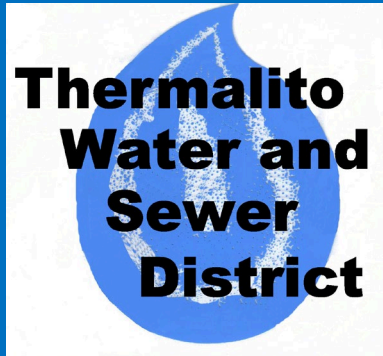




**FECHTER**  
**& COMPANY**  
Certified Public Accountants



Annual Financial Report  
With  
Independent Auditor's Report Thereon  
June 30, 2025

**THERMALITO WATER AND SEWER DISTRICT**  
**Annual Financial Report**  
**June 30, 2025**

Table of Contents

	<u>Page</u>
Board of Directors.....	1
<b>Financial Section</b>	
Independent Auditor’s Report .....	2-5
Management’s Discussion and Analysis .....	6-10
Basic Financial Statements:	
Statement of Net Position .....	11
Statement of Revenues, Expenses, and Changes in Net Position .....	12
Statement of Cash Flows .....	13-14
Notes to the Financial Statements.....	15-31
<b>Required Supplementary Information</b>	
Schedule of Proportionate Share of the Net Pension Liability .....	32
Schedule of Pension Contributions.....	33
<b>Supplementary Information</b>	
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Water .....	34
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Sewer.....	35
<b>Other Reporting Required by <i>Government Auditing Standards</i></b>	
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 <i>Government Auditing Standards</i> .....	36-37

**THERMALITO WATER AND SEWER DISTRICT**  
**Annual Financial Statements**  
**For the Year Ended June 30, 2025**

BOARD OF DIRECTORS

**President:**

Trevor Hatley  
Division 2

**Vice-President:**

Mark Clark  
Division 5

**Directors:**

Brad Taggart  
Division 1

Bruce Wristen  
Division 4

Scott Koch  
Division 3

**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 business-type activities and each major fund of Thermalito Water and Sewer District (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

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, 2025, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

### Other Matters

We have previously audited the financial statements of Thermalito Water and Sewer District as of and for the year ended June 30, 2024, and our report dated October 21, 2024 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### 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.

## **Responsibilities of Management for the Financial Statements (continued)**

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.

## **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 and *Government 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 and *Government 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2026, 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.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, along with the schedules of proportionate share of the net pension liability and pension contributions, as listed under the table of contents, 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 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**

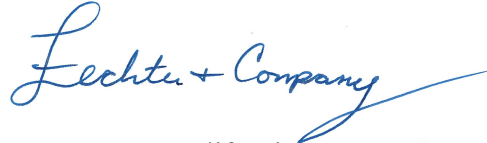
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual for the Water and Sewer Funds as listed under the Table of Contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such 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.

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

**Supplementary Information (continued)**

In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fechter & Company  
Certified Public Accountants

A handwritten signature in blue ink that reads "Fechter + Company". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Sacramento, California  
March 6, 2026

**THERMALITO WATER AND SEWER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2025**

This section of the annual financial report of the Thermalito Water and Sewer District (District) presents the Management's Discussion and Analysis. The discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. 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 (no activity in fiscal year 2025)
- Capital and Related Financing Activities
- Investing Activities

**THERMALITO WATER AND SEWER DISTRICT**  
**Management’s Discussion and Analysis**  
**For the Year Ended June 30, 2025**

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 2024/2025 was a stable year for the District. The construction of new homes and apartments is moving forward. The District sold 3 water connections and 6 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.

	<u>Condensed Statement of Net Position</u>			
	<u>2025</u>	<u>2024</u>	<u>\$ Change</u>	<u>% Change</u>
<u>Assets</u>				
Current assets	\$ 13,938,903	\$ 11,741,495	\$ 2,197,408	18.71%
Restricted assets	1,392,133	1,329,827	62,306	4.69%
Capital assets, net of accumulated depreciation	18,773,914	18,931,757	(157,843)	-0.83%
<b>Total Assets</b>	<b><u>34,104,950</u></b>	<b><u>32,003,079</u></b>	<b><u>2,101,871</u></b>	<b><u>6.57%</u></b>
<u>Deferred Outflows of Resources</u>				
CalPERS pension contributions	591,629	720,050	(128,421)	-17.84%
<u>Liabilities</u>				
Current liabilities	662,145	492,815	169,330	34.36%
Long-term liabilities	3,260,847	3,475,698	(214,851)	-6.18%
<b>Total Liabilities</b>	<b><u>3,922,992</u></b>	<b><u>3,968,513</u></b>	<b><u>(45,521)</u></b>	<b><u>-1.15%</u></b>
<u>Deferred Inflows of Resources</u>				
CalPERS actuarial amounts	8,529	23,493	(14,964)	-63.70%
<u>Net Position</u>				
Invested in capital assets, net of related debt	17,122,755	17,148,376	(25,621)	-0.15%
Restricted	1,392,133	1,329,827	62,306	4.69%
Unrestricted	12,250,170	10,252,920	1,997,250	19.48%
<b>Total Net Position</b>	<b><u>\$ 30,765,058</u></b>	<b><u>\$ 28,731,123</u></b>	<b><u>\$ 2,033,935</u></b>	<b><u>7.08%</u></b>

**THERMALITO WATER AND SEWER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2025**

The total net position of the District's enterprise activities increased by \$2,033,935 from one year ago (2024 to 2025). The current assets of the District increased by \$2,197,408 from one year ago, and the capital assets, net of accumulated depreciation, decreased by \$157,843. Long-term liabilities decreased by \$175,461 from prior year due to a decrease in the net pension liability and compensated absences, along with continued debt service payments. 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, 2024, of \$10,252,920 compared to Unrestricted Net Position at June 30, 2025, of \$12,250,170, represents an increase by \$1,997,250.

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

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

	2025	2024	\$ Change	% Change
Operating Revenues:				
Charges for services	\$ 4,626,667	\$ 4,596,534	\$ 30,133	0.66%
Water transfers	-	-	-	0.00%
Other	1,573,728	13,269	1,560,459	11760.19%
Total operating revenues	<u>6,200,395</u>	<u>4,609,803</u>	<u>1,590,592</u>	<u>34.50%</u>
Operating Expenses:				
Direct expenses	1,777,425	1,832,283	(54,858)	(54,858)
Administration	1,426,923	1,372,804	54,119	3.94%
SC-OR charges	876,542	861,510	15,032	0.00%
Depreciation	896,070	866,550	29,520	3.41%
Total operating expenses	<u>4,976,960</u>	<u>4,933,147</u>	<u>43,813</u>	<u>0.89%</u>
Operating (loss) income	1,223,435	(323,344)	1,546,779	-478.37%
Non-Operating Revenues (Expenses):				
Interest income	517,380	437,770	79,610	18.19%
Capacity charges	10,000	17,501	(7,501)	-42.86%
Interest expense	(34,789)	(37,565)	2,776	-7.39%
Gain (loss) on disposal of assets	-	(4,768)	4,768	-100.00%
Total non-operating revenues (expenses)	<u>492,591</u>	<u>412,938</u>	<u>79,653</u>	<u>19.29%</u>
Net income before extraordinary items	<u>1,716,026</u>	<u>89,594</u>	<u>1,626,432</u>	<u>1815%</u>
Extraordinary item - Camp Fire settlement	<u>317,909</u>	<u>473,867</u>	<u>(155,958)</u>	<u>-33%</u>
Change in Net Position	<u>\$ 2,033,935</u>	<u>\$ 563,461</u>	<u>\$ 1,470,474</u>	<u>261%</u>

Operating revenues increased by \$1,590,592, or 34.50%, from 2024 to 2025 due primarily to a continued increase in both water and sewer rates.

The District's operating expenses increased by \$43,813, or 0.89%.

**THERMALITO WATER AND SEWER DISTRICT**  
**Management’s Discussion and Analysis**  
**For the Year Ended June 30, 2025**

**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, 2025, are: Water Services - \$9,924,112, and Sewer Services \$2,326,058. For the fiscal year ended June 30, 2025, the Water Services total net position increased by \$1,858,313, and the Sewer Service total net position increased by \$175,622.

**Capital Assets**

The District’s investment in capital assets (net of accumulated depreciation) totaled \$18,773,914, as of June 30, 2025. The following table provides a detailed breakdown of the capital assets, with each major classification net of its respective accumulated depreciation:

	2025	2024
Water Services:		
Land	\$ 126,171	\$ 126,171
Concow easement	12,968	12,968
Construction in progress	290,607	43,990
Source and supply	12,737,627	13,051,598
General plant and administration	348,894	300,912
Total Capital Assets, Water	13,516,267	13,535,639
Sewer Services:		
Construction in-progress	35,134	5,868
Sewer collection facilities	4,928,306	5,131,536
Automotive equipment	294,206	258,714
Total Capital Assets, Sewer	5,257,647	5,396,118
 Total Net Capital Assets	 \$ 18,773,914	 \$ 18,931,757

**Capital Debt**

As of June 30, 2025, the District carried a note payable totaling \$1,651,159, compared with \$1,783,381 at June 30, 2024. Debt service payments followed the expected amortization table for fiscal year 2025 and no new debt was issued. More detailed information about the District’s long-term debt is presented in Note 4 of the financial statements.

**Economic Factors and Next Year’s Budget**

The District’s elected officials considered many factors when setting the Fiscal Year 2025 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, 2025**

**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.

**THERMALITO WATER AND SEWER DISTRICT**  
**Statement of Net Position**  
**June 30, 2025 (with comparative data for June 30, 2024)**

	2025		Total	2024 Total
	Water Services	Sewer Services		
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 10,722,004	\$ 2,947,651	\$ 13,669,654	\$ 11,475,076
Accounts receivable	33,178	29,582	62,760	61,993
Interest receivable	102,455	25,614	128,069	121,829
Due from other funds	277,936	151,034	428,970	-
Inventory	35,267	765	36,032	42,261
Prepaid items	42,387	-	42,387	40,336
<b>Total Current Assets</b>	<b>11,213,227</b>	<b>3,154,646</b>	<b>14,367,873</b>	<b>11,741,495</b>
Non-current assets:				
Restricted cash	593,308	798,825	1,392,133	1,329,827
Capital assets, net	13,516,267	5,257,647	18,773,914	18,931,757
<b>Total non-current assets</b>	<b>14,109,575</b>	<b>6,056,472</b>	<b>20,166,047</b>	<b>20,261,584</b>
<b>Total Assets</b>	<b>25,322,802</b>	<b>9,211,118</b>	<b>34,533,920</b>	<b>32,003,079</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension outflows	489,768	101,861	591,629	720,050
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	144,413	250,927	395,340	52,036
Salaries and wages payable	29,221	8,482	37,703	215,413
Accounts payable - SC-OR	-	-	-	30,368
Due to other funds	151,034	277,936	428,970	
Customer and project advances	10,829	5,000	15,829	20,713
Interest payable	-	33,229	33,229	35,891
Retirement payable	8,432	-	8,432	6,172
Compensated absences liability, current portion	24,531	12,082	36,613	-
Notes payable, current portion	-	134,999	134,999	132,222
<b>Total current liabilities</b>	<b>368,460</b>	<b>722,655</b>	<b>1,091,115</b>	<b>492,815</b>
Long-Term Liabilities:				
Compensated absences liability, net of current portion	186,054	91,638	277,692	340,998
Notes payable, net of current portion	-	1,516,160	1,516,160	1,651,159
Net pension liability	1,217,440	249,555	1,466,995	1,483,541
<b>Total long-term liabilities</b>	<b>1,403,494</b>	<b>1,857,353</b>	<b>3,260,847</b>	<b>3,475,698</b>
<b>Total Liabilities</b>	<b>1,771,954</b>	<b>2,580,008</b>	<b>4,351,962</b>	<b>3,968,513</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension inflows	6,929	1,600	8,529	23,493
<b>Net Position</b>				
Net investment in capital assets	13,516,267	3,606,488	17,122,755	17,148,376
Restricted:				
Debt service	-	169,673	169,673	169,673
Capacity fees	593,308	629,152	1,222,460	1,160,154
Unrestricted	9,924,112	2,326,058	12,250,170	10,252,920
<b>Total Net Position</b>	<b>\$ 24,033,687</b>	<b>\$ 6,731,371</b>	<b>\$ 30,765,058</b>	<b>\$ 28,731,123</b>

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, 2025 (with comparative data for June 30, 2024)**

	2025			2024
	Water Services	Sewer Services	Total	
<b>Operating Revenues:</b>				
Water sales	\$ 2,514,935	\$ -	\$ 2,514,935	\$ 2,337,065
Water services	113,295	-	113,295	425,012
Sewer use sales and services	-	1,998,437	1,998,437	1,834,457
Other income	1,573,728	-	1,573,728	13,269
<b>Total Operating Revenues</b>	<b>4,201,958</b>	<b>1,998,437</b>	<b>6,200,395</b>	<b>4,609,803</b>
<b>Operating Expenses:</b>				
Wilnor water supply	34,940	-	34,940	32,617
Water treatment	748,662	-	748,662	679,912
Transmission and distribution	779,999	75,145	855,144	884,409
Administration and general	889,985	536,938	1,426,923	1,372,804
Depreciation	625,055	271,015	896,070	866,550
Sewerage collection	-	138,679	138,679	235,345
SC-OR charges	-	876,542	876,542	861,510
<b>Total Operating Expenses</b>	<b>3,078,641</b>	<b>1,898,319</b>	<b>4,976,960</b>	<b>4,933,147</b>
<b>Operating Income</b>	<b>1,123,317</b>	<b>100,118</b>	<b>1,223,435</b>	<b>(323,344)</b>
<b>Non-Operating Revenues (Expenses):</b>				
Interest income	413,904	103,476	517,380	437,770
Capacity charges	3,183	6,817	10,000	17,501
Loss on disposal of asset	-	-	-	(37,565)
Interest expense	-	(34,789)	(34,789)	(4,768)
<b>Total non-operating revenues (expenses)</b>	<b>417,087</b>	<b>75,504</b>	<b>492,591</b>	<b>412,938</b>
<b>Net income (loss) before extraordinary items</b>	<b>1,540,404</b>	<b>175,622</b>	<b>1,716,026</b>	<b>89,594</b>
Extraordinary item - Camp Fire settlement	317,909	-	317,909	473,867
<b>Change in Net Position</b>	<b>1,858,313</b>	<b>175,622</b>	<b>2,033,935</b>	<b>563,461</b>
<b>Beginning Net Position</b>	<b>22,175,374</b>	<b>6,555,749</b>	<b>28,731,123</b>	<b>28,167,662</b>
<b>Ending Net Position</b>	<b>\$ 24,033,687</b>	<b>\$ 6,731,371</b>	<b>\$ 30,765,058</b>	<b>\$ 28,731,123</b>

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, 2025 (with comparative data for June 30, 2024)**

	2025			2024
	Water Services	Sewer Services	Total	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 4,205,104	\$ 1,979,145	\$ 6,184,249	\$ 4,618,484
Cash paid to suppliers	(613,577)	(1,139,399)	(1,752,976)	(1,905,917)
Cash paid for employee salaries and benefits	(1,658,121)	(447,417)	(2,105,538)	(2,047,163)
Net cash provided by operating activities	<u>1,933,406</u>	<u>392,329</u>	<u>2,325,735</u>	<u>665,404</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	(605,683)	(132,544)	(738,227)	(939,967)
Proceeds from capacity charges	3,183	6,817	10,000	17,501
Proceeds from Camp Fire settlement	317,909	-	317,909	473,867
Principal paid on loans	-	(132,222)	(132,222)	(129,503)
Interest paid on loans	-	(37,451)	(37,451)	(40,171)
Net cash used in capital and related financing activities	<u>(284,591)</u>	<u>(295,400)</u>	<u>(579,991)</u>	<u>(618,273)</u>
<b>Cash flows from investing activities:</b>				
Investment income received	<u>408,912</u>	<u>102,228</u>	<u>511,140</u>	<u>387,581</u>
Net cash provided by investing activities	<u>408,912</u>	<u>102,228</u>	<u>511,140</u>	<u>387,581</u>
Net increase in cash and cash equivalents	2,057,727	199,157	2,256,884	434,712
Cash and cash equivalents, beginning of year	<u>9,257,585</u>	<u>3,547,318</u>	<u>12,804,903</u>	<u>12,370,191</u>
Cash and cash equivalents, end of year	<u>\$ 11,315,312</u>	<u>\$ 3,746,475</u>	<u>\$ 15,061,787</u>	<u>\$ 12,804,903</u>
<b>Reconciliation of Cash and Cash Equivalents:</b>				
Cash and cash equivalents	\$ 10,722,004	\$ 2,947,651	\$ 13,669,654	\$ 11,475,076
Restricted cash and cash equivalents	<u>593,308</u>	<u>798,825</u>	<u>1,392,133</u>	<u>1,329,827</u>
Total cash and cash equivalents	<u>\$ 11,315,312</u>	<u>\$ 3,746,476</u>	<u>\$ 15,061,787</u>	<u>\$ 12,804,903</u>

(continued)

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, 2025 (with comparative data for June 30, 2024)**

	2025			2024
	Water Services	Sewer Services	Total	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 1,123,317	\$ 100,118	\$ 1,223,435	\$ (323,344)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	625,055	271,015	896,070	866,550
Changes in assets and liabilities:				
Accounts receivable	584	(1,351)	(767)	64,577
Due from other funds	2,446	(12,941)	(10,495)	-
Inventory	4,726	1,503	6,229	(1,224)
Prepaid expenses	(2,051)	-	(2,051)	15,624
Accounts payable	95,275	248,029	343,304	(149,982)
Accounts payable - SC-OR	-	(215,413)	(215,413)	39,999
Customer and project advances	116	(5,000)	(4,884)	(17,474)
Accrued salaries and wages	5,216	2,119	7,335	3,716
Due to other funds	12,941	(2,446)	10,495	-
Retirement payable	2,260	-	2,260	2,414
Compensated absences liability	(17,884)	(8,809)	(26,693)	69,580
Net pension liability	81,405	15,505	96,910	94,968
<b>Net cash provided by operating activities</b>	<b>\$ 1,933,406</b>	<b>\$ 392,329</b>	<b>\$ 2,325,735</b>	<b>\$ 665,404</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, 2025**

**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.

**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.

**THERMALITO WATER AND SEWER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Note 1: Summary of Significant Accounting Policies (continued)**

**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, 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, 2025 and 2024.

**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.

**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.

**THERMALITO WATER AND SEWER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Compensated Absences**

The District recognizes a liability for compensated absences attributable to services already rendered by employees that are expected to be paid or settled in accordance with Governmental Accounting Standards Board (GASB) Statement No. 101. The liability for compensated absences is measured using employees' pay rates in effect as of the financial statement date and includes salary-related payments directly and incrementally associated with payments for 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 1,000 hours. The District estimates that this balance available for cash-out is more likely than not to either be carried forward to an eligible termination event to be cashed out, or will be used.

The District did not have any other post-employment benefit obligations (OPEB) for the fiscal years ended June 30, 2025 and 2024.

**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.

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 years ended June 30, 2025 or 2024.

**THERMALITO WATER AND SEWER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Note 1: Summary of Significant Accounting Policies (continued)**

**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, 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*.

**Pension**

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.

**Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied by the County of Butte and are payable in two installments: the first installment is due on December 10 and the second on April 10 of the following year. The County of Butte is responsible for the billing, collection, and distribution of property taxes for the District. In the proprietary fund financial statements, property tax revenues are recognized on the accrual basis in the period for which the taxes are levied, regardless of when they are collected.

**THERMALITO WATER AND SEWER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Recent Accounting Pronouncements**

During the year ended June 30, 2025, the District implemented the following Governmental Accounting Standards Board (GASB) pronouncements relevant to proprietary funds:

- GASB Statement No. 96, Subscription-Based Information Technology Arrangements – This statement establishes accounting and financial reporting requirements for subscription-based IT arrangements (SBITAs) for government end users. The District evaluated its contracts and determined that the implementation of this standard did not have a material impact on its financial statements.
- GASB Statement No. 100, Accounting Changes and Error Corrections – This statement provides guidance on the accounting and financial reporting for accounting changes and error corrections. The implementation of this standard did not have a material impact on the District’s financial statements.
- GASB Statement No. 101, Compensated Absences – This statement updates the recognition and measurement guidance for compensated absences. The District evaluated its compensated absences policies and determined that the implementation of this standard did not have a material impact on its financial statements with the exception of stating a separate portion of the total liability as current vs. long-term as of June 30, 2025.
- GASB Statement No. 102, Certain Risk Disclosures – This statement requires certain risk disclosures in the notes to the financial statements. The District evaluated its risk exposures and determined that no additional disclosures were required.

**Upcoming Pronouncements**

The GASB has issued the following statement that may impact the District’s financial statements in future periods:

- GASB Statement No. 103, Financial Reporting Model Improvements – This statement is effective for fiscal years beginning after June 15, 2025. The District is currently evaluating the impact of this statement on its financial statements.

The District will implement new GASB pronouncements as required and will assess the impact on its financial statements as more information becomes available.

**THERMALITO WATER AND SEWER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Note 2: Cash and Cash Equivalents**

Cash and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Unrestricted cash and cash equivalents	\$ 13,669,654
Restricted cash and cash equivalents	<u>1,392,133</u>
Total Cash and Cash Equivalents	<u><u>\$ 15,061,787</u></u>

Cash and cash equivalents were comprised of the following:

Cash on hand	\$ 600
Deposits held with financial institutions	2,837,817
Deposits held with LAIF	<u>12,223,370</u>
Total Cash and Cash Equivalents	<u><u>\$ 15,061,787</u></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 California 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, 2025, and 2024, the District's investments had no significant exposure to interest rate risk.

**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.

**THERMALITO WATER AND SEWER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Note 2: Cash and Cash Equivalents (continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank or counterparty failure, the District's deposits or investments may not be recoverable. The California Government Code requires that public deposits be secured by collateral valued at least 110% of the total deposits, or 150% if secured by first trust deed mortgage notes, held in an undivided collateral pool by a qualified depository. The District's investment policy follows these requirements.

Custodial credit risk for investments generally applies only to direct investments in marketable securities, not to indirect investments such as mutual funds or government investment pools, including LAIF.

As of June 30, 2025, the District's deposits with financial institutions had a carrying amount of \$2,837,817 and a bank balance of \$2,900,744. Of this amount, \$250,000 was covered by federal depository insurance, and the remaining \$2,650,744 was collateralized as required by state law.

**Investment in State Investment Pool**

As of June 30, 2025, the District had \$12,223,370 voluntarily invested in the Local Agency Investment Fund (LAIF), a California state-administered external investment pool. LAIF is not registered with the Securities and Exchange Commission, but is subject to regulatory oversight by the Treasurer of the State of California.

Although LAIF does not meet the criteria of a 2a7-like pool under GASB Statement No. 79, the District reports its investment in LAIF at amortized cost, which approximates fair value. The fair value of the District's position in LAIF is calculated by applying the June 30, 2025, LAIF fair value factor of 1.001198310 to the account balance, resulting in a fair value of \$12,237,021. The difference between amortized cost and fair value is not considered material to the financial statements.

There are no significant withdrawal restrictions or involuntary participation requirements. The District's policy is to report investments at fair value unless the difference between amortized cost and fair value is not material. In such cases, investments are reported at amortized cost, and the immaterial difference is disclosed in the notes.

**THERMALITO WATER AND SEWER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Note 3: Capital Assets**

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

	Balance June 30, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
<b>Water Services</b>					
Non-depreciable Capital Assets:					
Land	\$ 126,171	\$ -	\$ -	\$ -	\$ 126,171
Concow easement	12,968	-	-	-	12,968
Construction-in-progress	43,990	290,607	-	(43,990)	290,607
Total Non-depreciable Capital Assets	183,129	290,607	-	(43,990)	429,746
Capital Assets Being Depreciated:					
Source and supply	22,030,222	203,797	-	94,752	22,328,771
General plant and administration	1,488,039	111,279	(67,774)	(50,762)	1,480,782
Total Capital Assets Being Depreciated	23,518,261	315,076	(67,774)	43,990	23,809,553
Less: Accumulated Depreciation:					
Source and supply	(8,978,624)	(561,759)	-	(50,761)	(9,591,144)
General plant and administration	(1,187,127)	(63,296)	67,774	50,761	(1,131,888)
Total Accumulated Depreciation	(10,165,751)	(625,055)	67,774	-	(10,723,032)
Depreciable Capital Assets, Net	13,352,510	(309,979)	-	43,990	13,086,521
Total Capital Assets, Water Services	13,535,639	(19,372)	-	-	13,516,267
<b>Sewer Services</b>					
Non-depreciable Capital Assets:					
Construction-in-progress	5,868	29,266	-	-	35,134
Total Non-depreciable Capital Assets	5,868	29,266	-	-	35,134
Capital Assets Being Depreciated:					
Sewer collection facilities	10,135,674	-	-	-	10,135,674
Equipment	879,348	103,277	-	-	982,625
Total Capital Assets Being Depreciated	11,015,022	103,277	-	-	11,118,299
Less: Accumulated Depreciation:					
Sewer collection facilities	(5,004,138)	(203,230)	-	-	(5,207,368)
Equipment	(620,634)	(67,785)	-	-	(688,419)
Total Accumulated Depreciation	(5,624,772)	(271,015)	-	-	(5,895,787)
Depreciable Capital Assets, Net	5,390,250	(167,738)	-	-	5,222,512
Total Capital Assets, Sewer Services	5,396,118	(138,471)	-	-	5,257,647
<b>Total Capital Assets, Net</b>	<b>\$ 18,931,757</b>	<b>\$ (157,843)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,773,914</b>

Depreciation expense totaled \$896,070, which was charged to Water and Sewer Services functions according to the respective asset classification and function as identified above.

**THERMALITO WATER AND SEWER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Note 4: Long-Term Liabilities**

**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 \$1,783,381. 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 District's note payable activity for the year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year
<b>Note Payable:</b>					
Sewer Services					
2014 CA Water Resources	\$ 1,783,381	\$ -	\$ (132,222)	\$ 1,651,159	\$ 134,999

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

For the year ended June 30,	Principal	Interest	Total
2026	\$ 134,999	\$ 34,674	\$ 169,673
2027	137,834	31,839	169,673
2028	140,728	28,945	169,673
2029	143,683	25,990	169,673
2030	146,701	22,972	169,673
2031-2036	947,214	70,824	1,018,038
Total	\$ 1,651,159	\$ 215,244	\$ 1,866,403

The District's compensated absences activity for the year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Net Change	Balance June 30, 2025	Due Within One Year
<b>Compensated Absences:</b>				
Water	\$ 228,469	\$ (17,884)	\$ 210,585	\$ 24,531
Sewer	112,529	(8,809)	103,720	12,082
Total Compensated Absences	\$ 340,998	\$ (26,693)	\$ 314,305	\$ 36,613

**THERMALITO WATER AND SEWER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Note 5: 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, 2025, 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	16.44%	7.68%

**THERMALITO WATER AND SEWER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Note 5: 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, 2025, employer contributions totaled \$270,642, and member contributions totaled \$102,369.

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

As of June 30, 2024, the District reported net pension liability of \$1,483,541 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, 2023, 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, 2022, rolled forward to June 30, 2023, 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, 2024 and 2025, was as follows:

Proportion - June 30, 2024	0.02967%
Proportion - June 30, 2025	0.03033%
Change - Increase/(Decrease)	0.00066%

For the fiscal year ended June 30, 2025, the District recognized pension expense of \$367,553 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, 2025**

**Note 5: 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, 2024 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount rate	6.90%
Inflation	2.30%
Payroll growth	2.80%
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 2021 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 table on the following page:

**THERMALITO WATER AND SEWER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Note 5: Defined Benefit Pension Plan (continued)**

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-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:

	<u>1% Decrease 5.90%</u>	<u>Discount Rate 6.90%</u>	<u>1% Increase 7.90%</u>
District's proportionate share of the net pension plan liability (asset)	<u>\$ 2,399,481</u>	<u>\$ 1,466,995</u>	<u>\$ 699,422</u>

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, 2025**

**Note 5: 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, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 37,705	\$ -
Differences between expected and actual experience	121,886	-
Differences between projected and actual investment earnings	84,453	-
Differences between employer's contributions and proportionate share of contributions	36,292	8,529
Change in employer's proportion	40,651	-
Pension contributions made subsequent to measurement date	270,642	-
<b>Total</b>	<b>\$ 591,629</b>	<b>\$ 8,529</b>

As of June 30, 2025, the District reported \$270,642 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 118,281
2027	210,266
2028	12,852
2029	(28,941)
Total	\$ 312,458

**THERMALITO WATER AND SEWER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Note 6: 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, 2025 and 2024. The value of the total assets of the plans as of June 30, 2025 was \$534,089.

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 7: 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, 2025, the District held \$0 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:

Sewerage Commission – Oroville Region (SC-OR)  
P.O. Box 1350  
Oroville, CA 95965

**THERMALITO WATER AND SEWER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Note 7: Joint Powers Agreement (continued)**

Noted below is a condensed audited balance sheet and income statement of SC-OR as of June 30, 2025:

	<u>June 30, 2025</u>
Cash	\$19,122,344
Other assets	21,006,036
Deferred outflows of resources	996,709
Total Assets and Deferred	\$41,125,089
Outflows of Resources	\$41,125,089
Liabilities	\$ 3,036,553
Deferred inflows of resources	236,396
Net position	37,852,140
Total Assets and Deferred	\$41,125,089
Inflows of Resources	\$41,125,089
Total revenues	\$ 6,740,902
Total expenses	(3,660,767)
Change in Net Position	\$ 3,080,135

**Note 8: 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 9: 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 \$277,936 due to the Water fund from the Sewer fund and \$151,034 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, 2025**

**Note 10: 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 \$39,000 per calendar year.

**Note 11: Extraordinary Item**

During fiscal year 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 District received an additional \$473,867 from the trust in fiscal year 2024, and \$317,909 in fiscal year 2025.

**Note 12: Subsequent Events**

Management has evaluated subsequent events through March 6, 2026, 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**  
**June 30, 2025**

Last 10 Fiscal Years:

<b>Measurement Date</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>
Proportion of the net pension liability	0.0330000%	0.0288600%	0.0265300%	0.0236600%	0.0248300%
Proportionate share of the net pension liability	\$ 806,087	\$ 1,002,395	\$ 1,045,648	\$ 891,804	\$ 994,244
Covered-employee payroll	\$ 605,519	\$ 613,551	\$ 710,862	\$ 655,266	\$ 725,751
Proportionate share of the net pension liability as a percentage of covered-employee payroll	133.12%	163.38%	147.10%	136.10%	137.00%
Plan's fiduciary net position	\$ 2,617,555	\$ 2,884,890	\$ 3,315,658	\$ 3,540,434	\$ 3,690,637
Plan's fiduciary net position as a percentage of the total pension liability	74.30%	74.21%	76.02%	79.88%	78.78%

<b>Measurement Date</b>	<b>June 30, 2020</b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>	<b>June 30, 2023</b>	<b>June 30, 2024</b>
Proportion of the net pension liability	0.0260600%	0.0278400%	0.0288110%	0.0296684%	0.0303300%
Proportionate share of the net pension liability	\$ 1,099,123	\$ 1,483,541	\$ 1,348,139	\$ 1,483,541	\$ 1,466,995
Covered-employee payroll	\$ 811,075	\$ 858,998	\$ 829,464	\$ 926,999	\$ 1,076,769
Proportionate share of the net pension liability as a percentage of covered-employee payroll	135.51%	172.71%	162.53%	160.04%	136.24%
Plan's fiduciary net position	\$ 3,943,173	\$ 4,839,826	\$ 4,501,248	\$ 4,759,389	\$ 5,027,517
Plan's fiduciary net position as a percentage of the total pension liability	78.20%	90.15%	76.95%	76.24%	80.53%

**THERMALITO WATER AND SEWER DISTRICT**  
**Schedule of Pension Contributions**  
**June 30, 2025**

Last 10 Fiscal Years:

<b>Measurement Date</b>	<b><u>June 30, 2015</u></b>	<b><u>June 30, 2016</u></b>	<b><u>June 30, 2017</u></b>	<b><u>June 30, 2018</u></b>	<b><u>June 30, 2019</u></b>
Contractually required contributions (actuarially determined)	\$ 212,772	\$ 219,357	\$ 110,833	\$ 135,277	\$ 154,916
Contributions in relation to the actuarially determined contributions	<u>(212,772)</u>	<u>(219,357)</u>	<u>(110,833)</u>	<u>(135,277)</u>	<u>(154,916)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 605,519	\$ 613,551	\$ 710,862	\$ 655,266	\$ 725,751
Contributions as a percentage of covered-employee payroll	35.14%	35.75%	15.59%	20.64%	21.35%
Valuation date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
<b>Measurement Date</b>	<b><u>June 30, 2020</u></b>	<b><u>June 30, 2021</u></b>	<b><u>June 30, 2022</u></b>	<b><u>June 30, 2023</u></b>	<b><u>June 30, 2024</u></b>
Contractually required contributions (actuarially determined)	\$ 175,666	\$ 188,400	\$ 217,346	\$ 244,498	\$ 233,349
Contributions in relation to the actuarially determined contributions	<u>(175,666)</u>	<u>(188,400)</u>	<u>(217,346)</u>	<u>(244,498)</u>	<u>(233,349)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 811,075	\$ 858,998	\$ 829,464	\$ 926,999	\$ 1,076,769
Contributions as a percentage of covered-employee payroll	21.66%	21.93%	26.20%	26.38%	21.67%
Valuation date	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023

**SUPPLEMENTARY INFORMATION**

**THERMALITO WATER AND SEWER DISTRICT**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**Budget and Actual - Water**  
**June 30, 2025**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Operating Revenues:</b>			
Water sales	\$ 2,661,443	\$ 2,514,935	\$ (146,508)
Water services	258,021	113,295	(144,726)
Other income	<u>11,000</u>	<u>1,573,728</u>	<u>1,562,728</u>
 Total Operating Revenues	 <u>2,930,464</u>	 <u>4,201,958</u>	 <u>1,271,494</u>
<b>Operating Expenses:</b>			
Wilenor water supply	165,338	34,940	130,398
Water treatment	726,946	748,662	(21,716)
Transmission and distribution	884,820	779,999	104,821
Administration and general	<u>813,415</u>	<u>889,985</u>	<u>(76,570)</u>
 Total Operating Expenses	 <u>2,590,519</u>	 <u>2,453,586</u>	 <u>136,933</u>
 Operating Income	 <u>339,945</u>	 <u>1,748,372</u>	 <u>1,408,427</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	150,000	413,904	263,904
Capacity charges	<u>-</u>	<u>3,183</u>	<u>3,183</u>
 Total Non-Operating Income	 <u>150,000</u>	 <u>417,087</u>	 <u>267,087</u>
 Other Budgeted Items			
Capital expenditures	(1,238,550)	(605,683)	632,867
 Net (Loss) Income - Budget Basis	 <u>\$ (748,605)</u>	 <u>1,559,776</u>	 <u>\$ 2,308,381</u>
 Beginning Net Position		22,175,374	
 Reconcile Budget to GAAP Basis:			
Camp Fire settlement (not budgeted)		317,909	
Capital expenditures		605,683	
Depreciation (not budgeted)		<u>(625,055)</u>	
 Ending Net Position		 <u>\$ 24,033,687</u>	

**THERMALITO WATER AND SEWER DISTRICT**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**Budget and Actual - Sewer**  
**June 30, 2025**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Operating Revenues:</b>			
Sewer use sales and services	<u>\$ 2,039,819</u>	<u>\$ 1,998,437</u>	<u>\$ (41,382)</u>
Total Operating Revenues	<u>2,039,819</u>	<u>1,998,437</u>	<u>(41,382)</u>
<b>Operating Expenses:</b>			
Transmission and distribution	98,700	75,145	23,555
Administration and general	289,054	536,938	(247,884)
Sewerage collection	560,266	138,679	421,587
SC-OR charges	<u>886,636</u>	<u>876,542</u>	<u>10,094</u>
Total Operating Expenses	<u>1,834,656</u>	<u>1,627,304</u>	<u>207,352</u>
Operating Income	<u>205,163</u>	<u>371,133</u>	<u>165,970</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	75,000	103,476	28,476
Capacity charges	-	6,817	6,817
Interest expense	<u>(37,451)</u>	<u>(34,789)</u>	<u>2,662</u>
Total Non-Operating Income	<u>37,549</u>	<u>75,504</u>	<u>37,955</u>
Other Budgeted Items			
Principal payments on notes	(132,222)	(132,222)	-
Capital expenditures	<u>(357,250)</u>	<u>(132,544)</u>	<u>224,706</u>
Total Other Budgeted Items	<u>(489,472)</u>	<u>(264,766)</u>	<u>224,706</u>
Net (Loss) Income - Budget Basis	<u>\$ (246,760)</u>	<u>181,871</u>	<u>\$ 428,631</u>
Beginning Net Position		6,555,749	
Reconcile Budget to GAAP Basis:			
Principal payments on notes		132,222	
Capitalized expenditures		132,544	
Depreciation (not budgeted)		<u>(271,015)</u>	
Ending Net Position		<u>\$ 6,731,371</u>	

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

**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 Distric  
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, 2025, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2026.

**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

A handwritten signature in blue ink that reads "Fechter + Company" with a long, sweeping underline.

Sacramento, California  
March 6, 2026