

SCOTIA COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

June 30, 2024

SCOTIA COMMUNITY SERVICES DISTRICT

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June 30, 2024

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JAMES M. ANDERSON (1964-2001)
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DAVID A. SOMERVILLE, INACTIVE

Board of Directors
Scotia Community Services District
Scotia, California

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scotia 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scotia Community Services District as of June 30, 2024 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 and the Minimum Audit Requirements for California Special Districts issued by the State Controller's Office. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Scotia Community Services 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 these 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 Scotia Community Service 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.

Auditors' 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 auditors' 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 judgement 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 Scotia Community Services 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. 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.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required 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.

Anderson, Lucas, Somerville, & Borges
ANDERSON, LUCAS, SOMERVILLE, & BORGES, LLP

September 10, 2024
Fortuna, California

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EXHIBIT A

SCOTIA COMMUNITY SERVICES DISTRICT
Statement of Net Position
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ (32,645)	\$ 3,948,879	\$ 3,916,234
Restricted Cash	-	20,099	20,099
Accounts Receivable	-	145,593	145,593
Grant Receivable	-	59,223	59,223
Prepaid Insurance	-	-	-
Total Current Assets	<u>(32,645)</u>	<u>4,173,794</u>	<u>4,141,149</u>
Capital Assets, Net of			
Accumulated Depreciation			
Water Services	-	4,857,790	4,857,790
Sewer Services	-	3,490,213	3,490,213
Governmental Services	<u>11,290,574</u>	<u>-</u>	<u>11,290,574</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>11,290,574</u>	<u>8,348,003</u>	<u>19,638,577</u>
Construction in Progress	-	262,910	262,910
Loan Costs, Net of Amortization	<u>44,645</u>	<u>-</u>	<u>44,645</u>
Total Assets	<u>11,302,574</u>	<u>12,784,707</u>	<u>24,087,281</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	4,764	55,492	60,256
Payroll Liabilities	-	4,238	4,238
Credit Card Payable	1,432	17,323	18,755
Loan Interest Payable	6,824	-	6,824
Customer Deposits	-	4,955	4,955
Current Portion of Long Term Debt	<u>62,000</u>	<u>-</u>	<u>62,000</u>
Total Current Liabilities	<u>75,020</u>	<u>82,008</u>	<u>157,028</u>
Loan Payable, Less Current Portion	<u>854,000</u>	<u>-</u>	<u>854,000</u>
Total Long-Term Liabilities	<u>854,000</u>	<u>-</u>	<u>854,000</u>
Total Liabilities	<u>929,020</u>	<u>82,008</u>	<u>1,011,028</u>
NET POSITION			
Investment in Capital Assets, net of debt	10,419,219	8,610,913	19,030,132
Restricted	-	20,099	20,099
Unrestricted	<u>(45,665)</u>	<u>4,071,687</u>	<u>4,026,022</u>
Total Net Position	<u>\$ 10,373,554</u>	<u>\$ 12,702,699</u>	<u>\$ 23,076,253</u>

The accompanying notes are an integral part of these financial statements

EXHIBIT B

SCOTIA COMMUNITY SERVICES DISTRICT

Statement of Activities

For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
Streets and Lighting	\$ 32,633	\$ 67,220	-	-	34,587	-	34,587
Storm Drainage	21,001	27,718	-	423,000	429,717	-	429,717
Parks and Recreation	266,921	160,576	-	812,802	706,457	-	706,457
Total Governmental Activities	320,555	255,514		1,235,802	1,170,761		1,170,761
Business-Type Activities:							
Water Services	587,620	645,930	75,000	730,443	-	863,753	863,753
Sewer Services	441,308	959,323	-	547,442	-	1,065,457	1,065,457
Total Business-Type Activities	1,028,928	1,605,253	75,000	1,277,885	-	1,929,210	1,929,210
Total District Activities	\$ 1,349,483	1,860,767	\$ 75,000	\$ 2,513,687	1,170,761	1,929,210	3,099,971
General Revenues:							
Other Income					3,995	11,689	15,684
Interest Income					4,864	12,215	17,079
Interest Expense					(28,183)	-	(28,183)
Operating Transfers (Note 9)					9,590	(9,590)	-
Total General Revenues and Transfers					(9,734)	14,314	4,580
Change in Net Position					1,161,027	1,943,524	3,104,551
Net Position - Beginning of Year					9,212,527	10,759,175	19,971,702
Prior Period Adjustment					-	-	-
Net Position - End of Year					\$ 10,373,554	\$ 12,702,699	\$ 23,076,253

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

SCOTIA COMMUNITY SERVICES DISTRICT
Balance Sheet of Governmental Funds
June 30, 2024

ASSETS

Cash and Cash Equivalents	\$	-
Restricted Cash		-
Accounts Receivable, Net of Allowance		-
Deposits		-
		-
Total Assets		-

LIABILITIES

Bank Overdraft		32,645
Accounts Payable		4,764
Credit Card Payable		1,432
Loan Interest Payable		6,824
		6,824
Total Liabilities		45,665

FUND BALANCE

Restricted		-
Unassigned (Deficit)		(45,665)
		(45,665)
Total Fund Balance (Deficit)		(45,665)
Total Liabilities and Fund Balance	\$	-

SCOTIA COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds
For the Year Ended June 30, 2024

OPERATING REVENUES	
Streets and Lighting	\$ 67,220
Storm Drainage	27,718
Parks and Recreation	160,576
Other Income	<u>8,859</u>
Total Operating Revenues	<u>264,373</u>
OPERATING EXPENDITURES	
Current Expenditures:	
Services and Supplies	204,975
Capital Expenditures:	
Park Improvements	<u>375,568</u>
Total Operating Expenditures	<u>580,543</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(316,170)
NONOPERATING REVENUES (EXPENDITURES)	
Principal Payments on Debt	(60,000)
Interest Income	-
Interest Expense	<u>(28,183)</u>
Total Nonoperating Revenues (Expenditures)	(88,183)
OTHER FINANCING SOURCES (USES)	
Transfers In (Out)	<u>9,590</u>
NET CHANGE IN FUND BALANCE	(394,763)
FUND BALANCE - Beginning of Year	<u>349,098</u>
FUND BALANCE DEFICIT - End of Year	<u><u>\$ (45,665)</u></u>

The accompanying notes are an integral part of these financial statements

SCOTIA COMMUNITY SERVICES DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 June 30, 2024

Reconciliation:

Total Fund Balances (Deficit) of Governmental Funds (Exhibit C)	\$ (45,665)
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Amounts reported for governmental activities in the statement of net position are different because:
 Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds balance sheet. However, the statement of net position includes those capital assets. In the current period, these amounts were as follows:

Capital Assets	11,578,502
Accumulated Depreciation	(287,928)
Loan Costs, Net of Amortization	44,645

Long-term liabilities applicable to the District are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:

Long-term Debt	<u>(916,000)</u>
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Net Position - Governmental Activities (Exhibit A)	<u><u>\$ 10,373,554</u></u>
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SCOTIA COMMUNITY SERVICES DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2024

Reconciliation:

Net Change in Fund Balance - Total Governmental Funds (Exhibit D) \$ (394,763)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:

Capital Outlay Expense	375,568
Contributed Capital Assets	1,235,802
Depreciation Expense	(111,781)
Amortization of Loan Costs	(3,799)

The repayment of principal of long-term debt consumes current financial resources, and therefore, is reported as debt service principal payments in the governmental funds. However, these payments have no impact on net position, and therefore, are not reported in the statement of activities as follows:

Debt Service Principal	60,000
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Change in Net Position - Governmental Activities (Exhibit B)	\$ 1,161,027
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SCOTIA COMMUNITY SERVICES DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2024

	<u>Water Activities</u>	<u>Sewer Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,158,186	\$ 2,790,693	\$ 3,948,879
Restricted Cash	10,050	10,049	20,099
Accounts Receivable	58,383	87,210	145,593
Grant Receivable	7,858	51,365	59,223
	<u>1,234,477</u>	<u>2,939,317</u>	<u>4,173,794</u>
Total Current Assets			
Construction in Progress	127,294	135,616	262,910
Total Capital Assets, Net of Accumulated Depreciation	<u>4,857,790</u>	<u>3,490,213</u>	<u>8,348,003</u>
Total Assets	<u>6,219,561</u>	<u>6,565,146</u>	<u>12,784,707</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	31,503	23,989	55,492
Customer Deposits	2,478	2,477	4,955
Credit Card Payable	14,130	3,193	17,323
Payroll Liabilities	2,119	2,119	4,238
Total Current Liabilities	<u>50,230</u>	<u>31,778</u>	<u>82,008</u>
Total Liabilities	<u>50,230</u>	<u>31,778</u>	<u>82,008</u>
NET POSITION			
Investment in Capital Assets, net of debt	4,985,084	3,625,829	8,610,913
Restricted	10,050	10,049	20,099
Unrestricted	<u>1,174,197</u>	<u>2,897,490</u>	<u>4,071,687</u>
Total Net Position	<u>\$ 6,169,331</u>	<u>\$ 6,533,368</u>	<u>\$ 12,702,699</u>

The accompanying notes are an integral part of these financial statements

SCOTIA COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2024

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Treated Water Sales	\$ 605,981	\$ -	\$ 605,981
Raw Water Sales	39,949	-	39,949
Sewer Charges	-	959,323	959,323
Other Operating Revenue	<u>75,000</u>	<u>3,092</u>	<u>78,092</u>
Total Operating Revenues	<u>720,930</u>	<u>962,415</u>	<u>1,683,345</u>
OPERATING EXPENSES			
Personnel Expenses	61,664	64,712	126,376
Lab Testing and Monitoring	2,636	27,791	30,427
Professional Fees	5,664	7,761	13,425
Other Contract Services	-	7,804	7,804
Fees and Permits	2,758	8,996	11,754
Insurance	37,605	32,904	70,509
Operating Supplies	6,970	3,019	9,989
Chemical Supplies	13,980	14,455	28,435
Electrical	154,899	53,272	208,171
Repairs and Maintenance	17,156	3,268	20,424
Log Pond Maintenance	-	1,313	1,313
Vehicle Expenses	1,604	1,593	3,197
Utilities and Communications	4,058	4,291	8,349
Administrative Costs Allocation	118,734	103,883	222,617
Depreciation	<u>148,797</u>	<u>96,529</u>	<u>245,326</u>
Total Operating Expenses	<u>576,525</u>	<u>431,591</u>	<u>1,008,116</u>
Operating Income	<u>144,405</u>	<u>530,824</u>	<u>675,229</u>
NON-OPERATING REVENUES (EXPENSES)			
Contributed Capital Assets	551,181	411,825	963,006
Grant Revenue	179,262	135,617	314,879
Operating Transfer In (Out)	<u>(5,115)</u>	<u>(4,475)</u>	<u>(9,590)</u>
Total Non-Operating Revenues (Expenses)	725,328	542,967	1,268,295
Net Income	869,733	1,073,791	1,943,524
NET POSITION			
Beginning of Year	<u>5,299,598</u>	<u>5,459,577</u>	<u>10,759,175</u>
End of Year	<u><u>6,169,331</u></u>	<u><u>6,533,368</u></u>	<u><u>12,702,699</u></u>

The accompanying notes are an integral part of these financial statements

SCOTIA COMMUNITY SERVICES DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Users	\$ 707,352	\$ 967,607	\$ 1,674,959
Cash Paid for Goods and Services	(339,823)	(265,113)	(604,936)
Cash Paid for Contract Employees	<u>(59,545)</u>	<u>(70,567)</u>	<u>(130,112)</u>
Net Cash Provided by Operating Activities	<u>307,984</u>	<u>631,927</u>	<u>939,911</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Non Operating Grant Proceeds	179,262	135,617	314,879
Transfers to Other Funds	<u>(5,115)</u>	<u>(4,475)</u>	<u>(9,590)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>174,147</u>	<u>131,142</u>	<u>305,289</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	<u>(113,739)</u>	<u>(144,781)</u>	<u>(258,520)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(113,739)</u>	<u>(144,781)</u>	<u>(258,520)</u>
Net Increase in Cash and Cash Equivalents	368,392	618,288	986,680
Cash and Cash Equivalents - Beginning of Year	<u>799,844</u>	<u>2,182,454</u>	<u>2,982,298</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,168,236</u>	<u>\$ 2,800,742</u>	<u>\$ 3,968,978</u>

The accompanying notes are an integral part of these financial statements

SCOTIA COMMUNITY SERVICES DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 144,405	\$ 530,824	\$ 675,229
Adjustment to Reconcile Operating Income to Net Cash Provided			
By Operating Activities:			
Depreciation	148,797	96,529	245,326
(Increase) Decrease in:			
Accounts Receivable	(13,578)	5,192	(8,386)
Prepaid Expenses	-	-	-
Increase (Decrease) in:			
Accounts Payable	33,514	5,237	38,751
Accrued Liabilities	-	(23)	(23)
Accrued Payroll	2,119	1,442	3,561
Customer Deposits	(7,273)	(7,274)	(14,547)
Total Adjustments	<u>163,579</u>	<u>101,103</u>	<u>264,682</u>
Net Cash Provided by Operating Activities	<u>\$ 307,984</u>	<u>\$ 631,927</u>	<u>\$ 939,911</u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

SCOTIA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Scotia Community Services District was formed in 2014 under Government Code 61000 to provide water, wastewater, parks and recreation, limited streets and street lighting, and storm drainage services to the community of Scotia.

The District is governed by a board of five directors elected at large from the area within the District's boundaries.

In May 2017, the Board approved the Asset Transfer and Transition Agreement with the Town of Scotia. Real property assets were transferred from the Town of Scotia to the District at no cost. These included the following:

- Water treatment facilities and river intake and distribution system infrastructure
- Wastewater treatment facilities and collection system and discharge infrastructure
- Parks and recreation facilities (Museum, Winema Theatre, Fireman's Park, carpenter shop, and Scotia Soccer Field and Community Forest.
- Streets and street lighting
- Storm drainage infrastructure

In addition to the real property, Town of Scotia also contributed \$155,000 for a contingency fund and purchase of office equipment. Town of Scotia also pre-paid water and sewer utilities in advance to facilitate the transfer.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the options to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

SCOTIA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**B. Reporting Entity**

There are no significant activities or organizations over which the District has financial accountability which would require inclusion in the financial statements. Other entities operate within the District's boundaries. The following criteria were used to include or exclude other entities:

1. Simple Accountability:

The District's ability to appoint a voting majority of the other entities' governing board and, either:

- a. The District's ability to impose its will on the other entity, or
- b. The existence of a financial benefit or burden consideration between the other entity and the District

2. Fiscal dependency of the other entity upon the District.

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

The District is a multi-function special purpose government that uses separate funds to account for the transactions related to each of its distinct functions. Separate financial statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements. The District has no non-major funds.

The District uses a governmental fund to account for the activities of its various parks and recreation properties, streets and street lighting, and storm drainage infrastructure, while it uses proprietary funds to account for its water and sewer activities.

The district-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual method of accounting. Under this method of accounting, revenues are recognized when earned and measurable and expenses are recognized when the related liabilities are incurred. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. In general, the District considers most revenue items measurable and available only when cash is received. Typically, the revenues subject to accrual are charges for services, interest income, and intergovernmental revenues. Expenditures are recorded when the related liability is incurred.

SCOTIA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**D. Cash and Cash Equivalents**

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. Capital Assets

Capital assets, which include property, plant, equipment, vehicles and infrastructure assets, are reported in the applicable governmental or business-type activities column in the district-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at cost or estimated historical cost if actual historical cost is not available. Donated assets are recorded at their fair market value on the date donated. The District has an informal capitalization threshold of \$2,500. Improvements are capitalized, while the cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are recorded as expenses in the period incurred. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Water System	40 Years
Sewer System	40 Years
Other Equipment	5 to 10 Years
Vehicles	5 Years
Buildings and Improvements	40 Years

F. Charges for Services

Charges for services result from the District providing water and sewer services to District residents.

G. Net Position

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- **Net Investment in Capital Assets** – Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, and reduced by debt balances outstanding or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – Restricted consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through Enabling legislation.
- **Unrestricted** – Unrestricted consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

SCOTIA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance

The financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Non-spendable fund balance** - amounts that cannot be spent because they are either (a) not Spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** - amounts that can only be used for specific purposes determined By formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** – the residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors established, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

I. Inventory

The District does not maintain a supplies inventory. Supplies are purchased as needed and expensed when purchased.

SCOTIA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Policy for Defining Operating and Non-operating Revenues

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.

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.

L. Inter-fund Activity

Authorized transfers between funds are treated as interfund transfers and included in the results of operations of both governmental and proprietary funds. Cash collected or payments made by one fund on behalf of another fund are treated as short-term interfund loans that affect only the statement of net assets of the funds involved. Interfund loan balances are reported in fund financial statements. Interfund loan balances between similar fund types are eliminated in the district-wide Statement of Net Position while interfund loan balances between governmental and business-type funds are reported in the district-wide Statement of Net Position.

During the fiscal year ended June 30, 2024, the District made inter-fund transfers as detailed at Note 9.

NOTE 2 — CASH AND INVESTMENTS

Cash and investments as of June 30, 2024, are classified as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Investments	\$ 515,156	\$ 3,401,078	\$ 3,916,234
Cash - Restricted	-	20,099	20,099
	<u>\$ 515,156</u>	<u>\$ 3,421,177</u>	<u>\$ 3,936,333</u>

SCOTIA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 3 — CAPITAL ASSETS

Depreciation expense was charged to various functions at June 30, 2024, as follows:

Governmental Activities:			
Parks and Recreation		\$	111,781
Business-type Activities:			
Water Fund		\$	148,797
Wastewater Fund			96,529
Total Business-type Activities		\$	<u>245,326</u>
Total Depreciation Expense		\$	<u><u>357,107</u></u>

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

	June 30, 2024				Ending Balance
	Beginning Balance	Additions	Deletions	Contributed Assets	
<u>GOVERNMENTAL</u>					
Capital Assets Not Being Depreciated					
Land	\$ 7,818,300	\$ -	\$ -	\$ -	\$ 7,818,300
Total Capital Assets, Not Being Depreciated	7,818,300	-	-	-	7,818,300
Other Capital Assets					
Office Building	220,000	-	-	-	220,000
Office Building Improvements	20,365	-	-	-	20,365
Office Equipment	4,227	388	-	-	4,615
Museum Building	95,020	-	-	-	95,020
Museum Improvements	271,280	108,883	-	-	380,163
Park Gate Automatic	14,151	-	-	-	14,151
Theatre	285,399	-	-	-	285,399
Winema Theatre Improvements	30,322	31,385	-	-	61,707
Carpenter Shop	299,932	-	-	-	299,932
Vehicles	18,838	-	-	-	18,838
Park & Ball Fields Improvements	115,919	5,778	-	-	121,697
Soccer Field Improvements	25,055	-	-	-	25,055
Equipment	292,814	2,485	-	-	295,299
Phase 3 Contribution	455,510	-	-	-	455,510
Utility Corridor Infrastructure	-	-	-	1,235,802	1,235,802
Baseball ADA / Bathroom	-	226,649	-	-	226,649
Total Other Capital Assets	<u>2,148,832</u>	<u>375,568</u>	<u>-</u>	<u>1,235,802</u>	<u>3,760,202</u>
Less: Accumulated Depreciation	<u>(176,147)</u>	<u>(111,781)</u>	<u>-</u>	<u>-</u>	<u>(287,928)</u>
Capital Assets, Net	<u>\$ 9,790,985</u>	<u>\$ 263,787</u>	<u>\$ -</u>	<u>\$ 1,235,802</u>	<u>\$ 11,290,574</u>

SCOTIA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 3 — CAPITAL ASSETS (Continued)

	June 30, 2024				
	Beginning Balance	Additions	Deletions	Contributed Assets	Ending Balance
<u>WATER</u>					
Water Facility	\$ 504,000	\$ -	\$ -	\$ -	\$ 504,000
Distribution Lines	1,400,000	-	-	-	1,400,000
Office Equipment	716	-	-	-	716
Raw Water Tank	916,200	-	-	-	916,200
Treated Water Tank	573,000	-	-	-	573,000
Fire Water Tanks	229,050	-	-	-	229,050
River Intake Pumps	30,400	-	-	-	30,400
River Intake Structure	625,000	-	-	-	625,000
River Pump House	100,000	-	-	-	100,000
Vehicles	34,667	9,165	-	-	43,832
Equipment	6,526	-	-	-	6,526
Hydrant/Metering (District share)	10,000	-	-	-	10,000
Phase 3 Contribution	728,422	-	-	-	728,422
Utility Corridor Infrastructure	-	-	-	551,181	551,181
Total Other Capital Assets	<u>5,157,981</u>	<u>9,165</u>	<u>-</u>	<u>551,181</u>	<u>5,718,327</u>
Less: Accumulated Depreciation	<u>(711,740)</u>	<u>(148,797)</u>	<u>-</u>	<u>-</u>	<u>(860,537)</u>
Capital Assets, Net	<u>\$ 4,446,241</u>	<u>\$ (139,632)</u>	<u>\$ -</u>	<u>\$ 551,181</u>	<u>\$ 4,857,790</u>
<u>SEWER</u>					
June 30, 2024					
	Beginning Balance	Additions	Deletions	Contributed Assets	Ending Balance
Capital Assets Not Being Depreciated					
Land (Log Pond)	\$ 483,642	\$ -	\$ -	\$ -	\$ 483,642
Total Capital Assets, Not Being Depreciated	<u>483,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>483,642</u>
Other Capital Assets					
Waste Disposal Facilities	240,700	-	-	-	240,700
Fencing	15,342	2,300	-	-	17,642
Generator and Propane Tank	30,088	-	-	-	30,088
Vehicles	46,722	9,165	-	-	55,887
Collection System	109,720	-	-	-	109,720
Wastewater Distribution Lines	84,960	-	-	-	84,960
Collection Lines	1,400,000	-	-	-	1,400,000
Office Equipment	1,500	-	-	-	1,500
Equipment	14,382	(2,300)	-	-	12,082
Primary Clarifier	192,144	-	-	-	192,144
Phase 3 Contribution	914,445	-	-	-	914,445
Utility corridor Infrastructure	-	-	-	411,825	411,825
Total Other Capital Assets	<u>3,050,003</u>	<u>9,165</u>	<u>-</u>	<u>411,825</u>	<u>3,470,993</u>
Less: Accumulated Depreciation	<u>(367,893)</u>	<u>(96,529)</u>	<u>-</u>	<u>-</u>	<u>(464,422)</u>
Capital Assets, Net	<u>\$ 3,165,752</u>	<u>\$ (87,364)</u>	<u>\$ -</u>	<u>\$ 411,825</u>	<u>\$ 3,490,213</u>

SCOTIA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 4 — LONG TERM DEBT

The District received a loan through Umpqua Bank for \$1,171,000 at 2.98% interest with payments beginning 4/1/2020 for future ADA improvements to public buildings in Scotia. The maturity date is October 2036. Payments are due April 1 and October 1 each year.

The following are principal and interest requirements for the next five years until the maturity date:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	62,000	26,835	88,835
2026	63,000	24,987	87,987
2027	65,000	23,095	88,095
2028	67,000	21,143	88,143
2029	69,000	19,132	88,132
2030-2034	377,000	63,340	440,340
2035-2036	213,000	9,625	222,625
Total	\$ 916,000	\$ 188,157	\$ 1,104,157

NOTE 5 – PENSION PLAN AND EMPLOYEE BENEFIT TRUST

The District adopted The Scotia Community Services District Public Agency Retirement Services (PARS) Defined Contribution Plan (the Plan) effective September 1, 2018 for the benefit of its eligible employees to provide retirement benefits to the employees. The Plan and Trust were established to hold assets of the Plan which qualifies under Section 401(a) as a governmental profit-sharing plan.

It is the intention of the employer to make contributions to the Plan equal to 7% of compensation. Such contributions will be made before the close of the Plan Year and be allocated to each participant in the ratio that each participant’s compensation bears to the compensation of all participants. The employee will make mandatory contributions equal to 7% of compensation.

The employees are fully vested in their employee contribution account. Vesting in the employer contribution account occurs within 5 years of service with the employer. Should an employee terminate before being fully vested, they shall forfeit that portion of their account in which they are not vested.

Total retirement plan contribution expense for 2024 was \$13,532.

SCOTIA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 6 — PARTICIPATION IN INSURANCE AUTHORITIES

The District is a member of the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code and provides a full-service risk management program for California's local governments. SDRMA provides comprehensive property, liability, and workers compensation protection. Each member organization pays a premium based on the level of coverage requested. Rates and/or premiums are reviewed and established annually by SDRMA's Board of Directors. Member organizations share surpluses and deficits proportionately to their participation in the SDRMA. Each entity has an equal voice in the selection of SDRMA's Board of Directors.

A summary of coverage under this arrangement for the fiscal year ended June 30, 2024 is as follows:

General liability and auto bodily injury and property damage coverage	\$2.5 million per occurrence/accident
Public Officials personal	\$500,000 per occurrence
Errors & Omissions	\$2.5 million per occurrence
Employee/Public Officials Dishonesty	\$1 million per occurrence
Property Pollution	\$2 million per occurrence
Public Officials Personal liability coverage	\$500,000 per occurrence
Employment Practices A liability	\$2.5 million per occurrence
Employment Benefits	\$2.5 million per occurrence
Property Loss	\$1 billion per occurrence
Boiler & Machinery	\$100 million per occurrence

NOTE 7 – CONCENTRATIONS

The District maintains cash balances at two financial institutions. Accounts in the aggregate are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. At June 30, 2024, uninsured cash balances were \$2,806,280.

SCOTIA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 8 — SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 10, 2024, the date the financial statements were available to be issued.

The Town of Scotia, LLC is improving the infrastructure throughout the town in multiple phases. Phase 4 is anticipated to be completed by December 2024. Town of Scotia has until December 2025 to complete all phases per the County of Humboldt. The Town of Scotia, LLC transferred the Utility Corridor Infrastructure and River Pumps on August 17, 2023. The contribution value calculated by the project engineer amounted to \$2,198,808.

The District and State Water Resources Control Board signed an agreement D2101027 on October 26, 2022 for the Scotia Wastewater Treatment Facility replacement project C-06-8467-110. The estimated project funding amount is \$537,000 which covers geotechnical and environmental studies, and preliminary engineering reports to develop environmental documents to enable the District to address deficiencies in the wastewater treatment facility. This planning and design project is from December 31, 2024 through March 31, 2026.

The District and State Water Resources Control Board signed an agreement D2202061 on August 23, 2023 for the Scotia Water Treatment Facility replacement. This project 1210010-001P is to evaluate the water system needs including replacing the one-million-gallon raw water storage tank and 488,740 gallon treated water storage tank. This project is estimated to start January 2025, and continue through June 2026. Principal forgiveness for this Drinking Water Planning Loan is \$1,133,000.

NOTE 9 — OPERATING TRANSFERS

During the year ended June 30, 2024, the District made operating transfers to cover the allocable costs of the building acquired for use as the District's Administrative office. The allocations were based on estimates generated by project engineers in the District's original budgeting process. A summary of the items and amounts are as follows:

Capital Outlay - Building Improvements	\$ -
Debt Service Payments - Interest	4,087
Debt Service Payments - Principal	<u>8,700</u>
Total Allocable Expenditures	\$ 12,787
Allocated to Water Fund - 40%	\$ 5,115
Allocated to Sewer Fund - 35%	<u>\$ 4,475</u>
Total Interfund Transfers	<u><u>\$ 9,590</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

SCOTIA COMMUNITY SERVICE DISTRICT
Budgetary Comparison Schedule
Budget and Actual - Governmental Funds
For the Year Ended June 30, 2024

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Rental Income	\$ 1,000	\$ 1,000	\$ 296	\$ (704)
Benefit Assessments (Net)	252,650	252,650	255,514	2,864
Interest Income	1,500	1,500	4,864	3,364
Late fees	2,000	2,000	3,389	1,389
Miscellaneous	200	200	310	110
	<u>257,350</u>	<u>257,350</u>	<u>264,373</u>	<u>7,023</u>
Total Revenues				
EXPENDITURES				
Current Expenditures:				
General and Administrative				
Legal	3,000	3,000	-	3,000
Auditor	3,000	3,000	-	3,000
Board Stipend	540	540	-	540
Bookkeeping	120	120	-	120
IT Services	60	60	-	60
Engineering	1,700	1,700	4,300	(2,600)
Personnel Staff & Benefits	40,500	40,500	62,889	(22,389)
Allocated Admin Costs (25%)	24,450	24,450	75,280	(50,830)
Materials and Services				
Permits, Licenses, Dues, Publications	3,000	3,000	1,290	1,710
General Supplies, Lab, Monitoring	1,500	1,500	4,188	(2,688)
Utilities- Communications	5,000	5,000	2,152	2,848
General Maintenance & Repairs	5,000	5,000	3,762	1,238
Liability Insurance	24,500	24,500	23,503	997
Electrical	22,000	22,000	21,314	686
Contracted Maintenance Services	5,500	5,500	3,925	1,575
Vehicle Maintenance and Fuel	500	500	1,323	(823)
Other	-	-	1,049	(1,049)
Total Current Expenditures	<u>140,370</u>	<u>140,370</u>	<u>204,975</u>	<u>(64,605)</u>
Other Expenditures				
Annual Debt Service	30,381	30,381	28,183	2,198
Note Payable Principal	58,000	58,000	60,000	(2,000)
Transfer to Reserve Fund	-	-	-	-
Transfer to Equipment Replacement	-	-	-	-
Total Other Expenditures	<u>88,381</u>	<u>88,381</u>	<u>88,183</u>	<u>198</u>
Non-Current Expenditures:				
Capital Outlay	470,000	470,000	375,568	94,432
	<u>698,751</u>	<u>698,751</u>	<u>668,726</u>	<u>30,025</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	(441,401)	(441,401)	(404,353)	37,048
Operating Transfers	-	-	9,590	9,590
Excess (Deficiency) of Revenue and Other Transfers Over (Under) Expenditures		<u>\$ (441,401)</u>	<u>(394,763)</u>	<u>\$ 46,638</u>
FUND BALANCE - Beginning			349,098	
FUND BALANCE DEFICIT - Ending			<u>\$ (45,665)</u>	