

ANDERSON-COTTONWOOD IRRIGATION DISTRICT

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended December 31, 2020**

ROBERT W. JOHNSON
Certified Public Accountant

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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, 2020, 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, 2020, and the results of its operations and its cash flows 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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such 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. Management has omitted the Management's Discussion and Analysis. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Anderson-Cottonwood Irrigation District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Citrus Heights, California
April 1, 2021

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2020

ASSETS

Current assets:		
Cash and investments (Note 3)		\$ 3,463,690
Receivables – taxes		331,728
– other		37,221
Supplies		5,370
Prepaid expenses		<u>46,684</u>
Total current assets		3,884,693
Capital assets, at cost (Note 4)		\$23,198,061
Less, accumulated depreciation		<u>10,747,163</u>
		12,450,898
Work in progress		<u>4,959</u>
		<u>12,455,857</u>
		<u>\$16,340,550</u>

See notes to financial statements

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable		\$	19,245
Accrued payroll			17,194
Accrued vacation			<u>21,662</u>
Total current liabilities			58,101
Long-term debt (Note 5)			521,680

Net position (Note 8):

Net investment in capital assets	\$12,455,857		
Unrestricted	<u>3,304,912</u>		
			<u>15,760,769</u>
			<u>\$16,340,550</u>

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2020

Operating revenues:		
Water sales		\$ 737,719
Water transfers		1,186,249
Other		<u>90,163</u>
Total operating revenues		2,014,131
Operating expenses:		
Source of supply	\$ 485,096	
Pumping	166,027	
Transmission and distribution	581,275	
Administrative	310,724	
Depreciation	<u>647,247</u>	
Total operating expenses		<u>2,190,369</u>
Operating income (loss)		(176,238)
Non-operating income (expense):		
Property tax revenue	573,367	
Interest income	<u>12,590</u>	
		<u>585,957</u>
Income before Bureau construction recovery		409,719
Bureau construction recovery		<u>128,967</u>
Change in net position		538,686
Total net position:		
Beginning		<u>15,222,083</u>
Ending		<u>\$15,760,769</u>

See notes to financial statements

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
for the year ended December 31, 2020

Cash flows from operating activities:	
Receipts from customers	\$ 2,793,500
Payments to suppliers	(1,184,007)
Payments to employees	<u>(443,474)</u>
Net cash used by operating activities	1,166,019
Cash flows from noncapital financing activities:	
Property taxes	573,367
Cash flows from capital and related financing activities:	
Capital expenditures	(524,373)
Cash flows from investing activities:	
Interest income	<u>12,590</u>
Net increase in cash and cash equivalents	1,227,603
Cash and cash equivalents:	
Beginning of year	<u>2,236,087</u>
End of year	<u>\$ 3,463,690</u>

See notes to financial statements

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS, continued
for the year ended December 31, 2020

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

Operating income (loss)	\$(176,238)
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Adjustments to reconcile operating income (loss)
to net cash provided by operating activities:

Depreciation expense	\$ 647,247
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Changes in operating assets and liabilities:

Receivables – taxes	(22,148)
– other	779,369
Supplies	10,800
Accounts payable	(41,014)
Accrued payroll	4,466
Accrued vacation	3,347
Prepays	<u>(39,810)</u>

Total adjustments	<u>1,342,257</u>
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Net cash used by operating activities	<u>\$ 1,166,019</u>
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Noncash financing activities:

The District recorded debt relief of \$128,967 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, 2020

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, 2020

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued

Operating revenues and expenses, such as water sales along with water expenses, 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 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. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Property tax revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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.

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended December 31, 2020

2. Summary of Significant Accounting Policies, continued:

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.

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.

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended December 31, 2020

2. Summary of Significant Accounting Policies, continued:

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.

3. Cash and Investments:

At year-end the carrying amount of the District's cash deposits was \$2,434,579 and the bank balance was \$2,449,290. 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>2020</u>
Petty cash	\$ 300
Checking	408,689
Money market	730,630
Certificates of deposit (3)	<u>1,294,960</u>
	<u>\$2,434,579</u>

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended December 31, 2020

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, 2020		
Local Agency Investment Fund	\$ <u>1,029,111</u>	\$ <u>1,029,111</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, 2020

4. Capital Assets:

Changes in capital assets for the year ended December 31, 2020 are as follows:

	Balance January 1, <u>2020</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2020</u>
Land	\$ 36,296	\$ -	\$ -	\$ 36,296
Transmission and distribution	8,668,794	405,061	-	9,073,855
Machinery	313,674	-	-	313,674
Pumps	227,186	90,046	-	317,232
Autos and trucks	265,667	-	-	265,667
Buildings	63,458	29,267	-	92,725
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>\$22,673,687</u>	<u>\$ 524,374</u>	<u>\$ -</u>	<u>\$23,198,061</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, 2020

5. Long-term Debt:

Long-term debt activities for the year ended December 31, 2020 are as follows:

	<u>2019</u>	<u>New Debt</u>	<u>Debt Retired</u>	<u>2020</u>	<u>Current Portion</u>
Central Valley Project	\$ <u>650,647</u>	\$ <u>-</u>	\$ <u>128,967</u>	\$ <u>521,680</u>	<u>undetermined</u>

Central Valley Project

The liability of the District's share of Central Valley Project costs to the Bureau of Reclamation in the amount of \$521,680 is to be paid from projected deliveries of water from 2021-2030, 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, 2020, totaled \$24,487.

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended December 31, 2020

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 2020 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		\$12,455,857
Restricted		-
Unrestricted:		
Board designated:		
Capital improvement	\$ 521,680	
Drainage fund	146,616	
Creekside Subdivision	25,000	
Water rights protection	250,000	
Equipment reserve	<u>102,744</u>	
	1,046,040	
Undesignated	<u>2,258,872</u>	
		<u>3,304,912</u>
		<u>\$15,760,769</u>

9. Subsequent Events:

Management has evaluated subsequent events through April 1, 2021, the date these December 31, 2020 financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
PRINCIPAL OFFICIALS
December 31, 2020

BOARD OF DIRECTORS

Brenda Haynes	President
Audie Butcher	Vice President
Tiger Michiels	
Rick Williams	
Ray Eliante	

OPERATIONS

John Currey	General Manager
Terri White	Assistant GM/CFO
Scott Passmore	Maintenance Supervisor