Willow County Water District

Special Meeting

AGENDA

(to be held both at the physical and virtual locations below)

151 Laws Avenue ♦ Ukiah, CA 95482

To participate or view the virtual meeting, go to the following link: *https://us06web.zoom.us/j/84512727220*

Alternatively, you may view the meeting (without participating) by clicking on the date and name of the meeting at www.cityofukiah.com/meetings, then go to the media tab.

October 23, 2025 - 6:30 PM

1. CALL TO ORDER AND ROLL CALL

2. APPROVAL OF MINUTES

2.a. Approval of the Minutes for the September 8, 2025, WCWD Regular Meeting.
Recommended Action: Approve the Minutes of September 8, 2025
Attachments:
1. 2025-10-23 WCWD Draft Minutes

3. NEW BUSINESS

3.a. Consideration/Approval of Rate Study — Presentation by Mark Hildebrand
Recommended Action: Accept Rate Study as Presented
Attachments:
1. Willow 2025 Water Financial Plan 10.16.25

3.b. Consideration/Approval of 2024-2025 Willow Audit
Recommended Action: Approve the 2024-2025 Willow Audit
Attachments:
1. 2024-2025 Willow Audit

3.c. Consideration/Approval of Proposal of Terms by City of Ukiah for Purchase of Certain District Capital Assets
Attachments:
1. Term Sheet Willow Office Building 10-17-25
2. Term Sheet Willow Vehicles and Equipment 10-17-25

4. AUDIENCE COMMENTS ON NON-AGENDA ITEMS

The Ukiah Valley Water Authority (UVWA) - Willow County Water District members welcome input from the audience. In order for everyone to be heard, please limit your comments to three (3) minutes per person and not more than ten (10) minutes per subject. The Brown Act regulations do not allow action to be taken on audience comments on non-agenda items. If you wish to submit written comments, please provide information to the UVWA-Willow, located at 151 Laws Avenue, Ukiah, CA, 95482.

5. UNFINISHED BUSINESS

5.a. Report on Eel-Russian Project Authority (ERPA)

5.b. Report on Water Districts' Projects

5.c. Report on Ukiah Valley Water Authority (UVWA)

6. ADMINISTRATIVE AND OPERATIONAL REPORTS

7. COMMITTEE MEMBER ANNOUNCEMENTS AND REPORTS

8. SET NEXT MEETING DATE

8.a. Discussion and Consideration of Scheduling of Next Meeting Date with Meeting to be Held at the Water District Conference Room, 151 Laws Avenue, Ukiah, CA 95482, at 6:30 p.m.
Recommended Action: Discuss and get consensus to hold the next regular meeting on November 10, 2025, or another day of the Members' choosing.

9. ADJOURNMENT

Please be advised that the Ukiah Valley Water Authority (UVWA)-Willow County Water District (WCWD) needs to be notified 24 hours in advance of a meeting if any specific accommodations or interpreter services are needed in order for you to attend. UVWA-WCWD complies with ADA requirements and will attempt to reasonably accommodate individuals with disabilities upon request. Materials related to an item on this Agenda submitted to the UVWA-WCWD Board Members after distribution of the agenda packet are available for public inspection at the front counter at the Ukiah Civic Center, 300 Seminary Avenue, Ukiah, CA 95482, during normal business hours, Monday through Friday, 8:00 am to 5:00 pm. Any handouts or presentation materials from the public must be submitted to the clerk 48 hours in advance of the meeting; for handouts, please include 10 copies.

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing agenda was posted on the bulletin board at the main entrance of the City of Ukiah City Hall, located at 300 Seminary Avenue, Ukiah, California; and at 151 Laws Avenue, Ukiah, California; not less than 24 hours prior to the meeting set forth on this agenda.

Kristine Lawler, CMC/CPMC
Dated: 10/17/25

Urgency Item — Agenda Item 3d

Performance Pump Service LLC

PO Box 362
Calpella CA 95418

Phone: 707-462-2607
Fax: 707-462-4639

Estimate

Date	Estimate #
9/23/2025	205

Bill To	Job Name
Willow County Water District 151 Laws Ave. Ukiah, Calif. 95482	

P.O. No.	Terms
	Net 15

Quantity	Description	Price	Total
	VFD for El Roble pump site, picked up by customer for customer install		
1	150HP 480V 3PH MICA-202 VFD with 0-150 PSI transducer,Danfoss ISO DIN connector, and shielded transducer cable	33,959.84	33,959.84T

Subtotal	$33,959.84
Sales Tax (8.875%)	$3,013.94
Total	$36,973.78

MINUTES
WILLOW COUNTY WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
September 8, 2025

Present:
Gary Nevill, Director
Director Ross LaRue
Director Devin Gordon

Absent: Director Mike Hildreth

Others Present: Jared Walker - Deputy Director of Water Resources & GM; Kim Saylor - Deputy Clerk; Dan Buffalo, City of Ukiah Finance Manager.

CALL TO ORDER: The Willow County Water District held a Regular Meeting on **September 8, 2025** the meeting was legally noticed on September 4, 2025. The meeting was held in person and via zoom. Chair G. Nevill called the meeting to order at 6:34 p.m. CHAIR G. NEVILL PRESIDING.

ROLL CALL: Roll was taken with the following **Directors Present**: D. Gordon, R. LaRue and Chair G. Nevill. **Directors Absent:** M. Hildreth. **Staff Present:** Jared Walker, Deputy Director of Water Resources, and Kim Saylor, Deputy Clerk.

APPROVAL OF MINUTES:
a. Approval of the Minutes of 2025-06-09 Willow Water Minutes.

Motion/Second: Gordon / LaRue to approve the Minutes of May 12, 2025, a Regular Meeting as submitted. Motion **carried** by the following Roll Call votes: **AYES**: D. Gordon, R. LaRue and Chair, G. Nevill. **NOES**: None. **ABSENT**: M. Hildreth. **ABSTAIN**: None.

AUDIENCE COMMENTS ON NON-AGENDA ITEMS:
None.

ADMINISTRATIVE AND OPERATIONAL REPORTS

GENERAL MANANGEMENT REPORT:

a. GM Walker reported that all his updates can be covered under unfinished business.

OFFICE MANAGEMENT REPORT:

a. OM Patton reported via GM Walker that the Auditor is finishing up the Audit and may reach out to see if any board members wish to sit down and discuss the Audit or ask questions.

UNFINISHED BUSINESS

a. Report on Eel-Russian Project Authority — (ERPA)
No new updates.

b. Report on Water Districts' Projects:
i. Canyon Drive Water Main Replacement job should be at the top of Canyon Drive, a hydrant needs to be installed, as well as the tie in and transition into Pomo Lane.
ii. RVCWD well project on Masonite: Wipf was awarded the well-to-water main project.
iii. HPUD is in the middle of their Rate Study.

c. Report on Ukiah Valley Water Authority (UVWA)
GM, Walker reported that the September meeting was cancelled, the next meeting is scheduled for October 2, 2025. The grant application should be submitted by the end of September.

NEW BUSINESS

a. Consideration of Rental Agreement Term Sheet for 151 Laws Ave Willow Water District Office with City of Ukiah.
b. Consideration of Selling Willow Fleet and Equipment to the City of Ukiah.

Information received, Direction to Staff was given. Bring it back to the next meeting.

COMMITTEE MEMBER ANNOUNCEMENTS AND REPORTS

None.

SET NEXT MEETING DATE: October 13, 2025
Presenter: Kim Saylor, Deputy Clerk

ADJOURNMENT

There being no further business, the meeting adjourned at 7:49 p.m.

___________________________________ Date_________________

PRESIDENT OF THE BOARD OF DIRECTORS WILLOW COUNTY WATER DISTRICT

ATTEST___________________________ Date_________________

Kim Saylor – Deputy Clerk

Willow County Water District
2025 Water Utility Financial Plan
Recommendations

October 23, 2025

HILDEBRAND
CONSULTING

Agenda

1. Ukiah Valley Water Authority
2. Rate Setting Process
3. Willow Financial Plan
4. Proposed Rates
5. Project Schedule

Ukiah Valley Water Authority

Joint Powers Authority (JPA) between 5 water utilities:

- **City of Ukiah**
- **Calpella County Water District**
- **Millview County Water District**
- **Redwood Valley County Water District**
- **Willow County Water District**

The City provides each member agency with operating and administrative services through a Joint Services Agreement (JSA).

For now, each utility will maintain a separate accounting of finances and reserves.

Calpella did not participate in the current rate study since a study was completed in 2024.

The Rate Setting Process

Revenue Requirements

Compares the revenues of the utility to its expenses to determine the overall level of rate adjustment

Cost-of-Service

Equitably allocates the revenue requirements between the various customer classes of service

Rate Design

Design rates for each class of service to meet the revenue needs of the utility, along with any other rate design goals and objectives

Legal Requirements
for Setting Water Rates In California

Proposition 218 (Article XIIID, Section 6 of California Constitution)

- Revenues shall not exceed funds required to provide service; nor used for another purpose
- Amount shall not exceed the proportional cost of the service attributable to the parcel
- Service must be actually used or immediately available
- Approval process includes 45-day notice, public hearing, and written majority protest. Does not require a voting process (unlike taxes).

Willow County Water District
Proposed Reserve Policies

In addition to protecting the District against unforeseen circumstances, these policies also contribute towards the District’s credit rating.

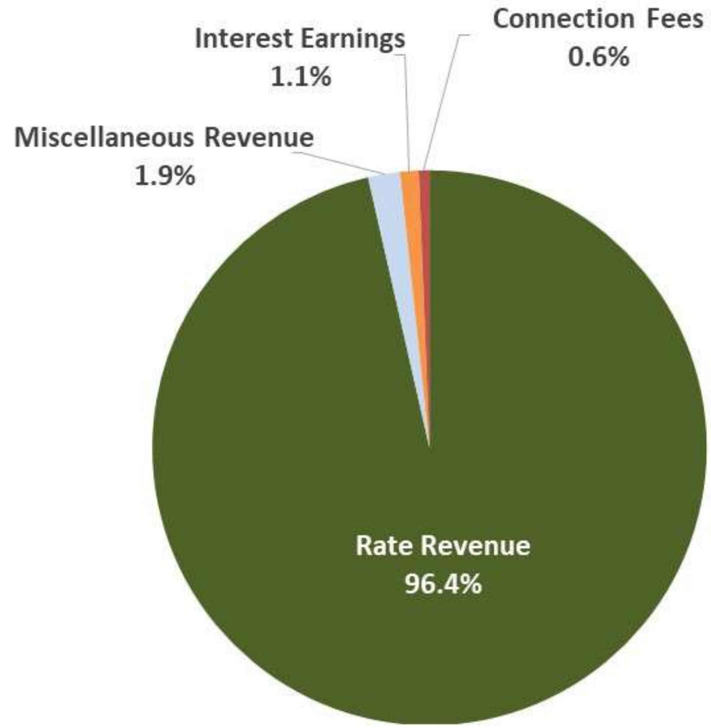
Proposed **Operating Reserve** policy to maintain cash reserves of at least 25 percent of operating expenses (currently equal to about **$275 thousand**).

Recommend a **Capital Reserve** policy based on the current condition and vulnerabilities of the system. This reserve will help the District absorb any spikes in capital spending or unforeseen infrastructure failure. District staff recommends a reserve target of **$800 thousand** (consistent with 2021 rate study).

The District’s reserves as of July 2024 were about **$1.2 million.**

Willow County Water District
Revenue
FY2025/26 Budget

Rate Revenue		$777,000
Non-Rate Revenue		
Miscellaneous Revenue		$15,000
Interest Earnings		$8,700
Connection Fees		$5,000
	Total:	**$805,700**



Allocation of Costs among Member Agencies

Expense Type	Allocation Method	Example Expenses
Shared operating costs	Primarily relative water usage*	Water utility salaries, general operations
Specific operating costs	Direct	Chemicals, electricity, treatment cost
City support services	Cost Allocation Plan	Billing, administration, purchasing, rent
Capital	Direct	Repairs of wells, pipes treatment plant, etc.
Debt	Direct	City and Millview only

* Sometimes number of accounts

Shared Asset Expenses

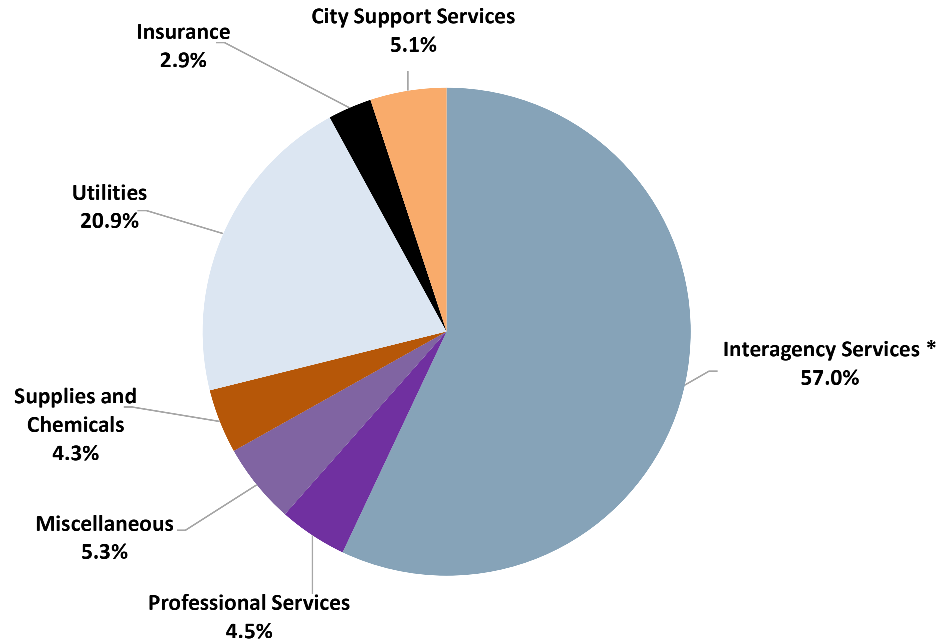
- Most assets are owned independently by each respective member agency
- Some assets will be shared by the member agencies
  - Vehicles
  - Buildings
  - Other?
  - For example, Willow currently owns a fleet of vehicles and a building, which will be sold to the City of Ukiah for shared use among all the member agencies
- It is proposed that these shared asset costs be shared among the member agencies based on annualized depreciation expense for each asset.

Willow County Water District

Operating and Debt Expenses

FY2025/26 Budget

Interagency Services *	$630,000
Professional Services	$50,000
Miscellaneous	$59,000
Supplies and Chemicals	$47,000
Utilities	$231,000
Insurance	$32,000
City Support Services	$56,000
Total:	**$1,105,000**



* For shared personnel and operations costs
based on updated allocation.

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Annual Inflation Assumptions

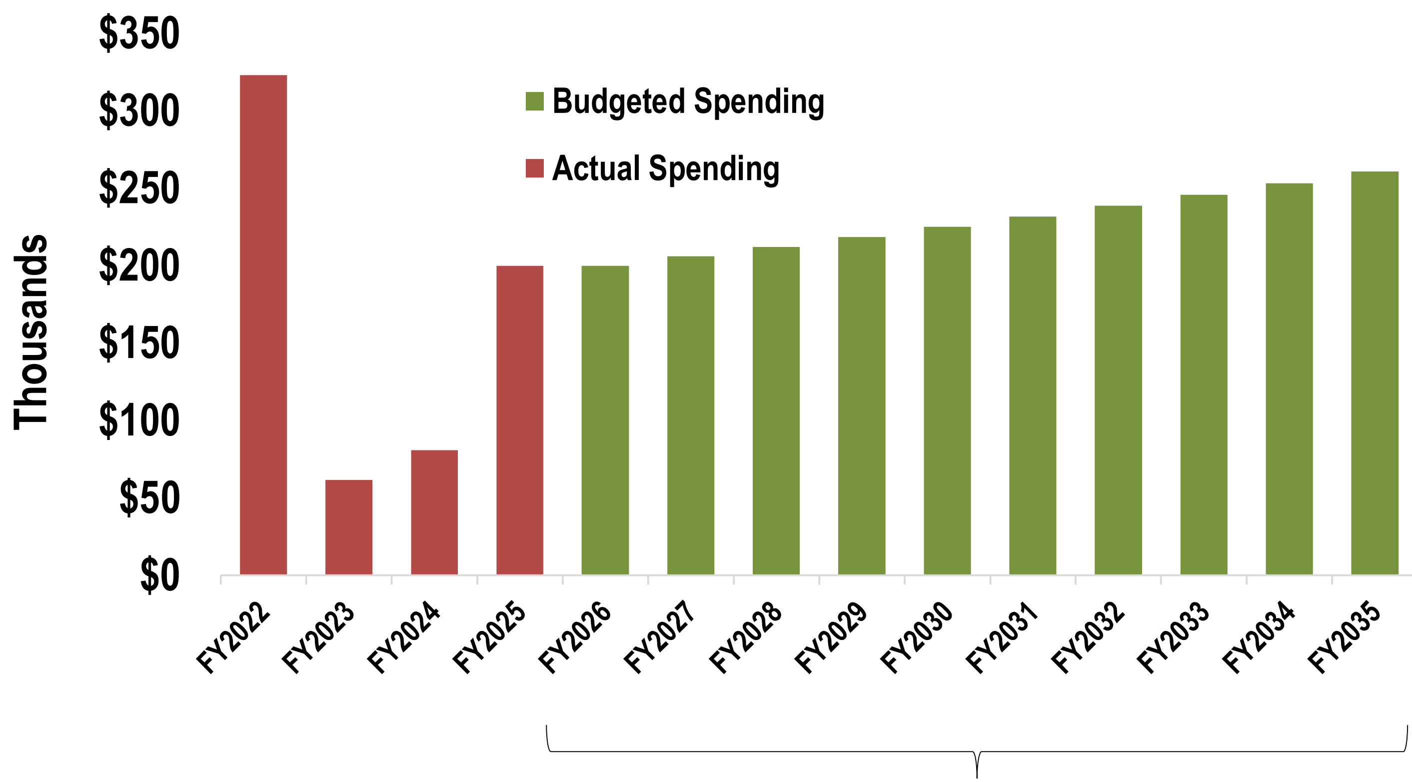
Salaries and Benefits……………………………. 5% per year

Insurance……………………………………………. 7% per year

Utilities, fuel and chemicals………………. 4% per year

All other……………………………………………… 3% per year

Willow County Water District
Capital Spending



Proposed Average Annual Spending = $226 thousand

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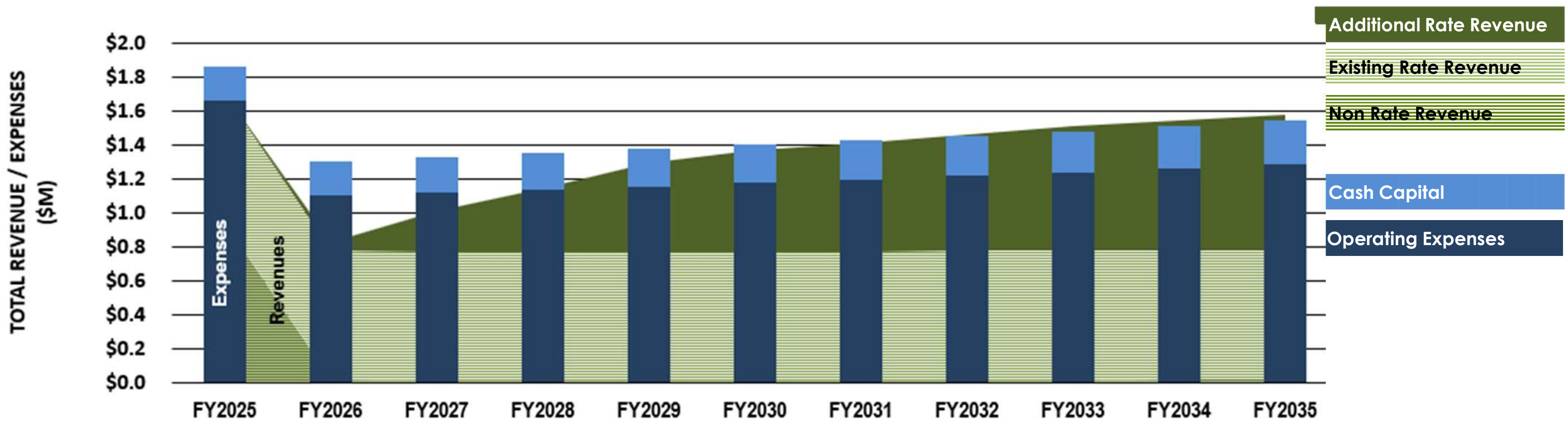
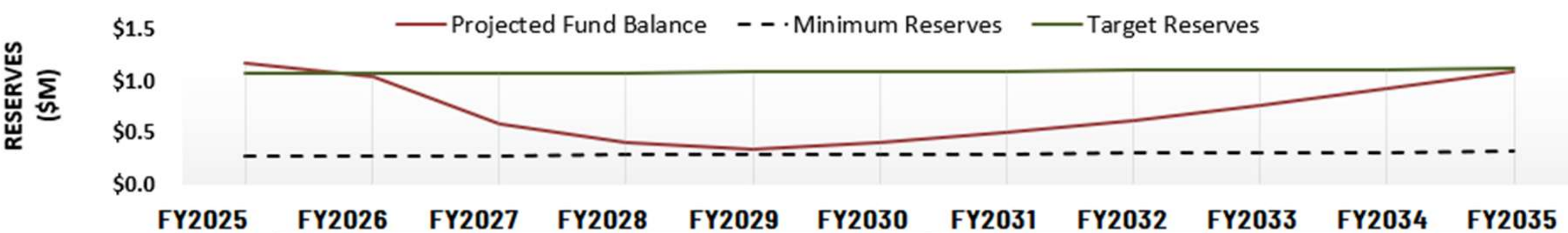
Willow County Water District

Financial Forecast & Rate Revenue Increases

With proposed capital spending ($226 per year)



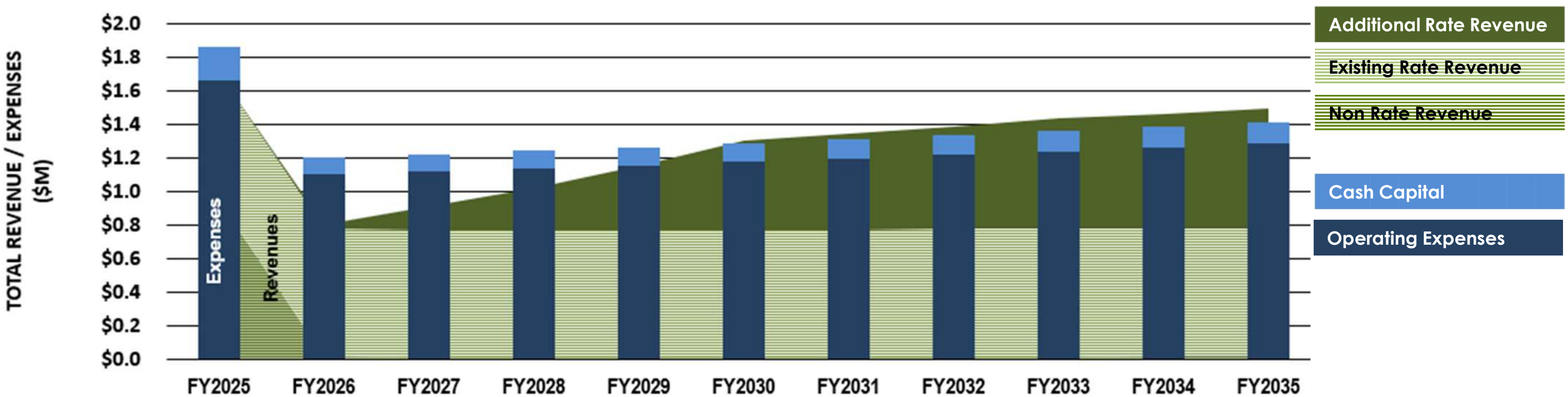


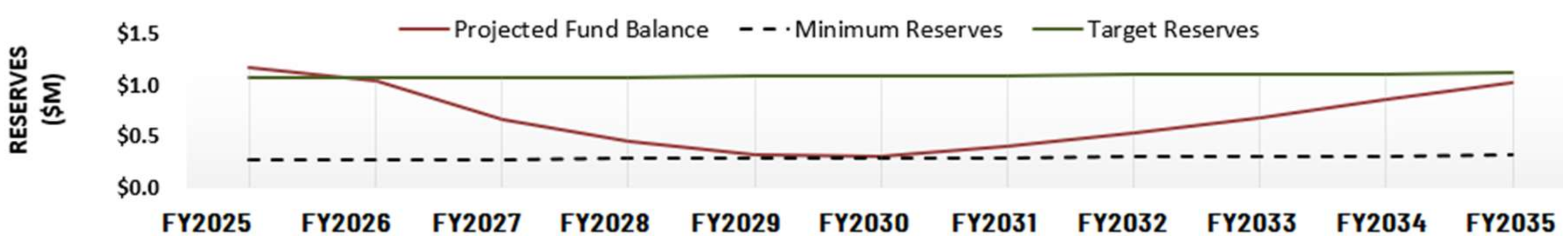
	Proposed					Forecasted				
Rate Revenue Increase:	20.0%	20.0%	12.0%	12.0%	5.0%	3.0%	3.0%	3.0%	2.0%	2.0%

Willow County Water District

Financial Forecast & Rate Revenue Increases

With minimal capital spending ($122 per year)





	Proposed					Forecasted				
Rate Revenue Increase:	12.0%	12.0%	12.0%	12.0%	12.0%	3.0%	3.0%	3.0%	2.0%	2.0%

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Willow County Water District
Current & Proposed Water Rates

	Current [1]	March 1, 2026*	July 2026	July 2027	July 2028	July 2029
Rate Revenue Increase:		20%	20%	12%	12%	5%
Water Usage Rates (per TGAL)						
Residential Zone 1	**$2.25**	$2.70	$3.24	$3.63	$4.07	$4.27
Commercial	**$2.25**	$2.70	$3.24	$3.63	$4.07	$4.27
Residential Zone 2	**$3.22**	$3.86	$4.63	$5.19	$5.81	$6.10
Residential Zone 3	**$3.89**	$4.67	$5.60	$6.27	$7.02	$7.37
Residential Zone 4	**$4.36**	$5.23	$6.28	$7.03	$7.87	$8.26
Irrigation	**$2.25**	$2.70	$3.24	$3.63	$4.07	$4.27
Fixed Monthly Base Charges						
3/4"	**$23.60**	$28.32	$33.98	$38.06	$42.63	$44.76
1"	**$38.04**	$45.65	$54.78	$61.35	$68.71	$72.15
1.5"	**$74.14**	$88.97	$106.76	$119.57	$133.92	$140.62
2"	**$117.46**	$140.95	$169.14	$189.44	$212.17	$222.78
3"	**$218.54**	$262.25	$314.70	$352.46	$394.76	$414.50
4"	**$362.93**	$435.52	$522.62	$585.33	$655.57	$688.35

* This rate increase is proposed to replace the 5% increase that was otherwise scheduled for December 2025

Summary of Proposed Water Rate Increases for UVWA member agencies

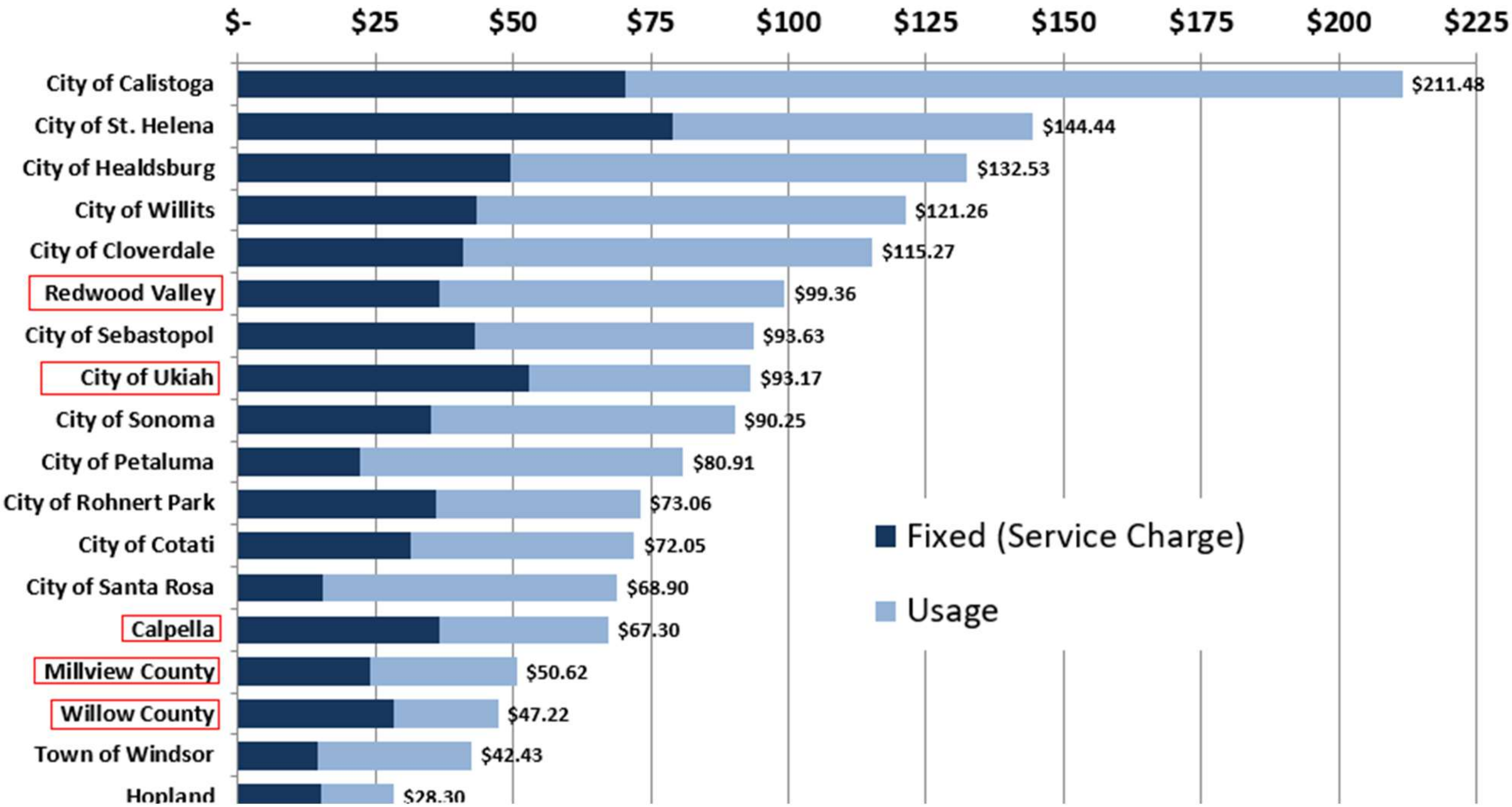
	March 1, 2026	July 2026	July 2027	July 2028	July 2029
City of Ukiah	3.0%	3.0%	4.0%	4.0%	4.0%
Millview	6.0%	6.0%	6.0%	5.0%	5.0%
Redwood Valley	30.0%	12.0%	6.0%	3.0%	3.0%
Willow	20.0%	20.0%	12.0%	12.0%	5.0%
Calpella *	NA**	14.0%	12.0%	10.0%	(TBD)

* Previously adopted

** A 14% increase was implemented in July 2025

Proposed Year 1 Monthly water bill comparisons among selected regional water agencies

Single Family Homes with ¾" meter using 10,000 gallons per month



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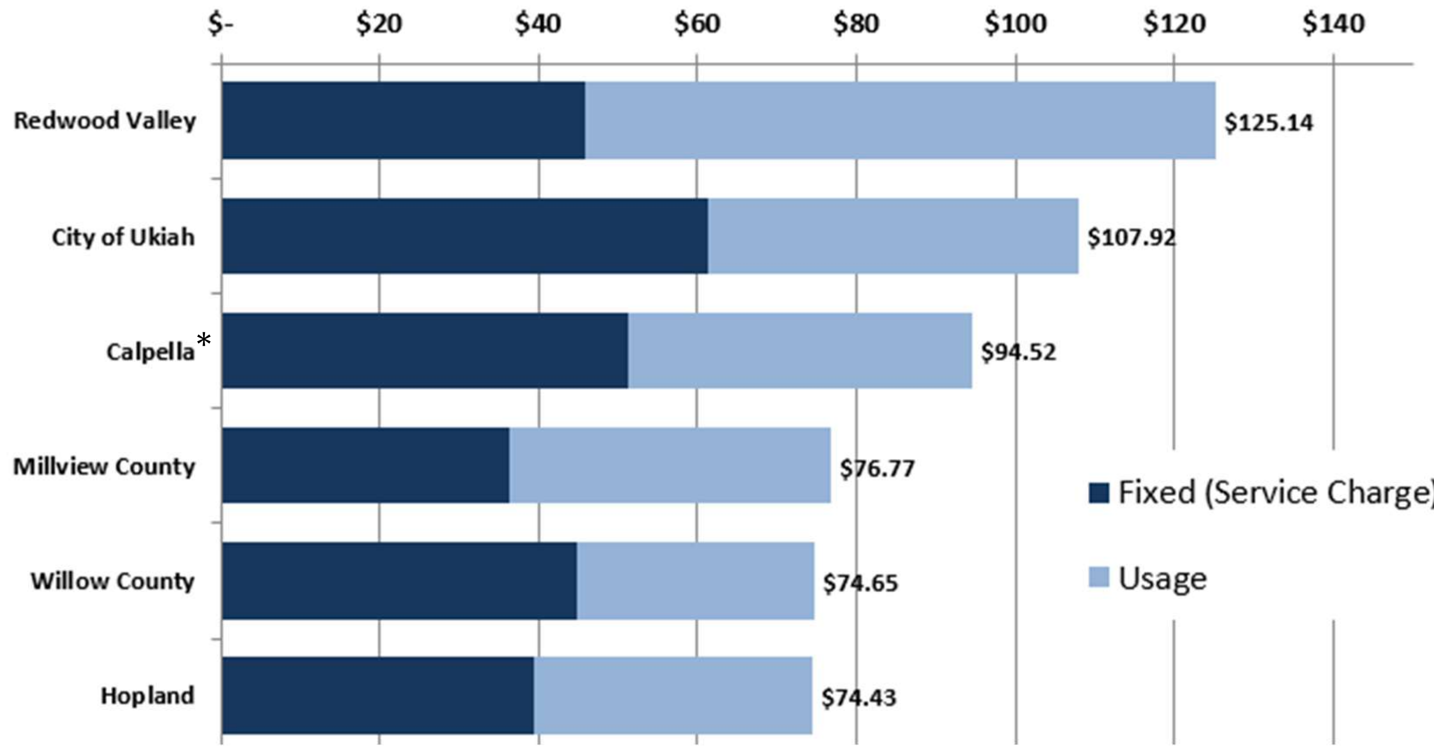
<u>Proposed Year 5</u> Monthly water bill comparisons among selected regional water agencies

Single Family Homes with ¾" meter using 10,000 gallons per month



* Year 4 rate because Year 5 rate is TBD

Project Schedule

Oct. 15 – Oct. 23	Present findings to all member agencies
November 6	Present recommendations to UVWA Executive Committee • Request approval to mail the 218 notices • Propose adoption of 2257 procedures (If either of the above don't happen and second meeting is necessary, we will need to target a second Executive Committee meeting by late November)
Mid-November	Mail the 218 notices
Early January, 2026	Deadline for 2257 objections
Early February	Public Hearing
March 1	First rate increase

MICHAEL A. CELENTANO
Certified Public Accountant
7518 Wight Way
707-367-9729 Kelseyville CA 95451 maccpa@pacific.net

To the Management and
The Board of Directors of
Willow County Water District

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

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

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

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

District Structure

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

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

Very truly yours,

Michael A Celentano
Certified Public Accountant

October 15, 2025

MICHAEL A. CELENTANO
Certified Public Accountant
7518 Wight Way
707-367-9729 Kelseyville CA 95451 maccpa@pacific.net

To the Management and
The Board of Directors of
Willow County Water District

I have audited the financial statements of the business-type activities of Willow County Water District for the year ended June 30, 2025 Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated October 15, 2025 Professional standards also require that I communicate to you the following information related to my audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

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

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

> There were no significant estimates affecting the financial statement during the current year.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

I have requested certain representations from management that are included in the management representation letter dated October 15, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

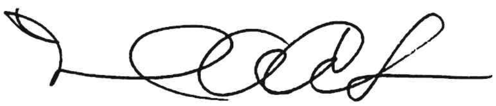
I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses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

Other Matters

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

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

Very truly yours,



Michael A Celentano
Certified Public Accountant

October 15, 2025

Willow County Water District

151 Laws Avenue
Ukiah, California 95482
707-462-2666

October 15, 2025

Michael A Celentano
Certified Public Accountant
7518 Wight Way
Kelseyville CA 95451

This representation letter is provided in connection with your audit of the financial statements of Willow County Water District, which comprise the respective financial position of the business-type activities as of June 30, 2025, and the respective changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 15, 2025, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 14, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3) We acknowledge our responsibility 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.
4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP
6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

   a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

   b) Additional information that you have requested from us for the purpose of the audit.

   c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.

   d) Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the District and involves:

   - Management,
   - Employees who have significant roles in internal control, or
   - Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.

22) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.

24) We have appropriately identified, recorded, and disclosed all leases in accordance with GASBS No. 87 .

25) We have appropriately disclosed or recognized conduit debt obligations and/or certain arrangements associated with conduit debt obligations in accordance with GASBS No. 91 .

26) We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with GASBS No. 96 .

27) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial.

28) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

29) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

30) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

31) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

32) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

33) The financial statements include all fiduciary activities required by GASBS No 84, as amended.

34) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended

35) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

36) Components of net position (net investment in capital assets; restricted; and unrestricted) , and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

37) Provisions for uncollectible receivables have been properly identified and recorded.

38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

39) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

41) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

42) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

43) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

44) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature: ______________________________ Signature: ______________________________

Title: ______________________________ Title: ______________________________

WILLOW COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

WILLOW COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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MICHAEL A. CELENTANO
Certified Public Accountant
7518 Wight Way
707-367-9729 Kelseyville CA 95451 maccpa@pacific.net

Board of Directors
Willow County Water District
Ukiah, CA 95482

Independent Auditor's Report

Qualified Opinions

I have audited the accompanying financial statements of the business-type activities Willow County Water District as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Willow County Water District's basic financial statements as listed in the table of contents.

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Willow County Water District as of June 30, 2025 and 2024 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Management has not adopted GASB Statement 68 "Accounting and Financial Reporting of Pension Plans." and amendments to GASB 68". Accounting principles generally accepted in the United States of America require that Deferred Inflows/Outflows and Adjusted Pension Expense be recorded currently which would increase the assets and liabilities and change the pension expense. The effect on Deferred Inflows/Outflows and payroll and employee benefits expenses has not been determined. See Footnote 4 for more detail.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Willow County Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Willow County Water District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Willow County Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

The District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United State has determined is necessary to supplement, although not required to be part of the basic financial statements. Such missing 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. My opinions on the basic financial statements are not affected by this missing information.

Michael A Celentano
Certified Public Accountant

October 15, 2025

WILLOW COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025 AND 2024

ASSETS	2025	2024
Current Assets		
Cash in bank - Note 2	$ 840,126	$ 801,665
Accounts receivable	134,975	204,169
Grant receivable	-	25,575
Investments - Note 2	397,869	380,280
Inventory - meters	-	35,045
Prepaid expenses	2,647	1,982
Total Current Assets	1,375,617	1,448,716
Capital Assets - Note 3	1,427,429	1,391,055
Total Assets	$ 2,803,046	$ 2,839,771
LIABILITIES		
Current Liabilities		
Accounts payable	$ 203,968	$ 75,016
Refundable customer deposits	24,152	22,727
Deferred grant revenue	162,755	227,907
Total Current Liabilities	390,875	325,650
Long Term Liabilities		
Net Pension Liabilities - Note 4	363,654	362,645
Total Long Term Liabilities	363,654	362,645
Total Liabilities	$ 754,529	$ 688,295
Net Position		
Net investment in capital assets	$ 1,427,429	$ 1,391,055
Unrestricted	621,088	760,421
Net Position	$ 2,048,517	$ 2,151,476

The accompanying notes are an integral part of these statements

WILLOW COUNTY WATER DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Operating Revenues		
Water sales	$ 831,627	$ 764,105
Other operating income	889,286	1,407,484
Total Operating Revenue	1,720,913	2,171,589
Operating Expenses		
Salaries	940,276	960,235
Employee benefits	281,689	477,176
Liability insurance	31,405	31,793
Office Expense	32,038	23,313
Professional services	29,838	38,068
Travel	28,988	39,575
Supplies and meters	31,790	25,532
Repairs and maintenance	98,263	130,321
Utilities	203,656	180,768
Water testing	12,469	16,105
Telephone	16,978	18,713
Permits and fees	24,516	21,848
Purchased water	36,173	43,990
Director's fees	650	800
Dues	28,580	39,407
Uncollectible accounts	2,256	285
Other	6,530	7,350
Depreciation	97,242	114,783
Total Operating Expenses	1,903,337	2,170,062
Operating Income (Loss)	(182,424)	1,527
Non-Operating Revenues (Expenses)		
Rental income	6,750	11,150
Interest income	17,808	5,809
Grant income	65,152	49,187
Grant expenses	(65,152)	(49,187)
Grant expenses capitalized	65,152	49,187
(Increase)Decrease in acturarial assumptions for PERS	(10,245)	(61,438)
Total Non-Operating Revenues (Expenses)	79,465	4,708
Net Income	(102,959)	6,235
Net Position, Beginning of Year	2,151,476	2,145,241
Net Position, Ending of Year	$ 2,048,517	$ 2,151,476

The accompanying notes are an integral part of these statements

WILLOW COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Cash Flows From Operating Activities		
Cash received from customers	$ 824,603	$ 760,641
Other operating cash receipts	965,504	1,398,255
Payments to suppliers for goods and services	(573,675)	(649,030)
Payments to employees and related items	(1,067,663)	(1,427,411)
Net Cash Provided By Operating Activities	148,769	82,455
Cash Flows From Capital Financing Activities		
Acquisition of capital assets	(133,616)	(80,923)
Grant proceeds	25,575	251,519
Rental income	6,750	11,150
Net Cash Provided (Used) By Capital Financing Activities	(101,291)	181,746
Cash Flows From Investing Activities		
Interest received	17,808	5,809
Payment of unfunded pension liablitity	(9,236)	-
Net Cash Provided By Investing Activities	8,572	5,809
Net Increase (Decrease) In Cash and Cash Equivalents	56,050	270,010
Cash - Beginning of Year	1,181,945	911,935
Cash - Ending of Year	$ 1,237,995	$ 1,181,945

The accompanying notes are an integral part of these statements

WILLOW COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	2025	2024
Operating income (loss)	$ (182,424)	$ 1,527
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	97,242	114,783
(Increase) decrease in current assets:		
Accounts receivable	69,194	(17,122)
Inventory - meters	35,045	(35,045)
Prepaid expenses	(665)	(739)
Increase (decrease) in current liabilities		
Accounts payable	128,952	17,761
Refundable customer deposits	1,425	1,290
Net Cash Provided by Operating Activities	$ 148,769	$ 82,455

The accompanying notes are an integral part of these statements

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The District provides treated water to the geographic area located in the southern part of the Ukiah valley outside the city limits, and limited to a supply of water restricted, currently, to water wells situated along the Russian River. The reporting entity consists of the District as the primary, and only, reporting entity. The criteria used to determine the scope of the reporting entity includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Accounting Policies

The District's accounting and reporting policies conform to the generally accepted accounting principles accepted in the United States of America (GAAP) as applicable to proprietary funds of government agencies.

The following is a summary of the more significant policies:

Basis of Presentation

The statement of Net Position and Statement of Activities display information about the reporting District as a whole.

The District is comprised of only one fund, the Enterprise Fund. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flows. All assets and liabilities are included on the Statement of Net Position.

Basis of Accounting

The District Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, asset and liabilities resulting from an exchange are recognized when the exchange takes place. When an expense is incurred for the purpose for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Budget

The annual budget is prepared in accordance with the basis of accounting utilized by the District. The budget is amended from time-to-time as the need arises and is approved by the Board of Directors. The budget is not legally required and therefore budget to actual information has not been presented.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers operating and restricted cash balances purchased with maturities of less than ninety days to be cash and cash equivalents.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are stated.at fair value, based on quoted market values.

Deposits and Investments

It is the District's policy for deposits and investments to either be insured by the FDIC or collateralized. The District's deposits and investments are categorized to give an indication of the level of risk assumed by the District as of June 30, 2025 and 2024. The categories are described as follows:

Category 1 Insured, registered or collateralized, with securities held by the entity or its agent in the entity's name.

Category 2 Uninsured and unregistered or collateralized, with securities held by the counter party's trust department or agent in the entity's name.

Category 3 Uninsured and unregistered, or uncollateralized, with securities held by the counter party, or its trust department or agent but not held in the entity's name.

Deposits and investments as of June 30, 2025 and 2024 consisted of Category 1 type only.

Accounts Receivables

Accounts receivable represent amounts owed the District by its customers. The District has adopted stringent collection and water shut-off policies which minimize uncollectible accounts. No allowance for doubtful accounts is made because management believes almost all accounts are collectible and any allowance would be immaterial for financial statement presentation. Accounts deemed uncollectible are expensed when recognized and assigned to a collection agency for potential recovery.

Investment Policy

It is the policy of the District to invest funds in a manner that will provide the highest return with maximum security while still meeting the daily cash flow demands of the District. All investments must conform to the requirements of California Government Code Sections 5921 and 53601. All investments are in the form of Inactive Public Deposits or Certificates of Deposit and the balances indicated on the balance sheet as investments, restricted and unrestricted, approximate market value.

Investments

Surplus funds are invested by the District in a pooled money investment account held with the State of California in the Local Agency Investment Fund (LAIF). The funds held at LAIF are invested in accordance with Government Code Section 16430 and 16480. The LAIF account is internally allocated between restricted funds and funds reserved by the District for special purposes and general operations.

Compensated Absences

The District has a policy of paying for sick leave and vacation pay after one year of service. Vacation pay is the only type of compensated absence that becomes vested but any remaining accrued vacation is automatically paid on June 30 of each year, therefore these is no accrued vacation pay at the end of each fiscal year. Sick leave does not meet the requirements for accrual as established by generally accepted accounting standards for governmental entities. Each of these types of compensated absences is recorded as operating expense in the period taken.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Risk Management

The District is exposed to various risks of loss related to torts, theft to, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries insurance for all risks. Settled claims resulting from these risks have not exceeded insurance coverage in the past three years.

Capital Assets

Capital assets are valued at historical cost or at an estimate of their historical cost, if actual historical cost is not available. Donated assets are valued to their estimated fair value on the date donated. Assets with a value of $5,000 or less are expensed in the year acquired.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Office building and improvements	10-40 years
Treatment facilities and Distribution system	5-40 years
Equipment and tools	3-30 years

Proprietary Fund Financial Statements

The District has a sole fund which is considered a proprietary fund.

Proprietary Fund Financial Statements include a Statement of Net Position, A Statement of Activities and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Activities and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Net Position

Net Position are classified into two components: 1) net amount invested in capital assets and 2) unrestricted. These classifications are defined as follows:

> Net invested in capital assets– This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding debt related to financing the acquisition of capital assets.
>
> Unrestricted net position – This component of net position consists of net position that does not meet the definitions of "restricted " of which the District does not have or "invested in capital assets.

Note 2 - Cash and Investments

As of June 30, 2025 and 2024 cash consisted as follows:

	2025	2024
Cash		
General checking	$ 653,339	$ 475,844
Construction account	162,908	251,520
Payroll account	23,629	74,051
Petty Cash	250	250
Total Cash	$ 840,126	$ 801,665
Investments		
LAIF	$ 397,869	$ 380,280
Total Investments	$ 397,869	$ 380,280
Total Cash and Investments	$ 1,237,995	$ 1,181945

As of June 30, 2025 and June 30, 2024, the District's deposits with financial institutions were $ 583,052 and $ 557,209 in excess of federal depositary insurance limits, respectively.. The deposits approximate fair market value.

State law requires uninsured deposits of public agencies to be secured be certain state approved investment securities. The District's deposits are secured as part of an undivided collateral pool covering all public deposits with the financial institution. The market value of the pool must be equal to at least 110% of the total public deposits held by the financial institutions.

The District participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. The account is similar to a money market account. The funds deposited in LAIF are invested in accordance with Government Code Sections 16430 and 16480, the stated investment authority for the pooled money investment account. LAIF has stated that it has not invested in, nor will it invest in, derivative products as defined in general accounting definitions #1 and #2. LAIF issues a separate comprehensive annual financial report. Copies of LAIF's annual report may be obtained from the Local Agency Investment Fund, P.O. Box 942809, Sacramento, CA 94209-0001.

The District's investments have a risk category of "uncategorized" which represents investments in pools where the District's investments are not evidenced by specific identifiable securities.

Note 3 - Capital Asets

The following is a summary of the changes in capital assets for the fiscal years:

	Balance 7/1/24	Additions	Retirements	Balance 6/30/25
Land	$ 85,870	$	$	$ 85,870
Office buildings and improvements	211,839	45,750		257,589
Treatment facilities and Distribution system	3,323,286	22,714		3,346,000
Equipment and tools	570,650			570,650
Construction in progress	49,367	65,152	0	114,519
Total cost	4,241,012	133,616	0	4,374,628
Less accumulated depreciation	(2,849,957)	(97,242)	0	(2947,199)
Net Book Value	$ 1,391,055	$ 36,374	$ 0	$ 1427,429

	Balance 7/1/23	Additions	Retirements	Balance 6/30/24
Land	$ 85,870	$	$	$ 85,870
Office buildings and improvements	211,839			211,839
Treatment facilities and Distribution system	3,299,773	25,513		3,323,286
Equipment and tools	562,427	8,223		570,650
Construction in progress	180	49,187	0	49,367
Total cost	4,160,089	80,923	0	4,241,012
Less accumulated depreciation	(2,735,174)	(114,783)	0	(2,849,957)
Net Book Value	$ 1,424,915	$ (33,860)	$ 0	$ 1,391,055

Depreciation expense of $97,242 and $114,783 were recorded as operating expense for the years ended June 30, 2025 and 2024, respectively.

Note 4 - Defined Benefit Pension Plan (Unaudited)

Effective July 1, 2006, the District entered into the Public Employees Retirement System (PERS). Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by an agency of the State of California. Employees are members of the Public Employees' Retirement System.

Plan Description: The District contributes to the PERS, an agent multiple-employer public employee defined benefit 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 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 their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy: Participants are required to contribute 8% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the current rate for June 30, 2025 was 14.03% for non-safety employees and 8.07% for PEPRA of annual covered payroll plus an employer payment of $ 9,236 for unfunded liability. The rate for June 30, 2026 will be 14.08% for the non-safety plan and 8.16% for PEPRA plus an employer payment of $20,042 for unfunded liability. The contribution requirements of plan members and the District are established and may be amended by PERS.

Annual Pension Cost: For June 30, 2025, the District's annual pension cost of $50,602 for PERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2023 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 6.80% investment rate return of (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2.80% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.30%. The actuarial value of PERS assets was determined by an amortization policy that will pay for all gains and losses over a fixed 20-year period. The required and actual contribution rate for June 30, 2026 was determined as part of the June 30, 2024 actuarial valuation in which PERS using the same assumptions as above.

Three-Year Trend Information For PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of PC Contributed	Net Pension Obligation
6/30/23	74,233	100%	0
6/30/24	82,831	100%	0
6/30/25	50,602	100%	0

The tables below show a three-year analysis of the actuarial accrued liability, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll as of June 30:

Valuation Date	Accrued Liability	Shared Mkt Value/Assets	Unfunded Liability	Funded Ratio	Covered Payroll
6/30/22	2,142,662	1,841.455	301,207	85.9%	854,390
6/30/23	2,354,754	1,992,109	362,645	84.6%	765,217
6/30/24	2,629,495	2,265,841	363,654	86.2%	883,759

Note 5 - Joint Powers Agreement

The District participates in a joint venture under joint powers (JPA) with the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) for insurance purposes. ACWA/JPIA is a joint powers agency formed pursuant to Section 6500 et. Seq., California Government Code, is comprised of California special districts, and agencies including such districts. The relationship between the District and JPA is such that the JPA is not a component unit of the District for financial reporting purposes. Separate financial statements of the JPA can be obtained by writing to them directly at ACWA Joint Powers Insurance Authority, 5620 Birdcage Street, Suite 200, Citrus Heights, CA 95610-7632. ACWA/JPIA's purpose is to jointly fund and develop programs to provide comprehensive and economical risk financing for water districts. These programs are provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof.

The District participates in a joint venture under a joint powers (JPA) with the Upper Russian River Water Agency (URRWA) in order to provide more effective and economical services to their customers and to respond in union to water issues in the Upper Russian River Watershed. URRWA is a joint powers agency formed pursuant to Section 6500 et. Seq., California Government Code, is comprised presently of four California special districts. The relationship between the District and JPA is such that the JPA is not a component unit of the District for financial reporting purposes. Additional information can be obtained by writing to them directly at URRWA, 151 Laws Avenue, Ukiah CA 95482.

Note 6 - Subsequent Events

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of the final reports, which may have a material effect on the financial statement or disclosures therein.

The District has recently joined the newly formed Ukiah Valley Water Authority (UVWA) along with the City of Ukiah, Calpella County Water Disrict, Millview County Water District and Redwood Valley County Water District. The UVWA was created to share resources amongst the other agencies and to solidify water security in the Greater Ukiah Valley. .

Term Sheet: Lease-Purchase of Willow Office Building

151 Laws Avenue, Ukiah, California

This term sheet sets forth the principal business terms under which the Buyer (Tenant) and Seller (Landlord) would structure a lease-purchase arrangement for the Willow Office Building. It is non-binding (except for those provisions explicitly stated to be binding).

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1. Parties

- **Landlord / Seller:** Willow (or its designated entity)
- **Tenant / Buyer:** [Insert Tenant Name/Entity]

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2. Property

- The entire building known as the Willow Office Building, located at 151 Laws Avenue, Ukiah, California (the "Property").

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3. Lease-Purchase Structure

- **Lease Term:** Five (5) years.
- **Principal Amount:** $499,999, subject to appraisal before start of lease term. An appraised value less than $499,999 will be the purchase price and the basis for the portion of principal lease payments.
- **Interest Rate:** 4.0% per annum, fixed. Current commercial real estate loan rates in the Ukiah area generally range between 4% and 6.5%, depending on credit quality and collateral.
- **Payment Structure:** Monthly lease payments shall be structured to mirror a fully amortizing loan with both principal and interest components.
    - The principal balance shall be reduced over the five-year term, such that the total principal paid equals $499,999 by the end of the fifth year.
    - A detailed amortization schedule will be attached as an exhibit to the final agreement, specifying the breakdown of principal and interest for each month.

- **Payment Timing:** Payments are due on the first (1st) day of each month.

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4. Bargain Purchase Option

- **Option to Purchase:** At the end of the five-year term, Tenant shall have the option to acquire title to the Property for **$1.00** (one dollar).
- **Early Purchase Option:** The City may terminate the lease at any time during the five-year term and elect to purchase the Property for $500,000 or another mutually agreed price, based on an appraisal conducted prior to the commencement of the lease agreement. The appraisal shall establish the baseline purchase price for the Property. If the appraised value is lower than $500,000, the purchase price shall be that appraised amount, less the total principal portion of lease payments already made.
- **Exercise of Option:** Tenant shall provide written notice to exercise the purchase option no later than ninety (90) days prior to the end of the lease term, or upon early termination if exercising the early purchase option.
- **Closing:** Closing shall occur within sixty (60) days of exercising the option. Upon payment of the applicable purchase price (or final $1.00 if at term) and satisfaction of all lease-purchase obligations, title shall transfer to Tenant.

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5. Maintenance & Repairs

- **City (Tenant):** Responsible for all maintenance, repairs, and improvements to the Property during the lease term. The City reserves the right to make capital improvements at its discretion.
- **Landlord:** Shall have no maintenance or repair responsibilities during the lease term.

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6. Insurance, Taxes & Operating Costs

- Tenant shall maintain general liability insurance naming Landlord as an additional insured.
- Landlord shall maintain property insurance for the building until title transfers.
- Tenant shall pay utilities and routine operating costs.

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7. Miscellaneous Provisions

- **Governing Law:** California law governs.
- **Binding Provisions:** This term sheet is non-binding except for (i) confidentiality, (ii) exclusivity (if agreed), and (iii) any expressly binding fee or reimbursement terms.
- **Costs & Fees:** Each party pays its own legal, appraisal, due diligence, and closing costs, unless otherwise agreed.
- **Escrow / Closing Agent:** To be mutually selected.
- **Survival:** Post-closing obligations (e.g., warranties or indemnities) to survive for a defined period.

For Discussion Purposes Only
Landlord/Seller: __________________________ Date: ___________
Tenant/Buyer: __________________________ Date: ___________

TERM SHEET

Proposed Purchase or Lease-Purchase of Willow Capital Assets

Parties
Buyer/Lessee: City of Ukiah ("City")
Seller/Lessor: Willow County Water District ("District")

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1. Purpose

This Term Sheet outlines the principal terms and conditions for the City's acquisition of certain capital assets currently owned by the District (collectively, the "Equipment"). The acquisition may occur through either (a) an outright cash purchase, or (b) a five-year lease-purchase agreement with a bargain purchase option, as described below.

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2. Equipment

The Equipment subject to this transaction consists of the capital assets listed in Exhibit A (attached), including but not limited to:

- 2018 Multiquip Whisperwatt DCA25SSIU4F Generator
- 2010 Airman PDS185S Compressor
- 1987 John Deere 310C Backhoe
- 2019 Kubota Z411 Mower
- 2019 Kubota L4701 Tractor with Attachments
- 2016 Ford F650 SD Dump Truck
- 2010 Ford Ranger Regular Cab Pickup
- 2005 Ford F250 Super Duty Super Cab Pickup
- 2013 Ford F150 Regular Cab Pickup
- 2016 Ford F150 Regular Cab Pickup
- 2019 Ford F150 Regular Cab Pickup (Unit 3301)
- 2020 Ford F150 Regular Cab Pickup (Unit 3304)
- 2019 Ford F150 Regular Cab Pickup (Unit 3305)

- 2016 Ford F150 Regular Cab Pickup (Unit 3306)
- 2016 Ford F150 Regular Cab Pickup (Unit 3307)

(Collectively, the “Equipment”)

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3. Purchase Price

- The total purchase price shall be based on the stated equipment values shown on the corresponding documentation attached as Exhibit A.
- These stated values shall be accepted by both parties as the agreed fair market value for purposes of the sale or lease-purchase transaction.
- The aggregate value of all listed equipment shall serve as the principal amount under any lease-purchase arrangement.

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4. Payment Structure

Option A — Cash Purchase:

- The City shall pay the total agreed purchase price in full upon execution of the purchase agreement.

Option B — Lease-Purchase:

- **Term:** Five (5) years.
- **Interest Rate:** Fixed at the market rate prevailing at the time of execution (currently estimated at approximately 3.5%, subject to adjustment to reflect current municipal lease market rates, typically ranging between 3.5% and 5.5%).
- **Lease Payments:** Structured as an amortizing payment schedule with a portion applied to principal and a portion to interest.
- **Bargain Purchase Option:** The City may purchase all Equipment at the conclusion of the 5-year term for **$1.00**.
- **Early Purchase Option:** The City may at any time during the lease term purchase the Equipment for the remaining principal balance due as of the date of early payoff.

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5. Maintenance, Operation, and Insurance

- The City shall be responsible for all maintenance, operation, registration, and insurance of the Equipment during the lease term.
- The City shall have full right to use, operate, and maintain the Equipment for all municipal purposes.

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6. Title and Risk of Loss

- Title shall remain with the District during the lease term and shall transfer to the City upon final payment and exercise of the purchase option.
- The City shall bear all risk of loss, theft, or damage during the lease period.

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7. Improvements and Modifications

The City may make capital improvements, repairs, or modifications to any Equipment in its discretion. Any such improvements shall become part of the Equipment and property of the City upon completion of the purchase.

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8. Termination and Purchase Option

The City may terminate the lease-purchase agreement at any time by purchasing the Equipment for the total stated value less all principal payments made to date.

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9. Representations and Warranties

All Equipment is sold or leased “as is,” “where is,” without warranty, express or implied, except as specifically set forth in the final purchase or lease-purchase agreement.

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10. Conditions Precedent

- Approval by the City Council of Ukiah and the District Board of Directors.
- Execution of a definitive Purchase Agreement or Lease-Purchase Agreement consistent with this Term Sheet.

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11. Exhibits

Exhibit A: Willow Equipment List and Valuations (Pages 1–15)

Acknowledged and Agreed:
(non-binding, subject to formal approval)

City of Ukiah
By: ___________________________
Name: ________________________
Title: _________________________
Date: _________________________

Willow County Water District
By: ___________________________
Name: ________________________
Title: _________________________
Date: _________________________