



Valley Sanitary District **ANNUAL COMPREHENSIVE** FINANCIAL REPORT

Fiscal Year Ending June 30th

20



25

VALLEY SANITARY DISTRICT
Annual Comprehensive Financial Report
Year ended June 30, 2025

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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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November 12, 2025

To: The Honorable Board of Directors and District Ratepayers

Subject: Annual Comprehensive Financial Report for the Years Ended June 30, 2025, and 2024

It is our pleasure to present the Annual Comprehensive Financial Report (ACFR) for the Valley Sanitary District (District) for the fiscal years ended June 30, 2025, and 2024. This report has been prepared by the District's Administration Department in accordance with the standards recommended by the Governmental Accounting Standards Board (GASB) and the principles outlined in Generally Accepted Accounting Principles (GAAP).

In compliance with state law, all special-purpose local governments are required to publish basic financial statements within six (6) months of the close of each fiscal year. The publication of this report fulfills that requirement and provides the Board of Directors, the public, and other interested parties with a comprehensive presentation of the District's financial condition and activities for the fiscal years covered.

Responsibility for the Financial Statements

Management assumes full responsibility for the accuracy, completeness, and fairness of the information presented in this report, including all disclosures. To ensure the reliability of the data, the District has established and maintained comprehensive internal controls designed to:

- Protect assets from loss, theft, or misuse;
- Ensure the accuracy and completeness of accounting data; and
- Provide a reliable foundation for the preparation of financial statements in accordance with GAAP.

We believe that these internal controls are effective and that this financial report presents the District's financial position fairly and completely in all material respects.

Independent Audit

The District's basic financial statements have been audited by Davis Farr, LLP, an independent firm of licensed certified public accountants. The auditors examined the financial statements of the District's business-type activities and fiduciary fund as of and for the year ended June 30, 2025, along with the accompanying notes, which collectively comprise the District's basic financial statements.

The audit was conducted in accordance with:

- Generally Accepted Auditing Standards (GAAS); and
- The standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The independent auditors issued an unmodified (“clean”) opinion, stating that the District’s financial statements fairly present, in all material respects, the financial position and results of operations for the year ended June 30, 2025, in conformity with GAAP.

The Independent Auditors’ Report is presented as the first component of the Financial Section of this report.

Management’s Discussion and Analysis (MD&A)

In accordance with GAAP requirements, management provides a Management’s Discussion and Analysis (MD&A) to accompany the basic financial statements. The MD&A offers a narrative overview and analysis of the District’s financial activities and should be read in conjunction with this letter of transmittal.

The District’s MD&A follows immediately after the Independent Auditors’ Report and provides additional insight into the District’s financial performance, major initiatives, and economic outlook.

District Structure and Leadership

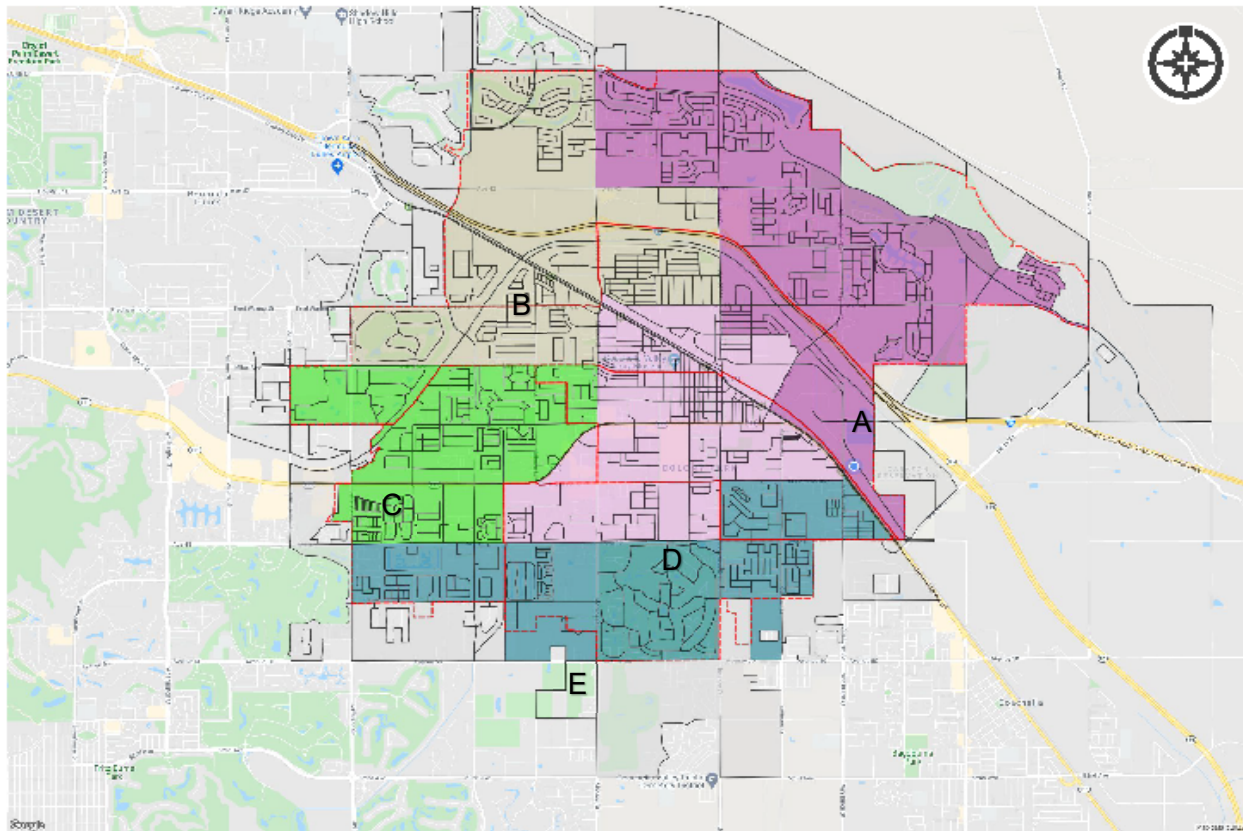
Mission Statement

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 ward-based election system. Each Director represents a specific geographic area within the District known as an Election Ward.

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 91,980. The District provides sanitary sewer services to approximately 29,451 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 78.7% 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 a custodial fiduciary fund that is purely custodial in nature, meaning that assets equal liabilities and, therefore, no measurement of operational results is presented. This fund is used to account for the assets and debt service activities of Assessment District No. 2004 (Shadow Hills Interceptor), for which the District acts solely as an agent on behalf of the property owners within the assessment district.
- **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 is 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 Valley Sanitary District (VSD) reviews both the State of California's economic forecast and the City of Indio's budget outlook to assess regional financial conditions and inform strategic decision-making. These analyses help the District understand broader economic trends and develop financial plans with forecasted revenues, expenditures, and reserve balances.

In evaluating economic conditions, the District closely monitors indicators such as unemployment rates, projected job growth, real personal income trends, future development activity, and state departmental budgets. This approach ensures that VSD's long-term planning aligns with state and local fiscal realities.

State Economy

The District utilizes the State of California's economic forecasts as a foundation for strategic and financial planning. These forecasts provide insights into the state's fiscal health and guide decisions related to infrastructure investment, rate structures, and capital project timing.

On May 14, 2025, Governor Gavin Newsom released the May Revision to the proposed 2025–26 California State Budget, outlining nearly \$12 billion in measures to close a \$7.5 billion deficit while strengthening the state’s discretionary reserves by \$4.5 billion. The revised plan responds to economic uncertainty stemming from federal policy shifts and global market volatility.

Although the national job outlook for 2025 has shown modest improvement, forecasts for 2026 are weaker due to the anticipated effects of new tariffs. The national unemployment rate has been revised upward by an average of 0.3 percentage points for both years—reaching 4.4% in 2025 and 4.9% in 2026.

The governor’s \$226.4 billion General Fund spending plan aims to preserve key investments from prior years while implementing \$5 billion in spending reductions, primarily in Medi-Cal, the state’s Medicaid program serving more than 14 million Californians. To stabilize long-term finances, the proposal includes a \$7.1 billion reserve drawdown, leaving a projected \$15.7 billion in total reserves by the end of FY 2025/26. This balanced approach is intended to safeguard California against revenue fluctuations and broader fiscal risks.

Water and Wastewater Program Funding

The District actively monitors the State Water Resources Control Board’s (SWRCB) budget allocations for drinking water and wastewater infrastructure.

In the May 2025 budget revision, the state proposed \$1.2 billion in funding for these programs—an 8.04% decrease compared to FY 2024/25, according to the California Department of Finance.

VSD uses this data to shape its legislative and advocacy strategy, particularly during Special Districts Legislative Days in Sacramento, where funding priorities and regulatory trends directly influence project timelines and grant opportunities.

External Economic Factors

According to the UCLA Anderson Forecast (2025), the January 2025 Los Angeles wildfires are expected to generate substantial economic repercussions.

Preliminary estimates include:

- \$76–131 billion in property and capital losses.
- Up to \$45 billion in insurance claims.
- A \$4.6 billion reduction in GDP (approximately 0.48%).
- An estimated \$297 million in lost wages for local businesses and workers.

These impacts are projected to increase insurance premiums, strain state resources, and exacerbate public health and housing challenges. Without significant investment in wildfire mitigation and resilience, the economic toll on Californians could intensify in the coming years.

Regional Outlook: Coachella Valley and City of Indio

The persistent shortage of affordable housing in Los Angeles and surrounding urban centers is expected to increase housing demand in the Coachella Valley.

The City of Indio’s development forecasts anticipate continued residential and commercial growth, which may influence wastewater service needs, infrastructure expansion, and capital planning.

The District will continue to monitor local development trends, population growth, and regional housing pressures to proactively plan for system capacity, funding, and long-term infrastructure sustainability.

Local Economy

The City of Indio continues to experience dynamic growth, marked by major public investments, new business activity, and expanding housing opportunities. These developments are reshaping Indio into a thriving, livable, and economically resilient community within the Coachella Valley.

Community Development and Public Investments

Significant civic improvements are underway across the city. The new Civic Center Campus, modern public library, and community plaza are transforming Indio's downtown core into a vibrant hub for residents and visitors.

At The Lights at Indio Golf Course, the Coachella Valley's only night-lit golf facility, a newly constructed clubhouse now offers a restaurant, pro shop, and enhanced amenities to support both recreation and tourism.

Housing Expansion and Mixed-Use Growth

Residential development remains a key component of Indio's economic vitality.

- Skyline, a 64-unit apartment community in Downtown Indio, includes 5,000 square feet of ground-floor retail and office space, supporting the city's goal of creating a walkable, mixed-use urban environment.
- Desert Retreat, a 55+ active adult community in North Indio, will add approximately 1,500 new homes by 2026, helping meet growing housing demand and diversifying the city's residential options.

Commercial Growth and Business Attraction

Indio's expanding economy continues to attract both national brands and local entrepreneurs. Recent openings include:

- Raising Cane's, In-N-Out Burger, EoS Fitness, and Dutch Bros Coffee, reflecting national retail confidence in the city's market potential.
- Local businesses are also flourishing, including Indio Brewing in North Indio and The Place, a 15,000-square-foot community marketplace that features local vendors, a food hall, climbing wall, and cannabis dispensary, strengthening Indio's reputation as a destination for entertainment and small business innovation.

City Initiatives and Economic Sustainability

The City of Indio is actively pursuing strategies to ensure long-term, sustainable growth. A newly launched Beautification Grant Program provides up to \$50,000 for business owners along Highway 111 and in Downtown Indio to improve storefronts and building exteriors enhancing visual appeal and economic activity.

Additionally, the City is strategically acquiring properties to lease or sell as part of its workforce development plan, supporting local job creation and promoting a balanced, resilient economy that benefits both residents and businesses.

Impact on the District

The City of Indio's continued economic growth has a direct and positive impact on the District, primarily through increased connection fee revenues and expanded service demand resulting from new developments and property use changes.

For Fiscal Year 2025/26, the District anticipates collecting approximately \$1.1 million in connection fees, reflecting steady development activity and a sustained influx of new customers within the service area.

Revenue Growth and Financial Sustainability

The five-year Sewer Use Charge (SUC) program, implemented in FY 2021/22, continues to provide a stable revenue framework through its final year ending June 2026.

For FY 2025/26, SUC revenues are projected to total \$21.7 million, an increase of \$1.3 million (6.5%) over the prior fiscal year. This growth is attributed to both the final approved rate adjustment and ongoing system expansions resulting from new connections.

These revenues are essential to:

- Maintain high quality wastewater collection and treatment services.
- Fund priority infrastructure projects identified in the District's 20-Year Master Plan.
- Meet debt service obligations tied to major capital improvement initiatives.

The District's ability to align its financial planning with local economic trends ensures that VSD remains fiscally sound while continuing to invest in the reliability, capacity, and sustainability of its infrastructure systems.

Fiscal Year 2024/25 Performance

In Fiscal Year 2024/25, the District exceeded revenue projections by \$3.3 million, primarily due to higher-than-expected SUC revenues, interest earnings, and connection fees driven by increased building permit activity. The SUC is structured with a 70% fixed charge per Equivalent Dwelling Unit (EDU) and a 30% volumetric charge based on water consumption by customer class, ensuring equitable cost recovery across the service area.

Additionally, the District's \$71 million loan from Bank of America, secured in May 2022 to finance Phase I of the Recycled Water Project, continues to support critical infrastructure development. Loan proceeds are held in an interest-bearing escrow account, which benefited from solid market returns, contributing to the District's overall revenue surplus during the Fiscal Year.

Major Initiatives

During Fiscal Year 2024/2025, the Valley Sanitary District (VSD) initiated, advanced, or completed several significant capital improvement projects aimed at modernizing infrastructure, ensuring regulatory compliance, and enhancing system reliability across the District's service area.

1. Collections System Rehabilitation & Replacement Program

The District operates and maintains approximately 261 miles of sanitary sewer lines, delivering over six million gallons per day (MGD) of wastewater to the Valley Sanitary District Water Reclamation Facility.

To address aging infrastructure and system expansion, the District partnered with Harris & Associates to develop a \$60 million, 12-year rehabilitation and replacement program.

Key Accomplishments

- Completed the first sewer main rehabilitation project, which included:
- Cured-In-Place Pipe (CIPP) lining.
- Manhole rehabilitation along Indio Boulevard from Highway 111 to Dr. Carreon Boulevard.
- Completed the Indio Downtown District Sewer Improvement Project, consisting of spot repairs and sewer rehabilitation.

Next Steps

Due to limited funding, the program is currently on hold. Work is expected to resume in Fiscal Year 2026/2027, pending new funding availability.

2. Westward Ho Sewer Siphon Replacement Project

An existing sewer siphon crossing the Coachella Stormwater Channel at Westward Ho Drive was damaged during flooding on February 14, 2019. The District engaged Carollo Engineers to complete design and permitting.

Status

- Design and permitting completed: June 2022
- Estimated total project cost: \$5.2 million
- Significant reimbursement provided by FEMA through the California Office of Emergency Services (Cal OES).

Current Phase

- The project has received final approval from FEMA and Cal OES and is currently in the closeout phase.

3. Recycled Water Project – Phase I

This \$82 million project addresses aging and capacity-limiting infrastructure while adding critical system redundancy.

Schneider Electric and Stantec were selected as design-build partners.

Project Scope

- Addition of a second digester.
- Expansion of bar screens for improved flow management.
- Replacement of the main electrical switchboard.
- Installation of a sludge thickener for activated waste thickening.

Funding and Timeline

- Approximately \$71 million financed through a 20-year loan from the Bank of America Public Capital Corporation.
- Construction began in January 2023; estimated completion: December 2025.

4. New Training & Office Building Project

The District identified the need for a dedicated training and office facility to support staff operations, meetings, and events. SGH Architects completed the schematic design and cost estimate.

Project Details

- Estimated construction cost: \$15 million
- Current status: Deferred due to funding limitations
- Planned implementation: Fiscal Year 2025/2026

5. New Laboratory Building Project

To ensure compliance with evolving regulatory standards, the District plans to construct a new laboratory facility. SGH Architects completed the initial schematic design and cost estimate.

Project Details

- Estimated construction cost: \$10 million
- Current status: Deferred due to funding constraints
- Planned implementation: Fiscal Year 2025/2026

6. Biosolids Conversion Project

The District is evaluating alternatives to off-site biosolids disposal and exploring on-site conversion solutions.

Partnership and Progress

- Partner: Lystek International Ltd. – developer of a state-licensed biosolids-to-liquid-fertilizer process.
- Feasibility study completed (2022).
- Design contract executed with Lystek; design completion anticipated by end of 2025.
- Construction expected to begin in early 2026.

Project Cost

- Estimated total cost: \$10–15 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 three (3) 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 \$9.7 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 fair 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 the 2023 actuarial valuation, the District's UAL totaled \$2.1 million, with an estimated interest rate of 7.389%. In September 2023, the Board approved a new five-year repayment plan, with the first payment commencing July 1, 2024.

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 2025/26, 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 lies in the District's ability to sustain essential services, manage expenses efficiently, and adapt effectively to external economic and operational changes. The Valley Sanitary District (District) has achieved long-term financial success through prudent budgeting, sound fiscal policies, and a strong commitment to strategic planning—both short-term and long-term.

During the Fiscal Year 2025/26, the District will undertake a comprehensive revision of its Capital Improvement Program (CIP) Master Plan, establishing a renewed framework for meeting infrastructure and capital investment needs while maintaining financial viability and solvency.

Revenue Outlook

The projected revenue for Fiscal Year 2025/26 is \$27.2 million, representing an increase of \$3.2 million, or 13.6%, compared to the FY 2024/25 adopted budget. The projected increase is primarily driven by the scheduled sewer rate adjustments under the five-year Sewer Use Charge (SUC) rate plan adopted for the period July 1, 2021, through June 30, 2026.

- Sewer Use Charges: Approximately 73.3% of the District's total revenue is derived from sewer use charges.
- Service Fees: Service fees are projected to increase by \$1,573,150 (49.8%), reflecting anticipated new sewer service connections and higher investment income resulting from improved market conditions.
- Property Taxes: Property tax revenue is projected to rise by \$15,712 (10.1%), consistent with countywide increases in general-purpose funds.
- Other Revenues: A projected increase of \$344,039 (118.1%) is expected in other revenues, primarily due to inspection fee collections and higher surplus property sales compared to the prior year.

Fiscal Resilience

The District recognizes that the current economic environment presents greater uncertainty than in prior years, including inflationary pressures and rising costs of supplies, services, insurance premiums, and capital rehabilitation and replacement needs. Despite these challenges, the District's long-standing commitment to fiscal discipline and responsible financial management continues to ensure its financial solvency and operational continuity.

Fiscal Year 2024/25 served as a period of strategic planning and organizational strengthening, positioning the District to meet future demands while maintaining service excellence, infrastructure integrity, and community trust.

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) Lab Person of the Year
- ❖ CWEA CORBS Laboratory Crystal Crucible Award
- ❖ CWEA CORBS PICK Award
- ❖ California Public Information Officials (CAPIO) 2025 Excellence in Public Information & Communications Award
- ❖ California Association of Sanitation Agencies (CASA) Celebrating 100 Years of Service

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 Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2024. This was the 13th 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 annual comprehensive financial report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

Acknowledgments

The preparation of this report was made possible through the combined efforts of the District's Administrative Department. The District extends its sincere appreciation to all staff members for their dedication, professionalism, and commitment to maintaining the highest standards of public service and financial stewardship.

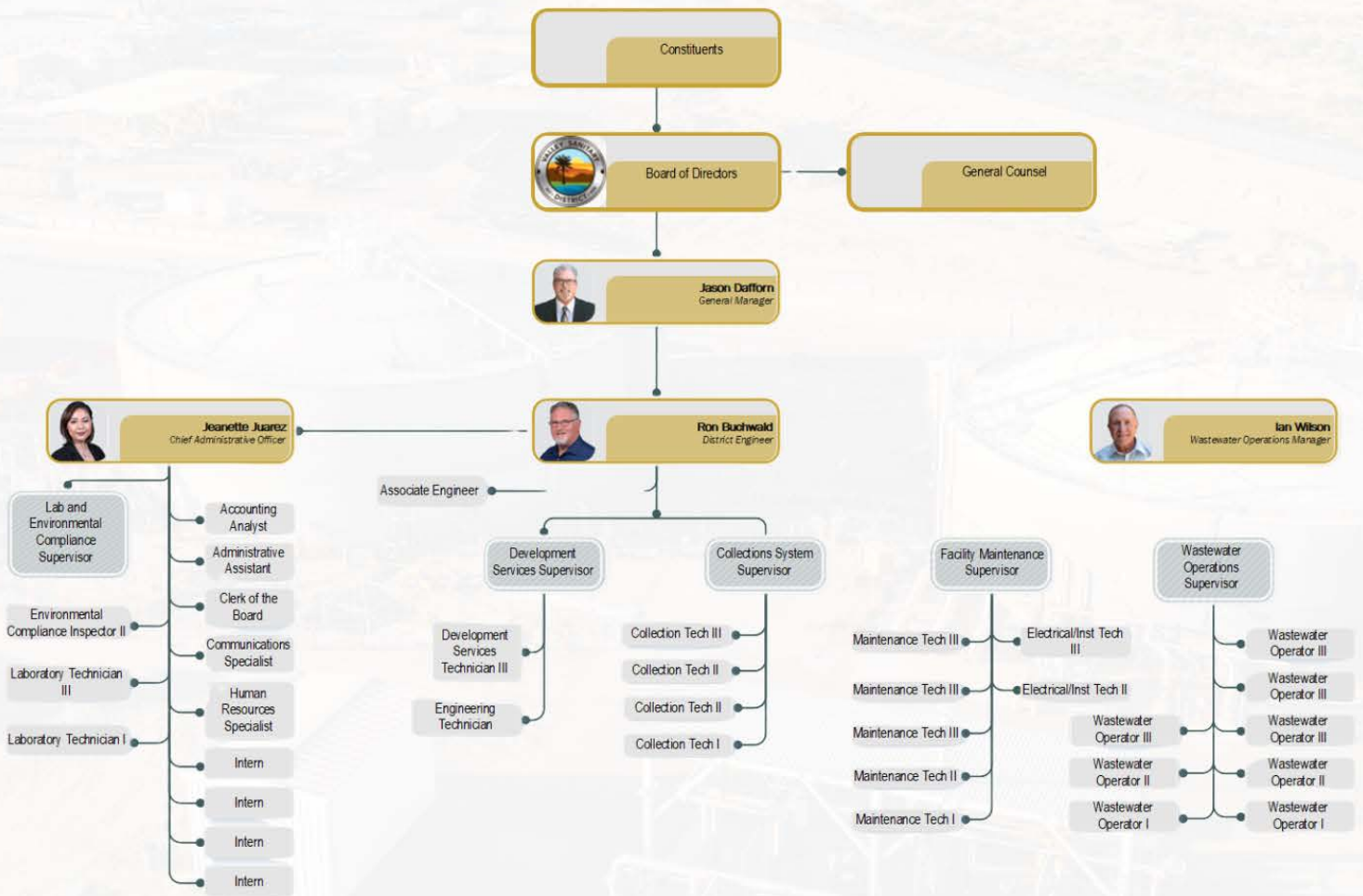
We also wish to express our gratitude to the Board of Directors for their continued leadership and support in guiding the planning, implementation, and oversight of the District's fiscal policies and strategic initiatives. Their vision and direction are instrumental in ensuring the District's ongoing success and financial integrity.

Respectfully submitted,

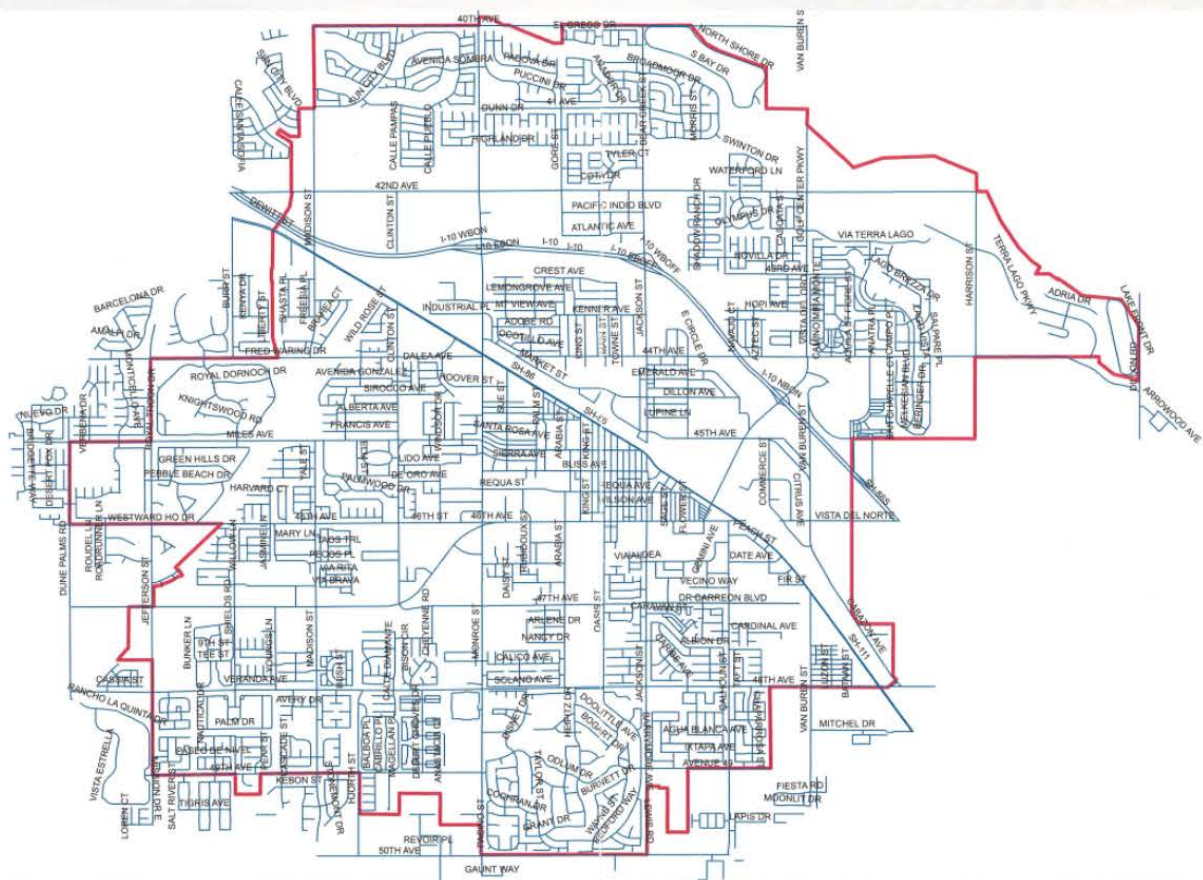


Jeanette Juarez
Chief Administrative Officer

Org Chart



Service Area



Board of Directors

BOARD OF DIRECTORS



Gerardo R. Jimenez
Director



Edgar Santana
Secretary/Treasurer



Debra Canero
President



Mike Duran
Vice President



Ruben Vasquez
Director

SENIOR STAFF

Jason Dafforn
General Manager

Jeanette Juarez
Chief Administrative
Officer

Ron Buchwald
District Engineer

Ian Wilson
Wastewater
Operations Manager

VALLEY SANITARY'S 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.



Government Finance Officers Association

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Presented to

**Valley Sanitary District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION

VALLEY SANITARY DISTRICT

Indio, California

Annual Comprehensive Financial Report

Year ended June 30, 2025

**Prepared by:
Administration and Finance Department**

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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2025, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No.101, Compensated Absences, for the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

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, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025 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 October 31, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
October 31, 2025

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Valley Sanitary District

Management's Discussion and Analysis

(Required Supplementary Information) (Unaudited)

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, 2025. 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

- **Net Position**

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$153.2 million as of June 30, 2025. Of this amount, \$63.7 million represents unrestricted net position, available to meet the District's ongoing obligations to citizens and creditors.

- **Change in Net Position**

The District's total net position increased by \$20.9 million (15.8%), from \$132.3 million to \$153.2 million. This increase was primarily driven by higher sewer service revenues, consistent with the multi-year rate increase schedule adopted under Proposition 218 during fiscal year 2020/21. The rate adjustments, continuing through fiscal year 2025/26, were implemented to fund essential capital improvement projects, as well as the repair and rehabilitation of the District's collection system infrastructure and equipment.

Additionally, connection fee revenue increased by \$1.4 million due to the permitting of a new 180-unit apartment complex on Avenue 44. Growth in capital assets also contributed to the increase, reflecting new additions and construction-in-progress activities.

- **Current Assets**

Current assets decreased by \$11.4 million (11.36%) for the year ended June 30, 2025. The decline primarily reflects a reduction in investment income and escrow account balances related to the Bank of America loan for the Recycled Water Project Phase I. Balances in this escrow account decreased from \$30.4 million to \$12.5 million due to drawdowns used to fund construction expenditures for the project.

- **Noncurrent Assets**

Noncurrent assets increased by \$29.1 million (24.1%) as of June 30, 2025. The growth reflects the addition of 11 new capital assets, including sewage pumps, aerators, two Ford F-150 Lightnings, computer systems, and rehabilitation projects. Major construction-in-progress efforts include the Recycled Water Project Phase I and the Collection System Repair/Rehabilitation/Replacement Program.

- **Liabilities**

The District's total liabilities decreased by \$3.3 million (3.6%), primarily due to reductions in loans payable related to the Recycled Water Project Phase I and a decline in net pension liabilities.

The Recycled Water Project Phase I is a significant infrastructure improvement that replaces an aging grit chamber, adds redundancy with a second digester, expands the bar screens, and includes the addition of a sludge thickener unit. This project supports compliance with anticipated regulatory requirements and enhances the District's capacity for tertiary treatment and recycled water production. The total project loan of \$71 million carries an interest rate of 2.75%, with installment payments beginning December 1, 2022, and continuing through June 1, 2042.

Valley Sanitary District

Management's Discussion and Analysis (Continued)

(Required Supplementary Information) (Unaudited)

As of the 2023 actuarial valuation, the District's Unfunded Accrued Liability (UAL) totaled \$2.1 million, with an estimated interest rate of 7.389%. In September 2023, the Board approved a new five-year repayment plan, with the first payment commencing July 1, 2024.

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 custodial 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 25 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 27-49 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 51 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 60 of this report.

Valley Sanitary District

Management's Discussion and Analysis (Continued)

(Required Supplementary Information) (Unaudited)

Financial Analysis

As noted earlier, net position serves as a key indicator of a government's overall financial health and stability over time. For the Valley Sanitary District (District), the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$153.2 million as of June 30, 2025. This represents a continued strengthening of the District's financial position.

The largest portion of the District's net position (54.3%) reflects its investment in capital assets, including land, buildings, machinery, and equipment net of any outstanding debt used to acquire those assets. These capital assets are essential to the District's operations and its ability to deliver reliable wastewater collection and treatment services to the community. Because these assets are dedicated to providing public services, they are not available for future spending. Furthermore, while the investment in capital assets is presented net of related debt, the resources required to service this debt must be generated from other funding sources, as the capital assets themselves cannot be liquidated to meet those obligations.

Valley Sanitary District
Management's Discussion and Analysis (Continued)
(Required Supplementary Information) (Unaudited)

DISTRICT'S NET POSITION

As of June 30, 2025, the District reported positive balances in all three (3) categories of net position, net investment in capital assets, restricted, and unrestricted, consistent with the prior fiscal year. This reflects prudent financial management, strategic investment in infrastructure, and a continued commitment to maintaining long-term fiscal sustainability.

Table I
Valley Sanitary District
Condensed Statement of Net Position
As of June 30, 2025

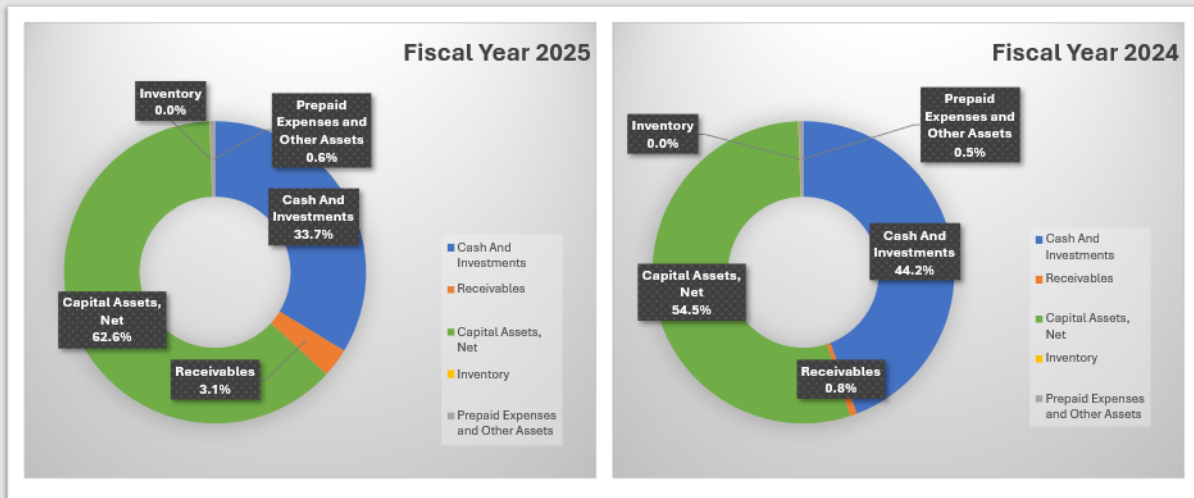
	<u>2025</u>	<u>2024</u>
Current Assets	\$ 88,924,836	\$ 100,330,006
Capital Assets	149,878,558	120,692,396
Noncurrent Assets	<u>611,928</u>	<u>611,928</u>
Total Assets	<u><u>239,415,322</u></u>	<u><u>221,634,330</u></u>
Deferred Outflows of Resources	<u><u>1,917,586</u></u>	<u><u>1,970,569</u></u>
Current Liabilities	10,321,214	9,260,838
Noncurrent Liabilities	<u>77,164,435</u>	<u>81,517,159</u>
Total Liabilities	<u><u>87,485,649</u></u>	<u><u>90,777,997</u></u>
Deferred Inflows of Resources	<u><u>617,373</u></u>	<u><u>514,007</u></u>
Net Position:		
Net Investment in Capital		
Assets	83,271,450	70,349,013
Restricted	6,201,101	5,141,510
Unrestricted	<u>63,757,335</u>	<u>56,822,372</u>
Total Net Position	<u><u>\$ 153,229,886</u></u>	<u><u>\$ 132,312,895</u></u>

Valley Sanitary District

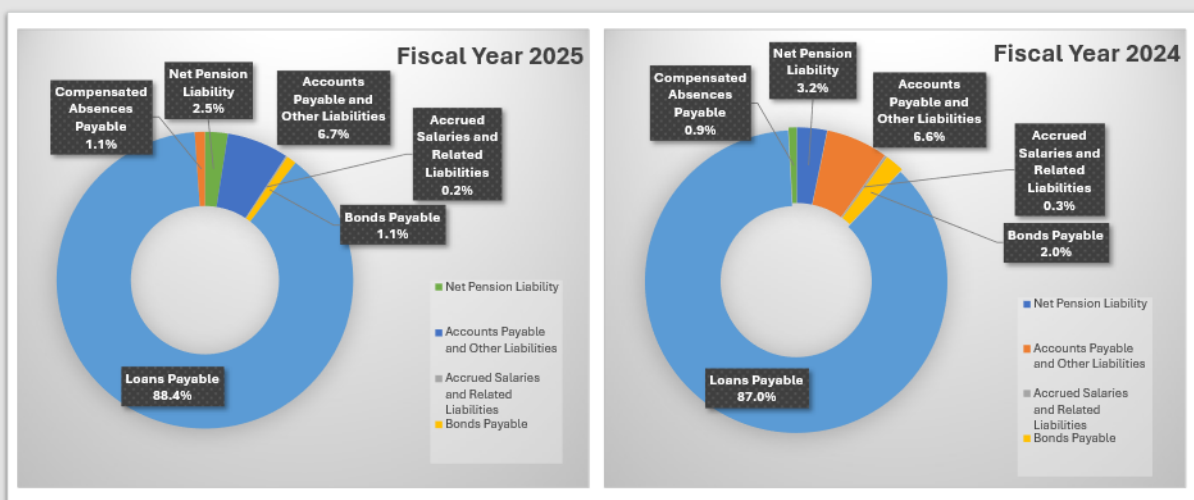
Management's Discussion and Analysis (Continued)

(Required Supplementary Information) (Unaudited)

DISTRICT ASSETS



DISTRICT LIABILITIES



Valley Sanitary District

Management's Discussion and Analysis (Continued)

(Required Supplementary Information) (Unaudited)

Changes in the District's Net Position

The District's net position increased by \$20.9 million, or 15.8%, for the fiscal year ended June 30, 2025. This growth reflects the District's continued financial stability and the successful implementation of planned revenue and capital strategies.

Revenue Overview

Total revenues increased by \$5.0 million, or 23.5%, during fiscal year 2024/25, primarily due to higher sewer service revenues and connection fees associated with new development activity.

As discussed in the Letter of Transmittal, the District implemented a multi-year rate increase schedule in fiscal year 2021/22, following a properly noticed public hearing process in accordance with Proposition 218. This rate schedule, which continues through fiscal year 2025/26, was designed to support the District's long-term Capital Improvement Program (CIP) by funding system repairs, rehabilitation, and infrastructure upgrades necessary to ensure reliable wastewater services.

In addition, connection fee revenue increased due to new development within the District's service area, including a 180-unit apartment complex permitted along Avenue 44 during fiscal year 2024/25. These new connections contribute both to near-term revenue growth and to long-term system sustainability by expanding the customer base.

Nonoperating Income

Nonoperating income declined during the fiscal year, primarily due to lower investment income. This reduction resulted from decreased investment balances, particularly within the escrow account established for the Bank of America loan financing the Recycled Water Project Phase I. The balance of this escrow account decreased from \$30.4 million to \$12.5 million, reflecting drawdowns to fund construction expenditures associated with the project's ongoing progress.

Valley Sanitary District
Management's Discussion and Analysis (Continued)
(Required Supplementary Information) (Unaudited)

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, 2025

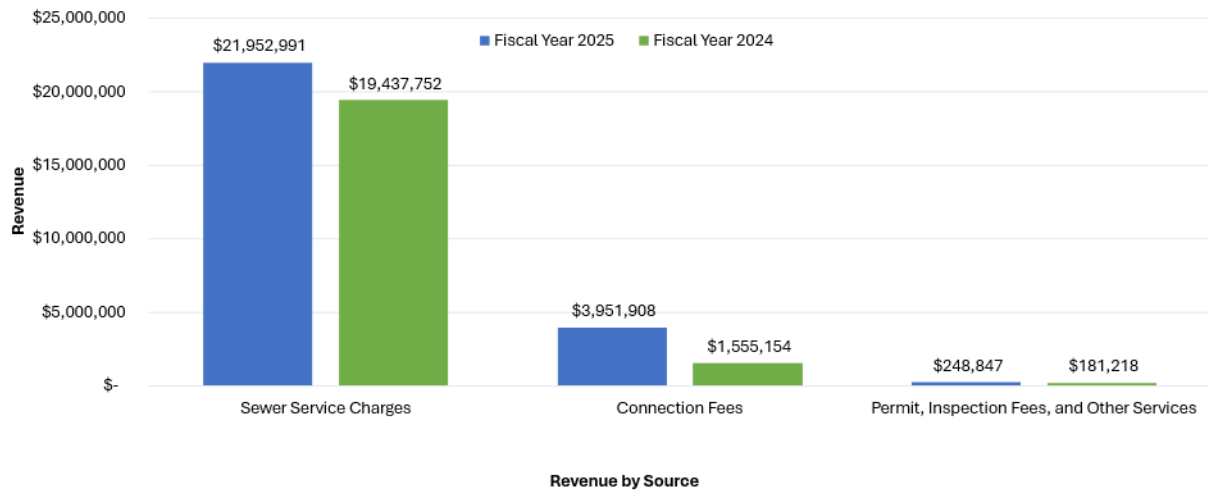
	<u>2025</u>	<u>2024</u>
Operating Revenues:		
Sewer Service Charges	\$ 21,952,991	\$ 19,437,752
Connection Fees	3,951,908	1,555,154
Permits & Inspections	37,830	27,060
Other Operating	211,017	154,158
Total Operating Revenues	<u>26,153,746</u>	<u>21,174,124</u>
Operating Expenses:		
Administrative	3,760,748	3,160,507
Sewage Collection	3,596,455	3,659,405
Sewage Treatment	3,914,500	4,006,245
Depreciation	3,301,638	2,903,205
Total Operating Expenses	<u>14,573,341</u>	<u>13,729,362</u>
Operating Income	<u>11,580,405</u>	<u>7,444,762</u>
Nonoperating Revenues (Expenses):		
Property Taxes	1,609,517	1,548,783
Homeowners' Tax Relief	6,571	6,703
Investment Income	4,235,344	4,978,594
Interest Expenses	(2,087,910)	(2,176,416)
Other Revenues	14,860	38,349
Gain (Loss) on Disposal of Assets	22,510	(424)
Total Nonoperating Revenues (Expenses)	<u>3,800,892</u>	<u>4,395,589</u>
Capital Contributions:		
Capital grants	<u>5,535,694</u>	<u>-</u>
Change in Net Position	20,916,991	11,840,351
Net Position:		
Beginning of Year	<u>132,312,895</u>	<u>120,472,544</u>
Ending Net Position	<u>\$ 153,229,886</u>	<u>\$ 132,312,895</u>

Valley Sanitary District

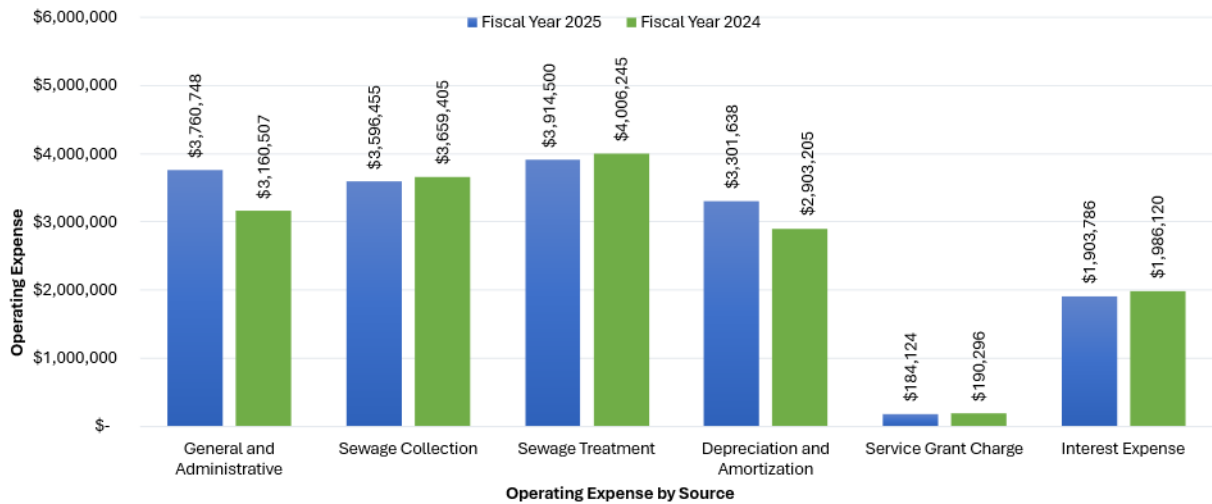
Management's Discussion and Analysis (Continued)

(Required Supplementary Information) (Unaudited)

OPERATING REVENUES FISCAL YEAR 2025 VS 2024



OPERATING EXPENSES FISCAL YEAR 2025 VS 2024



Valley Sanitary District

Management's Discussion and Analysis (Continued)

(Required Supplementary Information) (Unaudited)

Capital Asset Administration

As of June 30, 2025, the Valley Sanitary District's capital assets, net of accumulated depreciation, totaled \$149.9 million. These assets include land, buildings, system improvements, machinery, and equipment, all of which are essential to the District's ability to provide reliable wastewater collection and treatment services to its customers.

Capital Asset Activity

The increase in capital assets during the fiscal year is primarily attributable to the acquisition and addition of new equipment and infrastructure, including sewage pumps, aerators, two (2) Ford F-150 Lightnings, new computer systems, and several rehabilitation projects. In addition, significant construction-in-progress (CIP) activity continued throughout the year, particularly related to major system expansion and improvement projects such as the Recycled Water Project Phase I and the Collection System Repairs / Rehabilitation / Replacement Program.

Major Capital Projects

Key capital asset events and projects undertaken during the fiscal year ended June 30, 2025, include the following:

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

DISTRICT'S CAPITAL ASSETS

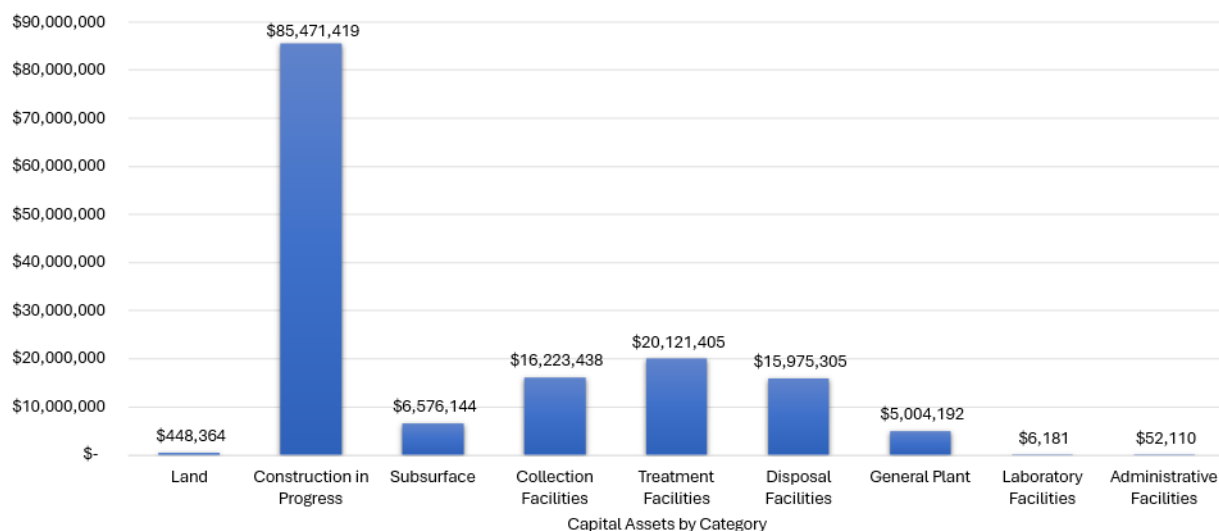
Table III
Valley Sanitary District
Capital Assets Net of Accumulated Depreciation
As of June 30, 2025

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Land	\$ 448,364	\$ 448,364
Construction in progress	85,471,419	54,173,667
Subsurface	6,576,144	6,838,956
Collection facilities	16,223,438	16,282,632
Treatment facilities	20,121,405	20,932,252
Disposal facilities	15,975,305	16,571,406
General plant	5,004,192	5,389,560
Laboratory facilities	6,181	12,767
Admin facilities	52,110	42,792
Total	<u>\$ 149,878,558</u>	<u>\$ 120,692,396</u>

Valley Sanitary District

Management's Discussion and Analysis (Continued)

(Required Supplementary Information) (Unaudited)



CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION FISCAL YEAR 2025

Additional information on the District's capital assets can be found on page 35, Note 5, of this report.

Long-term Debt Administration

At the end of June 30, 2025, the District had total long-term debt of \$78.3 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.

Valley Sanitary District

Management's Discussion and Analysis (Continued)

(Required Supplementary Information) (Unaudited)

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, 2025

	2025	2024
Revenue refunding bond	\$ 845,000	\$ 1,650,000
Bond premium	100,512	192,649
Banc of America Co	66,905,759	68,178,148
CWSRF loan	10,461,558	10,830,795
Total	<u>\$ 78,312,829</u>	<u>\$ 80,851,592</u>

Additional information on the District's long-term debt can be found on page 36, Note 8, of this report.

Economic Factors

The City of Indio continues to experience vibrant economic growth and revitalization, supported by both public and private investment. Significant projects are enhancing community amenities and driving regional development, positively influencing the Valley Sanitary District's (District) service area and financial outlook.

Local Economic Development

Indio's transformation includes major public infrastructure and community improvements, such as the development of a new Civic Center Campus, a modern library, and a public plaza designed to foster civic engagement and community gatherings. The Lights at Indio Golf Course—the Coachella Valley's only night-lit golf course—has expanded its amenities with a new clubhouse, featuring dining and retail options.

Residential development remains robust. Projects such as Skyline, a 64-unit apartment complex featuring 5,000 square feet of ground-floor retail and office space in Downtown Indio, and Desert Retreat, a 55+ community in North Indio that will add 1,500 homes by 2026, demonstrate the city's growing housing demand.

Valley Sanitary District

Management's Discussion and Analysis (Continued)

(Required Supplementary Information) (Unaudited)

Commercial Growth and Business Investment

The City continues to attract both national and local enterprises. Recent openings include Raising Cane's, EoS Fitness, In-N-Out Burger, and Dutch Bros, reflecting strong consumer and investor confidence. Local ventures are also flourishing—Indio Brewing has opened in north Indio, and The Place, a 15,000-square-foot featuring a food hall, climbing wall, vendor spaces, and a cannabis dispensary, underscores the area's diverse and dynamic business environment.

Commitment to Sustainable Growth

City leaders are advancing long-term, sustainable development strategies through initiatives such as the Beautification Grant Program, which offers up to \$50,000 to businesses along Highway 111 and Downtown Indio for exterior improvements. Additionally, the City is strategically acquiring properties for lease or sale as part of its workforce development strategy, designed to stimulate job creation and enhance economic vitality.

Impact on the District

The City's ongoing economic expansion directly benefits the District by increasing connection fee revenues from new developments and changes in property use. For Fiscal Year 2025/26, the District anticipates collecting approximately \$1.1 million in connection fees, reflecting steady development activity and a continued influx of new customers.

The five-year Sewer Use Charge (SUC) program, implemented in FY 2021/22, remains in effect through June 2026. In its final year, FY 2025/26, SUC revenue is projected to reach \$21.7 million, an increase of \$1.3 million (6.5%) over the prior year. This growth reflects both the final approved rate adjustment and additional system connections. The SUC revenues are critical for sustaining high-quality service levels, advancing priority infrastructure projects identified in the District's 20-Year Master Plan, and meeting ongoing debt service obligations.

Fiscal Year 2024/25 Performance

In fiscal year 2024/25, the District exceeded revenue projections by \$3.3 million, primarily due to higher-than-expected SUC revenues, interest earnings, and connection fees driven by increased building permit activity. The SUC is structured with a 70% fixed charge per Equivalent Dwelling Unit (EDU) and a 30% volumetric charge based on water consumption by customer class, ensuring equitable cost recovery across the service area.

Additionally, the District's \$71 million loan from Bank of America, secured in May 2022 to finance Phase I of the Recycled Water Project, continues to support critical infrastructure development. Loan proceeds are held in an interest-bearing escrow account, which benefited from solid market returns, contributing to the District's overall revenue surplus during the fiscal year.

Next Years Budget

The Fiscal Year 2025/26 Budget reflects the District's continued commitment to financial sustainability, operational efficiency, and environmental stewardship. The comprehensive and strategically balanced budget ensures transparency while funding essential services that protect public health and the communities the District serves.

For Fiscal Year 2025/26, the operating budget is \$22,577,813, and the capital budget totals \$22,829,494.

Valley Sanitary District

Management's Discussion and Analysis (Continued)

(Required Supplementary Information) (Unaudited)

Operating Budget

The operating budget provides the necessary resources to sustain the District's day-to-day operations. This includes funding for personnel expenses, California Public Employees' Retirement System (CalPERS) contributions, Unfunded Accrued Liability (UAL) payments, debt service, insurance premiums, and other administrative and operational overhead costs. The budget ensures that core services remain efficient, compliant with regulatory standards, and responsive to community needs.

Capital Budget

The capital budget supports the District's ongoing Capital Improvement Program (CIP), which advances critical infrastructure and modernization initiatives. For FY 2025/26, a total of 29 capital projects have been proposed. Major planned projects include:

Recycled Water Project Phase I (Construction)

This multi-year project continues with the replacement of the aging and capacity-restricting grit chamber, a critical component of the wastewater treatment process. The project will also add a second digester to provide operational redundancy, expand the bar screens, and include installation of a biofilter, a sludge holding tank, and a sludge thickener. These improvements will enhance treatment efficiency, reliability, and regulatory compliance, positioning the District for future recycled water production.

Recycled Water Project Phase II (Design)

The next phase of the recycled water program focuses on preliminary design and planning efforts to expand sustainable water reuse opportunities. The project includes the development of a Recycled Water Use Plan for the Valley Sanitary District (VSD) to evaluate the feasibility and efficiency of constructing a 1 million-gallon-per-day (MGD) tertiary water treatment facility. The project's goal is to produce and deliver recycled water to Eagle Falls Golf Course, further advancing the District's long-term water sustainability strategy.

Emergency Sewer Siphon Replacement (Construction)

This project will replace the sewer siphon crossing the Coachella Stormwater Channel at Westward Ho Drive, which was damaged and exposed during the February 14, 2019 flooding event. The existing siphon is only minimally buried and remains vulnerable to future storm damage. The new siphon will be constructed below the scour depth of the channel, ensuring long-term protection of the sewer main and continued service reliability during future flood events.

Biosolids Conversion Project (Design)

This project will explore innovative solutions for biosolids management through the design of a biosolids conversion system. The initiative seeks to convert biosolids into a fertilizer suitable for agricultural use, in collaboration with Lystek, a company specializing in biosolids-to-fertilizer technologies. As traditional land application of biosolids becomes increasingly constrained, the District aims to evaluate whether this conversion process can offer a cost-effective, sustainable, and revenue-generating alternative for biosolids reuse.

These investments are guided by the District's 20-Year Master Plan and are integral to maintaining the long-term reliability and resiliency of its wastewater infrastructure.

**Valley Sanitary District
Management's Discussion and Analysis (Continued)
(Required Supplementary Information) (Unaudited)**

Requests for Information

This financial report is intended to provide residents, customers, and creditors with a clear and comprehensive overview of the Valley Sanitary District's financial condition and performance. It demonstrates the District's ongoing accountability and commitment to transparency in managing public resources.

Questions or requests for additional financial information may be directed to:

General Manager
Valley Sanitary District
45500 Van Buren Street
Indio, California 92201
Phone: (760) 238-5400

DIGESTERS



Digesters process sewage sludge collected from the primary and secondary clarifiers.

- Fermentation is used to break down organic matter by maintaining a 98.5-degree temperature.
- Biogas can be used to generate electricity and heat.



BASIC FINANCIAL STATEMENTS

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VALLEY SANITARY DISTRICT
Statement of Net Position
June 30, 2025
(with comparative totals for June 30, 2024)

	2025	2024
Assets		
Current assets:		
Cash and investments (note 3)	\$ 80,635,097	98,012,033
Accounts receivable, net (note 4)	1,347,800	860,237
Grant receivable	5,421,022	133,549
Interest receivable	691,710	705,857
Inventories of materials	112,169	110,256
Prepaid items	717,038	508,074
Total current assets	<u>88,924,836</u>	<u>100,330,006</u>
Noncurrent assets:		
Capital assets, not being depreciated (note 5)	85,919,783	54,622,031
Capital assets, being depreciated (note 5)	63,958,775	66,070,365
Investment in joint venture (note 6)	611,928	611,928
Total noncurrent assets	<u>150,490,486</u>	<u>121,304,324</u>
Total assets	<u>239,415,322</u>	<u>221,634,330</u>
Deferred outflows of resources		
Deferred loss on refunding, net	38,384	80,261
Deferred outflows of resources related to pensions (note 10)	1,438,173	1,429,607
Deferred outflows of resources related to OPEB (note 11)	441,029	460,701
Total deferred outflows of resources	<u>1,917,586</u>	<u>1,970,569</u>
Liabilities		
Current liabilities:		
Accounts payable	1,738,272	3,254,964
Accrued expenses	4,139,300	2,736,275
Accrued payroll and related liabilities	148,121	228,533
Interest payable	3,521	6,875
Compensated absences, due within one year (note 7)	604,002	487,053
Bonds payable, due within one year (note 8)	945,512	905,512
Loans payable, due within one year (note 8)	2,742,486	1,641,626
Total current liabilities	<u>10,321,214</u>	<u>9,260,838</u>
Noncurrent liabilities:		
Compensated absences, due in more than one year (note 7)	359,107	292,155
Bonds payable, due in more than one year (note 8)	-	937,137
Loans payable, due in more than one year (note 8)	74,624,831	77,367,317
Net pension liabilities (note 10)	1,753,670	2,450,365
Net OPEB liabilities (note 11)	426,827	470,185
Total noncurrent liabilities	<u>77,164,435</u>	<u>81,517,159</u>
Total liabilities	<u>87,485,649</u>	<u>90,777,997</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions (note 10)	555,554	449,758
Deferred inflows of resources related to OPEB (note 11)	61,819	64,249
Total deferred inflows of resources	<u>617,373</u>	<u>514,007</u>
Net Position		
Net investment in capital assets	83,271,450	70,349,013
Restricted for debt service	6,201,101	5,141,510
Unrestricted	63,757,335	56,822,372
Total net position	<u>\$ 153,229,886</u>	<u>132,312,895</u>

VALLEY SANITARY DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
Operating Revenues:		
Sewer service charges	\$ 21,952,991	19,437,752
Connection fees	3,951,908	1,555,154
Permit and inspection fees	37,830	27,060
Other services	211,017	154,158
Total operating revenues	<u>26,153,746</u>	<u>21,174,124</u>
Operating Expenses:		
General and administrative	3,760,748	3,160,507
Sewage collection	3,596,455	3,659,405
Sewage treatment	3,914,500	4,006,245
Depreciation	3,301,638	2,903,205
Total operating expenses	<u>14,573,341</u>	<u>13,729,362</u>
Operating Income	<u>11,580,405</u>	<u>7,444,762</u>
Nonoperating Revenues (Expenses):		
Property taxes	1,609,517	1,548,783
Homeowners' tax relief	6,571	6,703
Investment income	4,235,344	4,978,594
Interest expenses	(2,087,910)	(2,176,416)
Other revenues	14,860	38,349
Gain (Loss) on disposal of assets	22,510	(424)
Total nonoperating revenues (expenses)	<u>3,800,892</u>	<u>4,395,589</u>
Capital Contributions:		
Capital grants	<u>5,535,694</u>	<u>-</u>
Change in net position	20,916,991	11,840,351
Net Position:		
Beginning of year	<u>132,312,895</u>	<u>120,472,544</u>
End of year	<u>\$ 153,229,886</u>	<u>132,312,895</u>

VALLEY SANITARY DISTRICT
Statement of Cash Flows
For the year ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 25,666,183	21,145,546
Cash payments to suppliers and vendors for goods and services	(5,220,274)	(10,531,203)
Cash payments to employees for services	<u>(6,883,205)</u>	<u>(5,966,178)</u>
Net cash provided by operating activities	<u>13,562,704</u>	<u>4,648,165</u>
Cash flows from noncapital financing activities:		
Property taxes	1,609,517	1,548,783
Homeowners' tax relief	<u>6,571</u>	<u>6,703</u>
Net cash provided by noncapital financing activities	<u>1,616,088</u>	<u>1,555,486</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(32,487,800)	(28,708,371)
Proceeds from sale of assets	22,510	25,011
Capital grants	248,221	-
Principal paid on bonds payable	(805,000)	(765,000)
Interest paid on bonds and loans payable	(2,141,524)	(2,238,239)
Principal paid on loans payable	<u>(1,641,626)</u>	<u>(2,264,621)</u>
Net cash (used in) capital and related financing activities	<u>(36,805,219)</u>	<u>(33,951,220)</u>
Cash flows from investing activities:		
Interest received	<u>4,249,491</u>	<u>4,964,332</u>
Net cash provided by investing activities	<u>4,249,491</u>	<u>4,964,332</u>
Net increase in cash and cash equivalents	(17,376,936)	(22,783,237)
Cash and cash equivalents:		
Beginning of year	<u>98,012,033</u>	<u>120,795,270</u>
End of year	<u>\$ 80,635,097</u>	<u>98,012,033</u>

VALLEY SANITARY DISTRICT
Statement of Cash Flows (Continued)
For the year ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
Reconciliation of operating income to net cash provided by operating activities		
Net operating income	\$ 11,580,405	7,444,762
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,301,638	2,903,205
Other nonoperating revenues	14,860	38,349
Changes in operating assets and liabilities:		
Accounts receivable	(487,563)	104,971
Grant receivable	-	(133,549)
Inventories of materials	(1,913)	(24,713)
Prepaid items	(208,964)	(34,399)
Pension related deferred outflows of resources	(8,566)	570,752
OPEB related deferred outflows of resources	19,672	(17,181)
Accounts payable	(1,516,692)	(7,540,520)
Accrued expenses	1,403,025	1,495,124
Accrued payroll and related liabilities	(80,412)	46,549
Compensated absences	183,901	93,925
Net pension liabilities	(696,695)	(100,224)
Net OPEB liabilities	(43,358)	(42,407)
Pension related deferred inflows of resources	105,796	(150,169)
OPEB related deferred inflows of resources	(2,430)	(6,310)
Net cash provided by operating activities	<u>\$ 13,562,704</u>	<u>4,648,165</u>
Noncash items from capital and related financing activities:		
Amortization of deferred loss on refunding	\$ 41,877	41,877
Amortization of premium	<u>\$ (100,512)</u>	<u>(100,512)</u>

VALLEY SANITARY DISTRICT
Statement of Fiduciary Net Position
June 30, 2025

	<u>Custodial Fund</u>
Assets:	
Cash and investments (note 3)	\$ 890,539
Cash with fiscal agent (note 3)	667,146
Assessment receivable	13,990
Interest receivable	<u>9,557</u>
Total assets	<u>1,581,232</u>
 Net Position (restricted for another government)	 <u>\$ 1,581,232</u>

VALLEY SANITARY DISTRICT
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2025

	<u>Custodial Fund</u>
Additions:	
Special tax assessments	\$ 92,058
Interest income	<u>19,542</u>
Total additions	<u>111,600</u>
Deductions:	
Principal Payments	25,000
Administrative fees	<u>1,120</u>
Total deductions	<u>26,120</u>
Changes in net position	85,480
Net Position, beginning of year	<u>1,495,752</u>
Net Position, end of year	<u>\$ 1,581,232</u>

Valley Sanitary District
Notes to the Basic Financial Statements
Year ended June 30, 2025

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. 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.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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, 2025, 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.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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, 2025.

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.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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, 2025, cash and investments are classified in the accompanying statements of net position as follows:

	Business-Type		
	Activities	Fiduciary Fund	Total
Cash and investments	\$ 80,635,097	890,539	81,525,636
Cash and investments with fiscal agent	-	667,146	667,146
	<u>\$ 80,635,097</u>	<u>1,557,685</u>	<u>82,192,782</u>

At June 30, 2025, cash and investments consisted of the following:

Cash on hand	\$ 500
Demand deposits	3,328,773
Investments	<u>78,863,509</u>
Total cash and investments	<u>\$ 82,192,782</u>

Demand Deposits

At June 30, 2025, the carrying amount of cash deposit was \$3,328,773, 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.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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, 2025, the District had \$65,348,028 invested in LAIF. LAIF is reported at amortized costs, which approximates fair value.

CalTrust Medium Term Fund

As of June 30, 2025, the District had \$1,180,998 invested in CalTrust Medium Term Fund. CalTrust Medium Term Fund is reported at amortized costs, which approximates fair value.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

Note 3 – Cash and Investments (Continued)

Money Market Fund

As of June 30, 2025, the District had \$12,334,483 invested in money market funds, of which \$667,146 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, 2025, 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, 2025, the District had the following investments with the following ratings:

	Minimum Legal Rating	AAA	AA	Not Rated	Total
Local Agency Investment Fund	N/A	\$ -	\$ -	65,348,028	65,348,028
CalTrust Medium Trust Fund	N/A	-	1,180,998	-	1,180,998
Money market fund	N/A	-	-	11,667,337	11,667,337
Held by bond trustee:					
Money market fund	AAA	667,146	-	-	667,146
Total investments		<u>\$ 667,146</u>	<u>\$ 1,180,998</u>	<u>77,015,365</u>	<u>78,863,509</u>

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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, 2025, the accounts receivable were as follows:

Direct billing, connection fee and reimbursement receivables	\$ 808,432
Property taxes and sewer use receivable from County of Riverside	533,310
Workers' comp receivable	6,058
Total accounts receivables	<u>\$ 1,347,800</u>

Note 5 – Capital Assets

Summary of changes in capital assets for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Capital assets, not depreciated				
Land	\$ 448,364	-	-	448,364
Construction in progress	54,173,667	31,934,250	(636,498)	85,471,419
Total capital assets, not depreciated	54,622,031	31,934,250	(636,498)	85,919,783
Capital assets, being depreciated				
Subsurface	20,878,424	-	-	20,878,424
Sewage collection facilities	20,998,199	684,800	-	21,682,999
Wastewater treatment facilities	41,239,539	332,431	-	41,571,970
Sludge disposal facilities	24,625,834	-	-	24,625,834
General plant facilities	9,865,480	124,160	(48,808)	9,940,832
Laboratory facilities	46,719	-	-	46,719
Administrative facilities	189,830	48,657	(22,540)	215,947
Total capital assets, being depreciated	117,844,025	1,190,048	(71,348)	118,962,725
Less accumulated depreciation				
Subsurface	(13,986,605)	(315,675)	-	(14,302,280)
Sewage collection facilities	(4,770,813)	(688,748)	-	(5,459,561)
Wastewater treatment facilities	(20,307,014)	(1,143,551)	-	(21,450,565)
Sludge disposal facilities	(8,063,463)	(587,066)	-	(8,650,529)
General plant facilities	(4,450,889)	(534,559)	48,808	(4,936,640)
Laboratory facilities	(33,951)	(6,587)	-	(40,538)
Administrative facilities	(160,925)	(25,452)	22,540	(163,837)
Total accumulated depreciation	(51,773,660)	(3,301,638)	71,348	(55,003,950)
Total capital assets, being depreciated, net	66,070,365	(2,111,590)	-	63,958,775
Total capital assets, net	<u>\$ 120,692,396</u>	<u>29,822,660</u>	<u>(636,498)</u>	<u>149,878,558</u>

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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, 2025, the District did not make any contributions to the JPA. As of June 30, 2025, 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, 2025 is as follows:

Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
\$ 779,208	650,752	(466,851)	963,109	604,002	359,107

Note 8 – Long-term Debt

Summary of changes in long-term debt for the year ended June 30, 2025 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
2015 Wastewater Revenue Refunding Bonds	\$ 1,650,000	-	(805,000)	845,000	845,000	-
Bond Premium, net of amortization	192,649	-	(92,137)	100,512	100,512	-
State Water Resources Control Board Revolving Fund Loan	10,830,795	-	(369,237)	10,461,558	375,514	10,086,044
Bank of America loan	68,178,148	-	(1,272,389)	66,905,759	2,366,972	64,538,787
	<u>\$ 80,851,592</u>	<u>-</u>	<u>(2,538,763)</u>	<u>78,312,829</u>	<u>3,687,998</u>	<u>74,624,831</u>

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, 2025 was \$845,000.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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
2026	\$ 845,000	42,250	887,250
	\$ 845,000	42,250	887,250

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, 2025, the outstanding balance of the SWRCB revolving fund loan was \$10,461,558.

Future debt service requirements are as follows:

State Water Resources Control Board Revolving Fund Loan			
Year Ending June 30,	Principal	Interest	Total
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	401,708	151,653	553,361
2031-2035	2,113,326	653,478	2,766,804
2036-2040	2,299,170	467,632	2,766,802
2041-2045	2,501,361	265,444	2,766,805
2046-2049	1,605,198	45,633	1,650,831
	\$ 10,461,558	2,256,487	12,718,045

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, 2025 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

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

Note 8 – Long-term Debt (Continued)

2015 Wastewater Revenue Refunding Bonds). Net revenue and total debt service paid during the year ended June 30, 2025, were in the amount of \$15,254,916 and \$1,440,861 which resulted in ratio of 1059%.

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, 2025, the outstanding balance of the Bank of America loan was \$66,905,759.

Future debt service requirements are as follows:

Bank of America Loan			
Year Ending June 30,	Principal	Interest	Total
2026	\$ 2,366,972	919,954	3,286,926
2027	2,576,648	887,408	3,464,056
2028	3,686,912	851,979	4,538,891
2029	3,943,191	801,284	4,744,475
2030	3,990,682	747,066	4,737,748
2031-2035	20,673,427	2,898,279	23,571,706
2036-2040	20,924,123	1,461,057	22,385,180
2041-2042	8,743,804	183,718	8,927,522
	\$ 66,905,759	8,750,745	75,656,504

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, 2025, the outstanding balance of the bond was in the amount of \$3,080,000.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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, 2023 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, 2023 valuation date, the following employees were covered by the benefit terms:

	2023	
	Classic	PEPRA
Active employees	13	23
Transferred and terminated employees	19	17
Retired employees and beneficiaries	17	-
	<u>49</u>	<u>40</u>

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

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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, 2024, the active employee contribution rate for miscellaneous plan and PEPRA miscellaneous plan is 8.18% and 8.25% of annual pay, respectively, and the employer's contribution rate is 14.27% 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, 2023, valuations were rolled forward to determine the June 30, 2024 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 lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

¹The 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.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

Note 10 – Pension Plans (Continued)

Change of Assumption

There were no assumption changes in 2025. Effective with the June 30, 2023, valuation date (June 30, 2024 measurement date), the accounting discount rate did not change from 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%

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

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

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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, 2024, 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:

<u>Measurement Date</u>	<u>Plan's Aggregate Net Pension Liability/(Asset)</u>		
	<u>Discount Rate -1% (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>Discount Rate + 1% (7.90%)</u>
June 30, 2024	\$ 4,407,842	1,753,670	(431,105)

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:

	<u>Total Pension Liability</u>	<u>Increase (Decrease) Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Balance at: 6/30/23 (Valuation date)	\$ 18,708,367	16,258,001	2,450,366
Balance at: 6/30/24 (Measurement date)	19,669,224	17,915,554	1,753,670
Net changes during 2023-2024	<u>\$ (960,857)</u>	<u>(1,657,553)</u>	<u>696,696</u>

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.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

Note 10 – Pension Plans (Continued)

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

Measurement Date	
June 30, 2024	0.04900%
June 30, 2025	<u>0.03626%</u>
Change - Increase (Decrease)	<u>-0.01274%</u>

For the year ended June 30, 2025, the District recognized pension expense in the amount of \$336,008.

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, 2025, 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	\$ 151,621	(5,916)
Changes in Assumptions	45,073	-
Differences between Projected and Actual Investment Earnings	100,956	-
Differences between Employer's Contributions and Proportionate Share of Contributions	164,523	(293,875)
Change in Employer's Proportion	40,527	(255,763)
Pension Contributions Made Subsequent to Measurement Date	935,473	-
Total	<u>\$ 1,438,173</u>	<u>(555,554)</u>

Deferred outflows of resources related to pension resulting from District's contributions subsequent to the measurement date in the amount of \$935,473 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
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
2026	\$ (38,978)
2027	122,733
2028	(102,012)
2029	(34,597)
2030	-
Thereafter	-
Total	<u>\$ (52,854)</u>

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.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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	\$158.00 per month* for measurement period 2023-2024

*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	<u>45</u>

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.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

Note 11 – Other Postemployment Benefits (“OPEB”) (Continued)

Net OPEB Liability

The District’s 2025 net OPEB liability is measured as of June 30, 2024, 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, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Actuarial Cost Method
Inflation	2.50%
Payroll Growth	2.75%
Discount Rate	6.75%

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:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Gross Return</u>
All Equities	49.00%	7.250%
All Fixed Income	23.00%	4.250%
Real Estate Investment Trusts	20.00%	7.250%
All Commodities	3.00%	7.250%
Treasury Inflation Protected Securities (TIPS)	5.00%	3.000%
	<u>100.00%</u>	

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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)		
	Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2023 (measurement date)	\$ 817,793	347,608	470,185
Changes recognized for the measurement period:			
Service Cost	42,809	-	42,809
Interest on total OPEB liability	55,490	39,529	15,961
Difference between expected and actual experience	(4,280)	-	(4,280)
Employer contributions	-	97,963	(97,963)
Changes in assumptions	-	-	-
Administrative expenses	-	(115)	115
Benefit payments	(29,963)	(29,963)	-
Net change during measurement period 2023-2024	64,056	107,414	(43,358)
Balance at June 30, 2024 (measurement date)	<u>\$ 881,849</u>	<u>455,022</u>	<u>426,827</u>

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, 2024	\$ 552,410	426,827	346,128

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	\$ 320,066	426,827	557,735

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

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, 2025, the District recognized OPEB expense in the amount of \$109,049. At June 30, 2025 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	\$ 135,165	-
Changes of assumptions	268,504	-
Difference between expected and actual experience	32,191	(61,819)
Projected earnings on pension plan investments under/(in excess of) actual earnings	5,169	-
Total	<u>\$ 441,029</u>	<u>(61,819)</u>

Deferred outflows of resources related to OPEB resulting from District’s contributions subsequent to the measurement date in the amount of \$135,165 will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2026.

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
2026	\$ 35,370
2027	42,025
2028	30,878
2029	30,696
2030	33,450
Thereafter	71,626
Total	<u>\$ 244,045</u>

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, 2025, the District had insurance expenses in the amounts of \$453,372 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, 2025, 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.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2025

Note 13 – Commitments and Contingencies

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, 2025:

Projects:

Recycled Water Project Phase 1 (Amend #1 & #2)	\$ 7,000,000
Emergency Sewer Siphon Replacement Design	329,941
Emergency Sewer Siphon Replacement Const.	1,914,553
1 MGD Tertiary Water Treatment Project	1,500,000
Digester #2 Cleaning and Equipment Maintenance	600,000
New AC System for Laboratory	250,000
Cat 500KW Generator	400,000
	<u>\$ 11,994,494</u>



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, 2025

Last Ten Fiscal Years

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

Measurement date	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
District's proportion of the net pension liability	<u>0.02397%</u>	<u>0.02461%</u>	<u>0.02573%</u>	<u>0.02584%</u>	<u>0.02706%</u>
District's proportionate share of the net pension liability	<u>\$ 1,645,582</u>	<u>2,129,724</u>	<u>2,551,281</u>	<u>2,490,030</u>	<u>2,772,698</u>
District's covered payroll	<u>\$ 1,980,191</u>	<u>2,004,667</u>	<u>2,279,280</u>	<u>2,059,259</u>	<u>2,362,608</u>
District's proportionate share of the net pension liability as a percentage of covered payroll	<u>83.10%</u>	<u>106.24%</u>	<u>111.93%</u>	<u>129.92%</u>	<u>117.36%</u>
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	<u>81.08%</u>	<u>77.15%</u>	<u>77.13%</u>	<u>79.13%</u>	<u>78.86%</u>

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, 2025

Last Ten Fiscal Years

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

Measurement date	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
District's proportion of the net pension liability	<u>0.02366%</u>	<u>0.00822%</u>	<u>0.02208%</u>	<u>0.04900%</u>	<u>0.03626%</u>
District's proportionate share of the net pension liability	<u>2,574,246</u>	<u>444,605</u>	<u>2,550,589</u>	<u>2,450,365</u>	<u>1,753,670</u>
District's covered payroll	<u>2,427,580</u>	<u>2,768,913</u>	<u>3,010,687</u>	<u>3,377,894</u>	<u>3,807,925</u>
District's proportionate share of the net pension liability as a percentage of covered payroll	<u>106.04%</u>	<u>16.06%</u>	<u>84.72%</u>	<u>72.54%</u>	<u>46.05%</u>
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	<u>81.92%</u>	<u>81.92%</u>	<u>85.28%</u>	<u>86.90%</u>	<u>91.08%</u>

Valley Sanitary District
Required Supplementary Information
Schedule of Contributions - Pensions
Year ended June 30, 2025

Last Ten Fiscal Years

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

Fiscal year end	2015-16	2016-17	2017-18	2018-19	2019-20
Actuarially determined contribution ¹	\$ 203,392	303,301	323,626	814,982	716,153
Contribution in relation to the actuarially determined contribution ¹	(203,392)	(303,301)	(323,626)	(814,982)	(716,153)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll ²	<u>\$ 2,004,667</u>	<u>2,279,280</u>	<u>2,059,259</u>	<u>2,362,608</u>	<u>2,427,580</u>
Contributions as a percentage of covered payroll	<u>10.15%</u>	<u>13.31%</u>	<u>15.72%</u>	<u>34.50%</u>	<u>29.50%</u>

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.

There were no assumption changes in 2023 or 2024. 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. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

Valley Sanitary District
Required Supplementary Information
Schedule of Contributions - Pensions (Continued)
Year ended June 30, 2025

Last Ten Fiscal Years

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

Fiscal year end	2020-21	2021-22	2022-23	2023-24	2024-25
Actuarially determined contribution ¹	284,596	297,554	1,023,199	405,407	419,601
Contribution in relation to the actuarially determined contribution ¹	(284,596)	(297,554)	(1,023,199)	(405,407)	(419,601)
Contribution deficiency/(excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll ²	<u>2,768,913</u>	<u>3,010,687</u>	<u>3,377,894</u>	<u>3,807,925</u>	<u>3,882,825</u>
Contributions as a percentage of covered payroll	<u>10.28%</u>	<u>9.88%</u>	<u>30.29%</u>	<u>10.65%</u>	<u>10.81%</u>

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.

Changes of Assumptions: There were no assumption changes in 2023 or 2024. 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. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

Valley Sanitary District
Required Supplementary Information
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Year ended June 30, 2025

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
Total OPEB liability					
Service cost	\$ 8,775	9,016	9,264	24,584	25,260
Interest	15,962	17,288	18,677	52,317	56,183
Difference in benefit terms	-	-	116	(2,443)	(79,782)
Differences between expected and actual experience	-	-	34,873	-	-
Changes of assumption	-	-	435,621	-	23,088
Benefit payments	(5,921)	(6,158)	(7,126)	(41,586)	(57,074)
Net change in total OPEB liability	18,816	20,146	491,425	32,872	(32,325)
Total OPEB liability, beginning	226,723	245,539	265,685	757,110	789,982
Total OPEB liability, ending (a)	245,539	265,685	757,110	789,982	757,657
OPEB fiduciary net position					
Contributions - employer	21,565	27,960	14,136	41,586	115,209
Net investment income	9,580	8,919	8,063	5,055	45,868
Benefit payments	(5,921)	(6,158)	(7,126)	(41,586)	(57,074)
Administrative expense	(80)	(193)	(28)	(71)	(65)
Other	-	(15,583)	-	-	-
Net change in plan fiduciary net position	25,144	14,945	15,045	4,984	103,938
Plan fiduciary net position, beginning	90,344	115,488	130,433	145,478	150,462
Plan fiduciary net position, ending (b)	115,488	130,433	145,478	150,462	254,400
Plan net OPEB liability - ending (a) - (b)	\$ 130,051	135,252	611,632	639,520	503,257
Plan's fiduciary net position as a percentage of the total OPEB liability	47.03%	49.09%	19.21%	19.05%	33.58%
Covered payroll	\$ 2,279,280	2,059,259	2,362,608	2,427,580	2,768,913
Plan net OPEB liability as a percentage of covered payroll	5.71%	6.57%	25.89%	26.34%	18.18%

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 Changes in Net Other Postemployment Benefits Liability and Related Ratios (Continued)
Year ended June 30, 2025

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Measurement period	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
Total OPEB liability				
Service cost	25,260	\$ 21,362	21,949	42,809
Interest	56,183	49,985	50,872	55,490
Difference in benefit terms	(79,782)	(1,057)	-	-
Differences between expected and actual experience	-	-	15,974	(4,280)
Changes of assumption	23,088	-	16,383	-
Benefit payments	(57,074)	(54,583)	(60,749)	(29,963)
Net change in total OPEB liability	(32,325)	15,707	44,429	64,056
Total OPEB liability, beginning	789,982	757,657	773,364	817,793
Total OPEB liability, ending (a)	757,657	773,364	817,793	881,849
OPEB fiduciary net position				
Contributions - employer	115,209	98,117	128,696	97,963
Net investment income	45,868	(37,097)	18,966	39,529
Benefit payments	(57,074)	(54,583)	(60,749)	(29,963)
Administrative expense	(65)	(65)	(77)	(115)
Other	-	-	-	-
Net change in plan fiduciary net position	103,938	6,372	86,836	107,414
Plan fiduciary net position, beginning	150,462	254,400	260,772	347,608
Plan fiduciary net position, ending (b)	254,400	260,772	347,608	455,022
Plan net OPEB liability - ending (a) - (b)	503,257	\$ 512,592	470,185	426,827
Plan's fiduciary net position as a percentage of the total OPEB liability	33.58%	33.72%	42.51%	51.60%
Covered payroll	2,768,913	\$ 3,010,687	3,377,894	3,807,925
Plan net OPEB liability as a percentage of covered payroll	18.18%	17.03%	13.92%	11.21%

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, 2025

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Fiscal year end	2016-17 ¹	2017-18	2018-19	2019-20	2020-21
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)
Contribution deficiency/(excess)	<u>\$ (6,340)</u>	<u>(27,599)</u>	<u>(14,136)</u>	<u>(9,990)</u>	<u>(58,135)</u>
Covered payroll	<u>\$ 2,279,280</u>	<u>2,059,259</u>	<u>2,362,608</u>	<u>2,427,580</u>	<u>2,768,913</u>
Contributions as a percentage of covered payroll	<u>0.95%</u>	<u>1.34%</u>	<u>0.60%</u>	<u>0.41%</u>	<u>2.10%</u>

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, 2025.

Notes to Schedule:

Valuation date:

Methods and assumptions used to determine contribution rates:

Actuarial cost method:

Inflation:

Investment return/discount rate:

Healthcare cost trend:

Payroll increase:

Mortality:

Retirement rates:

June 30, 2023

Entry age actuarial cost method

2.50% per year

6.75% per year based on assumed long-term return on plan assets assuming 100% funding through CERBT. "Building Block Method" is used.

4.00% per year

2.75% per year

2021 CalPERS Mortality for Miscellaneous and Schools Employees

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

Valley Sanitary District
Required Supplementary Information
Schedule of Contributions - Other Postemployment Benefits (Continued)
For the year ended June 30, 2025

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Fiscal year end	2021-22	2022-23	2023-24	2024-25
Actuarially determined contribution ²	\$ -	-	-	-
Contribution in relation to the actuarially determined contribution ²	(43,534)	(67,947)	(97,963)	(135,165)
Contribution deficiency/(excess)	<u>\$ (43,534)</u>	<u>(67,947)</u>	<u>(97,963)</u>	<u>(135,165)</u>
Covered payroll	<u>\$ 3,010,687</u>	<u>3,377,894</u>	<u>3,807,925</u>	<u>3,882,825</u>
Contributions as a percentage of covered payroll	<u>1.45%</u>	<u>2.01%</u>	<u>2.57%</u>	<u>3.48%</u>

⁴ 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, 2025.

Notes to Schedule:

Valuation date:

Methods and assumptions used to determine contribution rates:

Actuarial cost method:

Inflation:

Investment return/discount rate:

Healthcare cost trend:

Payroll increase:

Mortality:

Retirement rates:

June 30, 2023

Entry age actuarial cost method

2.50% per year

6.75% per year based on assumed long-term return on plan assets assuming 100% funding through CERBT. "Building Block Method" is used.

4.00% per year

2.75% per year

2021 CalPERS Mortality for Miscellaneous and Schools Employees

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, 2025
(with comparative totals for the year ended June 30, 2024)

	General and Administrative	Sewage Collection	Sewage Treatment	Total	
				2025	2024
Salaries and wages	\$ 977,914	2,087,099	1,325,109	4,390,122	4,305,601
Employee benefits	430,807	627,657	407,971	1,466,435	1,800,316
Directors' fees	51,182	-	-	51,182	46,414
Insurance	453,372	-	-	453,372	404,700
Memberships	67,474	5,060	2,425	74,959	68,719
Office expenses	23,817	-	-	23,817	16,213
Permits	371	23,697	33,991	58,059	54,253
Operating supplies	54,778	51,827	75,779	182,384	157,440
Professional services	4,380	-	-	4,380	4,082
Repairs and maintenance	25,512	497,248	21,027	543,787	466,011
Travel and seminars	99,706	36,052	26,764	162,522	129,791
Utilities and telephone	33,905	14,166	1,004,025	1,052,096	1,125,651
Chemicals	-	-	495,246	495,246	602,643
Clothing	-	15,629	10,071	25,700	27,472
Certifications	-	6,212	3,244	9,456	8,202
Gas, oil and fuel	-	-	33,274	33,274	47,436
County charges	18,476	-	-	18,476	19,760
Contractual services	1,339,451	226,976	93,740	1,660,167	1,312,846
Publication/legal notices	1,919	-	-	1,919	1,062
Small tools	77,143	4,714	4,958	86,815	55,348
Grant expenses	-	-	372,872	372,872	133,549
Other expenses	100,541	118	4,004	104,663	38,648
Total	<u>\$ 3,760,748</u>	<u>3,596,455</u>	<u>3,914,500</u>	<u>11,271,703</u>	<u>10,826,157</u>



STATISTICAL SECTION

Valley Sanitary District
Statistical Section
(Unaudited)

This part of District's Annual Comprehensive Financial Report (ACFR) 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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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.

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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.

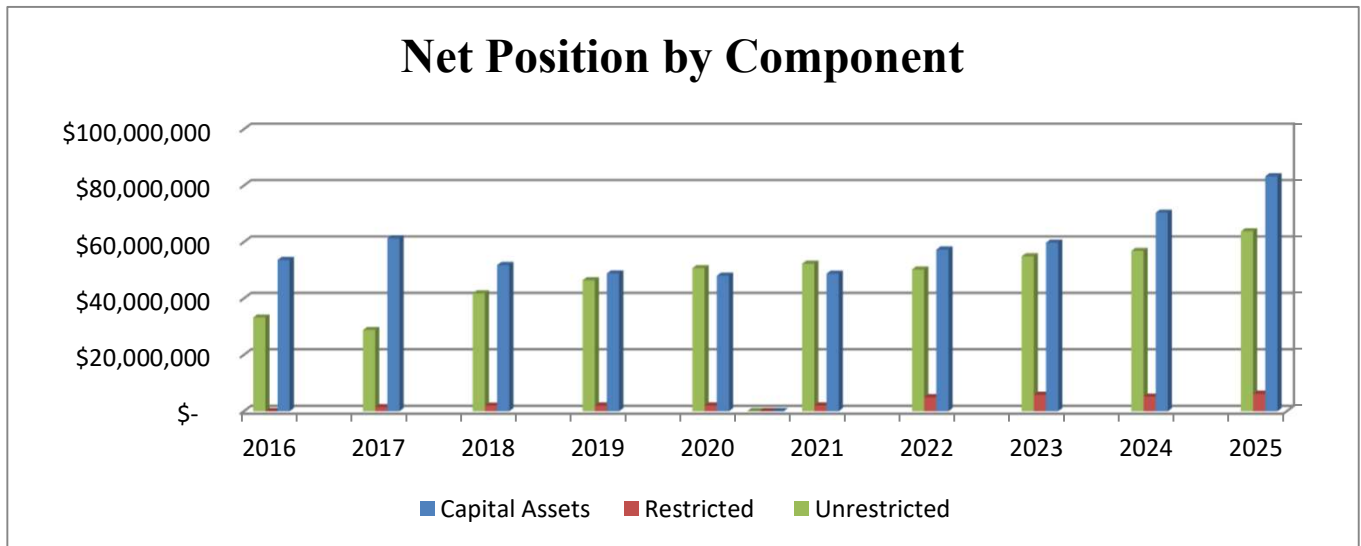
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Valley Sanitary District
Table of Net Position By Component
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2025	2024	2023	2022	2021
<u>NET POSITION:</u>					
Net investment in					
Capital Assets	\$ 83,271,450	\$ 70,349,013	\$ 59,752,362	\$ 57,312,137	\$ 48,752,135
Restricted	6,201,101	5,141,510	5,821,219	4,963,830	2,005,722
Unrestricted	63,757,335	56,822,372	54,898,963	50,199,513	52,284,298
TOTAL NET POSITION	\$ 153,229,886	\$ 132,312,895	\$ 120,472,544	\$ 112,475,480	\$ 103,042,155

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

	Fiscal Year Ended June 30				
	2020	2019	2018	2017	2016
	<u>As Restated</u>			<u>As Restated</u>	
<u>NET POSITION:</u>					
Net investment in					
Capital Assets	\$ 48,005,841	\$ 48,843,501	\$ 51,797,220	\$ 61,242,162	\$ 53,603,070
Restricted	2,005,722	2,005,722	1,958,648	1,413,000	-
Unrestricted	50,689,404	46,401,215	41,754,432	28,777,592	33,187,943
TOTAL NET POSITION	<u>\$ 100,700,967</u>	<u>\$ 97,250,438</u>	<u>\$ 95,510,300</u>	<u>\$ 91,432,754</u>	<u>\$ 86,791,013</u>

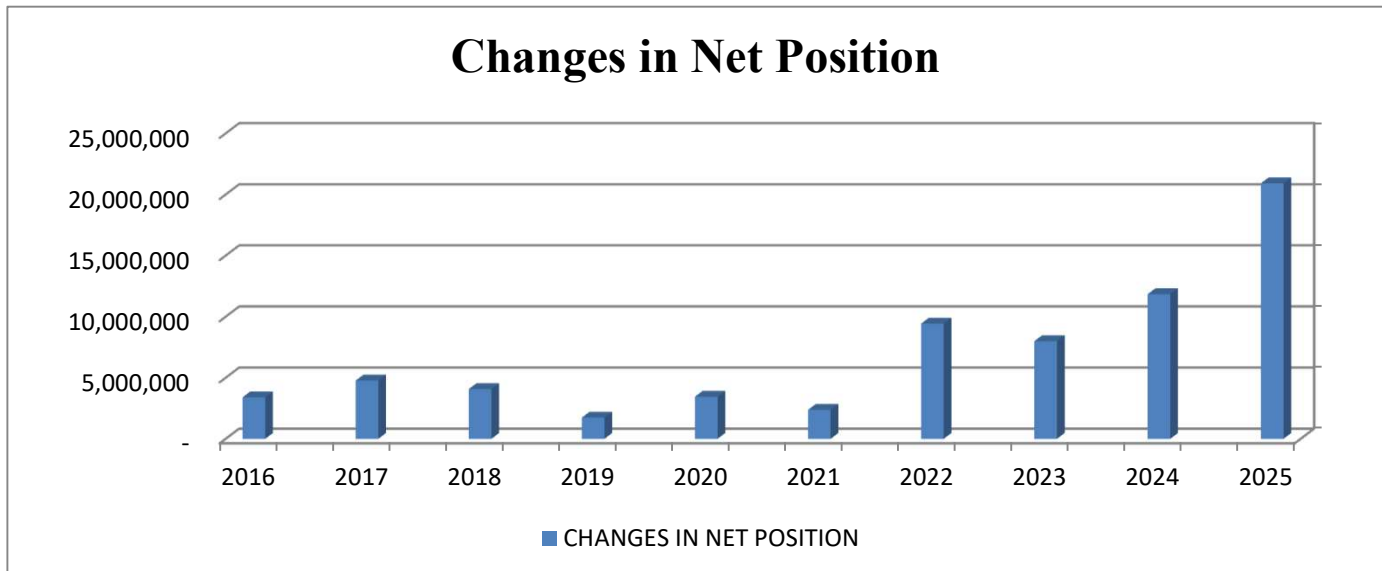


Valley Sanitary District
Statements of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
Changes in Net Position

	Fiscal Year Ended June 30				
	2025	2024	2023	2022	2021
OPERATING REVENUES:					
Sewer service charges	\$ 21,952,991	\$ 19,437,752	\$ 17,466,637	\$ 15,320,784	\$ 11,872,945
Connection fees	3,951,908	1,555,154	1,047,104	4,242,643	831,978
Permits and inspection fees	37,830	27,060	26,975	44,130	37,270
Other services	211,017	154,158	16,890	18,030	13,275
TOTAL OPERATING REVENUES	26,153,746	21,174,124	18,557,606	19,625,587	12,755,468
OPERATING EXPENSES:					
General and administrative	3,760,748	3,160,507	2,964,347	2,435,050	2,276,350
Sewage collection	3,596,455	3,659,405	3,741,393	2,679,819	3,255,445
Sewage treatment	3,914,500	4,006,245	3,709,410	2,837,714	3,091,942
Total administrative and plant	11,271,703	10,826,157	10,415,150	7,952,583	8,623,737
Other Operating Expenses					
Depreciation	3,301,638	2,903,205	2,563,658	2,534,328	2,466,329
TOTAL OPERATING EXPENSES	14,573,341	13,729,362	12,978,808	10,486,911	11,090,066
NET OPERATING INCOME	11,580,405	7,444,762	5,578,798	9,138,676	1,665,402
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	1,609,517	1,548,783	1,399,121	1,125,201	1,018,280
Homeowner's tax relief	6,571	6,703	7,023	6,668	5,669
Investment income	4,235,344	4,978,594	3,271,494	(606,284)	32,137
Bond issue cost	-	-	-	-	-
Interest expense	(1,903,786)	(1,986,120)	(2,126,849)	(110,823)	(353,399)
Service Grant Charge	(184,124)	(190,296)	(196,365)	(202,332)	-
Gain (loss) on disposed assets	22,510	(424)	21,032	17,908	(12,139)
Other revenues	14,860	38,349	42,810	64,311	18,017
TOTAL NON-OPERATING REVENUES (EXPENSES)	3,800,892	4,395,589	2,418,266	294,649	708,565
CHANGES IN NET POSITION	20,916,991	11,840,351	7,997,064	9,433,325	2,373,967
NET POSITION, beginning of the year	132,312,895	120,472,544	112,475,480	103,042,155	100,700,967
Restatement					(32,779)
NET POSITION, end of the year	\$ 153,229,886	\$ 132,312,895	\$ 120,472,544	\$ 112,475,480	\$ 103,042,155

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				
	2020	2019	2018	2017	2016
	<u>As Restated</u>			<u>As Restated</u>	
OPERATING REVENUES:					
Sewer service charges	\$ 11,198,100	\$ 11,139,580	\$ 11,004,428	\$ 10,846,682	\$ 9,347,928
Connection fees	832,348	1,010,031	1,272,580	791,280	1,446,315
Permits and inspection fees	21,225	25,390	17,885	22,442	21,735
Other services	13,640	10,950	10,139	11,300	7,495
TOTAL OPERATING REVENUES	12,065,313	12,185,951	12,305,032	11,671,704	10,823,473
OPERATING EXPENSES:					
General and administrative	2,270,072	2,089,490	1,652,714	1,297,345	1,744,274
Sewage collection	2,903,125	3,082,175	2,604,267	2,091,041	856,871
Sewage treatment	2,792,483	2,361,681	2,413,567	2,048,207	3,104,860
Total administrative and plant	7,965,680	7,533,346	6,670,548	5,436,593	5,706,005
Other Operating Expenses					
Depreciation	2,578,816	2,451,371	2,444,764	1,980,043	2,309,350
TOTAL OPERATING EXPENSES	10,544,496	9,984,717	9,115,312	7,416,636	8,015,355
NET OPERATING INCOME	1,520,817	2,201,234	3,189,720	4,255,068	2,808,118
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	902,875	862,297	794,367	761,756	709,233
Homeowner's tax relief	6,203	5,873	5,978	6,203	6,343
Investment income	1,143,026	1,193,840	479,862	170,869	142,649
Bond issue cost	-	-	-	-	-
Interest expense	(391,814)	(428,612)	(412,602)	(267,220)	(279,125)
Service Grant Charge	-	-	-	-	-
Gain (loss) on disposed assets	30,170	(2,120,122)	19,976	(160,033)	12,188
Other revenues	239,253	25,628	245	6,565	3,768
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,929,712	(461,096)	887,826	518,140	595,056
CHANGES IN NET POSITION	3,450,529	1,740,138	4,077,546	4,773,208	3,403,174
NET POSITION, beginning of the year	97,250,438	95,510,300	91,564,221	86,791,013	83,387,839
Restatement	-	-	(131,467)	-	-
NET POSITION, end of the year	\$ 100,700,967	\$ 97,250,438	\$ 95,510,300	\$ 91,564,221	\$ 86,791,013



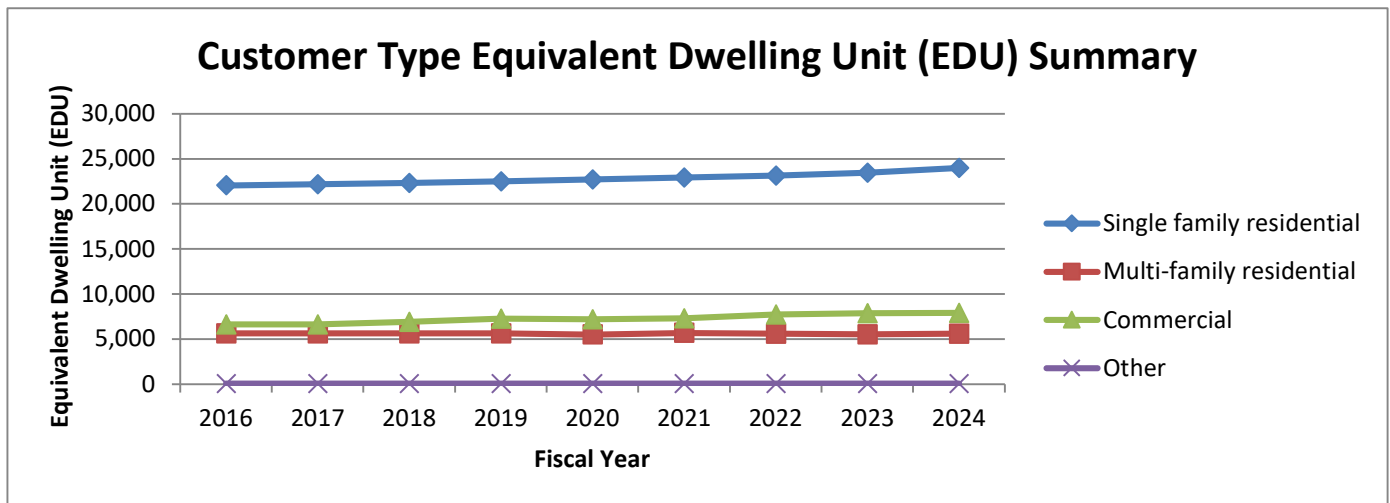
Valley Sanitary District

Customer Type Equivalent Dwelling Unit (EDU) Summary

Last Ten Fiscal Years

Customer Type	Fiscal Year Ended June 30									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Single family residential	24,114	24,005	23,473	23,142	22,908	22,704	22,516	22,321	22,180	22,061
Multi-family residential	6,059	5,599	5,532	5,612	5,685	5,521	5,613	5,623	5,635	5,643
Commercial	8,204	7,903	7,882	7,725	7,289	7,209	7,267	6,913	6,633	6,629
Other	71	71	70	67	67	67	67	66	63	62
Total	38,448	37,578	36,957	36,546	35,949	35,501	35,463	34,923	34,511	34,395

Source: Valley Sanitary District



Valley Sanitary District
Annual Sewer Use Fee
Last Ten Fiscal Years

Fixed Service Charge Per Equivalent

Dwelling Unit (EDU) (1)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Single Family Home	\$ 487.98	\$ 433.76	\$ 385.56	\$ 342.72	\$ 330.00	\$ 313.00	\$ 313.00	\$ 313.00	\$ 313.00	\$ 270.00
Multi Family Home	213.57	189.84	168.75	150.00	330.00	313.00	313.00	313.00	313.00	270.00
Mobile Home	258.11	229.43	203.94	181.28	330.00	313.00	313.00	313.00	313.00	270.00
RV Park	201.12	178.77	158.91	141.25	330.00	313.00	313.00	313.00	313.00	270.00
Commercial - Low/ Med Strength	283.39	251.90	223.91	199.03	330.00	313.00	313.00	313.00	313.00	270.00
Commercial - High Strength	862.27	768.24	682.88	607.00	330.00	313.00	313.00	313.00	313.00	270.00

Volumetric Rate \$ per Hundred

Cubic Feet (HCF) average winter water consumption (1)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Single Family Home	\$ 1.40	\$ 1.24	\$ 1.10	\$ 0.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Multi Family Home	1.40	1.24	1.10	0.98	-	-	-	-	-	-
Mobile Home	1.40	1.24	1.10	0.98	-	-	-	-	-	-

Volumetric Rate \$ per Hundred

Cubic Feet (HCF) annualized water consumption (1)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
RV Park	\$ 1.55	\$ 1.38	\$ 1.23	\$ 1.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial - Low/ Med Strength	1.25	1.11	0.99	0.88	-	-	-	-	-	-
Commercial - High Strength	2.85	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.

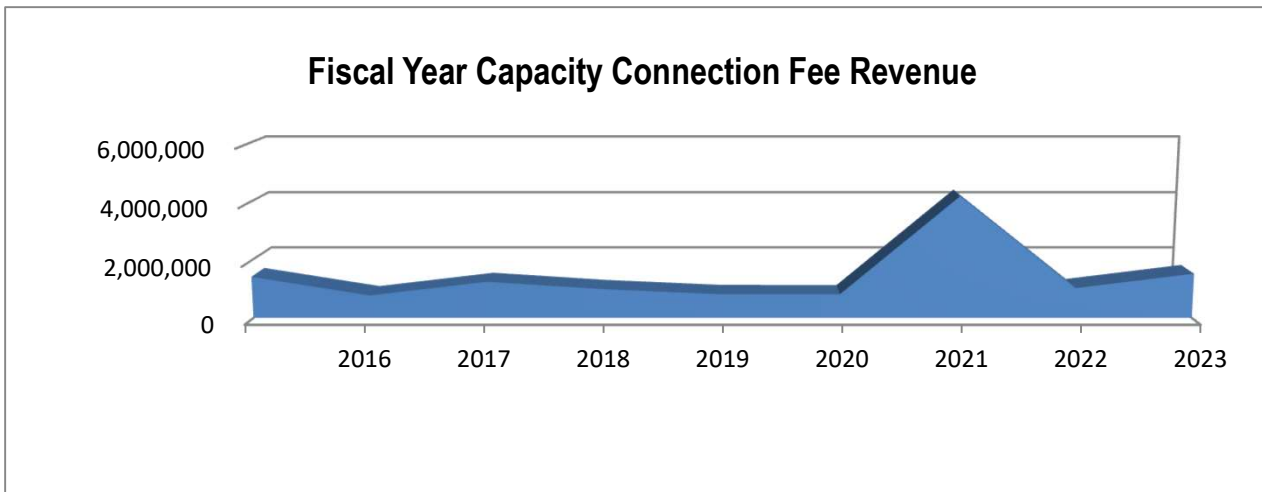
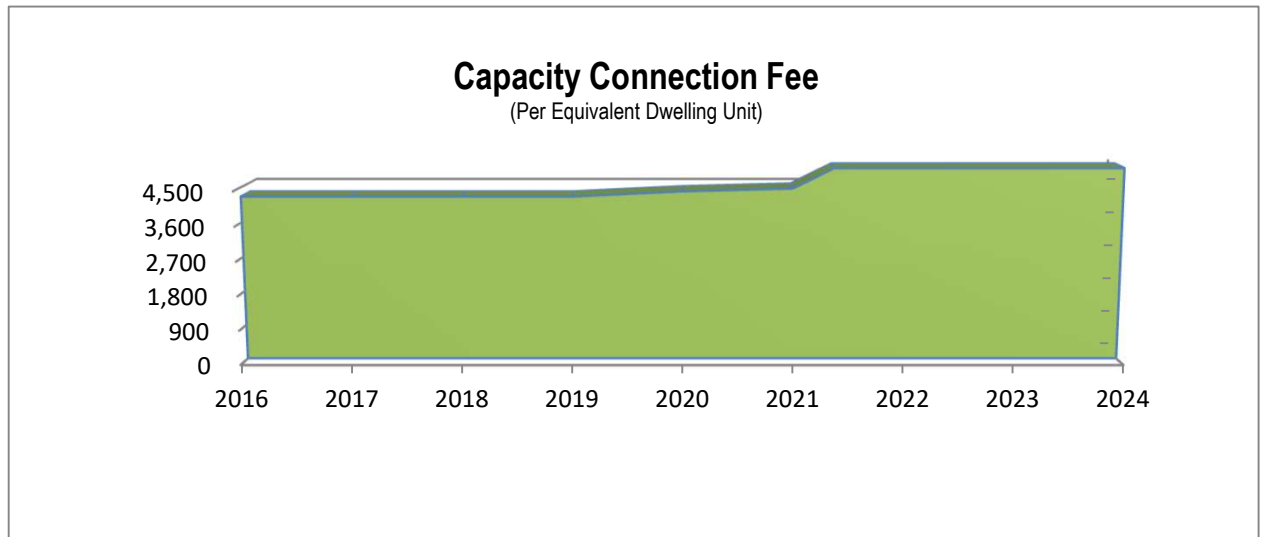
Valley Sanitary District

Capacity Connection Fee and Fiscal Year Revenue

Last Ten Fiscal Years

Fiscal Year Ended June 30	Fee / EDU		Revenue	
2025	\$	6,517	\$	3,951,908
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

Source: Valley Sanitary District



**Valley Sanitary District
Principal Users
Current Year and Nine Years Ago**

	Year Ended June 30			Year Ended June 30		
	2025			2016		
Principal Users	Amount Billed	Rank	Percent of District Total \$	Amount Billed	Rank	Percent of District Total \$
Forager Project Inc	\$ 719,510	1	3.28%	\$ -		0.00%
Desert Sands Unified School District	337,534	2	1.54%	217,890	1	2.33%
Fantasy Springs Casino	241,118	3	1.10%	76,680	4	0.82%
Sunrise Point Apartments	124,542	4	0.57%	73,440	5	0.79%
Smoketree Polo Club Apartments	104,348	5	0.48%	77,760	3	0.83%
The Wells Mobile Home Association	88,919	6	0.41%	81,000	2	0.87%
Arabian Gardens Mobile Estates	77,246	7	0.35%	50,220	9	0.54%
Pueblo Del Sol Mobile Home Park	73,405	8	0.33%	-	-	0.00%
City of Indio	69,645	9	0.32%	-	-	0.00%
Indio Palms Apartments	63,333	10	0.29%	59,940	7	0.64%
Casa Monroe Apartments	-		0.00%	61,020	6	0.65%
Del Mar Apartments	-		0.00%	50,760	8	0.54%
Bermuda Palms Mobile Estates	-		0.00%	49,950	10	0.53%
Total	\$ 1,899,600		8.67%	\$ 798,660		8.54%
District total customer charges	\$ 21,952,140			\$ 9,347,928		

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	
2025	\$ -	\$ 945,512	\$ 10,461,558	\$ 66,905,759	\$ 78,312,829	91,980	\$ 31,951	2.66%	851	
2024	-	1,842,649	10,830,795	68,178,148	80,851,592	90,974	28,771	3.09%	889	
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	

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)
2025	\$ 29,954,638	\$ 11,271,703	\$ 18,682,935	\$ 2,446,626	\$ 2,141,524	\$ 4,588,150	4
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

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**

Employer (1)	Fiscal Year Ended June 30			Fiscal Year Ended June 30		
	2025			2016		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Riverside	1,391	1	3.32%	1,242	1	3.49%
Fantasy Springs Casino	1,135	2	2.71%	1,016	2	2.85%
Desert Sands Unified School District	1,062	3	2.53%	886	3	2.49%
John F. Kennedy Memorial Hospital	625	4	1.49%	602	4	1.69%
Walmart Supercenter	399	5	0.95%	200	6	0.56%
City of Indio	254	6	0.61%	225	5	0.63%
Ralphs	151	7	0.36%	-	-	0.00%
Worldmark Indio Resort	146	8	0.35%	-	-	0.00%
Fiesta Forn Lincoln	143	9	0.34%	-	-	0.00%
Desert Springs Health Care & Wellness	138	10	0.33%	-	-	0.00%
Riverside Superior Court	-	-	0.00%	158	7	0.44%
Granite Construction	-	-	0.00%	-	-	0.00%
Super Target	-	-	0.00%	140	8	0.39%
Home Depot	-	-	0.00%	129	9	0.36%
Mathis Brothers	-	-	0.00%	118	10	0.33%
Indio Nursing and Rehab Center	-	-	0.00%	-	-	0.00%
Cardena's Market	-	-	0.00%	-	-	0.00%
Total Employment Listed	5,444		12.99%	4,716		13.23%
Total City Employment (1)	41,900			35,600		

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

Sources: (1) City Indio 2024 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
2025	29,451	72
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

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)
2025	90,967	37.80	2.97	\$ 76,431	\$ 35,241	6.80%
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%

Sources: (1) Home Town Locator
(2) City of Indio 2024 ACFR
(3) U.S. Bureau of Labor Statistics

Valley Sanitary District
Operating Indicators
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2025	2024	2023	2022	2021
Equivalent Dwelling Units (EDU)	38,448	37,578	36,957	36,546	35,949
Rainfall (inches) (1)	1.31	8.15	3.16	1.22	0.62
Flow (MGD) (2)	6.40	6.00	5.95	5.40	5.70
CBOD (mg/L)	214.00	291.00	270.00	281.10	280.10
CBOD (PE) (3)	66,654	85,593	78,792	74,468	78,326
Suspended solids (mg/L)	235.00	267.00	325.00	266.50	252.80
Suspended solids (PE) (4)	62,197	66,805	80,735	60,010	60,088
Tonnage of biosolids produced	584	714	1,109	1,181	1,278
Tonnage of biosolids applied to land	434	1,033	0	718	934
Total waste treated (million gallons/year)	2,239	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				
	2020	2019	2018	2017	2016
Equivalent Dwelling Units (EDU)	35,501	35,463	34,923	34,511	34,395
Rainfall (inches) (1)	5.42	6.14	2.19	6.46	2.90
Flow (MGD) (2)	5.60	5.49	5.44	5.31	5.30
CBOD (mg/L)	256.50	280.00	281.00	289.00	257.40
CBOD (PE) (3)	70,468	75,413	74,993	75,285	66,928
Suspended solids (mg/L)	252.30	279.00	266.00	262 #	234.2
Suspended solids (PE) (4)	58,917	63,872	60,342	68,252	51,755
Tonnage of biosolids produced	853	805	1,411	1,362	468
Tonnage of biosolids applied to land	950	1,438	0	1,162	0
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				
	2025	2024	2023	2022	2021
Sanitary Sewer Service Operations					
Equivalent Dwelling Units (EDUs)	38,448	37,578	36,957	36,546	35,949
Treatment Plant Operations					
Plant flow					
(Units = Million Gallons Per Day (mgd))					
Monthly average	193.5	182.5	181	164.3	173
Permit limitation (dry weather)	13.50	13.50	13.50	12.50	12.50
Annual rainfall (inches) (1)	1.31	8.15	3.16	1.22	0.62
Collection System Operations					
Sewer lines					
Length (ft)	1,378,796	1,372,800	1,372,800	1,341,120	1,341,120
Inspected (ft)	191,015	96,978	142,991	159,128	245,652
Cleaned (ft)	679,851	581,732	660,377	596,717	697,896

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				
	2020	2019	2018	2017	2016
Sanitary Sewer Service Operations					
Equivalent Dwelling Units (EDUs)	35,501	35,463	34,923	34,511	34,395
Treatment Plant Operations					
Plant flow					
(Units = Million Gallons Per Day (mgd))					
Monthly average	170	167	165	161	161
Permit limitation (dry weather)	12.50	12.50	12.50	12.50	12.50
Annual rainfall (inches) (1)	5.42	6.14	2.19	6.46	2.90
Collection System Operations					
Sewer lines					
Length (ft)	1,341,120	1,341,120	1,351,680	1,335,840	1,336,682
Inspected (ft)	167,913	158,940	174,030	135,472	175,178
Cleaned (ft)	610,629	741,600	728,314	731,159	796,840

Notes:

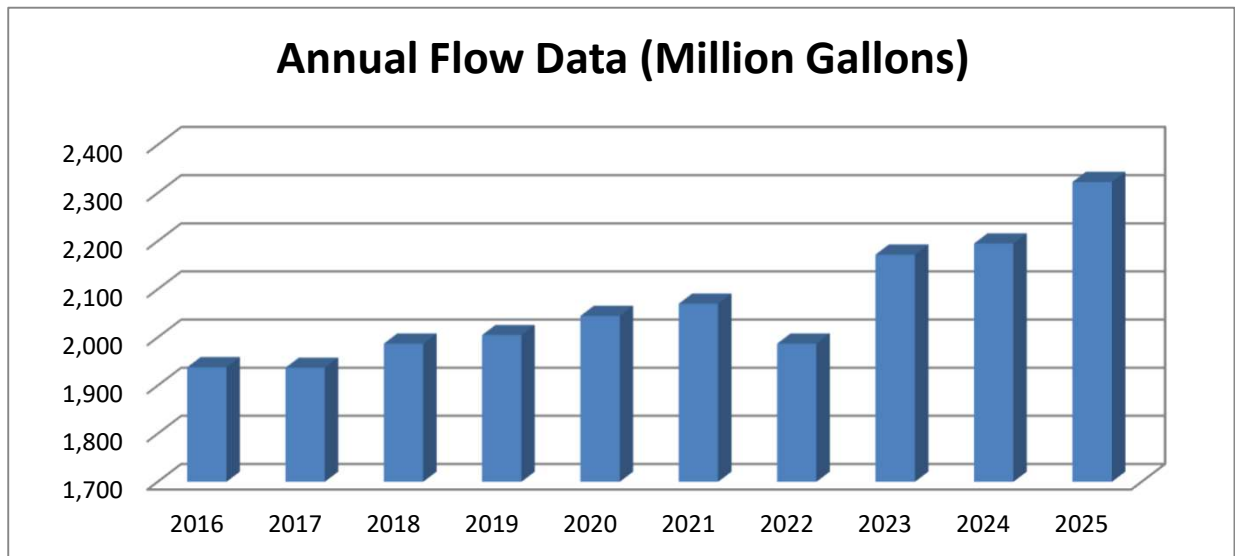
(1) Annual rainfall for the Coachella Valley from www.desertweather.com

Source: Valley Sanitary District

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

<u>Fiscal Year</u> <u>Ended</u> <u>30-Jun</u>	<u>Annual Flow</u>
2025	2,323
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

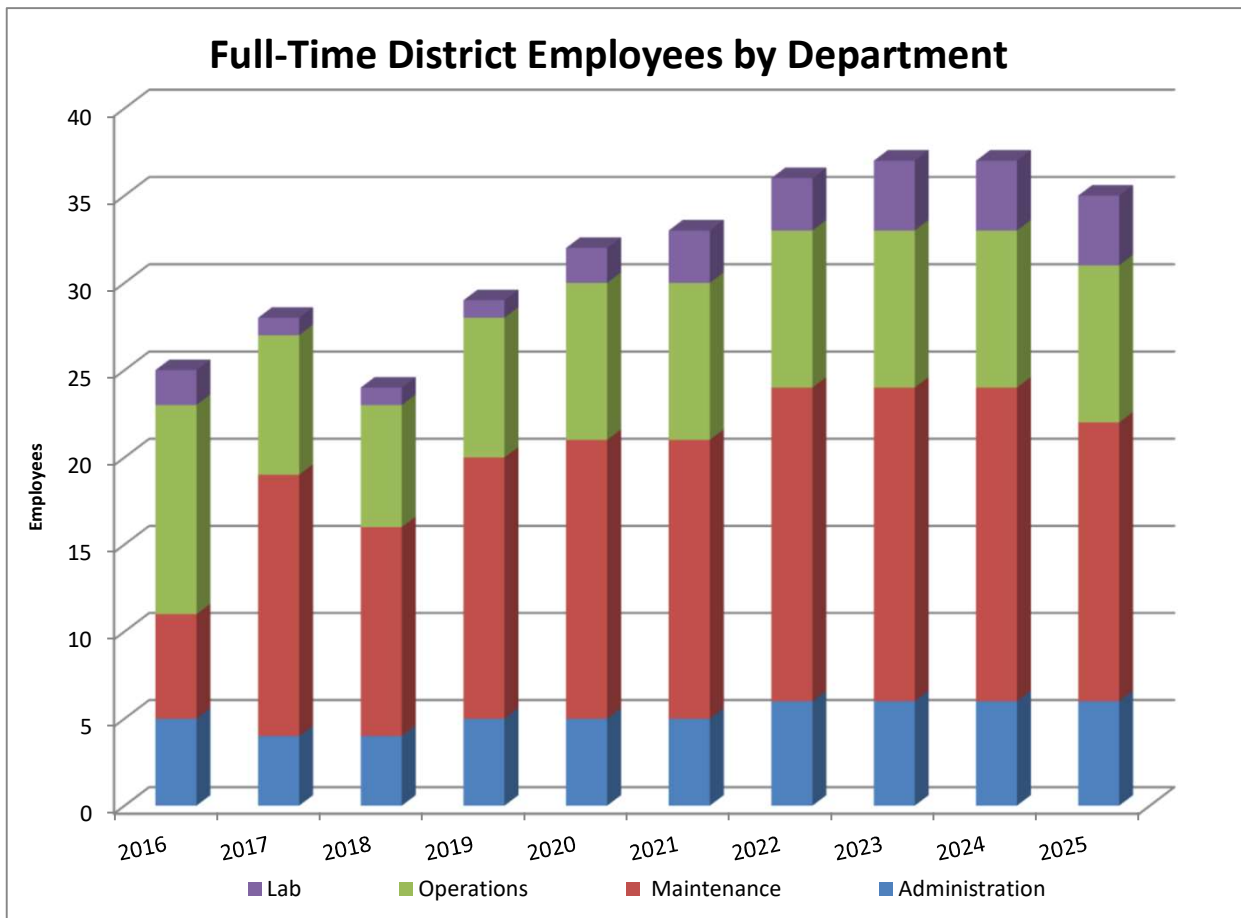
Source: Valley Sanitary District



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

Fiscal Year Ended June 30	Administration	Engineering & Maintenance	Operations	Lab	Total
2025	6	16	9	4	35
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

Source: Valley Sanitary District



Valley Sanitary District

Celebrating **100 Years** of Service!



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**CELEBRATING VSD DIRECTOR
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