

# **Garden Farms Community Water District**

**Financial Statements**

**June 30, 2018**

# Garden Farms Community Water District

June 30, 2018

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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

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, 2018, 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 audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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**

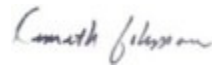
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund of Garden Farms Community Water District as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued my report dated October 24, 2018, on my consideration of the Garden Farms Community Water District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.



**Kenneth J Filipponi**  
Certified Public Accountant

October 24, 2018

# 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 provides this discussion and analysis of its financial activities for the fiscal year ended June 30, 2018. Please read this document in conjunction with the Basic Financial Statements.

### Financial highlights of fiscal years 2017 – 2018 as follows:

The District's total assets were \$749,500 at the fiscal year end of June 30, 2018, a \$55,500 increase from the prior fiscal year ended June 30, 2017, total assets of \$694,000 .

The District's revenues, including operating and non-operating revenues, were \$169,900 for the fiscal year ended June 30, 2018, a \$44,400 increase from the prior fiscal year ended June 30, 2017, total revenues of \$125,500, primarily due to water rate increases.

The District's expenses were \$113,400 at the fiscal year end of June 30, 2018, a \$14,400 increase from the prior fiscal year ended June 30, 2017, total expenses of \$99,000, due primarily to increased system repairs and maintenance of \$24,500.

### The Basic Financial Statements:

The District's net cash flows used in operating activities was \$19,000 in the fiscal year ending June 30, 2018, an improvement of \$13,000 from the prior period; Primarily a result of increased operating revenues.

### 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, 2018

	<b>Statement of Net Position</b>
<b>Assets</b>	
Cash and investments	\$ 554,732
Due from other governments	77
Accounts receivable	15,528
Supplies on hand	8,512
Prepaid expenses	4,343
Other capital assets being depreciated, net	130,718
Land	35,564
<b>Total Assets</b>	<b>749,474</b>
<b>Liabilities and Fund Balance</b>	
Accounts payable	1,341
<b>Total Liabilities</b>	<b>1,341</b>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	166,282
Unrestricted	581,851
<b>Total Net Position (Deficit)</b>	<b>748,133</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 749,474</b>

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, 2018

	Statement of Activities
<b>Operating Revenues</b>	
Water revenue, net	\$ 75,331
Service charges	11,295
<b>Total Operating Revenues</b>	<b>86,626</b>
<b>Operating Expenses</b>	
Salaries and benefits	39,955
Depreciation	17,695
Repairs and maintenance	30,571
Utilities	6,287
Insurance	2,978
Office	2,954
Payroll taxes	2,285
Water treatment and sampling	3,023
Professional services	3,392
Licenses	2,795
Other operating expenses	189
Travel	1,299
<b>Total Operating Expenses</b>	<b>113,423</b>
<b>Operating Income (Loss)</b>	<b>(26,797)</b>
<b>Nonoperating Revenues (Expenses):</b>	
Lease income	48,804
Taxes and assessments	31,947
Interest income	2,477
Other income	15
Interest and bank charges	(8)
<b>Total Nonoperating Revenues (Expenses), net</b>	<b>83,235</b>
<b>Change in net position</b>	<b>56,438</b>
<b>Net Position - Beginning</b>	<b>691,695</b>
<b>Net Position - Ending</b>	<b>\$ 748,133</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, 2018

	Note	2018
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$	75,895
Receipts from other sources		795
Payments to suppliers		(53,496)
Payments to employees		(42,239)
<b>Net Cash Provided (Used) in Operating Activities</b>		<b>(19,045)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Receipts from taxes and assessments		31,947
Receipts from other sources		15
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>		<b>31,962</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Receipts from leases		48,804
Receipt of interest		2,477
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>		<b>51,281</b>
<b>Net cash increases (decreases) in cash and cash equivalents</b>		<b>64,198</b>
Cash and cash equivalents at beginning of period		490,534
<b>Cash and cash equivalents at end of period</b>		<b>554,732</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, 2018

	Note	2018
<b>Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities</b>		
Operating income (loss)		(26,797)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:</b>		
Depreciation		17,695
(Increase) decrease in receivables		(7,259)
(Increase) decrease in supplies on hand		(39)
(Increase) decrease in prepaid expenses		(1,775)
Increase (decrease) in accounts payable		(70)
Increase (decrease) in payroll taxes payable		(800)
<b>Total Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) in Operating Activities</b>		<b>7,752</b>
<b>Net Cash Provided (Used) in Operating Activities</b>		<b>\$ (19,045)</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, 2018

### 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, 2018

### 1. Significant Accounting Policies

#### 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. 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.

# Garden Farms Community Water District

## Notes to the Financial Statements

For the Year Ended June 30, 2018

### 1. Significant Accounting Policies

#### 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, 2018

### 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>2018</b>
Cash in local banks	\$ 162,641
Certificates of deposit with local banks	392,091
<b>Total cash and investments</b>	<b>\$ 554,732</b>

# Garden Farms Community Water District

## Notes to the Financial Statements

For the Year Ended June 30, 2018

### 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	577,506			577,506
<b>Total other capital assets being depreciated</b>	<b>577,506</b>			<b>577,506</b>
<b>Less: accumulated depreciation for:</b>				
Water production equipment	429,093	17,695		446,788
<b>Total accumulated depreciation</b>	<b>429,093</b>	<b>17,695</b>		<b>446,788</b>
<b>Total capital assets being depreciated, net</b>	<b>148,413</b>	<b>(17,695)</b>		<b>130,718</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 183,977</b>	<b>\$ (17,695)</b>	<b>\$</b>	<b>\$ 166,282</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:

2019	\$ 49,517
2020	50,503
2021	51,528
2022	52,593
2023	58,678
<b>Total future minimum lease income amounts</b>	<b>\$ 262,819</b>

# **Garden Farms Community Water District**

**Notes to the Financial Statements**

**For the Year Ended June 30, 2018**

## **5. Subsequent Events**

Events occurring after June 30, 2018 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.



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

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**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 the Board of Directors of  
Garden Farms Community Water District**

Atascadero, CA

I 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 Garden Farms Community Water District (a California special district), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated October 24, 2018.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Garden Farms Community Water District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Garden Farms Community Water District's internal control. Accordingly, I do not express an opinion on the effectiveness of Garden Farms Community Water 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

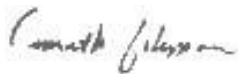


**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Garden Farms Community Water District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and other agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 24, 2018