***Delano-Earlimart Irrigation District***

Audited Financial Statements

February 28, 2022 and February 28, 2021

***Delano-Earlimart Irrigation District***
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February 28, 2022 and February 28, 2021

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To the Board of Directors
Delano-Earlimart Irrigation District
Delano, California

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying statements of net position of the Delano-Earlimart Irrigation District ("District") as of February 28, 2022 and February 28, 2021, and the statements of activities and changes in net position, and the statements of cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

**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 the 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 California State Controller's *Minimum Audit Requirements for California Special Districts.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delano-Earlimart Irrigation District, as of February 28, 2022 and February 28, 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller 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 analysis included on pages three through eleven be presented to supplement the basis financial statements. Such information, although not required 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. 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 regarding 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Delano-Earlimart Irrigation District's basic financial statements. The additional accompanying supplementary information (as identified in the table of contents) is presented for purposes of additional analysis and is not a required part of the financial statements of the District. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Adair & Evans

Tulare, California
August 5, 2022

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DELANO – EARLIMART IRRIGATION DISTRICT

**2021-2022 AUDIT REPORT**
Management Discussion and Analysis

The Delano-Earlimart Irrigation District (District, or DEID) was formed in 1938, and signed its original water service contract for water delivery from the Friant Division of the Central Valley Project with the U.S. Bureau of Reclamation (Bureau of Reclamation) in 1951.

The District includes 56,500 acres of land eligible for water service situated in southern Tulare County and northern Kern County along the eastside of the San Joaquin Valley. The District serves over 400 landowners with an average farm size of 135 acres.

Virtually all of the acreage in DEID eligible for water service has been developed. In 2021, over 90 percent of the irrigated acres in the District were planted to permanent crops, the most prevalent crop being grapes. Other permanent crops include pistachios, almonds, and various tree fruit. District farmers grew over 20 different crops in 2021.

The District's irrigation water distribution system is completely pipelined, with all customer deliveries having water meters. This system allows the District to make water deliveries with virtually no losses, thus creating an extremely efficient water delivery project that is the foundation for the District's overall water conservation and management program. We have seen this highly efficient use of irrigation water transcend to many of the District's growers with the advent of drip, microjet, and sprinkler system technology. Today, approximately 90 percent of the District's acreage utilizes these advanced water application techniques.

The District contracts with the Bureau for its water supply which is managed and used conjunctively with groundwater for the long-term irrigation needs of District growers. DEID holds the largest Class 1 contract in the Friant Division of the Central Valley Project totaling 108,800 acre-feet, nearly 14 percent of the total firm yield. DEID also contracts for 74,500 acre-feet of Class 2 water. In an average water year, the District has adequate surface water supplies to meet the on-farm irrigation demands throughout the District.

**Discussion of the Basic Financial Statements:**

The District management has relied on fiscal information from the 2021-2022 financial statements, as audited by Adair & Evans (a Certified Public Accounting firm), in preparing this Management Discussion and Analysis report. Values referenced in the following pages are summarized from the audited financial statements.

The District maintains its accounts on the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. The following condensed financial information is provided:

**CONDENSED STATEMENTS OF NET POSITION**

| | | FY 2021-2022 | | FY 2020-2021 |
|---|---|---|---|---|
| Current Assets | $ | 24,443,406 | $ | 31,527,933 |
| Non-current Assets | | 75,873,074 | | 67,940,623 |
| Total Assets | | 100,316,480 | | 99,468,556 |
| Deferred Outflows of Resources | | 0 | | 0 |
| Total Assets and Deferred Outflows of Resources | $ | 100,316,480 | $ | 99,468,556 |

**CONDENSED STATEMENTS OF NET POSITION (Continued)**

| | FY 2021-2022 | FY 2020-2021 |
|---|---|---|
| Current Liabilities | $ 2,679,350 | $ 1,041,834 |
| Long-Term Liabilities | 15,840,571 | 16,969,912 |
| Total Liabilities | 18,519,921 | 18,011,746 |
| Deferred Inflows of Resources | 7,726,164 | 7,597,435 |
| Net Position | 74,070,395 | 73,859,375 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | $ 100,316,480 | $ 99,468,556 |

**CONDENSED STATEMENT OF ACTIVITIES AND NET POSITION**

| | FY 2021-2022 | FY 2020-2021 |
|---|---|---|
| Total Operating Revenues | $ 17,097,926 | $ 23,652,446 |
| Total Operating Expenses | (16,533,566) | (15,781,464) |
| Non-Operating Revenue | 6,545 | 645,158 |
| Non-Operating Expenses | (359,885) | (434,314) |
| Net Increase in Net Position | $ 211,020 | $ 8,081,826 |

**<u>Management Comments on Balance Sheet and Condensed Statement of Revenues, Expenses, and Net Position:</u>**

It is the opinion of the District management that the District continues to be in good financial condition. The District has sufficient current assets to cover all current liabilities. The District's net position increased by $211,020 in the fiscal year ending February 28, 2022.

**CONDENSED STATEMENT OF OPERATING AND NON-OPERATING REVENUE AND EXPENSES - BUDGET COMPARISON**

| | Budget | Actual - budget basis | Actual - GAAP basis |
|---|---|---|---|
| Water revenue | $ 6,855,200 | $ 7,044,626 | $ 7,632,187 |
| Other operating revenue | 8,103,748 | 9,794,405 | 9,465,739 |
| Non-operating revenue | 180,734 | 193,377 | 6,545 |
| Total revenues | $ 15,139,682 | $ 17,032,408 | $ 17,104,471 |
| Operating expenses | $ 14,372,148 | $ 13,851,847 | $ 15,912,374 |
| Capital improvements | 12,794,922 | 8,381,505 | 621,192 |
| Non-operating expenses | 293,917 | 257,732 | 359,885 |
| Total expenses | $ 27,460,987 | $ 22,491,084 | $ 16,893,451 |
| Net surplus | $ (12,321,305) | $ (5,458,676) | $ 211,020 |

**<u>Management Comments on Condensed Statement of Operating and Non-operating Revenue and Expenses – Budget Comparison:</u>**

Differences between the budget basis and the GAAP (generally accepted accounting principles) basis arise because the District prepares its budget on a cash basis method of accounting. GAAP basis is presented using the accrual basis of accounting and is used in the presentation of the District's financial statements. In addition, the District budgets for cash outlay of capital expenditures, whereas the GAAP basis depreciates property and equipment over their useful lives. Classification differences between operating and non-operating also arise due to the District's nomenclature and GAAP presentations.

The District budgets for both anticipated revenues and expenses each year on a cash basis. The District Board of Directors reviews and adopts a final budget each year. Balanced budgets are projected each year, even if it requires the addition of a line item reflecting anticipated use of reserve funds. Use of reserve funds to balance the budget typically takes place when the Board of Directors elects to undertake discretionary capital expenditures which require funding in excess of current year cash flow.

The following management comments on operating and non-operating revenue and expenses – budget comparison is based on the 2021 fiscal year adopted budget as compared to revenue and expenses - cash basis for FY21 as calculated by District staff and reported to the Board of Directors. These values may differ from the condensed statement values presented above due to accrual verses cash accounting differences.

Water Supply-

The District's initial Reclamation allocation was 20 percent Class 1 and zero percent Class 2 declared from the Friant Division of the Central Valley Project. The original FY21 budget was adopted based on 20 percent Class 1, rescheduled water, and returns from the District's external banking programs. The budget was adopted with a water rate of $145 per acre-foot. As further described below in the section entitled "Management Comments on 2021 Water Deliveries", the District was ultimately able to realize and manage a water supply totaling 76,126 acre-feet from numerous sources.

Revenues-

Actual FY21 water revenues of $7,044,626 were greater than the budgeted amount of $6,855,200. This difference was attributable to slightly more water being sold to water users than anticipated at the time of budget adoption. A total of 53,022 acre-feet were delivered to District water users.

Other operating revenue was greater than the adopted budget by $1,690,657. The largest differences within this group of revenue accounts were attributable to significant revenue above budgeted levels from prior year operating refunds and grants.

Non-operating revenue was greater than the adopted budget by $12,643. Within this area of revenue, both interest and assessment penalties were under budget; however, certificate of sale redemptions and leases provided revenue over budget leading to the slightly greater than anticipated revenue.

Expenses-

Actual FY21 operating expenses were nominally less than the budgeted amount by $520,301. This was primarily a function of lower fixed operation expenses and lower administration expenses.

Capital expenditures were significantly less than the budgeted amount by $4,413,417. This was primarily due to engineering, design, and development of the District's Turnipseed Water Bank Project's Phase IV, V, and VI extending beyond the end of the fiscal year.

**Management Comments on 2021 Water Deliveries:**

The FY21 water supply began with a very dry outlook. As the year progressed, unfavorable hydrology contributed to no increases in allocation until the winter when considerable precipitation prompted Reclamation to increase the allocation.. Reclamation's allocations to the Friant Division progressed as follows:

- 20% Class 1 – February 23, 2021
- 25% Class 1 – November 1, 2021
- 40% Class 1 – December 21, 2021

During FY21 the District managed a water supply totaling 76,126 acre-feet consisting of the following:

- 17,952 acre-feet of DEID Class 1 water sold to water users;
- 14,262 acre-feet of DEID 2020 Class 1 rescheduled water sold to water users;
- 200 acre-feet of LSID 2020 Class 1 rescheduled water sold to water users;
- 93 acre feet of LSID Class 1 water transferred to DEID sold to water users;
- 125 acre feet of SWID Class 1 water transferred to DEID sold to water users;
- 10,000 acre-feet of previously banked water from Rosedale Rio Bravo WSD sold to water users;
- 6,827 acre-feet of previously banked water from North Kern WSD sold to water users;

- 500 acre-feet of DEID 2020 SJRRP Recapture water in SLR exchanged with WWD/APMWC for 500 acre-feet of non-project water from FID sold to water users;
- 540 acre-feet of DEID 2020 SJRRP Recapture water in SLR exchanged with WWD for 540 acre-feet of non-project water from FID sold to water users;
- 2,523 acre-feet of DEID 2020 SJRRP Recapture water in SLR exchanged with Reclamation for 2,523 acre-feet of unallocated 2021 water in MIL sold to water users;
- 1,419 acre-feet of DEID 2020 Class 1 carryover water transferred to Reclamation under short term exchange;
- 10,092 acre-feet of DEID Class 1 water banked in Turnipseed Water Bank;
- 8,030 acre-feet of DEID Class 1 water transferred to PixID under long term exchange;

Water users were constrained in their use of District supplied water for the majority of the contract year until winter precipitation allowed the District to lift the prorate. The Friant-Kern Canal was in service during the whole contract year.

Allocation of District supplies to water users was as follows:

- Prorate of 0.85 acre feet per acre: March 1, 2021 – August 12, 2021;
- Prorate of 1.00 acre feet per acre: August 13, 2021 – October 31, 2021;
- Unlimited allocation: November 1, 2021 – February 28, 2022.

**Management Comments on 2021 Water Rates and Lift Zone Charges:**

The Board of Directors set the 2021 water rates as follows:

- Irrigation water: $145 per acre-foot: March 1, 2021 – February 28, 2022;
- Municipal and Industrial water: $145 per acre-foot: March 1, 2021 – February 28, 2022;

The District has five different lift zones across approximately one-third of the District that requires additional pumping to make water deliveries. The balance of the District has sufficient pressure for deliveries to be made by gravity and therefore has no lift charge associated with the delivery of District water. Lift charges are set for each zone with the goal of collecting adequate funds from those deliveries requiring additional pumping to cover the cost of pumping and pumping-related expenses. Lift zone charges for zones 1-5 were set at $7.96, $14.86, $21.75, $29.16, $39.24 per acre-foot, respectively.

**Management Comments on the Investment of District Funds:**

The responsibility for the accounting and investment of the District's funds resides with the Board of Directors. Day-to-day operation and management of this responsibility has been delegated to the Treasurer and Deputy Treasurer. To assist the Treasurer and Deputy Treasurer in fulfilling this responsibility, the Board of Directors has adopted a *Statement of Investment Policy* as well as *Reserve Funds Policy and Guidelines*. Both of these policies are reviewed, amended as necessary, and adopted by the Board of Directors annually.

The District also retains the services of a professional Financial Advisor that works with the Treasurer and Deputy Treasurer in making investment decisions. Monthly financial statements are provided to the Board of Directors for its review and comment that discloses all investments and account balances.

**Management Comments on Capital Assets and Long-Term Debt:**

Water Banking Projects

The District Board of Directors has prioritized developing supplemental sources of water supply in light of the losses anticipated under the San Joaquin River restoration program and other factors out of its control that have the potential effect of limiting available water supplies. This priority is reflected in current and future line-item budgets associated with developing water banking projects and programs, both in the District and in association with others. Currently the District has invested in three groundwater banking projects: the in-District Turnipseed Water Bank project, the North Kern Water Storage District banking project, and the Rosedale-Rio Bravo Water Storage District banking project. Additionally, the District initiated the pilot study of the Fallowed Area Recharge Management (FARM) Program in 2019 in order to utilize land that is available for recharge opportunities due to rotational fallowing.

DEID conducts direct recharge of imported surface water during periods of surplus through recharge operations within the White River channel, at a small 5-acre recharge basin near the DEID headquarters, and at the dedicated Turnipseed groundwater banking project within DEID. The banking project initially began in 1993 with the purchase of an 80-acre parcel adjacent to White River. The site was developed for direct groundwater recharge with five separate cells and dual methods of introducing water to each cell, either from DEID's distribution system or from direct diversions of Friant Division supply from White River. DEID doubled the groundwater banking project footprint when it purchased an adjacent 80-acre parcel in 2009. The property was developed during 2010 into four inter-connected recharge basins with the ability to receive water from either DEID's distribution system or from White River. By 2010, this 160-acre direct groundwater recharge project was converted to groundwater banking project with the construction of the last of five groundwater recovery wells on the project site.

In 2016 and 2017 the District's Board proactively began planning a robust expansion of water banking projects within the District's boundaries in order to further the sustainability of the District and its water users. In February 2021, the District completed construction of Phase III, which expanded the Turnipseed Water Bank by an additional 320 acres. Construction of Phase IV, a 160 acre site, was completed in June 2022. When Phases V and VI are completed, the total in-District footprint of the groundwater bank will span 949 acres and will have the capability to recharge an average annual 31,000 acre-ft/year of imported surface water.

Friant Power Authority New River Outlet Plant

The District participated as a 12.5% owner in the development of the Friant Power Authority Quinten Luallen Power Plant, its fourth power plant located at the foot of Friant Dam. The new 7.3 megawatt Vertical Francis unit generates power from additional water released to the San Joaquin River as required by the San Joaquin River Settlement. The new power plant, also known as the Friant 2 business unit, became commercially operable on the CAISO system on May 11, 2017, with revenue operations commencing on May 28, 2017. The Friant # 2 unit is licensed by FERC Project 11068. While the project was physically completed during the 2016-2017 fiscal year, finalization of the various construction contracts and associated costs were not completed due to the complexity of the project at that time. Reconciliation efforts relating to various items associated with the design and engineering contract were closed out during the 2019-2020 fiscal year and reconciliation efforts relating to PG&E improvements were closed out in the 2020-2021 fiscal year. Friant Power Authority completed the final tabulation of the new plant's development costs which totaled $30,172,950.51. The District's 12.5% ownership share in the development costs totaled $3,771,618.81.

Revenue Certificates of Participation, Series 2010A

In the fall of 2010, the District issued Revenue Certificates of Participation, Series 2010A in the amount of $26,025,000 for the funding of the following debt:

- $24,790,000 for the retirement of the District's CVP capital repayment obligation (conversion to a 9d water contract with the U.S. Bureau of Reclamation);
- $1,095,000 for refunding of outstanding amount of an existing 1999 loan (Turnout renovation project);
- $140,000 for refunding of outstanding amount of an existing 2003 loan (SCADA system construction);

The District achieved an AA- rating from Standard and Poors, which allowed the District to receive a very favorable, all-in TIC of 4.731922 percent at culmination of the financing. Refinancing of the 1999 and 2003 existing debt allowed the District to achieve a present value savings of $119,403.62 and $3,717.53, respectively. The 1999 refunding debt was retired in February of 2019 and the 2003 refunding debt was retired in February of 2015. The new money debt associated with the retirement of the District's CVP capital repayment obligation will be retired in February of 2041.

In December 2016, the District's credit rating was reviewed by Standard and Poors. After review of the District's financial operations, interviews with District management, and evaluation of credit criteria, Standard and Poors affirmed the District's stable AA- rating. Heavily weighted in the Standard and Poors review and evaluation were proactive steps the District's Board of Directors and landowners took to institute a new Supplemental Assessment (see Proposition 218 section later for further details).

See additional discussion below under the "other items" section.

Refunding Revenue Bonds, Series 2019A

On December 11, 2019, the District issued Refunding Revenue Bonds, Series 2019A in the amount of $14,970,000 for the refunding of the District's outstanding 2010A Certificates of Participation. The District achieved an AA- rating from Standard and Poors, which allowed the District to receive very favorable, all-in TIC of 2.120101 percent at culmination of the refunding.

Refunding of the 2010A Certificates of Participation allowed the District to achieve a present value savings of $6,765,724.68. The refunded debt associated with the issuance will be retired in February of 2035, six years earlier than if the refunding was not completed.

On October 28, 2021, Standard and Poors revised its outlook to negative from stable and affirmed its various ratings of 20 California water related districts due to ongoing concerns related to drought and extreme weather events. The District was included in this Standard and Poors action wherein it revised its outlook to negative from stable while it affirmed the District's long term rating of AA-.

On February 22, 2022, the District filed a voluntary event based disclosure with the Municipal Securities Rulemaking Board advising that U.S. Bank National Association transferred substantially all of its corporate trust business to its affiliate, U.S. Bank Trust Company, National Association ("U.S. Bank Trust Co."), a non-depository trust company. The transition of the District's accounts in connection with the Refunding Revenue Bonds, Series 2019A (Bonds) was completed on or about January 29, 2022 (the "Transition Date"). As of the Transition Date, U.S. Bank Trust Co. began to serve as Trustee in connection with the Bonds issued pursuant to that certain Indenture of Trust, dated December 1, 2019.

See additional discussion below under the "other items" section.

**Management Comments on Reserve Funds:**

A reserve is a portion of the net position of an organization, in a stated amount, held for a designated purpose. Establishing reserves is essential due to the fluctuating nature of the District's water supply and the possibility of unanticipated events. Accumulations of reserves are necessary to meet the long-term known and unknown needs of the District.

The District is organized and operates under the statutory authority of Division 11 of the California Water Code. There are no other provisions of California law that govern the accumulation and use of reserves. Absent statutory guidelines to direct special districts in the accumulation and use of reserves, the Delano-Earlimart Irrigation District has established and adopted a Reserve Funds Policy and Guidelines, as noted above. Reserve funds can be expended only by action of the Board of Directors.

The District Board of Directors has determined that reserves can be accumulated for the following purposes:

- Costs associated with the purchase of water and water related expenses;
- Costs associated with the purchase of energy and energy related expenses;
- Cost associated with groundwater enhancement, groundwater banking projects, and any associated groundwater related expenses including capital investments;
- Repair and maintenance of the District's water distribution system, including pump stations;
- Future CVP capital repayment obligations;
- Funding of expenses associated with groundwater regulation, groundwater quality, and surface water quality.

To meet the purposes listed above, the District has established the following reserve funds:

- Rate Stabilization;
- CVP Capital Repayment;
- Energy Projects and System Maintenance/Improvements;
- Groundwater Enhancement and Banking Projects;
- Water Quality Issues/Groundwater Regulation.

A description of each and the minimum target amounts established by the Board of Directors are provided below.

Rate Stabilization

The Rate Stabilization reserve fund was established to replace the former Water Supply Contingency reserve fund. The Board established this fund prior to the issuance of the Series 2019A Refunding Revenue Bonds and has agreed and covenanted to maintain, so long as any 2019A Bonds remain outstanding, the Rate Stabilization reserve fund, consisting of the District's former Water Supply Contingency reserve fund. For avoidance of doubt, the initial balance on deposit in the Rate Stabilization reserve fund comprises money received by the District prior to Fiscal Year 2020 and such amount shall not be deducted from Revenues for Fiscal Year 2020 or any prior Fiscal Year for purposes of the definition of Revenues contained in the Series 2019A Indenture or for the purposes of the application of Revenues under the rate covenant that is described under the Indenture's Rate Covenant or under the additional parity obligations test that is described in the Indenture's Additional Obligations.

Amounts in the Rate Stabilization Fund will be disbursed, allocated and applied by the District solely to the uses and purposes described in the Indenture, and will be accounted for separately and apart from all other accounts, funds, money or other resources of the District.

All amounts on deposit in the Rate Stabilization reserve fund have been irrevocably pledged to the payment of the District's Series 2019A Refunding Revenue Bonds as provided in the Indenture; provided that amounts on deposit in the Rate Stabilization reserve fund may be apportioned for such purposes as are expressly permitted therein. The foregoing pledge constitutes a first lien on amounts on deposit in the Rate Stabilization reserve fund for the payment of the 2019A Refunding Revenue Bonds in accordance with the terms of the Indenture.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization reserve fund and transfer such amounts to the 2019A Refunding Revenue Bonds' Revenue Fund for application in accordance therewith. Amounts transferred from the Rate Stabilization reserve fund to the 2019A Refunding Revenue Bonds' Revenue Fund pursuant to the Indenture during or within 270 days after the end of a Fiscal Year may be taken into account as revenues for purposes of the calculations under the rate covenant that is described under the Indenture's Rate Covenant and under the additional parity obligations test that is described under the Indenture's Additional Obligations in such Fiscal Year, to the extent provided in the definition of Revenues.

The Board of Directors has set the minimum reserve target for Rate Stabilization reserve fund at $4,000,000.

CVP Capital Repayment

The CVP Capital Repayment reserve fund is set to provide for a portion of the District's required repayment obligation of construction costs of the CVP. While the District paid in full its calculated CVP capital repayment obligation on November 26, 2010, the District remains responsible to pay its share of future capitalized additions to the CVP. The District has set this reserve fund as a hedge against future repayment spikes. The ability to call on this reserve fund should a repayment obligation spike occur would keep the District and its water users financially viable with the ability to continue operations.

The Board of Directors has set the minimum reserve target for CVP Capital Repayment at $3,650,000.

Energy Projects and System Maintenance/Improvements

A reserve to fund energy projects and other system maintenance expenses is established to cover year types where the District's annual assessment does not meet the funding levels required to cover annual expenses. This reserve is also used to fund debt service on major capital improvements and applied technology related to the District's pumping plants. Other situations that could arise where this reserve fund could be called upon include acts of God, terrorism and major equipment failure that could dramatically affect any given year's operating budget. Such shocks could have a major detrimental effect on District operations, which the use of this reserve fund could soften.

The Board of Directors has set the minimum reserve target for Energy Projects and System Maintenance/Improvements at $2,000,000.

Groundwater Enhancement and Banking Projects

The reserve fund related to groundwater enhancement and groundwater banking projects is established to provide a funding source for expenses related to enhancing and improving the District's groundwater and groundwater banking resources. Funding for this reserve may be provided by annual property assessments, excess revenues from existing banking projects, and/or revenues generated from banking partnerships, and/or other excess operating revenues. Funding of this reserve account provides capital for existing and future groundwater enhancement and groundwater banking projects that can minimize the negative impacts to the area's groundwater or supplement the District's annual water supply.

In 2014 the Sustainable Groundwater Management Act (SGMA) was signed into law. The goal of this law is to insure sustainability of the state's groundwater through planning and enforcement activities. Local control of groundwater plans and enforcement has been afforded to those agencies within each local groundwater basin. The District will be involved in the development and implementation of groundwater regulation, the level to be determined by the Board of Directors.

The Board of Directors has set the minimum reserve target for Groundwater Enhancement Projects at $35,000,000.

Water Quality Issues and Projects

This reserve fund is established in recognition of increased regulatory requirements in water quality (both surface and groundwater) and groundwater regulation to achieve sustainability.

In 2006, the District became involved in the Irrigated Lands Regulatory Program (ILRP), administered by the Central Valley Regional Water Quality Control Board, on behalf of landowners within the White River watershed. In 2012 the District aligned itself with the Tule Basin Watershed Coalition (TBWC) as the regulatory program moved to implementation. The District now has little direct involvement with the ILRP. The District does anticipate greater involvement in monitoring groundwater quality as part of its Groundwater Management Plan.

Funding of this reserve fund comes from a combination of water quality funds originally collected from participants in the ILRP that were in excess of expenses and through anticipated new funding from various sources that will be collected to fund activities of the groundwater regulatory program.

The Board of Directors has set the minimum reserve target for Water Quality Issues and Projects at $500,000.

**<u>Other Items:</u>**

<u>SJR Settlement Act – Public Law 111-11</u>

The Delano-Earlimart Irrigation District was party to a long running lawsuit between an environmental coalition led by the Natural Resources Defense Council and the Bureau of Reclamation. The Plaintiffs asserted, among other claims, that the Federal Government must comply with Section 5937 of the California Fish and Game Code wherein the operator of a dam must maintain a fishery of good condition below the dam. The District was named in this lawsuit as a non-federal defendant along with other Friant Division contractors.

Following a series of legal decisions that were unfavorable to the defendants, the parties to the lawsuit began settlement discussions in September of 2005. In July of 2006, it was announced that terms of a settlement had been reached. The base premise of the settlement provided water for river restoration in exchange for a cap on the amount of water and money supplied by the defendants.

Final settlement was contingent upon action being taken by Congress that would implement the settlement agreement. In July 2008, federal legislation known as the *San Joaquin River Restoration Settlement Act* became part of Senate Bill 3213, Omnibus Public Land Management Act of 2008. On March 30, 2009, the bill was signed by the President and became Public Law 111-11.

The District continues to invest considerable time and dollars through various forums and interactions with Reclamation staff charged with implementation of the settlement.

<u>9d contract conversion -</u>

Included in P.L. 111-11 was the provision that required the Secretary of the Interior to convert the current Friant contracts to Section 9d contracts pursuant to Reclamation Law. The conversion of the contract required the District, and the other Friant contactors, to pre-pay their current capital obligations.

Converting the contracts to a 9d form of repayment required the District to finance the unpaid balance through issuing revenue certificates of participation to be repaid in annual installments over 40 years. The unpaid balance, which was owed in 2030, was discounted to a present day value. The required repayment amount was $23,119,725.

In June of 2010, the Board accepted an Engineer’s Report, set the proposed new benefit assessment at $28.35 per acre, and authorized preparation of an election in accordance with California Law as provided for in the passage of Proposition 218. The landowners, based on proportional voting, were asked to approve a new special benefit assessment to go into effect with the second installment of the 2011 assessment. The election was held in August and passed by a majority of landowners. The proceeds of the new special benefit assessment will be used to make the annual payments on the certificates of participation that were issued as part of the 9d Contract Conversion.

The District retained the services of a financing agent (CitiGroup) and Bond Counsel to assist with the financing process. On November 3, 2010, the District priced and sold revenue certificates of participation through CitiGroup in the amount of $26,025,000 to pay the capital obligation owed to Reclamation, meet principal and interest payment fund reserve requirements, refund other obligations and cover financing costs of the transaction.

The Board authorized execution of a 9(d) repayment contract with the United States Bureau of Reclamation on November 17, 2010.

See Note 6 of the Financial Statements for details of the Bond financing and payment obligations.

<u>Sustainable Groundwater Management Program-</u>

The California legislature passed the Sustainable Groundwater Management Act (SGMA) and it was signed into law by the Governor in September of 2014. The goal of SGMA is to develop locally managed plans that insure the long-term sustainability of groundwater within recognized groundwater basins throughout California. Sustainability must be achieved by each water basin by 2040.

As part of the process of addressing the requirements of SGMA, the District board approved the expansion of the existing Groundwater Advisory Committee, renaming it the Groundwater Regulation Advisory Committee, for the purpose of being the primary advisory group to the District board in recommending specific actions and measures to implement SGMA. The Groundwater Regulation Advisory Committee later was opened to all interested parties in order to elicit the maximum level of input from the public.

The District submitted an application to the state to modify the boundaries of the Tule Subbasin to include all of the District lands that are in Kern County. After review by the state and several public hearings, the request was approved.

The District began the process of complying with the requirements of SGMA by becoming a recognized Groundwater Sustainability Agency (GSA) on December 12, 2016. The District completed the process of developing a Groundwater Sustainability Plan (GSP), with the submission of the DEID GSA GSP along with the other GSA's GSPs in the Tule Subbasin on January 31, 2020, as required by the Act. The DEID GSA continues to cooperate with other stakeholders in the Tule Subbasin as required by SGMA where a subbasin has multiple GSAs with multiple GSPs, in order to implement the GSPs. Development of the necessary rules and regulations to implement the DEID GSP is currently underway.

On January 28, 2022, the Department of Water Resources sent a letter to the Tule Subbasin point of contact indicating that the GSPs submitted for the Tule Subbasin were determined to be incomplete. Included in the letter were several items noted as deficient. The DEID GSA, along with other GSAs in the Tule Subbasin, worked to review the deficiencies and revise their GSPs. The deadline for submitting revised GSPs was July 27, 2022, and all Tule Subbasin revised GSPs were submitted on July 26, 2022.

<u>Detachment of Previously Annexed Lands for SGMA Regulation</u>-

The District previously annexed lands totaling 7,554 acres immediately west of the District's boundaries for the sole purpose of regulation under SGMA. Subsequent to the annexation, the District signed an MOU with Tulare to provide for SGMA regulation under the DEID GSA which negated any need for the annexation. The detachment process was completed on October 4, 2019, after it was brought before the Tulare County Local Agency Formation Committee and approved.

<u>Proposition 218 Election: Land-Based Assessments-</u>

The District's Board of Directors spent considerable time reviewing one of the District's two primary methods of collecting revenue: water rates and assessments. The past few fiscal years highlighted that the District's water rates have seen considerable volatility. The Board evaluated ways to provide more water rate stability and certainty for the District's water users by addressing the underlying structural cause of the water rate variability. The root issue was that the District's fixed expenses, which are those expenses that the District incurs whether it sells any water or not, were significantly more than the fixed revenue received from land-based assessments. Given this imbalance, the District was forced to fund a significant portion of its fixed expenses by adding it to the water rate variable revenue. As less water was sold, each acre-foot was required to carry more and more non-water related expenses.

After carefully reviewing the District's options, the Board took action to initiate a process in accordance with provisions of Proposition 218, as reflected in Article XIII D of the California Constitution and Sections 53750 through 53753.5 of the state's Government Code. These constitutional and statutory provisions implement Proposition 218, which established a number of mandatory procedures that local agencies must follow for the levy of certain assessments and charges to lands. The Board initiated this process to increase the District's assessments in order to fix the structural disparity noted above. After significant public outreach with District stakeholders over a period of several months, the Proposition 218 election took place on November 1, 2016. When the ballots were counted, those in favor of increasing the assessments accounted for 93% of the validated ballots and those not in favor accounted for 7% of the validated ballots. Turnout was high with nearly three quarters of ballots returned. The new assessment was titled as, "Supplemental Assessment" totaling $60.23 to be collected in two semi-annual installments of $30.12, and $30.11 per acre commencing June 20, 2018. The Supplemental Assessment may be increased by the District's Board of Directors up to 3% per year during a specified period of time.

Consistent with the November 1, 2016 Proposition 218 election, on August 12, 2021, the Board authorized and approved an increase of 3.00% to the: existing assessment in the amount of $0.49 now totaling $16.83 per acre, standby charge in the amount of $0.91 now totaling $31.43, and supplemental assessment in the amount of $1.92 now totaling $65.82 per acre. These changes were incorporated in the 2022 Assessment Year assessments.

<u>Staff Personnel Changes-</u>

On May 3, 2021, David C. Wierenga was hired to fill the position of District Engineer.

***Delano-Earlimart Irrigation District***

Statements of Net Position

February 28, 2022 and February 28, 2021

| | Primary Government Business-Type Activities | |
|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | 2022 | 2021 |
| CURRENT ASSETS | | |
| Cash and cash equivalents, including restricted amounts (Note 3) | $ 21,022,105 | $ 28,474,073 |
| Accounts receivable | 799,127 | 126,121 |
| Assessments receivable | 2,069,957 | 2,288,359 |
| Revenue fund receivable | 513,305 | 583,464 |
| Accrued interest receivable | 18,282 | 29,084 |
| Prepaid costs | 20,995 | 26,832 |
| Total current assets | 24,443,771 | 31,527,933 |
| NONCURRENT ASSETS | | |
| Long-term investments (Note 3) | 8,250,811 | 5,562,634 |
| Friant Power Authority (Note 4) | 5,207,479 | 5,151,738 |
| Eastside Power Authority (Note 4) | 439,977 | 470,738 |
| Secured delinquent assessments | 12,401 | 20,048 |
| Property, plant and equipment - net of allowance for depreciation (Note 5) | 31,784,110 | 18,284,104 |
| Construction in progress | 6,729,585 | 15,002,650 |
| Water rights | 23,448,711 | 23,448,711 |
| Total noncurrent assets | 75,873,074 | 67,940,623 |
| TOTAL ASSETS | 100,316,845 | 99,468,556 |
| DEFERRED OUTFLOWS OF RESOURCES | 0 | 0 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | $ 100,316,845 | $ 99,468,556 |

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

| | 2022 | 2021 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable | $ 1,138,150 | $ 134,014 |
| Cash overdraft | 623,812 | 0 |
| Current portion of long-term debt (Note 6) | 770,000 | 735,000 |
| Prepaid water | 136,677 | 164,992 |
| Other current liabilities | 10,711 | 7,828 |
| Total current liabilities | 2,679,350 | 1,041,834 |
| LONG-TERM LIABILITIES | | |
| Long-term debt, net of current portion (Note 6) | 15,723,720 | 16,864,555 |
| Accumulated compensated absences | 116,851 | 105,357 |
| Total long-term liabilities | 15,840,571 | 16,969,912 |
| TOTAL LIABILITIES | 18,519,921 | 18,011,746 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred revenue - assessments | 6,189,019 | 5,279,624 |
| Deferred revenue - revenue fund | 1,537,145 | 2,317,811 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 7,726,164 | 7,597,435 |
| NET POSITION | | |
| Invested in capital assets, net of related debt | 45,468,686 | 39,135,910 |
| Restricted | 0 | 0 |
| Unrestricted | 28,602,074 | 34,723,465 |
| TOTAL NET POSITION | 74,070,760 | 73,859,375 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | $ 100,316,845 | $ 99,468,556 |

See independent auditors' report and accompanying notes

## *Delano-Earlimart Irrigation District*

Statements of Activities and Changes in Net Position

For the Years Ended February 28, 2022 and February 28, 2021

| | 2022 | 2021 |
|---|---|---|
| OPERATING REVENUES | | |
| Sales - water | $ 7,632,187 | $ 14,656,660 |
| Sales - power | 360,863 | 767,283 |
| Irrigation assessments and stand-by charges | 7,582,066 | 7,394,845 |
| Other | 1,522,810 | 833,658 |
| Total operating revenues | 17,097,926 | 23,652,446 |
| OPERATING EXPENSES | | |
| Source of supply | 13,267,220 | 12,586,787 |
| Transmission and distribution | 887,271 | 951,917 |
| General and administrative | 1,757,883 | 1,649,759 |
| Depreciation and amortization | 621,192 | 593,001 |
| Total operating expenses | 16,533,566 | 15,781,464 |
| OPERATING INCOME | 564,360 | 7,870,982 |
| NON-OPERATING REVENUE | | |
| Investment income | (86,432) | 478,472 |
| Other | 92,977 | 166,686 |
| Total non-operating revenue | 6,545 | 645,158 |
| NON-OPERATING EXPENSES | 359,885 | 434,314 |
| NET INCREASE IN NET POSITION | 211,020 | 8,081,826 |
| NET POSITION, BEGINNING OF YEAR | 74,081,209 | 65,999,383 |
| NET POSITION, END OF YEAR | $ 74,292,229 | $ 74,081,209 |

## ***Delano-Earlimart Irrigation District***

Statements of Cash Flows

For the Years Ended February 28, 2022 and February 28, 2021

| | 2022 | 2021 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from water sales | $ 6,930,866 | $ 14,668,293 |
| Receipts from assessments and charges | 7,929,197 | 7,222,735 |
| Other receipts & reimbursements of costs | 1,953,832 | 1,520,889 |
| Payments for water purchases and related costs | (13,267,220) | (12,586,787) |
| Payments to employees and vendors for water operations and costs | (887,271) | (951,917) |
| Payments to employees and vendors for administration and general | (733,533) | (1,577,536) |
| Net cash provided by operating activities | 1,925,871 | 8,295,677 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets, net | (5,848,133) | (8,532,406) |
| Interest payments on long-term debt | (347,415) | (400,233) |
| Bond refinancing costs | 0 | 0 |
| Reduction in long-term debt | (1,105,835) | (1,057,224) |
| Net cash used in capital and related financing activities | (7,301,383) | (9,989,863) |
| CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Non-operating assessments & penalties | 16,942 | 54,006 |
| Other non-operating revenue | 83,682 | 124,660 |
| Net cash provided by non-capital and related financing activities | 100,624 | 178,666 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | (75,630) | 540,572 |
| Investment expenses | (12,470) | (34,081) |
| Increase in cash overdraft | 623,812 | 0 |
| Transfers to long-term investments, net | (2,713,157) | 8,823,987 |
| Net cash (used) provided by investing activities | (2,177,445) | 9,330,478 |
| Net (decrease) increase in cash and cash equivalents | (7,452,333) | 7,814,958 |
| Cash and cash equivalents, beginning of year | 28,474,073 | 20,659,115 |
| Cash and cash equivalents, end of year | $ 21,021,740 | $ 28,474,073 |

See independent auditors' report and accompanying notes

## *Delano-Earlimart Irrigation District*

Statements of Cash Flows - Continued

For the Years Ended February 28, 2022 and February 28, 2021

| | 2022 | 2021 |
|---|---|---|
| SUPPLEMENTAL SCHEDULE OF CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating income | $ 564,360 | $ 7,870,982 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation and amortization | 621,192 | 593,001 |
| Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | |
| Accounts receivable | (673,006) | (8,058) |
| Assessments receivable | 218,402 | (370,116) |
| Revenue fund receivable | 70,159 | (80,052) |
| Prepaid costs | 5,837 | (2,770) |
| Accounts payable | 1,004,136 | 76,973 |
| Prepaid water | (28,315) | 19,691 |
| Other current liabilities | 2,883 | (13,467) |
| Accumulated compensated absences | 11,494 | 11,487 |
| Deferred revenue | 909,395 | (576,717) |
| Deferred revenue - revenue fund | (780,666) | 774,723 |
| Net cash provided by operating activities | 1,925,871 | 8,295,677 |
| Actual interest paid during the fiscal year | $ 347,415 | $ 852,798 |

## NOTE 1 - Organization and Description of Business

The Delano-Earlimart Irrigation District ("District") is a special district formed in 1938 under the California Water Code to provide irrigation water for agricultural purposes. The District serves water supply to approximately 56,500 acres in southern Tulare County and northern Kern County along with an additional 7,554 acres in southern Tulare County for purposes of the Sustainable Groundwater Management Act. The District has the authority to set rates and charges for its commodities and services. It also levies ad valorem property assessments on property located in the counties of Tulare and Kern. The District is also exempt from payment of federal and state income taxes.

## NOTE 2 - Summary of Significant Accounting Policies

Basis of Presentation - The operations of the District are accounted for under a single governmental enterprise fund type described as a proprietary fund. Accounts are maintained in a manner similar to those of a private enterprise in that the costs of providing services to District land owners on a continuing basis are generally recovered through user charges and assessments. The measurement focus is upon the determination of net income, financial position and changes in cash flows. The District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements (unless those pronouncements conflict with or contradict GASB pronouncements).

Basis of Accounting - The District maintains its accounts on an accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Net Position - Governmental Accounting Standard Board Statement (GASBS) No. 63, requires the classification of net position into three components - invested in capital assets, net of related debt; restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding debt balances, net of unamortized debt expenses, unspent debt proceeds and deferred inflows of resources related to the acquisition, construction, or improvement of the capital assets.

- Restricted – This component of net position consists of assets with external constraints placed on their use. Constraints include those imposed by bond indentures, grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation.

- Unrestricted – This component of net position consists of net amounts of assets, deferred outflows of resources, liabilities and deferred inflow that do not meet the definition of restricted or net investment in capital assets or restricted.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenue and expenses as of and for the periods presented. Actual results could differ from those estimates.

Sources of Revenue - The major sources of revenue are charges for water usage and assessments on land ownership within the District. For the fiscal year ended February 28, 2022, the District established a primary water usage rate of $145.00 per acre foot with an additional lift charge (energy) rate ranging from $7.96 to $39.24 depending on the zone in which the property was located. The District also collects an assessment equal to $16.83 per acre. Parcels less than one acre are charged $16.83. The District also collects a standby charge equal to $31.43 per acre. Parcels less than one acre are charged $31.43. The District also collects a special benefit assessment equal to $28.35 per acre. Parcels less than one acre are charged $28.35. The District also collects a supplemental assessment equal to $65.82 per acre. Parcels less than one acre are charged $65.82. The assessment lien date occurs in August. The first installment is due December 20th and the second is due June 20th. The due dates of the assessments are set by California Water Code Section 26076.

**NOTE 2 - Summary of Significant Accounting Policies (Continued)**

Sources of Revenue (Continued)
Assessment revenues are recorded as income in the District's fiscal year following the levy. Accordingly, the current assessment is classified as deferred income.

Sales Certificates - As per Part 10, Chapter 5, Article 3 of the California Water Code, sales certificates are issued on delinquent assessments in August of the assessment year and notification requirements are met. Once issued, sales certificates accrue interest at a stated rate (currently 3%). If unpaid five years after the date of issuance, the District may issue a collector's deed and acquire title to the property. If a sales certificate is not redeemed within ten years from the original issue date, the sales certificate is written off. This District has $12,401 and $20,048 in outstanding sales certificates as of February 28, 2022 and February 29, 2021, respectively.

Property, Plant and Equipment - The District's property, plant and equipment is recorded at cost. The cost of additional, renewals and betterments are capitalized; repairs and minor replacements are charged to operating expense as incurred. Interests costs incurred that are related to the construction of property are capitalized. Capitalized interest for the fiscal years ended February 28, 2022 and February 28, 2021 was $0.

Depreciation is computed using the straight-line method over the estimated useful life of the assets which generally range for 10 to 40 years for irrigation related assets. The estimated useful life of office equipment and other assets range from five to ten years.

Restricted and Designated Funds - In accordance with provisions of the credit agreements relating to the District's long-term debt obligations, restricted funds held by trustees have been established to provide for certain debt service and project funding requirements. The restricted funds are invested primarily in U.S. Government securities and related instruments with maturities no later than the expected date of the use of funds.

Cash and Cash Equivalents - Cash equivalents include all debt instruments with original maturity dates of three months or less from the date of purchase and all investments in the Local Agency Investment Fund (LAIF). Funds held in the LAIF are reported at the value of its pool shares.

Investments - Investments are carried at their fair market value. Investment income includes both realized gains and losses and the unrealized changes in the fair market value of the investments.

Accounts Receivable - Accounts receivable arise from billings to customers for the sale of irrigation water. The District does not provide an allowance for doubtful accounts and writes off any uncollectible accounts in the period when it is determined to be uncollectible. Historically, such write-offs have been minimal and are not considered material to the financial statements.

Net Position - Net Position is not restricted as to its use. However, reserves are designated by the District's Board of Directors for system maintenance and energy improvements, water supply contingencies, ground water recharge, working capital, and capital repayment (see Note 7).

**NOTE 2 - Summary of Significant Accounting Policies (Continued)**

Joint Powers Agencies/Agreements (JPA's) - The District participates in several JPA's for the purpose of sharing costs with similar agencies to help achieve overall reduced costs. The JPA's that the District participates in are:

Association of California Water Agencies (ACWA)/Joint Powers Insurance Authority
Southern San Joaquin Valley Power Authority
Upper San Joaquin River Water and Power Authority
Friant Power Authority
Eastside Power Authority
Poso Creek Integrated Regional Water Management
Southern San Joaquin Water Coalition (Kern River Watershed Coalition Authority)

Compensated Absences - The District accrues vacation and sick leave earned as liabilities are earned by the employees. For the fiscal years ended February 28, 2022 and February 28, 2021, the total estimated liability for compensated absences was $116,851 and $105,357, respectively.

Self-insurance - Substantially all the District's assets are insured against possible losses from fire and other risks. The District has a policy with the ACWA/Joint Powers Insurance Authority to cover its buildings, equipment, personal property, vehicles, plus other coverage's.

Deferred Compensation Plan/Retirement Plan - The District offers its employees a deferred compensation plan under Internal Revenue Code Section 457 which provides employees the option to defer part of their compensation. The District has the duty of reasonable care in selection of investment alternatives, but neither the District nor its Directors or Officers have any liability for losses under the plan. All deferred compensation assets are held in trust by the District in the name of the deferred plan, and accordingly, the Plan's assets and corresponding liability are not recorded in the accounts of the District.

The District also provides a money purchase plan for all of its permanent full-time employees through a defined contribution plan. Once eligible, the District contributes 10.526% of the participant's salary into the plan. Employees are fully vested in 50% of their account, and following a vesting schedule, are fully vested after seven years of service.

Subsequent Events - Subsequent events have been evaluated through August 5, 2022, which is the date the financial statements were available to be issued.

**NOTE 3 - Cash, Cash Equivalents and Investments**

The District's cash, cash equivalents and investments are in accordance with the California Government Code and its own investment policy. For a complete listing please see Supplementary Information – Deposits and Investments.

All of the District's deposits and investments, except the LAIF, are held in financial institutions. Amounts held in bank accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. Amounts held in the UBS accounts are insured by the Securities Investor Protection Corporation (SIPC) up to $500,000 and by UBS "Net Equity" Excess SIPC program for amounts over $500,000.

The LAIF is a component of the Pooled Money Investment Account Portfolio managed by the California State Treasurer. The portfolio includes some derivative-type products. The fair value of the District's investments approximates the value of its pool shares. Investments in the LAIF are not insured or collateralized. However, due to the stringent investment polices of these funds, management considers the risk of loss of principal to be remote.

**NOTE 3 - Cash, Cash Equivalents and Investments (Continued)**

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. Local financial institutions, under California state law, are required to collateralize local government agency deposits in excess of FDIC insured amounts of $250,000 per institution. As of February 28, 2022 and February 28, 2021 the District had $0 and $215,245 in excess of the FDIC insured limit in its checking account, respectively. As of February 28, 2022 and February 28, 2021 the district had $1,767,000 and $3,909,186 of negotiable certificates of deposits in excess of the FDIC insured amount for single institutions held at various financial institutions located throughout the U.S. These amounts are held in CDARS (Certificate of Deposit Account Registry Service) accounts and automatically deposited with member banks of the CDARS network providing them FDIC insurance coverage.

The District maintains demand deposits and an overnight fund sweep account with Citizens Bank. At times, certain balances held within this account may not be fully guaranteed or insured by the U.S. federal government. The District has not experienced any such losses in the past, and does not believe it is exposed to any significant financial risk on these cash balances.

*Interest Rate Risk – Investments*

The District has a formal investment policy that limits investments maturities except for US treasury bills, notes and bonds, and State government instrumentalities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's specific investments are listed in the supplementary information with their corresponding maturity dates.

*Credit Risk – Investments*

The District's investment policy is in accordance with state law and as such, limits certain investments to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments are held mainly in U.S. agencies that carry the explicit guarantee of the U.S. government. The District's specific investments are listed in the supplementary information and reflect the issuer and carrying value of each investment.

*Concentration of Credit Risk*

The District's investment policy requires diversification of its investment by security type and institution to avoid risk of loss resulting from over concentration of assets in a specific maturity, a specific insurer or a specific class of securities. The District's specific investments are listed in the supplementary information which identifies the issuer, fair value and maturity dates for all investments held.

**NOTE 4 – Participation in Joint Power Authorities**

The District participates in three joint powers authorities (JPA's) organized to develop hydroelectric power for use by public agencies and for other functions related to the purpose of the District. The JPA's are not component units of the District; however, the following are considered joint ventures or jointly governed organizations as defined by GASB No. 14. If the District is to share in the profits and losses of the joint venture, the initial investment is recorded at cost and then adjusted to reflect the joint venture's results of operations. If the District does not have an ongoing financial responsibility for the joint venture's debts, the investment account is not reduced below zero. If the District does not have an ongoing financial interest or an ongoing financial responsibility, the power authority is classified as a jointly governed organization.

| *Joint Ventures*: | 2022 | 2021 |
|---|---|---|
| Friant Power Authority | $ 5,207,479 | $ 5,151,738 |
| Eastside Power Authority | 439,977 | 470,738 |
| Total | $ 5,647,456 | $ 5,622,476 |

**NOTE 4 – Participation in Joint Power Authorities (Continued)**

*a. Friant Power Authority*

The Friant Power Authority (FPA) is comprised of eight special districts to develop hydroelectric power for use by public agencies. The Friant Power Authority (FPA) owns and operates power generating facilities located on the Friant Kern Canal, Madera Canal and the San Joaquin River. During a prior fiscal year, the District invested $2,874,641 in FPA as the District's share of the FPA's outstanding bond indebtedness. The payment of the FPA's outstanding bond indebtedness entitles the participating districts in the FPA to begin receiving their prorata share of the FPA's net operating revenue. The District's percentage share of the FPA's net revenue is 15.25% for Plant #1 and 12.50% for Plant #2, as per FPA's operating agreement.

Condensed financial information as of June 30, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Total Assets | $ 39,103,378 | $ 41,485,990 |
| Total Liabilities | 190,641 | 450,625 |
| Net Position | $ 38,912,737 | $ 41,035,365 |
| Total Revenue | $ 5,312,757 | $ 12,242,240 |
| Total Expenses | 2,525,546 | 3,428,462 |
| Increase / (Decrease) in Net Position | 2,787,211 | 8,813,778 |
| Net Contributions / Distributions from Members | $ 4,909,839 | $ 10,710,725 |

*b. Eastside Power Authority*

The Eastside Power Authority was established for the purpose of undertaking negotiations to study and, if feasible, design, construct and operate a transmission/distributions project with a general alignment along the Friant-Kern Canal. The Authority has since become an Energy Service Provider for the purpose of delivering the member districts their Western Area Power Administration energy entitlement and other sources of generation, and to sell power not required by its members or beneficiaries to other entities, both public and private. Separate financial statements of the Authority are available.

Condensed financial information as of December 31, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Total Assets | $ 3,613,330 | $ 4,019,422 |
| Total Liabilities | 1,023,207 | 1,195,512 |
| Net Position | $ 2,590,123 | $ 2,823,910 |
| Total Revenues | $ 3,850,473 | $ 4,398,823 |
| Total Expenses | 4,084,260 | 4,289,192 |
| (Decrease) / Increase in Net Position | $ (233,787) | $ 109,631 |

**NOTE 5 - Plant, Property and Equipment**

Plant, property and equipment at February 28, 2022 and February 28, 2021, consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Land and buildings | $ 19,847,715 | $ 10,017,633 |
| Improvements | 17,351,630 | 13,060,514 |
| Machinery and equipment | 391,015 | 391,015 |
| Transportation and communication equipment | 481,568 | 481,568 |
| Office equipment and computers | 276,890 | 276,890 |
| White River Basin | 404,710 | 404,710 |
| | 38,753,528 | 24,632,330 |
| Less: Allowance for depreciation | ( 6,969,418 ) | ( 6,348,226 ) |
| Total | 31,784,110 | 18,284,104 |
| Construction in progress (Turnipseed Project) | 6,729,585 | 15,002,650 |
| Water Rights | 23,448,711 | 23,448,711 |
| Total plant, property and equipment | $ 61,962,406 | $ 56,735,465 |

**NOTE 6 - Long-Term Debt**

In November 2010, the District issued bonds to finance its repayment of its capital obligation for the Central Valley Project. The District issued Revenue Certificates of Participation in the aggregate amount of $26,025,000 plus bond premium of $489,409.

Bonds are refunded to retire all or a portion of an outstanding bond issue. Most typically, refundings are done to refinance at a lower interest rate to reduce overall debt service. Certain issues of bonds may be refunded prior to the call date, known as an advance refunding.

On February 1, 2020 the District refunded its bond issue to retire its existing 2010A Certificates of Participation (COP). The District issued Revenue Certificates of Participation (Refunding Revenue Bonds Series 2019A) in the aggregate amount of $14,970,000 plus bond premium of $3,686,779. The District paid $2,511,827 of principal to retire the remaining bonds. The remaining unamortized original issue premium of $155,740 on the 2010A COP was expensed during the fiscal year ended February 29, 2020.

**NOTE 6 - Long-Term Debt(continued)**

Net Proceeds from the bonds issuance were as follows:

| | | |
|---|---|---|
| Principal Amount | $ | 14,970,000 |
| Plus: Original Issue Premium | | 3,686,779 |
| Escrow account | | (163,000) |
| Cost of Issuance: | | (45,605) |
| Net Proceeds | $ | 18,448,174 |

Escrow Account - $163,000 of the net proceeds were transferred to an escrow account for the payment of bond costs of which $151,767 were used to pay cost associated with the issuance as of February 28, 2020.

| Bond Components | Price | Average Coupon | Average Life | Par Value | Principal Paid Through Feb. 28, 2022 | Principal Outstanding Feb. 28, 2022 |
|---|---|---|---|---|---|---|
| Serial Bonds | 100.000 | 5.000% | 15.000 | $ 14,970,000 | $ 1,340,000 | $ 13,630,000 |
| Add: Unamortized Bond Premium 2019A RRB | | | | 3,686,779 | 823,059 | 2,863,720 |
| Total | | | | $ 18,656,779 | $ 2,163,059 | $ 16,493,720 |

The changes in the Bond Debt are comprised as follows:

| | Balance at March 1, 2021 | Additions | Deletions | Balance at Feb. 28, 2022 | Principle and Amortization Due within one year |
|---|---|---|---|---|---|
| 2019A RRB | $ 17,599,555 | $ 0 | $ 1,105,835 | $ 16,493,720 | $ 1,125,914 |

A summary of bond debt service requirements through 2035 and in five-year increments thereafter are as follows:

| Year Ended February 28, | Principal | Interest | Total | Amortization |
|---|---|---|---|---|
| 2023 | 770,000 | 681,500 | 1,451,500 | 355,915 |
| 2024 | 810,000 | 643,000 | 1,453,000 | 339,640 |
| 2025 | 850,000 | 602,500 | 1,452,500 | 321,833 |
| 2026 | 890,000 | 560,000 | 1,450,000 | 302,465 |
| 2027 | 935,000 | 515,500 | 1,450,500 | 281,505 |
| 2028-2031 | 4,230,000 | 1,570,750 | 5,800,750 | 879,612 |
| 2032-2035 | 5,145,000 | 658,500 | 5,803,500 | 382,750 |
| Total | $ 13,630,000 | $ 5,231,750 | 18,861,750 | $ 2,863,720 |

**NOTE 7 – Board Designated Reserves**

During the fiscal year the Board revised their Reserve Funds Policy and Guidelines. The revised policy, adopted February 2022, reflects the following targeted minimum reserve amounts and actual reserves of net position:

| | Target | 2022 | 2021 |
|---|---|---|---|
| Energy Projects and Systemmtce./Improvements | $ 2,000,000 | $ 2,000,000 | $ 2,000,000 |
| Water supply contingencies | 0 | 0 | 0 |
| Rate Stabilization | 4,000,000 | 4,000,000 | 4,000,000 |
| Ground Enhancement and Banking Projects | 35,000,000 | 17,005,682 | 21,005,682 |
| CVP Capital Repayment | 3,650,000 | 3,650,000 | 3,650,000 |
| Water Quality Issues and projects | 500,000 | 31,286 | 31,286 |
| Total | $ 45,150,000 | $ 26,686,968 | $ 30,686,968 |

**NOTE 8 - Purchased Water Costs**

*CVPIA (b)(2) Water.* The CVP Improvement Act, among other things, allocates a substantial quantity of CVP water to environmental restoration and maintenance. The Secretary of Interior is currently restricted from releasing water at Friant Dam to meet the goals of that Act, but Congress has reserved the right to reconsider the restriction at the conclusion of the environmental review required by the Act. Release of water at Friant Dam will reduce water supply available to Delano Earlimart Irrigation District. The District is participating in and monitoring the various proceedings under the Act. As a result of the settlement in the *NRDC v. Rogers's* case, the Secretary's CVPIA obligation to release water at Friant is resolved by the settlement's implementing legislation.

The Bureau of Reclamation (U.S. Department of the Interior) sets the water rate charged to the District each year for water delivered through the Central Valley Project (CVP). In prior years the water rate included components for capital repayment for construction costs on the CVP and operation and maintenance (O&M) costs to deliver water. After the District repaid its capital obligation for the Central Valley Project, the water rate charged by the Bureau of Reclamation is based on O&M costs. Costs are reviewed and rates adjusted each year depending upon the actual results of operations. If an overpayment exists, the District has the right to receive payment or to apply the overpayment to its share of the capital repayment costs. If an underpayment exists, the District has 30 days to pay the deficit amount. For the fiscal year 2020-2021, the District paid $0 in O&M costs. For the fiscal year 2021-2022, the District paid $0.

**NOTE 9 – Fair Value Measurements**

As discussed in Note 2, GASB 72 was adopted in 2018. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). DEID utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB No. 72 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs that reflect DEID's own assumptions about factors that market participants would use in pricing the asset or liability.

## NOTE 9 – Fair Value Measurements (Continued)

The valuation methods of the fair value measurements are as follows:

- LAIF – uses the fair value of the pool's share price multiplied by the number of shares held. This pool can include a variety of investments such as U.S. government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, and other investments. The fair values of the securities are generally based on quoted market prices.

- Certificates of deposit – uses a market approach based on institutional note quotes. Evaluations are based on various market and industry inputs.

- Government Sponsored Enterprises – uses a market based approach which considers yield, price of comparable securities, coupon rate, maturity, credit quality and dealer provided prices.

- U.S. Treasury Notes – uses prices quoted in active markets for those securities.

The following table identifies the level within the fair value hierarchy that DEID's financial assets and liabilities were accounted for on a recurring basis as of February 28, 2022. As required by GASB 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. DIED's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

| | Fair value as of February 28, 2022 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Total** |
| **Investments, including cash and cash equivalents** | | | |
| Local Agency Investment Fund | $ 0 | $ 20,504,764 | $ 20,504,764 |
| Government Sponsored Enterprises | 0 | 111,290 | 111,290 |
| Certificates of Deposit | 0 | 2,017,000 | 2,017,000 |
| Money market funds | 0 | 507,164 | 507,164 |
| Mutual funds | 0 | 6,122,521 | 6,122,521 |
| | $ 0 | $ 29,262,739 | $ 29,262,739 |

| | Fair value as of February 28, 2021 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Total** |
| **Investments, including cash and cash equivalents** | | | |
| Local Agency Investment Fund | $ 0 | $ 24,363,471 | $ 24,363,471 |
| Government Sponsored Enterprises | 0 | 159,645 | 159,645 |
| Certificates of Deposit | 0 | 4,159,186 | 4,159,186 |
| Money Market Funds | 0 | 2,546,018 | 2,546,018 |
| | $ 0 | $ 31,228,320 | $ 31,228,320 |

**NOTE 10 - Friant-Kern Canal Improvements**

The District has contracted with the United States Department of the Interior Bureau of Reclamation (Reclamation) for Project Water Service from the Friant Division and Facilities Repayment (Contract No. 175r-3327D) (Repayment Contract). Friant Water Authority (FWA) is the operating non-federal entity of the Friant-Kern Canal (FKC) and associated works pursuant to that certain transferred works agreement (Contract No. 9-07-20-XO356-X, as amended) by and between FWA and the United States of America, acting through the Bureau of Reclamation (Transfer Agreement). FWA has obligated itself contractually to Reclamation to undertake a project to restore capacity to the “middle reach” of the FKC, commonly referred to as the FKC Middle Reach Capacity Correction Project (Project or MRCCP).

In May 2019, the FWA Board of Directors adopted Resolution No. 2019-02, whereby the Board determined that the amount of $50 million represented a fair and reasonable preliminary amount for FWA and affected Friant Contractors to use for the purposes of establishing a cost-share obligation for the estimated Project costs. As a result of FWA Resolution No. 2019-02 and a Memorandum of Understanding between the District and FWA dated May 14, 2021 (the MOU), the District has agreed to contribute its portion of $50 million pursuant to the OM&R formula as provided for in the Transfer Agreement (the District Contribution). The District committed to making the District Contribution in the approximate cumulative amount of $7,585,000 in payments in accordance with a payment schedule provided by FWA. In the event that the costs of the FKC Middle Reach Capacity Correction Project exceed the total costs of the FKC Middle Reach Capacity Correction Project that FWA has determined as of the date of the District’s commitment and upon which the District Contribution is based, the District does not believe it is obligated under its Repayment Contract with Reclamation to contribute any amounts in excess of the District Contribution described in the MOU without the consent of the District.

Costs associated with the MRRCP are included in Source of Supply on the Statement of Activities and Changes in Net Position. However, the amounts will be excluded from Source of Supply for purposes of debt coverage calculation as they are payable by the District after payment of principal and interest on the District’s 2019A Revenue Refunding Bonds consistent with the Indenture of Trust relating to such Bonds and as described in the Official Statement relating to such Bonds.

Costs associated with the MRCCP for the fiscal-year ended February 28, 2022 and February 28, 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Middle Reach Capacity Correction Project | $ 3,257,974 | $ 773,995 |

SUPPLEMENTARY INFORMATION

## *Delano-Earlimart Irrigation District*

Supplementary Information - Operating Revenue and Expenses
For the Years Ended February 28, 2022 and February 28, 2021

| | 2022 | 2021 |
|---|---|---|
| OPERATING REVENUE | | |
| Sales - water | $ 7,632,187 | $ 14,656,660 |
| Sales - power (District - lift charges) | 360,863 | 767,283 |
| Friant Power Authority | 360,012 | 534,441 |
| Eastside Power Authority | (30,761) | 15,234 |
| Facility use (wheeling) | 6,487 | 5,757 |
| Assessments - irrigation | 6,034,468 | 5,851,758 |
| Assessments - irrigation (revenue fund) | 1,547,598 | 1,543,087 |
| Other | 191,969 | 278,226 |
| Grant income | 995,103 | - |
| Total operating revenue | 17,097,926 | 23,652,446 |
| OPERATING EXPENSES | | |
| Source of Supply | | |
| Water purchases | 4,634,561 | 6,942,383 |
| Water supply assessments and regulatory costs | 330,946 | 347,616 |
| Pumping costs | 520,644 | 683,762 |
| Canal maintenance and operation - Friant-Kern Canal (FKC) | 4,669,258 | 2,314,843 |
| Canal maintenance and operation - Delta-Mendota Canal (DMC) | 3,111,811 | 2,298,183 |
| Total source of supply | 13,267,220 | 12,586,787 |
| Transmission and distribution | | |
| Salaries and wages | 594,543 | 510,451 |
| Repairs and maintenance | 292,728 | 441,466 |
| Total transmission and distribution | 887,271 | 951,917 |
| General and administrative | | |
| Salaries and wages | 533,743 | 401,505 |
| Employee benefits | 348,002 | 357,994 |
| Fuel | 31,092 | 29,001 |
| Maintenance - equipment | 27,577 | 22,005 |
| Maintenance - general | 74,804 | 83,941 |
| Ground water mapping | 0 | 7,394 |
| Utilities and telephone | 34,991 | 30,155 |
| Office expense | 42,936 | 43,376 |
| Insurance | 38,390 | 41,553 |
| Professional and legal | 290,833 | 383,391 |
| Dues and subscriptions | 317,082 | 243,458 |
| Travel and training | 18,433 | 5,986 |
| Total general and administrative | 1,757,883 | 1,649,759 |
| Depreciation and amortization | 621,192 | 593,001 |
| Total operating expenses | 16,533,566 | 15,781,464 |
| NET OPERATING INCOME | $ 564,360 | $ 7,870,982 |

## *Delano-Earlimart Irrigation District*

Supplementary Information - Non-Operating Revenue and Expenses

For the Years Ended February 28, 2022 and February 28, 2021

| | | 2022 | | 2021 |
|---|---|---|---|---|
| NON-OPERATING REVENUE | | | | |
| Interest and dividends earned | $ | 171,070 | $ | 486,467 |
| Unrealized (loss) gain on investments | | (257,502) | | (7,995) |
| Penalties, interest assessed & certificates of sale | | 9,295 | | 42,026 |
| Other non-operating revenue | | 834 | | 1,666 |
| Rent | | 82,848 | | 122,994 |
| TOTAL NON-OPERATING REVENUE | $ | 6,545 | $ | 645,158 |
| | | | | |
| NON-OPERATING EXPENSES | | | | |
| Investment expenses | $ | 12,470 | $ | 34,081 |
| Interest expense | | 347,415 | | 400,233 |
| TOTAL NON-OPERATING EXPENSES | $ | 359,885 | $ | 434,314 |

## *Delano-Earlimart Irrigation District*

Supplementary Information - Deposits and Investments

February 28, 2022

| **Cash & Cash Equivalents** | | Cost | | Value |
|---|---|---|---|---|
| Citizen's Business Bank - Checking Account | $ | 0 | $ | 0 |
| Local Agency Investment Fund | | 20,504,764 | | 20,504,764 |
| UBS Financial Services - cash and cash equivalents | | 74,974 | | 74,974 |
| First Security Bank - cash and cash equivalents | | 432,555 | | 432,555 |
| US Bank - cash and cash equivalents | | 9,186 | | 9,186 |
| Cash on Hand | | 261 | | 261 |
| **Total Cash & Cash Equivalents** | $ | **21,021,740** | $ | **21,021,740** |

| **Long-Term Investments** | Avg Rate | Avg Months to Maturity | | Cost | | Value |
|---|---|---|---|---|---|---|
| **Held by UBS Financial Services Inc.:** | | | | | | |
| Asset Backed Securities | 5.875% | 119 | $ | 85,941 | $ | 111,290 |
| **Held By First Security Bank:** | | | | | | |
| Certificates of Deposit | 0.808% | 10 | | 2,017,000 | | 2,017,000 |
| US Government Mutual Funds | | | | 6,383,107 | | 6,122,521 |
| **Total Long-Term Investment** | | | **$** | **8,486,048** | **$** | **8,250,811** |

## *Delano-Earlimart Irrigation District*

Supplementary Information - Budgetary Comparison Schedule
For the Year Ended February 28, 2022

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| OPERATING REVENUE | | | |
| Sales - water | $ 6,855,200 | $ 7,632,187 | $ 776,987 |
| Sales - power (District - lift charges) | 348,759 | 360,863 | 12,104 |
| Friant Power Authority | 250,000 | 360,012 | 110,012 |
| Eastside Power Authority | 0 | (30,761) | (30,761) |
| Facility use (wheeling) | 6,487 | 6,487 | 0 |
| Assessments - irrigation | 5,970,121 | 6,034,468 | 64,347 |
| Assessments - irrigation (revenue fund) | 1,528,381 | 1,547,598 | 19,217 |
| Other | 0 | 191,969 | 191,969 |
| Grant income | 0 | 995,103 | 995,103 |
| Total operating revenue | 14,958,948 | 17,097,926 | 2,138,978 |
| OPERATING EXPENSES | | | |
| Source of supply | | | |
| Water purchases | 3,748,942 | 4,634,561 | (885,619) |
| Water supply assessments and regulatory costs | 215,432 | 330,946 | (115,514) |
| Pumping costs | 353,624 | 520,644 | (167,020) |
| Canal maintenance and operation - Friant-Kern Canal (FKC) | 4,231,607 | 4,669,258 | (437,651) |
| Canal maintenance and operation - Delta-Mendota Canal (DMC) | 3,300,557 | 3,111,811 | 188,746 |
| Total source of supply | 11,850,162 | 13,267,220 | (1,417,058) |
| Transmission and distribution | | | |
| Salaries and wages | 626,631 | 594,543 | 32,088 |
| Repairs and maintenance | 366,744 | 292,728 | 74,016 |
| Total transmission and distribution | 993,375 | 887,271 | 106,104 |
| General and administrative | | | |
| Salaries and wages | 583,840 | 533,743 | 50,097 |
| Employee benefits | 401,859 | 348,002 | 53,857 |
| Fuel | 30,372 | 31,092 | (720) |
| Maintenance - equipment | 32,290 | 27,577 | 4,713 |
| Maintenance - general | 60,028 | 74,804 | (14,776) |
| Ground water mapping | 23,000 | 0 | 23,000 |
| Utilities and telephone | 39,432 | 34,991 | 4,441 |
| Office expense | 36,060 | 42,936 | (6,876) |
| Insurance | 49,291 | 38,390 | 10,901 |
| Professional and legal | 426,936 | 290,833 | 136,103 |
| Dues and subscriptions | 491,017 | 317,082 | 173,935 |
| Capital improvements | 10,950,922 | 0 | 10,950,922 |
| CVP bond payments | 1,453,250 | 0 | 1,453,250 |
| Travel and training | 39,155 | 18,433 | 20,722 |
| Total general and administrative | 14,617,452 | 1,757,883 | 12,859,569 |
| Depreciation and amortization | 0 | 621,192 | (621,192) |
| Total operating expenses | 27,460,989 | 16,533,566 | 10,927,423 |
| NET OPERATING INCOME | $ (12,502,041) | $ 564,360 | $ 13,066,401 |

## *Delano-Earlimart Irrigation District*

Supplementary Information - Budgetary Comparison Schedule (continued)

For the Year Ended February 28, 2022

| | Budget | Actual | Variance Favorable (unfavorable) |
|---|---|---|---|
| NON-OPERATING REVENUE | | | |
| Interest and dividends earned | $ 126,000 | $ 171,070 | $ 45,070 |
| Unrealized loss on investments | 0 | (257,502) | (257,502) |
| Penalties, interest assessed & certificates of sale | 30,000 | 9,295 | (20,705) |
| Other non-operating revenue | 0 | 834 | 834 |
| Rent | 24,734 | 82,848 | 58,114 |
| TOTAL NON-OPERATING REVENUE | $ 180,734 | $ 6,545 | $ (174,189) |
| NON-OPERATING EXPENSES | | | |
| Investment expenses | $ 0 | $ 12,470 | $ (12,470) |
| Interest expense | 0 | 347,415 | (347,415) |
| TOTAL NON-OPERATING EXPENSES | $ 0 | $ 359,885 | $ (359,885) |
| NET CHANGE IN NET POSITION | $ (12,321,307) | $ 211,020 | $ 12,532,327 |