NORTH OF RIVER SANITARY DISTRICT NO. 1

FINANCIAL REPORT
June 30, 2025

DANIELLS PHILLIPS VAUGHAN & BOCK
CPAs and Advisors

NORTH OF RIVER SANITARY DISTRICT NO. 1

ORGANIZATION DATA

JUNE 30, 2025

ELECTED OFFICERS

Gary McKibbin, President

Steven M. Ruettgers, Vice-President

Sandra R. Murphy, Director

Matthew T. Hooker, Director

Jonathan Hudson, Director

ADMINISTRATION

Patrick Ostly, District Manager & Secretary-Treasurer

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Private Companies Practice Section

PATRICK W. PAGGI

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North of River Sanitary District No. 1
Bakersfield, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **North of River Sanitary District No. 1** (the District) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2025 and 2024, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 (*Government Auditing Standards*). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

300 New Stine Road – Bakersfield, CA 93309 – Tel. 661.834.7411 – Fax. 661.834.4839 – www. dpvb.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-5 and the schedules of proportionate share of the net pension liability, and schedules of pension contributions on pages 23-24 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of functional expenses are 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 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.

Daniells Phillips Vaughan & Bock

Bakersfield, California
December 11, 2025

NORTH OF RIVER SANITARY DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the **North of River Sanitary District No. 1**, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which will follow this section.

Using This Annual Report

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The basic financial statements consist of a series of financial statements. The statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows provide information about the activities of the District. The basic financial statements also include various footnote disclosures, which further describe District activities. In addition, this report presents certain supplementary information.

Required Financial Statements

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statement of net position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. This statement reports cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Highlights

- The largest portion of the District's assets is its investment in capital assets. The District uses these assets to provide service and consequently, these assets are not available to liquidate liabilities or other spending.

- Current assets as of June 30, 2025 include approximately $45.7 million in cash, maintained principally in County of Kern Treasury accounts, as well as $21.6 million in cash equivalents, maintained in a California Cooperative Liquid Assets Securities System (CLASS) account.

- Operating revenues for the year ended June 30, 2025 consist principally of sewer service charges and capacity/connection fees. Operating revenues decreased less than 1% primarily due to a decrease in capacity/connection fees and an increase in sewer service charges in the current year.

NORTH OF RIVER SANITARY DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Financial Statements

	2025	2024	2023
Current assets	$ 68,562,560	$ 74,874,863	$ 68,384,920
Capital assets, net	45,297,739	29,769,169	26,678,796
Total assets	113,860,299	104,644,032	95,063,716
Deferred outflows of resources	1,765,721	1,572,738	1,400,329
Total assets and deferred outflows of resources	$ 115,626,020	$ 106,216,770	$ 96,464,045
Current liabilities	$ 1,795,901	$ 1,646,776	$ 885,294
Long-term liabilities	5,410,496	4,975,803	4,935,134
Total liabilities	7,206,397	6,622,579	5,820,428
Deferred inflows of resources	298,285	439,715	273,171
Net position:			
Net investment in capital assets	45,297,739	29,769,169	26,678,796
Unrestricted	62,823,599	69,385,307	63,691,650
	108,121,338	99,154,476	90,370,446
Total net position	$ 115,626,020	$ 106,216,770	$ 96,464,045
Operating revenue	$ 11,311,152	$ 11,330,251	$ 11,479,980
Operating expenses	5,017,856	5,484,394	5,656,848
Operating income	6,293,296	5,845,857	5,823,132
Non-operating revenues (expenses):			
Interest income	2,226,718	2,526,970	1,350,276
All other revenues	446,848	411,203	368,702
Interest (expense)	-	-	(4,441)
	2,673,566	2,938,173	1,714,537
Change in net position	$ 8,966,862	$ 8,784,030	$ 7,537,669

Economic Factors

The local building economy had a healthy level of activity during the year resulting in a consistent rate of new accounts. Plant expansion has begun with planning and design engineering tasks ongoing.

Contacting the District's Financial Management

This financial report is designed to provide the Board, our customers, and creditors with a general overview of the District's accountability for the assets it receives and manages.

If you have questions about this report or need additional information, please contact Patrick Ostly, District Manager, at 204 Universe Avenue, Bakersfield, California, 93308.

NORTH OF RIVER SANITARY DISTRICT NO. 1

STATEMENTS OF NET POSITION
June 30, 2025 and 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents (Note 2)	**$ 67,310,136**	$ 73,895,242
Accounts receivable	**427,476**	158,864
Accrued interest receivable	**526,205**	545,963
Prepaid expenses	**298,743**	274,794
Total current assets	**68,562,560**	74,874,863
Capital Assets (Note 3)	**45,297,739**	29,769,169
Total assets	**113,860,299**	104,644,032
Deferred Outflows of Resources (Note 4)	**1,765,721**	1,572,738
Total assets and deferred outflows of resources	**$ 115,626,020**	$ 106,216,770
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable	**$ 1,445,604**	$ 1,359,019
Accrued expenses	**350,297**	287,757
Total current liabilities	**1,795,901**	1,646,776
Noncurrent Liabilities		
Net pension liability (Note 4)	**5,410,496**	4,975,803
Total liabilities	**7,206,397**	6,622,579
Deferred Inflows of Resources (Note 4)	**298,285**	439,715
Net Position		
Net investment in capital assets	**45,297,739**	29,769,169
Unrestricted		
Designated (Note 5)	**66,673,009**	73,109,483
Other	**(3,849,410)**	(3,724,176)
Total net position	**108,121,338**	99,154,476
Total liabilities, deferred inflows of resources and net position	**$ 115,626,020**	$ 106,216,770

See Notes to Financial Statements.

NORTH OF RIVER SANITARY DISTRICT NO. 1

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenue:		
Service charges and connection fees	**$ 11,311,152**	$ 11,330,251
Operating Expenses:		
Sewage treatment and disposal	**3,130,096**	2,777,130
Depreciation	**1,671,665**	1,549,505
Sewage collection	**1,589,596**	1,434,291
General and administration	**1,292,569**	1,220,207
City of Shafter cost sharing (Note 6)	**(2,666,070)**	(1,496,739)
	5,017,856	5,484,394
Operating income	**6,293,296**	5,845,857
Non-operating Revenues:		
Interest income	**2,226,718**	2,526,970
Property taxes	**317,273**	302,253
Other income	**84,750**	84,750
Gain on sale of assets	**44,825**	24,200
	2,673,566	2,938,173
Change in net position	**8,966,862**	8,784,030
Net position, beginning	**99,154,476**	90,370,446
Net postion, ending	**$ 108,121,338**	$ 99,154,476

See Notes to Financial Statements.

NORTH OF RIVER SANITARY DISTRICT NO. 1

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Receipts from users	**$ 10,997,715**	$ 11,564,288
Payments for administration services	**(1,316,518)**	(1,232,230)
Payments to suppliers for goods and services	**(1,804,217)**	(1,918,396)
Net cash provided by operating activities	**7,876,980**	8,413,662
Cash Flows From Non-Capital Financing Activities		
Proceeds from property taxes	**317,273**	302,253
Other non-operating income	**84,750**	84,750
Net cash provided by non-capital financing activities	**402,023**	387,003
Cash Flows From Capital and Related Financing Activities		
Purchases of property and equipment -		
Net cash (used in) capital and related financing activities	**(17,200,235)**	(4,639,878)
Cash Flows From Investing Activities		
Investment income received	**2,291,301**	2,444,215
Proceeds on sale of equipment	**44,825**	24,200
Net cash provided by investing activities	**2,336,126**	2,468,415
Net increase (decrease) in cash and cash equivalents	**(6,585,106)**	6,629,202
Cash and cash equivalents:		
Beginning	**73,895,242**	67,266,040
Ending	**$ 67,310,136**	$ 73,895,242
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 6,293,296**	$ 5,845,857
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**1,671,665**	1,549,505
(Gain) on sale of property and equipment	**(44,825)**	(24,200)
Deferred outflows of resources	**(192,983)**	(172,409)
Net pension liability	**434,693**	40,669
Deferred inflows of resources	**(141,430)**	166,544
Changes in working capital components:		
(Increase) decrease in:		
Accounts receivable	**(268,612)**	258,237
Prepaid expenses	**(23,949)**	(12,023)
Increase in:		
Accounts payable	**86,585**	711,621
Accrued expenses	**62,540**	49,861
Net cash provided by operating activities	**$ 7,876,980**	$ 8,413,662

See Notes to Financial Statements.

NORTH OF RIVER SANITARY DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of activities: **North of River Sanitary District No.1** (the District) is a sanitary district organized and existing under the laws for special districts in the State of California. The District's primary source of revenue is service charges, which are included in property owner's tax rolls and are administered by the County of Kern. The District's service area is principally North Bakersfield, California, in the County of Kern.

A summary of the District's significant accounting policies follows:

Reporting entity: The District has no oversight responsibility for any other governmental entity, nor is the District's operation a component unit of any other governmental entity. Therefore, the reporting entity consists only of District operations.

The District operates as an enterprise fund. An enterprise fund accounts for operations that are financed and operated similar to private business enterprises, where the intent is that the costs of providing services to sewer connections on a continuing basis be financed or recovered primarily through user charges.

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

Budget: Although a budget is adopted annually, it is used primarily as a guideline for the Board in regulating expenditures. There is no legal requirement to stay within the adopted budget in the payment or classification of expenditures.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. As explained in Note 4, the deferred outflows and inflows of resources and the net pension liability shown in the statements of net position are significant estimates with respect to these financial statements.

Cash and cash equivalents: Cash and cash equivalents consist of cash on hand and in banks and short-term, highly liquid investments with a maturity of three months or less, which includes money market funds and cash management pools in County Treasuries and California Cooperative Liquid Assets Securities System (CLASS).

Property and equipment: Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 – 50 years. Maintenance and repairs which do not increase the useful life of the assets are charged to expense as incurred. Major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Compensated absences: District employees accumulate vacation leave hours and sick leave hours for subsequent use or for payment upon termination or retirement. Accumulated vacation pay and sick pay are accrued when earned by employees, and are included as liabilities in the statements of net position.

Property tax: Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are due and payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Kern bills and collects the taxes for the District. Property taxes are recognized as revenue when they are levied.

NOTES TO FINANCIAL STATEMENTS

Net position: The basic financial statements utilize a net position presentation. Net position is categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Net Investment In Capital Assets* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* - This category represents net assets of the District, not restricted for any project or other purpose.

Authoritative pronouncements adopted: The District has adopted all current Statements of Governmental Accounting Standards Board (GASB) that are applicable. For the year ended June 30, 2025, the District implemented the following new standards issued by GASB:

- In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

  This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

  This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

  This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

- In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures.* State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

  This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

  This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

  If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:
  - The concentration or constraint
  - Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
  - Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

Authoritative pronouncements not yet adopted: The following statements issued by the GASB are effective for year ends after June 30, 2025 and management is evaluating the impact of the implementation of these statements on their financial statements.

- In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements.* The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

- In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets.* State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

  This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

  This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

  The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

Subsequent events: Management has evaluated subsequent events through December 11, 2025, the date on which the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2025 and 2024:

	2025	2024
County of Kern Treasury	$ 45,543,489	$ 53,255,414
California Cooperative Liquid Assets Securities System (CLASS)	21,590,836	20,568,332
Checking account - operations	175,190	71,297
Petty cash	621	199
	$ 67,310,136	$ 73,895,242

Balances held in County Treasury are collateralized by pledged securities, in accordance with the California State Financial Code. The District maintains cash in the Kern County Treasury which pools these funds with those of other districts in the county as well as the County's own funds and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly and any investment losses are proportionately shared by all entities in the pool.

Investments Authorized by the District's Investment Policy

The District's investment policy requires compliance with current state law and current legislation.

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, the greater the sensitivity of its fair value to changes in market interest rates. The District's investments in the California Cooperative Liquid Assets Securities System (CLASS) and County of Kern Treasury have a maturity of three months or less and are therefore, classified as cash equivalents.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. CLASS and the County of Kern does not have a rating provided by a nationally recognized statistical rating organization, and they are exempt from disclosure due to credit risk.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. District policy does not require diversification of the investment portfolio in such a manner not to obligate the District toward dependence in one investment instrument.

The District maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. The District believes it is not exposed to any significant credit risk on cash and cash equivalents.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unity). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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 investments in securities through the use of mutual funds or government investments pools (such as CLASS).

Investments in State/County Investment Pools

The District is a voluntary participant in CLASS that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by CLASS for the entire CLASS portfolio (in relation to amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CLASS, which are recorded on an amortized cost basis.

The District maintains cash in the Kern County Treasury which pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly and any investments losses are proportionately shared by all entities in the pool.

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets

Capital assets activity for the years ended June 30, 2025 and 2024 were as follows:

	Balances June 30, 2024	Additions	Deletions	Transfers	Balances June 30, 2025
Land	$ 1,567,774	$ 8,220,397	$ -	$ -	$ 9,788,171
7th Standard plant	31,114,048	-	-	-	31,114,048
Transmission system	852,299	-	-	-	852,299
Collection system	11,846,128	-	-	2,685,724	14,531,852
Extraction system	49,617	-	-	-	49,617
Buildings and fixtures	1,413,529	-	-	-	1,413,529
Equipment	2,871,232	79,165	91,693	-	2,858,704
Office equipment	88,696	-	-	-	88,696
Fencing and roads	67,765	-	-	-	67,765
Pumps, pipelines, wells	1,399,910	83,850	15,115	-	1,468,645
Motor vehicles	1,810,141	121,447	63,489	-	1,868,099
Construction in progress	4,522,782	8,695,376	-	(2,685,724)	10,532,434
	57,603,921	17,200,235	170,297	-	74,633,859
Less: accumulated depreciation	(27,834,752)	(1,671,665)	(170,297)	-	(29,336,120)
	$ 29,769,169	$ 15,528,570	$ -	$ -	$ 45,297,739

	Balances June 30, 2023	Additions	Deletions	Transfers	Balances June 30, 2024
Land	$ 1,567,774	$ -	$ -	$ -	$ 1,567,774
7th Standard plant	31,108,314	5,734	-	-	31,114,048
Transmission system	852,299	-	-	-	852,299
Collection system	10,213,670	59,664	-	1,572,794	11,846,128
Extraction system	49,617	-	-	-	49,617
Buildings and fixtures	1,413,529	-	-	-	1,413,529
Equipment	2,804,842	66,390	-	-	2,871,232
Office equipment	88,696	-	-	-	88,696
Fencing and roads	51,615	16,150	-	-	67,765
Pumps, pipelines, wells	1,273,830	126,080	-	-	1,399,910
Motor vehicles	1,482,796	488,026	160,681	-	1,810,141
Construction in progress	2,217,742	3,877,834	-	(1,572,794)	4,522,782
	53,124,724	4,639,878	160,681	-	57,603,921
Less: accumulated depreciation	(26,445,928)	(1,549,505)	(160,681)	-	(27,834,752)
	$ 26,678,796	$ 3,090,373	$ -	$ -	$ 29,769,169

Note 4. Pension Plan

General Information about the Pension Plan

Plan Description: The District contributes to the Kern County Employees' Retirement Association (KCERA), a cost-sharing multiple-employer defined benefit pension plan. KCERA provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. State statutes assign the authority to establish and amend benefit provisions to the Kern County Board of Supervisors. KCERA issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to KCERA, 11125 River Run Boulevard, Bakersfield, CA 93311 or by calling (661) 381-7700.

Benefits Provided: KCERA provides retirement, disability, cost-of-living and supplemental retirement benefits to eligible employees. All regular full-time employees of the District who work 50% or more of the regular standard hours required become members of KCERA effective on the first day of the payroll period following the date of employment.

General members (excluding Tier III) are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire once they have attained age 70 regardless of service or at age 52 and have acquired five or more years of retirement service credit.

A member with five years of service, regardless of age, who becomes permanently incapacitated from the performance of duty will be eligible for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated from the performance of duty as a result of an injury or disease arising out of and in the course of employment is eligible for a service-connected disability, regardless of service length or age. An active member's beneficiary is entitled to receive death benefits, which consist of accumulated contributions, plus interest, and one month's salary for each full year of service, up to a maximum of six months of salary. If a member dies after retirement, a death benefit of $5,000 is payable to the designated beneficiary(ies) or the estate. KCERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the Los Angeles-Riverside-Orange County Area, is capped at 2.5%.

The KCERA plan provisions and benefits in effect at June 30, 2025 and 2024 are summarized as follows:

	2025	2024
Benefit formula (Tier I)	3% @ 60	3% @ 60
Benefit formula (Tier II)	1.62% @ 65	1.62% @ 65
Benefit vesting schedule	5-10 years of service	5-10 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-52	50-52
Monthly benefits, as a % of eligible compensation	1.62% to 3%	1.62% to 3%
Retirement employee contribution rates	4.72% to 19.29%	4.72% to 19.29%
Required employer contribution rates	38.52% to 83.71%	36.03% to 76.91%

Contributions: The District contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from KCERA's actuary after the completion of the annual actuarial valuation. The KCERA average employer contribution rate as of June 30, 2024 for 2023-2024 (based on the June 30, 2022 valuation) was 48.76% of compensation.

Members are required to make contributions to KCERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2024 for 2023-2024 (based on the June 30, 2022 valuation) valuation was 6.96% of compensation.

For the years ended June 30, 2025 and 2024, the contributions recognized as part of pension expense for the plan were as follows:

	2025	2024
Contributions - employer	$ 755,168	$ 654,885
Contributions - employee	$ 101,503	$ 89,798

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2025 and 2024, the District reported net pension liabilities for its proportionate share of the net pension liability of $5,410,496 and $4,975,803, respectively.

The District's net pension liability for the year ended June 30, 2025 is measured as the proportionate share of net pension liability. The net pension liability is measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The District's proportion of the net pension liability was based on the actual payroll within the District membership class.

The District's proportionate share of the net pension liability as of June 30, 2025 was as follows:

Proportion - June 30, 2025	0.224%
Proportion - June 30, 2024	0.198%
Change - increase (decrease)	0.026%

The District's net pension liability for the year ended June 30, 2024 is measured as the proportionate share of net pension liability. The net pension liability is measured as of June 30, 2023 and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of June 30, 2022. The District's proportion of the net pension liability was based on the actual payroll within the District membership class.

The District's proportionate share of the net pension liability as of June 30, 2024 was as follows:

Proportion - June 30, 2024	0.198%
Proportion - June 30, 2023	0.207%
Change - increase (decrease)	-0.009%

NOTES TO FINANCIAL STATEMENTS

For the years ended June 30, 2025 and 2024, the District recognized pension expense of $863,513 and $688,619, respectively. For the years ended June 30, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 755,168	$ -	$ 654,885	$ -
Differences between actual and expected experience	233,290	107,540	-	154,951
Changes in assumptions	241,665	-	351,880	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	451,598	190,745	236,455	284,764
Net difference between projected and actual earnings on plan investments	84,000	-	329,518	-
Total	$ 1,765,721	$ 298,285	$ 1,572,738	$ 439,715

$755,168 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	
2026	$ 105,663
2027	449,860
2028	151,829
2029	4,916
	$ 712,268

Actuarial Assumptions: The total pension liabilities in the June 30, 2025 and 2024 actuarial valuations were determined using the following actuarial assumptions:

	2025	2024
Valuation date	June 30, 2023	June 30, 2022
Measurement date	June 30, 2024	June 30, 2023
Actuarial cost method	Entry-Age actuarial cost method	
Actuarial assumptions:		
Discount rate	7.00%	7.00%
Inflation	2.50%	2.50%
Projected salary increase	General: 3.70% - 8.00% (a)	General: 3.70% - 8.00% (a)
Investment rate of return	7.00% (b)	7.00% (b)
Mortality	Pub-2010 General Healthy Retiree Amount - Weighted Mortality Table (separate tables for males and females) with rates increased by 15% for females, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2021 or MP-2019 for years prior to July 1, 2022, weighted 30% male and 70% female	

(a) Varies by service, including inflation
(b) Net of pension plan investment expense, including inflation

Discount Rate: The discount rate used to measure the total pension liability as of June 30, 2025 and 2024 was 7.00%. The projection of cash flows used to determine the discount rates assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and Supplement Retirement Benefit Reserve (SRBR) asset pools.

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 inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37%	7.05%
Core Fixed Income	14%	1.97%
High Yield Corporate Credit	6%	4.63%
Emerging Market Debt (Hard)	2%	4.72%
Emerging Market Debt (Local)	2%	4.53%
Commodities	4%	4.21%
Core Real Estate	5%	3.86%
Value Added Real Estate	5%	6.70%
Midstream	5%	8.00%
Capital Efficiency Alpha Pool	8%	3.10%
Hedge Fund	10%	3.10%
Private Equity	5%	10.27%
Private Credit	5%	6.97%
Cash	-8%	0.63%
Total	100%	

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

The following represents the District's proportionate share of the net pension liability, calculated using the discount rate, 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 1-percentage point lower or 1-percentage point higher than the current rate:

	2025	2024
1% Decrease	6.00%	6.00%
Net Pension Liability	$ 7,836,153	$ 7,017,861
Current Discount Rate	7.00%	7.00%
Net Pension Liability	$ 5,410,496	$ 4,975,803
1% Increase	8.00%	8.00%
Net Pension Liability	$ 3,417,902	$ 3,297,580

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

NOTES TO FINANCIAL STATEMENTS

Note 5. Designated Net Position

The Board of Directors has internally designated certain net position to be set aside for specific purposes. The net position designations, defined by the District as cash and investments segregated for these specific purposes are as follows at June 30, 2025 and 2024:

	2025	2024
Capacity fee	$ 45,912,489	$ 47,744,915
Capital improvement	14,000,000	18,658,786
Capital replacement	1,760,520	4,705,782
Operations and maintenance	4,700,000	1,700,000
Rate stabilization	300,000	300,000
	$ 66,673,009	$ 73,109,483

Note 6. City of Shafter Cost Sharing

The City of Shafter participates in certain cost sharing arrangements with the District. Under various agreements, the City of Shafter reimburses the District for its calculated share of District debt service obligations, treatment plant operating expenses and certain treatment plant and trunk sewer pipeline fixed asset additions. Amounts received by the District under these arrangements for the year ended June 30, 2025 and 2024 were as follows:

	2025	2024
Treatment plant operations cost reimbursement	$ 942,221	$ 763,002
Capital improvement project reimbursement	1,723,849	663,646
Additional pipeline capacity reimbursement	-	70,091
	$ 2,666,070	$ 1,496,739

Note 7. Deferred Compensation

The District provides investment opportunities to all employees through an IRC 457 Deferred Compensation Plan (Plan) to defer a portion of their income, on a pre-tax basis. Employee contributions to the Plan are limited to the maximum allowed by law, and investment recordkeeping fees and mutual fund fees are levied directly against each participating employee's account balance. The District matches the first 6% contributed by employees. District contributions for the years ended June 30, 2025 and 2024 were $84,543 and $68,105, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH OF RIVER SANITARY DISTRICT NO. 1

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(Last Ten Years)
Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.22%	0.20%	0.21%	0.19%	0.20%	0.18%	0.17%	0.16%	0.14%	0.14%
Proportionate share of the net pension liability	$ 5,410,496	$ 4,975,803	$ 4,935,134	$ 3,632,018	$ 5,252,549	$ 4,299,655	$ 3,952,942	$ 3,708,562	$ 3,285,264	$ 3,017,365
Covered - employee payroll	$ 1,589,694	$ 1,267,296	$ 1,230,032	$ 1,160,448	$ 1,149,593	$ 1,068,758	$ 1,037,184	$ 928,465	$ 869,712	$ 879,725
Proportionate share of the net pension liability as a percentage of covered-employee payroll	340.35%	392.63%	401.22%	312.98%	456.90%	402.30%	381.12%	399.43%	377.74%	342.99%
Plan's fiduciary net postion	$ 5,872,387,633	$ 5,386,581,194	$ 5,131,128,660	$ 5,417,513,179	$ 4,438,794,794	$ 4,345,780,060	$ 4,198,862,285	$ 3,962,895,176	$ 3,571,587,594	$ 3,625,093,939
Plan fiduciary net	66.50%	63.49%	62.80%	74.14%	62.51%	64.59%	64.30%	62.64%	59.67%	62.20%

NORTH OF RIVER SANITARY DISTRICT NO. 1

SCHEDULES OF PENSION CONTRIBUTIONS (Last Ten Years)
Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution (actuarially determined)	$ 662,950	$ 561,099	$ 531,577	$ 478,157	$ 468,009	$ 379,444	$ 332,489	$ 293,147	$ 271,329	$ 275,505
Contributions in relation to the actuarially determined contributions	662,950	561,099	531,577	478,157	468,009	379,444	332,489	293,147	271,329	275,505
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,589,694	$ 1,267,296	$ 1,230,032	$ 1,160,448	$ 1,149,593	$ 1,068,758	$ 1,037,184	$ 928,465	$ 869,712	$ 879,725
Contributions as a percentage of covered-employee payroll	41.70%	44.28%	43.22%	41.20%	40.71%	35.50%	32.06%	31.57%	31.20%	31.32%

Notes to schedule

Valuation date:	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Methods and assumptions used to determine contribution rates:										
Actuarial cost method	Entry Age Actuarial Cost Method									
Amortization method	Level percent of payroll for total unfunded liability									
Remaining amortization period	11.5 years	12.5 years	13.5 years	14.5 years	15.5 years	16.5 years	17.5 years	18.5 years	19.5 years	20.5 years
Asset valuation method	Market value of assets less unrecognized returns from each of the last none semi-annual accounting periods, or in each of the last five years prior to July 1, 2024. Unrecognized returns are equal to the difference between the actual market value return and the expected returns on a market value basis and are recognized semi-annualy over a five year period. The Actuarial Value of Assets cannot be less than 50% of Market Value of Assets, nor greater than 150% of Market Value of Assets for periods prior to July 1, 2024. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves.									
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%
Salary increases	4.00% to 8.75%	4.00% to 8.75%	4.00% to 8.75%	4.00% to 8.75%	4.00% to 8.75%	4.00% to 9.00%	4.00% to 9.00%	4.00% to 9.00%	4.25% to 9.25%	4.25% to 9.25%
Investment rate of return	7.00%, net of pension plan investment expenses, including inflation	7.25%, net of pension plan investment expenses, including inflation								
Retirement age	70 or 50 with 10 years of credited service, or 20 years of credited service									
Mortality	Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 15% for females, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2021 or MP-2019 for years prior to July 1, 2022, weighted 30% male and 70% female									

OTHER INFORMATION

NORTH OF RIVER SANITARY DISTRICT NO. 1

SCHEDULES OF FUNCTIONAL EXPENSES
Years Ended June 30, 2025 and 2024

	2025	2024
Sewage treatment and disposal:		
Salaries	**$ 677,720**	$ 635,986
Employee benefits	**658,166**	493,055
Utilities	**490,289**	490,674
Repairs and maintenance	**309,815**	404,600
Chemicals and supplies	**488,001**	302,985
Insurance	**146,249**	116,538
Professional services	**123,145**	85,833
Permits and licenses	**115,781**	79,780
Other	**56,389**	72,289
Laboratory treatment	**31,759**	61,607
Engineering	**27,563**	24,762
Safety	**5,219**	9,021
	$ 3,130,096	$ 2,777,130
General and administration:		
Salaries	**$ 487,387**	$ 440,786
Employee benefits	**421,215**	367,472
Professional services	**136,349**	160,600
Insurance	**90,259**	72,244
Other	**54,630**	67,022
Utilities	**34,240**	32,182
Subscriptions and memberships	**33,057**	30,043
Office	**14,922**	15,630
Repairs and maintenance	**7,732**	15,603
Travel	**3,095**	7,886
Postage	**7,340**	6,891
Safety	**2,343**	3,848
	$ 1,292,569	$ 1,220,207
Sewage collection:		
Salaries	**$ 498,650**	$ 476,063
Employee benefits	**438,540**	408,978
Repairs and maintenance	**253,148**	177,783
Engineering	**159,094**	161,490
Insurance	**106,726**	88,530
Utilities	**78,307**	78,785
Other	**50,804**	42,562
Professional services	**4,327**	100
	$ 1,589,596	$ 1,434,291

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

Board of Directors
North of River Sanitary District No. 1
Bakersfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of **North of River Sanitary District No. 1** (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2025.

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

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

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

300 New Stine Road – Bakersfield, CA 93309 – Tel. 661.834.7411 – Fax. 661.834.4839 – www. dpvb.com

Report on Compliance and Other Matters

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

Purpose of This Report

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

Daniells Phillips Vaughan & Bock

Bakersfield, California
December 11, 2025

NORTH OF RIVER SANITARY DISTRICT NO. 1

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2025

None

NORTH OF RIVER SANITARY DISTRICT NO. 1

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2025

FS-2024-001	Based on the number of audit adjustments required to provide financial statements in accordance with generally accepted accounting principles it appears the District has a need to rely heavily on the auditor to prepare financial statements in accordance with generally accepted accounting principles.