

GASQUET COMMUNITY SERVICES DISTRICT
COUNTY OF DEL NORTE

BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022



**GASQUET COMMUNITY SERVICES DISTRICT
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JUNE 30, 2022**

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INTRODUCTORY SECTION

**GASQUET COMMUNITY SERVICES DISTRICT
ORGANIZATION
JUNE 30, 2022**

The Board of Directors for the fiscal year ended June 30, 2022 was composed of the following:

GOVERNING BOARD

<u>Name</u>	<u>Term Expires</u>
Steven Kasmar, Chairman	2024
R. Barrie Walkley, Board Member	2022
Everett Young, Board Member	2022
Ted Ruggles, Board Member	2022
Marilee Morgante, Board Member	2024

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To Board of Directors
Gasquet Community Services District
Gasquet, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Gasquet Community Services District (the "District"), as of and for the year ended June 30, 2022, 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 business-type activities, of the District as of June 30, 2022, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

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 and *Government 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 and *Government 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 Discussion and Analysis that accounting principles generally accepted in the United States of America require 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying five year schedule of statement of revenues, expenses, and changes in net position is presented for purpose of additional analysis and are not a required part of basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the five year schedule of statement of revenues, expenses, and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Harshmal & Company LLP

San Diego, California
June 30, 2025

BASIC FINANCIAL STATEMENTS

GASQUET COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS

Current assets:

Cash and deposits	\$ 99,534
Investments	603,092
Accounts receivable	12,026
Prepaid expenses	<u>7,533</u>
Total current assets	<u>722,185</u>

Noncurrent assets:

Capital assets	1,141,993
Less: accumulated depreciation	<u>(472,782)</u>
Total noncurrent assets	<u>669,211</u>
Total assets	<u>1,391,396</u>

LIABILITIES AND NET POSITION

LIABILITIES

Current liabilities:

Accounts payable	7,199
Salaries and benefits payable	6,276
Deposits payable	<u>2,411</u>
Total current liabilities	<u>15,886</u>
Total liabilities	<u>15,886</u>

NET POSITION

Net investment in capital assets	669,211
Unrestricted	<u>706,299</u>
Total net position	<u>1,375,510</u>
Total liabilities and net position	<u>\$ 1,391,396</u>

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

**GASQUET COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

OPERATING REVENUES

Charges for services	\$ 175,325
Other income	<u>11</u>
Total operating revenues	<u>175,336</u>

OPERATING EXPENSES

Services, supplies, and other	80,925
Salaries and benefits	90,271
Depreciation	<u>36,560</u>
Total operating expenses	<u>207,756</u>

Net Operating income (loss)	<u>(32,420)</u>
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NONOPERATING REVENUES (EXPENSES)

Interest income	<u>9,556</u>
Total nonoperating revenues (expenses)	<u>9,556</u>

Change in net position	(22,864)
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Net position - beginning of year	<u>1,398,374</u>
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Net position - end of year	<u><u>\$ 1,375,510</u></u>
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The accompanying notes are an integral part of these financial statements.

GASQUET COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers and others	\$ 180,211
Cash payments for goods and services	(81,195)
Cash payments to employees	<u>(87,157)</u>
Net cash provided/(used) by operating activities	<u>11,859</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash received from refund of capital asset overpayment	<u>196</u>
Net cash provided/(used) by capital and related financing activities	<u>196</u>
Net change in cash and cash equivalents	12,055
Cash and cash equivalents - beginning of the year	<u>87,479</u>
Cash and cash equivalents - end of the year	<u><u>\$ 99,534</u></u>

RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ (32,420)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	36,560
Change in operating assets and liabilities:	
Accounts receivable	4,785
Prepaid expenses	(7,469)
Accounts payable	7,199
Salaries and benefits payable	3,114
Deposits payable	<u>90</u>
Net cash provided (used) by operating activities	<u><u>\$ 11,859</u></u>

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

GASQUET COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Gasquet Community Services District (the "District") was formed to provide water services for both fire and domestic use. The District is a California Municipal Corporation and is governed by an elected Board of Directors.

The activities of the District are governed by Board of Directors, each of whom is elected to office for a four-year term by the registered voters of the District.

The accounting methods and procedures adopted by the District conform to generally accepted accounting principles as applied to governmental entities. These financial statements include all activities and functions that comprise the District.

There are no component units, which are entities that are legally separate for which the government is considered to be financially accountable under the criteria set by the Governmental Accounting Standards Board (GASB) Statement No. 39 as amended by GASB Statement No. 61.

B. Basis of Presentation

The Financial Statements of the reporting entity are organized into one fund which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, net position, revenues, and expenses. The fund of the District is organized into the proprietary category.

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual government fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The District reports the following major proprietary fund:

- The Operating Fund is an enterprise fund used to account for activity related to providing customers with water for both fire protection and domestic use to the surrounding community.

C. Basis of Accounting and Measurement Focus

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, including revenues from grants, entitlements, and donations, are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for services.

**GASQUET COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

C. Basis of Accounting and Measurement Focus - Cont'd

Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets and Budgetary Accounting

The Board of Directors adopts a budget annually to be effective July 1st of the ensuing year. Budgets are adopted on a basis consistent with generally accepted accounting principles.

E. Cash and Investments

Cash on June 30, 2022, consists of cash held in a bank checking account and money market accounts. State statutes authorize the District to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium-term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund ("LAIF").

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting for Financial Reporting for Certain Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In these financial statements, the fair value of the District's investments were based on unaudited quoted market value.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

The District reports its investments in the financial statements using quoted market prices (Level 1 inputs).

For purposes of the accompanying statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Receivables

Accounts receivable are for water charges. These amounts are not shown as net of any allowance for doubtful accounts. Any doubtful accounts on June 30, 2022, were not considered material, and therefore, were not recorded.

G. Inventory and Prepaid Costs

Inventory items are recorded as expenditures/expenses at the time individual items are purchased. Records are not maintained of inventory and supplies on hand, as these amounts are not considered material.

Certain payments to vendors/service providers reflect costs applicable to future accounting periods and are recorded as prepaid costs.

**GASQUET COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

H. Capital Assets

All capital assets, including infrastructure, are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is included as part of the capitalized value.

I. Long-Term Debt

The long-term debt consists primarily of loans payable and deferred interest payable. There was no outstanding loan and related interest payable as of June 30, 2022.

J. Compensated Absences

The District accrues vacation at a rate equal to one twenty-fourth of the prior calendar year annual earnings by employees. The vacation must be used in the subsequent calendar year and does not carry over beyond that time. There was no accrued vacation payable as of June 30, 2022.

K. Net Position

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional or enabling legislation.

Unrestricted net position – Other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When net position consists of both restricted and unrestricted balances, restricted resources are depleted first, before the unrestricted resources are used.

L. Revenues and Expenses

Revenues are reported as a source of economic resources and are classified as operating and nonoperating.

Expenses are reported as a use of economic resources and are classified as operating or nonoperating.

M. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

GASQUET COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - CASH AND INVESTMENTS

As of June 30, 2022, the District had the following cash and investments:

Cash and deposits:	
Carrying amount of deposits at financial institutions	\$ 99,534
Total cash and deposits	<u>99,534</u>
Investments:	
Certificates of deposit	475,967
Local Agency Investment Fund (State of California)	<u>127,125</u>
Total investments	<u>603,092</u>
Total cash and investments	<u><u>\$ 702,626</u></u>

Deposits

California Government Code requires California banks and savings and loan associations to collateralize the District's deposits by pledging government securities. The market value of the pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to collateralize the District's deposits by pledging first trust deed mortgage notes, having a value of 150% of the District's total deposits.

At year end, the carrying amount of the District's cash deposits was \$99,534, and cash balances in financial institution(s) before reconciling items totaled \$96,308, which were insured by Federal Deposit Insurance Corporation (FDIC).

Investments

External Investments Pool

The District invests in Local Agency Investment Fund (LAIF), a State of California external investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The District's investments with LAIF on June 30, 2022, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

- Structured Notes - Structured Notes are non-asset-backed debt securities whose cash flow characteristics rely on one or more financial indices and may involve embedded forwards or options.
- Asset-Backed Securities - Primarily consisting of mortgage-backed securities, these securities grant purchasers a portion of the cash flow derived from a pool of assets, including principal and interest repayments from mortgages (e.g., CMOs) or credit card receivables.

The District's investment maturities are classified as follows:

	<u>Maturities</u>			<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
	<u>0-1 Year</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>		
Certificate of Deposits	\$ -	\$ 475,967	\$ -	\$ 475,967	2.62
LAIF	<u>127,125</u>	<u>-</u>	<u>-</u>	<u>127,125</u>	<u>-</u>
Total	<u><u>\$ 127,125</u></u>	<u><u>\$ 475,967</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 603,092</u></u>	<u><u>2.62</u></u>

GASQUET COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - CASH AND INVESTMENTS - CONT'D

Interest Rate Risk – Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rate. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Of the District's \$603,092 investment portfolio, none of the investments has a maturity of more than 5 years.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law also limits investments in corporate bonds to the rating of A by both Standards & Poor's and Moody's Investors Service. The District has no investment policy that would limit its investment choices.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, the concentration presents a heightened risk of potential loss.

At year end, the carrying amount of the District's investments was \$603,092. Of this balance, \$0 was covered by Federal Deposit Insurance Corporation; \$475,967 was covered by the National Credit Union Share Insurance Fund (NCUSIF); and the remaining balance of \$127,125 consists Local Agency Investment Fund (LAIF). LAIF is a special fund of the California State Treasury through which local governments may pool investments. Investments are highly liquid, as deposits may be converted to cash within twenty-four hours without the loss of interest. Investments by the District in investment pools are considered unclassified as to risk because they are not evidenced by securities that exist in physical or book entry form.

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Addition</u>	<u>Deletion/ Adjustment</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 119,417	\$ -	\$ (196)	\$ 119,221
Total capital assets not being depreciated	<u>119,417</u>	<u>-</u>	<u>(196)</u>	<u>119,221</u>
<i>Capital assets being depreciated:</i>				
Machinery and Equipment	959,899	-	-	959,899
Buildings and Improvements	<u>62,873</u>	<u>-</u>	<u>-</u>	<u>62,873</u>
Total capital assets being depreciated	<u>1,022,772</u>	<u>-</u>	<u>-</u>	<u>1,022,772</u>
Less: accumulated depreciation	<u>(436,222)</u>	<u>(36,560)</u>	<u>-</u>	<u>(472,782)</u>
Total capital assets being depreciated, net	<u>586,550</u>	<u>(36,560)</u>	<u>-</u>	<u>549,990</u>
Capital assets, net	<u>\$ 705,967</u>	<u>\$ (36,560)</u>	<u>\$ (196)</u>	<u>\$ 669,211</u>

GASQUET COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 - 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 purchases coverage from an insurance company. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 5 - EVALUATION OF SUBSEQUENT EVENTS

The management of the District has reviewed the results of operations for the period of time from its year end June 30, 2022 through June 30, 2025, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

SUPPLEMENTARY INFORMATION

GASQUET COMMUNITY SERVICES DISTRICT
FIVE YEAR SCHEDULE OF STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 THROUGH JUNE 30, 2018

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>OPERATING REVENUES</u>					
Charges for services and other revenues	\$ <u>175,336</u>	\$ <u>192,135</u>	\$ <u>173,641</u>	\$ <u>179,595</u>	\$ <u>189,692</u>
Total operating revenues	<u>175,336</u>	<u>192,135</u>	<u>173,641</u>	<u>179,595</u>	<u>189,692</u>
<u>OPERATING EXPENSES</u>					
Services, supplies, and other	80,925	64,951	71,137	58,703	59,120
Salaries and benefits	90,271	85,545	69,806	69,783	72,865
Depreciation	<u>36,560</u>	<u>36,565</u>	<u>35,912</u>	<u>41,000</u>	<u>41,500</u>
Total operating expenses	<u>207,756</u>	<u>187,061</u>	<u>176,855</u>	<u>169,486</u>	<u>173,485</u>
Operating income (loss)	<u>(32,420)</u>	<u>5,074</u>	<u>(3,214)</u>	<u>10,109</u>	<u>16,207</u>
<u>NONOPERATING REVENUES/(EXPENSES)</u>					
Interest income	9,556	11,834	12,242	9,345	7,022
Interest expense	-	-	-	-	(674)
Claim proceeds	<u>-</u>	<u>2,542</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>9,556</u>	<u>14,376</u>	<u>12,242</u>	<u>9,345</u>	<u>6,348</u>
Change in net position	<u>(22,864)</u>	<u>19,450</u>	<u>9,028</u>	<u>19,454</u>	<u>22,555</u>
Net position - beginning	1,398,374	1,369,386	1,041,461	1,025,194	1,002,639
<i>Restatement</i>	<u>-</u>	<u>9,538</u>	<u>318,897</u>	<u>(3,187)</u>	<u>-</u>
Net position - beginning, <i>restated</i>	<u>1,398,374</u>	<u>1,378,924</u>	<u>1,360,358</u>	<u>1,022,007</u>	<u>1,002,639</u>
Net position - ending	<u>\$ <u>1,375,510</u></u>	<u>\$ <u>1,398,374</u></u>	<u>\$ <u>1,369,386</u></u>	<u>\$ <u>1,041,461</u></u>	<u>\$ <u>1,025,194</u></u>

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

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To Board of Directors
Gasquet Community Services District
Gasquet, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Gasquet Community Services District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 30, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Harshmal & Company LLP

San Diego, California
June 30, 2025

**GASQUET COMMUNITY SERVICES DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
• Noncompliance material to financial statements noted?	No

**GASQUET COMMUNITY SERVICES DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION II. FINANCIAL STATEMENTS FINDINGS

There were no findings related to the financial statements for the fiscal year.

**GASQUET COMMUNITY SERVICES DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no findings reported in prior year.