

**ESTRELLA-EL POMAR-CRESTON
WATER DISTRICT**

Independent Auditor's Report
and
Financial Statements

For the Year Ended
December 31, 2020

ESTRELLA-EL POMAR-CRESTON WATER DISTRICT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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ESTRELLA-EL POMAR-CRESTON WATER DISTRICT

BOARD OF DIRECTORS

December 31, 2020

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
Dana Merrill, President	December 2021
Hilary Graves, Vice President	December 2021
Jerry Reaugh, Secretary/Treasurer	December 2023
Lee Nesbitt, Director	December 2021
Herbert Rowland, Director	December 2023

CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

Board of Directors
Estrella-El Pomar-Creston Water District
Paso Robles, California

Report on the Financial Statements

I have audited the accompanying financial statements of the Estrella-El Pomar-Creston Water District (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Matters

Required Supplementary Information – Management Discussion and Analysis

As described in Note 1, management has elected not to include a management discussion and analysis. This analysis is not a required part of the basic financial statements but is supplementary information normally required by U.S. generally accepted accounting principles.

Other Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Information on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.



CROSBY COMPANY
Certified Public Accountant
San Luis Obispo, California

January 12, 2021

ESTRELLA-EL POMAR-CRESTON WATER DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

December 31, 2020

	<u>Governmental Fund General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 141,388	\$ -	\$ 141,388
Accounts receivable	12,094		12,094
Total assets	<u>\$ 153,482</u>	<u>-</u>	<u>\$ 153,482</u>
LIABILITIES			
Accounts payable	\$ 555	-	\$ 555
Total liabilities	<u>\$ 555</u>	<u>-</u>	<u>\$ 555</u>
FUND BALANCES			
Assigned for:			
Other	\$ 152,927	(152,927)	\$ -
Total fund balances	<u>152,927</u>	<u>(152,927)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 153,482</u>		
NET POSITION			
Unrestricted		152,927	152,927
Total net position		<u>\$ 152,927</u>	<u>\$ 152,927</u>

ESTRELLA-EL POMAR-CRESTON WATER DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 December 31, 2020

Total fund balances - government fund

\$	152,927
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Amounts reported for governmental activities in the statement of net position are different because:

No differences

	-
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Net position of governmental activities

\$	152,927
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ESTRELLA-EL POMAR-CRESTON WATER DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2020

	<u>Governmental Fund General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES:			
Property assessments	99,783	-	99,783
Late fees	1,279		1,279
Total revenues	101,062	-	101,062
EXPENDITURES/EXPENSES:			
Administration	14,752		14,752
Insurance	3,669		3,669
Professional services	16,382		16,382
Project expense	67,247		67,247
Total expenditures	102,050	-	102,050
EXCESS OF REVENUES OVER (UNDER) EXPENSES	(988)	988	-
Change in net position:		(988)	(988)
Fund balance/net position at beginning of year:	153,915	-	153,915
Fund balance/net position at end of year:	\$ 152,927	\$ -	\$ 152,927

ESTRELLA-EL POMAR-CRESTON WATER DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Net Change in Governmental Fund Balances

	\$ (988)
	-
	\$ (988)

Amounts reported for governmental activities in the statement of activities are different because:

No differences

Change in Net Position of Governmental Activities

ESTRELLA-EL POMAR-CRESTON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: ORGANIZATION

The Estrella-El Pomar-Creston Water District (the District) was formed December, 2017 under the authorization of the State of California as a special district. The District operates under a Board of Directors form of government and sets the water assessments for irrigated and non-irrigated lands within the District. The funds raised by these assessments enable the District to represent the landowners' interests in the coming years as the Paso Basin Groundwater Sustainability Plan is written and implemented.

The District complies with U.S. generally accepted accounting principles and all relevant Governmental Accounting Standards Board pronouncements. These technical pronouncements establish criteria for determining the District's activities and functions that are included in the financial statements of a governmental unit. Management has elected not to include a management discussion and analysis, which is not a required part of the basic financial statements but is supplementary information normally required by U.S. generally accepted accounting principles.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the primary government (the District). These statements include financial activities of the overall District.

Fund Financial Statements

The accounts of the District are organized into a governmental fund which is considered to be a separate accounting entity. Only current assets and current liabilities are generally included on the balance sheet. The operating statements present sources and uses of available resources during a given period. The District reports the following major governmental fund:

General Fund – Used to report the District's primary operating fund. It accounts for all financial resources of the general government.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Interest income and various intergovernmental revenues comprise the significant revenues susceptible to accrual.

ESTRELLA-EL POMAR-CRESTON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments including money market accounts to be cash and cash equivalents.

Budget

An annual budget is approved by the Board. The budget is revised by the District's governing Board during the year to give consideration to unanticipated income and expenditures. All unencumbered appropriations in the budget lapse at the end of the fiscal year. A budget analysis for governmental funds is included as a required statement in the financial statements.

Concentrations

The District provides representation for the District's landowners' interests while the Paso Basin Groundwater Sustainability Plan is written and implemented. Consequently, its ability to collect amounts from the landowners may be affected by economic fluctuations, within this region and within the State of California as a whole.

ESTRELLA-EL POMAR-CRESTON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

Fund balance can now be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that have no specific restrictions, commitments or assignments.

If restricted and unrestricted assets are available for the same purpose, the restricted assets will be used before unrestricted assets.

Net Position

Net position present the difference between assets and liabilities in the statement of net assets. Net assets are reported as restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws or regulations of other governments.

ESTRELLA-EL POMAR-CRESTON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 3: CASH AND CASH EQUIVALENTS

The values of cash and cash equivalents at December 31, 2020 are summarized as follows:

Demand deposit	\$ <u>141,388</u>
Total cash and investments	\$ <u><u>141,388</u></u>

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

Credit Risk, Carrying Amount, and Market Value

Cash is classified in three categories of credit risk as follows:

Category 1 - insured or collateralized with securities held by the entity or by its agent in the entity's name;

Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and

Category 3 - uncollateralized.

Investments in pools managed by other governments (LAIF) or in mutual funds are not required to be categorized.

At December 31, 2020, the carrying amount of the District's cash deposits was \$141,388. The bank balances were \$148,464. District cash deposits by category as of December 31, 2020, are as follows:

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Bank accounts	\$ <u>148,464</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>148,464</u>	\$ <u>141,388</u>

ESTRELLA-EL POMAR-CRESTON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 4: SUBSEQUENT EVENTS

The District has evaluated events subsequent to December 31, 2020, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through January 12, 2021, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

The District may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations and cash flows.

REQUIRED SUPPLEMENTAL INFORMATION

ESTRELLA-EL POMAR-CRESTON WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE

Budget and Actual

For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property assessments	\$ 75,944	\$ 75,944	\$ 99,783	\$ 23,839
Late fees	-	-	1,279	1,279
Total revenues	75,944	75,944	101,062	25,118
EXPENDITURES:				
Administration	28,500	28,500	14,752	13,748
Insurance	3,500	3,500	3,669	(169)
Professional services	70,000	70,000	16,382	53,618
Project expense	57,500	57,500	67,247	(9,747)
Contingency	15,000	15,000		15,000
Total expenditures	174,500	174,500	102,050	72,450
Excess of revenues over (under) expenditures	<u>\$ (98,556)</u>	<u>\$ (98,556)</u>	(988)	<u>\$ 97,568</u>
Fund balance at beginning of year			153,915	
Fund balance at end of year			<u>\$ 152,927</u>	