



Fresno Irrigation District
Annual Financial Report
December 31, 2021 and 2020



Board of Directors

Name	Division	Title
Jerry Prieto Jr.	1	Vice President
Christopher Woolf	2	Director
Ryan Jacobsen	3	President
George Porter	4	Director
Greg Beberian	5	Director

**Fresno Irrigation District
Bill Stretch, General Manager
2907 South Maple Avenue
Fresno, California 93725**

Fresno Irrigation District
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Financial Section



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Independent Auditor's Report

Board of Directors
Fresno Irrigation District
Fresno, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Fresno Irrigation District (District), as of and for the year ended December 31 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, as of December 31 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

The District's financial statements as of and for the year ended December 31, 2020, were audited by a predecessor auditor who issued an unmodified opinion dated April 1, 2020. Our opinion has not been modified with respect to this matter.

Independent Auditor's Report, continued

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Independent Auditor's Report, continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2022 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 solely 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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California
April 21, 2022

Fresno Irrigation District
Management's Discussion and Analysis
For the Years Ended December 31, 2021 and 2020

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Fresno Irrigation District (District) provides an introduction to the financial statements of the District for the years ended December 31, 2021 and 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2021, the District's net position increased 7.57% or \$8,710,213. In 2020, the District's net position increased 11.75% or \$12,095,351.
- In 2021, the District's total revenues decreased 15.73% or \$4,496,815. In 2020, the District's total revenues increased 82.57% or \$12,930,188.
- In 2021, the District's total expenses decreased 10.20% or \$2,028,119. In 2020, the District's total expenses increased 25.38% or \$4,023,873.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), deferred inflows of resources, and net position. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Fresno Irrigation District
Management's Discussion and Analysis, continued
For the Years Ended December 31, 2021 and 2020

Financial Analysis of the District, continued

These two statements report the District's *net position* and changes in it. You can think of the District's net position – assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation, such as changes in Federal and State water regulations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14 through 38.

Statement of Net Position

A summary of the statements of net position is as follows:

Condensed Statements of Net Position					
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Assets:					
Current assets	\$ 27,182,533	26,181,517	1,001,016	18,132,177	8,049,340
Non-current assets	20,591,287	21,416,210	(824,923)	20,759,045	657,165
Capital assets, net	<u>106,859,580</u>	<u>99,617,382</u>	<u>7,242,198</u>	<u>97,014,134</u>	<u>2,603,248</u>
Total assets	<u>154,633,400</u>	<u>147,215,109</u>	<u>7,418,291</u>	<u>135,905,356</u>	<u>11,309,753</u>
Deferred outflows of resources	<u>596,846</u>	<u>1,151,264</u>	<u>(554,418)</u>	<u>645,087</u>	<u>506,177</u>
Liabilities:					
Current liabilities	17,359,339	18,020,666	(661,327)	15,746,485	2,274,181
Non-current liabilities	<u>13,277,020</u>	<u>14,601,994</u>	<u>(1,324,974)</u>	<u>17,863,599</u>	<u>(3,261,605)</u>
Total liabilities	<u>30,636,359</u>	<u>32,622,660</u>	<u>(1,986,301)</u>	<u>33,610,084</u>	<u>(987,424)</u>
Deferred inflows of resources	<u>847,964</u>	<u>708,003</u>	<u>139,961</u>	<u>-</u>	<u>708,003</u>
Net position:					
Net investment in capital assets	94,106,188	84,333,098	9,773,090	77,033,707	7,299,391
Restricted	4	5	(1)	1,010	(1,005)
Unrestricted	<u>29,639,731</u>	<u>30,702,607</u>	<u>(1,062,876)</u>	<u>25,905,642</u>	<u>4,796,965</u>
Total net position	<u>\$ 123,745,923</u>	<u>115,035,710</u>	<u>8,710,213</u>	<u>102,940,359</u>	<u>12,095,351</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$123,745,923 and \$115,035,710 as of December 31, 2021 and 2020, respectively.

A portion of the District's net position, 76.05% and 73.31% as of December 31, 2021 and 2020, respectively, reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

As of December 31, 2021 and 2020, the District showed a positive balance in its unrestricted net position of \$29,639,731 and \$30,702,607, respectively.

Fresno Irrigation District
Management's Discussion and Analysis, continued
For the Years Ended December 31, 2021 and 2020

Statement of Revenues, Expenses, and Changes in Net Position

A summary of the statements of revenues, expenses, and changes in net position is as follows:

Condensed Statements of Revenues, Expenses, and Changes in Net Position					
	2021	2020	Change	2019	Change
Revenues:					
Operating revenues	\$ 24,067,376	27,623,805	(3,556,429)	14,007,110	13,616,695
Non-operating revenues	25,484	965,870	(940,386)	1,652,377	(686,507)
Total revenues	24,092,860	28,589,675	(4,496,815)	15,659,487	12,930,188
Expenses:					
Operating expenses	14,283,980	16,515,116	(2,231,136)	12,632,959	3,882,157
Depreciation expense	2,983,987	2,937,711	46,276	2,688,854	248,857
Non-operating expenses	582,259	425,518	156,741	532,659	(107,141)
Total expenses	17,850,226	19,878,345	(2,028,119)	15,854,472	4,023,873
Net income before capital contributions	6,242,634	8,711,330	(2,468,696)	(194,985)	8,906,315
Capital contributions	2,467,579	3,384,021	(916,442)	525,516	2,858,505
Changes in net position	8,710,213	12,095,351	(3,385,138)	330,531	11,764,820
Net position, beginning of year	115,035,710	102,940,359	12,095,351	102,609,828	330,531
Net position, end of year	\$ 123,745,923	115,035,710	8,710,213	102,940,359	12,095,351

The statement of revenues, expenses, and changes in net position show how the District's net position changed during the year. In the case of the District, net position increased 7.57% or \$8,710,213 from \$115,035,710 to \$123,745,923, as a result of ongoing operations for the year ended December 31, 2021. In 2020, the District's net position increased 11.75% or \$12,095,351 from \$102,940,359 to \$115,035,710, as a result of ongoing operations.

A closer examination of the sources of changes in net position reveals that:

In 2021, the District's operating revenues decreased 12.87% or \$3,556,429, due primarily to a decrease of \$5,283,802 in water sales; which was offset by increases of \$1,461,663 in project contributions and \$307,122 in assessments. In 2020, the District's operating revenues increased 97.21% or \$13,616,695, due primarily to increases of \$14,064,356 in water sales and \$322,422 in assessments; which were offset by decreases of \$272,987 in project contribution and \$221,103 in other operating revenues.

In 2021, the District's non-operating revenues decreased 97.36% or \$940,386, due primarily to a decrease of \$934,080 in investment income. In 2020, the District's non-operating revenues decreased 41.55% or \$686,507, due primarily to decreases of \$446,790 in investment income and \$242,445 in gain from sale of capital assets.

Fresno Irrigation District
Management's Discussion and Analysis, continued
For the Years Ended December 31, 2021 and 2020

Statement of Revenues, Expenses, and Changes in Net Position, continued

In 2021, the District's operating expenses decreased 13.51% or \$2,231,136, due primarily to decreases of \$2,110,644 in water purchase, \$215,163 in transmission and distribution, and \$161,677 in maintenance; which were offset by an increase of \$256,348 in general and administrative. In 2020, the District's operating expenses increased 30.73% or \$3,882,157, due primarily to increases of \$2,289,084 in water purchase, \$891,749 in maintenance, \$593,750 in general and administrative, and \$107,574 in transmission and distribution.

In 2021, the District's non-operating expenses increased 36.84% or \$156,741, due primarily to an investment loss of \$202,799; which was offset by a decrease of \$46,058 in interest expense. In 2020, the District's non-operating expenses decreased 20.11% or \$107,141, due primarily to a decrease in interest expense.

Depreciation expense increased \$46,276 and \$248,857 for the years ended December 31, 2021 and 2020, respectively.

Capital Asset Administration

As of December 31, 2021 and 2020, the District's capital assets (net of accumulated depreciation) amounted to \$106,859,580 and \$99,617,382, respectively. Capital assets (net of accumulated depreciation) include land, property and land rights, storage rights, transmission and distribution plant, buildings, equipment, telemetry system, office furniture and fixture, and construction-in-process. See note 5 for further discussion.

The change in capital asset amounts for 2021 was as follows:

	<u>Balance 2020</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2021</u>
Capital assets:				
Non-depreciable assets	\$ 23,274,298	8,979,139	(1,270,149)	30,983,288
Depreciable assets	125,651,701	2,532,926	(401,061)	127,783,566
Accumulated depreciation	<u>(49,308,617)</u>	<u>(2,983,987)</u>	<u>385,330</u>	<u>(51,907,274)</u>
Total capital assets, net	<u>\$ 99,617,382</u>	<u>8,528,078</u>	<u>(1,285,880)</u>	<u>106,859,580</u>

The change in capital asset amounts for 2020 was as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2020</u>
Capital assets:				
Non-depreciable assets	\$ 22,188,672	4,209,301	(3,123,675)	23,274,298
Depreciable assets	121,506,448	4,457,835	(312,582)	125,651,701
Accumulated depreciation	<u>(46,680,986)</u>	<u>(2,937,711)</u>	<u>310,080</u>	<u>(49,308,617)</u>
Total capital assets, net	<u>\$ 97,014,134</u>	<u>5,729,425</u>	<u>(3,126,177)</u>	<u>99,617,382</u>

Fresno Irrigation District
Management's Discussion and Analysis, continued
For the Years Ended December 31, 2021 and 2020

Debt Administration

For the years ended December 31, 2021 and 2020, long-term debt decreased by \$530,892 and \$2,520,892, respectively, due primarily to regular principal payment and amortization of premium on the District's outstanding debt. See note 7 for further discussion.

The change in long-term debt amounts for 2021 was as follows:

	<u>Balance</u> <u>2020</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance</u> <u>2021</u>
Long-term debt:				
Bond payable	\$ 11,284,284	-	(530,892)	10,753,392
Other long-term debt	<u>4,000,000</u>	<u>2,000,000</u>	<u>(2,000,000)</u>	<u>4,000,000</u>
Total long-term debt	15,284,284	<u>2,000,000</u>	<u>(2,530,892)</u>	14,753,392
Less: current portion	<u>(2,440,000)</u>			<u>(2,465,000)</u>
Non-current portion	\$ <u>12,844,284</u>			<u>12,288,392</u>

The change in long-term debt amounts for 2020 was as follows:

	<u>Balance</u> <u>2019</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance</u> <u>2020</u>
Long-term debt:				
Bond payable	\$ 11,805,176	-	(520,892)	11,284,284
Other long-term debt	<u>6,000,000</u>	<u>-</u>	<u>(2,000,000)</u>	<u>4,000,000</u>
Total long-term debt	17,805,176	<u>-</u>	<u>(2,520,892)</u>	15,284,284
Less: current portion	<u>(2,430,000)</u>			<u>(2,440,000)</u>
Non-current portion	\$ <u>15,375,176</u>			<u>12,844,284</u>

Economic Factors and Other Conditions Affecting Current Financial Position

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and business closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Consequently, the related financial impact on the District and the duration cannot be estimated at this time.

Management is unaware of any other conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Controller at 2907 South Maple Avenue, Fresno, California 93725 or at the District's website at www.fresnoirrigation.com.

Basic Financial Statements

**Fresno Irrigation District
Statements of Net Position
December 31, 2021 and 2020**

	2021	2020
Current assets:		
Cash and cash equivalents (note 2)	\$ 9,060,548	8,897,111
Restricted – cash and cash equivalents (note 2)	4	5
Investments (note 2)	4,244,144	4,556,400
Accrued interest receivable	110,400	114,171
Accounts receivable	339,292	257,552
Assessments receivable (note 3)	9,628,488	9,320,786
Due from other government agencies (note 4)	3,222,163	2,659,838
Prepaid expenses and other deposits	577,494	375,654
Total current assets	27,182,533	26,181,517
Non-current assets:		
Investments (note 2)	20,358,797	21,237,034
Assessments receivable (note 3)	218,592	154,107
Other assets	13,898	25,069
Capital assets – not being depreciated (note 5)	30,983,288	23,274,298
Capital assets – being depreciated, net (note 5)	75,876,292	76,343,084
Total non-current assets	127,450,867	121,033,592
Total assets	154,633,400	147,215,109
Deferred outflows of resources:		
Deferred OPEB outflows (note 8)	596,846	1,151,264
Total deferred outflows of resources	\$ 596,846	1,151,264

Continued on next page

See accompanying notes to the basic financial statements

Fresno Irrigation District
Statements of Net Position, continued
December 31, 2021 and 2020

	2021	2020
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,158,740	2,202,258
Accrued payroll and employee benefits	286,505	245,315
Accrued interest payable	130,738	124,646
Deposits	623,556	752,979
Unearned revenue	12,190,325	11,756,480
Long-term liabilities – due in one year:		
Compensated absences (note 6)	504,475	498,988
Bond payable (note 7)	465,000	440,000
Other long-term debt (note 7)	2,000,000	2,000,000
Total current liabilities	17,359,339	18,020,666
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 6)	322,533	292,433
Bond payable (note 7)	10,288,392	10,844,284
Other long-term debt (note 7)	2,000,000	2,000,000
Net OPEB liability (note 8)	666,095	1,465,277
Total non-current liabilities	13,277,020	14,601,994
Total liabilities	30,636,359	32,622,660
Deferred inflows of resources:		
Deferred OPEB inflows (note 8)	847,964	708,003
Total deferred inflows of resources	847,964	708,003
Net position:		
Net investment in capital assets (note 9)	94,106,188	84,333,098
Restricted (note 10)	4	5
Unrestricted	29,639,731	30,702,607
Total net position	\$ 123,745,923	115,035,710

See accompanying notes to the basic financial statements

Fresno Irrigation District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

	2021	2020
Operating revenues:		
Assessments	\$ 11,656,191	11,349,069
Water sales	10,118,186	15,401,988
Service charges	312,448	178,354
Pine Flat Dam water use revenue	115,872	278,029
Project contributions	1,703,574	241,911
Other operating revenue	161,105	174,454
Total operating revenues	24,067,376	27,623,805
Operating expenses:		
Water purchase	442,794	2,553,438
Transmission and distribution	4,640,281	4,855,444
Maintenance	3,382,093	3,543,770
General and administration	5,818,812	5,562,464
Total operating expenses	14,283,980	16,515,116
Operating income before depreciation expense	9,783,396	11,108,689
Depreciation expense	(2,983,987)	(2,937,711)
Operating income	6,799,409	8,170,978
Non-operating revenues(expenses):		
Rental income	20,250	16,838
Investment incomes(loss)	(202,799)	934,080
Interest expense	(379,460)	(425,518)
Gain from sale of capital assets	5,234	14,952
Total non-operating revenues(expenses), net	(556,775)	540,352
Net income before capital contributions	6,242,634	8,711,330
Capital contributions:		
Contributed capital	2,467,579	3,384,021
Total capital contributions	2,467,579	3,384,021
Changes in net position	8,710,213	12,095,351
Net position, beginning of year	115,035,710	102,940,359
Net position, end of year	\$ 123,745,923	115,035,710

See accompanying notes to the basic financial statements

Fresno Irrigation District
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 23,917,871	27,705,495
Cash paid to vendors and suppliers for materials and services	(9,264,662)	(9,616,114)
Cash paid to employees for salaries and wages	(6,281,531)	(5,685,760)
Net cash provided by operating activities	8,371,678	12,403,621
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(9,375,288)	(4,819,278)
Proceeds from capital contributions	1,038,626	-
Proceeds from the sale of capital assets	20,965	17,454
Proceeds from debt	2,000,000	-
Principal paid on long-term debt	(2,440,000)	(2,430,000)
Interest paid on long-term debt	(464,260)	(570,138)
Net cash used in capital and related financing activities	(9,219,957)	(7,801,962)
Cash flows from investing activities:		
Interest and investment earnings	479,758	578,564
Purchase of securities	(3,003,584)	(3,750,650)
Proceeds from sale of securities	3,515,291	3,259,226
Rental revenue	20,250	16,838
Net cash provided by investing activities	1,011,715	103,978
Net increase in cash and cash equivalents	163,436	4,705,637
Cash and cash equivalents, beginning of year	8,897,116	4,191,479
Cash and cash equivalents, end of year	\$ 9,060,552	8,897,116
Reconciliation of cash and cash equivalents to the statements of net position:		
	2021	2020
Cash and cash equivalents	\$ 9,060,548	8,897,111
Restricted – cash and cash equivalents	4	5
Total cash and cash equivalents	\$ 9,060,552	8,897,116

Continued on next page

See accompanying notes to the basic financial statements

Fresno Irrigation District
Statements of Cash Flows, continued
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>6,799,409</u>	<u>8,170,978</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,983,987	2,937,711
Change in assets, deferred outflows, liabilities, and deferred inflows:		
(Increase)Decrease in assets:		
Accounts receivable	(81,740)	(182,454)
Assessments receivable	(372,187)	(310,570)
Prepaid expenses and other deposits	(201,840)	(1,066)
Other assets	11,171	-
(Increase)Decrease in deferred outflows of resources:		
Deferred OPEB outflows	554,418	(506,177)
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	(1,043,518)	1,667,401
Accrued payroll and employee benefits	41,190	65,060
Deposits for work-orders	(129,423)	175,019
Unearned revenue	433,845	399,695
Compensated absences	35,587	(8,995)
Net OPEB liability	(799,182)	(710,984)
Increase(Decrease) in deferred inflows of resources:		
Deferred OPEB inflows	<u>139,961</u>	<u>708,003</u>
Total adjustments	<u>1,572,269</u>	<u>4,232,643</u>
Net cash provided by operating activities	<u>\$ <u>8,371,678</u></u>	<u><u>12,403,621</u></u>
Non-cash investing, capital, and financing transaction:		
Change in fair value of investments	\$ <u>(678,786)</u>	<u>384,368</u>
Non-cash capital contributions	\$ <u>866,628</u>	<u>724,183</u>

See accompanying notes to the basic financial statements

Fresno Irrigation District
Notes to the Financial Statements
December 31, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Fresno Irrigation District (District) was formed in 1920, under the California Irrigation Districts Act, as the successor to the privately owned Fresno Canal and Land Company. The District purchased all the rights and property of the company for the sum of \$1,750,000. The assets of the company consisted of over 800 miles of canals and distributions works which were primarily constructed between 1850 and 1880 and the extensive water rights on Kings River. The District, which now comprises some 245,000 acres, lies entirely within Fresno County and includes the rapidly growing Fresno-Clovis metropolitan area.

The District's mission is to protect and manage the surface and groundwater resources of the District in order to meet present and future needs of the people and lands within the District. One of the primary purposes of the District is the delivery of surface water to its agricultural and urban customers. The District is an independent special district, governed by a five-member Board of Directors consisting of members from different geographic divisions of the District.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which 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 District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (assessments), water sales, capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as assessments, water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal fair market values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

The District has adopted the following GASB pronouncement in the current year:

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and business closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Consequently, the related financial impact on the District and the duration cannot be estimated at this time.

3. Cash and Cash Equivalents

The District considers all highly liquid investments with a maturity of three months or less at the time of purchased to be cash equivalents.

4. Investments and Investment Policy

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

5. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

The District's investment in LAIF is valued at amortized cost and is not subject to the fair value measurement criteria.

6. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses liens on parcels and the allowance method for the reservation and write-off of those accounts when material.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

7. Property Assessments

In lieu of ad valorem assessments, the District has elected to raise funds required to carry on its business and affairs by means of fixed charges under Section 22280 of the Water Code based on the full cash value of lands within its jurisdiction. Annually, the District classifies lands on the basis of services to be provided during the subsequent calendar year and establishes the relative value of such services to be furnished by the District in a manner that is consistent with applicable classifications as approved by the voters of the District pursuant to Proposition 218. Assessments are levied on October of each year for the subsequent year. Assessment receivable at year end are assessments that are levied but not received at year end.

8. Restricted Assets

Certain assets of the District are set aside in a trust account to comply with the 2016A Bond Refunding agreement.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Donated assets are recorded at estimated fair market value at the date of donation. The District has set the capitalization threshold for reporting capital assets at \$5,000. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. District policy has set the capitalization threshold for reporting capital assets as follows:

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

10. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

11. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

12. Unearned Revenue

Unearned revenue consists of assessments of future year's water sales and service fees.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

13. Compensated Absences

The District's personnel policies permit full-time employees to accumulate paid time-off (PTO) based on years of service. Cash payment of unused accumulate PTO is available to those qualified employees when retired or terminated or every quarter when the unused accumulated PTO balance is above 320 hours. Part-time employees accumulate sick time based on the requirements of the State. Sick time may not be cashed out.

14. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

15. Post-Employment Benefit Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by PARS. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

16. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- **Restricted** – consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.
- **Unrestricted** – the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted* components of net position.

17. Budgetary Principles

The District adopts an annual budget, typically in October each year, to take effect January 1 the following year. The budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions. The Board approves all budget addition appropriations. Budget integration is employed as a management control device.

18. Reclassification

The District has reclassified certain prior year information to conform to current year presentations.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(2) Cash and Investments

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

	2021	2020
Cash and cash equivalents	\$ 9,060,548	8,897,111
Restricted – cash and cash equivalents	4	5
Current investments	4,244,144	4,556,400
Non-current investments	20,358,797	21,237,034
Total	\$ 33,663,493	34,690,550

Cash and investments as of December 31 consist of the following:

	2021	2020
Cash and cash equivalents:		
Cash on hand	\$ 470	374
Deposits with financial institutions	9,051,327	8,888,023
California Local Agency Investment Fund	8,755	8,719
Total cash and cash equivalents	9,060,552	8,897,116
Investments:		
U.S. Government Agency obligations	9,996,114	10,260,589
Brokered certificates of deposit	7,515,927	8,221,011
Corporate bonds	7,090,900	7,311,834
Total investments	24,602,941	25,793,434
Total cash and investments	\$ 33,663,493	34,690,550

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District; rather, the table addresses the general provisions of the California Government Code or the District's investment policy.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(2) Cash and Investments, continued

Investments Authorized by the California Government Code and the District's Investment Policy, continued

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	5 years	None	None	None
Interest Bearing Checking Accounts	N/A	None	None	None
Certificates of Deposit	5 years	None	30%	None
U.S. Treasury Bills and Notes	5 years	None	None	None
U.S. Government Sponsored Entities	5 years	None	None	None
Bankers' Acceptances	180 days	None	40%	30%
Commercial Paper	270 days	NRSRO*	25%	10%
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase Agreement	92 days	None	20% of base value	None
Medium Term Notes	5 years	NRSRO A	30%	10%
Negotiable Certificates of Deposit	5 years	None	30%	None

*Entity has other debt rated by a nationally recognized statistical rating organization (NRSRO) of A or higher and commercial paper that is rated by a NRSRO of A-1 or higher

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The 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 trust deed mortgage notes having a value of 150% of the secured public deposits. As of December 31, 2021 and 2020, bank balances are federally insured up to \$250,000. The remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(2) Cash and Investments, continued

Investment in State Investment Pool

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

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transaction processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000.
- Withdrawals of \$10 million or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

As of December 31, 2021, the District's investments are scheduled to mature as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
U.S. Government Agency obligations	\$ 9,996,114	1,018,676	2,058,652	6,918,786
Brokered certificates of deposit	7,515,927	2,518,517	256,978	4,740,432
Corporate bonds	7,090,900	706,951	4,354,991	2,028,958
Total	\$ 24,602,941	4,244,144	6,670,621	13,688,176

As of December 31, 2020, the District's investments are scheduled to mature as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
U.S. Government Agency obligations	\$ 10,260,589	2,017,275	1,044,993	7,198,321
Brokered certificates of deposit	8,221,011	1,523,763	2,558,100	4,139,148
Corporate bonds	7,311,834	1,015,362	725,456	5,571,016
Total	\$ 25,793,434	4,556,400	4,328,549	16,908,485

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(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 the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code (where applicable), the District's investment policy, or debt agreements, and the actual rating as of the years ended for each investment type.

Credit ratings as of December 31, 2021, were as follows:

Investment Type	Minimum Legal Rating	Amount	Rating as of Year-End		
			AAAm/A-1+ AA/AA+/AA-	A-1/A+/ A/A-/BBB+	Unrated
U.S. Government Agency obligations	N/A	\$ 9,996,114	9,996,114	-	-
Brokered certificates of deposit	N/A	7,515,927	-	-	7,515,927
Corporate bonds	Aaa	7,090,900	-	7,090,900	-
Total		\$ 24,602,941	9,996,114	7,090,900	7,515,927

Credit ratings as of December 31, 2020, were as follows:

Investment Type	Minimum Legal Rating	Amount	Rating as of Year-End		
			AAAm/A-1+ AA/AA+/AA-	A-1/A+/ A/A-/BBB+	Unrated
U.S. Government Agency obligations	N/A	\$ 10,260,589	7,268,221	-	2,992,368
Brokered certificates of deposit	N/A	8,221,011	-	250,645	7,970,366
Corporate bonds	Aaa	7,311,834	-	7,311,834	-
Total		\$ 25,793,434	7,268,221	7,562,479	10,962,734

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments as of December 31, are as follows:

Investment	2021	2020
U.S. Government Agency obligations		
Federal Farm Credit Bank	\$ 3,032,222	4,125,832
Federal Home Loan Bank	3,043,986	2,138,491
Freddie Mac	3,919,906	2,992,368
Corporate bonds		
Bank of New York Mellon Corporation	2,336,281	2,397,996
JP Morgan Chase & Co.	1,058,797	2,115,797

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(2) Cash and Investments, continued

Fair Value Hierarchy

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at December 31, 2021, are as follows:

<u>Description</u>	<u>December 31,</u> <u>2021</u>	<u>Fair Value Measurement at Reporting Date Using:</u>		
		<u>Quoted Prices in</u> <u>Active Markets for</u> <u>Identical Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
U.S. Government Agency obligations	\$ 9,996,114	9,996,114	-	-
Brokered certificates of deposit	7,515,927	7,515,927	-	-
Corporate bonds	7,090,900	7,090,900	-	-
	<u>24,602,941</u>	<u>24,602,941</u>	<u>-</u>	<u>-</u>
Investments measured at amortized cost:				
California Local Agency Investment Fund	<u>8,755</u>			
Total	<u>\$ 24,611,696</u>			

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at December 31, 2020, are as follows:

<u>Description</u>	<u>December 31,</u> <u>2020</u>	<u>Fair Value Measurement at Reporting Date Using:</u>		
		<u>Quoted Prices in</u> <u>Active Markets for</u> <u>Identical Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
U.S. Government Agency obligations	\$ 10,260,589	10,260,589	-	-
Brokered certificates of deposit	8,221,011	8,221,011	-	-
Corporate bonds	7,311,834	7,311,834	-	-
	<u>25,793,434</u>	<u>25,793,434</u>	<u>-</u>	<u>-</u>
Investments measured at amortized cost:				
California Local Agency Investment Fund	<u>8,719</u>			
Total	<u>\$ 25,802,153</u>			

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(3) Assessments Receivable

Assessments receivable as of December 31 consists of the following:

	2021	2020
Short-term assessment	\$ 9,628,488	9,320,786
Long-term assessment	218,592	154,107
Total assessment receivable	\$ 9,847,080	9,474,893

(4) Due from Other Government Agencies

As of December 31, 2021 and 2020, the District maintain a balance due from the Fresno Metropolitan Flood Control District totaling \$3,222,163 and \$2,659,838, respectively.

(5) Capital Assets

The change in capital assets for 2021 were as follows:

	Balance 2020	Additions/ Transfers	Deletions/ Transfers	Balance 2021
Non-depreciable assets:				
Land	\$ 9,938,620	-	-	9,938,620
Property and land rights	1,750,000	-	-	1,750,000
Storage rights - Pine Flat Dam	1,781,918	-	-	1,781,918
Construction-in-process	9,803,760	8,979,139	(1,270,149)	17,512,750
Total non-depreciable assets	23,274,298	8,979,139	(1,270,149)	30,983,288
Depreciable assets:				
Transmission and distribution plant	107,926,321	2,061,903	-	109,988,224
Buildings	9,228,891	-	-	9,228,891
Equipment	6,958,265	271,274	(77,203)	7,152,336
Telemetry system	539,198	-	-	539,198
Office furniture and fixtures	999,026	199,749	(323,858)	874,917
Total depreciable assets	125,651,701	2,532,926	(401,061)	127,783,566
Accumulated depreciation:				
Transmission and distribution plant	(40,165,422)	(2,280,559)	-	(42,445,981)
Buildings	(2,040,730)	(250,983)	-	(2,291,713)
Equipment	(5,662,004)	(415,754)	77,204	(6,000,554)
Telemetry system	(491,725)	(1,039)	-	(492,764)
Office furniture and fixtures	(948,736)	(35,652)	308,126	(676,262)
Total accumulated depreciation	(49,308,617)	(2,983,987)	385,330	(51,907,274)
Total depreciable assets, net	76,343,084	(451,061)	(15,731)	75,876,292
Total capital assets, net	\$ 99,617,382	8,528,078	(1,285,880)	106,859,580

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(5) Capital Assets, continued

The change in capital assets for 2020 were as follows:

	<u>Balance 2019</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Non-depreciable assets:				
Land	\$ 9,953,253	-	(14,633)	9,938,620
Property and land rights	1,750,000	-	-	1,750,000
Storage rights - Pine Flat Dam	1,781,918	-	-	1,781,918
Construction-in-process	8,703,501	4,209,301	(3,109,042)	9,803,760
Total non-depreciable assets	<u>22,188,672</u>	<u>4,209,301</u>	<u>(3,123,675)</u>	<u>23,274,298</u>
Depreciable assets:				
Transmission and distribution plant	104,252,663	3,673,658	-	107,926,321
Buildings	9,151,936	76,955	-	9,228,891
Equipment	6,612,121	658,726	(312,582)	6,958,265
Telemetry system	497,633	41,565	-	539,198
Office furniture and fixtures	992,095	6,931	-	999,026
Total depreciable assets	<u>121,506,448</u>	<u>4,457,835</u>	<u>(312,582)</u>	<u>125,651,701</u>
Accumulated depreciation:				
Transmission and distribution plant	(37,952,582)	(2,212,840)	-	(40,165,422)
Buildings	(1,793,370)	(247,360)	-	(2,040,730)
Equipment	(5,535,884)	(436,200)	310,080	(5,662,004)
Telemetry system	(491,725)	-	-	(491,725)
Office furniture and fixtures	(907,425)	(41,311)	-	(948,736)
Total accumulated depreciation	<u>(46,680,986)</u>	<u>(2,937,711)</u>	<u>310,080</u>	<u>(49,308,617)</u>
Total depreciable assets, net	<u>74,825,462</u>	<u>1,520,124</u>	<u>(2,502)</u>	<u>76,343,084</u>
Total capital assets, net	<u>\$ 97,014,134</u>	<u>5,729,425</u>	<u>(3,126,177)</u>	<u>99,617,382</u>

(6) Compensated Absences

The change in compensated absences for 2021 were as follows:

<u>Balance 2020</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 791,421	509,692	(474,105)	827,008	504,475	322,533

The change in compensated absences for 2020 were as follows:

<u>Balance 2019</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2020</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 800,416	425,163	(434,158)	791,421	498,988	292,433

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(7) Long-term Debt

The change in long-term debts for 2021 was as follows:

	<u>Balance 2020</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Bond payable:						
Revenue Refunding Bond Series 2016A	\$ 9,830,000	-	(440,000)	9,390,000	465,000	8,925,000
Add: Unamortized premium	1,454,284	-	(90,892)	1,363,392	-	1,363,392
Total certificate-of-participation	11,284,284	-	(530,892)	10,753,392	465,000	10,288,392
Other long-term debt:						
Warrant payable	4,000,000	-	(2,000,000)	2,000,000	2,000,000	-
Installment purchase agreement	-	2,000,000	-	2,000,000	-	2,000,000
Total loans payable	4,000,000	2,000,000	(2,000,000)	4,000,000	2,000,000	2,000,000
Total long-term debt	15,284,284	2,000,000	(2,530,892)	14,753,392	2,465,000	12,288,392
Current portion	(2,440,000)			(2,465,000)		
Non-current portion	\$ 12,844,284			12,288,392		

The change in long-term debts for 2020 was as follows:

	<u>Balance 2019</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2020</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Bond payable:						
Revenue Refunding Bond Series 2016A	\$ 10,260,000	-	(430,000)	9,830,000	440,000	9,390,000
Add: Unamortized premium	1,545,176	-	(90,892)	1,454,284	-	1,454,284
Total certificate-of-participation	11,805,176	-	(520,892)	11,284,284	440,000	10,844,284
Other long-term debt:						
Warrant payable	6,000,000	-	(2,000,000)	4,000,000	2,000,000	2,000,000
Total loans payable	6,000,000	-	(2,000,000)	4,000,000	2,000,000	2,000,000
Total long-term debt	17,805,176	-	(2,520,892)	15,284,284	2,440,000	12,844,284
Current portion	(2,430,000)			(2,440,000)		
Non-current portion	\$ 15,375,176			12,844,284		

Revenue Refunding Bond, Series 2016A

In April 2007, the District issued the Certificate of Participation (Water Facilities Project), Series 2007 in the amount of \$16,575,000. The proceeds were used to finance certain improvements to the District's water infrastructure.

On September 8, 2016, the District issued the Water Revenue Refunding Bonds, Series 2016A in the amount of \$11,415,000 secured by the District's net revenues. The proceeds were used to refund the outstanding Certificates of Participation (Water Facilities Project) and pay for cost of issuance of the 2016A bonds. The debt bears an interest rate ranging from 3.0% to 5.0%, with interest due semi-annually on April 1 and October 1 of each year, principal due annually on October 1 of each year, and maturing on October 1, 2036.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(7) Long-term Debt, continued

Revenue Refunding Bond Series 2016A, continued

Annual debt service requirements for the bond are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 465,000	388,100	853,100
2023	485,000	364,850	849,850
2024	505,000	350,300	855,300
2025	520,000	335,150	855,150
2026	535,000	319,550	854,550
2027-2031	3,085,000	1,176,750	4,261,750
2032-2036	<u>3,795,000</u>	<u>467,400</u>	<u>4,262,400</u>
Total	9,390,000	<u>3,402,100</u>	<u>12,792,100</u>
Premium	1,363,392		
Current	<u>(465,000)</u>		
Non-current	<u>\$ 10,288,392</u>		

Warrant, Series 2018

On September 24, 2018, the District entered into a warrant agreement with Wells Fargo Bank, National Association in the amount of \$6,000,000 secured by the District's net revenues. The proceeds from the warrant were used to finance the cost of the acquisition, construction, and improvement of certain facilities which are commonly known as the Central Basin Project and the Wagner Basin Project. The warrant interest rate is variable with a maximum of 12.00%. Interest payments are due semi-annually on February 1 and August 1 of each year, principal payments are due annually on August 1 of each year, and matures on August 1, 2022.

Annual payments of principal and interest for the warrant are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ <u>2,000,000</u>	<u>63,767</u>	<u>2,063,767</u>
Total	2,000,000	<u>63,767</u>	<u>2,063,767</u>
Current	<u>(2,000,000)</u>		
Non-current	<u>\$ -</u>		

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(7) Long-term Debt, continued

Installment Purchase Agreement

On December 1, 2021, the District entered into an installment purchase agreement with Wells Fargo Bank, National Association in the amount of \$20,000,000 secured by the pledge of revenues. The proceeds from the installment purchase agreement are to be used to finance the cost to acquire certain land and develop such land for groundwater recharge purposes, and to acquire certain other improvements to the District's water infrastructure. The installment purchase agreement bears an interest rate of 1.72% with installment payments of principal and interest due semi-annually on June 30 and December 31 of each year, commencing on June 30, 2022. The installment purchase agreement is scheduled to mature on December 31, 2031. As of December 31, 2021, \$2,000,000 was advanced and \$18,000,000 is scheduled to be advanced during 2022 under the installment purchase agreement.

(8) OPEB

Plan Description

The District's defined benefit OPEB plan (Plan) provides OPEB for all permanent full-time employees and consists of the Public Agency Retirement Services (PARS). PARS receives contributions from the District and other participating employers prefunding accounts to pay for health care or other post-employment benefits in accordance with the terms of the participating employers' plans. Contributions are voluntarily determined by the District's own funding schedule, and there are no long-term contracts for contributions to the Plan. As such, contributions to PARS are elective and not required. PARS is an agent multiple-employer plan administered by the PARS. PARS financial report is available upon request.

Benefits Provided

The District provides medical/Rx insurance for its retirees and their dependents through the California Public Employees' Medical and Hospital Care Act (PEMHCA). Employees may choose one of five medical options: Blue Shield Access+, Kaiser HMO, PERS Gold PPO, PERS Platinum PPO, or UnitedHealthCare (UHC) HMO. The District provides dental and vision insurance through Ameritas.

Employees Covered by Benefit Terms

At December 31, the following employees were covered by the benefit terms:

	2021	2020
Inactive employees currently receiving benefits	34	34
Active employees	92	92
Total	126	126

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(8) OPEB, continued

Contributions

The District funds retiree health care benefits on a pay-as-you-go basis. The District recognizes expenditures for its share of the annual premiums as these benefits become due. The contribution requirements are established and may be amended by the District's Board of Directors. The Board establishes rates based on an actuarially determined rate. For the years ended December 31, 2021 and 2020, the District's contributions are limited according to the following schedule:

	<u>District Contributions</u>	
	<u>Employee</u>	<u>Spouse</u>
Hired before January 1, 2006	100%	100%
Hired between January 1, 2006 and May 13, 2014	100% of UHC HMO or Kaiser HMO, if elected; otherwise, 100% of UHC HMO	50% of UHC HMO or Kaiser HMO, if elected; otherwise, 50% of UHC HMO
Hired on or after May 13, 2014	100% of UHC HMO	Dollar cap per schedule

Actuarial Assumptions

As of and for the year ended December 31, 2021, the District's net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. As of and for the year ended December 31, 2020, the District's net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.00%
Investment rate of return	6.00%
Healthcare cost trend rates	2020: Medical – 6.00% in 2020 decreasing 0.10% each year to an ultimate rate of 5.00% in 2030 and thereafter

Mortality rates were based on the RP-2014 mortality table for males or females for the December 31, 2019, actuarial valuation.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(8) OPEB, continued

Actuarial Assumptions, continued

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class for the December 31, 2021 and 2019, actuarial valuations:

Asset Class	Assumed Asset Allocation	Real Rate of Return
Broad U.S. equity	25.0 %	4.4 %
U.S. fixed	35.0	1.5
High yield	35.0	3.1
Cash equivalents	5.0	0.1
Total	100 %	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00%. The long-term expected rate of return on Plan investment was to the extent that the Plan's fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return. In addition, a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used if the previous conditions were not met.

Changes in the Net OPEB Liability

	2021			2020
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability(Asset)	Net OPEB Liability(Asset)
Balance at beginning of year	\$ 9,123,684	7,658,407	1,465,277	2,176,261
Changes for the year:				
Service cost	209,813	-	209,813	185,210
Interest	550,163	-	550,163	544,407
Difference between expected and actual experience	-	-	-	(783,368)
Changes in assumptions	-	-	-	436,606
Employer contributions	-	833,067	(833,067)	(290,597)
Net investment income	-	769,711	(769,711)	(844,340)
Benefit payments	(333,067)	(333,067)	-	-
Trustees fees	-	(23,987)	23,987	22,582
Administrative expenses	-	(19,633)	19,633	18,516
Net change	426,909	1,226,091	(799,182)	(710,984)
Balance at end of year	\$ 9,550,593	8,884,498	666,095	1,465,277

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(8) OPEB, continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

As of December 31, 2021, the net OPEB liability(asset) of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage point higher (7.00%) than the current discount rate (6.00%) is as follows:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
District's net OPEB liability(asset)	\$ <u>1,959,199</u>	<u>666,095</u>	<u>(404,471)</u>

As of December 31, 2020, the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage point higher (7.00%) than the current discount rate (6.00%) is as follows:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
District's net OPEB liability(asset)	\$ <u>2,719,229</u>	<u>1,465,277</u>	<u>427,347</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

As of December 31, 2021, the net OPEB liability(asset) of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00% decreasing to 4.00%) or 1-percentage-point higher (7.00% decreasing to 6.00%) than the current healthcare cost trend rates (6.00% decreasing to 5.00%) is as follows:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
District's net OPEB liability(asset)	\$ <u>(544,788)</u>	<u>666,095</u>	<u>2,152,171</u>

As of December 31, 2020, the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00% decreasing to 4.00%) or 1-percentage-point higher (7.00% decreasing to 6.00%) than the current healthcare cost trend rates (6.00% decreasing to 5.00%) is as follows:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
District's net OPEB liability(asset)	\$ <u>368,235</u>	<u>1,465,277</u>	<u>2,805,252</u>

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(8) OPEB, continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31 2021 and 2020, the District recognized OPEB expense of \$208,115 and \$285,411, respectively. At December 31, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution subsequent to the measurement date	\$ 268,044	-	768,560	-
Difference between expected and actual return on investments	-	(258,020)	-	(686,656)
Difference between expected and actual experience	-	(589,944)	-	(21,347)
Changes in assumption	328,802	-	382,704	-
	<u>\$ 596,846</u>	<u>(847,964)</u>	<u>1,151,264</u>	<u>(708,003)</u>

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

Year	Deferred Outflow(Inflow) of Resources
2022	\$ (89,585)
2023	(62,288)
2024	(177,886)
2025	(99,501)
2026	(42,810)
2027-2028	(47,092)

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(9) Net Investment in Capital Assets

The balance at December 31, consists of the following:

	2021	2020
Net investment in capital assets:		
Non-depreciable capital assets, net	\$ 30,983,288	23,274,298
Depreciable capital assets, net	75,876,292	76,343,084
Bond payable	(9,390,000)	(9,830,000)
Bond premium	(1,363,392)	(1,454,284)
Warrant payable	(2,000,000)	(4,000,000)
Installment purchase agreement	(2,000,000)	-
Unused proceeds from debt issuance	2,000,000	-
Total investment in capital assets	<u>94,106,188</u>	<u>84,333,098</u>

(10) Restricted

The balance at December 31, consists of the following:

	2021	2020
Restricted net position:		
Cash and cash equivalent	\$ 2,000,004	5
Installment purchase agreement	(2,000,000)	-
Total restricted net position	<u>\$ 4</u>	<u>5</u>

(11) Defined Contribution Plan

The District sponsors the Fresno Irrigation District Employees' Retirement Plan (ERP). The ERP is a defined contribution plan covering all permanent District employees with over two months of service. The District contributes 0.50% of an eligible employee's eligible gross pay after one year of service. In addition, the District matches an employee's contributions up to 6.00% of his/her gross pay. For the years ended December 31, 2021 and 2020, the District's contributions to the ERP totaled \$356,840 and \$306,542, respectively.

(12) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a founding member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase the appropriate amount of insurance coverage.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(12) Risk Management, continued

At December 31, 2021, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General liability: The general liability coverage is through ACWA/JPIA with limits of liability of \$5 million per occurrence.
- Property: The property insurance coverage is as follows: 1) Buildings, personal property, fixed equipment, and unscheduled vehicle on premises with a deductible of \$2,500; 2) Mobile equipment and vehicle with a deductible of \$2,500 and \$1,000, respectively; 3) Boiler and machinery accidental breakdown with a deductible of \$50,000 for turbine units and associated equipment, electrical generators, and electrical power distribution, and a deductible of \$25,000 for all other objects; 4) Flood with a deductible of \$100,000; and 5) Earthquake with a deductible equivalent to 5% per unit of insurance, subject to a \$75,000 minimum.
- Crime: Crime coverage includes public employee theft, depositor forgery or alteration, computer and funds transfer fraud up to \$100,000 subject to a deductible of \$1,000; Excess crime coverage include public employee dishonesty, forgery or alteration, computer fraud, faithful performance of duty, pension plans including ERISA, and impersonation fraud (sublimit of \$250,000) up to \$1,000,000, subject to a deductible of \$100,000.

Coverage for workers' compensation is provided by the Special District Risk Management Authority (SDRMA). The District's coverage is as follows:

- Workers' compensation insurance coverage up to \$5,000,000 per occurrence.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ended December 31, 2021 and 2020. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated, net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2021 and 2020.

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date, which have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement 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 this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement 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. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

Fresno Irrigation District
Notes to the Financial Statements, continued
December 31, 2021 and 2020

(14) Commitments and Contingencies

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes that the ultimate outcome of such matters, if any, will not materially affect its financial conditions.

Water Delivery Contract

The District entered into a contract with the United States Bureau of Reclamation (USBR) which provides the District the opportunity to purchase up to 75,000 acre-feet of Class II water per contract year when this water is available. The rate, which can change on October 1 of each year, was \$22.55 per acre-foot as of December 31, 2021. As a condition of the contract, the District is also committed to pay a pro-rata share of the operating and maintenance costs of the Friant-Kern Canal at a current annual cost of approximately \$250,000.

Pine Flat Dam Storage

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

Central Valley Project

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

(15) Subsequent Events

Events occurring after December 31, 2021, have been evaluated for possible adjustment to the financial statements or disclosure as of April 21, 2022, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Fresno Irrigation District
Schedules of Changes in the Net OPEB Liability and Related Ratios
December 31, 2021
Last Ten Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 209,813	185,210	215,826	209,540
Interest	550,163	544,407	507,605	485,119
Differences between expected and actual experience	-	(783,368)	-	-
Changes of assumptions	-	436,606	-	-
Benefit payments	<u>(333,067)</u>	<u>(290,597)</u>	<u>(299,808)</u>	<u>(339,411)</u>
Net change in total OPEB liability	426,909	92,258	423,623	355,248
Total OPEB liability - beginning	<u>9,123,684</u>	<u>9,031,426</u>	<u>8,607,803</u>	<u>8,252,555</u>
Total OPEB liability - ending	<u>\$ 9,550,593</u>	<u>9,123,684</u>	<u>9,031,426</u>	<u>8,607,803</u>
Plan fiduciary net position				
Contributions - employer	\$ 833,067	290,597	299,808	339,411
Net investment income	769,711	844,340	(117,971)	564,205
Benefit payments	(333,067)	(290,597)	(299,808)	(339,411)
Trustees fees	(23,987)	(22,582)	(21,850)	(21,628)
Administrative expenses	<u>(19,633)</u>	<u>(18,516)</u>	<u>(17,428)</u>	<u>(16,880)</u>
Net change in fiduciary net position	1,226,091	803,242	(157,249)	525,697
Total fiduciary net position - beginning	<u>7,658,407</u>	<u>6,855,165</u>	<u>7,012,414</u>	<u>6,486,717</u>
Total fiduciary net position - ending	<u>\$ 8,884,498</u>	<u>7,658,407</u>	<u>6,855,165</u>	<u>7,012,414</u>
District's net OPEB liability	<u>\$ 666,095</u>	<u>1,465,277</u>	<u>2,176,261</u>	<u>1,595,389</u>
Plan fiduciary net position as a percentage of the total OPEB liability	93.03%	83.94%	75.90%	81.47%
Covered-employee payroll	\$ 6,118,502	5,935,560	5,649,274	5,220,556
District's net OPEB liability as a percentage of covered-employee payroll	10.89%	24.69%	38.52%	30.56%

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Fresno Irrigation District
Schedules of Plan Contributions
December 31, 2021
Last Ten Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 334,840	290,597	299,808	301,289
Contributions in relation to the actuarially determined contribution	<u>(334,840)</u>	<u>(290,597)</u>	<u>(299,808)</u>	<u>(301,289)</u>
Contribution deficiency	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 6,118,502	5,935,560	5,649,274	5,220,556
Contributions as a percentage of covered-employee payroll	5.47%	4.90%	5.31%	5.77%

Notes to Schedule

Actuarially determined contribution rates represent the service cost and a 30-year amortization (as a level percent of pay) of the net OPEB liability. The actuarially determined contribution is a potential payment to the plan determined using a contribution allocation procedure and may be compared to the pay-as-you-go payment.

Methods and assumptions used to determine the contribution rates are as follows:

Valuation date	December 31, 2019
Actuarial cost method	Entry age
Amortization method	Level percent of pay
Inflation	3.00%
Salary increases	3.00%
Investment rate of return	6.00% net of OPEB plan investment expense
Healthcare cost trend rate	6.00% for 2020 and decreasing 0.10% per year to 5.00% for 2030 and later years
Pre-retirement mortality	RP-2014 Employee Mortality, without projection
Post-retirement mortality	RP-2014 Healthy Annuitant Mortality, without projection

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Report on Internal Controls and Compliance



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Fresno Irrigation District
Fresno, California

We have audited, 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, the financial statements of the Fresno Irrigation District (District), which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon date April 21, 2022.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 audits 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 of 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 audits 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*.

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on the Audits of Financial Statements Performed
in Accordance with *Government Auditing Standards*, continued**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

April 21, 2022