



**Annual Financial Report
For the Fiscal Years Ended
June 30, 2025 and 2024**



Board of Directors as of June 30, 2025

Name	Title	Elected/ Appointed	Current Term
Seth Capron	President	Elected	12/22 - 12/26
Tim Powers	Vice-President	Elected	12/22 - 12/26
Vicki Morris	Director	Elected	12/24 - 12/28
Wayne Holman	Director	Elected	12/24 - 12/28
Wayne Norton	Director	Elected	12/22 - 12/26

Robert Johnson, General Manager
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P.O. Box 388
Aromas, California 95004
(831) 726-3155

Aromas Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2025 and 2024

**Aromas Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2025 and 2024**

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Financial Section



C.J. Brown & Company CPAs

An Accountancy Corporation

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Independent Auditor's Report

Board of Directors
Aromas Water District
Aromas, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Aromas Water District (District), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2025 and 2024, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter

As discussed in Note 8 to the financial statements, the District has adopted the provisions of *GASB Statement No. 101 – Compensated Absences*. As a result, District has restated its net position to reflect the effects of the change in accounting policy. 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.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information on pages 33 through 35 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 audits 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.

Independent Auditor's Report, continued

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedules of Operating Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Operating Expenses on page 36 are 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. Such information has been subjected to the auditing procedures applied in the audits 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 Schedules of Operating Expenses are 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 January 27, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs

Cypress, California

January 27, 2026

Aromas Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2025 and 2024

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Aromas Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2025 and 2024. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2025, the District's operating revenues increased 9.83% or \$155,801, from \$1,585,166 to \$1,740,967. In fiscal year 2024, the District's operating revenues increased 6.24% or \$93,144, from \$1,492,022 to \$1,585,166.
- In fiscal year 2025, the District's operating expenses increased 2.60% or \$32,362, from \$1,245,326 to \$1,277,688. In fiscal year 2024, the District's operating expenses increased 11.47% or \$128,128, from \$1,117,198 to \$1,245,326.
- In fiscal year 2025, the District's net position increased 4.86% or \$315,903, from \$6,497,239 to \$6,813,142. In fiscal year 2024, the District's net position increased 2.64% or \$166,823, from \$6,330,416 to \$6,497,239.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position include all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. They also provide the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net change in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to questions such as: where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Aromas Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Financial Analysis of the District, continued

These statements report the District's *net position* and changes in it. One can think of the District's net position (assets and deferred outflows less liabilities and deferred inflows), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14 through 32.

Statements of Net Position

A summary of the statements of net position is as follows:

	Condensed Statements of Net Position				
	2025	2024	Change	2023	Change
Assets:					
Current assets	\$ 10,450,777	10,401,173	49,604	10,337,219	63,954
Capital assets, net	5,574,924	5,493,353	81,571	5,713,868	(220,515)
Total assets	16,025,701	15,894,526	131,175	16,051,087	(156,561)
Deferred outflows of resources	275,004	327,084	(52,080)	315,213	11,871
Liabilities:					
Current liabilities	676,187	552,683	123,504	564,106	(11,423)
Non-current liabilities	8,783,105	9,128,294	(345,189)	9,404,929	(276,635)
Total liabilities	9,459,292	9,680,977	(221,685)	9,969,035	(288,058)
Deferred inflows of resources	28,271	43,394	(15,123)	66,849	(23,455)
Net position:					
Net investment in capital assets	2,544,257	2,155,206	389,051	2,324,975	(169,769)
Restricted	2,652,090	2,706,490	(54,400)	2,486,685	219,805
Unrestricted	1,616,795	1,635,543	(18,748)	1,518,756	116,787
Total net position	\$ 6,813,142	6,497,239	315,903	6,330,416	166,823

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,813,142 and \$6,497,239 as of June 30, 2025 and 2024, respectively.

A portion of the District's net position reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding (37.34% and 33.17% as of June 30, 2025 and 2024, respectively). The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending. (See Note 7 for further discussion)

At the end of fiscal years 2025 and 2024, the District showed a positive balance in its unrestricted net position of \$1,616,795 and \$1,635,543, respectively.

Aromas Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Statements of Revenues, Expenses, and Changes in Net Position

A summary of the statements of revenues, expenses, and changes in net position is as follows:

Condensed Statements of Revenues, Expenses, and Changes in Net Position					
	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>2023</u>	<u>Change</u>
Revenue:					
Operating revenues	\$ 1,740,967	1,585,166	155,801	1,492,022	93,144
Non-operating revenues	<u>568,029</u>	<u>582,508</u>	<u>(14,479)</u>	<u>260,285</u>	<u>322,223</u>
Total revenue	<u>2,308,996</u>	<u>2,167,674</u>	<u>141,322</u>	<u>1,752,307</u>	<u>415,367</u>
Expense:					
Operating expense	1,277,688	1,245,326	32,362	1,117,198	128,128
Depreciation expense	423,976	455,581	(31,605)	564,199	(108,618)
Non-operating expense	<u>291,429</u>	<u>299,944</u>	<u>(8,515)</u>	<u>141,464</u>	<u>158,480</u>
Total expense	<u>1,993,093</u>	<u>2,000,851</u>	<u>(7,758)</u>	<u>1,822,861</u>	<u>177,990</u>
Changes in net position	315,903	166,823	149,080	(70,554)	237,377
Net position, beginning of year, as restated	<u>6,497,239</u>	<u>6,330,416</u>	<u>166,823</u>	<u>6,400,970</u>	<u>(70,554)</u>
Net position, end of year	<u>\$ 6,813,142</u>	<u>6,497,239</u>	<u>315,903</u>	<u>6,330,416</u>	<u>166,823</u>

The statements of revenues, expenses, and changes in net position show how the District's net position changed during the fiscal years.

A closer examination of the sources of changes in net position reveals that:

In fiscal year 2025, the District's total revenues increased by 6.52% or \$141,322. Operating revenues increased 9.83% or \$155,801, due primarily to an increase in water revenue of \$220,881, which was offset by a decrease of \$65,080 in connection fees. The District's non-operating revenues increased 2.49% or \$14,479, due primarily to increases in property taxes of \$7,634, and non-cash pension actuarial expense adjustment from CalPERS of \$17,560; which were offset by decreases in voter approved assessments of \$7,094, and interest income of \$1,471.

In fiscal year 2024, the District's total revenues increased by 23.70% or \$415,367. Operating revenues increased 6.24% or \$93,144, due primarily to an increases in water revenue of \$89,664, and connection fees of \$3,480. The District's non-operating revenues increased 123.80% or \$322,223, due primarily to increases in interest income of \$308,836, voter approved assessments of \$17,182, and property taxes of \$4,640.

In fiscal year 2025, the District's total expenses (including depreciation) decreased 0.39% or \$7,758. Operating expenses increased 2.60% or \$32,362, due primarily to increases in pumping of \$27,669, salaries and wages of \$4,592, employee benefits of \$5,291, and water treatment of \$2,432; which were offset by administration and general of \$7,622. The District's non-operating expenses decreased 2.84% or \$8,515, due primarily to a decrease in interest expense.

In fiscal year 2024, the District's total expenses (including depreciation) increased 9.76% or \$177,990. Operating expenses increased 11.47% or \$128,128, due primarily to increases in salaries and wages of \$52,424, employee benefits of \$30,826, administrative and general of \$27,913, and pumping of \$16,373. The District's non-operating expenses increased 112.03% or \$158,480, due primarily to an increase in non-cash pension actuarial expense adjustment from CalPERS of \$151,634.

In fiscal year 2025, the District's net position decreased 4.86% or \$315,903, from \$6,497,239 to \$6,813,142, from continuing operations. In fiscal year 2024, the District's net position decreased 2.64% or \$166,823, from \$6,330,416 to \$6,497,239, from continuing operations.

Aromas Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Capital Asset Administration

At the end of fiscal years 2025 and 2024, the District's investment in capital assets (net of accumulated depreciation), amounted to \$5,574,924 and \$5,493,353, respectively. This investment in capital assets includes land, water transmission and distribution systems, buildings and structures, equipment, and vehicles. (See note 3 for further discussion).

The change in capital assets for 2025, was as follows:

	Balance 2024	Transfers/ Additions	Transfers/ Deletions	Balance 2025
Non-depreciable assets	\$ 630,861	320,079	(32,321)	918,619
Depreciable assets	13,228,787	217,789	-	13,446,576
Accumulated depreciation	<u>(8,366,295)</u>	<u>(423,976)</u>	<u>-</u>	<u>(8,790,271)</u>
Total capital assets, net	<u>\$ 5,493,353</u>	<u>113,892</u>	<u>(32,321)</u>	<u>5,574,924</u>

Major capital asset additions during the year include improvements to the water transmission and distribution system and vehicles.

The change in capital assets for 2024, was as follows:

	Balance 2023	Transfers/ Additions	Transfers/ Deletions	Balance 2024
Non-depreciable assets	\$ 621,903	8,958	-	630,861
Depreciable assets	13,002,679	226,108	-	13,228,787
Accumulated depreciation	<u>(7,910,714)</u>	<u>(455,581)</u>	<u>-</u>	<u>(8,366,295)</u>
Total capital assets, net	<u>\$ 5,713,868</u>	<u>(229,473)</u>	<u>(32,321)</u>	<u>5,493,353</u>

In 2024, major capital asset additions during the year include improvements to the water transmission and distribution system and office building.

Debt Administration

Changes in long-term debt in 2025, were as follows:

	Balance 2024	Additions	Principal Payments	Balance 2025
Bonds payable	\$ 2,706,490	-	(57,490)	2,649,000
Notes payable	<u>6,005,744</u>	<u>-</u>	<u>(258,948)</u>	<u>5,746,796</u>
Total long-term debt	<u>\$ 8,712,234</u>	<u>-</u>	<u>(316,438)</u>	<u>8,395,796</u>

Changes in long-term debt in 2024, were as follows:

	Balance 2023	Additions	Principal Payments	Balance 2024
Bonds payable	\$ 2,761,490	-	(55,000)	2,706,490
Notes payable	<u>6,253,460</u>	<u>-</u>	<u>(247,716)</u>	<u>6,005,744</u>
Total long-term debt	<u>\$ 9,014,950</u>	<u>-</u>	<u>(302,716)</u>	<u>8,712,234</u>

See Note 4 for further discussion.

Aromas Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Conditions Affecting Current Financial Position

Management does not foresee any conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at 388 Blohm Avenue, Aromas, California 95004.

Basic Financial Statements

Aromas Water District
Statements of Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>As restated 2024</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 2,206,221	1,945,689
Cash and cash equivalents – restricted (note 2)	5,639,900	5,887,524
Accounts receivable, net	286,344	214,641
Assessment receivable – restricted	2,108,561	2,184,095
Interest receivable	75,830	77,524
Prepaid expenses	20,830	12,222
Inventory and supplies	113,091	79,478
Total current assets	<u>10,450,777</u>	<u>10,401,173</u>
Non-current assets:		
Capital assets – not being depreciated (note 3)	918,619	630,861
Capital assets – being depreciated (note 3)	4,656,305	4,862,492
Total non-current assets	<u>5,574,924</u>	<u>5,493,353</u>
Total assets	<u>16,025,701</u>	<u>15,894,526</u>
Deferred outflows of resources:		
Deferred outflows – pensions (note 6)	275,004	327,084
Total deferred outflows of resources	<u>\$ 275,004</u>	<u>327,084</u>

Continued on next page

See accompanying notes to the basic financial statements

Aromas Water District
Statements of Net Position, continued
June 30, 2025 and 2024

	<u>2025</u>	<u>As restated 2024</u>
Current liabilities:		
Accounts payable	\$ 174,009	54,078
Accrued interest	107,496	110,852
Accrued payroll and payroll liabilities	8,777	7,643
Customer deposits and unearned revenue	31,029	36,229
Long-term liabilities – due within one year:		
Compensated absences (note 5)	33,860	32,629
Bonds payable (note 4)	58,000	56,000
Notes payable (note 4)	263,016	255,252
Total current liabilities	<u>676,187</u>	<u>552,683</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	11,286	10,876
Net pension liability (note 6)	697,039	716,436
Bonds payable (note 4)	2,591,000	2,650,490
Notes payable (note 4)	5,483,780	5,750,492
Total non-current liabilities	<u>8,783,105</u>	<u>9,128,294</u>
Total liabilities	<u>9,459,292</u>	<u>9,680,977</u>
Deferred inflows of resources:		
Deferred inflows – pensions (note 6)	28,271	43,394
Total deferred inflows of resources	<u>28,271</u>	<u>43,394</u>
Net position (note 7):		
Net investment in capital assets	2,544,257	2,155,206
Restricted	2,652,090	2,706,490
Unrestricted	1,616,795	1,635,543
Total net position	<u>\$ 6,813,142</u>	<u>6,497,239</u>

See accompanying notes to the basic financial statements

Aromas Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>As restated 2024</u>
Operating revenues:		
Water revenue	\$ 1,708,627	1,487,746
Connection fees	32,340	97,420
Total operating revenues	<u>1,740,967</u>	<u>1,585,166</u>
Operating expenses:		
Pumping	314,608	286,939
Water treatment	36,161	33,729
Administration and general	144,598	152,220
Salaries and wages	550,042	545,450
Employee benefits	232,279	226,988
Total operating expenses	<u>1,277,688</u>	<u>1,245,326</u>
Operating income before depreciation	463,279	339,840
Depreciation expense	(423,976)	(455,581)
Operating income (loss)	<u>39,303</u>	<u>(115,741)</u>
Non-operating revenues (expenses):		
Property taxes	103,894	96,260
Voter approved assessment	130,437	137,531
Interest income	355,681	357,152
Interest expense	(291,429)	(299,944)
Non-operating revenue (expense), net (note 6)	(21,983)	(8,435)
Total non-operating revenues, net	<u>276,600</u>	<u>282,564</u>
Changes in net position	315,903	166,823
Net position, beginning of year, as restated (note 8)	<u>6,497,239</u>	<u>6,330,416</u>
Net position, end of year	<u>\$ 6,813,142</u>	<u>6,497,239</u>

See accompanying notes to the basic financial statements

Aromas Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash receipts from customers for sales and service	\$ 1,643,775	1,524,447
Cash paid to vendors and suppliers	(632,376)	(672,914)
Cash paid to employees	(547,267)	(555,805)
Net cash provided by operating activities	<u>464,132</u>	<u>295,728</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes and assessments	<u>309,865</u>	<u>276,104</u>
Net cash provided by non-capital financing activities	<u>309,865</u>	<u>276,104</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(505,547)	(235,066)
Principal paid on long-term debt	(316,438)	(302,716)
Interest paid on long-term debt	(294,785)	(303,212)
Net cash used in capital and related financing activities	<u>(1,116,770)</u>	<u>(840,994)</u>
Cash flows from investing activities:		
Interest earnings	<u>355,681</u>	<u>357,152</u>
Net cash provided by investing activities	<u>355,681</u>	<u>357,152</u>
Net increase in cash and cash equivalents	12,908	87,990
Cash and cash equivalents, beginning of year	<u>7,833,213</u>	<u>7,745,223</u>
Cash and cash equivalents, end of year	\$ <u><u>7,846,121</u></u>	<u><u>7,833,213</u></u>
 Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	\$ 2,206,221	1,945,689
Cash and cash equivalents - restricted	<u>5,639,900</u>	<u>5,887,524</u>
Total cash and cash equivalents	\$ <u><u>7,846,121</u></u>	<u><u>7,833,213</u></u>

Continued on next page

See accompanying notes to the basic financial statements

Aromas Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 39,303	(115,741)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	423,976	455,581
Other non-operating (expenses) revenue, net	(21,983)	(8,435)
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in assets and deferred outflows:		
Accounts receivable, net	(71,703)	(4,762)
Other receivables	1,694	(25,559)
Prepaid expenses	(8,608)	8,111
Inventory and supplies	(33,613)	3,933
Deferred outflows – pensions	52,080	(11,871)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	119,931	13,890
Accrued payroll and payroll liabilities	1,134	(3,409)
Customer deposits and unearned revenue	(5,200)	(21,963)
Compensated absences	1,641	(6,946)
Net pension liability	(19,397)	36,354
Deferred inflows – pensions	(15,123)	(23,455)
Total adjustments	<u>424,829</u>	<u>411,469</u>
Net cash provided by operating activities	<u>\$ 464,132</u>	<u>295,728</u>

See accompanying notes to the basic financial statements

Aromas Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Aromas Water District (District) was formed on July 24, 1959, pursuant to the provisions of the California Water Code, Division 12, and Section 30321 thereof. The District takes water from three water wells located in Aromas to serve 978 connections within its jurisdiction. The District is dedicated to providing a reliable supply of high quality water. The District is governed by a five-member Board of Directors who serves overlapping four-year terms.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

The District has adopted the following GASB pronouncements in the current year:

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences.

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

3. Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

5. Property Taxes and Assessments

The County of Monterey and the County of San Benito Assessor's Offices assess all real and personal property within the Counties each year. The County of Monterey and the County of San Benito Tax Collector's Offices bill and collect the District's share of property taxes and assessments. In 1993, the Counties adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end.

Under this plan, the Counties assume an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and by such financing, Aromas Water District receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Monterey and the County of San Benito, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

6. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, and pipes and pipefittings for repair and maintenance to the District's water transmission and distribution system. Inventory is valued at cost using the first-in, first-out cost method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

7. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

8. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Water systems – 20 to 40 years
- Office buildings and improvements – 35 years
- Office furniture and fixtures – 3 to 5 years
- Vehicles – 5 years

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

10. Compensated Absences

The District's policy is to permit employees to accumulate earned vacation. Upon termination of employment, employees are paid all unused vacation.

11. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

12. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt, are included in this component of net position.
- *Restricted* – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted* components of net position.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, are classified in the accompanying financial statements as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 2,206,221	1,945,689
Cash and cash equivalents - restricted	<u>5,639,900</u>	<u>5,887,524</u>
Total	<u>\$ 7,846,121</u>	<u>7,833,213</u>

Cash and cash equivalents as of June 30, consist of the following:

	<u>2025</u>	<u>2024</u>
Cash on hand	\$ 100	100
Deposits with financial institutions	996,869	987,545
Local Agency Investment Fund	<u>6,849,152</u>	<u>6,845,568</u>
Total	<u>\$ 7,846,121</u>	<u>7,833,213</u>

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Cash Equivalents, continued

As of June 30, the District's authorized deposit had the following maturities:

	<u>2025</u>	<u>2024</u>
Deposits in California Local Agency Investment Fund (LAIF)	248 days	217 days

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

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5 years	None	None
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit (negotiable or placed)	5 years	30%	10%
Commercial paper (prime)	270 days	10%	10%
Money market mutual funds	N/A	20%	None
State and local bonds, notes and warrants	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

Investment in State Investment Pool

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

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transaction processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000.
- Withdrawals of \$10 million or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to set up wire transfer transaction.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk, continued

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies.

As of June 30, 2025 and 2024, \$250,000 of the District's bank balance is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District can manage 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 matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations. As of June 30, 2025 and 2024, the District maintained no investments subject to market interest rate risk fluctuations.

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 District's investment in LAIF is not rated.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments as of June 30, 2025 and 2024.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(3) Capital Assets

Changes in capital assets for 2025, was as follows:

	<u>Balance 2024</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2025</u>
Non-depreciable assets:				
Land	\$ 331,196	1,000	-	332,196
Construction in progress	299,665	319,079	(32,321)	586,423
Total non-depreciable assets	630,861	320,079	(32,321)	918,619
Depreciable assets:				
Water systems	12,448,039	207,784	-	12,655,823
Office building	440,292	-	-	440,292
Office furniture and fixtures	93,467	10,005	-	103,472
Vehicles	246,989	-	-	246,989
Total depreciable assets	13,228,787	217,789	-	13,446,576
Accumulated depreciation	(8,366,295)	(423,976)	-	(8,790,271)
Total depreciable assets, net	4,862,492	(206,187)	-	4,656,305
Total capital assets, net	\$ 5,493,353			5,574,924

Major capital assets additions during the year include improvements to the District's water systems and office, furnitures and fixtures.

Changes in capital assets for 2024, was as follows:

	<u>Balance 2023</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2024</u>
Non-depreciable assets:				
Land	\$ 331,196	-	-	331,196
Construction in progress	290,707	8,958	-	299,665
Total non-depreciable assets	621,903	8,958	-	630,861
Depreciable assets:				
Water systems	12,351,343	96,696	-	12,448,039
Office building	440,292	-	-	440,292
Office furniture and fixtures	93,467	-	-	93,467
Vehicles	117,577	129,412	-	246,989
Total depreciable assets	13,002,679	226,108	-	13,228,787
Accumulated depreciation	(7,910,714)	(455,581)	-	(8,366,295)
Total depreciable assets, net	5,091,965	(229,473)	-	4,862,492
Total capital assets, net	\$ 5,713,868			5,493,353

In fiscal year 2024, major capital assets additions during the year include improvements to the District's water systems and vehicles.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(4) Long-Term Debt

Changes in long-term debt in 2025, were as follows:

	Balance 2024	Additions	Payments	Balance 2025	Current Portion	Non-Current Portion
Bonds payable:						
Limited Obligation Improvement Bonds						
Orchard Acres Assessment District 2008 Series A \$	350,000	-	(15,000)	335,000	15,000	320,000
Assessment District No. 2013-1 Series 2014	2,356,490	-	(42,490)	2,314,000	43,000	2,271,000
Total bonds payable	2,706,490	-	(57,490)	2,649,000	58,000	2,591,000
Notes payable:						
Union Bank – Tax-exempt refunding loan	604,904	-	(96,589)	508,315	95,700	412,615
Truist Bank	5,400,840	-	(162,359)	5,238,481	167,316	5,071,165
Total notes payable	6,005,744	-	(258,948)	5,746,796	263,016	5,483,780
Total long-term debt	8,712,234	-	(316,438)	8,395,796	321,016	8,074,780
Current portion	(311,252)			(321,016)		
Non-current portion	\$ 8,400,982			8,074,780		

Changes in long-term debt in 2024, were as follows:

	Balance 2023	Additions	Payments	Balance 2024	Current Portion	Non-Current Portion
Bond payable						
Limited Obligation Improvement Bonds						
Orchard Acres Assessment District 2008 Series A \$	365,000	-	(15,000)	350,000	15,000	335,000
Assessment District No. 2013-1 Series 2014	2,396,490	-	(40,000)	2,356,490	41,000	2,315,490
Total bonds payable	2,761,490	-	(55,000)	2,706,490	56,000	2,650,490
Note payable						
Union Bank – Tax-exempt refunding loan	695,071	-	(90,167)	604,904	92,893	512,011
Truist Bank	5,558,389	-	(157,549)	5,400,840	162,359	5,238,481
Total note payable	6,253,460	-	(247,716)	6,005,744	255,252	5,750,492
Total long-term debt	9,014,950	-	(302,716)	8,712,234	311,252	8,400,982
Current portion	(302,716)			(311,252)		
Non-current portion	\$ 8,712,234			8,400,982		

Orchard Acres Assessment District, 2008 Limited Obligation Improvement Bond, Series A

In 2008, pursuant to the Assessment Bond Law and Resolution No. 2008-04, the District issued a limited obligation bond under a fiscal agent agreement between the District and Union Bank in the amount of \$498,000. The proceeds from the bond financed the connection of 11 parcels of land in an unincorporated area of the County of San Benito, known as Orchard Acres, to the District's municipal water supply system. The bond is a limited obligation to the District, and payable solely from the proceeds of unpaid assessments levied on the 11 parcels within Orchard Acres. Terms of the bond call for semi-annual interest payable on March 2nd and September 2nd of each year, and annual debt service payment of principal on September 2nd of each year. The interest on the bond escalates starting at a rate of 4.80% in 2013 to 6.10% at maturity in 2038.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(4) Long-Term Debt, continued

Orchard Acres Assessment District, 2008 Limited Obligation Improvement Bond, Series A, continued

Annual maturity and interest on the bond are as follows:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	15,000	19,853	34,853
2027		15,000	18,968	33,968
2028		20,000	17,935	37,935
2029		20,000	16,755	36,755
2030		20,000	15,555	35,555
2031-2035		115,000	58,103	173,103
2036-2039		<u>130,000</u>	<u>16,468</u>	<u>146,468</u>
Total		335,000	<u>163,637</u>	<u>498,637</u>
Current		<u>(15,000)</u>		
Non-current	\$	<u>320,000</u>		

Assessment District No. 2013-1, Limited Obligation Improvement Bond, Series 2014

In 2014, pursuant to the Assessment Bond Law and Resolution No. 2014-09, the District issued a limited obligation bond in the amount of \$2,723,613. The proceeds from the bond financed 47 water and fire service connections and 12 fire service only connections to particular residences on Oakridge Drive and Via del Sol. The bond is a limited obligation to the District, and payable solely from the proceeds of unpaid assessments levied on the Assessment District. Terms of the bond call for semi-annual interest payable on March 2nd and September 2nd of each year, and annual debt service payment of principal on September 2nd of each year. The interest on the bond is stated at 4.00% and matures in 2055.

Annual maturity and interest on the bond are as follows:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	43,000	95,300	138,300
2027		45,000	93,540	138,540
2028		46,000	91,720	137,720
2029		48,000	89,840	137,840
2030		50,000	87,880	137,880
2031-2035		282,000	407,120	689,120
2036-2040		343,000	344,780	687,780
2041-2045		417,000	269,020	686,020
2046-2050		510,000	176,600	686,600
2051-2055		<u>530,000</u>	<u>64,000</u>	<u>594,000</u>
Total		2,314,000	<u>1,719,800</u>	<u>4,033,800</u>
Current		<u>(43,000)</u>		
Non-current	\$	<u>2,271,000</u>		

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(4) Long-Term Debt, continued

Union Bank – Tax Exempt Refunding Loan

In 2006, the District entered into a loan agreement with Santa Barbara Bank & Trust, N.A. and borrowed \$854,318. The proceeds of the loan financed the improvement to the District's water treatment and distribution system.

In 2011, the District refinanced its loan obtained in 2006, and borrowed additional funds to total \$1,457,578. The proceeds of the loan financed the improvement to the District's water treatment and distribution system extended to consist of the replacement of, and improvement to, the site of the Carpenteria well and improvements to the booster station.

In 2015, the District refinanced its loan obtained in 2011, with the Municipal Finance Corporation to refinance \$1,323,721 on a tax-exempt basis and borrowed \$201,966 on a taxable basis. The proceeds of the additional funds were used to acquire and install a solar energy project at the Carpenteria well site. The interest rates on the tax-exempt note and the taxable note are stated at 3.00% and 2.75%, respectively, and mature in 2030 and 2021, respectively. The terms of the notes call for semi-annual debt service payment of principal and interest payable on May 1st and November 1st of each year. The notes are secured by a pledge of and lien on the net revenues of the District's water system.

Annual maturity and interest on the tax-exempt note are as follows:

Fiscal Year		Principal	Interest	Total
2026	\$	95,700	14,537	110,237
2027		98,593	11,644	110,237
2028		101,573	8,665	110,238
2029		104,643	5,594	110,237
2030		107,806	2,432	110,238
Total		508,315	42,872	551,187
Current		(95,700)		
Non-current	\$	412,615		

Truist Bank Note Payable

On May 2022, the District entered into a loan agreement with Truist Bank and borrowed \$5,759,500 which is secured by a pledge of and lien on the net revenues of the District's water revenues. The proceeds from the loan will finance the acquisition and installation of certain improvements to the District's water system, including a new well and a solar energy project. Terms of the loan call for semi-annual payments of principal and interest payable on February 1st and August 1st of each year. The interest on the loan is stated at 3.08% and matures in 2042.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(4) Long-Term Debt, continued

Truist Bank Note Payable, continued

Annual maturity and interest on the loan are as follows:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	167,316	157,468	324,784
2027		172,423	152,360	324,783
2028		177,688	147,096	324,784
2029		183,112	141,671	324,783
2030		188,703	136,081	324,784
2031-2035		1,623,847	551,255	2,175,102
2036-2040		1,887,330	287,774	2,175,104
2041-2042		838,062	31,980	870,042
Total		5,238,481	<u>1,605,685</u>	<u>6,844,166</u>
Current		<u>(167,316)</u>		
Non-current	\$	<u>5,071,165</u>		

(5) Compensated Absences

The District recognizes liability for compensated absences in accordance with GASB Statement No. 101, “Compensated Absences”. Compensated absences include unpaid vacation leave, and sick leave which is accrued as earned, which are expected to be settled through paid time off or cash payments upon termination or retirement.

As of June 30, 2025 and 2024, the liability for compensated absences was calculated based on employees’ pay rates at the fiscal year-end and historical usage data, considering employment policies. The liability represents amounts that are more likely than not be used or paid out.

Compensated absences as of June 30 are classified in the accompanying financial statements as follows:

		<u>2025</u>	<u>2024</u>
Current	\$	33,860	32,629
Non-current		<u>11,286</u>	<u>10,876</u>
Total	\$	<u>45,146</u>	<u>43,505</u>

As of June 30, 2025 and 2024, the total liability for compensated absences amounted to \$45,146 and \$43,505, respectively.

The net change in the compensated absences liability for the fiscal year ended June 30, 2025 and 2024 was \$1,641 and \$(6,946), respectively, reflecting a net increase (decrease) due to changes in employee leave balances, pay rates, and usage patterns. The liability is reported in government-wide financial statements and business type fund financial statements.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(6) Defined Benefit Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect as of June 30, are summarized as follows:

	2025		2024	
	New Classic	PEPRA	New Classic	PEPRA
Hire date	Prior to December 31, 2012	On or after January 1, 2013	Prior to December 31, 2012	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service		5 years of service	
Benefit payments	monthly for life		monthly for life	
Retirement age	50 - 55	52 - 62	50 - 55	52 - 62
Monthly benefits, as a % of eligible compensation	2.00%	2.00%	2.00%	2.00%
Required employee contribution rates	7.00%	6.75%	7.00%	6.75%
Required employer contribution rates	12.52%	7.87%	12.47%	7.68%

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(6) Defined Benefit Pension Plans, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1, following notice of a change in rate. Funding contribution for the Plan is 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 years ended June 30, the District's contributions to CalPERS are as follows:

	<u>2025</u>	<u>2024</u>
Contribution - employer	\$ <u>104,190</u>	<u>88,219</u>

Net Pension Liability

As of the fiscal years ended June 30, the District reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>2025</u>	<u>2024</u>
Proportionate share of net pension liability	\$ <u>697,039</u>	<u>716,436</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2025 and 2024, the net pension liability of the Plan is measured as of June 30, 2024 and 2023 (the measurement dates, respectively). The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and 2022 (the valuation dates), rolled forward to June 30, 2024 and 2023, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's changes in proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement dates June 30, 2024 and 2023, were as follows:

	<u>Proportionate Share</u>
Proportion – June 30, 2022	0.01257 %
Change in proportionate share	<u>(0.00637)</u>
Proportion – June 30, 2023	0.00620
Change in proportionate share	<u>(0.00062)</u>
Proportion – June 30, 2024	<u>0.00559 %</u>

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(6) Defined Benefit Pension Plans, continued

Deferred Pension Outflows (Inflows) of Resources

As of the fiscal years ended June 30, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>Description</u>	<u>2025</u>		<u>2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 118,374	-	109,643	-
Differences between actual and expected experience	57,914	-	30,922	-
Changes in assumptions	17,915	-	43,254	-
Net difference between projected and actual earnings on plan investments	40,128	-	115,997	-
Differences between actual contribution and proportionate share of contribution	40,673	-	27,268	-
Net adjustment due to differences in proportions of net pension liability	-	(28,271)	-	(43,394)
Total	<u>\$ 275,004</u>	<u>(28,271)</u>	<u>327,084</u>	<u>(43,394)</u>

The District will recognized other amounts of deferred outflows of resources and deferred inflows of resources as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2026	\$ 38,035
2027	99,149
2028	4,926
2029	(13,751)
2030	-
Thereafter	-

As of June 30, 2025 and 2024, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$118,374, and \$109,643, respectively, will be recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2026 and 2025, respectively.

For the years ended June 30, 2025 and 2024, the District recognized pension expense of \$17,950 and \$1,028, respectively. In 2025 and 2024, the District records pension expense adjustment within the non-operating revenues (expenses), net.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(6) Defined Benefit Pension Plans, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 and 2022, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2023 and 2022
Measurement dates	June 30, 2024 and 2023
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial experience survey assumptions were based	1997 – 2015
Post retirement benefit increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies

* The mortality table was developed based on CalPERS specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study that can be found on the CalPERS website.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 33 through 35 for the Required Supplementary Information.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. This discount rate is not adjusted for administrative expenses.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(6) Defined Benefit Pension Plans, continued

Discount Rate, continued

The table below reflects the expected real rates of return by asset class.

Asset Class	New Strategic Allocation	Real Return 1-10^{1,2}
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

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

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

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

The following table presents the District's proportionate share of the net position liability for the Plan calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate.

As of June 30, 2025, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
District's net pension liability	\$ 1,056,712	697,039	400,975

As of June 30, 2024, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
District's net pension liability	\$ 1,049,748	716,436	442,091

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(7) Net Position

Calculation of net position as of June 30, was as follows:

	<u>2025</u>	<u>2024</u>
Net investments in capital assets:		
Capital assets, net	\$ 5,574,924	5,493,353
Unspent proceeds from loan	5,365,129	5,374,087
Notes payable, current	(263,016)	(255,252)
Notes payable, non-current	(5,483,780)	(5,750,492)
Bonds payable, current	(58,000)	(56,000)
Bonds payable, non-current	<u>(2,591,000)</u>	<u>(2,650,490)</u>
Total net investments in capital assets	<u>2,544,257</u>	<u>2,155,206</u>
Restricted for debt service:		
Cash and cash equivalents – restricted	5,639,900	5,887,524
Unspent proceeds from loan	(5,096,371)	(5,365,129)
Assessment receivable – restricted	<u>2,108,561</u>	<u>2,184,095</u>
Total restricted for debt service	<u>2,652,090</u>	<u>2,706,490</u>
Unrestricted net position:		
Non-spendable net position:		
Inventory and supplies	113,091	79,478
Prepaid expenses	<u>20,830</u>	<u>12,222</u>
Total non-spendable net position	<u>133,921</u>	<u>91,700</u>
Spendable net position:		
Unrestricted	<u>1,482,874</u>	<u>1,546,935</u>
Total spendable net position	<u>1,482,874</u>	<u>1,546,935</u>
Total unrestricted net position	<u>1,616,795</u>	<u>1,638,635</u>
Total net position	<u>\$ 6,813,142</u>	<u>6,500,331</u>

(8) Prior Period Adjustment

Compensated absences

In fiscal year 2025, the District implemented *GASB Statement No. 101, Compensated Absences*. The nature, justification, and an explanation of the change are included in note 1.C. As a result of the implementation, the District recorded a prior period adjustment of \$3,092, to restate beginning balances as of July 1, 2024.

The adjustment to net position is as follows:

Net position at June 30, 2023, as previously stated	\$ 6,330,416
Changes in net position, June 30, 2024, as previously stated	\$ 169,915
Effect of adjustment to implement GASB 101:	
Compensated absences	<u>(3,092)</u>
Change in net position at June 30, 2024, as restated	<u>166,823</u>
Net position at July 1, 2024, as restated	<u>\$ 6,497,239</u>

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(9) 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. The District is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the District as of June 30, 2025:

- Public employee dishonesty, forgery or alteration, computer fraud, faithful performance of duty, pension plans including ERISA: \$200,000 limit of coverage with a \$100,000 deductible.
- Building, personal property, fixed equipment, additional coverage, and catastrophic coverage: \$1,000 deductible.
- Mobile equipment: \$1,000 deductible.
- Automobile: \$1,000 deductible.
- Boiler and machinery: Various.
- Flood: Various.
- Earthquake: 5% per unit of insurance, subject to \$75,000 minimum.

(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the issue date, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government’s accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management’s discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

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

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

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

Aromas Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(11) Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(12) Subsequent Events

Events occurring after June 30, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of January 27, 2026, which is the date the financial statements were available to be issued.

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Required Supplementary Information

Aromas Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2025
Last Ten Years*

Defined Benefit Pension Plan

Description	Measurement Dates									
	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
District's proportion of the net pension liability	0.00575%	0.00574%	0.00589%	0.00710%	0.00559%	0.00563%	0.00565%	0.00567%	0.00579%	0.00635%
District's proportionate share of the net pension liability	\$ 697,039	716,436	680,082	384,014	608,060	577,103	544,625	562,232	501,054	436,183
District's covered payroll	\$ 461,353	355,984	381,882	375,084	365,231	329,968	353,350	284,641	260,629	283,860
District's proportionate share of the net pension liability as a percentage of its covered payroll	151.09%	201.25%	178.09%	102.38%	166.49%	174.90%	154.13%	197.52%	192.25%	153.66%
Plan's proportionate share of fiduciary net position as a percentage of total pension liability	78.08%	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

In fiscal year 2024 and 2023, there were no changes to actuarial assumptions or methods.

In fiscal year 2022, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term.

The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

In fiscal year 2021, there were no changes to actuarial assumptions or methods.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses.

Aromas Water District
Schedules of the District's Proportionate Share of the Net Pension Liability, continued
As of June 30, 2025
Last Ten Years*

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability, continued

Change of Assumptions and Methods, continued

These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

Aromas Water District
Schedules of the Pension Plan Contributions
As of June 30, 2025
Last Ten Years

Description	Fiscal Years Ended									
	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Actuarially determined contribution	\$ 118,374	109,643	104,190	88,219	87,813	79,845	70,661	65,018	61,410	51,643
Contributions in relation to the actuarially determined contribution	(118,374)	(109,643)	(104,190)	(88,219)	(87,813)	(79,845)	(70,661)	(65,018)	(61,410)	(51,643)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 442,839	461,353	355,984	381,882	375,084	365,231	329,968	353,350	284,641	260,629
Contributions as a percentage of covered payroll	26.73%	23.77%	29.27%	23.10%	23.41%	21.86%	21.41%	18.40%	21.57%	19.81%

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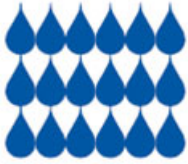
Supplementary Information

Aromas Water District
Schedules of Operating Expenses
For the Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating expenses:		
Salaries	\$ 512,220	505,690
Payroll taxes	37,821	39,994
Retirement benefits - CalPERS	118,374	109,621
Uniform allowance	1,168	2,200
Education	3,155	1,171
Workers compensation and health insurance	109,582	113,996
Outside services	15,300	24,502
Power	113,979	115,175
Truck expense	27,716	32,020
System repair and maintenance	145,667	101,485
Water analysis and treatment	36,161	33,729
Small tools and equipment	3,634	6,590
Annexation/EIR/Planning	5,972	8,224
Office (postage/supplies/maintenance)	19,971	16,650
Telemetry	17,640	23,445
Telephone	10,038	10,437
Election expense	6,619	-
General and property insurance	28,988	31,171
Legal	17,800	16,800
Bank charges	2,153	1,568
Audit	13,200	17,546
Bad debts	-	3,785
Membership	30,530	29,527
	<u>30,530</u>	<u>29,527</u>
Total operating expenses	\$ <u>1,277,688</u>	<u>1,245,326</u>

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Report on Internal Controls and Compliance



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Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on the Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Aromas Water District
Aromas, 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 Aromas Water District (District), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2026.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
and on Compliance and Other Matters Based on the Audits of Financial Statements
Performed in Accordance with *Government Auditing Standards*, continued**

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.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
January 27, 2026