

SEELEY COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT AUDITOR
AS OF AND
FOR THE FISCAL YEAR ENDED
JUNE 30, 2024



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, 2024 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, 2024, 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

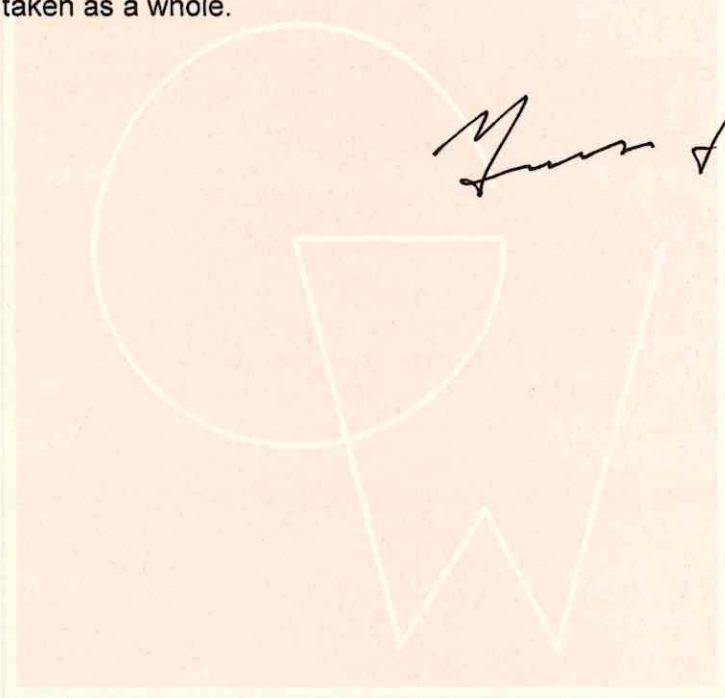
Required Supplementary Information

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 11, 2024



James J. Wood

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

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, 2024 and 2023. 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, 2024, and 2023. 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, 2024, and 2023, 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, 2024 and 2023. 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, 2024

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, 2024 and June 30, 2023.

	<u>2024</u>	<u>2023</u>	Increase (Decrease) from prior year
Assets:			
Utility plant, net	\$ 7,119,124	\$ 7,119,577	\$ (453)
Other assets	<u>634,760</u>	<u>784,299</u>	<u>(149,539)</u>
Total assets	<u>\$ 7,753,884</u>	<u>\$ 7,909,276</u>	<u>\$(155,392)</u>
Liabilities:			
Long-term liabilities	\$ 239,855	\$ 131,611	\$ 108,244
Other liabilities	<u>304,674</u>	<u>183,144</u>	<u>121,530</u>
Total liabilities	<u>\$ 544,529</u>	<u>\$ 314,755</u>	<u>\$ 229,774</u>
Net position:			
Net Investment in Capital Assets	\$ 6,919,272	\$ 6,983,332	\$ (64,060)
Restricted Cash	369,937	554,596	(184,659)
Unrestricted (Deficit)	<u>(79,854)</u>	<u>56,593</u>	<u>(136,447)</u>
Total net position	<u>\$ 7,209,355</u>	<u>\$ 7,594,521</u>	<u>\$(385,166)</u>

(a) Net Position

Net position, the difference between assets and liabilities, decreased \$ 385,166 during the fiscal year ended June 30, 2024, and decreased \$ 229,482 for the fiscal year ended June 30, 2023.

(b) Utility Plant

Net utility plant, which is comprised of property, plant and equipment increased \$ 298,359, the amount of capital outlay for the year, and decreased \$ 298,810, the current year depreciation expense. The net decrease in net utility plant was \$ 453. 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 \$ 4,634 due to scheduled annual repayment of the U.S.D.A. loan payable.

Long-term debt increased \$ 209,574 due to the new agreement with CRWQCR, see Note 4.

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION ANALYSIS
June 30, 2024

(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, 2024 decreased \$ 385,166 and decreased \$ 229,482 during the fiscal year ended June 30, 2023. The tables below summarize the District's fiscal year 2024 and 2023 activity:

	<u>2024</u>	<u>2023</u>	Increase (Decrease) from prior year
Operating revenues:			
Charges for services	<u>\$ 853,572</u>	<u>\$1,056,202</u>	<u>\$(202,630)</u>
Total operating revenues	<u>853,572</u>	<u>1,056,202</u>	<u>(202,630)</u>
Operating expenses:			
Operation and maintenance	1,150,709	1,006,981	143,728
Depreciation	<u>298,810</u>	<u>305,433</u>	<u>(6,623)</u>
Total operating expenses	<u>1,449,519</u>	<u>1,312,414</u>	<u>137,105</u>
Operating income (loss)	<u>(595,947)</u>	<u>(256,212)</u>	<u>(339,735)</u>
Non-operating revenues (expenses):			
Other Contributions	200	5,000	(4,800)
Grant Income	209,190	21,850	187,340
Interest and dividend income	2,064	462	1,602
Property taxes	2,733	2,939	(206)
Interest expense	<u>(3,406)</u>	<u>(3,521)</u>	<u>115</u>
Total non-operating revenues (expenses)	<u>210,781</u>	<u>26,730</u>	<u>184,051</u>
Increase (decrease) in net position	(385,166)	(229,482)	(152,184)
Total net position, beginning of year	<u>7,594,521</u>	<u>7,824,003</u>	<u>(229,482)</u>
Total net position, end of year	<u>\$7,209,355</u>	<u>\$7,594,521</u>	<u>\$(385,166)</u>

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

(a) Operating Revenues

In fiscal year 2024, our operating revenues experienced a 19% decrease, primarily attributed to the closure of the septage receiving station.

Septage Receiving Station:

The Seeley County Water District (SCWD) closed its Septage Receiving Station on August 1, 2023. This station, located at the wastewater treatment plant, was primarily closed in response to ongoing effluent violations, specifically related to elevated levels of copper and cyanide in the influent. The increased inflow of septage from Imperial Valley septage haulers was identified as a significant contributor to these violations, highlighting the urgent need for maintenance to mitigate further non-compliance. This closure underscores SCWD's commitment to addressing environmental concerns and ensuring adherence to regulatory standards.

A secondary reason for the closure was the accelerated accumulation of sediment in the Clemson ponds. This rapid sediment buildup occurred because the plant was treating not only domestic wastewater but also sludge from septage haulers. Unfortunately, some of this sludge contained metals that were undetectable until after a month of treatment, due to the station's outdated monitoring capabilities. Over time, it became evident that the wastewater treatment plant was not equipped to manage the increased volume and rapid inflow of septage waste. It was previously believed that the Clemson ponds had not been dislodged since 2009. However, a review of the records confirms that desludging actually took place in 2014. Typically, desludging occurs every 18 to 20 years, but due to the increased intake of sludge, the process was carried out earlier than the usual cycle.

The Septage Receiving Station operates under the oversight of the California Regional Water Quality Control Board. Recent modifications to the facility's NPDES permit, effective September 1, 2023, have introduced more stringent effluent limitations for copper and cyanide and new parameters for selenium and chronic toxicity. These regulatory changes have had a substantial impact on the district's operations and financial position, resulting in increased expenses for additional regulatory testing. These increased costs are reflected in the financial statements under operating expenses. The station's reopening is critical to generating future revenue streams for the district.

Lastly, securing this grant is essential for modernizing the facility and enabling it to operate effectively as a septage receiving station, equipped with advanced technology to filter out harmful constituents. SCWD began this initiative in 2017-2018, selecting a Membrane Bioreactor System (MBR) over a Biolac System due to its long-term efficiency—despite higher capital costs, the MBR offers a 25%

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION ANALYSIS
June 30, 2024

reduction in operating costs. However, during the fiscal year from July 1, 2023, through June 30, 2024, progress on the SRF grant agreement review has stalled for yet another year. The project remains in the "Construction in Progress" phase, with design and planning at 60% completion.

(b) Operating Expenses

Operating expenses consists of salaries, administrative expenses and operations and maintenance costs. During the year, operating expenses (including depreciation) increased \$ 137,105. Mainly due to the an increase in State Compliance ACL of \$ 206,907, a decrease of \$ 55,580 in salaries and wages and a decrease of \$ 13,003 in repair and maintenance expenses.

California Regional Water Quality Control Board Penalty.

1. Resolution of Administrative Civil Liability Order R7-2017-0040.

The California Regional Water Quality Control Board had previously issued a notice of violation to the Seeley County Water District for exceeding the effluent limitations of the National Pollution Discharge Elimination System (NPDES) permit held by the Seeley County Water District. This violation carries a mandatory minimum penalty amount of \$297,000. Efforts to reduce or eliminate this penalty by completing a supplemental environmental project were not successful and the California Regional Water Quality Control Board requested a timetable for payment of the \$297,000 mandatory minimum penalty. In a letter dated April 9, 2024, the State Water Resources Control Board notified Seeley County Water District of a remaining liability of \$209,574, reflecting penalties imposed for violations of effluent limitations and reporting requirements between January 2012 and March 2017. Due to financial constraints, the Discharger has agreed to settle the outstanding liability through an installment arrangement, with payments scheduled as follows:

Payment No.	Amount Due	Due Date
1	\$96,850.00	July 15, 2024
2	\$14,124.25	September 30, 2025
3	\$14,124.25	December 30, 2025
4	\$14,124.25	March 30, 2026
5	\$14,124.25	June 30, 2026
6	\$14,124.25	September 30, 2026
7	\$14,124.25	December 30, 2026
8	\$14,124.25	March 30, 2027
9	\$14,124.25	June 30, 2027

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION ANALYSIS
June 30, 2024

**2. Agreement to Engage in settlement Discussions to Propose a
Environmental Project to Offset A Mandatory Minimum Penalty.**

Wastewater UV Disinfection System

The Seeley County Water District (SCWD) is facing another compliance order under Administrative Civil Liability (ACL) Order No. R7-2017-0016 and R7-2023-0003. To address these, SCWD has initiated the UV Disinfection System Project, with an agreement executed on December 27, 2023, between SCWD and the State Regional Water Board. This project aims to replace the current UV disinfection system to meet state compliance standards. The project also includes associated engineering services as part of a Supplemental Environmental Project (SEP) initiative, approved by the SCWD Board on September 25, 2024 (Resolution No. 092524-01). The SCWD Board proposed the SEP offset part of the \$150,000 Mandatory Minimum Penalty (MMP). Under this agreement, SCWD will allocate up to \$82,500 of the MMP amount towards the SEP, as approved by the Regional Water Board. The current UV disinfection system is inadequate, relying on a single operational unit with no backup. The proposed project will resolve this issue, ensuring compliance with state requirements under ACL Order No. R7-2017-0016 and R7-2023-0003 the violations have been addressed, with corrective measures implemented.

1. Park Improvements to John Robert Bates Memorial Park

Phase II

This phase represents the Second improvement project for John Robert Bates Memorial Park. The project involved the procurement and installation of various fitness equipment and park amenities, including benches, a shade structure over the children's playground, and pet waste stations. The project was funded through two grant sources: \$25,000 from the Imperial County Community Benefit Fund Program and \$177,952 from the Per Capita Grant Program, sponsored by the California Department of Parks and Recreation (OGALS). The notice to proceed was issued on May 19, 2023, and the project was successfully completed and officially recorded with Board approval on February 21, 2024. The Board also authorized the temporary reallocation of funds to General Fund (Bates Park) from the business-type activities specifically from Sewer Fund, to facilitate project completion.

Phase III

This phase marks the Third improvement project for John Robert Bates Memorial Park. It is currently in the early stages of design, development, and planning, focusing on landscaping and greening elements such as trees, decomposed granite, and shrubbery. The SCWD Board approved the plans and are set to go out for a bid soon. The Urban Greening Program will fund this phase, with a \$250,000 allocation,

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION ANALYSIS
June 30, 2024

sponsored by the California Natural Resources Agency. However, the total project cost estimate is \$392,359, exceeding the grant allocation by \$142,359. The District is actively seeking additional grants to cover the remaining \$142,359 outside the Urban Greening scope.

(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, 2024

ASSETS

Current Assets:	
Cash	\$ 28,171
Accounts receivable, net of allowance for uncollectible	153,397
Due from other fund	68,241
Stock - Investment	<u>15,014</u>
Total current assets	264,823
Non Current Assets	
Cash - Restricted	369,937
Capital Assets, Not being depreciated	703,383
Capital assets, Net of Depreciation	<u>6,415,741</u>
Total non current assets	<u>7,489,061</u>
Total Assets	<u><u>\$ 7,753,884</u></u>

LIABILITIES AND NET POSITION

Current Liabilities:	
Accounts payable	\$ 67,773
Customer deposits	35,600
Compensated absences	31,730
Due to other fund	68,241
Current portion of long-term debt	<u>101,330</u>
Total current liabilities	304,674
Long-term debt:	
Loan payable- USDA, net of current portion	126,861
Loan payable- CRWQCR, net of current portion	<u>112,994</u>
Total long-term debt	<u>239,855</u>
Total Liabilities	<u><u>544,529</u></u>
Net position:	
Investment in Capital Assets, net of related debt	6,919,272
Restricted cash	369,937
Unrestricted - (Deficit)	<u>(79,854)</u>
Total Net Position	<u><u>\$ 7,209,355</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, 2024

Operating Revenues:	
Charges for services	\$ 853,572
Operating Expenses:	
Auditing Services	8,000
Bank Charges	1,291
Business Insurance	16,315
Depreciation	298,810
Dig Alert	180
Employee Health Benefits	42,608
Fuel	6,523
Legal Fees	9,821
License Permit Fees	10,886
Materials & Supplies	102,179
Mileage reimbursement	782
Office Services & Maint.	10,812
Office Supplies & Equip	28,519
Other Expenses	942
Other Professional	27,605
Park Lights	487
Payroll Taxes	28,076
Penalties & Late Fees	317
Postage	3,917
Professional & special services	32,093
Repair & Maintenance	69,939
Salaries & Wages	369,603
Software Lic. & Hosting Fees	8,877
State Compliance ACL	232,744
Subscriptions & Membership	8,458
Telephone & Internet	18,128
Training & Cert. Renewal	2,446
Uniforms	4,565
Utilities	84,779
Workers Comp. Insurance	19,817
Total operating expenses	1,449,519
Operating income (loss)	(595,947)
Non-operating revenues (expenses):	
Grant Income	209,190
Other Contributions	200
Interest & Dividend Income	2,064
Property Taxes	2,733
Interest expense	(3,406)
Total non-operating revenues (expenses)	210,781
Increase (decrease) in net position	\$ (385,166)

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, 2024

Balance, beginning of year	\$ 7,594,521
Increase (decrease) in net position	<u>(385,166)</u>
Balance, end of year	<u>\$ 7,209,355</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, 2024

Cash flows from operating activities:

Cash received from customers and users	\$ 832,193
Cash paid to employees for services	(369,546)
Cash paid to suppliers of goods and services	<u>(612,691)</u>
Net cash provided (used) by operating activities	<u>(150,044)</u>

Cash flows from non capital financing activities:

Other contributions	200
Cash received from property taxes	<u>2,733</u>
Net cash provided by non-capital financing activities	<u>2,933</u>

Cash flows from capital and related financing activities:

Cash received from grantors	220,412
Acquisition of capital assets	(305,161)
Principal paid on debt	(4,634)
Interest paid on debt	<u>(3,406)</u>
Net cash provided (used) by capital and related financing activities	<u>(92,789)</u>

Cash flows from investing activities:

Interest and dividend income	<u>2,064</u>
Net increase (decrease) in cash and cash equivalents	(237,836)

Cash at beginning of year	<u>535,944</u>
Cash at end of year	<u>\$ 398,108</u>

Reconciliation of cash to statement of net position

Cash	\$ 28,171
Cash - Restricted	<u>369,937</u>
Total Cash	<u>\$ 398,108</u>

Reconciliation of operating income to
Net cash from operating activities

Operating income (loss)	\$ (595,947)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	298,810
Increase in note payable - CRWQCR	209,574
(Increase)/decrease in accounts receivable	(14,655)
Increase/(decrease) in accounts payable	(47,711)
Increase/(decrease) in customer deposits	4,500
Increase/(decrease) in compensated absences payable	<u>(4,615)</u>
Total adjustments	<u>445,903</u>
Net cash provided by operating activities	<u>\$ (150,044)</u>

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 form 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, 2024

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, 2024

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, 2024.

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, 2024.

Accounts Receivable:

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

Accounts Receivable	\$ 157,897
Less: Allowance for doubtful accounts	<u>(4,500)</u>
Accounts receivable, Net of allowance for doubtful accounts	<u>\$ 153,397</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, 2024

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, 2024, 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, 2024

NOTE 2: PROPERTY PLANT AND EQUIPMENT

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

	Balance as of July 1, 2023	Additions	Reclassification	Balance as of June 30, 2024
<u>WATER FUND:</u>				
<u>Non-depreciable Assets:</u>				
Land	\$ 155,347	-0-	-0-	\$ 155,347
Total Non-depreciable assets	\$ 155,347	\$ -0-	\$ -0-	\$ 155,347
<u>Depreciable Assets:</u>				
Vehicles	\$ 80,075	\$ -0-	\$ -0-	\$ 80,075
Equipment	412,685	9,516	-0-	422,201
Office Equipment	9,920	8,218	-0-	18,138
Computer Software	35,860	-0-	-0-	35,860
Computer Equipment	-0-	14,899	-0-	14,899
Water treatment plant & improvements	3,044,939	8,690	-0-	3,053,629
TTHM Water treatment improvements	2,007,748	-0-	-0-	2,007,748
Water Distribution & Ami Infrastructure	2,316,432	4,776	-0-	2,321,208
Furniture and Equipment	4,519	-0-	-0-	4,519
Total Water Fund	\$ 7,912,178	\$ 46,099	\$ -0-	\$ 7,958,277
Less accumulated depreciation	(3,366,334)	(204,178)	-0-	(3,570,512)
Total Depreciable Assets, Net	\$ 4,545,844	\$ (158,079)	\$ -0-	\$ 4,387,765
<u>SEWER FUND:</u>				
<u>Non-depreciable Assets:</u>				
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
<u>Depreciable Assets:</u>				
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	14,237	8,666	-0-	22,903
Computer Software	44,022	-0-	-0-	44,022
Computer Equipment	-0-	22,348	-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	\$ 3,810,847	\$ 31,014	\$ -0-	\$ 3,841,861
Less accumulated depreciation	(1,954,797)	(93,064)	-0-	(2,047,861)
Total Depreciable Assets, Net	\$ 1,856,050	\$ (62,050)	\$ -0-	\$ 1,794,000
<u>GENERAL FUND:</u>				
<u>Non - Depreciable Assets:</u>				
Construction in progress	\$ 32,350	\$ -0-	\$ (14,300)	\$ 18,050
Land	38,677	-0-	-0-	38,677
Total Non-Depreciable assets	71,027	-0-	(14,300)	56,727
<u>Depreciable assets:</u>				
Park Equipment	-0-	221,246	14,300	235,546
Less accumulated depreciation	-0-	(1,570)	-0-	(1,570)
Total Depreciable Assets, Net	\$ -0-	\$ 219,676	\$ -0-	\$ 233,976
<u>TOTAL ALL FUNDS:</u>				
Total Non-Depreciable assets	\$ 717,683	\$ -0-	\$ (14,300)	\$ 703,383
Total Depreciable Assets	11,723,025	298,359	14,300	12,035,684
Less accumulated depreciation	(5,321,131)	(298,812)	-0-	(5,619,943)
Total Depreciable Assets, Net	\$ 6,401,894	\$ (453)	\$ 14,300	\$ 6,415,741

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024

NOTE 3: CASH

The District's cash deposits as of June 30, 2024 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, 2024 is as follows:

	Carrying Amount	Bank Balance
Insured	\$ 397,608	\$ 408,352
Collateralized	-0-	-0-
Total cash deposits	\$ 397,608	\$ 408,352

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, 2024 the balance of funds in this category was \$ 408,352.

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, 2024 is as follows:

Cash in bank	\$ 27,671
Petty cash	500
	28,171
ACLC dumper cash	96,580
Debt cash reserve	9,020
Emergency savings	35,000
Capital reserve	229,337
Total Restricted Cash	369,937
Total Cash	\$ 398,108

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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.</p> <p>The loan matures on June 16, 2046.</p>	\$ 4,750	\$ 126,861	\$ 131,611

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>
2025	\$ 4,750	\$ 3,290	\$ 8,040
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
2029-2033	28,247	11,953	40,200
2034-2038	31,959	8,241	40,200
2039-2043	36,158	4,042	40,200
2044-2046	10,282	318	10,600
Total	<u>\$ 131,611</u>	<u>\$ 39,789</u>	<u>\$ 171,400</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, payment of \$ 96,580 due July 15, 2024. 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>
2025	\$ 96,580	\$ -0-	\$ 96,580
2026	56,497	-0-	56,497
2027	56,497	-0-	56,497
Total	<u>\$ 209,574</u>	<u>\$ -0-</u>	<u>\$ 209,574</u>

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 4: NOTES PAYABLE (CONTINUED)

-COMBINED -

The combined aggregate maturity of all long-term debt obligations is detailed as of June 30, 2024 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>
2025	\$ 101,330	\$ 3,290	\$ 104,620
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
2029-2033	28,247	11,953	40,200
2034-2038	31,959	8,241	40,200
2039-2043	36,158	4,042	40,200
2044-2046	<u>10,282</u>	<u>318</u>	<u>10,600</u>
Total	<u>\$ 341,185</u>	<u>\$ 39,789</u>	<u>\$ 380,974</u>

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

	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance June 30, 2024</u>	<u>Due within one year</u>
Loan Payable - USDA	\$ 136,245	\$ -0-	\$ (4,634)	\$ 131,611	\$ 4,750
Loan Payable - CRWQCR	<u>-0-</u>	<u>209,574</u>	<u>-0-</u>	<u>209,574</u>	<u>96,580</u>
	<u>\$ 136,245</u>	<u>\$ 209,574</u>	<u>\$ (4,634)</u>	<u>\$ 341,185</u>	<u>\$ 101,330</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, 2024, the amount of vacation & sick time expense which has been accumulated but not used was \$ 31,730.

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, 2024 through December 11, 2024, 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.

SUPPLEMENTARY INFORMATION

SEELEY COUNTY WATER DISTRICT
STATEMENT OF NET POSITION BY FUND
As of June 30, 2024

ASSETS

	General Fund	Water Fund	Wastewater Fund	Combined
Current Assets:				
Cash in bank	\$ (680)	\$ (35,680)	\$ 64,531	\$ 28,171
Accounts receivable, net of allowance for uncollectible	10,627	63,979	78,791	153,397
Stock Investment	-0-	7,527	7,487	15,014
Due from other fund	-0-	-0-	68,241	68,241
Total current assets	9,947	35,826	219,050	264,823
Cash - restricted	-0-	-0-	369,937	369,937
Capital assets, not being depreciated	56,727	155,347	491,309	703,383
Capital Assets, net of accumulated depreciation	233,976	4,387,765	1,794,000	6,415,741
Total Non-Current Assets	290,703	4,543,112	2,655,246	7,489,061
Total Assets	\$ 300,650	\$ 4,578,938	\$ 2,874,296	\$ 7,753,884
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities:				
Accounts payable	\$ 15,047	\$ 25,893	\$ 26,833	\$ 67,773
Customer deposits	-0-	35,500	100	35,600
Compensated absences	-0-	12,692	19,038	31,730
Due to other fund	68,241	-0-	-0-	68,241
Current portion of long-term debt	-0-	4,750	96,580	101,330
Total current liabilities	83,288	78,835	142,551	304,674
Long-term debt:				
Loan payable, net of current portion	-0-	126,861	112,994	239,855
Total long-term debt	-0-	126,861	112,994	239,855
Total Liabilities	83,288	205,696	255,545	544,529
Net position:				
Net investment in capital assets	222,462	4,411,501	2,285,309	6,919,272
Restricted cash	-0-	-0-	369,937	369,937
Unrestricted (deficit)	(5,100)	(38,259)	(36,495)	(79,854)
Total Net Position	\$ 217,362	\$ 4,373,242	\$ 2,618,751	\$ 7,209,355

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, 2024

	General Fund	Water Fund	Wastewater Fund	Combined
Operating Revenues:				
Charges for services	\$ 0	\$ 378,436	\$ 475,136	\$ 853,572
Operating Expenses:				
Auditing Services	-0-	3,200	4,800	8,000
Bank Charges	-0-	524	767	1,291
Business Insurance	-0-	6,526	9,789	16,315
Depreciation	1,570	204,178	93,062	298,810
Dig Alert	-0-	72	108	180
Employee Health Benefits	-0-	17,043	25,565	42,608
Fuel	-0-	2,609	3,914	6,523
Legal Fees	-0-	3,928	5,893	9,821
License Permit Fees	-0-	5,146	5,740	10,886
Materials & Supplies	-0-	58,024	44,155	102,179
Mileage reimbursement	-0-	313	469	782
Office Services & Maint.	-0-	4,515	6,297	10,812
Office Supplies & Equip	-0-	11,425	17,094	28,519
Other Expenses	115	863	-36	942
Other Professional	-0-	13,302	14,303	27,605
Park Lights	487	-0-	-0-	487
Payroll Taxes	-0-	11,230	16,846	28,076
Penalties & Late Fees	-0-	127	190	317
Postage	-0-	1,567	2,350	3,917
Professional & special services	-0-	12,837	19,256	32,093
Repair & Maintenance	-0-	36,290	33,649	69,939
Salaries & Wages	-0-	149,682	219,921	369,603
Software Lic. & Hosting Fees	-0-	3,551	5,326	8,877
State Compliance ACL	-0-	-0-	232,744	232,744
Subscriptions & Membership	-0-	3,383	5,075	8,458
Telephone & Internet	-0-	7,969	10,159	18,128
Training & Cert. Renewal	-0-	967	1,479	2,446
Uniforms	-0-	1,826	2,739	4,565
Utilities	-0-	45,971	38,808	84,779
Workers Comp. Insurance	-0-	7,927	11,890	19,817
Total operating expenses	2,172	614,995	832,352	1,449,519
Operating income (loss)	(2,172)	(236,559)	(357,216)	(595,947)
Non-operating revenues (expenses):				
Grant Income	156,878	52,312	-0-	209,190
Other Contributions	200	-0-	-0-	200
Interest & Dividend Income	-0-	868	1,196	2,064
Property Taxes	2,733	-0-	-0-	2,733
Interest expense	-0-	(3,406)	-0-	(3,406)
Other Income (Expense) - Net	159,811	49,774	1,196	210,781
Other Financing Sources (uses):				
Transfer In	-0-	80,000	-0-	80,000
Transfer Out	-0-	-0-	(80,000)	-80,000
Total other Financing Sources (uses)	-0-	80,000	(80,000)	-0-
Increase (decrease) in net position	\$157,639	\$ (106,785)	\$ (436,020)	\$ (385,166)

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, 2024

	<u>General Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Combined</u>
Net Position, beginning of year	\$ 59,723	\$ 4,480,027	\$ 3,054,771	\$ 7,594,521
Change in net position - increase (decrease)	<u>157,639</u>	<u>(106,785)</u>	<u>(436,020)</u>	<u>(385,166)</u>
Net Position, End of Year	<u>\$ 217,362</u>	<u>\$ 4,373,242</u>	<u>\$ 2,618,751</u>	<u>\$ 7,209,355</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, 2024

	General Fund	Water Fund	Wastewater Fund	Combined
Cash flows from operating activities:				
Cash received from customers and users	\$ -0-	\$ 360,058	\$ 472,135	\$ 832,193
Cash paid to employees for services	-0-	(147,665)	(221,881)	(369,546)
Cash paid to suppliers of goods and services	(602)	(254,719)	(357,370)	(612,691)
Net cash provided (used) by operating activities	<u>(602)</u>	<u>(42,326)</u>	<u>(107,116)</u>	<u>(150,044)</u>
Cash flows from non capital financing activities:				
Transfer from other fund	68,241	80,000	-0-	148,241
Transfer (to) other fund	-0-	-0-	(148,241)	(148,241)
Other Contributions	200	-0-	-0-	200
Cash received from property taxes	2,733	-0-	-0-	2,733
Net cash provided (used) by non-capital financing activities	<u>71,174</u>	<u>80,000</u>	<u>(148,241)</u>	<u>2,933</u>
Cash flows from capital and related financing activities:				
Cash received from Grantors	168,100	52,312	-0-	220,412
Acquisition of capital assets	(228,048)	(46,099)	(31,014)	(305,161)
Principal paid on debt	-0-	(4,634)	-0-	(4,634)
Interest paid on debt	-0-	(3,406)	-0-	(3,406)
Net cash provided (used) by capital and related financing activities	<u>(59,948)</u>	<u>(1,827)</u>	<u>(31,014)</u>	<u>(92,789)</u>
Cash flows from investing activities:				
Interest and dividend income	-0-	868	1,196	2,064
Net increase (decrease) in cash and cash equivalents	10,624	36,715	(285,175)	(237,836)
Cash at beginning of year	(11,304)	(72,395)	719,643	635,944
Cash at end of year	<u>\$ (680)</u>	<u>\$ (35,680)</u>	<u>\$ 434,468</u>	<u>\$ 398,108</u>
Reconciliation of cash to statement of net position by fund				
Cash in bank	\$ (680)	\$ (35,680)	\$ 64,531	\$ 28,171
Cash - Restricted	-0-	-0-	369,937	369,937
Total Cash	<u>\$ (680)</u>	<u>\$ (35,680)</u>	<u>\$ 434,468</u>	<u>\$ 398,108</u>

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