

**THERMALITO WATER AND SEWER DISTRICT**

**OROVILLE, CALIFORNIA**

**ANNUAL FINANCIAL REPORT**

**With**

**Independent Auditor's Report Thereon**

**JUNE 30, 2023**

**THERMALITO WATER AND SEWER DISTRICT**

Annual Financial Report  
June 30, 2023

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**THERMALITO WATER AND SEWER DISTRICT**

Annual Financial Report  
June 30, 2023

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**THERMALITO WATER AND SEWER DISTRICT**

Annual Financial Statements  
For the Year Ended June 30, 2023

**BOARD OF DIRECTORS**

**President:**

Brad Taggart  
Division 1

**Vice-President:**

Scott Koch  
Division 3

**Directors:**

Trevor Hatley  
Division 2

Bruce Wristen  
Division 4

Mark Clark  
Division 5

**District Manager:**

Jayne Boucher

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Thermalito Water and Sewer District  
Oroville, California 95965

### Opinion

We have audited the accompanying financial statements of the Thermalito Water and Sewer District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents. The prior year comparative information has been derived from the District's June 30, 2022 financial statements and, in our report dated October 12, 2022, we expressed an unmodified opinion on the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023, and the respective change in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 the 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.

Board of Directors  
Thermalito Water and Sewer District  
Oroville, California 95965

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our 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 our 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, we:

- 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 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 judgment, 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.

We are 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 5 through 9 and other required supplementary information on pages 37 and 38 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. We 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

Board of Directors  
Thermalito Water and Sewer District  
Oroville, California 95965

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 39 and 40 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Independent Auditor's Reports**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit, in accordance with *Government Auditing Standards*, in considering the District's internal control over financial reporting and compliance.

Fechter & Company  
Certified Public Accountants

  
Sacramento, California  
October 16, 2023



# THERMALITO WATER AND SEWER DISTRICT

## Management's Discussion and Analysis For the Year Ended June 30, 2023

This section of the annual financial report of the Thermalito Water and Sewer District (District) presents the Management Discussion and Analysis. The discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's basic financial statements following this section.

### BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-Wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances.

The District's government-wide financial statements consist of:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

The ***Statement of Net Position*** includes all of the District's assets and liabilities, with the difference between the two reported as Net Position. Net Position is displayed in three categories:

- Net investment in capital assets
- Restricted
- Unrestricted

This statement provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The ***Statement of Revenues, Expenses, and Changes in Net Position*** presents information which shows how the District's equity changed during each year. All of the year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses, and changes in net position measures the success of the District's operations during the year and determines whether the District has recovered its costs through monthly service fees and other charges.

The ***Statement of Cash Flows*** provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating Activities
- Non-Capital Financing Activities
- Capital and Related Financing Activities
- Investing Activities

## THERMALITO WATER AND SEWER DISTRICT

### Management's Discussion and Analysis For the Year Ended June 30, 2023

The *Notes to the Financial Statements* provides a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

**Fund Financial Statements** – The District maintains two proprietary funds that are classified as enterprise funds. The District uses the enterprise funds to account for its water and sewer services, both considered to be major funds of the District. The proprietary fund financial statements provide the same information as the government-wide financial statements, however, in greater detail.

### Financial Highlights

Fiscal year 2022/2023 was a stable year for the District. The construction of new homes is moving forward. The District sold 9 water connections and 72 sewer connections for the year.

### Financial Analysis of the District – Government-Wide

**Statement of Net Position:** The District's net position increased from one year ago. Our analysis below focuses on the net position of the District's enterprise activities.

#### Thermalito Water and Sewer District Statement of Net Position

	2023	2022	2021
<u>Assets</u>			
Current assets	\$11,398,446	\$ 8,881,700	\$ 6,827,364
Restricted assets	1,266,952	1,151,357	1,134,535
Capital assets, net of accumulated depreciation	18,863,108	16,382,465	15,901,534
Total Assets	31,528,506	26,415,522	23,863,433
CalPERS pension contributions	700,249	309,657	316,829
Total Deferred Outflows of Resources	700,249	309,657	316,829
<u>Liabilities</u>			
Other current liabilities	484,526	291,768	348,869
Long-term liabilities	3,532,441	2,963,158	3,655,675
Total Liabilities	4,016,967	3,254,926	4,004,544
CalPERS actuarial amounts	44,126	485,996	52,874
Total Deferred Inflows of Resources	44,126	485,996	52,874
<u>Net Position</u>			
Invested in capital assets, net of related debt	16,950,224	14,342,742	13,737,581
Restricted	1,266,952	1,151,357	1,134,535
Unrestricted	9,950,486	7,490,158	5,250,728
Total Net Position	\$28,167,662	\$22,984,257	\$20,122,844

## THERMALITO WATER AND SEWER DISTRICT

### Management's Discussion and Analysis For the Year Ended June 30, 2023

The total net position of the District's enterprise activities increased by \$5,183,405 from one year ago (2022 to 2023). The current assets of the District, including restricted cash, increased by \$2,632,341 from one year ago, and the capital assets, net of accumulated depreciation, increased by \$2,480,643. Long-term liabilities increased by \$569,283 from prior year due primarily to an increase in the net pension liability. Unrestricted Net Position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. The Unrestricted Net Position at June 30, 2022, of \$7,490,158 compared to Unrestricted Net Position at June 30, 2023, of \$9,950,486, increased by \$2,460,328.

**Statement of Revenues, Expenses, and Changes in Net Position:** Reflects changes in activities of the District.

#### Thermalito Water and Sewer District Change in Net Position

	2023	2022	2021
Operating Revenues:			
Charges for services	\$ 4,092,097	\$ 3,961,073	\$ 4,149,542
Water transfers	-	2,475,000	-
Other	13,302	28,902	55,331
Total Revenues	<u>4,105,399</u>	<u>6,464,975</u>	<u>4,204,873</u>
Operating Expenses:			
Direct expenses	1,498,187	1,313,083	1,233,904
Administration	1,034,597	926,298	1,014,046
SCOR charges	700,348	630,319	554,655
Depreciation	760,504	728,647	705,537
Total Expenses	<u>3,993,636</u>	<u>3,598,347</u>	<u>3,508,142</u>
Operating income	111,763	2,866,628	696,731
Non-Operating Revenues (Expenses):			
Interest income	182,867	28,545	33,539
Capacity charges	91,346	13,106	97,729
Interest expense	(40,282)	(42,942)	(45,550)
Gain (loss) on disposal of assets	84,500	(3,924)	-
Total	<u>318,431</u>	<u>(5,215)</u>	<u>85,718</u>
Net income before extraordinary items	<u>430,194</u>	<u>2,861,413</u>	<u>782,449</u>
Extraordinary item - Camp Fire settlement	<u>4,753,211</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ 5,183,405</u>	<u>\$ 2,861,413</u>	<u>\$ 782,449</u>

Operating revenues decreased by \$2,359,576 from 2022 to 2023 due primarily to having no water transfers in 2023 compared to 2022 when there was a transfer of water to the Santa Clara Valley Water District of \$2,475,000.

The District's operating expenses increased by \$395,289, or 11%.

# THERMALITO WATER AND SEWER DISTRICT

## Management's Discussion and Analysis For the Year Ended June 30, 2023

### Financial Analysis of the District – Proprietary Funds

The District's proprietary fund financial statements provide greater detail of the Water and Sewer Service funds that comprise the government-wide financial statements.

Unrestricted net position of the respective proprietary funds at June 30, 2023, are: Water Services \$7,885,238, and Sewer Services \$2,065,248. For the fiscal year ended June 30, 2023, the Water Services total net position increased by \$5,046,331, and the Sewer Service total net position increased by \$137,074.

### Capital Assets

The District's investment in capital assets (net of accumulated depreciation) totals \$18,863,108, as of June 30, 2023. The following table provides a detailed breakdown of the capital assets:

	Thermalito Water and Sewer District Net of Accumulated Depreciation		
	2023	2022	2021
Water Services:			
Land	\$ 126,171	\$ 126,171	\$ 126,171
Concow easement	12,968	12,968	12,968
Construction in progress	2,692,444	696,494	127,704
Source and supply	9,987,125	9,208,760	9,516,636
General plant and administration	371,924	412,046	202,770
Total Capital Assets, Water	<u>13,190,632</u>	<u>10,456,439</u>	<u>9,986,249</u>
Sewer Services:			
Construction in progress	5,868	5,868	5,868
Sewer collection facilities	5,334,766	5,537,996	5,741,226
Automotive equipment	331,842	382,162	168,191
Total Capital Assets, Sewer	<u>5,672,476</u>	<u>5,926,026</u>	<u>5,915,285</u>
Total Net Capital Assets	<u>\$18,863,108</u>	<u>\$16,382,465</u>	<u>\$15,901,534</u>

### Capital Debt

As of June 30, 2023, the District had long-term debt of \$1,912,884, compared with \$2,039,723 at June 30, 2022. More detailed information about the District's long-term debt is presented in Note 5 of the financial statements.

### Economic Factors and Next Year's Budget

The District's elected officials considered many factors when setting the Fiscal Year 2024 budget. Some of the economic factors taken into account for the budget include monthly service charges and connection fees. Expense factors will include the possible purchase of water distribution and sewer collection improvements and filtration plant upgrades.

# **THERMALITO WATER AND SEWER DISTRICT**

Management's Discussion and Analysis  
For the Year Ended June 30, 2023

## **District Financial Management**

This financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Thermalito Water and Sewer District, 410 Grand Avenue, Oroville, California 95965.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**THERMALITO WATER AND SEWER DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**  
(with comparative data for June 30, 2022)

	2023	2022
<b>ASSETS</b>		
Current Assets:		
Cash and investments	\$ 11,103,239	\$ 8,738,231
Accounts receivable	126,570	53,610
Interest receivable	71,640	15,515
Settlement receivable	-	-
Inventory	41,037	49,479
Prepaid items	55,960	24,865
Capital Assets, net	18,863,108	16,382,465
Restricted assets:		
Restricted cash and investments	1,266,952	1,151,357
Total Assets	31,528,506	26,415,522
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension outflows	700,249	309,657
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	202,018	37,408
Accounts payable - SC-OR	175,414	157,758
Salaries and wages payable	26,652	15,895
Customer and project advances	38,187	36,627
Interest payable	38,497	41,049
Retirement payable	3,758	3,031
Current portion of notes payable	129,503	126,839
Total current liabilities	614,029	418,607
Non-Current liabilities:		
Compensated absences liability	271,418	394,781
Net pension liability	1,348,139	528,654
Notes payable, net of current portion	1,783,381	1,912,884
Total Non-Current liabilities	3,402,938	2,836,319
Total liabilities	4,016,967	3,254,926
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension inflows	44,126	485,996
<b>NET POSITION</b>		
Net investment in capital assets	16,950,224	14,342,742
Restricted:		
Debt service	169,673	169,673
Capacity fees	1,097,279	981,684
Unrestricted	9,950,486	7,490,158
<b>TOTAL NET POSITION</b>	\$ 28,167,662	\$ 22,984,257

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

**THERMALITO WATER AND SEWER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**(with comparative data for June 30, 2022)**

	2023	2022
<b>Operating Revenues:</b>		
Water sales	\$ 1,864,005	\$ 2,253,433
Water services	536,700	255,901
Water transfers	-	2,475,000
Sewer use sales and services	1,691,392	1,451,739
Other income	13,302	28,902
Total Operating Revenues	4,105,399	6,464,975
<b>Operating Expenses:</b>		
Wilenor water supply	7,845	69,794
Water treatment	618,254	487,142
Transmission and distribution	720,310	644,113
Administration and general	1,034,597	926,298
Depreciation	760,504	728,647
Sewerage collection	151,778	112,034
SC-OR charges	700,348	630,319
Total Operating Expenses	3,993,636	3,598,347
Operating Income	111,763	2,866,628
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	182,867	28,545
Capacity charges	91,346	13,106
Interest expense	(40,282)	(42,942)
Gain (loss) on disposal of assets	84,500	(3,924)
Total Non-Operating Income	318,431	(5,215)
Net income before extraordinary items	430,194	2,861,413
Extraordinary item - Camp Fire settlement	4,753,211	-
Change in Net Position	5,183,405	2,861,413
Beginning Net Position	22,984,257	20,122,844
Ending Net Position	<u>\$ 28,167,662</u>	<u>\$ 22,984,257</u>

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



**THERMALITO WATER AND SEWER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**(with comparative data for June 30, 2022)**

	2023	2022
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 3,977,983	\$ 6,452,160
Cash paid to suppliers	(1,423,273)	(1,505,102)
Cash paid for employee salaries and benefits	(1,719,086)	(1,563,344)
Net cash provided by operating activities	835,624	3,383,714
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(3,241,147)	(1,213,502)
Proceeds from sale of capital assets	84,500	-
Proceeds from capacity charges	91,346	13,106
Proceeds from Camp Fire settlement	4,753,211	-
Principal paid on loans	(126,839)	(124,230)
Interest paid on loans	(42,834)	(45,443)
Net cash provided (used) by capital and related financing activities	1,518,237	(1,370,069)
<b>Cash flows from investing activities:</b>		
Investment income received	126,742	18,251
Net cash provided by investing activities	126,742	18,251
Net increase in cash and cash equivalents	2,480,603	2,031,896
Cash and cash equivalents, beginning of year	9,889,588	7,857,692
Cash and cash equivalents, end of year	\$ 12,370,191	\$ 9,889,588
<b>Reconciliation of Cash and Cash Equivalents:</b>		
Cash and cash equivalents	\$ 11,103,239	\$ 8,738,231
Restricted cash and cash equivalents	1,266,952	1,151,357
Total Cash and Cash Equivalents	\$ 12,370,191	\$ 9,889,588

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

**THERMALITO WATER AND SEWER DISTRICT  
STATEMENT OF CASH FLOWS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 111,763	\$ 2,866,628
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	760,504	728,647
Changes in assets and liabilities:		
Accounts receivable	(72,960)	7,468
Inventory	8,442	(22,283)
Prepaid expenses	(31,095)	(14,153)
Accounts payable	164,610	(80,175)
Accounts payable - SC-OR	17,656	18,151
Customer and project advances	1,560	(2,210)
Accrued salaries and wages	10,757	9,273
Retirement payable	727	361
Compensated absences liability	(123,363)	2,182
Net pension liability	(12,977)	(130,175)
	<u>\$ 835,624</u>	<u>\$ 3,383,714</u>
<b>Net cash provided by operating activities</b>	<b>\$ 835,624</b>	<b>\$ 3,383,714</b>

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

## **FUND FINANCIAL STATEMENTS**

**THERMALITO WATER AND SEWER DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	Water Services	Sewer Services	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 8,472,674	\$ 2,630,565	\$ 11,103,239
Accounts receivable	104,459	22,111	126,570
Interest receivable	57,312	14,328	71,640
Settlement receivable	-	-	-
Due from other funds	271,625	108,428	380,053
Inventory	39,640	1,397	41,037
Prepaid items	55,960	-	55,960
Total Current Assets	<u>9,001,670</u>	<u>2,776,829</u>	<u>11,778,499</u>
Restricted and Noncurrent assets:			
Restricted cash and investments	533,103	733,849	1,266,952
Capital assets, net	13,190,632	5,672,476	18,863,108
Total Assets	<u>22,725,405</u>	<u>9,183,154</u>	<u>31,908,559</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	588,209	112,040	700,249
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	188,647	13,371	202,018
Salaries and wages payable	20,487	6,165	26,652
Accounts payable - SC-OR	-	175,414	175,414
Due to other funds	108,428	271,625	380,053
Customer and project advances	33,187	5,000	38,187
Interest payable	-	38,497	38,497
Retirement payable	3,758	-	3,758
Current portion of notes payable	-	129,503	129,503
Total Current Liabilities	<u>354,507</u>	<u>639,575</u>	<u>994,082</u>
Long-Term Liabilities:			
Compensated absences liability	180,631	90,787	271,418
Net pension liability	1,132,437	215,702	1,348,139
Notes payable, net of current portion	-	1,783,381	1,783,381
Total Liabilities	<u>1,667,575</u>	<u>2,729,445</u>	<u>4,397,020</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	37,066	7,060	44,126
<b>NET POSITION</b>			
Net investment in capital assets	13,190,632	3,759,592	16,950,224
Restricted:			
Debt service	-	169,673	169,673
Capacity fees	533,103	564,176	1,097,279
Unrestricted	7,885,238	2,065,248	9,950,486
<b>TOTAL NET POSITION</b>	<u>\$ 21,608,973</u>	<u>\$ 6,558,689</u>	<u>\$ 28,167,662</u>

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

**THERMALITO WATER AND SEWER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Water Services	Sewer Services	Total
<b>Operating Revenues:</b>			
Water sales	\$ 1,864,005	\$ -	\$ 1,864,005
Water services	536,700	-	536,700
Sewer use sales and services	-	1,691,392	1,691,392
Other income	13,302	-	13,302
	<u>2,414,007</u>	<u>1,691,392</u>	<u>4,105,399</u>
Total Operating Revenues	2,414,007	1,691,392	4,105,399
<b>Operating Expenses:</b>			
Wilenor water supply	7,845	-	7,845
Water treatment	618,254	-	618,254
Transmission and distribution	650,092	70,218	720,310
Administration and general	599,981	434,616	1,034,597
Depreciation	485,057	275,447	760,504
Sewerage collection	-	151,778	151,778
SC-OR charges	-	700,348	700,348
	<u>2,361,229</u>	<u>1,632,407</u>	<u>3,993,636</u>
Total Operating Expenses	2,361,229	1,632,407	3,993,636
Operating Income	<u>52,778</u>	<u>58,985</u>	<u>111,763</u>
Operating Income	52,778	58,985	111,763
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	146,294	36,573	182,867
Capacity charges	9,548	81,798	91,346
Loss on disposal of asset	84,500	-	84,500
Interest expense	-	(40,282)	(40,282)
	<u>240,342</u>	<u>78,089</u>	<u>318,431</u>
Total Non-Operating Income	240,342	78,089	318,431
Net income before extraordinary items	<u>293,120</u>	<u>137,074</u>	<u>430,194</u>
Net income before extraordinary items	293,120	137,074	430,194
Extraordinary item - Camp Fire settlement	<u>4,753,211</u>	<u>-</u>	<u>4,753,211</u>
Extraordinary item - Camp Fire settlement	4,753,211	-	4,753,211
Change in Net Position	<u>5,046,331</u>	<u>137,074</u>	<u>5,183,405</u>
Change in Net Position	5,046,331	137,074	5,183,405
Beginning Net Position	<u>16,562,642</u>	<u>6,421,615</u>	<u>22,984,257</u>
Beginning Net Position	16,562,642	6,421,615	22,984,257
Ending Net Position	<u>\$ 21,608,973</u>	<u>\$ 6,558,689</u>	<u>\$ 28,167,662</u>
Ending Net Position	\$ 21,608,973	\$ 6,558,689	\$ 28,167,662

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

**THERMALITO WATER AND SEWER DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	Water Services	Sewer Services	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 2,282,634	\$ 1,695,349	\$ 3,977,983
Cash paid to suppliers	(515,285)	(907,988)	(1,423,273)
Cash paid for employee salaries and benefits	(1,369,808)	(349,278)	(1,719,086)
	397,541	438,083	835,624
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(3,219,250)	(21,897)	(3,241,147)
Proceeds from sale of capital assets	84,500	-	84,500
Proceeds from capacity charges	9,548	81,798	91,346
Proceeds from Camp Fire settlement	4,753,211	-	4,753,211
Principal paid on loans	-	(126,839)	(126,839)
Interest paid on loans	-	(42,834)	(42,834)
	1,628,009	(109,772)	1,518,237
<b>Cash flows from investing activities:</b>			
Investment income received	101,394	25,348	126,742
	101,394	25,348	126,742
Net increase in cash and cash equivalents	2,126,944	353,659	2,480,603
Cash and cash equivalents, beginning of year	6,878,833	3,010,755	9,889,588
Cash and cash equivalents, end of year	\$ 9,005,777	\$ 3,364,414	\$ 12,370,191
<b>Reconciliation of Cash and Cash Equivalents:</b>			
Cash and cash equivalents	\$ 8,472,674	\$ 2,630,565	\$ 11,103,239
Restricted cash and cash equivalents	533,103	733,849	1,266,952
Total cash and cash equivalents	\$ 9,005,777	\$ 3,364,414	\$ 12,370,191

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

**THERMALITO WATER AND SEWER DISTRICT**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Water Services	Sewer Services	Total
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 52,778	\$ 58,985	\$ 111,763
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	485,057	275,447	760,504
Changes in assets and liabilities:			
Accounts receivable	(71,153)	(1,807)	(72,960)
Due from other funds	(56,780)	764	(56,016)
Inventory	8,442	-	8,442
Prepaid expenses	(31,095)	-	(31,095)
Accounts payable	151,371	13,239	164,610
Accounts payable - SC-OR	-	17,656	17,656
Customer and project advances	(3,440)	5,000	1,560
Accrued salaries and wages	8,492	2,265	10,757
Due to other funds	(764)	56,780	56,016
Retirement payable	727	-	727
Compensated absences liability	(135,194)	11,831	(123,363)
Net pension liability	(10,900)	(2,077)	(12,977)
<b>Net cash provided by operating activities</b>	<b>\$ 397,541</b>	<b>\$ 438,083</b>	<b>\$ 835,624</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**



# THERMALITO WATER AND SEWER DISTRICT

Notes to the Financial Statements  
June 30, 2023

## **Note 1: Summary of Significant Accounting Policies**

Thermalito Water and Sewer District (District) is a public agency formed and existing under the laws of the State of California and, therefore, is a non-profit, tax-exempt district. It exists pursuant to Section 20700 of the California Water Code. The District supplies water and sewer services to customers in the Oroville area.

### **Reporting Entity**

The District's financial statements include all transactions of the District for which the District is financially accountable. Financial accountability is defined as appointment of a majority of a component unit's board and either the ability to impose the will of the District or the possibility that the component unit will provide financial benefit to or impose a financial burden on the District. Based on these criteria, the District has determined that there are no component units which come under the criteria for inclusion. The District is not a component unit of any other government entity.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

The activities of the District are accounted for using two proprietary (enterprise) funds. Enterprise funds are used to account for activities similar to those found in private business enterprises, where the determination of net income is necessary or useful for sound financial management and services are provided to outside parties.

The District distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues of the District are charges to customers for water and sewer services. Operating expenses for the District include salaries and benefits, supplies and other services, insurance premiums, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

# THERMALITO WATER AND SEWER DISTRICT

Notes to the Financial Statements  
June 30, 2023

## **Note 1: Summary of Significant Accounting Policies - continued**

### **Budget Basis of Accounting**

The budgets of the District are adopted on a basis consistent with generally accepted accounting principles (GAAP) with the following exceptions:

- a) Depreciation is not budgeted as an expense,
- b) Capital outlays are budgeted as a current expense, and
- c) Certain non-operating revenues and expenses are not budgeted.

### **Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

### **Cash and Investments**

For purposes of the statement of cash flows, the District's cash and cash equivalents include restricted and unrestricted cash on hand or on deposit, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District has adopted a formal investment policy as required by Section 53600 et seq., of the California Government Code. The District's treasurer has responsibility for selecting depositories and investing idle funds in accordance with the adopted investment policy. See Note 2 for additional information on the District's cash and investments.

### **Accounts Receivable**

Accounts receivable consist primarily of amounts due on water and sewer services. Delinquent accounts for water or sewer services are treated pursuant to Water Code 10, Chapter 3, Article 1, Section 25806, 25807, and 25650, also named *Resolution Adding Unpaid Charges to the Annual Assessment*. In process, the District compiles their outstanding accounts receivable and submits them to the County of Butte. The County attaches these amounts due to the balance of the property tax bill. By doing this, the District is assured by the County of Butte of receiving the unpaid amounts within twelve months of the date of submission and, therefore, no doubtful account allowances were deemed necessary at June 30, 2023 and 2022.

# THERMALITO WATER AND SEWER DISTRICT

Notes to the Financial Statements  
June 30, 2023

## **Note 1: Summary of Significant Accounting Policies - continued**

### **Inventory of Materials and Supplies**

Inventory of materials and supplies consists primarily of water meters, pipes, and pipe fittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at lower of cost or market using a first-in, first-out (FIFO) basis. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

### **Prepaid Expenses**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

### **Compensated Absences**

The District maintains a Memorandum of Understanding (MOU) with its employees for unused vacation and sick leave. The two major items contained in the MOU are: (1) that, upon termination of employment, each employee shall be paid an amount in salary equal to his/her unused accumulated vacation pay, and (2) that, upon retirement, death, or disability, each employee shall be paid an amount equal to 50% of his/her accumulated unused sick pay with a maximum payout of 1000 hours. The District did not have any other post-employment benefit obligations (OPEB) for the fiscal years ended June 30, 2023 and 2022.

### **Capital Contributions**

Capital contributions represent capital asset additions contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capacity commitment.

### **Property, Plant, and Equipment**

Capital assets acquired and/or constructed are capitalized at historical cost. 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. The District provides for depreciation under the straight-line method with useful lives of 3 to 10 years on automotive, furniture, fixtures, and machinery and equipment. All other assets are depreciated under the straight-line method with useful lives ranging from 10 to 50 years, with the exception of Wilenor Dam Storage System, which is 100 years.

# THERMALITO WATER AND SEWER DISTRICT

Notes to the Financial Statements  
June 30, 2023

## Note 1: Summary of Significant Accounting Policies - continued

### Property, Plant, and Equipment - continued

The District capitalizes interest relating to certain long-term construction projects. Capitalized interest is charged to property and equipment and amortized over the life of the related assets in order to properly match expenses with revenues resulting from the facilities. No interest was capitalized for the fiscal year ended June 30, 2023 or 2022.

### Net Position

The financial statements utilize a net position presentation. Net positions are categorized as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction, or improvement of those assets.
- Restricted Net Position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, 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 positions that do not meet the definition of *restricted* or *net investment in capital assets*.

### Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# THERMALITO WATER AND SEWER DISTRICT

Notes to the Financial Statements  
June 30, 2023

## Note 2: Cash and Cash Equivalents

Cash and investments as of June 30, 2023 and 2022, are classified in the accompanying financial statements as follows:

	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and cash equivalents	\$11,103,239	\$ 8,738,231
Restricted Assets:		
Cash and cash equivalents	1,266,952	1,151,357
Total Cash and Cash Equivalents	<u>\$12,370,191</u>	<u>\$ 9,889,588</u>

Cash and cash equivalents were comprised of the following:

Cash on hand	\$ 600	\$ 600
Deposits held with financial institutions	1,648,942	1,822,080
Deposits held with LAIF	10,720,649	8,066,908
Total Cash and Cash Equivalents	<u>\$12,370,191</u>	<u>\$ 9,889,588</u>

### Authorized Deposits and Investments

The District is generally authorized under state statute and local resolutions to invest in demand deposits with financial institutions, savings accounts, certificates of deposit, U.S. Treasury securities, federal agency securities, State of California notes or bonds, notes or bonds of agencies within the State of California, obligations guaranteed by the Small Business Administration, bankers' acceptances, commercial paper, and the Local Agency Investment Fund (LAIF).

### 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 market interest rates. As of June 30, 2023, and 2022, the District's investments had no significant exposure to interest rate risk.

# THERMALITO WATER AND SEWER DISTRICT

Notes to the Financial Statements  
June 30, 2023

## Note 2: Cash and Cash Equivalents - continued

### 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 risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization. The District does not hold direct investments; therefore, there is no concentration of credit risk.

### 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 market 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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 LAIF).

The District's carrying amounts with financial institutions were \$1,648,942 and \$1,822,080, and the balances in financial institutions were \$1,642,943 and \$1,826,678 respectively, for 2023 and 2022. Of the balances with financial institutions, \$250,000 was covered by federal depository insurance, and the remaining amounts \$1,392,943 and \$1,576,678 for 2023 and 2022, respectively, were collateralized as described above.

# THERMALITO WATER AND SEWER DISTRICT

Notes to the Financial Statements  
June 30, 2023

## **Note 2: Cash and Cash Equivalents - continued**

### **Investment in State Investment Pool**

The District is a voluntary participant in LAIF. LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the entity's investment in this pool is reported in the accompanying financial statements at amounts based upon the entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investments for the District are reported at fair value. The Local Agency Investment Fund (LAIF) is a special fund of the California State Treasury through which local governments may pool investments. The District may invest up to \$50,000,000 in the fund. Investments in LAIF are highly liquid as deposits can be converted to cash within 24 hours without loss of interest. Funds deposited in LAIF are invested in accordance with California Government Code Sections 16430 and 16480. Oversight of LAIF is provided by the Pooled Money Investment Board whose members are the California State Treasurer, California Director of Finance, and the California State Controller. For the purpose of these financial statements, the fair value of amounts in LAIF is equivalent to dollars held.

## **Note 3: Property Tax**

Property taxes attach as an enforceable lien on property as of January 1st and are payable in two installments, on December 10 and April 10. The District relies on the competency of the County of Butte for the billing, collection, and distribution of its share of property tax revenues.

# THERMALITO WATER AND SEWER DISTRICT

## Notes to the Financial Statements June 30, 2023

### Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
<b>Water Services</b>					
Nondepreciable Capital Assets:					
Land	\$ 126,171	\$ -	\$ -	\$ -	\$ 126,171
Concow easement	12,968	-	-	-	12,968
Construction in progress	696,494	2,699,052	-	(703,102)	2,692,444
Total Nondepreciable Capital Assets	<u>835,633</u>	<u>2,699,052</u>	<u>-</u>	<u>(703,102)</u>	<u>2,831,583</u>
Capital Assets Being Depreciated:					
Source and supply	17,258,101	490,998	(2,500)	695,202	18,441,801
General plant and administration	1,544,466	29,200	(89,555)	7,900	1,492,011
Total Capital Assets Being Depreciated	<u>18,802,567</u>	<u>520,198</u>	<u>(92,055)</u>	<u>703,102</u>	<u>19,933,812</u>
Less: Accumulated Depreciation:					
Source and supply	(8,049,341)	(407,835)	2,500	-	(8,454,676)
General plant and administration	(1,132,420)	(77,222)	89,555	-	(1,120,087)
Total Accumulated Depreciation	<u>(9,181,761)</u>	<u>(485,057)</u>	<u>92,055</u>	<u>-</u>	<u>(9,574,763)</u>
Depreciable Capital Assets, Net	<u>9,620,806</u>	<u>35,141</u>	<u>-</u>	<u>703,102</u>	<u>10,359,049</u>
Total Capital Assets, Water Services	<u>10,456,439</u>	<u>2,734,193</u>	<u>-</u>	<u>-</u>	<u>13,190,632</u>
<b>Sewer Services</b>					
Nondepreciable Capital Assets:					
Construction in progress	5,868	-	-	-	5,868
Total Nondepreciable Capital Assets	<u>5,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,868</u>
Capital Assets Being Depreciated:					
Sewer collection facilities	10,135,674	-	-	-	10,135,674
Equipment	932,832	21,897	(71,409)	-	883,320
Total Capital Assets Being Depreciated	<u>11,068,506</u>	<u>21,897</u>	<u>(71,409)</u>	<u>-</u>	<u>11,018,994</u>
Less: Accumulated Depreciation:					
Sewer collection facilities	(4,597,678)	(203,230)	-	-	(4,800,908)
Equipment	(550,670)	(72,217)	71,409	-	(551,478)
Total Accumulated Depreciation	<u>(5,148,348)</u>	<u>(275,447)</u>	<u>71,409</u>	<u>-</u>	<u>(5,352,386)</u>
Depreciable Capital Assets, Net	<u>5,920,158</u>	<u>(253,550)</u>	<u>-</u>	<u>-</u>	<u>5,666,608</u>
Total Capital Assets, Sewer Services	<u>5,926,026</u>	<u>(253,550)</u>	<u>-</u>	<u>-</u>	<u>5,672,476</u>
Total Capital Assets, Net	<u>\$ 16,382,465</u>	<u>\$2,480,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,863,108</u>



**THERMALITO WATER AND SEWER DISTRICT**

Notes to the Financial Statements  
June 30, 2023

**Note 4: Capital Assets - continued**

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deletions/ Transfers	Deletions/ Transfers	Balance June 30, 2022
<b>Water Services</b>					
Nondepreciable Capital Assets:					
Land	\$ 126,171	\$ -	\$ -	\$ -	\$ 126,171
Concow easement	12,968	-	-	-	12,968
Construction in progress	127,704	568,790	-	-	696,494
Total Nondepreciable Capital Assets	<u>266,843</u>	<u>568,790</u>	<u>-</u>	<u>-</u>	<u>835,633</u>
Capital Assets Being Depreciated:					
Source and supply	17,157,467	100,634	-	-	17,258,101
General plant and administration	1,279,943	273,648	(9,125)	-	1,544,466
Total Capital Assets Being Depreciated	<u>18,437,410</u>	<u>374,282</u>	<u>(9,125)</u>	<u>-</u>	<u>18,802,567</u>
Less: Accumulated Depreciation:					
Source and supply	(7,640,831)	(408,510)	-	-	(8,049,341)
General plant and administration	(1,077,173)	(62,410)	7,163	-	(1,132,420)
Total Accumulated Depreciation	<u>(8,718,004)</u>	<u>(470,920)</u>	<u>7,163</u>	<u>-</u>	<u>(9,181,761)</u>
Depreciable Capital Assets, Net	<u>9,719,406</u>	<u>(96,638)</u>	<u>(1,962)</u>	<u>-</u>	<u>9,620,806</u>
Total Capital Assets, Water Services	<u>9,986,249</u>	<u>472,152</u>	<u>(1,962)</u>	<u>-</u>	<u>10,456,439</u>
<b>Sewer Services</b>					
Nondepreciable Capital Assets:					
Construction in progress	5,868	-	-	-	5,868
Total Nondepreciable Capital Assets	<u>5,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,868</u>
Capital Assets Being Depreciated:					
Sewer collection facilities	10,135,674	-	-	-	10,135,674
Equipment	668,942	270,430	(6,540)	-	932,832
Total Capital Assets Being Depreciated	<u>10,804,616</u>	<u>270,430</u>	<u>(6,540)</u>	<u>-</u>	<u>11,068,506</u>
Less: Accumulated Depreciation:					
Sewer collection facilities	(4,394,448)	(203,230)	-	-	(4,597,678)
Equipment	(500,751)	(54,497)	4,578	-	(550,670)
Total Accumulated Depreciation	<u>(4,895,199)</u>	<u>(257,727)</u>	<u>4,578</u>	<u>-</u>	<u>(5,148,348)</u>
Depreciable Capital Assets, Net	<u>5,909,417</u>	<u>12,703</u>	<u>(1,962)</u>	<u>-</u>	<u>5,920,158</u>
Total Capital Assets, Sewer Services	<u>5,915,285</u>	<u>12,703</u>	<u>(1,962)</u>	<u>-</u>	<u>5,926,026</u>
Total Capital Assets, Net	<u>\$ 15,901,534</u>	<u>\$ 484,855</u>	<u>\$ (3,924)</u>	<u>\$ -</u>	<u>\$ 16,382,465</u>

**THERMALITO WATER AND SEWER DISTRICT**

Notes to the Financial Statements  
June 30, 2023

**Note 5: Long-Term Liabilities**

The District's long-term liabilities for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
<b>Long-Term Debt:</b>					
Sewer Services					
2014 CA Water Resources	\$2,039,723	\$ -	\$ (126,839)	\$ 1,912,884	\$ 129,502
Total Long-Term Debt	<u>\$2,039,723</u>	<u>\$ -</u>	<u>\$ (126,839)</u>	<u>\$ 1,912,884</u>	<u>\$ 129,502</u>
<b>Accrued Compensation:</b>					
Water	\$ 315,825	\$ 91,764	\$ (226,958)	\$ 180,631	
Sewer	78,956	45,197	(33,366)	90,787	
Total Accrued Compensation	<u>\$ 394,781</u>	<u>\$136,961</u>	<u>\$ (260,324)</u>	<u>\$ 271,418</u>	
<b>Net Pension Liability:</b>					
Water	\$ 444,069	\$688,368	\$ -	1,132,437	
Sewer	84,585	131,117	-	215,702	
Total Net Pension Liability	<u>\$ 528,654</u>	<u>\$819,485</u>	<u>\$ -</u>	<u>\$ 1,348,139</u>	

The District's long-term liabilities for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
<b>Long-Term Debt:</b>					
Sewer Services					
2014 CA Water Resources	\$2,163,953	\$ -	\$ (124,230)	\$ 2,039,723	\$ 126,839
Total Long-Term Debt	<u>\$2,163,953</u>	<u>\$ -</u>	<u>\$ (124,230)</u>	<u>\$ 2,039,723</u>	<u>\$ 126,839</u>
<b>Accrued Compensation:</b>					
Water	\$ 314,079	\$ 91,272	\$ (89,526)	\$ 315,825	
Sewer	78,520	22,818	(22,382)	78,956	
Total Accrued Compensation	<u>\$ 392,599</u>	<u>\$114,090</u>	<u>\$ (111,908)</u>	<u>\$ 394,781</u>	
<b>Net Pension Liability:</b>					
Water	\$ 912,272	\$ -	\$ (468,203)	\$ 444,069	
Sewer	186,851	-	(102,266)	84,585	
Total Net Pension Liability	<u>\$1,099,123</u>	<u>\$ -</u>	<u>\$ (570,469)</u>	<u>\$ 528,654</u>	

**THERMALITO WATER AND SEWER DISTRICT**

Notes to the Financial Statements  
June 30, 2023

**Note 5: Long-Term Liabilities - continued**

Bonds and notes payable consist of the following as of June 30, 2023:

**2014 Installment Sale Agreement/California State Water Resources Control Board:** On May 1, 2014, the District entered into an installment Sale Agreement with California State Water Resources Control Board to finance the East Trunk Line Replacement Project. The current loan balance at June 30, 2023, is \$1,912,884. Interest on the loan is 2.1% and payable in annual installments over twenty years. The annual principal payments range from \$122,989 to \$166,183. The first payment was due on July 17, 2016. The City of Oroville has entered into an agreement to fund 75% of the reserve account requirement and to pay 75% of all the debt service payments.

The following is a schedule of long-term debt payments:

<u>Sewer Services</u>			
<u>For the Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 129,502	\$ 40,171	\$ 169,673
2025	132,222	37,451	169,673
2026	134,999	34,674	169,673
2027	137,834	31,839	169,673
2028	140,728	28,945	169,673
2029-3033	749,232	99,134	848,366
2034-2036	488,367	20,654	509,021
Total	<u>\$ 1,912,884</u>	<u>\$ 292,868</u>	<u>\$ 2,205,752</u>

**THERMALITO WATER AND SEWER DISTRICT**

Notes to the Financial Statements  
June 30, 2023

**Note 6: Defined Benefit Pension Plan**

**A. General Information about the Pension Plans**

**Plan Description**

The District approved a contract with the Board of Administration, California Public Employees’ Retirement System (CalPERS) on March 16, 2004, to provide pensions for staff, which began May 1, 2004. The District is required to make a monthly contribution to CalPERS to include actuarial valuations of prior and future years of service of each employee. All eligible District employees participate in CalPERS. The District is required to participate in a CalPERS cost-sharing, multiple-employer defined benefit retirement plan, since the District had less than 100 active members. CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the state.

All qualified permanent and probationary employees are eligible to participate in the District’s cost-sharing multiple-employer defined benefit pension plan (Plan) which is administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2023, are summarized as follows:

Hire date	Prior to January 1, 2014	On or After January 1, 2014
Benefit formula	3.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefits payments	Monthly for life	Monthly for life
Retirement age	55 - 60	62 - 67
Monthly benefits as % of eligible compensation	3.0%	1.0% to 2.5%
Required employee contributions	8%	6.75%
Required employer contribution rates	14.53%	7.47%

**THERMALITO WATER AND SEWER DISTRICT**

Notes to the Financial Statements  
June 30, 2023

**Note 6: Defined Benefit Pension Plan - continued**

**A. General Information about the Pension Plans - continued**

*Contributions* – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2023, the contributions for the Plan were as follows:

Contributions – employer	\$217,346
Contributions – employee (paid by employer)	79,461

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2023, the District reported net pension liability of \$1,348,139 for its share of the net pension liability of the Plan. The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023, was as follows:

Proportion - June 30, 2022	0.02784%
Proportion - June 30, 2023	<u>0.02881%</u>
Change - Increase	0.00097%

For the fiscal year ended June 30, 2023, the District recognized pension expense of \$290,979 in its financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

**THERMALITO WATER AND SEWER DISTRICT**

Notes to the Financial Statements  
June 30, 2023

**Note 6: Defined Benefit Pension Plan – continued**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions – continued**

*Actuarial Assumptions* – The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount rate	6.90%
Inflation	2.50%
Payroll growth	2.75%
Projected salary increase <sup>(1)</sup>	Varies by Entry Age and Service
Investment rate of return <sup>(2)</sup>	6.90%
Mortality <sup>(3)</sup>	CalPERS Table

<sup>(1)</sup> Depending on age, service, and type of employment

<sup>(2)</sup> Net of pension plan investment expenses, including inflation

<sup>(3)</sup> 20 years of mortality improvement – Society of Actuaries Scale AA

The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The long-term expected rate of return on pension plan investments (6.90%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**THERMALITO WATER AND SEWER DISTRICT**

Notes to the Financial Statements  
June 30, 2023

**Note 6: Defined Benefit Pension Plan – continued**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions – continued**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund’s fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** – The following presents what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the current rate:

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
District's proportionate share of the net pension plan liability (asset)	\$ 2,145,516	\$ 1,348,139	\$ 692,096

Detailed information about the pension fund’s fiduciary net position is available in the separately issued CalPERS comprehensive annual financial report which may be obtained by contacting CalPERS.

**THERMALITO WATER AND SEWER DISTRICT**

Notes to the Financial Statements  
June 30, 2023

**Note 6: Defined Benefit Pension Plan – continued**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions – continued**

Deferred Inflows and Outflows

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 138,145	\$ -
Differences between expected and actual experience	8,941	-
Differences between projected and actual investment earnings	246,943	-
Differences between employer's contributions and proportionate share of contributions	-	44,126
Change in employer's proportion	88,874	-
Pension contributions made subsequent to measurement date	217,346	-
Total	<u>\$ 700,249</u>	<u>\$ 44,126</u>

As of June 30, 2023, the District reported \$217,346 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year-end June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 125,493
2025	105,301
2026	56,945
2027	151,038
Total	<u>\$ 438,777</u>



# THERMALITO WATER AND SEWER DISTRICT

Notes to the Financial Statements  
June 30, 2023

## **Note 7: Deferred Compensation Plan**

Prior to contracting with CalPERS, the District maintained a Public Employees Deferred Compensation Plan for substantially all of its employees with Empower Retirement and John Hancock Life Insurance Company. There were no contributions made to these plans during the fiscal years ended June 30, 2023 and 2022. The value of the total assets of the plans as of June 30, 2023 and 2022, was \$408,296 and \$353,014, respectively.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributed to those amounts, property, or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. As required by GASB No. 32, the District does not meet the criteria for inclusion of plan assets within its financial statements and has, therefore, excluded the plan assets from the accompanying financial statements.

## **Note 8: Joint Powers Agreement**

On March 29, 1973, the District, the City of Oroville, and Lake Oroville Area Public Utility District entered into a Joint Exercise of Powers Agreement that reorganized its governing board and created an independent agency known as the Sewerage Commission – Oroville Region (SC-OR). SC-OR was created to operate a sewerage treatment plant for the mutual advantage of the member entities. Two members (only one with voting powers) of SC-OR's Board of Commissioners are appointed by each member entity. SC-OR's operating and capital budget are funded by user charges for sewerage treatment services provided to the residents of each member entity. Each member entity is responsible for billing, collecting, and remitting SC-OR's user charges applicable to their separate residents. At June 30, 2023 and 2022, the District held \$175,414 and \$157,758, respectively, in unremitted SC-OR service charges that have been reported as a liability on the accompanying balance sheet.

SC-OR's separate financial statements may be obtained by contacting its administrative offices at:

P.O. Box 1350  
Oroville, CA 95965

**THERMALITO WATER AND SEWER DISTRICT**

Notes to the Financial Statements  
June 30, 2023

**Note 8: Joint Powers Agreement – continued**

Noted below is a condensed audited balance sheet and income statement of SC-OR as of June 30, 2023 and 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash	\$16,501,426	\$15,521,850
Other assets	20,274,167	18,163,415
Deferred outflows of resources	1,006,446	516,795
Total Assets and Deferred Outflows of Resources	<u>\$37,782,039</u>	<u>\$34,202,060</u>
Liabilities	\$ 2,658,339	\$ 1,794,069
Deferred inflows of resources	351,695	1,335,469
Net position	34,772,005	31,072,522
Total Assets and Deferred Inflows of Resources	<u>\$37,782,039</u>	<u>\$34,202,060</u>
Total revenues	\$ 6,408,053	\$ 9,951,821
Total expenses	(3,019,541)	(3,765,589)
Change in Net Position	<u>\$ 3,388,512</u>	<u>\$ 6,186,232</u>

**Note 9: Risk Management**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the District’s policy to transfer the risks that may arise from these and other events through the purchase of commercial insurance through the ACWA/JPIA. Over the past three years, no loss settlements have exceeded insurance coverage amounts.

**Note 10: Interfund Balances**

Transactions between funds of the District are recorded as interfund transfers in the individual fund financial statements but are eliminated and not reported on the government wide financial statements. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds on the statement of net position.

The balance in the individual fund financial statements of \$271,625 due to the Water fund from the Sewer fund and \$108,428 due to the Sewer from the Water fund resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

# THERMALITO WATER AND SEWER DISTRICT

Notes to the Financial Statements  
June 30, 2023

**Note 11: Medical Expense Reimbursement Plan**

The District, on January 1, 2013, terminated their Health Insurance Plan with CalPERS and went to a high deductible plan and established a medical expense reimbursement plan. The Plan is on a calendar year basis, and each employee may submit medical costs for reimbursement up to \$3,000 per calendar year, with no carry over provisions if the employee does not use the \$3,000. The total exposure to the District if all employees were to submit reimbursements up to the maximum amount would be \$36,000 per calendar year.

**Note 12: Extraordinary Item**

In May 2023, the District received \$4,753,211 as part of the settlement from the Fire Victim Trust which was set up to help compensate victims of the 2018 Camp Fire. The Fire Victim Trust may increase the amount owed to all claimants at a later date; however, the timing and amount remain unknown.

**Note 13: Subsequent Events**

Management has evaluated subsequent events through October 16, 2023, the date which the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**THERMALITO WATER AND SEWER DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Last 10 Fiscal Years\*:

<b>Measurement Date</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2018</b>
Proportion of the net pension liability	0.0400000%	0.0330000%	0.0288600%	0.0265300%	0.0236600%
Proportionate share of the net pension liability	\$ 953,065	\$ 806,087	\$ 1,002,395	\$ 1,045,648	\$ 891,804
Covered-employee payroll	\$ 619,918	\$ 613,551	\$ 710,862	\$ 655,266	\$ 725,751
Proportionate share of the net pension liability as a percentage of covered-employee payroll	153.74%	131.38%	141.01%	159.58%	122.88%
Plan's fiduciary net position	\$ 2,456,620	\$ 2,617,555	\$ 2,884,890	\$ 3,315,658	\$ 3,540,434
Plan's fiduciary net position as a percentage of the total pension liability	72.05%	74.30%	74.21%	76.02%	79.88%

<b>Measurement Date</b>	<b>June 30, 2019</b>	<b>June 30, 2020</b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>
Proportion of the net pension liability	0.0248300%	0.0260600%	0.0278400%	0.0288110%
Proportionate share of the net pension liability	\$ 994,244	\$ 1,099,123	\$ 528,654	\$ 1,348,139
Covered-employee payroll	\$ 811,075	\$ 858,998	\$ 829,464	\$ 926,999
Proportionate share of the net pension liability as a percentage of covered-employee payroll	122.58%	127.95%	63.73%	145.43%
Plan's fiduciary net position	\$ 3,690,637	\$ 3,943,173	\$ 4,839,826	\$ 4,501,248
Plan's fiduciary net position as a percentage of the total pension liability	78.78%	78.20%	90.15%	76.95%

\* Fiscal year 2015 was the first year of implementation. Additional years will be presented as they become available.

**THERMALITO WATER AND SEWER DISTRICT  
SCHEDULE OF PENSION CONTRIBUTIONS**

Last 10 Fiscal Years\*:

<b>Measurement Date</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2018</b>
Contractually required contributions (actuarially determined)	\$ 206,386	\$ 212,772	\$ 219,357	\$ 110,833	\$ 135,277
Contributions in relation to the actuarially determined contributions	(206,386)	(212,772)	(219,357)	(110,833)	(135,277)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 619,918	\$ 613,551	\$ 710,862	\$ 655,266	\$ 725,751
Contributions as a percentage of covered- employee payroll	33.29%	34.68%	30.86%	16.91%	18.64%
Valuation date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017

<b>Measurement Date</b>	<b>June 30, 2019</b>	<b>June 30, 2020</b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>
Contractually required contributions (actuarially determined)	\$ 154,916	\$ 175,666	\$ 188,400	\$ 217,346
Contributions in relation to the actuarially determined contributions	(154,916)	(175,666)	(188,400)	(217,346)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 811,075	\$ 858,998	\$ 829,464	\$ 926,999
Contributions as a percentage of covered- employee payroll	19.10%	20.45%	22.71%	23.45%
Valuation date	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021

\* Fiscal year 2015 was the first year of implementation. Additional years will be presented as they become available.

**SUPPLEMENTARY INFORMATION**

**THERMALITO WATER AND SEWER DISTRICT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL - WATER  
FOR THE YEAR ENDED JUNE 30, 2023**

**WATER SERVICES**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues:</b>			
Water sales	\$ 2,517,500	\$ 1,864,005	\$ (653,495)
Water services	597,100	536,700	(60,400)
Other income	7,000	13,302	6,302
Total Operating Revenues	3,121,600	2,414,007	(707,593)
<b>Operating Expenses:</b>			
Wilenor water supply	54,440	7,845	46,595
Water treatment	711,475	618,254	93,221
Transmission and distribution	723,618	650,092	73,526
Administration and general	712,905	599,981	112,924
Total Operating Expenses	2,202,438	1,876,172	326,266
Operating Income	919,162	537,835	(381,327)
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	14,000	146,294	132,294
Capacity charges	20,000	9,548	(10,452)
Loss on disposal of asset	-	84,500	84,500
Total Non-Operating Income	34,000	240,342	206,342
<b>Other Budgeted Items</b>			
Capital expenditures	(3,566,267)	(3,219,250)	347,017
Total Other Budgeted Items	(3,566,267)	(3,219,250)	347,017
Net (Loss) Income - Budget Basis	\$ (2,613,105)	(2,441,073)	\$ 172,032
Beginning Net Position		16,562,642	
<b>Reconcile Budget to GAAP Basis:</b>			
Camp Fire settlement (not budgeted)		4,753,211	
Capital expenditures		3,219,250	
Depreciation (not budgeted)		(485,057)	
Ending Net Position		\$ 21,608,973	



**THERMALITO WATER AND SEWER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL - SEWER**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**SEWER SERVICES**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues:</b>			
Sewer use sales and services	\$ 1,749,699	\$ 1,691,392	\$ (58,307)
Total Operating Revenues	1,749,699	1,691,392	(58,307)
<b>Operating Expenses:</b>			
Transmission and distribution	78,500	70,218	8,282
Administration and general	559,478	434,616	124,862
Sewerage collection	174,254	151,778	22,476
SC-OR charges	718,000	700,348	17,652
Total Operating Expenses	1,530,232	1,356,960	173,272
Operating Income	219,467	334,432	114,965
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	7,000	36,573	29,573
Capacity charges	89,000	81,798	(7,202)
Interest expense	(42,834)	(40,282)	2,552
Total Non-Operating (Loss) Income	53,166	78,089	24,923
<b>Other Budgeted Items</b>			
Principal payments on notes	(126,839)	(126,839)	-
Capital expenditures	(86,000)	(21,897)	64,103
Total Other Budgeted Items	(212,839)	(148,736)	64,103
Net Income - Budget Basis	\$ 59,794	263,785	\$ 203,991
Beginning Net Position		6,421,615	
<b>Reconcile Budget to GAAP Basis:</b>			
Capital expenditures		21,897	
Principal payments on notes		126,839	
Depreciation (not budgeted)		(275,447)	
Ending Net Position		\$ 6,558,689	

**OTHER INDEPENDENT AUDITOR'S REPORTS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Thermalito Water and Sewer District  
Oroville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States, the financial statements of Thermalito Water and Sewer District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors  
Thermalito Water and Sewer District  
Oroville, California

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. The report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fechter & Company  
Certified Public Accountants



The image shows a handwritten signature in blue ink that reads "Fechter + Company". The signature is written in a cursive, flowing style with a long horizontal flourish extending to the right.

Sacramento, California  
October 16, 2023