FORESTVILLE WATER DISTRICT
AND
SEWER SERVICE ZONE

Independent Auditor's Report
and
Basic Financial Statements

For the Fiscal Years Ended June 30, 2025 and 2024

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Forestville Water District and Sewer Service Zone
Forestville, California

Opinions

We have audited the accompanying financial statements for the years ended June 30, 2025, and 2024 and the related notes to the financial statements, which collectively comprise the Forestville Water District and Sewer Service Zone, 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 respective financial position of the Forestville Water District and Sewer Service Zone, as of June 30, 2025, and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special District. 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 Forestville Water District and Sewer Service Zone, 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 Forestville Water District and Sewer Service Zone 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 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:

- 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 Forestville Water District and Sewer Service Zone'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 Forestville Water District and Sewer Service Zone'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 Matters
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-8) and schedule of CalPERS (omitted) 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying information, listed as supplementary information in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District.

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion on it or provide any assurance on it.

Blomberg & Griffin A.C.
Stockton, CA

November 06, 2025

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025 and 2024

This section of the Forestville Water District and Sewer Service Zone annual financial report presents an analysis of the District's financial performance during the fiscal years ended June 30, 2025, and 2024. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2024/25

- The District's net position increased by $1,702,332 or 25.55% from $6,662,311 to $8,364,643, mainly due to the grant income.

- Operating Revenues increased by $60,382 or 2.67% from $2,260,082 to $2,320,464.

- Operating expenses increased by $282,366 or 10.76% from $2,623,429 to $2,905,795 due to the administrative and general expenses.

- The District's non-operating income, net of the interest expense, was $2,287,663, which included $2,104,572 in grants income.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2023/24

- The District's net position increased by $124,527 or 1.90% from $6,537,784 to $6,662,311, mainly due to increased investment income.

- Operating Revenues increased by $156,324 or 7.43% from $2,103,758 to $2,260,082.

- Operating expenses increased by $474,625 or 22.09% from $2,148,804 to $2,623,429 due to the water transmission and distribution expenses.

- The District's non-operating income, net of the interest expense, was $487,874.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements, and Other Required Supplementary Information. The Financial Statements include notes that explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statements of Net Position include information on the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Position identify the District's revenues and expenses for the fiscal year ended June 30, 2025. This statement provides information on

REQUIRED FINANCIAL STATEMENTS (continued)

the District's operations over the past year can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. From the Statements of Cash Flows, the reader can obtain information on the source and use of cash and the change in cash and cash equivalents.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position provide an indication of the District's financial condition and also indicate that the financial condition of the District improved during the last fiscal year. The District's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

NET POSITION

A summary of the District's Statements of Net Position is presented below.

Table 1: Condensed Statement of Net Position

Table 1: Condensed Statement of Net Position				2025 vs. 2024		2024 vs. 2023	
	2025	2024	2023	$	%	$	%
Current and Other Assets	$ 5,017,148	$ 3,455,307	$ 4,329,327	$ 1,561,841	45.20%	$ (874,020)	-20.19%
Capital Assets, Net	8,822,751	6,582,288	5,632,940	2,240,463	34.04%	949,348	16.85%
Total Assets	13,839,899	10,037,595	9,962,267	3,802,304	37.88%	75,328	0.76%
Long-term Liability	2,705,924	2,728,996	2,010,318	(23,072)	-0.85%	718,678	35.75%
Other Liabilities	2,769,332	646,288	1,414,165	2,123,044	328.50%	(767,877)	-54.30%
Total Liabilities	5,475,256	3,375,284	3,424,483	2,099,972	62.22%	(49,199)	-1.44%
Net Position Invested in Capital Assets, Net of Related Debt	6,896,108	4,573,478	3,545,034	2,322,630	50.78%	1,028,444	29.01%
Designated Net Position	1,898,275	1,898,275	1,898,275	-	0.00%	-	0.00%
Undesignated Net Position	(429,740)	190,558	1,094,475	(620,298)	-325.52%	(903,917)	-82.59%
Total Net Position	$ 8,364,643	$ 6,662,311	$ 6,537,784	$ 1,702,332	25.55%	$ 124,527	1.90%

NET POSITION (continued)

FY2024/25 - As the above table indicates, total assets increased by $3,802,304 from $10,037,595 to $13,839,899. This is comprised of an increase of $1,561,841 in current assets and other assets and an increase of $2,240,463 in capital assets. The increase in capital assets is primarily due to the sewer project.

Total liabilities have increased by $2,099,972. This increase includes a $1,264,930 increase in accounts payable and accrued expenses, as well as a $1,097,870 increase payable to the water funds, which offsets with an equivalent receivable. Additionally, there was a decrease in net liabilities of $179,488.

FY2023/24 - As the above table indicates, total assets increased by $75,328 from $9,962,267 to $10,037,595. This is comprised of a decrease of $874,020 in current assets and other assets and an increase of $949,348 in capital assets. The increase in capital assets is primarily due to utility plant improvements.

Total liabilities have decreased by $49,199. This decrease includes a decrease in the loan balance of $79,096, a decrease of $29,171 in accounts payable and accrued expenses, an increase of $320,927 related to the pension liability, and a decrease of $1,135 in accrued interest payable.

Table 2

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

Table 2: Condensed Statement of Activities				2025 vs. 2024		2024 vs. 2023	
	2025	2024	2023	$	%	$	%
Operating Revenues	$2,320,464	$2,260,082	$2,103,758	$ 60,382	2.67%	$ 156,324	7.43%
Nonoperating Revenues	2,287,663	487,874	525,919	1,799,789.00	368.90%	(38,045)	-7.23%
Total Revenues	4,608,127	2,747,956	2,629,677	1,860,171	67.69%	118,279	4.50%
Depreciation Expense	418,148	381,229	317,908	36,919	9.68%	63,321	19.92%
Other Operating Expenses	2,487,647	2,242,200	1,830,896	245,447	10.95%	411,304	22.46%
Total Expenses	2,905,795	2,623,429	2,148,804	282,366	10.76%	474,625	22.09%
Change in Net Position	1,702,332	124,527	480,873	1,577,805	1267.04%	(356,346)	-74.10%
Beginning Net Position	6,662,311	6,537,784	6,056,911	124,527	1.90%	480,873	7.94%
Ending Net Position	$8,364,643	$6,662,311	$6,537,784	$ 1,702,332	25.55%	$ 124,527	1.90%

NET POSITION (Continued)

FY2024/25 - The Statements of Revenues, Expenses, and Changes in Net Position identify the various revenue and expense items that affect the change in net position. As the information in Table 2 indicates, a net operating expense of $585,331, coupled with a net non-operating income of $2,287,663, resulted in a positive net income of $1,702,332 in net position for the year ended June 30, 2025.

Table 2 also indicates that the District's total revenues increased by $1,860,171 or 67.69% to $4,608,127. An increase in revenue was mainly due to the grant income. Total expenses increased by $282,366. The increase in expenses was primarily due to the administrative and general expenses.

FY2023/24 - The Statements of Revenues, Expenses, and Changes in Net Position identify the various revenue and expense items that affect the change in net position. As the information in Table 2 indicates, a net operating expense of $363,347, coupled with a net non-operating income of $487,874, resulted in a positive net income of $124,527 in net position for the year ended June 30, 2024.

Table 2 also indicates that the District's total revenues increased by $118,279 or 4.50% to $2,747,956. An increase in revenue was due mainly to a operating income and investment income. Total expenses increased by $474,625. This decrease is primarily due mainly to the transmission and distribution expenses.

CAPITAL ASSETS

FY2024/25 - As of June 30, 2025, the District's investment in capital assets totaled $8,822,751, which is a net increase of $2,240,463 or 34.04% over the capital asset balance of $6,582,288 as of June 30, 2024. The increase is due to the Sewer project. A comparison of the District's capital assets is presented in Note D of the financial statements.

FY2023/24 - As of June 30, 2024, the District's investment in capital assets totaled $6,582,288, which is a net increase of $949,348 or 16.85% over the capital asset balance of $5,632,940 as of June 30, 2023. The increase is due to utility plant improvements. A comparison of the District's capital assets is presented in Note D of the financial statements.

LONG-TERM DEBT

FY2024/25 - As of June 30, 2025, the District had $1,926,643 in outstanding debt to UMPQUA Bank. The loan was utilized to upgrade the wastewater treatment plant. Please refer to Note F of the financial statements for more details.

FY2023/24 - As of June 30, 2024, the District had $2,008,810 in outstanding debt to UMPQUA Bank. The loan was utilized to upgrade the wastewater treatment plant. Please refer to Note F of the financial statements for more details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors adopts the District's budget on an annual basis, which provides funding for the District's operating, capital, and debt service costs for the upcoming fiscal year. The District's service charge rates are reviewed by staff and the Board of Directors on an as-needed basis. The District's primary source of revenue comes from supplying water and providing sanitation services to residential and commercial users.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Forestville Water District and Sewer Service Zone General Manager at 6530 Mirabel Rd, Forestville, CA 95436. Contact number (707) 887-1551.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2025
(with year 2024 comparative totals)

	WATER FUND 2025	SEWER FUND 2025	TOTAL 2025	TOTAL 2024
Assets				
Current Assets				
Cash in Bank	$ 196,606	$ 196,606	$ 393,211	$ 1,451,276
Investment in Public Money Market	461,069	461,069	922,138	417,575
Investment - Mutual Funds	-	-	-	835,894
Trade receivable & Other Receivable	80,626	5,125	85,751	19,206
Grants Receivable	-	1,895,981	1,895,981	-
Inventory	4,500	-	4,500	4,500
Due from Sewer Funds	1,097,870	-	1,097,870	-
Prepaid Expenses	7,464	-	7,464	6,464
Total Current Assets	1,848,135	2,558,781	4,406,915	2,734,915
Noncurrent Assets				
Capital assets (net of accumulated depreciation)				
Land	46,880	5,900	52,780	52,780
Sewer - CIP Project	-	2,791,815	2,791,815	-
Utility plant	1,400,572	4,534,672	5,935,244	6,478,470
Tools and service equipment	34,551	8,361	42,912	51,038
Total Noncurrent Assets	1,482,003	7,340,748	8,822,751	6,582,288
Deferred Outflows of Resources				
Deferred Charges - Issuance Cost	-	68,400	68,400	72,200
Deferred Outflows of Resources	270,917	270,917	541,833	648,192
Total Deferred Outflows of Resources	270,917	339,317	610,233	720,392
Total Assets	3,601,054	10,238,845	13,839,899	10,037,595
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	271,922	1,118,392	1,390,313	125,383
Accrued interest payable to other governments	-	27,703	27,703	28,876
Loan Payable - Current	-	83,737	83,737	80,597
Due to Water Fund	-	1,097,870	1,097,870	-
Total Current Liabilities	271,922	2,327,702	2,599,623	234,856
Noncurrent Liabilities				
Compensated absences	14,945	6,105	21,050	21,050
Loan Payable - Non-current	-	1,842,906	1,842,906	1,928,213
Net Pension Liability	420,984	420,984	841,968	779,733
Total Noncurrent Liabilities	435,929	2,269,995	2,705,924	2,728,996
Deferred Inflows of Resources				
Deferred Inflows of Resources	84,855	84,855	169,709	411,432
Total Liabilities	792,705	4,682,551	5,475,256	3,375,284
Net Position				
Investment in capital assets, Net of related debt	1,482,003	5,414,105	6,896,108	4,573,478
Restricted for:				
Capital Outlay	649,612	-	649,612	649,612
Connection fees	790,212	458,451	1,248,663	1,248,663
Unrestricted	(113,478)	(316,262)	(429,740)	190,558
Total Net Position	$ 2,808,349	$ 5,556,294	$ 8,364,643	$ 6,662,311

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
STATEMENT OF REVENUES EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025
(with year 2024 comparative totals)

	WATER FUND 2025	SEWER FUND 2025	TOTAL 2025	TOTAL 2024
Operating Revenues				
Charges for services	$ 1,142,554	$ 1,146,620	$ 2,289,174	$ 2,229,622
Connection fees	31,290	-	31,290	30,460
Total Operating Revenues	1,173,844	1,146,620	2,320,464	2,260,082
Operating Expenses				
Source of supply	490,114	-	490,114	413,171
Collection, treatment and disposal	-	646,206	646,206	646,692
Water transmission and distribution	466,105	-	466,105	642,387
Administrative and general	331,301	553,921	885,222	539,950
Depreciation and Amortization	114,530	303,618	418,148	381,229
Total Operating Expenses	1,402,050	1,503,745	2,905,795	2,623,429
Operating income (loss)	(228,206)	(357,125)	(585,331)	(363,347)
Nonoperating revenues (expense)				
Taxes and assessments	229,430	-	229,430	226,994
Grants and Misc. Income	18,694	2,097,372	2,116,066	212,625
Interest expense	-	(67,418)	(67,418)	(70,225)
Unrealized Gain (Loss)	-	-	-	12,337
Investment earnings	1,702	7,883	9,585	106,143
Total Nonoperating revenues (expense)	249,826	2,037,837	2,287,663	487,874
Net Income (loss) before transfer of capital	21,620	1,680,712	1,702,332	124,527
Net Position - Beginning of Year	2,786,729	3,875,582	6,662,311	6,537,784
Net Position - End of Year	$ 2,808,349	$ 5,556,294	$ 8,364,643	$ 6,662,311

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025
(with year 2024 comparative totals)

	WATER FUND 2025	SEWER FUND 2025	TOTAL 2025	TOTAL 2024
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	$ 1,780,669	$ 1,309,144	$ 3,089,813	$ 2,380,613
Cash payments to suppliers for goods and services	(920,654)	507,857	(412,797)	(1,882,628)
Cash Payments to administration and general	(331,301)	(553,921)	(885,222)	(539,950)
Net Cash Provided (Used) by Operating Activities	528,715	1,263,080	1,791,794	(41,965)
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:				
Grants received	18,694	201,391	220,085	212,625
Cash received from tax proceeds and assessments	229,430	-	229,430	226,994
Net Cash Provided (Used) by Non-Capital Activities	248,124	201,391	449,515	439,619
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisitions of capital assets	-	(2,658,611)	(2,658,611)	(1,330,577)
Due to/(Due From)	(1,097,870)	1,097,870	-	-
Principal payments - other governments	-	(82,167)	(82,167)	(79,096)
Interest payments - other governments	-	(63,618)	(63,618)	(71,360)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,097,870)	(1,706,526)	(2,804,396)	(1,481,033)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Unrealized Loss on investments	-	-	-	12,337
Interest received on investments	1,702	7,883	9,585	106,143
Net Cash Provided (Used) by Investing Activities	1,702	7,883	9,585	118,480
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(319,330)	(234,173)	(553,502)	(964,899)
CASH - BEGINNING OF YEAR	977,004	891,847	1,868,851	2,833,750
CASH - END OF YEAR	$ 657,675	$ 657,675	$ 1,315,349	$ 1,868,851
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Net Operating Income	$ (228,206)	$ (357,125)	$ (585,331)	$ (363,347)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:				
Depreciation	114,530	303,618	418,148	381,229
Change in Assets and Liabilities:				
Decrease (Increase) in trade receivables	(76,065)	9,520	(66,545)	198,738
(Increase) Decrease in prepaid insurance	(1,000)	153,004	152,004	(1,668)
Decrease (Increase) in inventory	-	1,076,603	1,076,603	750
Decrease (Increase) in certification of deposits	682,890	-	682,890	(77,950)
(Decrease) Increase in accounts payable/accrued expenses	187,155	77,460	264,615	(51,005)
(Decrease) Increase in due to sewer funds	-	-	-	-
(Decrease) Increase in net pension liability	(150,589)	-	(150,589)	(128,712)
Net Cash Provided by (used for) Operating Activities	$ 528,715	$ 1,263,080	$ 1,791,794	$ (41,965)

The notes to the financial statements are an integral part of this statement

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
WATER FUND
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2025 and 2024

Assets	**2025**	**2024**
Current Assets		
Cash in Bank	$ 196,606	$ 601,119
Investment in Sonoma County pooled investment fund	461,069	375,885
Investment - Mutual Funds	-	682,890
Trade receivable	80,626	504
Other receivable	-	4,057
Inventory	4,500	4,500
Due from Sewer	1,097,870	-
Prepaid Expenses	7,464	6,464
Total Current Assets	1,848,135	1,675,419
Noncurrent Assets		
Capital assets (net of accumulated depreciation)		
Land	46,880	46,880
Utility plant	1,400,572	1,510,512
Tools and service equipment	34,551	39,141
Total Noncurrent Assets	1,482,003	1,596,533
Deferred Outflows of Resources		
Deferred Outflows of Resources	270,917	460,216
Total Assets	3,601,054	3,732,168
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	271,922	84,767
Total Current Liabilities	271,922	84,767
Noncurrent Liabilities		
Compensated absences	14,945	14,945
Net Pension Liability	420,984	553,610
Total Noncurrent Liabilities	435,929	568,555
Deferred Inflows of Resources		
Deferred Inflows of Resources	84,855	292,117
Total Liabilities	792,705	945,439
Net Position		
Investment in capital assets, Net of related debt	1,482,003	1,596,533
Restricted for:		
Capital Outlay	649,612	649,612
Connection fees	790,212	790,212
Unrestricted	(113,478)	(249,628)
Total Net Position	$ 2,808,349	$ 2,786,729

The notes to the financial statements are an integral part of this statement

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
WATER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 and 2024

	2025	2024
Operating Revenues		
Charges for services	$ 1,142,554	$ 1,126,149
Connection fees	31,290	15,556
Total Operating Revenues	1,173,844	1,141,705
Operating Expenses		
Source of supply	490,114	413,171
Water transmission and distribution	466,105	642,387
Administrative general	331,301	270,961
Depreciation and Amortization	114,530	78,102
Total Program Expenses	1,402,050	1,404,621
Operating income (loss)	(228,206)	(262,916)
Nonoperating revenues (expense)		
Taxes and assessments	229,430	226,994
Grants/Misc.	18,694	16,471
Unrealized Gain (Loss)	-	36,119
Investment earnings	1,702	48,340
Total Nonoperating revenues (expense)	249,826	327,924
Income (loss) before transfer of capital	21,620	65,008
Net Position - Beginning of Year	2,786,729	2,721,721
Net Position - End of Year	$ 2,808,349	$ 2,786,729

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
WATER FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Receipts from Customers	$ 1,780,669	$ 1,252,258
Cash payments to suppliers for goods and services	(920,654)	(1,406,725)
Cash Payments to administration and general	(331,301)	(270,961)
Net Cash Provided (Used) by Operating Activities	528,715	(425,428)
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Grants Received	18,694	16,471
Cash received from tax proceeds and assessments	229,430	226,994
Net Cash Provided (Used) by Non-Capital Activities	248,124	243,465
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Due from Sewer Fund	(1,097,870)	-
Acquisitions of capital assets	-	(487,799)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,097,870)	(487,799)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Unrealized Loss on investments	-	36,119
Interest received on investments	1,702	48,340
Net Cash Provided (Used) by Investing Activities	1,702	84,459
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(319,330)	(585,303)
CASH - BEGINNING OF YEAR	977,004	1,562,307
CASH - END OF YEAR	$ 657,675	$ 977,004
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Operating Income	$ (228,206)	$ (262,916)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	114,530	78,102
Change in Assets and Liabilities:		
Decrease (Increase) in Certificates of Deposit	682,890	(64,560)
Decrease (Increase) in receivables	(76,065)	175,113
Decrease (Increase) in prepaid insurance	(1,000)	(1,411)
Decrease (Increase) in inventory	-	750
(Decrease) Increase in accounts payable/accrued expenses	187,155	(64,332)
(Decrease) Increase in due to sewer funds	-	-
(Decrease) Increase in pension related	(150,589)	(286,174)
Net Cash Provided by (used for) Operating Activities	$ 528,715	$ (425,428)

The notes to the financial statements are an integral part of this statement

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
SEWER FUND
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash	$ 196,606	$ 850,157
Investment in Sonoma County pooled investment fund	461,069	41,690
Investment - Mutual Funds	-	153,004
Trade receivable & Other Receivable	5,125	14,645
Grants Receivable	1,895,981	-
Total Current Assets	2,558,781	1,059,496
Noncurrent Assets		
Capital assets (net of accumulated depreciation)		
Land	5,900	5,900
Sewer - CIP Project	2,791,815	-
Utility plant	4,534,672	4,967,958
Tools and Sewer Equipment	8,361	11,897
Total Noncurrent Assets	7,340,748	4,985,755
Other Assets		
Deferred Charges - Issuance Cost	68,400	72,200
Deferred Outflows - Pension	270,917	187,976
Total Assets	10,238,845	6,305,427
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	1,118,392	40,616
Accrued interest payable to other governments	27,703	28,876
Loan Payable - Current	83,737	80,597
Due to Water Fund	1,097,870	-
Total Current Liabilities	2,327,702	150,089
Noncurrent Liabilities		
Compensated Absences	6,105	6,105
Loan Payable - Non-current	1,842,906	1,928,213
Net Pension Liability	420,984	226,123
Total Noncurrent Liabilities	2,269,995	2,160,441
Other Liabilities		
Deferred Intflows - Pension	84,855	119,315
Total Liabilities	4,682,551	2,429,845
Net Position		
Investment in capital assets, Net of related debt	5,414,105	2,976,945
Restricted for:		
Connection fees	458,451	458,451
Unrestricted	(316,262)	440,186
Total Net Position	$ 5,556,294	$ 3,875,582

The notes to the financial statements are an integral part of this statement

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 and 2024

	2025	2024
Operating Revenues		
Charges for services	$ 1,146,620	$ 1,103,473
Connection Fees	-	14,904
Total Operating Revenues	1,146,620	1,118,377
Operating Expenses		
Collection, treatment and disposal	646,206	646,692
Administrative general	553,921	268,989
Depreciation and Amortization	303,618	303,127
Total Program Expenses	1,503,745	1,218,808
Operating income (loss)	(357,125)	(100,431)
Nonoperating revenues (expense)		
Unrealized Gain (Loss)	-	(23,782)
Investment earnings	7,883	57,803
Interest expense	(67,418)	(70,225)
Total Nonoperating revenues (expense)	(59,535)	(36,204)
Income (loss) before Capital Grants	(416,660)	(136,635)
Capital Grants restricted for Sewer Project	2,097,372	196,154
Net Position - Beginning of Year	3,875,582	3,816,063
Net Position - End of Year	$ 5,556,294	$ 3,875,582

The notes to the financial statements are an integral part of this statement

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
SEWER FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Receipts from Customers	$ 1,309,144	$ 1,128,355
Cash payments to suppliers for goods and services	507,857	(475,903)
Cash Payments to administration & general	(553,921)	(268,989)
Net Cash Provided (Used) by Operating Activities	1,263,080	383,463
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Grants Received	201,391	196,154
Net Cash Provided (Used) by Non-Capital Activities	201,391	196,154
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions of capital assets	(2,658,611)	(842,778)
Due to Water Funds	1,097,870	-
Principal payments - other governments	(82,167)	(79,096)
Interest payments - other governments	(63,618)	(71,360)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,706,526)	(993,234)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Unrealized Loss on investments	-	(23,782)
Interest received on investments	7,883	57,803
Net Cash Provided (Used) by Investing Activities	7,883	34,021
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(234,173)	(379,596)
CASH - BEGINNING OF YEAR	891,847	1,271,443
CASH - END OF YEAR	$ 657,675	$ 891,847
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Operating Income	$ (357,125)	$ (100,431)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	303,618	303,127
Change in Assets and Liabilities:		
Decrease (Increase) in trade & Other receivables	9,520	23,368
Decrease (Increase) in Certificate of Deposit	153,004	(13,390)
(Decrease) Increase in accounts payable/accrued expenses	1,076,603	7,222
(Decrease) Increase in accrued compensated absences	-	6,105
(Decrease) Increase in pension-related adjustment	77,460	157,462
Net Cash Provided by (used for) Operating Activities	$ 1,263,080	$ 383,463

The notes to the financial statements are an integral part of this statement

Note A. Defining the Financial Reporting Entity

The Forestville Water District and Sewer Service Zone (the “District”) was established to serve as a special District in the Forestville area of the County of Sonoma (the "County"). The District's original purpose was to supply water to residential and commercial users and provide connections to and the service of the delivery system.

Effective July 1, 2004, the District assumed the management responsibilities of the Forestville Sanitation District from the Sonoma County Water Agency (the "SCWA"). In connection therewith, the District became responsible for maintaining and operating the sanitation and collection system and treatment plant which provides sanitation services to residential and commercial users. The District also assists in providing connections to the system.

Note B. Summary of Significant Accounting Policies

Measurement focus, basis of accounting, and financial statement presentation

The District applies to the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncement. The statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with GASB pronouncements: 1) Financial Accounting Standards Board ("FASB") Statements and Interpretations; 2) Accounting Principles Board ("APB") Opinions; and 3) Accounting Research Bulletins ("ARB") of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure.

The District also applies GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and GASB Statement No. 65, Items Previously Reported Assets and Liabilities. These statements establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position for all state and local governments.

The District has adopted the financial reporting provisions of GASB Statement No. 34, Basic Financial Statements - and Management Discussion and Analysis (MD&A) - for State and Local Governments. The MD&A can be found on pages 4 through 8 of this audit report. Although MD&A is not part of the basic financial statements. However, GASB has determined that MD&A is necessary to supplement the basic financial statements.

The District uses a proprietary (enterprise) fund to account for its activities. The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to those of businesses in the private sector. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services, and the activity is financed with debt that is solely secured by a pledge of net revenues.

Note B. Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation

The basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The District's activities are presented on the accrual basis of accounting.

Property taxes are reported in the period for which they are levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned, and expenses are recognized when incurred.

The District has elected under Government Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, to apply all applicable GASB pronouncements as well as any applicable pronouncement of the Financial Accounting Standards Board or any Accounting Research Bulletins issued on or before November 20, 1989, unless those pronouncements conflict with or contradict GASB pronouncement. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes generally accepted accounting principles (GAAP) for governmental units.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the District are charges for water sales and sanitation service. Operating expenses for the District include expenses related to the purchase and transmission of water; collection, treatment and disposal of waste; administrative expenses; and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted net assets are available, restricted resources are used only when agreed to by a majority vote of the Board of Directors.

Cash and investments

The District applies the provisions of the Governmental Accounting Standards Board (GASB") Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net position and recognize the corresponding change in the fair value of investments in the year in which the change occurred. For the purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Note B. Summary of Significant Accounting Policies (continued)

Trade receivables

Trade receivables consist primarily of uncollected fees for services and flat charges, which are established annually and billed through the County of Sonoma's property tax system. Trade receivables are reported at the amount management expects to collect from outstanding balances. The District has established an allowance for doubtful trade receivables based upon factors pertaining to the credit risk of specific customers, historical trends, and other information. Delinquent accounts are written off when it is determined that the amounts are uncollectible. As of June 30, 2025, and 2024, the allowance for doubtful trade receivables amounted to $2,071.

Inventory

Inventory consists of materials and supplies and is stated at the lower of cost or market determined by the first-in, first-out method.

Restricted assets

Restricted assets represent cash and investments maintained in accordance with bond resolutions or by agreement, for the purpose of funding certain debt service payments and improvements and extensions to the water distribution system and the wastewater treatment system.

Capital assets

Capital assets are stated at cost or estimated historical cost. Costs incurred in construction and installation of capital assets, which benefit future periods, are capitalized. Depreciation is charged as an expense of operations and is based on the estimated useful lives of the assets using the straight- line method as follows:

Utility plant	5-75 years
Office equipment	5-10 years
Tools and service equipment	10 years
Transportation equipment	5-10 years

The costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset's useful life are expense as incurred.

Note B. Summary of Significant Accounting Policies (continued)

Compensated absences

The District's employees are entitled to certain compensated absences based on their length of employment. Employees may accumulate earned vacation benefits that can be accrued up to a maximum of 160 to 400 hours per employee based on years of service. Terminated employees are entitled to full payment of unused vacation benefits. Employees may also accumulate sick leave with a maximum accumulated time of 960 hours. The District does not reimburse employees for unused sick leave upon termination; however, sick leave may be utilized towards an employee's longevity factor under his or her retirement, pursuant to the requirements of the California Public Employees Retirement System (PERS).

A liability is calculated for all of the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary rates and related payroll costs are in effect as of June 30, 2024. Compensated absences are recorded as an expense when the benefit is earned and the liability is recorded.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenues) until that time.

The District's employee retirement plan qualifies for reporting in this category. Refer to Note G for additional information on deferred inflows and outflows of resources.

Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted through external restrictions imposed by creditors, grantors, laws or regulation of other governments or restrictions imposed by the Board of Directors.

Restricted assets represent cash, investments and receivables maintained in accordance with resolutions and formal actions of the Board of Directors for the purpose of funding certain improvements, repairs, and extensions of the water and sewer systems and funding debt service payments.

Note B. Summary of Significant Accounting Policies (continued)

Budget and budgetary accounting

The Board of Directors adopts a budget annually to be effective July 1st for the ensuing fiscal year. The general manager of the District is authorized to transfer budgeted amounts within the District except for transfers between major expense classes or transfers between capital assets and operating expenses. Such transfers require approval by the Board of Directors

Property taxes

Property taxes, including tax rates, are regulated by the State of California and are administered locally by the County. The County is responsible for assessing, collecting, and distributing property taxes in accordance with state law. The County is responsible for the allocation of property taxes to the District. The County has adopted the Teeter Alternative Method of Property Tax Allocation, known as the "Teeter Plan". The State Revenue and Taxation Code allow counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the District each fiscal year. Any subsequent delinquent payments and related penalties and interest revert to Sonoma County. Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available.

Sonoma County assesses properties and collects secured property taxes as follows:

Lien date	January 1	
Assessment date	July 1	
Due dates	November 1	(50%)
	February 1	(50%)
Delinquent dates	December 10	
	April 10	

Real property taxes are reported as "nonoperating" revenue under governmental accounting and financial reporting principles since they are not directly related to the sale of water. However, the property taxes collected by the District are designed to assist the District in recovering operating costs associated with fire protection and the provision of readily available water service to the entire District. Those costs are included in the operating expenses.

Charges for sewer services are levied and collected through Sonoma County property tax rolls. The amounts collected are reported as "charges for services" revenue under the governmental accounting and financial reporting principles since they are directly related to the collection, treatment and disposal of waste.

Use of estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note C. Cash and Investments

In accordance with California Governmental Code Section 53630, the District's investment policy authorizes investments only in savings accounts or certificates of deposit with federally insured financial institutions, or through the Sonoma County pooled investment fund (the "Pool").

Pooled Investment Guidelines

The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the County Board of Supervisors. The objectives of the policy are, in order of priority: 1) safety of capital, 2) liquidity and 3) maximum rate of return. The policy addresses the soundness of financial institutions in which the Treasurer will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

Permitted investments include the following:

- U.S. Treasury and federal agency securities
- Bonds issued by local agencies
- Registered State warrants and municipal notes
- Negotiable certificates of deposit
- Bankers' acceptances Commercial paper
- Medium-term corporate notes
- Local agency investment funds (State pool) demand deposits
- Repurchase agreements
- Reverse repurchases agreements
- Shares of a mutual fund average life
- Collateralized mortgage obligations

A copy of the County investment policy is available upon request from the County Treasurer at 585 Fiscal Drive, Room 100F, Santa Rosa, California, 95403.

Statement of Net Position

A reconciliation of cash and investments shown on the accompanying statement of net position is as follows:

	2025	2024
Cash	$ 360,146	$ 1,451,276
Investment in Sonoma County pooled fund	33,064	417,575
Cash in Money Market	922,138	-
Investment in Mutual Funds	-	835,894
Total	$ 1,315,348	$ 2,704,745

Note C. Cash and Investments (continued)

Statement of Net Position (continued)

As of June 30, 2025, and 2024, the District's investments consisted of $33,064 and $417,775, respectively, in the Pool managed by the County Treasurer, which has a weighted average maturity of approximately 1 year.

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 an investment's maturity, the greater its fair value is sensitive to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity, evenly over time, as necessary to provide the cash flow and liquidity needed for operations.

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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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 District's investments as of June 30, 2025, are categorized to give an indication of the level of risk assumed by the District. Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agency, but not in the District's name. Investments in pools managed by other governments or in mutual funds are not required to be categorized.

As of June 30, 2025, all the District's investments are in pools managed by other governments and are therefore not subject to categorization.

Cash and certificates of deposit with fiscal agents are collateralized by securities held by the financial institutions acting as fiscal agents. Such securities are typically held in a pool for the purpose of providing collateral and are not held in the name of the District. Funds are available for their designated purposes on short notice.

Note C. Cash and Investments (continued)

Concentration of Credit Risk

At various times during the year ended June 30, 2025, the District had amounts on deposit with financial institutions in excess of the $250,000 Federal Deposit Insurance Corporation limit ("FDIC"). As of June 30, 2025, the District had amounts on deposit in financial institutions in excess of the FDIC limit that are fully collateralized by agreement with the financial institution.

Note D. Accounts Receivable

The District has accounts receivable totaling $1,895,981 from the State Water Resources Control Board (SWRCB) for the sewer project. As of April 10, 2026, the funds have not yet been received but are expected to arrive in May 2026.

Note E. Capital Assets - Water

Capital assets as of June 30, 2025, consist of the following:

	Beginning Balance July 1, 2024	Additions	Retirements/ Adjustments	Ending Balance June 30, 2025
Capital assets, not being depreciated:				
Land	$ 46,880	$ -	$ -	$ 46,880
Total capital assets, not being depreciated	46,880	-	-	46,880
Capital assets, being depreciated:				
Utility plant	3,171,119	-	-	3,171,119
office equipment	93,032	-	-	93,032
Tools and service equipment	51,871	-	-	51,871
Transportation equipment	86,195	-	-	86,195
Total capital assets, being depreciated	3,402,217	-	-	3,402,217
Less accumulated depreciation for:				
Utility plant	1,660,609	107,171	-	1,767,780
Office equipment	58,945	6,517	-	65,462
Tools and service equipment	46,816	842	-	47,658
Transportation equipment	86,195	-	-	86,195
Total accumulated depreciation	1,852,565	114,530	-	1,967,095
Total capital assets, being depreciated, net	1,549,652	(114,530)	-	1,435,122
Capital assets, net	$ 1,596,532	$ (114,530)	$ -	$ 1,482,002

Depreciation and amortization expenses amounted to $114,530 and $78,102 for the fiscal years ended June 30, 2025, and 2024, respectively.

Note E. Capital Assets – Sewer (Continued)

Capital assets as of June 30, 2025, consist of the following:

	Beginning Balance July 1, 2024	Additions	Retirements/ Adjustments	Ending Balance June 30, 2025
Capital assets, not being depreciated:				
Land	$ 5,900	$ -	$ -	$ 5,900
CIP	842,778	2,192,736	-	3,035,514
Total capital assets, not being depreciated	848,678	2,192,736	-	3,041,414
Capital assets, being depreciated:				
Utility plant	10,334,670	-	-	10,334,670
Solar	-	465,875	-	465,875
Office equipment	2,135	-	-	2,135
Tools and service equipment	33,496	-	-	33,496
Total capital assets, being depreciated	10,370,301	465,875	-	10,836,176
Less accumulated depreciation for:				
Utility plant	6,209,491	300,083	-	6,509,574
Office equipment	2,135	-	-	2,135
Tools and service equipment	21,598	3,535	-	25,133
Total accumulated depreciation	6,233,224	303,618	-	6,536,842
Total capital assets, being depreciated, net	4,137,077	162,257	-	4,299,334
Capital assets, net	$ 4,985,755	$ 2,354,993	$ -	$ 7,340,748

Depreciation and amortization expenses amounted to $303,618 and $303,127 for the years ending June 30, 2025, and 2024, respectively.

Note F. Line of Credit

On September 11, 2012, the Board of Directors approved a line of credit of up to $250,000 from the water system reserves to finance the sewer system's contract for the removal of biosolids from the holding pond. This line of credit carries an interest rate of 2.5% per annum and is to be repaid in equal monthly installments over a period of 10 years, starting from the date of the first fund withdrawal. As of June 30, 2024, no funds have been disbursed.

Note G. Due to Other Governments

During the fiscal year ending June 30, 2002, the District received a loan from the United States Department of Agriculture ("USDA") to help fund an upgrade of its wastewater treatment plant. This upgrade was necessary to comply with the North Coast Regional Water Quality Control Board's Basin Plan for the Russian River. The District has refinanced the loan by paying off the remaining principal balance in the amount of $2,046,700 in Fiscal Year 2023. The new loan is with UMPQUA Bank for $2,126,700, which includes $80,000 in issuance cost.

The loan with UMPQUA Bank was dated August 01, 2022, and currently calls for annual payments of approximately $150,290 to $159,000. The expected term is 19 years at annual interest rates ranging from 3.450% with the last payment scheduled for August 2041.

Annual debt service requirements for the next five years and in the aggregate for amounts due to other governments are as follows:

Year ending June 30,	Principal	Interest
2025	$ 83,737	$ 67,192
2026	87,002	63,927
2027	90,386	60,543
Thereafter	1,665,518	464,502
	$ 1,926,643	$ 656,164

Note H. Employees' Retirement Plan

Plan Description

The District contributes to PERS, an agent multiple-employed public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating in public entities within the state of California. Benefit provisions and all other requirements are established by state statute and District ordinance. Copies of PERS' annual financial report may be obtained from its executive office: 400 Q Street, Sacramento, California 95811.

In September 2012, Governor Brown signed the Public Employee Pension Reform Act of 2013 ('PEPRA"). PEPRA went into effect on January 1, 2013. The impact of PEPRA on the District retirement benefits is that all new employees are mandated into a new tier of PERS retirement benefits titled 2.0% at age 62. The 2.0% at age 62 is a lesser benefit than the 2.7% at age 55 unless an employee works past the age of 66.

Note H. Employees' Retirement Plan (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2024 (the measurement date), the total pension liability was determined by rolling forward June 30, 2023, with updated procedures used to roll forward the total pension liability. For the fiscal years ended June 30, 2025, and 2024, the District's total pension liability was based on the following actuarial methods and assumptions.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Acturial Assumptions	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.90% Net of Pension Plan Investment and Administrative Espenses; includes Inflation
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

<u>Funding policy</u>

Employees are not required to contribute. The District makes all contributions required of employees on their behalf. Generally, the District is required to contribute at an actuarially determined rate of annual covered payroll. The miscellaneous plan actuarial determined contribution rate for the year ended June 30, 2025, was 15.24%, plus a flat contribution for $63,126 for the employer's payment of the unfunded liability. The PEPRA miscellaneous plan actuarially determined contribution rate for the year ended June 30, 2025, was 7.87%, plus a flat contribution of $1,144 for the employer's payment of the unfunded liability. The contribution requirements of plan members and the District are established and may be amended by PERS.

<u>Pension Liability, Pension Expenses, and Deferred Outflows/ Inflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the years ending June 30, 2025, and 2024, the District reported a liability of $841,968 and $779,733, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 Pension Plan participants, actuarially determined.

Note H. Employees' Retirement Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.90 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Stragetic Allocation	Real Return Years 1 - 10
Global Equity- cap-weighted	30.0%	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 following presents the net pension liability/(assets) of the Plan as of the measurement date, calculated using the discount rate of 6.90 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's Net Pension Liability/(Asset) - June 30, 2025	$ 1,236,333	$ 841,968	$ 517,347
Plan's Net Pension Liability/(Asset) - June 30, 2024	$ 1,140,967	$ 779,733	$ 482,406

Note H. Employees' Retirement Plan (continued)

As of June 30, 2025, and 2024, the Forestville Water District and Sewer Service Zone report other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	FY25 Deferred Outflows of Resources	FY25 Deferred Inflows of Resources	FY24 Deferred Outflows/(Inflows) of Resources - Net
Difference between Expected and Actual Experience	$ 72,796	$ 2,840	$ 33,654
Changes of Assumptions	21,640	-	47,076
Net Difference between Projected and Actual Earnings on Pension Plan Investments	48,471	-	126,246
Difference between Employer's Contribution and Proportionate Share of Contribution	105,338	-	90,497
Pension Contributions made Subseqent to Measurement Date	174,052	-	169,709
Changes in Employees Proportion	119,536	166,869	(230,422)
Total	$ 541,833	$ 169,709	$ 236,760

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expenses as follows:

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ 27,777
2027	$ 230,426
2028	$ 60,910
2029	$ 18,200
2030	$ 34,809
Thereafter	$ -

Note I. Commitments and Contingencies

Mirabel Heights Special Assessment District- Water

The annexation and formation of the Mirabel Heights Special Assessment District was completed on September 1, 1979. The District received a grant of $346,700 from the Farmers Home Administration for the construction of new facilities for this area, and special assessment bonds in the amount of $125,500 were issued by the District to pay the remainder of these costs. Interest is payable semi-annually at the rate of 5% per annum on the bonds which mature serially through 2019. These bonds are paid by the individual property owners through special assessments and are, therefore, not reported as liabilities of the District. The County of Sonoma, through the Treasurer's office, collects the assessments and services the debt. The District is contingently liable in the event that individual property assessments are not collected.

Mirabel Heights Special Assessment District - Sewer

A bonded indebtedness of $1,762,400 was incurred in 1999 for the construction of the Mirabel Heights Water Pollution Control Project (the ‘Project"). The Project consists of a collection system allowing for the delivery of wastewater for treatment and disposal. Interest is payable semi-annually at a rate of 4.75% per annum on the bonds which mature serially through 2038. These bonds are paid by the individual property owners through special assessments and are, therefore, not reported as liabilities of the District. The County of Sonoma, through the Treasurer's office, collects the assessments and services the debt. The District is contingently liable if individual property assessments are not collected. The District has refinanced the bond by paying off the remaining principal balance of $2,046,700 in the Fiscal Year 2023. The new loan is with the UMPQUA bank for $2,126,700, which includes $80,000 in issuance costs.

Note J. Allocation of Administrative Expenses Between Water and Sewer

Administrative expenses are categorized between Water and Sewer services. Initially, these expenses are recorded as administrative expenses. The salary of the Grade 2 operator, along with office administration salaries, is allocated equally: 50% to Water services and 50% to Sewer services. Other administrative expenses—such as insurance, audit services, IT support, permits, supplies, travel, training, office expenses, and professional services—are also included in this allocation.

Note K. Subsequent Events

The District has evaluated subsequent to June 30, 2025, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through April 10, 2026, the date these financial statements were available to be issued. As of April 10, 2026, the District has not yet received $1,895,981 (net of loan payable) from the SWRCB. However, the District anticipates receiving these funds in May or June of 2026.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE

Roster of Board Members

		4-Year Term Expires
1	Matthew McDermott - Board Chair	December 2026
2	Ryan Stapleton - Vice Chair	December 2026
3	Steve Griffith	December 2028
4	Brad Stuart	December 2026
5	Michael Romeo	December 2028

The audit of the Forestville Water District and Sewer Service Zone as of and for the year ended June 30, 2025, was authorized by the Board of Directors of the District.