WESTLANDS WATER DISTRICT

AUDITED FINANCIAL STATEMENTS

FISCAL YEAR ENDED

FEBRUARY 29, 2020

WESTLANDS WATER DISTRICT

Audited Financial Statements – Table of Contents

K·COE ISOM LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Westlands Water District
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of Westlands Water District (the District), as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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 as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements and Reporting Guidelines 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 auditors' 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 District'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 District'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.

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of February 29, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance 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 the management's discussion and the required supplementary information listed on 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, which 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 December 11, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KCoe Isom, LLP

December 11, 2020
Fresno, California

The following management's discussion and analysis of Westlands Water District (the District) provides an overview of the financial activities and transactions for fiscal year 2019-2020 in the context of the requirements of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements; Management's Discussion and Analysis for State and Local Governments*, as amended. This discussion and analysis should be read in conjunction with the District's audited financial statements and accompanying notes.

Financial Highlights

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $319.6 million (net position), representing $106.87 million in net investment in capital assets, $18.88 million restricted for specific purposes, $13.2 million for the rate stabilization fund, $16.84 million for the special purpose fund and $163.63 million unrestricted for operations. This represents an increase of $34.2 million, or 12% versus the prior-year net position of $285.39 million.

- In the fiscal year ending February 29, 2020, the District's operating revenues from all sources increased by $23 million or 11.98% from the prior year primarily due to increases in irrigation water sales as a result of the increased CVP contract water allocation. The CVP allocation for 2018-2019 was 50% versus the 2019-2020 CVP allocation of 75%.

- Total non-operating revenue (expenses) for the fiscal year increased by $11.65 million, primarily due to the sale of District-owned land and increase in investment income earned in 2019-2020. The District proactively seeks grant funding to offset operations and maintenance costs. In 2018-2019 the District was awarded a $2.5 million Department of Water Resources (DWR) grant for the Groundwater Monitoring Well Installation Project and Groundwater Sustainability Plan Development for the Westside Subbasin. This grant was awarded under the 2017 Proposition 1 Sustainable Groundwater Planning (SGWP) Grant. Non-operating revenue in 2019-2020 includes grant revenue of $410,869 for this grant.

- The District's outstanding long-term debt was $106.37 million as compared to $118.21 million in the prior year. The decrease of $11.84 million or 10% was due to scheduled annual payments of $11.84 million.

Financial Reporting and Explanation of Financial Statements

The District's accounting records are maintained in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The District's financial statements include the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. The statement of net position provides information about assets and obligations of the District at a specific point in time. The statement of revenues, expenses and changes in net position provides information regarding the District's operations during the fiscal year indicated. The statement of cash flows reports cash sources and cash uses for operations, capital and non-capital financing, and investing activities.

Statement of Net Position

The following is a condensed presentation of assets, deferred outflows, liabilities, and deferred inflows. The balances as of February 29, 2020, and February 28, 2019, are:

	2020	2019	% Change
Assets			
Current assets	$171,962,809	$169,798,424	1.2%
Utility plant, net of accumulated depreciation	106,868,167	102,321,501	4.4%
Other assets	207,331,333	202,126,660	2.6%
Total assets	486,162,309	474,246,585	
Deferred Outflows of Resources	6,807,575	7,086,515	(0.4%)
Liabilities			
Current liabilities	45,160,641	57,511,712	(21.5%)
Long term debt, net of current maturities	106,366,422	118,207,116	(10%)
Other liabilities	17,875,978	17,398,138	2.8%
Total liabilities	169,403,042	193,116,966	
Deferred Inflows of Resources	3,962,412	2,827,210	36.5%
Net investment in capital assets	106,868,167	119,604,393	(10.65%)
Restricted for specific purposes	18,879,371	4,636,034	307.2%
Designated and unrestricted:			
Rate stabilization fund	13,200,000	13,200,000	0%
Special purpose fund	16,842,000	16,842,000	0%
Unrestricted	163,814,891	131,106,497	24.9%
Net Position	$319,604,429	$285,388,924	12%

Current Assets

Current assets increased in fiscal year 2019-2020 by $2 million or 1.2%. Prepaid water costs decreased by $11.7 million. Other prepaid expenses increased $.5 million. Accounts receivable increased by $8.3 million due to a decrease in outstanding assessments and a decrease in water deliveries in February 2020 versus February 2019. Cash and cash equivalents increased by approximately $4.9 million.

Utility Plant

New construction and fixed asset additions amounted to approximately $7.4 million, offset by retirements and depreciation of $2.9 million, resulting in a net increase of $4.5 million or 4.4%. More information on the District's utility plant can be found in Note F.

Other Assets

Other assets increased by $5.4 million or 2.6%. The amortization of rights to water resulted in a net decrease of $4.2 million. Restricted assets increased by $14.2 million mainly due to the increase in the Land and Water Fund due to the sale of District land and purchase of land for the Groundwater Replenishment Project. Interest in Water Project decreased by $3.4 million.

Deferred Outflows of Resources

Deferred outflows of resources decreased by approximately $0.3 million or (0.4%). The deferred outflows of resources related to pensions in accordance with GASB Statement No. 68 requirements increased approximately $0.4 million. The deferred outflows of resources related to OPEB in accordance with GASB Statement No. 75 requirements decreased by approximately $0.09 million.

Current Liabilities

Current liabilities decreased by $12.3 million or 21.5%. Accounts payable decreased $5.2 million primarily due to one-time water user refunds for the 2015-2016 supplemental water program. Unearned revenues decreased $7.4 million primarily due to increase in water user advances for supplemental water.

Long-Term Debt

Long-term debt decreased by $11.8 million or 10%. The decrease is attributable to scheduled annual principal payments. The District's obligation to the United States of America for construction of the internal distribution system was paid off in 2018-2019. This payoff, going forward, results in a decrease of $4.0 million in debt payments per year.

Other Liabilities

Net pension liability increased approximately $1.8 million due to the District's share of the miscellaneous risk pool. More information on the District's pension plan can be found in Note N. Net OPEB liability decreased by $1.38 million. The District implemented GASB Statement No. 75 in 2018-2019.

Deferred Inflows of Resources

Deferred inflows of resources increased $1.17 million or 47.8%. A deferred inflow related to pensions has been recorded resulting in an increase of $0.15 million. The deferred inflows related to OPEB increased by $1.02 million.

Net Position

Net position is the residual of all other elements. Net position increased during fiscal year 2019-2020 by $34.2 million or 12%. The increase is partially due to a gain on sale of land of $13.52 million, and an increase in investment income for $1.62 million. Net position is classified into three categories: 1) net investment in capital assets; 2) restricted for specific purposes; and 3) designated and unrestricted net position.

Net investment in capital assets – This is the carrying amount of capital assets less accumulated depreciation and less any liability outstanding related to the capital assets. This decreased by $12.7 million or (10.6%).

Restricted for specific purposes – Items are considered restricted when constraints for their use have been imposed externally by creditors or imposed by law through constitutional provisions or enabling legislation. Included in this category is the Section 125 trust account, the debt service accounts held by the bond trustee, and the land and water fund. This category increased by $14.2 million or 307%, primarily due the purchase and sale of land during 2019-2020.

Designated and unrestricted net position – The unrestricted amount of net position is the portion that is not already classified in the above categories. The unrestricted amount includes two designated funds, established in conjunction with the issuance of the Refunding Revenue Bonds, Series 2016A. The indenture of trust for the 2016A Refunding Revenue Bonds has certain criteria necessary for the use of the funds. More information on these funds may be found in Note M. This category, including the two designated funds, increased $32.7 million or 24.9%, primarily due to results of operations.

Statement of Changes in Net Position

The following is a condensed presentation of the revenues, expenses and changes in net position for the fiscal years ended February 29, 2020, and February 28, 2019:

	2020	2019	% Change
Revenues and Expenses			
Operating revenues	$ 213,259,950	$ 190,442,820	12%
Operating expenses	(200,723,798)	(179,315,703)	11.9%
Non-operating revenues and expenses	21,679,355	10,029,980	116.1%
Net revenue	$ 34,215,507	$ 21,157,097	
Changes in Net Position			
Net position – beginning of year	$ 285,388,922	$ 269,807,700	
Changes in net position:			
Prior period adjustment - OPEB	-	(5,575,873)	
Increase in net position	34,215,507	21,157,097	
Net position – end of year	$ 319,604,429	$ 285,388,922	

Operating Revenues

Operating revenues increased by $30.2 million, compared to fiscal year 2018-2019. Revenues from water sales increased $23.1 million, due to increased water deliveries. Water sales to municipal & industrial (M&I) users decreased $0.2 million. Land based charges decreased $.1 million. Non-project pumping decreased by $7.0 million.

Operating Expenses

Operating expenses increased by $21.4 million from the prior fiscal year. Water expenses increased $16.5 million mainly due to increased water deliveries. Transmission and distribution expenses increased $0.3 million. General and administrative expenses increased by $4.4 million, mainly due to an increase in pension expense, consultant costs, and salaries and wages.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses increased $11.6 million or 116.1% from fiscal year 2018-2019. Net revenues from the sale of land increased $11.2 million from fiscal year 2018-2019. Interest revenue increased $1.6 million while interest expenses decreased $0.3 million. Benefit charges decreased from 2018-2019 since 2019-2020 included no payments on the obligation to the United States of America compared to one installment in 2018-2019. The 2018-2019 installment was the last payment due to the United States of America for construction of the internal distribution system.

Capital Assets

The District's investment in capital assets (utility plant) as of February 29, 2020, amounts to $106,868,624 (net of accumulated depreciation). This investment includes land, distribution and drainage system, buildings, vehicles, and equipment, but excludes properties acquired under certain land and water acquisition programs. The total increase in the District's investment in capital assets was approximately 4.4%.

	2020	2019
Land	$ 1,074,135	$ 1,074,135
Construction in Progress	5,890,079	1,060,836
Land Improvements	17,561	17,561
Distribution System	173,437,354	172,714,391
Drainage System	20,433,960	20,433,960
Buildings	7,565,633	6,788,309
Furniture & Fixtures/Information Systems	3,035,560	2,222,034
Communication Equipment	111,782	111,782
Survey Equipment & Small Tools	99,073	99,309
Autos/Trucks	3,503,033	3,498,200
Shop Equipment	401,824	401,824
Field Equipment	1,973,602	1,626,682
Fishing Club Assets	2,488,438	2,488,438
	220,032,034	212,537,461
Less Accumulated Depreciation	(113,163,867)	(110,215,960)
Net Utility Plant	$ 106,868,167	$ 102,321,501

Capital asset events during the 2019-2020 fiscal year included the following:

- Computer server upgrades at a cost of $46,745.
- Completion of PLC upgrade at a cost of $777,338.
- Purchase of a rough terrain crane at a cost of $570,083.
- Replacement of the following facilities items at Five Points Field Office: Roofing on the office at $40,897, concrete replacement at $241,805, and repair and painting of the buildings for a cost of $335,775.
- Blast room replacement at a cost of $40,539; this was phase 2 and 3 of a 3-phase project.
- Boiler at the Fresno office at a cost of $41,287.

Additional information on the District's capital assets may be found in Note F in this report.

Long-Term Debt

On February 29, 2020, the District's long-term debt outstanding totaled $106.3 million compared to $118.2 million at the fiscal year ended February 28, 2019. This $11.8 million decrease is attributable to annual principal payments. The District's obligation to the United States for construction of the internal distribution system was paid off in 2018-2019 resulting in a decrease of $4.0 million in debt payments per year.

Detail on the District's long-term debt may be found in Note J in this report.

Economic Factors and Next Year's Budget and Rates

The District operated under interim renewal water service contracts (IRCs) with the Bureau of Reclamation (Reclamation), which expired on February 29, 2020. The District renewed the IRCs, each of which provided that it would remain in effect through February 28, 2022, or until the IRC conversion to a repayment contract (the "9(d) Contract") took effect. IRCs were required because long-term contract renewals were delayed due to several reasons, including Reclamation's re-initiation of formal consultation with the United States Fish and Wildlife Service and National Marine Fisheries Service on the coordinated operations of the Central Valley Project (CVP) and State Water Project (SWP). CVP water delivered under IRCs was subject to Reclamation's Cost of Service Rate, which includes operations, maintenance, and capital facilities costs. Water service continued under the renewed IRCs or 9(d) Contracts in fiscal year 2020-2021.

The IRCs entitled the District to receive up to 1,195,383 acre-feet of water per fiscal year when the CVP allocation for south of delta agricultural contractors is 100%. The District received 20% of its entitlement in the 2020-2021 fiscal year. On February 26, 2020, the Board of Directors approved the budget and rates for fiscal year 2020-2021 based upon a 40% allocation of CVP water. The budget totaled $203,256,000, an overall decrease of $56.7 million. The budget reflects the expectation of increases in the forecasted power usage and power costs and decreases in water purchases. Rates were subsequently adjusted on July 21, 2020, to reflect a decrease in Operations and Maintenance charges from the District.

The District collects fixed operations and maintenance charges through assessments to landowners and variable operations and maintenance charges through the water rate. In fiscal year 2017-2018, the District adopted a new benefit assessment methodology based on categories of land eligible for other water and land eligible for CVP allocation. The benefit assessment methodology will be in place for ten years. In fiscal year 2020-2021, all lands eligible for other water will be charged $11.41 per acre. All lands eligible for CVP allocation will be charged $39.18 per acre. The total assessment for 2020-2021 is $18 million.

The District is continually engaged in efforts to supplement its water supply from other sources. The annual debt service to finance these acquisitions is collected through land-based charges and assessments. In fiscal years 2019-2020 and 2020-2021, the costs for long-term water supply acquisitions have been included in the District's assessment. The costs for District water supply are collected through land-based charges. A comparison of these rates between 2018-2019 and 2019-2020 is detailed below:

Land-Based Charge	2019-2020	2020-2021	Change
District Water Supply Rate – Pre-Merger	$ 5.9784	$ 7.3554	$1.377
District Water Supply Rate – Merged	$13.9296	$ 17.1380	$3.2084
Extraordinary Pipe Repair	$ 4.6265	$ 4.6018	($.0247)

The replacement of lateral 27R mainline RPM pipe is funded by the extraordinary pipe repair land-based charge. This charge included $1,000,000 in 2019-2020. In 2020-2021, the District charged $2,000,000 for the replacement of 14-5.5 subline replacement.

The agricultural water rate, adjusted on July 20, 2020, for 2019-2020 is $241.78 per acre foot. This rate includes pass-through rates from Reclamation and the San Luis and Delta-Mendota Water Authority. The District's municipal and industrial water supply rate is $544.33 per acre foot.

The District continually reviews opportunities to reduce its expenses, including potential refinancing of its outstanding long-term debt.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If you have any questions about the information contained in this report or need additional financial information, contact the Finance and Administration Division at Westlands Water District, 3130 N. Fresno Street, Fresno, CA, 93703-6056.

WESTLANDS WATER DISTRICT
STATEMENT OF NET POSITION
FEBRUARY 29, 2020

	Enterprise Funds		
	Water District	Other	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 129,941,122	$	$ 129,941,122
Accounts receivable – water users and others	17,897,975		17,897,975
Inventory	3,110,412		3,110,412
Prepaid water and other current assets	21,013,299		21,013,299
Total current assets	171,962,808		171,962,808
Utility plant, net of accumulated depreciation	105,370,412	1,497,755	106,868,167
Other assets:			
Restricted assets	18,879,371		18,879,371
Advances to water users	441,420		441,420
Deposits	2,202,257		2,202,257
Real property held	101,990,470		101,990,470
Water rights, net of accumulated amortization	53,808,201		53,808,201
Interest in water project	27,265,653		27,265,653
Long-term note and financing receivables	1,996,731		1,996,731
Debt issue costs, net of accumulated amortization	558,400		558,400
Due to/from other funds		188,830	188,830
Total other assets	207,142,503	188,830	207,331,333
Total assets	484,475,723	1,686,585	486,162,308
Deferred Outflow of Resources			
Deferred amount on refunding	1,846,349		1,846,349
Deferred outflow - pensions	4,393,980		4,393,980
Deferred outflow - OPEB	567,246		567,246
Total deferred outflow of resources	6,807,575		6,807,575
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	23,978,925		23,978,925
Accrued payroll and related liabilities	929,561		929,561
Unearned revenue	12,571,832		12,571,832
Current maturities of debt borrowings	7,680,323		7,680,323
Total current liabilities	45,160,641		45,160,641
Long term debt	106,366,422		106,366,422
Net pension liability	12,932,239		12,932,239
Net OPEB liability	4,313,490		4,313,490
Water exchange payable	441,420		441,420
Due to/from other funds	188,830		188,830
Total liabilities	169,403,042		169,403,042
Deferred Inflow of Resources			
Deferred inflow - pensions	2,913,111		2,913,111
Deferred inflow - OPEB	1,049,301		1,049,301
Total deferred inflow of resources	3,962,412		3,962,412
Net Position			
Net investment in capital assets	105,370,412	1,497,755	106,868,167
Restricted for specific purposes	18,879,371		18,879,371
Rate stabilization fund	13,200,000		13,200,000
Special purpose fund	16,842,000		16,842,000
Unrestricted	163,626,061	188,830	163,814,891
Total net position	$317,917,844	$1,686,585	$319,604,429

See independent auditors’ report and notes to financial statements.

WESTLANDS WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED FEBRUARY 29, 2020

	Enterprise Funds		
	Water District	Other	Total
Operating Revenues			
Irrigation water sales	$189,641,914	$	$189,641,914
Municipal and industrial water sales	2,691,434		2,691,434
Land-based charges and assessments	20,401,734		20,401,734
Other operating revenues	247,077	277,790	524,867
Total operating revenues	212,982,159	277,790	213,259,949
Operating Expenses			
Purchased water	161,605,582		161,605,582
Pumping	449,575		449,575
Transmission and distribution	7,740,924		7,740,924
Customer accounts	2,836,726		2,836,726
General and administrative	20,238,875		20,238,875
Depreciation and amortization of water rights	7,524,831	89,745	7,614,576
Other operating expenses	601	236,940	237,541
Total operating expenses	200,397,114	326,685	200,723,799
Income (loss) from operations	12,585,045	(48,895)	12,536,150
Non-Operating Revenues (Expenses)			
Grant income	-		-
Investment income	5,059,842		5,059,842
Interest expense	(5,685,771)		(5,685,771)
Benefit charges	169,918		169,918
District water supply	5,368,861		5,368,861
Miscellaneous	3,242,919		3,242,919
Gain on sale of land	13,523,586		13,523,586
Total non-operating revenues (expenses)	21,679,355		21,679,355
Net increase (decrease) in net position	34,264,400	(48,895)	34,215,505
Net position – beginning of year	283,653,444	1,735,480	285,388,924
Net position – end of year	$317,917,844	$1,686,585	$319,604,429

WESTLANDS WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 29, 2020

	Enterprise Funds		
	Water District	Other	Total
Cash Flows From Operating Activities:			
Cash received from water sales and related activities	$196,686,020	$	$196,686,020
Cash received from other operating activities	247,077	277,790	524,867
Cash payments for water purchases and related activities	(149,870,315)		(149,870,315)
Cash payments to other vendors for other operating activities	(22,142,251)	(153,609)	(22,295,860)
Cash payments to employees and employee benefit programs	(12,745,193)	(83,331)	(12,828,524)
Net cash provided (used) by operating activities	12,175,338	40,850	12,216,188
Cash Flows From Investing Activities:			
Investment income	4,269,998		4,269,998
Loans made for financing receivables	(754,910)		(754,910)
Principal payments received from financing receivables	1,250,290		1,250,290
Principal payments received from related party	-		-
Principal payments received from long-term note receivable	148,130		148,130
Net cash provided by investing activities	4,913,508		4,913,508
Cash Flows From Non-Capital Financing Activities:			
Transfer to/from other funds	40,850	(40,850)	-
Proceeds from miscellaneous non-operating revenue	3,242,919		3,242,919
Net cash provided (used) by non-capital financing activities	3,283,769	(40,850)	3,242,919
Cash Flows From Capital and Related Financing Activities:			
Proceeds from benefit charges	169,918		169,918
Proceeds from District water supply	5,368,861		5,368,861
Principal payments on debt borrowings	(7,366,756)		(7,366,756)
Interest payments on debt borrowing	(5,448,825)		(5,448,825)
Acquisition and construction of utility plant	(7,494,573)		(7,494,573)
Proceeds from sales of capital assets	21,022		21,022
Purchase of water rights	-		-
Purchase of real property, net of sales	13,528,586		13,528,586
Net cash used by capital and financing activities	(1,221,767)		(1,221,767)
Net increase in cash and cash equivalents	19,150,848		19,150,848
Cash and cash equivalents – beginning of year (including $2,855,229 reported as restricted assets)	129,669,645		129,669,645
Cash and cash equivalents – end of year (including $18,879,371 reported as restricted assets)	$ 148,820,493	$	$ 148,820,493

See independent auditors' report and notes to financial statements.

WESTLANDS WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 29, 2020
(Continued)

	Enterprise Funds		
	Water District	Other	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Income (loss) from operations	$ 12,585,045	$ (48,895)	$ 12,536,150
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization of water rights	7,524,831	89,745	7,614,576
Non-cash pension expense	1,943,325		1,943,325
Non-cash OPEB expense	157,504		157,504
Cash OPEB payments	(157,504)		(157,504)
Changes in operating assets and liabilities:			
Accounts receivable – water users and others	(8,693,451)		(8,693,451)
Operating supplies	197,031		197,031
Prepaid water costs and other current assets	11,234,460		11,234,460
Accounts payable and accrued expenses	(5,206,364)		(5,206,364)
Accrued payroll and related liabilities	(53,929)		(53,929)
Unearned revenue	(7,355,611)		(7,355,611)
Total adjustments	(409,707)	89,745	(319,963)
Net cash provided (used) by operating activities	$ 12,175,338	$ 40,850	$12,216,188

See independent auditors' report and notes to financial statements.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Organization: Westlands Water District (the District) was organized under California state law in 1952 as a California water district. The District administers delivery of water from the United States Bureau of Reclamation's (Reclamation)'s Central Valley Project (CVP) to water users (primarily consisting of water users involved in the Central California agriculture industry) within the District's boundaries encompassing approximately 614,700 acres. The water is purchased from Reclamation and sold to water users at prices designed to cover the cost of purchasing the water, plus the administrative, operating and maintenance expenses of the District. In addition to administering water delivery, the District also implements state and federal regulations, is a member of a power utility, manages District owned land, and maintains distribution and conveyance infrastructure.

Reclamation constructed a distribution and drainage system in the 1960s and 1970s to convey water within the District's boundaries. This system provides water service to all but approximately 70,000 acres of District land. The District had two separate contracts, a 20-year and a 40-year contract with Reclamation to repay the construction costs. The obligation for the 20-year contract was completed in December 2000 and the obligation for the 40-year contract was completed in 2018. During the 2019-20 fiscal year, the District operated under Interim Renewable Contracts (IRCs). The IRCs were renewed on or about February 29, 2020, and continued to provide the terms for water service until the IRCs were converted to repayment contracts (referred to individually as "9(d) Contract" or collectively as "9(d) Contracts". The 9(d) Contracts are perpetual contracts for water service from the CVP. The following table provides the effective date for conversion of each of the IRCs:

Contract	9(d) Contract Number	Effective Date
Westlands Water District	14-06-200-495A-IR1-P	June 1, 2020
Centinella Assignment (DD1)	07-07-20-W0055B-IR5-P	June 1, 2020
Broadview Assignment (DD1)	14-06-200-8092-IR5-P	June 1, 2020
Widren Assignment (DD1)	14-06-200-8018B-IR5-P	June 1, 2020
Mercy Springs 2-way Partial Assignment (DD1)	14-06-200-3365AB-IR5-P	June 1, 2020
Mercy Springs Partial Assignment (DD2)	14-06-200-3365AC-IR5-P	July 1, 2020
Oro Loma Partial Assignment	14-06-200-7823J-LTR1-P	October 1, 2020

State law provides for the election of a governing Board of Directors (the Board) by District landowners, or their representatives, each voting according to the District's assessed value of the landowner's land within the District. The District is not subject to state or federal income taxes. The District accounts for its activities using the public utility accounting system.

The District complies with Generally Accepted Accounting Principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity: GASB Statement No. 61, *The Financial Reporting Entity,* amends GASB Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis–for State and Local Governments.* Under GASB Statement No. 61, fiscal dependency alone no longer requires inclusion of a potential component unit. Instead, to justify inclusion, a financial benefit or burden relationship must also exist between the potential component unit and the primary government.

A primary government must be a legally separate entity, with a separately elected governing body, that is fiscally independent in its financial management. The District's blended component unit, the Westlands Water District Financing Corporation, is included in these financial statements. GASB 85 reaffirms inclusion of component unit if paragraph 53 of GASB Statement No. 14, as amended, is met whereby the component unit provides service entirely or almost entirely to the primary government. The Broadview Water District is also included in these financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The District's activities are accounted for as an enterprise fund and are financed and operated in a manner similar to that of a private business enterprise.

The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all assets and liabilities associated with the District's activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned while expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District reports the following major proprietary funds:

> The Water District Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
>
> The Other Fund accounts for the activities of District owned land temporarily operated as a private fishing club located in Shasta County, California.

The District's funds distinguish revenues and expenses and nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's ongoing operations. The principal operating revenues of the District are water sales, land-based charges and assessments. Operating expenses include water purchases and distribution system costs, administrative expenses, depreciation and amortization on capital assets and water rights. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District's financial statements are presented in accordance with GAAP as promulgated by GASB. GAAP requires the classification of net position into three components defined as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding debt balances used to put in place the capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the assets or debt are also included in this component.
- *Restricted* – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted* – This component consists of net position that does not meet the definition of restricted or net investment in capital assets.

Under GAAP, the Statement of Cash Flows is required to be presented using the direct method of presentation. The statement is also required to present a reconciliation of operating cash flows to operating income (loss).

Management's Discussion and Analysis: GAAP requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of a "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Control: Annual budgets are approved and adopted each year by the District's Board. The budget is used to estimate annual revenues and expenditures and is amended primarily upon Board committee or Board approval. Budgeting control is maintained at the department level.

Cash and Cash Equivalents: Cash and cash equivalents include investments in highly liquid debt instruments, when present, with an original maturity of three months or less or subject to withdrawal upon request. The District's investment pool utilizes investments authorized by the California Government Code and is further defined by the District's investment policy. Revisions, if any, to the District's investment policy are reviewed and approved by the Board in accordance with Section 53646(a)(2) of the Government Code. Authorized investments include securities backed by the U.S. government; investment grade state or local instruments; insured or collateralized certificates of deposit; commercial paper; banker's acceptances; and medium-term notes.

Accounts Receivable: The District's management believes that all accounts receivable from water users and others are fully collectible for the year ended February 29, 2020. Accordingly, an allowance for doubtful accounts has not been recorded in these financial statements.

Inventory: Inventory consists of operating supplies used in the course of maintaining operations, which are recorded on the basis of cost, determined by a weighted average which does not exceed market.

Prepaid Water and Other Current Assets: Prepaid water includes advance payments made for water, either rescheduled or supplemental, that has not been delivered to the user. Other current assets include prepayments made on insurance or employee benefits applicable to the next fiscal year, as well as miscellaneous deposits.

Utility Plant: Utility plant assets are recorded on the basis of cost. Capital assets are defined as assets with an initial individual cost of $5,000 or more and an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 10 to 75 years for distribution, drainage and related facilities, 20 to 40 years for buildings and 2 to 25 years for other operating equipment. Expenditures for maintenance, repairs and renewals are charged to expenses as incurred, while expenditures for significant improvements that increase the value or extend the useful life of the asset are capitalized.

The District records and capitalizes the construction costs for irrigation water distribution and drainage collector facilities which have been constructed by Reclamation and to which title is retained by the United States of America. A liability for repayment was recorded by the District. The obligation has been relieved; the District is working with the Bureau of Reclamation to facilitate transfer of title, which could take up to three years.

Direct Financing Leases: The District leases certain irrigation equipment to various water users under terms which are accounted for as "direct financing leases" as defined in GAAP. The difference between the gross rental to be received and the present value of the rentals is recorded as unearned financing income and is amortized into income over the term of the lease using the effective interest rate method. The present value of the rentals to be received under such leases is recorded in the District's financial statements. The direct financing leases are included in the category of long-term notes and other financing receivables.

Deferred Outflows/Inflows of Resources: This represents a consumption of net position that applies to future periods and will not be recognized as an expense or revenue until then. Items in this category include deferred outflows on refunding, which are amortized over the life of the related debt. Also included are deferred outflows or inflows related to pensions and other postemployment benefits (OPEB) which represent changes in assumptions, actual versus expected experience, or other differences that occurred during the fiscal year.

Net Pension Liability: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (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 CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Other Postemployment Benefits (OPEB) Liability: For purposes of measuring the net OPEB liability and deferred outflow/inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the California Employer's Retiree Benefit Trust (CERBT) plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Net Position Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to be depleted before unrestricted – net position.

Amortization: The District's Board of Directors authorized a Land and Water Acquisition Program in 1998. When land and the right to water are purchased together, the District values the land at 39% of the cost and the right to water at 61% of the cost. The value of the right to water has been amortized using the straight-line method over what was the remaining life of the District's water service contracts with Reclamation, or up to 34 years, based upon the expiration of the contracts on December 31, 2007, and the guaranteed renewal for a minimum of 25 years as provided by the CVP Improvement Act. The IRCs were converted to the 9(d) Contracts, which are perpetual. The District will consider a change to the amortization of land and right to water in the upcoming period. More information on the District's Land and Water Acquisition Program may be found in Note P. Prepaid insurance costs associated with debt are amortized using the straight-line method over the life of the related loan.

Assessments: The District levies an assessment on all landowners within the District's boundaries typically each fiscal year. After the assessment roll is completed and the District has made the roll available for public review, the District then equalizes the assessment roll. Liens are then placed on the land and assessments become due and payable within six months from the date of the lien. For fiscal year 2019-2020, the assessments were levied on May 21, 2019 with a lien date of May 21, 2019. The assessments were due on November 21, 2019. Penalties and interest are assessed if payment is not received by the due date.

Land-Based Charges: Certain costs associated with improving or enhancing the water supply within the District and improving the distribution system are passed along to District landowners in the form of land-based charges. The payments are due in one or two installments depending on the type of charge and the location of the land within the District. The first installment was due on March 25, 2019, and the second installment was due on September 25, 2019.

Revenue Recognition: Water sales are recorded when water is delivered to the user. Assessments are recorded when levied. When prepayments or deposits are received on future water deliveries, they are recognized as revenue when the water is delivered to the water user. Land-based charges are recognized as revenue in the year the installments are due.

Compensated Absences: The District's policy allows employees to accumulate vacation leave, capped at 240 hours. Upon termination, employees will be paid their accrued vacation at the rate of pay upon separation.

The District's policy allows employees to accumulate an unlimited amount of medical leave. Upon separation from the District, an employee who is eligible for retirement with CalPERS shall have the remaining unused medical leave converted to service credit on an hour for hour basis, up to a maximum of six months additional service credit, subject to the rules and regulations of CalPERS.

Fair Value Measurements: The provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, are effective for these financial statements. GASB No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs, other than quoted prices; and Level 3 inputs are significant unobservable inputs.

Accounting Pronouncements:

1. New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. This statement is effective for the District's fiscal year ending February 29, 2021.

Governmental Accounting Standards Board Statement No. 88

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* The primary objective of this statement is to improve information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement is effective for the District's fiscal year ending February 29, 2021.

Governmental Accounting Standards Board Statement No. 90

In August 2018, GASB issued Statement No, 90, *Majority Equity Interests.* The objectives of this statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interest in legally separate organizations and to improve the relevance of financial statement information for certain component units. This statement is effective for the District's fiscal year ending February 28, 2021.

Governmental Accounting Standards Board Statement No. 87

In June 2017, 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. 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. This statement is effective for the District's fiscal year ending February 28, 2022.

Governmental Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No, 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. 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 is effective for the District's fiscal year ending February 28, 2022.

Governmental Accounting Standards Board Statement No. 91

In May 2019, GASB issued Statement No, 91, *Conduit Debt Obligations.* The objectives of this statement is to better meet the information needs of financial statements users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. This statement also is intended to improve the relevance, reliability, and understandability of information about conduit debt obligations, as well as related transactions and other events. This statement is effective for the District's fiscal year ending February 28, 2023.

Governmental Accounting Standards Board Statement No. 92

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. This statement is effective for the District's fiscal year ending February 28, 2023.

Governmental Accounting Standards Board Statement No. 93

The objective of this statement is to address the accounting and financial reporting effects that result from the replacement of interbank offered rate (IBOR) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. This statement is effective for the District's fiscal year ending February 28, 2023.

Governmental Accounting Standards Board Statement No. 94

The objective of this statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into public-private and public-public partnerships (PPPs) and availability payment arrangements (APAs) and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. This statement is effective for the District's fiscal year ending February 28, 2023.

Governmental Accounting Standards Board Statement No. 95

The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This statement extends the effective dates of certain accounting and financial reporting provisions in statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of this statement apply to the financial statements of all state and local governments. GASB statements 83, 84, 87, 88, 89, 90, 91, 92, 93 and have postponed implementation dates in part or in all.

Governmental Accounting Standards Board Statement No. 96

The objective of this statement is to better meet the information needs of financial statement users by: (a) establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. This statement is effective for the District's fiscal year ending February 28, 2024.

Governmental Accounting Standards Board Statement No. 97

The primary objectives of this statement are to: (a) 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; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution 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 (c) 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. This statement is effective for the District's fiscal year ending February 28, 2021.

NOTE B – CASH AND INVESTMENTS

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

	2020
Statement of net position:	
Cash and cash equivalents	$ 129,941,122
Restricted assets:	
Cash and investments	16,921,711
Cash and investments by bond trustee	1,957,660
Total restricted assets	18,879,371
Total cash and investments	$ 148,820,493

Cash and investments as of February 29, 2020, consist of the following:

	2020
Cash on hand	$ 308
Deposits with financial institutions	4,806,023
Investments	144,014,162
Total cash and investments	$ 148,820,493

Interest Rate Risk: In accordance with its investment policy, the District manages its exposure to changes in market interest rates by diversifying its investment in various security types and institutions. In addition, the maximum authorized term of maturity shall be five years unless authorized by the Board of Directors; provided, the weighted average maturity of all investments shall be 36 months or less. The following table illustrates the distribution of the District's investments by maturity as of February 29, 2020:

	Fair Value	12 Months or Less	More Than 12 Months
External Investment Pools	$142,056,502	$142,056,502	$
Held by Bond Trustee:			
US Treasury Money Market Funds	1,957,660	1,957,660	
Total	$144,014,162	$144,014,162	$

Credit Risk: The District limits its exposure to credit risk, that is, the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, by limiting its investments to instruments with the top ratings issued by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating for each investment type as of February 29, 2020:

	Fair Value	Minimum Legal Rating	AAA	AA	A	Not Rated
External Investment Pools	$142,056,502	N/A	$--------------	$109,453,822		$32,602,680
Held by Bond Trustee:						
US Treasury Money Market Funds	1,957,660	N/A	1,957,660			
Total	$144,014,162		$ 1,957,660	$109,453,822		$32,602,680

Concentration of Credit Risk: The District's investment policy provides for diversification of investments by security type and institution. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. In accordance with the California Government Code, the District's financial institution secures deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities must equal at least 110% of the total amount deposited by the public agencies. At February 29, 2020, none of the District's deposits in excess of federal depository insurance were held in uncollateralized accounts.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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. As of February 29, 2020, none of the District's investments were subject to custodial credit risk.

Investments in External Investment Pools: The District is a voluntary participant in the following external investment pools: Local Agency Investment Fund (LAIF) and the Investment Trust of California (CalTrust). LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. CalTrust is administered under the oversight of a Board of Trustees, comprised of experienced investment managers. The fair value of the District's investments in these pools is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the pools for their entire portfolio (in relation to the amortized cost of that portfolio).

Fair Value Measurements: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of investments. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant observable inputs. When quoted prices in active markets are not readily available, fair values are based on pricing models or matrices maximizing the use of observable inputs for similar securities. Level 3 inputs are significant observable events.

Investment Type	Fair Value	Level 1	Level 2	Level 3
Money Market	$ 1,957,660	$ 1,957,660		
LAIF	32,602,680	32,602,680		
CalTrust	109,453,822	109,453,822		
Total	$144,014,162	$144,014,162		

NOTE C – ACCOUNTS RECEIVABLE – WATER USERS AND OTHERS

Accounts receivable from water users and others consisted of the following types at February 29, 2020:

Water users and others:	
Water users from water sales, etc.	$ 16,455,208
Landowners' assessments/Land-based charges	397,426
Total water users and others	16,852,634
Accrued interest receivable	113,312
Grant receivable	40,038
Current portion of long-term note and financing receivables	891,991
Total	$ 17,897,975

NOTE D – INTEREST IN WATER PROJECT

Interest in water project represents the District's participation in the San Luis Delta-Mendota Authority's (SLDMWA) funding of the Department of Water Resources (DWR) water project. DWR is now considering a new water project. If that project moves forward, DWR intends to issue bonds for financing. See Note R for additional information.

NOTE E – LONG-TERM NOTE AND FINANCING RECEIVABLES

Long-term note and financing receivables consist of a long-term note with another water district and investments in direct financing leases at February 29, 2020:

Direct financing leases:	
Lease payments to be received	$ 1,540,508
Less unearned finance income	(79,672)
	1,460,836
Less current portion	(737,472)
	723,364
Long-term note with Santa Clara Valley Water District	1,427,886
Less current portion	(154,519)
	1,273,367
Total	$ 1,996,731

Minimum future rents receivable under non-cancelable direct financing leases are: $692,186 in 2021; $489,544 in 2022; $217,648 in 2023; and $61,458 in 2024.

As of February 29, 2020, the District had a note receivable from Santa Clara Valley Water District in the amount of $1,427,886, payable at an amount equal to one-half the annual net debt service costs incurred by the District to finance the acquisition of the rights to water acquired from Mercy Springs Water District. Payments from Santa Clara Valley Water District are to be made two times per year on a date not less than 90 days prior to the date the District is obligated to pay the principal and interest on the debt. The final maturity date of the note is June 1, 2027.

NOTE F – UTILITY PLANT

The District's utility plant consisted of the following at February 29, 2020:

ASSETS AT COST	2/28/19	Additions	Deletions	2/29/20
Not Depreciated:				
Land	$ 1,074,135	$ -	$ -	$ 1,074,135
Construction in Progress	1,060,836	5,524,369	695,126	5,890,079
Water District Assets, Not Depreciated	2,134,971	5,524,369	695,126	6,964,214
Fishing Club Assets, Not Depreciated,	-	-	-	-
Total Assets, Not Depreciated	2,134,971	5,524,369	695,126	6,964,214
Assets, Being Depreciated:				
Land Improvements	17,561	-	-	17,561
Distribution	172,714,391	722,963		173,437,354
Drainage System	20,433,960			20,433,960
Buildings	6,788,309	789,192	11,868	7,565,633
Furniture & Fixtures/Information Systems	2,222,034	824,082	10,556	3,035,560
Communications Equipment	111,782			111,782
Survey Equipment & Small Tools	99,309		236	99,073
Autos/Trucks	3,498,201	188,951	184,119	3,503,033
Shop Equipment	401,824			401,824
Field Equipment	1,626,682	629,004	282,084	1,973,602
Water District Assets, Being Depreciated	207,914,053	3,154,192	488,863	210,579,382
Fishing Club Assets, Being Depreciated	2,488,438			2,488,438
Total Assets, Being Depreciated	210,402,491	3,154,192	488,863	213,067,820
LESS ACCUMULATED DEPRECIATION				
Land Improvements	17,561	-	-	17,561
Distribution	89,760,878	2,332,022		92,092,900
Drainage System	9,295,209	272,453		9,567,662
Buildings	5,145,824	282,247	9,466	5,418,605
Furniture & Fixtures/Information Systems	1,507,476	96,596	10,556	1,593,516
Communications Equipment	111,366			111,366
Survey Equipment & Small Tools	80,606	1,008	236	81,378
Autos/Trucks	1,605,196	254,882	167,265	1,692,813
Shop Equipment	393,470			393,470
Field Equipment	1,397,436	55,983	249,506	1,203,913
Accumulated Depreciation, Water District	109,315,022	3,295,191	437,029	112,173,184
Accumulated Depreciation, Fishing Club	900,938	89,745		990,683
Total Accumulated Depreciation	110,215,960	$3,384,936	$437,029	113,163,867
Total Water District Assets, Net	100,734,002			105,370,412
Total Fishing Club Assets, Net	1,587,500			1,497,755
Total Utility Plant	$102,321,502			$106,868,167

NOTE G – RESTRICTED ASSETS

Restricted assets consisted of the following cash balances at February 29, 2020:

Section 125 Trust Account	$ 2,940
HRA Account	351
Bond Indenture Agreements – Series 2007B	379,063
Bond Indenture Agreements – Series 2012A	570,020
Bond Indenture Agreements – Series 2016A	1,008,577
Land and Water Fund	16,918,420
Total	$18,879,371

Bond Indenture Agreements – Series 2007B: In accordance with the offering of $20,945,000 Series 2007B Revenue Certificates of Participation, the District was required to establish a Bond Reserve Fund in an amount equal to the maximum Series 2007B payments due in the then-current or any future fiscal year. A Surety Bond held by the trustee has been provided as an alternative to the District depositing the funds. The face amount of the Surety Bond is equal to the Reserve requirement and the premium was fully paid at the time of delivery of the 2007B Certificates. As of February 29, 2020, the District has $379,063 in the Certificate Payment Fund for the payment due March 1.

Bond Indenture Agreements – Series 2012A: In fiscal year 2012-2013, $77,000,000 Series 2012A Refunding Revenue Bonds were issued to refund the outstanding Series 2002A Revenue Certificates of Participation. In accordance with the offering, a Bond Reserve Fund was required to be established. A Surety Bond held by the trustee has been provided as an alternative to the District depositing the funds. The face amount of the Surety Bond is equal to the Reserve requirement and the premium was fully paid at the time of delivery of the 2012A Bonds. As of February 29, 2020, the District had $570,020 in the Bond Payment Fund for the payment due March 1.

Bond Indenture Agreements – Series 2016A: In fiscal year 2016-2017, $51,280,000 Series 2016A Refunding Revenue Bonds were issued to refund the outstanding Revenue Certificates of Participation, Series 2005A and Series 2007A and Adjustable Rate Refunding Revenue Certificates of Participation, Series 2008A. In accordance with the offering, a Bond Reserve Fund was required to be established. A Surety Policy held by the trustee has been provided as an alternative to the District depositing the funds. The face amount of the Surety Policy is equal to the Reserve requirement and the premium was fully paid at the time of delivery of the 2016A Bonds. As of February 29, 2020, the District had $1,008,577 in the Payment Fund for the payment due March 1.

Land and Water Fund: The Land and Water Fund consists of funds that have been received from the sale of land or otherwise returned to the District from debt proceeds. The funds are restricted for future land and water acquisitions or for the retirement of debt. In fiscal year 2019-2020, $14.2 million was received from the sale of land. As of February 29, 2020, the balance of this fund was $16,918,420.

NOTE H – RIGHTS TO WATER AND DEBT ISSUE PREPAID INSURANCE COSTS

Rights to water purchased and debt issue prepaid insurance costs consisted of the following at February 29, 2020:

Rights to water:	
Value of rights to water at estimated cost	$ 121,436,440
Less accumulated amortization	(67,628,239)
Total	$ 53,808,201
Debt issue prepaid insurance costs:	
Value of debt issue prepaid insurance cost	$ 864,129
Less accumulated amortization	(305,729)
Total	$ 558,400

Under GASB 65, *Items Previously Reported as Assets and Liabilities,* prepaid insurance costs related to debt issues are required to be amortized over the life of the related debt.

Amortization expense for the year ended February 29, 2020, was $4,273,162.

NOTE I – REAL PROPERTY HELD

Real property held consisted of the following at February 29, 2020:

Land held under land and water acquisition programs	$ 48,250,048
Land held for future use	597,734
McCloud River property	32,889,157
Yolo Ranch property	20,253,531
Total	$101,990,470

In fiscal year 2006-2007, the District acquired approximately 3,000 acres of property located in Shasta County, California, along the McCloud River. The property was acquired to facilitate the raising of Shasta Dam by the United States Department of the Interior. Until that time, or for a period of 25 years from the closing date, the District has agreed to maintain the property as a private fishing club. A separate enterprise fund has been established to report the financial transactions of the fishing club.

In fiscal year 2007-2008, the District acquired approximately 3,400 acres of property located in Yolo County, California. The property was acquired to pursue projects to address water supply-related environmental and/or Endangered Species Act issues. Acquisition of this property included 3,582 shares of Sweetwater Company, a mutual water company. The District's shares represent 83.07% of the total ownership.

NOTE J – LONG-TERM DEBT

Long-term debt consisted of the following at February 29, 2020:

Series 2007B Revenue Certificates of Participation; payable to Trustee in annual installments beginning at $350,000 in September 2008 and increasing in amounts ranging from $15,000 to $60,000 annually through September 2037; plus interest at rates ranging from 3.5% to 5.0%; collateralized by revenues of the District.	$15,660,000
Series 2012A Revenue Refunding Bonds; payable to Trustee in annual installments beginning at $2,315,000 in September 2013 and adjusting in amounts ranging from $55,000 to $265,000 annually through September 2028; plus interest at rates ranging from 2.0% to 5.0%; collateralized by revenues of the District.	23,340,000
Series 2013A San Luis Delta-Mendota Water Authority Revenue Refunding Bonds; payable to Trustee in annual installments beginning at $330,567 in March 2014 and adjusting in amounts ranging from $20,400 to $163,200 annually through March 2043; plus interest at rates ranging from 3.0% to 5.0%; collateralized by revenues of the District.	24,237,496
Series 2016A Refunding Revenue Bonds; payable to Trustee in annual installments beginning at $3,290,000 in September 2017 and adjusting in amounts ranging from an increase of $65,000 to a decrease of $1,705,000 annually through September 2036; plus interest at rates ranging from 3.0% to 5.0%; collateralized by revenues of the District.	41,065,000
Total	104,302,496
Bond premiums and discounts	9,744,249
Less current maturities	(7,680,323)
Total Long-Term Debt	$106,366,422

Debt service requirements to maturity are as follows:

Year Ending the Last Day of February	Principal	Interest
2021	$ 7,680,323	$ 4,934,752
2022	8,022,972	4,559,316
2023	8,410,620	4,151,054
2024	8,823,269	3,722,553
2025	7,674,999	3,312,469
2026-2030	27,313,992	11,493,205
2031-2035	18,266,990	6,580,921
2036-2040	14,395,554	2,101,989
2041-2043	3,713,777	120,392
Total	$104,302,496	$40,976,651

San Luis & Delta-Mendota Water Authority (SLDMWA) Revenue Refunding Bonds, Series 2013A (DHCCP Development Project): On June 25, 2013, the San Luis Delta-Mendota Water Authority (SLDMWA or Authority) issued $37,550,000 Revenue Bonds to refund the Revenue Notes, Series 2009A. The Series 2009A notes were issued to fund Delta Habitat Conservation and Conveyance Program (DHCCP) activity and the District, along with certain members of the Authority, entered into financing agreements with the Authority to pay the principal of and interest on the Notes. Prior to the refunding, some financing participants elected to pay cash rather than continuing with the financing. Therefore, a portion of the Series 2009A Notes remained outstanding after the issuance of the Series 2013A Revenue Bonds and an Escrow Fund was established with the Trustee. The maturity date on the Series 2009A notes was March 1, 2014.

Although the SLDMWA Refunding Bonds are issued in the Authority's name, the District is obligated to pay 100% of the principal of and interest on the bonds when due under its DHCCP activity agreement with the Authority. The Trustee will apply payments of principal and interest received through the Authority from the other financing participants to reimburse the District.

The District has been a member of the Authority since its formation in 1992. This transaction qualifies as a nonexchange financial guarantee under GASB 70. The District's Board approved the SLDMWA DHCCP activity agreement which was executed on March 17, 2009. The District's financial guarantee for the bonds extends through the maturity date of March 1, 2043. In the event that a financing participant has failed to make its payment required by its activity agreement, the Authority has agreed to take reasonable action for collection to reimburse the District. As of February 29, 2020, the total guarantees outstanding extended by the District, principal and interest, are $10,949,743. On April 24, 2017, the Authority used $3,684,100 of the remaining 2009A Note Proceeds to defease $4,060,000 of the San Luis and Delta-Mendota Water Authority Revenue Refunding Bonds, Series 2013A. Bonds with a maturity date of March 1, 2043, and a major portion of bonds with a maturity date of March 1, 2042, were selected for defeasance. These bonds are callable on March 1, 2023 at which time $2,335,000 and $1,725,000 will be paid by the trustee. The bond principal placed in escrow is not considered defeased as the escrow was set up for the principal portion of the debt service only. The District continues to pay interest on these bonds.

Series 2012A Refunding Revenue Bonds: In August 2017, the District utilized $7,926,000 of available funds to defease a portion of the outstanding 2012A bonds with maturity dates from September 1, 2028 through September 1, 2029. The funds have been placed in an escrow account held by the bond trustee to pay the semi-annual interest payments until the bond call date of September 1, 2022. The bonds amounting to $6,765,000, are considered defeased and have been removed from the District's financial statements. In November 2016, the District utilized $36,100,000 of available funds to defease a portion of the outstanding 2012A bonds with maturity dates from September 1, 2028, through September 1, 2034. The funds have been placed in an escrow account held by the bond trustee to pay the semi-annual interest payments until the bond call date of September 1, 2022. The bonds amounting to $29,825,000 are considered defeased and have been removed from the District's financial statements. The total principal balance of defeased bonds in escrow accounts is $36,590,000.

Series 2016A Refunding Revenue Bonds: In November 2016, the District issued $51,280,000 Refunding Revenue Bonds, Series 2016A to prepay all of the outstanding Revenue Certificates of Participation, Series 2005A, Revenue Certificates of Participation, Series 2007A and Adjustable Rate Refunding Revenue Certificates of Participation, Series 2008A. The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debts of $1,329,490, which will be amortized over the life of the new debt through 2037. At the time of refunding, the anticipated net present value savings was $7,635,458.

Changes in Long-Term Liabilities: Long-term liability activity for the year ended February 29, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$107,685,706	$	$(10,749,966)	$104,302,496	$7,680,323
Plus premiums	10,547,914		(778,556)	9,769,358	
Less discounts	(26,504)		1,395	(25,109)	
Total bonds payable	118,207,116		(11,527,127)	114,046,745	7,680,323
Loans payable	-		-	-	-
Water exchanges	456,150		(14,730)	441,420	
Pension liability	11,103,150	1,829,089	-	12,932,239	
OPEB liability	5,690,859	-	(1,377,369)	4,313,490	-
Total long-term liabilities	$135,457,275	$1,829,089	$(12,919,226)	$131,733,894	$7,680,323

NOTE K – WATER EXCHANGE PAYABLE

Water exchange payable consisted of the following at February 29, 2020:

KCWA 1995-1996 exchange	$441,420

The 1995-1996 Kern County Water Agency (KCWA) liability at February 29, 2020, represents 14,714 acre-feet of water to be acquired and provided to certain Priority II water users as a result of an exchange transaction. The amount is included in the District's financial statements as both a non-current asset and liability.

NOTE L – DEPOSITS

The District participates in the Power and Water Resources Pooling Authority (PWRPA), a joint powers authority which was organized in 2004 under California State law to collectively manage individual power assets and loads. The District's initial reserve deposit of $2,202,257 was made in 2005 and is reflected in the District's financial statements as an asset.

NOTE M – DESIGNATED ASSETS

Certain funds have been set aside by the District for future use for specific purposes. These amounts are included in unrestricted net position, unless shown as a separate component. As of February 29, 2020, designated assets consisted of the following cash balances:

General Reserve	$ 7,671,191
Self-Insurance/Unemployment Reserves	31,730
O&M Reserves- Drought	6,385,934
O&M Reserves - Asset Replacement	1,827,454
Rate Stabilization Fund	13,200,000
Special Purpose Fund	16,842,000
Capital Fund	2,000,000
PWRPA Funds	825,428
Irrigation Equipment Lease Programs	5,319,268
Total	$54,103,005

General Reserve: The general reserve was established to help the District meet unexpected obligations. As of February 29, 2020, the District had designated funds of $7,671,191 in this reserve.

Self-Insurance/Unemployment Reserves: The District established a self-insurance reserve for vehicle collision and comprehensive expenses as they occur. In addition, funds are included for unemployment insurance expenses. As of February 29, 2020, $31,730 was held in this reserve.

O&M Reserves - Drought: Through water rates, the District collects an amount to be set aside to fund current and future operations and maintenance activities. Funds are collected for distribution system maintenance, vehicle purchases, facility maintenance and replacement, and information systems. As of February 29, 2020, the balance of the O&M Reserves was $6,385,934.

O&M Reserves - Asset Replacement: This reserve includes $1,000,000, collected through water rates in 2019-2020, for unexpected capital projects. As of February 29, 2020, the balance of the O&M Reserves - Asset Replacement was $1,827,454.

Rate Stabilization Fund: In fiscal year 2016-2017, in conjunction with the refunding of certain bonds, the District designated $5.5 million of the O&M Reserves into the Rate Stabilization Fund. Prior to finalizing the 2016-2017 financial statements, the Board designated $3.2 million of the increase in net position to be transferred to this fund. The Board also designated $4.5 million of the increase in net position to be transferred to this fund prior to finalizing the 2018-2019 financial statements. This fund is shown as a separate component of net position. As of February 29, 2020, the District had $13,200,000 available in the Rate Stabilization Fund.

Special Purpose Fund: In fiscal year 2016-2017, in conjunction with the refunding of certain bonds, the District designated $5.2 million of the O&M Reserves into the Special Purpose Funds. Prior to finalizing the 2016-2017 financial statements, the Board designated $11.7 million of the increase in net position to be transferred to this fund. This fund is shown as a separate component of net position. The Board of Directors approved the use of $58,000 of Special Purpose Funds to cover Bollibokka Club repairs. As of February 29, 2020, the District had $16,842,000 available in the Special Purpose Fund.

Capital Fund: This fund is used for the funding of new capital assets or the replacement of capitalized assets when they reach the end of their useful lives. Funds within the Capital Fund may also be used for the design, engineering, environmental and planning purposes related to capital projects and unanticipated capital expenditures. As of February 29, 2020, the District had $2,000,000 in the Capital Fund.

PWRPA Funds: P3 funds have been designated for the District’s Automated Meter Installation program. As of February 29, 2020, the District had $825,428 in the PWRPA Funds.

Irrigation Equipment Lease Programs: The District has designated funds to purchase and install irrigation systems to be leased by certain water users. As of February 29, 2020, the District had $5,319,268 available for future leases.

NOTE N – DEFINED BENEFIT PENSION PLAN

Plan Description: The Plan is a cost-sharing, multiple-employer defined benefit pension plan administered by CalPERS. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2018, Annual Valuation Report. Details of the benefits provided can be obtained in Appendix B of the funding valuation report. The actuarial valuation report and CalPERS' audited financial statements are publicly available reports that can be obtained from CalPERS' website under Forms and Publications, at www.calpers.ca.gov.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments are applied as specified by the Public Employees' Retirement Law.

The Plans operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures, and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect at February 29, 2020, are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Minimum retirement age	50	52
Monthly benefits as a % of eligible compensation	1.426% to 2.418%	1% to 2.5%
Required employee contribution	7%	6.750%
Required employer contribution		
March 1, 2019 – June 30, 2019	9.409%	6.842%
July 1, 2019 – February 29, 2020	10.221%	6.985%
Unfunded Liability Payment	$672,158	$5,305

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. For public agency cost-sharing plans covered by the miscellaneous risk pool, the actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

Net Pension Liability: The District's net pension liability for the Plan is measured as the total pension liability, less the pension plans fiduciary net position. The net pension liability of the plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows:

Actuarial Assumptions: For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2018, and June 30, 2019, pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry-age normal cost
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.00%
Mortality rate table	Derived using CalPERS membership data for all funds
Postretirement benefit increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies; 2.50% thereafter

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from CalPERS’ website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. An investment return excluding administrative expense would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Plan.

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both the short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all of the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present values of benefits was calculated at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest on quarter of one percent.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2018.

Asset Class	Strategic Allocation	Real Return Years 1- 10 (1)	Real Return Years 11+(2)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	100.0%		

(1) An expected inflation rate of 2.00% is used for this period.
(2) An expected inflation rate of 2.92% is used for this period.

Pension Plan Fiduciary Net Position: Information about the pension plans assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS audited financial statements, which are publicly available reports that can be obtained from CalPERS' website under Forms and Publications, at www.calpers.ca.gov. The plans fiduciary net position and additions to/deductions from the plans fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

Proportionate Share of Net Pension Liability: The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the plan as of June 30, 2019, was as follows:

Proportionate Share	0.32294%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the District's proportionate share of the net pension liability/(asset) for the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
District's Share of Net Pension Liability/(Asset)	$ 23,393,863	$ 12,932,240	$ 4,296,910

Subsequent Events: Additional contributions were made subsequent to the measurement date.

Recognition of Gains and Losses: Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the Plan for the June 30, 2019 measurement date is 3.8 years, which was obtained by dividing the total service years of 530,470 (the sum of remaining service lifetimes of the active employees) by 140,593 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also, note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Deferred Outflows and Deferred Inflows of Resources Related to Pensions: The following table presents deferred outflows and deferred inflows of resources related to pensions as of February 29, 2020:

	Deferred Outflows	Deferred Inflows
Change in Proportion	$1,680,649	$81,431
Changes in Assumptions	616,669	218,604
Difference between Actual and Expected Experiences	898,198	69,592
Net Difference between Projected and Actual Earnings	-	226,096
Difference between Actual and Proportionate Share of Contribution	-	2,317,388
Pension Contributions Subsequent to the Measurement Date	1,198,464	-
Total	$4,393,980	$2,913,111

The amounts above are net of outflows and inflows recognized in the 2018-2019 measurement period expense. Contributions of $1,198,464 made subsequent to the measurement date are reported as deferred outflows of resources but will be recognized as a reduction in pension liability in the fiscal year ending February 28, 2021. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended February 29:	Deferred Outflows/(Inflows) of Resources
2021	$486,573
2022	$(191,482)
2023	$(58,372)
2024	$45,687
2025	$-
Remaining	$-

NOTE O – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: An eligible participant is defined as an employee who is continuously employed by the District who qualifies and retires from the CalPERS with a service or disability retirement and elects continued enrollment in the CalPERS Health Benefit Plan. Through CalPERS, the District offers medical insurance to active and retired employees, as well as their qualified dependents under the Public Employees' Medical and Hospital Care Act (PEMHCA). Under PEMHCA, health coverage for the employee continues into retirement. Current plans offered are PERSCare, PERS Select, PERS Choice, Blue Shield Access, HealthNet SmartCare, Kaiser, United HealthCare, Anthem HMO Select and Anthem HMO Traditional. The District is a participant in the CERBT which is an agent multiple-employer plan available to employers to pre-fund OPEB benefits. CERBT is administered through CalPERS. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT Fund financial reports, which can be obtained by writing to California Public Employees' Retirement System, P.O. Box 942701, Sacramento, CA 94229-2701.

Funding Policy and Contributions: The contribution requirements of the plan members and the District vary depending on the hire date of the employee and may be amended in the future. For fiscal year 2019-2020, the District contributed $919,793 to the plan, including $719,793 for current retirees and $200,000 to prefund benefits. The District's contribution for current retirees consists of the annual statutory minimum contribution pursuant to PEMHCA and a variable amount approved annually by the District's Board of Directors funded through the District's Health Reimbursement Arrangement (HRA) Plan. For fiscal year 2019-2020, the PEMHCA amount for all plan members was $136 per month for the period of March 1 – December 31, 2019, and $139 per month for the period of January 1 – February 29, 2020. The maximum HRA monthly amount for current retirees was $574.19 (single) to $1,186.13 (family) for the period of March 1 – December 31, 2019, and $581.02 (single) to $1,192.96 (family) for the period of January 1 – February 29, 2020. As of February 29, 2020, there were 92 retirees receiving benefits under the plan. There were 106 employees that may be eligible for future benefits upon retirement from the District.

Annual OPEB Cost and Net OPEB Liability: The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer and the amount actuarially determined in accordance with the parameters of GASB Statement No. 45, which is redefined as actuarially determined contribution (ADC) under GASB Statement No. 75. The ADC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following is a schedule of contributions for the measurement period July 1, 2018, to June 30, 2019:

Actuarially Determined Contribution	$849,176
Contributions to the Trust	$200,000
Pay-go Payments by Employer	712,365
Active Implicit Rate Subsidy Transferred to OPEB	133,513
Total OPEB Contributions	$1,045,878

The annual OPEB cost by fiscal year and the percentage of annual OPEB cost contributed to the Plan is as follows:

Fiscal Year	Annual OPEB Cost	Contributions	Percentage Contributed
2014-2015	$ 959,959	$ 929,171	96.8%
2015-2016	$1,327,771	$1,326,779	99.9%
2016-2017	$1,349,712	$1,350,675	100.0%
2017-2018	$ 955,471	$1,368,800	143.3%
2018-2019	$ 818,426	$ 859,828	105.0%
2019-2020	$ 849,176	$ 919,793	108.3%

As of July 1, 2019, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial Total OPEB Liability (TOL)	$15,930,471
Plan Fiduciary Net Position	$11,616,981
Net OPEB Liability (NOL)	$4,313,490
Funded ratio	72.9%
Annual covered payroll	$8,708,584
NOL as a percentage of covered payroll	49.5%

Employees Covered: Census data as of June 30, 2018, is used in the measurement of the TOL as of June 30, 2019:

Number of active employees	106
Number of retired members and beneficiaries	90
Total	196

Actuarial Assumptions Used to Determine Total OPEB Liability: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made in the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Actuarial cost method	Entry age normal
Funding policy	District intends to annually contribute the full ADC
Discount Rate	7.28%
Inflation	2.25%
Salary Increases	3.25% annual increases
Investment Rate of Return	7.28%
Mortality Factors	Derived using CalPERS study
Pre-Retirement Turnover	Derived using CalPERS study
Healthcare participation	100% of eligible participants assumed
Healthcare Trend Rate	Pre-65: 5.39% for 2020 to 5.00% for 2032 Post-65: 5.00% for 2020 with no change to 2032

Long-Term Expected Rate of Return: As of June 30, 2019, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	5.49%
Fixed Income	32.00%	1.65%
REIT's	8.00%	5.06%

The above table shows the target asset allocation in the CERBT Strategy 1 investment policy.

Discount Rate: The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets. Above are the arithmetic long-term expected real rates of return by asset class for the next 10 years as provided in a report by JP Morgan. For years thereafter, returns were based on historical average index real returns over the last 30 years assuming a similar equity/fixed investment mix and a 2.25% inflation rate. Investment expenses were assumed to be 20 basis points per year. These returns were matched with cash flows for benefits covered by plan assets and the Bond Buyer 20-Bond General Obligation index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate.

	June 30, 2018	**June 30, 2019**
Discount Rate	7.28%	7.28%
Bond Buyer 20-Bond GO Index	3.87%	3.50%

Changes in the Net OPEB Liability: The following table shows the changes in the net OPEB liability for the year ended June 30, 2019:

		Increase (Decrease)	
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) – ((b)
Balance at June 30, 2018	$16,428,861	$10,738,002	$5,690,859
Changes recognized for the measurement period			
Service cost	355,304		355,304
Interest	1,191,638		1,191,638
Change in assumptions	(1,129,795)		(1,129,795)
Differences between expected and actual experience	(69,659)		(69,659)
Benefit payments	(845,878)	(845,878)	-
Contributions – employer		1,045,878	(1,045,878)
Net investment income		681,308	(681,308)
Administrative expenses		(2,329)	2,329
Net Changes	(498,390)	878,979	(1,377,369)
Balance at June 30, 2019	$15,930,471	$11,616,981	$4,313,490

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the District's Net OPEB liability if it were calculated using a discount rate that is 1% point lower (6.28%) or 1% point higher (8.28%) than the current rate:

Sensitivity of the Net OPEB Liability to Changes in the Trend Rate: The following presents the District's Net OPEB liability if it were calculated using a trend table that is 1% point lower or 1% point higher than the current rate:

Net OPEB Liability as of June 30, 2019, Measurement Date: $4,313,490

Sensitivity Analysis:

	NOL	$ Change	% Change
Discount Rate			
+1%	$2,606,851	($1,706,639)	(40%)
Base	$4,313,490	-	-
-1%	$6,366,438	$2,052,948	48%
Trend Rate			
+1%	$6,307,116	$1,993,626	346%
Base	$4,313,490	-	-
-1%	$2,614,871	($1,698,619)	(39%)

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Differences between expected and actual experience	6.2 years straight-line amortization
Net difference between projected and actual earnings of OPEB plan investments	5.0 years straight-line amortization
Change in assumptions	6.8 years straight-line amortization

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended February 29, 2020, the District recognized OPEB expense of $593,733. At February 29, 2020, the District has deferred outflows and inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 510,310	$ -
Changes in assumption		964,596
Differences between expected and actual experience	-	84,705
Net difference between projected and actual earnings of OPEB plan investments	56,936	-
Total	$ 567,246	$ 1,049,301

The $510,310 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending February 28, 2021.

The $992,365 reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending February 28	**Deferred Outflows/(Inflows) of Resources**
2021	($169,541)
2022	(169,541)
2023	(169,543)
2024	(159,859)
2025	(176,737)
Thereafter	(147,144)
Total	($992,365)

NOTE P – LAND AND RIGHTS TO WATER ACQUISITION

Since 1992, the long-term reliability of the District's CVP water supply (Contract Water) has been significantly reduced due to changes in federal law and the manner in which federal and state laws have been implemented. In an effort to increase the reliability of water available for delivery to landowners and water users, the District's Board of Directors authorized a Land and Water Acquisition Program in 1998. According to its guidelines, the CVP Contract Water entitlement acquired, or associated with the land to be acquired, would be reallocated and transferred to the landowners and water users within the District. Likewise, other water supplies acquired would be similarly allocated. Under this program, the District acquired 13,336 acres of land and the right to approximately 37,155 acre-feet of water at a total cost of $21,609,923.

In August 1998, the District entered into a Land Retirement Agreement with the United States Department of the Interior, to cooperate on a project for the retirement of up to 15,000 acres of land within the District over a period of three years. During the term of the agreement, a total of 1,433 acres of land were acquired by the United States of America, with the District contributing up to $1,150 per acre towards the purchase price in order to retain the right to receive the District's CVP Contract Water associated with the lands. The District acquired approximately 3,812 acre-feet of rights to apply for water under this agreement at a total cost of $1,677,092.

On April 29, 2002, the District's Board of Directors approved the Agreement for Distribution of Water, Allocation of Costs, and Settlement of Claims (Sagouspe Settlement Agreement), reached between the Pre-Merger Lands and Merged Lands landowners that were parties to the litigation, and the courts validated this agreement on December 3, 2002. The lands and associated rights to water acquired by the District and/or the United States of America through the Land and Water Acquisition Program, the Land Retirement Agreement and the Peck Settlement Agreements, and repayment of the debt obligation for these lands and associated rights to water, were incorporated into and are now governed by the Sagouspe Settlement Agreement. Through this agreement, the District expended $108.5 million ($8.5 million of District reserves and $100 million obtained through the issuance of new debt) to acquire sufficient land within the District, the permanent right to an allocation of the District's CVP Contract Water that is apportioned among lands in the District, or a long-term water supply other than the District's CVP Contract Water, in order to make an equal water supply allocation of 2.60 acre-feet per acre to eligible Pre-Merger Lands and Merged Lands that are not retired lands (i.e., lands acquired within the District, or lands for which the permanent right to an allocation of the District's CVP Contract Water has been acquired) in any water year that the District's Contract Water supply is not less than 1,150,000 acre-feet. Pursuant to this agreement, prior to March 1, 2008, the allocation of water supply was equalized by allocating to Merged Lands, lands that are not retired lands, the District Contract Water and other water supplies obtained through the acquisitions contemplated by the agreement. On and after March 1, 2008, District Contract Water and other supplies from this agreement will be allocated equally on a per-acre basis to eligible Pre-Merger Lands and Merged Lands that are not retired lands. Repayment of debt issued by the District which implements this settlement agreement is being accomplished by the collection of land-based charges imposed on irrigable lands in Pre-Merger Lands and Merged Lands that are not retired lands according to a formula specified in the agreement. Approximately 28,626 acres of land and 86,271 acre-feet of rights to water at a cost of $50,116,121 have been acquired to complement the Land and Water Acquisition Program, the Land Retirement Agreement and the Peck Settlement Agreement acquisitions.

In September and December 2002, the District, the United States of America and owners of approximately 36,000 acres of farmland in the District reached a settlement in a long-standing lawsuit involving drainage issues (Peck Settlement Agreements). Under the agreements, the District purchased approximately 35,000 acres of land over a three-year period and permanently removed the land from irrigated agriculture. The cost of the settlement to the District was approximately $35 million and was funded by the debt issuance from the Sagouspe Settlement Agreement. Likewise, the water formerly allocated to the lands that were acquired is now distributed to other farmers within the District pursuant to the Sagouspe settlement agreement. Approximately 29,487 acres of land and 90,597 acre-feet of rights to water have been acquired at a cost of $31,921,273.

In February and March 2005, the District acquired approximately 8,750 acres of land within the Broadview Water District, which is substantially all of Broadview's irrigable acreage. With the acquisition, the District initiated and completed the processes to annex all of Broadview's lands and received a permanent assignment of Broadview's CVP Water Contract totaling 27,000 acre-feet to the District from Reclamation. From this water supply, the District annually makes available 6,000 acre-feet of entitlement to the Naval Air Station – Lemoore (NASL) pursuant to the Supplemental Water Allocation Agreement between the District and NASL. The remaining 21,000 acre-feet of entitlement is annually allocated according to the Sagouspe Settlement Agreement.

On May 14, 1999, the District entered into an agreement with Mercy Springs Water District, Santa Clara Valley Water (Santa Clara) District and the Pajaro Valley Water Management Agency (Pajaro) for the partial assignment of Mercy Springs Water District's existing CVP Water Contract. Under this agreement, Mercy Springs Water District assigned its right, title and interest in 6,260 annual acre-feet of CVP water to the District, Santa Clara and Pajaro. The total cost was $5,663,134. Under this agreement, Santa Clara has the first priority to the water, but may not receive more than 25% of the actual deliveries in each ten-year period. Additionally, Pajaro had until February 29, 2020, to exercise an option to obtain the District's share of the assignment, which it did not. The ten-year period for Santa Clara to receive 25% of the subject water supply is reset in 2020-2021.

In February 2005, the District acquired 4,000 acre-feet of water supply entitlement associated with Oro Loma Water District's CVP Water Contract. As of March 1, 2012, the District received a permanent assignment of this portion of Oro Loma's water contract from Reclamation and plans to annually make available the 4,000 acre-feet of entitlement to NASL pursuant to the aforementioned agreement.

Through these several initiatives and agreements, the District has acquired approximately 274,998 acre-feet of rights to water at a total cost of $102,617,296. The value of these rights to water has been capitalized and is being amortized over the life of the District's water service contracts with Reclamation, or up to 34 years, based upon the expiration of the contracts on December 31, 2007, and their guaranteed renewal for a minimum of 25 years as provided by the CVP Improvement Act.

In fiscal year 2003-2004, the Board also authorized the acquisition of permanent, long-term water supplies for M&I use within the District, thereby making the District's CVP Contract Water supply previously used for these purposes available for agricultural use. In October 2003, the District executed an agreement with the County of Kings and acquired 5,000 acre-feet of State Water Project water entitlement from Angiola Water District in order to make this water available to the NASL, pursuant to the Supplemental Water Allocation Agreement between the District and NASL. In May 2004, the District executed an agreement with Widren Water District and acquired all 2,990 acre-feet of Widren's CVP Water Contract. In October 2004, the District executed an agreement with Centinella Water District and acquired all 2,500 acre-feet of Centinella's CVP Water Contract.

NOTE Q – CENTRAL VALLEY PROJECT O&M AND CAPITAL OBLIGATIONS

Federal legislation enacted in 1986 directed Reclamation to determine each water contractor's share of main projects O&M costs (occurring after October 1, 1985) which are not currently reimbursed to Reclamation under existing water contracts. Reclamation was further directed to accumulate these excess costs, including interest (collectively O&M deficits), until such time that the new water contracts were renewed. Beginning in fiscal year 2008-2009, under the new interim contract, the District is required to reimburse Reclamation for such O&M deficits through increased costs of its water supply. As of September 30, 2018, according to Reclamation calculations, there was no O&M deficit.

In addition, CVP main project capital allocated to the District must be paid in full by the year 2030. This capital is allocated to the federal water contractor on the basis of future projected water deliveries and is included in Reclamation's cost-of-service water rate. As of September 30, 2018, $269,525,865 in unpaid CVP capital was reflected on Reclamation's accounting records as the District's future capital obligations. This amount has not been accrued as an obligation on the District's financial statements.

NOTE R – CONTINGENCIES AND COMMITMENTS

Drainage Water System: No provision has been made in the financial statements for any liability that may result from a suit filed by the Firebaugh Canal Water District (Firebaugh) and the Central California Irrigation District (CCID). Firebaugh and CCID filed an amended complaint, which sought damages from the District, other water districts within the San Luis Unit, and the United States of America. In addition to damages, they sought injunctive relief requiring the District, other districts within the San Luis Unit, and the United States of America to undertake measures to eliminate or mitigate for drainage problems on lands in Firebaugh's and CCID's service areas, and related water quality problems in the San Joaquin River. They alleged that lands within their districts have been damaged by irrigation of "upslope" lands within the San Luis Unit, on a theory that water migrates to their lands and worsens drainage problems on their lands. The District vigorously disputes these claims.

The United States District Court for the Eastern District of California dismissed claims against the District. While the Court ruled that the United States of America is obligated under Section 1 (a) of the San Luis Unit Act to provide drainage service to lands within the San Luis Unit, Firebaugh and CCID are not within the San Luis Unit. Firebaugh and CCID, however, allege that irrigation of lands in the San Luis Unit created a “continuing nuisance” on their lands.

The nuisance claims likewise were dismissed. A claim against the United States of America under the Administrative Procedure Act is still pending, and plaintiffs contend that the District is a necessary party to that claim. Any remedy for that claim would be limited to declaratory and injunctive relief, and not damages. The ultimate outcome of these matters, and any insurance coverage, together with the amount of the District’s potential liability, if any, resulting from the ultimate resolution of these matters cannot presently be determined.

The District has assets of approximately $10,866,297 as of February 29, 2020 (net book value) pertaining to the existing, but closed drainage collector system. The drainage system has not been in use as part of the District’s operations since 1986 and is not scheduled to reopen until an alternative drainage plan can be developed. The ultimate recovery of the cost of the drainage system is contingent upon the development of alternative drainage plans. Management believes that alternative drainage plans to manage and/or otherwise collect, treat, and dispose of subsurface drainage water will be developed and, accordingly, no provision for any loss which might result from the failure to develop such a plan has been made in the financial statements.

The United States of America has been ordered by the District Court to provide a plan for drainage service. On September 15, 2015, the U.S. Department of Interior, the U.S. Department of Justice and the District executed a settlement to end decades-long dispute over the Bureau of Reclamation’s responsibility to provide drainage for farmland within the District. The settlement required Congressional authorization by January 15, 2017, which was extended to January 15, 2018. Because Congress failed to authorize the settlement by that date, the settlement agreement is voidable by either the United States of America or by the District. Neither party has voided the agreement and both parties have been working to overcome the obstacles that have prevented implementation of the settlement. The ultimate cost of drainage management remains unknown.

Although the United States of America has been ordered by the District Court to provide a plan for drainage service, the District remains actively involved in the United States of America’ efforts to identify a solution to the drainage problem. Projects evaluated have included a selenium removal treatment plant, and a deep well injection program, both of which have been terminated due to technical problems and higher than anticipated costs. The District has also conducted other preliminary investigations into drainage reduction programs and potential solutions to the drainage problem, including cogeneration, and shallow groundwater pumping. The United States of America Bureau of Reclamation is currently in the process of designing a drainage collector system in the central area of the District. The design of this drainage collector system provides drainage service to approximately 18,000 acres.

Westlands Water District v. All Persons Interested, Fresno Superior Court Case No. 19CECG0388: After the District was authorized to execute the contract to convert its principal water service contract to a prepayment contract – a 9(d) Contract – the District filed an action, which seeks to validate the proceedings that authorized execution of its 9(d) Contract, pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part L of the Code of Civil Procedure of the State of California (the “Validation Statute”). The District filed the action on October 25, 2019. Four groups purported to file answers: (1) North Coast Rivers Alliance, et al., (2) California Water Impact Network, et al., (3) Counties of San Joaquin and Trinity ("Counties"); and (4) South Delta Water Agency and Central Delta Water Agency ("Water Agencies"). Each of the answers assert the District lacked the authority to enter into the repayment contract. The District filed a motion for validation judgment on December 30, 2019, which remained pending at the end of February 2020. Each group of answering parties prayed for recovery of costs and attorneys’ fees. The District’s liability to each group may exceed $50,000. At the time, however, it was not possible to reasonably assess if or the extent to which this case may have a material adverse effect on the District’s financial position.

New Conveyance: The District previously supported the development of the California WaterFix (CWF), a project that would have resulted in two tunnels that would have been used to convey water from the north Delta to the existing C.W. "Bill" Jones Pumping Plant and the Harvey O. Banks Pumping Plant, both in the south Delta. The District invested considerable financial resources, time and expertise into the CWF's planning, but consistently stated it would not obligate landowners it serves to billions of dollars in debt without reasonable assurances that the project would produce reliable, affordable water supplies. On September 19, 2017, after an analysis by independent consultants and District staff, the District's Board of Directors voted to not participate in the CWF. The District also participated in proceedings conducted by the California State Water Resources Control Board on change petitions filed by the DWR and the United States of America Bureau of Reclamation to add points of diversion or rediversion to their respective permits to appropriate water that would have been conveyed through CWF facilities. None of those activities would have a material adverse effect on the District's financial position. Earlier this year, the DWR and Reclamation decided not to proceed with the WaterFix project, including its efforts to add points of diversion or rediversion. The DWR has started planning efforts for a new infrastructure project, one that would result in a single tunnel. The District will continue to monitor the review and planning for the single tunnel and its financial impacts to the District's interests.

Other Litigation

Mound Farms v. California Department of General Services et al., Yolo County Superior Court, Case No. PT19-2766: The District owns land in Yolo County, California, which is commonly known as the Yolo Ranch. Water for the Yolo Ranch and an adjacent area, owned by Mound Farms, is supplied by a mutual water company, Sweetwater Company. On part of the Yolo Ranch, the District approved a project to restore habitat for the benefit of native fish ("Lower Yolo Restoration Project"). Upon completion of the habitat restoration, the District expects to sell to DWR habitat credits resulting from the habitat restoration and to convey to DWR ownership of the land on which the habitat was restored. On December 27, 2019, Mound Farms filed a Verified Petition for Writ of Mandate ("Petition") in Yolo County Superior Court against the California Department of General Services ("DGS"), DWR, and the District. The petition challenges approval of the agreement between DWR and the District for the purchase of the habitat credits derived through implementation of the Lower Yolo Restoration Project. The petition alleges that approval of the agreement violated California Environmental Quality Act (CEQA). On that basis, Mound Farms seeks a writ of mandate ordering the agencies to set aside approval of the agreement and suspend any project activities pending further CEQA review. Mound Farms also seeks to recover its costs and its attorneys' fees. The District's liability, including to Mound Farms for costs and fees, may exceed $50,000.

Public Resources Code Section 5093.542: Three cases were filed against the District challenging the District's efforts to analyze the environmental effects that might result if the District decides to provide funding for a Reclamation project: the Shasta Dam and Reservoir Enlargement Project. The cases were/are:

- People of the State of California v. Westlands Water District, Shasta Superior Court, Case No. 192487;
- Friends of the River et al. v. Westlands Water District, Shasta Superior Court, Case No. 192490; and
- North Coast Rivers Alliance et al. v. Westlands Water District, Shasta Superior Court, Case No. 192958.

The first two cases were filed in May 2019 and the third case was filed in July 2019. In all three cases, the plaintiffs assert action by the District violated Public Resources Code Section 5093.542 by analyzing the environmental effects that might result if the District decides to provide funding for the Shasta Dam and Reservoir Enlargement Project.

In September 2019, the District ceased its analysis of environmental effects and, in November 2019, entered into stipulations for entry of judgments in each of the cases. The Court entered the judgments but retained jurisdiction, in part, to consider claims for costs and attorneys' fees. Thereafter, the District agreed to pay each of the plaintiffs' costs. The total costs paid to all plaintiffs was approximately $7,000.00. Plaintiffs in each of the three cases filed motions seeking the award of attorneys' fees. Friends of the River et al. filed a motion seeking an award of attorneys' fees on January 16, 2020, and the District opposed that motion. Friends of the River et al. sought in excess of $50,000 in attorneys' fees. In January 16, 2020, the Attorney General filed a motion for recovery of attorneys' fees incurred in opposing a motion to transfer the District filed. The Attorney General sought in excess of $30,000 in attorneys' fees. North Coast River Alliance et al. sought recovery of more than $300,000 in attorneys' fees.

General: The District is a party to legal proceedings and claims, related to and/or in addition to those discussed explicitly herein, which arise during the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation will not have a material adverse effect on the District's financial position.

Risk Management: The District maintains general liability, property, auto, crime, and excess liability coverage through the Plus Water Insurance Program provided by Alteris-Allied World Assurance Company (A XV (Excellent) A.M. Best Rating).

General liability coverage, which encompasses wrongful acts, bodily, personal and professional injury, including public officials' errors and omissions and employment practices, as well as auto liability coverage, is $1,000,000 per occurrence, $3,000,000 aggregate plus $10,000,000 excess liability. Each claim is subject to a $5,000 deductible.

Coverage for real property and business personal property, including property coverage extensions, is $78,684,509. Scheduled mobile equipment is separately covered for $1,732,753. All coverage deductibles are $5,000.

The crime insurance covers dishonesty; forgery; theft, disappearance and destruction (inside and outside) at $500,000 each; and computer fraud at a limit of $500,000 for each. Each of the coverages has a $500 deductible.

Boiler and machinery coverage is through XL Insurance America, Inc. and is limited at $25,000,000. A deductible of $5,000 is applicable.

Pollution Remediation: In February 2005, the District acquired the Broadview Water District and most of the privately-owned lands within its boundaries. At the time of the acquisition, the Bullard Avenue Airstrip was known to be potentially contaminated by various pesticides used within the agriculture industry during that time. The airstrip has not been in use since the District acquired it. The District retained the services of a consultant who is working with the Regional Water Quality Control Board (RWQCB) to determine the extent of the contamination. Currently work consists of annual water and soil sampling. While the District is a responsible party for remediation, the expected outlays are not reasonably estimable. Accordingly, no liability has been included in these financial statements.

Sustainable Groundwater Management Act (SGMA): On September 16, 2014, the California State Legislature passed comprehensive groundwater legislation contained in three bills: SB1168, SB1319 and AB1739. These bills, collectively known as SGMA, require the formation of groundwater sustainability agencies (GSA) to prepare groundwater sustainability plans (GSP) for high and medium priority groundwater basins to prevent overdraft conditions and to implement measures that promote sustainable management of overdrafted basins. Under SGMA, GSAs managing critically overdrafted basins are required to develop a GSP by 2020 and achieve sustainable management of their subbasins by 2040 through balanced levels of pumping and recharge.

The District's service area encompasses nearly all of the Westside Subbasin defined by DWR in its Bulletin 118. On July 19, 2016, the District's Board approved applying to become the GSA for the Westside Subbasin. Subsequently, the District was approved by DWR to serve as a GSA.

The District, serving as the GSA, adopted a GSP and submitted the plan to DWR by the required deadline, January 31, 2020. The GSP describes the sustainable use of groundwater in the subbasin, the mitigation measures that will be implemented to address undesirable results, enhancement strategies for subbasin optimization, management policies to administer the GSP, and cost or charges that may be levied for GSP implementation. The ultimate impact of SGMA on the use of groundwater in the subbasin cannot be stated with certainty at this time.

In 2018-2019 the District was awarded a $2.5 million DWR grant for the Groundwater Monitoring Well Installation Project and Groundwater Sustainability Plan Development for the Westside Subbasin. This grant was awarded under the 2017 Proposition 1 Sustainable Groundwater Planning (SGWP) Grant. As of February 29, 2020, the District submitted invoices 1 through 4, included in accounts receivable, for $856,905. Grant awards may be audited by grant agencies at any time and may result in a netting of a future draw or a liability to repay the granting agency because of disallowed costs found in the audit.

NOTE S – JOINT VENTURES

Power and Water Resources Pooling Authority: On January 22, 2004, the District entered into the Power and Water Resources Pooling Authority (PWRPA) Joint Powers Agreement (JPA). This is an independent authority established to study, promote, develop, conduct, design, finance, acquire, construct, and/or operate water and energy related projects and programs. The District, along with fourteen other public agencies, was an initial party or stakeholder to the agreement.

The Agreement includes pro rata sharing of general and administrative costs and other mutual expenses. Specific project costs are paid only by the project participants of that specific project. Initial contributions made to PWRPA included an amount to establish and maintain a reserve fund. The funds held by PWRPA are shown in these financial statements as a deposit. Additional information on the deposit may be found in Note L. Should the District choose to terminate its participation in PWRPA, it would not be entitled to a refund of general and administrative expenses paid. It would, however, be entitled to a refund of its portion of the reserve fund.

PWRPA operates on a calendar year basis. The financial transactions of PWRPA are subject to an annual audit. Copies of the financial statements may be obtained from the Power and Water Resources Pooling Authority, P.O. Box 160, Arvin, CA 93203.

San Luis & Delta-Mendota Water Authority: The San Luis & Delta-Mendota Water Authority (SLDMWA) was established in January 1992, and consists of 27 agencies representing approximately 2,100,000 acres, 26 of which hold contracts for CVP water. The SLDMWA member agencies are located within the western San Joaquin Valley and the San Benito and Santa Clara counties. The District has been a member of SLDMWA since its inception. The SLDMWA operates and maintains certain Reclamation CVP facilities. As a member of SLDMWA, the District pays dues to cover operations and maintenance costs based upon its contracted water supply.

SLDMWA operates on a March 1 through the last day of February fiscal year. SLDMWA is required to perform an audit annually. The administrative offices of SLDMWA are located at 842 6th Street, Los Banos, CA 93635.

State and Federal Contractors Water Agency: The State and Federal Contractors Water Agency (SFCWA) was formed by various water agencies in August of 2009 as a JPA according to California law. The water agencies that formed SFCWA receive water transported across the Sacramento-San Joaquin Delta by the State Water Project and the CVP. The SFCWA's mission is to develop and support programs to produce robust science and habitat restoration projects that improve the Bay-Delta ecosystem, and to assist its member agencies in assuring an adequate reliable and high-quality water supply. The core focus of activities in pursuing this mission is centered on facilitating habitat conservation measures and research related to the restoration of the Delta ecosystem while assuring sufficient and reliable export water supplies. The District, along with five other water agencies, was an initial party to the agreement. In 2018, a decision was made to wind down the SFCWA activities with the ultimate objective of terminating the entity and the related agreement(s) that formed the entity, which is anticipated to occur in the next 24 months. At this time, SFCWA projects that it holds sufficient assets to cover existing and projected liabilities through the time of termination.

SFCWA operates on a March 1 through the last day of February fiscal year. SFCWA is required to perform an audit annually. The SFCWA offices are located at 1121 L Street Suite 806, Sacramento, CA 95814.

San Luis Unit/Westlands Water District Financing Authority: The San Luis Unit/Westlands Water District Financing Authority (SLUFA) is a JPA that was formed by the District and San Luis Water District (SLWD) on January 21, 2020. The JPA was created to assist the District and SLWD in issuing bonds.

SLUFA operates on a March 1 through the last day of February fiscal year. The SLUFA is required to perform an audit annually.

NOTE T – SUBSEQUENT EVENTS AS OF DATE OF AUDIT REPORT

COVID-19: The spread of the novel strain of coronavirus and the disease it causes (now known as "COVID-19") is having significant negative impacts throughout the world, including in California. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States of America, California, and numerous counties throughout California, including Fresno and Kings Counties. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, state, and local governmental agencies.

The District workforce is considered essential under the Food and Agriculture sector profile included in the Essential Critical Infrastructure Workers under the Governor's Executive Order N-33-20. This classification permits the District workforce to be exempted from the portion of Executive Order N-33-20 that orders non-essential workers to remain in their place of residence. The District's workforce offers essential services to water users and landowners by providing water for the growing of agricultural crops within the District. The District continues to operate in accordance with the health guidelines established by the federal government, state government, and the County of Fresno. The District has continued to deliver water to its customers and conduct operation and maintenance activities daily without interruption.

Potential impacts to or within the District associated with the COVID-19 outbreak, and the related economic challenges, could include, but are not limited to, a decrease in the value of crops cultivated on land within the District, the diminishment of the value of farm lands located within the boundaries of the District, the fallowing of certain lands due to decreased demand for crops cultivated within the District, and the spoilage of crops due to disruptions in the agricultural labor force or the infrastructure supporting the movement of crops from the District. Such potential impacts of the COVID-19 outbreak could result in a decrease in demand for the District's water, which could result in a decrease in the District's Water System revenues. In addition, potential declines in property values in the District may affect the ability or willingness of landowners to pay acreage charges or assessments.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District is unknown.

Water Supply

Interim Renewal of Principal Contract: The District's renewed principal Interim Renewal Contract (IRC) No. 14-06-200-495A-IR6 with the Reclamation expired on February 29, 2020. The District entered into IRC No. 14-06-200-495A-IR7 which became effective March 1, 2020, and remained in effect until June 1, 2020.

Conversion from Principal IRC to Repayment Contract: The Water Infrastructure Improvements for the Nation (WIIN) Act directs the Secretary of the Interior to convert any existing CVP water service contract to a repayment contract (9(d) Contract) upon a contractor's request to make the conversion. The District made that request and negotiated terms and conditions that converted the District's principal IRC (Contract No. 14-06-200-495A-IR7) to a 9(d) Contract. The District executed and delivered the principal 9(d) Contract on February 28, 2020, which became effective on June 1, 2020. The principal 9(d) Contract superseded the District's principal IRC.

Conversion of Other IRCs (Previously Assigned to the District or Its Distribution Districts): The District and its Distribution Districts (DDs) were previously assigned from other entities the rights to water service from the CVP. The District and the Distribution Districts previously held those rights under IRCs, but, like the District's principal IRC, the District and Distribution Districts requested, negotiated and converted those IRCs to 9(d) Contracts. The following table provides details on the contracts and their effective dates.

Contract	9(d) Contract Number	Effective Date
Centinella Assignment (DD1)	07-07-20-W0055B-IR5-P	June 1, 2020
Broadview Assignment (DD1)	14-06-200-8092-IR5-P	June 1, 2020
Widren Assignment (DD1)	14-06-200-8018B-IR5-P	June 1, 2020
Mercy Springs 2-way Partial Assignment (DD1)[1]	14-06-200-3365AB-IR5-P	June 1, 2020
Mercy Springs Partial Assignment (DD2)	14-06-200-3365AC-IR5-P	July 1, 2020
Oro Loma Partial Assignment (District)	14-06-200-7823J-LTR1-P	October 1, 2020

The Distribution Districts authorized execution and delivery of the 9(d) Contracts on January 21, 2020, and the 9(d) Contracts were executed on or about May 29, 2020, except for the Mercy Springs 2-way Partial Assignment, which was executed on or about June 29, 2020. By their terms, those 9(d) Contracts became effective June 1, 2020. The District authorized execution and delivery of the 9(d) Contract previously assigned from Oro Loma on September 15, 2020, and that 9(d) Contract was executed on or about September 28, 2020.

Westlands Water District v. All Persons Interested, Fresno Superior Court Case No. 19CECG038: On March 16, 2020, the Court issued a minute order denying the District's motion finding it could not enter judgment without having the executed repayment contract before it, and without having additional documentation supporting the District's compliance with the Brown Act when its Board authorized execution of the repayment contract. In the minute order, the Court also stated that NCRA's, CWIN's, and the Counties' answers were untimely.

[1] The contract held by Distribution District No. 1 relating to Mercy Springs Water District was previously a three-party assignment involving DD1, Santa Clara Valley Water District, and Pajaro Valley Water Management Agency. Pajaro Valley Water Management Agency is not a party to the 9(d) Contract. Under the 9(d) Contract, DD1 and SCVWD have exclusive rights to receive the subject water supply; SCVWD has the right of first refusal up to 25% of the total subject water supply in 10 year increments. Starting in 2020-2021, SCVWD's right of first refusal is reset and is in effect for the next 10 years or until SCVWD claims 25% of the total subject water supply.

The District filed a renewed motion for validation judgment on July 27, 2020, with a hearing scheduled for August 20, 2020. Since the hearing on the original motion, the District and Reclamation fully executed the repayment contract, and the District's motion included a copy of the fully executed repayment contract to address one of the Court's concerns. The District also presented further evidence of its compliance with the Brown Act to address the Court's other concern.

As discussed in more detail below, NCRA, CWIN, and the Counties filed notices of the appeal challenging the Court's order which found their answers were untimely. NCRA, CWIN and the Counties also filed a motion to stay trial court proceedings pending a resolution of their appeals. The trial court granted the stay on August 19, 2020, and all trial court proceedings, including the renewed motion, are stayed pending resolution of the appeals.

NCRA, CWIN and the Counties have each filed notices of appeal based upon the Court's statement in the March 16, 2020, minute order that their answers were not timely filed. The District moved to dismiss the appeals. On September 9, 2020, the appellate court issued an order in each case deferring a ruling on the motion to dismiss until it rules on the merits but did provide for an expedited hearing on the appeal. The parties have completed briefing the merits of the appeals. The appellate court has not yet scheduled a date for oral arguments.

Even with the subsequent events, however, at this time, it is not possible to reasonably assess if or the extent to which this case may have a material adverse effect on the District's financial position.

Soon to be filed Action re: Additional Rights per Assignment from Oro Loma Water District: The District is preparing and anticipates commencing within the next 30 days a validation action. Thereafter, it will seek an order approving the form of summons and its publication, wait until responses to the summons are due, and then upon review of answers filed, if any, the District anticipates filing a motion for validation judgment as to the validity of the proceedings that authorized execution of the repayment contract. At this time, however, it is not possible to reasonably assess if or the extent this case, once filed, may have a material adverse effect on the District's financial position.

Westlands Water District Distribution District No. 1 v. All Persons Interested, Fresno Superior Court Case No. 20CECG01011: DD1 filed its validation action on March 18, 2020, and then submitted an ex parte application for an order approving the form of summons and its publication. The Court denied the application and directed DD1 to file a noticed motion for publication of the summons. The publication motion was heard on October 27, 2020, and granted. DD1 is now taking the steps required to provide notice of the summons and opportunity to answer the complaint. At this time, it is not possible to reasonably assess if or the extent to which this case may have a material adverse effect on the District's financial position.

Westlands Water District Distribution District No. 2 v. All Persons Interested, Fresno Superior Court Case No. 20CECG01012: DD2 filed its validation action on March 18, 2020, and then submitted an ex parte application for an order approving the form of summons and its publication. The Court denied the application and directed DD2 to file a noticed motion for publication of the summons. The publication motion was heard on October 27, 2020, and granted. DD2 is now taking the steps required to provide notice of the summons and opportunity to answer the complaint. At this time, it is not possible to reasonably assess if or the extent to which this case may have a material adverse effect on the District's financial position.

Public Resources Code Section 5093.542: On the Friends of the River et al.'s motion seeking an award of attorneys' fees, on March 1, 2020, the Court issued a tentative ruling and requested supplemental briefing. Friends of the River et al. and the District settled the motion, with the District agreeing to pay Friends of the River et al. $190,000. The District satisfied that obligation and the case was closed in June 2020.

On the Attorney General's motion for recovery of attorneys' fees incurred in opposing a motion to transfer the District filed, the Attorney General and the District settled the appeal. The District agreed to pay the Attorney General the fee award, plus interest, provided that the order was reversed. The appeal court remanded the matter to the trial court with direction to vacate its order, which the trial court did. The District satisfied that obligation, paying the Attorney General $34,389.51, and the case was closed in October 2020.

The trial court denied the request by North Coast River Alliance et al. for recovery of more than $300,000 in attorneys' fees on May 5, 2020. North Coast River Alliance et al. filed an appeal of that order on June 26, 2020. That appeal is pending.

Bond Issuance: District issued its 2020A and 2020B series bonds on June 11, 2020, and applied a portion of the proceeds to pay the District's then-remaining capital repayment obligation as provided under the 9(d) Contract. Upon payment of the capital repayment obligation, the 9(d) Contract will eliminate certain restrictions on delivery of water to lands that were ineligible to receive water because such lands constituted "excess lands" under the federal reclamation law and certain pricing provisions of the federal reclamation law will no longer apply.

The 9(d) Contract has no termination date and remains in effect as long as the District pays applicable rates and charges, consistent with applicable law.

On June 11, 2020, the District paid $209,436,667 to Reclamation for irrigation construction cost. On October 2, 2020, the District paid an additional $318,171 to Reclamation to complete repayment of all irrigation construction costs for all District irrigation contracts with Reclamation.

Lower Yolo Restoration Project: The District purchased real property in Yolo County commonly known as "Yolo Ranch" for the purpose of generating, restoring, and enhancing habitat for smelt, salmon and certain other federal or state listed endangered species. In 2013, SFCWA developed plans to restore aquatic habitat on Yolo Ranch. SFCWA certified an Environmental Impact Report (EIR) and approved a tidal marsh complex alternative. In 2017, the District took responsibility for implementing the tidal marsh complex alternative, and in September 2018, the District, as a responsible agency, prepared and approved an Addendum to the Lower Yolo Restoration Project Final EIR.

The Lower Yolo Restoration Project modified approximately 2,128 acres of the 3,431 acres of Yolo Ranch. Restoration and enhancement measures implemented by the District involved the elimination or relocation of existing water control infrastructure elements, grading some lands to facilitate establishment of intertidal wetlands, excavating new starter tidal channels and swales to connect restored wetland areas to adjacent tidal water bodies, removing irrigation from seasonal wetland features, and removing grazing within the restored and enhanced areas. In addition, the District excavated tidal channels and swales to facilitate the movement of tidal water between existing tidal sources and restored intertidal and seasonal wetlands. The construction cost was approximately $9.0 million and will be paid by the proceeds from the 2020A and 2020B series bonds. The District completed construction in October 2020.

On October 18, 2018, DWR and the District entered a Conditional Delta Smelt Habitat Credit Development and Purchase Agreement ("Preliminary Agreement"). The Preliminary Agreement sets forth the terms and conditions upon which DWR and the District will collaborate to develop, manage, and construct the restoration project, to establish the purchase price per habitat acreage credit which DWR shall pay to the District, and to transfer the restored habitat and additional land to create a buffer surrounding the restored lands to DWR after completion of the restoration project.

In June 2019, DWR and the District entered into an agreement which provides for DWR to acquire habitat credits certified by the FWS, and upon payment by DWR for the habitat credits, the District will transfer to DWR fee title to the approximate 2,128 acres (the restored acres plus additional land to create a buffer surrounding the restored lands). The District received Conditional Habitat Acreage Credit Determination letters from FWS and NMFS. The fee title transfer to DWR and habitat acreage credit payment to the District is expected to occur sometime after the 2020-2021 fiscal year. Following payment by DWR for the habitat credits, the District will reimburse SFCWA for payments made by SFCWA in connection with the restoration project.

Mound Farms v. California Department of General Services et al., Yolo County Superior Court, Case No. PT19-2766: Mound Farms, DGS, DWR, and the District have been discussing settlement.

Irrevocable Standby Letter of Credit: On September 2, 2020, the District established an Irrevocable Standby Letter of Credit (ISBLC) though Bank of the West with the California Department of Fish and Wildlife (CDFW) as beneficiary with a principal sum of $2,236,900. The ISBLC was established pursuant to the terms of the incidental take permit (permit) for the Lower Yolo Restoration Project issued on August 4, 2020. The ISBLC serves as a security device for the performance of the District to complete certain mitigation requirements as set forth in the permit.

WESTLANDS WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED FEBRUARY 29, 2020

DEFINED BENEFIT PENSION PLAN

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE RISK POOL'S NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE
LAST 10 YEARS*

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
District's proportion of the net pension liability (asset)	0.213%	0.2569%	0.2877%	0.29461%	0.32294%
District's proportionate share of the net pension liability (asset)	$3,102,735	$ 8,926,037	$11,343,143	$11,103,150	$12,932,239
District's covered employee payroll	$7,760,192	$ 7,628,010	$ 7,800,437	$8,142,270	$8,708,584
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.98%	117.02%	145.42%	136.36%	148.50%
District's proportionate share of the fiduciary net position as a percentage of the total pension liability	92.50%	86.47%	84.32%	86.13%	83.37%

* Measurement date June 30, 2019, represents the fifth year of implementation, therefore only five years are shown.

SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST 10 YEARS*

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Actuarially required contribution	$ 636,029	$ 727,749	$ 761,503	$ 922,110	$1,207,884
Contributions in relation to the actuarially required contribution	$ (636,029)	$ (727,749)	$ (761,503)	$ (922,110)	$(1,207,884)
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	$ 7,760,192	$ 7,628,010	$ 7,800,437	$ 8,142,270	$8,708,584
Contributions as a percentage of covered-employee payroll	8.19%	9.54%	9.76%	11.32%	13.87%

* Measurement date June 30, 2015, represents the first year of implementation, therefore only five years are shown.

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: None. There were no changes in the discount rate.

WESTLANDS WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED FEBRUARY 29, 2020

OTHER POSTEMPLOYMENT BENEFIT PLAN

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Liability (b-a)	Funded Ratio (a/b)	Covered Payroll	UL as % of Payroll
7/01/2013	$ 5,321,193	$11,044,490	$5,723,297	48.2%	$7,407,661	77.3%
7/01/2014	$ 6,119,989	$11,740,005	$5,620,016	52.1%	$7,638,099	73.6%
7/01/2015	$ 7,082,222	$15,896,335	$8,814,113	44.6%	$7,760,192	113.6%
7/01/2016	$ 7,676,235	$16,768,360	$9,092,125	45.8%	$7,628,010	119.2%
7/01/2017	$ 9,457,519	$15,698,150	$6,240,631	60.3%	$7,800,437	80.00%
7/01/2018	$10,738,002	$16,428,861	$5,690,859	65.4%	$8,142,270	69.90%
7/01/2019	$11,616,981	$15,930,471	$4,313,490	72.9%	$8,708,584	49.53%

Schedule of District Contributions
Last 10 Years*

	June 30, 2018	June 30, 2019
Actuarially required contribution	$818,426	$849,176
Contributions in relation to the actuarially required contribution	$(1,242,680)	$(1,045,878)
Contribution deficiency (excess)	$(424,254)	$(196,702)
District's covered-employee payroll	$8,142,270	$8,708,584
Contributions as a percentage of covered-employee payroll	15.26%	12.01%

* Measurement date June 30, 2018, represents the first year of implementation, therefore only two years are shown.

Schedule of Changes in the Net OPEB Liability *

Total OPEB Liability	**June 30, 2018**	**June 30, 2019**
Service Cost	$338,575	$355,304
Interest	1,141,988	1,191,638
Benefit Payments	(712.680)	(845,878)
Changes of assumptions		(1,129,795)
Difference Between Expected and Actual Experience	(37,172)	(69,659)
Net Change in Total OPEB Liability	$730,711	$(498,390)
Total OPEB Liability - Beginning	$15,698,150	$16,428,861
Total OPEB Liability – Ending (a)	$16,428,861	$15,930,471

WESTLANDS WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED FEBRUARY 29, 2020

OTHER POSTEMPLOYMENT BENEFIT PLAN
(Continued)

Plan Fiduciary Net Position	**June 30, 2018**	**June 30, 2019**
Contributions – Employer	$1,242,680	$1,045,878
Net Investment Income	755,696	681,308
Benefit Payments	(712,680)	(845,878)
Administrative Expense	(5,213)	(2,329)
Net Change in Plan Fiduciary Net Position	$1,280,483	$878,979
Plan Fiduciary Net Position – Beginning	$9,457,519	$10,738,002
Plan Fiduciary Net Position – Ending (b)	$10,738,002	$11,616,981
Net OPEB Liability-Ending (a) – (b)	**$5,690,859**	**$4,313,490**
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	65.36%	72.92%
Covered Payroll	$8,142,270	$8,708,584
Net OPEB Liability as a Percentage of Covered Payroll	69.90%	49.52%

* Measurement date June 30, 2018, represents the first year of implementation, therefore only two years are shown.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Westlands Water 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 Westlands Water District (the District) as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KCoe Isom, LLP

December 11, 2020
Fresno, California