

**FECHTER
& COMPANY**
Certified Public Accountants

RIO ALTO WATER DISTRICT
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT THEREON
JUNE 30, 2025

RIO ALTO WATER DISTRICT
Financial Statements
June 30, 2025

Table of Contents

Independent Auditor’s Report.....	1-3
Basic Financial Statements:	
<u>Government-Wide Financial Statements</u>	
Statement of Net Position.....	4
Statement of Revenues, Expenses, and Changes in Net Position.....	5
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Fund	6
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position.....	7
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund.....	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities	9
Statement of Net Position – Proprietary Funds	10
Statement of Revenues, Expenditures, and Changes in Net Position – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12-13
Notes to the Basic Financial Statements.....	14-40
Required Supplementary Information (Unaudited):	
Required Supplementary Information - Pension	41
Required Supplementary Information - OPEB.....	42-43
Budgetary Comparison Schedule – Governmental Fund	44

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rio Alto Water District
Cottonwood, California

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Rio Alto Water District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Rio Alto Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Rio Alto Water District as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 11 to the financial statements, during the year ended June 30, 2025, the District changed the presentation of its financial statements to comply with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34. Specifically, the District transitioned from reporting a single enterprise fund to reporting two separate proprietary funds for its water and sewer operations, previously shown as supplementary information. Additionally, the Community Facilities District (CFD) fund was reclassified and presented as a special revenue fund within the governmental fund category. Our opinion is not modified with respect to this matter, as the change in presentation does not affect the comparability of prior year financial information and does not result in a material misstatement.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls 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 Rio Alto Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, 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.

Board of Directors
Rio Alto Water District
Cottonwood, California

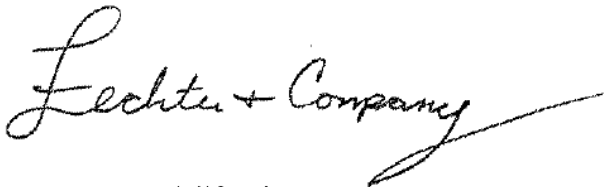
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule for the Community Facilities District Fund, Pension Plan information, and Other Post-Employment Benefits Plan information 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 (GASB), 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 presented 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Our opinion is not modified as a result of this omission.

Fechter & Company
Certified Public Accountants

A handwritten signature in cursive script that reads "Fechter + Company". The signature is written in black ink and includes a long horizontal flourish extending to the right.

Sacramento, California
January 14, 2026

BASIC FINANCIAL STATEMENTS

RIO ALTO WATER DISTRICT
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 1,373,071	\$ 1,373,071
Service fees receivable, net	-	394,555	394,555
Interest receivable	27,334	39,669	67,003
Prepaid expenses	-	5,080	5,080
Inventory	-	15,301	15,301
Total current assets	<u>27,334</u>	<u>1,827,676</u>	<u>1,855,010</u>
Non-current assets:			
Investments, board designated	-	882,805	882,805
Restricted cash	1,709,675	236,260	1,945,935
Tax assessments receivable	95,151	-	95,151
Capital assets, net of accumulated depreciation	5,714,720	3,110,673	8,825,393
Total non-current assets	<u>7,519,546</u>	<u>4,229,738</u>	<u>11,749,284</u>
Total Assets	<u>7,546,880</u>	<u>6,057,414</u>	<u>13,604,294</u>
Deferred Outflows of Resources			
Deferred outflows related to pension	-	449,570	449,570
Deferred outflows related to OPEB	-	75,195	75,195
Total Deferred Outflows of Resources	<u>-</u>	<u>524,765</u>	<u>524,765</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued interest	61,897	36,572	98,469
Compensated absences, current portion	-	16,325	16,325
Installment debt, current portion	154,194	214,929	369,123
Total current liabilities	<u>216,091</u>	<u>267,826</u>	<u>483,917</u>
Long-term liabilities:			
Compensated absences, net of current portion	-	25,620	25,620
Net pension liability	-	1,383,048	1,383,048
OPEB liability	-	620,907	620,907
Installment debt, net of current portion	4,803,778	1,168,430	5,972,208
Total long-term liabilities	<u>4,812,469</u>	<u>3,189,314</u>	<u>8,001,783</u>
Total Liabilities	<u>5,028,560</u>	<u>3,457,140</u>	<u>8,485,700</u>
Deferred Inflows of Resources			
Deferred inflows related to pension	-	17,530	17,530
Deferred inflows related to OPEB	-	470,511	470,511
Total Deferred Inflows of Resources	<u>-</u>	<u>488,041</u>	<u>488,041</u>
Net Position			
Net investment in capital assets, net of related debt	756,748	1,727,314	2,484,062
Restricted for:			
Debt service and debt reserve	1,761,572	-	1,761,572
Capacity expansion	-	236,260	236,260
Unrestricted	-	673,424	673,424
Total Net Position	<u>\$ 2,518,320</u>	<u>\$ 2,636,998</u>	<u>\$ 5,155,318</u>

RIO ALTO WATER DISTRICT
Statement of Activities
For the Year Ended
June 30, 2025

Functions/Programs	Program Revenues				Changes in Net Position		
	Expenses	Service Charges	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Community Facilities							
District	\$ 149,227	\$ -	\$ -	\$ -	\$ (149,227)	\$ -	\$ (149,227)
Depreciation	154,143	-	-	-	(154,143)	-	(154,143)
Total Governmental Activities	303,370	-	-	-	(303,370)	-	(303,370)
Business-Type Activities:							
Water utility	929,449	756,189	-	53,109	-	(120,151)	(120,151)
Sewer utility	920,794	690,039	-	34,711	-	(196,044)	(196,044)
Total Business-type Activities	1,850,243	1,446,228	-	87,820	-	(316,195)	(316,195)
Total	\$2,153,613	\$ 1,446,228	\$ -	\$ 87,820	(303,370)	(316,195)	(619,565)
General Revenues:							
					347,646	282,683	630,329
					59,724	136,312	196,036
					-	6,885	6,885
					-	-	-
Transfers							
					407,370	425,880	833,250
					104,000	109,685	213,685
					2,414,320	2,527,313	4,941,633
					\$ 2,518,320	\$ 2,636,998	\$5,155,318

RIO ALTO WATER DISTRICT
Balance Sheet
Governmental Fund
June 30, 2025

	<u>Community Facilities District</u>
Assets	
Cash and cash equivalents	\$ 1,709,675
Interest receivable	27,334
Tax assessments receivable	<u>95,151</u>
Total Assets	<u>\$ 1,832,160</u>
 Liabilities and Fund Balances	
Liabilities	
Due to other funds	<u>8,691</u>
Total Liabilities	<u>8,691</u>
 Fund Balances	
Restricted	<u>1,823,469</u>
Total Fund Balances	<u>1,823,469</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,832,160</u></u>

RIO ALTO WATER DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position
June 30, 2025

Fund Balances of Governmental Fund	\$ 1,823,469
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	5,714,720
Certain liabilities, including long-term debt and related accrued interest that are not payable using current financial resources are excluded from the governmental fund statements:	
Long-term debt	(4,957,972)
Accrued interest payable on long-term debt	<u>(61,897)</u>
Net position of governmental activities	<u>\$ 2,518,320</u>

RIO ALTO WATER DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended
June 30, 2025

	Community Facilities District
Revenues	
Special Tax Levy	\$ 341,280
Penalties and assessments	6,367
Use of money and property	59,725
Total revenues	407,372
Expenditures	
Payroll	11,945
Services and supplies	6,508
Debt service expense	283,375
Total expenditures	301,828
Net Change in Fund Balance	105,544
Fund Balance - beginning of year	1,717,925
Fund Balance - end of year	\$ 1,823,469

RIO ALTO WATER DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position
June 30, 2025

Net Change in Fund Balances - Total Governmental Funds \$ 105,544

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for Capital Outlay	-
Less Current Year Depreciation	(154,143)

Debt service payments are an expenditure in the governmental funds, but the repayment of principal and related accrued interest reduces liabilities measured on a full accrual basis in the Statement of Net Position.

Principal retirements	151,034
Change in accrued interest expense	1,565

Change in net position of governmental activities	\$ 104,000
---	------------

RIO ALTO WATER DISTRICT
Statement of Net Position - Proprietary Funds
June 30, 2025

	Water	Sewer	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 1,373,071	\$ -	\$ 1,373,071
Service fees receivable	203,028	191,527	394,555
Interest receivable	29,593	10,076	39,669
Prepaid expenses	2,902	2,178	5,080
Inventory	12,205	3,095	15,300
Total current assets	1,620,799	206,876	1,827,675
Non-current Assets:			
Investments designated for acquisitions and OPEB	572,150	310,655	882,805
Restricted cash	62,494	173,766	236,260
Capital assets, net	2,212,577	898,096	3,110,673
Total non-current assets	2,847,221	1,382,517	4,229,738
Total Assets	4,468,020	1,589,393	6,057,413
Deferred Outflows of Resources			
Deferred outflows related to OPEB	36,578	38,617	75,195
Deferred outflows related to pensions	226,130	223,440	449,570
Total Deferred Outflows of Resources	262,708	262,057	524,765
Liabilities			
Current Liabilities:			
Accounts payable	36,571	-	36,571
Compensated absences, current portion	16,325	-	16,325
Installment debt, current portion	187,567	27,362	214,929
Total current liabilities	240,463	27,362	267,825
Long-Term Liabilities:			
Advances to (from) other funds	(1,100,130)	1,091,439	(8,691)
Compensated absences, net of current portion	25,620	-	25,620
Net pension liability	724,816	658,232	1,383,048
OPEB liability	304,139	316,768	620,907
Installment debt, net of current portion	817,146	351,284	1,168,430
Total long-term liabilities	771,591	2,417,723	3,189,314
Total Liabilities	1,012,054	2,445,085	3,457,139
Deferred Inflows of Resources			
Deferred inflows related to pension	(7,927)	25,457	17,530
Deferred inflows related to OPEB	244,801	225,710	470,511
Total Deferred Inflows of Resources	236,874	251,167	488,041
Net Position			
Net investment in capital assets, net of related debt	1,207,864	519,450	1,727,314
Restricted	62,494	173,766	236,260
Unrestricted	2,211,442	(1,538,018)	673,424
Total Net Position	\$ 3,481,800	\$ (844,802)	\$ 2,636,998

RIO ALTO WATER DISTRICT
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
For the Year Ended
June 30, 2025

	Water	Sewer	Total
Operating Revenues			
Utility services	\$ 702,968	\$ 671,481	\$ 1,374,449
Hydrant charges	31,479	-	31,479
Other charges	21,742	18,558	40,300
Total operating revenues	<u>756,189</u>	<u>690,039</u>	<u>1,446,228</u>
Operating Expenses			
Payroll	340,385	286,629	627,014
Payroll benefits	225,450	204,580	430,030
Utilities	16,263	47,498	63,761
Tools and supplies	16,301	68,061	84,362
Contracted services	5,165	16,425	21,590
Maintenance	36,802	71,152	107,954
Insurance	33,652	22,435	56,087
Directors' fees	4,089	2,942	7,031
Office expenses	16,854	12,227	29,081
Legal and audit	9,043	6,275	15,318
Regulatory fees	12,589	44,456	57,045
Wastewater permit testing	-	14,987	14,987
Other expenses	24,714	18,841	43,555
Depreciation	178,920	100,233	279,153
Total operating expenses	<u>920,227</u>	<u>916,741</u>	<u>1,836,968</u>
Operating Loss	<u>(164,038)</u>	<u>(226,702)</u>	<u>(390,740)</u>
Non-Operating Revenues (Expenses)			
Property taxes	187,429	94,678	282,107
Connection and capacity expansion fees	53,109	34,711	87,820
Penalties from Tehama County	348	232	580
Use of money and property	96,680	39,628	136,308
Interest expense	(9,222)	(4,053)	(13,275)
Gain on disposal of capital assets	4,131	2,754	6,885
Total non-operating revenues (expenses)	<u>332,475</u>	<u>167,950</u>	<u>500,425</u>
Increase in net position	168,437	(58,752)	109,685
Net position - beginning of the year	<u>3,313,363</u>	<u>(786,050)</u>	<u>2,527,313</u>
Net position - end of the year	<u>\$ 3,481,800</u>	<u>\$ (844,802)</u>	<u>\$ 2,636,998</u>

RIO ALTO WATER DISTRICT
Statement of Cash Flows
For the Year Ended
June 30, 2025

	Enterprise Funds		Total
	Water	Sewer	
Cash flows from operating activities:			
Cash received from customers and users	\$ 703,879	\$ 646,162	\$ 1,350,041
Cash received from others	21,742	18,558	40,300
Cash paid to suppliers	(138,108)	(326,519)	(464,627)
Cash paid to employees and related benefits	(526,738)	(469,288)	(996,026)
Net cash used in operating activities	<u>60,775</u>	<u>(131,087)</u>	<u>(70,312)</u>
Cash flows from capital financing activities:			
Cash received from connection charges	53,109	34,711	87,820
Cash paid for suppliers for non-operating activities	4,131	2,754	6,885
Purchases of capital assets	(18,035)	(11,398)	(29,433)
Proceeds from sale of equipment	125	7,926	8,051
Interest paid on capital debt	(9,222)	(4,053)	(13,275)
Payments on long-term debt	(186,454)	(27,569)	(214,023)
Net cash used in capital financing activities	<u>(156,346)</u>	<u>2,371</u>	<u>(153,975)</u>
Cash flows from non-capital financing activities:			
Cash received from ad valorem property taxes	187,429	94,678	282,107
Cash received from property tax penalties	348	232	580
Internal advance received (paid)	(78,653)	66,310	(12,343)
Net cash provided by non-capital financing activities	<u>109,124</u>	<u>161,220</u>	<u>270,344</u>
Cash flows from investing activities:			
Lease payments received for use of property	19,905	19,905	39,810
Interest on investments	84,525	14,505	99,030
Net cash provided by investing activities	<u>104,430</u>	<u>34,410</u>	<u>138,840</u>
Net increase in cash and cash equivalents	117,983	66,914	184,897
Cash and cash equivalents, beginning of the year	<u>1,889,732</u>	<u>417,507</u>	<u>2,307,239</u>
Cash and cash equivalents, end of the year	<u>\$2,007,715</u>	<u>\$ 484,421</u>	<u>2,492,136</u>

(Continued)

RIO ALTO WATER DISTRICT
Statement of Cash Flows
For the Year Ended
June 30, 2025

(Continued)

**Reconciliation of operating income to net cash used
in operating activities**

	Water	Sewer	Total
Operating Loss	\$ (164,038)	\$ (226,702)	\$ (390,740)
Adjustments to reconcile operating income to net cash used in operating activities			
Depreciation and amortization	178,920	100,233	279,153
Change in assets and liabilities:			
Decrease (Increase) in accounts receivable	(30,568)	(25,319)	(55,887)
(Increase) Decrease in delinquent receivables	-	-	-
Decrease (Increase) in inventory	(1,234)	352	(882)
Increase in prepaid expenses	2,028	(1,572)	456
Decrease in accounts payable	36,570	-	36,570
Increase in accrued compensated absences	15,347	-	15,347
Increase (Decrease) in net other post-employment benefits	(36,246)	(33,459)	(69,705)
Increase in net pension obligations	59,996	55,380	115,376
Net cash used in operating activities	\$ 60,775	\$ (131,087)	\$ (70,312)

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The Rio Alto Water District (the District), a special district of the State of California, was organized to provide water to the residents of the Lake California area in Cottonwood, California. Rio Alto Water District was created under the State of California Water Code on December 30, 1968. Shortly after its formation, the voters of the District approved a measure allowing the District to also engage in the collection, transmission, treatment, and disposal of wastewater generated within the District boundaries. The financial statements of the District include the financial activities of the Rio Alto Water District and Community Facilities District No. 2011-1.

On January 11, 2012, the Board of Directors adopted Resolution 02-12, forming Community Facilities District No. 2011-1 for the purpose of funding necessary improvements to the wastewater treatment plant and to create a wetland in order to comply with the terms of the National Pollutant Discharge Elimination System (NPDES) permit from the Regional Water Quality Control Board Central Valley Region. On April 17, 2012, the voters within the boundaries of the Community Services District No. 2011-1 approved Measure A, levying a special tax on landowners within the District.

The District's primary source of revenues are from charges to residential customers for sewer and water services primarily in the District's boundaries, which encompass approximately 6,000 acres located in Northern Tehama County, California. The District shares in the Tehama County ad valorem tax for special districts, which is determined by the Tehama County Auditor based on State law. As well, the District receives interest income from investments.

The governing body of the District is a Board of Directors (the Board) consisting of five members elected for four-year terms. Management of the District is the responsibility of the General Manager as appointed by the Board. No legally separate entities meet the criteria specified in GASB 61 for treatment as component units of the District. Community Facilities District No. 2011-1 is not considered a separate legal entity as it does not have its own governing board. All decisions are made by the Board of Directors of Rio Alto Water District and all property is owned by Rio Alto Water District. Its financial results are reported as part of the District. However, the USDA Bond obligation and State Water Resources Control Board (SWRCB) installment sale agreement are payable solely from the Community Facilities District special taxes and the assets pledged, and are not general obligations of the District. More information on the District's debt can be found in Note 4. No separate financial statements are issued for Community Facilities District No. 2011-1.

The accounts of the District are organized and operated on a fund basis. Each fund contains a separate, self-balancing set of accounts to account for its operations.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall government, where eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The Statement of Activities demonstrates the degree to which program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The fund financial statements provide information about the District's funds in separate statements for each fund category presented – governmental and proprietary. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Any remaining governmental and enterprise funds would be separately aggregated and reported as nonmajor funds.

The District has three primary funds:

Governmental fund:

- A special revenue fund is used to account for the activities of the Community Facilities District No. 2011-1. This fund exists to levy a special tax and use those proceeds for debt service.

Proprietary funds:

- Water – accounts for the operating and nonoperating activities of the District's water utility services.
- Sewer – accounts for the operating and nonoperating activities of the wastewater utility services.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized as soon as they both are measurable and available. 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 soon as all eligibility requirements by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, which is 60 days. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Proprietary funds are accounted for on a flow of economic resources measurement focus, which requires use of the accrual basis of accounting. On this basis, all assets and liabilities associated with operations are included on the Statement of Net Position, revenues are recognized when earned, and expenses are recorded at the time the liabilities are incurred, regardless of the timing of the related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The District's principal ongoing operations provide water and sewer services to residential customers. Accordingly, the principal operating revenues of the District are charges to residential customers for water, sewer, and closely related services. Operating expenses include the costs of sales and services, transmission and distribution, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition of *operating* revenues or expenses above are reported as *non-operating* revenues and expenses. Revenues from property taxes, penalties from Tehama County, capacity expansion fees, and interest income are considered non-operating revenues. The proprietary funds are presented in accordance with the hierarchy of generally accepted accounting principles for state and local governments, as described in GASB Statement 76. The operating income subtotal is presented prior to adjustment for non-operating items.

For purposes of the Statement of Cash Flows, the District defines cash and cash equivalents as bank account balances available on demand, cash on hand, and investment account balances that can be easily converted to cash within seven calendar days including the Local Agency Investment Fund (LAIF). Cash flows from operating activities are presented using the direct method. All investments are reported at fair value, which is either the market price or amortized cost.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Basis of Accounting and Measurement Focus

Statements of Net Position – there are three reported components of net position:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets. This category of net position is considered non- expendable.
- *Restricted* – This component of net position consists of net position that is subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. It includes net position constrained by law, constitutional provisions, or enabling legislation.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.” The District’s Board of Directors may designate portions of unrestricted net position for particular purposes.

D. Revenue Policies – Utility Fees

The District’s principal sources of revenue are from water sales, water connection fees, sewer charges for collection, transmission, treatment, and disposal of wastewater, and charges for the availability of utility services that are paid by owners of undeveloped lots. Water rates are established by the Board, but may only be increased in accordance with California’s Proposition 218, which requires that notices of any proposed fee increases be mailed to all property owners, that a public hearing be held, and that the fee increase may not be implemented if written objections are received from a majority of property owners. However, the District’s authority to set water rates is not subject to the oversight or approval of the California Public Utilities Commission or another regulatory agency. The District recognizes revenue for these charges when they are earned through the provision of services or the passage of time. In compliance with Prop 218, the District held a public hearing on May 19, 2016, and in the absence of a majority written protest, approved an increase to water rates, staged in over the subsequent five fiscal years, in response to a rate study prepared by Bartle Wells Associates.

E. Revenue Policies – Connection and Capacity Expansion Fees

The District charges a connection fee, and, for customers located in certain areas, a capacity expansion fee, for connecting to the District for the first time. The fee varies depending on the location of the new connection and whether the customer is connecting to both the water and sewer systems or the water system only. As these fees are intended primarily to finance capital costs, they are classified as non-operating revenue. The District recognizes revenue at the time the application is tendered for the new connection.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

F. Delinquent Accounts and Taxes Receivable

The District transfers delinquent accounts to the Tehama County Tax Collector once per year, and a majority of these accounts are eventually collected. The allowance for uncollectible accounts is increased annually to reflect 100% of the amounts due on water and sewer charges over 90 days delinquent, less the portion of this amount that has been transferred to the Tehama County Tax Collector for collection. The portion of accounts receivable transferred to Tehama County for collection, reduced by significant Tehama County collections to be received in January following the fiscal year end, and delinquent special taxes receivable outstanding at year end are reflected as a non-current asset because the majority of these amounts will not be collected within twelve months of the end of the fiscal year.

G. Property Tax Revenue

In accordance with Article XIII-A of the State Constitution, California property taxes are collected by the County Tax Collector, pooled, and then allocated to the local governments within the County. Property tax revenue is recognized when taxes are levied.

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First installment – November 10 Second installment – February 10
Delinquent date:	First installment – December 11 Second installment – April 11

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. Property taxes collected are allocated to the District three times a year. The final distribution is made close to June 30 each year and reflects the property taxes collected from April 10 to approximately May 30.

The Board of Directors, acting as the Board of Community Facilities District 2011-1, levies a special tax each year up to \$289 per equivalent dwelling unit to provide for the debt service on the debt incurred in connection with the sewer treatment plant improvement project. While still authorized to levy the maximum tax of \$289, starting in fiscal year 2015-2016, the Board of Directors reduced the levy to \$240 per equivalent dwelling unit. The taxes are collected by the Tehama County Tax Collector at the same time as the ad valorem taxes.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

H. Designation of Investments for Capital Asset Acquisition and Other Post-Employment Benefits (OPEB) Liability Retirement

Through the budgeting process, the District's Board of Directors has designated portions of its investment account balances for use in acquiring capital assets and retiring the District's OPEB liability. In accordance with GASB Statement 62, paragraph 31, the District considers these investment balances to be non-current assets because their intended use is to acquire other non-current assets or to retire liabilities that are not due within one year.

I. Inventories

The District's inventories are valued at historical cost on a first-in, first-out basis. Expenses are recorded when inventory items are used. The inventory consists of water meters, materials, and supplies for maintenance of the District's water and sewer systems.

J. Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

K. Capital Assets

The District's capital assets include plant and equipment, which are recorded at historical cost. The original plant and improvements completed by the original developer of Lake California and three low pressure systems located outside the sewer district were contributed to the District and were recorded at their fair market value.

New developments of residential lots are accepted only when the construction of the utilities meet the standards set by the District and are capitalized at a cost approved by the District's engineers.

The District's policy is to capitalize all assets with a useful life of more than a year which cost in excess of \$1,000. The District uses the straight-line method of computing depreciation. Estimated useful lives of the District's assets are determined based on the length of time the asset class is expected to provide service to the District and are as follows:

Water Plant	60 years
Sewer Treatment Plant and related components	50 years
Buildings	35 years
Equipment	5 to 10 years

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

K. Capital Assets - continued

Maintenance and repairs are expensed as incurred. Significant renewals or betterments are capitalized and depreciated over their estimated useful lives. Costs incurred prior to completion for major improvements or construction of capital assets are accumulated in construction in-progress. Once they are ready for use, assets previously recorded in construction in-progress are transferred to the appropriate capital asset category.

L. Loans Payable

The District records outstanding obligations for loans payable at the time funds are disbursed by the lender to the District or for its benefit. In accordance with GASB 62, the District classifies the portion of loans payable due within one year from the balance sheet date as a current liability.

M. Compensated Absences

The District's employees earn vacation in varying amounts depending on length of service. Employees also earn sick leave at the rate of 1 to 1 ⁵/₁₂ days per month depending on job category. There is no maximum accrual of sick leave except that the General Manager cannot accrue sick leave in excess of 90 days. Vacation can be accumulated to a total of between 20 to 50 days depending upon length of service and job category. Employees and the General Manager are allowed to take payment in lieu of vacation up to one-half of an employee's yearly accrual each fiscal year. Upon separation from the District, employees are entitled to full payment for accrued vacation but not for sick leave. The District records its obligations for vacation when earned by the employees based on current rates of pay at the time. The division of the compensated absences liability to current and long-term portions is based on experience.

N. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, the District generally uses restricted resources first, and then unrestricted resources as needed.

O. Net Pension Liability and Deferred Outflows and Inflows Related to Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

P. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net 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 District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes.

Q. Recent Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections*: This statement establishes accounting and financial reporting requirements for changes in accounting principles, changes in accounting estimates, and corrections of errors. The District evaluated its financial reporting for compliance and determined that no restatements or retroactive adjustments were required for the current or prior periods. The implementation did not have a material impact on the District's financial statements.

GASB Statement No. 101, *Compensated Absences*: This statement improves the recognition and measurement of liabilities associated with compensated absences. The District reviewed its leave policies and accrual methods and updated its reporting to reflect the "more likely than not" threshold for liability recognition. The adoption of this standard did not result in a significant change to the District's financial position or disclosures.

GASB Statement No. 102, *Certain Risk Disclosures*: This statement requires disclosure of concentrations and constraints that could expose the District to significant financial risk. The District evaluated its operations and determined that no such disclosures were necessary for the current reporting period.

GASB Statement No. 103, *Financial Reporting Model Improvements*: Although effective for fiscal years beginning after June 15, 2025, the District has elected not to early implement this standard. The District is currently evaluating the impact of this statement on future financial reporting.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2025 are reported in the accompanying financial statements in the classifications set forth below.

	<u>Unrestricted</u>	<u>Designated</u>	<u>Restricted</u>	<u>Total</u>
Cash:				
Cash on hand and in checking accounts	\$ 193,806	\$ -	\$ 485,338	\$ 679,144
Investments:				
Cash in interest-bearing LAIF account	<u>1,179,265</u>	<u>882,805</u>	<u>1,460,597</u>	<u>3,522,667</u>
Total Cash and Investments	<u>\$ 1,373,071</u>	<u>\$ 882,805</u>	<u>\$ 1,945,935</u>	<u>\$ 4,201,811</u>

The balance of investment in LAIF listed under Designated represents the funds designated for capital asset acquisition and retirement of OPEB liability.

A. Deposits

At June 30, 2025, the recorded amount of the District's deposits is shown above. This bank balance is partially covered by the Federal Deposit Insurance Corporation (FDIC), which has a limit of \$250,000. Amounts in excess of \$250,000 are covered by the multiple financial institution collateral pool that insures public deposits in the State of California.

Various amounts of restricted cash are restricted for debt service, project construction, and capacity expansion.

B. Investments

Local Agency Investment Fund. The District maintains an investment in the State of California Local Agency Investment Fund (LAIF). LAIF is part of the Pooled Money Investment Account (PMIA), an investment pool consisting of funds held by the state in addition to those deposited in LAIF. All PMIA funds are managed by the Investment Division of the State Treasurer's Office. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. LAIF is not rated by any major investment rating agency.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 2: CASH AND INVESTMENTS – continued

B. Investments – continued

At June 30, 2025, the District’s investment position in LAIF was \$3,290,094, which approximates fair value and is the same value as the pool shares which is determined on an amortized cost basis. LAIF is the only investment reported on an amortized cost basis because the amount available for withdrawal is determined on this basis. The total amount invested by all public agencies in PMIA on that day was \$179.3 billion. Of that amount, 56.92% is invested in government bills and notes, 6.56% is invested in short-term, asset-backed commercial paper, with the remaining 36.52% invested in other non-derivative financial products.

Under the California Government Code, the District may only invest its funds in the following investment types:

Maximum % Investment	of Portfolio
U.S. Treasury Obligations	None
U.S. Agency Obligations	None
State and Local Government Bonds	None
Bankers’ Acceptances	40%
Commercial Paper	25%
Negotiable Certificates of Deposit/CD Placement Service	30%
Repurchase Agreements	None
Reverse Repurchase Agreements and Loans of Securities	20%
Medium-Term Notes	30%
Mutual Funds and Money Market Mutual Funds	20%
Collateralized Bank Deposits	None
Mortgage Pass-Through Securities	20%
Bank Time Deposits	None
County Pooled Investment Funds	None
Joint Powers Authority Investment Pools	None
Local Agency Investment Fund (LAIF)	None
Supranational Obligations	30%

In addition, the District’s Board of Directors must approve investments. At this time, the only investment approved by the Board is the California Local Agency Investment Fund. By limiting its investments to this fund managed in accordance with the California Government Code, the District minimizes its credit quality risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 3: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025 is summarized below:

<u>Governmental activities</u>	<u>Year Ended June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Year Ended June 30, 2025</u>
Capital assets, non-depreciable:				
Land	\$ 435,586	\$ -	\$ -	\$ 435,586
Capital assets, depreciable:				
Sewer utility plant	6,700,673	-	-	6,700,673
Less accumulated depreciation	<u>(1,267,396)</u>	<u>(154,143)</u>	<u>-</u>	<u>(1,421,539)</u>
Total governmental activities capital assets, net	<u>\$ 5,868,863</u>	<u>\$(154,143)</u>	<u>\$ -</u>	<u>\$ 5,714,720</u>
<u>Business-type activities</u>	<u>Year Ended June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Year Ended June 30, 2025</u>
Capital assets, non-depreciable:				
Land	\$ 27,597	\$ -	\$ -	\$ 27,597
Construction in-progress	-	-	-	-
Total capital assets, non-depreciable	<u>27,597</u>	<u>-</u>	<u>-</u>	<u>27,597</u>
Capital assets, depreciable:				
Water utility plant	4,800,849	-	-	4,800,849
Sewer utility plant	2,582,741	-	-	2,582,741
General plant/equipment-Water	629,632	17,911	(14,992)	632,551
General plant/equipment-Sewer	615,020	11,199	(18,345)	607,874
Software	21,750	-	-	21,750
Total capital assets, depreciable	<u>8,649,992</u>	<u>29,111</u>	<u>(33,338)</u>	<u>8,645,765</u>
Less accumulated depreciation	<u>(5,309,146)</u>	<u>(279,153)</u>	<u>25,610</u>	<u>(5,562,689)</u>
Total business-type activities capital assets, net	<u>\$ 3,368,443</u>	<u>\$(250,042)</u>	<u>\$ (7,728)</u>	<u>\$ 3,110,673</u>

Depreciation expense for the fiscal year ended June 30, 2025 totaled \$279,153 and is charged to Water, Sewer, and Community Facilities activities based on the function and assignment of depreciable assets.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 4: LONG-TERM DEBT

Long-term liabilities at June 30, 2025, consisted of the following:

Long-term liability type	Year Ended June 30, 2024	Additions	Reductions	Balance June 30, 2025	Amounts Due Within One Year
Governmental Activities					
Installment debt:					
SWRCB sale agreement	\$ 814,006	\$ -	\$ (61,034)	\$ 752,972	\$ 62,194
USDA bond	4,295,000	-	(90,000)	4,205,000	92,000
Total Governmental Activities	<u>\$ 5,109,006</u>	<u>\$ -</u>	<u>\$(151,034)</u>	<u>\$ 4,957,972</u>	<u>\$ 154,194</u>
Business-Type Activities					
Installment debt:					
CEC loan	\$ 1,349,938	\$ -	\$ (90,301)	\$ 1,259,637	\$ 91,207
Other long-term liabilities:					
Tank Rehab Contract	247,444	-	(123,722)	123,722	123,722
Total Business-Type Activities	<u>\$ 1,597,382</u>	<u>\$ -</u>	<u>\$(214,023)</u>	<u>\$ 1,383,359</u>	<u>\$ 214,929</u>

On May 16, 2013, the California State Water Resources Control Board (SWRCB) executed a finance agreement with the District to provide up to \$1,215,000 in debt financing from the state's Clean Water State Revolving Fund (CWSRF) for the District's wastewater treatment plant improvement project. The proceeds of the financing are disbursed to the District only upon receipt of disbursement requests from the District that itemize project costs incurred. Annual installment payments on the debt are due to the SWRCB March 17 of each year, with annual interest accruing at the rate of 1.9%. Payments began March 17, 2017, and the final payment will be due March 17, 2036. The financing is structured as an installment sale agreement of the wastewater treatment plant improvement and constructed wetlands project. The agreement requires the District to maintain one year of debt service in a reserve fund for the entire term of the agreement. Special tax revenues levied for project purposes under the Community Facilities District are pledged for payment of this and any other debt related to the project and repayment is secured by a lien on these revenues. The District has covenanted to levy special taxes each year in a total amount of at least 1.1 times the total annual debt service. SWRCB reserves the right to require an audit of the District's disbursements reimbursed by the loan proceeds.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 4: LONG-TERM DEBT – continued

On August 15, 2014, the District issued a Special Tax Bond to the United States Department of Agriculture (USDA) to finance necessary improvements to the wastewater treatment plant and the constructed wetlands project. The total face amount of the bond is \$5,000,000. The bond bears interest at the rate of 2.75%. The bond matures in annual installments and interest on the bond is payable in semi-annual installments over 40 years commencing on July 1, 2015. The bond is secured by a first lien and pledge of the special tax revenues levied by Community Facilities District No. 2011-1 for the project. USDA requires the District to set aside a reserve equal to the average annual debt service and a short-lived asset reserve to be funded with \$15,730 annually. The bond is payable solely from the Community Facilities District No. 2011-1 special tax revenues and the assets pledged.

On April 17, 2019, the District entered into an agreement with Halcyon Solar Construction to supply and install photovoltaic electric generating systems (PV systems) at the District facilities to supply solar power. The full cost of this construction totaled \$1,590,800 and was financed with a promissory loan bearing a 1% interest rate from the California Energy Commission (CEC). Construction for this solar project was completed in April 2020, which is the date the final disbursement of funds was received from the CEC.

On September 22, 2021, the District entered into an agreement with Superior Tank Solutions, Inc. to replace the interior lining of two water tanks and provide ongoing maintenance and repairs. The contract requires a minimum of 5 annual payments of \$123,722 with the option to continue regular maintenance and repairs for an additional 15 years at a cost of \$36,336 per year. If the contract is terminated before the 5-year period is complete, the remaining balance of the first 5 annual payments becomes due and payable. The agreement does not bear any interest and does not qualify as installment debt.

The table for installment debt below represents estimated principal and interest payments to maturity on the USDA Special Tax Bond, SWRCB Installment Sale Agreement, and the California Energy Commission loan:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 245,400	\$ 141,049	\$ 386,449
2027	250,496	136,381	386,878
2028	254,596	131,642	386,238
2029	259,784	126,744	386,528
2030	264,976	121,762	386,738
2030-2035	1,400,929	530,209	1,931,138
2036-2040	1,019,428	398,470	1,417,898
2041-2045	730,000	317,501	1,047,501
2046-2050	837,000	212,850	1,049,850
2051-2055	955,000	95,645	1,050,645
Total	<u>\$ 6,217,609</u>	<u>\$ 2,212,253</u>	<u>\$ 8,429,863</u>

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 5: COMPENSATED ABSENCES

At June 30, 2025, the District recorded a liability for compensated absences totaling \$41,945. This amount includes estimated obligations for vacation, compensatory time, other leave, and the portion of sick leave expected to be used, in accordance with the District's policies. The liability is calculated using the pay rates in effect as of June 30, 2025.

The portion of the compensated absences liability estimated to be due within one year is \$16,325. The remaining \$25,620 is estimated to be paid or used after greater than 12 months from the date of the financial statements.

The net increase in the compensated absences liability for the period, as permitted by GASB 101 is as follows:

	June 30, 2024	Net Increase	June 30, 2025
Compensated Absences Liability	\$ 26,596	\$ 15,349	\$ 41,945

The District did not identify any material differences in applying GASB 101 retrospectively, resulting in no recorded changes in opening balances as a result of this change in accounting principle.

NOTE 6: INTERFUND BALANCES

At June 30, 2025, interfund balances consisted of the following:

Due from	Due to	Amount	Purpose	Amount not expected to be repaid within one year
Sewer fund	Water fund	\$ 1,091,439	Allocated shared costs for payroll and capital outlay, along with shared cell tower lease revenue	\$ 1,091,439
Water fund	Community Facilities District fund	\$ 3,477	Shared payroll costs and reimbursements	\$ -
Community Facilities District fund	Water fund	\$ 8,691	Shared payroll costs and reimbursements	\$ -

The balance due to the water fund from the sewer fund resulted from advances to commence sewer operations, along with continued shared costs for payroll and other services. This balance is not scheduled to be collected in the subsequent year. All other balances resulted from routine transactions and are expected to be repaid within one year.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 7: RISK MANAGEMENT/INSURANCE JOINT VENTURE

The District is exposed to various risks of loss related to torts, theft or damage of assets, errors and omissions, injuries to employees, natural disasters, delivery of water, and treatment and disposal of wastewater. These risks are addressed through the District's membership in the Association of California Water Agencies – Joint Powers Insurance Authority (JPIA). The purpose of the JPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The JPIA's members have pooled funds in order to be self-insured for general liability, property, pollution liability, and workers' compensation. Each member district pays a premium commensurate with the level of coverage requested, and shares surpluses and deficit proportionate to their participation.

The District has had no settlements that exceeded its insurance coverage in any of the last three years. Complete audited financial statements of the JPIA can be obtained online at www.acwajpia.com.

NOTE 8: ALLOWANCE FOR DOUBTFUL ACCOUNTS

Service fees receivables represents amounts billed to customers for services provided by the District that remain outstanding at year-end. Receivables are reported net of an allowance for doubtful accounts, which is established based on management's evaluation of the collectability of outstanding balances., historical experience, and other relevant factors.

Bad debt expense netted with utility charges for the fiscal year 2025 totaled \$3,613. At June 30, 2025, service fees receivable and the related for allowance for doubtful accounts were as follows:

Description	Amount
Service fees receivable	\$ 400,628
Less: Allowance for doubtful accounts	<u>(6,073)</u>
Net service fees receivable	<u>\$ 394,555</u>

NOTE 9: PENSION PLAN

A. Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing, multiple-employer defined benefit pension plan. The District's plan (the Plan) is part of the "Miscellaneous 2% at 60 Risk Pool" within the CalPERS system. All full-time District employees who have been employed for over six months are eligible to participate in CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by state statutes within the Public Employee's Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through the approval of the District's Board of Directors.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 9: PENSION PLAN – continued

A. Plan Description

Benefits include a periodic pension payment upon retirement, as well as death and survivor benefits. Annual cost of living adjustments are included. Disability retirement is permitted subject to certain requirements. CalPERS makes reports available to the public that provide a detailed description of the pension plan’s benefit provisions, actuarial assumptions, membership information, and fiduciary net position. These reports can be found on the CalPERS website at <http://www.calpers.ca.gov/>.

The Plans’ provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age (no disability)	50+	52+
Required employee contribution rates	7%	6.25%
Required employer contribution rates	9.281% + \$66,266	7.73% + \$1,242

B. Funding Policy

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS.

The actuarially-determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The District is required to contribute the difference between the actuarially-determined rate and the contribution rate of employees.

B. Funding Policy – continued

Active plan members who were members prior to January 1, 2013 are required to contribute 7% of their annual covered salary by state statute; however, the District pays this 7% on behalf of employees as a fringe benefit negotiated in past years’ pay packages. Active plan members whose membership began on or after January 1, 2013 are required to contribute 6.25%; for these members the District does not contribute the employee’s 6.25% on his or her behalf and makes only the contribution required of the employer.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 9: PENSION PLAN – continued

C. Annual Pension Cost and Net Pension Obligation

Beginning with the fiscal year ended June 30, 2015, the District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability for all employers in the plan. The net pension liability for each of the Plans is measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability of the Plan as of June 30, 2022 was approximately 0.02307%.

For the year ended June 30, 2025, the District recognized pension expense of \$180,052 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 35,547	\$ -
Differences between projected and actual experience	119,578	4,665
Net differences between projected and actual investment earnings	79,620	-
Differences between employer's contributions and proportionate share of contributions	7,167	10,164
Change in employer's proportion	21,665	2,701
Pension contributions subsequent to measurement date	185,993	-
	<u>\$ 449,570</u>	<u>\$ 17,530</u>

\$185,993 is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 9: PENSION PLAN – continued

C. Annual Pension Cost and Net Pension Obligation - continued

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

Year Ended June 30,	Pension Expense
2026	\$ 90,347
2027	179,922
2028	3,062
2029	<u>(27,284)</u>
Total	<u>\$ 246,047</u>

The total pension liabilities in the June 30, 2025 actuarial valuations that were used to determine the June 30, 2025 net pension liability shown in these financial statements were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry age normal cost method
Actuarial Assumptions:	
Discount Rate	6.90%*
Salary Increases	Varies by entry age and service
Inflation	2.30%
Mortality Rate Table	Based on CalPERS membership data for all funds
Payroll Growth	2.80%
Post Retirement Benefit Increases	Cost of Living Adjustments per contract up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applied, 2.75% thereafter

* The discount rate used to measure the total pension liability was 6.90% for each Plan.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 9: PENSION PLAN – continued

C. Annual Pension Cost and Net Pension Obligation - continued

Expectations about future cash flows used in the development of the discount rate assume that both members and employers will make all required contributions on time and as scheduled in all future years. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially-assumed discount rate.

Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.90% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.90% will be applied to all plans in the Public Employees Retirement Fund (PERF) and all periods of projected benefits. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 9: PENSION PLAN – continued

C. Annual Pension Cost and Net Pension Obligation – continued

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

Asset class	Assumed Asset Allocation	Real Return Years 1-10 ^{1,2}
Global equity - cap-weighted	30.00%	4.45%
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%
Total	100.00%	30.02%

¹ Real Return Years 1-10: An expected inflation of 2.30% used for this period

² Figures are based on the 2021-22 Asset Liability Management study.

Sensitivity of the 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 liability for each Plan, calculated using the discount rate for each Plan, as well as estimated amounts for what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Net Pension Liability	\$ 2,102,990	\$ 1,387,258	\$ 798,150

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description

The District makes medical insurance coverage available to eligible retired employees and their spouses through an agent multiple-employer plan governed by the Public Employees' Medical & Hospital Care Act (PEMHCA) and administered by the District. Employees are generally eligible for this benefit after reaching age 60 and accumulating 20 years of service to the District. As of June 30, 2025, the plan covered seven active employees (assuming these employees meet plan eligibility requirements upon retirement) and two retired District employees who were then receiving benefits. Pursuant to a decision of the Board on July 21, 2015, the District will pay 100% of the high-deductible health plan premiums plus 100% of the dental and vision premiums for current employees and spouses who are eligible to receive the benefit upon retirement. Employees may elect another plan but are required to pay the difference in cost between the plan chosen and the high-deductible health plan. Benefits are provided by the Association of California Water Agencies in exchange for premiums paid by the District. The plan is offered per District policy and benefit provisions may be amended at the District's option. Prefunding contributions are made to the California Employers Retiree Benefit Trust (CERBT) Fund administered by the California Public Employees Retirement System (CalPERS). No stand-alone reports are issued for the plan other than the audited financial report from CERBT that displays separate fiduciary net position balances for each employer. The report is available on the CalPERS website at:

<https://www.calpers.ca.gov/page/employers/benefit-programs/cerbt>

B. Contributions

In addition to making direct payments for current retiree benefits due, the District makes a discretionary additional contribution to the CERBT trust as determined during each year's budgeting process based on an analysis of funding priorities and approved by the Board of Directors. For the fiscal year ended June 30, 2025, the District contributed \$30,348 in direct payments for retiree health premiums; there were no additional contributions to CERBT. No contribution is currently required of plan members.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS – continued

C. Measurement of the Net OPEB Liability and Underlying Assumptions

The District's net OPEB liability as of June 30, 2025 was measured based on the following assumptions:

Valuation Date	July 1, 2023
Reporting Period	July 1, 2024 to June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.30%
Healthcare cost trend rates	5.50% for 2025 through 2034; 4.50% for 2035-2074 and 4.00% for 2075 and later years
Salary Increases	2.80%
Investment rate of return	5.50 percent, net of OPEB plan investment expense
Mortality	Mortality rates, for Certificated employees, were based on the most recent experience study for CalSTRS members Mortality rates, for non-Certificated employees were based on the most recent study for CalPERS members.

* In order to determine the discount rate, the projected benefit payments related to current employees for each future period were compared to the projected fiduciary net position available to make those payments. In periods where the fiduciary net position was projected to equal or exceed the benefit payments required, the value of projected benefits to be paid in that period was discounted to the present value using the long-term rate of return on plan investments shown above. In periods where the fiduciary net position was projected to fall below the projected benefit payments, the value of projected payments to be paid in that period was discounted using the municipal bond 20-year high grade bond rate shown above. The discount rate above is the single (blended) rate that, when applied to all projected benefits regardless of whether fiduciary net position is projected to be sufficient, yields the same present value of projected benefits as the present value obtained by applying the long-term investment rate of return or the municipal bond 20-year high grade rate separately to each projected period based on whether or not the fiduciary net position is expected to be sufficient, as discussed above.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS – continued

C. Measurement of the Net OPEB Liability and Underlying Assumptions – continued

* The projected fiduciary net position for purposes of determining the discount rate, as discussed above, was based on the assumption that the District will continue to pay all retiree premiums as they come due (“pay-as-you-go financing”) pursuant to the District’s written policy. No contributions were made to the CERBT trust in the current fiscal year based on the District’s budget amount. In accordance with GASB 75, paragraph 37, a portion of these projected contributions was allocated toward the service cost of future employees and therefore removed from the projection of fiduciary net position available to finance the costs of current employees. The amount allocated to future employees was assumed to be 8.44% of projected future employee payroll in each future period projected.

** Mortality rates were based on the most recent 2021 experience study for CalPERS members.

The assumptions used are subject to change as new information becomes available. Actuarial valuations of the ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and are continually revised as actual results are evaluated in light of previous expectations and new expectations are set. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to basic financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The calculations are based on the substantive plan as it is in place at the time of each valuation.

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2025:

	1% Decrease (4.50%)	Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB liability	\$ 773,683	\$ 620,907	\$ 495,167

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS – continued

C. Measurement of the Net OPEB Liability and Underlying Assumptions – continued

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2025:

	1% Decrease (4.50% current, 3.00% ultimate, 3.00% Medicare)	Trend Rate (5.50% current, 4.00% ultimate, 4.00% Medicare)	1% Decrease (6.50% current, 5.00% ultimate, 5.00% Medicare)
Net OPEB liability	\$ 456,955	\$ 620,907	\$ 832,198

The changes in the net OPEB liability for the plan are as follows:

	(Increase)/Decrease in Net OPEB Liability		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a + b)
Balances at June 30, 2024	\$ 967,914	\$ 347,730	\$ 620,184
Changes for the year:			
Service cost	35,605		35,605
Interest	54,370		54,370
Experience differences	-		-
Assumption changes	-		-
Contribution-employer		51,628	(51,628)
Net investment income		37,902	(37,902)
Benefit payments	(30,348)	(30,348)	-
Administrative expense	-	(278)	278
Net changes	59,627	58,904	723
Balances at June 30, 2025	\$ 1,027,541	\$ 406,634	\$ 620,907

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS – continued

C. Deferred Outflows and Inflows

Deferred inflows and outflows related to OPEB are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions or other inputs	\$ 60,847	\$ 86,202
Differences between expected and actual experience	-	364,851
Differences between projected and actual return on investments	14,348	19,458
	\$ 75,195	\$ 470,511

NOTE 11: RESTRICTED AND UNRESTRICTED NET ASSETS

The District's net position that is not invested in capital assets is divided between restricted and unrestricted portions. Restricted net position consists of the water and sewer expansion fees received and the interest earned thereon, which can only be used towards costs to expand the facilities, and special taxes collected under Community Facilities District 2011-1 for project construction and debt service requirements on the Wastewater Treatment Plant project. When restricted funds are used for construction of eligible fixed assets, the restricted and unrestricted portions of net position are adjusted accordingly. The total amount of net position restricted by enabling legislation as of June 30, 2025 was \$1,945,935. The excess of restricted net position over restricted cash is a function of additional Community Facilities activity receivables, less related accrued payables. There is no unrestricted net position within the Community Facilities activity.

NOTE 12: GANN/PROPOSITION 4 APPROPRIATIONS LIMIT

Article XIII-B of the California Constitution establishes a limit on the amount that may be appropriated for spending out of the proceeds of taxes for any given fiscal year. The limit for each year is calculated by applying a cost-of-living and population change factor to the previous year's limit. Government Code Section 7910 requires adoption of the limit by the Board of Directors. As the District's revenues include charges or services and other revenue that is not from the proceeds of taxes, only the amount appropriated from the proceeds of taxes is subject to the limit.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 12: GANN/PROPOSITION 4 APPROPRIATIONS LIMIT – continued

The calculation of the District’s Gann/Proposition 4 appropriations limit for the year ended June 30, 2025 and the preceding fiscal year is as follows:

Fiscal Year	Base Limit	Price Factor	Population Ratio	Calculation Factor	Appropriation Limit
<i>Water</i>					
2023-2024	\$ 263,907	1.0444	0.9915	1.0355	\$ 273,276
2024-2025	\$ 273,276	1.0362	0.9933	1.0292	\$ 281,255
<i>Sewer</i>					
2023-2024	\$ 102,139	1.0444	0.9915	1.0355	\$ 105,770
2024-2025	\$ 105,770	1.0362	0.9933	1.0292	\$ 108,858
<i>Community Facilities District 2011-1</i>					
2023-2024	\$ 1,391,965	1.0444	0.9915	1.0355	\$ 1,441,380
2024-2025	\$ 1,441,380	1.0362	0.9933	1.0292	\$ 1,483,468

The limits calculated above exceeded the proceeds of taxes for both fiscal years presented.

NOTE 13: DEFERRED COMPENSATION AND SAVINGS PLANS

The District adopted a “Cafeteria Plan” for their employees, which allows them to use pre-tax wages for their share of medical coverage and other benefits. This plan is administered by a third party.

The District offers eligible employees the option of contributing a portion of their salary to a deferred compensation plan established in accordance with Section 457 of the Internal Revenue Code. Employee contributions made to this plan are generally held until the termination, retirement, or death of the employee and are usually not taxable to the employee until they are paid or made available to the employee. The plan is administered by a third party.

The District has no liability for any losses sustained by employees through these plans.

RIO ALTO WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 14: MAJOR FUND PRESENTATION

During the fiscal year ended June 30, 2025, the District reevaluated the criteria for fund reporting in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Historically, the District reported all activities within a single proprietary fund. However, as the scope and complexity of the District's operations have evolved, management determined that separate reporting of distinct activities would provide more transparent and meaningful financial information.

As a result, the District now presents its financial statements using three separate major funds:

- Water Fund – Proprietary
- Sewer Fund – Proprietary
- Community Facilities District No. 2011-1 Fund – Governmental (Special Revenue)

The Water and Sewer funds continue to be accounted for using the accrual basis of accounting consistent with proprietary fund standards. The Community Facilities District No. 2011-1 Fund is now reported as a special revenue fund and is accounted for using the modified accrual basis of accounting in accordance with governmental fund standards.

This change in presentation does not affect the total net position of the District as of June 30, 2025, and does not reflect a restatement of prior year financial information.

NOTE 15: SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 14, 2026, the date the financial statements were available to be issued. On August 20, 2025, the Board passed Resolution 02-25 to approve emergency repairs to address major groundwater intrusion and numerous sewer lateral leaks. Management estimates that the cost will be approximately \$127,000. Management has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

RIO ALTO WATER DISTRICT
Required Supplementary Information (Unaudited) - Pensions
For the Year Ended June 30, 2025

Schedule of the District's Proportionate Share of the Net Pension Liability:

Measurement Year Ended June 30,	Proportion of net pension liability	Proportionate share of net pension liability	Covered payroll	Proportionate share of the net pension liability as a % of covered employee payroll	Plan fiduciary net position as a % of the total pension liability
2015	0.02170%	\$ 595,385	\$ 444,747	133.87%	79.89%
2016	0.02313%	803,377	451,828	177.81%	75.87%
2017	0.02353%	927,731	465,211	199.42%	75.39%
2018	0.02345%	883,863	467,365	189.12%	75.39%
2019	0.02379%	952,597	450,733	211.34%	78.82%
2020	0.02497%	1,053,398	491,630	214.27%	77.36%
2021	0.02405%	554,217	528,190	104.93%	74.74%
2022	0.02307%	1,274,037	530,557	240.13%	83.70%
2023	0.02332%	1,387,258	498,370	255.64%	72.43%
2024	0.02227%	\$ 1,383,049	\$ 499,370	276.96%	70.65%

Schedule of Contributions:

Measurement Year Ended June 30,	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially-determined contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a % of covered payroll	Valuation Date
2015	\$ 63,772	\$ (63,772)	\$ -	\$ 444,747	14.34%	6/30/2014
2016	77,672	(77,672)	-	451,828	17.19%	6/30/2015
2017	95,060	(95,060)	-	465,211	20.43%	6/30/2016
2018	76,525	(76,525)	-	467,365	16.37%	6/30/2017
2019	80,000	(80,000)	-	450,733	17.75%	6/30/2018
2020	109,727	(109,727)	-	491,630	22.32%	6/30/2019
2021	135,994	(135,994)	-	528,190	25.75%	6/30/2020
2022	153,379	(153,379)	-	530,557	28.91%	6/30/2021
2023	155,738	(155,738)	-	498,370	31.25%	6/30/2022
2024	\$ 161,609	\$ (161,609)	\$ -	\$ 499,370	32.36%	6/30/2023

*Presentation includes most recent 10 years of applicable historical data.

RIO ALTO WATER DISTRICT
Required Supplementary Information (Unaudited) - OPEB
For the Year Ended June 30, 2025

Schedule of Changes in the Net OPEB Liability and Related Ratios

For the measurement period ending Valuation date	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
	7/1/2024	7/1/2023	7/1/2022	7/1/2021	7/1/2020
Total OPEB Liability					
Service cost	\$ 35,605	\$ 34,635	\$ 46,180	\$ 44,835	\$ 31,381
Interest on the total OPEB liability	54,370	51,147	63,036	59,016	58,017
Benefit payments	(30,348)	(26,017)	(35,869)	(28,438)	(27,191)
Experience differences	-	(288,487)	-	(150,089)	-
Assumption changes	-	5,657	-	93,216	-
Net change in total OPEB liability	<u>59,627</u>	<u>(223,065)</u>	<u>73,347</u>	<u>18,540</u>	<u>62,207</u>
Beginning total OPEB liability	967,914	1,190,979	1,117,632	1,099,092	1,036,885
Ending total OPEB liability (a)	<u>\$ 1,027,541</u>	<u>\$ 967,914</u>	<u>\$ 1,190,979</u>	<u>\$ 1,117,632</u>	<u>\$ 1,099,092</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 51,628	\$ 26,017	\$ 57,149	\$ 49,718	\$ 48,471
Net investment income	37,902	26,498	10,661	(41,596)	48,844
Benefit payments	(30,348)	(26,017)	(35,869)	(28,438)	(27,191)
Administrative expense	(277)	(279)	(264)	(269)	(234)
Net change in plan fiduciary net position	<u>58,905</u>	<u>26,219</u>	<u>31,677</u>	<u>(20,585)</u>	<u>69,890</u>
Beginning plan fiduciary net position	347,730	321,511	289,834	310,419	240,529
Ending plan fiduciary net position (b)	<u>\$ 406,635</u>	<u>\$ 347,730</u>	<u>\$ 321,511</u>	<u>\$ 289,834</u>	<u>\$ 310,419</u>
Net OPEB Liability (a) - (b)	<u>\$ 620,906</u>	<u>\$ 620,184</u>	<u>\$ 869,468</u>	<u>\$ 827,798</u>	<u>\$ 788,673</u>
Plan fiduciary net position as a % of total OPEB liability	39.57%	35.93%	27.00%	25.93%	28.24%
Covered-employee payroll	\$ 605,612	\$ 579,184	\$ 540,229	\$ 575,837	\$ 514,030
Net OPEB liability as a % of covered-employee payroll	102.53%	107.08%	160.94%	143.76%	153.43%

For the measurement period ending Valuation date	<u>2020</u>	<u>2019</u>	<u>2018</u>
	7/1/2019	7/1/2018	7/1/2017
Total OPEB Liability			
Service cost	\$ 30,467	\$ 47,881	\$ 46,486
Interest on the total OPEB liability	54,778	59,988	56,478
Benefit payments	(27,351)	(26,334)	(26,986)
Experience differences	(152,587)	-	-
Assumption changes	(311,082)	44,022	-
Other	45,693	-	-
Net change in total OPEB liability	<u>(360,082)</u>	<u>125,557</u>	<u>75,978</u>
Beginning total OPEB liability	1,396,967	1,317,103	1,241,125
Ending total OPEB liability (a)	<u>\$ 1,036,885</u>	<u>\$ 1,442,660</u>	<u>\$ 1,317,103</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 48,631	\$ 47,614	\$ 48,266
Net investment income	11,202	13,874	8,925
Benefit payments	(27,351)	(26,334)	(26,986)
Administrative expense	(189)	(40)	(272)
Net change in plan fiduciary net position	<u>32,293</u>	<u>35,114</u>	<u>29,933</u>
Beginning plan fiduciary net position	208,236	173,122	143,189
Ending plan fiduciary net position (b)	<u>\$ 240,529</u>	<u>\$ 208,236</u>	<u>\$ 173,122</u>
Net OPEB Liability (a) - (b)	<u>\$ 796,356</u>	<u>\$ 1,234,424</u>	<u>\$ 1,143,981</u>
Plan fiduciary net position as a % of total OPEB liability	23.20%	14.43%	13.14%
Covered-employee payroll	\$ 510,349	\$ 461,984	\$ 434,931
Net OPEB liability as a % of covered-employee payroll	156.04%	267.20%	263.03%

*Future presentation will display up to 10 years of applicable historical data as it becomes available.

RIO ALTO WATER DISTRICT
Required Supplementary Information (Unaudited) - OPEB
For the Year Ended June 30, 2025

Schedule of Contributions

Reporting fiscal year ended	2025	2024	2023	2022	2021
Valuation date	<u>7/1/2024</u>	<u>7/1/2023</u>	<u>7/1/2022</u>	<u>7/1/2021</u>	<u>7/1/2020</u>
Actuarially determined contribution (ADC)	\$ 68,502	\$ 66,636	\$ 86,451	\$ 83,933	\$ 71,796
Contributions in relation to the ADC	<u>(51,628)</u>	<u>(26,017)</u>	<u>(57,149)</u>	<u>(49,718)</u>	<u>(48,471)</u>
Contribution deficiency	<u>\$ 16,874</u>	<u>\$ 40,619</u>	<u>\$ 29,302</u>	<u>\$ 34,215</u>	<u>\$ 23,325</u>
Covered-employee payroll	\$ 605,612	\$ 579,184	\$ 540,229	\$ 575,837	\$ 514,030
Contributions as a % of covered payroll	8.52%	4.49%	10.58%	8.63%	9.43%
Reporting fiscal year ended	2020	2019	2018		
Valuation date	<u>7/1/2019</u>	<u>7/1/2018</u>	<u>7/1/2017</u>		
Actuarially determined contribution (ADC)	\$ 69,705	\$ 103,632	\$ 93,030		
Contributions in relation to the ADC	<u>(48,631)</u>	<u>(47,614)</u>	<u>(48,266)</u>		
Contribution deficiency	<u>\$ 21,074</u>	<u>\$ 56,018</u>	<u>\$ 44,764</u>		
Covered-employee payroll	\$ 510,349	\$ 461,984	\$ 434,931		
Contributions as a % of covered payroll	9.53%	10.31%	11.10%		

Historical information is required only for measurement periods for which GASB 75 is applicable. The District implemented GASB 75 for the measurement period ending June 30, 2018. Future presentations will display up to 10 years of historical data.

RIO ALTO WATER DISTRICT
Budgetary Comparison Schedule
Governmental Fund
Community Facilities District
For the Year Ended
June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special Tax Levy	\$ 341,280	\$ 341,280	\$ 341,280	\$ -
Penalties and assessments	6,710	6,710	6,367	(343)
Use of money and property	20,024	20,024	59,725	39,701
 Total revenues	 <u>368,014</u>	 <u>368,014</u>	 <u>407,372</u>	 <u>39,358</u>
Expenditures				
Payroll	10,864	10,864	11,945	1,081
Services and supplies	6,792	6,792	6,508	(284)
Debt service expense	282,809	282,809	283,375	566
 Total expenditures	 <u>300,465</u>	 <u>300,465</u>	 <u>301,828</u>	 <u>1,363</u>
 Net Change in Fund Balance	 <u>\$ 67,549</u>	 <u>\$ 67,549</u>	 105,544	 <u>\$ 37,995</u>
 Fund Balance - beginning of year			 <u>1,717,925</u>	
 Fund Balance - end of year			 <u>\$ 1,823,469</u>	