



**FECHTER
& COMPANY**
Certified Public Accountants

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

June 30, 2025

WEOTT COMMUNITY SERVICES DISTRICT

Annual Financial Report
June 30, 2025

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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, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2025, 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

August 18, 2026

FINANCIAL STATEMENTS

WEOTT COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

Assets

Current Assets:

Cash and cash equivalents	\$ 230,554
Accounts receivable	15,019
Grants receivable	6,696
Prepaid expenses	10,459
Total Current Assets	<u>262,728</u>

Capital Assets, Net of Depreciation	<u>1,807,198</u>
Total Assets	<u><u>1,565</u></u>

Liabilities

Current Liabilities:

Accounts payable	6,156
Accrued wages	10,499
Accrued interest	2,370
Compensated absences liability	4,042
Customer prepayments	19,998
Customer deposits	15,081
Current portion of long-term debt	8,500
Total Current Liabilities	<u>66,646</u>

Long-Term Debt, Net of Current Portion	<u>141,500</u>
Total Liabilities	<u>208,146</u>

Net Position

Invested in Capital Assets, Net of Related Debt	1,657,198
Unrestricted	<u>204,583</u>
Total Net Position	<u><u>\$ 1,861,781</u></u>

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, 2025

Operating Revenues:	
Water sales	\$ 133,237
Sewer services	72,423
Total Operating Revenues	<u>205,660</u>
Operating Expenses:	
Payroll and payroll taxes	133,913
Services and supplies	98,785
Depreciation	95,505
Total Operating Expenses	<u>1,565</u>
Operating Loss	204,095
Non-Operating Revenues (Expenses):	
Property taxes	5,374
Grant revenue	1,003,215
Interest income	8,020
Interest expense	(11,867)
Other revenues	1,566
Total Non-Operating Income	<u>1,006,308</u>
Change in Net Position	1,210,403
Beginning Net Position	<u>978,016</u>
Ending Net Position	<u><u>\$ 2,188,419</u></u>

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, 2025

Cash Flows From Operating Activities:

Cash received from customers	\$ 220,786
Cash paid for goods and services	(101,204)
Cash paid for employees	<u>(124,744)</u>
Net cash used by operating activities	(5,162)

Cash Flows From Non-Capital Financing Activities:

Property taxes	5,374
Grant revenue	1,003,215
Miscellaneous	<u>1,565</u>
Net cash provided by non-capital financing activities	1,010,154

Cash Flows From Capital And Related Financing Activities:

Purchase of capital assets	(978,269)
Principal paid on long-term debt	(8,000)
Interest paid on long-term debt	<u>(11,867)</u>
Net cash used by capital and related financing activities	(998,136)

Cash Flows From Investing Activities:

Interest on investments	<u>8,020</u>
Net cash provided by investing activities	<u>8,020</u>

Net increase in cash and cash equivalents	14,876
Cash and cash equivalents, beginning of year	<u>215,678</u>
Cash and cash equivalents, end of year	<u><u>\$ 230,554</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, 2025

Reconciliation Of Operating Loss To Net Cash

Used By Operating Activities:

Operating loss	\$ (122,543)
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Adjustments to reconcile operating loss to net
cash used by operating activities:

Depreciation and amortization	95,505
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Decrease in:

Accounts receivable	5,129
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Prepaid expenses	226
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Increase/(decrease) in:

Accounts payable	(2,645)
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Accrued payroll	10,499
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Compensated absences liability	(1,330)
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Customer deposits and prepayments	9,997
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Net cash used by operating activities

	<u><u>\$ (5,162)</u></u>
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The accompanying notes are an integral part of these financial statements.

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
June 30, 2025

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, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, Compensated Absences, which establishes a unified recognition and measurement framework for all types of compensated absences and is effective for fiscal years beginning after December 15, 2023. The District adopted the standard for FY 2024-25. The adoption of the standard did not result in a material financial impact to the District.

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. The guidance in this statement updates the presentation requirements for several financial statement items including (but not limited to) management's discussion and analysis, unusual or infrequent items, and budgetary comparisons. The new standard is effective for fiscal years beginning after June 15, 2025. The District is evaluating the extent of the impact of this standard.

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, 2025, 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, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

I. 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.

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, 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, 2025

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, 2025 are as follows:

	Cash in Checking/Savings Accounts	Cash Held by County	Total
Insured by FDIC	\$ 195,695	\$ -	\$ 195,695
Pooled with County	-	34,859	34,859
	<u>\$ 195,695</u>	<u>\$ 34,859</u>	<u>\$ 230,554</u>

NOTE 3 - CAPITAL ASSETS

The following is a summary of capital assets for the year ended June 30, 2025:

	Beginning Balance July 1, 2024	Additions	Deletions/ Adjustments	Ending Balance June 30, 2025
Capital assets, not being depreciated				
Land	\$ 110,266	\$ -	\$ -	\$ 110,266
Easements	86,119	-	-	86,119
Construction in progress	45,723	978,269	-	1,023,992
Total capital assets not being depreciated	<u>242,108</u>	<u>978,269</u>	<u>-</u>	<u>1,220,377</u>
Capital assets, being depreciated				
Water facility	814,452	-	-	814,452
Sewage treatment plant	3,697,114	-	-	3,697,114
Equipment and vehicles	79,707	-	-	79,707
Subtotal	<u>4,591,273</u>	<u>-</u>	<u>-</u>	<u>4,591,273</u>
Less: Accumulated Depreciation	<u>(3,908,947)</u>	<u>(95,505)</u>	<u>-</u>	<u>(4,004,452)</u>
Net Capital Assets, being depreciated	<u>682,326</u>	<u>(95,505)</u>	<u>-</u>	<u>586,821</u>
Net Capital Assets	<u>\$ 924,434</u>	<u>\$ 882,764</u>	<u>\$ -</u>	<u>\$ 1,807,198</u>

Depreciation expense for the year ended June 30, 2025, was \$95,505.

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements June 30, 2025

NOTE 4 – GRANT REVENUE

The District has two grant agreements that provide funding for eligible water system costs and customer bill assistance. Grant revenue is recognized as the District incurs eligible costs and otherwise meets applicable program requirements under the terms of the respective agreements. Grant funding is generally provided on a reimbursement (expenditure-driven) basis.

California Department of Water Resources

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. The project consists of construction of a new approximately 94,000-gallon welded steel water storage tank (Tank “A1”) with foundation and connection of Tank A1 to the existing 76,000-gallon welded steel tank (Tank “A”) and the existing distribution system.

For the year ended June 30, 2025, the amount of grant revenue recognized by the District related to this agreement was \$981,235.

California State Water Resources Control Board

On February 5, 2025, the District entered into Drinking Water Operations and Maintenance Agreement No. D2417010 with the California State Water Resources Control Board (the State Water Board) to fund operation and maintenance costs of the District’s drinking water system and reduce residential water bills. The agreement provides funding on a reimbursement (expenditure-driven) basis in an amount not to exceed \$72,460 and requires the District to provide a \$20 per household per month reduction in residential customer water bills through the work completion date of August 31, 2027.

During fiscal year 2025, the District received \$21,980 from the State Water Board and applied \$21,760 of the amount received to residential customer accounts. Any remaining customer credit balances in individual customer accounts as of June 30, 2025 were reported as liabilities.

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements June 30, 2025

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 sewer improvement bond for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year
USDA	\$ 158,000	\$ -	\$ (8,000)	\$ 150,000	\$ 8,500

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
2026	\$ 8,500	\$ 6,558	\$ 15,058
2027	9,000	6,165	15,165
2028	9,500	5,749	15,249
2029	10,000	5,310	15,310
2030	10,000	4,860	14,860
2031-2035	57,500	16,932	74,432
2036-2039	45,500	5,827	51,327
	<u>\$ 150,000</u>	<u>\$ 51,401</u>	<u>\$ 201,401</u>

WEOTT COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements June 30, 2025

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.

NOTE 7 – AUGMENTATION FUND TAXES AND EXEMPTIONS

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:

	<u>2025</u>
Taxes - current secured	\$ 4,830
Taxes - current unsecured	199
Taxes- prior years	305
Taxes - supplemental	<u>40</u>
Total taxes/exemptions	<u><u>\$ 5,374</u></u>

NOTE 8 – BRIDGE LOAN

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 grant funds to be received from the California Department of Water Resources for Weott Community Services District tank replacement project. All principal and accrued and unpaid interest are due and payable no later than December 1, 2025.

The bridge loan was closed as of June 30, 2025 and interest paid during fiscal 2025 totaled \$4,858.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 18, 2026, the date which the financial statements were available to be issued. Based upon this evaluation, it was determined that there were no other subsequent events that require recognition or additional disclosure in the financial statements.