

**STONE CORRAL IRRIGATION DISTRICT**

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**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**

**December 31, 2018 and 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Stone Corral Irrigation District:

**Report on Financial Statements**

We have audited the accompanying financial statements of the Stone Corral Irrigation District (the District) as of and for the years ended December 31, 2018 and 2017, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stone Corral Irrigation District, as of December 31, 2018 and 2017, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other-Matters***

*Required Supplementary Information*

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

*Cuttone & Mastro*

Fresno, California  
April 30, 2019

**STONE CORRAL IRRIGATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
**December 31, 2018 and 2017**

<b><u>ASSETS</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Current Assets		
Cash and cash equivalents	\$ 2,528,033	\$ 2,234,595
Accounts receivables	390,867	538,541
Prepaid water and expenses	62,655	18,245
Water Inventory	<u>52,852</u>	<u>-</u>
Total Current Assets	3,034,407	2,791,381
Capital assets, net of accumulated depreciation	<u>2,426,722</u>	<u>2,498,349</u>
 Total Assets	 <u>\$ 5,461,129</u>	 <u>\$ 5,289,730</u>
 <b><u>LIABILITIES</u></b>		
Current Liabilities		
Accounts and payroll taxes payable	\$ 19,460	\$ 33,423
Compensated absences	4,443	4,295
Current portion of long-term debt	130,000	130,000
Water transfer payable	<u>-</u>	<u>12,058</u>
Total Current Liabilities	<u>153,903</u>	<u>179,776</u>
 Noncurrent Liabilities		
Long-Term Debt, net of current portion	<u>478,408</u>	<u>598,688</u>
Total Noncurrent Liabilities	<u>478,408</u>	<u>598,688</u>
 Total Liabilities	 <u>632,311</u>	 <u>778,464</u>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred assessments, conveyance, and standby charges	268,736	268,699
Deferred water sales	<u>5,353</u>	<u>86,490</u>
Total Deferred Inflows of Resources	<u>274,089</u>	<u>355,189</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>906,400</u>	 <u>1,133,653</u>
 <b><u>NET POSITION</u></b>		
Net investment in capital assets	1,818,314	1,769,661
Unrestricted	<u>2,736,415</u>	<u>2,386,416</u>
Total Net Position	<u>4,554,729</u>	<u>4,156,077</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 5,461,129</u>	 <u>\$ 5,289,730</u>

See Accompanying Notes to Financial Statements

**STONE CORRAL IRRIGATION DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For The Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 1,417,933	\$ 1,030,816
Pumping revenue	4,682	5,406
Conveyance charges	96,666	96,578
Standby charges	53,210	53,152
Assessments	387,558	387,728
Refund of conveyance cost	<u>26,046</u>	<u>33,369</u>
Total Operating Revenue	<u>1,986,095</u>	<u>1,607,049</u>
<b>OPERATING EXPENSES</b>		
Water purchases	821,266	627,287
Pumping	59,996	66,778
Transmission and distribution	92,308	155,707
Administrative and general	368,362	317,100
Depreciation	72,971	100,103
Payroll	<u>162,522</u>	<u>148,634</u>
Total Operating Expenses	<u>1,577,425</u>	<u>1,415,609</u>
Total Income from Operations	<u>408,670</u>	<u>191,440</u>
<b>NON-OPERATING REVENUES</b>		
Interest income	41,912	20,962
Penalties	12,442	15,174
Change in value of water transfer liability	(67,596)	85,572
Rental and miscellaneous income	<u>3,224</u>	<u>4,881</u>
Total Non-Operating Revenue	<u>(10,018)</u>	<u>126,589</u>
<b>CHANGE IN NET POSITION</b>	<u>398,652</u>	<u>318,029</u>
<b>NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY STATED</b>	4,156,077	3,347,229
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>          -</u>	<u>490,819</u>
<b>NET POSITION, BEGINNING OF YEAR AS RESTATED</b>	<u>\$ 4,156,077</u>	<u>\$ 3,838,048</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 4,554,729</u>	<u>\$ 4,156,077</u>

See Accompanying Notes to Financial Statements

**STONE CORRAL IRRIGATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended December 31, 2018 and 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash received from water sales	\$ 1,426,997	\$ 1,198,506
Cash received for assessments, standby, and conveyance charges	587,569	528,951
Cash received for conveyance cost refund	26,046	33,369
Cash paid for water and operations	(1,030,346)	(767,322)
Cash paid for administration	(426,204)	(336,200)
Cash paid for employees	(158,982)	(147,417)
Cash received from other non-operating activities	<u>15,666</u>	<u>20,055</u>
Net cash provided by operating activities	<u>440,746</u>	<u>529,942</u>
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Cash paid for asset acquisitions	(1,344)	(75,337)
Payment on long-term debt	<u>(187,876)</u>	<u>(226,192)</u>
Net cash (used) by capital financing activities	<u>(189,220)</u>	<u>(301,529)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on deposits	<u>41,912</u>	<u>20,962</u>
Net cash provided by investing activities	<u>41,912</u>	<u>20,962</u>
 Net increase in cash and cash equivalents	293,438	249,374
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,234,595</u>	<u>1,985,221</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,528,033</u>	<u>\$ 2,234,595</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 408,670	\$ 191,440
Adjustments to reconcile operating income to cash provided by operating activity:		
Depreciation	72,971	100,103
Penalties	12,442	15,174
Rental and miscellaneous income	3,224	4,881
(Increase) Decrease in:		
Receivables	147,675	55,291
Prepaid expenses	(44,411)	(9,511)
Water inventory	(52,852)	82,450
Increase (Decrease) in:		
Accounts payable	(13,963)	(9,589)
Water transfer payable	(12,058)	12,058
Deferred assessments	37	(62)
Deferred water sales	(81,137)	86,490
Compensated absences	<u>148</u>	<u>1,217</u>
Net Cash Provided by Operating Activities	<u>\$ 440,746</u>	<u>\$ 529,942</u>

See Accompanying Notes to Financial Statements

**STONE CORRAL IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Operations**

Stone Corral Irrigation District was formed as a special district in the State of California and is governed by a five-person Board of Directors. The District provides irrigation water to the rural area surrounding the City of Visalia in Tulare County.

**Reporting Entity**

In accordance with the requirements of Statement No. 14, *The Financial Reporting Entity, of the Government Accounting Standards Board (GASB)*, the financial statements must present the District (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

**Basis of Presentation and Accounting**

The District follows the provisions of the Governmental Accounting Standards Board Statement Nos. 34, *"Basic Financial Statements and Management's Discussion and Analysis- For State and Local Governments."* Statement 34, as amended, established the financial reporting standards for all state and local government entities, which includes a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. It requires the classification of net position in the following three components:

*Net investment in capital assets* — This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* — This component of net position consists of constraints imposed by creditors (such as through debt covenant), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* — This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

The accompanying financial statements have been prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred regardless of the timing of related cash flows. The District accounts for its operations as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises: (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.



**STONE CORRAL IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:**

**Cash and Cash Equivalents**

Cash includes currency, demand deposits with banks and other financial institutions, and other accounts that have the general characteristics of demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash or those investments with original maturities of three months or less.

For purposes of the Statements of Cash Flows, the District considers cash on hand and in the bank as well as funds on deposit with the Local Agency Investment Fund (LAIF) to be cash and cash equivalents.

**Receivables**

The District utilizes the direct write-off method for bad debts. No allowance for bad debts has been provided as no material write-offs are expected for receivables at December 31, 2018 and 2017.

All receivables are considered collectible because the District obtains a lien upon the property of the landowner once the receivable becomes delinquent. The District will maintain a lien on the property until the property is sold.

**Assessments, Conveyance, and Standby Charges**

Assessment, conveyance, and standby charges attach as an enforceable lien on property as of January 1<sup>st</sup>. These charges are payable in two installments on December 20<sup>th</sup> and June 20<sup>th</sup>. The conveyance charge is for budgeted operation and maintenance expenditures on the Friant-Kern Canal. The standby charge is for budgeted operation and maintenance expenditures for the calendar year.

The second installments of the assessment; \$193,793 and \$193,766, conveyance; \$48,337 and \$48,330, and standby charges; \$26,607 and \$26,603, were deferred until the subsequent year and reported in the Statement of Net Position as deferred inflow of resources for the years ended December 31, 2018 and 2017, respectively.

**Deferred Water Sales**

Deferred water sales represent credits the water purchaser had as of December 31, 2018 and 2017 due to payments in excess of water received.

**Prepaid Water**

Prepaid water represents amounts paid for water in excess of the water allocation approved by the Bureau of Reclamation. The District had prepaid water in the amount of \$15,230 as of December 31, 2018. The amount paid may be refunded in 2019 or used to pay down operating and maintenance deficits or deferred construction costs the District has with the Bureau of Reclamation.

**Water Inventory**

Water inventory represents costs paid for water, which the District expects to receive in future years. The cost is expensed in the year of delivery or when no future benefit can be derived. The District had \$52,852 and \$0 of water inventory for the years ended December 31, 2018 and 2017, respectively

**STONE CORRAL IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:**

**Capital Assets**

The straight-line method has been used to determine depreciation based on the following estimated useful lives:

Vehicles and equipment	2-5 years
Transmission and distribution	5-40 years
General plant	5-30 years

Capital assets are recorded at cost less accumulated depreciation and updated for additions and retirements during the year. Repairs and maintenance and minor alterations are charged to expense as incurred. Costs which are considered improvements are added to the appropriate capital asset account. Gains and losses on disposition of capital assets are reported and recognized in the year of disposition.

**Water Exchange Accounts**

The District engages in water transfers and exchanges with several entities. The amount of water exchange accounts were recorded at \$48.23/acre foot and \$40.23/acre foot for years ended December 31, 2018 and 2017, respectively. \$48.23/acre foot is what the District is currently paying for Friant Class 1 water.

**Operating and Non-operating Revenues**

Operating revenues generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues are water sales, pumping, conveyance, standby charges, and assessments. Exchange transactions are those in which each party receives and gives up essentially equal values. All revenues not meeting this definition are reported as non-operating revenues.

**Uses 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Tax**

The District qualifies for tax-exempt status as an integral part of the State of California or a political subdivision in accordance with Internal Revenue Code (IRC) Section 115. As a result, no tax provisions apply to the District's income.

**STONE CORRAL IRRIGATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018 and 2017**

**2. CASH AND CASH EQUIVALENTS**

The District has not adapted an Investment Policy for its cash and cash equivalents. The District's cash and cash equivalents are invested mainly with the Local Agency Investment Fund (LAIF) and general checking account.

**Custodial Credit Risk**

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

The California government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities or first trust deed mortgage notes. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The District's cash deposits with Bank of America were insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000, there was \$24,952 uninsured by FDIC as of December 31, 2018 and total cash deposits were insured as of December 31, 2017.

Bank of America does not collateralize public agencies deposits beyond the FDIC limit.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of government investment pools such as LAIF.

**Investment in State Investment Pool**

The Local Agency Investment Fund is a government investment pool managed and directed by the California State Treasurer. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District may withdraw monies upon one-day-notice.

**Concentration of Credit Risk**

The District has no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total District investments are as follows:

	<u>2018</u>		<u>2017</u>	
General Checking and Treasury Accounts — Bank of America	\$ 238,936	9%	\$ 136,602	6%
Local Agency Investment Fund	2,289,047	91%	2,097,907	94%

At December 31, 2018 and 2017, the cash and cash equivalents consist of the following:

	<u>2018</u>		<u>2017</u>	
Cash on Hand	\$ 50		\$ 86	
General checking — Bank of America	238,936		136,602	
Local Agency Investment Fund	<u>2,289,047</u>		<u>2,097,907</u>	
	<u>\$ 2,528,033</u>		<u>\$ 2,234,595</u>	

**STONE CORRAL IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**3. RECEIVABLES**

At December 31, 2018 and 2017, the total receivables of \$390,867 and \$538,541, respectively consist of the following:

Water sales and pumping	\$ 136,809	\$ 236,278
Assessments	175,443	210,534
Standby	24,150	28,834
Conveyance costs	43,154	52,286
Other	<u>11,311</u>	<u>10,609</u>
	<u>\$ 390,867</u>	<u>\$ 538,541</u>

For years ended December 31, 2018 and 2017, the District had placed several liens on properties with delinquent receivables in the amount of \$40,188 and \$38,283, respectively. The District does not expect to collect this amount within the following year.

**4. CAPITAL ASSETS**

The following is a summary of changes in the capital assets during the year.

	Balance <u>12/31/17</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/18</u>
Capital assets not being depreciated				
Land	\$ 147,767	\$ -	\$ -	\$ 147,767
Perpetual water supply contract	<u>1,953,770</u>	-	-	<u>1,953,770</u>
Totals	<u>2,101,537</u>	-	-	<u>2,101,537</u>
Capital assets being depreciated				
Water rights	107,133	-	-	107,133
Transmission and distribution	5,034,627	-	-	5,034,627
Office buildings	89,191	-	-	89,191
Vehicles & equipment	<u>90,451</u>	<u>1,344</u>	-	<u>91,795</u>
Totals	\$ 5,321,402	\$ 1,344	\$ -	\$ 5,322,746
Less Accumulated depreciation	(4,924,590)	\$ <u>(72,971)</u>	\$ -	(4,997,561)
Total capital assets being depreciated	<u>396,812</u>			<u>325,185</u>
Net Book Value	<u>\$ 2,498,349</u>			<u>\$ 2,426,722</u>

**5. LONG-TERM DEBT**

Long-term debt consists of a loan due to Pixley Irrigation District (Pixley) as described below. The loan consists of a cash and a water transfer component.

The District had been charged a "Cost of Service" rate for water which included a cost factor for the District's share of the Capital Cost of the Central Valley Project (CVP). This capital cost was allocated to federal water contractors on the basis of future projected water deliveries. As a result of the repayment contract, as discussed hereunder, the District agreed to pay the amount of \$1,953,770 to the Bureau of Reclamation in exchange for a perpetual water supply contract.

**STONE CORRAL IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**5. LONG-TERM DEBT, continued**

The District, along with other Friant Division Central Valley Project Contractors with contracts with the United States Bureau of Reclamation (USBR) for water supply provided from Millerton Lake through the Friant-Kern Canal, entered into a Stipulation of Settlement dated September 13, 2006, which was subsequently confirmed and implemented through an Act known as the San Joaquin River Restoration Settlement Act (SJRRSA). Subsequently, the District and United States entered into a repayment contract for the District to pay its repayment obligation in lump sum or installments. Pixley, a member of the Friant Water Authority, assisted the District with its repayment obligation in exchange for a commitment by the District to transfer available water supplies to Pixley on an annual basis for a period of time as well as a commitment to repay a portion of the repayment obligation funds provided by Pixley over a course of ten years. In accordance with its Friant repayment contract, the District elected to make its repayment obligation in four (4) approximately equal installments with funds advanced by Pixley.

The repayment to Pixley consists of a \$1,300,000 note payable dated December 11, 2010 without interest, in annual cash installments of \$130,000 beginning June 30, 2011. In consideration of Pixley advancing the funds aforementioned, the District is to transfer to Pixley 12,000-acre feet of water prior to June 30, 2020. In 2011, 1,200-acre feet and in 2017, 2,400-acre feet was transferred leaving a balance of 8,400-acre feet payable as of December 31, 2017. The water transfer component was originally recorded at a value of \$653,771 (12,000 @ \$54.48 per acre foot) and has been adjusted each year based on the cost of water at the end of each year. The acre feet due as of December 31, 2016 of 10,800-acre feet was valued at \$520,452 (10,800 @ \$48.19 per acre foot). The acre feet due as of December 31, 2017 of 8,400-acre feet was valued at \$338,688 (8,400 @ \$40.32 per acre foot). The acre feet due as of December 31, 2018 of 7,200-acre feet was valued at \$348,408 (7,200 @ \$48.39 per acre foot) The change in value of the water transfer portion, (\$67,596) and \$85,572 for the year ended December 31, 2018 and 2017, respectively, is reported as non-operating revenue in the Statements of Revenues, Expenses, and Changes in Net Position.

The following shows the changes of the Long-Term Debt during the year:

	Balance <u>12/31/17</u>	<u>Adjustments</u>	<u>Payments</u>	Balance <u>12/31/18</u>
Cash Component	\$ 390,000	\$ -	\$ (130,000)	\$ 260,000
Water Transfer Component	<u>338,688</u>	<u>67,596</u>	<u>(57,876)</u>	<u>348,408</u>
	<u>\$ 728,688</u>	<u>\$ 67,596</u>	<u>\$ (187,876)</u>	<u>\$ 608,408</u>

	Balance <u>12/31/16</u>	<u>Adjustments</u>	<u>Payments</u>	Balance <u>12/31/17</u>
Cash Component	\$ 520,000	\$ -	\$ (130,000)	\$ 390,000
Water Transfer Component	<u>520,452</u>	<u>(85,572)</u>	<u>(96,192)</u>	<u>338,688</u>
	<u>\$ 1,040,452</u>	<u>\$ (85,572)</u>	<u>\$ (226,192)</u>	<u>\$ 728,688</u>

<u>Maturities of long-term debt follows:</u>	<u>Cash</u> <u>Component</u>	<u>Water</u> <u>Transfer</u>	<u>Total</u>
2019	\$ 130,000	\$ -	\$ 130,000
2020	<u>130,000</u>	<u>348,408</u>	<u>478,408</u>
	<u>\$ 260,000</u>	<u>\$ 348,408</u>	<u>\$ 608,408</u>

**STONE CORRAL IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**6. NET POSITION**

As mentioned earlier, the business type activities financial statements utilize a net position presentation. The District's net position is categorized as net investment in capital assets (net of related debt) and unrestricted.

Net Investment in Capital Assets — This category groups all capital assets, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. As of December 31, 2018, and 2017, the net investment in capital assets amounted to \$1,818,314 and \$1,769,661, respectively.

Unrestricted Net Position — This category represents net position of the District that do not meet the definition of "restricted" consisting of restraints placed on net position use through external constraints imposed by creditors, or net investments in capital assets. As of December 31, 2018, and 2017, the unrestricted net position amounted to \$2,678,415 and \$2,386,416.

**7. COMMITMENTS AND CONTINGENCIES**

Water Delivery Contract

The District is committed each year, through February 28, 2026, to purchase from the United States Bureau of Reclamation (USBR) up to 10,000 acre feet of Class I water. The price of water is established annually by the USBR to pay the cost of operations, maintenance, restoration, and surcharge fees of the Central Valley Project for the term of the contract. A factor in determining the cost of water is the operating and maintenance deficit or surplus the District has with the USBR. The District had an operating and maintenance deficit of \$46,160, as of September 30, 2017, that will be used in determining the 2019 water rates. In addition, as of September 30, 2017, the District had a capital and construction cost deficit of \$310,314. The construction costs will continue to accumulate annually and be due by 2030. As of the issuance of the Districts audited financial statements, the Districts operating and maintenance deficit or surplus and capital and construction cost have not been determined by the USBR for the year ended September 30, 2018.

Other Cases

Stone Corral Irrigation District, as a member of the Friant Water Authority (the Authority), is also a party through the Authority in various cases currently in litigation concerning releases of water from Friant Dam into the San Joaquin River. Adverse decisions on these litigations could significantly reduce the water supply available to the District. The financial impact of an unfavorable decision in any of the cases mentioned above cannot be estimated.

Pension Plan

On January 8, 1993, the District adopted a Simplified Employees' Pension (SEP) Plan. The SEP is a defined contribution plan which requires employer contributions of 4 to 7 ½ percent of qualified salaries. Employees become fully vested in the plan after 3 years of service. For the years ended December 31, 2018 and 2017, the SEP covered four employees and covered salaries totaled \$150,099 and \$136,649, respectively. Total employer contributions for the years ended December 31, 2018 and 2017 amounted to \$7,911 and \$7,373, respectively.

**STONE CORRAL IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**7**      **COMMITMENTS AND CONTINGENCIES, continued**

Health Insurance Benefits

The District currently provides certain health care benefits for its employees, current directors and a retired director. The amount of \$97,750 and \$94,062 was recognized for health insurance expense for the year ended December 31, 2018 and 2017, respectively.

Joint-Powers Authority-Friant Water Authority

As a Friant contractor the District is obligated to share in the cost of operating and maintenance costs of the Friant-Kern Canal. An agreement also exists between the Friant Water Authority (the Authority) and the San Luis & Delta-Mendota Water Authority (SLDMWA) that defines how the Authority is to compensate SLDMWA for the water delivered to Settlement (Exchange) Contractors from their project facilities. Settlement contractors receive their water without charge from those facilities and Friant Division Contractors are responsible for the OM&R costs incurred by the SLDMWA in delivering Settlement water. The District is also obligated to share in these costs.

**8.**      **RELATED PARTY TRANSACTIONS**

The District sells water to members of the Board of Directors under the same terms and conditions as unrelated parties.

**9.**      **SUBSEQUENT EVENTS**

In compliance with accounting standards generally accepted in the United States of America, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in these financial statements. Management has determined that no events require disclosure in accordance with accounting standards generally accepted in the United States of America. These subsequent events have been evaluated through April 30, 2019, which is the date the financial statements were issued.

**10.**     **PRIOR PERIOD ADJUSTMENTS**

Errors in the District's previously issued financial statements, were corrected in 2017. This resulted in the following changes as of December 31, 2016.

	<b><u>Net Investment in Capital Assets</u></b>	<b><u>Unrestricted Net Position</u></b>	<b><u>Total</u></b>
As previously reported, December 31, 2016	\$ <u>981,368</u>	\$ <u>2,365,861</u>	\$ <u>3,347,229</u>
Understatement of Capital Assets	404,263	-	404,263
Understatements of Receivables	-	13,015	13,015
Understatement of Cash	-	509	509
Understatement of Accounts Payable	-	(23,999)	(23,999)
Overstatement of long-term debt	-	<u>97,031</u>	<u>97,031</u>
Total Adjustment	<u>404,263</u>	<u>86,556</u>	<u>490,819</u>
As restated, December 31, 2016	\$ <u>1,385,631</u>	\$ <u>2,452,417</u>	\$ <u>3,838,048</u>

**STONE CORRAL IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**10. PRIOR PERIOD ADJUSTMENTS, continued**

There was no effect in the change in net position for the year ended December 31, 2017. The effect of the corrections on changes in net position for the year ended December 31, 2016 has not been determined.

Additional information regarding some of the errors identified are as follows:

Capital assets were understated because prior to 2017 the District had been recording amortization of the perpetual water supply contract with the Bureau of Reclamation.

Long-term debt was overstated because the water transfer component of the payable to Pixley Irrigation District had not been adjusted for decreases in the cost of water prior to 2017.



**STONE CORRAL IRRIGATION  
DISTRICT ORGANIZATION  
December 31, 2018**

BOARD OF DIRECTORS

Art Ramirez	Chairman	November, 2021
David C. Roberts	Vice Chairman	November, 2020
Teresa Dir	Director	November, 2020
Joe Leal	Director	November, 2021
Tom Runyon	Director	November, 2020

Manager/Secretary

William D. West

Treasurer

Vincent J. Serrato