

SEELEY COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT AUDITOR
AS OF AND
FOR THE FISCAL YEAR ENDED
JUNE 30, 2025



George J. Woo
Certified Public Accountant

REPORT OF INDEPENDENT AUDITOR

To the Board of Directors
Seeley County Water District
Seeley, California

Opinion

I have audited the accompanying Statement of Net Position, Statement of Revenues and Expenses, Statement of Changes in Net Position and Statement of Cash Flows of the Seeley County Water District (the "District") as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the financial statements.

In my opinion accompanying the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Seeley County Water District as of June 30, 2025, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the California Code of Regulations, Title 2, Section 1131.2, State Controller's Minimum Audit Requirements for California Special Districts. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the basic 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 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 within one year after the date that the financial statements are available to be issued.

Auditor's responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the basic 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 my 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the basic financial statements.

In performing an audit in accordance with GAAS and the California Code of Regulations, Title 2, Section 1131.2, State Controller's Minimum Audit Requirements for California Special District, I:

- Exercise professional judgement 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 judgement, 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.

I am 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 I identified during the audit.

Other Matters

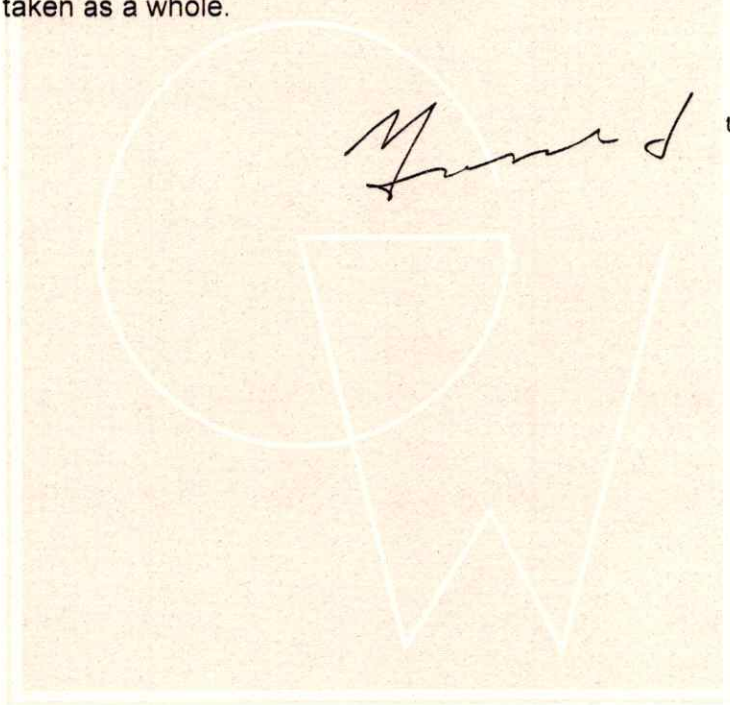
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the financial statements. Such information, 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. I 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 my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the financial statements as a whole. The supplementary schedules on pages 23 through 26 are presented for purposes of additional analysis and is not required part of the financial statements. The information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

December 23, 2025



SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

The following section of the annual financial report of the Seeley County Water District (the District) includes an overview and analysis of the District's financial position and activities for the years ended June 30, 2025 and 2024. This discussion and analysis, as well as the basic financial statements which it accompanies, is the responsibility of the management of the District.

Introduction to the Basic Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with Generally Accepted Accounting Principles; such report has been designed to improve the usefulness of the report to the primary users of these basic financial statements.

The District presents its basic financial statements using economic resources measurement to focus and accrual basis of accounting. As a Business-Type Activity, the District's basic financial statements include a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. Notes to the basic financial statements and this section support these statements. All sections must be considered together to obtain a complete understanding of the financial position and results of operations of the District.

Statements of Net Assets – The Statements of Net Assets include all assets and liabilities of the District, with the difference between the two reported as net assets. Assets and liabilities are reported at their book value, on an accrual basis, as of June 30, 2025, and 2024. These statements also identify major categories of restrictions on the District's net assets.

Statements of Revenues, Expenses, and Changes in Net Assets – The Statements of Revenues, Expenses, and Changes in Net Assets present the revenues earned and expenses incurred by the District during the years ended June 30, 2025, and 2024, on the accrual basis of accounting.

Statement of Cash Flows – The Statements of Cash Flows present the changes in the District's cash and investments for the years ended June 30, 2025 and 2024. Such statements are summarized by operating, capital, and noncapital financing and investing activities. The statements of cash flows have been prepared using the direct method of reporting cash flows and, therefore, present gross, rather than net amounts, for each respective year's activities.

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

Condensed Financial Position Information:

The following condensed financial information provided an overview of the District's financial position for the fiscal years ending June 30, 2025 and June 30, 2024.

	<u>2025</u>	<u>2024</u>	Increase (Decrease) from <u>prior year</u>
Assets:			
Utility plant, net	\$ 6,837,565	\$ 7,119,124	\$(281,559)
Other assets	<u>416,172</u>	<u>634,760</u>	<u>(218,588)</u>
Total assets	<u>\$ 7,253,737</u>	<u>\$ 7,753,884</u>	<u>\$(500,147)</u>
Liabilities:			
Long-term liabilities	\$ 178,490	\$ 239,855	\$ (61,365)
Other liabilities	<u>186,873</u>	<u>304,674</u>	<u>(117,801)</u>
Total liabilities	<u>\$ 365,363</u>	<u>\$ 544,529</u>	<u>\$(179,166)</u>
Net position:			
Net Investment in Capital Assets	\$ 6,710,704	\$ 6,919,272	\$(208,568)
Restricted Cash	157,014	369,937	(212,923)
Unrestricted (Deficit)	<u>20,656</u>	<u>(79,854)</u>	<u>100,510</u>
Total net position	<u>\$ 6,888,374</u>	<u>\$7,209,355</u>	<u>\$(320,981)</u>

(a) Net Position

Net position, the difference between assets and liabilities, decreased \$ 320,981 during the fiscal year ended June 30, 2025, and decreased \$ 385,166 for the fiscal year ended June 30, 2024.

(b) Utility Plant

Net utility plant, which is comprised of property, plant and equipment increased \$ 19,373, the amount of capital outlay for the year, and decreased \$ 300,932, the current year depreciation expense. The net decrease in net utility plant was \$ 281,559. See Note 2 of Notes to Financial Statements for more detailed information regarding the District's property, plant and equipment.

(c) Other Assets

Other assets consists of cash, investments, and accounts receivable.

(d) Long-Term Liabilities

Long-term debt decreased \$ 4,750 due to the scheduled annual repayment of the U.S.D.A. loan payable.

Long-term debt decreased \$ 96,580 due to the scheduled payment to the "Regional Water Board", see Note 4.

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION ANALYSIS
June 30, 2025

(e) Other Liabilities

Other liabilities consists of accounts payable, payroll taxes payable, accrued compensated absences payable, and customer deposits.

Summary of Operations and Changes in Net Position

The District's net position during the fiscal year ended June 30, 2025 decreased \$ 320,981 and decreased \$ 385,166 during the fiscal year ended June 30, 2024. The tables below summarize the District's fiscal year 2025 and 2024 activity:

	<u>2025</u>	<u>2024</u>	Increase (Decrease) from prior year
Operating revenues:			
Charges for services	\$ 904,993	\$ 853,572	\$ 51,421
Total operating revenues	<u>904,993</u>	<u>853,572</u>	<u>51,421</u>
Operating expenses:			
Operation and maintenance	988,513	1,150,709	(162,196)
Depreciation	<u>300,932</u>	<u>298,810</u>	<u>2,122</u>
Total operating expenses	<u>1,289,445</u>	<u>1,449,519</u>	<u>(160,074)</u>
Operating income (loss)	<u>(384,452)</u>	<u>(595,947)</u>	<u>211,495</u>
Non-operating revenues (expenses):			
Other Contributions	-0-	200	(200)
Grant Income	60,824	209,190	(148,366)
Interest and dividend income	2,430	2,064	366
Property taxes	3,507	2,733	774
Interest expense	<u>(3,290)</u>	<u>(3,406)</u>	<u>116</u>
Total non-operating revenues (expenses)	<u>63,471</u>	<u>210,781</u>	<u>(147,310)</u>
Increase (decrease) in net position	(320,981)	(385,166)	(64,185)
Total net position, beginning of year	<u>7,209,355</u>	<u>7,594,521</u>	<u>(385,166)</u>
Total net position, end of year	<u>\$6,888,374</u>	<u>\$7,209,355</u>	<u>\$(320,981)</u>

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

(a) Operating Revenues

In fiscal year 2025 operating revenues increased 6%. The District adopted an increase in water and wastewater rates effective April 24, 2025.

(b) Operating Expenses

Operating expenses consists of salaries, administrative expenses and operations and maintenance costs. During the year, operating expenses (including depreciation) decreased \$ 160,074.

California State Water Resources Control Board ("State Water Board")

A. The Clean Water Small Community Planning Loan (100% Principal Forgiveness) Project funding amount \$1,065,700 for the Wastewater Treatment Plant Fiscal Agreement No. xx1022

Estimated Reasonable Project Cost: \$1,065,700

Eligible Work Start Date: November 1, 2018

Work Completion Date: June 1, 2026

Final Reimbursement request date: September 1, 2026

Records Retention End Date June: June 1, 2062

The project is for the benefit of the Seeley County Water District (SCWD). Funding under this Agreement will be used for the planning and design of facility improvements necessary to address effluent permit violations related to Free Cyanide, Biochemical Oxygen Demand (BOD), Enterococci, Fecal Coliform, and Copper. These violations have resulted in multiple notices of noncompliance, including the issuance of an Administrative Civil Liability Complaint and a Time Schedule Order.

SCWD currently operates a Class II wastewater treatment facility. Upon completion and commissioning of the Membrane Bioreactor (MBR) project, the facility will be upgraded to a Class III wastewater treatment facility in accordance with State Water Board regulations. This upgrade will provide a higher level of treatment, improve regulatory compliance, and increase overall system performance and reliability.

The MBR project represents a significant long-term investment in infrastructure and regulatory compliance. SCWD initiated this effort in 2017–2018 and evaluated available treatment technologies, ultimately selecting the MBR system over a Biolac system. While the MBR system requires a higher initial capital investment, it offers superior treatment performance and is projected to reduce operating costs by approximately 25 percent over the long term.

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION ANALYSIS
June 30, 2025

From a financial reporting perspective, during the design and planning phase and as construction progresses, the District will experience ongoing grant revenue recognition over multiple fiscal years. Grant funds associated with construction-in-progress will be recognized as revenue over the life of the construction project, as allowable expenditures occur.

Colorado River Basin Regional Water Quality Control Board (“Regional Water Board”)

B. Resolution of Administrative Civil Liability Order R7-2017-0040. California Regional Water Quality Control Board Penalty.

This update follows actions reported in the prior year. The Seeley County Water District (SCWD) entered into an installment payment arrangement with the California Regional Water Quality Control Board (Regional Board) after the issuance of a Notice of Violation for exceeding effluent limitations under the District's National Pollutant Discharge Elimination System (NPDES) permit.

The violation carries a mandatory minimum penalty of \$297,000. After reviewing the District's corrective actions, efforts, and related expenditures, the Regional Board reduced the assessed liability to \$209,574. The violations reflect noncompliance occurring between January 2012 and March 2017.

As of July 3, 2024, SCWD made the first scheduled payment in the amount of \$96,850. As of June 30, 2025, the remaining liability balance is \$112,994.

The following installment agreement is as follows:

Payment No.	Amount Due	Due Date
1	\$14,124.25	September 30, 2025
2	\$14,124.25	December 30, 2025
3	\$14,124.25	March 30, 2026
4	\$14,124.25	June 30, 2026
5	\$14,124.25	September 30, 2026
6	\$14,124.25	December 30, 2026
7	\$14,124.25	March 30, 2027
8	\$14,124.25	June 30, 2027

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION ANALYSIS
June 30, 2025

Colorado River Basin Regional Water Quality Control Board ("Regional Water Board")

C. Wastewater UV Disinfection System Project and SEP Compliance under ACL Order No. R7-2023-0044.

The Seeley County Water District (SCWD) is addressing compliance under Administrative Civil Liability (ACL) Order No. R7-2023-0044, which supersedes ACL Orders No. R7-2017-0016 and R7-2024-0003, and reflects violations occurring between July 10, 2018, and August 31, 2024. The mandatory minimum penalty for this order has increased to \$183,000. In response, SCWD requested from the Regional Water Board approval on June 11, 2025, to implement a Supplemental Environmental Project (SEP) as an alternate to enforcement action, including a proposal for the full forgiveness of the \$183,000 if the project is completed. This request expands on a previous proposal that allowed only \$82,500 of the penalty to be allocated to the SEP. As of June 30, 2025, SCWD has not received a response or resolution from the Regional Water Board.

SCWD has initiated the UV Disinfection System Project to replace the existing system, which currently relies on a single operational unit with no backup and does not meet state standards. The project includes associated engineering services as part of the SEP initiative, approved by the SCWD Board on September 25, 2025 (Resolution No. 092524-01). Once implemented, the project will address required compliance, provide redundancy, and meet state requirements for an SEP project.

Greening Projects

A. Imperial Irrigation District Public Green Space Grant "Tree For All"

During the fiscal year, the Seeley County Water District received notification of a grant award totaling \$5,031 for a public green space project. Grant proceeds are to be received in two installments, with 50 percent received upon award in July 2025 and the remaining 50 percent to be received upon project completion, which is scheduled for December 2025. The timing of these receipts will impact cash inflows across fiscal periods.

Park Improvements - John Robert Bates Memorial Park – Urban Greening Grants

Phase III represents the third improvement for the John Robert Bates Memorial Park Greening Project and is funded through **two** separate grant sources. Funding is provided by the California Natural Resources Agency and the Imperial County Air Pollution Control District (ICAPCD) under the 2019 El Centro–Heber–Calexico Corridor AB 617 Community Development Program. These grant funds support completion of the Phase III project as proposed.

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION ANALYSIS
June 30, 2025

B. California Natural Resources Agency; Urban Greening Program Grant No. UB2120-0

This phase of the project is funded through the Urban Greening Program Grant, administered by the California Natural Resources Agency. The total grant award for this phase is \$250,000, of which \$222,525 remains after expenditures. Grant funds associated with CNRA will be recognized as revenue over the life of the project, as allowable expenditures occur.

C. Imperial County Air Pollution Control District 2019, The El Centro-Heber-Calexico Corridor AB 617 Community Development; Urban Greening Program Grant

This grant is a continuation for phase III. The Seeley County Water District has been awarded \$214,830 to complete the greening project at John Robert Bates Park. To date, no project activities have commenced, other than the formal announcement of the grant award to the District.

(c) Non-operating Revenues and Expenses

Non-operating revenues and expenses consist of interest income, property taxes, and interest expense.

Utility Plant and Debt Administration

- (a) Utility Plant: Net utility plant is comprised of the water treatment plant, the wastewater treatment plant, land and buildings. Equipment consists of vehicles, tools and equipment, office furniture, and computer equipment. See Note 2.
- (b) Long-Term Debt: See Note 4 of notes to financial statements for more detailed information regarding the District's long-term debt.

Request for information

This financial report is designed to provide a general overview of the Seeley County Water District's finances for all those with an interest in District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative General Manager and Secretary to the Board, Seeley County Water District, 1898 W. Main St., Seeley California 92273..

SEELEY COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
As of June 30, 2025

ASSETS

Current Assets:	
Cash	\$ 106,149
Accounts receivable, net of allowance for uncollectible	137,995
Stock - Investment	<u>15,014</u>
Total current assets	259,158
Non Current Assets	
Cash - Restricted	157,014
Capital Assets, Not being depreciated	710,633
Capital assets, Net of Depreciation	<u>6,126,932</u>
Total non current assets	<u>6,994,579</u>
Total Assets	<u><u>\$ 7,253,737</u></u>

LIABILITIES AND NET POSITION

Current Liabilities:	
Accounts payable	\$ 50,741
Customer deposits	49,933
Compensated absences	24,834
Current portion of long-term debt	<u>61,365</u>
Total current liabilities	186,873
Long-term debt:	
Loan payable- USDA, net of current portion	121,993
Loan payable- CRWQCR, net of current portion	<u>56,497</u>
Total long-term debt	<u>178,490</u>
Total Liabilities	<u><u>365,363</u></u>
Net position:	
Investment in Capital Assets, net of related debt	6,710,704
Restricted cash	157,014
Unrestricted - (Deficit)	<u>20,656</u>
Total Net Position	<u><u>\$ 6,888,374</u></u>

The accompanying notes are an integral part of these financial statements.

SEELEY COUNTY WATER DISTRICT
STATEMENT OF REVENUES AND EXPENSES
For The Year Ended June 30, 2025

Operating Revenues:	
Charges for services	\$ 904,993
Operating Expenses:	
Accounting & Auditing Services	19,982
MRI Hosting & Calibration	4,373
Equipment Outlay	24,196
Bank Charges	1,755
Business Insurance	17,898
Depreciation	300,932
Dig Alert	235
Employee Health Benefits	29,584
Fuel	6,341
Legal Fees	7,770
License Permit Fees	11,346
Materials & Supplies	115,812
Office Services & Maint.	10,865
Office Supplies & Equip	6,857
Other Expenses	922
Other Professional	22,233
Park Lights	470
Payroll Taxes	28,761
Penalties & Late Fees	132
Postage	4,540
Professional & special services	29,329
Repair & Maintenance	79,000
Salaries & Wages	393,667
Software Lic. & Hosting Fees	15,252
State Compliance ACL	5,486
Subscriptions & Membership	6,646
Telephone & Internet	19,245
Training & Cert. Renewal	892
Uniforms	4,751
Utilities	102,473
Workers Comp. Insurance	17,700
Total operating expenses	<u>1,289,445</u>
Operating income (loss)	<u>(384,452)</u>
Non-operating revenues (expenses):	
Grant Income	60,824
Interest & Dividend Income	2,430
Property Taxes	3,507
Interest expense	<u>(3,290)</u>
Total non-operating revenues (expenses)	<u>63,471</u>
Increase (decrease) in net position	<u>\$ (320,981)</u>

The accompanying notes are an integral part of these statements.

SEELEY COUNTY WATER DISTRICT
STATEMENT OF CHANGES IN NET POSITION
For The Year Ended June 30, 2025

Balance, beginning of year	\$ 7,209,355
Increase (decrease) in net position	<u>(320,981)</u>
Balance, end of year	<u>\$ 6,888,374</u>

The accompanying notes are an integral part of these financial statements.

SEELEY COUNTY WATER DISTRICT
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2025

<u>Cash flows from operating activities:</u>	
Cash received from customers and users	\$ 925,164
Cash paid to employees for services	(394,816)
Cash paid to suppliers of goods and services	<u>(617,825)</u>
Net cash provided (used) by operating activities	<u>(87,277)</u>
<u>Cash flows from non capital financing activities:</u>	
Cash received from property taxes	<u>3,507</u>
Net cash provided by non-capital financing activities	<u>3,507</u>
<u>Cash flows from capital and related financing activities:</u>	
Cash received from grantors	70,388
Acquisition of capital assets	(19,373)
Principal paid on debt	(101,330)
Interest paid on debt	<u>(3,290)</u>
Net cash provided (used) by capital and related financing activities	<u>(53,605)</u>
<u>Cash flows from investing activities:</u>	
Interest and dividend income	<u>2,430</u>
Net increase (decrease) in cash and cash equivalents	(134,945)
Cash at beginning of year	<u>398,108</u>
Cash at end of year	<u>\$ 263,163</u>
<u>Reconciliation of cash to statement of net position</u>	
Cash	\$ 106,149
Cash - Restricted	<u>157,014</u>
Total Cash	<u>\$ 263,163</u>
<u>Reconciliation of operating income to</u> <u>Net cash from operating activities</u>	
Operating income (loss)	<u>\$ (384,452)</u>
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	300,932
(Increase)/decrease in accounts receivable	5,838
Increase/(decrease) in accounts payable	(17,032)
Increase/(decrease) in customer deposits	14,333
Increases/(decrease) in compensated absences payable	<u>(6,896)</u>
Total adjustments	<u>297,175</u>
Net cash provided by (used by) operating activities	<u>\$ (87,277)</u>

The accompanying notes are an integral part of these financial statements.

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Seeley County Water District (the “District”) was formed on July 28, 1960 under the State of California Water Code.

The District is governed by a Board of Directors consisting of five members who are elected or appointed for four year terms. The District is responsible for providing water and sewer services within its geographic boundaries.

The financial statements consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled or dependent on the District.

Measurement Focus, Basis of Accounting and Financial Statements Presentation:

“Measurement focus” is a term used to describe which transactions are recorded within the various financial statements. “Basis of accounting” refers to when transaction are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the “economic resources measurement focus,” and the “accrual basis of accounting.” Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statements of Net Position. The Statements of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating revenues, such as water and wastewater service charges, 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. Nonoperating revenues, such as grant funding and investment income, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

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 services to its customers on a continuing basis be financed or recovered

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

primarily through user charges (water and wastewater service charges), capital grants and similar funding.

The basic financial statements of the Seeley County Water District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

Net Position of the District is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets

This component of Net Position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted Net Position

This component of Net Position consists of Net Position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component of Net Position consists of Net Position that does not meet the definition of "net investment in capital assets" or "restricted Net Position".

When both unrestricted and restricted are available for use, it is the District's practice to use unrestricted resources first, then restricted resources as they are needed.

SEELEY COUNTY WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows / Inflows of Resources

In addition to assets, the Statements 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any type of these items as of June 30, 2025.

In addition to liabilities, the Statements 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(s) and will not be recognized as an inflow of resources (revenue) until that time. The District does not have any type of these items as of June 30, 2025.

Accounts Receivable:

The District has made a provision for uncollectible receivables of \$ 4,500.

Accounts Receivable	\$	142,495
Less: Allowance for doubtful accounts		<u>(4,500)</u>
Accounts receivable, Net of allowance for doubtful accounts	\$	<u>137,995</u>

Restricted Assets:

Certain assets of the District are restricted in use by debt covenant and, accordingly are shown as restricted assets on the accompanying Statements of Net Position. The District used unrestricted resources, prior to using restricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

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 \$ 500 if they have an expected useful life of more than one year. 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:

Buildings	30 years
Tools and Equipment	5 to 7 years

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes:

Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to state law to the appropriate units of local government. The District's property tax calendar for the fiscal year ended June 30, 2025, was as follows:

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

Budgetary Policies:

The District adopts an annual budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period.

Budget – The District prepares and adopts a budget each year.

Cash and Cash Equivalents:

For the purposes of the statement of cash flows, cash and cash equivalents have been defined as demand deposits.

Income Taxes:

The District is a political subdivision of the State of California and, as such, is exempt from federal and state income taxes.

Use of Estimates:

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates include useful lives of property, plant and equipment for depreciation purposes.

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2025

NOTE 2: PROPERTY PLANT AND EQUIPMENT

The following are the components of property, plant and equipment:

	Balance as of July 1, 2024	<u>Additions</u>	<u>Retirements</u>	Balance as of June 30, 2025
WATER FUND:				
Non-depreciable Assets:				
Land	\$ 155,347	-0-	-0-	\$ 155,347
Total Non-depreciable assets	\$ 155,347	\$ -0-	\$ -0-	\$ 155,347
Depreciable Assets:				
Vehicles	\$ 80,075	\$ -0-	\$ -0-	\$ 80,075
Equipment	422,201	4,951	-0-	427,152
Office Equipment	18,138	-0-	-0-	18,138
Computer Software	35,860	-0-	-0-	35,860
Computer Equipment	14,899	-0-	-0-	14,899
Water treatment plant & Improvements	3,053,629	-0-	-0-	3,053,629
TTHM Water treatment Improvements	2,007,748	-0-	-0-	2,007,748
Water Distribution & Aml Infrastructure	2,321,208	7,172	-0-	2,328,380
Furniture and Equipment	4,519	-0-	-0-	4,519
Total Water Fund	\$ 7,958,277	\$ 12,123	\$ -0-	\$ 7,970,400
Less accumulated depreciation	(3,570,512)	(205,112)	-0-	(3,775,624)
Total Depreciable Assets, Net	\$ 4,387,765	\$ (192,989)	\$ -0-	\$ 4,194,776
SEWER FUND:				
Non-depreciable Assets:				
Construction in progress	\$ 471,309	\$ -0-	\$ -0-	\$ 471,309
Land	20,000	-0-	-0-	20,000
Total Non-Depreciable assets	\$ 491,309	\$ -0-	\$ -0-	\$ 491,309
Depreciable Assets:				
Structures and Improvements	8,643	-0-	-0-	8,643
Vehicles	57,783	-0-	-0-	57,783
Equipment	254,993	-0-	-0-	254,993
Office Equipment	22,903	-0-	-0-	22,903
Computer Software	44,022	-0-	-0-	44,022
Computer Equipment	22,348	-0-	-0-	22,348
Sewer plant	1,510,459	-0-	-0-	1,510,459
Pond Liner Project	681,421	-0-	-0-	681,421
Lift Station	1,239,289	-0-	-0-	1,239,289
Total Sewer Fund	\$ 3,841,861	\$ -0-	\$ -0-	\$ 3,841,861
Less accumulated depreciation	(2,047,861)	(86,578)	-0-	(2,134,439)
Total Depreciable Assets, Net	\$ 1,794,000	\$ (86,578)	\$ -0-	\$ 1,707,422
GENERAL FUND:				
Non - Depreciable Assets:				
Construction in progress	\$ 18,050	\$ 7,250	\$ -0-	\$ 25,300
Land	38,677	-0-	-0-	38,677
Total Non-Depreciable assets	56,727	7,250	-0-	63,977
Depreciable assets:				
Park Equipment	235,546	-0-	-0-	235,546
Less accumulated depreciation	(1,570)	(9,242)	-0-	(10,812)
Total Depreciable Assets, Net	\$ 233,976	\$ (9,242)	\$ -0-	\$ 224,734
TOTAL ALL FUNDS:				
Total Non-Depreciable assets	\$ 703,383	\$ 7,250	\$ -0-	\$ 710,633
Total Depreciable Assets	12,035,684	12,123	-0-	12,047,807
Less accumulated depreciation	(5,619,943)	(300,932)	-0-	(5,920,875)
Total Depreciable Assets, Net	\$ 6,415,741	\$ (288,809)	\$ -0-	\$ 6,126,932

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2025

NOTE 3: CASH

The District's cash deposits as of June 30, 2025 were either entirely insured by appropriate federal depository insurance or collateralized with collateral held by the pledging financial institution's trust department or agent in the District's name in accordance with provisions of the California Government Code. The carrying amount, and bank balance of the District's deposits at June 30, 2025 is as follows:

	Carrying Amount	Bank Balance
Insured	\$ 262,663	\$ 281,632
Collateralized	-0-	-0-
Total cash deposits	\$ 262,663	\$ 281,632

Investments are categorized by the level of custodial risk assumed by the District. The risk categories are defined as follows:

Category 1: Includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. As of June 30, 2025 the balance of funds in this category was \$ 281,632.

Category 2: Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.

Category 3: Includes uninsured or unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name.

A summary of cash balances as of June 30, 2025 is as follows:

Cash in bank	\$ 105,649
Petty cash	500
	106,149
Debt cash reserve	9,020
Emergency savings	35,000
Capital reserve	112,994
Total Restricted Cash	157,014
Total Cash	\$ 263,163

SEELEY COUNTY WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2025

NOTE 4: NOTES PAYABLE

LOAN PAYABLE - USDA

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
<p>Loan payable to the United States Department of Agriculture, secured by the district's levy and collection of assessments or use charges as may be necessary to operate and maintain the plant and meet the payments, payable in annual payments of \$ 8,040 including interest of 2.5% per annum on the unpaid balance. The original amount of the loan was \$ 200,000. The loan matures on June 16, 2046.</p>	<u>\$ 4,868</u>	<u>\$ 121,993</u>	<u>\$ 126,861</u>

The annual requirements to amortize this loan for fiscal years ending June 30 are as follows:

<u>Year ending June 30,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2026	\$ 4,868	\$ 3,172	\$ 8,040
2027	4,990	3,050	8,040
2028	5,115	2,925	8,040
2029	5,242	2,798	8,040
2030	5,374	2,666	8,040
2031-2035	28,953	11,247	40,200
2036-2040	32,758	7,442	40,200
2041-2045	37,062	3,138	40,200
2046	2,499	61	2,560
Total	<u>\$ 126,861</u>	<u>\$ 36,499</u>	<u>\$ 163,360</u>

LOAN PAYABLE – CRWQCR

A \$ 209,574 payment agreement reflecting penalties imposed for violations of effluent limitations and reporting requirements to California Regional Water Quality Control Board bearing no interest. Annual payments of \$ 14,124.25 quarterly beginning September 30, 2025.

The annual requirements to amortize this loan for fiscal years ending June 30, are as follows:

<u>Year ending June 30,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2026	\$ 56,497	\$ -0-	\$ 56,497
2027	56,497	-0-	56,497
Total	<u>\$ 112,994</u>	<u>\$ -0-</u>	<u>\$ 112,994</u>

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 4: NOTES PAYABLE (CONTINUED)

-COMBINED -

The combined aggregate maturity of all long-term debt obligations is detailed as of June 30, 2025 by the fiscal year of maturity as follows:

<u>Year ending June 30,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2026	\$ 61,365	\$ 3,172	\$ 64,537
2027	61,487	3,050	64,537
2028	5,115	2,925	8,040
2029	5,242	2,798	8,040
2030	5,374	2,666	8,040
2031-2035	28,953	11,247	40,200
2036-2040	32,758	7,442	40,200
2041-2045	37,062	3,138	40,200
2046	2,499	61	2,560
Total	<u>\$ 239,855</u>	<u>\$ 36,499</u>	<u>\$ 276,354</u>

A summary of the District's Long-Term debt is as follows:

	<u>Balance June 30, 2024</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance June 30, 2025</u>	<u>Due within one year</u>
Loan Payable - USDA	\$ 131,611	\$ -0-	\$ (4,750)	\$ 126,861	\$ 4,868
Loan Payable - CRWQCR	<u>209,574</u>	<u>-0-</u>	<u>(96,580)</u>	<u>112,994</u>	<u>56,497</u>
	<u>\$ 341,185</u>	<u>\$ -0-</u>	<u>\$ (101,330)</u>	<u>\$ 239,855</u>	<u>\$ 61,365</u>

NOTE 5: COMPENSATED ABSENCES

Upon completion of twelve calendar months of continuous service, all salaried employees who work on a full time basis are granted vacation time of ten days per year. The District records and includes vacation & sick time expense in the period it is accumulated. As of June 30, 2025, the amount of vacation & sick time expense which has been accumulated but not used was \$ 24,834.

NOTE 6: SUBSEQUENT EVENTS:

The management of the District has reviewed the results of operations for the period of time from its year end June 30, 2025 through December 23, 2025, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying combined financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

SEELEY COUNTY WATER DISTRICT
STATEMENT OF NET POSITION BY FUND
As of June 30, 2025

ASSETS

	General Fund	Water Fund	Wastewater Fund	Combined
Current Assets:				
Cash in bank	\$ (746)	\$ 34,250	\$ 72,645	\$ 106,149
Accounts receivable, net of allowance for uncollectible	1,063	48,988	87,944	137,995
Stock Investment	-0-	7,527	7,487	15,014
Due from other fund	-0-	-0-	18,240	18,240
Total current assets	<u>317</u>	<u>90,765</u>	<u>186,316</u>	<u>277,398</u>
Cash - restricted	-0-	-0-	157,014	157,014
Capital assets, not being depreciated	63,977	155,347	491,309	710,633
Capital Assets, net of accumulated depreciation	<u>224,734</u>	<u>4,194,776</u>	<u>1,707,422</u>	<u>6,126,932</u>
Total Non-Current Assets	<u>288,711</u>	<u>4,350,123</u>	<u>2,355,745</u>	<u>6,994,579</u>
Total Assets	<u><u>\$ 289,028</u></u>	<u><u>\$ 4,440,888</u></u>	<u><u>\$ 2,542,061</u></u>	<u><u>\$ 7,271,977</u></u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities:				
Accounts payable	\$ -0-	\$ 25,289	\$ 25,452	\$ 50,741
Customer deposits	-0-	49,933	-0-	49,933
Compensated absences	-0-	10,870	13,964	24,834
Due to other fund	18,240	-0-	-0-	18,240
Current portion of long-term debt	-0-	4,868	56,497	61,365
Total current liabilities	<u>18,240</u>	<u>90,960</u>	<u>95,913</u>	<u>205,113</u>
Long-term debt:				
Loan payable, net of current portion	-0-	121,993	56,497	178,490
Total long-term debt	<u>-0-</u>	<u>121,993</u>	<u>56,497</u>	<u>178,490</u>
Total Liabilities	<u><u>18,240</u></u>	<u><u>212,953</u></u>	<u><u>152,410</u></u>	<u><u>383,603</u></u>
Net position:				
Net investment in capital assets	288,711	4,223,262	2,198,731	6,710,704
Restricted cash	-0-	-0-	157,014	157,014
Unrestricted (deficit)	<u>(17,923)</u>	<u>4,673</u>	<u>33,906</u>	<u>20,656</u>
Total Net Position	<u><u>\$ 270,788</u></u>	<u><u>\$ 4,227,935</u></u>	<u><u>\$ 2,389,651</u></u>	<u><u>\$ 6,888,374</u></u>

See accompanying independent auditor's report regarding this supplementary schedule.

SEELEY COUNTY WATER DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES BY FUND
For The Year Ended June 30, 2025

	General Fund	Water Fund	Wastewater Fund	Combined
Operating Revenues:				
Charges for services	\$ 0	\$ 393,167	\$ 511,826	\$ 904,993
Operating Expenses:				
Accounting & Auditing Services	-0-	8,817	11,165	19,982
Bank Charges	-0-	795	960	1,755
Business Insurance	-0-	8,054	9,844	17,898
Depreciation	9,242	205,112	86,578	300,932
Dig Alert	-0-	106	129	235
Employee Health Benefits	-0-	13,313	16,271	29,584
Equipment Outlay	-0-	9,678	14,518	24,196
Fuel	-0-	2,844	3,497	6,341
Legal Fees	-0-	3,239	4,531	7,770
License Permit Fees	-0-	1,792	9,554	11,346
Materials & Supplies	-0-	79,472	36,340	115,812
MRI Hosting & Calibration	-0-	4,373	-0-	4,373
Office Services & Maint.	-0-	4,805	6,060	10,865
Office Supplies & Equip	-0-	3,091	3,766	6,857
Other Expenses	-0-	569	353	922
Other Professional	-0-	10,048	12,185	22,233
Park Lights	470	-0-	-0-	470
Payroll Taxes	-0-	12,943	15,818	28,761
Penalties & Late Fees	-0-	60	72	132
Postage	-0-	2,043	2,497	4,540
Professional & special services	1,193	14,646	13,490	29,329
Repair & Maintenance	-0-	54,977	24,023	79,000
Salaries & Wages	-0-	178,432	215,235	393,667
State Compliance ACL	-0-	-0-	5,486	5,486
Software Lic. & Hosting Fees	-0-	6,858	8,394	15,252
Subscriptions & Membership	-0-	3,582	3,064	6,646
Telephone & Internet	-0-	9,211	10,034	19,245
Training & Cert. Renewal	-0-	264	628	892
Uniforms	-0-	2,138	2,613	4,751
Utilities	-0-	47,022	55,451	102,473
Workers Comp. Insurance	-0-	7,965	9,735	17,700
Total operating expenses	<u>10,905</u>	<u>696,249</u>	<u>582,291</u>	<u>1,289,445</u>
Operating income (loss)	<u>(10,905)</u>	<u>(303,082)</u>	<u>(70,465)</u>	<u>(384,452)</u>
Non-operating revenues (expenses):				
Grant Income	60,824	-0-	-0-	60,824
Interest & Dividend Income	-0-	1,065	1,365	2,430
Property Taxes	3,507	-0-	-0-	3,507
Interest expense	-0-	(3,290)	-0-	(3,290)
Other Income (Expense) - Net	<u>64,331</u>	<u>(2,225)</u>	<u>1,365</u>	<u>63,471</u>
Other Financing Sources (uses):				
Transfer In	-0-	160,000	-0-	160,000
Transfer Out	-0-	-0-	(160,000)	-160,000
Total other Financing Sources (uses)	<u>-0-</u>	<u>160,000</u>	<u>(160,000)</u>	<u>-0-</u>
Increase (decrease) in net position	<u>\$ 53,426</u>	<u>\$ (145,307)</u>	<u>\$ (229,100)</u>	<u>\$ (320,981)</u>

The accompanying independent auditor's report regarding this supplementary schedule.

SEELEY COUNTY WATER DISTRICT
 STATEMENT OF CHANGES IN NET POSITION BY FUND
 For The Year Ended June 30, 2025

	<u>General Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Combined</u>
Net Position, beginning of year	\$ 217,362	\$ 4,373,242	\$ 2,618,751	\$ 7,209,355
Change in net position - increase (decrease)	<u>53,426</u>	<u>(145,307)</u>	<u>(229,100)</u>	<u>(320,981)</u>
Net Position, End of Year	<u>\$ 270,788</u>	<u>\$ 4,227,935</u>	<u>\$ 2,389,651</u>	<u>\$ 6,888,374</u>

See accompanying independent auditor's report regarding this supplementary schedule.

SEELEY COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS - BY FUND
For The Year Ended June 30, 2025

Cash flows from operating activities:	General Fund	Water Fund	Wastewater Fund	Combined
Cash received from customers and users	\$ -0-	\$ 422,591	\$ 502,573	\$ 925,164
Cash paid to employees for services	-0-	(180,254)	(214,562)	(394,816)
Cash paid to suppliers of goods and services	<u>(16,710)</u>	<u>(313,309)</u>	<u>(287,606)</u>	<u>(617,625)</u>
Net cash provided (used) by operating activities	<u>(16,710)</u>	<u>(70,972)</u>	<u>405</u>	<u>(87,277)</u>
Cash flows from non capital financing activities:				
Transfer from other fund	-0-	160,000	(160,000)	-0-
Transfer (to) other fund	(50,001)	-0-	50,001	-0-
Cash received from property taxes	<u>3,507</u>	<u>-0-</u>	<u>-0-</u>	<u>3,507</u>
Net cash provided (used) by non-capital financing activities	<u>(46,494)</u>	<u>160,000</u>	<u>(109,999)</u>	<u>3,507</u>
Cash flows from capital and related financing activities:				
Cash received from Grantors	70,388	-0-	-0-	70,388
Acquisition of capital assets	(7,250)	(12,123)	-0-	(19,373)
Principal paid on debt	-0-	(4,750)	(96,580)	(101,330)
Interest paid on debt	<u>-0-</u>	<u>(3,290)</u>	<u>-0-</u>	<u>(3,290)</u>
Net cash provided (used) by capital and related financing activities	<u>63,138</u>	<u>(20,163)</u>	<u>(96,580)</u>	<u>(53,605)</u>
Cash flows from investing activities:				
Interest and dividend income	<u>-0-</u>	<u>1,065</u>	<u>1,365</u>	<u>2,430</u>
Net increase (decrease) in cash and cash equivalents	(66)	69,930	(204,809)	(134,945)
Cash at beginning of year	<u>(680)</u>	<u>(35,680)</u>	<u>434,468</u>	<u>398,108</u>
Cash at end of year	<u>\$ (746)</u>	<u>\$ 34,250</u>	<u>\$ 229,659</u>	<u>\$ 263,163</u>

Reconciliation of cash to statement of net position by fund

Cash in bank	\$ (746)	\$ 34,250	\$ 72,645	\$ 106,149
Cash - Restricted	<u>-0-</u>	<u>-0-</u>	<u>157,014</u>	<u>157,014</u>
Total Cash	<u>\$ (746)</u>	<u>\$ 34,250</u>	<u>\$ 229,659</u>	<u>\$ 263,163</u>

See accompanying independent auditor's report regarding this supplementary schedule.