

ANDERSON SPRINGS COMMUNITY SERVICE DISTRICT

Financial Statements

June 30, 2020 and 2021

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TABLE OF CONTENTS

Independent Accountant's Compilation Report	1
Financial Statements:	
Statement of Net Position	2
Statement of Revenues, Expenses, and Changes in Net Position	3
Statement of Cash Flows	4
Notes to the Financial Statements	5

ANDERSON SPRINGS COMMUNITY SERVICE DISTRICT
Independent Accountant's Compilation Report on Comparative Financial Statements
June 30, 2020 and 2021

**An Accountant's Compilation Report on Comparative
Financial Statements Prepared in Accordance with
Accounting Principles Generally Accepted in the United
States of America**

Management is responsible for the accompanying financial statements of Anderson Springs Community Service District, which comprise the Statement of Net Position as of June 30, 2020 and 2021, and related Statements of Revenue, Expenses, and Changes in Net Position, and Cash Flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. I have performed compilation engagements in accordance with Statements of Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.



Matt N. Pressey, CPA
Royal Oaks, California
December 21, 2021

ANDERSON SPRINGS COMMUNITY SERVICE DISTRICT
Statement of Net Position
June 30, 2020 and 2021

	2020	2021
ASSETS		
Current Assets:		
Cash and Investments (Note 2)	\$ 223,550	\$ 156,641
Prepaid Expenses (Note 3)	2,997	3,100
Accounts Receivable (Note 4)	5,047	3,526
Restricted Cash and Investments (Note 5)	593	3,528
Total Current Assets	232,187	166,795
Non-Current Capital Assets (Note 6):		
Pipelines	34,648	34,648
Water Plant	664,168	664,168
Water Tank Project	852,546	852,546
Less: Accumulated Depreciation	(525,906)	(568,577)
Total Non-Current Capital Assets	1,025,456	982,785
Total Assets	1,257,643	1,149,580
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	8,136	538
Unearned Revenue	-	21,700
Current Portion of Long-Term Liabilities (Note 7)	4,780	4,922
Total Current Liabilities	12,916	27,160
Non-Current Liabilities:		
USDA Loan (Note 7)	228,069	223,289
Less Current Portion (Note 7)	(4,780)	(4,922)
Total Non-Current Liabilities	223,289	218,367
Total Liabilities	236,205	245,527
NET POSITION		
Net Investment in capital assets (Note 8)	797,387	759,496
Restricted (Note 8)	593	3,528
Unrestricted (Note 8)	223,458	141,029
Total Net Position	\$ 1,021,438	\$ 904,053

"The accompanying notes are an integral part of these financial statements."

ANDERSON SPRINGS COMMUNITY SERVICE DISTRICT
Statement of Revenue, Expenses and Changes in Net Position
For the Fiscal Years Ending June 30, 2020 and 2021

	<u>2020</u>	<u>2021</u>
Operating Revenues:		
Water Sales	\$ 37,239	\$ 39,182
Other Charges For Services	-	1,634
Total Operating Revenues	<u>37,239</u>	<u>40,816</u>
Operating Expenses:		
Bank Charges and Service Fees	236	272
Consulting/Contractors	-	14,122
Depreciation Expense	42,671	42,671
Director Travel	800	-
Dues and Subscriptions	218	409
Election Expense	-	34
Equipment Parts/Repairs	10,823	9,786
Insurance	2,945	7,499
Legal and Professional Fees	361	1,633
Management Fees	295	175
Office Expense	1,211	3,086
Payroll Expenses	61,809	64,117
Permits	1,333	1,194
Postage	176	531
Rent	400	-
Supplies	25,025	8,377
Telephone Expense	771	1,523
Water Tests	1,161	2,799
Total Operating Expenses	<u>150,235</u>	<u>158,228</u>
Operating Income (Loss)	<u>(112,996)</u>	<u>(117,412)</u>
Non-Operating Revenues (Expenses)		
Interest Income	3,732	1,113
Interest Expense	(7,106)	(6,896)
Unrealized Gain/Loss	26	-
Contributions	-	5,810
Total Non-Operating Revenues (Expenses)	<u>(3,348)</u>	<u>27</u>
Changes in Net Position	(116,344)	(117,385)
Net Position (deficit) at beginning of year, as restated (Note 9)	<u>1,137,782</u>	<u>1,021,438</u>
Net Position (deficit) at end of year	<u>\$ 1,021,438</u>	<u>\$ 904,053</u>

"The accompanying notes are an integral part of these financial statements."

ANDERSON SPRINGS COMMUNITY SERVICE DISTRICT
Statement of Cash Flows
For the Fiscal Years Ending June 30, 2020 and 2021

	2020	2021
Cash Flows from Operating Activities:		
Cash received from customers	\$ 82,167	\$ 69,847
Cash payments to suppliers for goods and services	(53,297)	(59,196)
Cash payments to employees for services	(61,809)	(64,117)
Net Cash Provided by (Used for) Operating Activities	(32,939)	(53,466)
Cash Flows from Investing Activities:		
Interest Income	3,732	1,113
Net Cash Provided by (Used for) Investing Activities	3,732	1,113
Cash Flows from Financing Activities:		
Principal Payment on USDA Loan	(4,515)	(4,780)
Interest Payment on USDA Loan	(7,106)	(6,841)
Net Cash Provided by (Used for) Financing Activities	(11,621)	(11,621)
Net Increase (Decrease) in Cash	(40,828)	(63,974)
Cash Balance, Beginning of Year	264,971	224,143
Cash Balance, End of Year	224,143	160,169
Reconciliation of Net Income to Net Cash Flows		
From Operating Activities:		
Net Income (Loss)	\$ (116,344)	\$ (117,412)
Adjustments to reconcile Net Income to Net Cash from Operating Activities:		
Depreciation Expense	42,671	42,671
Net Change in Accounts Receivable	(1,719)	1,521
Net Changes in Prepaid Expenses	(915)	(103)
Net Changes in Accounts Payable	(2,831)	(1,843)
Net Changes in Unearned Revenue	-	21,700
Net Cash Flows From Operating Activities	\$ (79,138)	\$ (53,466)

"The accompanying notes are an integral part of these financial statements."

ANDERSON SPRINGS COMMUNITY SERVICE DISTRICT
Notes to Financial Statements
June 30, 2020 and 2021

Note 1: Reporting Entity and Summary of Significant Accounting Policies

The Financial Statements of the Anderson Springs Community Service District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principals. A description of the reporting entity and the more significant accounting policies of the District are described below:

A. Reporting Entity

The Anderson Springs Community Service District was formed to provide water services to approximately 116 individuals and 50 stand-by connections in the Anderson Springs area near Cobb, California.

The District is governed by a five-member Board of Directors (the Board) that acts as the authoritative and legislative body of the entity. The Board members are elected by voters living within the District's boundaries. The Board appoints the officers of the Board from the existing board members. The Chairman's responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission, or business organization; and exercise supervision over the business of the District, its officers, and it employees. The Board of Directors consisted of the following members as of June 30, 2021:

Donna Taylor	Chairman
Carol McDowell	Vice-Chairman
Cynthia Weber	Director
Caroline Ohsiek	Director
Roger Duke	Director

B. Basis of Presentation

The financial statements are presented an economic resources measurement focus and the accrual basis of accounting for all activities of the District. Accordingly, all the District's assets (including capital assets) and liabilities are included in the accompanying Statement of Net Position.

ANDERSON SPRINGS COMMUNITY SERVICE DISTRICT
Notes to Financial Statements
June 30, 2020 and 2021

The District reports activities as a Proprietary fund type, which distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales and purchases of water. Management and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as non-operating revenues and expenses.

C. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

D. Accounts Receivable

Accounts receivable consists of amounts due from customers for water charges. Management review all accounts receivable as collectible.

E. Restricted Cash and Investments

Various resources of the District are limited as to their use by law or by debt covenants and are classified as restricted assets. Cash held as a reserve for debts (USDA Loan) are restricted for repayment of the debt.

F. Capital Assets

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$10,000. Improvements are capitalized. The cost of normal maintenance or repairs that do not add value of the asset or materially extend the asset's useful life are

ANDERSON SPRINGS COMMUNITY SERVICE DISTRICT
Notes to Financial Statements
June 30, 2020 and 2021

not capitalized. Property and equipment are depreciated with the straight-line method with the estimated life of 10 to 60 years. Acquisition, construction, and installation costs incurred have been charged to (or capitalized in) capital assets. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

G. Net Position

The net position categories are as follows:

Net Investment in Capital Assets. This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

Restricted Net Position. This component of net position consists of externally constrained resources imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position. This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires managements to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

I. Prior Year Data Reclassifications

Certain amounts presented in the prior year financial statements may have been reclassified in order to be consistent with the current year's presentation. Selected

ANDERSON SPRINGS COMMUNITY SERVICE DISTRICT
Notes to Financial Statements
June 30, 2020 and 2021

information regarding the prior year has been included in the accompanying financial statements.

Note 2: Cash and Investments

Cash and Investments at June 30, 2020 and 2021 are classified on the Statement of Financial Position as follows:

	<u>2020</u>	<u>2021</u>
Cash and Investments	\$223,550	\$156,641
Restricted Cash and Investments	<u>593</u>	<u>3,528</u>
Total Cash and Investments	<u>\$224,143</u>	<u>\$160,169</u>

The District maintains its cash in private banking and investment institutions where there is minimal risk and the cash is immediately accessible.

Investments are carried at fair value in accordance with GASB Statement No. 31. On June 30, 2020 and 2021, the District had the following cash and investments on hand:

	<u>2020</u>	<u>2021</u>
Cash and Investments		
Cash in Bank - Checking Account	\$ 5,605	\$ 16,925
Cash in Bank - Savings Account	74,771	-
Investment Account	<u>143,174</u>	<u>139,716</u>
Total Cash and Investments	223,550	156,641
Restricted Cash and Investments		
Cash in Bank - Checking Account for USDA loan reserve and debt service	<u>593</u>	<u>3,528</u>
Total Cash and Investments	<u>\$ 224,143</u>	<u>\$ 160,169</u>

ANDERSON SPRINGS COMMUNITY SERVICE DISTRICT
Notes to Financial Statements
June 30, 2020 and 2021

Custodial Credit and Interest Rate 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 California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: 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. The fair 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's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Deposits are insured up to \$250,000. At June 30, 2020 and 2021, none of the District's deposits with financial institutions in excess of Federal depository insurance limits were held in uncollateralized accounts. Interest Rate Risk is mitigated by the short-term liquid nature of the Districts investments.

Note 3: Prepaid Expenses

Prepaid expenses are amounts spent in the current period for future goods and services, such as insurance premiums. The amount of prepaid expenses at the year ended 2020 was \$2,997 and \$3,100 for 2021.

Note 4: Accounts Receivable

As of June 30, 2020, accounts receivable balance was \$5,047 and \$3,526 as of June 30, 2021.

Note 5: Restricted Cash and Investments

The District is required to maintain \$11,621 reserve for the USDA Loan. As of June 30, 2020 and 2021, the reserve balance was \$593 and \$3,528, respectively. The District plans to increase the balance to meet the loan reserve requirement during FY 2022.

ANDERSON SPRINGS COMMUNITY SERVICE DISTRICT
Notes to Financial Statements
June 30, 2020 and 2021

Note 6: Capital Assets

There was no acquisition or disposal of fixed assets during the 2020 and 2021 fiscal years. Total capital assets as of June 30, 2020 and 2021 were \$1,025,456 and \$983,785 respectively. The district had depreciation expense of \$42,671 for the year. Changes in capital assets as of June 30, 2021, were as follows:

	Beginning			Ending
	Balance	Additions	Deletions	Balance
Pipelines	\$ 34,648	\$ -	\$ -	\$ 34,648
Water Plant	664,168	-	-	664,168
Water Tank Project	852,546	-	-	852,546
Total Capital Assets	1,551,362	-	-	1,551,362
Accumulated Depreciation	<u>(525,906)</u>	<u>(42,671)</u>	<u>-</u>	<u>(568,577)</u>
Total Capital Assets net of depreciation	<u>\$ 1,025,456</u>	<u>\$ (42,671)</u>	<u>\$ -</u>	<u>\$ 982,785</u>

Note 7: USDA Loan

The District received proceeds from a loan from the USDA for \$265,000 in the year ending June 30, 2012. The loan was made for capital purposes. The annual interest rate is fixed at three percent over the fully amortized period of forty years with annual payments of \$11,621 beginning October 2012. The principal balance outstanding at the end of 2020 was \$228,019 and \$223,289 for 2021. The principal reduction for the year ending June 30, 2021 was \$4,780. Required future principal and interest payments on this loan are as follows:

ANDERSON SPRINGS COMMUNITY SERVICE DISTRICT
Notes to Financial Statements
June 30, 2020 and 2021

Year	Principal	Interest	Total Payment
2022	\$ 4,922	\$ 6,699	\$ 11,621
2023	5,070	6,551	11,621
2024	5,222	6,399	11,621
2025	5,379	6,242	11,621
2026	5,540	6,081	11,621
2027-2031	30,296	27,809	58,105
2032-2036	35,121	22,984	58,105
2037-2041	40,715	17,390	58,105
2042-2046	47,200	10,905	58,105
2047-2051	43,824	3,388	47,212
Total	223,289	\$114,448	\$337,737
Current	(4,922)		
Non-Current	\$218,367		

Note 8: Net Position

Net Investment in capital assets is calculated as follows:

	2020	2021
Capital Assets	\$ 1,025,456	\$ 982,785
Long-Term Debt	(228,069)	(223,289)
Total Net Investment in Capital Assets	\$ 797,387	\$ 759,496

Restricted net position is calculated as follows:

	2020	2021
Restricted for Debt Service	\$ 593	\$ 3,528

Unrestricted net position was \$223,458 and \$141,029 at June 30, 2020 and 2021, respectively. Total net position was \$1,021,438 and \$904,053 at June 30, 2020 and 2021, respectively.

ANDERSON SPRINGS COMMUNITY SERVICE DISTRICT
Notes to Financial Statements
June 30, 2020 and 2021

Note 9: Restatement of Net Positions

	<u>2020</u>	<u>2021</u>
Net Position (deficit) at beginning of year, as previously reported	\$ 1,061,034	\$ 989,333
Restatement - accounting adjustments	<u>76,748</u>	<u>32,105</u>
Net Position (deficit) at beginning of year, as restated	<u>\$ 1,137,782</u>	<u>\$ 1,021,438</u>

Note 10: Risk Management

The district is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2020 and 2021, the District contracted with private insurance agencies for liability, property, crime damage, and employee and director insurance.

Note 11: Subsequent Events and Contingencies

Events subsequent to June 30, 2021 have been evaluated through December 16, 2021, the date these financial statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no additional subsequent events to be disclosed. The District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.