

Deer Creek Storm Water District
Financial Statements and
Supplementary Information
June 30, 2022

Deer Creek Storm Water District

Alpaugh, California

June 30, 2022

BOARD OF DIRECTORS

Jack Mitchell - Chairman

Wade Magden - Vice-Chairman

Shirley Paddock - Director

Deer Creek Storm Water District

Alpaugh, California

June 30, 2022

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ADAIR & EVANS

an Accountancy Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Deer Creek Storm Water District
P.O. Box 262
Alpaugh, CA 93201

Report on the Financial Statements

We have audited the accompanying statement of net position of the Deer Creek Storm Water District (the "District") as of June 30, 2022, and the statement of revenues, expenses and changes in fund balances and statement of activities for the fiscal year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the California State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Deer Creek Storm Water District, as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller and state regulations governing special districts.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis section 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Adair & Evans

An Accountancy Corporation
Tulare, CA
February 15, 2023

Deer Creek Storm Water District

Governmental Fund Balance Sheet and
Statement of Net Position

June 30, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS	General Fund	Adjustments	Statement of Net Position
Cash and cash equivalents	\$ 808,322	\$ 0	\$ 808,322
Prepaid expenditures	546	0	546
Land	0	10,034	10,034
Capital assets, net of accumulated depreciation	0	262	262
Total assets	<u>\$ 808,868</u>	<u>\$ 10,296</u>	<u>\$ 819,164</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

LIABILITIES			
Accounts payable	\$ 4,987	\$ 0	\$ 4,987
FUND BALANCES / NET POSITION			
Fund balance			
Unassigned	803,335	(803,335)	0
Nonspendable	546	(546)	0
Total fund balances	<u>803,881</u>	<u>(803,881)</u>	<u>0</u>
Net Position			
Invested in capital assets	0	10,296	10,296
Unrestricted	0	803,881	803,881
Total net position	<u>0</u>	<u>814,177</u>	<u>814,177</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 808,868</u>	<u>\$ 10,296</u>	<u>\$ 819,164</u>

Deer Creek Storm Water District

Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances / Statement of Activities
For the Year Ended June 30, 2022

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property taxes, including penalties & interest	\$ 164,811	\$ 0	\$ 164,811
EXPENDITURES			
Current			
Dues & subscriptions	5,028	0	5,028
Engineering	23,782	0	23,782
Insurance	4,173	0	4,173
Legal & accounting fees	36,259	0	36,259
Maintenance	9,915	0	9,915
Depreciation	0	515	515
Total expenditures	<u>79,157</u>	<u>515</u>	<u>79,672</u>
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER EXPENDITURES	85,654	(85,654)	0
Change in net position		85,139	
Fund balances / Net position, beginning of year	<u>718,227</u>	<u>10,811</u>	<u>729,038</u>
Fund balances / Net position, end of year	<u>\$ 803,881</u>	<u>\$ 10,296</u>	<u>\$ 814,177</u>

Deer Creek Storm Water District

Notes to Financial Statements

June 30, 2022

NOTE 1 - Summary of Significant Accounting Policies

The Deer Creek Storm Water District (the "District") operates as a California Special District. On June 15, 1909, the District formed under the provision of the Deer Creek Storm Water District (Deering's Act 6176 - Volume 1 Uncodified Acts in Water Code) for the purpose of preventing damage from storm water from Deer Creek and Poso Creek. The District's land lies in the Counties of Kings and Tulare, the greater area lying in and around Alpaugh, California.

Reporting Entity - The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39. Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statements.

Basis of Presentation - The operations of the District are accounted for under a single governmental enterprise fund type described as a proprietary fund. Accounts are maintained in a manner similar to those of a private enterprise in that the costs of providing services to District land owners on a continuing basis are generally recovered through user charges and assessments. The measurement focus is upon the determination of net income, financial position and changes in cash flows. The District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Fund Accounting - The accounts of the District are organized on the basis of fund accounting. Under fund accounting, different types of District operations are accounted for in different funds, each with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures, as appropriate. Resources are allocated to and accounted for in individual funds, based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Since the District does not have any financial resources that are required to be accounted for in other funds, it utilizes only a "General Fund" for its operations.

Basis of Accounting - The District maintains its accounts on a modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount can be determined and "available" means collectible soon enough thereafter to be used to pay current period liabilities, usually within sixty days. Expenses are recognized when the related liabilities are incurred, regardless of the timing of related cash flows, except that principal and interest on general long-term debt is recognized when due. General capital asset acquisitions are included with assets of the District as a whole and depreciated over their estimated useful lives.

The objective of this statement is to provide guidance for the reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position.

The District invests its excess cash in deposits in financial institutions insured by the Federal Depository Insurance Corporation (FDIC) up to certain limits. At June 30, 2022, the District had deposits of \$514,344 in excess of insured amounts. The District has not experienced losses related to these investments.

Net Position - Governmental Accounting Standard Board Statement (GASBS) No. 63, requires the classification of net position into three components - invested in capital assets, net of related debt; restricted, and unrestricted. These classifications are defined as follows:

Deer Creek Storm Water District

Notes to Financial Statements

June 30, 2022

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding debt balances, net of unamortized debt expenses, unspent debt proceeds and deferred inflows of resources related to the acquisition, construction, or improvement of the capital assets.

Restricted – This component of net position consists of assets with external constraints placed on their use. Constraints include those imposed by bond indentures, grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net amounts of assets, deferred outflows of resources, liabilities and deferred inflow that do not meet the definition of restricted or net investment in capital assets or restricted.

All of the District's resources are available for use. There are no restricted resources.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses as of and for the periods presented. Actual results could differ from those estimates.

Allowance for Doubtful Accounts - The District considers all accounts receivable to be fully collectible. Therefore, an allowance for doubtful accounts is not reflected in these financial statements.

Property Taxes - Secured property taxes attach an enforceable lien on property as of January 1. Taxes are levied from July 1 through June 30. Taxes are payable in two installments; November 1 and February 1 and are collected December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The Counties of Tulare and Kings bill and collect property taxes and remit them to the District in installments during the year.

Budgetary Procedures – The District operates under a budget prepared and approved annually by the Board of Directors. The budget is prepared on a detailed line item basis. Revenues are budgeted by source, and expenses are budgeted by use (salaries and employee benefits, services and supplies, other charges, fixed asset acquisitions and contingencies). Once approved the Board of Directors may amend the adopted budget when unexpected modifications are required in estimate revenues and expenses.

Cash and Cash Equivalents - The District's cash and cash equivalents include cash on hand or on deposit, and demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Capital Assets - The District defines capital assets as assets with an initial individual cost of more than \$2,500. The District's capital assets are recorded at cost where historical records are available and at estimated historical cost where no historical cost exists. Contributed capital assets are valued at their estimated fair market value on the date received. When an asset is disposed of, cost and related accumulated depreciation is removed and any gain or loss arising from its disposal is credited or charged to operations. The costs of normal maintenance and repairs that do not add to the value of an asset, or materially extend asset lives, are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the assets which generally range from 20-40 years for buildings and improvements and 5-20 years for equipment.

Subsequent Events - Subsequent events have been evaluated through February 15, 2023, which is the date the financial statements were available to be issued.

Deer Creek Storm Water District

Notes to Financial Statements

June 30, 2022

NOTE 2 - Cash and Cash Equivalents

Statutes authorize districts to invest cash in obligations of the U.S Treasury and U.S. agencies, certificates of deposits, banker's acceptances, repurchase agreements, insured money market accounts, commercial paper, county investment pool and State Treasurer's Local Agency Investment Fund.

The Board has placed limits on the District's investments. The District investments are limited to bank or savings and loan association accounts fully insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the pledging financial institution at 110 percent of the deposits in accordance with the State of California Government Code, State Treasurer's Local Agency Investment Fund, and the Tulare County investment pool. No investment with a term in excess of five years may be made without express authority from the Board.

The District's cash consisted of the following as of June 30, 2022:

Cash in bank	\$ 760,909
Cash in county treasury	<u>47,413</u>
Total cash and cash equivalents	<u>\$ 808,322</u>

At June 30, 2022, the carrying amount of the District's cash deposits (including amounts in checking accounts and bank money market accounts) was \$760,909, and the bank balance was \$764,334. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. The basic insurance coverage limit by Federal Deposit Insurance Corporation (FDIC) is \$250,000 per insured bank. Of the bank balance, at June 30, 2022, \$514,344 was uninsured and collateralized (i.e., collateralized with securities held by the pledging financial institution at 110 percent of the deposits, in accordance with State of California Government Code, deemed to be held in District's name).

NOTE 3 - Capital Assets

The following is a summary of the changes in Capital Assets as of June 30, 2022:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Capital assets not being depreciated:				
Land	\$ 10,034	\$ 0	\$ 0	\$ 10,034
Other capital assets:				
Structures and improvements	20,606	0	0	20,606
Accumulated depreciation	<u>(19,829)</u>	<u>(515)</u>	<u>0</u>	<u>(20,344)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 10,811</u>	<u>\$ (515)</u>	<u>\$ 0</u>	<u>\$ 10,296</u>

NOTE 4 - Joint Powers Authority

The District participates in a Joint Powers Authority (JPA) agreement with Tri-County Water Authority to comply with the State of California's Sustainable Groundwater Management Act (SGMA).

Deer Creek Storm Water District

Supplementary Information
For the Year Ended June 30, 2022

SCHEDULE I - Budgetary Comparison Schedule

	General Fund		Variance- Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Property taxes, including penalties & interest	\$ 144,000	\$ 164,811	\$ 20,811
Total revenues	<u>144,000</u>	<u>164,811</u>	<u>20,811</u>
EXPENDITURES			
Dues & subscriptions	4,118	5,028	(910)
Engineering	20,004	23,782	(3,778)
Insurance	2,200	4,173	(1,973)
Legal & accounting fees	243,504	36,259	207,245
Maintenance	40,008	9,915	30,093
Depreciation	<u>0</u>	<u>515</u>	<u>(515)</u>
Total expenditures	<u>309,834</u>	<u>79,672</u>	<u>230,162</u>
(DEFICIENCY) EXCESS REVENUE OVER EXPENDITURES	<u>\$ (165,834)</u>	85,139	<u>\$ 250,973</u>
Fund balances / Net position, beginning of year		<u>729,038</u>	
Fund balances / Net position, end of year		<u>\$ 814,177</u>	