

**MCGILL, RUTH CONSOLIDATED SEWER AND WATER
GENERAL IMPROVEMENT DISTRICT**

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
McGill, Ruth Consolidated Sewer and Water General Improvement District
White Pine County, Nevada

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of McGill, Ruth Consolidated Sewer and Water General Improvement District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of McGill, Ruth Consolidated Sewer and Water General Improvement District, as of and for the year ended June 30, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of McGill, Ruth Consolidated Sewer and Water General Improvement District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

McGill, Ruth Consolidated Sewer and Water General Improvement District's 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 McGill, Ruth Consolidated Sewer and Water General Improvement District's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is 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 GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and the schedule of contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the



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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

HintonBurdick, PLLC

St. George, Utah
September 29, 2025

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**MCGILL, RUTH CONSOLIDATED SEWER AND WATER
GENERAL IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

The following is a discussion and analysis of McGill, Ruth Consolidated Sewer and Water General Improvement District's (District) financial performance providing an overview of the District's financial activities for the year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total assets plus deferred outflows exceed total liabilities plus deferred inflows (net position) by \$9,479,788 at the close of the fiscal year.
- Total net position increased by \$773,499, or 8.88% of beginning net position.
- Operating revenues increased by \$178,303 or 25% from \$709,470 to \$887,773.
- Operating expenses increased by \$41,931 or 4% from \$1,013,977 to \$1,055,908.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) Enterprise fund financial statements; and 2) Notes to the financial statements.

Enterprise fund financial statements. The District is a special purpose government and operates as an enterprise fund. Enterprise funds account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs of providing goods and services to the general public be financed or recovered primarily through user charges. The District is financed primarily through water and sewer and system obligation fees.

The *statement of net position* presents information on all of the District's assets, deferred inflows, liabilities, and deferred outflows, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

The *statement of cash flows* presents information showing how the government's cash changed during the most recent fiscal year.

The basic financial statements can be found on pages 9-12 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 13-31 of this report.

DISTRICT FINANCIAL ANALYSIS AS A WHOLE

Net position may serve over time as a useful indicator of the District's financial position. The District's combined assets and deferred outflows of resources exceed liabilities and deferred inflows of resources at June 30, 2025 and 2024 by \$9,479,788 and \$8,706,289, respectively. This is presented in the following condensed statement of net position.

Condensed Statement of Net Position As of June 30th

	2025	2024
Current assets	\$ 1,069,806	\$ 1,255,933
Capital assets, net	9,233,590	8,402,653
Other non-current assets	523,634	455,000
Total assets	10,827,030	10,113,586
Deferred outflows of resources	178,513	166,526
Current liabilities	88,039	78,633
Long-term liabilities	1,354,719	1,485,570
Total liabilities	1,442,758	1,564,203
Deferred inflows of resources	82,996	9,620
Net position:		
Net investment in capital assets	8,292,273	7,390,937
Restricted	523,634	455,000
Unrestricted	663,881	860,352
Total net position	\$ 9,479,788	\$ 8,706,289

The District's net positions are comprised of three components:

Capital assets (i.e. land, buildings, operating equipment, furniture and fixtures, and water rights), less any related debt outstanding that was used to acquire those assets is comprised of \$8,292,273 or 87.47% of total net position. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay capital related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

Restricted net position of \$523,634 or 5.52% of total net position represents funds that are subject to restrictions on how they may be used. The restricted balance consists of capital replacement reserves as required by the State Revolving Fund. The reserve is designed to help the utility system operate without interruption, both through the normal life cycle of its assets and through catastrophic events that could cripple those assets.

Unrestricted net position of \$663,881 or 7% of total net position may be used to meet the District's obligations to customers, employees, and creditors and to supplement next year's budget.

DISTRICT FINANCIAL ANALYSIS AS A WHOLE (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position As of June 30th

	2025	2024	Variance
Operating revenue	\$ 887,773	\$ 709,470	178,303
Operating expense	(1,055,908)	(1,013,977)	41,931
Operating income (loss)	(168,135)	(304,507)	220,234
Non-operating net revenue (expense)	941,634	66,434	875,200
Increase (decrease) in net position	773,499	(238,073)	1,011,572
Net position, beginning	8,706,289	8,944,362	(238,073)
End of year	\$ 9,479,788	\$ 8,706,289	\$ 773,499

The District experienced an increase in operating revenues of \$178,303 or 25.13% in fiscal year 2025. There was an increase in non-operating net revenue of \$875,200 or 1,317% largely due to an increase in grant revenue in fiscal year 2025.

Total operating expenses increased \$41,931 or 4% in fiscal year 2025 due primarily to an increase in contract labor, professional fees, and utilities.

BUDGETARY HIGHLIGHTS

Since the District operates as an enterprise fund, it is only required to comply with the budget on an entity wide basis. The actual operating expenditures for the fiscal year 2025 were \$147,203 less than the final budget amount. The difference largely stems from contract labor, engineering, and repairs and maintenance, and office supplies.

CAPITAL ASSETS

The District operates as an enterprise fund, which includes capitalization and depreciation of assets. Asset categories include land, buildings, improvements, construction in process, equipment, and water rights. The District's capital assets (net of accumulated depreciation) as of June 30, 2025 amounted to \$9,233,590 which represents an increase of \$830,937 or 10% over the prior fiscal year net capital assets.

LONG-TERM DEBT

At the end of the current fiscal year, the District had total debt outstanding of \$941,318. The bonds payable decreased by \$54,244. In 2024, the District entered into an agreement to purchase a Caterpillar. The District obtained a note payable for the acquisition. The initial purchase price of the Caterpillar was financed through a note payable with a principal balance of \$75,000. As of June 30, 2025, the outstanding balance is 38,845.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of McGill, Ruth Consolidated Sewer and Water General Improvement District's finances for all those with an interest in the District's finances. Questions regarding any of the information provided in this report, or requests for additional financial information should be addressed to McGill, Ruth Consolidated Sewer and Water General Improvement District, P.O. Box 1376, McGill, NV 89318.

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BASIC FINANCIAL STATEMENTS

MCGILL RUTH SEWER & WATER DISTRICT
Statement of Net Position
June 30, 2025
(With Comparative Totals For June 30, 2024)

	Water Department	Sewer Department	Totals	
			6/30/2025	6/30/2024
Assets				
Current assets:				
Cash and cash equivalents	\$ 525,651	\$ 436,732	\$ 962,383	\$ 1,179,110
Accounts receivable, net of allowance	33,346	56,527	89,873	59,273
Inventory of supplies	-	17,550	17,550	17,550
Total current assets	<u>558,997</u>	<u>510,809</u>	<u>1,069,806</u>	<u>1,255,933</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	1,351,244	7,882,344	9,233,590	8,402,653
Restricted cash	431,824	91,810	523,634	455,000
Total noncurrent assets	<u>1,783,068</u>	<u>7,974,154</u>	<u>9,757,224</u>	<u>8,857,653</u>
Total assets	<u>2,342,065</u>	<u>8,484,963</u>	<u>10,827,030</u>	<u>10,113,586</u>
Deferred outflows of resources	<u>89,257</u>	<u>89,257</u>	<u>178,513</u>	<u>166,526</u>
Liabilities				
Current liabilities:				
Accounts payable	1,271	1,035	2,306	5,748
Accrued compensation and related costs	19,401	19,402	38,803	26,812
Accrued interest payable	1,131	1,132	2,263	2,883
Current portion of long-term liabilities	8,643	36,024	44,667	43,190
Total current liabilities	<u>30,446</u>	<u>57,593</u>	<u>88,039</u>	<u>78,633</u>
Noncurrent liabilities:				
Long-term liabilities, less current maturities	-	896,650	896,650	968,526
Net pension liability	229,034	229,035	458,069	517,044
Total noncurrent liabilities	<u>229,034</u>	<u>1,125,685</u>	<u>1,354,719</u>	<u>1,485,570</u>
Total liabilities	<u>259,480</u>	<u>1,183,278</u>	<u>1,442,758</u>	<u>1,564,203</u>
Deferred inflows of resources	<u>41,498</u>	<u>41,498</u>	<u>82,996</u>	<u>9,620</u>
Net Position				
Net investment in capital assets	1,342,601	6,949,670	8,292,273	7,390,937
Restricted for capital replacement	431,824	91,810	523,634	455,000
Unrestricted	355,919	307,964	663,881	860,352
Total net position	<u>\$ 2,130,344</u>	<u>\$ 7,349,444</u>	<u>\$ 9,479,788</u>	<u>\$ 8,706,289</u>

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

MCGILL RUTH SEWER & WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025
(With Comparative Totals For June 30, 2024)

	Water Department	Sewer Department	Totals	
			6/30/2025	6/30/2024
Operating revenues				
Sewer and water use fees	\$ 381,218	\$ 188,517	\$ 569,735	\$ 489,112
System obligation fees	108,463	173,349	281,812	213,043
Allowances	8,791	8,791	17,582	(604)
Hook up fees	11,392	-	11,392	6,590
Miscellaneous	5,126	2,126	7,252	1,329
Total operating revenues	514,990	372,783	887,773	709,470
Operating expenses				
Salaries and wages	139,933	139,933	279,866	236,939
Employee benefits	68,189	68,188	136,377	156,443
Advertising	1,222	1,259	2,481	1,849
Contract labor	25,436	4,715	30,151	11,051
Insurance	9,353	9,353	18,706	11,845
Repairs and maintenance	63,168	22,229	85,397	115,850
Office supplies	10,235	22,900	33,135	35,856
Professional fees	21,740	21,740	43,480	31,662
Utilities and telephone	61,963	11,935	73,898	66,152
Depreciation and amortization	142,898	198,155	341,053	332,348
Transportation	2,914	2,914	5,828	8,425
Miscellaneous	2,880	2,656	5,536	5,557
Total operating expenses	549,931	505,977	1,055,908	1,013,977
Operating income / (loss)	(34,941)	(133,194)	(168,135)	(304,507)
Non-operating income (expenses)				
Interest income	8,033	8,033	16,066	8,778
System obligation fees	26,813	32,076	58,889	64,242
Penalties	4,758	4,758	9,516	9,058
Grant revenue	-	1,124,698	1,124,698	-
Gain (loss) on disposal of assets	(139,879)	(112,359)	(252,238)	-
Interest expense	(1,612)	(13,685)	(15,297)	(15,644)
Total non-operating revenue (expenses)	(101,887)	1,043,521	941,634	66,434
Change in net position	(136,828)	910,327	773,499	(238,073)
Total net position--beginning	2,267,172	6,439,117	8,706,289	8,944,362
Total net position--ending	\$ 2,130,344	\$ 7,349,444	\$ 9,479,788	\$ 8,706,289

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

MCGILL RUTH SEWER & WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2025
(With Comparative Totals For June 30, 2024)

	6/30/2025	6/30/2024
Cash flows from operating activities:		
Cash received from customers	\$ 857,173	\$ 714,615
Cash paid to suppliers for goods and services	(302,054)	(370,257)
Cash paid to employees	(401,838)	(362,777)
Cash flows from operating activities	153,281	(18,419)
Cash flows from Noncapital Financing Activities:		
Proceeds from obligation fees	58,889	64,242
Cash flows from noncapital and related financing activities	58,889	64,242
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(70,399)	(73,557)
Interest paid	(15,917)	(12,761)
Grant proceeds	1,124,698	-
Purchase of capital assets	(1,424,227)	(42,217)
Cash flows from capital and related financing activities	(385,845)	(128,535)
Cash flows from investing activities:		
Penalties	9,516	9,058
Interest on investments	16,066	8,778
Cash flows from investing activities	25,582	17,836
Net change in cash and cash equivalents, including restricted cash	(148,093)	(64,876)
Cash and cash equivalents, beginning of year including restricted cash	1,634,110	1,698,986
Cash and cash equivalents, end of year including restricted cash	\$ 1,486,017	\$ 1,634,110
	6/30/2025	6/30/2024
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income / (loss)	\$ (168,135)	\$ (304,507)
Adjustments to reconcile operating income / (loss) to cash flows from operating activities:		
Depreciation	341,053	332,348
Pension expense	44,593	67,213
Employer pension contributions	(42,179)	(36,458)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(30,600)	5,145
Increase/(decrease) in accounts payable	(3,442)	(82,010)
Increase/(decrease) in accrued compensation	11,991	(150)
Net cash flows from operating activities	\$ 153,281	\$ (18,419)
Supplemental schedule of non-cash items:		
Acquired capital assets through debt issuance	\$ -	\$ 75,000
Loss on disposal of capital assets	252,238	-

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

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies

Nature of Organization

McGill Ruth Sewer & Water District, (District) was created under the provisions of Chapter 318 of the Nevada Revised Statutes. The District is governed by an elected Board of five members possessing final decision making authority and is held primarily accountable for those decisions. The Board of Trustees are responsible for approving the budget, establishing spending limitations, funding any deficits and borrowing funds to finance the District's operations and construction.

The accounting policies of the McGill Ruth Consolidated Sewer & Water General Improvement District conform to generally accepted accounting principles as applicable to governmental proprietary fund accounting. The *Governmental Accounting Standards Board (GASB)* is the accepted standards-setting body for established governmental accounting and financial reporting principles.

Reporting Entity

The District is a municipal corporation governed by a five member governing board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

There were no component units which are combined to form the reporting entity.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District's only fund is a proprietary fund operating two departments. The water department accounts for the activities of the water distribution system for residents of the government. The sewer department accounts for the activities of the government's wastewater collection and treatment facilities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The statements included herein report activity pertaining to the proprietary fund using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies, Continued

Budget Policy and Process

The District adheres to the Local Government Budget Act incorporated within state statutes, which include the following major procedures to establish the budgetary data which is reflected in these financial statements.

1. On or before April 15, the District's Board of Directors files a tentative budget with the Nevada Department of Taxation.
2. Public hearing regarding the tentative budget is held in May as prescribed by law.
3. Prior to June 1, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Board and by adopting a resolution. The final budget must then be forwarded to the Nevada Tax Commission for final hearings and approval.
4. Formal budgetary integration in the financial records is employed to enhance management control during the year.
5. The budget is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).
6. In proprietary funds, operating and non-operating expenses may not exceed combined total appropriations.

Use of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. For the purpose of the statement of cash flows, the District considers investment in the Local Government Investment Pool to be cash equivalents. Based on the nature of the investment policies, all amounts are available on demand and are, therefore, classified as cash equivalents on the Statement of Cash Flows.

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies, Continued

Cash and Investments

Investments for the government are reported at fair value (generally based on quoted market prices) with unrealized gains/losses recorded as adjustments to investment earnings.

Pursuant to NRS 355.170, the District may only invest in the following types of securities:

- United States bonds and debentures maturing within ten (10) years from the date of purchase.
- Certain farm loan bonds.
- Securities of the United States Treasury, United States Postal Service, or the Federal National Mortgage Association maturing within ten (10) years from the date of purchase.
- Negotiable certificates of deposit from commercial banks and insured savings and loan associations within the State of Nevada.
- Certain securities issued by local governments of the State of Nevada.
- Other securities expressly provided by other statutes, including repurchase agreements

Accounts Receivable

Receivables consist of amounts due from customers of the District for water usage and sewer services and an insurance reimbursement. Management has estimated the amount of uncollectible accounts receivable to be \$72,152 as of June 30, 2025.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are defined by the District as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated acquisition cost on the date of donation. 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.

Land and construction in progress are not depreciated. The other property, plant, and equipment, and infrastructure are depreciated using the straight line method over the following estimated useful lives:

	Useful Life
Buildings	15 years
Plant	40-75 years
Improvements other than buildings	5-40 years
Equipment	3-7 years

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies, Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category which is pension related items (see Note 6).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category which is pension related items (see Note 6).

Pensions

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

Inventory

Inventory is valued at the lower of cost or market. Inventory consists of supplies and materials that will be used by the District for repairs and maintenance on District sewer lines.

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies, Continued

Revenue Recognition

The District's revenue is derived principally from fees assessed as follows:

	Operating Revenues	Non-Operating Revenues
Monthly System Obligation Fees Charged to All Properties in the District		
Water obligation fees for each parcel of property in the District	\$9.50	\$2.50
Sewer obligation fees for each parcel of property in the District	\$15.00	\$3.00
Water		
Monthly Residential, Commercial, Churches, Fraternal Usage Fees		
Base rate	\$26.75	
Tiered rate: 0-5,000 gallons	\$1.00	per 1,000 gallons
Tiered rate: 5,001 - 10,000 gallons	\$2.00	per 1,000 gallons
Tiered rate: over 10,000 gallons	\$3.50	per 1,000 gallons
Monthly Parks and Commercial 2" Service Usage Fees		
Base rate	\$193.95	
Tiered rate: 0-5,000 gallons	\$1.25	per 1,000 gallons
Tiered rate: over 5,000 gallons	\$2.50	per 1,000 gallons
Sewer		
Monthly Residential, Churches, and Fraternal Usage Fees		
Base rate	\$21.50	
Monthly Commercial Usage Fees		
Base rate	\$21.50	
Usage rate	\$0.001	per 1,000 gallons

Residential sewer and water fees were recorded as revenue as the usage occurred. Commercial sewer and water fees are accrued and billed in arrears by the District.

Net Position

Net position is the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets are capital assets, net of accumulated depreciation and outstanding bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position is present when there are legal limitations imposed on their use imposed by District legislation or external parties such as other governments, creditors or grantors. The board is the highest authoritative level and is capable of assigning funds through a unanimous vote.

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies, Continued

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Prior-Year Summaries Comparative Information

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District’s financial position and operations. However, comparative data has not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District’s financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the water fund and sewer fund are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue obligation fees charged uniformly to all customers and the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Implementation of New Accounting Standards

During the current year, McGill Ruth Consolidated Sewer and Water General Improvement District implemented GASB Statement No. 101, compensated Absences. In addition to the value of unused vacation time owed to employees upon separation of employment, District also recognizes sick leave earned as of year-end that will be used by employees as time off in future years or owed upon separation as part of the liability for compensated absences. The implementation of GASB No. 101, did not have a significant impact on the District.

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 2. Deposits and Investments

As of June 30, 2025, the District had the following deposits and investments:

Cash consisted of the following at June 30, 2025:	6/30/2025
Cash on hand	\$ 100
Cash in bank-Nevada Bank & Trust Checking	576,104
Cash in bank-Nevada Bank & Trust Money Market	52,957
Cash in bank-Nevada Bank & Trust Ruth Tank Fund	431,824
Investments - LGIP Water and Sewer Reserve	425,032
	<u>\$ 1,486,017</u>

Current operating cash	962,383
Restricted cash	
Capital replacement reserve water and sewer	523,634
Total restricted cash	<u>523,634</u>
	<u>\$ 1,486,017</u>

Reserved cash is restricted to use and therefore shown under restricted assets. See note 7.

The following is a listing of collateral or insurance on deposits at June 30, 2025:

	6/30/2025
Insured FDIC- Nevada Bank & Trust	\$ 250,000
Covered by the Nevada Collateral Pool Program	1,236,017
	<u>\$ 1,486,017</u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the district's deposit may not be returned. The District does not have a formal policy for custodial credit risk. As of June 30, 2025, the district's bank balance was \$1,060,886 and none of that balance was exposed to custodial credit risk because it was either fully insured by FDIC insurance or collateralized by a pledging financial institution.

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 2. Deposits and Investments, Continued

Investments

The Nevada State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Nevada Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Nevada, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (NRS 355.170) govern the investment of public funds as noted in Footnote 1.

As of June 30, 2025 the government had the following investments:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Investments:			
Nevada Local Government Pooled	\$ 425,032	N/A	49.5
Total fair value	<u><u>\$ 425,032</u></u>		

(1) Credit risk is based on external third party ratings of the investments.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2025:

- Nevada Local Government's Investment Pool (LGIP):

Level 1 inputs	\$ 169,489
Level 2 inputs	255,543
Total LGIP investment	<u><u>\$ 425,032</u></u>

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 2. Deposits and Investments, Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (NRS 355.170).

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with State law (NRS 355.170).

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MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 3. Capital Assets and Depreciation

Business-type capital asset activity for the year ended June 30, 2025 is as follows:

Business-type Activities:	Balance 6/30/2024	Additions	Deletions	Balance 6/30/2025
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 1,253,642	\$ -	\$ 1,253,642
Land	43,052	-	-	43,052
Water rights	60,490	-	-	60,490
Total capital assets, not being depreciated	103,542	1,253,642	-	1,357,184
Capital assets, being depreciated:				
Buildings	326,248	110,529	(15,117)	421,660
Equipment	474,227	60,056	(83,930)	450,353
Improvements other than buildings	5,463,811	-	(628,360)	4,835,451
Plant	10,330,255	-	(720,492)	9,609,763
Total capital assets, being depreciated	16,594,541	170,585	(1,447,899)	15,317,227
Less accumulated depreciation for:				
Buildings	(105,168)	(8,204)	15,117	(98,255)
Equipment	(391,429)	(35,965)	83,186	(344,208)
Improvements other than buildings	(4,112,066)	(121,169)	489,225	(3,744,010)
Plant	(3,686,767)	(175,714)	608,133	(3,254,348)
Total accumulated depreciation	(8,295,430)	(341,052)	1,195,661	(7,440,821)
Total capital assets, being depreciated, net	8,299,111	(170,467)	(252,238)	7,876,406
Business-type activities capital assets, net	\$ 8,402,653	\$ 1,083,175	\$ (252,238)	\$ 9,233,590

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 4. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2025:

	<u>Balance 6/30/2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2025</u>	<u>Current Portion</u>
Business-type activities:					
Bonds payable:					
Notes from direct borrowings	\$ 956,717	\$ -	\$ (54,244)	\$ 902,473	\$ 27,382
Note Payable	55,000		(16,155)	38,845	17,285
Net pension liability	<u>517,043</u>		<u>(58,974)</u>	<u>458,069</u>	<u>-</u>
Total long-term liabilities	<u>\$ 1,528,760</u>	<u>\$ -</u>	<u>\$ (129,373)</u>	<u>\$ 1,399,387</u>	<u>\$ 44,667</u>

Long-term liabilities consist of the following:

Business-type activities

Bonds payable:

General Obligation Sewer Bonds - Series 2020
Original balance was \$1,149,451. Due
in semi annual principal and interest
installments of \$33,159, bearing interest
at 1.280%, maturing July 1, 2040.

\$ 902,473

Total bonds payable, business-type activities

902,473

Note Payable

Note payable to Caterpillar financing, original
balance was \$75,000. Due in annual
installments of \$20,000, bearing interest at
6.99%, maturing August 2027.

38,845

Total notes payable, business-type activities

38,845

Net pension liability

458,069

Total long-term liabilities

1,399,387

Less current portion:

(44,667)

Net long-term liabilities

\$ 1,354,720

The District's outstanding notes from direct borrowings of \$941,318 are secured with pledged system revenues. In addition, the District's notes do not have a terminating event clause or a subjective acceleration clause. The District does not have a line of credit.

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 4. Long-Term Liabilities, Continued

The annual requirements for the next five years and 5 year increments thereafter to amortize long-term debt outstanding at June 30, 2025 are as follows:

Fiscal Year Ending June 30,	Business-type Activities		
	Bonds/Notes from Direct Borrowings		
	Principal	Interest	Total
2026	\$ 44,667	\$ 14,441	\$ 59,108
2027	73,785	12,532	86,317
2028	59,069	11,054	70,123
2029	56,721	9,596	66,317
2030	57,450	8,867	66,317
2031-2035	298,507	33,078	331,585
2036-2040	318,171	13,414	331,585
2041	32,948	211	33,159
Total	<u>\$ 941,318</u>	<u>\$ 103,193</u>	<u>\$ 1,044,511</u>

Note 5. Contingency

The McGill, Ruth Consolidated Sewer and Water General Improvement District is subject to the provisions of the Nevada Unemployment Compensation Law. The District elected to be covered under the reimbursement method which requires the District to reimburse the State of Nevada on a quarterly basis for all unemployment benefits paid to former employees. The amounts of any potential liability at the balance sheet date due to claims in future periods on employment during the year ended June 30, 2025, associated with the District cannot be reasonably determined, and therefore, has not been reflected in the financial statements. It is the opinion of the District officials that the potential liability through June 30, 2025, should not have a material effect on the financial position of the District at June 30, 2025.

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 6. Retirement and Pension Plan

Public Employees' Retirement System of Nevada (PERS)

Plan description

The District contributes to the Public Employees' Retirement System of the State of Nevada (PERS). PERS administers a cost-sharing, multiple-employer, defined benefit pension plan, which includes Regular members. PERS was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability.

Benefits provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010, and July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits..

Monthly benefit allowances for members are computed as 2.50% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this service time factor is 2.67% of average compensation. For plan members entering PERS on or after January 1, 2010, there is a 2.50% service time factor for all years of service. Regular plan members entering the system on or after July 1, 2015, have a 2.25% service time factor. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579.

Vesting

Regular members entering the System prior to January 1, 2010, are eligible for retirement at age 65 with 5 years of service, at age 60 with 10 years of service, or at any age with 30 years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with 5 years of service, or at age 62 with 10 years of service, or any age with 30 years of service. Regular members entering the System on or after July 1, 2015, are eligible for retirement at age 65 with 5 years of service, or at age 62 with 10 years of service or at age 55 with 30 years of service, or at any age with 33 1/3 years of service.

The normal ceiling limitation on monthly benefit allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Regular members become fully vested as to benefits upon completion of five years of service.

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 6. Retirement and Pension Plan, Continued

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. In one plan, contributions are shared equally by employer and employee. In the other plan, employees can take a reduced salary and have contributions made by the employer (EPC).

PERS' basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

Although the System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis, contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuarial funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and results in a relatively level, long-term contribution requirement as a percentage of salary.

For the year ended June 30, 2025, the statutory Employer/Employee matching rate was 17.50% for Regular. The Employer-pay contribution (EPC) rate was 33.50% for Regular.

The District's contributions for the current and two preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Regular Fund
2023	32,792
2024	36,458
2025	42,177

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 6. Retirement and Pension Plan, Continued

Investment policy

The System's policies which determine the investment portfolio target asset allocation are established by the Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System. The following was the Board adopted policy target asset allocation as of June 30, 2024:

Asset Class	Target Allocation	Long-term Geometric Expected Real Rate of Return*
U.S. stocks	34 %	5.50%
International stocks	14 %	5.50%
U.S. bonds	28%	2.25%
Private markets	12%	6.65%
Short-term investments	12%	0.50%
Total	100%	

*As of June 30, 2024, PERS' long-term inflation assumption was 2.50%.

Pension liability

Net pension liability

At June 30, 2025, the District reported a liability of \$458,069 for its proportionate share of the PERS' net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their employer contributions relative to the total employer contributions for all employers for the period ended June 30, 2024. The District's proportion measured as of June 30, 2024, was 0.002540 percent, which was a decrease of 0.000290 percent from its proportion measured as of June 30, 2023.

Pension liability discount rate sensitivity

The following presents the net pension liability of the PERS as of June 30, 2024, using the discount rate of 7.25%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of			
Net pension (asset) / liability	\$ 736,630	\$ 458,069	\$ 228,253

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 6. Retirement and Pension Plan, Continued

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the PERS Annual Report, available on the PERS website www.nvpers.org.

Actuarial assumptions

The District's net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.50%
Investment rate of return	7.25%
Productivity pay increase	0.5%
Projected salary increases	Regular: 4.20% to 9.10%, depending on service Rates include inflation and productivity increases
Other assumptions	Same as those used in the June 30, 2024 funding actuarial valuation

Actuarial assumptions used in the June 30, 2024 valuation were based on the results of the experience study covering the period July 1, 2016 through June 30, 2020.

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed plan contributions will be made in amounts consistent with statutory provisions and recognizing the plan's current funding policy and cost-sharing mechanism between employers and members. For this purpose, all contributions that are intended to fund benefits for all plan members and their beneficiaries are included, except that projects contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2024.

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 6. Retirement and Pension Plan, Continued

Pension expense and deferred outflows/inflows of resources related to pensions

As of June 30, 2025, the District recognized pension expense for PERS of \$44,593. At June 30, 2025, the measurement date, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 97,178	\$ -
Changes in assumptions	29,558	-
Net difference between projected and actual earnings on pension plan investments	-	45,126
Subtotal	126,736	45,126
Changes in proportion and differences between contributions and proportional share of contributions	9,600	37,870
Contributions subsequent to the measurement date	42,177	-
Total	\$ 178,513	\$ 82,996

Average expected remaining service lives 5.64 years

The \$42,177 reported as deferred outflows of resources related to PERS pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pensions, excluding the changes in proportion and differences between actual contributions and proportionate share of contributions, will be recognized in pension expense as follows:

Collective deferred outflows/ (inflows) of resources related to pension will be recognized as follows:

Year Ending June 30	Deferred Outflows (Inflows) of Resources
2026	\$ 6,413
2027	31,065
2028	2,322
2029	(34)
2030	3,975
Thereafter	-
	\$ 43,740

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 7. Net Position – Restricted / Restricted Cash

Restricted net position consisted of the following at June 30, 2025:

Restricted net assets consisted of the following at June 30, 2024

	<u>6/30/2025</u>	<u>6/30/2025</u>	<u>6/30/2025</u>
	Water	Sewer	Total
Capital replacement reserve			
Balance at beginning of year	\$ 455,000	\$ -	\$ 455,000
Transfer from water to sewer	(65,000)	65,000	-
Annual deposits for year	30,000	30,000	60,000
Adjustment to match related bank accounts	11,824	(3,190)	8,634
Balance at end of year	<u>431,824</u>	<u>91,810</u>	<u>523,634</u>

The Nevada Division of Environmental Protection requires utilities to make annual deposits to a capital replacement reserve account if an entity receives funding from the State Revolving Fund. The reserve is designed to help the utility system operate without interruption, both through the normal life cycle of its assets and through catastrophic events that could cripple those assets.

MCGILL RUTH SEWER & WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2025

Note 8. Available Borrowing Capacity

The lawful General Improvement District debt limit is established under NRS 318.277 and is not to exceed an amount equal to fifty percent of the last assessed valuation of the taxable property of the District. The District does not currently have any general obligation debt that is subject to the limitation.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District assesses these risks and provides management through the Nevada Public Agency Insurance Pool created through an inter-local cooperative agreement by participating Nevada governments. The District participates in Agency programs designed to reduce risk of loss by governments.

REQUIRED SUPPLEMENTARY INFORMATION

MCGILL RUTH SEWER & WATER DISTRICT
Schedule of the Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Proportion of the net pension liability (asset)	0.002540%	0.002830%	0.002800%	0.002820%	0.002680%	0.002750%	0.002710%	0.002730%	0.002780%	0.001570%
Proportionate share of the net pension liability (asset)	\$ 458,069	\$ 517,043	\$ 504,918	\$ 256,720	\$ 373,601	\$ 374,942	\$ 369,985	\$ 362,830	\$ 374,167	\$ 180,064
Covered payroll	\$ 217,660	\$ 220,453	\$ 207,200	\$ 201,532	\$ 191,806	\$ 189,279	\$ 179,771	\$ 174,907	\$ 168,387	\$ 173,243
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	210.45%	234.54%	243.69%	127.38%	194.78%	198.09%	205.81%	201.82%	222.21%	103.94%
Plan fiduciary net position as a percentage of the total pension liability	78.1%	76.2%	75.1%	86.5%	77.0%	76.5%	75.2%	74.4%	72.2%	75.1%

MCGILL RUTH SEWER & WATER DISTRICT
Schedule of Contributions
Last 10 Fiscal Years

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 42,177	\$ 36,458	\$ 32,792	\$ 30,821	\$ 29,465	\$ 27,959	\$ 26,499	\$ 25,168	\$ 24,487	\$ 23,574
Contributions in relation to the contractually required contribution	(42,177)	(36,458)	(32,792)	(30,821)	(29,465)	(27,959)	\$ (26,499)	\$ (25,168)	\$ (24,487)	\$ (23,574)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 251,805	\$ 217,660	\$ 220,453	\$ 207,200	\$ 201,532	\$ 191,806	\$ 189,279	\$ 179,771	\$ 174,907	\$ 168,387
Contributions as a percentage of covered payroll	16.75%	16.75%	14.87%	14.87%	14.62%	14.58%	14.00%	14.00%	14.00%	14.00%

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SUPPLEMENTARY INFORMATION

MCGILL RUTH SEWER & WATER DISTRICT
Schedule of Revenues Expenses and Changes in Net Position – Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Operating revenues				
Sewer and water use fees	\$ 571,000	\$ 571,000	\$ 569,735	\$ (1,265)
System obligation fees	317,916	317,916	281,812	(36,104)
Allowances	-	-	17,582	17,582
Hook up fees	10,000	10,000	11,392	1,392
Miscellaneous	250	250	7,252	7,002
Total operating revenues	899,166	899,166	887,773	(11,393)
Operating expenses				
Salaries and wages	276,000	276,000	279,866	(3,866)
Employee benefits	142,200	142,200	136,377	5,823
Advertising	3,500	3,500	2,481	1,019
Contract labor	50,000	50,000	30,151	19,849
Engineering	20,000	20,000	1,375	18,625
Insurance	19,000	19,000	18,706	294
Repairs and maintenance	131,700	131,700	85,397	46,303
Office supplies	65,000	65,000	33,135	31,865
Professional fees	51,300	51,300	42,105	9,195
Utilities and telephone	90,000	90,000	73,898	16,102
Depreciation and amortization	336,411	336,411	341,053	(4,642)
Transportation	12,000	12,000	5,828	6,172
Miscellaneous	6,000	6,000	5,536	464
Total operating expenses	1,203,111	1,203,111	1,055,908	147,203
Operating income / (loss)	(303,945)	(303,945)	(168,135)	135,810
Non-operating income (expenses)				
Interest income	6,000	6,000	16,066	10,066
System obligation fees	64,242	64,242	58,889	(5,353)
Penalties	9,500	9,500	9,516	16
Grant revenue	6,450,000	6,450,000	1,124,698	(5,325,302)
Grant expenditures	(6,572,000)	(6,572,000)	-	6,572,000
Loss on disposal of assets	-	-	(252,238)	(252,238)
Interest expense	(12,073)	(12,073)	(15,297)	(3,224)
Total non-operating revenue (expenses)	(54,331)	(54,331)	941,634	995,965
Change in net position	(358,276)	(358,276)	773,499	1,131,775
Total net position--beginning	8,706,289	8,706,289	8,706,289	-
Total net position--ending	\$ 8,348,013	\$ 8,348,013	\$ 9,479,788	\$ 1,131,775

MCGILL RUTH SEWER & WATER DISTRICT
Schedule of Cash Flows – Budget and Actual
For the Year Ended June 30, 2025

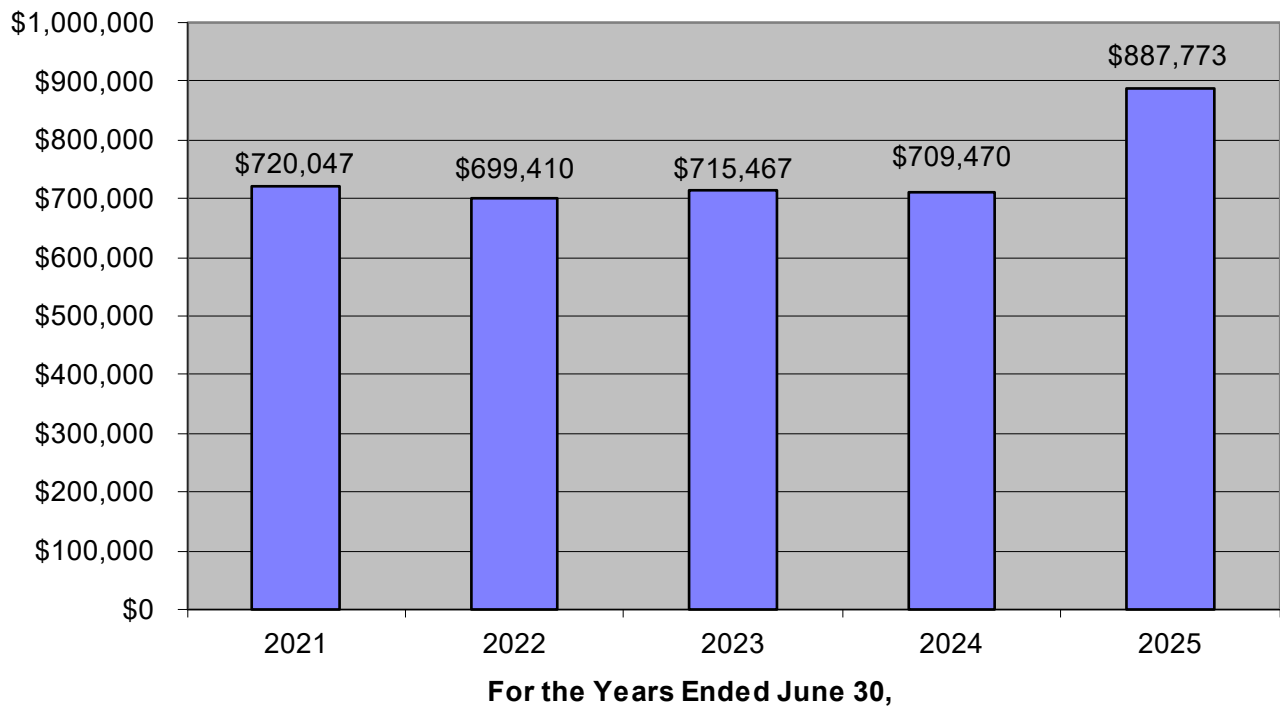
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Cash flows from operating activities:				
Cash received from customers	\$ 899,166	\$ 899,166	\$ 857,173	\$ (41,993)
Cash paid to suppliers for goods and services	(448,500)	(448,500)	(302,054)	146,446
Cash paid to employees	(418,200)	(418,200)	(401,838)	16,362
Cash flows from operating activities	32,466	32,466	153,281	120,815
Cash flows from Noncapital Financing Activities:				
Proceeds from obligation fees	64,242	64,242	58,889	(5,353)
Cash flows from noncapital and related financing activities	64,242	64,242	58,889	(5,353)
Cash flows from capital and related financing activities:				
Principal paid on long-term debt	(54,244)	(54,244)	(70,399)	(16,155)
Interest paid	(12,073)	(12,073)	(15,917)	(3,844)
Grant proceeds	5,110,000	5,110,000	1,124,698	(3,985,302)
Purchase of capital assets	(7,610,000)	(7,610,000)	(1,424,227)	6,185,773
Cash flows from capital and related financing activities	(2,566,317)	(2,566,317)	(385,845)	2,180,472
Cash flows from investing activities:				
Penalties	9,500	9,500	9,516	16
Interest on investments	6,000	6,000	16,066	10,066
Cash flows from investing activities	15,500	15,500	25,582	10,082
Net change in cash and cash equivalents including restricted cash	(2,454,109)	(2,454,109)	(148,093)	2,306,016
Cash and cash equivalents, beginning of year including restricted cash	2,430,539	2,430,539	1,634,110	(796,429)
Cash and cash equivalents, end of year including restricted cash	<u>\$ (23,570)</u>	<u>\$ (23,570)</u>	<u>\$ 1,486,017</u>	<u>\$ 1,509,587</u>
Supplemental schedule of non-cash items:				
Loss on disposal of capital assets	\$ -	\$ -	\$ 252,238	\$ 252,238

MCGILL RUTH SEWER & WATER DISTRICT
Schedule of Changes in Property and Equipment – By Activity
For the Year Ended June 30, 2025

	Property and Equipment				Accumulated Depreciation				Book Value
	Beginning Balance	Current Acquisitions	Retirements	Ending Balance	Beginning Balance	Current Expense	Retirements	Ending Balance	
Sewer and water plant									
Land	\$ 43,052	\$ -	\$ -	\$ 43,052	\$ -	\$ -	\$ -	\$ -	\$ 43,052
Water rights	60,490	-	-	60,490	-	-	-	-	60,490
Buildings	326,248	110,529	(15,117)	421,660	105,168	8,204	(15,117)	98,255	323,405
Plant	10,330,255	-	(83,930)	9,609,763	3,686,767	175,714	(608,133)	3,254,348	6,355,415
Improvements other than buildings	5,463,811	-	(628,360)	4,835,451	4,112,066	121,169	(489,225)	3,744,010	1,091,441
Equipment	474,227	60,056	(720,492)	450,353	391,429	35,965	(83,186)	344,208	106,145
Construction in progress sewer	-	1,246,642	-	1,246,642	-	-	-	-	1,246,642
Construction in progress water	-	7,000	-	7,000	-	-	-	-	7,000
Total fixed assets	<u>\$ 16,698,083</u>	<u>\$ 1,424,227</u>	<u>\$ (1,447,899)</u>	<u>\$ 16,674,411</u>	<u>\$ 8,295,430</u>	<u>\$ 341,052</u>	<u>\$ (1,195,661)</u>	<u>\$ 7,440,821</u>	<u>\$ 9,233,590</u>

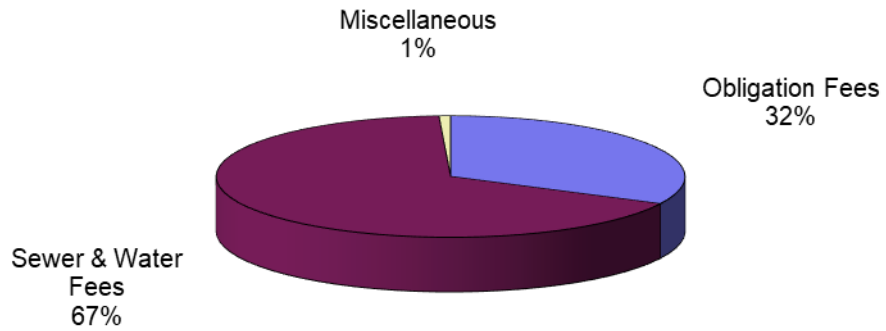
STATISTICAL INFORMATION

**McGill, Ruth Sewer & Water
Total Operating Revenues - 5 Year Comparison**

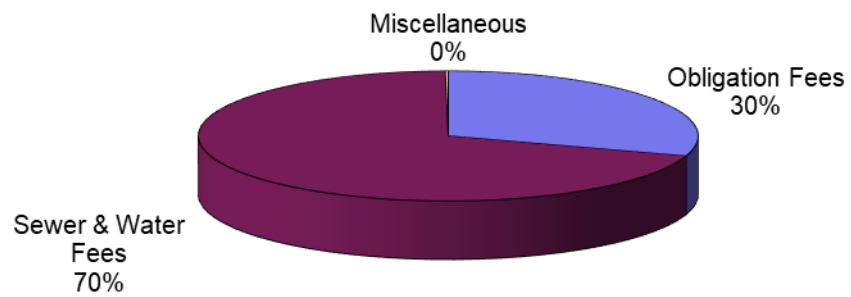


**McGill, Ruth Sewer & Water Total Operating Revenues by
Function**

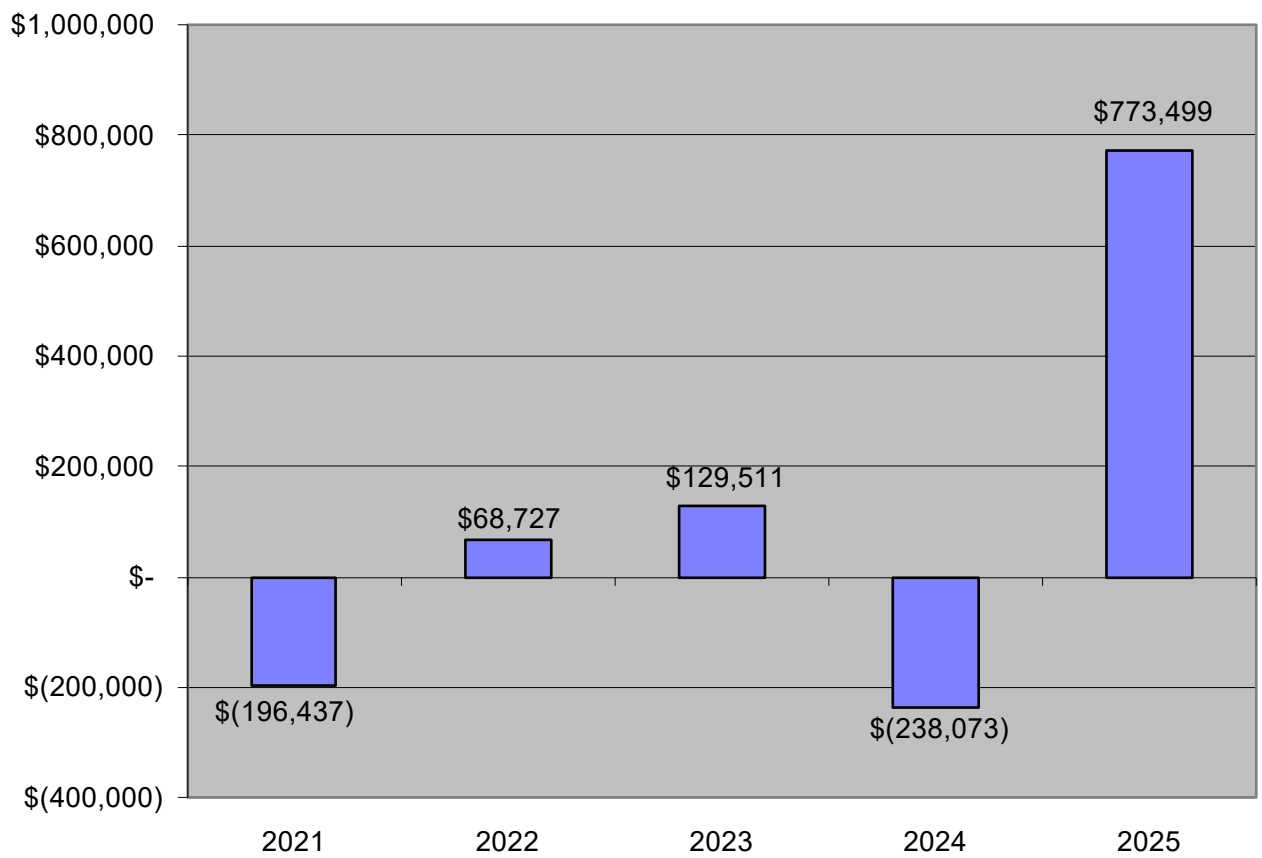
For the Year Ended June 30, 2025



For the Year Ended June 30, 2024

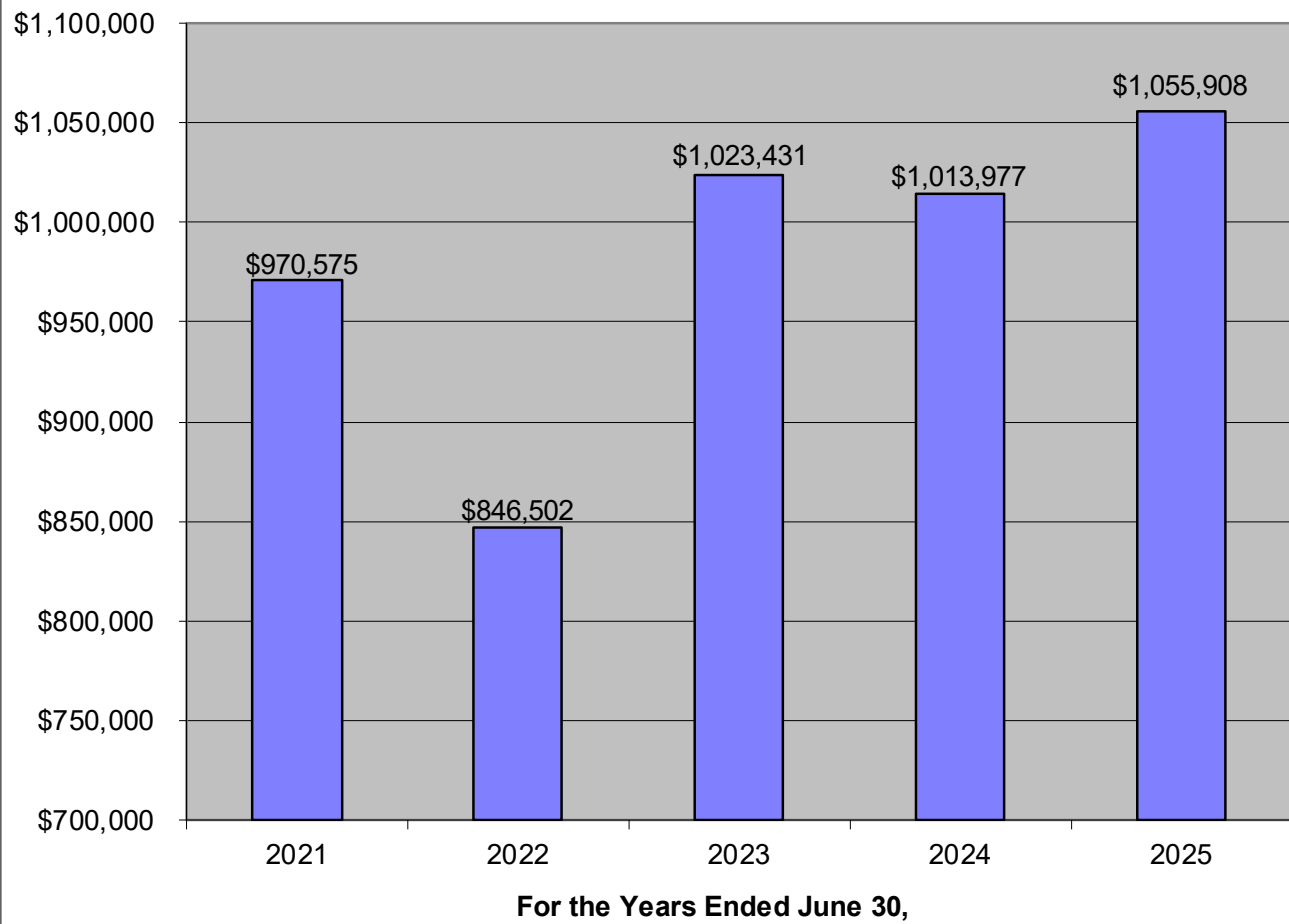


**McGill, Ruth Sewer & Water
Changes in Net Position - 5 Year Comparison**



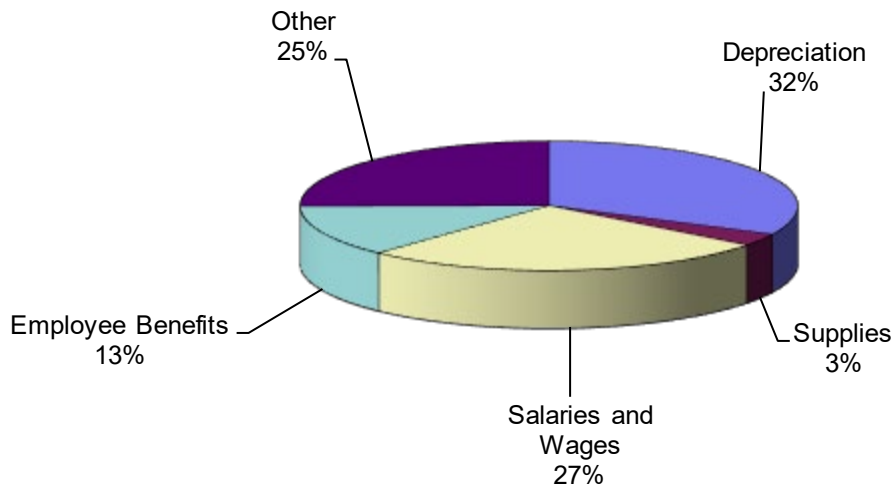
For the Years Ended June 30,

**McGill, Ruth Sewer & Water
Total Operating Expenses - 5 Year Comparison**

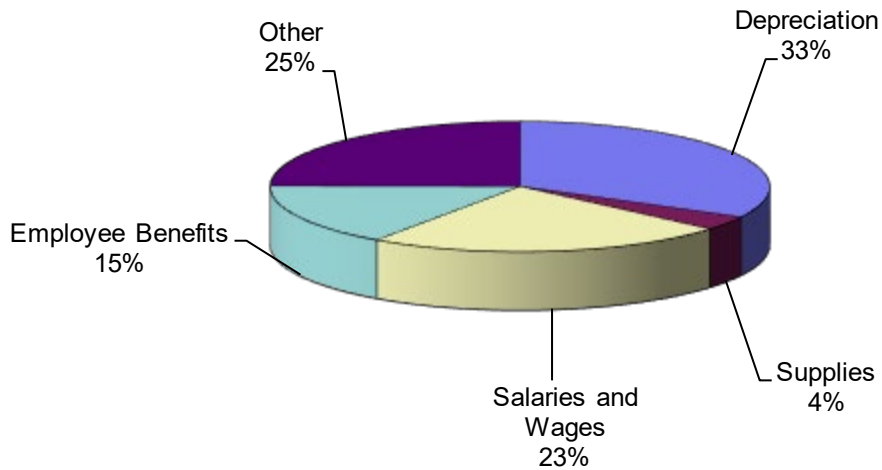


**McGill, Ruth Sewer & Water
Total Operating Expenses by Function**

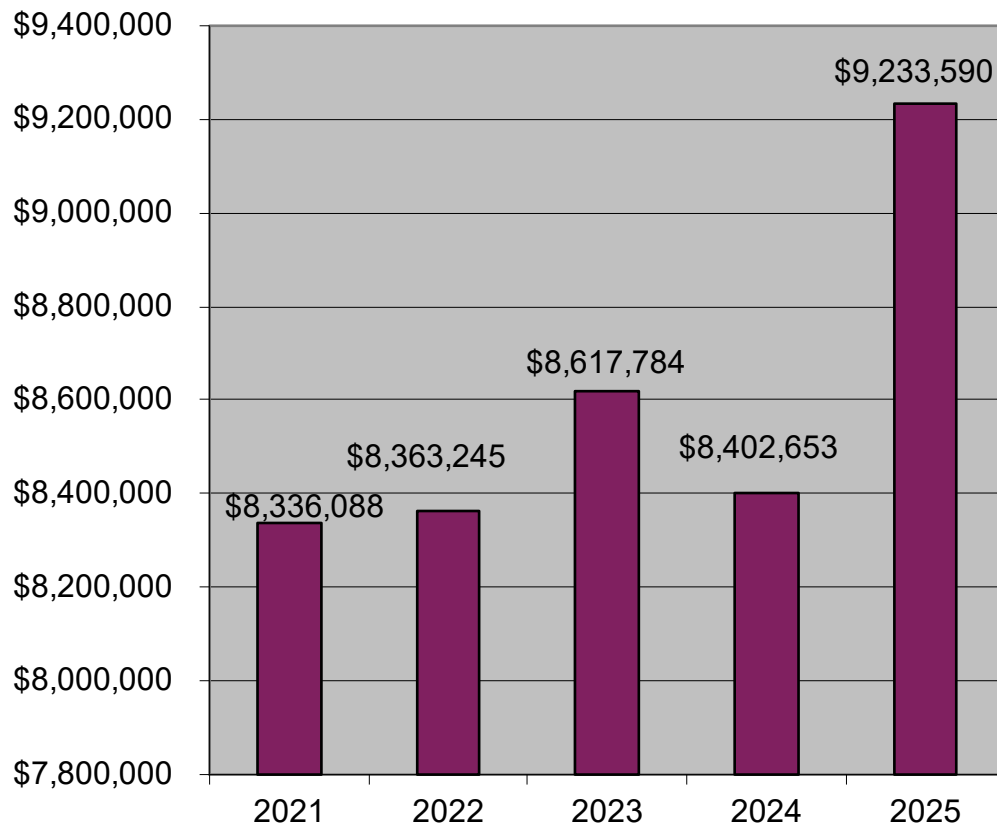
Year Ended June 30, 2025



Year Ended June 30, 2024



**McGill, Ruth Sewer & Water
Plant Assets - Net of Depreciation**



For the Years Ended June 30,

OTHER COMMUNICATIONS
FROM
INDEPENDENT AUDITORS

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**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based
on an Audit of Financial Statements
Performed in Accordance with
Government Auditing Standards**

Board of Trustees
McGill, Ruth Consolidated Sewer and Water General Improvement District
PO Box 1376
McGill, NV 89318

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of McGill, Ruth Consolidated Sewer and Water General Improvement District as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 29, 2025.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying letter of *Findings and Recommendations* that we consider to be a significant deficiency.

2009-001 Reissued Segregation of Duties

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements including whether the funds established by the District, as listed in Nevada Revised Statutes (NRS) 354.624 (5)(a)(1 through 5), complied with the express purposes required by NRS 354.6241. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standard*.

Purpose of this Report

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

HintonBurdick, PLLC

St. George, Utah
September 29, 2025



**Findings and Recommendations
For the Fiscal Year Ended June 30, 2025**

Board of Trustees
McGill, Ruth Consolidated Sewer and Water General Improvement District
McGill, Nevada

Professional standards require that we provide written communication regarding deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. Nevada Revised Statutes (NRS) require us to report instances of noncompliance with laws and regulations. We noted a few areas needing corrective action in order for the District to be in compliance with laws and regulations and we found circumstances that, if improved, would strengthen the District's accounting system and control over its assets. These items are discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses:

None noted

Significant Deficiencies:

2009-001 Segregation of Duties - Reissued

Criteria: Authorization of transactions, custody of assets, and record keeping duties should be segregated between different individuals.

Condition: The District has inadequate segregation of duties over key financial controls. The District's Office Manager can authorize transactions, handle customer payments, and perform record keeping duties for the District with minimal oversight from others. We noted the District's Board reviews expense transactions at Board meetings as a mitigating control for this condition.

Cause: The size of the District's administrative staff prohibits the complete segregation of duties within its accounting function.

Effect: Inadequate segregation of duties creates the potential for fraud, theft, or errors in financial reporting to occur.

Recommendation: We recommend the Board review all changes to the billing registers, if any, monthly. We recommend the District identify options for segregating duties among personnel or Board members, where possible.

COMPLIANCE AND OTHER MATTERS:

Compliance:

None noted

Other Matters:

None noted

Please respond to the above findings and recommendations in letter form.

This letter is intended solely for the use of the Board, management and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the District this past year. We would like to express special thanks to each of you who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel it necessary and we look forward to a continued pleasant professional relationship.

HintonBurdick, PLLC

St. George, Utah
September 29, 2025