

SWEETWATER SPRINGS WATER DISTRICT
BASIC FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

**SWEETWATER SPRINGS WATER DISTRICT
FINANCIAL STATEMENTS**

JUNE 30, 2025 AND 2024

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements:	
Statement of Net Position.....	9
Statement of Revenues, Expenses, and Changes in Net Position.....	10
Statement of Cash Flows.....	11
Notes to Basic Financial Statements	13

MICHAEL A. CELENTANO

Certified Public Accountant

7518 Wight Way

Kelseyville Ca 95451

707-367-9729

maccpa@pacific.net

Board of Directors
Sweetwater Springs Water District
Guerneville, California

Independent Auditor's Report

Qualified Opinions

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

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sweetwater Springs Water District as of June 30, 2025 and 2024 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Management has not adopted GASB Statement 68 "Accounting and Financial Reporting of Pension Plans." and amendments to GASB 68". Accounting principles generally accepted in the United States of America require that Deferred Inflows/Outflows and Adjusted Pension Expense be recorded currently which would increase the assets and liabilities and change the pension expense. The effect on Deferred Inflows/Outflows and payroll and employee benefits expenses has not been determined. See Footnote 6 for more detail.

Management has not adopted GASB Statement 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". Accounting principles generally accepted in the United States of America require that Unfunded Postemployment Benefit's Liability, Deferred Inflows/Outflows and Adjusted Employee Benefits Expense be recorded currently which would increase the liabilities and decrease the fund balance and change the employee benefit expense. The amount by which this departure would affect the liabilities by increasing Net OPEB Liability by \$215,881 and decreasing fund balance by \$215,881. The effect on Deferred Inflows/Outflows and payroll and employee benefit expenses has not been determined. See Footnote 11 for more detail.

.Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 Sweetwater Springs Water 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sweetwater Springs Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sweetwater Springs Water 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sweetwater Springs Water 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 we identified during the audit

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic 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 basic financial statements, and other knowledge I obtained during my audit of the basic 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.

A handwritten signature in black ink, appearing to read "M. Celentano", with a long horizontal line extending to the right.

Michael A Celentano
Certified Public Accountant

October 27, 2025

Management Discussion & Analysis (Unaudited)

Management has prepared this financial overview of the activities of the Sweetwater Springs Water District for the fiscal year ended June 30, 2025. It serves as an introduction to the financial statements contained in the Audit Report and a summary of major activities of the District for the fiscal year. Much of the analysis is comparative to last year's activity.

The Discussion begins with a comparison of key financial activities to the prior year, together with a selection of financial activities that management considers worthy of special note for FY 2024-25. The condensed financial statements that follow provide a financial summary of the Audit Report. Following the financial statements are additional details on capital spending, District debt and future plans of the District.

I. SELECTED FINANCIAL ACTIVITIES IN 2024-25

Selected revenues, expenses, and balances:

	<u>FY 2024-25</u>	<u>FY 2023-24</u>
Water Sales:	\$3,535,954	\$3,156,137
Net Income (Change in Net Position):	\$1,259,929	\$1,591,838
Net Income excluding non-cash rev/exp:	\$2,171,717	\$2,699,059
Surplus operating income transferred to CIRF:	\$570,000	\$535,000
Operating Expenses (before depreciation):	\$2,422,022	\$2,169,555
Capital Improvement expenditures:	\$890,203	\$867,464
Debt Payments (principal + interest):	\$778,823	\$781,024
Cash Funds at FYE:	\$4,686,196	\$3,931,275
Net Pension Liability (Surplus) (PERS UL):	\$ (12,794)	\$328,932
Capital Debt:	\$7,496,629	\$8,067,792

Other Notes for FY 2024-25:

(1) **Grants received:** FY 2024-25 income includes \$169,161 in grant funding.

(2) **District property sold:** In FY 2024-25, income includes \$59,934 from the sale of property to Russian River Recreation and Park District.

(3) **PERS Unfunded Liability:** In FY 2024-25, the District made an extra payment toward PERS Unfunded Liability in the sum of \$250,000.

II. BASIC FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The two statements contained in this Management's Discussion and Analysis are condensed versions of the statements in the Audit Report:

The Statement of Net Position is comparable to a Balance Sheet. It includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations of the District's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

All of the current fiscal year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position, comparable to an Income Statement. This statement measures the success of the District’s operations over the past fiscal year and can be used to determine the District’s creditworthiness and whether the District has successfully recovered all its costs through its user fees and other charges.

Not included in this Management’s Discussion and Analysis but required in the Audit report is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District’s cash receipts and cash payments during the reporting period. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

STATEMENT OF NET POSITION

A summary of the District’s Statement of Net Position in FY 2024-25 compared to FY 2023-24 is presented in Table 1 below. Generally, an increase in the District’s net position is a good indicator of whether its financial health is improving or deteriorating. The District’s net position increased by \$1,259,929 to \$17,815,699 at FYE 2025, up from \$16,555,770 at FYE 2024 as the District continued to reduce long term debt while building up cash reserves.

Table 1
Condensed Statement of Net Position

	<u>FYE 2025</u>	<u>FYE 2024</u>	<u>\$ Change</u>	<u>% Change</u>
Cash	4,686,196	3,931,275	754,921	19.2%
Capital Assets	20,017,157	20,212,248	(195,091)	-1.0%
Receivables/Other Assets	820,761	1,305,493	(484,732)	-37.1%
Total Assets	25,524,114	25,449,016	75,098	0.3%
Bond & Loan principal debt outstanding	7,496,629	8,067,792	(571,163)	-7.1%
Other long-term liabilities	5,309	354,378	(349,069)	-98.5%
Other short-term liabilities	206,477	471,076	(264,599)	-56.2%
Total Liabilities	7,708,415	8,893,246	(1,184,831)	-13.3%
Net investment in capital assets	12,308,742	12,344,456	(35,714)	-0.3%
Restricted	0	0	0	
Unrestricted	5,506,957	4,211,314	1,295,643	30.8%
Total Net Position	17,815,699	16,555,770	1,259,929	7.6%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position provides additional information concerning this year’s revenues and expenses that impacted net position. Table 2 below compares the District’s Statement of Revenues, Expenses, and Changes in Net Position in FY 2024-25 versus FY 2023-24. The District’s normal sources of revenue and expenses were on the whole slightly better in FY 2024-25 than FY 2023-24: Both revenue and expenses were up, but revenues were up just a bit more. However, one-time revenues and expenses can have a material impact on net income. Thus, at FYE the District’s net income was less than last year -- \$1,259,929 for FYE 2025 compared to \$1,591,838 for FYE 2024.

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<u>FYE 2025</u>	<u>FYE 2024</u>	<u>\$ Change</u>	<u>% Change</u>
Water Sales	3,535,954	3,156,137	379,817	12.0%
Total Operating Revenues	3,535,954	3,156,137	379,817	12.0%
Operating Expenses:				
Salaries & Benefits	1,618,724	1,467,349	151,375	10.3%
Services & Supplies	803,298	702,206	101,092	14.4%
<i>Depreciation Expense (unrealized)*</i>	1,018,462	972,870	45,592	4.7%
Total Operating Expenses	3,440,484	3,142,425	298,059	9.5%
Net Operating Income (Loss)	95,470	13,712	81,758	-596.3%
Non-Operating Revenue				
Non-Operating Revenue	1,090,211	1,028,237	61,974	6.0%
Non-Operating Expenses:	(201,587)	(217,706)	16,119	-7.4%
Capital Project Grants	169,161	915,658	(746,497)	-81.5%
<i>Unrealized Non-Operating Revenue (Expense)*</i>	106,674	(148,063)	254,737	
Total Non-Operating Revenue (Expenses)	1,164,459	1,578,126	(413,667)	-26.2%
Net Income (Loss)				
or Change in Net Position	1,259,929	1,591,838	(331,909)	-20.9%

* Unrealized income/expenses do not affect the District's FY cash flow

On the **revenue** side, Operating revenue (Water Sales) was up 12% from last year; water rates were increased by 9%. Non-operating revenue -- flat charge revenue, rents, and interest -- is normally about the same from year to year, but in FY 2024-25 was up by about \$61,000 due to the sale of a District property parcel to Russian River Recreation and Park District. In recent years the District has received Capital grant funding, which has had a significant impact on total revenue. In FY 2024-25, the District recorded \$169,161 in grant funding, down from \$915,658 last year.

On the **expense** side, Operating expenses (Salaries & Benefits, Services & Supplies, and Depreciation) increased 9.5% to finish the year \$3,440,484 compared to \$3,142,425 last year. Increases were across the board. Separate from the District's normal operating expense is the **unrealized non-operating expense (or revenue)**, which \$254,737 more than last year, ending the year as \$106,674 in revenue compared to \$148,063 in expenses last year. This line item consists in part on increases or decreases to our PERS unfunded liability and in part on investment gains or losses on our PARS funds. We discuss this line item separately not only because PERS unfunded liability changes can swing widely from year to year, significantly skewing overall numbers, but also because they are a non-cash expense. (Depreciation expense is also an unrealized, non-cash expense, but is much more stable from year-to-year.)

III. CAPITAL SPENDING

In FY 2024-25, the District completed the Lower Harrison Tank Replacement project and continued other projects as noted on the next page:

Project	Project Description	Amount spent FY 2024-25	% complete at FYE 2025
Lower Harrison Tank Replacement	Removed old tank and replace with new 125,000 gallon tank	\$174,224	100% complete Est. \$586,000 (underbudgeted)
Wright Drive project (Phase I)	Replace 1400 lf 2" and 6" galvanized ad asbestos line with 6" HDPE, including 18 water services plus 5 fire hydrants	\$103,142	8.4% complete As of FYE construction portion for Phase I not yet out to bid. Est. Phase I: \$1,231,103

In addition to these capital projects, \$126,029 was spent on In-House projects (primarily District wells), as well as \$51,425 on District costs incurred for County projects. The District also spent \$162,107 on the District Master Plan project, which was almost complete at FYE. Finally, in FY 2024-25 the District spent \$206,444 to purchase two (2) trucks and a ditchwitch.

IV. DISTRICT DEBT/SOURCES OF DEBT REPAYMENT

At the beginning of FY 2024-25, the District owed a total of \$8,067,792 in bond debt and a private placement loan. During the year the District made \$571,163 in principal payments. With interest, debt payments totaled \$778,823, paid in part from Capital spending funds (\$698,000) and in part from funds allocated to a debt sinking fund. No new debt was taken out in FY 2024-25. At FYE, the District owed a total of \$7,496,629 in borrowed funds.

The table below summarizes activity on the bonds and loans in FY 2024-25:

<u>DEBT TYPE</u>	<u>ORIGINAL PRINCIPAL</u>	<u>PRINCIPAL OWED JULY 1, 2024</u>	<u>PRINCIPAL PAID FY 2024-25</u>	<u>PRINCIPAL OWED FYE 2025</u>
USDA G.O. Bonds	\$1,647,875 (2014)	\$1,398,820	\$31,062	\$1,367,758
USDA G.O. Bonds	\$1,535,000 (2019)	\$1,431,000	\$27,000	\$1,404,000
Capital One Bonds	7,993,000 (2013)	\$4,336,892	\$323,500	\$4,013,392
Private Placement Loan	\$3,000,000 (2008)	\$901,080	\$189,601	\$711,479
		<hr/>	<hr/>	<hr/>
		\$8,067,792	\$571,163	\$7,496,629

V. DISTRICT RESERVES

The District adopted a Reserve Policy in 2009 that calls for leaving a designated amount of District funds in reserve for emergencies. In FY 2024-25, \$1,153,212 of the District's cash on hand was designated as Policy Reserves (Emergency Reserves). Cash on hand above this amount is informally reserved for capital expenditures/debt, invested, or is undesignated. Below is a breakdown of District cash at FYE:

Emergency (Policy) Reserves: \$ 1,153,212
Capital Project (CIRF) Reserves:\$ 1,620,050

Investments:	\$ 128,084
Capital Debt payment Reserves:	\$ 1,202,478
Undesignated Reserves:	<u>\$ 582,362</u>
Total Cash at FYE:	\$4,686,186

VI. ECONOMIC FACTORS, PROJECTED CAPITAL EXPENDITURES/SOURCES OF FUNDING

The bulk of the District's typical and unrestricted income is tied to water sales and flat charge revenue, both unaffected in any major way by economic events. The bulk of the District's cash on hand - over 85 percent - is conservatively managed via the County of Sonoma's investment pool. Invested principal is secure, and the pool's interest rates have been rising steadily in FY 2024-25. In addition to funds invested with the County, the District has invested in mutual funds through the Public Agency Retirement System (PARS). Use of the PARS funds is limited to an amount no greater than the costs of the PERS retirement program. The PARS investment is similar to the District's investment with the California Employee Retirement Benefit Trust (CERBT), managed by CalPERS. Use of funds invested with CERBT are limited to amounts no greater than the cost of retiree health benefits.

At FYE the District was completing work on a Master Plan that identifies future capital projects totalling over \$40 million. Not all of these projects need immediate attention, but highlight the need to continuously plan a revenue stream for capital projects. The District's capital construction is funded from four sources:

- **Surplus revenue.** In FY 2024-25 surplus operating revenue was \$570,000 and surplus capital revenue was \$524,743, for a total of \$1,094,743.
- **Grants.** In FY 2024-25 the District recorded \$169,161 (including grant receivables) in grant funding for capital projects and is approved for additional grant funding expected to be received next year.
- **Loan proceeds.** The District is not considering incurring additional debt at FYE.
- **Capital Reserves at FYE.** Funds available for capital spending and capital debt were at \$1,620.050 at FYE 2025.¹

VII. REQUEST FOR INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Sweetwater Springs Water District at P.O. Box 48, Guerneville, California, 95446.

¹ Source: FY 2025-26 Capital Budget

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2025 and 2024

	June 30, 2025	June 30, 2024
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 3,128,355	\$ 2,574,069
Accounts receivable	263,621	209,941
Flat charges receivables	39,333	31,512
Grant receivable	155,655	715,995
Unbilled revenue	298,718	284,611
Inventory	56,505	56,505
Prepaid expenses	6,929	6,929
TOTAL CURRENT ASSETS	3,949,116	3,879,562
NONCURRENT ASSETS		
Land	143,053	143,053
Construction in progress	303,830	847,279
Buildings and improvements	36,133,909	34,973,533
Machinery and equipment	917,848	711,404
Less-accumulated depreciation	(17,481,483)	(16,463,021)
TOTAL CAPITAL ASSETS, NET	20,017,157	20,212,248
OTHER NONCURRENT ASSETS		
Restricted cash and investments	1,557,841	1,357,206
TOTAL OTHER NONCURRENT ASSETS	1,557,841	1,357,206
TOTAL ASSETS	25,524,114	25,449,016
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	79,344	335,592
Accrued wages	26,970	27,151
Accrued interest	75,719	81,792
Customer deposits	16,877	18,977
Road maintenance obligations	7,567	7,565
Current portion of long term debt	586,123	571,163
TOTAL CURRENT LIABILITIES	792,600	1,042,240
LONG TERM LIABILITIES		
Compensated absences	65,335	64,897
General obligation bonds payable	6,394,552	6,785,150
Citizens business bank (COP) payable	515,954	711,479
Net pension liability	(12,794)	328,932
Other postemployment benefits payable	(47,232)	(39,451)
TOTAL LONG TERM LIABILITIES	6,915,815	7,851,007
TOTAL LIABILITIES	7,708,415	8,893,247
NET POSITION		
Net Investment in capital assets	12,520,528	12,344,456
Unrestricted	5,295,171	4,211,314
TOTAL NET POSITION	\$ 17,815,699	\$ 16,555,770

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2025 and 2024

	<u>Totals</u>	<u>Totals</u>
	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Operating Revenues		
Charges for services	\$ 3,535,954	\$ 3,156,137
Total Operating Revenues	<u>3,535,954</u>	<u>3,156,137</u>
Operating Expenses		
Salaries and employee benefits	1,618,724	1,467,349
Service and supplies	803,298	702,206
Depreciation	1,018,462	972,870
Total Operating Expenses	<u>3,440,484</u>	<u>3,142,425</u>
Operating Income (Loss)	<u>95,470</u>	<u>13,712</u>
Non-Operating Revenues (Expenses)		
Interest income	154,549	116,977
Rents	140,578	128,648
Flat charges	759,257	773,685
Grant income	169,161	915,658
Other non-operating revenue	67,251	36,635
Change in actuarial assumptions	75,250	(175,771)
Interest expense unfunded pension liability	-	-
Interest expense	(201,587)	(217,706)
Total Non-Operating Revenues (Expenses)	<u>1,164,459</u>	<u>1,578,126</u>
Net Income (Loss)	<u>1,259,929</u>	<u>1,591,838</u>
Total Net Position, Beginning of Fiscal Year	<u>16,555,770</u>	<u>14,963,932</u>
Total Net Position, End of Fiscal Year	<u>\$ 17,815,699</u>	<u>\$ 16,555,770</u>

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2025 and 2024

	Totals June 30, 2025	Totals June 30, 2024
Cash Flows From Operating Activities		
Cash received from customers	\$ 3,466,167	\$ 3,070,260
Payments to suppliers for goods and services	(1,067,425)	(656,492)
Payments to employees and related items	(1,618,467)	(1,499,150)
Net cash flows provided by operating activities	780,275	914,618
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(823,371)	(570,483)
Grant income	729,501	365,986
Payments on long term debt	(571,163)	(557,397)
Payments on net pension liability	(266,476)	(275,000)
Interest payments	(207,659)	(223,624)
Net cash flows (used) by capital and related financing activities	(1,139,168)	(1,260,518)
Cash Flows From Non-Capital and Related Financing Activities		
Flat charges	751,436	767,517
Miscellaneous non-operating revenues	67,251	36,635
Net cash provided by non-capital and related financing activities	818,687	804,152
Cash Flows From Investing Activities		
Rents	140,578	128,648
Interest income	154,549	116,977
Net cash flows provided by investing activities	295,127	245,625
Net Increase (Decrease) in Cash and Investments	754,921	703,877
Cash and Investments, Beginning of Fiscal Year	3,931,275	3,227,398
Cash and Investments, End of Fiscal Year	\$ 4,686,196	\$ 3,931,275
Reconciliation of Cash and Investments to Amounts Reported on the Statement of Net Position:		
Cash and investments	\$ 3,128,355	2,574,069
Restricted cash and investments	1,557,841	135,206
	\$ 4,686,196	\$ 3,931,275
Supplemental Disclosures:		
Interest expense during the fiscal year	\$ 207,668	\$ 223,624
Interest capitalized during the fiscal year	\$ -	\$ -

(continued)

See accompanying notes to basic financial statements

**SWEETWATER SPRINGS WATER DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2025 and 2024**

(Continued)

	Totals June 30, 2025	Totals June 30, 2024
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations:		
Operating income (loss)	\$ 95,470	13,712
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	1,018,462	972,870
(Increase) Decrease in Operating Assets:		
Accounts receivable/Unbilled Revenue	(67,787)	(85,877)
Inventory		
Prepaid expenses		
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(256,248)	(10,834)
Accrued wages	(181)	7,431
Compensated absences	438	24,370
Customer deposits payable	(2,100)	375
Road maintenance obligations	2	5,001
Other postemployment benefits payable	(7,781)	(12,196)
Total Adjustments	684,805	900,906
Net Cash Provided by Operating Activities	\$ 780,275	\$ 914,618

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Sweetwater Springs Water District (District) was formed on December 6, 1988 with Resolution #88-2184 through an election under Section 30290 of the California State Water Code. The District supplies water services to residential and commercial users, and provides for connections to and the servicing of the delivering system. The District's Board of Directors has the responsibility of overseeing the financial activities of the District.

The District accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governments, in accordance with the uniform system of accounts for water utility special enterprise districts as prescribed by the State Controller in compliance with the government code of the State of California.

B. Basis of Accounting

The District follows the accrual basis of accounting. The District's policy is to record all assets, liabilities, revenues, and expenses on the accrual basis of accounting and the flow of economic resources measurement focus. Under this method, revenue is recognized when earned and expenses are recognized when the related liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

When an expense is incurred for the purpose for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

C. Proprietary Fund Accounting

The District has one fund which is considered a proprietary fund.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The District's accounting and reporting policies conform to the generally accepted accounting principles accepted in the United States of America (GAAP) as applicable to proprietary funds of government agencies.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operation of the fund. All other expenses are reported as non-operating expenses.

D. Budgetary Reporting

The annual budget is prepared in accordance with the basis of accounting utilized by the District. The budget is not legally required and therefore budget to actual information has not been presented, either as a statement or required or other supplementary information.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers both operating and restricted cash balances purchased with maturities of less than ninety days to be cash and cash equivalents.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 1: Summary of Significant Accounting Policies (Continued)

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are stated at fair value, based on quoted market values.

F. Receivables

Bad debts associated with accounts receivable for services are tracked each year by staff, but have been deemed immaterial. Other receivables, if any, are shown at the anticipated recoverable amount, unless otherwise noted.

G. Flat Charges Receivable

Flat charges receivable represent direct charges owed to the District by property owners.

H. Inventories

Inventory consists primarily of water meters, water pipes, valves and fittings. Inventory is valued at estimated cost.

I. Capital Assets

Capital assets are recorded at cost or estimated historical cost if actual cost is not available. Contributed assets are recorded at their fair value at the time of transfer to the District. Assets with a value of \$1,000 or less are expensed in the years acquired.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Depreciation is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. The range of estimated useful lives are as follows:

Water system	20 - 40 years
Leasehold improvements	7 years
Equipment	3-5 years

J. Vacation and Sick Leave

Vacation pay is accrued by the District in the period earned. At June 30, 2025 and 2024, accrued vacation pay amounted to \$65,335 and \$64,897 respectively.

K. Deferred Compensation Plans

The District offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are available to all employees. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by a third party administrator (ING and AIG Valic) for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457 (g). Accordingly, these assets have been excluded from the accompanying financial statements.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 1: Summary of Significant Accounting Policies (Continued)

L Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Risk Management

The District participates in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA) for insurance purposes. The SDRMA is a joint powers agency formed pursuant to Section 6500 et seq., California Government Code, is comprised of California special districts, and agencies. The relationship between the District and JPA is such that the JPA is not a component of the District for financial reporting purposes. The SDRMA's purpose is to jointly fund and develop programs to provide stable, efficient, and long term risk financing for special districts. These programs are provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof. SDRMA provides general and auto liability, workers' compensation, public officials' and employees' errors and omissions, employment practices liability, property loss, and boiler and machinery coverage.

N. Net Position

Net Position are classified into three components: 1) invested in capital assets, 2) restricted for debt services, and 3) unrestricted. These classifications are defined as follows:

Net invested in capital assets– This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding debt related to financing the acquisition of capital assets.

Restricted for debt service – This component of net position consists of cash and investments that are restricted for debt service pursuant to debt service covenants.

Unrestricted net position – This component of net position consists of net position that does not meet the definitions of “restricted for debt service” or “invested in capital assets.”

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 2: Cash and Investments

The cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or District agreements.

The District's cash and investments are comprised of the following at June 30, 2025:

	Unrestricted	Restricted	Totals
Cash on hand	\$ 300	\$ -	\$ 300
Cash in bank	211,995	33,491	245,486
Cash and investments	2,916,060	1,524,350	4,440,410
Total Cash and Investments	\$ 3,128,355	\$ 1,557,841	\$ 4,686,196
Statement of Net Position:			
Cash and investments	\$ 3,128,355		
Restricted cash and investments	1,557,841		
Total	\$ 4,686,196		

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

The table below identifies the investment types that are authorized for the Sweetwater Springs Water District (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 2: Cash and Investments (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper - Selected Agencies	270 days	25%	10%
Commercial Paper - Other Agencies	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements & Securities Lending Agreements	92 days	20 % of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$ 50 Million

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. The District manages its exposure to interest rate risk by investing a majority of its cash and investments in the County Pooled Investment Fund.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>or Less</u>	<u>Months</u>	<u>Months</u>	<u>Months</u>	<u>Months</u>	<u>Months</u>
Public Agency Retirement Svc	\$ 292,281	\$ 292,281					
County Pooled Investment Fund	\$ 4,148,129	\$ 4,148,129	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ 4,440,410</u>	<u>\$ 4,440,410</u>	<u>\$ -</u>				

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 2: Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District’s investment policy, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Public Agency Retirement Svc	\$ 292,281						\$ 292,281
County Pooled Investment Fund	\$ 4,148,129	N/A	\$ -	\$ -	\$ -	\$ -	\$ 4,148,129
Total	\$ 4,440,410		\$ -	\$ -	\$ -	\$ -	\$ 4,440,410

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments that represent 5% or more of total District investments (other than Sonoma County Investment Pool).

Custodial Credit Risk

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

As of June 30, 2025, the District’s deposits with financial institutions were \$ 34,181 in excess of federal depository insurance limits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as the Sonoma County Investment Pool).

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 3: Capital Assets

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

	Balance at 1-Jul-24	Additions	Deletions	Transfers	Balance at 30-Jun-25
Capital assets, not being depreciated:					
Land	\$ 143,053	\$ -	\$ -	\$ -	\$ 143,053
Construction in progress	847,279	265,248	(808,697)		303,830
Total capital assets, not being depreciated	990,332	265,248	(808,697)		446,883
Capital Assets, being depreciated:					
Building and improvements	34,973,533	1,160,376			36,133,909
Machinery and equipment	711,404	206,444			917,848
Total capital assets, being depreciated	35,684,937	1,366,820			37,051,757
Accumulated depreciation:					
Building and improvements	(15,776,811)	(1,007,692)			(16,784,503)
Machinery and equipment	(686,210)	(10,770)			(696,980)
Total accumulated depreciation	(16,463,021)	(1,018,462)			(17,481,483)
Total depreciable assets, net	19,221,916	348,358			19,570,274
Total capital assets, net	\$ 20,212,248	\$ 613,606	\$ (808,697)	\$ -	\$ 20,017,157

Depreciation expense of \$1,018,462 was incurred and recorded as an operating expense for June 30, 2025.

Note 4: Long-Term Debt

The following is a summary of changes in long-term debt for the District for the fiscal year ended June 30, 2025:

	Balance at June 30, 2024	Additions	Repayments	Balance at June 30, 2025	Due Within One Year
2003 General Obligation Bonds	2,828,820		(57,062)	2,771,758	59,799
2013 General Obligation Refunding Bonds	4,336,892		(323,500)	4,013,392	330,800
Citizens Business Bank Certificates of Participation	901,080		(189,601)	711,479	195,524
Total	\$ 8,066,792	\$ -	\$ (570,163)	\$ 7,496,629	\$ 586,123

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 4: Long-Term Debt (Continued)

2003 General Obligation Bonds

On April 29, 2003, and pursuant to Resolution No. 03-15, the District authorized the issuance of General Obligation Bond of 1990, Series 2003 in the principal amount of \$4,000,000. The bond was issued as a single fully registered bond and matures in installments of the same principal amounts on the same dates as the registered bonds it represents. Interest on the bond is 4.5% per annum, payable commencing on March 1, 2004 and semi-annually thereafter on September 1st and March 1st in each year to maturity. During the fiscal year ended June 30, 2014, the District prepaid \$1,994,000 of the outstanding principal on the 2003 General Obligation Bonds from a portion of the proceeds of the 2013 General Obligation Refunding Bonds. The first installment payment that was due September 1, 2014 was deferred until September 1, 2015. The accrued interest of \$36,875, as a result of the deferred payment date, was added to the principal balance for a total outstanding balance of \$1,647,875.

The scheduled annual minimum debt service requirements at June 30, 2025 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2026	31,799	\$ 32,488	\$ 64,287
2027	32,555	31,733	64,288
2028	33,328	30,960	64,288
2029	34,119	30,169	64,288
2030	34,930	29,359	64,289
2031-2035	187,492	133,957	321,449
2036-2040	210,841	110,621	321,462
2041-2045	237,097	84,379	321,476
2046-2050	266,621	54,870	321,491
2051-2055	298,976	21,685	320,661
Total	<u>\$ 1,367,758</u>	<u>\$ 560,221</u>	<u>\$ 1,927,979</u>

2018 General Obligation Bonds

On December 1, 2018, and pursuant to Resolution No. 17-6 and 17-7, the District authorized the issuance of General Obligation Bonds in the principal amount of \$1,535,000. The bond was issued as a single fully registered bond and matures in installments of the same principal amounts on the same dates as the registered bonds it represents. Interest on the bond is 2.25% per annum, payable commencing on June 1, 2019 and semi-annually thereafter on December 1st and June 1st in each year to maturity.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 4: Long-Term Debt (Continued)

The scheduled annual minimum debt service requirements at June 30, 2025 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2026	28,000	\$ 31,275	\$ 59,275
2027	29,000	30,634	59,634
2028	29,000	29,981	58,981
2029	30,000	29,318	59,318
2030	31,000	28,631	59,631
2034-2035	163,000	132,401	295,401
2036-2040	182,000	112,995	294,995
2041-2045	210,000	91,906	301,906
2046-2050	235,000	65,981	300,981
2051-2055	260,000	38,144	298,144
2056-2060	207,000	8,719	215,719
Total	<u>\$ 1,404,000</u>	<u>\$ 599,985</u>	<u>\$ 2,003,985</u>

2013 General Obligation Refunding Bonds

On August 1, 2013, the District issued \$7,993,000 of General Obligation Refunding Bonds bearing interest of 4.50% and payable semi-annually on September 1 and March 1, maturing on September 1, 2033. The proceeds of the Bonds were used to (i) prepay, in full, the 1992 General Obligation Bonds; (ii) partial prepayment of the 2003 General Obligation Bonds, and (iii) pay the costs of issuing the Bonds. The outstanding principal balance of the 2013 General Obligation Refunding Bonds at June 30, 2015 was \$7,553,000.

\$7,821,765 from the 2013 General Obligation Refunding Bonds was placed in an irrevocable trust that is to be used to service the future debt requirements of the 1992 General Obligation Bonds and the 2003 General Obligation Bonds. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$648,545. The aggregate difference in debt service between the old and new debt is \$923,427.

The District defeased the 1992 General Obligation Bonds by placing a portion of the proceeds of the 2013 General Obligation Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the 1992 General Obligation Bonds. Accordingly, the trust account assets and the liability for the defeased 1992 General Obligation Bonds is not included in the District's financial statements.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 4: Long-Term Debt (Continued)

2013 General Obligation Refunding Bonds (Continued)

The scheduled annual minimum debt service requirements at June 30, 2025 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2026	\$ 330,800	\$ 106,974	\$ 437,774
2027	339,900	97,651	437,551
2028	437,273	86,849	524,122
2029	450,050	74,515	524,565
2030	463,201	61,821	525,022
2031-2034	1,992,168	112,758	2,104,926
Total	<u>\$ 4,013,392</u>	<u>\$ 540,568</u>	<u>\$ 4,553,960</u>

Citizens Business Bank Certificates of Participation Payable

On August 1, 2008, Citizens Business Bank as assigned from Municipal Finance Corporation provided a \$3,000,000 loan to the District in the form of Certificates of Participation.

The Certificates of Participation bear interest at 4.75% through August 1, 2018 and then due to a rate renegotiation with Citizen Business Bank in November 2016 was reduced to 3.1% and will remain until the loan matures on August 1, 2028. Principal and interest payments are due semi-annually on February 1st and August 1st in the amount of \$117,007 through August 1, 2018 and \$108,038 for the remainder of the loan.

The scheduled annual minimum debt service requirements at June 30, 2025 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2026	\$ 195,524	\$ 20,552	\$ 216,076
2027	201,633	14,444	216,077
2028	207,932	8,145	216,077
2029	106,390	1,649	108,039
Total	<u>\$ 711,479</u>	<u>\$ 44,790</u>	<u>\$ 756,269</u>

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 5: Operating Leases

The District has entered into an operating lease arrangement as lessee for the District offices. The term of the lease was for five years with an option to extend for seven, one year periods. The initial five year lease expired on July 31, 2014. On May 6, 2014, the District renegotiated the office lease. The new lease commences August 1, 2014 and expires on July 31, 2017, at a cost of \$2,364 per month. The new lease had an option to extend for one additional term of three years which was extended on July 31, 2017 through July 31, 2020 at \$ 2,483 per month. On April 16, 2020 the District exercised its option to extend the lease for an additional three years at \$2,606 per month. This extension has an option to extent the lease for an additional three years at \$2,736 per month which was extended in July 2023.

The District has also entered into an operating lease arrangement as lessee for a postage machine. The term of the lease is five years, beginning in October 2020. The District's current quarterly lease expense for the postage machine is \$418.

The total rental payments for all leasing arrangements charged to expenses were \$34,505 and \$34,502 for June 30, 2025 and 2024 respectively.

Note 6: Employees Retirement Plan (Defined Benefit Pension Plan (Unaudited))

General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2024 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2024 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2022 (the measurement date), the active employee contribution rate is 6.93 percent of annual pay and the average employer's contribution rate is 11.88 percent of annual payroll for the 2% @ 55 plan and the active employee contribution rate is 7.87 percent of annual pay and the average employer's contribution rate is 7.87 percent of annual payroll for the 2% @ 62 plan. Employer contributions rates may change if plan contracts are amended.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 6: Employees Retirement Plan (Defined Benefit Pension Plan (Continued))

Annual Pension Cost

For June 30, 2025, the District’s annual pension cost of \$ 92,092 for PERS was equal to the District’s required and actual contributions and plus an additional \$250,00 towards its unfunded liability. The required portion of the contribution was determined as part of the June 30, 2022 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 6.80% investment rate return of (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2.80% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of PERS assets was determined by an amortization that will pay for all gains and losses over a fixed 20-year period. The required and actual contribution rate for June 30, 2025 was determined as part of the June 30, 2022 actuarial valuation in which PERS using the same assumptions as the previous year

Three-Year Trend Information For PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/23	67,115	100%	0
6/30/24	83,196	100%	0
6/30/25	92,092	100%	0

The table below shows a three-year analysis of the actuarial accrued liability of the plan’s share of the pool’s market value of assets, plan’s share of the pool’s unfunded liability, funded ratio and the annual covered payroll as of June 30:

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Shared Mkt Value/Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>
6/30/22	6,562,212	6,170,112	392,100	94.0%	624,936
6/30/23	6,776,718	6,203,807	572,911	91.5%	819,925
6/30/24	6,904,766	6,651,084	253,682	96.3%	940,848

Note 7: Contingencies

In March, 2022, the District agreed to a Task Order with Coastland Civil Engineering for Design/Engineering Services related to Lower Harrison Tank driveway retaining wall in the sum of \$69,675. As of June 2025, \$69,960 was paid to Coastland. This project was completed.

In October 2023, the District entered into a contract with WRA Environmental Consulting for Environmental Compliance work associated with the Wright Drive Water Main, Natoma Tank and Edgehill Booster Station Replacement CIP Project in the sum of \$31,970. As of June 2025 a total of \$33,970 was paid to WRA.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 7: Contingencies(Continued)

In November, 2023, the District entered into a contract with Piazza Construction for the Lower Harrison Water Tank Replacement Project in the sum of \$675,500. As of June 2025, a total of \$701,354 was paid to Piazza. This project was completed

In November, 2023, the District entered into a contract with Coastland Civil Engineering for Construction and Inspection Services related to the Lower Harrison Water Tank Replacement Project in the sum of \$129,060. As of June 2025, a total of \$208,968 was paid to Coastland. This project was completed.

In January, 2024, the District entered into a contract with Coastland Civil Engineering for an Update to the District's Master Plan and Development of a District GIS System in the sum of \$218,840. As of June, 2025, a total of \$166,888 was paid to Coastland.

In July, 2024, the District entered into a contract with Coastland Civil Engineering for Design/Engineering Services related to the Wright Drive Water Main, Natoma Tank and Edghill Booster Station Replacement Project in the sum of \$231,103. As of June, 2025, a total of \$100,015 was paid to Coastland.

Note 8: Post-Retirement Health Insurance (Unaudited):

The District provides certain health insurance benefits to retired employees in accordance with memoranda of understanding as follows:

For employees who retire from the District and from CalPERS after at least five (5) years of service with CalPERS and who have reached the age of fifty-two (52) years old (fifty (50) years old for Classic PERS members), and who continue health insurance through a District-sponsored health insurance plan, the District will contribute the minimum monthly amount (as required by CalPERS) of the health insurance premium (\$158 in 2025 and \$157 in 2024).

Funding Policy

The District adopted a resolution to enter into an agreement with CalPERS to participate in the California Employer's Retiree Benefit Trust Program (CERBT). For fiscal year 2024-25 the District contributed a total of \$12,608 -- \$9,608 to cover retiree current premiums plus \$3,000 of additional prefunding of benefits. Currently, there are 6 retirees who are receiving benefits.

Annual OPEB and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45's Alternative Measurement Method allowed for employers with less than 100 plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 8: Post-Retirement Health Insurance (Continued)

Annual required contribution	\$	4,573
Interest on net OPEB obligation		(1,823)
Adjustment to ARC		<u>2,077</u>
Annual OPEB cost (expense)		4,827
Contributions made		<u>(12,608)</u>
Increase in net OPEB obligation		(7,781)
Net OPEB obligation – Beginning of the year		<u>(39,451)</u>
Net OPEB obligation – End of year	\$	<u>(47,233)</u>

The District’s annual actual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2022-23, 2023-24 and 2024-25 were as follows:

Fiscal Year	Actual OPEB Cost	Percent of Annual OPEB Cost	OPEB Obligation (Asset)
6/30/2023	\$ 12,684	132%	\$ (27,255)
6/30/2024	\$ 11,304	147%	\$ (39,451)
6/30/2025	\$ 9,638	131%	\$ (47,233)

Funded Status and Funding Progress

As of June 30, 2025, the most recent Alternate Measurement Method valuation date, the plan was 28.9% funded. The actuarial accrued liability for benefits was \$303,666, and the actuarial value of assets was \$87,785, resulting in an unfunded actuarial accrued liability (UAAL) of \$215,881. The covered payroll (annual payroll of active employees covered by the plan) was \$197,220, and the ratio of the UAAL to the covered payroll was 109 percent.

The Alternate Measurement Method valuation of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2025 AND 2024

Note 8: Post-Retirement Health Insurance (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The Alternate Measurement Method valuation methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial assumptions used to calculate the ARC as follows: (1) The minimum Employer Contribution rate of increase is 2.75 percent based on five years' actual MEC increases. (2) The discount rate used is 3.50 percent based on methodology presented in GASB 75. In addition actuarial assumptions presume 75 percent of employees will choose to participate in CalPERS health upon retirement. The UAAL is being amortized as a over thirty years. The remaining amortization period at June 30, 2025 was nineteen (19) years.

Other Postemployment Benefits

Schedule of Funding Progress				
Valuation Date	Liability (a)	Assets (b)	Net Liability (a)-(b)	Status (b)/(a)
6/30/2016	\$ 418,666	\$ 25,428	\$ 393,238	6.1%
6/30/2017	\$ 479,571	\$ 31,495	\$ 448,076	6.6%
6/30/2018	\$ 370,760	\$ 37,076	\$ 333,684	10.0%
6/30/2019	\$ 360,271	\$ 42,621	\$ 317,650	11.8%
6/30/2020	\$ 319,468	\$ 47,203	\$ 272,265	14.7%
6/30/2021	\$ 298,913	\$ 63,884	\$ 235,029	21.4%
6/30/2022	\$ 236,807	\$ 57,837	\$ 178,970	24.4%
6/30/2023	\$ 263,990	\$ 62,858	\$ 201,132	23.8%
6/30/2024	\$ 254,477	\$ 74,910	\$ 179,567	29.4%
6/30/2025	\$ 303,666	\$ 87,785	\$ 215,881	28.9%

Note 9: Subsequent Event

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of the final reports, which may have a material effect on the financial statement or disclosures therein.

There are no subsequent events that have occurred through October 27, 2025 that meet the above definition.

