

**MADERA IRRIGATION DISTRICT**

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**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

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

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	3
<b>Financial Statements:</b>	
Statements of Net Position .....	9
Statements of Revenues, Expenses, and Changes in Net Position.....	11
Statements of Cash Flows .....	12
Notes to Financial Statements.....	14
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 <i>Government Auditing Standards</i> .....	30
Schedule of Findings and Responses .....	32
Schedule of Prior Year Findings and Responses .....	33



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Madera Irrigation District

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Madera 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 opinions 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 opinion.

### 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.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 audit 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 May 13, 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 blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California  
May 13, 2021

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

The following management discussion and analysis is the result of Madera Irrigation District (the District) implementing Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis (MD&A) - for State and Local Governments." - GASB No. 34 establishes financial reporting standards for state and local governments, including special districts such as the Madera Irrigation District. This discussion and analysis of the District's financial performance provides an overview of the District's activities as well as its financial condition for the years ended December 31, 2020 and 2019. Please read this discussion and analysis in conjunction with the District's audited financial statements and the accompanying notes.

**Overall Program Highlights**

Madera Irrigation District is a public agency, established by the State Legislature as a Special Act District. The governing Board of Directors consists of five members who are elected at large but must reside within one of the five director divisions and elected to a four-year term. Statutory authority under which the District operates is the California State Water Code. Regular Board Meetings are held once a month.

The District currently encompasses an area of approximately 140,000 acres, with a gravity irrigation distribution system of approximately 300 miles of open flow canal systems, as well as 150 miles of pipelines. Much of the City of Madera is within the boundaries of the District and provides approximately 3% of the District's revenues through the assessment collections.

The budget is adopted by the Board of Directors in December with assessment rate setting completed annually at the Board Meeting in June. The District has two main sources of income which consist of the sale of crop water delivered to its growers and assessments on any property within the District's boundaries.

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

1. Administration Department, headed by the General Manager
2. Finance Department, headed by the Controller
3. Operations, Maintenance and Engineering, headed by the Operations and Maintenance Manager
4. Human Resources, headed by the Human Resources Administrator/Risk Manager

The District has a normal complement of 60 full-time employees and was staffed with 51 full-time employees as of December 31, 2020, with an annual budget of approximately \$25.5 million.

In 1951, after years of temporary contracts, the District signed its first long-term contract with United States Bureau of Reclamation (USBR) for 85,000 acre-feet of Class 1 water and 186,000 acre-feet of Class 2 water. The Class 2 water is less firm and with a lower cost and is intended to assist the District in controlling groundwater overdraft during wetter years. Also, the District signed a contract in 1968 with the Bureau of Reclamation for 24,000 acre-feet of conservation yield water from what is the Hidden Dam which forms Hensley Lake.

In addition to the services rendered to the lands within the District, the District is a member of the Madera-Chowchilla Water and Power Authority which operates and maintains the Madera Canal, beginning at Friant Dam, to its terminus at the Chowchilla River.

The District is also a member of the Friant Power Authority. The Friant Power Authority power plants produce hydroelectricity and are located at Friant Dam on the San Joaquin River, Madera Canal, and Friant Kern Canal. As a member of the Friant Power Authority the District shares in the generation revenue based on its membership percentage.

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

**Required Financial Statements**

This annual financial statement report consists of three parts: Management's Discussion and Analysis, the Financial Statements, and Notes to the Financial Statements. The District's financial statements include the (1) Statements of Net Position, (2) Statements of Revenues, Expenses, and Changes in Net Position and (3) Statements of Cash Flows. The financial statements are prepared using the accrual basis of accounting.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the financial data provided and are an integral part of the District's financial statements.

The Financial Statements of the District report information about the District using accounting methods like those used by companies in the private sector. These statements offer short-term and long-term financial information about its activities. The *Statements of Net Position* includes all District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and provides information about the nature and amounts of investments in assets and obligations to District creditors as liabilities. It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All the revenues and expenses are accounted for in the *Statements of Revenues, Expenses, and Changes in Net Position*. These statements measure the District's operations over the past year and can be used to determine whether the District has successfully recovered its costs through its rates, fees, assessments and other methods in the period they are earned and expenses in the period they are incurred without regard to the period of cash receipt or payment.

The final required financial statements are the *Statements of Cash Flows*. The primary purpose of these statements is to provide information about the District's cash receipts and cash payments during the reporting period as well as net changes in cash resulting from operating, investing, and financing activities. These statements explain where cash came from and where cash was used and the change in the cash balance during the reporting period.

Hudson Henderson & Company, Inc., Certified Public Accountants, have performed an independent audit of the District's financial statements in accordance with generally accepted auditing standards. Their opinion is included in the Financial Section of this report.

**OVERVIEW OF FINANCIAL STATEMENTS**

- Total assets and deferred outflows of resources are \$120.3 million, an increase of approximately 6%. This increase is due to an increase in cash and cash equivalents.
- Total liabilities are \$52.2 million, a decrease of approximately 10%. This decrease is due to a decrease in long-term liabilities.
- Operating Revenue of \$20.5 million and operating expense of \$15.9 million resulted in operating income from operations of \$4.6 million. Net non-operating revenue of \$7.6 million is the result of total non-operating revenue of \$10.2 million offset by interest expense and other expenses of \$2.6 million.
- The District's total cash and cash equivalents increased by \$8.9 million in 2020. This increase was due to net revenues over expenses resulting in an increase in the District's net position.

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

**OVERVIEW OF FINANCIAL STATEMENTS (continued)**

**Summary of Overall Financial Positions and Results of Operation**

	<b>2020</b>	<b>Restated 2019</b>	<b>2018</b>
<b>ASSETS</b>			
Current unrestricted assets	\$ 49,518,766	\$ 41,543,679	\$ 30,020,325
Restricted assets	2,066,003	2,066,003	1,805,337
Water entitlements	27,061,855	27,061,855	27,061,855
Capital assets, net	29,434,685	29,522,213	29,374,526
Investments in water and power authorities	4,953,096	5,284,099	5,243,529
Total Assets	<u>113,034,405</u>	<u>105,477,849</u>	<u>93,505,572</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources	<u>7,267,363</u>	<u>7,943,672</u>	<u>8,583,482</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 120,301,768</u>	<u>\$ 113,421,521</u>	<u>\$ 102,089,054</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 9,736,801	\$ 9,581,135	\$ 8,303,716
Long-term liabilities	<u>42,513,673</u>	<u>48,077,525</u>	<u>50,936,889</u>
Total Liabilities	<u>52,250,474</u>	<u>57,658,660</u>	<u>59,240,605</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources	<u>6,141,974</u>	<u>6,037,248</u>	<u>5,937,821</u>
<b>NET POSITION</b>			
Net investment in capital assets	18,886,267	14,094,293	11,840,540
Restricted	2,066,003	2,066,003	1,805,337
Unrestricted	<u>40,957,050</u>	<u>33,565,317</u>	<u>23,264,751</u>
Total Net Position	<u>61,909,320</u>	<u>49,725,613</u>	<u>36,910,628</u>
Total Liabilities, Deferred Inflows of Resources & Net Position	<u>\$ 120,301,768</u>	<u>\$ 113,421,521</u>	<u>\$ 102,089,054</u>

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

**OVERVIEW OF FINANCIAL STATEMENTS (continued)**

**Condensed Capital Assets Detail**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Transmission and Distribution System, net	\$ 6,422,770	\$ 6,316,966	\$ 6,545,810
Land	19,908,628	19,908,628	19,736,029
Vernal Pools	899,588	899,588	899,588
Madera Ranch - Improvements, net	49,438	53,062	6,625
Buildings, net	67,556	78,722	90,111
Construction and Shop Equipment, net	1,142,198	1,172,763	1,190,003
Transportation Equipment, net	636,747	529,812	446,186
Office Furniture and Equipment, net	97,444	113,525	104,597
Yards and Grounds, net	84,601	99,170	96,489
Construction in Progress	125,715	349,977	259,088
	<u>\$ 29,434,685</u>	<u>\$ 29,522,213</u>	<u>\$ 29,374,526</u>

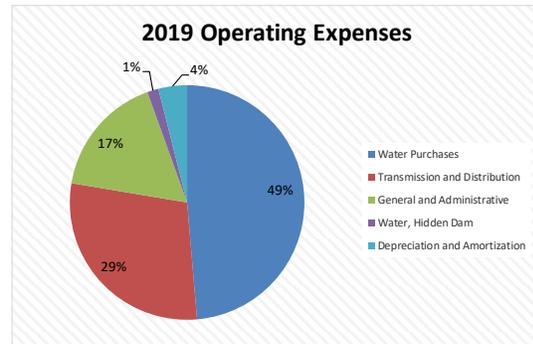
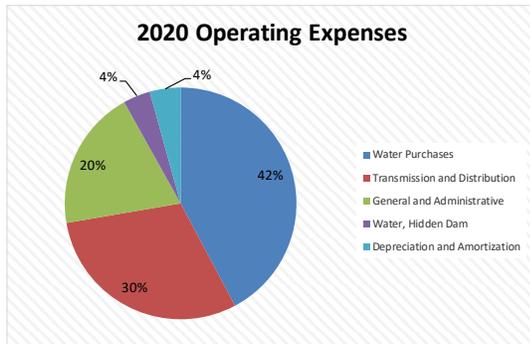
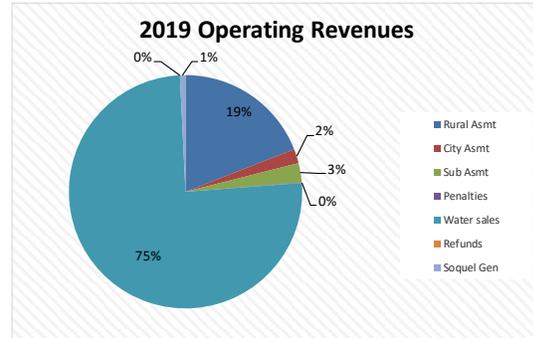
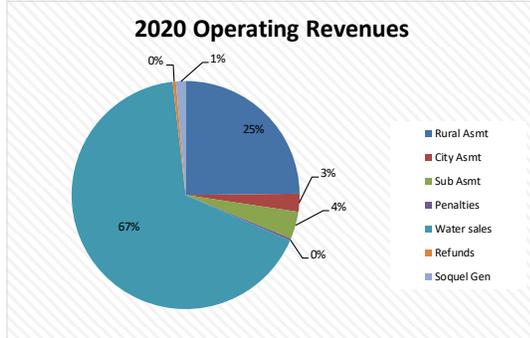
Significant Net Position Activity – The balance of net position is comprised of restricted, unrestricted, and net investment in capital assets. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$62 million. Capital assets are not liquid nor are they available for future spending but have been acquired over time and through their utilization, provide the District with revenue.

**Combined Statement of Revenues, Expenses, and Changes in Net Position**

	<u>2020</u>	<u>Restated 2019</u>	<u>2018</u>
Operating revenues	\$ 20,514,429	\$ 26,273,063	\$ 22,196,320
Operating expenses	15,942,121	15,422,225	17,837,802
Net Income from Operations	4,572,308	10,850,838	4,358,518
Non-operating revenues	10,249,690	4,732,832	3,256,175
Non-operating expenses	(2,638,291)	(2,768,685)	(3,121,718)
Total Nonoperating Revenues (Expenses)	7,611,399	1,964,147	134,457
Change in Net Position	12,183,707	12,814,985	4,492,975
Net Position, Beginning of Year	49,725,613	36,910,628	32,417,653
<b>Net Position, End of Year</b>	<u>\$ 61,909,320</u>	<u>\$ 49,725,613</u>	<u>\$ 36,910,628</u>

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

**OVERVIEW OF FINANCIAL STATEMENTS (continued)**



**Condensed Long-Term Debt Detail**

Long-term debt totaled \$44,877,636 at December 31, 2020. This is comprised of water revenue refunding bonds totaling \$21,616,672 and \$23,260,964 for the 2015 Series and 2016 Series, respectively.

	December 31, 2020	December 31, 2019	Percentage Change
Water Revenue Refunding Bond Series 2015	\$ 21,616,672	\$ 26,227,413	-17.6%
Water Revenue Refunding Bond Series 2016	23,260,964	24,206,034	-3.9%
<b>Total long-term debt</b>	<b>\$ 44,877,636</b>	<b>\$ 50,433,447</b>	<b>-11.0%</b>

	December 31, 2019	December 31, 2018	Percentage Change
Water Revenue Refunding Bond Series 2015	\$ 26,227,413	\$ 28,058,218	-6.5%
Water Revenue Refunding Bond Series 2016	24,206,034	25,121,104	-3.6%
<b>Total long-term debt</b>	<b>\$ 50,433,447</b>	<b>\$ 53,179,322</b>	<b>-5.2%</b>

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

**Economic Factors and Rates**

In 2020, Madera Irrigation District received 65% Class 1 water allocation from the USBR. The District's Friant Class 1 contract amount is 85,000 acre-feet. Additional water sources in 2020 included Unreleased Restoration Flows (URF), Hensley Lake, and Pre-1914 water supplies. The price of water to District growers ranged from \$110 to \$375 per acre-foot. The District was able to balance its budget and avoided withdrawing from reserves.

The District, in keeping with its mission of obtaining and managing surface water and groundwater supplies to ensure the long-term viability of irrigated agriculture, works to keep the crop water rates to its growers affordable. By keeping the crop water rates affordable, the District hopes to encourage use of surface water to help preserve groundwater levels within the Madera Irrigation District.

Madera Irrigation District had not increased its original assessment rates since the passage of Proposition 218 in 1996 which states that before a district can increase its rates, the request for increase must be voted on and passed by a majority of the landowners in the District. In 2011, the District had a Proposition 218 engineering report completed by a certified engineering firm to assess the need for increases in the assessments to assist with the financing of the 9(d) contract with the USBR. That election passed by 67% on March 15, 2011 thus increasing the assessments by approximately \$30.66 per acre (amount varies dependent on land category) to the rural parcel assessments. This approved increase in assessments is referred to as the 2011 Assessment. Pursuant to Board action taken on March 15, 2011, Resolution No. 2011-04 includes a provision which allows an increase of the 2011 Assessment by 3% annually for a ten-year period. This increase is covenanted by the Water Revenue Refunding Bonds, Series 2015. Thus, the annual 3% increase will take place until the year 2022. The 2011 Assessment resulted in an additional \$3,600,000 this year in dedicated revenue.

In 2016 Madera Irrigation District transferred the billing and collection duties for the District's assessments and standby charges to the County of Madera (County). The transfer took place with the District's 2017 assessments and 2016 standby charges. The transfer was for the benefit of landowners and taxpayers, simplifying the payment process as one payment could be made for County property taxes, District assessments, and District standby charges. This transfer has resulted in a significant decrease in the delinquency rate for the collection of assessments and standby charges.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to Controller, 12152 Road 28 ¼, Madera, CA or by telephone at (559) 673-3514.

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

	<b>2020</b>	<b>Restated 2019</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents:		
Unrestricted	\$ 40,240,275	\$ 31,350,059
Restricted	2,066,003	2,066,003
Receivables:		
Accounts	908,107	2,033,590
Assessments	7,986,266	7,850,189
Certificates of sales	58,113	65,879
Supplies inventory	220,928	165,224
Prepaid expenses	105,077	78,738
Total Current Assets	51,584,769	43,609,682
Noncurrent Assets:		
Investments in water and power authorities	4,953,096	5,284,099
Water entitlements	27,061,855	27,061,855
Capital assets, not being depreciated	20,933,931	21,158,193
Other capital assets, net of accumulated depreciation	8,500,754	8,364,020
Total Noncurrent Assets	61,449,636	61,868,167
Total Assets	113,034,405	105,477,849
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Loss on Bond Refunding	7,053,393	7,711,148
Debt Issue Costs, Net of Accumulated Amortization	213,970	232,524
Total Deferred Outflows of Resources	7,267,363	7,943,672
Total Assets and Deferred Outflows of Resources	\$ 120,301,768	\$ 113,421,521

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

**MADERA IRRIGATION DISTRICT  
STATEMENTS OF NET POSITION (continued)  
DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>Restated 2019</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 404,072	\$ 692,270
Other liabilities	171	1,755
Accrued salaries and related liabilities	124,557	83,564
Accrued compensated absences	324,149	316,313
Accrued interest	605,566	688,797
Unearned revenue	5,733,286	5,363,436
Current portion of long-term debt	2,545,000	2,435,000
Total Current Liabilities	9,736,801	9,581,135
Noncurrent Liabilities:		
Accrued compensated absences	81,037	79,078
Water deposits	100,000	-
Long-term debt, net of current portion	42,332,636	47,998,447
Total Noncurrent Liabilities	42,513,673	48,077,525
Total Liabilities	52,250,474	57,658,660
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned Assessment Revenue	6,141,974	6,037,248
Total Deferred Inflows of Resources	6,141,974	6,037,248
<b>NET POSITION</b>		
Net Investment in Capital Assets	18,886,267	14,094,293
Restricted	2,066,003	2,066,003
Unrestricted	40,957,050	33,565,317
Total Net Position	61,909,320	49,725,613
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 120,301,768	\$ 113,421,521

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

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

	<u>2020</u>	<u>Restated 2019</u>
<b>OPERATING REVENUES</b>		
Assessments:		
Rural	\$ 5,088,768	\$ 5,011,591
City	523,522	518,483
Subordinate lands	797,917	701,679
Penalties and costs	62,163	21,248
Water sales	13,670,477	19,816,331
Refunds	94,338	-
Soquel electric generation revenues	277,244	203,731
Total Operating Revenues	<u>20,514,429</u>	<u>26,273,063</u>
<b>OPERATING EXPENSES</b>		
Water purchases	7,334,868	7,743,017
Transmission and distribution	4,796,025	4,470,757
General and administrative	3,125,557	2,600,501
Depreciation and amortization	685,671	607,950
Total Operating Expenses	<u>15,942,121</u>	<u>15,422,225</u>
Net Income from Operations	<u>4,572,308</u>	<u>10,850,838</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Madera-Chowchilla Water & Power Authority:		
Electric generation revenue	164,782	439,877
Power projects lease payments	(284,295)	(292,336)
Loss from power authority	(133,379)	(116,587)
Gain from Friant Power Authority	368,602	1,381,963
Grant revenue	10,522	758,048
Investment income	402,040	525,021
Interest expense	(2,220,617)	(2,359,762)
Gain on disposition of capital assets	23,153	14,195
Miscellaneous income (expense)	285,750	375,485
Legal settlement income	7,834,871	-
Long-term agreements	822,184	855,715
Land lease revenue	337,786	382,528
Total Nonoperating Revenues (Expenses)	<u>7,611,399</u>	<u>1,964,147</u>
Change in Net Position	12,183,707	12,814,985
Net Position, Beginning of Year	<u>49,725,613</u>	<u>36,910,628</u>
Net Position, End of Year	<u>\$ 61,909,320</u>	<u>\$ 49,725,613</u>

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

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

	<b>2020</b>	<b>Restated 2019</b>
<b>Cash flows from operating activities:</b>		
Cash received from water sales and related activities	\$ 15,231,841	\$ 19,205,403
Cash received from assessments	6,441,019	6,170,049
Cash received from other operating activities	379,348	238,773
Cash paid for water purchases and related activities	(7,334,868)	(7,342,676)
Cash paid to other vendors for other operating activities	(3,530,466)	(2,605,387)
Cash paid to employees and related benefits	(4,712,153)	(4,414,500)
<b>Net cash provided by operating activities</b>	<b>6,474,721</b>	<b>11,251,662</b>
<b>Cash flows from noncapital financing activities:</b>		
Legal settlement income received	7,834,871	-
<b>Net cash provided by noncapital financing activities</b>	<b>7,834,871</b>	<b>-</b>
<b>Cash flows from capital and related financing activities:</b>		
Principal payments on long-term debt	(5,555,811)	(2,745,876)
Interest paid on long-term debt	(1,627,539)	(1,760,374)
Capital expenditures	(611,925)	(755,637)
Proceeds from the sale of capital assets	36,935	14,195
Grant proceeds	10,522	758,048
Long-term agreements	822,184	855,715
Other non-operating activities	285,750	375,485
<b>Net cash used by capital and related financing activities</b>	<b>(6,639,884)</b>	<b>(3,258,444)</b>
<b>Cash flows from investing activities:</b>		
Interest received	491,647	499,435
Net investments in water authorities	446,713	1,372,347
Net land lease revenue received	282,148	317,786
<b>Net cash provided by investing activities</b>	<b>1,220,508</b>	<b>2,189,568</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,890,216</b>	<b>10,182,786</b>
Cash and cash equivalents at beginning of year	33,416,062	23,233,276
Cash and cash equivalents at end of year	<b>\$ 42,306,278</b>	<b>\$ 33,416,062</b>
<b>Reconciliation of cash and cash equivalents to the Statements of Net Position:</b>		
Unrestricted cash and cash equivalents	\$ 40,240,275	\$ 31,350,059
Restricted cash and cash equivalents	2,066,003	2,066,003
<b>Total cash and cash equivalents</b>	<b>\$ 42,306,278</b>	<b>\$ 33,416,062</b>

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

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

	<u>2020</u>	<u>Restated 2019</u>
<b>Reconciliation of net income from operations to net cash provided by operating activities:</b>		
Net income from operations	\$ 4,572,308	\$ 10,850,839
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation and amortization	685,671	607,950
(Increase) decrease in:		
Receivables	907,565	(1,727,029)
Supplies inventory	(55,704)	(47,404)
Prepaid expenses	(26,339)	198,785
Increase (decrease) in:		
Accounts payable	(288,198)	254,605
Other liabilities	(1,584)	889
Accrued salaries and related liabilities	40,993	11,689
Accrued compensated absences	9,795	33,147
Unearned revenue	425,488	978,881
Water deposits	100,000	(10,117)
Unearned assessment revenue	104,726	99,427
Total adjustments	<u>1,902,413</u>	<u>400,823</u>
<b>Net cash provided by operating activities</b>	<u>\$ 6,474,721</u>	<u>\$ 11,251,662</u>

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

**MADERA IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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

Reporting Entity: The Madera Irrigation District (the District) is located in Madera County and covers an area of approximately 140,000 acres. The primary function of the District is to divert and distribute water to agricultural lands.

Financial Reporting Entity: The District’s financial reporting entity comprises the following:

Primary Government	Madera Irrigation District
Blended Component Units	Madera Irrigation Financing Authority Improvement District No. 05-01

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the District’s Board, or the component unit provides services entirely to the District. Those component unit funds are blended into those of the District’s by appropriate activity type to compose the primary government presentation.

Component units that are blended into the reporting activity types of the District’s report are presented below:

The Madera Irrigation Financing Authority is a joint powers authority between the Improvement District No. 05-01 and the Madera Irrigation District. The Authority is authorized to borrow money to provide financing and refinancing for public capital improvements of the Improvement District and to provide funds for the financing of the acquisition and construction of certain improvements to the District’s irrigation system.

The Improvement District No. 05-01 was formed under the Water Code of the State of California for the purpose of cooperating and contracting with the United States and agencies pursuant to the Irrigation District Federal Cooperation Law and for the purpose of providing irrigation water service by a system of pumps or conduits or both, maintenance of irrigation works, and acquiring and distributing water.

Measurement Focus, Accounting Basis, and Financial Statement Presentation:

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

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

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. When funds are received in advance of program, they are recorded as unearned revenues until earned. Earned but unbilled electric and water services are accrued as revenue.

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

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

Measurement Focus, Accounting Basis, and Financial Statement Presentation (continued):

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

The District maintains both restricted and unrestricted cash. Restricted cash is held in reserve and is spent exclusively for the intended purpose. In the event that the restricted cash is insufficient to complete the intended purpose, unrestricted cash is utilized.

Inventory: Supplies consist of construction material, herbicides, fuel and rodenticides. They are recorded at the lower of cost, determined primarily under the first-in first-out method or estimated market value.

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

Capital Assets: Capital assets are recorded at cost less accumulated depreciation. Included in the total cost of utility plant is the cost of the property owners' participation in District improvements. Repairs and maintenance and minor alterations are charged to expense as incurred. Costs which are considered improvements are added to the appropriate capital asset account. Gains and losses on the disposition of utility plant assets are reported and recognized in the year of disposition.

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000, and an estimated useful life of at least five years. Depreciable assets are depreciated over their estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Transmission/distribution system	10 - 99 Years
Madera Ranch - improvements	5 - 15 Years
Buildings	7 - 40 Years
Construction and shop equipment	10 - 15 Years
Transportation equipment	10 - 20 Years
Office furniture and equipment	5 - 10 Years
Yards and grounds	10 - 40 Years

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.

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

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

Deferred Outflows and Inflows of Resources (continued):

*Unearned Assessment Revenues* – 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 June of each year is to acquire funds for operations and debt service during the next calendar year. To properly match revenues with expenses, the revenues from 2021 assessments, levied in 2020, are considered unearned at year-end.

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.

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

Bad Debts: The District utilizes the direct write-off method for bad debts. No allowance for bad debts has been provided as no material write-offs are expected for receivables at December 31, 2020 and 2019.

Reclassifications: Certain reclassifications have been made to the prior year balances to conform to current year presentation.

Cash and Cash Equivalents: For the purpose of the Statements of Cash Flows, the District considers all cash and cash deposits, investments in the State Treasurer’s Local Agency Investment Fund (LAIF), and other investments with initial maturities of less than 90 days to be cash and cash equivalents, which are available upon demand.

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

Use of Estimates: The preparation of financial statements in conformity with GAAP 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.

Investments: 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. Authorized investments include deposits in the State of California administered Local Agency Investment Fund (LAIF), insured certificates of deposits, collateralized certificates of deposits, money market funds and securities backed by the U.S. Government.

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.

Fair value of financial instruments: Financial instruments include cash and cash equivalents, receivables, supplies inventory, prepaid expenses, accounts payable, other liabilities, accrued salaries and related liabilities, accrued compensated absences, accrued interest, unearned revenue, and water deposits, none of which are held for trading purposes. The fair values of all financial instruments do not differ materially from the aggregate carrying values of the financial instruments recorded in the accompanying Statements of Net Position.

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

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

Net Position: Net Position is the excess of all District's assets and deferred outflows over all its liabilities and deferred inflows. Net position is divided into the following three categories:

*Net Investment in Capital Assets* – describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* – describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include facility capacity fees received for use on capital projects, fees charged for the provision of future water resources and debt service reserve funds.

*Unrestricted* – describes the portion of net position which is not restricted as to use.

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.

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

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. 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.

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

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

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 May 13, 2021, which is the date the financial statements were available to be issued.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments held by the District are reflected in the accompanying Statements of Net Position at December 31, 2020 and 2019, as follow:

	2020	2019
Cash and cash equivalents:		
Unrestricted	\$ 40,240,275	\$ 31,350,059
Restricted	2,066,003	2,066,003
Total cash and cash equivalents	\$ 42,306,278	\$ 33,416,062

Cash and cash equivalents as of December 31, 2020 and 2019, consist of the following:

Cash on hand	\$ 300	\$ 300
Deposits with financial institutions	10,423,561	8,003,793
Investments	31,882,417	25,411,969
Total cash and cash equivalents	\$ 42,306,278	\$ 33,416,062

The District’s cash and cash equivalents, except for investments in the State of California Local Agency Investment Fund (LAIF) and sweep account balances, are entirely insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pools of securities held by the pledging financial institution’s trust department or agent, but not in the District’s name. Statutes authorize the District to invest in U.S. Treasury and registered state warrants, notes, bonds, bills or certificates, commercial paper, repurchase agreements and other similar instruments. The District’s cash and investments approximate market value at December 31, 2020 and 2019.

The District’s investment policy requires all deposits to be fully insured by the FDIC or otherwise collateralized with government securities (110% of the amount on deposit); investment in LAIF is limited to 95% of the total investment portfolio; investment maturities shall not exceed one year and six months with the exception of Treasury Notes, Bonds, and Federal Agency Obligations at three years and investments in the instruments fully guaranteed by the Federal Government shall be placed only through the District’s service bank or a broker/dealer approved by the Administrative and Finance Committee, and are limited to maturities no greater than three years. Although permitted under the District’s investment policy, sweep account balances are not insured or collateralized.

Interest Rate Risk: Interest rate risk is the risk in market rate changes that could adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The policy of the District is to limit the maturity of the District’s investments as stated above.

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

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

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 at December 31, 2020 and 2019.

December 31, 2020 Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
State Investment Pool-LAIF	\$ 31,882,417	\$ 31,882,417	\$ -	\$ -

December 31, 2019 Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
State Investment Pool-LAIF	\$ 25,411,969	\$ 25,411,969	\$ -	\$ -

**Credit Risk:** Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The policy of the District is to invest only in very safe institutions. 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 Standard and Poor’s rating as of December 31, 2020 and 2019 for each investment type.

December 31, 2020 Investment Type	Fair Value	Minimum Legal Rating	AAAm	Not Rated
			\$ 31,882,417	N/A

December 31, 2019 Investment Type	Fair Value	Minimum Legal Rating	AAAm	Not Rated
			\$ 25,411,969	N/A

**Concentrations of Credit Risk:** The policy of the District is to diversify investments so that the failure of any one issuer would not unduly harm the District’s cash flow.

**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 possession of an outside party. The custodial risk for investments is the risk that, in the event of the failure of the counter-party (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. The California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure District deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

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

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

Custodial Credit Risk (continued): 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 \$10,238,666 and \$7,850,559 at 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).

Investment in State Investment Pool: The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by 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 the amortized cost basis.

**NOTE 3 – RECEIVABLES**

In 2017, the District transferred the billing and collection duties for assessments and standby charges to the County of Madera. The transfer took place with the District’s 2017 assessments and 2016 standby charges. The assessment and standby charges receivable balance at December 31, 2020 and 2019, was \$7,986,266 and \$7,850,189, respectively. All assessments are considered to be collectible because any delinquent assessments remain on the County property tax roll and will be received by the District when the property is sold.

Accounts receivable consists of the following at December 31, 2020 and 2019:

	2020	2019
Water	\$ 151,597	\$ 63,416
Recirculated water	54,205	-
Interest	50,410	140,017
Miscellaneous	130,712	50,176
United States Bureau of Reclamation refund	225,795	1,341,343
Root Creek permits	50,700	214,500
Grant	102,244	-
Reservation fee - Tesoro Viejo	138,784	-
North Fork billing	-	19,267
PG&E/Soquel billing	-	203,731
Insurance damage claim	3,660	1,140
	\$ 908,107	\$ 2,033,590

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

**NOTE 4 – INVESTMENT IN WATER AND POWER AUTHORITIES**

The District participates in several joint powers authorities (JPA's) organized to develop hydroelectric power for use by public agencies and for other functions related to the purpose of the District. The JPA's are not component units of the District, however the following are considered joint ventures as defined by GASB No.14. If the District is to share in the profits and losses of the joint venture, the initial investment is recorded at cost and then adjusted to reflect the joint venture's results of operations. If the District does not have an ongoing financial responsibility for the joint venture's debts, the investment account is not reduced below zero. If the District does not have an ongoing financial interest or an ongoing financial responsibility, the power authority is classified as a joint governed organization.

Investments in water and power authorities were as follows at December 31, 2020 and 2019:

<u>Investment in Joint Ventures</u>	<u>2020</u>	<u>2019</u>
Madera-Chowchilla Water & Power Authority	\$ 397,040	\$ 530,419
Friant Power Authority	4,556,056	4,753,680
	<u>\$ 4,953,096</u>	<u>\$ 5,284,099</u>

Madera-Chowchilla Water & Power Authority: The District entered into a joint powers agreement with the Chowchilla Water District to form the Madera-Chowchilla Water & Power Authority (MCW&PA). The Authority is administered by the Board of Directors of each District. The Authority handles electrical generation projects that are to be shared between the two districts equally and the operations and maintenance of the Madera Canal.

Separate financial statements are available from the Madera-Chowchilla Water & Power Authority. Condensed financial information of MCW&PA is as follows as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Total Assets	<u>\$ 1,020,907</u>	<u>\$ 1,175,579</u>
Total Liabilities	226,827	114,743
Total Net Position	794,080	1,060,836
Total Liabilities and Net Position	<u>\$ 1,020,907</u>	<u>\$ 1,175,579</u>
Total Operating Revenues	\$ 1,485,518	\$ 1,922,372
Total Operating Expenses	1,424,492	2,159,056
Net Income (Loss) from Operations	61,026	(236,684)
Total Nonoperating Revenues (Expenses)	(327,782)	3,511
Change in Net Position	(266,756)	(233,173)
Net Position, Beginning of Year	1,060,836	1,294,009
Net Position, End of Year	<u>\$ 794,080</u>	<u>\$ 1,060,836</u>

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

**NOTE 4 – INVESTMENT IN WATER AND POWER AUTHORITIES (continued)**

Friant Power Authority: The Friant Power Authority (FPA) is comprised of eight special districts to develop hydroelectric power for use by public agencies. The District has a participation interest of 12.5% in the Quinten Luallen Power Plant and 9.25% in the remaining net position of the Authority. FPA currently operates plants at the Friant Dam. Separate financial statements of FPA are available through the Authority. Condensed financial information of FPA is as follows as of December 31, 2020 and 2019:

	2020	2019
Total Assets	\$ 39,411,880	\$ 41,084,061
Total Liabilities	265,087	312,123
Total Net Position	39,146,793	40,771,938
Total Liabilities and Net Position	\$ 39,411,880	\$ 41,084,061
Total Operating Revenues	\$ 3,529,462	\$ 8,634,018
Total Operating Expenses	1,278,855	1,434,605
Net Income from Operations	2,250,607	7,199,413
Total Nonoperating Revenues (Expenses)	15,001	40,284
Total Contributions from Members (Distributions)	(4,154,180)	(9,400,071)
Change in Net Position	(1,888,572)	(2,160,374)
Net Position, Beginning of Year	40,771,938	40,528,300
Prior Period Adjustment	263,427	2,404,012
Net Position, End of Year	\$ 39,146,793	\$ 40,771,938

Jointly Governed Organizations:

Friant Water Authority

The Friant Water Authority (FWA) is comprised of 15 special districts to operate the Friant-Kern Canal. FWA is governed by a Board consisting of a representative from each member district. The Board controls the operations of FWA, including selection of management and approval of operating budgets, independent of influence by the member district beyond their representation on the Board. Each member is assessed for administrative costs of FWA based on their proportionate share of water received from the United States Bureau of Reclamation. Separate financial statements are available through the Authority.

Association of California Water Agencies Joint Powers Insurance Authority

The District entered into a joint powers agreement, along with other members of the Association of California Water Agencies (ACWA), to form a self-insuring pool for liability coverage. ACWA is governed by a Board of Directors composed of one representative from each member agency. The governing board controls the operation independent of any influence by the District other than that District's representation on the governing board. Separate financial statements of ACWA are available through the Authority.

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

**NOTE 5 – CAPITAL ASSETS**

Capital asset 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 and tax title property	\$ 19,908,628	\$ -	\$ -	\$ 19,908,628
Madera Ranchos - Vernal Pools	899,588	-	-	899,588
Construction in progress	349,977	482,538	(706,800)	125,715
<b>Total capital assets not being depreciated</b>	<b>21,158,193</b>	<b>482,538</b>	<b>(706,800)</b>	<b>20,933,931</b>
Capital assets being depreciated:				
Transmission/distribution system	28,236,803	428,646	-	28,665,449
Madera Ranch - improvements	273,364	-	-	273,364
Buildings	736,583	-	(1)	736,582
Construction and shop equipment	2,668,593	153,496	(36,570)	2,785,519
Transportation equipment	1,446,926	243,795	(25,726)	1,664,995
Office furniture	479,874	10,250	-	490,124
Yards and grounds	202,897	-	-	202,897
<b>Total capital assets being depreciated</b>	<b>34,045,040</b>	<b>836,187</b>	<b>(62,297)</b>	<b>34,818,930</b>
Less accumulated depreciation for:				
Transmission/distribution system	(21,919,837)	(322,842)	-	(22,242,679)
Madera Ranch - improvements	(220,302)	(3,624)	-	(223,926)
Buildings	(657,861)	(11,165)	-	(669,026)
Construction and shop equipment	(1,495,830)	(184,061)	36,570	(1,643,321)
Transportation equipment	(917,114)	(123,078)	11,944	(1,028,248)
Office furniture and equipment	(366,349)	(26,332)	1	(392,680)
Yards and grounds	(103,727)	(14,569)	-	(118,296)
<b>Total accumulated depreciation</b>	<b>(25,681,020)</b>	<b>(685,671)</b>	<b>48,515</b>	<b>(26,318,176)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>8,364,020</b>	<b>150,516</b>	<b>(13,782)</b>	<b>8,500,754</b>
<b>Total Capital Assets, Net</b>	<b>\$ 29,522,213</b>	<b>\$ 633,054</b>	<b>\$ (720,582)</b>	<b>\$ 29,434,685</b>

Depreciation and amortization expense for the year ended December 31, 2020, was \$685,671.

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

**NOTE 5 – CAPITAL ASSETS (continued)**

Capital asset 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 and tax title property	\$ 19,736,029	\$ 172,599	\$ -	\$ 19,908,628
Madera Ranchos - Vernal Pools	899,588	-	-	899,588
Construction in progress	259,088	269,862	(178,973)	349,977
<b>Total capital assets not being depreciated</b>	<b>20,894,705</b>	<b>442,461</b>	<b>(178,973)</b>	<b>21,158,193</b>
Capital assets being depreciated:				
Transmission/distribution system	28,199,148	37,655	-	28,236,803
Madera Ranch - improvements	222,788	50,576	-	273,364
Buildings	736,583	-	-	736,583
Construction and shop equipment	2,506,633	161,960	-	2,668,593
Transportation equipment	1,295,783	195,296	(44,153)	1,446,926
Office furniture	448,212	31,662	-	479,874
Yards and grounds	187,897	15,000	-	202,897
<b>Total capital assets being depreciated</b>	<b>33,597,044</b>	<b>492,149</b>	<b>(44,153)</b>	<b>34,045,040</b>
Less accumulated depreciation for:				
Transmission/distribution system	(21,653,338)	(266,499)	-	(21,919,837)
Madera Ranch - improvements	(216,163)	(4,139)	-	(220,302)
Buildings	(646,472)	(11,389)	-	(657,861)
Construction and shop equipment	(1,316,630)	(179,200)	-	(1,495,830)
Transportation equipment	(849,597)	(111,670)	44,153	(917,114)
Office furniture and equipment	(343,616)	(22,733)	-	(366,349)
Yards and grounds	(91,407)	(12,320)	-	(103,727)
<b>Total accumulated depreciation</b>	<b>(25,117,223)</b>	<b>(607,950)</b>	<b>44,153</b>	<b>(25,681,020)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>8,479,821</b>	<b>(115,801)</b>	<b>-</b>	<b>8,364,020</b>
<b>Total Capital Assets, Net</b>	<b>\$ 29,374,526</b>	<b>\$ 326,660</b>	<b>\$ (178,973)</b>	<b>\$ 29,522,213</b>

Depreciation and amortization expense for the year ended December 31, 2019, was \$607,950.

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

**NOTE 6 – LONG-TERM DEBT**

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

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Amounts Due Within One Year
Water Revenue Refunding					
Bond Series 2015	\$ 23,370,000	\$ -	\$(4,325,000)	\$ 19,045,000	\$ 1,725,000
Add issuance premium	2,857,413	-	(285,741)	2,571,672	-
	<u>26,227,413</u>	<u>-</u>	<u>(4,610,741)</u>	<u>21,616,672</u>	<u>1,725,000</u>
Water Revenue Refunding					
Bonds Series 2016	21,460,000	-	(790,000)	20,670,000	820,000
Add issuance premium	2,746,034	-	(155,070)	2,590,964	-
	<u>24,206,034</u>	<u>-</u>	<u>(945,070)</u>	<u>23,260,964</u>	<u>820,000</u>
	<u>\$ 50,433,447</u>	<u>\$ -</u>	<u>\$(5,555,811)</u>	<u>\$ 44,877,636</u>	<u>\$ 2,545,000</u>
	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Amounts Due Within One Year
Water Revenue Refunding					
Bond Series 2015	\$ 24,935,000	\$ -	\$(1,565,000)	\$ 23,370,000	\$ 1,645,000
Add issuance premium	3,123,218	-	(265,805)	2,857,413	-
	<u>28,058,218</u>	<u>-</u>	<u>(1,830,805)</u>	<u>26,227,413</u>	<u>1,645,000</u>
Water Revenue Refunding					
Bonds Series 2016	22,220,000	-	(760,000)	21,460,000	790,000
Add issuance premium	2,901,104	-	(155,070)	2,746,034	-
	<u>25,121,104</u>	<u>-</u>	<u>(915,070)</u>	<u>24,206,034</u>	<u>790,000</u>
	<u>\$ 53,179,322</u>	<u>\$ -</u>	<u>\$(2,745,875)</u>	<u>\$ 50,433,447</u>	<u>\$ 2,435,000</u>

**2015 Water Revenue Refunding Bonds:** In September 2015, the District issued \$29,275,000 in water revenue refunding bonds to advance refund \$32,365,000 of outstanding 2011 Series bonds. The net bond proceeds of \$32,729,008 (including a premium of \$3,987,088 and reduced by payments of \$533,080 in issuance costs) plus an additional \$6,470,872 in 2011 sinking fund monies and assessments on hand with the District, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2011 bonds. As a result, the 2011 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statements of Net Position.

The 2015 water revenue refunding bonds bear interest at 2.0% to 5.0% and are payable semi-annually on March 1, and September 1, commencing March 1, 2016. The bonds mature annually at various amounts through September 1, 2030. The bonds are payable primarily from the proceeds of the 2011 assessments levied as a result of Proposition 218. The aggregate debt service payments on the new debt are approximately \$20,927,405 less than the old debt. The issuance of the new debt resulted in an economic gain (the difference between the present value of the old and new debt payments) of approximately \$7,627,614.

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

**NOTE 6 – LONG-TERM DEBT (continued)**

2015 Water Revenue Refunding Bonds (continued):

The following are significant terms that pertain to the 2015 Water Revenue Refunding Bonds. Acceleration clause: in the event of default, the Trustee, upon notice in writing to the District, to declare the principal of all the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately. Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due will have been obtained or entered, the District may deposit with the Trustee a sum sufficient to pay all the principal or and installments of interest on the bond payments of which are overdue, with interest on such overdue principal at the rate borne by the respective bonds, and the reasonable charges and expenses of the Trustee, and any all other defaults known to the Trustee. Events of default: default in the due and punctual payment of the principal, default in the due and punctual payment of any installment of interest, default by the District in the observance of any of the covenants, abandonment of the District of the enterprise, the District's filing a petition in voluntary bankruptcy, or an event of default with respect to any Parity Obligation.

The annual debt service requirements to maturity for the 2015 water revenue refunding bonds are as follows:

Year Ending December 31,	Principal	Interest	Total Debt Service
2021	\$ 1,725,000	\$ 952,250	\$ 2,677,250
2022	1,815,000	866,000	2,681,000
2023	1,905,000	775,250	2,680,250
2024	2,000,000	680,000	2,680,000
2025	2,100,000	580,000	2,680,000
2026-2030	9,500,000	1,216,250	10,716,250
Totals	<u>\$ 19,045,000</u>	<u>\$ 5,069,750</u>	<u>\$ 24,114,750</u>

Interest expense on the 2015 Water Revenue Refunding Bonds for the year ended December 31, 2020 was \$1,339,439.

2016 Water Revenue Refunding Bonds: In September 2016, the District issued \$23,710,000 in water revenue refunding bonds to advance refund \$34,280,000 of outstanding 2008 Series bonds. The bonds were issued to provide funds to defease the outstanding 2008 water revenue bonds, pay the costs of a municipal bond insurance policy and a reserve fund surety policy, and to pay bond issuance costs. The net bond proceeds of \$26,495,574 (including a premium of \$3,256,473 and reduced by payments of \$470,899 in issuance costs) plus an additional contribution from the District of \$7,500,000 and 2008 reserve funds of \$2,667,925 were used to purchase U.S. government securities.

Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 bonds. As a result, the 2008 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statements of Net Position.

The 2016 revenue bonds bear interest at 3.0% to 5.0% and are payable semi-annually on March 1, and September 1, commencing March 1, 2017. The bonds mature annually at various amounts through September 1, 2037. The bonds are payable from net revenues of the District. The aggregate debt service payments on the new debt are approximately \$20,785,987 less that the old debt. The issuance of the new debt resulted in an economic gain (the difference between the present value of the old and new debt payments) of approximately \$9,137,686.

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

**NOTE 6 – LONG-TERM DEBT (continued)**

2016 Water Revenue Refunding Bonds (continued):

The following are significant terms that pertain to the 2016 Water Revenue Refunding Bonds. Acceleration clause: in the event of default, the Trustee, upon notice in writing to the District, to declare the principal of all the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately. Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due will have been obtained or entered, the District may deposit with the Trustee a sum sufficient to pay all the principal or and installments of interest on the bond payments of which are overdue, with interest on such overdue principal at the rate borne by the respective bonds, and the reasonable charges and expenses of the Trustee, and any all other defaults known to the Trustee. Events of default: default in the due and punctual payment of the principal, default in the due and punctual payment of any installment of interest, default by the District in the observance of any of the covenants, abandonment of the District of the enterprise, the District's filing a petition in voluntary bankruptcy, or an event of default with respect to any Parity Obligation.

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

Year Ending December 31,	Principal	Interest	Total Debt Service
2021	\$ 820,000	\$ 855,000	\$ 1,675,000
2022	860,000	814,000	1,674,000
2023	905,000	771,000	1,676,000
2024	950,000	725,750	1,675,750
2025	995,000	678,250	1,673,250
2026-2030	5,785,000	2,591,500	8,376,500
2031-2035	7,150,000	1,223,800	8,373,800
2036-2037	3,205,000	144,900	3,349,900
Totals	<u>\$ 20,670,000</u>	<u>\$ 7,804,200</u>	<u>\$ 28,474,200</u>

Interest expense on the 2016 Water Revenue Refunding Bonds for the year ended December 31, 2020 was \$881,178.

**NOTE 7 – SOQUEL ELECTRIC GENERATION REVENUE**

The District and Pacific Gas and Electric Company (PG&E) entered into a contract for the use of the water by PG&E under the rights owned by the District in the operation of the hydroelectric development on the North Fork Willow Creek. In accordance with this contract, PG&E is committed to make annual payments on September 30 of each year based on energy delivered for the period October 1 – July 31. The contract has been renewed on a continuing basis from year to year.

The District has recognized revenue payments from Pacific Gas and Electric for the years ended December 31, 2020 and 2019, of \$277,244 and \$203,731, respectively.

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

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

- A. Under its 9(d) repayment contract with the U.S. Bureau of Reclamation, the District is committed on an annual basis to pay the published water marketing and storage costs for 24,000 acre feet of stored water in Hidden Dam. The estimated total cost for 2020 is \$604,232 plus an additional \$10.91 per acre foot Restoration Fund charge on 24,000 acre feet, required by the Central Valley Improvement Act.
- B. Under its new 9(d) contract with USBR, the District is entitled to receive (if available) up to 85,000 acre feet of Class 1 Friant water and up to 186,000 acre feet of Class 2 Friant water. The District is obligated to pay only for water actually delivered at the 2020 rates of \$42.01 per acre foot for Class 1 water and \$24.00 per acre foot for Class 2 water inclusive of all applicable USBR charges.
- C. The District holds a Warren Act Contract with the United States Bureau of Reclamation for the storage and conveyance of non-CVP water behind Friant Dam. The District pays the USBR at the rate of \$23.05 per acre foot on the actual quantities stored and conveyed on behalf of the District.
- D. The District has established a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts deferred under the plan and all income attributable to those amounts are solely the property and rights of the plan participants and accordingly are not reported on the District's financial statements in accordance with Governmental Accounting Standards Board Statement No. 32 – "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."
- E. The District adopted effective August 1, 2019, a defined contribution 401(a) Retirement Plan covering substantially all of its employees. The District contributes 4% of the employee's regular annual compensation. In addition, the District will match the employees' contribution 4.5% (a total of 8.5%).

Employees are fully vested in the District's contribution upon completion of six years of service. The 401(a) Retirement Plan expense for 2020 and 2019 was approximately \$227,707 and \$96,484, respectively. The payroll for employees covered by the District 401(a) Plan for the year ended December 31, 2020 and the period August 1, 2019 to December 31, 2019 was approximately \$2,678,903 and \$1,135,108, respectively.

The District authorized the freezing of the 401(k) Pension Plan effective July 31, 2019. The 401(k) Pension Plan expense for 2020 and 2019 was approximately \$0 and \$128,319, respectively. The payroll for employees covered by the District 401(k) Plan for the year ended December 31, 2020 and the year ended December 31, 2019 was approximately \$0 and \$1,521,828, respectively.

The 401(k) and 401(a) combined expense for 2020 and 2019 was approximately \$227,707 and \$224,803, respectively. The payroll for employees covered by the District 401(k) and 401(a) Plans for the years ended December 31, 2020 and 2019 was approximately \$2,678,903 and \$2,656,936, respectively.

- F. The District has entered into a Joint Powers Agreement along with other members of the Association of California Water Agencies (ACWA) to form a self-insuring pool for liability coverage up to \$11,000,000. Insurance in excess of \$11,000,000 is collectively purchased through an umbrella policy covering all included members. The excess insurance is for \$49,000,000 per occurrence for a total coverage of \$60,000,000.

During 2020, there were no reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for each of the three prior years.

- G. The District is also party to other legal proceedings and claims which arise during the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation will not have a material adverse effect on the District's financial position.

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

**NOTE 9 – PRIOR YEAR RESTATEMENT**

The District’s prior year financial statements are being restated due to expenses found to be improperly not accrued and recorded at December 31, 2019 totaling \$400,341. The expenses were incurred in 2019 but not paid until 2020. The prior period adjustment increased operating expenses and increased accounts payable during and for the year ended December 31, 2019. The following table shows the changes in the restated financial statements:

	<b>Restated 2019</b>	<b>As Previously Recorded 2019</b>	<b>Change</b>
Accounts payable	692,270	291,929	\$ 400,341
Operating expenses	15,422,225	15,021,884	\$ 400,341
	<b>Restated 2019</b>	<b>As Previously Recorded 2019</b>	<b>Change</b>
Total Assets and Deferred Outflow of Resources	\$ 113,421,521	\$ 113,421,521	\$ -
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 113,421,521	\$ 113,421,521	\$ -
Net Income from Operations	\$ 10,850,838	\$ 11,251,179	\$ (400,341)
Total Nonoperating Revenues (Expenses)	\$ 1,964,147	\$ 1,964,147	\$ -
Net Position, End of Year	\$ 49,725,613	\$ 50,125,954	\$ (400,341)



**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  
Madera 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 Madera 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 May 13, 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency: 2020-001.

**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*.

**The District's Response to the Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

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

Fresno, California  
May 13, 2021

**MADERA IRRIGATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Finding 2020-001 – Significant Deficiency**

**Procurement Process – Obtaining Bids and Documenting Bids Obtained**

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that all District policies and procedures adopted are followed.

Condition:

During our testing of internal controls over cash disbursements, it was noted that three out of our forty selections did not obtain the required three bids as per the District’s policies and procedures when making a purchase requiring bids or the verbal bids obtained were not documented with the purchase order provided.

Cause of Condition:

The process of obtaining the three bids or documenting that the three bids were obtained was not being performed consistently within each department.

Effect of Condition:

Not properly obtaining three bids could result in overspending or an employee fraudulently accepting bids from related parties that are higher than necessary.

Recommendation:

We recommend that the District monitor and ensure that the bid process during the procurement process is properly being followed by all personnel of the District.

Management Response:

We agree with this recommendation and will enhance our monitoring of the procurement process in order to ensure that all purchases requiring three bids receive those three bids. It should be noted that there are times when only one vendor is responsive to the District’s request for bids. There are also instances that require specialized services or products where multiple vendors are not available. The District has already taken steps to improve our documentation of these types of instances.

**MADERA IRRIGATION DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

There were no prior year financial statement findings reported in accordance with *Government Auditing Standards*.