

MADERA IRRIGATION DISTRICT

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

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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 year ended December 31, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

Opinion

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, 2019, and the respective changes in financial position, and, where applicable, cash flows for the year 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 Information

The financial statements of the District as of and for the year ended December 31, 2018, were audited by predecessor auditors, and they expressed an unmodified opinion in their report dated April 9, 2019, but they have not performed any auditing procedures since that date.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2020, 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
April 22, 2020

**MADERA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018. 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 2% 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 59 full-time employees and was staffed with 50 full-time employees as of December 31, 2019, 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, 2019 AND 2018**

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 \$113.4 million, an increase of approximately 11%. This increase is due to an increase in cash and cash equivalents.
- Total liabilities are \$57.2 million, a decrease of approximately 3%. This decrease is due to a decrease in long-term liabilities.
- Operating Revenue of \$26 million and operating expense of \$15 million resulted in operating income from operations of \$11 million. Net non-operating revenue of \$2 million is the result of total non-operating revenue of \$4.7 million offset by interest expense and other expenses of \$2.7 million.
- The District's total cash and cash equivalents increased by \$10.1 million in 2019. 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, 2019 AND 2018**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Summary of Overall Financial Positions and Results of Operation

	<u>2019</u>	<u>Restated 2018</u>	<u>2017</u>
ASSETS			
Current unrestricted assets	\$ 41,543,679	\$ 30,020,325	\$ 26,719,849
Restricted assets	2,066,003	1,805,337	1,120,222
Water entitlements	27,061,855	27,061,855	27,061,855
Capital assets, net	29,522,213	29,374,526	29,424,757
Investments in water and power authorities	5,284,099	5,243,529	5,314,894
Total Assets	<u>105,477,849</u>	<u>93,505,572</u>	<u>89,641,577</u>
Deferred outflows of resources	<u>7,943,672</u>	<u>8,583,482</u>	<u>9,223,292</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 113,421,521</u>	<u>\$ 102,089,054</u>	<u>\$ 98,864,869</u>
LIABILITIES			
Current liabilities	\$ 9,180,794	\$ 8,303,716	\$ 6,894,091
Long-term liabilities	<u>48,077,525</u>	<u>50,936,889</u>	<u>53,707,239</u>
Total Liabilities	<u>57,258,319</u>	<u>59,240,605</u>	<u>60,601,330</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	<u>6,037,248</u>	<u>5,937,821</u>	<u>5,845,886</u>
NET POSITION			
Net investment in capital assets	14,094,293	11,840,540	17,637,207
Restricted	2,066,003	1,805,337	1,120,222
Unrestricted	<u>33,965,658</u>	<u>23,264,751</u>	<u>13,660,224</u>
Total Net Position	<u>50,125,954</u>	<u>36,910,628</u>	<u>32,417,653</u>
Total Liabilities, Deferred Inflows of Resources & Net Position	<u>\$ 113,421,521</u>	<u>\$ 102,089,054</u>	<u>\$ 98,864,869</u>

**MADERA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Condensed Capital Assets Detail

	<u>2019</u>	<u>Restated 2018</u>	<u>2017</u>
Transmission and Distribution System, net	\$ 6,316,966	\$ 6,545,810	\$ 6,554,083
Land	19,908,629	19,736,029	19,736,029
Vernal Pools	899,588	899,588	899,587
Madera Ranch - Improvements, net	53,062	6,625	9,687
Buildings, net	78,722	90,111	67,117
Construction and Shop Equipment, net	1,172,763	1,190,003	1,349,676
Transportation Equipment, net	529,810	446,186	325,811
Office Furniture and Equipment, net	113,526	104,597	132,573
Yards and Grounds, net	99,170	96,489	108,058
Construction in Progress	349,977	259,088	242,136
	<u>\$ 29,522,213</u>	<u>\$ 29,374,526</u>	<u>\$ 29,424,757</u>

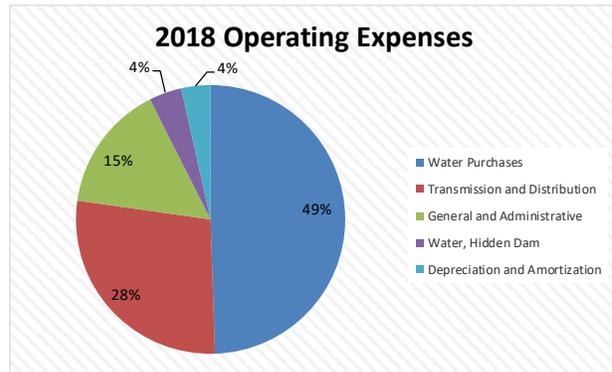
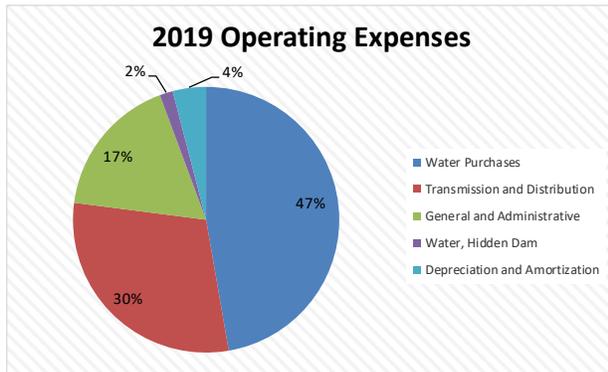
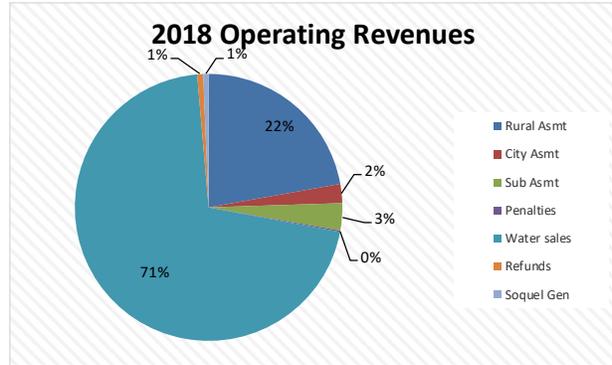
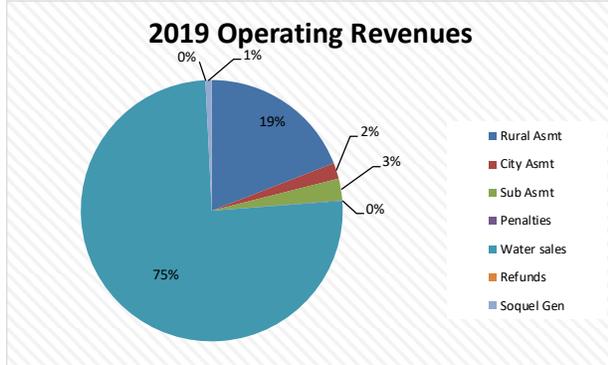
Significant Net Position Activity – The balance of net position is comprised of restricted, unrestricted, and net investment in capital assets. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$50 million. Capital assets are not liquid 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>2019</u>	<u>Restated 2018</u>	<u>2017</u>
Operating revenues	\$ 26,273,063	\$ 22,196,320	\$ 23,136,529
Operating expenses	<u>15,021,884</u>	<u>17,837,802</u>	<u>16,783,994</u>
Net Income from Operations	<u>11,251,179</u>	<u>4,358,518</u>	<u>6,352,535</u>
Non-operating revenues	4,732,832	3,256,175	3,442,390
Non-operating expenses	<u>(2,768,685)</u>	<u>(3,121,718)</u>	<u>(2,876,098)</u>
Total Nonoperating Revenues (Expenses)	<u>1,964,147</u>	<u>134,457</u>	<u>566,292</u>
Change in Net Position	13,215,326	4,492,975	6,918,827
Net Position, Beginning of Year	<u>36,910,628</u>	<u>32,417,653</u>	<u>25,498,826</u>
Net Position, End of Year	<u>\$ 50,125,954</u>	<u>\$ 36,910,628</u>	<u>\$ 32,417,653</u>

**MADERA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

OVERVIEW OF FINANCIAL STATEMENTS (continued)



Condensed Long-Term Debt Detail

Long-term debt totaled \$50,433,447 at December 31, 2019. This is comprised of water revenue refunding bonds totaling \$26,227,413 and \$24,206,034 for the 2015 Series and 2016 Series, respectively.

	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%
Total long-term debt	\$ 50,433,447	\$ 53,179,322	-5.2%

	December 31, 2018	December 31, 2017	Percentage Change
Water Revenue Refunding Bond Series 2015	\$ 28,058,218	\$ 29,829,024	-5.9%
Water Revenue Refunding Bond Series 2016	25,121,104	26,011,174	-3.4%
Total long-term debt	\$ 53,179,322	\$ 55,840,198	-4.8%

**MADERA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Economic Factors and Rates

In 2019, Madera Irrigation District received 100% Class 1 water allocation from the USBR. The District's Friant Class 1 contract amount is 85,000 acre-feet. In addition, Friant contractors were able to schedule and take delivery of their Class 2 water supplies during the "limited uncontrolled season", which ended July 15, 2019. The District's Friant Class 2 contract amount is 186,000 acre-feet. Additional water sources in 2019 included RWA Water, Unreleased Restoration Flows (URF), Hensley Lake, and Pre-1914 water supplies. The price of water to District growers ranged from \$0 to \$190 per acre-feet. 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 \$29.77 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 \$3,500,000 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, 2019 AND 2018**

	2019	Restated 2018
ASSETS		
Current Assets:		
Cash and cash equivalents:		
Unrestricted	\$ 31,350,059	\$ 21,427,939
Restricted	2,066,003	1,805,337
Receivables:		
Accounts	2,033,590	428,312
Assessments	7,850,189	7,667,810
Certificates of sales	65,879	100,921
Supplies inventory	165,224	117,820
Prepaid expenses	78,738	277,523
Total Current Assets	43,609,682	31,825,662
Noncurrent Assets:		
Investments in water and power authorities	5,284,099	5,243,529
Water entitlements	27,061,855	27,061,855
Capital assets, not being depreciated	21,158,193	20,894,705
Other capital assets, net of accumulated depreciation	8,364,020	8,479,821
Total Noncurrent Assets	61,868,167	61,679,910
Total Assets	105,477,849	93,505,572
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Bond Refunding	7,711,148	8,333,273
Debt Issue Costs, Net of Accumulated Amortization	232,524	250,209
Total Deferred Outflows of Resources	7,943,672	8,583,482
Total Assets and Deferred Outflows of Resources	\$ 113,421,521	\$ 102,089,054

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

**MADERA IRRIGATION DISTRICT
STATEMENTS OF NET POSITION (continued)
DECEMBER 31, 2019 AND 2018**

	2019	Restated 2018
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 291,929	\$ 437,664
Other liabilities	1,755	866
Accrued salaries and related liabilities	83,564	71,875
Accrued compensated absences	316,313	289,795
Accrued interest	688,797	729,219
Unearned revenue	5,363,436	4,449,297
Current portion of long-term debt	2,435,000	2,325,000
Total Current Liabilities	9,180,794	8,303,716
Noncurrent Liabilities:		
Accrued compensated absences	79,078	72,449
Water deposits	-	10,117
Long-term debt, net of current portion	47,998,447	50,854,323
Total Noncurrent Liabilities	48,077,525	50,936,889
Total Liabilities	57,258,319	59,240,605
DEFERRED INFLOWS OF RESOURCES		
Unearned Assessment Revenue	6,037,248	5,937,821
Total Deferred Inflows of Resources	6,037,248	5,937,821
NET POSITION		
Net Investment in Capital Assets	14,094,293	11,840,540
Restricted	2,066,003	1,805,337
Unrestricted	33,965,658	23,264,751
Total Net Position	50,125,954	36,910,628
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 113,421,521	\$ 102,089,054

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, 2019 AND 2018

	2019	Restated 2018
OPERATING REVENUES		
Assessments:		
Rural	\$ 5,011,591	\$ 4,923,742
City	518,483	512,106
Subordinate lands	701,679	730,243
Penalties and costs	21,248	38,188
Water sales	19,816,331	15,686,902
Refunds	-	161,927
Soquel electric generation revenues	203,731	143,212
Total Operating Revenues	26,273,063	22,196,320
OPERATING EXPENSES		
Water purchases	7,342,676	9,522,746
Transmission and distribution	4,470,757	4,954,028
General and administrative	2,600,501	2,735,318
Depreciation and amortization	607,950	625,710
Total Operating Expenses	15,021,884	17,837,802
Net Income from Operations	11,251,179	4,358,518
NONOPERATING REVENUES (EXPENSES)		
Madera-Chowchilla Water & Power Authority:		
Electric generation revenue	439,877	336,738
Power projects lease payments	(292,336)	(226,923)
Loss from power authority	(116,587)	(68,698)
Gain from Frait Power Authority	1,381,963	991,740
Grant revenue	758,048	477,277
Investment income	525,021	378,215
Interest expense	(2,359,762)	(2,457,964)
Gain on disposition of capital assets	14,195	-
Miscellaneous income (expense)	375,485	(368,133)
Rental of district equipment	-	10,268
Long-term agreements	855,715	664,857
Land lease revenue	382,528	397,080
Total Nonoperating Revenues (Expenses)	1,964,147	134,457
Change in Net Position	13,215,326	4,492,975
Net Position, Beginning of Year	36,910,628	32,417,653
Net Position, End of Year	\$ 50,125,954	\$ 36,910,628

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

**MADERA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	Restated 2018
Cash flows from operating activities:		
Cash received from water sales and related activities	\$ 19,205,403	\$ 17,585,197
Cash received from assessments	6,170,049	6,183,654
Cash received from other operating activities	238,773	372,724
Cash paid for water purchases and related activities	(7,342,676)	(9,522,746)
Cash paid to other vendors for other operating activities	(2,605,387)	(2,996,346)
Cash paid to employees and related benefits	(4,414,500)	(4,348,147)
Net cash provided by operating activities	11,251,662	7,274,336
Cash flows from noncapital financing activities:		
Transfers from Irrigation fund	-	648,737
Transfers to Water Enhancement fund	-	(648,737)
Net cash provided (used) by noncapital financing activities	-	-
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(2,745,876)	(2,660,875)
Interest paid on long-term debt	(1,760,374)	(1,845,874)
Capital expenditures	(755,637)	(575,479)
Proceeds from the sale of capital assets	14,195	-
Grant proceeds	758,048	477,277
Long-term agreements	855,715	664,857
Other non-operating activities	375,485	(368,133)
Net cash used by capital and related financing activities	(3,258,444)	(4,308,227)
Cash flows from investing activities:		
Interest received	499,435	311,285
Net investments in water authorities	1,372,347	1,104,222
Net land lease revenue received	317,786	469,318
Rental of district equipment	-	10,268
Net cash provided by investing activities	2,189,568	1,895,093
Net increase in cash and cash equivalents	10,182,786	4,861,202
Cash and cash equivalents at beginning of year	<u>23,233,276</u>	<u>18,372,074</u>
Cash and cash equivalents at end of year	<u>\$ 33,416,062</u>	<u>\$ 23,233,276</u>
Unrestricted cash and cash equivalents	\$ 31,350,059	\$ 21,427,939
Restricted cash and cash equivalents	2,066,003	1,805,337
Total cash and cash equivalents	\$ 33,416,062	\$ 23,233,276

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, 2019 AND 2018**

	2019	Restated 2018
Reconciliation of net income from operations to net cash provided by operating activities:		
Net income from operations	\$ 11,251,179	\$ 4,358,518
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation and amortization	607,950	625,710
(Increase) decrease in:		
Receivables	(1,727,029)	829,694
Supplies inventory	(47,404)	157,351
Prepaid expenses	198,785	(44,504)
Increase (decrease) in:		
Accounts payable	(145,735)	237,920
Other liabilities	889	(18,462)
Accrued salaries and related liabilities	11,689	12,747
Accrued compensated absences	33,147	(199)
Unearned revenue	978,881	1,048,061
Water deposits	(10,117)	(24,435)
Unearned assessment revenue	99,427	91,935
Total adjustments	483	2,915,818
Net cash provided by operating activities	\$ 11,251,662	\$ 7,274,336

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 2020 assessments, levied in 2019, are considered unearned at year-end.

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, 2019 and 2018.

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, receivables, supplies inventory, prepaid expenses, accounts payable, other liabilities, accrued wages 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, 2019, the District implemented the following standards:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The objective of GASB No. 83 is to address accounting and financial reporting for certain asset retirement obligations. Under this statement, governments that have legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on this guidance. The requirements of GASB No. 83 are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The adoption of GASB No. 83 had no impact on the District's financial statements.

GASB Statement No. 84 – *Fiduciary Activities*. The objective of GASB No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB No. 84 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The adoption of GASB No. 84 had no impact on the District's financial statements.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of GASB No. 88 is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of GASB No. 88 are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statement No. 14 and No. 61*. The primary objectives of GASB No. 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of GASB No. 90 are effective for reporting periods beginning after December 15, 2018. The adoption of GASB No. 90 had no impact on the District's financial statements.

MADERA 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. 87 – *Leases*. The objective of GASB No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB No. 87 are effective for reporting periods beginning after December 15, 2019. The District is in the process of evaluating the impact of implementing GASB No. 87 for financial reporting.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB No. 89 are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period; and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB No. 89 are effective for reporting periods beginning after December 15, 2019. The District is in the process of evaluating the impact of implementing GASB No. 89 for financial reporting.

GASB Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of GASB No. 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of GASB No. 91 are effective for reporting periods beginning after December 15, 2020. The District is in the process of evaluating the impact of implementing GASB No. 91 for financial reporting.

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 22, 2020, which is the date the financial statements were available to be issued.

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

NOTE 2 – CASH AND INVESTMENTS

Cash and investments held by the District are reflected in the accompanying Statements of Net Position at December 31, 2019 and 2018, as follow:

	2019	2018
Cash and investments:		
Unrestricted	\$ 31,350,059	\$ 21,427,939
Restricted	2,066,003	1,805,337
Total cash and investments	\$ 33,416,062	\$ 23,233,276

Cash and investments as of December 31, 2019 and 2018, consist of the following:

Cash on hand	\$ 300	\$ 300
Deposits with financial institutions	8,003,793	4,296,284
Investments	25,411,969	18,936,692
Total cash and investments	\$ 33,416,062	\$ 23,233,276

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, 2019 and 2018.

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.

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, 2019 and 2018.

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

December 31, 2018 Investment Type		Remaining Maturity (in Months)		
	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
State Investment Pool-LAIF	\$ 18,936,692	\$ 18,936,692	\$ -	\$ -

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

NOTE 2 – CASH AND INVESTMENTS (continued)

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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, 2019 and 2018 for each investment type.

December 31, 2019 Investment Type	Fair Value	Minimum Legal Rating	AAAm	Not Rated
State Investment Pool-LAIF	<u>\$ 25,411,969</u>	N/A	<u>\$ -</u>	<u>\$ 25,411,969</u>

December 31, 2018 Investment Type	Fair Value	Minimum Legal Rating	AAAm	Not Rated
State Investment Pool-LAIF	<u>\$ 18,936,692</u>	N/A	<u>\$ -</u>	<u>\$ 18,936,692</u>

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.

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 \$7,850,559 for the years ending December 31, 2019. However, the excess funds held at December 31, 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.

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

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, 2019 and 2018, was \$7,850,189 and \$7,667,810, 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, 2019 and 2018:

	2019	2018
Water	\$ 63,416	\$ 49,099
Interest	140,017	114,431
Miscellaneous	50,176	9,331
United States Bureau of Reclamation refund	1,341,343	-
Root Creek permits	214,500	-
Grant	-	102,244
Reservation fee - Tesoro Viejo	-	153,207
North Fork billing	19,267	-
PG&E/Soquel billing	203,731	-
Insurance damage claim	1,140	-
	\$ 2,033,590	\$ 428,312

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, 2019 and 2018:

Investment in Joint Ventures	2019	2018
Madera-Chowchilla Water & Power Authority	\$ 530,419	\$ 647,006
Friant Power Authority	4,753,680	4,596,523
	\$ 5,284,099	\$ 5,243,529

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.

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

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

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Total Assets	\$ 1,175,579	\$ 1,481,832
Total Liabilities	114,743	187,823
Total Net Position	<u>1,060,836</u>	<u>1,294,009</u>
Total Liabilities and Net Position	<u>\$ 1,175,579</u>	<u>\$ 1,481,832</u>
Total Operating Revenues	\$ 1,922,372	\$ 1,809,918
Total Operating Expenses	<u>2,159,056</u>	<u>2,002,588</u>
Net Income (loss) from Operations	(236,684)	(192,670)
Total Nonoperating Revenues (Expenses)	<u>3,511</u>	<u>55,274</u>
Change in Net Position	(233,173)	(137,396)
Net Position, Beginning of Year	<u>1,294,009</u>	<u>1,431,405</u>
Net Position, End of Year	<u>\$ 1,060,836</u>	<u>\$ 1,294,009</u>

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Total Assets	\$ 41,084,061	\$ 41,007,856
Total Liabilities	312,123	479,556
Total Net Position	<u>40,771,938</u>	<u>40,528,300</u>
Total Liabilities and Net Position	<u>\$ 41,084,061</u>	<u>\$ 41,007,856</u>
Total Operating Revenues	\$ 8,634,018	\$ 16,210,754
Total Operating Expenses	<u>1,434,605</u>	<u>2,724,702</u>
Net Income from Operations	7,199,413	13,486,052
Total Nonoperating Revenues (Expenses)	40,284	-
Total Contributions from Members (Distributions)	<u>(9,400,071)</u>	<u>(12,799,945)</u>
Change in Net Position	(2,160,374)	686,107
Net Position, Beginning of Year	40,528,300	39,842,193
Prior Period Adjustment	<u>2,404,012</u>	-
Net Position, End of Year	<u>\$ 40,771,938</u>	<u>\$ 40,528,300</u>

MADERA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

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

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, 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
Total capital assets not being depreciated	<u>20,894,705</u>	<u>442,461</u>	<u>(178,973)</u>	<u>21,158,193</u>
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
Total capital assets being depreciated	<u>33,597,044</u>	<u>492,149</u>	<u>(44,153)</u>	<u>34,045,040</u>
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)
Total accumulated depreciation	<u>(25,117,223)</u>	<u>(607,950)</u>	<u>44,153</u>	<u>(25,681,020)</u>
Total Capital Assets being Depreciated, Net	<u>8,479,821</u>	<u>(115,801)</u>	<u>-</u>	<u>8,364,020</u>
Total Capital Assets, Net	<u>\$ 29,374,526</u>	<u>\$ 326,660</u>	<u>\$ (178,973)</u>	<u>\$ 29,522,213</u>

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

MADERA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 – CAPITAL ASSETS (continued)

Capital asset activity for the year ended December 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions / Completions</u>	<u>Retirements / Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land and tax title property	\$ 19,736,029	\$ -	\$ -	\$ 19,736,029
Madera Ranchos - Vernal Pools	899,588	-	-	899,588
Construction in progress	242,135	86,093	(69,140)	259,088
Total capital assets not being depreciated	<u>20,877,752</u>	<u>86,093</u>	<u>(69,140)</u>	<u>20,894,705</u>
Capital assets being depreciated:				
Transmission/distribution system	27,887,973	311,175	-	28,199,148
Madera Ranch - improvements	222,788	-	-	222,788
Buildings	703,989	32,594	-	736,583
Construction and shop equipment	2,494,579	12,054	-	2,506,633
Transportation equipment	1,093,080	202,703	-	1,295,783
Office furniture	448,212	-	-	448,212
Yards and grounds	187,897	-	-	187,897
Total capital assets being depreciated	<u>33,038,518</u>	<u>558,526</u>	<u>-</u>	<u>33,597,044</u>
Less accumulated depreciation for:				
Transmission/distribution system	(21,333,890)	(319,448)	-	(21,653,338)
Madera Ranch - improvements	(213,101)	(3,062)	-	(216,163)
Buildings	(636,872)	(9,600)	-	(646,472)
Construction and shop equipment	(1,144,903)	(171,727)	-	(1,316,630)
Transportation equipment	(767,269)	(82,328)	-	(849,597)
Office furniture and equipment	(315,640)	(27,976)	-	(343,616)
Yards and grounds	(79,838)	(11,569)	-	(91,407)
Total accumulated depreciation	<u>(24,491,513)</u>	<u>(625,710)</u>	<u>-</u>	<u>(25,117,223)</u>
Total Capital Assets being Depreciated, Net	<u>8,547,005</u>	<u>(67,184)</u>	<u>-</u>	<u>8,479,821</u>
Total Capital Assets, Net	<u>\$ 29,424,757</u>	<u>\$ 18,909</u>	<u>\$ (69,140)</u>	<u>\$ 29,374,526</u>

Depreciation and amortization expense for the year ended December 31, 2019, was \$625,710.

MADERA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 – LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2019 and 2018, was as follows:

	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	<u>3,123,218</u>	<u>-</u>	<u>(265,805)</u>	<u>2,857,413</u>	<u>-</u>
	<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	<u>2,901,104</u>	<u>-</u>	<u>(155,070)</u>	<u>2,746,034</u>	<u>-</u>
	<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>
	Balance January 1, 2018	Additions	Reductions	Balance January 1, 2018	Amounts Due Within One Year
Water Revenue Refunding					
Bond Series 2015	\$ 26,440,000	\$ -	\$(1,505,000)	\$ 24,935,000	\$ 1,565,000
Add issuance premium	<u>3,389,024</u>	<u>-</u>	<u>(265,806)</u>	<u>3,123,218</u>	<u>-</u>
	<u>29,829,024</u>	<u>-</u>	<u>(1,770,806)</u>	<u>28,058,218</u>	<u>1,565,000</u>
Water Revenue Refunding					
Bonds Series 2016	22,955,000	-	(735,000)	22,220,000	760,000
Add issuance premium	<u>3,056,174</u>	<u>-</u>	<u>(155,070)</u>	<u>2,901,104</u>	<u>-</u>
	<u>26,011,174</u>	<u>-</u>	<u>(890,070)</u>	<u>25,121,104</u>	<u>760,000</u>
	<u>\$ 55,840,198</u>	<u>\$ -</u>	<u>\$(2,660,876)</u>	<u>\$ 53,179,322</u>	<u>\$ 2,325,000</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
2020	\$ 1,645,000	\$ 1,168,500	\$ 2,813,500
2021	1,725,000	1,086,250	2,811,250
2022	1,815,000	1,000,000	2,815,000
2023	1,905,000	909,250	2,814,250
2024	2,000,000	814,000	2,814,000
2025-2029	11,600,000	2,466,250	14,066,250
2030	2,680,000	134,000	2,814,000
Totals	<u>\$ 23,370,000</u>	<u>\$ 7,578,250</u>	<u>\$ 30,948,250</u>

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
2020	\$ 790,000	\$ 886,600	\$ 1,676,600
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
2025-2029	5,510,000	2,867,000	8,377,000
2030-2034	6,885,000	1,484,350	8,369,350
2035-2037	4,740,000	287,100	5,027,100
Totals	<u>\$ 21,460,000</u>	<u>\$ 8,690,800</u>	<u>\$ 30,150,800</u>

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, 2019 and 2018, of \$203,731 and \$143,212, 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 2019 is \$530,160 plus an additional \$10.63 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 2019 rates of \$39.52 per acre foot for Class 1 water and \$25.00 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 \$25.33 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 2019 and 2018 was approximately \$96,484 and \$0, respectively. The payroll for employees covered by the District 401(a) Plan for the period August 1, 2019 to December 31, 2019 and the year ended December 31, 2018 was approximately \$1,308,722 and \$0, respectively.

The District authorized the freezing of the 401(k) Pension Plan effective July 31, 2019. The 401(k) Pension Plan expense for 2019 and 2018 was approximately \$128,319 and \$222,000, respectively. The payroll for employees covered by the District 401(k) Plan for the period January 1, 2019 to July 31, 2019 and the year ended December 31, 2018 was approximately \$1,813,269 and \$3,103,000, respectively.

The 401(k) and 401(a) combined expense for 2019 and 2018 was approximately \$224,803 and \$222,000, respectively. The payroll for employees covered by the District 401(k) and 401(a) Plans for the year ended 2019 was approximately \$3,121,991.

- 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 2019, 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 improperly recording repair and maintenance costs as construction in progress in the amount of \$604,182. The prior period adjustment reduced the total construction in progress and increased non-operating expenses for the prior year. The following table shows the change in the restated financial statements:

	<u>Restated 2018</u>	<u>As Previously Recorded 2018</u>	<u>Change</u>
Capital assets, not being depreciated	\$ 20,894,705	\$ 21,498,887	\$ (604,182)
Miscellaneous income (expense)	\$ (368,133)	\$ 236,049	\$ (604,182)
	<u>Restated 2018</u>	<u>As Previously Recorded 2018</u>	<u>Change</u>
Total Assets and Deferred Outflow of Resources	\$ 102,089,054	\$ 102,693,236	\$ (604,182)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 102,089,054	\$ 102,693,236	\$ (604,182)
Net Income from Operations	\$ 4,358,518	\$ 4,358,518	\$ -
Total Nonoperating Revenues (Expenses)	\$ 134,457	\$ 738,639	\$ (604,182)
Net Position, End of Year	\$ 36,910,628	\$ 37,514,810	\$ (604,182)



**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 year ended December 31, 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 22, 2020.

Internal Control over Financial Reporting

In planning and performing our audit 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 22, 2020