

**GARFIELD WATER DISTRICT**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**FINANCIAL STATEMENTS**

**FEBRUARY 28, 2021 AND FEBRUARY 29, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Garfield Water District  
Clovis, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Garfield Water District (District), which comprise the statements of net position as of February 28, 2021 and February 29, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic 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 controls 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

Our responsibility is to express an opinion on these basic 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 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 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, 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 positions of the Garfield Water District as of February 28, 2021 and February 29, 2020, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Management has omitted the management's discussion and analysis 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2022, on our consideration of the Garfield Water District's internal control over financial reporting and on our 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 our 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* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be 'Kevin J. [unclear]', written in a cursive style.

June 13, 2022

# GARFIELD WATER DISTRICT

## STATEMENTS OF NET POSITION FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and investments	\$ 173,741	\$ 495,952
Property assessments receivable	15,676	-
Water sales receivable	218,840	230,681
Prepaid expenses and deposits	<u>12,536</u>	<u>18,407</u>
Total current assets	<u>420,793</u>	<u>745,040</u>
<b>Non-current assets</b>		
Capital assets, net of allowance for depreciation	<u>1,116,063</u>	<u>868,249</u>
Total non-current assets	<u>1,116,063</u>	<u>868,249</u>
Total assets	<u>1,536,856</u>	<u>1,613,289</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	<u>51,336</u>	<u>43,129</u>
Total current liabilities	<u>51,336</u>	<u>43,129</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Water sales collections	-	70,177
Water rights	<u>470,177</u>	<u>511,970</u>
Total deferred inflows of resources	<u>470,177</u>	<u>582,147</u>
<b>NET POSITION</b>		
Net investment in capital assets	645,886	356,279
Unrestricted	<u>369,457</u>	<u>631,734</u>
Total net position	<u>\$ 1,015,343</u>	<u>\$ 988,013</u>

# GARFIELD WATER DISTRICT

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues</b>		
Water sales	\$ 291,206	\$ 489,791
Property assessments	157,021	151,155
Total operating revenues	<u>448,227</u>	<u>640,946</u>
<b>Operating Expenses</b>		
Friant Water Users Authority - maintenance and operation	224,721	161,382
Legal and professional	75,684	81,466
Water costs	38,720	-
Repairs and maintenance	102,660	47,186
Labor and related costs	30,000	29,300
Insurance	4,770	4,427
Dues, subscriptions and publications	1,252	1,150
Licenses and fees	(3,856)	33,531
Office supplies and postage	517	540
Meetings	-	380
Total operating expenses	<u>474,468</u>	<u>359,362</u>
Operating income/(loss)	<u>(26,241)</u>	<u>281,584</u>
<b>Nonoperating Revenues/(Expenses)</b>		
Sale of water rights	41,792	41,792
Administrative fee	10,000	10,000
Interest income	1,779	557
Total nonoperating revenues/(expenses)	<u>53,571</u>	<u>52,349</u>
<b>Change in Net Position</b>	<u>27,330</u>	<u>333,933</u>
<b>Net Position</b>		
Beginning of year	988,013	654,080
End of year	<u>\$ 1,015,343</u>	<u>\$ 988,013</u>

# GARFIELD WATER DISTRICT

## STATEMENTS OF CASH FLOWS

YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

	<u>2021</u>	<u>2020</u>
<b>Operating Activities</b>		
Receipts from customers and users	\$ 374,214	\$ 486,309
Payments to suppliers for goods and services	<u>(460,390)</u>	<u>(331,336)</u>
Net cash provided by (used in) operating activities	<u>(86,176)</u>	<u>154,973</u>
<b>Non-capital Financing Activities</b>		
Receipts from other income	<u>10,000</u>	<u>10,000</u>
Net cash provided by (used in) noncapital financing activities	<u>10,000</u>	<u>10,000</u>
<b>Capital and Related Financing Activities</b>		
Purchase of capital assets	<u>(247,814)</u>	<u>(36,551)</u>
Net cash provided by (used in) capital and related financing activities	<u>(247,814)</u>	<u>(36,551)</u>
<b>Investing Activities</b>		
Interest received	<u>1,779</u>	<u>557</u>
Net cash provided by (used in) investing activities	<u>1,779</u>	<u>557</u>
<b>Net Increase (Decrease) in Cash</b>	(322,211)	128,979
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>495,952</u>	<u>366,974</u>
End of year	<u>\$ 173,741</u>	<u>\$ 495,952</u>
<b>Cash Flows from Operating Activities</b>		
Operating income (loss)	\$ (26,241)	\$ 281,584
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) Decrease in property assessments receivable	(15,677)	(65,851)
(Increase) Decrease in water sales receivable	11,841	(158,963)
(Increase) Decrease in prepaid expenses and deposits	5,871	(884)
Increase (Decrease) in accounts payable and accrued expenses	8,207	28,910
Increase (Decrease) in deferred inflows of resources	<u>(70,177)</u>	<u>70,177</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ (86,176)</u>	<u>\$ 154,973</u>

# **GARFIELD WATER DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020**

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### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Garfield Water District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

#### **Reporting Entity**

The District was organized in 1956 and operates under the provision of the California Water Code. The District covers an area of approximately 1,700 acres and distributes water to agricultural lands in Fresno County.

The District has the authority to fix rates and charges for commodities and services furnished; it may also, with prior voter approval, incur indebtedness and issue bonds. The District is exempt from payment of federal and state taxes.

Garfield Water District does not have a relationship with any other related activities, organizations or functions of government which should be included in the financial reporting entity of the District as required by GASB Statement No. 14, *The Financial Reporting Entity*. In addition, the District is not a component unit of any other governmental entity.

#### **Basis of Accounting and Measurement Focus**

The District accounts for its operations in an enterprise fund using the economic resources measurement focus and the accrual basis of accounting. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific government activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principle operating revenues of the District are irrigation water sales, and property assessment charges. Operating expenses for enterprise funds 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.



# GARFIELD WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Financial Statement Amounts

*Cash and Investments* – Cash and investments represent the District's cash bank accounts including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

Investments primarily consist of money market funds. Investments are stated at fair value.

*Water Sales Receivable* – Accounts receivable arise from billings to landowners for water service charges, water use surcharges and certain improvements made to the landowners' property. Substantially all of the District's sales are to landowners located within the District's boundaries with ancillary sales made to neighboring irrigation districts. Uncollectible amounts from individual landowners do not exist because the District obtains a lien upon all assessed property once the assessment becomes delinquent. After a five-year period, the District can sell the property to recover all prior assessment costs, penalties, and interest due to the District.

*Inventory* – Inventories, including water inventories, are stated at the lower of cost or market on a first in, first out method. However, the District maintains virtually no inventory of materials or supplies.

*Capital Assets* – Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant, and equipment of the primary government are depreciated using the straight line method over the estimated useful lives (10-40 years).

*Contributions in Aid of Construction* – Transmission and distribution plant in services is recorded net of contributions in aid of construction. Contributions in aid of construction represent nonrefundable costs paid to the District by its customers for construction of irrigation systems. In accordance with generally accepted accounting principles, these contributions are recorded as reductions to transmission and distribution plant investment.

# GARFIELD WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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### Note 1 – Summary of Significant Accounting Policies (Continued)

*Net Position/Fund Equity* – The financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

When an expense is incurred for the purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

*Revenues and Expenses* – The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principle ongoing operations. The principle operating revenues of the District are irrigation water sales, and property assessment charges. Operating expenses for enterprise funds 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 nonoperating revenues and expenses.

*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 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 expenditures/expenses during the reporting period.

*Budget* – The District's budget is prepared on the accrual basis. Revenues are budgeted in the year that the applicable purchase orders are expected to be issued. The budgets are approved by the board annually and used as an internal control for management.

*Billings* – Assessment billings are sent out in January with a lien date of March 1. One-half of the assessments are due February 1 and become delinquent on March 1. The second one-half of the assessments are due on July 1 and become delinquent on August 1.

# GARFIELD WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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### Note 2 – Cash and Cash Equivalents

Cash and cash equivalents as of February 28, 2021 and February 29, 2020 consist of the following:

Deposits with financial institutions	\$	71,625
Time Deposits		<u>102,116</u>
Total Cash and Cash Equivalents	\$	<u>173,741</u>

### Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District's Time Deposits are measured using Level 2 inputs.

# GARFIELD WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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### Note 2 – Cash and Cash Equivalents (Continued)

#### Authorized Investments by the District

The District's investment policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District. The following also identifies certain provisions of the District and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. The District's investment policy authorizes the following:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Minimum Credit Quality</u>
Local District Bonds	5 Years	50%	AA
U.S. Treasury Obligations	5 Years	100%	N/A
State of California Obligations	5 Years	100%	A
California Local District Obligations	5 Years	50%	AA
U.S. Agencies	5 Years	100%	AAA
Bankers Acceptances	180 Days	40%	A
Commercial Paper	270 Days	25%	AA
Negotiable Certificates of Deposit	5 Years	30%	N/A
Repurchase Agreements	92 Days	20% of Base	A
Reverse Repurchase Agreements	5 Years	30%	A or >
Medium Term Notes	N/A	20%	N/A
Money Market Mutual Funds	5 Years	20%	AA
Collateralized Bank Deposits	2 Years	20%	None
Mortgage Pass-Through Securities	2 Years	20%	N/A
Time Deposits	N/A	No limit	None
Local Agency Investment Fund (LAIF)	N/A	30%	N/A
Non-Negotiable Certificates of Deposit	1 Year	20%	None

#### Disclosures Relating to Interest Rate Risk

Interest rate 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. As of February 28, 2021 and February 29, 2020 the District had the following investments:

<u>Investment Type</u>	<u>2021</u>	<u>Maturity Date</u>	<u>2020</u>	<u>Maturity Date</u>
Time Deposits	<u>\$ 102,116</u>	5/16/2021	<u>\$ 102,045</u>	5/21/2020
Total	<u>\$ 102,116</u>		<u>\$ 102,045</u>	

# GARFIELD WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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### Note 2 – Cash and Cash Equivalents (Continued)

#### Disclosures Relating to Credit Risk

Generally, 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. Time deposits do not have a rating provided by a nationally recognized statistical rating organization.

#### Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments. Excluding time deposits, the District did not have any investments in any one issuer that represent 5% or more of the total District investments.

#### Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government 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. The District maintains its cash balances in one financial institution, Bank of America. The balances are insured by the federal deposit insurance corporation up to \$250,000.

The District's deposits as of February 28, 2021 and February 29, 2020, were entirely covered by federal depository insurance or otherwise collateralized. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities.

# GARFIELD WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

### Note 3 – Capital Assets

Capital asset activity for the year ended February 28, 2021 and February 29, 2020, were as follows:

	<u>Balance</u> <u>March 1, 2019</u>	<u>Additions/</u> <u>(Retirements)</u>	<u>Balance</u> <u>February 29, 2020</u>	<u>Additions/</u> <u>(Retirements)</u>	<u>Balance</u> <u>February 28, 2021</u>
Capital assets, not being depreciated					
Water rights	\$ 831,698	\$ -	\$ 831,698	\$ -	\$ 831,698
Construction in progress	-	36,551	36,551	247,814	284,365
Total capital assets, not being depreciated	<u>831,698</u>	<u>36,551</u>	<u>868,249</u>	<u>247,814</u>	<u>1,116,063</u>
Capital assets, being depreciated					
Transmission and distribution plant	393,838	-	393,838	-	393,838
Total capital assets, being depreciated	<u>393,838</u>	<u>-</u>	<u>393,838</u>	<u>-</u>	<u>393,838</u>
Less accumulated depreciation	<u>(393,838)</u>	<u>-</u>	<u>(393,838)</u>	<u>-</u>	<u>(393,838)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net	<u>\$ 831,698</u>	<u>\$ 36,551</u>	<u>\$ 868,249</u>	<u>\$ 247,814</u>	<u>\$ 1,116,063</u>

### Note 4 – Purchase And Sale of Water Rights

On December 10, 2012, the District entered into an agreement with the Bureau of Reclamation, Department of the Interior, United States of America (Bureau) in which the District permanently purchased an annual allocation of 3,500 acre feet of water from the San Joaquin River, California project operated by the Bureau. The cost of the allocation was \$831,698. The District subsequently financed this purchase with a loan from Central Valley Community Bank that was secured by the water contract from the Bureau and bore interest rate at 7.00 percent per annum. The loan called for annual payments of \$79,089 which were due each December 5 for 20 years. On March 1, 2012, the District sold the rights to an annual allocation of up to 1,000 acre feet of water to Tri-Valley Water District for 20 year for \$835,848 and used the proceeds to pay-off this obligation. In addition to the one-time payment of \$835,848, the District receives an annual administrative fee of \$10,000 from Tri-Valley and reimbursement for processing the water.

### Note 5 – Deferred Inflows of Resources

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources for the year ended February 28, 2021 and February 29, 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Water sales collections	\$ -	\$ 70,177
Water rights	470,177	511,970
Total	<u>\$ 470,177</u>	<u>\$ 582,147</u>

# **GARFIELD WATER DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020**

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### **Note 6 – Commitments and Contingencies**

As part of its ongoing operations, under a water service contract with the United States, the District has committed to purchase its full 2020-21 and 2019-20 water year allocations. The District purchases water as the water is sold and delivered, the District did not sell and deliver full allocations during fiscal years ended February 28, 2021 and February 29, 2020, this resulted in carry-over water purchase commitments of \$4,816 and \$2,396 that carried over to 2021-22 and 2020-21 water years, respectively.

### **Note 7 – Subsequent Events**

The District evaluated subsequent events for recognition and disclosure through June 13, 2022, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since February 28, 2021 and February 29, 2020 that required recognition or disclosure in such financial statements.

# BRYANT L. JOLLEY

CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley, C.P.A.  
Ryan P. Jolley C.P.A.  
Darryl L. Smith C.P.A.  
Luis A. Perez C.P.A.  
Lan T. Kimoto

## **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  
Garfield Water District  
Clovis, California

We have audited, in accordance with 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 the Garfield Water District (District), which comprise the statements of net position as of February 28, 2021 and February 29, 2020, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 13, 2022.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Garfield Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 the Garfield Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be 'M. J. [unclear]', written in a cursive style.

June 13, 2022