

**WEOTT COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
with
Independent Auditor's Report Thereon**

June 30, 2024

WEOTT COMMUNITY SERVICES DISTRICT

Annual Financial Report
June 30, 2024

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the Weott Community Services District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2024, and the respective changes in financial position and, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.

Board of Directors
Weott Community Services District
Weott, California

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

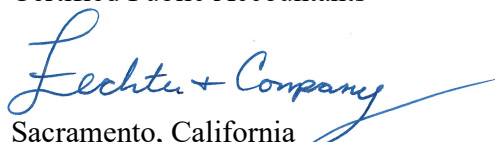
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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.

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


Sacramento, California
January 22, 2025

FINANCIAL STATEMENTS

**WEOTT COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 215,678
Accounts receivable	14,617
Grants receivable	12,227
Prepaid expenses	10,685
Total Current Assets	253,207

Capital Assets, Net of Depreciation	924,434
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TOTAL ASSETS	1,177,641
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LIABILITIES

Current Liabilities:

Accounts payable	8,801
Accrued interest	2,370
Compensated absences liability	5,372
Customer prepayments	10,101
Customer deposits	14,981
Current portion of long-term debt	8,000
Total Current Liabilities	49,625

Long-Term Debt, Net of Current Portion	150,000
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TOTAL LIABILITIES	199,625
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NET POSITION

Invested in Capital Assets, Net of Related Debt	766,434
Unrestricted	211,582

TOTAL NET POSITION	\$ 978,016
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The accompanying notes are an integral part of these financial statements.

WEOTT COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED
JUNE 30, 2024

Operating Revenues:	
Water sales	\$ 116,317
Sewer services	73,385
	189,702
Total Operating Revenues	189,702
Operating Expenses:	
Payroll and payroll taxes	119,921
Services and supplies	98,099
Depreciation	95,505
	313,525
Total Operating Expenses	313,525
Operating Loss	(123,823)
Non-Operating Revenues (Expenses):	
Property taxes	5,691
Grant revenue	72,392
Interest income	4,593
Interest expense	(7,005)
Other revenues	11,326
	86,997
Total Non-Operating Income	86,997
Change in Net Position	(36,826)
Beginning Net Position	1,063,308
Prior period adjustment	(48,466)
Beginning Net Position - restated	1,014,842
Ending Net Position	\$ 978,016

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

**WEOTT COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
JUNE 30, 2024**

Cash Flows From Operating Activities:	
Cash received from customers	\$ 201,653
Cash paid for goods and services	(99,983)
Cash paid for employees	<u>(117,357)</u>
Net cash used by operating activities	<u>(15,687)</u>
Cash Flows From Non-Capital Financing Activities:	
Property taxes	5,691
Grant revenue	60,165
Insurance settlement	60,275
Miscellaneous	<u>11,326</u>
Net cash provided by non-capital financing activities	<u>137,457</u>
Cash Flows From Capital And Related Financing Activities:	
Purchase of capital assets	(45,723)
Principal paid on long-term debt	(8,000)
Interest paid on long-term debt	<u>(7,290)</u>
Net cash used by capital and related financing activities	<u>(61,013)</u>
Cash Flows From Investing Activities:	
Interest on investments	<u>4,593</u>
Net cash provided by investing activities	<u>4,593</u>
Net increase in cash and cash equivalents	65,350
Cash and cash equivalents, beginning of year	<u>150,328</u>
Cash and cash equivalents, end of year	<u><u>\$ 215,678</u></u>

(Continued)

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

WEOTT COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED
JUNE 30, 2024

Reconciliation Of Operating Loss To Net Cash

Provided By Operating Activities:

Operating loss \$ (123,823)

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation and amortization 95,505

(Increase)/decrease in:

Accounts receivable 1,814

Prepaid expenses (10,685)

Increase in:

Accounts payable 8,801

Accrued payroll (2,808)

Compensated absences liability 5,372

Customer deposits and prepayments 10,137

Net cash used by operating activities **\$ (15,687)**

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

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2024

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.

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, 2024

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.101	“ <i>Compensated Absences</i> ”	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.
Statement No.102	“ <i>Certain Risk Disclosures</i> ”	The provisions of this statement are effective for fiscal years beginning after June 15, 2024.
Statement No.103	“ <i>Financial Reporting Model Improvements</i> ”	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.

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, 2024, 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 provides each employee 40 hours of paid sick leave per year. Employees have the option of receiving a payout of unused hours at the end of the calendar year.

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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, 2024

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 at June 30, 2024 are as follows:

	Cash in Checking/Savings Accounts	Cash Held by County	Total
Insured by FDIC	\$ 187,287	\$ -	\$ 187,287
Pooled with County	-	28,391	28,391
	\$ 187,287	\$ 28,391	\$ 215,678

NOTE 3 - CAPITAL ASSETS

The following is a summary of capital assets for the year ended June 30, 2024:

	Beginning Balance July 1, 2023	Additions	Deletions/ Adjustments	Ending Balance June 30, 2024
Capital assets, not being depreciated				
Land	\$ 110,266	\$ -	\$ -	\$ 110,266
Easements	86,119	-	-	86,119
Construction in progress	-	45,723	-	45,723
Total capital assets not being depreciated	196,385	45,723	-	242,108
Capital assets, being depreciated				
Water facility	814,452	-	-	814,452
Sewage treatment plant	3,697,114	-	-	3,697,114
Equipment and vehicles	90,013	-	(10,306)	79,707
Subtotal	4,601,579	-	(10,306)	4,591,273
Less: Accumulated Depreciation:	(3,823,748)	(95,505)	10,306	(3,908,947)
Net Capital Assets, being depreciated	777,831	(95,505)	-	682,326
Net Capital Assets	\$ 974,216	\$ (49,782)	\$ -	\$ 924,434

Depreciation expense for the year ended June 30, 2024, was \$95,505.

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2024

NOTE 4 – GRANT REVENUE

In September of 2023, the District entered into an agreement with the County of Humboldt as a sub-grantee to receive grant funding from the California Department of Water Resources pursuant to the Budget Act of 2021 Urban & Multi-benefit Drought Relief Grant Agreement. The amount granted to Weott Community Services District is \$1,218,745 which will be paid as reimbursements of eligible costs incurred. For the year ended June 30, 2024, the amount of grant revenue recognized by the District was \$45,723.

During the year ended June 30, 2024, the District also received \$26,669 from State Water Resources Control Board (SWRCB) under the Extended Water Arrearage Program to cover customers unable to pay their bills. The District applied \$21,262 to customer bills and returned \$4,630 to SWRCB.

NOTE 5 - LONG-TERM DEBT

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.
 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 year ended June 30, 2024:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Due Within</u> <u>One Year</u>
USDA	<u>\$ 166,000</u>	<u>\$ -</u>	<u>\$ (8,000)</u>	<u>\$ 158,000</u>	<u>\$ 8,000</u>

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2024

NOTE 5 - LONG-TERM DEBT (Continued)

Sewer System Improvement Bonds (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
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	10,000	5,310	15,310
2030-2034	55,000	19,463	74,463
2035-2039	58,000	5,827	63,827
	<u>\$ 158,000</u>	<u>\$ 56,003</u>	<u>\$ 214,003</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 through the State Compensation Insurance Fund.

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2024

NOTE 7 - 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)	<u>2024</u>
Taxes - current secured	\$ 2,599
Taxes - current unsecured	42
Taxes- prior years	18
Taxes - supplemental	2,707
State - homeowners' exemptions	<u>325</u>
 Total taxes/exemptions	 <u><u>\$ 5,691</u></u>

NOTE 8 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2024, the District recorded a prior period adjustment of \$48,466 to adjust the beginning balance in accounts receivable at July 1, 2023 to agree to the District's billing system.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 22, 2025, 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.

On November 1, 2024, the District entered into an agreement with the Rural Community Assistance Corporation (RCAC) in which RCAC agreed to provide a bridge loan of \$771,740 to the District at an annual rate of 5.5%, in anticipation of a grants funds to be received from the California Department of Water Resources (DWR) for Weott Community Services District tank replacement project. All principal and accrued and unpaid interest is due and payable no later than December 1, 2025.