

**FRESNO IRRIGATION DISTRICT**

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**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Fresno Irrigation District

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Fresno Irrigation District (the District) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits 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, 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 opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the Net OPEB Liability and Related Ratios, and the Schedule of Plan Contributions – OPEB, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in cursive script that reads "Hudson Henderson & Company, Inc.".

Fresno, California  
April 1, 2021

**FRESNO IRRIGATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

The following narrative provides an overview and analysis of the financial activities of the Fresno Irrigation District (the District) for the calendar years ended December 31, 2020 and 2019. It is provided in order to enhance the information in the financial audit and should be reviewed together with that report.

**OVERALL PROGRAM HIGHLIGHTS**

The District was formed in 1920 under the California Irrigation Districts Act, as the successor to the privately-owned Fresno Canal and Land Company (the Company). The District purchased all the rights and property of the Company for the sum of \$1,750,000. The assets of the Company consisted of over 600 miles of canals and distribution works which were constructed between the years 1850 and 1880, as well as the extensive water rights on Kings River. The District, which now comprises some 248,000 acres, lies entirely within Fresno County and includes the rapidly growing Fresno-Clovis metropolitan area. The District now operates approximately 800 miles of canals and pipelines. Total irrigated area is approximately 135,000 acres, although this number increased this year as a result of some farmland coming into production.

A significant improvement in the control and management of the waters of the Kings River occurred with the completion of the Pine Flat Dam project by the U.S. Army Corps of Engineers in 1954. Although built primarily as a flood control project, the Pine Flat Dam provides significant water conservation stemming from the storage and regulation of irrigation water by the 28 water right entities on the Kings River, including the District. The District is contracted for 11.9% of the 1,000,000 acre-foot capacity of the Pine Flat Reservoir. While the District is entitled to approximately 26% of the average runoff of the Kings River, much of its entitlement occurs at times when it can be used directly for irrigation of crops without the need for regulation at Pine Flat Dam. In a normal year, the District diverts approximately 500,000 acre-feet of water and delivers most of that to agricultural users, although an increasing share of the District's water supply is used for groundwater recharge and surface water treatment in the urban areas.

In addition to its entitlement from the Kings River, the District and the City of Fresno have signed contracts to purchase up to 135,000 acre-feet annually from the Friant Division of the United States Bureau of Reclamation, Central Valley Project.

**WATER MANAGEMENT**

Historically, excess water applied by the farmers has percolated beyond the root zone and recharged the extensive aquifer underlying the District. Between 85% and 90% of the groundwater supply can be attributed to water imported and distributed by the District.

The conversion of agricultural lands to high-density urban uses in the expanding Fresno-Clovis metropolitan area reduced the capacity to utilize surface water because a large amount of municipal and industrial water was obtained by pumping groundwater. A local overdraft developed in and around the urban areas. This situation was exacerbated by the drought of the late 1980s, early 1990s, and early 2010s. The District and the Cities of Fresno and Clovis have taken several measures to augment the supply of groundwater and reduce the amount of water pumped.

The District combined forces with the City of Fresno, the City of Clovis, the County of Fresno, and the Fresno Metropolitan Flood Control District in a cooperative effort to develop and implement a comprehensive surface and groundwater management program. The main thrust of the program involves using flood control basins for recharge purposes during the summer when the basins are not needed to control urban storm runoff. This program also contains elements designed to protect the quality of groundwater in the area.

The Cities of Fresno and Clovis have constructed surface water treatment plants to reduce the amount of groundwater pumped by the cities and increase the supply of water available. These plants treat surface water deliveries from the District, reduce pumping groundwater, and provide more water to the urban areas.

The District in a joint effort with the City of Clovis has constructed two water banking facilities to bank water in wet years and recover the water in dry years. The first is the Waldron Banking Facility which consists of three locations and the Boswell Banking Facility. These banking facilities can be called on to provide water in drought years and other years when additional water is needed.

The District completed the Gary R. Serrato Intertie project in 2017. This project is a pumping station that will help facilitate water transfers, exchanges, and sales by utilizing both the Kings River and Friant water supplies available to the District.

The District's management is actively participating to implement the Sustainable Groundwater Management Act (SGMA). The District along with other agencies in the area formed the North Kings Groundwater Sustainability Agency (NKGSA). NKGSA has prepared and submitted a Sustainable Groundwater Plan (GSP) and is working with neighboring GSAs to balance the groundwater supply.

The District's management is also actively involved in issues of environmental concerns and water supplies for other water agencies. The focus of these efforts is to address the concerns and challenges faced in our society while providing a reliable and affordable water supply for the cities and farmland within the District.

2020 was a below normal year for water in this District and a below normal year for the entire San Joaquin Valley. After an above normal year in 2017 and a below normal year in 2018, the District delivered a total of approximately 388,000 acre-feet, as compared to 500,000 acre-feet in a normal year and 300,000 acre-feet in some of the previous dry years.

## **GOVERNANCE**

The District is governed by a board of five directors. Each director represents a separate geographical division of the District and is elected to a term of four years by the qualified voters within the division.

Regular board meetings are held once a month. The geographical divisions are realigned every ten years after the compilation of the U.S. Census. The District hires experts to realign the divisions according to current laws and regulations. The last realignment was in 2012.

The budget is adopted by the Board of Directors in September for the following calendar year. The principal source of the District's income is water user fees for services provided by the District. There is no direct charge for the purchase of water. As such, the income of the District remains relatively stable despite fluctuations in the availability of water.

Day-to-day operations of the District are the responsibility of the General Manager and Assistant General Managers acting through the following described four departments:

- Water Operations, headed by the Water Operations Superintendent
- Construction and Maintenance, headed by the Construction and Maintenance Superintendent
- Engineering, headed by the Chief Engineer
- Finance, headed by the Controller/Chief Financial Officer

The District has a normal complement of about 89 full-time employees, an annual operating budget of approximately \$16 million, and an annual capital budget of about \$3.7 million.

## FINANCIAL HIGHLIGHTS

- Operating revenues were \$27.6 million, \$13.6 million higher than prior year.
- Operating expenses were \$19.4 million, approximately \$4.1 million higher than the prior year.
- Total assets are \$147.2 million, \$11.3 million higher than the prior year.
- Total liabilities are \$20.9 million, \$1.4 million lower than the prior year.

## OVERVIEW OF FINANCIAL STATEMENTS

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and include certain amounts based upon reliable estimates and judgments. The financial statements include a Statement of Net Positions; Statement of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows along with accompanying Notes to Financial Statements.

- The **Statements of Net Position** presents information on the District's assets, deferred outflows, liabilities and deferred inflows, the difference between the two representing net position, or equity.
- The **Statements of Revenues, Expenses, and Changes in Net Position** presents information showing total revenues versus total expenses and how the District's net position changed during the fiscal year. All revenues and expenses are recognized as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the disbursement or collection of cash during future fiscal years (e.g., reimbursable ongoing project expenses).
- The **Statements of Cash Flows** presents the changes in cash flows from operating activities, investing activities, non-capital financing activities, capital and related financing activities, and operating activities during the fiscal year.
- The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of the District's operations and significant accounting policies as well as clarify unique financial information.

The assets, liabilities, revenues, and expenses are reported on a full-accrual basis.

Hudson Henderson & Company, Inc. has performed an independent audit of our financial statements in accordance with auditing standards generally accepted in the United States of America. Their opinion is included in the Financial Section of this report.

## Analysis of Overall Financial Position and Results of Operation

### Combined Statements of Net Position

	December 31, 2020	December 31, 2019	Percentage Change
Current assets	\$ 47,418,546	\$ 38,785,000	22.3%
Non-current assets	99,796,563	97,120,356	2.8%
Total assets	147,215,109	135,905,356	8.3%
Deferred outflows of resources	1,151,264	645,087	78.5%
Current liabilities	6,556,618	4,701,860	39.4%
Non-current liabilities	14,309,562	17,551,439	-18.5%
Total liabilities	20,866,180	22,253,299	-6.2%
Deferred inflows of resources	12,464,483	11,356,785	9.8%
Net position	\$ 115,035,710	\$ 102,940,359	11.7%

  

	December 31, 2019	December 31, 2018	Percentage Change
Current assets	\$ 38,785,000	\$ 37,864,411	2.4%
Non-current assets	97,120,356	95,878,003	1.3%
Total assets	135,905,356	133,742,414	1.6%
Deferred outflow of resources	645,087	272,976	136.3%
Current liabilities	4,701,860	2,721,121	72.8%
Non-current liabilities	17,551,439	17,541,459	0.1%
Total liabilities	22,253,299	20,262,580	9.8%
Deferred inflow of resources	11,356,785	11,142,982	1.9%
Net position	\$ 102,940,359	\$ 102,609,828	0.3%

### Assets

Total assets increased \$11,309,753 resulting from an increase of \$5,582,434 in unrestricted cash and investments, \$2,659,838 in grants receivable and \$2,603,248 in capital assets.

The majority of the District's investments are held in investment accounts with Wells Fargo Bank and include the restricted bond funds. Cash is also held in the Local Agency Investment Fund (LAIF), an external investment pool managed by the State Treasurer's Office.

## Revenues and Expenses

Total revenues, operating and non-operating, increased 99.6% over the prior year and total expenses increased 25.4%. This resulted in an increase of income (loss) before capital contributions of \$11,566,169 as compared to the prior year.

Revenues consist almost entirely of assessments received from agencies and landowners and water sales. Water sales increased by 1,051.4% mostly due to the District's supply of stored water available, increased price and demand in a dry year. The District typically stores water in a wet year until the demand and price increase in a dry year. 2020 was a dry year so the demand and price for water increased compared to 2019. Water purchases increased by 865.9% over the prior year since the District purchased available water. Water was moved this year using the intertie pumps that the District installed in a previous year to move water from the Kings River to the Friant-Kern Canal to serve other local interests. These transactions in a dry year help all agencies involved manage both finances and water resources.

### Combined Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended December 31, 2020	Year Ended December 31, 2019	Percentage Change
Operating revenues	\$ 27,623,805	\$ 14,007,110	97.2%
Operating expenses:			
Water purchases	2,553,438	264,354	865.9%
Transmission and distribution	4,855,444	4,747,870	2.3%
Maintenance	3,543,770	2,652,021	33.6%
General and administration	5,562,464	4,968,714	11.9%
Depreciation	2,937,711	2,688,854	9.3%
Total operating expenses	19,452,827	15,321,813	27.0%
Net operating income (loss)	8,170,978	(1,314,703)	721.5%
Non-operating revenues (expenses):			
Rental income	16,838	14,100	19.4%
Investment income	934,080	1,380,870	-32.4%
Interest expense	(425,518)	(532,659)	-20.1%
Gain (loss) on disposition of capital assets	14,952	257,407	-94.2%
Intergovernmental grants	2,659,838	-	-
Total non-operating revenues (expenses)	3,200,190	1,119,718	185.8%
Income (loss) before capital contributions	11,371,168	(194,985)	5931.8%
Capital contributions	724,183	525,516	37.8%
Change in net position	12,095,351	330,531	3559.4%
Net position - beginning of year	102,940,359	102,609,828	0.3%
Net position - end of year	\$ 115,035,710	\$ 102,940,359	11.7%

**Combined Statements of Revenues, Expenses, and Changes  
in Net Position (continued)**

	Year Ended December 31, 2019	Year Ended December 31, 2018	Percentage Change
Operating revenues	\$ 14,007,110	\$ 18,494,924	-24.3%
Operating expenses:			
Water purchases	264,354	671,582	-60.6%
Transmission and distribution	4,747,870	4,032,899	17.7%
Maintenance	2,652,021	3,001,707	-11.6%
General and administration	4,968,714	4,475,973	11.0%
Depreciation	2,688,854	2,667,497	0.8%
Total operating expenses	15,321,813	14,849,658	3.2%
Net operating income	(1,314,703)	3,645,266	-136.1%
Non-operating revenues (expenses):			
Rental income	14,100	19,700	-28.4%
Investment income	1,380,870	423,575	226.0%
Interest expense	(532,659)	(396,417)	34.4%
Gain (loss) on disposition of capital assets	257,407	63,367	306.2%
Intergovernmental grants	-	1,189,094	-100.0%
Total non-operating revenues (expenses)	1,119,718	1,299,319	-13.8%
Income before capital contributions	(194,985)	4,944,585	-103.9%
Capital contributions	525,516	701,659	-25.1%
Change in net position	330,531	5,646,244	-94.1%
Net position - beginning of year	102,609,828	96,963,584	5.8%
Net position - end of year	\$ 102,940,359	\$ 102,609,828	0.3%

**General Administrative Expenses**

Total general and administrative expenses, including labor and dues, increased 11.9% from the prior year. This increase is primarily due to an increase in wages and benefits and consultants. Total general and administrative expenses represent 28.0% of the total expenses incurred by the District during the year ended December 31, 2020 a decrease of 3.3% from 2019.

**CAPITAL ASSETS AND LONG-TERM DEBT**

**Capital Assets:** The District’s investment in capital assets as of December 31, 2020, is \$99.6 million (net of accumulated depreciation), an increase of \$2.6 million over 2019. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and canal structures.

Major capital asset additions this year include the following:

Canal structures	\$3.7 million
Jobs in Progress	\$1.1 million

During the year, the District finished several projects of the canal system which decreased the jobs in progress.

**Capital Assets**

	December 31, 2020	December 31, 2019	Percentage Change
Land and land rights	\$ 11,688,620	\$ 11,703,253	-0.1%
Jobs in progress	9,803,760	8,703,501	12.6%
Pine Flat Dam projects	1,781,918	1,781,918	0.0%
Buildings and houses	9,228,891	9,151,936	0.8%
Canal and telemetry systems	108,465,519	104,750,296	3.5%
Tools, equipment, and vehicles	6,958,265	6,612,121	5.2%
Office furniture and equipment	999,026	992,095	0.7%
Accumulated depreciation	(49,308,617)	(46,680,986)	5.6%
Total capital assets	<u>\$ 99,617,382</u>	<u>\$ 97,014,134</u>	<u>2.7%</u>

	December 31, 2019	December 31, 2018	Percentage Change
Land and land rights	\$ 11,703,253	\$ 11,086,341	5.6%
Jobs in progress	8,703,501	16,084,364	-45.9%
Pine Flat Dam projects	1,781,918	1,781,918	0.0%
Buildings and houses	9,151,936	9,246,659	-1.0%
Canal and telemetry systems	104,750,296	94,172,951	11.2%
Tools, equipment, and vehicles	6,612,121	6,536,552	1.2%
Office furniture and equipment	992,095	985,212	0.7%
Accumulated depreciation	(46,680,986)	(44,248,682)	5.5%
Total capital assets	<u>\$ 97,014,134</u>	<u>\$ 95,645,315</u>	<u>1.4%</u>

**Long-Term Debt:** The District’s non-current portion of long-term debt as of December 31, 2020, was \$12.8 million.

**Long-Term Debt**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Percentage Change</u>
Warrants/Loans payable	\$ 4,000,000	\$ 6,000,000	-33.3%
Certificates of participation	<u>11,284,284</u>	<u>11,805,176</u>	-4.4%
Total long-term debt	<u>\$ 15,284,284</u>	<u>\$ 17,805,176</u>	<u>-14.2%</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>Percentage Change</u>
Warrants/Loans payable	\$ 6,000,000	\$ 4,050,000	48.1%
Certificates of participation	<u>11,805,176</u>	<u>12,306,070</u>	-4.1%
Total long-term debt	<u>\$ 17,805,176</u>	<u>\$ 16,356,070</u>	<u>8.9%</u>

In September 2018, the District issued warrants Series 2018 in the amount of \$6,000,000 from Wells Fargo Bank, for the costs of the acquisition, construction and/or improvement of certain facilities which are commonly known as the Central Basin Project and the Wagner Basin Project. Funding was reallocated for 2020 and the warrants were allocated to the Central Basin Project alone. The warrants are payable in semi-annual installments of \$1 million plus interest at approximately 2.77% beginning February 2020. The warrants will be repaid after grant funding is received or as scheduled payments are made.

The District completed a debt refunding on the prior certificates of participation to take advantage of current interest rates. The refunding bonds are repayable over 20 years.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

The Board approved a budget for 2021 that includes an increase in income for assessments and an increase in projects. The increase in assessments is due to a five-year increase that was approved by the voters in 2017 and the increase in projects is due to the construction of additional basins that may be converted to water banks in the future and corresponds with the increase in 2020 water sales that will be used to fund the projects. The District will continue to utilize its water allocation and the purchase of water to sell and deliver in years when water is not readily available and can be sold at a higher price.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to DeAnn Hailey, Controller, Fresno Irrigation District, 2907 S. Maple Avenue, Fresno, California 93725. The District’s website is at [www.fresnoirrigation.com](http://www.fresnoirrigation.com).

**FRESNO IRRIGATION DISTRICT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current Assets		
Cash and Investments	\$ 34,690,545	\$ 29,108,111
Receivables:		
Accounts	257,552	75,098
Assessments	9,320,786	9,084,180
Interest	114,171	143,023
Grants	2,659,838	-
Prepaid Expenses	375,654	374,588
Total Current Assets	<u>47,418,546</u>	<u>38,785,000</u>
Non-Current Assets		
Restricted Cash and Investments	5	1,010
Receivables:		
Assessments	154,107	80,143
Other Assets	25,069	25,069
Capital Assets, Not Being Depreciated	23,274,298	22,188,672
Capital Assets, Net of Accumulated Depreciation	<u>76,343,084</u>	<u>74,825,462</u>
Total Non-Current Assets	<u>99,796,563</u>	<u>97,120,356</u>
Total Assets	<u>147,215,109</u>	<u>135,905,356</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows - OPEB	<u>1,151,264</u>	<u>645,087</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	2,202,258	534,857
Accrued Salaries and Related Benefits	245,315	180,255
Accrued Interest	124,646	178,374
Accrued Compensated Absences	791,421	800,416
Other Liabilities	752,979	577,960
Current Portion of Long-Term Debt	<u>2,440,000</u>	<u>2,430,000</u>
Total Current Liabilities	<u>6,556,619</u>	<u>4,701,862</u>
Non-Current Liabilities		
Net OPEB Liability	1,465,277	2,176,261
Warrants/Loans Payable	2,000,000	4,000,000
Certificates of Participation	<u>10,844,284</u>	<u>11,375,176</u>
Total Non-Current Liabilities	<u>14,309,561</u>	<u>17,551,437</u>
Total Liabilities	<u>20,866,180</u>	<u>22,253,299</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - OPEB	708,003	-
Unearned Assessment Revenue	<u>11,756,480</u>	<u>11,356,785</u>
Total Deferred Inflows of Resources	<u>12,464,483</u>	<u>11,356,785</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	82,867,826	77,033,707
Restricted for Debt Service	5	1,010
Unrestricted	<u>32,167,879</u>	<u>25,905,644</u>
Total Net Position	<u>\$ 115,035,710</u>	<u>\$ 102,940,361</u>

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

**FRESNO IRRIGATION DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>OPERATING REVENUES</b>		
Assessments	\$ 11,349,069	\$ 11,026,647
Water Sales	15,401,988	1,337,632
Service Charges	178,354	299,805
Pine Flat Dam Water Use Revenue	278,029	432,571
Project Contributions	241,911	514,898
Other Operating Revenue	174,454	395,557
	<u>27,623,805</u>	<u>14,007,110</u>
<b>OPERATING EXPENSES</b>		
Water Purchases	2,553,438	264,354
Transmission and Distribution	4,855,444	4,747,870
Maintenance	3,543,770	2,652,021
General and Administration	5,562,464	4,968,714
Depreciation and Amortization	2,937,711	2,688,854
	<u>19,452,827</u>	<u>15,321,813</u>
Net Operating Income (Loss)	<u>8,170,978</u>	<u>(1,314,703)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Rental Income	16,838	14,100
Investment Income	934,080	1,380,870
Interest Expense	(425,518)	(532,659)
Gain (Loss) on Disposition of Capital Assets	14,952	257,407
Intergovernmental Grants	2,659,838	-
	<u>3,200,190</u>	<u>1,119,718</u>
Total Non-Operating Revenues (Expenses)	<u>3,200,190</u>	<u>1,119,718</u>
Income (Loss) Before Capital Contributions	11,371,168	(194,985)
Capital Contributions	<u>724,183</u>	<u>525,516</u>
Change in Net Position	12,095,351	330,531
Net Position, Beginning of Year	<u>102,940,359</u>	<u>102,609,828</u>
Net Position, End of Year	<u>\$ 115,035,710</u>	<u>\$ 102,940,359</u>

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

**FRESNO IRRIGATION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from assessments, water sales, and related activities	\$ 27,077,993	\$ 13,392,486
Cash received from other operating activities	452,483	828,128
Payments for transmission, distribution, and water purchases	(3,645,993)	(2,986,982)
Payments to other vendors for other operating activities	(5,795,102)	(5,113,098)
Payments to employees and employee benefit programs	<u>(5,685,760)</u>	<u>(4,522,500)</u>
Net cash provided by operating activities	<u>12,403,621</u>	<u>1,598,034</u>
<b>Cash Flows from Investing Activities:</b>		
Investment income	962,932	1,336,571
Rental income	16,838	14,100
Principal payments received from notes and loans receivable	<u>-</u>	<u>266,896</u>
Net cash provided by investing activities	<u>979,770</u>	<u>1,617,567</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from sale of assets	45,962	540,519
Interest payments on debt borrowings	(479,246)	(495,760)
Proceeds from debt borrowings	-	1,950,000
Principal payments on debt borrowings	(2,520,892)	(500,892)
Acquisition and construction of utility plant and capital assets	<u>(4,847,786)</u>	<u>(3,815,269)</u>
Net cash used by capital and related financing activities	<u>(7,801,962)</u>	<u>(2,321,402)</u>
Net increase in cash and investments	5,581,429	894,199
Cash and investments - beginning of year	<u>29,109,121</u>	<u>28,214,922</u>
Cash and investments - end of year	<u>\$ 34,690,550</u>	<u>\$ 29,109,121</u>
Reconciliation of cash and investments to statements of net position:		
Unrestricted assets - cash and investments	\$ 34,690,545	\$ 29,108,111
Restricted assets - cash and investments	<u>5</u>	<u>1,010</u>
Total cash and investments	<u>\$ 34,690,550</u>	<u>\$ 29,109,121</u>

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

**FRESNO IRRIGATION DISTRICT**  
**STATEMENTS OF CASH FLOWS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>Reconciliation of net operating income (loss) to net cash provided by operating activities:</b>		
Net operating income (loss)	<u>\$ 8,170,978</u>	<u>\$ (1,314,703)</u>
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,937,711	2,688,854
Changes in operating assets and liabilities:		
Receivables:		
Accounts	(182,454)	135,056
Assessments	(310,570)	(244,550)
Prepaid expenses	(1,066)	(14,577)
Other assets	-	1,550
Net OPEB liability	(710,984)	580,872
Deferred outflows of resources	201,826	(481,306)
Accounts payable	1,667,401	(86,653)
Accrued salaries and related benefits	65,060	49,330
Accrued compensated absences	(8,995)	(76,502)
Unearned assessment revenue	399,695	322,998
Other liabilities	<u>175,019</u>	<u>37,665</u>
Total adjustments	<u>4,232,643</u>	<u>2,912,737</u>
Net cash provided by operating activities	<u>\$ 12,403,621</u>	<u>\$ 1,598,034</u>
<b>Non-cash investing, capital, and financing activities:</b>		
Contributions of capital assets from developers	<u>\$ 724,183</u>	<u>\$ 525,516</u>

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

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: The Fresno Irrigation District (the District) was formed in 1920 under the California Irrigation District Act. The District, which covers an area of approximately 245,000 acres, is located entirely within Fresno County. The primary function of the District is to divert and distribute water to agricultural lands. The principal source of the District's revenue is water user fees for services provided by the District.

The District is governed by a board of five directors. Each director represents a separate geographical division of the District and is elected to a term of four years by the voters of their division.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The accounts of the District are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses.

All activities of the District are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations that are (a) 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 users charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or operating income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operation.

The District's operating revenues and expenses generally result from providing water related services in connection with the District's ongoing operations. The principal operating revenues of the District are assessments and water related charges. Operating expenses include water purchases, transmission and distribution, general and administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District presents comparative financial statements in the accompanying financial statements to improve financial reporting of the District. All activities of the District are reported under one major proprietary (enterprise) fund.

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus", and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statements of Net Position. The Statements of Revenue, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Cash and Investments: For purposes of the Statements of Cash Flows, the District considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash and cash equivalents.

All investments are stated at fair value. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investments consist primarily of federal agency securities, corporate bonds, brokered securities of deposits, and deposits in the Local Agency Investment Fund, a State Investment Pool.

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Restricted Cash: Restricted cash represents amounts set aside in a trust account for the 2016A Bond Refunding agreement.

Accounts Receivable: Receivables consist primarily of assessments levied in advance for the subsequent year.

The District does not anticipate any material write-off of bad debts and, therefore, has not established an “allowance for bad debts” in the Statements of Net Position as of December 31, 2020 or 2019.

All assessments are considered collectible because the District obtains a lien upon all assessed property once the assessment becomes delinquent. After a five-year period, the District can sell the property to recover all prior assessments, costs, penalties, and interest due to the District.

Capital Assets: Capital assets are defined by the District as assets with estimated useful lives of more than one year. All such assets are recorded at cost or estimated historical cost. Donated assets are recorded at the estimated market value at the date donated. The District has set the capitalization threshold for reporting capital assets at \$5,000.

Depreciable assets are depreciated over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Transmission and distribution plant:	10-50 years
Buildings:	20-40 years
Equipment:	5-20 years
Telemetry system:	10 years
Office furniture and fixtures:	3-15 years

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Non-Exchange Transactions: Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property tax increments and other grants. With the accrual basis of accounting, revenue from assessments is recognized in the fiscal year for which the assessments are levied or assessed. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Deferred Outflows and Inflows of Resources: Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the District that is applicable to a future reporting period.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. Deferred inflows reported by the District consist of unearned deferred assessments that have been billed as of year-end, but not yet collected.

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Unearned Assessment Revenue: In accordance with provisions of Division 11 of the Water Code of the State of California, an annual assessment is levied upon the land within the District to provide the funds necessary for the District to meet its financial obligations. The assessment levied in October of each year is to acquire funds for operations during the next calendar year. To properly match revenues with expense, the assessment revenue for 2021 levied in 2020 and 2020 levied in 2019 was deferred at December 31, 2020 and 2019, respectively.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences: District employees are granted sick leave and paid time-off benefits in varying amounts depending on the number of years of service. Leave is recorded as an expense and a liability of the District as the benefits accrue.

Net Position: Net position represents the residual interest in the District's assets after liabilities are deducted. The Statements of Net Position report total net position and presents it in three broad components: net investment in capital assets, restricted, and unrestricted. Net position, net investment in capital assets includes capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. Amounts included as unrestricted net assets are available for designation for specific purposes established by the District's Board of Directors. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Budgeting Procedures: Each year management of the District prepares a proposed budget, which is presented to the District's Board of Directors. The annual budget is then legally enacted through adoption of a budget resolution.

Special Assessments: The District has elected to raise the funds required to carry on the business and affairs of the District by means of charges fixed under Section 22280 of the Water Code in lieu of ad valorem assessments based on the full cash value of lands within the District. Annually the District classifies lands on the basis of services provided during the subsequent calendar year, and establishes the relative value of such services furnished by the District in a manner that is consistent with applicable classifications as approved by the voters of the District pursuant to Proposition 218.

Governmental Accounting Standards Update: During the year ending December 31, 2020, the District implemented the following standards:

*GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance.* The requirements of this statement are effective as of May 2020.

**FRESNO IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Governmental Accounting Standards Update (continued):

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to December 15, 2019.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to December 15, 2020.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to December 15, 2019.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to December 15, 2021.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through April 1, 2021, which is the date the financial statements were available to be issued.

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of December 31, 2020 and 2019, are classified in the accompanying financial statements as follows:

	<b>2020</b>	<b>2019</b>
Unrestricted cash and investments:		
Petty cash	\$ 374	\$ 407
Cash deposits with financial institutions	8,888,018	4,190,062
Investments	<u>25,802,153</u>	<u>24,917,642</u>
 Total unrestricted cash and investments	 <u>34,690,545</u>	 <u>29,108,111</u>
Restricted cash and investments:		
Cash and investments held by bond trustee	<u>5</u>	<u>1,010</u>
 Total restricted cash and investments	 <u>5</u>	 <u>1,010</u>
 Total cash and investments	 <u>\$ 34,690,550</u>	 <u>\$ 29,109,121</u>

Investments authorized by the California Government Code and the District’s Investment Policy are as follows:

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

**FRESNO IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 2 – CASH AND INVESTMENTS (continued)**

Disclosure Relating to Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term 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 operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<b>December 31, 2020</b>		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Federal Agency Securities	\$ 10,260,589	\$ 2,017,275	\$ 1,044,993	\$ 7,198,321	\$ -
Brokered Certificates of Deposit (FDIC Insured)	8,221,011	1,523,763	2,558,100	4,139,148	-
Corporate Bonds LAIF	7,311,834	1,015,362	725,456	5,571,016	-
	8,719	8,719	-	-	-
Money Market Funds	5	5	-	-	-
	<u>\$ 25,802,158</u>	<u>\$ 4,565,124</u>	<u>\$ 4,328,549</u>	<u>\$ 16,908,485</u>	<u>\$ -</u>

<b>December 31, 2019</b>		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Federal Agency Securities	\$ 9,609,683	\$ 1,498,740	\$ 1,994,977	\$ 6,115,966	\$ -
Brokered Certificates of Deposit (FDIC Insured)	7,085,332	1,752,671	1,524,523	3,808,138	-
Corporate Bonds LAIF	8,214,050	1,003,821	1,034,953	6,175,276	-
	8,577	8,577	-	-	-
Money Market Funds	1,010	1,010	-	-	-
	<u>\$ 24,918,652</u>	<u>\$ 4,264,819</u>	<u>\$ 4,554,453</u>	<u>\$ 16,099,380</u>	<u>\$ -</u>

**FRESNO IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 2 – CASH AND INVESTMENTS (continued)**

Disclosure Relating to Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of yearend for each investment type. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Investment Type	Amount	Minimum Legal Rating	Rating as of December 31, 2020							Not Rated	
			AAA	AA+	AA-	A+	A	BBB+	A-		
Federal Agency Securities	\$ 10,260,589	N/A	\$ -	\$ 7,268,221	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,992,368
Brokered Certificates of Deposit (FDIC Insured)	8,221,011	N/A	-	-	-	-	-	-	-	250,645	7,970,366
Corporate Bonds	7,311,834		-	-	-	-	3,648,590	1,028,541	2,634,703	-	-
LAIF	8,719	N/A	-	-	-	-	-	-	-	-	8,719
Money Market Funds	5	N/A	5	-	-	-	-	-	-	-	-
	<u>\$ 25,802,158</u>		<u>\$ 5</u>	<u>\$ 7,268,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,648,590</u>	<u>\$ 1,028,541</u>	<u>\$ 2,885,348</u>		<u>\$ 10,971,453</u>

Investment Type	Amount	Minimum Legal Rating	Rating as of December 31, 2019							Not Rated	
			AAA	AA+	AA-	A+	A	BBB+	A-		
Federal Agency Securities	\$ 9,609,683	N/A	\$ -	\$ 6,557,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,051,726
Brokered Certificates of Deposit (FDIC Insured)	7,085,332	N/A	-	-	-	-	-	-	-	-	7,085,332
Corporate Bonds	8,214,050		-	-	6,989,941	-	202,733	-	-	-	1,021,376
LAIF	8,577	N/A	-	-	-	-	-	-	-	-	8,577
Money Market Funds	1,010	N/A	1,010	-	-	-	-	-	-	-	-
	<u>\$ 24,918,652</u>		<u>\$ 1,010</u>	<u>\$ 6,557,957</u>	<u>\$ 6,989,941</u>	<u>\$ -</u>	<u>\$ 202,733</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 11,167,011</u>

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 2 – CASH AND INVESTMENTS (continued)**

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<b>2020</b> <u>Reported Amount</u>	<u>% of Total Investments</u>
Bank of NY Mellon Corp	Corporate Bonds	\$ 2,397,996	9.3%
Federal Farm Credit	Federal Agency Securities	4,125,832	16.0%
Federal Home Loan Bank	Federal Agency Securities	2,138,491	8.3%
Freddie Mac	Federal Agency Securities	2,992,368	11.6%
JP Morgan Chase & Co.	Corporate Bonds	2,115,797	8.2%

<u>Issuer</u>	<u>Investment Type</u>	<b>2019</b> <u>Reported Amount</u>	<u>% of Total Investments</u>
Bank of NY Mellon Corp	Corporate Bonds	\$ 2,350,512	9.4%
Fannie Mae	Federal Agency Securities	1,993,773	8.0%
Federal Farm Credit	Federal Agency Securities	3,568,484	14.3%
Federal Home Loan Bank	Federal Agency Securities	3,051,727	12.2%
JP Morgan Chase & Co.	Corporate Bonds	2,352,587	9.4%
Wells Fargo & Co.	Corporate Bonds	2,531,890	10.2%

Custodial Credit Risk: Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The 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. None of the District's investments were subject to custodial credit risk. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The District's deposits with financial institutions held in uncollateralized accounts are subject to custodial credit risk for deposits, including investments that were subject to custodial credit risk. The amount of collateralized funds in excess of the Federal Deposit Insurance Corporation coverage was \$8,638,017 and \$3,940,063 for the years ending December 31, 2020 and 2019, respectively. However, the excess funds held at December 31, 2020 and 2019 are still secured by the pledged securities in the collateral pool at 110% as noted in the paragraph above and as such are secure in that manner. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**FRESNO IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 2 – CASH AND INVESTMENTS (continued)**

Investment in State Investment Pool: The District is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Fair Value Measurements: Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The District uses appropriate valuation techniques to determine value based on inputs available.

When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. The following description summarizes the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statements of Net Position.

The three levels of inputs used to measure fair value are as follows:

Level 1 – Values measured using quoted prices in active markets for identical investments. The fair value of these financial instruments and investments is based on quoted market prices or dealer quotes in active markets. The fair value of the District's investments were measured using quoted market prices in active markets.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. The District did not have any input into the fair value of Level 2 investments. The District did not have any assets reported at fair value with Level 2 inputs for the years ended December 31, 2020 and 2019.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The District did not have any assets reported at fair value with Level 3 inputs for the years ended December 31, 2020 and 2019.

There have been no changes in fair value measurement classifications from the prior year. The balance available for withdrawal from LAIF is based on the records maintained by LAIF, which is recorded on an amortized cost basis, and not subject to fair value measurements.

**FRESNO IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 2 – CASH AND INVESTMENTS (continued)**

The tables below present the level within the fair value hierarchy at which investments are measured at December 31, 2020 and 2019:

<b>December 31, 2020</b>		<u>Fair Value Measurements on a Recurring Basis</u>		
<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Federal Agency Securities Brokered Certificates of Deposit (FDIC Insured)	\$ 10,260,589	\$ 10,260,589	\$ -	\$ -
Corporate Bonds	8,221,011	8,221,011	-	-
Money Market Funds	7,311,834	7,311,834	-	-
	5	5	-	-
		<u>\$ 25,793,439</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not subject to fair value hierarchy				
LAIF	<u>8,719</u>			
	<u>\$ 25,802,158</u>			

<b>December 31, 2019</b>		<u>Fair Value Measurements on a Recurring Basis</u>		
<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Federal Agency Securities Brokered Certificates of Deposit (FDIC Insured)	\$ 9,609,683	\$ 9,609,683	\$ -	\$ -
Corporate Bonds	7,085,332	7,085,332	-	-
Money Market Funds	8,214,050	8,214,050	-	-
	1,010	1,010	-	-
		<u>\$ 24,910,075</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not subject to fair value hierarchy				
LAIF	<u>8,577</u>			
	<u>\$ 24,918,652</u>			

**NOTE 3 – RECEIVABLES**

Receivables consisted of the following at December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Assessments	\$ 9,474,893	\$ 9,164,323
Interest	114,171	143,023
Accounts	257,552	75,098
Grants	2,659,838	-
	<u>\$ 12,506,454</u>	<u>\$ 9,382,444</u>

*Assessments* – Approximately 99% of outstanding year-end balances are for amounts levied and billed to landowners in the current year for the subsequent operating year. The remaining 1% represents outstanding assessments for prior years.

**FRESNO IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 4 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Capital assets not being depreciated:				
Land	\$ 9,953,253	\$ -	\$ (14,633)	\$ 9,938,620
Property and land rights	1,750,000	-	-	1,750,000
Storage rights - Pine Flat Dam	1,781,918	-	-	1,781,918
Construction in progress	8,703,501	4,209,301	(3,109,042)	9,803,760
<b>Total capital assets not being depreciated</b>	<b>22,188,672</b>	<b>4,209,301</b>	<b>(3,123,675)</b>	<b>23,274,298</b>
Capital assets being depreciated:				
Transmission and distribution plant	104,252,663	3,673,658	-	107,926,321
Buildings	9,151,936	76,955	-	9,228,891
Equipment	6,612,121	658,726	(312,582)	6,958,265
Telemetry system	497,633	41,565	-	539,198
Office furniture and fixtures	992,095	6,931	-	999,026
<b>Total capital assets being depreciated</b>	<b>121,506,448</b>	<b>4,457,835</b>	<b>(312,582)</b>	<b>125,651,701</b>
Less accumulated depreciation:				
Transmission and distribution plant	37,952,582	2,212,840	-	40,165,422
Buildings	1,793,370	247,360	-	2,040,730
Equipment	5,535,884	436,200	(310,080)	5,662,004
Telemetry system	491,725	-	-	491,725
Office furniture and fixtures	907,425	41,311	-	948,736
<b>Total accumulated depreciation</b>	<b>46,680,986</b>	<b>2,937,711</b>	<b>(310,080)</b>	<b>49,308,617</b>
<b>Total capital assets being depreciated, net</b>	<b>74,825,462</b>	<b>1,520,124</b>	<b>(2,502)</b>	<b>76,343,084</b>
<b>Total capital assets, net</b>	<b>\$ 97,014,134</b>	<b>\$ 5,729,425</b>	<b>\$ (3,126,177)</b>	<b>\$ 99,617,382</b>

Depreciation expense for the year ended December 31, 2020, was \$2,937,711.

**FRESNO IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 4 – CAPITAL ASSETS (continued)**

Capital assets activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Capital assets not being depreciated:				
Land	\$ 9,336,341	\$ 616,912	\$ -	\$ 9,953,253
Property and land rights	1,750,000	-	-	1,750,000
Storage rights - Pine Flat Dam	1,781,918	-	-	1,781,918
Construction in progress	16,084,364	2,691,978	(10,072,841)	8,703,501
<b>Total capital assets not being depreciated</b>	<b>28,952,623</b>	<b>3,308,890</b>	<b>(10,072,841)</b>	<b>22,188,672</b>
Capital assets being depreciated:				
Transmission and distribution plant	93,675,318	10,577,345	-	104,252,663
Buildings	9,246,659	9,800	(104,523)	9,151,936
Equipment	6,536,552	246,935	(171,366)	6,612,121
Telemetry system	497,633	-	-	497,633
Office furniture and fixtures	985,212	13,249	(6,366)	992,095
<b>Total capital assets being depreciated</b>	<b>110,941,374</b>	<b>10,847,329</b>	<b>(282,255)</b>	<b>121,506,448</b>
Less accumulated depreciation:				
Transmission and distribution plant	35,989,862	1,962,720	-	37,952,582
Buildings	1,624,852	247,336	(78,818)	1,793,370
Equipment	5,268,472	438,778	(171,366)	5,535,884
Telemetry system	491,725	-	-	491,725
Office furniture and fixtures	873,771	40,020	(6,366)	907,425
<b>Total accumulated depreciation</b>	<b>44,248,682</b>	<b>2,688,854</b>	<b>(256,550)</b>	<b>46,680,986</b>
<b>Total capital assets being depreciated, net</b>	<b>66,692,692</b>	<b>8,158,475</b>	<b>(25,705)</b>	<b>74,825,462</b>
<b>Total capital assets, net</b>	<b>\$ 95,645,315</b>	<b>\$ 11,467,365</b>	<b>\$ (10,098,546)</b>	<b>\$ 97,014,134</b>

Depreciation expense for the year ended December 31, 2019, was \$2,688,854.

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 5 – LONG-TERM LIABILITIES**

Warrants Payable: In September 2018, the District issued warrants Series 2018 in the amount of \$6,000,000 from Wells Fargo Bank, for the costs of the acquisition, construction and/or improvement of certain facilities which are commonly known as the Central Basin Project and the Wagner Basin Project. The warrants are payable in semi-annual installments of \$1,063,767 beginning February 2020, including variable rate interest at approximately 2.77%, the LIBOR Index Rate. The outstanding balance at December 31, 2020 and 2019, was \$4,000,000 and \$6,000,000, respectively. The annual debt service requirements to maturity are as follows:

Year Ended December 31,	Principal	Interest	Total
2021	\$ 2,000,000	\$ 63,767	\$ 2,063,767
2022	2,000,000	63,767	2,063,767
	\$ 4,000,000	\$ 127,534	\$ 4,127,534

The District is required to inform no less than a majority of the owners of outstanding principle balance promptly (no more than 5 days) of the occurrence of any event of default, event or act which with the giving of notice or passage of time would constitute a default. Any one or more of the following events shall constitute an event of default under the warrant agreement and will result in mandatory acceleration of maturities:

- 1) The District fails to make punctual payments of any debt service payment or fees when they become due.
- 2) The District fails to maintain proper accounting records or fails to make them available for inspection by any owner of more than 10% of the warrants upon reasonable notice and conditions.
- 3) The District does not provide as soon as available, and no later than 240 days after the end of each fiscal year, an unqualified audited combined financial statement prepared by an independent Certified Public Accountant having been prepared in accordance with Generally Accepted Accounting Principles.
- 4) Later than 60 days after the end of each fiscal year the District does not produce an annual combined capital budget for the succeeding fiscal year.
- 5) The District takes any action that would result in the interest of the warrants to become includible in gross income for federal income tax purposed including; any use of proceeds that may cause the warrants to be "arbitrage bonds", or take any action that would result in the warrants to be federally guaranteed withing the meaning of Section 149(b) of the Code.
- 6) The District fails to remain in compliance with all agreements, covenants, and terms contained in all contracts for the use of the water system.
- 7) The District fails to maintain insurance against such casualty risks to the district as are customarily insured against in connection with similar operations, which insurance shall be in an amount equal to the principal amount of the warrant outstanding. This insurance may be maintained in the form of self-insurance, the proceeds of such shall be applied to rebuild, replace, or make improvements to the water system.
- 8) The District dissolves or otherwise dispose of all or substantially all of its assets or consolidate with another public agency without assuming in writing all of the obligations of the District.
- 9) The District fails to prescribe rates and charges for water service which are reasonably expected to be sufficient to yield net revenues equal to 110% of debt service on bonds and contracts for the fiscal year. So long as the District has complied with the aforementioned requirement, the failure of net revenues to meet the threshold shall not constitute an event of default.
- 10) Any default on any material obligation including contracts, instruments, purchase obligations, or any other liability of any kind.

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 5 – LONG-TERM LIABILITIES (continued)**

Warrants Payable (continued): If an event of default has occurred and is continuing, the purchaser may declare the principle of the loan, together with the accrued interest on all unpaid principle thereof, to be due and payable immediately. If any event of default shall occur, except where otherwise provided in the agreement or related documents, all commitments and obligations of the lender under the agreement or the related documents or any other agreement immediately will terminate.

2016A Water Revenue Refunding Bonds: In April 2007, the District issued \$16,575,000 of COPs. The COPs were issued to finance certain improvements to the District’s water system. In October 2016, the District issued \$11,415,000 of water revenue refunding bonds. The bonds were issued to refund all of the outstanding COPs and to pay for cost of issuance of the 2016A bonds. The bonds bear interest at rates ranging from 3% to 5%, which is payable on October 1 and April 1 of each year, with final maturity set for 2036. Principal payments on the bonds are payable on October 1 of each year. The bonds are secured by a pledge of the net revenues of the water system. The outstanding balance at December 31, 2020 and 2019, was \$9,830,000 and \$10,260,000, respectively.

Any one or more of the following events shall constitute an event of default under the bonds agreement and will result in acceleration of the bonds:

- 1) Default by the District in the due and punctual payment of the principal of any 2016 bonds when and as the same become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- 2) Default by the District in the due and punctual payment of the interest on any 2016 bonds when and as the same become due and payable.
- 3) Default by the District in the observance of any other covenants, agreements or conditions on its part in the indenture or in the 2016 bonds if such default will have continued for a period of thirty days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the District by the trustees or by the owners of not less than a majority in aggregate principal amount of the 2016 bonds outstanding.
- 4) The District files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction approves a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property.
- 5) Payment of the principal of any bond or with respect to any contract is accelerated in accordance with its terms.

The annual debt service requirements to maturity on the 2016A water revenue refunding bonds are as follows:

Year Ended December 31,	Principal	Interest	Total
2021	\$ 440,000	\$ 410,100	\$ 850,100
2022	465,000	388,100	853,100
2023	485,000	364,850	849,850
2024	505,000	350,300	855,300
2025	520,000	335,150	855,150
2026-2030	2,945,000	1,317,500	4,262,500
2031-2035	3,650,000	613,400	4,263,400
2036	820,000	32,800	852,800
	<u>\$ 9,830,000</u>	<u>\$ 3,812,200</u>	<u>\$ 13,642,200</u>

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 5 – LONG-TERM LIABILITIES (continued)**

Total interest expense, net of bond premium amortization, for the years ended December 31, 2020 and 2019, was \$425,518 and \$532,659, respectively.

Long-term liabilities activity for the years ended December 31, 2020 and 2019 were as follows:

	<b>2020</b>			<b>2020</b>	
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2016A Refunding Bonds	\$ 10,260,000	\$ -	\$ 430,000	\$ 9,830,000	\$ 440,000
2016A Refunding Bonds Unamortized Premium	1,545,176	-	90,892	1,454,284	-
Warrants Payable	6,000,000	-	2,000,000	4,000,000	2,000,000
	<u>\$ 17,805,176</u>	<u>\$ -</u>	<u>\$ 2,520,892</u>	<u>\$ 15,284,284</u>	<u>\$ 2,440,000</u>
	<b>2019</b>			<b>2019</b>	
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2016A Refunding Bonds	\$ 10,670,000	\$ -	\$ 410,000	\$ 10,260,000	\$ 430,000
2016A Refunding Bonds Unamortized Premium	1,636,070	-	90,894	1,545,176	-
Warrants Payable	4,050,000	1,950,000	-	6,000,000	2,000,000
	<u>\$ 16,356,070</u>	<u>\$ 1,950,000</u>	<u>\$ 500,894</u>	<u>\$ 17,805,176</u>	<u>\$ 2,430,000</u>

**NOTE 6 – EMPLOYEE RETIREMENT PLAN**

The District maintains a defined contribution plan covering substantially all of its employees. All eligible employees receive an automatic contribution of 0.5% of gross pay, regardless of their amount of voluntary contributions after one year of service. Employee voluntary contributions are matched by the District up to 6% of gross pay after one year of service. The District's contributions to the retirement plan for the years ended December 31, 2020 and 2019 were \$306,542 and \$266,878, respectively. The payroll for employees covered by the District in 2020 and 2019 was \$5,935,560 and \$5,649,274, respectively.

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Plan Description: The District provides medical/RX insurance for its employees, retirees, and their dependents through the California Public Employees Medical and Hospital Care Act and dental and vision insurance through the Ameritas Life Insurance Corp. Employees hired prior to January 1, 2006, must have attained age 62 and completed at least 10 years of service with the District in order to retire and become eligible for lifetime District-paid medical/RX, dental, and vision insurance. Employees hired on or after January 1, 2006, must have attained age 62 and completed at least 20 years of service and are required to contribute 50% of the cost of dependent coverage for medical/RX premiums. For hourly employees hired on or after May 14, 2014, employees reaching age 62 at the time of retirement and who have completed at least 20 years of employment with the District will continue to be eligible for medical insurance coverage for himself/herself only, with premiums paid in the same proportion as active status employees. Board of Directors members are eligible for benefits only if they were elected to the Board prior to January 1, 1994 and have the required years of service.

Funding Policy: Currently, the District funds retiree health care benefits on a pay-as-you-go basis. The District recognizes expenditures for its share of the annual premiums as these benefits become due. For 2020, the District paid \$268,560 for benefits for 48 participants, including spouses. In addition, the District made an additional one-time lump sum payment of \$500,000 for the year ending December 31, 2020. For 2019, the District paid \$264,588 for benefits for 53 participants, including spouses.

Employees Covered: At the measurement date of December 31, 2019, the following employees were covered by the benefit terms:

	2020
Inactive employees or beneficiaries currently receiving benefit payments	30
Active employees	88
	118

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

Net OPEB Liability: The District’s total OPEB liability balance of \$9,123,684 was measured as of December 31, 2019 and determined by an actuarial valuation as of December 31, 2019. Standard actuarial update procedures were used to roll forward to the measurement date from the actuarial valuation and financial reporting dates.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at December 31, 2018	\$ 8,607,803	\$ 7,012,414	\$ 1,595,389
Changes in the year:			
Service cost	215,826	-	215,826
Interest on the total OPEB liability	507,605	-	507,605
Contributions from the employer	-	299,808	(299,808)
Net investment income	-	(117,971)	117,971
Benefit payments	(299,808)	(299,808)	-
Trustee fees	-	(21,850)	21,850
Administrative expense	-	(17,428)	17,428
Net change	423,623	(157,249)	580,872
Balance at December 31, 2019	9,031,426	6,855,165	2,176,261
Changes in the year:			
Service cost	185,210	-	185,210
Interest on the total OPEB liability	544,407	-	544,407
Differences between expected and actual experience	(783,368)	-	(783,368)
Changes in assumptions	436,606	-	436,606
Contributions from the employer	-	290,597	(290,597)
Net investment income	-	844,340	(844,340)
Benefit payments	(290,597)	(290,597)	-
Trustee fees	-	(22,582)	22,582
Administrative expense	-	(18,516)	18,516
Net change	92,258	803,242	(710,984)
Balance at December 31, 2020	\$ 9,123,684	\$ 7,658,407	\$ 1,465,277

**FRESNO IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

Actuarial Assumptions and Other Inputs: The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.0 percent
Inflation rate	3.0 percent
Discount rate	6.0 percent, net of OPEB plan investment expense
Healthcare cost trend rate	6.0 percent for 2020 and decreasing 0.10 percent each year to an ultimate rate of 5.00 percent for 2030 and later years.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the December 31, 2019 valuation were based on a review of plan experience during the period January 1, 2018 to December 31, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 6.00%.

Discount Rate: GASB 75 requires a discount rate that reflects the following:

- a. The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan’s projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. A discount rate of 6.00% was determined.

Changes in Benefit Terms: None since the December 31, 2019 valuation.

Changes of Assumptions: None since the December 31, 2019 valuation.

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

Sensitivity of the Net OPEB Liability to Changes in Discount Rate: The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.00 percent) or 1-percentage point higher (7.00 percent) than the current discount rate:

2020	Discount Rate - 1% (5.00%)	Current Discount Rate 6.00%	Discount Rate + 1% (7.00%)
Net OPEB Liability	\$2,719,229	\$1,465,277	\$427,347

  

2019	Discount Rate - 1% (5.00%)	Current Discount Rate 6.00%	Discount Rate + 1% (7.00%)
Net OPEB Liability	\$3,432,672	\$2,176,261	\$1,136,867

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.00 percent decreasing to 4.00 percent) or 1-percentage point higher (7.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

2020	Trend Rate -1% (5.00% decreasing to 4.00%)	Current Trend Rate (6.00% decreasing to 5.00%)	Trend Rate +1% (7.00% decreasing to 6.00%)
Net OPEB Liability	\$368,235	\$1,465,277	\$2,805,252

  

2019	Trend Rate -1% (5.00% decreasing to 4.00%)	Current Trend Rate (6.00% decreasing to 5.00%)	Trend Rate +1% (7.00% decreasing to 6.00%)
Net OPEB Liability	\$989,888	\$2,176,261	\$3,637,074

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At December 31, 2020 and 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution subsequent to the measurement period	\$ 768,560	\$ -
Difference between expected and actual experience	-	686,656
Changes in assumptions or other inputs	382,704	-
Differences between projected and actual return investments <sup>1</sup>	-	21,347
Total	<u>\$ 1,151,264</u>	<u>\$ 708,003</u>

<sup>1</sup>Measured at December 31, 2019 net of deferred outflows of \$346,796

2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution subsequent to the measurement period	\$ 264,588	\$ -
Differences between projected and actual return investments <sup>1</sup>	380,499	-
Total	<u>\$ 645,087</u>	<u>\$ -</u>

<sup>1</sup>Measured at December 31, 2018 net of deferred inflows of \$81,896

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued): The amounts on the previous page are net of outflows and inflows recognized in the measurement period expense. The amounts above reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$ 63,816	\$ (96,712)
2022	63,816	(96,711)
2023	91,115	(96,712)
2024	53,902	(175,100)
2025	53,902	(96,712)
2026	53,902	(96,712)
2027	53,902	(96,712)
2028	5,390	(9,673)

Net OPEB Expense: For the years ended December 31, 2020 and 2019, the District recognized OPEB expense of \$259,401 and \$364,153 respectively.

2020	
Change in Net OPEB Liability	\$ (710,984)
Change in Deferred Outflows	(506,177)
Change in Deferred Inflows	708,003
Employer Contributions	768,559
OPEB Expense	<u>\$ 259,401</u>
2019	
Change in Net OPEB Liability	\$ 580,872
Change in Deferred Outflows	(380,499)
Change in Deferred Inflows	(109,195)
Employer Contributions	272,975
OPEB Expense	<u>\$ 364,153</u>

Investment Policy: The District’s policy regarding the allocation of the plan’s invested assets is established and may be amended by District management. The Board of Directors delegates the investment authority of the District’s OPEB funds to the Controller under supervision of the General Manager and the Assistant General Manager. The Controller shall maintain a system of internal controls in cooperation with the Finance and Audit Committee.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid and marketable. The objective shall be safety, liquidity and yield in that order.

The table below summarizes the maximum percentage and minimum credit quality required for each permissible investment. Percentages may change after purchase as a result of withdrawals from the portfolio.

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

Investment Policy (continued):

Investment Type	Maximum Security	Max % of Investment Portfolio	Max % Investment in One Issuer	Minimum Credit Rating
US Treasury	5 years	100%	100%	-
Federal Agency	5 years	50%	20%	AAA
Bankers' Acceptances	180 days	40%	30%	Highest by NRSRO
Commercial Paper	270 days	25%	10%	Highest by NRSRO
Medium Term Notes	5 years	30%	N/A	A
Negotiable CD's	5 years	30%	N/A	A
Time CD's	5 years	100%	FDIC & NCUA Limits	-
LGIP	-	50%	N/A	AAA
LAIF	Daily	50%	N/A	N/A
Money Market Funds	-	100%	100%	-
Money Market Mutual Funds	-	20%	20%	Treasury/Agency Only
Repurchase Agreements	92 days	20%	20%	Primary Dealer

Rate of Return: For the year ended on the measurement date, the annual money-weighted rate of return on investments, net of investment expense, was 12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

Water Delivery Contract: The District has entered into a 25-year contract with the United States Bureau of Reclamation (USBR) beginning March 1, 2001, and continuing through February 28, 2026, and has committed each year to purchase up to 75,000 acre-feet of Class II water. The rate, which can change on October 1 of each year, was \$24.47 per acre-foot as of December 31, 2020. As a condition of the contract, the District is also committed to pay a pro-rata portion of the operation and maintenance costs of the Friant-Kern Canal, at a current annual cost of approximately \$250,000.

Pine Flat Dam Storage: The District has a perpetual right to water storage at Pine Flat Dam. The District's percentage share is 11.8232% (119,000 acre-feet). The District's current share of operations and maintenance costs at Pine Flat Dam is approximately \$176,000 per year.

Central Valley Project: In connection with the District's water contract, the U.S. Congress has passed legislation mandating that the Central Valley Project collect sufficient revenue to cover the entire project operation and maintenance costs. The project operation and maintenance costs are being computed on a utility type charge, on a project-wide basis. Any net project deficit is being charged against individual contracts. In 2010, the District paid off the Capital Component of the Central Valley Project associated with their Class II Contract in the amount of \$3.2 million that allowed the District to convert to a 9(d) water service contract. Any future capital projects initiated by the USBR will be factored into the District's price for water.

**FRESNO IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 8 – COMMITMENTS AND CONTINGENCIES (continued)**

Litigation and Contingencies: There are numerous pending issues affecting water quality and water rights relevant to the District, including restriction on the operation of the irrigation delivery systems owned and operated by the District and possible interpretations of state water rights relating to the District's groundwater banking program. It is unclear what impact those issues will have on the District, if any.

COVID-19: On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a State of Emergency in California due to the novel Coronavirus (COVID-19). The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the District is unknown.

**NOTE 9 – RISK MANAGEMENT**

The District is a member of the Special District Risk Management Authority (SDRMA) for workers' compensation insurance and the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) for liability insurance. The relationship is such that these public entity risk pools are not component units of the District for financial reporting purposes.

The risk pools are governed by boards consisting of a representative from each member agency. The boards control their operations, including selection of management and approval of operating budgets. The pooling agreements do not permit the pools to make additional assessments or distribute retrospective refunds to its members, however, future annual premiums are adjusted for any surpluses or deficits experienced by the pools.

During 2020 and 2019, there were no reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**FRESNO IRRIGATION DISTRICT**

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**REQUIRED SUPPLEMENTARY INFORMATION**

**FRESNO IRRIGATION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
DECEMBER 31, 2020**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 185,210	\$ 215,826	\$ 209,540
Interest on total OPEB liability	544,407	507,605	485,119
Change of benefit terms	-	-	-
Differences between expected and actual experience	(783,368)	-	-
Changes in assumptions	436,606	-	-
Benefit payments, including refunds of employee contributions	<u>(290,597)</u>	<u>(299,808)</u>	<u>(339,411)</u>
Net change in total OPEB liability	92,258	423,623	355,248
Total Net OPEB liability- beginning	<u>9,031,426</u>	<u>8,607,803</u>	<u>8,252,555</u>
Total Net OPEB liability- ending (a)	<u>\$ 9,123,684</u>	<u>\$ 9,031,426</u>	<u>\$ 8,607,803</u>
 <b>Plan Fiduciary Net Position</b>			
Contributions- employer	\$ 290,597	\$ 299,808	\$ 339,411
Contributions- employees	-	-	-
Net investment income	844,340	(117,971)	564,205
Benefit payments	(290,597)	(299,808)	(339,411)
Trustee fees	(22,582)	(21,850)	(21,628)
Administrative expense	<u>(18,516)</u>	<u>(17,428)</u>	<u>(16,880)</u>
Net change in plan fiduciary net position	803,242	(157,249)	525,697
 Total plan fiduciary net position- beginning	<u>6,855,165</u>	<u>7,012,414</u>	<u>6,486,717</u>
 Total plan fiduciary net position- ending (b)	<u>\$ 7,658,407</u>	<u>\$ 6,855,165</u>	<u>\$ 7,012,414</u>
 Net OPEB liability- ending (a)-(b)	<u>\$ 1,465,277</u>	<u>\$ 2,176,261</u>	<u>\$ 1,595,389</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	83.94%	75.90%	81.47%
 District's covered-employee payroll	\$ 5,935,560	\$ 5,649,274	\$ 5,220,556
 Net OPEB liability as a percentage of covered-employee payroll	24.69%	38.52%	30.56%

**NOTES TO THE SCHEDULE:**

\*Fiscal year 2018 was the first year of implementation; therefore, only three available years are shown as of December 31, 2020.

**FRESNO IRRIGATION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PLAN CONTRIBUTIONS - OPEB  
DECEMBER 31, 2020**

Last 10 Fiscal Years*	2020	2019	2018
Actuarially determined contribution	\$ 290,597	\$ 299,808	\$ 301,289
Contributions in relation to the actuarially determined contribution	(290,597)	(299,808)	(301,289)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,935,560	\$ 5,649,274	\$ 5,220,556
Contributions as a percentage of covered-employee payroll	4.90%	5.31%	5.77%

**NOTES TO SCHEDULE:**

Valuation Date: December 31, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Inflation	3.00 percent
Salary increases	3.00 percent
Investment rate of return	6.00 percent, net of OPEB plan investment expense
Healthcare cost trend rate	6.00 percent for 2020; increasing .10 percent each year to an ultimate rate of 5.00 Percent for 2030 and later years
Pre-retirement mortality	Based on the RP-2014 Employee Mortality Table for Males or Females
Post-retirement mortality	Based on the RP-2014 Health Annuitant Mortality Table for Males or Females

\*Fiscal year 2018 was the first year of implementation; therefore, only three available years are shown as of December 31, 2020.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Fresno Irrigation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Fresno Irrigation District (the District), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated April 1, 2021.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

*Hudson Henderson & Company, Inc.*

Fresno, California  
April 1, 2021



April 2, 2021

To the Board of Directors  
Fresno Irrigation District

We have audited the financial statements of the business-type activities of the Fresno Irrigation District (the District) for the years ended December 31, 2020 and 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 5, 2021. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Management's estimate of the estimated useful lives and depreciation factors affecting capital assets and their valuation is a key estimate in the overall balance and operations of the District. We evaluated the key factors and assumptions used to develop the depreciation valuation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of other postemployment benefits plan in Note 7 to the financial statements resulted in material changes to ending net position due to the change in how the District recognizes the liability on the Statements of Net Position as it relates to the District's OPEB plan.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 1, 2021.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, schedule of changes in the net OPEB liability and related ratios, and the schedule of plan contributions - OPEB, which are required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding 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 financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Brian Henderson, CPA  
of HUDSON HENDERSON & COMPANY, INC.