

IVANHOE PUBLIC UTILITY DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

IVANHOE PUBLIC UTILITY DISTRICT

JUNE 30, 2021

BOARD OF DIRECTORS/ADMINISTRATION

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Sandra Box	Vice-President
Gilbert Barajas	Treasurer
Ruben Solorio	Director
Victor Box	Director
Refugio Gallegos	General Manager
Carol Fina	Secretary / Office Manager

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Independent Auditors' Report

Board of Directors
Ivanhoe Public Utility District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund of Ivanhoe Public Utility District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Ivanhoe Public Utility District, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis section 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.



Tulare, California
May 31, 2022

IVANHOE PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2021

IVANHOE PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2021

	<u>ASSETS</u>				
<u>CURRENT ASSETS:</u>	<u>Water</u>	<u>Sewer</u>	<u>Streetlights</u>	<u>Eliminations</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,293,726	\$ 2,410,822	\$ -	\$ -	\$ 6,704,548
Accounts receivable, net of \$500 allowance for doubtful accounts	34,187	19,684	1,944	-	55,815
Prepaid expenses	3,169	3,169	-	-	6,338
Total current assets	4,331,082	2,433,675	1,944	-	6,766,701
<u>RESTRICTED ASSETS:</u>					
Cash and cash equivalents	2,195,519	123,967	-	-	2,319,486
<u>CAPITAL ASSETS:</u>					
Land	103,525	229,487	-	-	333,012
Capital assets not being depreciated	352,260	116,558	-	-	468,818
Capital assets, net of depreciation	1,313,707	137,489	-	-	1,451,196
Total capital assets	1,769,492	483,534	-	-	2,253,026
<u>NOTE RECEIVABLE</u>	-	-	110,634	-	110,634
<u>INTERFUND RECEIVABLE</u>	56,289	56,289	-	(112,578)	-
Total assets	\$ 8,352,382	\$ 3,097,465	\$ 112,578	\$ (112,578)	\$ 11,449,847

LIABILITIES AND NET POSITION

<u>CURRENT LIABILITIES:</u>	<u>Water</u>	<u>Sewer</u>	<u>Streetlights</u>	<u>Eliminations</u>	<u>Total</u>
Current portion of long-term debt	\$ 74,712	\$ -	\$ -	\$ -	\$ 74,712
Trade accounts payable	10,005	21,748	-	-	31,753
Accrued vacation	6,196	6,196	-	-	12,392
Customer deposits	1,036	1,036	-	-	2,072
Total current liabilities	91,949	28,980	-	-	120,929
<u>LONG-TERM DEBT,</u>					
<u>net of current portion</u>	298,849	-	-	-	298,849
<u>INTERFUND PAYABLE</u>	-	-	112,578	(112,578)	-
<u>NET POSITION:</u>					
Invested in capital assets, net of related debt	1,395,931	483,534	-	-	1,879,465
Cash and cash investments restricted for:					
Plant expansion	967,687	123,967	-	-	1,091,654
Well replacement	1,153,120	-	-	-	1,153,120
Debt service	74,712	-	-	-	74,712
Unrestricted	4,370,134	2,460,984	-	-	6,831,118
Total net position	7,961,584	3,068,485	-	-	11,030,069
Total liabilities and net position	<u>\$ 8,352,382</u>	<u>\$ 3,097,465</u>	<u>\$ 112,578</u>	<u>\$ (112,578)</u>	<u>\$ 11,449,847</u>

See notes to financial statements.

IVANHOE PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION YEAR ENDED JUNE 30, 2021

<u>OPERATING REVENUES:</u>	<u>Water</u>	<u>Sewer</u>	<u>Streetlights</u>	<u>Total</u>
Charges for services	\$ 438,054	\$ 281,372	\$ 26,792	\$ 746,218
<u>OPERATING EXPENSES:</u>				
Salaries and employee benefits	146,939	136,959	7,074	290,972
Directors' fees	3,234	3,234	-	6,468
Utilities	45,642	32,924	22,712	101,278
Communications	4,505	4,751	200	9,456
Legal and professional	37,970	22,433	1,500	61,903
Insurance	9,129	11,184	500	20,813
Repairs and maintenance	12,172	21,734	-	33,906
Office	16,626	19,777	500	36,903
Supplies	1,520	835	-	2,355
Travel	3,331	3,945	-	7,276
Bank charges	2,689	2,689	-	5,378
Water testing	12,138	180	-	12,318
Fees and permit	2,853	20,367	-	23,220
Miscellaneous	3,531	4,261	-	7,792
Depreciation	59,113	17,827	-	76,940
Total operating expenses	361,392	303,100	32,486	696,978
Operating income (loss)	76,662	(21,728)	(5,694)	49,240
<u>NONOPERATING REVENUES:</u>				
Interest income	10,794	7,158	-	17,952
Property taxes	-	130,674	-	130,674
Other	135	4,307	-	4,442
Total nonoperating revenues	10,929	142,139	-	153,068
Increase in note receivable	-	-	5,694	5,694
Increase in net position	87,591	120,411	-	208,002
Total net position, July 1, 2020	7,873,993	2,948,074	-	10,822,067
Total net position, June 30, 2021	\$ 7,961,584	\$ 3,068,485	\$ -	\$ 11,030,069

See notes to financial statements.

IVANHOE PUBLIC UTILITY DISTRICT

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING

ACTIVITIES:

	<u>Water</u>	<u>Sewer</u>	<u>Streetlights</u>	<u>Total</u>
Cash received from customers	\$ 438,898	\$ 283,831	\$ 26,966	\$ 749,695
Cash payments to suppliers for goods and services	(144,626)	(134,646)	(7,074)	(286,346)
Cash payments to employees for services	(168,180)	(152,945)	(25,412)	(346,537)
Net cash provided (used) by operating activities	<u>126,092</u>	<u>(3,760)</u>	<u>(5,520)</u>	<u>116,812</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES:

Interfund loan	(2,760)	(2,760)	5,520	-
Property taxes received	-	130,674	-	130,674
Other income	135	4,307	-	4,442
Net cash provided (used) by noncapital financing activities	<u>(2,625)</u>	<u>132,221</u>	<u>5,520</u>	<u>135,116</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	(26,443)	(16,576)	-	(43,019)
Repayment of long-term debt	(74,713)	-	-	(74,713)
Net cash used by capital and related financing activities	<u>(101,156)</u>	<u>(16,576)</u>	<u>-</u>	<u>(117,732)</u>

CASH FLOWS FROM INVESTING

ACTIVITIES:

Interest income	<u>10,794</u>	<u>7,158</u>	<u>-</u>	<u>17,952</u>
Net increase in cash and cash equivalents	33,105	119,043	-	152,148
Cash and cash equivalents, July 1, 2020	<u>6,456,140</u>	<u>2,415,746</u>	<u>-</u>	<u>8,871,886</u>
Cash and cash equivalents, June 30, 2021	<u>\$ 6,489,245</u>	<u>\$ 2,534,789</u>	<u>\$ -</u>	<u>\$ 9,024,034</u>

(continued)

IVANHOE PUBLIC UTILITY DISTRICT

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2021

RECONCILIATION OF OPERATING INCOME

(LOSS) TO NET CASH PROVIDED (USED)

BY OPERATING ACTIVITIES:

	<u>Water</u>	<u>Sewer</u>	<u>Streetlights</u>	<u>Total</u>
Operating income (loss)	\$ 76,662	\$ (21,728)	\$ (5,694)	\$ 49,240
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	59,113	17,827	-	76,940
(Increase) decrease in:				
Accounts receivable	844	2,459	174	3,477
Prepaid expenses	(3,169)	(3,169)	-	(6,338)
Increase (decrease) in:				
Accounts payable	(9,558)	(1,349)	-	(10,907)
Payroll taxes payable	(113)	(113)	-	(226)
Accrued vacation	2,313	2,313	-	4,626
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ 126,092</u>	<u>\$ (3,760)</u>	<u>\$ (5,520)</u>	<u>\$ 116,812</u>

See notes to financial statements.

IVANHOE PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 – Summary of Significant Accounting Policies

Organization

Ivanhoe Public Utility District (the District) was organized in October 1951 under Chapter 560 of the General Laws of 1921 as incorporated into Division 7 of the Public Utility Code of 1953 (Sec. 15501) to provide water and sewage services for the unincorporated community of Ivanhoe in the County of Tulare, California. In early 2010 the District began to provide streetlight services for the community. The District serves an area of approximately 600 acres with approximately 1,100 consumers receiving water, sewer and streetlight services. The District is governed by an elected five member board of directors.

Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- exclusion of the organization would render the financial statements incomplete or misleading

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statements.

Fund Accounting

The accounts of the District are organized on the basis of fund accounting. Under fund accounting, different types of District operations are accounted for in different funds, each with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenses as appropriate and are displayed in separate columns. Resources are allocated to and accounted for in individual funds, based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District had no non-major funds for the year ended June 30, 2021.

The operations of the District are accounted for in three enterprise funds. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed through user charges.

IVANHOE PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1 – Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

The following major enterprise funds are utilized by the District:

The *Water Fund* is used to account for water use, fees and expenses associated with providing water services to District residents.

The *Sewer Fund* is used to account for sewer use, fees and expenses associated with providing sewer services to District residents.

The *Streetlights Fund* is used to account for streetlight service fees and expenses associated with providing streetlight services to District residents.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts of the District and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accrual basis of accounting is required for enterprise funds and is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

Eliminations

Interfund receivables and payables have been eliminated in the statement of net position to minimize the overstatement of total assets and total liabilities and net position for the District as a whole.

Operating and Nonoperating Revenues

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and investment earnings, result from non-exchange transactions or ancillary activities.

Budgetary Procedures

The District operates under a budget prepared and approved annually by the Board of Directors. The budget is prepared on a detailed line item basis. Revenues are budgeted by source, and expenses are budgeted by department (water, sewer and streetlights) and use (salaries and employee benefits, services and supplies, other charges, fixed asset acquisitions and contingencies). Once approved, the Board of Directors may amend the adopted budget when unexpected modifications are required in estimated revenues and expenses.

IVANHOE PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purposes of these financial statements, the District considers cash in checking, cash in money market accounts, certificates of deposit with original maturities of three months or less at date of purchase and cash in the Local Agency Investment Fund to be cash and cash equivalents.

Allowance for Doubtful Accounts

The District calculates its allowance for uncollectible accounts based on management's analysis of aged receivables. The allowance at June 30, 2021, was \$500.

Capital Assets

Capital assets are recorded at cost and are depreciated using the straight-line method over the following estimated useful lives:

Water plant, system and improvements	8 – 40 years
Sewer plant, system and improvements	33 years
Streetlights	40 years
Vehicles and other	5 – 30 years

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the District. Employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District, but are recorded as an expense in the year that sick leave is taken.

Equity Classifications

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The District reports three categories of net position as follows:

Invested in capital assets, net of related debt – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities related to the unrestricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

IVANHOE PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 – Summary of Significant Accounting Policies (continued)

Nature and Purpose of Restricted Net Position

Restricted net position is an amount which is legally segregated for specific usage or commitments to outside third parties. Resources of restricted net position are used to fund these commitments before unrestricted resources. When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the policy of the District to use restricted resources first, then unrestricted resources.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. These taxes are levied from July 1 through June 30. Taxes are payable in two installments on November 1 and February 1 and are collected December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Tulare bills and collects the taxes for the District. Property tax revenues are recognized by the District when received, except at year end, an accrual is made when property taxes are received soon enough thereafter to pay liabilities of the current period.

Income Taxes

The District is a governmental agency and is not subject to income taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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. Accordingly, actual results could differ from those estimates.

NOTE 2 – Cash and Cash Equivalents

Statutes authorize districts to invest cash in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit, banker's acceptances, repurchase agreements, insured money market accounts, commercial paper, county investment pools and the State Treasurer's Local Agency Investment Fund.

The Board has placed limits on District investments. District investments are limited to bank or savings and loan association accounts fully insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the pledging financial institution at 110 percent of the deposits in accordance with the State of California Government Code, State Treasurer's Local Agency Investment Fund, and the Tulare County investment pool. No investment with a term in excess of five years may be made without express authority from the Board.

IVANHOE PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 – Cash and Cash Equivalents (continued)

Cash and cash equivalents at June 30, 2021, were as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Streetlights</u>	<u>Total</u>
Cash on hand	\$ 375	\$ 375	\$ -	\$ 750
Cash in checking	293,873	67,653	-	361,526
Cash in money market accounts	5,851,780	2,461,493	-	8,313,273
Cash in Tulare County Treasury	-	5,268	-	5,268
Investment Fund	343,217	-	-	343,217
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total cash and cash equivalents	<u>\$ 6,489,245</u>	<u>\$ 2,534,789</u>	<u>\$ -</u>	<u>\$ 9,024,034</u>

Restricted and unrestricted cash and cash equivalents at June 30, 2021, were as follows:

Unrestricted cash and cash equivalents	\$ 4,293,726	\$ 2,410,822	\$ -	\$ 6,704,548
Restricted cash and cash equivalents	<u>2,195,519</u>	<u>123,967</u>	<u>-</u>	<u>2,319,486</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total cash and cash equivalents	<u>\$ 6,489,245</u>	<u>\$ 2,534,789</u>	<u>\$ -</u>	<u>\$ 9,024,034</u>

The California Government Code requires California banks and savings and loan associations to collateralize a district's deposits by pledging government securities. The market value of the pledged securities must equal at least 110 percent of a district's deposits. California law also allows financial institutions to collateralize a district's deposits by pledging first trust deed mortgage notes having a value of 150 percent of a district's total deposits. The district may waive collateral requirements for deposits which are fully insured up to \$250,000 by Federal Deposit insurance.

At June 30, 2021, the carrying amount of the District's cash deposits (including amounts in checking, certificates of deposit and money market accounts) was \$8,674,800 and the bank balance was \$8,674,955. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$285,719 was covered by the federal depository insurance and \$8,389,236 was uninsured but collateralized (i.e., collateralized with securities held by the pledging financial institution at 110 percent of the deposits, in accordance with the State of California Government Code, deemed to be held in the District's name).

The District's cash and cash equivalents held in the Local Agency Investment Fund and the Tulare County Treasury are held in pools managed by other governments, are not required to be categorized, and are carried at cost which approximates fair value. All pooled funds are regulated by the California Government Code.

IVANHOE PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 3 – Capital Assets

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<u>Water Plant:</u>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 103,525	\$ -	\$ -	\$ 103,525
Construction in progress	336,720	15,540	-	352,260
Total capital assets not being depreciated	440,245	15,540	-	455,785
<u>Other capital assets:</u>				
Plant and equipment	3,249,863	5,007	(800)	3,254,070
Meters	8,312	3,996	-	12,308
Vehicles	38,995	-	-	38,995
Office equipment	22,488	1,900	-	24,388
Small tools	1,113	-	-	1,113
Shop building	18,450	-	-	18,450
Total other capital assets at historical cost	3,339,221	10,903	(800)	3,349,324
Accumulated depreciation	(1,977,304)	(59,113)	800	(2,035,617)
Other capital assets, net	1,361,917	(48,210)	-	1,313,707
Water plant capital assets, net	\$ 1,802,162	\$ (32,670)	\$ -	\$ 1,769,492
<u>Sewer Plant:</u>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 229,487	\$ -	\$ -	\$ 229,487
Construction in progress	101,882	14,676	-	116,558
Total capital assets not being depreciated	331,369	14,676	-	346,045
<u>Other capital assets:</u>				
Plant and equipment	1,043,667	-	-	1,043,667
Vehicles	63,345	-	-	63,345
Office equipment	22,488	1,900	-	24,388
Small tools	1,939	-	-	1,939
Ranch building	32,523	-	-	32,523
Ranch equipment	18,106	-	-	18,106
Shop building	18,449	-	-	18,449
Total other capital assets at historical cost	1,200,517	1,900	-	1,202,417
Accumulated depreciation	(1,047,101)	(17,827)	-	(1,064,928)
Other capital assets, net	153,416	(15,927)	-	137,489
Sewer plant capital assets, net	\$ 484,785	\$ (1,251)	\$ -	\$ 483,534

IVANHOE PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 3 – Capital Assets (continued)

As of June 30, 2021, well sites number two and seven had consistently tested for nitrate levels higher than allowed for human consumption. These two sites have been taken off-line and are currently not in use as part of the general water delivery system. They have not been disabled, however, as they are still suitable for emergency use in cases such as fire suppression. As a result of being taken off-line the District has considered these two well sites as impaired and has stopped recording annual depreciation expense. Wells number two and seven are included in water and sewer plant and equipment in the summary of changes in capital assets. Their historical cost is \$178,623 and \$3,622 in water and sewer, respectively. Accumulated depreciation through June 30, 2014, is \$109,150 and \$1,088 in water and sewer, respectively. Their net carrying value is \$69,473 and \$2,534 in water and sewer, respectively. Because the District can no longer use these wells as part of operations, management has determined these wells have no fair market value. The level of the fair value hierarchy of inputs within which the measurement was categorized is Level 3, which means the valuation is based on unobservable inputs.

NOTE 4 – Note Receivable

The District has incurred costs associated with the engineering and installation of streetlights for the community of Ivanhoe. The District continues to incur monthly period costs for the operating and administration of providing the streetlight service. These installation, operating and administration costs have been financed from Ivanhoe Public Utility District water and sewer unreserved cash funds. A note receivable from the community of Ivanhoe has been created in order to accumulate these costs and account for their reimbursement through monthly user charges billed and collected by the District. User charges are first applied to the repayment of current period costs with any excess applied to the pay down of this loan. The amount of the note paid down is calculated at the end of each fiscal year after all of the period costs for the last twelve months have been accounted for. Any excess revenues are used to repay the note and any shortfall in revenues will likewise be added to the amount of the note. The District will charge interest for the use of these funds at a rate of three percent per annum on the unpaid balance.

NOTE 5 – Long-Term Debt

The District received funding from the State of California Department of Health Services (DHS) under the provisions of the California Safe Drinking Water State Revolving Fund Law of 1997 to finance construction of new water mains to enable the District to meet safe drinking water standards. This funding came in the form of an interest free loan with a maximum balance of \$2,000,000, of which \$1,494,247 was received. Repayment of the loan is in the form of 40 semiannual principal only payments in the amount of \$37,356 each and is due on each January and July first beginning January 1, 2007. The final payment will be due on July 1, 2026.

As security for the loan, the District pledged that it will either levy and collect assessments or user charges as may be necessary to meet the payment demand of the loan as scheduled payments become due. The District also agreed to accumulate a reserve fund equal to two semiannual payments during the first ten years of the repayment period with at least half of the required reserve fund being on deposit by the time the first ten semi-annual payments are made. This reserve fund must be maintained at that level until the loan is repaid in full. At June 30, 2021, this reserve totaled \$74,712. If the District defaults, the State has the right at its option, with 30 days' notice, to declare the unpaid balance due and payable immediately and take any other action it deems necessary to protect its interests.

IVANHOE PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 5 – Long-Term Debt (continued)

Changes in long-term debt are as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance June 30, 2021</u>
Notes from direct borrowings:				
DHS	\$ 448,274	\$ -	\$ 74,713	\$ 373,561

Debt maturities are as follows:

July 1, 2022	\$ 74,712
July 1, 2023	74,712
July 1, 2024	74,712
July 1, 2025	74,712
July 1, 2026	74,713
Total	<u>\$ 373,561</u>

NOTE 6 – Restricted Position/Restricted Net Position

Capacity rights fees are established, collected and used for development of water and sewer capacity and for expenses related to the inspection and administration of physical connections to the District's water and sewer systems. The accumulation of capacity rights fees, although not actually segregated from other District assets, are segregated for accounting purposes and restricted for their intended use. These accumulated fees are presented as both a restricted asset and as restricted for plant expansion in the net asset section of the statement of net position.

Net position reserved for well replacement is the result of a 1995 lawsuit settlement for water contamination due to the use or application of harmful chemicals. As part of the settlement, the settlement funds and accrued interest on those funds were to be reserved and used only for future well replacement. The accumulation of the original settlement and annual interest earned although not segregated from other District assets are segregated for accounting purposes and restricted for their intended use. This cash balance is presented as both a restricted asset and restricted for well replacement in the net asset section of the statement of net position.

The California Safe Drinking Water State Revolving Fund loan requires that reserve funds be established to provide assurance that the principal and interest payments will be made. The accumulation of these cash reserves is segregated for accounting purposes and restricted for their intended use. This accumulated cash reserve is presented as both a restricted asset and as restricted for debt service in the net asset section of the statement of net position.

IVANHOE PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 7 – Board Designations

Board designated funds are funds stipulated by the District's Board of Directors on how they are to be used. These funds are unrestricted as the condition was not specified by an external party.

In April 2019, Ivanhoe Public Utility District finalized a settlement agreement with two chemical companies in which the District was seeking damages and other relief related to the contamination of the District's drinking water supply source Wells Number 2 and Number 6 with the chemical 1,2,3-Trichloropropane (1,2,3-TCP). The agreement releases the chemical companies from any future claims regarding 1,2,3-TCP contamination in District Wells Number 2 and Number 6. Consideration paid to the District by the chemical companies to release the claim for damages, after related costs was \$2,633,193.

The settlement agreement precludes the District from filing additional claims for future 1,2,3-TCP contamination at other District well sites unless the District has installed a granular activated carbon filtration system or other then-approved State treatment for 1,2,3-TCP on one of the two wells that had previously tested positive for 1,2,3-TCP, and maintain the treatment system's operation unless a regulatory authority has permitted the District to cease treatment for 1,2,3-TCP at the treated well.

As an alternative, the District can however, choose to use the settlement funds in any way they choose for the betterment of the District.

The District has designated this portion of unrestricted net position and is in the process of developing a plan for improvements to Well Number 6 that would include the installation of a granular activated carbon filtration system or other State approved treatment for 1,2,3-TCP and for separation of Well Number 2 from the drinking water system. Well Number 2 will be dedicated to fire flow only with system plans being developed for that purpose.

NOTE 8 – Joint Powers Agreement

The District is a member of the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA) whose members have pooled funds to be self-insured for auto and general liability and property coverages. The relationship between the District and ACWA is such that ACWA is not a component unit of the District for financial reporting purposes. ACWA is governed by a Board of Directors which controls its operations, including selection of management and approval of operating budgets, independent of any influence by the member districts. Each member district pays a premium commensurate with the level of coverage requested and shares surplus and deficits proportionate to their participation in ACWA.

IVANHOE PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 9 – Simplified Employee Pension Plan

The District's Board of Directors established a policy of contributing to Simplified Employee Pension Accounts for the benefit of the District's employees. The District contributes eight percent of total allowable compensation for each participating employee each pay period. The accounts are fully funded and the employees are immediately vested. Eligible employees must be at least twenty-one years of age, have performed services to the District for at least three of the last five years and have an annual compensation exceeding \$450. The District's Board of Directors has the authority to amend the policy, contribution and eligibility requirements. District contributions to the accounts totaled \$12,413 for the year ended June 30, 2021.

NOTE 10 – Interfund Receivable/Payable

The costs associated with the engineering and installation of the streetlights has historically been advanced by the water and sewer activities on a 50/50 basis. In addition, the monthly period costs of providing streetlight services are being advanced by the water and sewer activities on a 50/50 basis. Since the District began billing for streetlight service in April of 2010 the monthly revenues generated by providing the streetlight service are first used to repay the water and sewer activities for the monthly period costs of electricity and indirect costs with any excess being applied to the interfund receivable/payable balance. The interfund receivable/payable balance of \$112,578 represents a net of the accumulated engineering and installation costs, the monthly period cost of providing streetlight services, less the amount billed for and collected for streetlight service from District customers.

NOTE 11 – Concentration of Credit Risk

The Ivanhoe Public Utility District serves the residents of Ivanhoe, California and extends credit to substantially all of its customers.

NOTE 12 – Commitments and Contingencies

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen, though such potential impacts are unknown at this time.

On June 7, 2021, the Board approved a contract with Travoli Construction for the pond project. Construction did not begin until after the end of the fiscal year. As of the date these financial statements were issued, the project has not been completed. In 2022, the District was awarded a grant from Tulare County in the amount of \$650,000 to reimburse the District for costs associated with the pond project.

NOTE 13 – Subsequent Events

Management has evaluated subsequent events through May 31, 2022, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements, except as noted in Note 12.