

**NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE
COUNTY OF NEVADA, CALIFORNIA)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors and Grand Jury
Nevada County Sanitation District No. 1
Nevada City, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Nevada County Sanitation District No. 1 (hereafter, the District) a component unit of the County of Nevada, California (hereafter, the County) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Standards for California Special Districts.. Our responsibilities under those standards are further described in the Auditors' 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

Component Unit Reporting

As discussed in Note 1, the financial statements present only the District and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal 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.



To the Board of Supervisors and Grand Jury
Nevada County Sanitation District No. 1
Nevada City, California

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts 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 required pension and other post-employment benefits schedules as listed on the table of contents 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.



To the Board of Supervisors and Grand Jury
Nevada County Sanitation District No. 1
Nevada City, California

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 March 31, 2026, on our consideration of the County's internal control over the District's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over the District's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over the District's financial reporting and compliance.

LSL, LLP

Sacramento, California
March 31, 2026

**NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

The following Management's Discussion and Analysis (MD&A) of the County of Nevada Sanitation District No. 1 (the District) financial performance provides an introduction to the financial statements for the year ended June 30, 2025. The information contained in this MD&A should be considered in conjunction with the information contained in the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The District is structured as an enterprise operation with multiple zones to segregate the various geographical operations known as zones. The District's revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and, with the exception of land, are depreciated over their useful lives. See the notes to the financial statements for a summary of the District's significant accounting policies.

Following this discussion and analysis are the basic financial statements of the District.

The District's basic financial statements are designed to provide readers with a broad overview of the District's financial status.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the District's financial position.

$$\text{Net Position} = (\text{Assets} + \text{Deferred Outflows of Resources}) - (\text{Liabilities} + \text{Deferred Inflows of Resources})$$

The *statement of revenues, expenses, and changes in net position* presents information showing the change in the District's net position during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.

The *statement of cash flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the District's cash accounts are recorded in this statement. A reconciliation of the statement of cash flows is provided at the bottom of the statement to assist in understanding the difference between cash flows from operating activities and operating income.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL HIGHLIGHTS

On June 30, 2025, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$39,721,142 (net position). Of this amount, \$4,933,877 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors and \$34,787,265 is the District's net investment in capital assets.

The District's capital assets (e.g., land, infrastructure and equipment) decreased by \$1,534,316 primarily due to the annual depreciation of existing infrastructure assets.

Long-term liabilities decreased 7.72% or \$765,401 due mainly to the regularly scheduled principal payments on long-term debt, and changes in the District's OPEB and Pension liabilities.

**NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

FINANCIAL POSITION

**SANITATION DISTRICT'S NET POSITION
JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>	<u>Variance</u>	<u>Change</u>
Assets:				
Current and Other Assets	\$ 10,179,178	\$ 8,873,071	14.72%	\$ 1,306,107
Capital Assets	40,097,663	41,631,979	-3.69%	(1,534,316)
Total Assets	<u>50,276,841</u>	<u>50,505,050</u>	-0.45%	(228,209)
Deferred Outflows	<u>865,982</u>	<u>1,127,207</u>	-23.17%	(261,225)
Liabilities:				
Current Liabilities	2,228,821	3,494,165	-36.21%	(1,265,344)
Long-Term Liabilities	9,142,742	9,908,143	-7.72%	(765,401)
Total Liabilities	<u>11,371,563</u>	<u>13,402,308</u>	-15.15%	(2,030,745)
Deferred Inflows	<u>50,118</u>	<u>76,017</u>	-34.07%	(25,899)
Net Position:				
Net Investment in Capital Assets	34,787,265	34,518,085	0.78%	269,180
Unrestricted	<u>4,933,877</u>	<u>3,635,847</u>	35.70%	1,298,030
Total Net Position	<u>\$ 39,721,142</u>	<u>\$ 38,153,932</u>	4.11%	\$ 1,567,210

As shown in the schedule above, as of June 30, 2025, the District's total assets are \$50,276,841. The total assets held decreased 0.45% or \$228,209 from the June 30, 2024 balance of \$50,505,050. The decrease in total assets was due primarily to the decrease in capital assets mentioned above related to annual depreciation of infrastructure assets. Deferred outflows of \$865,982 most significantly represent pension and OPEB contributions made by the District after the June 30, 2024 actuarial measurement date with the balance being changes in actuarial assumptions and net differences between projected and actual earnings on plan investments.

The District's total liabilities decreased by \$2,030,745 during the current fiscal year to \$11,371,563. The decrease resulted from the reduction in loan balances by scheduled principal payments. Deferred inflows of \$50,118 are attributable to the various components that impact OPEB changes such as investment change amortization, changes in actuarial assumptions and differences in actual and expected experience.

The District's total net position increased from the prior year by \$1,567,210. Unrestricted net position of the District at June 30, 2025 amounted to \$4,933,877. The increase in operating revenue offsetting the increase in operating expenses was the main contributing factor to the increase in net position.

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

**NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

**SANITATION DISTRICT'S CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>	<u>Variance</u>	<u>Change</u>
Revenues:				
Operating	\$ 10,169,042	\$ 10,039,962	1.29%	\$ 129,080
Nonoperating	453,358	963,975	-52.97%	(510,617)
Transfers from County	29,885	35,191	-15.08%	(5,306)
Total Revenues	<u>10,652,285</u>	<u>11,039,128</u>	-3.50%	(386,843)
Expenses:				
Operating Expenses	8,918,510	8,803,628	1.30%	114,882
Nonoperating Expenses	166,565	168,784	-1.31%	(2,219)
Total Expenses	<u>9,085,075</u>	<u>8,972,412</u>	1.26%	112,663
Change in Net Position	1,567,210	2,066,716	-24.17%	(499,506)
Net Position - Beginning	38,153,932	36,087,216	5.73%	2,066,716
Net Position - Ending	<u>\$ 39,721,142</u>	<u>\$ 38,153,932</u>	4.11%	<u>\$ 1,567,210</u>

Revenues - The District's revenues for the fiscal year ended June 30, 2025 decreased 3.50% or \$386,843. The overall decrease was from nonoperating revenues and transfers received from the county.

Expenses - The District's expenses for the fiscal year ended June 30, 2025 operating expenses increased, and non-operating expenses decreased. Operating expenses increased 1.30% or \$114,882 from the prior fiscal year due to increases in salaries and benefits costs. Nonoperating expenses decreased 1.31% or \$2,219 due to loan balances and the associated interest decreasing.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets as of June 30, 2025 amounted to \$34,787,265 (net of accumulated depreciation and related debt). This investment in capital assets includes land, land improvements, infrastructure and equipment. The \$269,180 increase is due to depreciation net of additions of \$1,534,316, offset by reductions in long term debt of \$1,803,495.

Additional information on the District's capital assets can be found in Note 3 of this report.

Long-term debt - At June 30, 2025, the District had total debt outstanding of \$5,310,398 net of unamortized discounts. Of this amount, \$1,835,086 is due within one year. The long-term debt consists of three loans from the State of California, and two bank loans. The three State Water Resources Control Board (SWRCB) loans are being repaid through a dedicated revenue source from the specific zones that received the loan proceeds. The two bank loans are scheduled to be repaid by August 2026. They are being repaid with operating revenues from the specific zones that received the loan proceeds.

Additional information on the District's long-term debt can be found in Note 4 of this report.

**NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District operates and maintains sewage collection systems and treatment facilities for Nevada County Sanitation District No. 1. There are ten (10) zones within the District with facilities that collect and treat 1,245,000 gallons of wastewater each day. The Sanitation District provides sewer service to 5,615 accounts in western Nevada County with a population of approximately 14,000.

Wastewater treatment plants that discharge to surface waters are required to obtain a National Pollutant Discharge Elimination System (NPDES) permit. The permits are normally renewed every 5 years by the California Regional Water Quality Control Board (CRWQCB) and may contain new treatment objectives and discharge regulations.

The Cascade Shores operating permit has been revised by the State Waterboard to exclude Copper and Zinc as a discharge requirement. While effluent water quality objectives are obtainable, the plant is still costly to run and District staff is constantly evaluating treatment options to reduce costs as much as possible.

The cost of many resources required by the District's treatment plants to meet permitting requirements continues to increase. A successful Rate Study and service rate adjustment was implemented in 2012 for all zones in the District. While the adjusted rates have met the current fiscal needs of most zones, a study with an outside consultant will need to be conducted in the near-term to determine whether the new service rates for customers in all 10 sewer zones is meeting both the short and long term needs of the District. The District has a goal by fiscal year 25-26 for establishing target fund balances in each zone that will allow for efficient and effective operations, maintenance and CIP planning and implementation. In addition, outside Grant funding resources will be identified for the pursuit of Capital Improvement projects to benefit compliance and operations within the sanitation zones.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Nevada County Auditor-Controller, Gina S. Will, 950 Maidu Avenue, Suite 230, Nevada City, California 95959. This entire report is available online at <https://www.nevadacountyca.gov/3841/Sanitation-District-1-Financials>.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
STATEMENT OF NET POSITION
JUNE 30, 2025

ASSETS

Current Assets:

Cash and Investments	\$ 10,120,143
Accounts Receivable	39,936
Due from Other Governments	19,099
Total Current Assets	10,179,178

Noncurrent Assets:

Capital Assets:

Nondepreciable	1,893,502
Depreciable, Net	38,204,161
Total Noncurrent Assets	40,097,663
Total Assets	50,276,841

DEFERRED OUTFLOWS OF RESOURCES

OPEB	99,710
Pension	766,272
Total Deferred Outflows of Resources	865,982

LIABILITIES

Current Liabilities:

Accounts Payable	48,485
Salaries and Benefits Payable	51,378
Interest Payable	60,857
Due to County	96,470
Compensated Absences	136,545
Loan Payable	1,835,086
Total Current Liabilities	2,228,821

Noncurrent Liabilities:

Advance from County	1,045,647
Loan Payable	3,475,312
Net OPEB Liability	221,738
Net Pension Liability	4,400,045
Total Noncurrent Liabilities	9,142,742
Total Liabilities	11,371,563

DEFERRED INFLOWS OF RESOURCES

OPEB	50,118
Total Deferred Inflows of Resources	50,118

NET POSITION

Net Investment in Capital Assets	34,787,265
Unrestricted	4,933,877
Total Net Position	\$ 39,721,142

See accompanying Notes to the Financial Statements

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2025

OPERATING REVENUES	
Charges for Services	\$ 10,160,638
Other Revenues	8,404
Total Operating Revenues	<u>10,169,042</u>
OPERATING EXPENSES	
Salaries and Benefits	3,116,273
Services and Supplies	2,795,722
Other Charges	317,669
Expense Transfers	409,403
Depreciation and Amortization	2,279,443
Total Operating Expenses	<u>8,918,510</u>
OPERATING INCOME (LOSS)	1,250,532
NONOPERATING REVENUE (EXPENSES)	
Interest Income (Loss)	453,358
Interest Expense	(166,565)
Transfers from the County	29,885
Total Nonoperating Revenue (Expenses)	<u>316,678</u>
CHANGE IN NET POSITION	1,567,210
Net Position - Beginning of Year	<u>38,153,932</u>
NET POSITION - END OF YEAR	<u><u>\$ 39,721,142</u></u>

See accompanying Notes to the Financial Statements

NEVADA COUNT SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 10,188,560
Payments to Suppliers	(3,645,349)
Payments to Employees	(2,804,760)
Net Cash Provided by Operating Activities	3,738,451

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Net Payments to Other County Funds	(132,325)
Net Cash Provided by Noncapital Financing Activities	(132,325)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Paid on Capital Debt	(1,870,456)
Interest Paid on Capital Debt	(118,280)
Acquisition of Capital Assets	(745,127)
Net Cash Used by Capital and Related Financing Activities	(2,733,863)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and Investment Earnings (Loss)	453,358
Net Cash Provided by Investing Activities	453,358

NET INCREASE IN CASH AND CASH EQUIVALENTS

1,325,621

Cash and Cash Equivalents - Beginning of Year

8,794,522

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 10,120,143

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 1,250,532
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	2,279,443
Changes in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts Receivable	19,518
Deferred Outflows of Resources	261,225
Increase (Decrease) in:	
Accounts Payable	(122,555)
Salaries and Benefits Payable	12,571
Compensated Absences	39,577
Deferred Inflows of Resources	(25,899)
Net Pension Liability	78,359
Net OPEB Liability	(54,320)
Net Cash Provided by Operating Activities	\$ 3,738,451

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Amortization of Loan Discounts	(66,961)
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See accompanying Notes to the Financial Statements

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Nevada County Sanitation District No. 1 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a public agency formed on August 2, 1965, by order of the Nevada County Board of Supervisors pursuant to provisions of the California Health and Safety Code. As of June 30, 2025, the District is composed of ten zones and the Wastewater Management System.

The District, for financial purposes, includes all of the activity relevant to the operations of the District in eleven enterprise zones, as follows:

Wastewater Management System	Sanitation District Zone 6 – Penn Valley <ul style="list-style-type: none">• O & M• Capital Improvement
Sanitation District Zone 1 – Lake Wildwood <ul style="list-style-type: none">• O & M• Debt Assessment• Capital Improvement• Lasalle Project	Sanitation District Zone 7 – Mountain Lake Estates <ul style="list-style-type: none">• O & M
Sanitation District Zone 2 – Lake of the Pines <ul style="list-style-type: none">• O & M• Debt Assessment• Capital Improvement• Lasalle Project	Sanitation District Zone 8 – Cascade Shores <ul style="list-style-type: none">• O & M• Capital Improvement• Debt Assessment
Sanitation District Zone 4 – North San Juan <ul style="list-style-type: none">• O & M	Sanitation District Zone 9 – Eden Ranch <ul style="list-style-type: none">• O & M
Sanitation District Zone 5 – Gold Creek <ul style="list-style-type: none">• O & M	Sanitation District Zone 11 – Higgins Village <ul style="list-style-type: none">• O & M
	Sanitation District Zone 12 – Valley Oak <ul style="list-style-type: none">• O & M

The District is considered to be a component unit of the County of Nevada (the County). The Board of Supervisors is the governing body of the District. The District is a legally separate entity for which the County is considered to be financially accountable and for which the nature and significance of the District's relationship with the County is such that exclusion would cause the combined financial statements to be misleading.

The District is considered a blended component unit of the County and is reported as a major enterprise fund in the County's financial statements.

B. Basis of Presentation

The fund financial statements provide information about the District's funds. Funds are organized into the proprietary category. An emphasis is placed on major funds within the proprietary category; each is displayed in a separate column. For presentation purposes all zones of the District are combined into one major fund.

The District reports the following major proprietary fund:

- The Sanitation District fund is an enterprise fund used to account for activity related to providing customers with sanitation management and billing for services provided by the District.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

C. Basis of Accounting and Measurement Focus

The proprietary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include revenues from grants, entitlements, and donations. Under the accrual basis, revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash, Cash Equivalents, and Investments

The District pools cash and investments of all funds with the County. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in the investment pool is determined by the dollar amount of participants' deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. The pool has not provided or obtained any legally binding guarantees during the period to support the value of investments.

The County monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors reviews and approves the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Nevada's financial statements may be obtained by contacting the County of Nevada Auditor-Controller at 950 Maidu Avenue, Nevada City, California 95959, or at <https://www.nevadacountyca.gov/3833/Annual-Comprehensive-Financial-Report>.

For purposes of the accompanying statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased, and its equity in the County Treasurer's investment pool, to be cash equivalents.

E. Receivables

Management only accrues those revenues it deems collectible; as such, the District has no allowance for uncollectible accounts.

F. Capital Assets

Capital assets, including public domain (infrastructure assets such as water, sewer, and similar items) are defined by the District as assets with a cost of more than \$5,000 for equipment and \$50,000 for structures and infrastructure and an estimated useful life of more than one year. Capital assets are recorded at historical or estimated historical cost if actual historical cost is unavailable. Donated capital assets, donated works of art and similar items and capital assets received in

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a service concession arrangement are reported at acquisition value, which is the amount that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets estimated useful life. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Life</u>
Equipment	2-25 Years
Structures and Improvements	5-50 Years
Infrastructure	20-75 Years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

G. Compensated Absences

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation or personal paid leave. An unlimited amount of sick leave may be accrued in accordance with the bargaining unit's memorandum of understanding (MOU) and, upon separation from District's service, will either be paid to the employee or converted to a public employee's retirement system (PERS) service credit. In proprietary funds the accrued compensated absences liability is recorded as an expense and related liability in the year earned, with the current portion estimated based on historical trends. The District includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

H. Long-Term Debt

Long-term debt of the District consists of loans from direct borrowing with the proceeds used for the purpose of the acquisition and construction of improvements to wastewater systems.

I. Pension

The District is a component unit of the County of Nevada and as such the District's employees are covered under the retirement plan of the County of Nevada (the Plan). For purposes of measuring the net pension liability and deferred outflows and deferred inflows of resources related to pensions, and pensions expense, information about the fiduciary net position of the District's miscellaneous plan, an agent multiple-employer defined benefit pension plan participating in the California Public Employees' Retirement System (CalPERS), and additions to and deductions from the plans' fiduciary net position are determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In general, the District recognizes a net pension liability which represents the District's total pension liability over the fiduciary net position of the pension plan reflected in the actuarial report provided by CalPERS. The net pension liability is measured as of the District's prior fiscal year-end. Employer pension contributions made subsequent to the measurement period are recorded as deferred outflows of resources.

Changes in the net pension liability are recorded in the period incurred, as pension expense or as deferred outflows of resources or deferred inflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred outflows of resources or deferred inflows of resources (that arise from changes in the actuarial assumptions and differences between expected and actual experience) are amortized over the expected average remaining service lifetime of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

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Projected earnings on pension plan investments are recognized as a component of pension expense. The net differences between projected and actual investment earnings are reported as deferred outflows of resources or deferred inflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

J. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to and deductions from the OPEB Plan's fiduciary net position are determined on the same basis as they are reported by CalPERS. For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has deferred outflows of resources related to pension and OPEB.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources related to OPEB.

L. Net Position

The District's financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.

Unrestricted Net Position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position is available, it is considered that restricted resources are used first, followed by the unrestricted resources.

M. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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N. Current Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 101, Compensated Absences – In June 2022, the GASB issued GASB 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. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The District implemented this Statement in the fiscal year ended June 30, 2025.

GASB Statement No. 102, Certain Risk Disclosures – In December 2023, the GASB issued GASB Statement No. 102, Certain Risk Disclosures. 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 of constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The District has determined that this Statement is not applicable for the fiscal year ended June 30, 2025.

O. Future Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 103, Financial Reporting Model Improvements – In April 2024, GASB issued Statement No. 103, Financial Reporting Model Improvements. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The District has not determined the effect, if any, on the financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB Statement No. 104, Disclosure of Certain Capital Assets – In September 2024, GASB issued Statement No. 104, Disclosure of Certain Capital Assets. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The District has not determined the effect, if any, on the financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

NOTE 2 CASH AND INVESTMENTS

A. Financial Statement Presentation

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

Investments:	
Nevada County Treasurer’s Pool	\$ 10,120,143

B. Cash

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The County’s investment policy requires that deposits in banks must meet the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105% to 150% of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the District’s deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the \$250,000 insured amount are collateralized. At year-end, the District had no deposits outside the Nevada County Treasury.

C. Investments

The investment policy provides the basis for the management of a prudent, conservative investment program. Funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the Government Code and, in general, the

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investment policy is more restrictive than state law. Under the provisions of the County's investment policy the County may invest or deposit in the following:

<u>Authorized Investment Type</u>	<u>Maximum Maturity (per Code/per Policy)</u>	<u>Percentage of Portfolio (per Code/per Policy)</u>	<u>Maximum Investment in One Issuer (per Code/per Policy)</u>	<u>Minimum Rating</u>
Securities of the Federal Government or its Agencies	5 years	no limit	-	-
California State Registered Warrants, Treasury Notes and Bonds	5 years	no limit	no limit	-
Local Agency Obligations	5 years	no limit	no limit	A
Banker's Acceptances	180 days	40%/30%	30%	-
Money Market Funds	5 years	20%	10%	-
Commercial Paper	270 days	40%	10%	A
Medium Term Corporate Notes	5 years	30%	5%	A
Negotiable Certificate of Deposit	5 years	30%	30%	-
Repurchase Agreements	1 year	20%	20%	-
Reverse Repurchase Agreement	92 days	20%	20%	-
Certificates of Deposit	5 years	30%	30%	-
Pass-Through Security	5 years	no limit	no limit	-
Local Agency Investment Fund (LAIF)	5 years	\$75M	\$75M	-
California Asset Management Program (CAMP)	5 years	no limit	-	-
Supranational	5 years	30%	30%	AA

Interest Rate Risk

Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the County 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. The County limits its exposure to interest rate risk inherent in its portfolio by limiting individual maturities to five years or less.

Credit Risk

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. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2025, the District's investments were all pooled with the County Treasury which is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk the County's investment policy requires that all investments owned by the County with the exception of certificates of deposit shall be held in safekeeping by a third party under contract with the County.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investments in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential

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loss. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. All investments of the District are in the County investment pool which contains a diversification of investments.

NOTE 3 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2025
Capital Assets, Not Being Depreciated:					
Land and Easements	\$ 1,527,624	\$ -	\$ -	\$ -	\$ 1,527,624
Construction in Progress	50,644	335,983	-	(20,749)	365,878
Total Capital Assets, Not Being Depreciated	1,578,268	335,983	-	(20,749)	1,893,502
Capital Assets, Being Depreciated:					
Infrastructure	79,949,268	-	-	-	79,949,268
Structures and Improvements	320,598	-	-	-	320,598
Equipment	4,436,127	409,144	(51,570)	20,749	4,814,450
Total Capital Assets, Being Depreciated	84,705,993	409,144	(51,570)	20,749	85,084,316
Less Accumulated Depreciation for:					
Infrastructure	(41,778,167)	(2,030,781)	-	-	(43,808,948)
Structures and Improvements	(183,091)	(10,687)	-	-	(193,778)
Equipment	(2,691,024)	(237,975)	51,570	-	(2,877,429)
Total Accumulated Depreciation	(44,652,282)	(2,279,443)	51,570	-	(46,880,155)
Total Capital Assets, Being Depreciated, Net	40,053,711	(1,870,299)	-	20,749	38,204,161
Total Capital Assets, Net	\$ 41,631,979	\$ (1,534,316)	\$ -	\$ -	\$ 40,097,663

NOTE 4 LONG-TERM LIABILITIES

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

Type of Indebtedness	Balance June 30, 2024	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2025	Amounts Due Within One Year
Loans from Direct Borrowing	\$ 7,283,545	\$ -	\$ (1,870,456)	\$ 5,413,089	\$ 1,885,826
Less: Unamortized Discount	(169,652)	-	66,961	(102,691)	(50,740)
Loans, Net	7,113,893	-	(1,803,495)	5,310,398	1,835,086
Compensated Absences (1)	96,968	39,577	-	136,545	136,545
OPEB Liability	276,058	-	(54,320)	221,738	-
Net Pension Liability	4,321,686	-	78,359	4,400,045	-
Total Long-Term Liabilities	\$ 11,808,605	\$ 9,577	\$ (1,779,456)	\$ 10,068,726	\$ 1,971,631

(1) The change in compensated absences above is a net change for the year.

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Individual issues of debt payable outstanding at June 30, 2025 are as follows:

Loans from Direct Borrowing	Amount
Bank of America Leasing and Capital, LLC loan, issued August 1, 2009, in the amount of \$1,000,000 and payable in annual installments of \$29,412, with an interest rate of 3.55% and maturity on August 1, 2026. Loan proceeds were used for interim financing for the acquisition and construction of improvements to the Lake Wildwood Zone 1 wastewater system.	\$ 88,236
State Water Resources Control Board loan, issued September 13, 2010, in the amount of \$12,122,824 plus accrued interest of \$110,523 and payable in annual installments of \$762,198 with an interest rate of 1.2% and maturity on November 23, 2027. Loan proceeds were used for the acquisition and construction of improvements to the Lake Wildwood Zone 1 wastewater system.	2,189,556
Bank of America Leasing and Capital, LLC loan, issued August 1, 2009, in the amount of \$2,500,000 and payable in annual installments of \$73,529, with an interest rate of 3.55% and maturity on August 1, 2026. Loan proceeds were used for interim financing for the acquisition and construction of improvements to the Lake of the Pines Zone 2 wastewater system.	220,589
State Water Resources Control Board loan, issued September 13, 2010, in the amount of \$18,964,071 and payable in annual installments of \$948,958 with an interest rate of 0.0% and maturity on January 12, 2028. Loan proceeds were used for the acquisition and construction of improvements to the Lake of the Pines Zone 2 wastewater system. The loan includes a loan discount of \$3,160,742.	2,846,875
State Water Resources Control Board loan, issued November 13, 2010, in the amount of \$339,164 and payable in annual installments of \$16,958, with an interest rate of 0.0% and maturity on June 30, 2029. Loan proceeds were used for the acquisition and construction of improvements to the Cascade Shores wastewater system. The loan includes a loan discount of \$56,528.	67,833
Total	\$ 5,413,089

Following is a schedule of debt payment requirements to maturity for long-term liabilities, excluding compensated absences that have indefinite maturities, net pension liability which is reported in Note 5 under Employee's Retirement Plan, and net OPEB liability which is reported in Note 6 under Other Postemployment Benefits.

Year Ending June 30	Loans from Direct Borrowing			Total
	Principal	Interest	Service Charge	
2026	\$ 1,885,826	\$ 86,219	\$ 21,896	\$ 1,993,941
2027	1,798,594	53,774	14,755	1,867,123
2028	1,711,707	26,365	7,458	1,745,530
2029	16,962	300		17,262
Total	5,413,089	\$ 166,658	\$ 44,109	\$ 5,623,856
Less Discount	(102,691)			
Net Total	\$ 5,310,398			

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NOTE 5 EMPLOYEES' RETIREMENT PLAN

A. Plan Description

The District is a component unit of the County of Nevada and as such the District's employees are covered under the retirement plan of the County of Nevada (the Plan).

All qualified permanent and probationary employees are eligible to participate in the Plan. The Plan is an agent multiple-employer defined benefit pension plan. The Plan is part of the California Public Employees Retirement System (CalPERS), a public employee retirement system which acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and other requirements are established by State statute and County resolution.

The County's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. The County selects optional benefit provisions by contract with CalPERS and adopts those benefits through County ordinance. CalPERS issues a separate annual comprehensive financial report; however, a separate report for the County's Safety and Miscellaneous Plans is not available. Copies of CalPERS annual financial reports which include required supplementary information (RSI) for each plan may be obtained from CalPERS Executive Offices, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

All pension plans provide benefits, upon retirement, disability or death of members. Retirement benefits are based on years of service, final average compensation, and retirement age. Employees terminating before accruing five years of retirement service credit forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within a prescribed time period. Non-vested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminate service after earning five years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Differences between expected and actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

Non-service related disability benefits are provided to miscellaneous plan members. The benefit is based on final compensation, multiplied by service, which is determined as follows:

- *service* is CalPERS credited service, for members with fewer than 10 years of service or greater than 18.518 years of service; or
- *service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service.

Death benefits are based upon a variety of factors including whether the participant was retired or not.

Annual cost-of-living adjustments (COLAs) after retirement are provided in all plans. COLAs are granted to retired members each May based upon the Bureau of Labor Statistics Average Consumer Price Index for All Urban Consumers for the previous calendar year and is subject to a maximum of 2% per annum.

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

	Multi Agent Miscellaneous Tier 1	Multi Agent Miscellaneous Tier 2	Multi Agent Miscellaneous PEPRA
	Before or on December 13, 2012	December 14, 2012 to December 31, 2012	On or After January 2, 2013
Hire Date			
Benefit Formula	2.7% @ 55	2.0% @ 60	2.0% @ 62
Benefit Vesting Schedule	5 Years Service	5 Years Service	5 Years Service
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	55	60	62
Monthly Benefits, as a % of Eligible Compensation	2.70%	2.00%	2.00%
Required Employee Contribution Rates	8.00%	7.00%	7.75%
Required Employer Contribution Rates	10.71%	10.71%	10.71%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires 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. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2025 contributions to the miscellaneous plan were \$567,996 .

B. Net Pension Liability

The District's net pension liability is measured as the proportionate share of the total net pension liability as reported by the Plan. The net pension liability is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net pension liability was based on the contributions of all participants in the plan. The District's proportional share of the net pension liability was 2.21% at the measurement date of June 30, 2024, which was an increase of 0.14% from the prior year. As of June 30, 2025, the District's proportional share of the net pension liability was \$4,400,045.

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	(1)
Mortality	(2)

(1) Varies by entry age and service.

(2) Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

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C. Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District's proportionate share of the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what 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:

	Discount Rate		
	1% Decrease	Current Rate	1% Increase
	5.90%	6.90%	7.90%
Net Pension Liability	\$ 6,008,061	\$ 4,400,045	\$ 3,064,782

D. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. During the year ended June 30, 2025, the District recognized a pension expense of \$354,441. 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
Pension Contributions Subsequent to Measurement Date	\$ 567,996
Differences Between Expected and Actual Experience	81,033
Net Difference Between Projected and Actual Earnings on Plan Investments	117,243
Total	\$ 766,272

The District reported \$567,996 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2026	\$ 54,150
2027	227,870
2028	(37,366)
2029	(46,378)
Total	\$ 198,276

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NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The District is a component unit of the County of Nevada and as such the District's employees are covered under the postemployment benefit plan of the County of Nevada. The County of Nevada provides, under a defined benefit plan, retiree healthcare benefits to qualifying employees retiring directly from the County. The benefit level is determined by date of hire and length of service. The County has contracted for medical coverage to be provided through an agent multiple-employer CalPERS Healthcare (PEMHCA) plan. A portion of the County's postemployment benefit liabilities and related deferred inflows and outflows have been allocated to the District.

The County has established an irrevocable trust with CalPERS – California Employers' Retiree Benefit Trust Fund (CERBT) to deposit the contributions above the current year pay-as-you-go portion. CERBT issues a publicly available financial report including Governmental Accounting Standards Board (GASB) 43 disclosure information in the aggregate with the other CERBT participating employers. That report may be obtained by contacting CalPERS at P.O. Box 942703, Sacramento, CA 94229-2703 or www.calpers.ca.gov.

The County pays the least expensive available plan single premium up to Medicare eligible age for retirees with more than 20 years of County Service. Employees hired before July 1, 2000, with less than 20 years of County service at retirement, receive a fixed stipend amount. After reaching Medicare eligible age, the County also pays 80% of the least expensive Medicare supplemental plan single premium for all retirees hired before July 1, 2000 and for employees hired after July 1, 2000 with 20 years of County service.

Employees hired on or after July 1, 2008, and who retire from the County, the County will continue to provide access to medical insurance coverage for those employees who retire from employment with the County and who constitute "annuitants" as defined by the Public Employees Medical and Hospital Care Act (PEMHCA) only.

Contributions

The contribution rate is determined on an annual basis by an independent actuary and is authorized by the County Board of Supervisors. For the year ended June 30, 2025, the District's average contribution rate was 4.5 percent of covered-employee payroll. Employees are not required to contribute to the plan.

B. Net OPEB Liability

The District's net OPEB liability is measured as the proportionate share of the total net OPEB liability as reported by the Plan. The District's proportion of the net OPEB liability was based on the contributions of all participants in the plan. The District's proportional share of the OPEB liability was 1.81% at the measurement date of June 30, 2024, which was a decrease of 0.01% from the prior year. As of June 30, 2025, the District's proportional share of the net OPEB liability was \$221,738.

Actuarial Assumptions

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

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

Actuarial Valuation Date	June 30, 2023
Contribution Policy	County contributes full ADC
Discount Rate	6.25% at June 30, 2024 6.25% at June 30, 2023
Expected Long-Term Rate of Return on Investments	Expected County Contributions projected to keep sufficient plan assets to pay all benefits from trust

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YEAR ENDED JUNE 30, 2025**

General Inflation	2.50% annually
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Salary Increases	Aggregate - 2.75% annually Merit - CalPERS 2000-2019 experience study
Healthcare Trend	Non-Medicare - 8.5% for 2025, decreasing to an ultimate rate of 3.45% in 2026 and later years Medicare (Non-Kaiser) - 7.50% for 2025, decreasing to an ultimate rate of 3.45% in 2026 and later years Medicare (Kaiser) - 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2026 and later years
PEMHCA minimum increases	3.50% annually
Cap Increases	Fixed Cap: 0% Premium Cap - healthcare trend
Healthcare participation for future retirees	Hires before 7/1/08 - 65% without 20 years service and 95% with 20 years service Hires after 7/1/08 - 50%
Changes of assumptions	None
Changes in benefit terms	None
Subsequent Events to measurement date and before June 30, 2025	None

C. Discount Rate and Trend Sensitivity

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 or 1 percentage point higher than the current discount rate:

	Discount Rate		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Net OPEB Liability	\$ 338,664	\$ 221,738	\$ 123,421

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 health care cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$ 106,662	\$ 221,738	\$ 360,699

**NEVADA COUNTY SANITATION DISTRICT NO. 1
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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025**

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2025, the District recognized OPEB expense of \$50,854. As of fiscal year ended 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 Contributions Subsequent to Measurement Date	\$ 64,073	\$ -
Change in Assumptions	27,020	13,471
Differences Between Expected and Actual Experience	-	36,647
Net Difference Between Projected and Actual Earnings on Plan Investments	8,617	-
Total	\$ 99,710	\$ 50,118

The \$64,073 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2024 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB expense will be recognized as follows:

Year Ending June 30	Amount
2026	\$ (19,101)
2027	10,308
2028	(3,153)
2029	(2,921)
2030	386
Total	\$ (14,481)

Additional disclosure information regarding OPEB can be found in the County's audited financial statements.

NOTE 7 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; injuries to employees; and natural disasters.

Because of the close relationship the District has with the County of Nevada, the District's coverage is provided by the County of Nevada. Disclosure of complete information on risk management can be found in the County of Nevada's financial statements.

NOTE 8 RELATED PARTY TRANSACTIONS

The District has related party transactions with the County of Nevada. The following is a summary of payables due to the County of Nevada by fund at June 30, 2025:

Sanitation District Zone 2 - Lake of the Pines	\$ 1,136,142
Sanitation District Zone 5 - Gold Creek	961
Sanitation District Zone 8 - Cascade Shores	5,014

NEVADA COUNTY SANITATION DISTRICT NO. 1
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REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025

1. SCHEDULE OF NET PENSION LIABILITY PROPORTIONAL SHARE AND RELATED RATIOS

Proportionate Share of the County's Miscellaneous Pension Plan

Last 10 Fiscal Years

	Miscellaneous Plan									
	Reporting Fiscal Year									
	(Measurement Date)									
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
	<i>June 30, 2024</i>	<i>June 30, 2023</i>	<i>June 30, 2022</i>	<i>June 30, 2021</i>	<i>June 30, 2020</i>	<i>June 30, 2019</i>	<i>June 30, 2018</i>	<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>
Proportionate share of the net pension liability	2.21%	2.07%	2.17%	2.28%	2.32%	2.32%	2.18%	2.28%	2.30%	2.43%
Proportion of the net pension liability	\$ 4,400,045	\$ 4,321,686	\$ 4,355,560	\$ 3,012,238	\$ 4,245,716	\$ 3,902,470	\$ 3,443,804	\$ 3,566,486	\$ 3,268,312	\$ 2,960,974
Covered payroll	\$ 1,254,254	\$ 1,165,568	\$ 1,325,232	\$ 1,299,247	\$ 1,273,771	\$ 1,248,796	\$ 1,007,407	\$ 1,003,549	\$ 1,125,915	\$ 1,036,937
Proportionate share of the net pension liability as a percentage of covered payroll	350.81%	370.78%	366.22%	231.84%	333.32%	312.50%	341.85%	355.39%	290.28%	285.55%
Plan's fiduciary net position as a percentage of the total pension liability	66.69%	64.02%	64.04%	64.50%	64.50%	65.17%	65.68%	64.49%	64.49%	68.27%

Schedule of District's Contribution

Last 10 Fiscal Years

	Reporting Fiscal Year									
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Actuarially determined contribution	\$ 567,996	\$ 475,774	\$ 453,519	\$ 476,063	\$ 458,778	\$ 407,427	\$ 356,338	\$ 341,823	\$ 476,063	\$ 296,780
Contributions related to the actuarially determined contribution	(567,996)	(475,774)	(453,519)	(476,063)	(458,778)	(407,427)	(356,338)	(341,823)	(476,063)	(296,780)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,313,030	\$ 1,254,254	\$ 1,165,568	\$ 1,325,232	\$ 1,299,247	\$ 1,273,771	\$ 1,248,796	\$ 1,007,407	\$ 1,003,549	\$ 1,125,915
Contributions as a percentage of covered payroll	43.26%	37.93%	38.91%	35.92%	35.31%	31.99%	28.53%	33.93%	47.44%	26.36%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	For details, see June 30, 2021 Funding Valuation Report.
Asset valuation method	Actuarial value of assets. For details, see June 30, 2021 Funding Valuation Report.
Inflation	2.30%
Salary increases	Varies by entry age and service
Payroll growth	2.80%
Investment rate of return	6.80% Net of pension plan investment and administrative expense; includes inflation.
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	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.

**NEVADA COUNTY SANITATION DISTRICT NO. 1
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REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

2. SCHEDULE OF NET OPEB LIABILITY PROPORTIONATE SHARE AND RELATED RATIOS

Proportionate share of the Net OPEB Liability

Last 10 Fiscal Years*

	Reporting Fiscal Year (Measurement Date)							
	June 30, 2025 <i>June 30, 2024</i>	June 30, 2024 <i>June 30, 2023</i>	June 30, 2023 <i>June 30, 2022</i>	June 30, 2022 <i>June 30, 2021</i>	June 30, 2021 <i>June 30, 2020</i>	June 30, 2020 <i>June 30, 2019</i>	June 30, 2019 <i>June 30, 2018</i>	June 30, 2018 <i>June 30, 2017</i>
Proportionate share of the net OPEB liability	1.81%	1.82%	1.89%	1.97%	2.18%	2.08%	1.93%	1.99%
Proportion of the net OPEB liability	\$ 221,738	\$ 276,058	\$ 276,342	\$ 169,652	\$ 507,145	\$ 500,428	\$ 585,600	\$ 624,268
Covered payroll	\$ 1,298,566	\$ 1,255,662	\$ 1,284,546	\$ 1,259,359	\$ 1,234,666	\$ 1,119,557	\$ 1,065,437	\$ 1,043,247
Proportionate share of the net OPEB liability as a percentage of covered payroll	17.08%	21.99%	21.51%	13.47%	41.08%	44.70%	54.96%	59.84%
Plan's fiduciary net position as a percentage of the total OPEB liability	78.20%	72.28%	71.77%	82.85%	57.25%	54.29%	45.87%	41.85%

*Fiscal year 2018 was the first year of implementation. Additional years will be presented as they become available.

Schedule of District's OPEB Contribution

Last 10 Fiscal Years*

	Reporting Fiscal Year							
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially determined contribution	\$ 47,110	\$ 40,128	\$ 42,632	\$ 63,749	\$ 69,150	\$ 79,726	\$ 72,993	\$ 81,491
Contributions related to the actuarially determined contribution	(64,073)	(58,901)	(56,172)	(81,525)	(96,707)	(83,758)	(76,404)	(84,819)
Contribution deficiency (excess)	\$ (16,963)	\$ (18,773)	\$ (13,540)	\$ (17,776)	\$ (27,557)	\$ (4,032)	\$ (3,411)	\$ (3,329)
Covered payroll	\$ 1,411,684	\$ 1,298,566	\$ 1,255,662	\$ 1,284,546	\$ 1,259,359	\$ 1,234,666	\$ 1,119,557	\$ 1,065,437
Contributions as a percentage of covered payroll	3.34%	3.09%	3.40%	4.96%	5.49%	6.46%	6.52%	7.65%

*Fiscal year 2018 was the first year of implementation. Additional years will be presented as they become available.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2023
Actuarial cost method	Entry Age Normal, Level Percentage of Payroll
Amortization method	Level percent of pay
Amortization period	15-year fixed period for 2024/25
Asset valuation method	Market value of assets
Discount Rate	6.25%
General Inflation	2.50%
Medical Trend	Non-Medicare - 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076. Medicare (Non-Kaiser) - 7.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076. Medicare (Kaiser) - 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076
Mortality	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational based on Scale MP-2021

NEVADA COUNTY SANITATION DISTRICT NO. 1
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COMBINING STATEMENT OF NET POSITION
JUNE 30, 2025

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
ASSETS				
Current Assets:				
Cash and Investments	\$ (57,182)	\$ 3,757,937	\$ 4,623,283	\$ 71,398
Accounts Receivable	-	9,036	25,561	2,457
Due from Other Governments	13,628	461	695	46
Due from Other Funds	24,574	-	-	-
Total Current Assets	(18,980)	3,767,434	4,649,539	73,901
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	-	289,270	647,960	139,084
Depreciable, Net	386,312	11,330,587	15,985,160	147,119
Total Noncurrent Assets	386,312	11,619,857	16,633,120	286,203
Total Assets	367,332	15,387,291	21,282,659	360,104
DEFERRED OUTFLOWS OF RESOURCES				
OPEB	99,710	-	-	-
Pension	766,272	-	-	-
Total Deferred Outflows of Resources	865,982	-	-	-
LIABILITIES				
Current Liabilities:				
Accounts Payable	7,227	16,327	19,566	551
Salaries and Benefits Payable	51,378	-	-	-
Interest Payable	-	29,414	23,941	-
Due to County	-	-	90,495	-
Due to Other Funds	-	-	-	-
Compensated Absences	136,545	-	-	-
Loan Payable	-	772,851	1,046,447	-
Total Current Liabilities	195,150	818,592	1,180,449	551
Noncurrent Liabilities:				
Advance from County	-	-	1,045,647	-
Loan Payable	-	1,504,941	1,921,277	-
Net OPEB Liability	221,738	-	-	-
Net Pension Liability	4,400,045	-	-	-
Total Noncurrent Liabilities	4,621,783	1,504,941	2,966,924	-
Total Liabilities	4,816,933	2,323,533	4,147,373	551
DEFERRED INFLOWS OF RESOURCES				
OPEB	50,118	-	-	-
Total Deferred Inflows of Resources	50,118	-	-	-
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	386,312	9,342,065	13,665,396	286,203
Unrestricted (Deficit)	(4,020,049)	3,721,693	3,469,890	73,350
Total Net Position (Deficit)	\$ (3,633,737)	\$ 13,063,758	\$ 17,135,286	\$ 359,553

NEVADA COUNTY SANITATION DISTRICT NO. 1
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COMBINING STATEMENT OF NET POSITION
JUNE 30, 2025

	Sanitation District Zone 5 - Gold Creek	Sanitation District Zone 6 - Penn Valley	Sanitation District Zone 7 - Mountain Lake Estates	Sanitation District Zone 8 - Cascade Shores
ASSETS				
Current Assets:				
Cash and Investments	\$ 12,619	\$ 925,928	\$ 39,499	\$ 310,358
Accounts Receivable	-	2,882	-	-
Due from Other Governments	-	157	-	4,112
Due from Other Funds	-	-	-	-
Total Current Assets	12,619	928,967	39,499	314,470
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	5,950	499,575	45,231	236,439
Depreciable, Net	10,350	7,146,559	173,147	2,721,999
Total Noncurrent Assets	16,300	7,646,134	218,378	2,958,438
Total Assets	28,919	8,575,101	257,877	3,272,908
DEFERRED OUTFLOWS OF RESOURCES				
OPEB	-	-	-	-
Pension	-	-	-	-
Total Deferred Outflows of Resources	-	-	-	-
LIABILITIES				
Current Liabilities:				
Accounts Payable	-	3,512	-	893
Salaries and Benefits Payable	-	-	-	-
Interest Payable	-	7,502	-	-
Due to County	961	-	-	5,014
Due to Other Funds	10,236	-	-	14,338
Compensated Absences	-	-	-	-
Loan Payable	-	-	-	15,788
Total Current Liabilities	11,197	11,014	-	36,033
Noncurrent Liabilities:				
Advance from County	-	-	-	-
Loan Payable	-	-	-	49,094
Net OPEB Liability	-	-	-	-
Net Pension Liability	-	-	-	-
Total Noncurrent Liabilities	-	-	-	49,094
Total Liabilities	11,197	11,014	-	85,127
DEFERRED INFLOWS OF RESOURCES				
OPEB	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	16,300	7,646,134	218,378	2,893,556
Unrestricted (Deficit)	1,422	917,953	39,499	294,225
Total Net Position (Deficit)	\$ 17,722	\$ 8,564,087	\$ 257,877	\$ 3,187,781

NEVADA COUNTY SANITATION DISTRICT NO. 1
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COMBINING STATEMENT OF NET POSITION
JUNE 30, 2025

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Eliminations	Totals
ASSETS					
Current Assets:					
Cash and Investments	\$ 147,673	\$ 189,923	\$ 98,707	\$ -	\$ 10,120,143
Accounts Receivable	-	-	-	-	39,936
Due from Other Governments	-	-	-	-	19,099
Due from Other Funds	-	-	-	(24,574)	-
Total Current Assets	147,673	189,923	98,707	(24,574)	10,179,178
Noncurrent Assets:					
Capital Assets:					
Nondepreciable	29,993	-	-	-	1,893,502
Depreciable, Net	48,141	212,992	41,795	-	38,204,161
Total Noncurrent Assets	78,134	212,992	41,795	-	40,097,663
Total Assets	225,807	402,915	140,502	(24,574)	50,276,841
DEFERRED OUTFLOWS OF RESOURCES					
OPEB	-	-	-	-	99,710
Pension	-	-	-	-	766,272
Total Deferred Outflows of Resources	-	-	-	-	865,982
LIABILITIES					
Current Liabilities:					
Accounts Payable	377	32	-	-	48,485
Salaries and Benefits Payable	-	-	-	-	51,378
Interest Payable	-	-	-	-	60,857
Due to County	-	-	-	-	96,470
Due to Other Funds	-	-	-	(24,574)	-
Compensated Absences	-	-	-	-	136,545
Loan Payable	-	-	-	-	1,835,086
Total Current Liabilities	377	32	-	(24,574)	2,228,821
Noncurrent Liabilities:					
Advance from County	-	-	-	-	1,045,647
Loan Payable	-	-	-	-	3,475,312
Net OPEB Liability	-	-	-	-	221,738
Net Pension Liability	-	-	-	-	4,400,045
Total Noncurrent Liabilities	-	-	-	-	9,142,742
Total Liabilities	377	32	-	(24,574)	11,371,563
DEFERRED INFLOWS OF RESOURCES					
OPEB	-	-	-	-	50,118
Total Deferred Inflows of Resources	-	-	-	-	50,118
NET POSITION (DEFICIT)					
Net Investment in Capital Assets	78,134	212,992	41,795	-	34,787,265
Unrestricted (Deficit)	147,296	189,891	98,707	-	4,933,877
Total Net Position (Deficit)	\$ 225,430	\$ 402,883	\$ 140,502	\$ -	\$ 39,721,142

NEVADA COUNTY SANITATION DISTRICT NO. 1
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COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
OPERATING REVENUES				
Charges for Services	\$ -	\$ 4,468,804	\$ 4,511,311	\$ 100,446
Other Revenues	2,466	341	421	218
Total Operating Revenues	<u>2,466</u>	<u>4,469,145</u>	<u>4,511,732</u>	<u>100,664</u>
OPERATING EXPENSES				
Salaries and Benefits	3,116,273	-	-	-
Services and Supplies	880,177	835,412	798,552	29,264
Other Charges	317,669	-	-	-
Expense Transfers	(4,054,541)	1,990,197	1,748,767	79,409
Depreciation and Amortization	107,672	741,003	1,024,200	12,622
Total Operating Expenses	<u>367,250</u>	<u>3,566,612</u>	<u>3,571,519</u>	<u>121,295</u>
OPERATING INCOME (LOSS)	(364,784)	902,533	940,213	(20,631)
NONOPERATING REVENUE (EXPENSES)				
Interest Income (Loss)	42,165	141,111	193,679	3,491
Interest Expense	(676)	(58,431)	(106,009)	-
Transfers from the County	-	-	29,885	-
Total Nonoperating Revenues (Expenses)	<u>41,489</u>	<u>82,680</u>	<u>117,555</u>	<u>3,491</u>
CHANGE IN NET POSITION	(323,295)	985,213	1,057,768	(17,140)
Net Position (Deficit) - Beginning of Year	<u>(3,310,442)</u>	<u>12,078,545</u>	<u>16,077,518</u>	<u>376,693</u>
NET POSITION (DEFICIT) - END OF YEAR	<u><u>\$ (3,633,737)</u></u>	<u><u>\$ 13,063,758</u></u>	<u><u>\$ 17,135,286</u></u>	<u><u>\$ 359,553</u></u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025

	Sanitation District Zone 5 - Gold Creek	Sanitation District Zone 6 - Penn Valley	Sanitation District Zone 7 - Mountain Lake Estates	Sanitation District Zone 8 - Cascade Shores
OPERATING REVENUES				
Charges for Services	\$ 21,428	\$ 646,094	\$ 28,857	\$ 249,026
Other Revenues	-	-	-	4,958
Total Operating Revenues	<u>21,428</u>	<u>646,094</u>	<u>28,857</u>	<u>253,984</u>
OPERATING EXPENSES				
Salaries and Benefits	-	-	-	-
Services and Supplies	1,459	139,701	4,839	95,627
Other Charges	-	-	-	-
Expense Transfers	12,563	260,543	21,565	259,533
Depreciation and Amortization	1,295	182,962	12,255	176,518
Total Operating Expenses	<u>15,317</u>	<u>583,206</u>	<u>38,659</u>	<u>531,678</u>
OPERATING INCOME (LOSS)	6,111	62,888	(9,802)	(277,694)
NONOPERATING REVENUE (EXPENSES)				
Interest Income (Loss)	83	33,565	1,598	18,321
Interest Expense	-	-	-	(1,449)
Transfers from the County	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>83</u>	<u>33,565</u>	<u>1,598</u>	<u>16,872</u>
CHANGE IN NET POSITION	6,194	96,453	(8,204)	(260,822)
Net Position (Deficit) - Beginning of Year	<u>11,528</u>	<u>8,467,634</u>	<u>266,081</u>	<u>3,448,603</u>
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 17,722</u>	<u>\$ 8,564,087</u>	<u>\$ 257,877</u>	<u>\$ 3,187,781</u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
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COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Eliminations	Totals
OPERATING REVENUES					
Charges for Services	\$ 35,588	\$ 90,438	\$ 8,646	\$ -	\$ 10,160,638
Other Revenues	-	-	-	-	8,404
Total Operating Revenues	35,588	90,438	8,646	-	10,169,042
OPERATING EXPENSES					
Salaries and Benefits	-	-	-	-	3,116,273
Services and Supplies	4,377	5,907	407	-	2,795,722
Other Charges	-	-	-	-	317,669
Expense Transfers	44,784	44,479	2,104	-	409,403
Depreciation and Amortization	4,763	13,268	2,885	-	2,279,443
Total Operating Expenses	53,924	63,654	5,396	-	8,918,510
OPERATING INCOME (LOSS)	(18,336)	26,784	3,250	-	1,250,532
NONOPERATING REVENUE (EXPENSES)					
Interest Income (Loss)	7,673	7,051	4,621	-	453,358
Interest Expense	-	-	-	-	(166,565)
Transfers from the County	-	-	-	-	29,885
Total Nonoperating Revenues (Expenses)	7,673	7,051	4,621	-	316,678
CHANGE IN NET POSITION	(10,663)	33,835	7,871	-	1,567,210
Net Position (Deficit) - Beginning of Year	236,093	369,048	132,631	-	38,153,932
NET POSITION (DEFICIT) - END OF YEAR	\$ 225,430	\$ 402,883	\$ 140,502	\$ -	\$ 39,721,142

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 8,932	\$ 4,461,357	\$ 4,504,239	\$ 99,511
Payments to Suppliers	2,820,331	(2,854,460)	(2,578,564)	(108,122)
Payments to Employees	(2,804,760)	-	-	-
Net Cash Provided (Used) by Operating Activities	24,503	1,606,897	1,925,675	(8,611)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Net Receipts (Payments) From/To Other Funds	(72,408)	-	(59,918)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(72,408)	-	(59,918)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Capital Debt	-	(757,479)	(1,096,019)	-
Interest Paid on Capital Debt	(676)	(68,273)	(49,331)	-
Acquisition of Capital Assets	(307,433)	(222,685)	(209,985)	-
Net Cash Used by Capital and Related Financing Activities	(308,109)	(1,048,437)	(1,355,335)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Investment Earnings (Loss)	42,165	141,111	193,679	3,491
Net Cash Provided (Used) by Investing Activities	42,165	141,111	193,679	3,491
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(313,849)	699,571	704,101	(5,120)
Cash and Cash Equivalents - Beginning of Year	256,667	3,058,366	3,919,182	76,518
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ (57,182)	\$ 3,757,937	\$ 4,623,283	\$ 71,398
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (364,784)	\$ 902,533	\$ 940,213	\$ (20,631)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	107,672	741,003	1,024,200	12,622
(Increase) Decrease in:				
Accounts Receivable	6,466	(7,788)	(7,493)	(1,153)
Deferred Outflows of Resources	261,225	-	-	-
Increase (Decrease) in:				
Accounts Payable	(36,364)	(28,851)	(31,245)	551
Salaries and Benefits Payable	12,571	-	-	-
Compensated Absences	39,577	-	-	-
Deferred Inflows of Resources	(25,899)	-	-	-
Net Pension Liability	78,359	-	-	-
Net OPEB Liability	(54,320)	-	-	-
Net Cash Provided (Used) by Operating Activities	\$ 24,503	\$ 1,606,897	\$ 1,925,675	\$ (8,611)
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Amortization of Loan Discounts	\$ -	\$ -	\$ (65,512)	\$ -

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

	Sanitation District Zone 5 - Gold Creek	Sanitation District Zone 6 - Penn Valley	Sanitation District Zone 7 - Mountain Lake Estates	Sanitation District Zone 8 - Cascade Shores
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 21,428	\$ 675,580	\$ 28,857	\$ 253,984
Payments to Suppliers	(14,022)	(425,458)	(26,404)	(356,909)
Payments to Employees	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>7,406</u>	<u>250,122</u>	<u>2,453</u>	<u>(102,925)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Net Receipts (Payments) From/To Other Funds	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>2</u>
Net Cash Provided (Used) by Noncapital Financing Activities	(1)	-	-	2
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Capital Debt	-	-	-	(16,958)
Interest Paid on Capital Debt	-	-	-	-
Acquisition of Capital Assets	-	(5,024)	-	-
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(5,024)</u>	<u>-</u>	<u>(16,958)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Investment Earnings (Loss)	<u>83</u>	<u>33,565</u>	<u>1,598</u>	<u>18,321</u>
Net Cash Provided (Used) by Investing Activities	83	33,565	1,598	18,321
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,488	278,663	4,051	(101,560)
Cash and Cash Equivalents - Beginning of Year	<u>5,131</u>	<u>647,265</u>	<u>35,448</u>	<u>411,918</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 12,619</u></u>	<u><u>\$ 925,928</u></u>	<u><u>\$ 39,499</u></u>	<u><u>\$ 310,358</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 6,111	\$ 62,888	\$ (9,802)	\$ (277,694)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,295	182,962	12,255	176,518
(Increase) Decrease in:				
Accounts Receivable	-	29,486	-	-
Deferred Outflows of Resources	-	-	-	-
Increase (Decrease) in:				
Accounts Payable	-	(25,214)	-	(1,749)
Salaries and Benefits Payable	-	-	-	-
Compensated Absences	-	-	-	-
Deferred Inflows of Resources	-	-	-	-
Net Pension Liability	-	-	-	-
Net OPEB Liability	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 7,406</u></u>	<u><u>\$ 250,122</u></u>	<u><u>\$ 2,453</u></u>	<u><u>\$ (102,925)</u></u>
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Amortization of Loan Discounts	\$ -	\$ -	\$ -	\$ (1,449)

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins	Sanitation District Zone 12 - Valley Oak	Eliminations	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 35,588	\$ 90,438	\$ 8,646	\$ -	\$ 10,188,560
Payments to Suppliers	(48,848)	(50,382)	(2,511)	-	(3,645,349)
Payments to Employees	-	-	-	-	(2,804,760)
Net Cash Provided (Used) by Operating Activities	(13,260)	40,056	6,135	-	3,738,451
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Net Receipts (Payments) From/To Other Funds	-	-	-	-	(132,325)
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	-	-	(132,325)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal Paid on Capital Debt	-	-	-	-	(1,870,456)
Interest Paid on Capital Debt	-	-	-	-	(118,280)
Acquisition of Capital Assets	-	-	-	-	(745,127)
Net Cash Used by Capital and Related Financing Activities	-	-	-	-	(2,733,863)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and Investment Earnings (Loss)	7,673	7,051	4,621	-	453,358
Net Cash Provided (Used) by Investing Activities	7,673	7,051	4,621	-	453,358
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,587)	47,107	10,756	-	1,325,621
Cash and Cash Equivalents - Beginning of Year	153,260	142,816	87,951	-	8,794,522
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 147,673	\$ 189,923	\$ 98,707	\$ -	\$ 10,120,143
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (18,336)	\$ 26,784	\$ 3,250	\$ -	\$ 1,250,532
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	4,763	13,268	2,885	-	2,279,443
(Increase) Decrease in:					
Accounts Receivable	-	-	-	-	19,518
Deferred Outflows of Resources	-	-	-	-	261,225
Increase (Decrease) in:					
Accounts Payable	313	4	-	-	(122,555)
Salaries and Benefits Payable	-	-	-	-	12,571
Compensated Absences	-	-	-	-	39,577
Deferred Inflows of Resources	-	-	-	-	(25,899)
Net Pension Liability	-	-	-	-	78,359
Net OPEB Liability	-	-	-	-	(54,320)
Net Cash Provided (Used) by Operating Activities	\$ (13,260)	\$ 40,056	\$ 6,135	\$ -	\$ 3,738,451
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Amortization of Loan Discounts	\$ -	\$ -	\$ -	\$ -	\$ (66,961)



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

To the Board of Supervisors and Grand Jury
Nevada District, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Nevada County Sanitation District No. 1 (hereafter, the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2026.

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 District'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.

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*.



To the Board of Supervisors and Grand Jury
Nevada County Sanitation District No. 1
Nevada City, California

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.

LSL, LLP

Sacramento, California
March 31, 2026