

**TIPTON COMMUNITY  
SERVICES DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2022**

# TIPTON COMMUNITY SERVICES DISTRICT

JUNE 30, 2022

## BOARD OF DIRECTORS

Anthony Mendonsa	President
Doug Cardoza	Vice-President
Janice McKay	Treasurer
Frank Correia	Director
Gary Perryman	Director

## ADMINISTRATION

Carol Vaught	Clerk/Secretary
Steven Rose	Maintenance Supervisor

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# TIPTON COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

This section of Tipton Community Services District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### *FINANCIAL HIGHLIGHTS*

- Assets of the District exceeded its liabilities as of June 30, 2022, by \$4,200,707. Of this amount, unrestricted net position of \$101,587 may be used to meet the District's ongoing obligations to customers and creditors. As of June 30, 2021, assets exceeded liabilities by \$4,441,612 with unrestricted net position equaling \$213,331.
- Total net position decreased by \$240,905 for the year ended June 30, 2022. For the year ended June 30, 2021, total net position decreased by \$106,532. This fluctuation is due primarily to a decrease of current assets.
- During the current year, the District's capital assets decreased by a net of \$155,018. This decrease was attributable to capital assets and construction in progress additions of only \$27,679 whereas depreciation expense amounted to \$182,697 for the current year. In the prior year depreciation was \$185,348.
- Total liabilities decreased by a net of \$79,353 during the current year and was attributable to a decrease in unearned revenue and debt. The District has long-term debt of \$760,300. This consists of the loan portion of federal funds awarded and is paid semi-annually.

### *OVERVIEW OF THE FINANCIAL STATEMENTS*

The report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. In addition, we have included other supplementary information pertinent to these basic financial statements. The basic financial statements also include notes that further explain some of the information presented in the basic financial statements and provide more detailed data.

### *Proprietary Fund Accounting and Reporting*

The District operates multiple funds in a business-like manner. Thus, the District uses the accrual approach to account for and report financial transactions. This means that revenues are recognized as soon as they are earned and expenses are recognized as soon as the liability is incurred, regardless of the timing of related cash inflows and outflows. All assets and liabilities that are measurable and probable are included in the financial statements. The full acquisition costs of all capital assets are included in the Statement of Net Position and are depreciated over their estimated useful life. Consequently, the District's accounting practices generally resemble a commercial entity's approach.

See independent auditors' report.

# TIPTON COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

### *CONDENSED COMPARATIVE FINANCIAL STATEMENT INFORMATION*

Condensed financial information as compared to the previous year is as follows:

#### Statement of Net Position

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percentage of Change</u>
<b>Assets:</b>				
Current assets	\$ 345,486	\$ 517,283	\$ (171,797)	-33.211%
Restricted assets	1,789,913	1,783,356	6,557	0.368%
Capital assets	3,069,507	3,224,525	(155,018)	-4.807%
Other assets	5,000	5,000	-	0.000%
	<u>\$ 5,209,906</u>	<u>\$ 5,530,164</u>	<u>\$ (320,258)</u>	<u>-5.791%</u>
<b>Liabilities:</b>				
Current liabilities	\$ 98,077	\$ 78,252	\$ 19,825	25.335%
Long-term liabilities, net of current portion	740,200	760,300	(20,100)	-2.644%
Unearned revenue	170,922	250,000	(79,078)	-31.631%
	<u>1,009,199</u>	<u>1,088,552</u>	<u>(79,353)</u>	<u>-7.290%</u>
<b>Net Position:</b>				
Net investment in capital assets	2,309,207	2,444,925	(135,718)	-5.551%
Restricted for debt service	52,413	52,433	(20)	-0.038%
Restricted for plant expansion	1,737,500	1,730,923	6,577	0.380%
Unrestricted	101,587	213,331	(111,744)	-52.381%
	<u>4,200,707</u>	<u>4,441,612</u>	<u>(240,905)</u>	<u>-5.424%</u>
Total liabilities and net position	<u>\$ 5,209,906</u>	<u>\$ 5,530,164</u>	<u>\$ (320,258)</u>	<u>-5.791%</u>

See independent auditors' report.

# TIPTON COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

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

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percentage of Change</u>
<b>Operating Revenues:</b>				
Customer services fees	\$ 478,674	\$ 480,985	\$ (2,311)	-0.480%
Other	16,223	29,687	(13,464)	-45.353%
Total operating revenues	<u>494,897</u>	<u>510,672</u>	<u>(15,775)</u>	-3.089%
<b>Operating Expenses:</b>				
Water expenses	464,742	406,144	58,598	14.428%
Sewer expenses	275,235	211,552	63,683	30.103%
Total operating expenses	<u>739,977</u>	<u>617,696</u>	<u>122,281</u>	19.796%
<b>Nonoperating Revenues (Expenses):</b>				
Other income	15,179	15,664	(485)	-3.096%
Grant income	4,078	-	4,078	-100.000%
Property taxes	15,185	14,027	1,158	8.256%
Interest income	2,729	4,569	(1,840)	-40.271%
Gain on sale of assets	-	20	(20)	-100.000%
Interest expense	(32,996)	(33,788)	792	2.344%
Total nonoperating revenues (expenses)	<u>4,175</u>	<u>492</u>	<u>3,683</u>	748.577%
Decrease in net position	(240,905)	(106,532)	(134,373)	-126.134%
Net position, beginning of year	<u>4,441,612</u>	<u>4,548,144</u>	<u>(106,532)</u>	-2.342%
Net position, end of year	<u>\$ 4,200,707</u>	<u>\$ 4,441,612</u>	<u>\$ (240,905)</u>	-5.424%

- The purpose of the District's proprietary fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unreserved net position may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.
- As of June 30, 2022, the District's enterprise funds reported a total ending net position of \$4,200,707, a decrease of \$240,905 in comparison to the prior year. Of this ending net position \$101,587 is unreserved and unrestricted and is available for spending at the District's discretion.

See independent auditors' report.

# TIPTON COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### Capital Assets

At June 30, 2022, the District had a total investment of \$3,069,507 in a broad range of capital assets, including land, improvements, machinery and equipment, office furniture and equipment, and construction in progress. This amount includes additions of \$27,679 of construction in progress. There were no additions to water assets nor to sewer assets.

Details to capital assets are as follows:

	2022	2021	Increase (Decrease)
<b><u>Water Plant:</u></b>			
<b><u>Capital assets not being depreciated:</u></b>			
Land	\$ 109,555	\$ 109,555	\$ -
Construction in progress	28,503	14,208	14,295
Total capital assets not being depreciated	138,058	123,763	14,295
<b><u>Other capital assets:</u></b>			
Improvements	5,548,629	5,548,629	-
Machinery and equipment	106,857	106,857	-
Office furniture and equipment	15,443	17,998	(2,555)
Total other capital assets	5,670,929	5,673,484	(2,555)
Accumulated depreciation	(2,996,299)	(2,852,133)	(144,166)
Other capital assets, net	2,674,630	2,821,351	(146,721)
Water plant capital assets, net	\$ 2,812,688	\$ 2,945,114	\$ (132,426)
<b><u>Sewer Plant:</u></b>			
<b><u>Capital assets not being depreciated:</u></b>			
Land	\$ 16,485	\$ 16,485	\$ -
Construction in progress	59,238	45,854	13,384
Total capital assets not being depreciated	75,723	62,339	13,384
<b><u>Other capital assets:</u></b>			
Improvements	441,821	441,821	-
Machinery and equipment	382,260	382,260	-
Office furniture and equipment	12,503	15,058	(2,555)
Total other capital assets	836,584	839,139	(2,555)
Accumulated depreciation	(655,488)	(622,067)	(33,421)
Other capital assets, net	181,096	217,072	(35,976)
Sewer plant capital assets, net	\$ 256,819	\$ 279,411	\$ (22,592)
Net capital assets (water and sewer)	\$ 3,069,507	\$ 3,224,525	\$ (155,018)

See independent auditors' report.

**TIPTON COMMUNITY SERVICES DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

***CAPITAL ASSET AND DEBT ADMINISTRATION (continued)***

**Long-Term Debt**

At June 30, 2022, the District had \$760,300 in debt. The District decreased debt by \$19,300 during the fiscal year.

Details to long-term debt are as follows:

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
<b><u>Water Plant:</u></b>			
Certificates of Participation	<u>\$ 760,300</u>	<u>\$ 779,600</u>	<u>\$ (19,300)</u>

***ECONOMIC FACTORS RELATIVE TO FUTURE PERIODS***

The budget for the year ending June 30, 2023, projects a surplus of \$2,318,375. Total revenue is projected at \$2,977,000, which includes \$2,496,000 in one-time federal grant funds. Salaries and benefits are projected at \$141,175; services and supplies are projected at \$451,450 and other expenses are projected at \$66,000. Capital asset acquisitions are projected at \$3,464,392. Although the District projects an overall surplus, without the one-time federal grant funds, the District projects a deficit in the amount of \$177,625 and anticipates covering it by utilizing cash reserves and the future adoption of Proposition 218, property-related fees and charges.

***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, dischargers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Secretary at Tipton Community Services District, 263 South Graham Road, Tipton, California 93272.

See independent auditors' report.



## Independent Auditors' Report

Board of Directors  
Tipton Community Services District

### **Report on the Financial Statements**

#### **Opinions**

We have audited the financial statements of each major fund of Tipton Community Services District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Tipton Community Services District, as of June 30, 2022, 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 as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our 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 auditors' report that includes our opinions. 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, we:

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

We are 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 we identified during the audit.

### **Required Supplementary Information**

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 is the responsibility of management and, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budget comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*M Green and Company LLP*

Tulare, California  
November 22, 2022

**TIPTON COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2022**

**TIPTON COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2022**

**ASSETS**

<b><u>CURRENT ASSETS:</u></b>	<b><u>Water</u></b>	<b><u>Sewer</u></b>	<b><u>Totals</u></b>
Cash and cash equivalents	\$ -	\$ 297,646	\$ 297,646
Accounts receivable	17,732	24,835	42,567
Taxes receivable	-	1,293	1,293
Prepaid insurance	1,990	1,990	3,980
	<hr/>	<hr/>	<hr/>
Total current assets	19,722	325,764	345,486
	<hr/>	<hr/>	<hr/>
<b><u>RESTRICTED ASSETS,</u></b>			
<b><u>cash and cash equivalents</u></b>	1,228,959	560,954	1,789,913
	<hr/>	<hr/>	<hr/>
<b><u>CAPITAL ASSETS:</u></b>			
Land	109,555	16,485	126,040
Construction in progress	28,503	59,238	87,741
Other capital assets, net of depreciation	2,674,630	181,096	2,855,726
	<hr/>	<hr/>	<hr/>
Total capital assets	2,812,688	256,819	3,069,507
	<hr/>	<hr/>	<hr/>
<b><u>OTHER ASSETS:</u></b>			
Land rights	5,000	-	5,000
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 4,066,369</u>	<u>\$ 1,143,537</u>	<u>\$ 5,209,906</u>

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES:**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Current portion of long-term debt	\$ 20,100	\$ -	\$ 20,100
Accounts payable and accrued expenses	42,178	23,620	65,798
Compensated absences payable	3,397	3,397	6,794
Interest payable	5,385	-	5,385
	<u>71,060</u>	<u>27,017</u>	<u>98,077</u>

**LONG-TERM LIABILITIES, net of current:**

Certificates of Participation	740,200	-	740,200
Unearned revenue, grant revenue	170,922	-	170,922
	<u>911,122</u>	<u>-</u>	<u>911,122</u>
Total long-term liabilities, net of current	<u>911,122</u>	<u>-</u>	<u>911,122</u>
Total liabilities	<u>982,182</u>	<u>27,017</u>	<u>1,009,199</u>

**NET POSITION:**

Invested in capital assets, net of related debt	2,052,388	256,819	2,309,207
Restricted for debt service	52,413	-	52,413
Restricted for plant expansion	1,176,546	560,954	1,737,500
Unrestricted	(197,160)	298,747	101,587
	<u>3,084,187</u>	<u>1,116,520</u>	<u>4,200,707</u>
Total net position	<u>3,084,187</u>	<u>1,116,520</u>	<u>4,200,707</u>
Total liabilities and net position	<u>\$ 4,066,369</u>	<u>\$ 1,143,537</u>	<u>\$ 5,209,906</u>

See notes to financial statements.

# TIPTON COMMUNITY SERVICES DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION YEAR ENDED JUNE 30, 2022

<u>OPERATING REVENUES:</u>	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Customer services fees	\$ 280,434	\$ 198,240	\$ 478,674
Other	12,382	3,841	16,223
Total operating revenues	292,816	202,081	494,897
 <u>OPERATING EXPENSES:</u>			
Salaries and employee benefits	93,695	93,761	187,456
Directors' fees	2,175	2,175	4,350
Utilities	81,202	13,478	94,680
Communications	2,651	3,305	5,956
Licenses and fees	7,109	61,109	68,218
Legal and professional	48,417	35,833	84,250
Small tools and instruments	7,822	1,277	9,099
Insurance	10,501	10,501	21,002
Repairs and maintenance	37,173	7,031	44,204
Office	9,260	5,966	15,226
Rent	71	-	71
Travel	3,194	3,194	6,388
Miscellaneous	1,846	1,517	3,363
Testing	12,905	112	13,017
Depreciation	146,721	35,976	182,697
Total operating expenses	464,742	275,235	739,977
Operating loss	(171,926)	(73,154)	(245,080)
 <u>NONOPERATING REVENUES (EXPENSES):</u>			
Other income	14,923	256	15,179
Grant income	4,078	-	4,078
Property taxes	-	15,185	15,185
Interest income	1,363	1,366	2,729
Interest expense	(32,996)	-	(32,996)
Total nonoperating revenues (expenses)	(12,632)	16,807	4,175
Decrease in net position	(184,558)	(56,347)	(240,905)
Net position, July 1, 2021	3,268,745	1,172,867	4,441,612
Net position, June 30, 2022	\$ 3,084,187	\$ 1,116,520	\$ 4,200,707

See notes to financial statements.

**TIPTON COMMUNITY SERVICES DISTRICT**

**STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

**CASH FLOWS FROM OPERATING**

**ACTIVITIES:**

	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
Cash received from customers	\$ 296,490	\$ 199,974	\$ 496,464
Other cash receipts	12,382	3,841	16,223
Cash payments to suppliers for goods and services	(211,698)	(135,278)	(346,976)
Cash payments to employees for services	(95,870)	(95,759)	(191,629)
	1,304	(27,222)	(25,918)

**CASH FLOWS FROM NONCAPITAL**

**FINANCING ACTIVITIES:**

Property taxes received	-	15,185	15,185
Other income received	14,923	256	15,179
Repayment of unearned revenue	(75,000)	-	(75,000)
	(60,077)	15,441	(44,636)

**CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES:**

Acquisition of capital assets	(14,295)	(13,384)	(27,679)
Payments on long-term debt	(19,300)	-	(19,300)
Cash paid for interest	(33,133)	-	(33,133)
	(66,728)	(13,384)	(80,112)

**CASH FLOWS FROM INVESTING  
ACTIVITIES:**

Interest income	1,363	1,366	2,729
	(124,138)	(23,799)	(147,937)
Cash and cash equivalents, July 1, 2021	1,353,097	882,399	2,235,496
Cash and cash equivalents, June 30, 2022	\$ 1,228,959	\$ 858,600	\$ 2,087,559

See notes to financial statements.



**TIPTON COMMUNITY SERVICES DISTRICT**

**STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

**RECONCILIATION OF OPERATING**

**LOSS TO NET CASH PROVIDED (USED)**

**BY OPERATING ACTIVITIES:**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Operating loss	\$ (171,926)	\$ (73,154)	\$ (245,080)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	146,721	35,976	182,697
(Increase) decrease in:			
Accounts receivable	16,056	1,557	17,613
Prepaid insurance	(155)	(155)	(310)
Increase in:			
Accounts payable and accrued expenses	<u>10,608</u>	<u>8,554</u>	<u>19,162</u>
Net cash provided (used) by operating activities	<u>\$ 1,304</u>	<u>\$ (27,222)</u>	<u>\$ (25,918)</u>

See notes to financial statements.

# TIPTON COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

### NOTE 1 – Summary of Significant Accounting Policies

#### Organization

Tipton Community Services District (the District) was formed in 1959 under the provisions of California Government Code Section 6100 et seq. for the purpose of constructing and operating a sanitary sewer system. On July 1, 1981, the District took over the existing facilities and assumed the responsibility for services of the Tipton Mutual Water Company. On November 1, 1983, the District took over the existing facilities and assumed the responsibility for services of the North Tipton Mutual Water Company. The District now provides both water and sewer services to the community.

#### 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 include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- exclusion of the organization would render the financial statements incomplete or misleading

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.

#### 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 balances, revenues and expenses as appropriate and are displayed in separate columns. 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. The District had no non-major funds for the year ended June 30, 2022.

The operations of the District are accounted for in two enterprise funds. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed through user charges.

The following major enterprise funds are utilized by the District:

The *Water Fund* is used to account for water use, fees and expenses associated with providing water services to District residents.

The *Sewer Fund* is used to account for sewer use fees and expenses associated with providing sewer services to District residents.

# TIPTON COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

### NOTE 1 – Summary of Significant Accounting Policies (continued)

#### Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts of the District and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The accrual basis of accounting is required for enterprise funds and is utilized by the District. Under this method, revenues are recorded when earned and expenditures or expenses are recorded when incurred.

#### Operating and Nonoperating Revenues

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and investment earnings, result from nonexchange transactions or ancillary activities.

#### 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 expenditures or expenses are budgeted by department (water and sewer) and 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 estimated revenues and expenditures or expenses.

#### Cash and Cash Equivalents

For purposes of these financial statements, the District considers cash in checking, cash in money market accounts, and all other highly liquid investments with original maturities of three months or less at date of purchase to be cash and cash equivalents.

#### 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.

#### Capital Assets

Capital assets are recorded at cost and are depreciated using the straight-line method over the following estimated useful lives:

Water facilities	7 – 39 years
Water equipment	5 – 30 years
Sewer facilities	7 – 45 years
Sewer equipment	5 – 30 years

# TIPTON COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

### NOTE 1 – Summary of Significant Accounting Policies (continued)

#### Compensated Absences

Employees are entitled to sick, personal time off and vacation pay based on years of service with the District. For sick pay, full-time employees earn one day per month and part-time employees earn one-half a day per month. A maximum of 36 days will be allowed. Any amount over the 36 days will be paid out at 25 percent. Full-time employees earn three paid personal days per year and part-time employees earn one and one-half days per year. Employees earn vacation pay based on the number of years of service with the District. All vacation leave unused prior to the District's fiscal year end will accumulate for a three year period.

#### Net Position Classifications

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The District reports three categories of net position as follows:

*Invested in capital assets* – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

*Restricted net position* – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

*Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

#### Nature and Purpose of Restricted Net Position

Restricted net position is an amount which is legally segregated for specific usage or commitments to outside third parties. Resources of restricted net position are used to fund these commitments before unrestricted resources. When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the policy of the District to use restricted resources first, then unrestricted resources.

#### Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. These taxes are levied from July 1 through June 30. Taxes are payable in two installments on 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 County of Tulare bills and collects the taxes for the District. Property tax revenues are recognized by the District when received, except at year end, an accrual is made when property taxes are received soon enough thereafter to pay liabilities of the current period.

#### Income Taxes

The District is a governmental agency and is not subject to income taxes.

# TIPTON COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

### NOTE 1 – Summary of Significant Accounting Policies (continued)

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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 expenditures or expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### 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 deposit, banker's acceptances, repurchase agreements, insured money market accounts, commercial paper, county investment pools and the State Treasurer's Local Agency Investment Fund.

The Board has placed limits on District investments. 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 and the State Treasurer's Local Agency Investment Fund. No investment with a term in excess of five years may be made without express authority from the Board.

Cash and cash equivalents at June 30, 2022, were as follows:

	Water	Sewer	Totals
Petty cash	\$ 13	\$ 13	\$ 26
Cash on hand	200	200	400
Cash in bank, revolving	101	67	168
Cash in bank, general	577	55,968	56,545
Cash in money market accounts	1,225,394	790,198	2,015,592
Cash in Local Agency Investment Fund	-	12,154	12,154
	<u>\$ 1,226,285</u>	<u>\$ 858,600</u>	<u>\$ 2,084,885</u>

Restricted and unrestricted cash and cash equivalents at June 30, 2022, were as follows:

Restricted for plant expansion	\$ 1,176,546	\$ 560,954	\$ 1,737,500
Restricted for debt service	52,413	-	52,413
Unrestricted	(2,674)	297,646	294,972
	<u>\$ 1,226,285</u>	<u>\$ 858,600</u>	<u>\$ 2,084,885</u>

# TIPTON COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

### NOTE 2 – Cash and Cash Equivalents (continued)

The California Government Code requires California banks and savings and loan associations to collateralize a district's deposits by pledging government securities. The market value of the pledged securities must equal at least 110 percent of a district's deposits. California law also allows financial institutions to collateralize a district's deposits by pledging first trust deed mortgage notes having a value of 150 percent of a district's total deposits. The district may waive collateral requirements for deposits which are fully insured up to \$250,000 by Federal Deposit Insurance.

At June 30, 2022, the carrying amount of the District's cash deposits (including amounts in checking accounts and money market accounts) was \$2,072,304 and the bank balance was \$2,078,463. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by the federal depository insurance and \$1,828,463 was uninsured but collateralized (i.e., collateralized with securities held by the pledging financial institution at 110 percent of the deposits, in accordance with the State of California Government Code, deemed to be held in the District's name). The District's investment in the Local Agency Investment Fund was not subject to credit risk categorization and is carried at cost which approximates fair value. All pooled funds are regulated by the California Government Code.

### NOTE 3 – Concentration of Credit Risk

Tipton Community Services District serves the residents of Tipton, California and extends credit to substantially all of its customers.

### NOTE 4 – Capital Assets

The following is a summary of changes in capital assets:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
<u>Water Plant:</u>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 109,555	\$ -	\$ -	\$ 109,555
Construction in progress	14,208	14,295	-	28,503
Total capital assets not being depreciated	123,763	14,295	-	138,058
<u>Other capital assets:</u>				
Improvements	5,548,629	-	-	5,548,629
Machinery and equipment	106,857	-	-	106,857
Office furniture and equipment	17,998	-	(2,555)	15,443
Total other capital assets at historical cost	5,673,484	-	(2,555)	5,670,929
Accumulated depreciation	(2,852,133)	(146,721)	2,555	(2,996,299)
Other capital assets, net	2,821,351	(146,721)	-	2,674,630
Water plant capital assets, net	\$ 2,945,114	\$ (132,426)	\$ -	\$ 2,812,688

**TIPTON COMMUNITY SERVICES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 4 – Capital Assets (continued)**

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
<u>Sewer Plant:</u>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 16,485	\$ -	\$ -	\$ 16,485
Construction in progress	45,854	13,384	-	59,238
	62,339	13,384	-	75,723
 <u>Other capital assets:</u>				
Improvements	441,821	-	-	441,821
Machinery and equipment	382,260	-	-	382,260
Office furniture and equipment	15,058	-	(2,555)	12,503
	839,139	-	(2,555)	836,584
Accumulated depreciation	(622,067)	(35,976)	2,555	(655,488)
	217,072	(35,976)	-	181,096
Other capital assets, net	217,072	(35,976)	-	181,096
Sewer plant capital assets, net	\$ 279,411	\$ (22,592)	\$ -	\$ 256,819

Construction in progress (CIP) consists of several ongoing projects. Water's CIP is pertaining to the well #6 project, while sewer's CIP is to set up a new water pipeline for the wastewater treatment plant and the wastewater flow meter.

**NOTE 5 – Land Rights**

In March 1996, the District entered into an agreement for fifty years with the South Tulare County Memorial District for the exclusive right and easement to construct, install, maintain, operate, repair and reconstruct a water well on property located in Tipton for \$5,000.

**NOTE 6 – Long-Term Obligations**

Changes in long-term obligations for the period ended June 30, 2022, are as follows:

	Balance July 1, 2021	Additions	Payments	Balance June 30, 2022	Amounts due Within One Year
Certificates of Participation	\$ 779,600	\$ -	\$ (19,300)	\$ 760,300	\$ 20,100

In May 2005, the District was awarded federal funds from USDA Rural Development in the amount of \$1,833,865, of which, \$833,865 was a grant and \$1,000,000 was a loan and was financed through the issuance of Certificates of Participation (COPS) through the Public Property Financing Corporation on behalf of the District.

**TIPTON COMMUNITY SERVICES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 – Long-Term Obligations (continued)**

In accordance with the installment agreement signed May 18, 2005, escalating annual principal payments began on May 1, 2006, for a term of forty years. Interest is payable at a rate of 4.25 percent beginning November 1, 2005, and is paid semiannually thereafter on May 1 and November 1 of each year. Future commitments for the Certificates of Participation as of June 30, 2022, are as follows:

Year Ended June 30	Principal	Interest	Totals
2023	\$ 20,100	\$ 32,313	\$ 52,413
2024	21,000	31,453	52,453
2025	21,900	30,566	52,466
2026	22,800	29,635	52,435
2027	23,800	28,666	52,466
2028-2032	134,900	127,288	262,188
2033-2037	166,200	96,076	262,276
2038-2042	204,700	57,613	262,313
2043-2045	144,900	12,487	157,387
Totals	<u>\$ 760,300</u>	<u>\$ 446,097</u>	<u>\$ 1,206,397</u>

**NOTE 7 – Restricted Net Position**

Capacity rights fees are established, collected and used for development of water and sewer capacity and for expenses related to the inspection and administration of physical connections to the District's water and sewer systems. The accumulation of capacity rights fees, although not actually segregated from other District assets, are legally segregated for accounting purposes and restricted for their intended use. As of June 30, 2022, capacity rights fees reserved for future water and sewer system capacity development are reflected in these financial statements as both a restricted asset and restricted net position.

	Water	Sewer	Totals
Balance July 1, 2021	\$ 1,172,092	\$ 558,831	\$ 1,730,923
Interest earned	4,454	2,123	6,577
Balance June 30, 2022	<u>\$ 1,176,546</u>	<u>\$ 560,954</u>	<u>\$ 1,737,500</u>

Cash restricted for debt service are those funds accumulated to pay the required principal and interest payments on the Certificates of Participation in accordance with the installment and trust agreements. As of June 30, 2022, cash reserved for future principal and interest payments in the amount of \$52,413 is reflected in these financial statements as both a restricted asset and restricted net position.



# TIPTON COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

### **NOTE 8 – Operating Lease Income**

The District leases water tower antenna space to a communication company pursuant to an operating lease agreement. The initial lease term was for five years from April 28, 2005 through April 28, 2010, with option for tenant to extend the lease for five additional five-year terms, which the District has exercised to date. Subsequent to year end, the communication company notified the District that were cancelling their lease effective July 31, 2022. Future minimum rental income under this lease for the year ended 2023 is \$1,217.

### **NOTE 9 – Board Designations**

In the originally adopted 2021/2022 budget, the Board designated \$556,055 of unrestricted net position for future well replacement and rehabilitation, \$103,274 for water line replacement, \$503,408 for waste water projects, \$22,200 for machine depreciation, \$4,000 for vehicle replacements, and \$2,000 for pavement sealing/stripping. In addition, the Board designated a total of \$52,433 for debt service payments. The above amounts designated by the Board are included in the legally restricted portion, \$1,789,913, cash and cash equivalents, restricted assets, on the Statement of Net Position as of June 30, 2022.

### **NOTE 10 – Subsequent Events**

Management has evaluated subsequent events through November 22, 2022, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as noted in note 8 and below.

On August 16, 2022, the District entered into a grant agreement with the County of Tulare (County) in which the County received American Rescue Plan Act Funds. The County will provide \$1,700,000 to the District to build a new well, \$500,000 for a water line replacement, and \$296,000 to improve the wastewater treatment plant for a total of \$2,496,000.

**SUPPLEMENTARY INFORMATION**

# TIPTON COMMUNITY SERVICES DISTRICT

## BUDGETARY COMPARISON SCHEDULE JUNE 30, 2022

	All Activities		
	Original Budget	Actual	Variance Favorable (Unfavorable)
<b><u>OPERATING REVENUES:</u></b>			
Customer services fees	\$ 478,000	\$ 478,674	\$ 674
Other	-	16,223	16,223
	478,000	494,897	16,897
<b><u>OPERATING EXPENSES:</u></b>			
Salaries and employee benefits	182,576	187,456	(4,880)
Directors' fees	6,000	4,350	1,650
Utilities	89,000	94,680	(5,680)
Communications	6,000	5,956	44
Licenses and fees	2,200	68,218	(66,018)
Legal and professional	83,500	84,250	(750)
Small tools and instruments	9,000	9,099	(99)
Insurance	21,300	21,002	298
Repairs and maintenance	90,000	44,204	45,796
Office	14,100	15,226	(1,126)
Rent	2,700	71	2,629
Travel	7,000	6,388	612
Miscellaneous	40,350	3,363	36,987
Testing	13,319	13,017	302
	567,045	557,280	9,765
Total operating expenses	567,045	557,280	9,765
Operating loss	(89,045)	(62,383)	26,662
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>			
Other income	14,000	15,179	1,179
Grant income	-	4,078	4,078
Property taxes	-	15,185	15,185
Interest income	-	2,729	2,729
Interest expense	(35,500)	(32,996)	2,504
	(21,500)	4,175	25,675
Total nonoperating revenues (expenses)	(21,500)	4,175	25,675
Decrease in net position, budgetary basis	\$ (110,545)	(58,208)	\$ 52,337
Depreciation		(182,697)	
Decrease in net position, financial statement basis		\$ (240,905)	

Water			Sewer		
Original Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Actual	Variance Favorable (Unfavorable)
\$ 283,000	\$ 280,434	\$ (2,566)	\$ 195,000	\$ 198,240	\$ 3,240
-	12,382	12,382	-	3,841	3,841
<u>283,000</u>	<u>292,816</u>	<u>9,816</u>	<u>195,000</u>	<u>202,081</u>	<u>7,081</u>
76,650	93,695	(17,045)	105,926	93,761	12,165
3,000	2,175	825	3,000	2,175	825
75,500	81,202	(5,702)	13,500	13,478	22
2,500	2,651	(151)	3,500	3,305	195
-	7,109	(7,109)	2,200	61,109	(58,909)
48,000	48,417	(417)	35,500	35,833	(333)
8,000	7,822	178	1,000	1,277	(277)
9,200	10,501	(1,301)	12,100	10,501	1,599
40,000	37,173	2,827	50,000	7,031	42,969
8,000	9,260	(1,260)	6,100	5,966	134
700	71	629	2,000	-	2,000
3,500	3,194	306	3,500	3,194	306
9,800	1,846	7,954	30,550	1,517	29,033
9,819	12,905	(3,086)	3,500	112	3,388
<u>294,669</u>	<u>318,021</u>	<u>(23,352)</u>	<u>272,376</u>	<u>239,259</u>	<u>33,117</u>
<u>(11,669)</u>	<u>(25,205)</u>	<u>(13,536)</u>	<u>(77,376)</u>	<u>(37,178)</u>	<u>40,198</u>
14,000	14,923	923	-	256	256
-	4,078	4,078	-	-	-
-	-	-	-	15,185	15,185
-	1,363	1,363	-	1,366	1,366
<u>(35,500)</u>	<u>(32,996)</u>	<u>2,504</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(21,500)</u>	<u>(12,632)</u>	<u>8,868</u>	<u>-</u>	<u>16,807</u>	<u>16,807</u>
<u>\$ (33,169)</u>	<u>(37,837)</u>	<u>\$ (4,668)</u>	<u>\$ (77,376)</u>	<u>(20,371)</u>	<u>\$ 57,005</u>
	<u>(146,721)</u>			<u>(35,976)</u>	
	<u>\$ (184,558)</u>			<u>\$ (56,347)</u>	

See independent auditors' report.