



Kenneth J Filipponi

CERTIFIED PUBLIC ACCOUNTANT

CONSULTANT TO BUSINESS

Independent Audit Report

Board of Directors
Garden Farms Community Water District

Atascadero, California

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, 2016, which collectively comprise the Fund's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Audit Report

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund of Garden Farms Community Water District as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 19, 2016

Garden Farms Community Water District

Management Discussion and Analysis

Garden Farms Community Water District previously implemented the provisions of Government Account Standards Board Statement 34, "Basic Financial Statements and Management's Discussion and Analysis. GASB 34 represents a change in accounting and reporting for municipalities; it is an effort to make these statements clear and more understandable to readers.

GASB 34 requires the District to make substantial changes to its financial statement format. One of these requirements is that the District provide this discussion and analysis of its financial activities for the fiscal year ended June 30, 2016. Please read this document in conjunction with the Basic Financial Statements.

Financial highlights of fiscal years 2016 – 2015 as follows:

The District's total assets were \$659,000 (rounded) at the fiscal year end of June 30, 2016, a \$29,500 (rounded) increase from the prior fiscal year ended June 30, 2015 total assets of \$629,500 (rounded).

The District's revenues, including operating and non-operating revenues, were \$119,500 (rounded) at the fiscal year end of June 30, 2016, a \$24,000 (rounded) decrease from the prior fiscal year ended June 30, 2015 total revenues of \$143,500 (rounded).

The District's expenses were \$88,000 (rounded) at the fiscal year end of June 30, 2016, a \$17,000 (rounded) increase from the prior fiscal year ended June 30, 2015 total expenses of \$71,000 (rounded).

The Basic Financial Statements:

The District being an enterprise water service district prepares its Financial Statements on the full accrual basis, as in the past, and includes all their assets and liabilities, current and long term.

The District's net cash flows from enterprise activities decreased to - \$23,000 (rounded) in the fiscal year ending June 30, 2016, a \$7,000 (rounded) decrease from the prior fiscal year ended June 30, 2015 total of - \$16,000 (rounded). This is a direct result of water conservation efforts by District customers which significantly reduced water sales.

The District's cash and cash equivalents increased to \$450,000 (rounded) in the fiscal year ending June 30, 2016, a \$50,000 increase from the prior fiscal year ended June 30, 2015 total of \$400,000.

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

Garden Farms Community Water District

The District continues to invest in capital upgrades and improvements for the aging system each year. During the fiscal year ending June 30, 2016, \$21,000 (rounded) was invested in plant upgrades and improvements compared to the prior fiscal year 2015 total of \$45,000 (rounded).

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

Statement of Net Position

June 30, 2016

	Statement of Net Position
Assets	
Cash and investments	\$ 449,776
Accounts receivable	7,244
Prepaid expenses	3,239
Other capital assets being depreciated, net	163,275
Land	35,564
Total Assets	659,098
Liabilities and Fund Balance	
Accounts payable	1,891
Payroll taxes payable	550
Total Liabilities	2,441
Net Position (Deficit)	
Net investment in capital assets	198,839
Unrestricted	457,818
Total Net Position (Deficit)	656,657
Total Liabilities and Net Position	\$ 659,098

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

Garden Farms Community Water District

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2016

	Statement of Activities
Operating Revenues	
Water revenue, net	\$ 46,082
Service charges	795
Total Operating Revenues	46,877
Operating Expenses	
Salaries and benefits	36,970
Depreciation	19,106
Repairs and maintenance	7,345
Utilities	4,737
Water treatment and sampling	3,908
Office	2,957
Professional services	2,878
Insurance	2,847
Payroll taxes	2,828
Licenses	2,684
Travel	1,120
Other operating expenses	1,691
Total Operating Expenses	89,071
Operating Income (Loss)	(42,194)
Nonoperating Revenues (Expenses):	
Lease income	43,795
Taxes and assessments	29,541
Interest income	899
Other revenue	7
Total Nonoperating Revenues, net	74,242
Change in net position	32,048
Net Position - Beginning	624,609
Net Position - Ending	\$ 656,657

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, 2016

	Note	2016
Cash Flows from Operating Activities		
Receipts from customers	\$	46,877
Payments to suppliers		(28,690)
Payments to employees		(39,798)
Net Cash Used in Operating Activities		(21,611)
Cash Flows from Noncapital Financing Activities		
Receipts from taxes and assessments		29,541
Cash Flows from Capital and Related Financing Activities		
Receipt of interest		899
Receipts from leases		43,796
Acquisition of capital assets		(2,099)
Net Cash Used by Capital and Related Financing Activities		42,596
Net cash increases (decreases) in cash and cash equivalents		50,526
Cash and cash equivalents at beginning of period		399,250
Cash and cash equivalents at end of period		449,776

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, 2016

	Note	2016
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating income (loss)		(42,194)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:		
Depreciation		19,106
(Increase) decrease in receivables		5
(Increase) decrease in other receivables		3,552
(Increase) decrease in prepaid expenses		(338)
Increase (decrease) in operating accounts payable		1,305
Increase (decrease) in deferred lease income		(4,496)
Increase (decrease) in payroll taxes payable		550
Total Adjustments		19,684
Net Cash Used in Operating Activities		\$ (22,510)

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, 2016

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, 2016

1. Significant Accounting Policies (continued)

d. Basis of Accounting

The Fund's 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 Fund, the District has elected, under Governmental Accounting Standard's Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, to apply all applicable GASB pronouncements.

The 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 and Financial Statement Presentation

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. 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.

Garden Farms Community Water District

Notes to the Financial Statements

For the Year Ended June 30, 2016

1. Significant Accounting Policies (continued)

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

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.

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, 2016

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 consist of the following:

	2016
Cash	\$ 210,895
Certificates of deposit - Heritage Oaks Bank	181,555
Certificates of deposit - Pacific Western Bank	56,974
San Luis Obispo County Treasury	352
Total cash and investments	\$ 449,776

Garden Farms Community Water District

Notes to the Financial Statements

For the Year Ended June 30, 2016

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
Capital assets not being depreciated:				
Land	\$ 35,564	\$	\$	\$ 35,564
	35,564			35,564
Capital assets being depreciated:				
Water production equipment	571,589	2,099		573,688
Total other capital assets being depreciated	571,589	2,099		573,688
Less: accumulated depreciation for:				
Water production equipment	391,307	19,106		410,413
Total accumulated depreciation	391,307	19,106		410,413
Total capital assets being depreciated, net	180,282	(17,007)		163,275
Governmental activities capital assets, net	\$ 215,846	\$ (17,007)	\$	\$ 198,839

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:

2017	\$ 47,659
2018	48,570
2019	49,517
2020	50,503
2021	51,528
Total	\$ 247,777

5. Subsequent Events

Events occurring after June 30, 2016 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.