

WEOTT COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

June 30, 2023, 2022, and 2021

WEOTT COMMUNITY SERVICES DISTRICT

Annual Financial Report
June 30, 2023, 2022, and 2021

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Weott Community Services District
P.O Box 218
Weott, California 95571

Disclaimer of Opinion

We have audited the accompanying financial statements of the Weott Community Services District (the District), as of and for the years ended June 30, 2023, 2022, and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of the District as of and for the years ended June 30, 2023, 2022, and 2021. Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the fiscal years ended June 30, 2023, 2022, and 2021 consolidated financial statements.

Basis for Disclaimer of Opinion

The District was unable to provide adequate evidential matter to support many of the balances in its trial balance for the three years under audit due to missing documents. In addition, there are deficiencies in internal controls over financial reporting across all financial functions. As a result, we believe that the effect on the financial statements is pervasive, and therefore, we are disclaiming our opinion on these financial statements.

Responsibilities of Management for the Financial Statements

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

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

Board of Directors
Weott Community Services District
Weott, California

Auditor’s Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the District’s financial statements in accordance with generally accepted auditing standards and to issue an auditor’s report. However, because of the matter described in the “Basis for Disclaimer of Opinion” section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the District.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

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

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

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

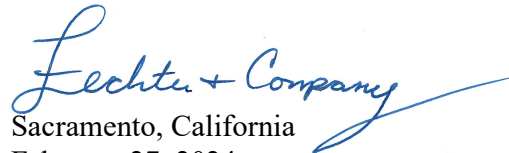
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Board of Directors
Weott Community Services District
Weott, California

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement 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. Our opinion on the basic financial statements is not affected by this missing information.

Fechter & Company
Certified Public Accountants

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

Sacramento, California
February 27, 2024

FINANCIAL STATEMENTS

WEOTT COMMUNITY SERVICES DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2023 2022, 2021

	2023	2022	2021
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 130,380	\$ 195,236	\$ 190,374
Accounts receivable	64,897	66,452	68,899
Insurance settlement receivable	60,275	-	-
Total Current Assets	255,552	261,688	259,273
Restricted Assets:			
USDA Loan Reserve	19,948	19,645	19,484
Capital Assets, Net of Depreciation	974,216	1,070,855	1,177,488
TOTAL ASSETS	1,249,716	1,352,188	1,456,245
LIABILITIES			
Current Liabilities:			
Accrued interest	2,655	2,768	2,872
Accrued liabilities	2,808	1,767	1,698
Customer deposits	14,945	14,435	12,270
Current portion of long-term debt	8,000	7,500	17,917
Total Current Liabilities	28,408	26,470	34,757
Long-Term Debt, Net of Current Portion	158,000	166,000	173,500
TOTAL LIABILITIES	186,408	192,470	208,257
NET POSITION			
Invested in Capital Assets, Net of Related Debt	808,216	897,355	986,071
USDA Loan Reserve	19,948	19,645	19,484
Unrestricted	235,144	242,718	242,433
TOTAL NET POSITION	\$ 1,063,308	\$ 1,159,718	\$ 1,247,988

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

WEOTT COMMUNITY SERVICES DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues:			
Water sales	\$ 102,511	\$ 112,607	\$ 113,014
Sewer services	77,973	78,241	80,069
	<u>180,484</u>	<u>190,848</u>	<u>193,083</u>
Operating Expenses:			
Payroll and payroll taxes	132,925	101,539	94,147
Services and supplies	108,760	87,058	87,327
Depreciation	96,639	106,633	123,685
	<u>338,324</u>	<u>295,230</u>	<u>305,159</u>
Operating Income (Loss)	<u>(157,840)</u>	<u>(104,382)</u>	<u>(112,076)</u>
Non-Operating Revenues (Expenses):			
Property taxes and exemptions	5,365	13,336	5,231
Grant revenue	-	4,470	-
Insurance settlement	60,275	-	-
Interest income	2,434	1,302	1,696
Interest expense	(7,908)	(8,772)	(5,172)
Other revenues	1,264	5,776	4,182
	<u>61,430</u>	<u>16,112</u>	<u>5,937</u>
Change in Net Position	(96,410)	(88,270)	(106,139)
Beginning Net Position	1,159,718	1,247,988	1,339,956
Prior period adjustment	-	-	14,171
Beginning Net Position - restated	<u>1,159,718</u>	<u>1,247,988</u>	<u>1,354,127</u>
Ending Net Position	<u>\$ 1,063,308</u>	<u>\$ 1,159,718</u>	<u>\$ 1,247,988</u>

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

WEOTT COMMUNITY SERVICES DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023, 2022, and 2021

	2023	2022	2021
Cash Flows From Operating Activities:			
Cash received from customers	\$ 182,549	\$ 203,516	\$ 166,837
Cash paid for goods and services	(107,719)	(86,989)	(94,236)
Cash paid for employees	(132,925)	(101,539)	(94,147)
	(58,095)	14,988	(21,546)
Cash Flows From Non-Capital Financing Activities:			
Property taxes	5,365	13,336	5,231
Grant revenue	-	4,470	-
Miscellaneous	1,264	5,776	4,182
	6,629	23,582	9,413
Cash Flows From Capital And Related Financing Activities:			
Principal paid on long-term debt	(7,500)	(17,917)	(13,965)
Interest paid on long-term debt	(8,021)	(8,876)	(5,462)
	(15,521)	(26,793)	(19,427)
Cash Flows From Investing Activities:			
Interest on investments	2,434	1,302	1,696
	2,434	1,302	1,696
Net increase (decrease) in cash and cash equivalents	(64,553)	13,079	(29,864)
Cash and cash equivalents, beginning of year	214,881	209,858	239,722
Cash and cash equivalents, end of year	\$ 150,328	\$ 222,937	\$ 209,858
Detail of cash and investments:			
Cash and investments	\$ 130,380	\$ 195,236	\$ 190,374
USDA loan reserve	19,948	19,645	19,484
Total cash and investments	\$ 150,328	\$ 214,881	\$ 209,858

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

WEOTT COMMUNITY SERVICES DISTRICT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2023, 2022, and 2021

	2023	2022	2021
Reconciliation Of Operating Loss To Net Cash Provided By Operating Activities:			
Operating loss	\$ (157,840)	\$ (104,382)	\$ (112,076)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	96,639	106,633	123,685
(Increase)/decrease in:			
Accounts receivable	1,555	10,503	(27,303)
Prepaid expenses	-	-	11,572
Increase (decrease) in:			
Accrued liabilities	1,041	69	(18,481)
Customer deposits	510	2,165	1,057
	\$ (58,095)	\$ 14,988	\$ (21,546)
Net cash provided by operating activities	\$ (58,095)	\$ 14,988	\$ (21,546)

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

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2023, 2022, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

On September 28, 1965, by the adoption of Resolution No. 2159, the Humboldt County Board of Supervisors organized Weott Community Services District (the "District") under the Community Services District Law, pursuant to Title 6, Division 2 of the Government Code for the following purposes:

1. To supply the inhabitants of the District with water for domestic use, irrigation, sanitation, industrial use, fire protection, and recreation;
2. The collection, treatment, or disposal of sewage, waste, and storm water of the District and its inhabitants;
3. The collection or disposal of garbage or refuse matter;
4. Protection against fire;
5. Street lighting.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under 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.

The accounts of the District are that of an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Operating revenues consist of customer fees for water and sewer services and operating expenses consist of expenses related to providing such services. Non-operating revenues consist of other revenues and expenses such as interest, grants, and government support.

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2023, 2022, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Future Accounting Pronouncements

If applicable, GASB Statements listed below will be implemented in future financial statements:

Statement No.100	<i>“Accounting Changes and Error Corrections”</i>	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No.101	<i>“Compensated Absences”</i>	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

D. Cash and Investments

Cash and cash equivalents for purposes of the statement of cash flows includes amounts in demand deposits as well as short-term investments with an original maturity date of three months or less.

E. Receivables

Management estimates all receivables at June 30, 2023, to be collectible, as any receivables deemed uncollectible have been written off.

F. Capital Assets and Depreciation

Capital assets are recorded at cost. Depreciation is computed under the straight-line method over the following estimated useful lives:

Water System	33 Years
Sewer System	40 Years
Other Equipment	5 to 10 Years

G. Compensated Absences

The District does not have a formal policy to compensate employees for any payroll related benefit other than actual hours worked or salaries.

H. Property Taxes

The County of Humboldt (the County) levies, bills, and collects property taxes and special assessments for the District. Property taxes levied are recorded as revenue in the fiscal year of levy, due to the adoption of the “alternate method of property tax distribution”, known as the Teeter Plan, by the District and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, excluding unitary tax (whether paid or unpaid).

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2023, 2022, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property Taxes (Continued)

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County based on the assessed value as of the preceding January 1. January 1 is also the lien date. Tax rates are set no later than the first workday in September. Property taxes on the secured roll are due in two installments: November 1 and February 1. If unpaid, such taxes are levied based on changes in assessed values between the date of real property sales and construction and the next normal assessment date. The additional supplemental property taxes are prorated from the first of the month following the date of such occurrence. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent, if unpaid, on August 31.

I. Net Position

Reservations of the ending retained earnings indicate the portions of retained earnings not appropriable for expenditures or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date.

J. Policy for Applying Restricted/Unrestricted Resources

When an expense is incurred for which both restricted and unrestricted net assets are available, restricted resources are applied first.

K. 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 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.

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2023, 2022, 2021

NOTE 2 - CASH AND CASH EQUIVALENTS

The District has no self-directed investments. The District's funds invested in pooled investment funds maintained by other agencies are as follows:

	Cash in Checking/Savings Accounts	Cash Held by County	Imprest Cash	Total
<u>June 30, 2023</u>				
Insured by FDIC	\$ 27,024	\$ -	\$ -	\$ 27,024
Pooled with County	-	123,254	-	123,254
Imprest Cash	-	-	50	50
	<u>\$ 27,024</u>	<u>\$ 123,254</u>	<u>\$ 50</u>	<u>\$ 150,328</u>
<u>June 30, 2022</u>				
Insured by FDIC	\$ 38,817	\$ -	\$ -	\$ 38,817
Pooled with County	-	176,014	-	176,014
Imprest Cash	-	-	50	50
	<u>\$ 38,817</u>	<u>\$ 176,014</u>	<u>\$ 50</u>	<u>\$ 214,881</u>
<u>June 30, 2021</u>				
Insured by FDIC	\$ 52,461	\$ -	\$ -	\$ 52,461
Pooled with County	-	157,347	-	157,347
Imprest Cash	-	-	50	50
	<u>\$ 52,461</u>	<u>\$ 157,347</u>	<u>\$ 50</u>	<u>\$ 209,858</u>

NOTE 3 - CASH IN COUNTY TREASURY

Water Bonds

The District has established a sinking fund for the payment of the Safe Drinking Water Bonds with the County. The sinking fund agreement requires the District to make monthly payments of \$1,287 to the County. The County then makes the semiannual payments to the State. The balance in the sinking fund at June 30, 2023, 2021, and 2020 was \$15,518, \$34,984, and \$31,087, respectively. The balance of this loan at June 30, 2022 was zero.

Sewer Bonds

The District has established a sinking fund for the payment of the above debt service with the County. The sinking fund agreement requires the District to make monthly payments of \$1,350 to the County. The County then makes the semiannual payments to the USDA/RUS. The balance in the sinking fund at June 30, 2023, 2021, and 2020 was \$23,876, \$24,160, and \$22,765, respectively.

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements June 30, 2023, 2022, 2021

NOTE 4 - CAPITAL ASSETS

The following is a summary of capital assets for the years ended June 30, 2023:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Capital assets, not being depreciated				
Land	\$ 110,266	\$ -	\$ -	\$ 110,266
Easements	86,119	-	-	86,119
Total capital assets not being depreciated	<u>196,385</u>	<u>-</u>	<u>-</u>	<u>196,385</u>
Capital assets, being depreciated				
Water facility	814,452	-	-	814,452
Sewage treatment plant	3,697,114	-	-	3,697,114
Equipment and vehicles	90,013	-	-	90,013
Subtotal	<u>4,601,579</u>	<u>-</u>	<u>-</u>	<u>4,601,579</u>
Less: Accumulated Depreciation:	<u>(3,727,109)</u>	<u>(96,639)</u>	<u>-</u>	<u>(3,823,748)</u>
Net Capital Assets, being depreciated	<u>874,470</u>	<u>(96,639)</u>	<u>-</u>	<u>777,831</u>
Net Capital Assets	<u>\$ 1,070,855</u>	<u>\$ (96,639)</u>	<u>\$ -</u>	<u>\$ 974,216</u>

Depreciation expense for the year ended June 30, 2023, was \$96,639.

The following is a summary of capital assets for the years ended June 30, 2022:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Capital assets, not being depreciated				
Land	\$ 110,266	\$ -	\$ -	\$ 110,266
Easements	86,119	-	-	86,119
Total capital assets not being depreciated	<u>196,385</u>	<u>-</u>	<u>-</u>	<u>196,385</u>
Capital assets, being depreciated				
Water facility	814,452	-	-	814,452
Sewage treatment plant	3,697,114	-	-	3,697,114
Equipment and vehicles	90,013	-	-	90,013
Subtotal	<u>4,601,579</u>	<u>-</u>	<u>-</u>	<u>4,601,579</u>
Less: Accumulated Depreciation:	<u>(3,620,476)</u>	<u>(106,633)</u>	<u>-</u>	<u>(3,727,109)</u>
Net Capital Assets, being depreciated	<u>981,103</u>	<u>(106,633)</u>	<u>-</u>	<u>874,470</u>
Net Capital Assets	<u>\$ 1,177,488</u>	<u>\$ (106,633)</u>	<u>\$ -</u>	<u>\$ 1,070,855</u>

Depreciation expense for the year ended June 30, 2022, was \$106,633.

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2023, 2022, 2021

NOTE 4 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets for the years ended June 30, 2021:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Capital assets, not being depreciated				
Land	\$ 110,266	\$ -	\$ -	\$ 110,266
Easements	86,119	-	-	86,119
Total capital assets not being depreciated	<u>196,385</u>	<u>-</u>	<u>-</u>	<u>196,385</u>
Capital assets, being depreciated				
Water facility	814,452	-	-	814,452
Sewage treatment plant	3,697,114	-	-	3,697,114
Equipment and vehicles	90,013	-	-	90,013
Subtotal	<u>4,601,579</u>	<u>-</u>	<u>-</u>	<u>4,601,579</u>
Less: Accumulated Depreciation:	<u>(3,533,392)</u>	<u>(123,685)</u>	<u>36,601</u>	<u>(3,620,476)</u>
Net Capital Assets, being depreciated	<u>1,068,187</u>	<u>(123,685)</u>	<u>36,601</u>	<u>981,103</u>
Net Capital Assets	<u>\$ 1,264,572</u>	<u>\$ (123,685)</u>	<u>\$ 36,601</u>	<u>\$ 1,177,488</u>

Depreciation expense for the year ended June 30, 2021, was \$123,685. A prior period adjustment of \$36,601 was recorded to add back prior year depreciation expense recorded on easements.

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2023, 2022, 2021

NOTE 5 - LONG-TERM DEBT

State Loan Payable

In 1986-87, the District made improvements financed in part by the sale of bonds pursuant to the Safe Drinking Water Bond Law of 1984. The original amount of the loan was \$269,828. The loan agreement provides for semi-annual payments of \$7,336 due April 1 and October 1 of each year including interest at 4.139%. The loan was paid in full during the year ended June 30, 2022.

Sewer System Improvement Bonds

In connection with a sewer system improvement project, Weott Community Services District entered into two transactions with the U.S. Department of Agriculture/Rural Utilities Service. The project was financed with \$180,000 in grants and the issuance of \$290,000 in improvement bonds.

Date of Issuance: December 8, 1998
 First Payment: September 1, 1999
 Final Payment: September 1, 2038
 Security: Installment payments are secured by a pledge of all the District assessments.
 Reserve Requirement: An amount equal to an average annual loan installment (\$15,755) will be accumulated at the rate of at least one-tenth of that average installment each year until the required level is reached and will be maintained for the life of the loan (40 years). The balances in the reserve account as of June 30, 2023, 2022, and 2021 were \$19,948, 19,645, and \$19,484 respectively.
 Interest Rate: 4.5%
 Payments: Interest semi-annually on March 1 and September 1; Principal on September 1.

The following is a summary of changes in the District's long-term liabilities for the years ended June 30, 2023, 2022, and 2021:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
USDA	\$ 173,500	\$ -	\$ (7,500)	\$ 166,000	\$ 8,000
	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due Within</u> <u>One Year</u>
State Water Loan	\$ 10,917	\$ -	\$ (10,917)	\$ -	\$ -
USDA	180,500	-	(7,000)	173,500	7,000
Total	<u>\$ 191,417</u>	<u>\$ -</u>	<u>\$ (17,917)</u>	<u>\$ 173,500</u>	<u>\$ 7,000</u>
	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
State Water Loan	\$ 17,882	\$ -	\$ (6,965)	\$ 10,917	\$ 10,917
USDA	187,500	-	(7,000)	180,500	7,000
Total	<u>\$ 205,382</u>	<u>\$ -</u>	<u>\$ (13,965)</u>	<u>\$ 191,417</u>	<u>\$ 17,917</u>

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2023, 2022, 2021

NOTE 5 - LONG-TERM DEBT (Continued)

Following are the principal and interest requirements for each of the five subsequent fiscal years and in five-year increments thereafter:

Fiscal Year Ended June 30,	Principal	Interest	Total
2024	\$ 8,000	\$ 7,290	\$ 15,290
2025	8,000	6,930	14,930
2026	8,500	6,559	15,059
2027	9,000	6,165	15,165
2028	9,500	5,749	15,249
2029-2033	53,000	21,893	74,893
2034-2038	66,000	8,617	74,617
2039	4,000	90	4,090
	<u>\$ 166,000</u>	<u>\$ 63,293</u>	<u>\$ 229,293</u>

NOTE 6 - 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; injuries to employees; and natural disasters. The District participates in the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. seq. SDRMA is a public entity risk pool currently operating a common risk management and insurance program for general and auto liability, public officials and employees, errors and omissions and employment practices liability. The District has auto and general liability insurance and property insurance through SDRMA.

Workers' compensation insurance is provided by the County's Risk Management. The District is uncertain whether the disbanding of the volunteer fire department will affect this coverage in the future.

NOTE 7 – LOSS FROM FRAUD

In December 2022, a former employee was suspended due to allegations of embezzlement and theft of District funds. The case was reported to the County District Attorney's Office who filed a criminal case against the employee, claiming an estimated loss to the District of approximately \$65,000. If convicted, there will be a restitution hearing determining the actual loss amount. The jury trial is currently scheduled for June 17, 2024.

The District also filed a claim with SDRMA for employee theft and received an insurance settlement of \$60,275 on October 23, 2023.

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2023, 2022, 2021

NOTE 8 - TAXES/EXEMPTIONS (FROM AUGMENTATION FUND DISTRIBUTION)

The County Board of Supervisors authorized the District's receipt of taxes and exemptions from the Augmentation Fund. This fund is a special allocation of part of the taxes collected from the county-wide general \$1 tax rate based on the enabling State legislation. The purpose of the appropriation was to assist the District in providing fire protection services. Following is a listing of the District's receipts by source:

Taxes/Exemptions (From Augmented Fund Distribution)	2023	2022	2021
Taxes - current secured	\$ 5,012	\$ 4,961	\$ 4,904
Taxes - current unsecured	210	194	199
Taxes- prior years	2	8,059	3
Taxes - supplemental	93	71	73
State - homeowners' exemptions	48	51	52
 Total taxes/exemptions	 \$ 5,365	 \$ 13,336	 \$ 5,231

NOTE 9 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2021, a prior period adjustment of \$14,171 was recorded which included the following adjustments:

- To reverse an adjustment to cash for -\$12,732.
- To remove bond issuance cost of \$9,698 that should have been expensed in a prior year.
- To remove accumulated depreciation of \$36,601 for property easements which are non-depreciable.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 27, 2024, the date which the financial statements were available to be issued. Based upon this evaluation, except for the following, it was determined that there were no other subsequent events that require recognition or additional disclosure in the financial statements.

In December 2023, the District applied for funding through the State Water Resources Control Board Extended Water and Wastewater Arrearage Payment Program. The total amount requested was \$26,670. As of the date of this report, the District had not yet received any of these funds.

In addition, as a result of the losses from fraud noted in Note 7, the District has taken measures to prevent this situation from reoccurring. The Board of Directors now receives financial reports at its monthly meetings. Other improvements in internal controls include: requiring one board member and one employee signature on checks, discontinuing the use of debit and credit cards, and approval of an annual budget. In addition, the District is in the process of creating policies regarding transparency.