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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Anderson-Cottonwood Irrigation District
Anderson, California

Report on the Financial Statements

We have audited the accompanying financial statements of Anderson-Cottonwood Irrigation District, as of and for the year ended December 31, 2019, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anderson-Cottonwood Irrigation District as of December 31, 2019, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robert W. Johnson, An Accounting Capable

Citrus Heights, California
March 6, 2020

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2019

ASSETS

Current assets:

Cash and investments (Note 3)	\$ 2,236,087
Receivables – taxes	309,580
– storm damage	816,590
Supplies	16,170
Prepaid expenses	<u>6,874</u>

Total current assets 3,385,301

Capital assets, at cost (Note 4)	\$22,673,687	
Less, accumulated depreciation	<u>10,099,916</u>	
	12,573,771	
Work in progress	<u>4,959</u>	<u>12,578,730</u>
		<u>\$15,964,031</u>

See notes to financial statements

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	\$	60,258
Accrued payroll		12,728
Accrued vacation		<u>18,315</u>

Total current liabilities 91,301

Long-term debt (Note 5) 650,647

Net position (Note 8):

Net investment in capital assets \$12,578,730

Unrestricted 2,643,353

15,222,083

\$15,964,031

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2019

Operating revenues:		
Water sales		\$ 713,885
Water transfers		391,980
Other		<u>9,815</u>
Total operating revenues		1,115,680
Operating expenses:		
Source of supply	\$ 349,003	
Pumping	178,477	
Transmission and distribution	714,606	
Administrative	278,331	
Depreciation	<u>614,287</u>	
Total operating expenses		<u>2,134,704</u>
Operating income (loss)		(1,019,024)
Non-operating income (expense):		
Property tax revenue	533,653	
Interest income	14,375	
Storm damage recovery, net of \$799,800 in costs	<u>16,790</u>	
		<u>564,818</u>
Loss before Bureau construction recovery		(454,206)
Bureau construction recovery		<u>106,939</u>
Change in net position		(347,267)
Total net position:		
Beginning (Note 10)		<u>15,569,350</u>
Ending		<u>\$15,222,083</u>

See notes to financial statements

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
for the year ended December 31, 2019

Cash flows from operating activities:		
Receipts from customers		\$ 1,115,680
Payments to suppliers		(1,895,557)
Payments to employees		<u>(430,906)</u>
Net cash used by operating activities		(1,210,783)
Cash flows from noncapital financing activities:		
Property taxes	\$ 533,653	
Other	<u>16,790</u>	
		550,443
Cash flows from capital and related financing activities:		
Capital expenditures	<u>(83,146)</u>	
		(83,146)
Cash flows from investing activities:		
Interest income		<u>14,375</u>
Net decrease in cash and cash equivalents		(729,111)
Cash and cash equivalents:		
Beginning of year		<u>2,965,198</u>
End of year		<u>\$ 2,236,087</u>

See notes to financial statements

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
 STATEMENT OF CASH FLOWS, continued
 for the year ended December 31, 2019

Reconciliation of operating income (loss) to
 net cash used by operating activities:

Operating income (loss)		\$(1,019,024)
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Adjustments to reconcile operating income (loss)
 to net cash provided by operating activities:

Depreciation expense	\$ 614,287	
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Changes in operating assets and liabilities:

Receivables – taxes	(19,769)	
– storm damage	(816,590)	
Supplies	12,027	
Accounts payable	26,762	
Accrued payroll	(1,468)	
Accrued vacation	(5,266)	
Prepays	<u>(1,742)</u>	

Total adjustments		<u>(191,759)</u>
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Net cash used by operating activities		<u>\$(1,210,783)</u>
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Noncash financing activities:

In 2019, the District recorded debt relief of \$106,939 from the Bureau of Reclamation – Central Valley Project. The debt relief reduction resulted from the change in allocated construction costs and the District's purchased water rate from the Bureau of Reclamation.

See notes to financial statements

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2019

1. Organization:

Anderson-Cottonwood Irrigation District (the "District") was formed in 1914 and encompasses approximately 32,000 acres in Shasta and Tehama counties. The District has over 30 miles of main canal and 200 miles of side laterals, serving over 6,500 acres of land with 760 landowners.

The District is governed by a Board of Directors which is elected by voters of the District.

2. Summary of Significant Accounting Policies:

The basic financial statements of Anderson-Cottonwood Irrigation District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Fund Accounting

The District is an enterprise fund. All operations are accounted for as an enterprise fund.

Enterprise Fund – The enterprise fund is used to account for water operations that are financed and operated in a manner similar to private business enterprises. The intent of the District is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The District's books and accounts are based upon the Uniform System of Accounts for Public Utilities as prescribed by the Division of Local Government Fiscal Affairs of the State of California. The records are maintained and the accompanying financial statements are presented on the accrual basis of accounting.

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended December 31, 2019

2. Summary of Significant Accounting Policies, continued:

Depreciation and Amortization

Capital assets are recorded on the basis of purchase cost. Assets acquired by contribution are recorded at estimated cost or fair market value at the date of acquisition.

Depreciation is calculated by the straight-line method over the estimated useful lives of the respective assets.

Statement of Cash Flows

All highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents. The investment with the State Treasurer's Local Agency Investment Fund (LAIF) is also considered to be the equivalent of cash.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as a current liability. Sick pay is not vested.

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted – presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended December 31, 2019

2. Summary of Significant Accounting Policies, continued:

Use of Estimates

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

Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budgets are prepared on the accrual basis to match the operating statements.

Investments

Investments consist of LAIF (State of California pooled investment fund), money market savings accounts, and CD's. Investments are stated at cost which approximates market. Such investments are within the State statutes and the District's investment policy.

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended December 31, 2019

3. Cash and Investments:

At year-end the carrying amount of the District's cash deposits was \$2,016,805 and the bank balance was \$2,021,461. The bank balance was covered by Federal depository insurance; and was covered by collateral held in the pledging banks' trust department as mandated by state law.

	Balance December 31, <u>2019</u>
Petty cash	\$ 300
Checking	495,854
Money market (3)	230,226
Certificates of deposit (3)	<u>1,290,425</u>
	<u>\$2,016,805</u>

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended December 31, 2019

3. Cash and Investments, continued:

Investments:

California statutes authorize the District to invest in a variety of credit instruments as provided for in the California Government Code Section 53600, Chapter 4 – Financial Affairs. The Government Code allows investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor’s or P-1 by Moody’s Commercial Paper Record, bankers’ acceptances, repurchase agreements, medium-term corporate notes, mutual funds and the State Treasurer’s Local Agency Investment Fund (LAIF). The investment in LAIF is reported at fair value.

	<u>Carrying Amount</u>	<u>Maturity - 12 Months or Less</u>
Balance, December 31, 2019		
Local Agency Investment Fund	\$ <u>219,282</u>	\$ <u>219,282</u>

Pursuant to Government Accounting Standards Board Statement 3, the investment in LAIF is not classified in categories of credit risk. The District’s funds in LAIF are invested in a diversified portfolio (of underlying investments e.g. U.S. Treasury obligations) such that it considers the risk of material loss to be minimal. The funds held in LAIF can be withdrawn on demand.

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended December 31, 2019

4. Capital Assets:

Changes in capital assets for the year ended December 31, 2019 are as follows:

	Balance January 1, <u>2019</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2019</u>
Land	\$ 36,296	\$ -	\$ -	\$ 36,296
Transmission and distribution	8,585,648	83,146	-	8,668,794
Machinery	313,674	-	-	313,674
Pumps	227,186	-	-	227,186
Autos and trucks	265,667	-	-	265,667
Buildings	63,458	-	-	63,458
Yard improvements	14,697	-	-	14,697
Furniture and fixtures	32,333	-	-	32,333
Fish screens	5,575,575	-	-	5,575,575
Fish ladders	5,575,575	-	-	5,575,575
SCADA equipment	202,219	-	-	202,219
Groundwater program	<u>1,698,213</u>	<u>-</u>	<u>-</u>	<u>1,698,213</u>
	<u>\$22,590,541</u>	<u>\$ 83,146</u>	<u>\$ -</u>	<u>\$22,673,687</u>
Work in progress	<u>\$ 4,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,959</u>

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended December 31, 2019

5. Long-term Debt:

Long-term debt activities for the year ended December 31, 2019 are as follows:

	<u>2018</u>	<u>New Debt</u>	<u>Debt Retired</u>	<u>2019</u>	<u>Current Portion</u>
Central Valley Project	\$ <u>757,586</u>	\$ <u>-</u>	\$ <u>106,939</u>	\$ <u>650,647</u>	not determined

Central Valley Project

The liability of the District's share of Central Valley Project costs to the Bureau of Reclamation in the amount of \$650,647 is to be paid from projected deliveries of water from 2020-2030, at varying rates per acre foot.

6. Employee Benefit Plans:

Deferred Compensation Plan

The District offers its employees a deferred non-contributory compensation plan created in accordance with IRC Section 457. The plan, available to all District employees, permits them to defer a portion of their current salary until future years. Deferred compensation benefits are not available to the employees until termination, retirement, death, or unforeseeable emergency.

Pension Plan

District employees (except for the general manager) are covered by a pension plan through their collective bargaining agreement. Total District contributions for the year ended December 31, 2019, totaled \$28,525.

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended December 31, 2019

7. Risk of Loss:

Anderson-Cottonwood Irrigation District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2019 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

8. Net Position:

Net position consists of:

Net investment in capital assets		\$12,578,730
Restricted		-
Unrestricted:		
Board designated:	\$ -	
Undesignated	<u>2,643,353</u>	
		<u>2,643,353</u>
		<u>\$15,222,083</u>

9. Subsequent Events:

Management has evaluated subsequent events through March 6, 2020, the date these December 31, 2019 financial statements were available to be issued.

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended December 31, 2019

9. Prior Year Correction:

Beginning equity, as originally stated	\$16,326,936
Deduct, prior year liability to Bureau of Reclamation	(<u>757,586</u>)
Beginning equity, as restated	<u>\$15,569,350</u>

SUPPLEMENTAL INFORMATION

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
PRINCIPAL OFFICIALS
December 31, 2019

BOARD OF DIRECTORS

Jeremy Kellogg	President
Zac Mazzotta	Vice President
Tiger Michiels	
Audie Butcher	
Brenda Haynes	

OPERATIONS

Vacant	General Manager
Terri White	Assistant GM/CFO
Scott Passmore	Operations Supervisor
Robin Bankson	Office Manager