

SEELEY COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT AUDITOR
AS OF AND
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023



George J. Woo
Certified Public Accountant

REPORT OF INDEPENDENT AUDITOR

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

Opinion

I have audited the accompanying Statement of Net Position, Statement of Revenues and Expenses, Statement of Changes in Net Position and Statement of Cash Flows of the Seeley County Water District (the "District") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the financial statements.

In my opinion accompanying the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Seeley County Water District as of June 30, 2023, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Other Matters

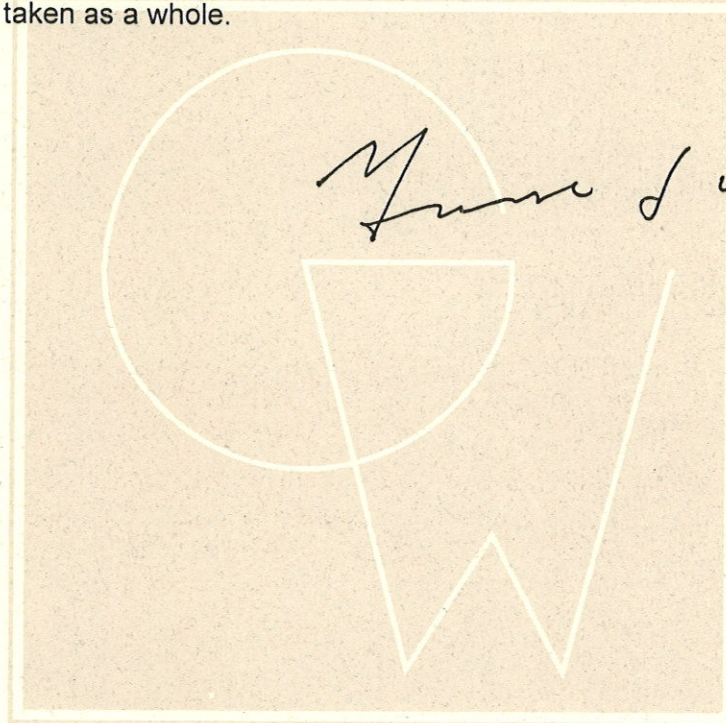
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the financial statements as a whole. The supplementary schedules on pages 22 through 25 are presented for purposes of additional analysis and is not required part of the financial statements. The information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

January 26, 2024



SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The following section of the annual financial report of the Seeley County Water District (the District) includes an overview and analysis of the District's financial position and activities for the years ended June 30, 2023 and 2022. This discussion and analysis, as well as the basic financial statements which it accompanies, is the responsibility of the management of the District.

Introduction to the Basic Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with generally accepted accounting principles; such report has been designed to improve the usefulness of the report to the primary users of these basic financial statements.

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

Statements of Net Assets – The Statements of Net Assets include all assets and liabilities of the District, with the difference between the two reported as net assets. Assets and liabilities are reported at their book value, on an accrual basis, as of June 30, 2023, and 2022. These statements also identify major categories of restrictions on the District's net assets.

Statements of Revenues, Expenses, and Changes in Net Assets – The Statements of Revenues, Expenses, and Changes in Net Assets present the revenues earned and expenses incurred by the District during the years ended June 30, 2023, and 2022, on the accrual basis of accounting.

Statement of Cash Flows – The Statements of Cash Flows present the changes in the District's cash and investments for the years ended June 30, 2023 and 2022. Such statements are summarized by operating, capital, and noncapital financing and investing activities. The statements of cash flows have been prepared using the direct method of reporting cash flows and, therefore, present gross, rather than net amounts, for each respective year's activities.

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Condensed Financial Position Information:

The following condensed financial information provided an overview of the District's financial position for the fiscal years ended June 30, 2023 and June 30, 2022.

	<u>2023</u>	<u>2022</u> <u>Restated</u>
Assets:		
Utility plant, net	\$ 7,119,577	\$ 7,234,730
Other assets	<u>789,699</u>	<u>847,306</u>
Total assets	<u>\$ 7,909,276</u>	<u>\$ 8,082,036</u>
Liabilities:		
Long-term liabilities	\$ 131,611	\$ 136,245
Other liabilities	<u>183,144</u>	<u>121,788</u>
Total liabilities	<u>314,755</u>	<u>258,033</u>
Net position:		
Net Investment in Capital Assets	\$ 6,983,332	\$ 7,111,553
Retricted Cash	554,596	-0-
Unrestricted	<u>56,593</u>	<u>712,450</u>
Total net position	<u>\$ 7,954,521</u>	<u>\$ 7,824,003</u>

(a) Net Position

Net position, the difference between assets and liabilities, decreased \$ 229,482 during the fiscal year ended June 30, 2023, and increased \$ 262,784 for the fiscal year ended June 30, 2022.

(b) Utility Plant

Net utility plant, which is comprised of property, plant and equipment increased \$ 190,280, the amount of capital outlay for the year, and decreased \$ 305,433, the current year depreciation expense. The net decrease in net utility plant was \$ 115,153. See Note 2 of Notes to Financial Statements for more detailed information regarding the District's property, plant and equipment.

(c) Other Assets

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

(d) Long-Term Liabilities

Long-term debt decreased \$ 4,520 due to scheduled annual repayment of the U.S.D.A. loan payable.

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION ANALYSIS
June 30, 2023

(e) *Other Liabilities*

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

Summary of Operations and Changes in Net Position

The District's net position during the fiscal year ended June 30, 2023 decreased \$ 229,482 and decreased \$ 262,784 during the fiscal year ended June 30, 2022. The tables below summarize the District's fiscal year 2023 and 2022 activity:

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Charges for services	\$ 1,056,202	\$ 943,307
Total operating revenues	<u>1,056,202</u>	<u>943,307</u>
Operating expenses:		
Operation and maintenance	1,006,981	891,855
Depreciation	<u>305,433</u>	<u>264,965</u>
Total operating expenses	<u>1,312,414</u>	<u>1,156,820</u>
Operating income (loss)	<u>(256,212)</u>	<u>(213,513)</u>
Non-operating revenues (expenses):		
Other Contributions	5,000	-0-
Covid Relief	-0-	69,543
Grant Income	21,850	405,360
Interest and dividend income	462	1,142
Property taxes	2,939	2,893
Interest expense	<u>(3,521)</u>	<u>(3,641)</u>
Total non-operating revenues (expenses)	<u>26,730</u>	<u>475,297</u>
Increase (decrease) in net position	(229,482)	261,784
Total net position, beginning of year	<u>7,824,003</u>	<u>7,215,804</u>
Prior period adjustment (note 7)	<u>-0-</u>	<u>345,415</u>
Total net position, end of year	<u>\$ 7,594,521</u>	<u>\$ 7,824,003</u>

SEELEY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

(a) Operating Revenues

In fiscal year 2023, our operating revenues experienced a 12% increase, primarily attributed to specific sources:

1. John Robert Bates Memorial Park Grants:
 - Per Capita Grant Fund: \$21,850
 - California Women for Agriculture Contributions: \$5,000
2. System Development Fees:
 - \$24,945
 - \$8,175
3. Capacity Fees:
 - \$15,400
 - \$3,173
 - Allocated for the new Imperial County Fire Station
 - Project to develop a parcel within the Seeley service area.

These contributions and fees contributed to the overall growth in operating revenues during the fiscal year.

(b) *Operating Expenses*

Operating expenses consists of salaries, administrative expenses and operations and maintenance costs. During the year, operating expenses (including depreciation) increased \$ 156,594. There was an increase in materials and supplies of \$53,339 and Repair and Maintenance increased by \$41,449. Utilities jumped from \$86,729 to \$91,037. The apparent increase in wages is attributed to the inclusion of director's fees along with employee salaries.

(c) *Non-operating Revenues and Expenses*

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

Utility Plant and Debt Administration

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

Request for information

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

SEELEY COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
As of June 30, 2023

ASSETS

Current Assets:	
Cash	\$ 81,348
Accounts receivable, net of allowance for uncollectible	138,741
Stock - Investment	<u>15,014</u>
Total current assets	235,103
Non Current Assets	
Cash - Restricted	554,596
Capital Assets, Not being depreciated	717,683
Capital assets, Net of Depreciation	<u>6,401,894</u>
Total non current assets	<u>7,674,173</u>
Total Assets	<u><u>\$ 7,909,276</u></u>

LIABILITIES AND NET POSITION

Current Liabilities:	
Accounts payable	\$ 111,065
Customer deposits	31,100
Compensated absences	36,345
Current portion of long-term debt	<u>4,634</u>
Total current liabilities	183,144
Long-term debt:	
Loan payable- USDA, net of current portion	<u>131,611</u>
Total long-term debt	<u>131,611</u>
Total Liabilities	<u><u>314,755</u></u>
Net position:	
Investment in Capital Assets, net of related debt	6,983,332
Restricted cash	554,596
Unrestricted	<u>56,593</u>
Total Net Position	<u><u>\$ 7,594,521</u></u>

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

SEELEY COUNTY WATER DISTRICT
STATEMENT OF REVENUES AND EXPENSES
For The Year Ended June 30, 2023

Operating Revenues:	
Charges for services	\$ 1,056,202
Operating Expenses:	
Accounting Prof. Services	10,200
Advertising & Publications	240
Auditing Services	7,500
Bad Debts	4,500
Bank Charges	1,672
Business Insurance	15,466
Cash Shortage	320
Compliance Fees	194
Depreciation	305,433
Dig Alert	77
Employee Health Benefits	37,156
Fuel	5,856
Legal Fees	12,878
License Permit Fees	11,921
Materials & Supplies	110,218
Mileage reimbursement	390
Office Services & Maint.	1,300
Office Supplies	6,857
Other Expenses	1,998
Other Professional Operations	31,137
Park Lights	437
Payroll Taxes	39,059
Penalties & Late Fees	593
Postage	1,807
Professional & special services	33,520
Repair & Maintenance	82,942
Salaries & Wages	425,183
State Compliance ACL	25,837
Subscriptions & Membership	12,533
Telephone & Internet	9,650
Uniforms	3,363
Utilities	91,097
Workers Comp. Insurance	21,080
Total operating expenses	1,312,414
Operating income (loss)	(256,212)
Non-operating revenues (expenses):	
Other Contributions	5,000
Grant Income	21,850
Interest & Dividend Income	462
Property Taxes	2,939
Interest expense	(3,521)
Total non-operating revenues (expenses)	26,730
Increase (decrease) in net position	\$ (229,482)

The accompanying notes are an integral part of these statements.

SEELEY COUNTY WATER DISTRICT
STATEMENT OF CHANGES IN NET POSITION
For The Year Ended June 30, 2023

Balance, beginning of year	\$ 7,478,588
Prior perior adjustment (note 7)	<u>345,415</u>
Balance, beginning of year - Restated	7,824,003
Increase (decrease) in net position	<u>(229,482)</u>
Balance, end of year	<u><u>\$ 7,594,521</u></u>

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

SEELEY COUNTY WATER DISTRICT
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2023

Cash flows from operating activities:

Cash received from customers and users	\$ 1,035,438
Refunds of customer deposits	(20,508)
Cash paid to employees for services	(423,565)
Cash paid to suppliers of goods and services	<u>(517,611)</u>

Net cash provided (used) by operating activities	<u>73,754</u>
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Cash flows from non capital financing activities:

Other contributions	9,500
Cash received from property taxes	<u>2,939</u>

Net cash provided by non-capital financing activities	<u>12,439</u>
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Cash flows from capital and related financing activities:

Acquisition of capital assets	(161,245)
Principal paid on debt	(4,521)
Interest paid on debt	<u>(3,521)</u>

Net cash provided (used) by capital and related financing activities	<u>(169,287)</u>
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Cash flows from investing activities:

Interest and dividend income	<u>667</u>
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Net increase (decrease) in cash and cash equivalents	(82,427)
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Cash at beginning of year	<u>718,371</u>
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Cash at end of year	<u><u>\$ 635,944</u></u>
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Reconciliation of operating income to
Net cash from operating activities

Operating income (loss)	<u>\$ (256,212)</u>
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Adjustments to reconcile net loss to net cash used in operating activities:

Depreciation	305,433
(Increase)/decrease in accounts receivable	(42,614)
Increase/(decrease) in accounts payable	86,037
Increase/(decrease) in customer deposits	(20,508)
Increase/(decrease) in compensated absences payable	<u>1,618</u>

Total adjustments	<u>329,966</u>
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Net cash provided by operating activities	<u><u>\$ 73,754</u></u>
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SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Measurement Focus, Basis of Accounting and Financial Statements Presentation:

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

Operating revenues, such as water and wastewater service charges, result form exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as grant funding and investment income, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water services to its customers on a continuing basis be financed or recovered

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

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

SEELEY COUNTY WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows / Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of Net Position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any type of these items as of June 30, 2023.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District does not have any type of these items as of June 30, 2023.

Accounts Receivable:

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

Accounts Receivable	\$	143,241
Less: Allowance for doubtful accounts		<u>(4,500)</u>
Accounts receivable, Net of allowance for doubtful accounts	\$	<u>138,741</u>

Restricted Assets:

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

Capital Assets:

Capital assets acquired and /or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$ 500 if they have an expected useful life of more than one year. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	30 years
Tools and Equipment	5 to 7 years

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes:

Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to state law to the appropriate units of local government. The District's property tax calendar for the fiscal year ended June 30, 2023, was as follows:

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

Budgetary Policies:

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

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

Cash and Cash Equivalents:

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

Income Taxes:

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

Use of Estimates:

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

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

NOTE 2: PROPERTY PLANT AND EQUIPMENT

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

	Balance as of July 1, 2023 <u>RESTATED</u>	<u>Additions</u>	<u>Reclassification</u>	Balance as of June 30, 2023
<u>WATER FUND:</u>				
<u>Non-depreciable Assets:</u>				
Land	\$ 155,347	-0-	-0-	\$ 155,347
Total Non-depreciable assets	\$ 155,347	\$ -0-	\$ -0-	\$ 155,347
<u>Depreciable Assets:</u>				
Vehicles	\$ 80,075	\$ -0-	\$ -0-	\$ 80,075
Equipment	412,685	-0-	-0-	412,685
Office Equipment	9,920	-0-	-0-	9,260
Computer Software	-0-	35,860	-0-	35,860
Water treatment plant & improvements	3,044,939	-0-	-0-	3,044,939
TTHM Water treatment improvements	2,007,748	-0-	-0-	2,007,748
Water Distribution & Ami Infrastructure	2,316,432	-0-	-0-	2,316,432
Furniture and Equipment	4,519	-0-	-0-	4,519
Total Water Fund	\$ 7,876,318	\$ 35,860	\$ -0-	\$ 7,912,178
Less accumulated depreciation	(3,160,264)	(206,070)	-0-	(3,366,334)
Total Depreciable Assets, Net	\$ 4,716,054	\$ (170,210)	\$ -0-	\$ 4,545,844
<u>SEWER FUND:</u>				
<u>Non-depreciable Assets:</u>				
Construction in progress	\$ 360,911	\$ 110,398	\$ -0-	\$ 471,309
Land	20,000	-0-	-0-	20,000
Total Non-Depreciable assets	\$ 380,911	\$ 110,398	\$ -0-	\$ 491,309
<u>Depreciable Assets:</u>				
Structures and Improvements	8,643	-0-	-0-	8,643
Vehicles	57,783	-0-	-0-	57,783
Equipment	254,993	-0-	-0-	254,993
Office Equipment	14,237	-0-	-0-	14,237
Computer Software	-0-	44,022	-0-	44,022
Sewer plant	1,510,459	-0-	-0-	1,510,459
Pond Liner Project	681,421	-0-	-0-	681,421
Lift Station	1,239,289	-0-	-0-	1,239,289
Total Sewer Fund	\$ 3,766,825	\$ 44,022	\$ -0-	\$ 3,810,847
Less accumulated depreciation	(1,855,434)	(99,363)	-0-	(1,954,797)
Total Depreciable Assets, Net	\$ 1,911,391	\$ (55,341)	\$ -0-	\$ 1,856,050
<u>GENERAL FUND:</u>				
<u>Non - Depreciable Assets:</u>				
Construction in progress	\$ 37,750	\$ -0-	\$ -0-	\$ 37,750
Land	38,677	-0-	-0-	38,677
Total Non-Depreciable assets	76,427	-0-	-0-	76,427
Total Non-Depreciable assets	\$ 612,685	\$ 110,398	\$ -0-	\$ 723,083
Total Depreciable Assets	11,643,143	79,882	-0-	11,723,025
Less accumulated depreciation	(5,015,698)	(305,433)	-0-	(5,321,131)
Total Depreciable Assets, Net	\$ 6,627,445	\$ (225,551)	\$ -0-	\$ 6,401,894

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2023

NOTE 3: CASH

The District's cash deposits as of June 30, 2023 were either entirely insured by appropriate federal depository insurance or collateralized with collateral held by the pledging financial institution's trust department or agent in the District's name in accordance with provisions of the California Government Code. The carrying amount, and bank balance of the District's deposits at June 30, 2023 is as follows:

	Carrying Amount	Bank Balance
Insured	\$ 635,944	\$ 500,000
Collateralized	-0-	159,880
Total cash deposits	\$ 635,944	\$ 659,880

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

Category 1: Includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. As of June 30, 2023 the balance of funds in this category was \$ 500,000.

Category 2: Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. As of June 30, 2023 the balance of funds in this category was \$ 159,880.

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

A summary of cash balances as of June 30, 2023 is as follows:

Cash in bank	\$ 80,848
Petty cash	500
	81,348
ACLIC dumper cash	96,580
Debt cash reserve	9,020
Emergency savings	160,000
Capital reserve	288,996
Total Restricted Cash	554,596
Total Cash	\$ 635,944

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4: NOTES PAYABLE

	Current Portion	Long-Term Portion	Total
<p>Loan payable to the United States Department of Agriculture, secured by the district's levy and collection of assessments or use charges as may be necessary to operate and maintain the plant and meet the payments, payable in annual payments of \$ 8,040 including interest of 2.5% per annum on the unpaid balance. The original amount of the loan was \$ 200,000. The loan matures on June 16, 2046.</p>	\$ 4,634	\$ 131,611	\$ 136,245

Principal payments due on loan payable for fiscal years ending June 30 are as follows:

Year ending June 30,	Principal Amount	Interest Amount	Total Debt Service
2024	\$ 4,634	\$ 3,406	\$ 8,040
2025	4,750	3,290	8,040
2026	4,868	3,172	8,040
2027	4,990	3,050	8,040
2028-2032	26,886	13,314	40,200
2033-2037	30,419	9,781	40,200
2038-2042	34,416	5,784	40,200
2043-2046	25,282	1,399	26,681
Total	<u>\$ 136,245</u>	<u>\$ 43,196</u>	<u>\$ 179,441</u>

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

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023
Loan Payable - USDA	\$ 140,765	\$ -0-	\$ (4,520)	\$ 136,245
	<u>\$ 140,765</u>	<u>\$ -0-</u>	<u>\$ (4,520)</u>	<u>\$ 136,245</u>

SEELEY COUNTY WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 5: COMPENSATED ABSENCES

Upon completion of twelve calendar months of continuous service, all salaried employees who work on a full time basis are granted vacation time of ten days per year. The District records and includes vacation & sick time expense in the period it is accumulated. As of June 30, 2023, the amount of vacation & sick time expense which has been accumulated but not used was \$ 36,345.

NOTE 6: CONTINGENCY

California Regional Water Quality Control Board Penalty.

The California Regional Water Quality Control Board had previously issued a notice of violation to the Seeley County Water District for exceeding the effluent limitations of the National Pollution Discharge Elimination System (NPDES) permit held by Seeley County Water District. This violation carries a mandatory minimum penalty amount of \$ 297,000. It appears that efforts to reduce or eliminate this penalty by completing a supplemental environmental project have not been successful and the California Regional Water Quality Control Board is requesting a timetable for payment of the \$ 297,000 mandatory minimum penalty.

NOTE 7: PRIOR PERIOD ADJUSTMENT:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Combined</u>
Net position, beginning of year as previously reported	\$ (23,162)	\$ 4,474,631	\$ 3,027,119	\$ 7,478,588
<u>Prior period adjustment:</u>				
To record land not previously accounted for in prior year	38,677	30,000	20,000	88,677
To record equipment purchases with grant funds not previously accounted for in prior year	-0-	206,800	-0-	206,800
To record construction in progress not properly accounted for in prior year.	-0-	-0-	50,740	50,740
Other required adjustments	<u>15,000</u>	<u>404</u>	<u>(16,206)</u>	<u>(802)</u>
Total Net prior period adjustments	<u>53,677</u>	<u>237,204</u>	<u>54,534</u>	<u>345,415</u>
Net position, beginning of year - Restated	<u>\$ 30,515</u>	<u>\$ 4,711,835</u>	<u>\$ 3,081,653</u>	<u>\$ 7,824,003</u>

SEELEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8: SUBSEQUENT EVENTS:

The management of the District has reviewed the results of operations for the period of time from its year end June 30, 2023 through January 26, 2024, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying combined financial statements nor have any subsequent events occurred, the nature of which would require disclosure. With the exception of the closure of the Septage Receiving Station noted below.

Septage Receiving Station:

The Seeley County Water District (SCWD) closed its Septage Receiving Station on August 1, 2023, primarily in response to ongoing effluent violations, specifically related to influent copper and cyanide. The heightened inflow of septage from Imperial Valley haulers was identified as a significant contributor to these violations, emphasizing the need for prompt maintenance to prevent continued violations. This closure aligns with SCWD's commitment to addressing environmental concerns and ensuring compliance with regulatory standards.

The secondary reason for closure was the accelerated accumulation of sediment in the Clemson ponds. SCWD acknowledged the importance of proactive maintenance to prevent adverse effects on effluent quality and the environment. The sediment accumulation, not addressed since 2009, was exacerbated by the increased septage waste inflow.

The Septage Receiving Station falls under the oversight of the California Regional Water Quality Control Board. Changes to the NPDES permit, effective September 1, 2023, particularly concerning Selenium and Chronic Toxicity, present potential challenges for the facility. Ongoing regulation of Copper and Cyanide persists, albeit with altered limitations. Adapting to these changes is dependent on securing the remaining State Revolving Funds (SRF) grant from the Division of Financial Assistance. The absence of this funding impedes progress in achieving a 100 percent design and construction for the modernization of a Membrane Bioreactor System (MBR) at the wastewater facility, thereby hindering compliance with NPDES permit limitations.

SUPPLEMENTARY INFORMATION

SEELEY COUNTY WATER DISTRICT
STATEMENT OF NET POSITION BY FUND
As of June 30, 2023

ASSETS

	General Fund	Water Fund	Wastewater Fund	Combined
Current Assets:				
Cash in bank	\$ (11,304)	\$ (72,395)	\$ 165,047	\$ 81,348
Accounts receivable, net of allowance for uncollectible	21,850	41,101	75,790	138,741
Stock Investment	-0-	7,527	7,487	15,014
Total current assets	<u>10,546</u>	<u>(23,767)</u>	<u>248,324</u>	<u>235,103</u>
Cash - restricted	-0-	-0-	554,596	554,596
Capital assets, not being depreciated	71,027	155,347	491,309	717,683
Capital Assets, net of accumulated depreciation	<u>-0-</u>	<u>4,545,844</u>	<u>1,856,050</u>	<u>6,401,894</u>
Total Non-Current Assets	<u>71,027</u>	<u>4,701,191</u>	<u>2,901,955</u>	<u>7,674,173</u>
Total Assets	<u>\$ 81,573</u>	<u>\$ 4,677,424</u>	<u>\$ 3,150,279</u>	<u>\$ 7,909,276</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities:				
Accounts payable	\$ 21,850	\$ 17,431	\$ 71,784	\$ 111,065
Customer deposits	-0-	31,000	100	31,100
Compensated absences	-0-	12,721	23,624	36,345
Current portion of long-term debt	<u>-0-</u>	<u>4,634</u>	<u>-0-</u>	<u>4,634</u>
Total current liabilities	21,850	65,786	95,508	183,144
Long-term debt:				
Loan payable, net of current portion	<u>-0-</u>	<u>131,611</u>	<u>-0-</u>	<u>131,611</u>
Total long-term debt	<u>-0-</u>	<u>131,611</u>	<u>-0-</u>	<u>131,611</u>
Total Liabilities	<u>21,850</u>	<u>197,397</u>	<u>95,508</u>	<u>314,755</u>
Net position:				
Net investment in capital assets	71,027	4,564,946	2,347,359	6,983,332
Restricted cash	-0-	-0-	554,596	554,596
Unrestricted (deficit)	<u>(11,304)</u>	<u>(84,919)</u>	<u>152,816</u>	<u>56,593</u>
Total Net Position	<u>\$ 59,723</u>	<u>\$ 4,480,027</u>	<u>\$ 3,054,771</u>	<u>\$ 7,594,521</u>

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

SEELEY COUNTY WATER DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES BY FUND
For The Year Ended June 30, 2023

	General Fund	Water Fund	Wastewater Fund	Combined
Operating Revenues:				
Charges for services	\$ 0	\$ 392,614	\$ 663,588	\$ 1,056,202
Operating Expenses:				
Accounting Prof. Services	-0-	3,995	6,205	10,200
Advertising & Publications	-0-	96	144	240
Auditing Services	-0-	3,000	4,500	7,500
Bad Debts	-0-	1,900	2,600	4,500
Bank Charges	-0-	746	926	1,672
Business Insurance	-0-	6,186	9,280	15,466
Cash Shortage	-0-	0	320	320
Compliance Fees	-0-	78	116	194
Depreciation	-0-	206,070	99,363	305,433
Dig Alert	-0-	31	46	77
Employee Health Benefits	-0-	10,627	26,529	37,156
Fuel	-0-	2,454	3,402	5,856
Legal Fees	-0-	5,126	7,752	12,878
License Permit Fees	-0-	6,807	5,114	11,921
Materials & Supplies	-0-	59,607	50,611	110,218
Mileage reimbursement	-0-	148	242	390
Office Services & Maint.	-0-	497	803	1,300
Office Supplies	-0-	2,805	4,052	6,857
Other Expenses	114	748	1,136	1,998
Other Professional Operations	-0-	12,016	19,121	31,137
Park Lights	437	-0-	-0-	437
Payroll Taxes	-0-	15,062	23,997	39,059
Penalties & Late Fees	-0-	276	317	593
Postage	-0-	683	1,124	1,807
Professional & special services	-0-	14,399	19,121	33,520
Repair & Maintenance	30	40,789	42,123	82,942
Salaries & Wages	-0-	165,319	259,864	425,183
State Compliance ACL	-0-	-0-	25,837	25,837
Subscriptions & Membership	-0-	7,394	5,139	12,533
Telephone & Internet	-0-	4,828	4,822	9,650
Uniforms	-0-	1,319	2,044	3,363
Utilities	-0-	40,620	50,477	91,097
Workers Comp. Insurance	-0-	7,500	13,580	21,080
Total operating expenses	581	621,126	690,707	1,312,414
Operating income (loss)	(581)	(228,512)	(27,119)	(256,212)
Non-operating revenues (expenses):				
Other Contributions	5,000	-0-	-0-	5,000
Grant Income	21,850	-0-	-0-	21,850
Interest & Dividend Income	-0-	225	237	462
Property Taxes	2,939	-0-	-0-	2,939
Interest expense	-0-	(3,521)	-0-	(3,521)
Other Income (Expense) - Net	29,789	(3,296)	237	26,730
Increase (decrease) in net position	\$29,208	\$ (231,808)	\$ (26,882)	\$ (229,482)

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

SEELEY COUNTY WATER DISTRICT
STATEMENT OF CHANGES IN NET POSITION BY FUND
For The Year Ended June 30, 2023

	<u>General Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Combined</u>
Net Position, beginning of year	\$ (23,162)	\$ 4,474,631	\$ 3,027,119	\$ 7,478,588
Prior period adjustment (Note 7)	<u>53,677</u>	<u>237,204</u>	<u>54,534</u>	<u>345,415</u>
Net Position, beginning of year - restated	30,515	4,711,835	3,081,653	7,824,003
Change in net position - increase (decrease)	<u>29,208</u>	<u>(231,808)</u>	<u>(26,882)</u>	<u>(229,482)</u>
Net Position, End of Year	<u>\$ 59,723</u>	<u>\$ 4,480,027</u>	<u>\$ 3,054,771</u>	<u>\$ 7,594,521</u>

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

SEELEY COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS - BY FUND
For The Year Ended June 30, 2023

	General Fund	Water Fund	Wastewater Fund	Combined
Cash flows from operating activities:				
Cash received from customers and users	\$ -0-	\$ 385,157	\$ 650,281	\$ 1,035,438
Refunds of customer deposits	-0-	(20,608)	100	(20,508)
Cash paid to employees for services	-0-	(164,752)	(258,813)	(423,565)
Cash paid to suppliers of goods and services	(581)	(237,229)	(279,801)	(517,611)
Net cash provided (used) by operating activities	(581)	(37,432)	111,767	73,754
Cash flows from non capital financing activities:				
Other Contributions	9,500	-0-	-0-	9,500
Cash received from property taxes	2,939	-0-	-0-	2,939
Net cash provided (used) by non-capital financing activities	12,439	-0-	-0-	12,439
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-0-	(41,359)	(119,886)	(161,245)
Principal paid on debt	-0-	(4,521)	-0-	(4,521)
Interest paid on debt	-0-	(3,521)	-0-	(3,521)
Net cash provided (used) by capital and related financing activities	-0-	(49,401)	(119,886)	(169,287)
Cash flows from investing activities:				
Interest and dividend income	-0-	307	360	667
Net increase (decrease) in cash and cash equivalents	11,858	(86,526)	(7,759)	(82,427)
Cash at beginning of year	(23,162)	14,131	727,402	718,371
Cash at end of year	<u>\$ (11,304)</u>	<u>\$ (72,395)</u>	<u>\$ 719,643</u>	<u>\$ 635,944</u>

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