

GARDEN FARMS COMMUNITY WATER DISTRICT

*Independent Auditors Report
and
Financial Statements*

*For the Years Ended
June 30, 2014 and 2013*

*GARDEN FARMS COMMUNITY WATER DISTRICT
INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS
For The Years Ended June 30, 2014 and 2013*

TABLE OF CONTENTS

	<i>PAGE</i>
<i>INDEPENDENT AUDITORS' REPORT.....</i>	<i>1</i>
<i>MANAGEMENT'S DISCUSSION AND ANALYSIS</i>	<i>2-3</i>
<i>BASIC FINANCIAL STATEMENTS;</i>	
<i>STATEMENTS OF NET ASSETS</i>	<i>4-5</i>
<i>STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS.....</i>	<i>6</i>
<i>STATEMENTS OF CASH FLOWS</i>	<i>7-8</i>
<i>NOTES TO BASIC FINANCIAL STATEMENTS</i>	<i>9-11</i>

Steven W. Clifton
Certified Public Accountant

Independent Auditors' Report

*The Board of Directors
of the Garden Farms Community Water District
Atascadero, California*

I have audited the accompanying basic financial statements of the Garden Farms Community Water District, California (District) as of and for the years ended June 30, 2014 and 2013 as listed in the table of contents. These basic financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2014 and 2013 and the respective changes in financial position and cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

The accompanying Required Supplementary Information, such as management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, I did not audit the information and express no opinion on it.


Steven W. Clifton
Certified Public Accountant
September 30, 2014

Managements Discussion and Analysis

Garden Farms Community Water District previously implemented the provisions of Government Accounting Standards Board Statement 34, "Basic Financial Statements and Managements Discussion and Analysis. GASB 34 represents a change in accounting and reporting for municipalities; it is an effort to make these statements clearer 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 provides this discussion and analysis of its financial activities for the fiscal year ended June 30, 2014 and 2013. Please read this document in conjunction with the Basic Financial Statements.

Financial highlights of fiscal years 2013 – 2014 as follows:

The District's total net assets were \$579 thousand at fiscal year end June 30, 2014 a \$40 thousand increase from prior fiscal year end June 30, 2013 total net assets of \$539 thousand.

Total District's revenues, including operating and non-operating revenues, were \$136 thousand for fiscal year end June 30, 2014 an decrease of \$2 thousand from the prior fiscal year end June 30, 2013 \$138 thousand

Total District's expenses were \$94 thousand for fiscal year end June 30, 2014 which represents a decrease of \$9 thousand over the prior fiscal year end June 30, 2013 total of \$103 thousand.

The Basic Financial Statements:

The District being an enterprise water service prepares it's 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 assets from enterprise activities increased to \$575 thousand in fiscal year 2014 which is an increase of \$42 thousand over the prior fiscal year 2013 total of \$533 thousand.

Cash and cash equivalents increased \$47 thousand for fiscal year 2014 as results of operations were positive.

The District continues to invest in capital improvements and upgrades annually. During the fiscal year 2014 \$17 thousand was invested in plant, pump upgrading, and land lot adjustments as compared to the prior year fiscal year 2013 total of \$13 thousand.

Managements Discussion and Analysis

Restricted net assets are the portion of net assets that is restricted by the district directors. At June 30, 2014 restricted net assets totaled \$435 thousand comprised of \$193 thousand restricted for acquisition of capital assets and \$242 thousand for future capital projects.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations or for other purposes without restrictions. Unrestricted net assets amounted to \$139 thousand at June 30, 2014.

Requests for Information:

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

*Garden Farms Community Water District
Comparative Statements of Net Assets
June 30, 2014 and 2013*

<i>Assets:</i>	<u>2014</u>	<u>2013</u>
<i>Current assets:</i>		
Cash and cash equivalents (Note 3)	\$ 370,338	\$ 323,036
Receivables:		
Sales and service (Note 4)	12,681	13,124
County treasurer (Note 5)	612	3,000
Prepaid expenses	2,659	2,490
Accrued Interest Receivable	33	29
Total current assets	<u>386,323</u>	<u>341,679</u>
<i>Noncurrent assets:</i>		
Capital assets, net (Note 6)	<u>193,472</u>	<u>196,888</u>
Total noncurrent assets	<u>193,472</u>	<u>196,888</u>
Total assets	<u>579,795</u>	<u>538,567</u>

See accompanying Notes to the Basic Financial statements

*Garden Farms Community Water District
Comparative Statements of Activities and Changes in Net Assets
For the years ended June 30, 2014 and 2013*

<i>Operating revenues:</i>	<u>2014</u>	<u>2013</u>
Water sales and meter installations	\$ 49,481	\$ 51,416
Other income, net	735	890
Total operating revenues	<u>50,216</u>	<u>52,306</u>
<i>Operating expenses:</i>		
Water expenses:		
Pumping expense	4,667	7,117
Utilities	5,241	6,039
Water treatments	4,668	3,931
General and administrative	58,894	63,269
Total operating expenses	<u>73,470</u>	<u>80,356</u>
Income (loss) from operations before depreciation	<u>(23,254)</u>	<u>(28,050)</u>
Depreciation (Note 6)	<u>(20,745)</u>	<u>(22,364)</u>
Operating income (loss)	<u>(43,999)</u>	<u>(50,414)</u>
<i>Nonoperating revenues (expenses):</i>		
Taxes and penalties	26,420	28,085
Interest income	1,199	916
Lease income (net) (Note 8)	<u>58,376</u>	<u>56,929</u>
Nonoperating revenues (expenses), net	<u>85,995</u>	<u>85,930</u>
Change in net assets	<u>41,996</u>	<u>35,516</u>
<i>Net assets:</i>		
Beginning of year	<u>532,891</u>	<u>497,375</u>
End of year	<u>\$ 574,887</u>	<u>\$ 532,891</u>

See accompanying Notes to the Basic Financial Statements

*Garden Farms Community Water District
Comparative Statements of Cash Flows
For the years ended June 30, 2014 and 2013*

<i>Cash flows from Operating Activities:</i>	<u>2014</u>	<u>2013</u>
Cash received from customers	\$ 50,726	\$ 51,475
Cash payments to suppliers for operations	(14,576)	(17,087)
Cash payments for general and administrative expenses	(59,997)	(65,042)
Net cash provided (used) by operating activities	<u>(23,847)</u>	<u>(30,654)</u>
 <i>Cash flows from capital and related financing activities:</i>		
Acquisition of capital assets	<u>(17,328)</u>	<u>(12,612)</u>
Net cash (used) by capital and related financing activities	<u>(17,328)</u>	<u>(12,612)</u>
 <i>Cash flows from noncapital financing activities:</i>		
Property taxes collected	28,808	25,781
Other revenue - Lease Income	<u>58,474</u>	<u>57,024</u>
Net cash provided by non capital financing activities	<u>87,282</u>	<u>82,805</u>
 <i>Cash flows from investing activities:</i>		
Interest received	<u>1,195</u>	<u>1,022</u>
Net cash provided by investing activities	<u>1,195</u>	<u>1,022</u>
Net increase (decrease) in cash and cash equivalents	47,302	40,561
Cash and cash equivalents July 1	323,036	282,475
Cash and cash equivalents June 30	<u>\$ 370,338</u>	<u>\$ 323,036</u>

See accompanying Notes to the Basic Financial Statements

*Garden Farms Community Water District
Comparative Statements of Cash Flows, Continued
For the years ended June 30, 2014 and 2013*

	<u>2014</u>	<u>2013</u>
<i>Reconciliation of operating income(loss) to net cash provided (used) by operating activities:</i>		
Operating income (loss)	(43,998)	(50,414)
Adjustments to reconcile operating income to cash provided (used) by operating activities:		
Depreciation	20,745	22,364
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivables	510	(832)
(Increase) decrease in prepaid expenses	(169)	(2,255)
Increase (decrease) in payables and accrued expenses	<u>(935)</u>	<u>483</u>
Totals	<u>\$ (23,847)</u>	<u>\$ (30,654)</u>

See accompanying Notes to the Basic Financial Statements

*Garden Farms Community Water District
Notes to the Basic Financial Statements
Fiscal Years Ended June 30, 2014 and 2013*

1. Significant Accounting Policies:

The District operates as an enterprise activity with proprietary funds accounted for using the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds receivables have been recorded as revenue and provisions have been made for uncollectible amounts if necessary. An annual budget is approved by the Board of Directors.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the district all other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operation of the fund. All other expenses are reported as non-operating expenses.

2. Use of Restricted/Unrestricted Net Assets:

When an expense is incurred for purposes for which restricted and unrestricted net assets are available the District policy is to apply restricted funds first.

3. Cash and Cash Equivalents

The Districts cash and cash equivalents are considered to be cash on hand and demand deposits.

4. Receivables

All receivables are shown net of doubtful accounts. Water revenues are recorded and billed to customers on a bi-monthly cycle.

5. Property-Tax Revenues

Property tax revenues are recorded when they become measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 30 days after close of the current period.

** Garden Farms Community Water District
Notes to the Basic Financial Statements, Continued
Fiscal Years Ended June 30, 2014 and 2013*

6. Capital Assets

Capital assets which include land, buildings, improvements, equipment and pumping plant are recorded at historical cost or estimated historical cost if actual cost is not available.

For all assets depreciation is recorded on a straight-line method over the useful lives of the assets as follows:

- | | |
|--------------------------------------|-------------|
| • Buildings and Improvements | 10-20 years |
| • Water Plant and Pumping Facilities | 10-20 years |
| • Equipment | 5- 7 years |

Depreciation expense aggregated \$20,745 for the year ended June 30, 2014 and \$22,364 for the year ended June 30, 2013

7. Long-term Liabilities: None

*Garden Farms Community Water District
Notes to the Basic Financial Statements, Continued
Fiscal Years Ended June 30, 2014 and 2013*

8. Lease Income:

The District previously entered into three (3) separate lease agreements. All leases run for five (5) years with five additional five year renewal options as summarized below:

The first lease is in the second five year option and requires monthly income payment of \$1,728. The lease provides for a twenty percent (20%) increase in each option period with the next increase due May 2017. The amounts received for the periods ended June 30, 2014 and 2013 were \$20,736 and \$20,736 respectively.

The second lease is in the first five year option and requires an annual income payment due in October. The lease provides for an annual four percent (4%) increase. The current amounts received for the periods ended June 30, 2014 and 2013 were \$17,291 and \$16,626 respectively.

The third lease started April 1, 2010 and runs for five (5) years and requires monthly income payments of \$1,687. The lease calls for an annual four percent (4%) increase in April. The amounts received for the periods ended June 30, 2014 and 2013 were \$20,515 and \$19,726 respectively.

Future Lease Income is as follows:

June 30,	<u>2014</u>	<u>2013</u>
2014	\$ --	\$ 58,477
2015	59,987	59,987
2016	61,557	61,557
2017	64,065	64,065
2018	69,230	69,230
2019	70,635	--
Total	<u>\$ 325,474</u> =====	<u>\$ 313,316</u> =====