

LINDMORE IRRIGATION DISTRICT

**INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS, AND
SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED

December 31, 2019

LINDMORE IRRIGATION DISTRICT

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REPORT OF INDEPENDENT AUDITOR

To the Board of Directors
Lindmore Irrigation District
Lindsay, California

Report on Financial Statements

We have audited the accompanying financial statements of the Lindmore Irrigation District (the District) as of and for the year ended December 31, 2019, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the 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 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lindmore Irrigation District, as of December 31, 2019, and the changes in financial position and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 21-23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cuttone & Mastro

Fresno, California
August 11, 2020

**LINDMORE IRRIGATION DISTRICT
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019**

ASSETS

CURRENT ASSETS:

| | |
|--------------------------------------|------------------|
| Cash and cash equivalents | \$ 2,464,764 |
| Investments in marketable securities | 3,449,554 |
| Receivables: | |
| Assessments receivable | 872,076 |
| Water | 63,558 |
| Interest | 45,442 |
| Liens | 62,999 |
| Other | 12,917 |
| Prepaid expense | <u>133,548</u> |
| Total current assets | <u>7,104,858</u> |

RESTRICTED ASSETS

| | |
|---------------------------|------------------|
| Cash and cash equivalents | 529,191 |
| Certificate of Deposits | <u>498,369</u> |
| Total Restricted | <u>1,027,560</u> |

Capital Assets, net of accumulated depreciation 9,622,150

Investment in Friant Power Authority 5,386,565

Total assets \$ 23,141,133

LIABILITIES

CURRENT LIABILITIES:

| | |
|-----------------------------------|---------------|
| Accounts payable | 186,407 |
| Current portion of long-term debt | 329,628 |
| Accrued compensated absences | 81,795 |
| Accrued interest | <u>80,385</u> |
| Total current liabilities | 678,215 |

Long-term debt 3,999,256

Total liabilities 4,677,471

DEFERRED INFLOWS OF RESOURCES

 Unearned revenue 2,443,497

Total liabilities and deferred inflows of resources 7,120,968

NET POSITION:

 Net investment in capital assets 5,337,150

 Cash and cash equivalents restricted for debt service 1,027,560

 Unrestricted 9,655,455

Total net position 16,020,165

Total liabilities, deferred inflow of resources, and net position \$ 23,141,133

The accompanying notes are an integral part of the financial statements.

**LINDMORE IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019**

OPERATING REVENUES:

| | |
|--|------------------|
| Water sales - In District | \$ 2,183,914 |
| Water sales - Outside District | 50,000 |
| Standby charges | 2,479,402 |
| East Kaweah Groundwater Sustainability Agency Reimbursements | 155,000 |
| Other operating revenues | <u>22,538</u> |
| Total operating revenues | <u>4,890,854</u> |

OPERATING EXPENSES:

| | |
|--|------------------|
| Source of supply | 3,101,549 |
| Pumping | 75,095 |
| Transmission and distribution | 598,242 |
| General and Administrative | 1,278,461 |
| Groundwater programs | 28,841 |
| East Kaweah Groundwater Sustainability Agency Reimbursements | 69,349 |
| Depreciation | <u>201,838</u> |
| Total Operating Expenses | <u>5,353,375</u> |

Loss from Operations (462,521)

NONOPERATING REVENUES (EXPENSES):

| | |
|--|------------------|
| FPA revenue | 2,137,134 |
| Interest income | 150,493 |
| Gain (Loss) on Investments | 122,173 |
| Right off of investment in USJRWPA | (29,108) |
| Interest expense | <u>(198,707)</u> |
| Total nonoperating revenues (expenses) | <u>2,181,985</u> |

Change in net position 1,719,464

Net Position, Beginning of Year as Previously Stated 14,046,201

Prior Period Adjustment 254,500

Net Position, Beginning of Year as Restated 14,300,701

Net Position - End of Year \$ 16,020,165

The accompanying notes are an integral part of the financial statements.

**LINDMORE IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|--------------------|
| Cash received from customers | \$ 4,729,927 |
| Cash paid to suppliers and vendors | (4,108,240) |
| Cash payments to employees | <u>(1,032,534)</u> |
| Net cash provided (used) by operating activities | <u>(410,847)</u> |

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

| | |
|---|------------------|
| Debt principal paid | (319,627) |
| Interest paid | <u>(202,838)</u> |
| Net cash used by capital financing activities | <u>(522,465)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|--|------------------|
| Interest earned | 142,473 |
| Distributions from Friant Power Authority | 2,133,946 |
| Purchase of investments | (2,058,901) |
| Proceeds from sales of investments | 1,953,509 |
| Investment in joint powers authority | <u>(242,319)</u> |
| Net cash provided (used) by investing activities | <u>1,928,708</u> |

| | |
|---------------------------------------|---------|
| Increase in cash and cash equivalents | 995,396 |
|---------------------------------------|---------|

| | |
|--|------------------|
| Cash and cash equivalents, beginning of year | <u>1,998,559</u> |
|--|------------------|

| | |
|--|---------------------|
| Cash and cash equivalents, end of year | \$ <u>2,993,955</u> |
|--|---------------------|

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES:

Recognition of the District's proportionate share of Friant Power Authority's equity of \$2,250,677 as of December 31, 2019 was recorded as income (loss).

**LINDMORE IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | |
|--|---------------------|
| Reconciliation of Operating Loss to Net Cash Used by Operating Activities: | |
| Loss from operations | \$ (462,521) |
| Adjustments to reconcile loss from operations to net cash used by operating activities: | |
| Depreciation and amortization | 201,838 |
| (Increase) decrease in: | |
| Assessments receivable | (23,646) |
| Water | (34,671) |
| Liens | (35,056) |
| Other | (417) |
| Prepaid expense | (71,132) |
| Increase (decrease) in: | |
| Accounts payable | 84,412 |
| Accrued compensated absences | (2,517) |
| Unearned revenue | <u>(67,137)</u> |
| Net cash used by operating activities | <u>\$ (410,847)</u> |

The accompanying notes are an integral part of the financial statements

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Description of Operations:

The Lindmore Irrigation District (District) was formed on March 6, 1937 as a special district in the State of California and is governed by a five-person Board of Directors. The District provides irrigation water to the area surrounding the City of Lindsay and unincorporated town of Strathmore.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The District's financial reporting entity comprises the following:

Primary Government: Lindmore Irrigation District

Blended Component Unit: Lindmore Irrigation District Financing Corporation

In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the District appointed a voting majority of the units' board; the District is either able to impose its will on the unit, or a financial benefit or burden relationship exists.

Component Units: Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component unit discussed below has a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 61, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is the same as the governing board of the District and because a financial benefit or burden relationship exists between the component unit and the District as its purpose is to finance the acquisition of a permanent water right for the District from the United States of America, Bureau of Reclamation in which repayment will be made entirely by resources of the District.

The Lindmore Irrigation District Financing Corporation's financial activity is presented in the financial statements. Revenue Certificates of Participation issued by the Corporation are included as long-term obligations in the business-type activity financial statements. Individually-prepared financial statements are not prepared for the Lindmore Irrigation District Financing Corporation.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting:

The District follows the provisions of the Governmental Accounting Standards Board Statement Nos. 34, "Basic Financial Statements and Management's Discussion and Analysis- For State and Local Governments." Statement 34, as amended, established the financial reporting standards for all state and local government entities, which includes a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. It requires the classification of net position in the following three components:

Net investment in capital assets — This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position — This component of net position consists of constraints imposed by creditors (such as through debt covenant), 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 do not meet the definition of "restricted" or "net investment in capital assets."

When the District incurs an expense for which both restricted and unrestricted resources may be used, it is the policy of the District to use restricted resources first, then unrestricted resources.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The District is reported as a proprietary fund which accounts for all the operating activities of the District's water acquisition and delivery service using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred regardless of the timing of related cash flows.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for sales or services and standby. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Budget and Budgetary Accounting:

An annual budget in accordance with generally accepted accounting principles is adopted by the Board of Directors to provide a basis for establishing water rates at the beginning of each year. No revisions are made during the year. Budgetary comparisons are used by management to monitor expenses during the year.

Cash and Cash Equivalents:

Cash includes currency, demand deposit with banks and other financial institutions, and other accounts that have the general characteristics of demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash or those investments with original maturities of three months or less.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable:

Accounts receivable arise from billings to customers and other agencies for sales of water and other services. The District does not provide an allowance for uncollectible accounts. Historically such write offs have been minimal and are not considered a factor in financial statement presentations.

Investments:

The District has adopted a formal investment policy as required by Section 53600 et seq., of the California Government Code. The District's investments have a readily determinable market value and are recorded and reported at fair value.

Standby Charges:

Standby charges are levied and billed in the preceding year and are payable in two installments on December 20 and June 20. Unpaid standby charges are placed as enforceable liens on November 15, which must be renewed after ten years. Standby charges revenue is recorded as income in the District's fiscal year following the levy. Accordingly, the Standby charges levied in current year are classified as deferred income. Standby charges sufficient to cover the annual debt service are irrevocably pledged to the payment of these installment payments.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

Water Exchanges Accounts:

The District engages in water transfers and exchanges with several entities. Unless a specific price is stated in the agreement the water receivable or payable is valued at the per acre foot price the District is paying for either Friant Class 1 water, Class 2 or special water.

Capital Assets:

Capital assets are recorded at cost less accumulated depreciation and updated for additions and retirements during the year. Capital assets are defined by the District as assets with a cost in excess of \$5,000 and an estimated useful life in excess of three years. Repairs and maintenance that do not add to the value of the asset or materially extend asset lives charged to expense as incurred. Costs which are considered improvements are added to the appropriate capital asset account. Gains and losses on disposition of capital assets are reported and recognized in the year of disposition. The District recognizes depreciation using the straight-line method over the estimated useful lives as follows:

| | |
|-------------------------------|-------------|
| Pumping plant | 10-40 years |
| Transmission and distribution | 5-75 years |
| General plant | 5-40 years |

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued):

Capital assets (long-lived assets) to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. As of December 31, 2019, there were no impairments of the District's long-lived assets.

Substantially all of the District's assets are insured against possible losses from fire and other risks.

Perpetual Right to Water:

The District contracted with the United States Bureau of Reclamation (USBR) on November 17, 2010 to receive up to 33,000 acre-feet of Class 1 Water and up to 22,000 acre-feet of Class 2 Water for irrigation and M & I purposes. This cost represents the full repayment of obligations owing the USBR for Friant Division facilities development.

Investments in Power Authorities:

For investments in joint power authorities (JPA) classified as joint ventures, where the District participates in the profit and losses of the joint venture, the initial investment is recorded at cost and adjusted to reflect the District's share of the joint venture's profit or losses. If the District is involved in joint control of the power authority but there is no ongoing financial interest or ongoing financial responsibility, the entity is a jointly governed organization and not a joint venture.

Compensated Absences:

The District provides for vacation leave to all employees of two to four weeks annually, which is accrued for days earned but not taken. Vacation leave cannot exceed forty days. Employees with 35 days' vacation may annually request to have up to 5 days paid on the final check of the calendar year. The District provides for accrual of sick leave for all employees at one day per month with a maximum accumulation of 84 days. An employee with 35 days accumulated sick leave can annually elect to convert up to 5 days to vacation leave.

Income Taxes:

The District qualifies for tax-exempt status as an integral part of the State of California or a political subdivision in accordance with Internal Revenue Code (IRC) Section 115. As a result, no tax provisions apply to the District's income

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 3 — CASH AND CASH EQUIVALENTS AND INVESTMENTS

The carrying amount of cash and cash equivalents at December 31, 2019 is as follows:

| | |
|---|---------------------|
| Bank of Sierra-Checking | \$ 1,250,283 |
| Fidelity Government Money Market Capital Reserves | 19,036 |
| Local Agency Investment Fund | 1,195,445 |
| Wells Fargo Advantage 100% Treasury Money Market Fund | <u>529,191</u> |
| Total Cash and Cash Equivalents | 2,993,955 |
| Restricted Cash and Cash Equivalents | <u>529,191</u> |
| Unrestricted Cash and Cash Equivalents | <u>\$ 2,464,764</u> |

Cash Management Funds: Wells Fargo Advantage 100% Treasury Money Market Fund and Fidelity Government Money Market Capital Reserves are cash management funds that seek to preserve the value of the investment at \$1 per share value. Their deposits are not insured nor guaranteed; however, Fidelity Government Money Market Capital Reserves are covered under SIPC created by the Securities Investor Protection Act of 1970, an independent government sponsored corporation. SIPC membership provides account protection up to a maximum of \$500,000 per customer of which \$100,000 may be cash

Investment in State Investment Pool: The Local Agency Investment Fund is a government investment pool managed and directed by the California State Treasurer. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District may withdraw monies upon one-day-notice. The average monthly effective yield for December 31, 2019 was 2.043%. The District's investment in the Local Agency Investment Fund was not subject to credit risk categorization and is carried at amortized cost which approximates fair value. All pooled funds are regulated by the California Government Code.

Investments: The District does not have any policy regarding investments and therefore is subject to California Government Code Sections 53600-53609. Investing must meet the following three objectives: first to safeguard the principal, second to meet liquidity needs, and third to achieve a return on funds. At the time of investment, the security term remaining to maturity cannot exceed five years.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 3 — CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The table below identifies the investment types that are authorized for the District by the California Government Code and that are approved by the Districts investment policy. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|-----------------------------|--|---|
| Local Agency Bonds | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Agency Securities | 5 years | None | None |
| Bankers' Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements | 92 days | 20% of base value | None |
| Medium-Term Notes | 5 years | 30% | None |
| Mutual Funds | N/A | 20% | 10% |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Mortgage Pass-Through Securities | 5 years | 20% | None |
| County Pooled Investment Funds | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| Joint Power Agency (JPA) Pools (other investment pools) | N/A | None | None |

Interest Rate Risk: Interest rate risk is the risk in market rate changes that could 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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for District operations. Information about the sensitivity of the fair value of the District's investments to market interest rate fluctuation is provided by the following table that shows the distribution of the District's investments by maturity:

| <u>Investment Type</u> | <u>Total</u> | <u>Remaining Maturity (in Months)</u> | | | |
|-------------------------|---------------------|---------------------------------------|----------------------------|----------------------------|--------------------------------|
| | | <u>12 Months or Less</u> | <u>13 to 24 Months</u> | <u>25 to 60 Months</u> | <u>More than 60 Months</u> |
| Corporate Bonds | \$ 2,686,625 | \$ - | \$ 311,551 | \$ 2,375,074 | \$ - |
| Certificates of Deposit | 1,261,299 | - | 494,318 | 766,981 | - |
| LAIF | 1,195,445 | 1,195,445 | - | - | - |
| Money Market | 548,227 | 548,227 | - | - | - |
| | <u>\$ 5,691,596</u> | <u>\$ 1,743,672</u> | <u>\$ 805,869</u> | <u>\$ 3,142,055</u> | <u>\$ -</u> |

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 3 — CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of or guaranteed by the U.S. Government do not require disclosure of credit quality ratings. None of the District's certificates of deposits have a rating provided by a nationally recognized statistical rating organization.

Concentrations 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 are as follows:

| <u>Broker/Issuer</u> | <u>Investment Type</u> | <u>Reported Amount</u> | <u>% of Total Investments</u> |
|---------------------------------|------------------------|------------------------|-------------------------------|
| Wells Fargo | | | |
| Capital One Bank | Certificate of Deposit | \$ 250,579 | 6.3% |
| Discover Bank Greenwood | Certificate of Deposit | 247,790 | 6.3% |
| King Capital Advisors | | | |
| Ally Bk Midvale Utah | Certificate of Deposit | 246,528 | 6.2% |
| Discover Bk | Certificate of Deposit | 257,123 | 6.5% |
| Morgan Stanley Bk | Certificate of Deposit | 259,279 | 6.6% |
| Citibank NA NY Note Call | Corporate Bond | 311,551 | 7.9% |
| JPMorgan Chase & CO Note | Corporate Bond | 246,755 | 6.3% |
| Bank of America Corp MTN | Corporate Bond | 248,131 | 6.3% |
| Wells Fargo CO New Note | Corporate Bond | 255,160 | 6.5% |
| BNP Paribas/ BNP Paribas US MTN | Corporate Bond | 259,180 | 6.6% |
| Barclays Bank PLC MTN | Corporate Bond | 218,592 | 5.5% |
| PNC BK A Pittsburgh PA MTN | Corporate Bond | 330,952 | 8.4% |
| HSBC USA INC Note | Corporate Bond | 359,037 | 9.1% |
| BB&T CORP SR Medium Term | Corporate Bond | 298,885 | 7.6% |

Rating as of December 31, 2019

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Exempt From Disclosure</u> | <u>A-</u> | <u>A</u> | <u>A+</u> | <u>Not Rated</u> |
|---------------------------|---------------------|-------------------------------|---------------------|-------------------|-------------------|---------------------|
| Corporate Bonds | \$ 2,686,625 | \$ - | \$ 1,379,883 | \$ 736,011 | \$ 570,731 | \$ - |
| Certificates of Deposit | 1,261,299 | - | - | - | - | 1,261,299 |
| LAIF | 1,195,445 | - | - | - | - | 1,195,445 |
| Fidelity Government Money | | | | | | |
| Market Capital Reserves | 19,036 | 19,036 | - | - | - | - |
| Wells Fargo Advantage | | | | | | |
| 100% Treasury Money | | | | | | |
| Market Fund | <u>529,191</u> | <u>529,191</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 5,691,596</u> | <u>\$ 548,227</u> | <u>\$ 1,379,883</u> | <u>\$ 736,011</u> | <u>\$ 570,731</u> | <u>\$ 2,456,744</u> |

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 3 — CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District 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 custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-deal) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in possession of another party.

The California Government code requires that a financial institution secure deposits made by state or local government unit by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of their pledged securities in the collateral pool must equal at least 110% of the total amount deposited by 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.

At December 31, 2019, the bank balance with Bank of the Sierra was \$1,176,890. Of this balance, \$250,000 per bank balance was covered by the federal depository insurance and \$926,890 was uninsured but collateralized.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools. The District's investments are in an account carried with National Financial Services LLC, Member NYSE, SIPC to mitigate custodial credit risk.

Fair Value Measurement: 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.

Government Sponsored Enterprises: use a market-based approach which considers yield, price of comparable securities, coupon rate, maturity, credit quality and dealer provided prices.

Certificates of Deposits: uses a market approach based on institutional note quotes. Evaluations are based on various market and industry inputs.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 3 — CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2019:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------|---------------------|---------------------|----------------|---------------------|
| Corporate Bonds | \$ 2,686,625 | \$ - | \$ - | \$ 2,686,625 |
| Certificates of Deposits | <u>-</u> | <u>1,261,299</u> | <u>-</u> | <u>1,261,299</u> |
| Total | \$ <u>2,686,625</u> | \$ <u>1,261,299</u> | \$ <u>-</u> | \$ <u>3,947,924</u> |

NOTE 4 — CAPITAL ASSETS

The following is a summary of changes in the capital assets during the year.

| | Balance <u>12/31/18</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>12/31/19</u> |
|--|----------------------------|---------------------|-------------------|----------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 462,982 | \$ - | \$ - | \$ 462,982 |
| Perpetual water supply contract | <u>7,076,835</u> | <u>-</u> | <u>-</u> | <u>7,076,835</u> |
| Totals | <u>7,539,817</u> | <u>-</u> | <u>-</u> | <u>7,539,817</u> |
| Capital assets being depreciated | | | | |
| Source of Supply | 19,704 | - | - | 19,704 |
| Pumping plant | 321,109 | - | - | 321,109 |
| Transmission & Distribution | 6,836,595 | - | - | 6,836,595 |
| General Plant | <u>1,161,062</u> | <u>-</u> | <u>-</u> | <u>1,161,062</u> |
| Totals | 8,338,470 | - | - | 8,338,470 |
| Less Accumulated depreciation | <u>(6,054,299)</u> | \$ <u>(201,838)</u> | <u>-</u> | <u>(6,256,137)</u> |
| Total capital assets being depreciated | <u>2,284,171</u> | | | <u>2,082,333</u> |
| Net Book Value | \$ <u>9,823,988</u> | | | \$ <u>9,622,150</u> |

NOTE 5 — RESTRICTED ASSETS

Under the Trust Agreement for the Revenue Certificates of Participation, Series 2010A, a reserve fund must be maintained to assure sufficient funds are available for semiannual payments according to the terms of the Certificates. Additionally, the District must pay proceeds from standby charges to the trustee on a monthly basis into a certificate payment fund until the amount is equal to the principal and interest with respect to the Certificates payable in the ensuing twelve months.

Restricted assets are comprised of the following at December 31, 2019:

| | |
|--------------------------|---------------------|
| Reserve fund | \$ 514,809 |
| Certificate payment fund | <u>512,751</u> |
| Total | \$ <u>1,027,560</u> |

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 6 — INVESTMENT IN FRIANT POWER AUTHORITY

The District participates in a joint power authority, Friant Power Authority (FPA), organized to develop hydroelectric power for use by public agencies and for other functions related to the purpose of the District. The FPA is not a component unit of the District, however, is considered a joint venture as defined by GASB No. 14.

FPA is comprised of eight special districts and currently operates a plant at the Friant Dam. The District has a 15.25 participation percentage in the original facilities constructed by the FPA. In addition, completion of a new project undertaken by the FPA was substantially completed and started generating power in May of 2017, with the District's participation percentage being 12.50%. A 7-Megawatt hydropower plant was built adjacent to the existing FPA 2.3-Megawatt hydropower plant to take advantage of additional water releases into the San Joaquin River as a result of the San Joaquin River Restoration Program. The District contributed \$242,318 to the FPA for the year ending December 31, 2019 for this project's development. In addition, the District received a return of their investment in FPA during the year in the amount of \$2,247,489.

For the year ended December 31, 2019 the District increased its investment and recorded estimated revenue in the amount of \$2,250,677 for the District's percentage of net income. The revenue reported also reflects a net change in the estimated revenue reported from prior years.

Separate financial statements are available for each JPA, and condensed financial information for the most recent year audited are shown below:

| | June 30, 2019 FPA |
|------------------------|----------------------|
| Total Assets | \$ 43,339,981 |
| Total Liabilities | 407,669 |
| Total Net Position | \$ 42,932,312 |
| | |
| Total Revenue | \$ 14,198,979 |
| Total Expense | 2,738,491 |
| Change in Net Position | \$ 11,460,488 |

NOTE 7 — JOINTLY GOVERNED ORGANIZATIONS

The District participates and associates with two joint power authorities (JPAs) and other organizations for the purpose of coalition building and sharing of costs with similar agencies to help achieve overall reduced costs. The relationship between the District and the JPAs is such that neither of the JPAs are a component unit of the District for financial reporting purposes. The District has an ongoing financial interests and/or financial responsibility (but no equity interests) with the following JPAs:

Friant Water Authority - Formed in 2004, for the purpose to, among other things, acquire, protect, preserve and enhance water supplies and water rights, related to our contracts with the USBR. The Friant Water Authority also operates and maintains the Friant-Kern canal. Copies of the latest financial report for FWA may be obtained from FWA, 854 N. Harvard Ave., Lindsay CA 93247.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 7 — JOINTLY GOVERNED ORGANIZATIONS, Continued

East Kaweah Groundwater Sustainability Agency (EKGSA) was created December 8, 2016 under the Sustainable Groundwater Act of 2014 which requires certain regions in California to develop and implement a plan that sustainably manages the shared groundwater resources for the benefit of the communities, agriculture and the environment. It is governed by an eleven-member board of which seven are selected from among its members. Copies of the latest financial report for EKGSA may be obtained from EKGSA, PO Box 908, Lindsay, CA 93247.

NOTE 8 — LONG-TERM DEBT

On November 1, 2010 the Lindmore Irrigation District Financing Corporation issued \$6,820,000 of revenue certificates of participation. The proceeds were used to acquire a permanent water right for the District from the United States of America, Bureau of Reclamation (USBR). The certificates bear interest at the rate of 2.0 to 5.0 percent per annum. Interest with respect to the certificates is payable on February 1 and August 1 of each year. The certificates are secured by District standby charge collections. At December 31, 2019 the outstanding principal balance is \$4,285,000. The 2019 principal and interest payments below are payable from the restricted assets (See Note 5).

The certificates mature through 2030 as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|--------------------|---------------------|---------------------|
| 2020 | \$ 315,000 | \$ 192,925 | \$ 507,925 |
| 2021 | 325,000 | 181,900 | 506,900 |
| 2022 | 340,000 | 169,712 | 509,712 |
| 2023 | 355,000 | 156,113 | 511,113 |
| 2024 | 365,000 | 141,912 | 506,912 |
| 2025-2029 | 2,100,000 | 443,400 | 2,543,400 |
| 2030 | <u>485,000</u> | <u>24,250</u> | <u>509,250</u> |
| Total | <u>\$4,285,000</u> | <u>\$ 1,310,212</u> | <u>\$ 5,595,212</u> |

Keller & Wegley Engineering services during October 1, 2009 through November 1, 2017 of \$73,139 were not invoiced until 2017. These services related primarily to transmission and distribution, as well as administrative and general, were agreed to be settled with equal annual installments of \$14,628 on or before January 31 without interest as follows:

| <u>Year Ending December 31,</u> | <u>Principal Only</u> |
|---------------------------------|-----------------------|
| 2020 | \$ 14,628 |
| 2021 | 14,628 |
| 2022 | <u>14,628</u> |
| | <u>\$ 43,884</u> |

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 8 — LONG-TERM DEBT, Continued

The changes in the District's long-term debt during the year consisted of the following:

| | Jan 1, 2018 | | | Dec 31, 2019 | Current | Long-Term |
|-----------------------------|---------------------|-------------|-------------------|---------------------|-------------------|---------------------|
| | Balance | Additions | Deductions | Balance | Portion | Debt |
| Bond | \$ 4,590,000 | \$ - | \$ 305,000 | \$ 4,285,000 | \$ 315,000 | \$ 3,970,000 |
| Keller & Wegley Engineering | <u>58,511</u> | <u>-</u> | <u>14,627</u> | <u>43,884</u> | <u>14,628</u> | <u>29,256</u> |
| | <u>\$ 4,648,511</u> | <u>\$ -</u> | <u>\$ 319,627</u> | <u>\$ 4,328,884</u> | <u>\$ 329,628</u> | <u>\$ 3,999,256</u> |

NOTE 9 — DEFERRED INFLOW OF RESOURCES

Unearned revenue is comprised of the following at December 31:

| | |
|----------------------|---------------------|
| Stand-By Charges | \$ 2,421,803 |
| Customer Water Sales | <u>21,694</u> |
| | <u>\$ 2,443,497</u> |

NOTE 10 – PRIOR PERIOD ADJUSTMENT

A misstatement in the District's previously issued financial statements, have been corrected in the current year. This resulted in the following change to unrestricted net position as of December 31, 2018.

| | |
|--|---------------------|
| As previously reported, December 31, 2018 | \$ 4,046,201 |
| Understatement of investment in Friant Power Authority | <u>254,500</u> |
| As restated, December 31, 2018 | <u>\$ 4,300,701</u> |

Prior to 2019, the District had not been classifying its relationship with Friant Power Authority (FPA) as a joint venture and not had been recording the District's financial interest in this power authority. This resulted in the District understating its investment in FPA. There is no effect in the change in net position for the year ended December 31, 2019. The effect of the corrections on changes in net position for the year ended December 31, 2018 has not been determined.

NOTE 11 — DEFERRED COMPENSATION PLAN

The District offers all full-time employees the Lindmore Irrigation District Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. Contributions are made by employees only on a voluntary basis. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. The assets, all property and rights purchased with such amounts and all income attributable to such amounts, are held in trust for the exclusive benefit of the participants and the beneficiaries. This plan is administered by Mass Mutual Retirement Services through an administrative service agreement. The District does not have fiduciary responsibility for the plan assets. Total employee contributions in 2019 were \$24,525.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 12 — DEFINED CONTRIBUTION PENSION PLAN

The District contributes to the Lindmore Irrigation District Employee Pension Plan, a defined contribution pension plan, for its full-time non-salaried employees. The Lindmore Irrigation District Employee Pension Plan is administered by Mass Mutual Retirement Services through an administrative service agreement. This service maintains its accounting records on the cash basis of accounting. Fair value of plan assets is obtained from quoted market prices. The District appointed its general manager to be the trust administrator.

Benefit terms, including contribution requirements, for the Lindmore Irrigation District Employee Pension Plan are established by the Board of Directors, which may be amended subject to collective bargaining. For each employee in the pension plan, the District is required to contribute 8 percent of all employee's regular hourly compensation to an individual employee account. Employees are not permitted to make contributions to the pension plan. For the year ended December 31, 2019 the District recognized pension expense of \$54,519.

Employees are immediately vested in District contributions and earnings on District contributions. Additionally, the District provides matching contributions of up to 4% that employees contribute from their regular hourly compensation into the Lindmore Irrigation District Deferred Compensation Plan.

NOTE 13 — COMMITMENT AND CONTINGENCIES

Water Delivery Contract - United States Bureau of Reclamation (USBR)

On November 17, 2010 the District entered into a long-term contract with USBR providing for project water service from Friant Division of the Central Valley Project. This permanent contract makes available for delivery to the District each year to purchase from the USBR up to 33,000-acre feet of Class I Water and up to 22,000-acre feet of Class 2 Water for irrigation and M & I purposes. These available allocations are subject to USBR determination of a possible Condition of Shortage. The USBR contract is the only source of water for the District.

The price of water is established annually by the USBR in accordance with applicable law and associated regulations, to pay the cost of operations, maintenance, restoration, and surcharge fees of the Central Valley Project for the term of the contract. The rate in effect at December 31, 2019 was \$39.80 per acre-foot.

A factor in determining the cost of water is the operating and maintenance (O&M) deficit or surplus the District has with the USBR. An O&M deficit is interest bearing and as of September 30, 2018 the last reported date, the District did not have an O&M deficit or surplus for Class 1 or Class 2 Water.

In addition, as of September 30, 2018, the District had a capital and construction cost deficit for Class 1 Water of \$1,214,500 and a surplus for Class 2 Water of \$97,661. The construction costs will continue to accumulate annually and be due by 2030. As of the issuance of the Districts audited financial statements, the Districts operating and maintenance deficit or surplus and capital and construction cost have not been determined by the USBR for the year ended September 30, 2019.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 13 — COMMITMENT AND CONTINGENCIES, continued

Settlement of NRDC v. Rogers, et al.

Settlement of this legal proceeding requires substantial commitment of water by all Friant Division Contractors to maintain flows sufficient to sustain a fishery in the Upper San Joaquin River. Prior to full implementation, significant channel and water control improvements are to be performed by federal and state governments.

Friant-Kern Canal Capacity Correction

As a Friant contractor, the District has a potential future obligation to the Friant Water Authority for its proportion of project cost for the Friant-Kern Canal Capacity Correction Project. This project is to repair a 35-mile stretch of the canal that has subsided due to groundwater pumping during the last drought. The Friant's Board has passed a resolution establishing a preliminary project cost-sharing amount of \$50 million to be covered by all of the Friant-Kern Canal Contractors. This amount is only an estimate and subject to changes based on the availability of funding through other means and there is no formal funding plan to date. An estimate of the possible cost or a range of costs cannot be made at this time.

SUPPLEMENTARY INFORMATION

**LINDMORE IRRIGATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
For The Year Ended December 31, 2019**

| | Adopted Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------------------|-------------------|---------------------|--|
| Operating Revenue | | | |
| Water sales | \$ 1,801,389 | \$ 2,233,914 | \$ 432,525 |
| Standby charges | 2,473,638 | 2,479,402 | 5,764 |
| East Kaweah Groundwater | | | |
| Sustainability Agency Reimbursement | 157,500 | 155,000 | (2,500) |
| Other revenue | <u>175,000</u> | <u>22,538</u> | <u>(152,462)</u> |
| Total Operating Revenue | <u>4,607,527</u> | <u>4,890,854</u> | <u>283,327</u> |
| Operating Expenses | | | |
| Source of supply | 3,095,880 | 3,101,549 | (5,669) |
| Pumping | 327,500 | 75,095 | 252,405 |
| Transmission and distribution | 434,248 | 731,218 | (296,970) |
| Administrative and general | 991,793 | 1,142,957 | (151,164) |
| Groundwater programs | 10,000 | 31,369 | (21,369) |
| East Kaweah Groundwater | | | |
| Sustainability Agency | 105,000 | 69,349 | 35,651 |
| Depreciation | <u>223,500</u> | <u>201,838</u> | <u>21,662</u> |
| Total Operating Expenses | <u>5,187,921</u> | <u>5,353,375</u> | <u>(165,454)</u> |
| Operating Income (Loss) | <u>(580,394)</u> | <u>(462,521)</u> | <u>117,873</u> |
| Non-Operating Revenue | | | |
| FPA revenue | 775,000 | 2,137,134 | 1,362,134 |
| Interest income | 110,500 | 150,493 | 39,993 |
| Investment gain (loss) | - | 122,173 | 122,173 |
| Right off of investment in USJRWPA | - | (29,108) | (29,108) |
| Interest expense | <u>-</u> | <u>(198,707)</u> | <u>(198,707)</u> |
| Total Non-Operating Revenue | <u>885,500</u> | <u>2,181,985</u> | <u>1,296,485</u> |
| Change in Net Position | <u>\$ 305,106</u> | <u>\$ 1,719,464</u> | <u>\$ 1,414,358</u> |

**LINDMORE IRRIGATION DISTRICT
SCHEDULE OF OPERATING EXPENSES
For The Year Ended December 31, 2019**

| | |
|--|---------------------|
| Source of supply | |
| Water purchase and cost | \$ 3,101,549 |
| Total source of water | <u>3,101,549</u> |
| Pumping | |
| Power | <u>75,095</u> |
| Total pumping | <u>75,095</u> |
| Transmission and Distribution | |
| O&M Salaries and wages | 354,389 |
| Water system operation expense | 37,888 |
| Repairs and maintenance | <u>205,965</u> |
| Total transmission and distribution | <u>598,242</u> |
| Administrative and General Expense | |
| Salaries and wages | 434,578 |
| Director's fees | 6,500 |
| Travel and Training | 2,130 |
| Legal and professional cost | 22,110 |
| Telephone | 7,372 |
| Utilities | 6,950 |
| Supplies, office | 13,056 |
| Office expense | 47,186 |
| Dues and subscriptions | 15,912 |
| Liability and Property Insurance | 34,346 |
| Employee benefits | 177,901 |
| Retirement Contribution | 54,519 |
| Maintenance, equipment, building and yard | 40,820 |
| Fuel and Oil | 47,503 |
| Modernization | 354,962 |
| Other costs | <u>12,616</u> |
| Total administrative and general expenses | <u>1,278,461</u> |
| Groundwater programs | |
| Engineering | <u>28,841</u> |
| | <u>28,841</u> |
| East Kaweah Groundwater Sustainability Agency Reimbursements | |
| SGMA Governance | 31,714 |
| SGMA Plan | <u>37,635</u> |
| | <u>69,349</u> |
| Depreciation | <u>201,838</u> |
| | <u>201,838</u> |
| Total operating expenses | <u>\$ 5,353,375</u> |

**LINDMORE IRRIGATION DISTRICT
SCHEDULE OF ORGANIZATION STRUCTURE
DECEMBER 31, 2019**

BOARD OF DIRECTORS

| <u>Division Directors</u> | <u>Office</u> | <u>Term Expires</u> |
|----------------------------------|----------------------|----------------------------|
| John A. Arnold | President | December, 2020 |
| David De Paoli | Vice President | December, 2022 |
| Scott R. Reynolds | Director | December, 2020 |
| Michael R. Brownfield | Director | December, 2020 |
| Edward J. Milanesio | Director | December, 2020 |

General Manager/Secretary/Treasurer

Michael D. Hagman

Office Administrator/Assessor/Collector

Marvin Rowe