



BOARD OF DIRECTORS MEETING

AGENDA

December 4, 2025, Regular Meeting
District Offices, 17081 Hwy. 116, Ste. B
Guerneville, California
6:30 p.m.

NOTICE TO PERSONS WITH DISABILITIES: It is the policy of the Sweetwater Springs Water District to offer its public programs, services and meetings in a manner that is readily accessible to everyone, including those with disabilities. Upon request made at least 48 hours in advance of the need for assistance, this Agenda will be made available in appropriate alternative formats to persons with disabilities. This notice is in compliance with the Americans with Disabilities Act (28 CFR, 35.102-35.104 ADA Title II).

Any person who has any questions concerning any agenda item may call the General Manager or Assistant Clerk of the Board to make inquiry concerning the nature of the item described on the agenda; copies of staff reports or other written documentation for each item of business are on file in the District Office and available for public inspection. All items listed are for Board discussion and action except for public comment items. In accordance with Section 5020.40 et seq. of the District Policies & Procedures, each speaker should limit their comments on any Agenda item to five (5) minutes or less. A maximum of twenty (20) minutes of public comment is allowed for each subject matter on the Agenda unless the Board President allows additional time.

I. CALL TO ORDER *(Est. time: 2 min.)*

- A. Board members Present
- B. Board members Absent
- C. Others in Attendance

II. CHANGES TO AGENDA and DECLARATIONS OF CONFLICT *(Est. time: 2 min.)*

III. CONSENT CALENDAR *(Est. time: 5 min.)*

(Note: Items appearing on the Consent Calendar are deemed to be routine and non-controversial. A Board member may request that any item be removed from the Consent Calendar and added as an "Administrative" agenda item for the purposes of discussing the item(s).)

- A. Approval of the Minutes of the November 6, 2025 Regular Board Meeting.
- B. Approval of Operations Warrants/Online payments/EFT payments.

C. Receipt of Item(s) of Correspondence.

Note: Correspondence received regarding an item on the Administrative Agenda is not itemized here, but will be attached as back-up to that item in the Board packet and addressed with that item during the Board meeting.

IV. PUBLIC COMMENT: The District invites public participation regarding the affairs of the District. This time is made available for members of the public to address the Board regarding matters which do not appear on the Agenda, but are related to business of the District. Pursuant to the Brown Act, however, the Board of Directors may not conduct discussions or take action on items presented under public comment. Board members may ask questions of a speaker for purposes of clarification.

V. ADMINISTRATIVE

- A. Discussion/Action re 2025 Organization Meeting / Board Officers elections (*Est. time 15 min.*)
- B. Discussion/Action re Res 25-12, Approving 457 Plan Cares/Secure Acts Interim Amendment with Valic (*Est. time 10 min.*)
- C. Discussion/Action re Res 25-13 – Accepting FY 2024-25 Audit (*Est. time 10 min.*)
- D. Discussion/Action re Rescheduling Board Meeting for January (*Est. 10 min.*)
- E. Board Ad Hoc Committee Reports (standing item) (*Est. time 10 min.*)

Ad Hoc Committees:

- 1. Revenue Development (Dir. Schaap/Dir. Barraza Tran)
- 2. CIP Planning (Dir. Holmer/Lipinski)
- 3. District Policies Review (Dir. Robb-Wilder/Schaap)

VI. GENERAL MANAGER'S REPORT

- 1. Laboratory Testing/Regulatory Compliance
- 2. Water Production and Sales
- 3. Leaks
- 4. Guerneville Rainfall
- 5. In-House Construction Projects
- 6. Gantt Chart
- 7. Grants
- 8. Wright Drive
- 9. Lower Summit Tank Liner
- 10. Metron Meter Pilot Test Update
- 11. Mini Excavator Update

VII. BOARD MEMBERS' ANNOUNCEMENTS

VIII. ITEMS FOR NEXT AGENDA

ADJOURN

Sweetwater Springs Water District Mission and Goals

The mission of the Sweetwater Springs Water District (SSWD) is to provide its customers with quality water and service in an open, accountable, and cost-effective manner and to manage District resources for the benefit of the community and environment. The District provides water distribution and maintenance services to five townships adjacent to the Russian River:

- Guerneville
- Rio Nido
- Guernewood Park
- Villa Grande
- Monte Rio

GOAL 1: IMPLEMENT SOUND FINANCIAL PRACTICES TO ENSURE EFFECTIVE UTILIZATION OF DISTRICT RESOURCES

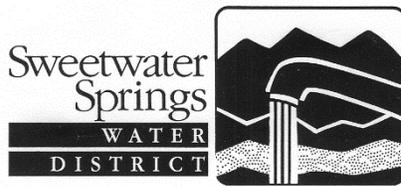
GOAL 2: PROVIDE RELIABLE AND HIGH QUALITY POTABLE WATER WITH FACILITIES THAT ARE PROPERLY CONSTRUCTED, MANAGED AND MAINTAINED TO ASSURE SYSTEM RELIABILITY

GOAL 3: HAVE UPDATED EMERGENCY PREPAREDNESS PLANS FOR ALL REASONABLE, FORESEEABLE SITUATIONS

GOAL 4: DEVELOP AND MAINTAIN A QUALITY WORKFORCE

GOAL 5: PROVIDE EXCELLENT PUBLIC OUTREACH, INFORMATION AND EDUCATION

GOAL 6: ENHANCE BOARD COMMUNICATIONS AND INFORMATION



BOARD MEETING MINUTES*

Meeting Date: November 6, 2025

(*In order discussed)

November 6, 2025
6:30 p.m.

Board Members Present:

Tim Lipinski
Sukey Robb-Wilder
Gaylord Schaap
Rich Holmer
Marc Barraza Tran

Board Members Absent:

None

Staff in Attendance:

Eric Schanz, General Manager
Julie Kenny, Board Secretary
Nicole King, Board Secretary

Others in Attendance:

Erica Gonzalez, Redwood Public Law
Matt Nathansen

I. CALL TO ORDER (6:30 p.m.)

The properly agendized meeting was called to Order by President Holmer at 6:30 p.m.

II. CHANGES TO AGENDA and DECLARATION OF CONFLICT (6:30 p.m.)

(None.)

III. CONSENT CALENDAR (6:30 p.m.)

President Holmer reviewed the items on the Consent Calendar. Discussion ensued. Director Robb-Wilder moved to approve the Consent Calendar. Director Lipinski seconded. Motion carried 5-0. Director Barraza Tran abstained as to the Minutes because he was not yet seated for those meetings. The following items were approved:

- A. Approval of the Minutes of the October 2, 2025 Regular Board Meeting and the October 30, 2025 Special Board Meeting
- B. Approval of Operations Warrants/Online payments/EFT
- C. Receipt of items of Correspondence. (None)

IV. PUBLIC COMMENT (6:31 p.m.)

Public comment was made by Matt Nathansen.

V. ADMINISTRATIVE (6:29 p.m.) *

**in the order discussed*

- V-A. (6:38 p.m.) Discussion/Action re FY 2024-25 Draft Audit.**
District Auditor Michael Celentano provided an overview of this item. Discussion ensued. Public comment was made by Matt Nathansen. No action was taken.
- V-B. (7:03 p.m.) Discussion/Action re Actual vs. Budgeted Report (Operations and Capital) – 1Q FY 2025-26.**
The GM provided an overview of this item. Discussion ensued. There was no public comment. No action was taken.
- V-C. (7:13 p.m.) Discussion/Action re District Reserves and Investments.**
Administrative Manager Julie Kenny provided an overview of this item. Discussion ensued. There was no public comment. No action was taken at this time.
- V-D. (7:59 p.m.) Board Ad Hoc Committee Reports (standing item).**
Ad Hoc Committees:
1. Revenue Development (Dir. Schaap)
2. CIP Planning (Dir. Holmer/Lipinski)
3. District Policies Review (Dir. Robb-Wilder/Schaap)

The GM provided an overview of this item:

- ✓ **Revenue Development Committee:** Did not meet in October. Discussion ensued regarding adding an Investment policy to the Committee's tasks. Director Barraza Tran was appointed to this Committee.
 - ✓ **CIP Planning Committee:** The GM gave an overview of the Committee meeting held in October. Discussion ensued.
 - ✓ **District Policies Review Committee:** The GM gave an overview of the Committee meeting held in October. Discussion ensued regarding refining the tasks for this Committee.
- V-E. (8:10 p.m.) Discussion/Action re Resolution 25-11, Authorizing and Revoking Signers to the West America Bank Accounts.**
The GM provided an overview of this item. Director Robb-Wilder moved to approve Resolution 25-11, Authorizing and Revoking Signers to the West America Bank Accounts. Director Lipinski seconded. Motion carried 5-0. Discussion ensued. There was no public comment.

VI. GENERAL MANAGER'S REPORT (8:21 p.m.)

The GM provided a report on the following items:

1. Laboratory testing / Regulatory Compliance
2. Water production and sales
3. Leaks
4. Guerneville Rainfall
5. In-House Construction Projects
6. Gantt Chart
7. Grants
8. Wright Drive

- 9. Lower Summit Tank Liner project
- 10. Metron Meter Pilot Test Update

Discussion ensued.

**VII. BOARD MEMBERS' ANNOUNCEMENTS/COMMENTS
(8:29 p.m.)**

(None.)

VIII. ITEMS FOR THE NEXT AGENDA (8:29 p.m.)

- 1. FY 2024-25 Final Audit
- 2. Election of 2026 Officers

ADJOURN

The meeting adjourned at 8:38 p.m.

Respectfully submitted,

Julie Kenny
Clerk to the Board of Directors

APPROVED:

Gaylord Schaap: _____
Sukey Robb-Wilder: _____
Tim Lipinski: _____
Rich Holmer _____
Marc Barraza Tran _____

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-A

FROM: Eric Schanz, General Manager

Meeting Date: December 4, 2025

SUBJECT: 2026 ORGANIZATION MEETING / BOARD ELECTIONS

RECOMMENDED ACTION: Elect Board officers for the coming year.

FISCAL IMPACT: None.

DISCUSSION:

District policy requires the election of officers for the coming year at the December Board meeting unless there is a change in the Board due to the November election. District policy states:

"5000.50 Annual Organizational Meeting: The Board of Directors shall hold an annual organizational meeting at its regular meeting in December, except in years when new Directors are elected to the Board at the November regular election and seated after the regular December meeting. In those years, the annual organization meeting will be held at the regular January meeting. At this annual meeting, the Board will select and appoint officers, as described in sections 4050.11 through 4050.13, from among its members to serve during the coming calendar year."

Sections 4005.11 through 4050.13 describe the positions of President, Vice President, and Financial Coordinator.

This year there are no new Directors to be seated after the December meeting; thus, the Board will select and appoint officers at the December meeting.

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-B

FROM: Eric Schanz, General Manager

Meeting Date: December 4, 2025

SUBJECT: RESOLUTION 25-12, APPROVING 457 PLAN CARES/SECURE ACTS INTERIM AMENDMENT WITH VALIC

RECOMMENDED ACTION: Adopt Resolution 25-12 which approves the Cares/Secure Acts Interim Agreement with VALIC.

FISCAL IMPACT: None. The District's 457 Plans are funded 100% through employee-elected contributions. Currently one employee participates in this plan.

DISCUSSION:

This is largely a procedural item. The General Manager elected provisions from the "Operational Plan Provisions Checklist" (see attached) for the CARES/SECURE Acts in September of 2021 around the time the CARES/SECURE Acts became effective.

Over recent years, Congress has enacted several laws that affect the retirement plan. As an adopting employer of a qualified retirement plan, we are required to update the plan document to comply with these laws. The amendment has now become available with the elections that the District selected from the checklist and must now be adopted no later than 12/31/2025.

The District offers employees the opportunity to supplement their retirement by contributing tax-deferred dollars to a 457(b) plan. We have 457 Plan Agreements with VALIC and PERS. Both Plans are funded 100% through employee-elected contributions, made via payroll deduction.

SECURE Act
Optional Plan Provisions Checklist
Governmental and Tax-Exempt 457(b) Plans

(Please complete one selection form per Plan.)

Plan Sponsor Name: Sweetwater Springs Water District

Plan Name: 457b QDCF Qual

AIG Retirement Services Plan ID (3-digit number): 001

AIG Retirement Services Employer (Group) ID (5-digit number): 24530

Please indicate by checking the applicable boxes below the optional plan provisions the plan sponsor directs AIG Retirement Services to implement for the above Plan:

1. [Mandatory] **Increase in age for Required Beginning Date for required minimum distributions.**

This provision is effective for distributions required to be made after December 31, 2019, with respect to participants who attain age 70 ½ after such date.

This provision applies to both governmental and tax-exempt 457(b) plans.

2. [Mandatory] **Change in post-death rules for defined contribution plans.**

This provision applies to distributions with respect to participants who die after December 31, 2019 (December 31, 2021 for governmental plans).

This provision applies to governmental 457(b) plans (pending clarification of application to tax-exempt 457(b) plans).

3. [Mandatory] **Prohibition from making loans through credit cards.**

This provision is effective for participant loans made after December 20, 2019.

This provision applies only to governmental 457(b) plans. Tax-exempt 457(b) plans cannot allow participant loans.

4. [Optional] **Portability of lifetime income options.**

The provision applies to plan years beginning after December 31, 2019.

The provision applies to governmental 457(b) plans that have lifetime income investments.

An employer must make an election to apply this provision.

5. [Optional] **Withdrawals for birth or adoption of a child.**

The provision applies to plan years beginning after December 31, 2019.

The provision applies to governmental 457(b) plans that elect to allow withdrawals for the birth or adoption of a child.

An employer must make an election to apply this provision.

With respect to the Plan, qualified birth or adoption distributions are available to Plan participants as of _____ [insert date no earlier than the first day of the Plan Year beginning after December 31, 2019].

6. [Optional] **In-service distributions for governmental 457(b) plans. (Miners Act)**

The provision applies to plan years beginning after December 31, 2019.

The provision applies only to governmental 457(b) plans.

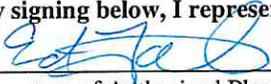
An employer must make an election to apply this provision.

With respect to the Plan, a participant may withdraw all or any portion of his/her vested account balance, upon the attainment of age 59-1/2 [may not be earlier than age **59½**], effective as of 9/21/2021 [insert date **no earlier than the first day of the Plan Year beginning after December 31, 2019**].

PLEASE NOTE: *If AIG Retirement Services is not providing plan document services for your Plan, you will need to provide your elections with respect to the above optional plan provisions, which could be by a copy of this Checklist, to your plan document provider and, if you are utilizing an IRS-approved prototype or volume submitter plan document, your elections may be subject to limitations in that document.*

The information in this Plan Sponsor Update and Optional Plan Provisions Checklist reflects authority and guidance at the time provided and could change as a result of future guidance. The information is not intended as legal or tax advice and plan sponsors should consult their legal counsel for advice concerning their specific situation.

By signing below, I represent that I am authorized to make the above elections for the Plan.



Signature of Authorized Plan Representative
Ed. Fortner

Print Name
General manager/plan admin

Title
9/21/2021

Date

Resolution No. 25-12

**A RESOLUTION OF THE SWEETWATER SPRINGS WATER DISTRICT
BOARD OF DIRECTORS AUTHORIZING ADOPTION OF THE
GOVERNMENTAL 457(B) PLAN CARES/SECURE ACTS INTERIM
AMENDMENT (VALIC 457 PLAN)**

WHEREAS, Sweetwater Springs Water District established the Sweetwater Springs Water District Deferred Compensation Plan effective May 7, 1997 and amended from time to time thereafter, for the exclusive benefit of its employees and their beneficiaries; and,

WHEREAS, The Cares/Secure Acts became effective in 2020 and Congress has enacted several laws that affect the VALIC 457 Plan that require the District to update the plan document to comply with the new laws; and,

WHEREAS, Valic has provided the Governmental 457(b) Plan Cares/Secure Acts Interim Agreement with the elections that the District selected to be adopted no later than 12/31/2025.

NOW, THEREFORE, BE IT RESOLVED that the District Board of the Sweetwater Springs Water District hereby adopts the Governmental 457(b) Plan Cares/Secure Acts Interim Amendment with VALIC attached as Exhibit A; and,

RESOLVED, FURTHER, The General Manager is hereby authorized and directed to execute the amendment effective January 1, 2026.

I hereby certify that the above and foregoing was adopted by the Board of Directors of the SWEETWATER SPRINGS WATER DISTRICT, Sonoma County, California, at a meeting held on December 4, 2025, by the following vote:

Director	Aye	No
Sukey Robb-Wilder	_____	_____
Tim Lipinski	_____	_____
Gaylord Schaap	_____	_____
Richard Holmer	_____	_____
Marc Barraza Tran	_____	_____

Richard Holmer
President of the Board of Directors

Attest: Nicole King
Clerk of the Board of Directors

**GOVERNMENTAL 457(b) PLAN
CARES/SECURE ACTS INTERIM AMENDMENT**

**ARTICLE I
PURPOSE OF INTERIM AMENDMENT**

- 1.01 Adoption by Employer.** The Employer is adopting this Governmental 457(b) Plan CARES/SECURE Acts Interim Amendment (“Interim Amendment” or “IA”) to document the Plan's compliance with various laws, as listed under Article II, and other guidance issued by the Internal Revenue Service. The Plan Administrator will interpret the provisions consistent with any current or future guidance related to the applicable provisions.
- 1.02 Application.** To the extent that this Interim Amendment applies to a Plan, it supersedes any contrary provisions under the Plan, except as provided under IA §1.03. This Interim Amendment applies to the signatory Employer and any other Participating Employers of the Plan.
- 1.03 Prior Amendments.** If the Employer previously amended the Plan to implement one or more of the provisions addressed by this Interim Amendment, such amendment(s) shall remain in effect and shall not be superseded, unless otherwise provided under the Elective Provisions. The Employer may use the Elective Provisions of this Interim Amendment to memorialize prior amendments

If the Employer previously adopted the CARES/Disaster Interim Amendment, the provisions of such amendment are also incorporated into this CARES/SECURE Acts Interim Amendment.

**ARTICLE II
APPLICABLE LAWS AND PLANS COVERED BY INTERIM AMENDMENT**

- 2.01 Applicable Laws.** This Interim Amendment includes provisions that are required or allowed under the following laws:
- (a) Bipartisan American Miners Act of 2019 (“Miners Act”)
 - (b) Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
 - (c) Setting Every Community Up for Retirement Enhancement Act (“SECURE Act”)
 - (d) Taxpayer Certainty and Disaster Tax Relief Act of 2019 (“Disaster Tax Relief Act of 2019”)
 - (e) Taxpayer Certainty and Disaster Tax Relief Act of 2020 (“Disaster Tax Relief Act of 2020”)
- 2.02 Application to Governmental 457(b) Plans.** The Interim Amendment applies to governmental Code §457(b) plans maintained by employers described under Code §457(e)(1)(A).

**ARTICLE III
AMENDMENT RELATING TO THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT**

- 3.01 In General.** On March 27, 2020, the CARES Act became law. Provisions of the CARES Act may have affected certain Plan provisions. The provisions of the CARES Act were effective at various times, as reflected in the provisions under this Article III. The Plan Administrator administered the provisions of this Article III consistent with a “good-faith” interpretation of the CARES Act as applicable to governmental Code §457(b) plans. To the extent this Article III applies to the Plan, the provisions of this Article III supersede any inconsistent provisions of the Plan.
- 3.02 Coronavirus-Related Distributions and loans from the Plan.** This IA §3.02 incorporates CARES Act §2202 relating to special disaster-related rules applicable to governmental Code §457(b) plans. The provisions of this IA §3.02 apply only to the extent a distribution or loan was made to a qualified individual as provided under CARES Act §2202. If the Plan did not operationally apply the rules under this IA §3.02, such provisions do not apply to the Plan. The Plan Administrator documented through administrative procedures (including designating accounts from which Coronavirus-Related Distributions and loans could have been taken) or otherwise the manner in which the Plan operationally applied the rules under this IA §3.02. To the extent this IA §3.02 applies to the Plan, the provisions supersede any inconsistent provisions of the Plan or loan program. The Plan administered this IA §3.02 consistent with the guidance provided under IRS Notice 2020-50.

- (a) **Coronavirus-Related Distributions.** As provided under CARES Act §2202(a), the Plan could (but was not required to) make Coronavirus-Related Distributions, subject to the limits under IA §3.02(a)(4), without regard to certain distribution restrictions otherwise applicable under the Plan.
- (1) **Definition of Coronavirus-Related Distribution.** The term Coronavirus-Related Distribution means a distribution from the Plan made:
- (i) on or after January 1, 2020, and before December 31, 2020,
 - (ii) to an individual:
 - (A) who was diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (collectively referred to herein as “COVID-19”) by a test approved by the Centers for Disease Control and Prevention, including a test authorized under the Federal Food, Drug, and Cosmetic Act; or
 - (B) whose spouse or dependent (as defined in Code §152) was diagnosed with COVID-19 by such a test; and
 - (C) who experienced adverse financial consequences as a result of:
 - (I) the individual being quarantined, being furloughed or laid off or having work hours reduced due to COVID-19;
 - (II) the individual being unable to work due to lack of childcare due to COVID-19;
 - (III) closing or reducing hours of a business owned or operated by the individual due to COVID-19;
 - (IV) the individual having pay or self-employment income reduced due to COVID-19;
 - (V) the individual having a job offer rescinded or start date for a job delayed due to COVID-19;
 - (VI) the individual’s spouse or a member of the individual’s household (i.e., someone who shares the individual’s principal residence) being quarantined, being furloughed or laid off or having work hours reduced due to COVID-19, being unable to work due to lack of childcare due to COVID-19, having pay or self-employment income reduced due to COVID-19, or having a job offer rescinded or start date for a job delayed due to COVID-19; or
 - (VII) closing or reducing hours of a business owned or operated by the individual’s spouse or a member of the individual’s household due to COVID-19.
- (2) **Amounts not treated as Coronavirus-Related Distributions.** The following amounts were not treated as Coronavirus-Related Distributions:
- (i) Excess deferrals (i.e., the amounts that exceed the maximum contribution limit under Code §457);
 - (ii) loans that were treated as deemed distributions pursuant to Code §72(p); and
 - (iii) distributions that were permissible withdrawals from an Eligible Automatic Contribution Arrangement within the meaning of Code §414(w).
- (3) **Employee certification.** The Plan Administrator could have relied on an Employee’s certification that the Employee satisfied the conditions of IA §3.02(a)(1) in determining whether any distribution was a Coronavirus-Related Distribution unless the Plan Administrator had actual knowledge to the contrary. The Plan Administrator had no obligation to inquire into whether an individual had satisfied the conditions for a Coronavirus-Related Distribution.
- (4) **Limit on amount of Coronavirus-Related Distributions.** The aggregate amount of Coronavirus-Related Distributions received by an individual for any taxable year (from all plans maintained by the Employer and any member of a controlled group under Code §§414(b), (c), (m) or (o) which included the Employer) could not exceed \$100,000.

- (5) **Repayment of Coronavirus-Related Distribution.** A Participant who received a Coronavirus-Related Distribution from the Plan may, at any time during the three-year period beginning on the day after the receipt of such distribution, make one or more Rollover Contributions to an Eligible Retirement Plan (including this Plan, if the Participant is otherwise eligible to make Rollover Contributions) in an aggregate amount that does not exceed the amount of such Coronavirus-Related Distribution. In accepting a Rollover Contribution under this IA §3.02(a)(5), the Plan Administrator is entitled to the relief under Q&A-14 of Treas. Reg. §1.401(a)(31)-1. The Plan Administrator in accepting the Rollover Contribution must reasonably conclude that the recontribution is eligible for direct rollover treatment under CARES Act §2202(a)(3). The Plan Administrator may rely on an Employee's certification that the Employee satisfies the conditions for making such a Rollover Contribution unless the Plan Administrator has actual knowledge to the contrary.
- (6) **Exemption from certain transfer and withholding rules.** For purposes of the Direct Rollover rules of Code §401(a)(31), the notice requirements of Code §402(f) and withholding rules of Code §3405, a Coronavirus-Related Distribution was not treated as an Eligible Rollover Distribution.
- (b) **Special Loan Rules.** As provided under CARES Act §2202(b), the Plan Administrator was authorized (but not required) to revise the applicable loan requirements under the Plan to reflect (1) and/or (2) below. For purposes of this IA §3.02(b), a Qualified Individual means any individual who is described in IA §3.02(a)(1)(ii) above.
- (1) **Increased Participant loan limits.** Notwithstanding the Participant loan limitations under the Plan, for purposes of determining the permissible Participant loans for Qualified Individuals made during the 180-day period beginning on March 27, 2020, the loan limit under Code §72(p)(2)(A) could have been applied by substituting "\$100,000" for "\$50,000" and the adequate security requirement under Code §72(p)(2)(A)(ii) could have been applied using "the Participant's vested Account Balance" rather than "one-half (½) of the Participant's vested Account Balance."
- (2) **Delayed loan repayment date.** If a Qualified Individual had an outstanding Participant loan on or after March 27, 2020:
- (i) if the due date pursuant to Code §§72(p)(2)(B) or (C) for any repayment with respect to such loan occurs during the period beginning on March 27, 2020 and ending on December 31, 2020, such due date could have been delayed for one year;
 - (ii) any subsequent repayments with respect to such loan could have been appropriately adjusted to reflect the delay in the due date under IA §3.02(b)(2)(i) above and any interest accruing during such delay; and
 - (iii) in determining the five-year period and the term of the loan under Code §72(p)(2)(B) and (C), the one-year delay period described in IA §3.02(b)(2)(i) above could have been disregarded.

3.03 **Required Minimum Distributions for 2020.**

- (a) **Temporary waiver of required minimum distribution rules for 2020.** As provided under Code §401(a)(9)(I), added by CARES Act §2203 and effective as of January 1, 2020 (or such later date designated under the Elective Provisions), the required minimum distribution rules under Section 9 of the Plan did not apply for the 2020 calendar year. A Participant or beneficiary who would have been required to receive a required minimum distribution for the 2020 calendar year (or a Participant with a Required Beginning Date of April 1, 2021 who would have received a required minimum distribution in 2021 for the 2020 calendar year) ("2020 RMD"), but for the enactment of Code §401(a)(9)(I), and who would have satisfied that requirement by receiving a distribution that is either (1) equal to the 2020 RMD, or (2) one or more payments (that include the 2020 RMD) in a series of substantially equal periodic payments made at least annually and expected to last for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancies) of the Participant and the Participant's Designated Beneficiary, or for a period of at least 10 years ("2020 Extended RMD"), may have elected whether to receive the 2020 RMD or the 2020 Extended RMD. If a Participant did not specifically elect to take the 2020 RMD or 2020 Extended RMD from the Plan, such distribution was not made for the 2020 calendar year. The Employer may modify this default rule under the Elective Provisions, provided such modification satisfies the requirements under Code §401(a)(9)(I) and any applicable IRS guidance.

In addition, solely for purposes applying the Direct Rollover provisions of the Plan, certain additional distributions in 2020, as elected by the Employer under the Elective Provisions, were treated as Eligible Rollover Distributions. If no election is made by the Employer in the Elective Provisions, the Plan offered a Direct Rollover only for distributions that were Eligible Rollover Distributions in the absence of Code §401(a)(9)(I).

If all or any portion of a distribution made during 2020 was treated as an Eligible Rollover Distribution but would not be treated as such if the required minimum distribution requirements under Section 9 of the Plan had applied during 2020, such distribution could not be treated as an Eligible Rollover Distribution for purposes of the Direct Rollover rules, Code §457(e)(16)(B) and Code §3405(c).

- (b) **Special rules regarding the temporary waiver of required minimum distribution rules for 2020.** In applying the provisions of Section 9 of the Plan for the 2020 calendar year, the following special rules apply:
- (1) The Required Beginning Date with respect to any individual shall be determined without regard to this Section 4.03 for purposes of applying Section 9 of the Plan for calendar years after 2020;
 - (2) If Code §401(a)(9)(B)(ii) applies, the five-year period described in such provision was determined without regard to the 2020 calendar year;
 - (3) If the Plan permitted a Participant or beneficiary to elect whether the five-year rule or the life expectancy rule applied in determining required minimum distributions and the election period ended in the 2020 calendar year, the Plan Administrator could have extended the election deadline to the end of 2021;
 - (4) The Plan Administrator and Participants could have applied the transitional relief and special rules under Code §401(a)(9)(I) and IRS Notice 2020-51 relating to the temporary waiver of required minimum distributions for 2020 in any reasonable and consistent manner; and
 - (5) The Employer may describe any special rules that were applicable to the temporary waiver of the required minimum distribution rules for 2020 under the Elective Provisions, provided such special rules are consistent with CARES Act §2203. Code §401(a)(9)(I) and IRS Notice 2020-51.

**ARTICLE IV
AMENDMENT RELATING TO THE DISASTER TAX RELIEF ACT OF 2020**

- 4.01 In General.** On December 27, 2020, the Disaster Tax Relief Act of 2020, which was enacted as part of the Consolidated Appropriations Act, 2021, became law. Provisions of the Disaster Tax Relief Act of 2020 may have affected certain Plan provisions. The provisions of the Disaster Tax Relief Act of 2020 are effective as reflected in the provisions under this Article IV. The Plan Administrator administered the provisions of this Article IV consistent with a “good-faith” interpretation of the Disaster Tax Relief Act of 2020. To the extent this Article IV applies to the Plan, these provisions supersede any inconsistent provisions of the Plan.
- 4.02 Special Disaster-Related Rules.** This IA §4.02 incorporates the provisions of the Disaster Tax Relief Act of 2020 §302 relating to special disaster-related rules applicable to governmental Code §457(b) plans. The provisions of this IA §4.02 apply only to the extent a distribution or loan was made to a qualified individual as provided under Disaster Tax Relief Act of 2020 §302. If the Plan did not operationally apply the rules under this IA §4.02, such provisions do not apply to the Plan. The Plan Administrator documented through administrative procedures (including designating accounts from which special disaster-related distributions and loans could have been taken) or otherwise the manner in which the Plan operationally applied the rules under this IA §4.02. To the extent this IA §4.02 applies to the Plan, these provisions supersede any inconsistent provisions of the Plan or loan program.
- (a) **Eligibility for Qualified Disaster Distribution.** If administratively permitted by the Plan Administrator, a Participant could have taken a Qualified Disaster Distribution without regard to any distribution restrictions otherwise applicable under the Plan.
- (1) **Definitions.**
- (i) **Qualified Disaster Distribution.** A Qualified Disaster Distribution (as defined under the Disaster Tax Relief Act of 2020 §302(a)(4)(A)) is a distribution from the Plan made:
 - (A) on or after the first day of the Incident Period of a Qualified Disaster and before June 25, 2021, and
 - (B) to an individual whose principal place of abode at any time during the Incident Period of such Qualified Disaster was located in the Qualified Disaster Area with respect to such Qualified Disaster and who had sustained an economic loss by reason of such Qualified Disaster.
 - (ii) **Qualified Disaster Area.** A Qualified Disaster Area is any area with respect to which a major disaster was declared, during the period that began on January 1, 2020, and ended on February 25, 2021, by the President under Robert T. Stafford Disaster Relief and Emergency Assistance Act §401 if the Incident Period of the disaster with respect to which such declaration was made began on or after December 28, 2019, and ended on or before December 27, 2020. Such term did not include any area with respect to which such a major disaster had been so declared only by reason of COVID-19.

- (iii) **Qualified Disaster.** A Qualified Disaster is, with respect to any Qualified Disaster Area, the disaster by reason of which a major disaster was declared with respect to such area.
 - (iv) **Incident Period.** An Incident Period is, with respect to any Qualified Disaster, the period specified by the Federal Emergency Management Agency as the period during which such disaster occurred (except that such period shall not be treated as ending after January 26, 2021).
- (2) **Limit on amount of Qualified Disaster Distributions.** The aggregate amount of Qualified Disaster Distributions received by an individual for any taxable year (from all plans maintained by the Employer and any member of a controlled group which includes the Employer) could not have exceeded the excess (if any) of \$100,000, over the aggregate amounts treated as Qualified Disaster Distributions received by such individual for all prior taxable years.
 - (3) **Qualified Disaster Distributions treated as meeting certain Plan distribution requirements.** A Qualified Disaster Distribution is treated as meeting the requirements of Code §457(d)(1)(A).
- (b) **Repayment of Qualified Disaster Distribution.** As provided under the Disaster Tax Relief Act of 2020 §302(a)(3), a Participant who received a Qualified Disaster Distribution from the Plan or another eligible retirement plan (as defined in Code §402(c)(8)(B)) may, at any time during the three-year period beginning on the day after the receipt of such distribution, make one or more Rollover Contributions to the Plan in an aggregate amount that does not exceed the amount of such Qualified Disaster Distribution. This IA §4.02(b) only applies if the Plan permits Rollover Contributions.
 - (c) **Special Loan Rules.** As provided under the Disaster Tax Relief Act of 2020 §302(c), the Plan Administrator could (but was not required to) revise the applicable loan requirements under the Plan to reflect (1) and (2) below.
 - (1) **Increased Participant loan limits.** Notwithstanding the Participant loan limitations under the Plan, for purposes of determining the permissible Participant loans for a Qualified Individual during the 180-day period beginning on December 27, 2020, the loan limit under Code §72(p)(2)(A) could have been applied by substituting “\$100,000” for “\$50,000” and the adequate security requirement under Code §72(p)(2)(A)(ii) could have been applied using “the Participant’s vested Account Balance” rather than “one-half (½) of the Participant’s vested Account Balance.” A Qualified Individual for this purpose was any Participant whose principal place of abode at any time during the Incident Period of any Qualified Disaster was located in the Qualified Disaster Area with respect to such Qualified Disaster, and who had sustained an economic loss by reason of such Qualified Disaster.
 - (2) **Delayed loan repayment date.** If a Qualified Individual (as defined in IA §4.02(d)(1) above) had an outstanding Participant loan on or after the first day of the Incident Period of a Qualified Disaster and ending on the date which is 180 days after the last day of the Incident Period:
 - (i) The due date for repayment of the Participant loan could have been delayed for one year;
 - (ii) any subsequent repayments with respect to such loan could have been appropriately adjusted to reflect the delay in the due date under IA §4.02(d)(2)(i) and any interest accruing during such delay; and
 - (iii) in determining the five-year period and the term of the loan under Code §72(p)(2)(B) and (C), the one-year delay period described in IA §4.02(d)(2)(i) could have been disregarded.

ARTICLE V

AMENDMENT RELATING TO THE SECURE ACT, MINERS ACT AND DISASTER TAX RELIEF ACT OF 2019

5.01 In General. On December 20, 2019, the Further Consolidated Appropriations Act of 2019, which includes the SECURE Act, the Miners Act and the Disaster Tax Relief Act of 2019 became law. The provisions of these three Acts are effective at various times, as reflected in the provisions under this Article III. The Plan Administrator shall administer the provisions of this Article III consistent with a “good-faith” interpretation of these laws.

5.02 Modification of required minimum distribution rules.

- (a) **Increase in age for Required Beginning Date for mandatory distributions.** As provided under Code §401(a)(9)(C)(i)(I) as amended by SECURE Act §114, effective for distributions required to be made after December 31, 2019, with respect to Participants who attain age 70½ after such date, all references to “age 70½” under the applicable required minimum distribution provisions of the Plan are replaced with “age 72.” For purposes of determining required minimum distributions for calendar years beginning on or after January 1, 2022 (or such later date as specified in applicable regulations or guidance), the Plan Administrator must apply the provisions of this IA

§5.02(a) consistent with proposed Treas. Reg §§1.401(a)(9)-1 through 1.401(a)(9)-9 issued on February 24, 2022 (or subsequent applicable final regulations).

(b) **Modifications of required minimum distribution rules for Designated Beneficiaries.** As provided under Code §401(a)(9)(H) as amended by SECURE Act §401, effective for distributions with respect to Participants who die after December 31, 2021 (or such later effective date applicable to the Plan), the applicable required minimum distribution rules under the Plan must be administered consistent with the following rules as provided under SECURE Act §401. (See IA §5.02(b)(1)(v) for effective date rules applicable to plans maintained pursuant to a Collective Bargaining Agreement.) For purposes of determining required minimum distributions for calendar years beginning on or after January 1, 2022 (or such later date as specified in applicable final regulations or guidance), the Plan Administrator must apply the provisions of this IA §5.02(b) consistent with proposed Treas. Reg §§1.401(a)(9)-1 through 1.401(a)(9)-9 issued on February 24, 2022 (or subsequent applicable final regulations or guidance).

(1) **10-year rule.** As provided under Code §401(a)(9)(H)(i), if a Participant dies before the distribution of the Participant's entire vested Account Balance (regardless of whether the Participant dies before, on or after beginning required minimum distributions under the Plan, the entire vested Account Balance of the Participant will be distributed by the end of the calendar year that includes the 10th anniversary of the date of the Participant's death. This is referred to as the "10-year rule."

(i) **Exception to 10-year rule for Eligible Designated Beneficiaries.** As provided under Code §401(a)(9)(H)(ii) and Code §401(a)(9)(B)(iii), if any portion of the Participant's interest is payable to an Eligible Designated Beneficiary, such portion may be distributed (in accordance with applicable regulations) over the life of such Eligible Designated Beneficiary (or over a period not extending beyond the life expectancy of such Eligible Designated Beneficiary), provided such distribution begins not later than one year after the date of the Participant's death (except as provided under Code §401(a)(9)(B)(iv) relating to a surviving spouse) or such later date as the Secretary of Treasury may prescribe by regulations. This is referred to as the "life expectancy rule." If the conditions of this exception are not satisfied, the 10-year rule under subparagraph (1) applies.

(ii) **Elective provisions for Eligible Designated Beneficiaries.** Unless the Employer elects otherwise under the Elective Provisions, required minimum distributions under the Plan to an Eligible Designated Beneficiary when the Participant dies prior to the Required Beginning Date shall be made by applying the Plan's pre-SECURE Act elections (including administrative and default elections), except that the 10-year rule under IA §3.02(b)(1) shall be substituted for the pre-SECURE Act 5-year rule as appropriate. For example, if the pre-SECURE Act Plan allowed the Participant or Designated Beneficiary to elect between the life expectancy rule and the 5-year rule prior to the SECURE Act effective date, then the Plan allows the Eligible Designated Beneficiary to elect between the life expectancy rule and the 10-year rule on or after the SECURE Act effective date.

Alternatively, the Employer may elect under the Elective Provisions to (1) apply the life expectancy rule, (2) apply the 10-year rule (including a fixed number of years less than 10), or (3) allow the Participant or the Eligible Designated Beneficiary to elect whether the 10-year rule or the life expectancy rule applies. If the Participant or Eligible Designated Beneficiary is allowed to elect whether the life expectancy rule or the 10-year rule applies and such Participant or Eligible Designated Beneficiary does not timely make such an election, then the Employer must elect under the Elective Provisions whether the life expectancy rule or the 10-year rule applies.

(A) **Timing of election.** Any Participant or Eligible Designated Beneficiary election permitted under this IA §5.02(b)(1)(ii) must be made no later than end of the earlier of the calendar year by which distributions must be made in order to satisfy the 10-year rule and the calendar year in which distributions would be required to begin in order to satisfy the requirements of the life expectancy rule or, if applicable, by the time of the permitted delay if the surviving Spouse is the sole beneficiary as provided under Code §401(a)(9)(B)(iv).

(B) **Irrevocable election.** If a Participant or Eligible Designated Beneficiary elects under this IA §5.02(b)(1)(ii) to apply either the 10-year rule or the life expectancy rule, then, as of the last date the election may be made, the election is irrevocable with respect to the Eligible Designated Beneficiary (and all subsequent Designated Beneficiaries and applies to all subsequent calendar years.

(iii) **Rules upon death of an Eligible Designated Beneficiary.** Generally, if an Eligible Designated Beneficiary dies before the Participant's entire vested Account Balance is distributed, the exception under IA §5.02(b)(1)(i) above shall not apply to any beneficiary of such Eligible Designated Beneficiary and the remainder of such portion shall be distributed by the end of the 10th calendar year following the calendar year of the death of such Eligible Designated Beneficiary.

- (iv) **Special rule in case of certain trusts for disabled or chronically ill Eligible Designated Beneficiary.** The Plan may apply the special rules for certain “applicable multi-beneficiary trusts” as described under Code §§401(a)(9)(H)(iv) and (v), as added by SECURE Act §401.
- (v) **Special effective date rules.**
 - (A) **Collective bargaining agreements.** In the case of a Plan maintained pursuant to one or more collective bargaining agreements between employee representatives and one or more Employers that were ratified before December 20, 2019, the amendments to Code §§401(a)(9)(E) and (H) and under this IA §5.02(b) apply to distributions with respect to Employees who die in calendar years beginning after December 31, 2021, or if earlier, the later of: (1) the date on which the last of the collective bargaining agreements terminated (without regard to any extension of the agreement to which the parties agree on or after December 20, 2019, or (2) December 31, 2019.
 - (B) **Governmental Plans.** In the case of a Governmental Plan, the amendments to Code §§401(a)(9)(E) and (H) and this IA §5.02(b) apply to distributions with respect to Employees who die after December 31, 2021.

(2) **Definitions for purposes of this IA §5.02(b).**

- (i) **Designated Beneficiary.** The term Designated Beneficiary means any individual designated as a beneficiary by the Participant or under the terms of the Plan.
- (ii) **Eligible Designated Beneficiary.** The term Eligible Designated Beneficiary means, with respect to any Participant, any Designated Beneficiary who is:
 - (A) the surviving Spouse of the Participant;
 - (B) subject to subparagraph (iii) below, a child of the Participant who has not reached age 21;
 - (C) disabled (within the meaning of Code §72(m)(7));
 - (D) a chronically ill individual (within the meaning of Code §7702B(c)(2), except that the requirements of subparagraph (A)(i) thereof shall only be treated as met if there is a certification that, as of such date, the period of inability described in such subparagraph with respect to the individual is an indefinite one which is reasonably expected to be lengthy in nature);
 - (E) an individual not described in any of the preceding subclauses who is not more than 10 years younger than the Participant; or
 - (F) a Designated Beneficiary of a Participant if the Participant died before the effective date of Code §401(a)(9)(H) described in Prop. Treas. Reg. §1.401(a)(9)-1(b)(2)(i) and (ii), whichever applies to the Plan (or as provided under applicable final regulations).

The determination of whether a Designated Beneficiary is an Eligible Designated Beneficiary shall be made as of the date of death of the Participant.

- (iii) **Special rules for children.** An individual described in subparagraph (ii)(B) above shall cease to be an Eligible Designated Beneficiary as of the date the individual reaches age 21 and any remainder of the portion of the individual’s interest to which Code §401(a)(9)(H)(ii) applies shall be distributed under the 10-year rule.

5.03 Prohibition from making loans through credit cards. As provided under SECURE Act §108, effective for Participant loans made after December 20, 2019, a Plan may not make any Participant loan through any credit card or any other similar arrangement.

5.04 Special disaster-related distributions and loans. This IA §5.04 incorporates the provisions of the Disaster Tax Relief Act of 2019 §202 relating to special disaster-related rules for retirement plans. The provisions of this IA §5.04 will apply only to the extent a distribution or loan was made to a qualified individual as provided under the Disaster Tax Relief Act of 2019 §202. If the Plan did not operationally apply the rules under this IA §5.04, such provisions do not apply to the Plan. The Plan Administrator documented through administrative procedures (including designating accounts from which special disaster-related distributions and loans could have been taken) or otherwise the manner in which the Plan operationally applied the rules under this IA §5.04. To the extent this IA §5.04 applies to the Plan, these provisions supersede any inconsistent provisions of the Plan or loan program.

- (a) **Eligibility for Qualified Disaster Distribution.** If administratively permitted by the Plan Administrator, a Participant could have taken a Qualified Disaster Distribution without regard to any distribution restrictions otherwise applicable under the Plan.

(1) **Definitions.**

- (i) **Qualified Disaster Distribution.** A Qualified Disaster Distribution (as defined under the Disaster Tax Relief Act of 2019 §202(a)(4)(A)) is a distribution from the Plan made:
- (A) on or after the first day of the Incident Period of a Qualified Disaster and before June 17, 2020, and
- (B) to an individual whose principal place of abode at any time during the Incident Period of such Qualified Disaster was located in the Qualified Disaster Area with respect to such Qualified Disaster and who had sustained an economic loss by reason of such Qualified Disaster.
- (ii) **Qualified Disaster Area.** A Qualified Disaster Area is any area with respect to which a major disaster was declared, during the period that began on January 1, 2018, and ended on February 18, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act §401 if the Incident Period of the disaster with respect to which such declaration was made began on or before December 20, 2019. Such term did not include the California wildfire disaster (as defined in §20101 of subdivision 2 of division B of the Bipartisan Budget Act of 2018).
- (iii) **Qualified Disaster.** A Qualified Disaster is, with respect to any Qualified Disaster Area, the disaster by reason for which a major disaster was declared with respect to such area.
- (iv) **Incident Period.** An Incident Period is, with respect to any Qualified Disaster, the period specified by the Federal Emergency Management Agency as the period during which such disaster occurred (except that such period shall not be treated as ending after January 19, 2020).

- (2) **Limit on amount of Qualified Disaster Distributions.** The aggregate amount of Qualified Disaster Distributions received by an individual for any taxable year (from all plans maintained by the Employer and any member of a controlled group which included the Employer) could not have exceeded the excess (if any) of \$100,000, over the aggregate amounts treated as Qualified Disaster Distributions received by such individual for all prior taxable years. This limitation was applied separately with respect to distributions made with due to each Qualified Disaster.

- (3) **Qualified Disaster Distributions treated as meeting certain Plan distribution requirements.** A Qualified Disaster Distribution under the Plan is treated as meeting the requirements of Code §401(k)(2)(B)(i).

- (b) **Repayment of Qualified Disaster Distribution.** As provided under the Disaster Tax Relief Act of 2019 §202(a)(3), a Participant who received a Qualified Disaster Distribution from the Plan or another eligible retirement plan (as defined in Code §402(c)(8)(B)) may, at any time during the three-year period beginning on the day after the receipt of such distribution, make one or more Rollover Contributions to the Plan in an aggregate amount that does not exceed the amount of such Qualified Disaster Distribution. This subsection (b) only applies if the Plan permits Rollover Contributions.

- (c) **Special Loan Rules.** As provided under the Disaster Tax Relief Act of 2019 §202(c), the Plan Administrator could (but was not required to) revise the applicable loan requirements under the Plan to reflect (1) and/or (2) below.

- (1) **Increased Participant loan limits.** Notwithstanding the Participant loan limitations under the Plan, for purposes of determining the permissible Participant loans for a Qualified Individual during the 180-day period beginning on December 20, 2019, the loan limit under Code §72(p)(2)(A) could have been applied by substituting "\$100,000" for "\$50,000" and the adequate security requirement under Code §72(p)(2)(A) (ii) could have been applied using "the Participant's vested Account Balance" rather than "one-half (1/2) of the Participant's vested Account Balance." A Qualified Individual for this purpose was any Participant whose principal place of abode at any time during the Incident Period of any Qualified Disaster was located in the Qualified Disaster Area with respect to such Qualified Disaster, and who had sustained an economic loss by reason of such Qualified Disaster.

- (2) **Delayed loan repayment date.** If a Qualified Individual (as defined in subparagraph (1) above) had an outstanding Participant loan on or after the first day of the Incident Period of a Qualified Disaster and that ended on the date which is 180 days after the last day of the Incident Period:

- (i) the due date for repayment of the Participant loan could have been delayed for one year;
- (ii) any subsequent repayments with respect to such loan could have been appropriately adjusted to reflect the delay in the due date under IA §5.04(i) and any interest accruing during such delay; and
- (iii) in determining the 5-year period and the term of the loan under Code §§72(p)(2)(B) and (C), the one-year delay period described in IA §5.04(d)(2)(i) could have been disregarded.

5.05 Portability of lifetime income options. Effective for Plan Years beginning after December 31, 2019 and as provided under Code §401(a)(38), the Plan may allow a Qualified Distribution of a Lifetime Income Investment and a distribution of a Lifetime Income Investment in the form of a Qualified Plan Distribution Annuity Contract, provided such distribution is made within the 90-day period ending on the date when the Lifetime Income Investment is no longer authorized to be held as an investment option under the Plan. The Plan Administrator may administratively apply the rules of Code §401(a)(38) to any applicable Plan investment meeting the definition of a Lifetime Income Investment. The Plan Administrator will separately document the manner of application of the rules under this IA §5.07 and apply the rules in a consistent and nondiscriminatory manner.

(a) **Definitions.**

- (1) **Qualified Distribution.** A Qualified Distribution is a direct trustee-to-trustee transfer to an Eligible Retirement Plan.
 - (2) **Lifetime Income Investment.** A Lifetime Income Investment is an investment option designed to provide an Employee with election rights that (1) are not uniformly available with respect to other investment options under the Plan; and (2) are rights to a Lifetime Income Feature available through a contract or other arrangement offered under the Plan, as defined under Code §401(a)(38)(B)(ii). The Plan Administrator will determine whether an investment option under the Plan is a Lifetime Income Investment.
 - (3) **Lifetime Income Feature.** A Lifetime Income Feature is (1) a feature that guarantees a minimum level of income annually (or more frequently) for at least the remainder of the life of the Employee or the joint lives of the Employee and the Employee's Designated Beneficiary, or (2) an annuity payable on behalf of the Employee under which payments are made in substantially equal periodic payments (not less frequently than annually) over the life of the Employee or the joint lives of the Employee and the Employee's Designated Beneficiary, as defined under Code §401(a)(38)(B)(iii).
 - (4) **Qualified Plan Distribution Annuity Contract.** A Qualified Plan Distribution Annuity Contract is an annuity contract purchased for a Participant and distributed to the Participant by the Plan, as defined under Code §401(a)(38)(B)(iv).
- (b) **Restrictions on in-service distributions.** Effective no earlier than for Plan Years beginning after December 31, 2019, to the extent that the Plan Administrator applies the rules under subparagraph (a) above, the Plan does not violate the distribution restrictions under Code §457(d).

5.06 Qualified Birth or Adoption Distributions ("QBADs"). As provided for under SECURE Act §113, effective no earlier than for Plan Years beginning after December 31, 2019, if elected under the Elective Provisions, the permissible distribution events may include QBADs. The Employer may restrict in a nondiscriminatory manner the availability of QBADs to terminated Participants or certain active Participants under the Elective Provisions. If the Plan is a money purchase pension plan, a Participant may not receive a QBAD prior to the earlier of the attainment of Normal Retirement Age or age 59½. If the Plan holds assets transferred from a money purchase pension plan, a Participant may not receive a QBAD with respect to such assets prior to the earlier of the attainment of Normal Retirement Age or age 59½. The Plan Administrator may use the guidance provided under IRS Notice 2020-68 in applying the rules under this IA §5.06.

(a) **Definitions.**

- (1) **Qualified Birth or Adoption Distribution ("QBAD").** A QBAD (as defined under Code §72(t)(2)(H)(iii)(I)) is a distribution from the Plan to a Participant if made during the one-year period beginning on the date on which a child of the Participant is born or on which the legal adoption by the individual of an Eligible Adoptee is finalized.
- (2) **Eligible Adoptee.** An Eligible Adoptee (as defined under Code §72(t)(2)(H)(iii)(II)) is any individual (other than a child of the Participant's spouse) who has not attained age 18 or is physically or mentally incapable of self-support. The determination of whether an individual is physically or mentally incapable of self-support is made in the same manner as the determination of whether an individual is disabled under Code §72(m)(7), which defines when an individual is disabled for purposes of the exception to the 10% additional tax under Code §72(t)(2)(A)(iii).

- (b) **\$5,000 limitation.** The Plan is not treated as violating any Code requirement merely because it treats a distribution (that would otherwise be a QBAD) to an individual as a QBAD, provided that the aggregate amount of such distributions to that Participant from all plans maintained by the Employer does not exceed \$5,000.
- (1) Each parent may receive a QBAD of up to \$5,000 with respect to the same child or Eligible Adoptee.
 - (2) An individual is permitted to receive QBAD with respect to the birth of more than one child or the adoption of more than one Eligible Adoptee if the distributions are made during the 1-year period following the date on which the children are born or the legal adoption for the Eligible Adoptees is finalized.
- (c) **Recontributions to applicable Eligible Retirement Plans.** Any portion of a QBAD may, at any time after the date on which the distribution was received, be recontributed to an applicable Eligible Retirement Plan to which an Eligible Rollover Distribution can be made. If the Employer adds the ability for Plan Participants to receive QBADs to the Plan, a Participant who has received a QBAD may recontribute, up to the amount that was distributed from the Plan to the Participant, provided the Participant otherwise is eligible to make Rollover Contributions to the Plan at the time Participant wishes to recontribute the QBAD. In the case of a recontribution made with respect to a QBAD from an applicable Eligible Retirement Plan other than an IRA, an individual is treated as having received the distribution as an Eligible Rollover Distribution (as defined in Code §402(c)(4)) and as having transferred the amount to an applicable Eligible Retirement Plan in a direct trustee-to-trustee transfer within 60 days of the distribution.
- (d) **Other applicable rules.** The following rules apply to QBADs:
- (1) A distribution to an individual will not be treated as a QBAD with respect to any child or Eligible Adoptee unless the individual includes the name, age, and the Taxpayer Identification Number (TIN) of the child or Eligible Adoptee on the individual's tax return;
 - (2) A QBAD is includible in gross income, but it is not subject to the 10% additional tax under Code §72(t)(1).
 - (3) In making a determination whether an individual is eligible for a QBAD, the Employer or Plan Administrator is permitted to rely on reasonable representations from the individual, unless the Employer or Plan Administrator has actual knowledge to the contrary.
 - (4) A QBAD is not treated as an Eligible Rollover Distribution for purposes of the direct rollover rules of Code §401(a)(31), the notice requirement under Code §402(f), and the mandatory withholding rules under Code §3405.

5.07 Including Difficulty of Care Payments in Total Compensation. Effective for Plan Years beginning after December 31, 2015, as provided under Code §415(c)(8) the following paragraph is added to the definition of Total Compensation:

“Special rules for difficulty of care payments. In the case of a Participant who for a taxable year excludes from gross income under Code §131 a qualified foster care payment which is a difficulty of care payment, the Participant's Total Compensation shall be increased by the amount of the excludable difficulty of care payments made by the Employer.”

5.08 In-service distributions at age 59½. Effective for Plan Years beginning after December 31, 2019, the Employer may allow in-service distributions from the Plan upon the attainment of age 59½, if elected under the Elective Provisions.

**ARTICLE VI
GOVERNMENTAL 457(b) PLAN
CARES/SECURE ACTS INTERIM AMENDMENT
ELECTIVE PROVISIONS**

These Elective Provisions provide for elections related to the Interim Amendment. The adopting Employer should confirm and/or make the appropriate election(s) in the Elective Provisions below and sign this Interim Amendment.

CS-1. TEMPORARY WAIVER OF REQUIRED MINIMUM DISTRIBUTIONS FOR 2020 (See IA §3.03)

[Note: Do not complete these Elective Provisions if the Plan was not in existence during 2020 or if the temporary waiver otherwise did not apply to the Plan.]

- (a) **Default if Participant fails to elect.** For purposes of applying the required minimum distribution rules for the 2020 calendar year, effective January 1, 2020 (or such later date as designated below), a Participant (including an Alternate Payee or beneficiary of a deceased Participant) who was eligible to receive a required minimum distribution for the 2020 calendar year could elect whether to receive the 2020 RMD or 2020 Extended RMD (as defined in IA §3.03). If a Participant did not specifically elect to take the 2020 RMD or 2020 Extended RMD from the Plan, such distribution was not made for the 2020 calendar year. The Employer may modify this default rule below, provided such modification satisfies the requirements under Code §401(a)(9)(I) and any applicable IRS guidance.

(1) **2020 RMDs and 2020 Extended RMDs were made.** 2020 RMDs and 2020 Extended RMDs were made to Participants who were otherwise required to receive a required minimum distribution for the 2020 calendar year, unless the Participant elected to not receive such distribution.

(2) **2020 RMDs were not made, but 2020 Extended RMDs were made.** 2020 RMDs were not made for the 2020 calendar year, but 2020 Extended RMDs were made for the 2020 calendar year, unless the Participant elected otherwise.

(3) **2020 RMDs were made, but 2020 Extended RMDs were not made.** 2020 RMDs were made for the 2020 calendar year, but 2020 Extended RMDs were not made for the 2020 calendar year, unless the Participant elected otherwise.

- (4) **Direct Rollovers.** Unless elected otherwise below, the Plan offered a Direct Rollover only for distributions that were Eligible Rollover Distributions in the absence of Code §401(a)(9)(I).

Instead of the default above, the following were treated as Eligible Rollover Distributions in 2020:

(i) 2020 RMDs

(ii) 2020 RMDs and 2020 Extended RMDs

(iii) 2020 RMDs, but only if paid with an additional amount that is an Eligible Rollover Distribution without regard to Code §401(a)(9)(I)

(iv) Describe: _____

(5) **Describe other modifications of the default participant election rules:** _____

(6) **Effective date.** Instead of January 1, 2020, the effective date of the amendment providing for a choice of whether a Participant or beneficiary could receive 2020 RMDs was effective: _____

(b) **Describe any special rules, including any special effective dates, the Plan applied to required minimum distributions for 2020:** _____

CS-2. REQUIRED MINIMUM DISTRIBUTION ELECTIONS (IA §3.02(b)(1)(ii)). Effective for distributions with respect to Participants who die after December 31, 2019 (or such later effective date applicable to the Plan. See IA §3.02(b)(1)(v)) and before the applicable Required Beginning Date, the Plan's pre-SECURE Act elections (including administrative and default elections) applicable to required minimum distributions continue to apply to **Eligible Designated Beneficiaries**, except that the 10-year rule will be substituted for the 5-year rule, as appropriate. **To override this default provision, complete (a) and/or (b) below.**

(a) **Application of life expectancy and 10-year rules to Eligible Designated Beneficiaries.** Instead of the default, the Plan will apply the following rule:

(1) Effective _____, the life expectancy rule applies to all Eligible Designated Beneficiaries.

(2) Effective _____, the 10-year rule applies to all Eligible Designated Beneficiaries.

- (3) Effective _____, the entire interest of an Eligible Designated Beneficiary will be distributed by the end of the _____ calendar year [may not be greater than 9th] following the year the Participant dies.
- (4) Effective _____, the Participant or Eligible Designated Beneficiary may elect to apply either the 10-year rule or the life expectancy rule to determine the required minimum distributions when the Participant dies before his/her Required Beginning Date. If no election is timely made:
 - (i) the life expectancy rule applies.
 - (ii) the 10-year rule applies.
 - (iii) the 10-year rule, reduced to _____ years applies.
- (5) Describe the manner (including effective date) in which the 10-year rule and life expectancy rule apply to Eligible Designated Beneficiaries: _____

- (b) **Special rules.** Describe any special rules that apply for purposes of the required minimum distribution rules under Code §401(a)(9): _____

[Note: Any special rules for determining required minimum distributions for calendar years beginning on or after January 1, 2022 (or such later date as specified in applicable regulations or guidance) must comply with proposed Treas. Reg §§1.401(a)(9)-1 through 1.401(a)(9)-9 issued on February 24, 2022 (or subsequent applicable final regulations).]

CS-3. QUALIFIED BIRTH OR ADOPTION DISTRIBUTIONS (“QBADS”). (See IA §5.06)

Unless an election is made below, the Plan does not allow for QBADS.

- (a) QBADS are available from the following sources to Plan Participants as of _____ [Note: May be checked even if no in-service distributions are otherwise permitted under the Plan.]
 - (1) All available sources
 - (2) Pre-Tax Deferral Account
 - (3) Roth Deferral Account (including In-Plan Roth Conversion Account)
 - (4) Matching Contribution Account
 - (5) Employer Contribution Account
 - (6) Rollover Contribution Account
 - (7) Roth Rollover Contribution Account
 - (8) Transfer Account
 - (9) Describe available sources: _____

- (b) If CS-3(a) is elected, QBADS are available to all Participants who have the applicable Account(s), unless otherwise indicated below.

- (1) QBADS are not available to terminated Participants.
- (2) QBADS will only be permitted if the Participant is 100% vested in the source from which the withdrawal is taken.
- (3) Describe the Participants who may receive QBADS: _____

- (c) Describe any special rules related to QBADS: _____

CS-4. IN-SERVICE DISTRIBUTIONS AT AGE 59 ½. (See IA §5.08)

Age 59 ½ in-service distributions. Unless otherwise elected below, the Employer does not elect to change the Plan’s in-service distribution options under the Plan.

- (a) Effective 9/21/2021 _____, a Participant may withdraw all or any portion of his/her vested Account Balance, upon the attainment of age 59 ½ _____ [may not be earlier than age 59 ½].

(b) Describe any special rules related to the in-service distributions: _____

CS-5. SPECIAL PROVISIONS.

If the Employer wishes to provide additional or clarifying provisions to this Interim Amendment, the Employer may include such provisions below.

Describe any special rules related to this Interim Amendment: _____

Sweetwater Springs Water District
Name of Plan

(Name of Employer)

(Name of Authorized Representative, if applicable) *(Title)*

(Signature) *(Date)*

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-C

FROM: Eric Schanz

Meeting Date: December 4, 2025

Subject: DISCUSSION/ACTION RE RESOLUTION 25-13, ACCEPTING THE FINAL
AUDIT FOR THE FISCAL YEAR ENDING JUNE 30, 2025

RECOMMENDED ACTION:

Approve Resolution 25-13, Accepting the Final Audit for the Fiscal Year Ending June 30, 2025.

FISCAL IMPACT:

Preparation of the FY 2024-25 Audit cost \$9,000.00.

DISCUSSION:

Our FY 2024-25 Audit was conducted by Michael Celentano, CPA. Mr. Celentano discussed the Audit with you at our November meeting.

Staff recommends the Board approve Resolution 25-13, Accepting the Final Audit for the Fiscal Year Ending June 30, 2025.

Resolution No. 25-13

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SWEETWATER SPRINGS WATER DISTRICT ACCEPTING THE FINAL AUDIT FOR THE FISCAL YEAR ENDING JUNE 30, 2025

WHEREAS, the Sweetwater Springs Water District is required to have annual audits performed relative to the spending of public funds; and

WHEREAS, Michael Celentano, CPA provides said auditing service and is under contract with the District to perform such audits.

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors of the Sweetwater Springs Water District has reviewed the audit as prepared by Michael Celentano, CPA for the year ending June 30, 2025, and accepts the information contained therein.

I hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted and passed by the Board of Directors of the SWEETWATER SPRINGS WATER DISTRICT, Sonoma County, California, at a meeting held on December 4, 2025, by the following vote.

Director	Aye	No
Sukey Robb-Wilder	_____	_____
Tim Lipinski	_____	_____
Rich Holmer	_____	_____
Gaylord Schaap	_____	_____
Marc Barraza Tran	_____	_____

Richard Holmer
President of the Board of Directors

Attest: Nicole King
Clerk of the Board of Directors

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

**SWEETWATER SPRINGS WATER DISTRICT
FINANCIAL STATEMENTS**

JUNE 30, 2025 AND 2024

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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:				
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 extend 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.

MICHAEL A. CELENTANO

Certified Public Accountant

7518 Wight Way

Kelseyville CA 95451

707-367-9729

maccpa@pacific.net

To the Management and
The Board of Directors of
Sweetwater Springs Water District

I have audited the financial statements of the business-type activities of Sweetwater Springs Water District for the year ended June 30, 2025. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated October 27, 2025. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sweetwater Springs Water District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Management's estimate of the other postemployment benefits payable and pension liabilities are based on industry guidelines and actuarial tables. I evaluated the key factors and assumptions used to develop these other postemployment benefits payable and pension liabilities in determining that it is reasonable in relationship to the financial statements taken as a whole

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated October 27, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of management and the Board of Directors of Sweetwater Springs Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "M. Celentano", written in a cursive style.

Michael A Celentano
Certified Public Accountant

October 27, 2025

MICHAEL A. CELENTANO

Certified Public Accountant

7518 Wight Way

Kelseyville CA 95451

707-367-9729

maccpa@pacific.net

To the Management and
The Board of Directors of
Sweetwater Springs Water District

In planning and performing my audit of the financial statements of the business-type activities of Sweetwater Springs Water District as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, I considered Sweetwater Springs Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sweetwater Springs Water District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Sweetwater Springs Water District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. I did not identify any deficiencies in internal control that I consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the following deficiency in Sweetwater Springs Water District's internal to be significant deficiency:

District Structure

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the District to provide oversight and independent review functions.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Michael A Celentano
Certified Public Accountant
October 27, 2025

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-D

FROM: Eric Schanz, General Manager

Meeting Date: December 4, 2025

Subject: Rescheduling the January Board Meeting

RECOMMENDED ACTION:

Discussion/Action rescheduling the January Board meeting.

FISCAL IMPACT:

None

DISCUSSION:

The regular meeting date falls on Thursday, January 1, 2026 (New Years Day). Staff recommends rescheduling the meeting to Thursday, January 8, 2026.

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-E

FROM: Eric Schanz, General Manager

Meeting Date: December 4, 2025

Subject: Board Committee Reports

RECOMMENDED ACTION:

Receive updates from active Board committees.

FISCAL IMPACT:

Varies.

DISCUSSION:

This item is a standing placeholder for any Board committee updates that have not been addressed in a separate item.

Ad Hoc Committees:

Revenue Development- *(Dir. Schaap/ Marc Tran)*

This committee is responsible for exploring ways to improve District revenues. Make recommendations to the Board.

CIP- *(Dir. Holmer/Lipinski)*

This committee is responsible for evaluating a process to set project priorities and recommending a CIP Plan. Make recommendations to the Board.

District Policies Review- *(Dir. Robb-Wilder/Schaap)*

This committee is charged with reviewing and updating the necessary sections of the Policies and Procedures Manual.

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. VI

FROM: Eric Schanz, General Manager

Meeting Date: December 4, 2025

Subject: GENERAL MANAGER'S REPORT

RECOMMENDED ACTION: Receive report from the General Manager.

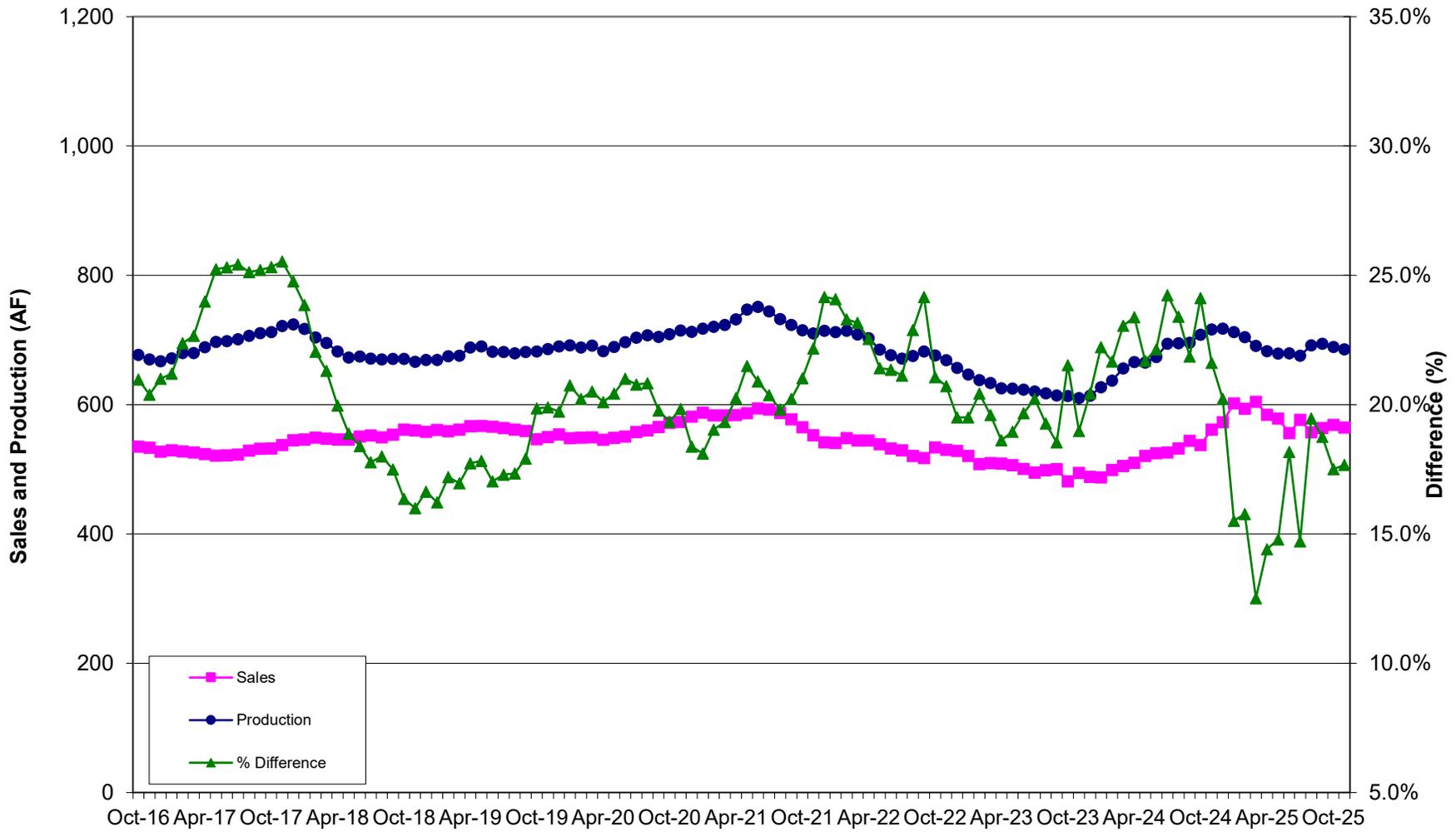
FISCAL IMPACT: None

DISCUSSION:

- 1. Laboratory Testing/ Regulatory Compliance:** Water quality tests confirm that all SSWD water meets all known State and Federal water quality standards.
- 2. Water Production and Sales:** Water sales in October were 30,868 units (Guerneville cycle). Total combined Monte Rio and Guerneville water production for October was 64,48AF. Water sales are consistent when compared to previous years.
- 3. Leaks:** There were a total of 5 water main repairs in October requiring 39 work hours in total, and 8 service line leaks requiring 67 work hours total (Figure 2). There were 3 water main repairs in Guerneville and 2 water main repairs in Monte Rio. There were 6 service line repairs in Guerneville, 1 service line repair in Monte Rio and 1 service line repair in Rio Nido. The majority of watermain repairs were all located on old 2-inch galvanized pipes. All the service line repairs were $\frac{3}{4}$ inch and varied in pipe material used.
- 4. Guerneville Rainfall:** Total cumulative rainfall to the end of October was 1.67 inches (Figure 3). Last year cumulative rainfall was 0.17 inches by the end of October.
- 5. In-House Construction Projects:** October projects included:
 - Project completion of the replacement of 200ft. of undersized 1-inch Galvanized water main with new 2-inch PE water main, the replacement of 5 service lines and the addition of a 1-inch service on Upper Canyon 2 in Rio Nido.
 - Installation of 5,000-gal temporary water tank at Lower Summit for tank liner installation on the redwood tank.
- 6. Gantt Chart:** The Gantt Chart is updated for November 2025 (Figure 4).

7. **Grants:** CDBG grant funding for Wright Drive Phase I in the amount of \$759,183 is still waiting for HUD's approval before we can move forward.
8. **Wright Drive:** Currently Coastland is working on the completion of the 100% plan submittals for the project.
9. **Lower Summit Tank:** New World Manufacturing Inc. installed the new tank liner the week of November 10, 2025. Disinfection and sampling is being performed by SSWD staff before the tank will be placed online. The temporary tank is functioning well and has made it possible for the project to be completed.
10. **Metron LTE Meter Pilot Test Update:** Testing continues with Metron LTE meter registers. Results have been very positive. There are 31 test registers with most placed in areas with limited LTE coverage. All meter registers are reporting with only a few not reporting daily. However, those few meters do report within a few days. This is far better than the two-month meter reading cycle. Staff have identified approximately seven hundred water meters in the water system that have fixed registers that will need replacement. These meters are also our oldest meters and will be replaced as part of the LTE upgrade project. Total projected cost for the replacement project is estimated at 1.3 million dollars.
11. **Mini Excavator Update:** Staff have researched and met with dealers from John Deer, Peterson Cat and Kubota. Quotes have been received for Mini Excavators that are in the same class. Additionally, staff obtained three trailer quotes. To meet the GVWR classification for noncommercial licensing requirements. The excavator and the trailer cannot exceed 10,000 pounds while being towed.

**Figure 1. Water Production and Sales 12 Month Moving Averages
Sweetwater Springs Water District Since October 2016**



**Figure 2. Sweetwater Springs Water District Main and Service Pipeline Breaks
Moving Annual Average Since October 2014**

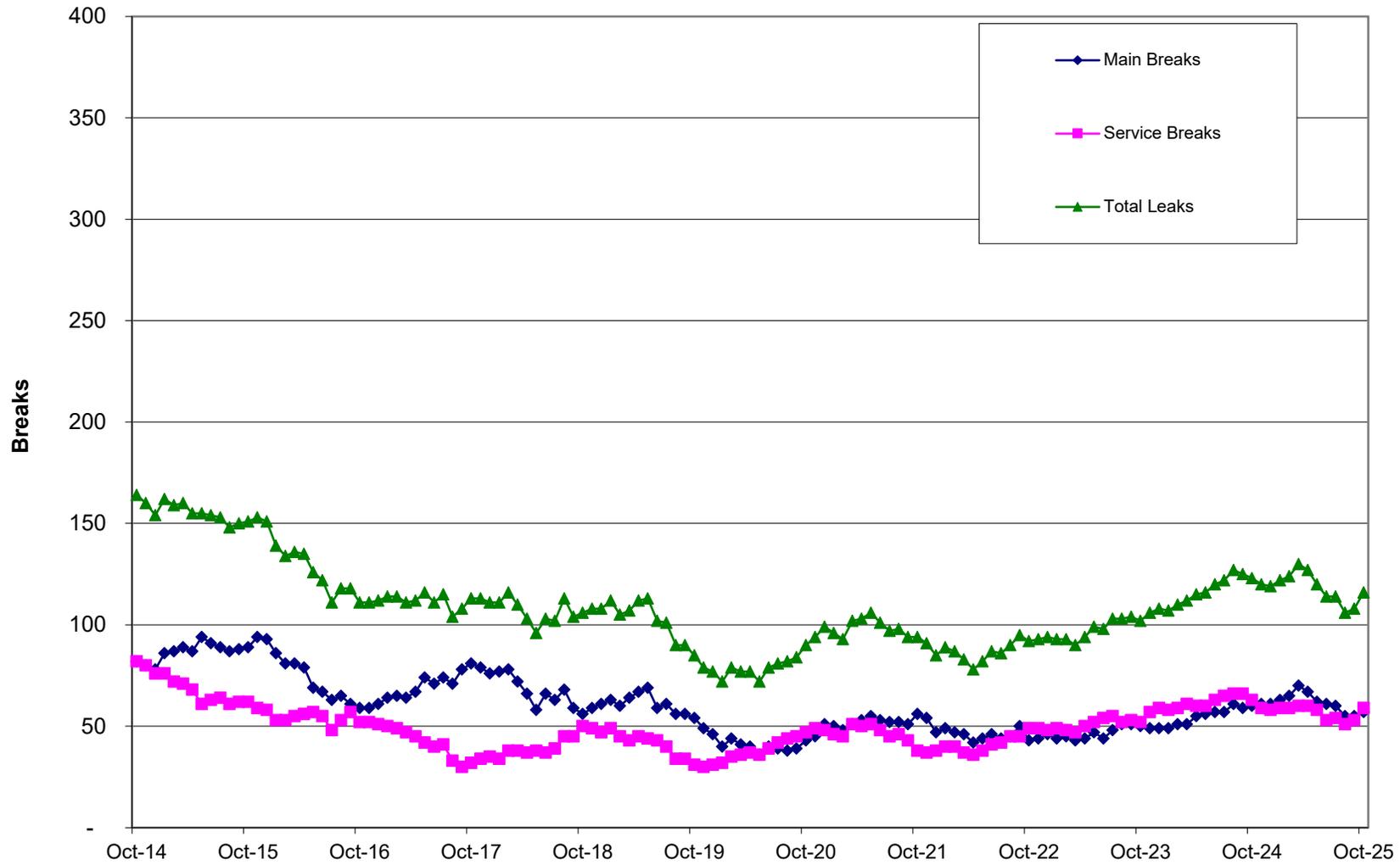
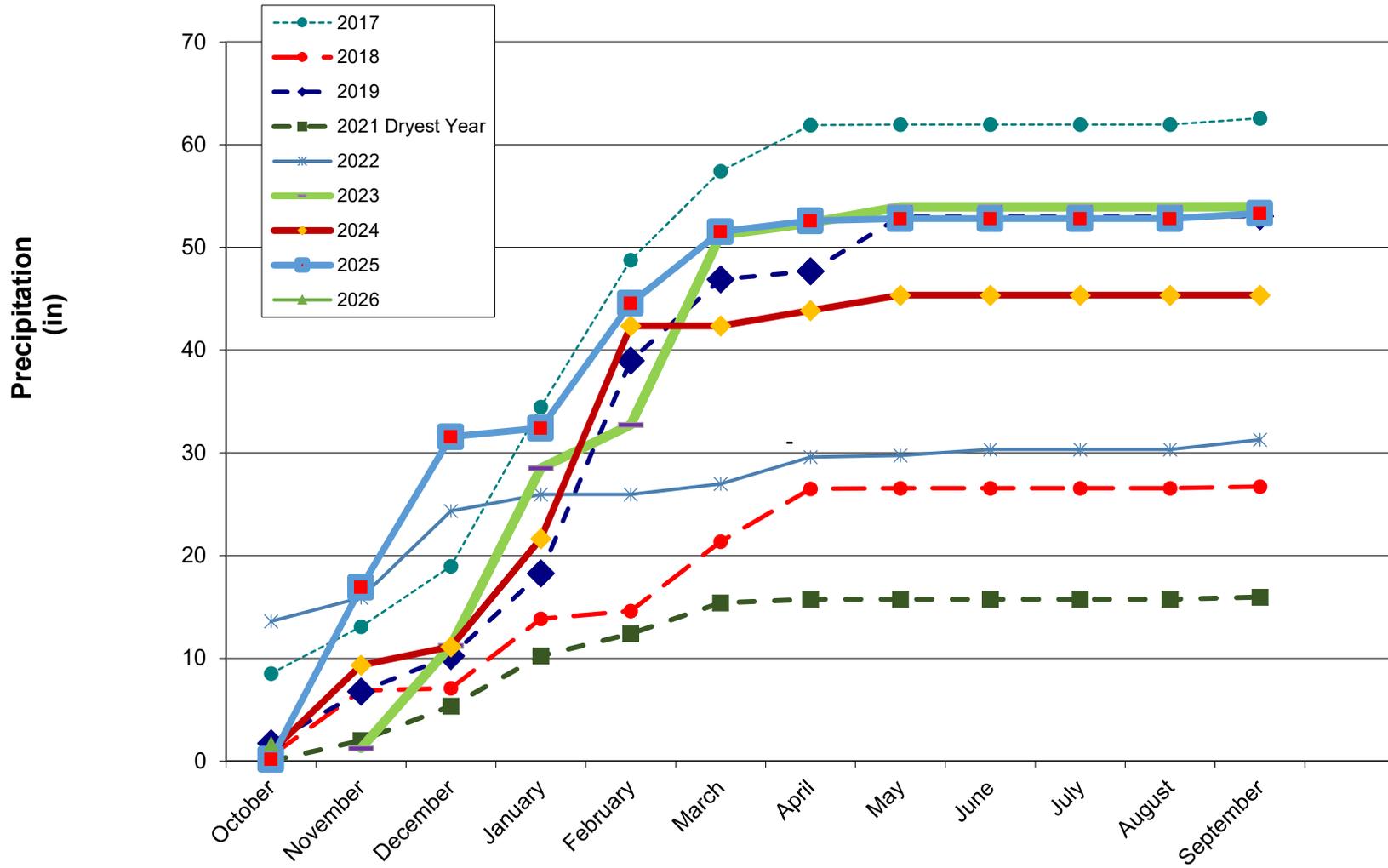


Figure 3. Guerneville Cumulative Monthly Rainfall



NUMBER OF WATER UNITS SOLD FY 25 - 26

	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
JULY	34,371	26,447	26,355	33,578	22,195	27,469	27,147	28,091	21,035	17,808	20,061	22,850	25,890	22,074	16,377	19,044	19,608	20,255	19,273	22,297	21,558	20,306	17,833	18,396	18,687
AUGUS	39,803	37,750	42,080	41,615	37,799	41,863	37,202	37,907	34,878	32,328	28,486	33,190	29,163	32,208	26,070	26,811	29,485	28,325	27,419	28,582	26,302	22,555	24,231	26,990	29,876
SEPTEN	33,723	34,532	36,056	35,309	29,823	35,984	31,721	32,753	30,320	29,673	26,091	29,829	26,157	24,091	21,678	22,893	24,037	25,805	24,886	27,175	22,746	21,271	21,933	20,858	22,884
OCTOBI	40,672	34,063	37,008	38,553	38,707	37,900	36,493	34,938	32,282	32,334	32,091	33,727	31,628	27,724	24,606	29,333	29,495	32,827	27,310	30,099	24,731	31,859	23,693	32,581	30,868
NOVEM	28,272	28,729	26,973	27,839	26,680	24,076	24,444	25,746	23,111	24,160	21,350	22,218	20,729	19,489	20,101	19,462	21,884	21,351	22,640	23,173	17,984	16,472	15,777	22,606	0
DECEMI	25,380	27,758	27,283	25,508	23,925	25,550	21,556	24,762	21,116	20,802	20,299	22,818	23,452	21,256	20,873	18,070	21,297	20,468	22,288	25,982	21,110	20,372	17,713	24,034	0
JANUAL	16,091	19,287	16,799	15,416	16,127	15,862	13,309	14,631	14,764	13,734	14,645	16,242	16,316	11,914	12,727	13,676	14,146	15,335	12,925	15,529	15,062	11,588	11,270	14,449	0
FEBRU/	21,697	23,010	20,689	19,695	22,716	20,963	18,647	21,199	19,233	18,386	16,641	18,372	20,967	17,770	17,189	16,504	17,693	16,950	17,284	15,506	18,727	13,139	18,122	19,340	0
MARCH	17,207	15,092	17,374	14,985	15,456	16,693	14,556	14,417	14,414	12,387	12,569	13,884	13,772	12,351	13,058	12,315	11,657	12,653	12,827	12,846	11,236	11,980	14,557	10,173	0
APRIL	17,728	19,527	21,406	21,089	18,825	21,047	19,227	18,414	17,611	17,129	17,936	17,914	17,053	16,636	17,748	16,809	16,279	18,547	16,886	17,038	17,024	16,685	18,958	14,442	0
MAY	19,118	16,237	19,793	16,372	13,921	15,402	15,721	15,861	14,273	14,134	14,880	15,075	14,514	16,120	14,217	13,083	13,011	13,319	14,602	15,866	13,375	12,354	12,750	11,250	0
JUNE	29,799	27,074	28,882	22,512	24,108	25,457	29,211	26,259	19,143	20,871	23,765	26,850	22,092	20,436	19,020	19,198	21,220	20,612	21,453	24,720	21,975	19,426	21,153	27,306	0
Total	323,861	309,506	320,698	312,471	290,282	308,266	289,234	294,978	262,180	253,746	248,814	272,969	261,733	242,069	223,664	227,198	239,812	246,447	239,793	258,813	231,830	218,007	217,990	242,425	102,315