

# **Garden Farms Community Water District**

**Financial Statements**

**June 30, 2022**

# Garden Farms Community Water District

June 30, 2022

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**Kenneth J Filipponi**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**Independent Audit Report**

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Board of Directors  
Garden Farms Community Water District  
  
Atascadero, California

**Opinion**

I have audited the accompanying financial statements of the Enterprise Fund of Garden Farms Community Water District as of and for the year ended June 30, 2022, which collectively comprise the Fund's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Garden Farms Community Water District as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Garden Farms Community Water District and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**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 Garden Farms Community Water District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- 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 Garden Farms Community Water 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Garden Farms Community Water District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

## **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audits of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



**Kenneth J Filipponi**  
Certified Public Accountant

October 29, 2022

# Garden Farms Community Water District

## GARDEN FARMS COMMUNITY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Garden Farms Community Water District financial performance provides an overview of the District's financial activities for the year ended June 30, 2022.

### Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities - Government-wide provide information about the activities of the District as a whole and present a longer-term view of the District's finances. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# Garden Farms Community Water District

## CONDENSED FINANCIAL INFORMATION

Our analysis below focuses on the net position and changes in net position as set forth in the following condensed financial statement:

Condensed Statement of Net Position as of June 30:

	2022	2021
Assets:		
Current and other assets	\$ 952,894	\$ 855,199
Capital assets	126,467	141,845
Total Assets	<u>1,079,361</u>	<u>997,044</u>
Liabilities:		
Current and other liabilities	<u>932</u>	<u>767</u>
Net Position:		
Net investment in capital assets	126,467	141,845
Unrestricted	951,962	854,432
Total Net Position	<u>\$ 1,078,429</u>	<u>996,277</u>

# Garden Farms Community Water District

## CONDENSED FINANCIAL INFORMATION (continued)

Changes in Net Position for the years ended June 30:

	2022	2021
Program Revenues:		
Charges for services	\$ 104,982	\$ 86,177
Service income	975	810
Total Program Revenues	<u>105,957</u>	<u>86,987</u>
General Revenues:		
Real property taxes	41,502	37,671
Wireless site lease income	51,194	51,246
Interest income	451	1,215
Total General Revenue	<u>93,147</u>	<u>90,132</u>
Total Revenues	199,104	177,119
Expenses - Water supply services	116,952	110,057
Changes in Net Position	<u>82,152</u>	<u>67,062</u>
Net Position - beginning of the year	996,277	929,215
Net Position - End of the Year	<u>\$ 1,078,429</u>	<u>\$ 996,277</u>

# Garden Farms Community Water District

## Financial highlights of fiscal years 2021 – 2022 as follows:

The District's total assets were \$1,079,000 at the fiscal year end of June 30, 2022, a \$82,000 increase from the prior fiscal year ended June 30, 2021, total assets of \$997,000 primarily due to an increase in cash and investments.

The District's revenues, including operating and non-operating revenues, were \$199,100 for the fiscal year ended June 30, 2022 a \$22,000 increase from the prior fiscal year ended June 30, 2021, total revenues of \$177,100, primarily due to an increase in water revenues.

The District's expenses were \$117,000 at the fiscal year end of June 30, 2022 a \$7,000 increase from the prior fiscal year ended June 30, 2021, total expenses of \$110,000.

## The Basic Financial Statements:

The District's net cash flows provided in operating activities was \$7,000 in the fiscal year ending June 30, 2022, an amount equal to the prior period net cash flows of \$7,000 in operating activities.

## Requests for Information:

This financial report is designed to provide a general overview of the Garden Farms Community Water District's finances for all those with an interest in government's finances. Questions concerning any of the information should be addressed to the Garden Farms Community Water District, 17005 Walnut Avenue, Atascadero, CA 93422.



# Garden Farms Community Water District

## Government-Wide Financial Statements

### Statement of Net Position

June 30, 2022

	<b>Statement of Net Position</b>
<b>Assets</b>	
Cash and investments	\$ 930,274
Accounts receivable	10,322
Supplies on hand	12,298
Other capital assets being depreciated, net	90,903
Land	35,564
<b>Total Assets</b>	<b>1,079,361</b>
<b>Liabilities and Fund Balance</b>	
Accounts payable	932
<b>Total Liabilities</b>	<b>932</b>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	126,467
Unrestricted	951,962
<b>Total Net Position (Deficit)</b>	<b>1,078,429</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,079,361</b>

See independent auditor's report and notes to the basic financial statements.

# Garden Farms Community Water District

## Government-Wide Financial Statements

### Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2022

	<b>Statement of Activities</b>
<b>Operating Revenues</b>	
Water revenue, net	\$ 104,982
Service charges	975
<b>Total Operating Revenues</b>	<b>105,957</b>
<b>Operating Expenses</b>	
Salaries and benefits	44,271
Repairs and maintenance	22,342
Depreciation	15,378
Utilities	8,352
Insurance	6,749
Water treatment and sampling	4,735
Professional services	3,790
Payroll taxes	3,387
Office	3,222
Licenses	3,041
Travel	1,558
Other operating expenses	103
Bad debt expense	24
<b>Total Operating Expenses</b>	<b>116,952</b>
<b>Operating Income (Loss)</b>	<b>(10,995)</b>
<b>Nonoperating Revenues (Expenses):</b>	
Lease income	51,194
Taxes and assessments	41,502
Interest income	451
<b>Total Nonoperating Revenues (Expenses), net</b>	<b>93,147</b>
<b>Change in net position</b>	<b>82,152</b>
<b>Net Position - Beginning</b>	<b>996,277</b>
<b>Net Position - Ending</b>	<b>\$ 1,078,429</b>

See independent auditor's report and notes to the basic financial statements.

# Garden Farms Community Water District

## Statement of Cash Flows

For the Year Ended June 30, 2022

	Note	2022
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$	105,104
Payments to suppliers		(50,424)
Payments to employees		(47,658)
<b>Net Cash Provided (Used) in Operating Activities</b>		<b>7,022</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Receipts from taxes and assessments		41,502
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>		<b>41,502</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Receipts from leases		51,194
Receipts of interest		451
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>		<b>51,645</b>
<b>Net increases (decreases) in cash and cash equivalents</b>		<b>100,169</b>
Cash and cash equivalents at beginning of period		830,105
<b>Cash and cash equivalents at end of period</b>		<b>930,274</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities</b>		
Operating income (loss)		(10,995)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:</b>		
Depreciation		15,378
(Increase) decrease in receivables		515
(Increase) decrease in supplies on hand		1,960
Increase (decrease) in accounts payable		164
<b>Total Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) in Operating Activities</b>		<b>18,017</b>
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>\$</b>	<b>7,022</b>

See independent auditor's report and notes to the basic financial statements.

# Garden Farms Community Water District

## Notes to the Financial Statements

For the Year Ended June 30, 2022

### 1. Significant Accounting Policies

#### a. Reporting Entity

The Garden Farms Community Water District (District) is a special district created by an act of the legislature of the State of California. The District encompasses all of the community of Garden Farms.

The District is governed by a five member Board of Directors. The term of office for the directors is four years.

The District is authorized to store and distribute water for use within its jurisdictional boundaries and authorized to provide sufficient water for present or future beneficial use of the lands and inhabitants of the District. The District acquires, stores, and distributes water for irrigation, residential, fire protection, and all other uses.

#### b. Basis of Presentation

The Water Enterprise Fund ("Fund") financial statements are prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

The Fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

#### c. Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 and may have impact on future periods.

# Garden Farms Community Water District

## Notes to the Financial Statements

For the Year Ended June 30, 2022

### 1. Significant Accounting Policies

#### d. Basis of Accounting

The government-wide financial statements report information of the district as a whole.

The government-wide 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 flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes and benefit assessments. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; and revenue from investments is recognized when earned.

For its proprietary fund, the District has elected, under Governmental Accounting Standard's Board (GASB) Statement No. 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments, and to apply all applicable GASB pronouncements.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Fund's principal ongoing operations. The principal operating revenues of the Fund is the sale of water to outside customers. Operating expenses for the Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Operating revenues, such as charges for services, result from the exchange transactions associated with the principal activity of the Fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

#### e. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, governmental activities are presented using the economic resources measurement focus and are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Interfund transactions have been eliminated from the government-wide financial statements.

# Garden Farms Community Water District

## Notes to the Financial Statements

For the Year Ended June 30, 2022

### 1. Significant Accounting Policies

#### e. Measurement Focus/Basis of Accounting

The District reported investments in nonparticipating interest earnings contracts (including certificates of deposits) at cost. The fair value of investments is based on current market prices.

For purposes of the statement of cash flows, the Fund considers all highly liquid investments with a maturity of three months or less when purchased (including restricted investments), and their equity in the cash and investment pool to be cash equivalents.

#### f. Unrestricted Net Position

The District's fund net position is classified based primarily to the extent to which the District is bound to observe constraints imposed upon the use of the resources. When both restricted and unrestricted resources are available for expenses, the District expends the restricted funds and then the unrestricted funds.

#### g. Accounts receivable

Receivables include amounts due from water utility customers.

The district has not recorded an allowance for doubtful accounts because management believes that accounts receivable are collectible.

#### h. Capital assets

Capital assets are those purchased or acquired with an original cost of \$500 or more and are reported at historical cost or estimated historical cost. Contributed capital assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives in years:

Buildings and Improvements	10-20
Water Plant and Pumping Facilities	10-20
Equipment	5-10

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

# Garden Farms Community Water District

## Notes to the Financial Statements

For the Year Ended June 30, 2022

### 1. Significant Accounting Policies

#### i. Property Taxes and Benefit Assessments

The Funds derive certain revenues from the assessment of property tax parcel levies.

The County is responsible for the assessment, collection, and apportionment of property taxes for the District. The amount of property tax levies is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13). Secured property taxes and benefit assessments are each payable in equal installments, November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year.

# Garden Farms Community Water District

## Notes to the Financial Statements

For the Year Ended June 30, 2022

### 2. Cash and Investments

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District generally manages its own interest rate risk by holding investments to maturity.

Credit Risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Credit risk in certificates of deposit held by the District are not rated.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of the District's cash on deposit. All of the District's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the District's name.

Cash and investments at June 30 consisted of the following:

	<b>2022</b>
Cash in local banks	\$ 377,886
Certificates of deposit with local banks	551,520
Held by a local government	513
Petty cash	355
<b>Total cash and investments</b>	<b>\$ 930,274</b>



# Garden Farms Community Water District

## Notes to the Financial Statements

For the Year Ended June 30, 2022

### 3. Changes in Capital Assets

a. A summary of changes in capital assets for the year ended June 30 are as follow:

	Balance Beginning	Additions	Deletions	Balance Ending
<b>Capital assets not being depreciated:</b>				
Land	\$ 35,564	\$	\$	\$ 35,564
<b>Total Capital assets not being depreciated</b>	<b>35,564</b>			<b>35,564</b>
<b>Capital assets being depreciated:</b>				
Water production equipment	605,099			605,099
<b>Total other capital assets being depreciated</b>	<b>605,099</b>			<b>605,099</b>
<b>Less: accumulated depreciation for:</b>				
Water production equipment	498,818	15,378		514,196
<b>Total accumulated depreciation</b>	<b>498,818</b>	<b>15,378</b>		<b>514,196</b>
<b>Total capital assets being depreciated, net</b>	<b>106,281</b>	<b>(15,378)</b>		<b>90,903</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 141,845</b>	<b>\$ (15,378)</b>	<b>\$</b>	<b>\$ 126,467</b>

### 4. Operating leases

The District leases space for wireless antenna facilities under two operating leases. The leases pay a monthly rent for five-year terms with five additional five-year period renewal options. One lease provides for an annual four percent increase. The second lease provides for a twenty percent increase upon each five-year period renewal.

Future minimum lease income amounts are as follows:

2023	\$ 54,199
2024	55,352
2025	56,551
2026	57,798
2027	59,095
<b>Total future minimum lease income amounts</b>	<b>\$ 282,995</b>

# **Garden Farms Community Water District**

**Notes to the Financial Statements**

**For the Year Ended June 30, 2022**

## **5. Subsequent Events**

Events occurring after June 30, 2022 have been evaluated for possible adjustment to the financial statements or disclosure as of the report date, which is the date the financial statements were available to be issued.