterprises include Gabino's Creperie, Indio Taproom, Italica, Indio Distilling Co, Desert Beer Co., Encore Coffee, and Everbloom Coffee. According to Carl Morgan, Economic Development Director, "People are attracted to Indio because of the quality of life, schools, amenities, cool things you can do year-round…and Indio is still very affordable" (Van Horn, 2023, p. 62).

In 2023, the number of permits issued was down 26% from the previous year. Specifically, the number of single-family dwelling permits decreased by 42% over the previous year. New single-family residential construction decreased in part due to mortgage rate increases. Other factors affecting development include the availability of electrical services. However, the City of Indio did entitle a 1,500-unit 55+ community, a 1,200-unit build-to-rent community, a 345-unit market rate owner-occupied and rental community, and 180 affordable housing units. The city issued 3,370 building permits, representing $184 million in new construction. That includes 308 new single-family dwelling permits, one multifamily dwelling permit, and 21 new commercial permits (Montgomery, 2024).

The City of Indio's investment and support of new development and enterprise leads to moderate growth, as seen in its annual permit growth year over year. The District benefits from this growth through the connection fees it collects for new development or changes in use for existing buildings. In the fiscal year 2024/25, the District is estimated to collect $900,000 from connection fees.

In the fiscal year 2021/22, a five-year Sewer Use Charge (SUC) was implemented on July 1, 2021, and will continue through June 30, 2026. In the fiscal year 2024/25, the District is projecting $20.3 million in SUC revenue, an increase of $1.6 million or 8.7% due to the fourth year of the approved rate increase. The additional revenues are needed to maintain operating service levels, fund critical high-risk projects identified in the 20-Year District-Wide Master Plan, and meet debt service requirements.

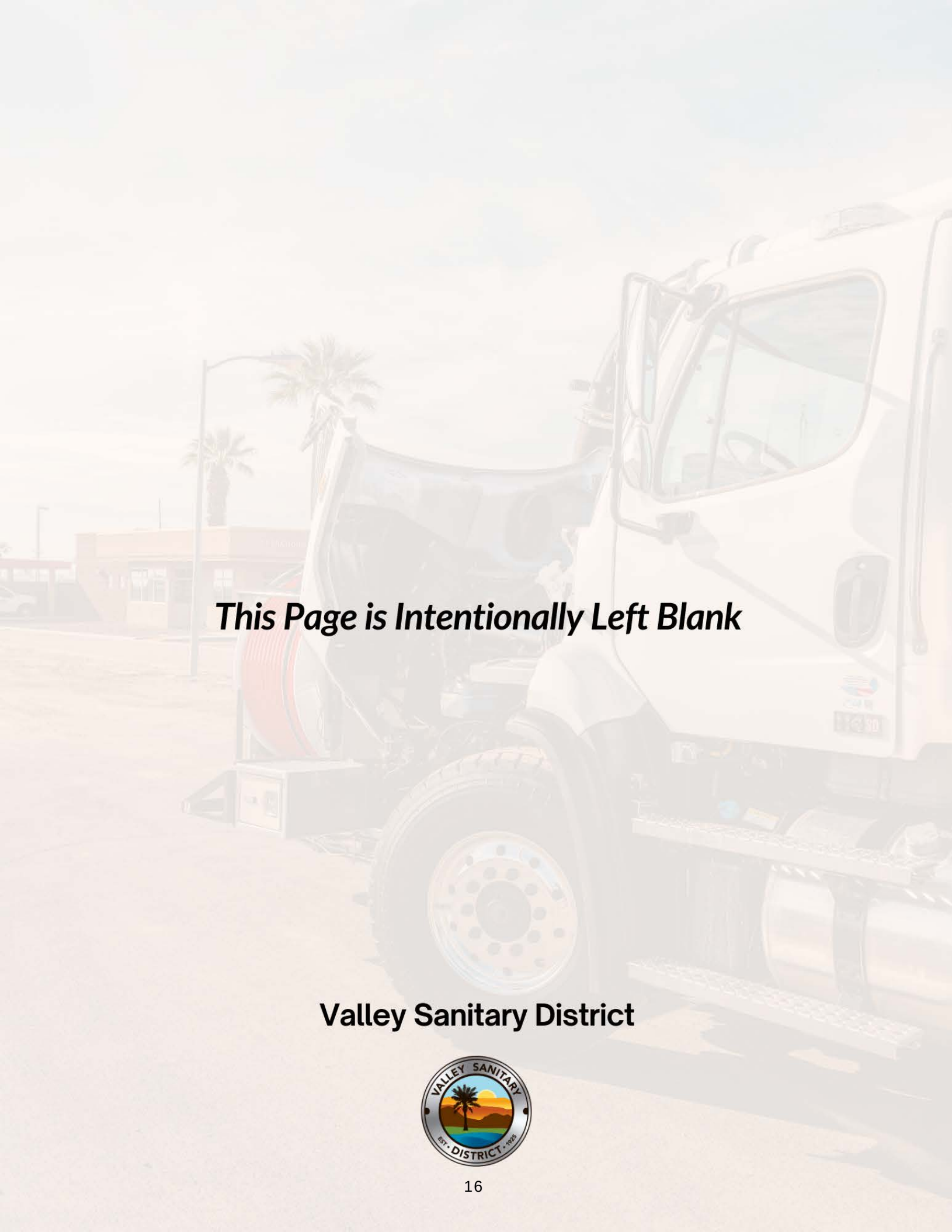
In the fiscal year 2023/24, the District received higher than projected revenues by $3 million. The additional revenue was mainly attributed to higher than projected SUC revenue and interest income earned. The SUC is based on a 70% fixed charge per Equivalent Dwelling Unit (EDU) plus a 30% volumetric water consumption charge by class. In May 2022, the District closed a loan through Bank of America for $71 million to finance the Recycled Water Project Phase I. The loan is held in an interest-bearing escrow account. The higher revenue is due to higher than anticipated returns due to market rates.

The comprehensive, strategic, and balanced fiscal year 2024/25 budget provides clear transparency and funds essential services, all while protecting the environment and the communities we serve. The operating and capital budgets are $19,587,854 and $40,068,000 respectively. The operating budget encompasses personnel, California Public Employees' Retirement System (CalPERS), Unfunded Accrued Liability (UAL), debt service, insurance premiums, and other overhead costs to run day-to-day operations. The capital budget incorporates key projects to advance further the District's Capital Improvement Program (CIP). Twenty-two capital projects were requested in the fiscal year 2024/25. The CIP for the fiscal year 2024/25 includes the Recycled Water Project Phase I, the Recycled Water Project Phase II Design, Laboratory, Training & Office building designs, and the design of a biosolids conversion project.

Requests for Information

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Manager, Valley Sanitary District, 45500 Van Buren Street, Indio, California, 92201, or by calling (760) 238-5400.

BASIC FINANCIAL STATEMENTS



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Valley Sanitary District

VALLEY SANITARY DISTRICT
Statement of Net Position
June 30, 2024
(with comparative totals for June 30, 2023)

	2024	2023
Assets		
Current assets:		
Cash and investments (note 3)	$ 98,012,033	120,795,270
Accounts receivable, net (note 4)	860,237	965,208
Grant receivable	133,549	-
Interest receivable	705,857	691,595
Inventories of materials	110,256	85,543
Prepaid items	508,074	473,675
Total current assets	100,330,006	123,011,291
Noncurrent assets:		
Capital assets, not being depreciated (note 5)	54,622,031	28,870,427
Capital assets, being depreciated (note 5)	66,070,365	59,055,244
Investment in joint venture (note 6)	611,928	611,928
Total noncurrent assets	121,304,324	88,537,599
Total assets	221,634,330	211,548,890
Deferred outflows of resources		
Deferred loss on refunding, net	80,261	122,138
Deferred outflows of resources related to pensions (note 10)	1,429,607	2,000,359
Deferred outflows of resources related to OPEB (note 11)	460,701	443,520
Total deferred outflows of resources	1,970,569	2,566,017
Liabilities		
Current liabilities:		
Accounts payable	3,254,964	3,808,490
Accrued expenses	2,736,275	1,241,151
Accrued payroll and related liabilities	228,533	181,984
Interest payable	6,875	10,063
Compensated absences, due within one year (note 7)	487,053	408,094
Bonds payable, due within one year (note 8)	905,512	865,512
Loans payable, due within one year (note 8)	1,641,626	2,264,621
Total current liabilities	9,260,838	8,779,915
Noncurrent liabilities:		
Compensated absences, due in more than one year (note 7)	292,155	277,189
Bonds payable, due in more than one year (note 8)	937,137	1,842,649
Loans payable, due in more than one year (note 8)	77,367,317	79,008,943
Net pension liabilities (note 10)	2,450,365	2,550,589
Net OPEB liabilities (note 11)	470,185	512,592
Total noncurrent liabilities	81,517,159	84,191,962
Total liabilities	90,777,997	92,971,877
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions (note 10)	449,758	599,927
Deferred inflows of resources related to OPEB (note 11)	64,249	70,559
Total deferred inflows of resources	514,007	670,486
Net Position		
Net investment in capital assets	70,349,013	59,752,362
Restricted for debt service	5,141,510	5,821,219
Unrestricted	56,822,372	54,898,963
Total net position	$ 132,312,895	120,472,544

See accompanying notes to the basic financial statements.

VALLEY SANITARY DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2024
(with comparative totals for the year ended June 30, 2023)

	2024	2023
Operating Revenues:		
Sewer service charges	$ 19,437,752	17,466,637
Connection fees	1,555,154	1,047,104
Permit and inspection fees	27,060	26,975
Other services	154,158	16,890
Total operating revenues	21,174,124	18,557,606
Operating Expenses:		
General and administrative	3,160,507	2,964,347
Sewage collection	3,659,405	3,741,393
Sewage treatment	4,006,245	3,709,410
Depreciation	2,903,205	2,563,658
Total operating expenses	13,729,362	12,978,808
Operating Income	7,444,762	5,578,798
Nonoperating Revenues (Expenses):		
Property taxes	1,548,783	1,399,121
Homeowners' tax relief	6,703	7,023
Investment income	4,978,594	3,271,494
Interest expenses	(2,176,416)	(2,323,214)
Other revenues	38,349	42,810
Loss on disposal of assets	(424)	21,032
Total nonoperating revenues (expenses)	4,395,589	2,418,266
Change in net position	11,840,351	7,997,064
Net Position:		
Beginning of year	120,472,544	112,475,480
End of year	$ 132,312,895	120,472,544

See accompanying notes to the basic financial statements.

VALLEY SANITARY DISTRICT
Statement of Cash Flows
For the year ended June 30, 2024
(with comparative totals for the year ended June 30, 2023)

	2024	2023
Cash flows from operating activities:		
Cash receipts from customers	$ 21,145,546	18,462,688
Cash payments to suppliers and vendors for goods and services	(10,531,203)	(14,192,910)
Cash payments to employees for services	(5,966,178)	(5,858,055)
Net cash provided by operating activities	4,648,165	(1,588,277)
Cash flows from noncapital financing activities:		
Property taxes	1,548,783	1,399,121
Homeowners' tax relief	6,703	7,023
Net cash provided by noncapital financing activities	1,555,486	1,406,144
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(28,708,371)	(11,233,922)
Proceeds from sale of assets	25,011	21,032
Principal paid on bonds payable	(765,000)	(750,000)
Interest paid on bonds and loans payable	(2,238,239)	(2,383,177)
Principal paid on loans payable	(2,264,621)	(1,277,292)
Net cash (used in) capital and related financing activities	(33,951,220)	(15,623,359)
Cash flows from investing activities:		
Interest received/loss	4,964,332	2,684,906
Cash payment to joint venture	-	(200,000)
Net cash provided by investing activities	4,964,332	2,484,906
Net increase in cash and cash equivalents	(22,783,237)	(13,320,586)
Cash and cash equivalents:		
Beginning of year	120,795,270	134,115,856
End of year	$ 98,012,033	120,795,270

See accompanying notes to the basic financial statements.

VALLEY SANITARY DISTRICT
Statement of Cash Flows (Continued)
For the year ended June 30, 2024
(with comparative totals for the year ended June 30, 2023)

	2024	2023
Reconciliation of operating income to net cash provided by operating activities		
Net operating income	$ 7,444,762	5,578,798
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,903,205	2,563,658
Other nonoperating revenues	38,349	42,810
Changes in operating assets and liabilities:		
Accounts receivable	104,971	(94,918)
Grant receivable	(133,549)	-
Inventories of materials	(24,713)	63,362
Prepaid items	(34,399)	(40,380)
Pension related deferred outflows of resources	570,752	(1,456,851)
OPEB related deferred outflows of resources	(17,181)	(1,234)
Accounts payable	(7,540,520)	(11,061,418)
Accrued expenses	1,495,124	856,753
Accrued payroll and related liabilities	46,549	22,995
Compensated absences	93,925	36,586
Net pension liabilities	(100,224)	2,105,984
Net OPEB liabilities	(42,407)	9,335
Pension related deferred inflows of resources	(150,169)	(185,444)
OPEB related deferred inflows of resources	(6,310)	(28,313)
Net cash provided by operating activities	$ 4,648,165	(1,588,277)
Noncash items from capital and related financing activities:		
Amortization of deferred loss on refunding	$ 41,877	41,877
Amortization of premium	$ (100,512)	(100,512)

See accompanying notes to the basic financial statements.

VALLEY SANITARY DISTRICT
Statement of Fiduciary Net Position
June 30, 2024

	Custodial Fund
Assets:	
Cash and investments (note 3)	$ 847,704
Cash with fiscal agent (note 3)	637,263
Assessment receivable	1,449
Interest receivable	9,336
Total assets	1,495,752
Net Position	$ 1,495,752

See accompanying notes to the basic financial statements.

VALLEY SANITARY DISTRICT
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2024

	Custodial Fund
Additions:	
Special tax assessments	$ 56,269
Administrative fees	3,332
Interest income	52,459
Total additions	112,060
Deductions:	
Principal Payments	20,000
Total deductions	20,000
Changes in net position	92,060
Net Position, beginning of year	1,403,692
Net Position, end of year	$ 1,495,752

See accompanying notes to the basic financial statements.

Note 1 – Reporting Entity

Valley Sanitary District (the "District") was formed on June 1, 1925, under the Health and Safety Code, Sanitary District Act of 1923, Section 6400 et. seq., for the purpose of operation and maintenance of sewer collection, transmission, and treatment facilities, and serving a population of approximately 89,000 in the City of Indio, portions of the City of Coachella, and adjacent unincorporated areas of the County of Riverside. The District is a municipal corporation governed by a five-member elected board of directors.

The accompanying financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended Component Unit

Valley Sanitary District Wastewater Facilities Corporation (the "Corporation") was activated in 2006 by the District. The Corporation was organized pursuant to the Nonprofit Public Benefit Corporation Law of the State of California, being Part 2 of Division 2 of Title 1 of the California Corporation Code. It was formed for the purpose of providing financial assistance to the District by acquiring, constructing, improving and developing certain real and personal property, together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The District's Board of Directors sits as the Corporation's Board of Directors. The Corporation's activities are blended with those of the District in these financial statements. There was no activity in the Corporation until the fiscal year 2007-2008. Separate financial statements of the Corporation are not issued.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board ("GASB") commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP"). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Business-Type Activities

The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows) report information on all the activities of the primary government and its component units. The District accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Note 2 – Summary of Significant Accounting Policies (Continued)

The Financial Statements are reported using the "economic resources" measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as "operating income" in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, settlement receivable allowance, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

The District reports a custodial fund. The custodial fund is used to account for assets for the Assessment District No. 2004 (Shadow Hills Interceptor) for which the District acts as an agent for its debt service activities.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. Investments are reported at amortized cost, which approximates fair value. Changes in fair value that occur during the fiscal year are recognized as investment income for that fiscal year.

The District participates in an investment pool managed by the State of California titled 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, these structured notes and asset-backed securities are subject to market risk and to changes in interest rates. The reported value of the pool approximates the fair value of the pool shares. The District also participates in CalTrust Medium Term Fund.

Receivables and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectible accounts are based on prior experience and management's assessment of the collectability of existing accounts. As of June 30, 2024, there is no allowance for doubtful accounts.

Inventory of Materials

Inventories consist of expendable supplies, spare parts and fittings and are valued at cost using first-in first-out basis.

Note 2 – Summary of Significant Accounting Policies (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at acquisition value on the date donated. The District policy has set the capitalization threshold for reporting capital assets at $5,000, all of which must have an estimated useful life in excess of one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Subsurface Lines	40 years
General Plant	10-40 years
Machinery and Equipment	5-10 years
Collection, Treatment and Disposal Facilities	10-40 years

Major outlays for capital assets are capitalized as projects are constructed, and repairs and maintenance costs are expensed.

Deferred Outflows of Resources and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows of resources, and deferred inflows of resources.

> Deferred Outflows of Resources represent outflows of resources (consumption of net assets) that apply to future periods and that, therefore, will not be recognized as an expense until that time. The District has three items that qualify for reporting this category: deferred loss on refunding, deferred outflows of resources related to pensions, and deferred outflows related to OPEB.
>
> Deferred Inflows of Resources represent inflows of resources (acquisition of net assets) that apply to future periods and that, therefore, are not recognized as revenue until that time. The District has two items that qualify for reporting this category: deferred inflows of resources related to pensions and deferred inflows related to OPEB.

Compensated Absences

District policy permits its employees to accumulate not more than two (2) times their current annual vacation. Employees are compensated twelve (12) days of sick leave per year with a maximum accrual not to exceed 120 days. The combined unused vacation and sick pay will be paid to an employee or his/her beneficiary upon leaving the District's employment. The amount due will be determined using salary/wage rate in effect at the time of separation.

Note 2 – Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized using the straight-line method over five (5) years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Other Postemployment Benefits

For purposes of measuring the net other postemployment benefits ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for OPEB reporting:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized using the straight-line method over five (5) years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Note 2 – Summary of Significant Accounting Policies (Continued)

Long-Term Debt

Debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Long-term debt is reported net of the applicable bond premium or discount. Debt issuance costs are expensed when incurred.

Arbitrage Rebate Requirement

The District is subject to the Internal Revenue Code ("IRC") Section 148(f), related to its tax-exempt revenue bonds. The IRC requires that investment earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. The District had no rebate liability for arbitrage as of June 30, 2024.

Net Position

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

> Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets, net of deferred outflows/inflows of resources related to the debt.
>
> Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
>
> Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Property Taxes

Property taxes are levied on July 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of Riverside, California ("County") bills and collects property taxes and remits them to the District according to a payment schedule established by the County.

The County is permitted by State law to levy properties at 1% of full market value (at time of purchase) and can increase the property assessed values by no more than 2% per year. The District receives a share of this basic tax levy proportionate to what it received during the years 1976-1978.

Property taxes are recognized in the fiscal year for which the taxes have been levied. No allowance for doubtful accounts was considered necessary.

Note 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Comparative Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

Note 3 – Cash and Investments

At June 30, 2024, cash and investments are classified in the accompanying statements of net position as follows:

	Business-Type Activities	Fiduciary Fund	Total
Cash and investments	$ 98,012,033	847,704	98,859,737
Cash and investments with fiscal agent	-	637,263	637,263
	$ 98,012,033	1,484,967	99,497,000

At June 30, 2024, cash and investments consisted of the following:

Cash on hand	$ 500
Demand deposits	2,374,273
Investments	97,122,227
Total cash and investments	$ 99,497,000

Demand Deposits

At June 30, 2024, the carrying amount of cash deposit was $2,374,273, which was fully insured and/or collateralized with securities held by the pledging financial institutions in the District's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

Note 3 – Cash and Investments (Continued)

The fair value of pledged securities must equal at least 110% of the District's cash deposits. California law also allows institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The District, however, has not waived the collateralization requirements.

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

Under the provisions of the District's investment policy and in accordance with California Government Code, the District is authorized to invest or deposit in the following:

- Local Agency Investment Fund (LAIF) established by the State Treasurer
- Bonds issued by the District with a 5-year maximum maturity
- United States Treasury Bills, Notes and Bonds with a 5-year maximum maturity
- Federally Insured Certificates of Deposit with a 5-year maximum maturity
- Collateralized bank deposits with a 5-year maximum maturity
- Fixed income instruments with an average maturity of one (1) year or less including: Mortgage-backed securities; asset-backed securities; banker's acceptances; commercial paper; certificates of deposits; repurchase agreements backed by 102% U.S. agency securities and U.S. Treasury obligations; medium-term notes; and rated money-market funds. All securities must be rated A- or better at the time of purchase
- United States Government Agency Notes and Bonds with a 5-year maximum maturity
- Shares of Beneficial Interest issued by joint powers authority

Local Agency Investment Fund

The District's investments with Local Agency Investment Fund ("LAIF") include a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

> Structured Notes - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
>
> Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. As of June 30, 2024, the District had $64,942,499 invested in LAIF. LAIF is reported at amortized costs, which approximates fair value.

CalTrust Medium Term Fund

As of June 30, 2024, the District had $1,114,517 invested in CalTrust Medium Term Fund. CalTrust Medium Term Fund is reported at amortized costs, which approximates fair value.

Note 3 – Cash and Investments (Continued)

Money Market Fund

As of June 30, 2024, the District had $31,065,211 invested in money market funds, of which $637,263 are held by the bond trustee. The District's investments in money market funds are considered cash equivalents as they are short-term, highly liquid investments that are readily convertible to known amounts of cash, they present insignificant risk of changes in value because of changes in interest rates.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. However, the District does not have a formal policy regarding interest rate risk.

As of June 30, 2024, all of the District's investments had maturity dates of twelve (12) months or less.

Disclosures Relating to Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2024, the District had the following investments with the following ratings:

	Minimum Legal Rating	AAA	AA	Not Rated	Total
Local Agency Investment Fund	N/A	$ -	$ -	64,942,499	64,942,499
CalTrust Medium Trust Fund	N/A	-	1,114,517	-	1,114,517
Money market fund	N/A	-	-	30,427,948	30,427,948
Held by bond trustee:					
Money market fund	AAA	637,263	-	-	637,263
Total investments		$ 637,263	$ 1,114,517	95,370,447	97,122,227

Note 4 – Accounts Receivable

Accounts receivable primarily consists of sewer use fees - direct billings, connection fees, and reimbursements as well as the District's allocation of property taxes and sewer use charges collected but not remitted by the County of Riverside.

As of June 30, 2024, the accounts receivable were as follows:

Direct billing, connection fee and reimbursement receivables	$	471,537
Property taxes and sewer use receivable from County of Riverside		388,700
Total accounts receivables	$	860,237

Note 5 – Capital Assets

Summary of changes in capital assets for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets, not depreciated				
Land	$ 448,364	-	-	448,364
Construction in progress	28,422,063	31,175,115	(5,423,511)	54,173,667
Total capital assets, not depreciated	28,870,427	31,175,115	(5,423,511)	54,622,031
Capital assets, being depreciated				
Subsurface	20,878,424	-	-	20,878,424
Sewage collection facilities	16,588,673	4,733,896	(324,370)	20,998,199
Wastewater treatment facilities	36,315,508	4,924,031	-	41,239,539
Sludge disposal facilities	24,681,864	-	(56,030)	24,625,834
General plant facilities	9,579,646	285,834	-	9,865,480
Laboratory facilities	46,719	-	-	46,719
Administrative facilities	189,830	-	-	189,830
Total capital assets, being depreciated	108,280,664	9,943,761	(380,400)	117,844,025
Less accumulated depreciation				
Subsurface	(13,670,158)	(316,447)	-	(13,986,605)
Sewage collection facilities	(4,636,080)	(433,668)	298,935	(4,770,813)
Wastewater treatment facilities	(19,280,803)	(1,026,211)	-	(20,307,014)
Sludge disposal facilities	(7,523,689)	(595,804)	56,030	(8,063,463)
General plant facilities	(3,951,824)	(499,065)	-	(4,450,889)
Laboratory facilities	(24,607)	(9,344)	-	(33,951)
Administrative facilities	(138,259)	(22,666)	-	(160,925)
Total accumulated depreciation	(49,225,420)	(2,903,205)	354,965	(51,773,660)
Total capital assets, being depreciated, net	59,055,244	7,040,556	(25,435)	66,070,365
Total capital assets, net	$ 87,925,671	38,215,671	(5,448,946)	120,692,396

Note 6 – Investment in Joint Venture

On December 18, 2013, the District entered into a Joint Powers Agreement with the City of Indio (the "City") to form the East Valley Reclamation Authority (the "JPA") to plan, program, finance, design and operate a reclaimed water facility to bring a sustainable water supply and manage the water resources for the customers of the Indio Water Authority (a blended component unit of the City) and the District. The costs and expenses of the JPA are generally shared equally by the City and the District unless otherwise determined by the JPA's Board of Directors, except that the District is responsible for 100% of the costs and expenses associated with the design and construction of facilities for the District's compliance with any permit terms. During the year ended June 30, 2024, the District did not make any contributions to the JPA. As of June 30, 2024, the District reported investments in joint venture in the amounts of $611,928. Copies of the annual financial report for the JPA may be obtained from the finance department of the City of Indio.

Note 7 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2024 is as follows:

Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
$ 685,283	543,877	(449,952)	779,208	487,053	292,155

Note 8 – Long-term Debt

Summary of changes in long-term debt for the year ended June 30, 2024 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
2015 Wastewater Revenue Refunding Bonds	$ 2,415,000	-	(765,000)	1,650,000	805,000	845,000
Bond Premium, net of amortization	293,161	-	(100,512)	192,649	100,512	92,137
State Water Resources Control Board Revolving Fund Loan	11,193,860	-	(363,065)	10,830,795	369,237	10,461,558
Bank of America loan	70,079,704	-	(1,901,556)	68,178,148	1,272,389	66,905,759
	$ 83,981,725	-	(3,130,133)	80,851,592	2,547,138	78,304,454

2015 Wastewater Revenue Refunding Bonds

On August 26, 2006, the District issued the 2006 Certificates of Participation in the amount of $12,915,000. The purpose of the Certificates was to fund Phase I of the District's treatment plant expansion. Interest ranging from 3.50% to 4.375% is payable semi-annually on February 1st and August 1st commencing February 1, 2007.

On June 18, 2015, the District issued Wastewater Revenue Refunding Bonds, Series 2015 in the amount of $7,540,000. The purpose of the bond issuance was to provide funds to defease and refund on current basis the District's outstanding 2006 Certificates of Participation (Treatment Plan Expansion) and pay the costs of issuing the bonds. The bonds are payable from and secured by a lien on net revenue of the wastewater system of the District. Interest rate of 5% is payable semi-annually on each December 1 and June 1 beginning December 1, 2015. The bonds are not subject to redemption prior to maturity. The outstanding balance as of June 30, 2024 was $1,650,000.

Note 8 – Long-term Debt (Continued)

Future debt service requirements are as follows:

2015 Wastewater Revenue Refunding Bonds			
Year Ending June 30,	Principal	Interest	Total
2025	$ 805,000	82,500	887,500
2026	845,000	42,250	887,250
	$ 1,650,000	124,750	1,774,750

State Water Resources Control Board Revolving Fund Loan

The District executed the installment sale agreement with the State Water Resources Control Board (the "SWRCB") for the construction of the Requa Avenue Sewer Interceptor Project. As part of the Requa Avenue Sewer Interceptor Project, the District constructed 4.2 miles of new gravity flow sewer pipeline and related utility improvements designed to collect and convey sanitary sewer flow within an existing public right-of-way through central Indio, California, to the existing District's Water Reclamation Plant. The SWRCB provided financial assistance. The total amount of the loan funded was $12,920,155 with no unused credit. There was no pledged asset as collateral. In event of default, the District upon demand by SWRCB, will immediately repay an amount equal to project funds disbursed, accrued interests, penalty assessments, and additional payments. Beginning June 2019, the District will repay the principal of the project funds, together with all interest accruing thereon, annually to the SWRCB. As of June 30, 2024, the outstanding balance of the SWRCB revolving fund loan was $10,830,795.

Future debt service requirements are as follows:

State Water Resources Control Board Revolving Fund Loan			
Year Ending June 30,	Principal	Interest	Total
2025	$ 369,237	184,124	553,361
2026	375,514	177,846	553,360
2027	381,898	171,463	553,361
2028	388,390	164,970	553,360
2029	394,993	158,368	553,361
2030-2034	2,078,000	688,804	2,766,804
2035-2039	2,260,738	506,065	2,766,803
2040-2044	2,459,547	307,256	2,766,803
2045-2048	2,122,478	90,965	2,213,443
	$ 10,830,795	2,449,861	13,280,656

A reserve account is required to be maintained equal to one (1) year of the SWRCB revolving fund loan debt service payments from unrestricted net revenues. The reserve requirement is $553,360 for the duration of the loan. The balances held in the reserve at June 30, 2024 in the amount of $1,106,722. Debt covenants of the SWRCB revolving fund loan require that the District have net revenues that are at least 125% of the total debt service payments (including

Note 8 – Long-term Debt (Continued)

2015 Wastewater Revenue Refunding Bonds). Net revenue and total debt service paid during the year ended June 30, 2024, were in the amount of $10,347,967 and $1,439,111 which resulted in ratio of 719%.

Bank of America Loan

On May 13, 2022, the District executed the installment sale agreement with Bank of America Public Capital Corp (Lender) to finance public capital improvements to the District's wastewater system. The total amount of the loan funded was $71,000,000. The District will make installment payments to the Lender commencing December 1, 2022 and scheduled to end June 1, 2042. As of June 30, 2024, the outstanding balance of the Banc of America loan was $68,178,148.

Future debt service requirements are as follows:

Bank of America Loan			
Year Ending June 30,	Principal	Interest	Total
2025	$ 1,272,389	963,596	2,235,985
2026	2,366,972	937,450	3,304,422
2027	2,576,648	919,954	3,496,602
2028	3,686,912	887,408	4,574,320
2029	3,943,191	851,979	4,795,170
2030-2034	20,459,693	3,457,546	23,917,239
2035-2039	20,980,321	2,038,422	23,018,743
2040-2043	12,892,022	595,436	13,487,458
	$ 68,178,148	10,651,791	78,829,939

Note 9 – Conduit Debt

Limited Obligation Improvement Bonds

On July 21, 2005, the District issued $8,080,000 limited obligation improvement bonds, series 2005 for Assessment District No. 2004-VSD (Shadow Hills Interceptor). Interest ranging from 3.05% to 5.20% is payable semi-annually on March 2nd and September 2nd of each year commencing from March 2, 2006. The bonds mature September 2nd commencing September 2, 2007, and continuing through 2030 with optional call dates beginning September 2, 2014.

The bonds are limited obligations of the District payable, solely from the installments of assessments levied on the assessment parcels within the District and other funds pledged under the fiscal agent agreement. The District shall only be obligated to pay the principal of the bonds, or the interest thereon, from funds described in the Indenture and neither the faith and credit nor the taxing power of the District, the State of California or any of its political subdivisions is pledged to the payment of principal or interest on the bonds. Therefore, the limited obligation improvement bonds are not included in the accompanying financial statements. As of June 30, 2024, the outstanding balance of the bond was in the amount of $3,140,000.

Note 10 – Pension Plans

General Information about the Pension Plan

Plan Description

The District contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2021 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Employees Covered by Benefit Terms

At June 30, 2022 valuation date, the following employees were covered by the benefit terms:

	2022	
	Classic	PEPRA
Active employees	12	22
Transferred and terminated employees	19	13
Retired employees and beneficiaries	18	-
	49	35

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member becomes eligible for Service Retirement upon attainment of age 55 with at least five (5) years of credited service. Public Employee Pension Reform Act (PEPRA) Miscellaneous Plan members become eligible for service retirement upon attainment of age 62 with at least five (5) years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the highest average annual compensation during any consecutive 12 or 36-month period of employment. Retirement benefits for classic miscellaneous employees are calculated as 2.5% of the highest average annual compensation during any consecutive 12 or 36-month period of employment. Retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final three (3) year compensation.

Participant is eligible for non-industrial disability retirement if they become disabled and have at least five (5) years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the District to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death

Note 10 – Pension Plans (Continued)

benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of $2,000 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2023, the active employee contribution rate for miscellaneous plan and PEPRA miscellaneous plan is 8.00% and 8.25% of annual pay, respectively, and the employer's contribution rate is 14.20% and 8.00% of annual payroll, respectively.

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

The June 30, 2022, valuations were rolled forward to determine the June 30, 2023 total pension liabilities, based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table[1]	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lessor of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

[1]The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the experience study report from November 2021 that can be found on the CalPERS website.

Note 10 – Pension Plans (Continued)

Change of Assumption

There were no assumption changes in 2023. Effective with the June 30, 2021, valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Long-term Expected Rate of Return

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class[1]	Assumed Asset Allocation	Real Return [1,2]
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

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

[2]Figures are based on the 2021 Asset Liability Management study.

Note 10 – Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liabilities of the Plan as of the measurement date at June 30, 2023, calculated using the discount rate of 6.90%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.90%) or one percentage-point higher (7.90%) than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
Measurement Date	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
June 30, 2023	$ 4,980,592	2,450,365	367,771

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at: 6/30/22 (Valuation date)	$ 17,327,228	14,776,639	2,550,589
Balance at: 6/30/23 (Measurement date)	18,708,366	16,258,001	2,450,365
Net changes during 2022-2023	$ (1,381,138)	(1,481,362)	100,224

Deferred outflows of resources, deferred inflows of resources, and pension expense are allocated based on the District's share of risk pool actuarial accrued liability at the beginning of measurement period.

Note 10 – Pension Plans (Continued)

The District's proportionate share of the net pension liability was as follows:

Measurement Date	
June 30, 2022	0.05451%
June 30, 2023	0.04900%
Change - Increase (Decrease)	-0.00551%

For the year ended June 30, 2024, the District recognized pension expense in the amount of $725,766.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between Expected and Actual Experience	$ 125,178	(19,418)
Changes in Assumptions	147,940	-
Differences between Projected and Actual Investment Earnings	396,736	-
Differences between Employer's Contributions and Proportionate Share of Contributions	255,924	(272,096)
Change in Employer's Proportion	98,422	(158,244)
Pension Contributions Made Subsequent to Measurement Date	405,407	-
Total	$ 1,429,607	(449,758)

Deferred outflows of resources related to pension resulting from District's contributions subsequent to the measurement date in the amount of $405,407 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2025.

Note 10 – Pension Plans (Continued)

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

Fiscal Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2025	$ 107,271
2026	125,747
2027	330,040
2028	11,384
2029	-
Thereafter	-
Total	$ 574,442

Deferred Compensation Plans

The District has made available to its employees four deferred compensation plans, whereby employees authorize the District to withhold funds from salary to be invested. Funds may be withdrawn by participants upon termination of employment or retirement. The District makes no contributions under the plans. Pursuant Internal Revenue Code ("IRC") Section 457, the plan assets are held in trust in which all assets and income of the 457 plans were placed. The assets, all property and rights purchased with such amount, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries. These assets are not the property of the District and, as such, are not subject to the claims of the District's general creditors. As a result, the assets of the 457 plan are not reflected in the financial statements.

Note 11 – Other Postemployment Benefits ("OPEB")

General Information about the OPEB Plan

Plan Description

The District contributes to a single employer defined benefit plan to provide post-employment medical benefits. Specifically, the District offers postretirement medical benefits to all employees who retire from the District after attaining age 50 with at least five years of service. The plan does not provide a publicly available financial report.

Benefit Types Provided	Medical only
Duration of Benefits	Lifetime
Required Services	5 years
Minimum Age	50
Dependent Coverage	Yes
District Contribution %	100%
District Cap	$157.00 per month* for measurement period 2022-2023

*This amount will increase as provided in California Government Code Section 22891

Employees Covered by Benefit Term

At June 30, 2023 valuation date, the following employees were covered by the benefit term:

Active employees	37
Inactive employees receiving benefits	8
Inactive employees entitled to but not receiving benefits	-
Total	45

Contribution

The obligation of the District to contribute to the plan is established and may be amended by the District's Board of Directors. Employees are not required to contribute to the plan. The District made contributions on pay-as-you-go basis.

Note 11 – Other Postemployment Benefits ("OPEB") (Continued)

Net OPEB Liability

The District's 2024 net OPEB liability is measured as of June 30, 2023, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The Net OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate

The discount rate of 6.75% was used in the valuation. The Actuary used historic 30-year real rates of return for each asset class along with the assumed long-term inflation assumption to set the discount rate. The Actuary offset the expected investment return by investment expenses of 50 basis points. The following is the assumed asset allocation and assumed rate of return:

Asset Class	Percentage of Portfolio	Assumed Gross Return
All Equities	59.00%	7.545%
All Fixed Income	25.00%	4.250%
Real Estate Investment Trusts	8.00%	7.250%
All Commodities	3.00%	7.545%
Treasury Inflation Protected Securities (TIPS)	5.00%	3.000%
	100.00%	

Note 11 – Other Postemployment Benefits ("OPEB") (Continued)

The District looked at rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class don't necessarily reflect the averages over time individually but reflect the return for the asset class for the portfolio average. The District used geometric means.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2022 (measurement date)	$ 773,364	260,772	512,592
Changes recognized for the measurement period:			
Service Cost	21,949	-	21,949
Interest on total OPEB liability	50,872	18,966	31,906
Difference between expected and actual experience	15,974	-	15,974
Employer contributions	-	128,696	(128,696)
Changes in assumptions	16,383	-	16,383
Administrative expenses	-	(77)	77
Benefit payments	(60,749)	(60,749)	-
Net change during measurement period 2022-2023	44,429	86,836	(42,407)
Balance at June 30, 2023 (measurement date)	$ 817,793	347,608	470,185

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage- point higher (7.75 percent) than the current discount rate:

	Net OPEB Liability		
Measurement Date	Discount Rate -1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate +1% (7.75%)
June 30, 2023	$ 559,634	470,185	394,545

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower (4.0 percent decreasing to 3.0 percent) or 1-percentage- point higher (4.0 percent increasing to 5.0 percent) than the current healthcare cost trend rates:

	Net OPEB Liability		
Measurement Date	Healthcare Cost Trend Rate -1% (3.00%)	Current Healthcare Cost Trend Rate (4.00%)	Healthcare Cost Trend Rate + 1% (5.00%)
June 30, 2023	$ 377,376	470,185	583,428

Note 11 – Other Postemployment Benefits ("OPEB") (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the District recognized OPEB expense in the amount of $92,814. At June 30, 2024 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
OPEB contribution after measurement date	$ 97,963	-
Changes of assumptions	304,540	-
Difference between expected and actual experience	36,315	(64,249)
Projected earnings on pension plan investments under/(in excess of) actual earnings	21,883	-
Total	$ 460,701	(64,249)

Deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date in the amount of $97,963 will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2025	$ 39,545
2026	38,525
2027	45,180
2028	34,033
2029	33,850
Thereafter	107,356
Total	$ 298,489

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Premiums are paid annually by the District. For the year ended June 30, 2024, the District had insurance expenses in the amounts of $404,700 in premium payments.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2024, there were no liabilities to be reported. During the past three fiscal years there have been no settlements or judgments that exceeded insured coverage. There have been no significant reductions in insured liability coverage from coverage in the prior year.

Note 13 – Commitments and Contingencies

Shadow Hills Assessment District

In September 1994, the District authorized oversize credits of $343,403 against capital impact fees for developments occurring within Assessment District 90-1 that are benefiting from the sewer trunk line improvements installed in 1993. As of June 30, 2024, credits of $231,676 have been applied, leaving a balance of $111,727 to be issued.

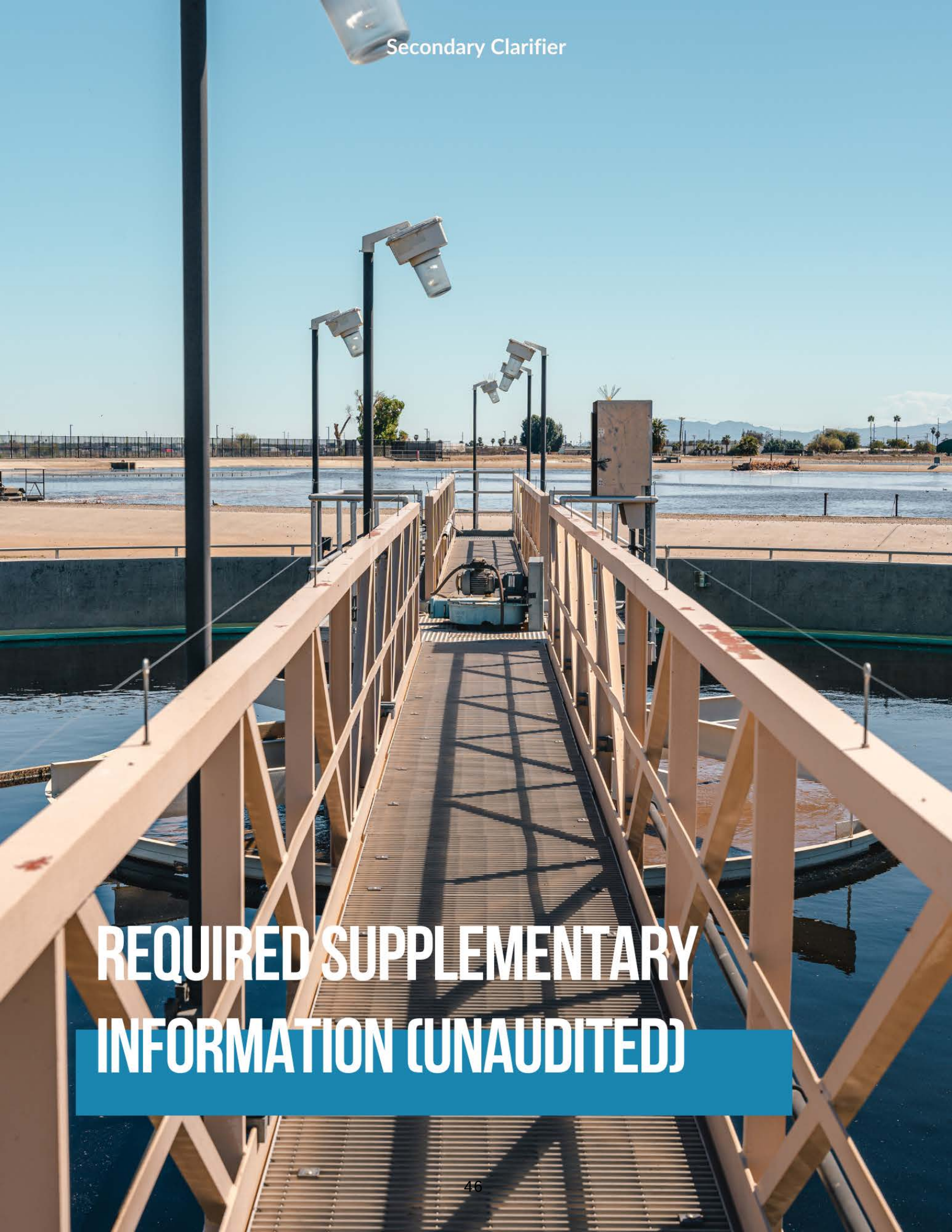
Pending Legal Actions

The District has not been named in any lawsuit. However, there could be pending litigation. While the outcome of these lawsuits is not presently determinable, in the opinion of management of the District, based in part on the advice of counsel, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of the District, or is adequately covered by insurance.

Construction Commitments

Outstanding construction commitments as of June 30, 2024:

Projects:	
Lab Building Design	$ 1,000,000
Cat 500KW Generator	400,000
New Office and Training Building	1,000,000
Recycled Water Project Phase 1 (Bank of America loan)	26,400,000
Sewer Siphon Replacement at Westward Ho – Design	800,000
Recycled Water Project Phase 1 (Rotary Thickener): Budget	6,300,000
Recycled Water Project Phase 1: Budget	20,100,000
	$ 56,000,000



REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Valley Sanitary District
Required Supplementary Information
Schedule of District's Proportionate Share of the Net Pension Liability and Related Ratios
Year ended June 30, 2024

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
District's proportion of the net pension liability	0.02185%	0.02397%	0.02461%	0.02573%	0.02584%
District's proportionate share of the net pension liability	$ 1,359,412	1,645,582	2,129,724	2,551,281	2,490,030
District's covered payroll	$ 1,805,145	1,980,191	2,004,667	2,279,280	2,059,259
District's proportionate share of the net pension liability as a percentage of covered payroll	75.31%	83.10%	106.24%	111.93%	129.92%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	83.77%	81.08%	77.15%	77.13%	79.13%

Valley Sanitary District
Required Supplementary Information
Schedule of District's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)
Year ended June 30, 2024

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Measurement date	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
District's proportion of the net pension liability	0.02706%	0.02366%	0.00822%	0.02208%	0.04900%
District's proportionate share of the net pension liability	2,772,698	2,574,246	444,605	2,550,589	2,450,365
District's covered payroll	2,362,608	2,427,580	2,768,913	3,010,687	3,377,894
District's proportionate share of the net pension liability as a percentage of covered payroll	117.36%	106.04%	16.06%	84.72%	72.54%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	78.86%	81.92%	81.92%	85.28%	86.90%

Valley Sanitary District
Required Supplementary Information
Schedule of Contributions - Pensions
Year ended June 30, 2024

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Fiscal year end	2013-14	2014-15	2015-16	2016-17	2017-18
Actuarially determined contribution[1]	$ 340,629	279,922	203,392	303,301	323,626
Contribution in relation to the actuarially determined contribution[1]	(1,126,986)	(279,922)	(203,392)	(303,301)	(323,626)
Contribution deficiency/(excess)	$ (786,357)	-	-	-	-
District's covered payroll[2]	$ 1,805,145	1,980,191	2,004,667	2,279,280	2,059,259
Contributions as a percentage of covered payroll	62.43%	14.14%	10.15%	13.31%	15.72%

[1] Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

[2] Reportable earnings to CalPERS, closed

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability is deemed to be material by the plan actuary.

In 2022, SB 1168 increased the standard retiree lump sum death benefit from $500 to $2,000 for any death occurring on or after July 1, 2023. The impact, if any, is

Changes of Assumptions: There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement date June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014.

Valley Sanitary District
Required Supplementary Information
Schedule of Contributions - Pensions (Continued)
Year ended June 30, 2024

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Fiscal year end	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Actuarially determined contribution[1]	$ 814,982	716,153	284,596	297,554	1,023,199	405,407
Contribution in relation to the actuarially determined contribution[1]	(814,982)	(716,153)	(284,596)	(297,554)	(1,023,199)	(405,407)
Contribution deficiency/(excess)	-	-	-	-	-	-
District's covered payroll[2]	$ 2,362,608	2,427,580	2,768,913	3,010,687	3,377,894	3,807,925
Contributions as a percentage of covered payroll	34.50%	29.50%	10.28%	9.88%	30.29%	10.65%

[1] Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

[2] Reportable earnings to CalPERS, closed

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability is deemed to be material by the plan actuary.

In 2022, SB 1168 increased the standard retiree lump sum death benefit from $500 to $2,000 for any death occurring on or after July 1, 2023. The impact, if any, is included in the

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Valley Sanitary District
Required Supplementary Information
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Year ended June 30, 2024

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Measurement period	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Total OPEB liability							
Service cost	$ 8,775	9,016	9,264	24,584	25,260	21,362	21,949
Interest	15,962	17,288	18,677	52,317	56,183	49,985	50,872
Difference in benefit terms	-	-	116	(2,443)	(79,782)	(1,057)	-
Differences between expected and actual experience	-	-	34,873	-	-	-	15,974
Changes of assumption	-	-	435,621	-	23,088	-	16,383
Benefit payments	(5,921)	(6,158)	(7,126)	(41,586)	(57,074)	(54,583)	(60,749)
Net change in total OPEB liability	18,816	20,146	491,425	32,872	(32,325)	15,707	44,429
Total OPEB liability, beginning	226,723	245,539	265,685	757,110	789,982	757,657	773,364
Total OPEB liability, ending (a)	245,539	265,685	757,110	789,982	757,657	773,364	817,793
OPEB fiduciary net position							
Contributions - employer	21,565	27,960	14,136	41,586	115,209	98,117	128,696
Net investment income	9,580	8,919	8,063	5,055	45,868	(37,097)	18,966
Benefit payments	(5,921)	(6,158)	(7,126)	(41,586)	(57,074)	(54,583)	(60,749)
Administrative expense	(80)	(193)	(28)	(71)	(65)	(65)	(77)
Other	-	(15,583)	-	-	-	-	-
Net change in plan fiduciary net position	25,144	14,945	15,045	4,984	103,938	6,372	86,836
Plan fiduciary net position, beginning	90,344	115,488	130,433	145,478	150,462	254,400	260,772
Plan fiduciary net position, ending (b)	115,488	130,433	145,478	150,462	254,400	260,772	347,608
Plan net OPEB liability - ending (a) - (b)	$ 130,051	135,252	611,632	639,520	503,257	512,592	470,185
Plan's fiduciary net position as a percentage of the total OPEB liability	47.03%	49.09%	19.21%	19.05%	33.58%	33.72%	42.51%
Covered payroll	$ 2,279,280	2,279,280	2,362,608	2,427,580	2,768,913	3,010,687	3,807,925
Plan net OPEB liability as a percentage of covered payroll	5.71%	6.57%	25.89%	26.34%	18.18%	17.03%	12.35%

[1] Historical information is presented only for measurement periods for which GASB 75 is available for periods after GASB 75 implementation in 2016-17. Additional years of information will be displayed as it become available.

Valley Sanitary District
Required Supplementary Information
Schedule of Contributions - Other Postemployment Benefits
For the year ended June 30, 2024

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Fiscal year end	2016-17[1]	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Actuarially determined contribution[2]	$ 15,225	-	-	-	-	-	-	-
Contribution in relation to the actuarially determined contribution[2]	(21,565)	(27,599)	(14,136)	(9,990)	(58,135)	(43,534)	(67,947)	(97,963)
Contribution deficiency/(excess)	$ (6,340)	(27,599)	(14,136)	(9,990)	(58,135)	(43,534)	(67,947)	(97,963)
Covered payroll	$ 2,279,280	2,059,259	2,362,608	2,427,580	2,768,913	3,010,687	3,377,894	3,807,925
Contributions as a percentage of covered payroll	0.95%	1.34%	0.60%	0.41%	2.10%	1.45%	2.01%	2.57%

[1] Historical information is presented only for measurement periods for which GASB 75 is available for periods after GASB 75 implementation in 2016-17. Additional years of information will be displayed as it become available.

[2] The June 30, 2015 actuarial valuation provided the actuarially determined contributions for fiscal year ended June 30, 2017. There is no actuarially determined contribution for the years ended June 30, 2018, 2019, 2020, 2021, 2022, 2023, 2024.

Notes to Schedule:

Valuation date:	June 30, 2023
Methods and assumptions used to determine contribution rates:	
Actuarial cost method:	Entry age actuarial cost method
Inflation:	2.50% per year
Investment return/discount rate:	6.75% per year based on assumed long-term return on plan assets assuming 100% funding through CERBT. "Building Block Method" is used.
Healthcare cost trend:	4.00% per year
Payroll increase:	2.75% per year
Mortality:	2021 CalPERS Mortality for Miscellaneous and Schools Employees
Retirement rates:	Hired < 1/1/2013: 2021 CalPERS 2.0%@62 rate for miscellaneous employees Hired > 12/31/12: 2021 CalPERS 2.5%@55 rate for miscellaneous employees adjusted to reflect minimum retirement age of 52

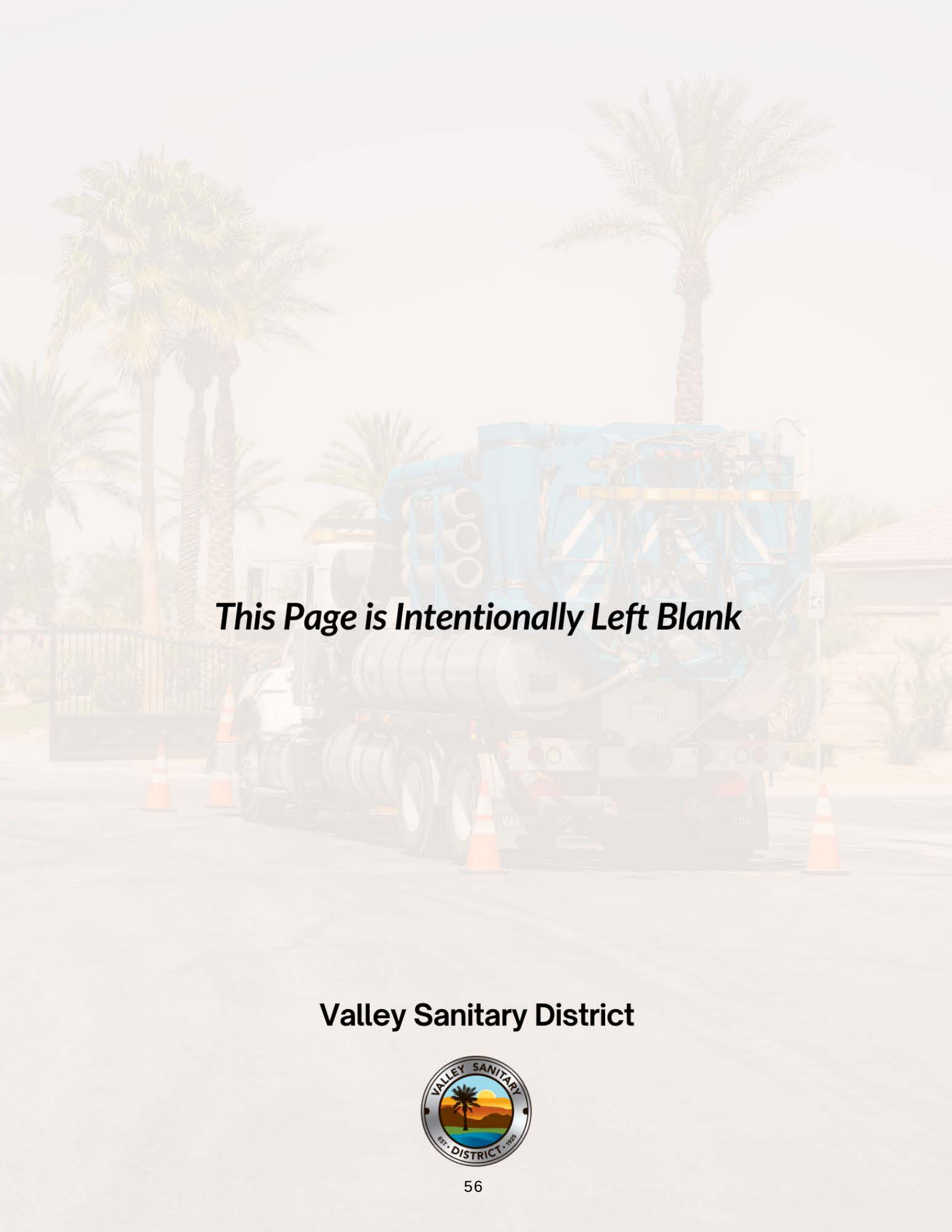
SUPPLEMENTARY INFORMATION

VALLEY SANITARY DISTRICT
Schedule of Operating Expenses
Year ended June 30, 2024
(with comparative totals for the year ended June 30, 2023)

	General and Administrative	Sewage Collection	Sewage Treatment	Total 2024	Total 2023
Salaries and wages	$ 941,103	1,935,845	1,428,653	4,305,601	3,799,849
Employee benefits	465,893	789,867	544,556	1,800,316	2,484,928
Directors' fees	46,414	-	-	46,414	73,336
Insurance	404,700	-	-	404,700	354,287
Memberships	61,217	4,942	2,560	68,719	54,609
Office expenses	16,213	-	-	16,213	15,272
Permits	3,228	22,317	28,708	54,253	52,856
Operating supplies	25,353	52,043	80,044	157,440	155,230
Professional services	4,082	-	-	4,082	3,982
Repairs and maintenance	17,071	437,460	11,480	466,011	568,300
Travel and seminars	90,932	20,577	18,282	129,791	90,450
Utilities and telephone	34,401	14,407	1,076,843	1,125,651	900,075
Chemicals	-	-	602,643	602,643	596,805
Clothing	-	14,642	12,830	27,472	24,903
Certifications	3,000	2,972	2,230	8,202	11,171
Gas, oil and fuel	-	-	47,436	47,436	55,479
County charges	19,760	-	-	19,760	23,439
Contractual services	809,434	360,080	143,332	1,312,846	1,012,268
Publication/legal notices	1,062	-	-	1,062	2,144
Small tools	44,990	4,253	6,105	55,348	95,573
Grant expenses	133,549	-	-	133,549	-
Other expenses	38,105	-	543	38,648	40,194
Total	$ 3,160,507	3,659,405	4,006,245	10,826,157	10,415,150

STATISTICAL SECTION

National Night Out, 2024



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Valley Sanitary District

Valley Sanitary District
Statistical Section
(Unaudited)

This part of District's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

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Financial Trends Information - These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

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Revenue Capacity Information - These schedules contain trend information to help the reader understand the District's rates and revenues.

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4	Annual Sewer Use Fee and Fiscal Year Revenue	63
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Debt Capacity Information - These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

7	Ratios of Outstanding Debt by Type	66
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Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

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Operating Information - These schedules contain service and infrastructure data to help the reader understanding how the information in the District's financial report relates to the services the District provides and the activities it performs.

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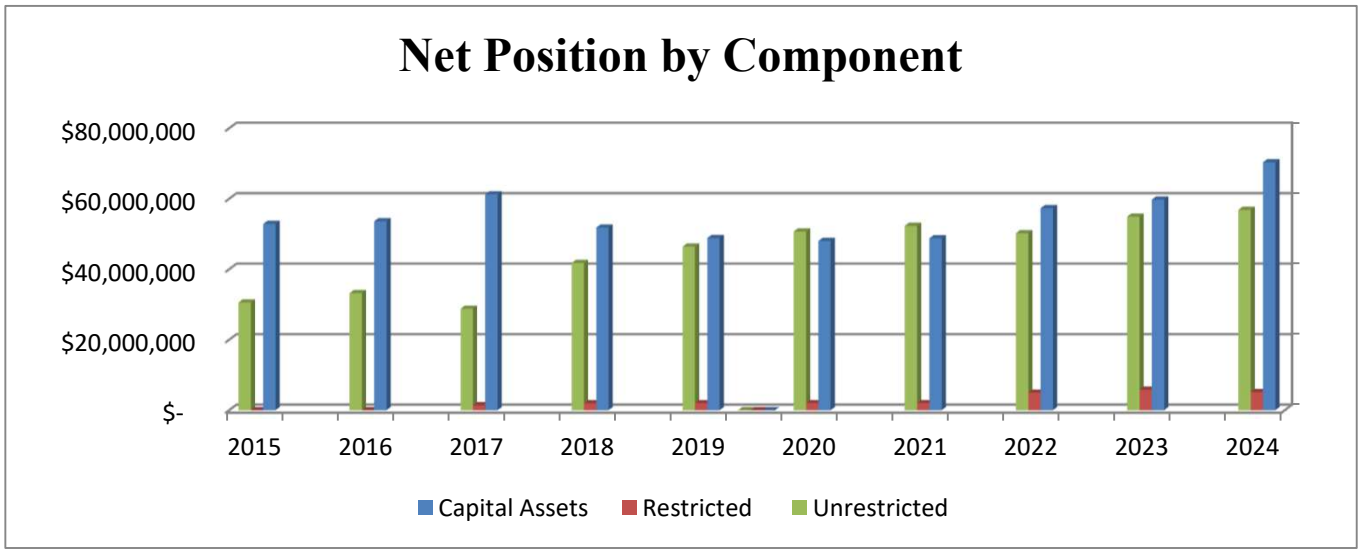
Valley Sanitary District
Table of Net Position By Component
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2024	2023	2022	2021	2020
					As Restated
NET POSITION:					
Net investment in					
Capital Assets	$ 70,349,013	$ 59,752,362	$ 57,312,137	$ 48,752,135	$ 48,005,841
Restricted	5,141,510	5,821,219	4,963,830	2,005,722	2,005,722
Unrestricted	56,822,372	54,898,963	50,199,513	52,284,298	50,689,404
TOTAL NET POSITION	**$ 132,312,895**	**$ 120,472,544**	**$ 112,475,480**	**$ 103,042,155**	**$ 100,700,967**

Valley Sanitary District
Table of Net Position By Component (Continued)
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2019	2018	2017	2016	2015
			As Restated		As Restated
NET POSITION:					
Net investment in					
Capital Assets	$ 48,843,501	$ 51,797,220	$ 61,242,162	$ 53,603,070	$ 52,839,192
Restricted	2,005,722	1,958,648	1,413,000	-	-
Unrestricted	46,401,215	41,754,432	28,777,592	33,187,943	30,548,647
TOTAL NET POSITION	**$ 97,250,438**	**$ 95,510,300**	**$ 91,432,754**	**$ 86,791,013**	**$ 83,387,839**

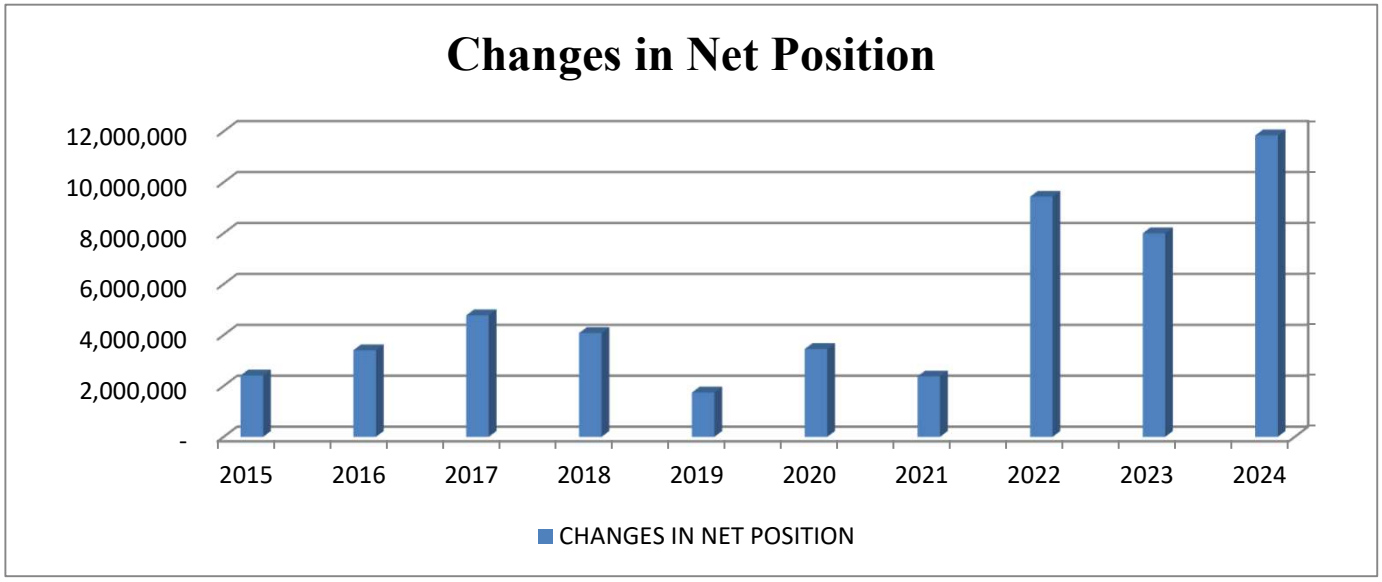


Valley Sanitary District
Statements of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
Changes in Net Position

	Fiscal Year Ended June 30				
	2024	2023	2022	2021	2020
					As Restated
OPERATING REVENUES:					
Sewer service charges	$ 19,437,752	$ 17,466,637	$ 15,320,784	$ 11,872,945	$ 11,198,100
Connection fees	1,555,154	1,047,104	4,242,643	831,978	832,348
Permits and inspection fees	27,060	26,975	44,130	37,270	21,225
Other services	154,158	16,890	18,030	13,275	13,640
TOTAL OPERATING REVENUES	21,174,124	18,557,606	19,625,587	12,755,468	12,065,313
OPERATING EXPENSES:					
General and administrative	3,160,507	2,964,347	2,435,050	2,276,350	2,270,072
Sewage collection	3,659,405	3,741,393	2,679,819	3,255,445	2,903,125
Sewage treatment	4,006,245	3,709,410	2,837,714	3,091,942	2,792,483
Total administrative and plant	10,826,157	10,415,150	7,952,583	8,623,737	7,965,680
Other Operating Expenses					
Depreciation	2,903,205	2,563,658	2,534,328	2,466,329	2,578,816
TOTAL OPERATING EXPENSES	13,729,362	12,978,808	10,486,911	11,090,066	10,544,496
NET OPERATING INCOME	7,444,762	5,578,798	9,138,676	1,665,402	1,520,817
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	1,548,783	1,399,121	1,125,201	1,018,280	902,875
Homeowner's tax relief	6,703	7,023	6,668	5,669	6,203
Investment income	4,978,594	3,271,494	(606,284)	32,137	1,143,026
Bond issue cost	-	-		-	-
Interest expense	(1,986,120)	(2,126,849)	(110,823)	(353,399)	(391,814)
Service Grant Charge	(190,296)	(196,365)	(202,332)	-	-
Gain (loss) on disposed assets	(424)	21,032	17,908	(12,139)	30,170
Other revenues	38,349	42,810	64,311	18,017	239,253
TOTAL NON-OPERATING REVENUES (EXPENSES)	4,395,589	2,418,266	294,649	708,565	1,929,712
CHANGES IN NET POSITION	**11,840,351**	**7,997,064**	**9,433,325**	**2,373,967**	**3,450,529**
NET POSITION, beginning of the year	120,472,544	112,475,480	103,042,155	100,700,967	97,250,438
Prior period adjustments				(32,779)	-
NET POSITION, end of the year	$ 132,312,895	$ 120,472,544	$ 112,475,480	$ 103,042,155	$ 100,700,967

Valley Sanitary District
Statements of Revenues, Expenses, and Changes in Net Position (Continued)
Last Ten Fiscal Years
Changes in Net Position

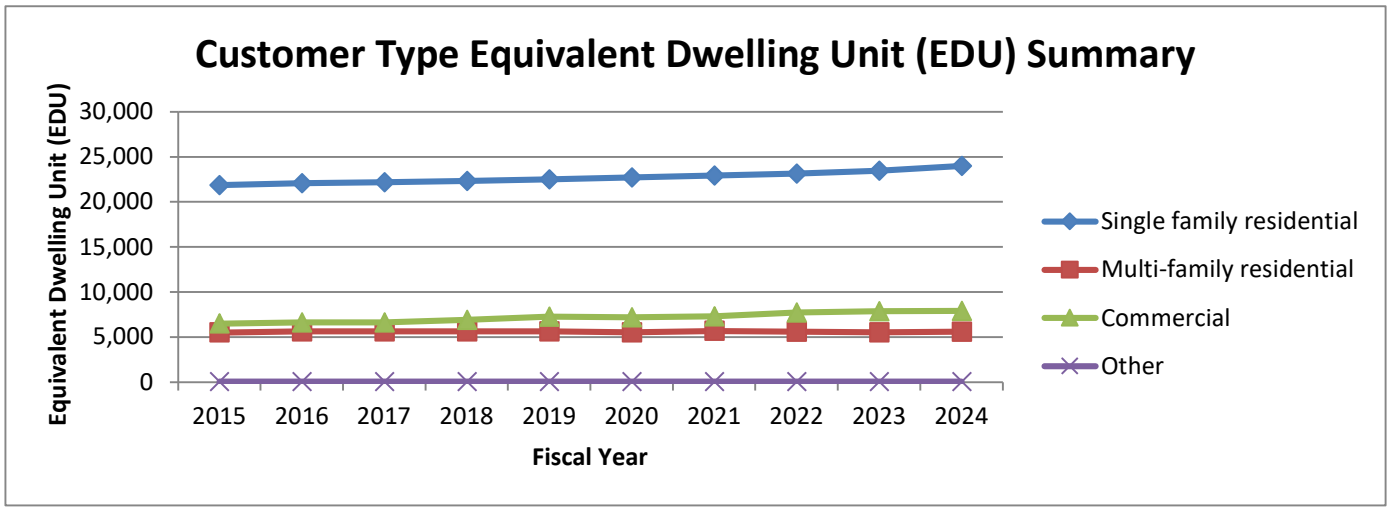
	Fiscal Year Ended June 30				
	2019	2018	2017	2016	2015
			As Restated		As Restated
OPERATING REVENUES:					
Sewer service charges	$ 11,139,580	$ 11,004,428	$ 10,846,682	$ 9,347,928	$ 9,218,538
Connection fees	1,010,031	1,272,580	791,280	1,446,315	897,863
Permits and inspection fees	25,390	17,885	22,442	21,735	17,264
Other services	10,950	10,139	11,300	7,495	27,425
TOTAL OPERATING REVENUES	12,185,951	12,305,032	11,671,704	10,823,473	10,161,090
OPERATING EXPENSES:					
General and administrative	2,089,490	1,652,714	1,297,345	1,744,274	1,819,626
Sewage collection	3,082,175	2,604,267	2,091,041	856,871	866,622
Sewage treatment	2,361,681	2,413,567	2,048,207	3,104,860	3,140,480
Total administrative and plant	7,533,346	6,670,548	5,436,593	5,706,005	5,826,728
Other Operating Expenses					
Depreciation	2,451,371	2,444,764	1,980,043	2,309,350	2,334,398
TOTAL OPERATING EXPENSES	9,984,717	9,115,312	7,416,636	8,015,355	8,161,126
NET OPERATING INCOME	2,201,234	3,189,720	4,255,068	2,808,118	1,999,964
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	862,297	794,367	761,756	709,233	745,800
Homeowner's tax relief	5,873	5,978	6,203	6,343	6,461
Investment income	1,193,840	479,862	170,869	142,649	75,611
Bond issue cost	-	-	-	-	(193,516)
Interest expense	(428,612)	(412,602)	(267,220)	(279,125)	(175,454)
Service Grant Charge	-	-	-	-	-
Gain (loss) on disposed assets	(2,120,122)	19,976	(160,033)	12,188	(46,408)
Other revenues	25,628	245	6,565	3,768	310
TOTAL NON-OPERATING REVENUES (EXPENSES)	(461,096)	887,826	518,140	595,056	412,804
CHANGES IN NET POSITION	**1,740,138**	**4,077,546**	**4,773,208**	**3,403,174**	**2,412,768**
NET POSITION, beginning of the year	95,510,300	91,564,221	86,791,013	83,387,839	94,251,725
	-	(131,467)			(13,276,654)
NET POSITION, end of the year	$ 97,250,438	$ 95,510,300	$ 91,564,221	$ 86,791,013	$ 83,387,839



Valley Sanitary District
Customer Type Equivalent Dwelling Unit (EDU) Summary
Last Ten Fiscal Years

	Fiscal Year Ended June 30									
Customer Type	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Single family residential	24,005	23,473	23,142	22,908	22,704	22,516	22,321	22,180	22,061	21,863
Multi-family residential	5,599	5,532	5,612	5,685	5,521	5,613	5,623	5,635	5,643	5,513
Commercial	7,903	7,882	7,725	7,289	7,209	7,267	6,913	6,633	6,629	6,504
Other	71	70	67	67	67	67	66	63	62	62
Total	**37,578**	**36,957**	**36,546**	**35,949**	**35,501**	**35,463**	**34,923**	**34,511**	**34,395**	**33,942**

Source: Valley Sanitary District



Valley Sanitary District
Annual Sewer Use Fee
Last Ten Fiscal Years

Fixed Service Charge Per Equivalent Dwelling Unit (EDU) (1)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Single Family Home	$ 433.76	$ 385.56	$ 342.72	$ 330.00	$ 313.00	$ 313.00	$ 313.00	$ 313.00	$ 270.00	$ 270.00
Multi Family Home	189.84	168.75	150.00	330.00	313.00	313.00	313.00	313.00	270.00	270.00
Mobile Home	229.43	203.94	181.28	330.00	313.00	313.00	313.00	313.00	270.00	270.00
RV Park	178.77	158.91	141.25	330.00	313.00	313.00	313.00	313.00	270.00	270.00
Commercial - Low/ Med Strength	251.90	223.91	199.03	330.00	313.00	313.00	313.00	313.00	270.00	270.00
Commercial - High Strength	768.24	682.88	607.00	330.00	313.00	313.00	313.00	313.00	270.00	270.00

Volumetric Rate $ per Hundred Cubic Feet (HCF) average winter water consumption (1)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Single Family Home	$ 1.24	$ 1.10	$ 0.98	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Multi Family Home	1.24	1.10	0.98	-	-	-	-	-	-	-
Mobile Home	1.24	1.10	0.98	-	-	-	-	-	-	-

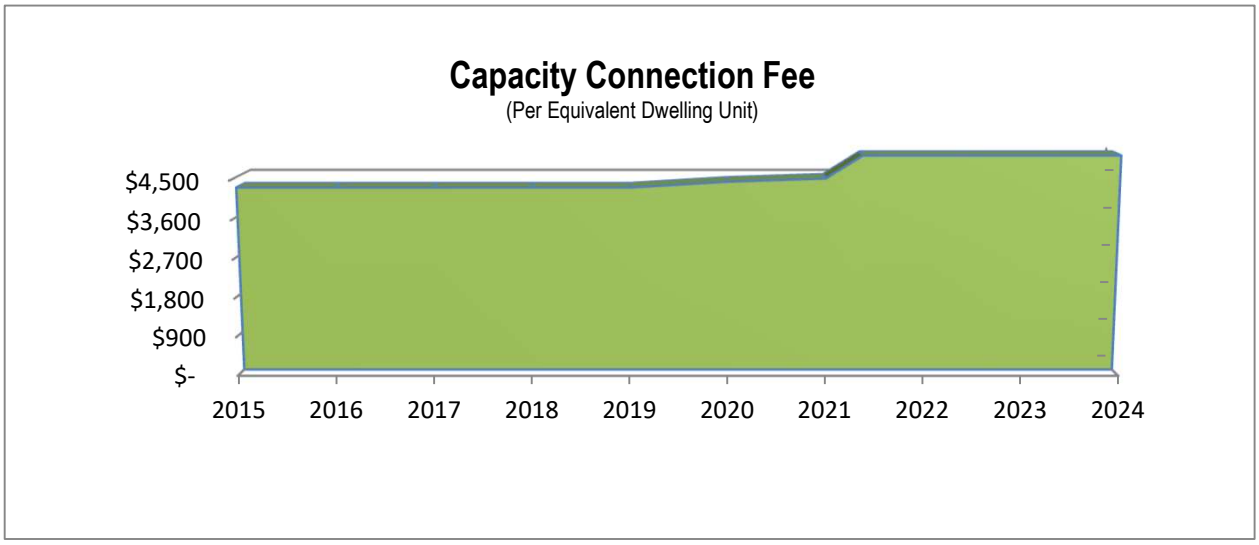
Volumetric Rate $ per Hundred Cubic Feet (HCF) annualized water consumption (1)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
RV Park	$ 1.38	$ 1.23	$ 1.10	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial - Low/ Med Strength	1.11	0.99	0.88	-	-	-	-	-	-	-
Commercial - High Strength	2.53	2.25	2.00	-	-	-	-	-	-	-

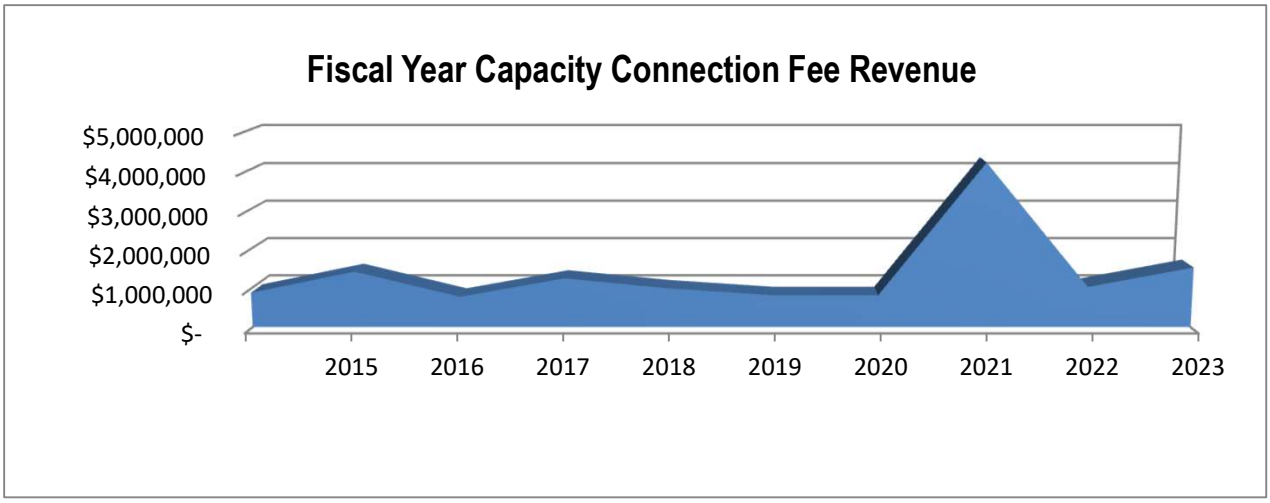
(1) In the fiscal year 2020/21 the District completed a rate study and proposed a new rate schedule commencing fiscal year 2021/22 through 2025/26.
The district published the required public hearing notices and Prop 218 notice 45 days in advance as required.
The Board of Directors held a public hearing as mandated by Prop 218 requirements and implemented the new rates commencing July 1, 2021.

Valley Sanitary District
Capacity Connection Fee and Fiscal Year Revenue
Last Ten Fiscal Years

Fiscal Year Ended June 30	Fee / EDU	Revenue
2024	$ 6,353	$ 1,555,154
2023	6,353	1,047,104
2022	5,883	4,242,643
2021	4,473	831,978
2020	4,400	832,348
2019	4,265	1,010,031
2018	4,265	1,272,500
2017	4,265	791,280
2016	4,265	1,446,315
2015	4,265	897,863

Source: Valley Sanitary District





Valley Sanitary District
Principal Users
Current Year and Nine Years Ago

	Year Ended June 30 2024			Year Ended June 30 2015		
Principal Users	**Amount Billed**	**Rank**	**Percent of District Total $**	**Amount Billed**	**Rank**	**Percent of District Total $**
Forager Project Inc	$ 528,887	1	2.72%	$ -		0.00%
Desert Sands Unified School District	305,102	2	1.57%	217,080	1	2.35%
Fantasy Springs Casino	208,428	3	1.07%	76,680	4	0.83%
The Wells Mobile Home Association	77,433	4	0.40%	81,000	2	0.88%
Smoketree Polo Club Apartments	61,508	5	0.32%	77,760	3	0.84%
City of Indio	61,449	6	0.32%	-		0.00%
Sunrise Point Apartments	58,091	7	0.30%	73,440	5	0.80%
Casa Monroe Apartments	48,267	8	0.25%	61,020	8	0.66%
Arabian Gardens Mobile Estates	48,008	9	0.25%	50,220	10	0.54%
Bermuda Palms Mobile Estates	47,750	10	0.25%	-		0.00%
Pueblo Del Sol Mobile Home Park	-	-	0.00%	62,910	7	0.68%
Indio Palms Apartments	-	-	0.00%	50,760	9	0.55%
Fred Young Housing	-	-	0.00%	70,470	6	0.76%
Del Mar Apartments						
Total	**$ 1,444,923**		**7.45%**	**$ 821,340**		**8.89%**
District total customer charges	**$ 19,437,752**			**$ 9,218,538**		

Source: Valley Sanitary District

Valley Sanitary District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Business-Type Activities				Total				
Fiscal Year Ended June 30	Certificates of Participation (1) (net of amortization)	Wastewater Revenue Refunding Bonds Series 2015 (2) (net of amortization)	State Water Resource Control Board Revolving Fund Loan	Bank of America Co Loan	Debt	Population (3)	Personal Income (3)	Percentage of Personal Income	Debt Per Capita
2024	$ -	$ 1,842,649	$ 10,830,795	$ 68,178,148	$ 80,851,592	91,980	$ 31,951	2.75%	879
2023	-	2,708,161	11,193,860	70,079,704	83,981,725	90,974	28,771	3.21%	923
2022	-	3,558,673	11,550,856	71,000,000	86,109,529	89,498	28,763	3.35%	962
2021	-	4,374,185	11,901,885		16,276,070	89,551	24,604	0.74%	182
2020	-	5,159,697	12,247,046		17,406,743	90,387	25,143	0.77%	193
2019	-	5,910,209	12,586,437		18,496,646	89,863	24,398	0.84%	206
2018	-	6,630,721	12,920,155		19,550,876	89,127	24,994	0.88%	219
2017	-	7,321,233	7,643,459		14,964,692	88,485	23,103	0.73%	169
2016	-	7,986,745	-		7,986,745	86,544	22,336	0.41%	92
2015	-	8,637,257	-		8,637,257	84,201	20,607	0.50%	103

Sources: (1) Valley Sanitary District
(2) Valley Sanitary District - Refinancing of Certificates of Participation
(3) U.S. Bureau of Labor Statistics

Valley Sanitary District
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Revenue & Expenses		Debt Service				
	Net Revenues	Operating Expenses (1)	Net Available Revenues	Principal (2)	Interest	Total	Coverage Ratio (3)
2024	$ 25,569,713	$ 10,826,157	$ 14,743,556	$ 3,029,621	$ 2,238,239	$ 5,267,860	**3**
2023	20,975,872	10,415,150	10,560,722	2,027,292	2,383,177	4,410,469	**2**
2022	19,920,236	7,952,583	11,967,653	1,066,029	374,769	1,440,798	**8**
2021	13,464,033	8,623,737	4,840,296	1,030,161	414,888	1,445,049	**3**
2020 As Restated	13,995,025	7,965,680	6,029,345	989,391	453,157	1,442,548	**4**
2019	14,273,589	7,533,346	6,740,243	953,718	489,831	1,443,549	**5**
2018	13,192,858	6,670,548	6,522,310	590,000	299,688	889,688	**7**
2017 As Restated	12,189,844	5,436,593	6,753,251	565,000	327,938	892,938	**8**
2016	11,418,529	5,706,005	5,712,524	550,000	338,653	888,653	**6**
2015 As Restated	10,573,894	5,826,728	4,747,166	-	415,378	415,378	**11**

Notes:

(1) Excludes Depreciation

(2) Due to refinancing of the COPs, no principal payment was due in fiscal year 2014/2015. Costs to refinance are included in interest.

(3) The coverage ratio is a measure of the District's liquidity and how many times the District's revenues will cover their annual bond/loan expense.

Source: Valley Sanitary District

Valley Sanitary District
Principal Employers
Current Year and Ten Years Ago

	Fiscal Year Ended June 30 2024			Fiscal Year Ended June 30 2015		
Employer (1)	**Number of Employees**	**Rank**	**Percent of Total Employment**	**Number of Employees**	**Rank**	**Percent of Total Employment**
County of Riverside	1,360	1	3.27%	1,242	1	3.66%
Fantasy Springs Casino	1,157	2	2.78%	1,013	2	2.99%
Desert Sands Unified School District	1,036	3	2.49%	852	3	2.51%
John F. Kennedy Memorial Hospital	703	4	1.69%	577	4	1.70%
Walmart Supercenter	404	5	0.97%	-	-	0.00%
City of Indio	254	6	0.61%	225	5	0.66%
Granite Construction	-	-	0.00%	200	6	0.59%
Riverside Superior Court	156	7	0.38%	162	7	0.48%
Indio Nursing and Rehab Center	225	8	0.54%	-	-	0.00%
Fiesta Forn Lincoln	147	10	0.35%	-	-	0.00%
Mathis Brothers	-	-	0.00%	127	10	0.37%
Cardena's Market	-	-	0.00%	-	-	0.00%
Home Depot	-	-	0.00%	129	9	0.38%
Ralphs	143	9	0.34%	-	-	0.00%
Super Target	-	-	0.00%	138	8	0.41%
Total Employment Listed	**5,585**		**13.42%**	**4,665**		**13.75%**
Total City Employment (1)	**41,600**			**33,900**		

"Total Employment" as used above represents the total employment of all employers located within the District.

Sources: (1) City Indio 2023 ACFR

Valley Sanitary District
Total Customers and Number of Permits Issued
Last Ten Fiscal Years

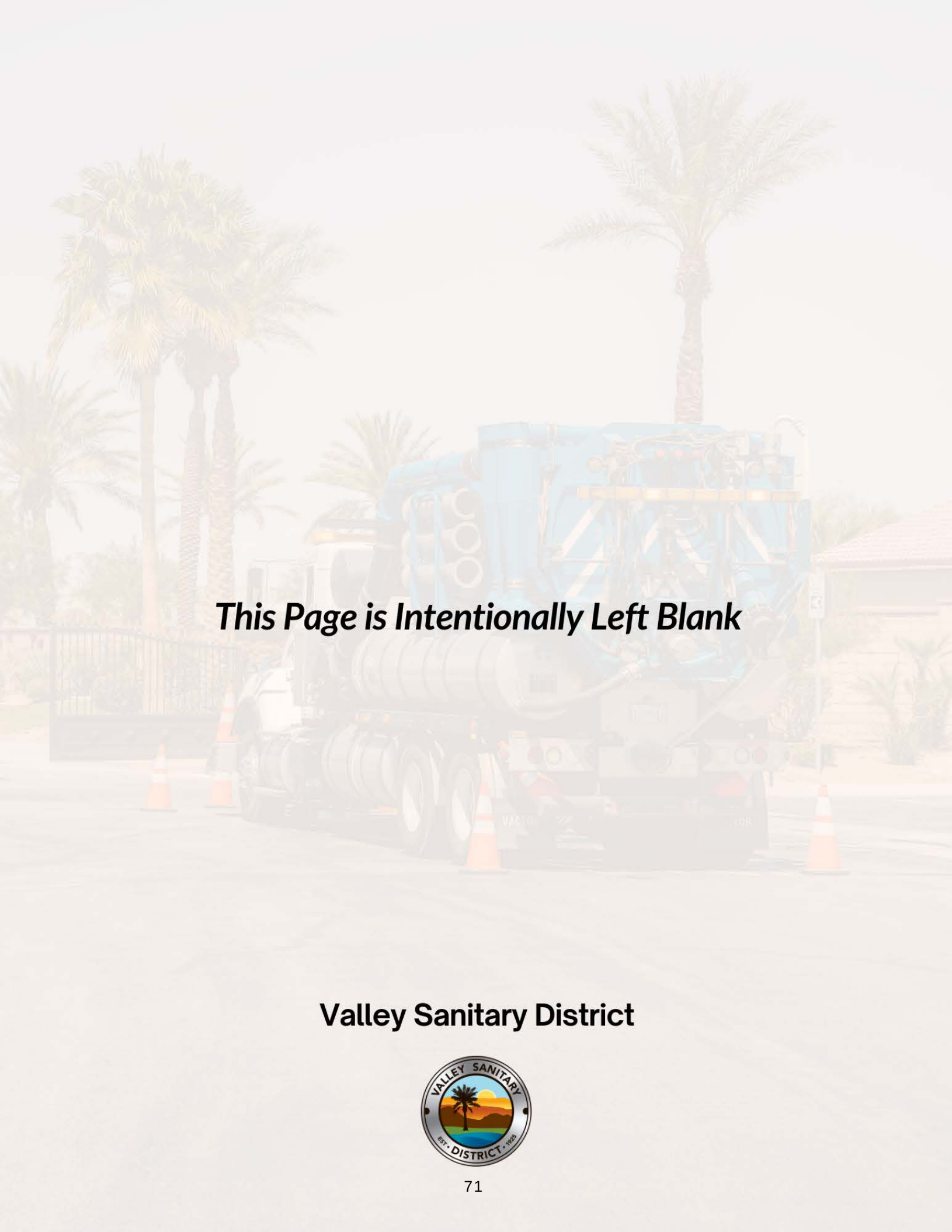
Fiscal Year Ended June 30	Total Customers	Number of Permits Issued
2024	29,285	59
2023	28,754	63
2022	28,478	84
2021	28,239	75
2020	28,028	67
2019	27,849	67
2018	27,668	71
2017	27,535	87
2016	27,417	86
2015	27,164	69

Source: Valley Sanitary District

Valley Sanitary District
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population (1)	Median Age (2)	Average Household Size (1)	Median Household Income (1)	Per Capita Personal Income (1)	Unemployment Rate (3)
2024	91,980	38.80	3.02	$ 67,937	$ 31,951	5.30%
2023	90,974	42.90	3.04	60,734	28,771	5.40%
2022	89,498	42.50	3.05	63,198	28,763	4.80%
2021	89,551	42.50	3.16	58,132	24,604	8.70%
2020	90,387	44.70	3.18	57,645	25,143	17.80%
2019	89,863	43.50	3.19	56,961	24,398	5.40%
2018	89,127	40.50	3.19	56,571	24,994	5.80%
2017	88,485	35.90	3.30	54,179	23,103	5.10%
2016	86,544	34.00	3.25	53,183	22,336	7.20%
2015	84,201	32.70	3.25	50,068	20,607	6.50%

Sources: (1) Home Town Locator
(2) City of Indio 2023 ACFR
(3) U.S. Bureau of Labor Statistics



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Valley Sanitary District

Valley Sanitary District
Operating Indicators
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2024	**2023**	**2022**	**2021**	**2020**
Equivalent Dwelling Units (EDU)	37,578	36,957	36,546	35,949	35,501
Rainfall (inches) (1)	8.15	3.16	1.22	0.62	5.42
Flow (MGD) (2)	6.00	5.95	5.40	5.70	5.60
CBOD (mg/L)	291.00	270.00	281.10	280.10	256.50
CBOD (PE) (3)	85,593	78,792	74,468	78,326	70,468
Suspended solids (mg/L)	267.00	325.00	266.50	252.80	252.30
Suspended solids (PE) (4)	66,805	80,735	60,010	60,088	58,917
Tonnage of biosolids produced	714	1,109	1,181	1,278	853
Tonnage of biosolids applied to land	1,033	0	718	934	950
Total waste treated (million gallons/year)	**2,182**	**2,204**	**2,113**	**2,210**	**2,211**

Notes:

(1) Annual rainfall for the Coachella Valley from www.desertweather.com

(2) Million gallons per day

(3) Carbonaceous Biochemical Oxygen Demand (CBOD) Population Equivalent (PE) based on a conversion factor of 0.17

(4) Suspended solids population equivalent based on a conversion factor of 0.20

Source: Valley Sanitary District

Valley Sanitary District
Operating Indicators (Continued)
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2019	**2018**	**2017**	**2016 #**	**2015**
Equivalent Dwelling Units (EDU)	35,463	34,923	34,511	34,395	33,942
Rainfall (inches) (1)	6.14	2.19	6.46	2.90	2.70
Flow (MGD) (2)	5.49	5.44	5.31	5.30	5.57
CBOD (mg/L)	280.00	281.00	289.00	257.40	246.92
CBOD (PE) (3)	75,413	74,993	75,285	66,928	68,446
Suspended solids (mg/L)	279.00	266.00	262.00	234.2 #	192.08
Suspended solids (PE) (4)	63,872	60,342	68,252	51,755	45,096
Tonnage of biosolids produced	805	1,411	1,362	468	1,440
Tonnage of biosolids applied to land	1,438	0	1,162	0	1,440
Total waste treated (million gallons/year)	**2,169**	**2,081**	**2,080**	**2,022**	**2,034**

Notes:

(1) Annual rainfall for the Coachella Valley from www.desertweather.com

(2) Million gallons per day

(3) Carbonaceous Biochemical Oxygen Demand (CBOD) Population Equivalent (PE) based on a conversion factor of 0.17

(4) Suspended solids population equivalent based on a conversion factor of 0.20

Source: Valley Sanitary District

Valley Sanitary District
Capital Assets and Operating Information
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2024	2023	2022	2021	2020
Sanitary Sewer Service Operations					
Equivalent Dwelling Units (EDUs)	37,578	36,957	36,546	35,949	35,501
Treatment Plant Operations					
Plant flow					
(Units = Million Gallons Per Day (mgd))					
Monthly average	182.5	181	164.3	173	170
Permit limitation (dry weather)	13.50	13.50	12.50	12.50	12.50
Annual rainfall (inches) (1)	8.15	3.16	1.22	0.62	5.42
Collection System Operations					
Sewer lines					
Length (ft)	1,372,800	1,372,800	1,341,120	1,341,120	1,341,120
Inspected (ft)	96,978	142,991	159,128	245,652	167,913
Cleaned (ft)	581,732	660,377	596,717	697,896	610,629

Notes:

(1) Annual rainfall for the Coachella Valley from www.desertweather.com

Source: Valley Sanitary District

Valley Sanitary District
Capital Assets and Operating Information (Continued)
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2019	2018	2017	2016	2015
Sanitary Sewer Service Operations					
Equivalent Dwelling Units (EDUs)	35,463	34,923	34,511	34,395	33,942
Treatment Plant Operations					
Plant flow					
(Units = Million Gallons Per Day (mgd))					
Monthly average	167	165	161	161	170
Permit limitation (dry weather)	12.50	12.50	12.50	12.50	13.50
Annual rainfall (inches) (1)	6.14	2.19	6.46	2.90	2.70
Collection System Operations					
Sewer lines					
Length (ft)	1,341,120	1,351,680	1,335,840	1,336,682	1,323,035
Inspected (ft)	158,940	174,030	135,472	175,178	136,838
Cleaned (ft)	741,600	728,314	731,159	796,840	708,071

Notes:

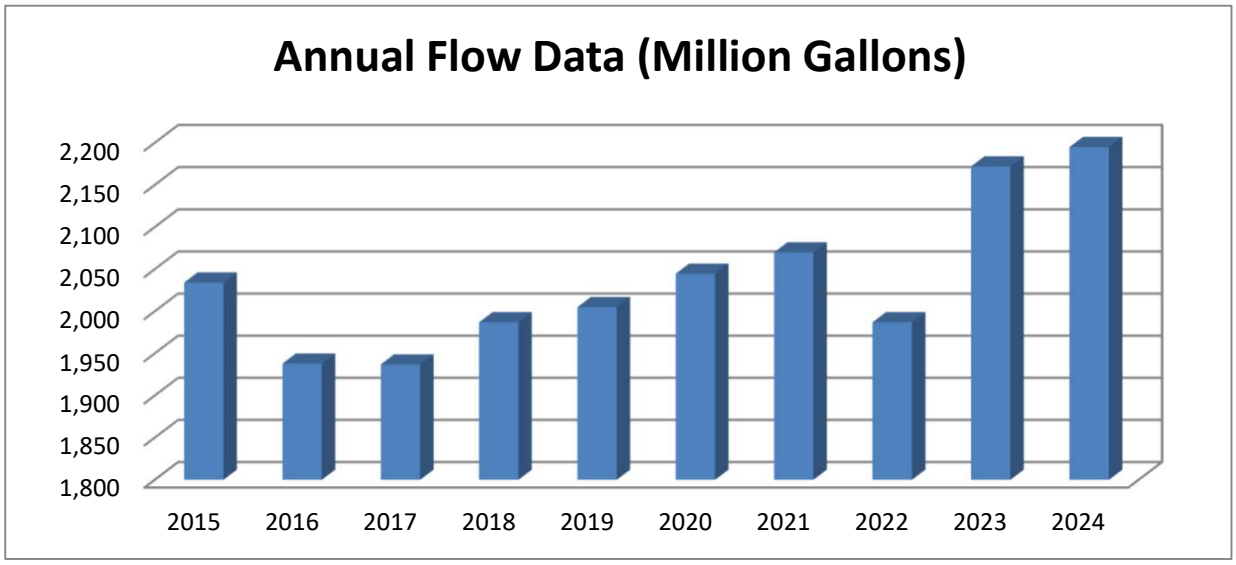
(1) Annual rainfall for the Coachella Valley from www.desertweather.com

Source: Valley Sanitary District

Valley Sanitary District
Annual Flow Data (Million Gallons)
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Annual Flow
2024	2,195
2023	2,172
2022	1,987
2021	2,070
2020	2,045
2019	2,005
2018	1,987
2017	1,937
2016	1,938
2015	2,034

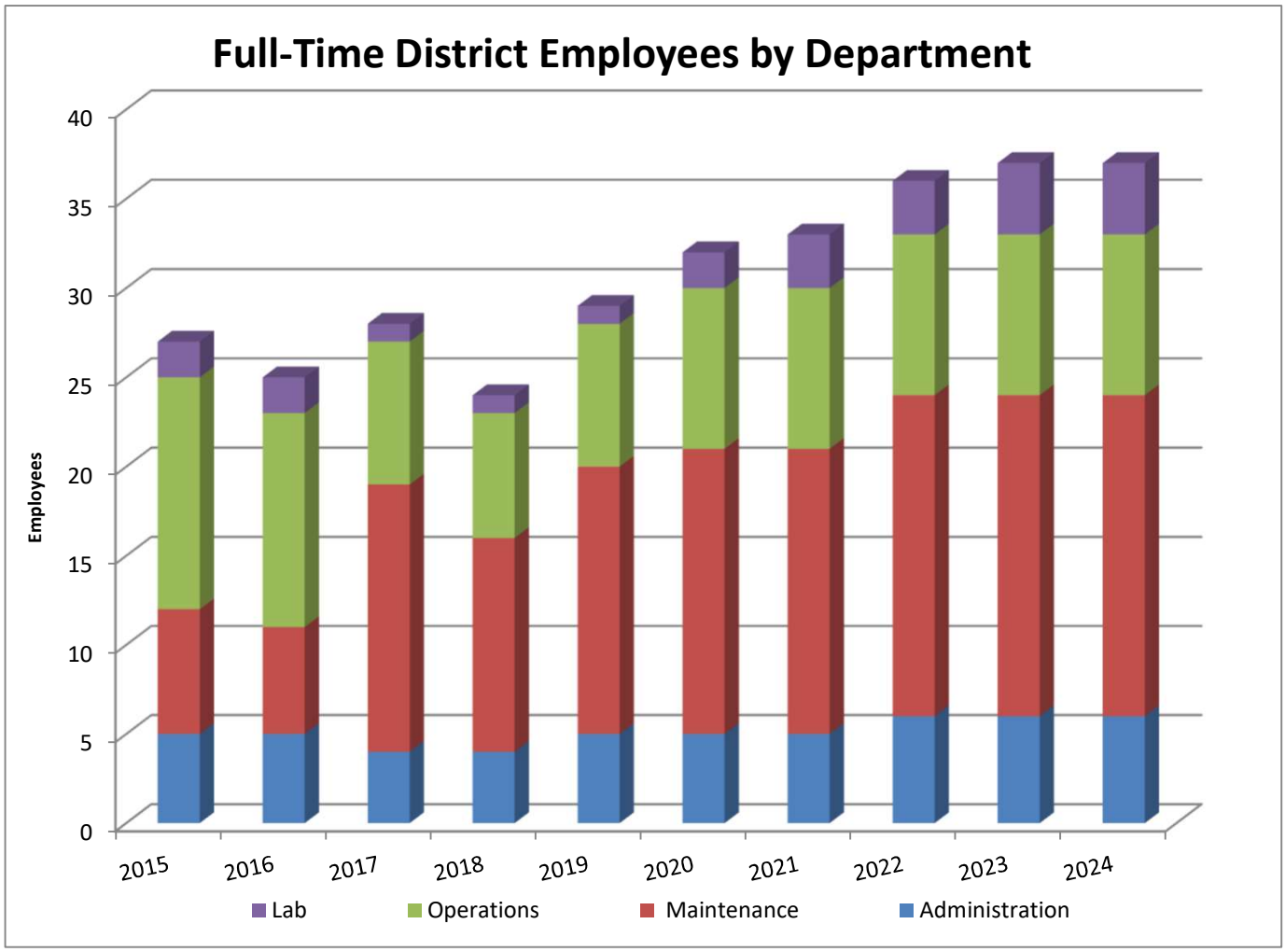
Source: Valley Sanitary District



Valley Sanitary District
Full-Time District Employees by Department
Last Ten Fiscal Years

Fiscal Year Ended June 30	Administration	Engineering & Maintenance	Operations	Lab	Total
2024	6	18	9	4	37
2023	6	18	9	4	37
2022	6	18	9	3	36
2021	5	16	9	3	33
2020	5	16	9	2	32
2019	5	15	8	1	29
2018	4	12	7	1	24
2017	4	15	8	1	28
2016	5	6	12	2	25
2015	5	7	13	2	27

Source: Valley Sanitary District



Valley Sanitary District

"Safeguarding community health and sustainability, as we have done for nearly 100 years."

(760) 238-5400

45500 Van Buren Street Indio, CA 92201

www.valley-sanitary.org