

**THE CENTRAL SAN JOAQUIN WATER  
CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2024**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**The Central San Joaquin Water Conservation District**

We have audited the accompanying financial statements of the business-type activities of the Central San Joaquin Water Conservation District as of and for the year ended June 30, 2024, and the related notes to the financial statements as listed in table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities as of June 30, 2024, and the respective changes in statement in fund net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Central San Joaquin Water Conservation 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 the 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 Central San Joaquin Water Conservation 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Central San Joaquin Water Conservation 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 Central San Joaquin Water Conservation 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**

Management has omitted management's discussion and analysis and budgetary comparison information 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it is an essential part of the 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 Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Bouman & Company, LLP*

Stockton, California  
February 06, 2025

# THE CENTRAL SAN JOAQUIN WATER CONSERVATION DISTRICT

## STATEMENT OF FUND NET POSITION

June 30, 2024

### ASSETS

#### CURRENT ASSETS

Cash and cash equivalents	\$ 826,896
Cash and cash equivalents - County Treasury	3,020,017
Accounts receivable	487,456
Total current assets	<u>4,334,369</u>

#### NONCURRENT ASSETS

Capital assets, net	1,546,939
Total assets	<u>5,881,308</u>

### LIABILITIES

#### CURRENT LIABILITIES

Accounts payable	51,338
Accrued wages	6,320
Accrued interest	4,259
Accrued water fees	2,002,252
Note payable, current portion	406,215
Total current liabilities	<u>2,470,384</u>

#### NONCURRENT LIABILITIES

Note payable, less current portion	615,943
Total noncurrent liabilities	615,943
Total liabilities	<u>3,086,327</u>

### DEFERRED INFLOWS OF RESOURCES

Unearned revenue	37,372
Total deferred inflows of resources	<u>37,372</u>

### FUND NET POSITION

Net investment in capital assets	1,546,939
Unrestricted	1,210,670
Total fund net position	<u>\$ 2,757,609</u>

# THE CENTRAL SAN JOAQUIN WATER CONSERVATION DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION

For the Year Ended June 30, 2024

### OPERATING REVENUE

Water distribution	
Ground water revenue	\$ 2,353,989
Surface water revenue	1,751,698
Domestic ground water charge	27,633
Livestock charge	7,476
Billing adjustments	(528,634)
Total revenue from water distribution	<u>3,612,162</u>
Special assessment and taxes	
Special assessment	376,144
Property taxes	77,195
Total special assessments and taxes	<u>453,339</u>
Total operating revenue	<u>4,065,501</u>

### OPERATING EXPENSES

Water fees	1,618,499
Utilities	293,338
Bad debt	211,231
Salaries and wages	165,880
Depreciation	154,409
Professional fees	119,781
Repairs and maintenance	75,689
Other administrative expense	56,359
Insurance	43,812
Groundwater Sustainability Agency fee	33,880
Audit	13,618
Payroll taxes	12,688
Rent	10,530
Workers' compensation insurance	6,060
Total operating expenses	<u>2,815,774</u>
Net operating income	<u>1,249,727</u>

### NONOPERATING INCOME (EXPENSE)

Interest income	101,704
Interest expense	(61,352)
Total nonoperating income (expense)	<u>40,352</u>
Increase in fund net position	<u>1,290,079</u>

**Fund net position - beginning of year** 1,467,530

**Fund net position - end of the year** \$ 2,757,609

# THE CENTRAL SAN JOAQUIN WATER CONSERVATION DISTRICT

## STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2024

### CASH FLOWS FROM OPERATING ACTIVITIES

Water distribution, special assessment and tax receipts	\$ 3,754,384
Interest receipts	101,704
Water deficit recovery payments	(738,969)
Water fee payments	(1,027,415)
Salaries and wage payments	(172,248)
Other operating payments	(234,168)
Repairs and maintenance payments	(93,081)
Utilities payments	(286,119)
Insurance payments	(43,812)
Workers' compensation insurance payments	(6,060)
Interest payments	(62,969)
Net cash provided by operating activities	<u>1,191,247</u>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Principal payments on note payable	(388,036)
Principal payments on purchase agreements	(5,066)
Net cash used in financing activities	<u>(393,102)</u>

Increase in cash and cash equivalents	798,145
Cash and cash equivalents, at beginning of year	<u>3,048,768</u>
Cash and cash equivalents, at end of year	<u>\$ 3,846,913</u>

### CASH SUMMARY

Cash and cash equivalents	\$ 826,896
Cash and cash equivalents - County Treasury	3,020,017
	<u>\$ 3,846,913</u>

# THE CENTRAL SAN JOAQUIN WATER CONSERVATION DISTRICT

## STATEMENT OF CASH FLOWS (Cont.)

For the Year Ended June 30, 2024

### CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net position	\$ 1,290,079
Adjustments to reconcile increase in net position to net cash provided by operating activities:	
Depreciation	154,409
Bad debt	211,231
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(237,609)
(Decrease) increase in:	
Accounts payable	(10,173)
Accrued interest	(1,617)
Accrued wages	6,320
Accrued water fees	591,084
Water deficit recovery	(738,969)
Unearned revenue	(73,508)
Net cash provided by operating activities	<u>\$ 1,191,247</u>

# THE CENTRAL SAN JOAQUIN WATER CONSERVATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Nature of Operations and Significant Accounting Policies

Central San Joaquin Water Conservation District (the "District") was formed on December 22, 1958 under the State of California Water Conservation District Act of 1937 and consists of approximately 70,000 acres. A board of six directors govern the District. Each director on the Board is selected into office by the registered voters located within each of seven divisions of the District for a term of four years. The District's mission is to address an over-drafted groundwater basin by importing supplemental surface water.

In December 1983, the District signed a water service contract with the Bureau of Reclamation for delivery of up to 80,000-acre feet of supplemental surface water. In 1994, the District first received water from the New Melones Project through the Goodwin Tunnel and Canal Project operated by the Stockton East Water District. The District issued bonds and constructed an internal distribution system to convey the supplemental surface water to District farmers. The internal distribution system conveys water to Duck Creek, Little John's Creek, Temple Creek, and Mariposa Drain. Since 1994, the District has received supplemental surface water from New Melones for every water year except 2015 and 2022.

A summary of significant accounting policies applied in the preparation of the financial statements are as follows:

#### Basis of Presentation

The District's resources are allocated to and accounted for in the basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Fund net position for the enterprise fund represent the amount available for future operations.

#### Basis of Accounting

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of this fund are included on the statement of net position. Fund net position is segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in fund net total position.

# THE CENTRAL SAN JOAQUIN WATER CONSERVATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Nature of Operations and Significant Accounting Policies (Cont.)

#### Basis of Accounting (Cont.)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Cash and cash equivalents

For purposes of the statement of cash flows, the District considers all liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held include restricted and unrestricted bank deposits and investments in money market mutual funds.

#### Accounts receivable

Receivables include amounts due from water utility customers as well as amounts due for property taxes. All receivables are shown net of billing adjustments made in the subsequent billing cycle. Management considers receivables fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they are charged to operations in the period in which that determination is made.

#### Capital assets

Capital assets are stated at cost. Major additions are capitalized and repair and maintenance costs are charged to expense as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Infrastructure	40 years
Equipment	7-10 years
Vehicle	5 years

The District constructed surface water conveyance facilities for delivery to in-district users. The District is responsible for their future maintenance.

#### Unearned revenue

Cash receipts in excess of current and past charges are deferred as unearned revenue until earned.

#### Revenue recognition

All revenue is recognized when earned with the exception of special assessments, which are recognized when received. Operating revenues consist primarily of water sale, special assessments, and property taxes. Revenues from water sales and distribution are reported net of billing adjustments. Non-operating revenues consist of those revenues that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

**THE CENTRAL SAN JOAQUIN WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Nature of Operations and Significant Accounting Policies (Cont.)**

Fair value of financial instruments

The carrying amount of financial instruments, including cash and cash equivalents, cash and cash equivalents – County Treasury, accounts receivable, accounts payable, accrued interest expense and unearned revenue approximate their fair value due to the short-term maturities of these instruments.

Estimates

The preparation of the basic financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent events

Management of the District has evaluated subsequent events through February 06, 2025, the date these financial statements were available to be issued and determined no events or transactions have occurred that require recognition or disclosure in the financial statements.

**Note 2. Cash and Cash Equivalents**

At June 30, 2024, cash and cash equivalents of the District consisted of the following:

	Carrying Amount	Fair Value
Investments in external investment pool - San Joaquin County Treasury	\$ 3,020,017	3,020,017
Bank deposits	826,896	826,896
	\$ 3,846,913	\$ 3,846,913

At June 30, 2024, cash on deposit in commercial accounts of \$828,438 was insured by the Federal Deposit Insurance Corporation. 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 CENTRAL SAN JOAQUIN WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 2. Cash and Cash Equivalents (Cont.)**

Cash held by the San Joaquin County Treasury is pooled with other County deposits for investment purposes by the County Treasurer in accordance with the investment policy of the County Treasurer. However, the District receives no investment income. The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals. The District's investment in the Pool is unrated, stated at amortized cost, which approximates fair value, available upon demand and considered cash equivalents.

**Note 3. Capital assets**

Capital assets consisted of the following at June 30, 2024:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 204,471	\$ --	\$ --	\$ 204,471
Infrastructure	5,746,334	--	--	5,746,334
Equipment	19,721	--	--	19,721
Vehicle	24,085	--	--	24,085
Total capital assets	5,994,611	--	--	5,994,611
Accumulated depreciation	(4,293,263)	\$ (154,409)	\$ --	(4,447,672)
Capital assets, net	\$ <u>1,701,348</u>			\$ <u>1,546,939</u>

**Note 4. Note Payable**

Note payable to Bank of Stockton in the original amount of \$3,500,000, maturing in December 2026, with monthly principal and interest payments of \$37,564, interest at 5% until January 2022. Interest rate will be adjusted at the 5 year Constant Maturing Treasury Rate, plus 3.75%, with a floor of 5%. At June 30, 2024 the interest rate was 5%. At June 30, 2024, the balance of the note payable was \$1,022,158 and interest expense on the note for the year ended June 30, 2024 was \$61,115.

Future principal payments on the note payable are at June 30:

2025	\$ 406,215
2026	426,998
2027	188,945
	<u>\$ 1,022,158</u>

**THE CENTRAL SAN JOAQUIN WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Purchase Agreement Obligation**

Purchase agreement with Ford Credit, amortized over 60 months, interest payable at 6.75%, monthly payment of \$482, secured by equipment, At June 30, 2024, the balance of the purchase agreement was \$0 and interest costs for the year ended June 30, 2024 was \$237.

**Note 6. Special Assessment**

During the year ended June 30, 2024, the District assessed \$2.50 per taxable acre on approximately 70,000 acres. Special assessments for June 30, 2024 for assessed acres and other past collections was \$376,144.

**Note 7. Property Taxes**

Secured property taxes attach as an enforceable lien on real property as of the 1<sup>st</sup> day of March. Taxes are payable in two installments on November 10, and March 10, and become delinquent if not paid before December 10, and April 10. Unsecured property taxes are billed in one installment, are due March 1, and become delinquent if not paid on or before August 31. The County of San Joaquin bills and collects all property taxes and remits to the District its share of the 1% property tax allocation. The District recognizes tax revenues when received.

**Note 8. Related Party Transactions**

The legal counsel for the District also serves as the District's Board secretary. Office space and a copy machine are shared by the District and the District's legal counsel.

Amounts paid to related party during the year ended June 30, 2024 were as follow:

Attorney fees	\$ 102,606
Rent	10,530
Office expense	1,731
Total	<u>\$ 114,867</u>

# THE CENTRAL SAN JOAQUIN WATER CONSERVATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### **Note 9. Litigation**

The District has been sued for claimed past due water conveyance fees owed to the City of Stockton and California Water Service Company. A settlement agreement resolving all claims has been executed and filed with the court. The agreement requires an assignment of a portion of the District's water service contract with the Bureau of Reclamation. The agreement does not require the District to pay any claimed past due fees, attorney's fees, or costs of the suit. The parties are awaiting approval of the assignment by the Bureau of Reclamation. Management has assessed and determined that the above litigation will not have a material impact on the District's operations and fund net position.

### **Note 10. Contingencies**

District revenues are based on the District's ability to charge its members for the future deliveries of irrigation water. Currently the District has water rights to water from New Melones Reservoir, but Federal and State regulatory agencies control water rights in California and deliveries are subject to seasonal water availability, which is determined by annual snowfall and precipitation supplying the water shed for New Melones Reservoirs.

### **Note 11. Water Deficit Recovery**

The Bureau of Reclamation charged the District in relation to the water right from the New Melones Reservoir. Amounts due from the deficit recovery (prior year balance plus accrued interest incurred) are reflected as a liability on the District's statement of fund net position. Adjustments to the deficit recovery are recorded as information is provided by the Bureau, which may not directly correlate to the District's year end. As of June 30, 2024, the water deficit recovery is estimated to be \$0 and was paid off during the current year.

### **Note 12. Accrued Water Fees**

The Bureau of Reclamation charges the District water fees based on estimated usage rates. On an annual basis the Bureau adjusts amounts due from the District based on actual usage. Amounts due for accrued water fees for the year ended June 30, 2024 are reflected as a liability on the District's statement of fund net position. Adjustments to the accrued water fees are recorded as information is provided by the Bureau, which may not directly correlate to the District's year end. As of June 30, 2024, the accrued water fees are estimated to be \$2,002,252 and is included on the statement of fund net position.