

LINDSAY-STRATHMORE IRRIGATION DISTRICT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2021 AND 2020

LINDSAY-STRATHMORE IRRIGATION DISTRICT

DECEMBER 31, 2021 AND 2020

BOARD OF DIRECTORS / ADMINISTRATION

Jeff Tienken	President
Dennis Imoto	Vice-President
Starr Warson	Member
Mike George	Member
Cliff Loeffler	Member
Craig Wallace	General Manager
Jennifer Thomas	Controller

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Independent Auditors' Report

Board of Directors
Lindsay-Strathmore Irrigation District

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lindsay-Strathmore Irrigation District (the District), as of and for the years ended December 31, 2021 and 2020, 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 Lindsay-Strathmore Irrigation District, as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements 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 opinion.

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 opinion. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, as of and for the year ended December 31, 2021. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

M Queen and Company LLP

Visalia, California
October 10, 2022

LINDSAY-STRATHMORE IRRIGATION DISTRICT

**STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020**

ASSETS

	2021	2020
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 4,173,779	\$ 4,681,026
Cash investments	3,079,955	3,091,628
Accounts receivable	1,611,955	1,185,571
Inventories	307,799	291,338
Prepaid expenses	291,934	153,268
	9,465,422	9,402,831
 <u>RESTRICTED ASSETS:</u>		
Cash and cash equivalents	424,150	155,400
 <u>NON-CURRENT ASSETS:</u>		
Other Assets:		
Investments in power authorities	5,857,390	5,828,850
Other investments	50,870	50,870
	5,908,260	5,879,720
 Capital Assets:		
Land	754,203	754,203
Permanent right to water	5,438,007	5,438,007
Construction in progress	6,199,650	1,071,444
Depreciable assets:		
Source of supply	303,946	258,861
Pumping plant	2,750,372	2,621,429
Water treatment	1,745,332	1,745,332
Transmission and distribution	7,472,867	7,358,958
General plant and other	1,085,634	1,058,036
Less: accumulated depreciation	(9,017,959)	(8,716,486)
	16,732,052	11,589,784
Total capital assets	16,732,052	11,589,784
Total non-current assets	22,640,312	17,469,504
	\$ 32,529,884	\$ 27,027,735
Total assets	\$ 32,529,884	\$ 27,027,735

LINDSAY-STRATHMORE IRRIGATION DISTRICT

**STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020**

LIABILITIES AND NET POSITION

<u>CURRENT LIABILITIES:</u>	<u>2021</u>	<u>2020</u>
Accounts payable	\$ 470,205	\$ 243,812
Accrued expenses	221,243	162,568
Current portion of long term debt	466,295	270,345
Total current liabilities	<u>1,157,743</u>	<u>676,725</u>
<u>NON-CURRENT LIABILITIES:</u>		
Deferred compensation	2,776	2,776
Deferred revenue	1,693	-
Notes payable, net of current portion	4,154,439	4,431,734
Revenue certificates of participation, net of current portion	4,712,741	-
Total non-current liabilities	<u>8,871,649</u>	<u>4,434,510</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Total liabilities and deferred inflows of resources	<u>11,551,974</u>	<u>1,448,149</u>
<u>NET POSITION:</u>		
Net investment in capital assets	7,398,577	6,887,705
Restricted	608,249	339,499
Unrestricted	12,971,084	13,241,147
Total net position	<u>20,977,910</u>	<u>20,468,351</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 32,529,884</u>	<u>\$ 27,027,735</u>

The accompanying notes are an integral part of these statements.

LINDSAY-STRATHMORE IRRIGATION DISTRICT

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

OPERATING REVENUES:

	2021	2020
Water sales	\$ 7,671,939	\$ 5,222,866
Standby charges	298,919	208,039
Material and labor sales	15,644	18,692
Total operating revenues	7,986,502	5,449,597

OPERATING EXPENSES:

Source of supply	621,827	596,123
Pumping	1,200,690	1,368,770
Transmission and distribution	254,286	336,862
Purchased water	4,921,356	2,126,164
Water treatment	146,825	104,030
Cost of materials sold	15,530	16,962
Customer accounts	351,915	297,385
Administrative and general	1,586,721	1,733,964
Depreciation	288,615	270,078
Total operating expenses	9,387,765	6,850,338

Operating loss	(1,401,263)	(1,400,741)
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NON-OPERATING REVENUES (EXPENSES):

Property assessments	1,463,273	539,180
Rancho De Kaweah Lease	76,958	141,402
Interest and dividend income	48,357	91,386
Miscellaneous income	356,570	74,528
Income from investment in Friant Power Authority	208,396	647,874
Loss from investment in Eastside Power Authority	(46,486)	21,799
O & M refund	40,776	-
Wutchumna pumping revenue	24,739	307,240
ESPA management revenue, net of expenses	15,000	11,250
Loss on asset disposition	(52,814)	(16,316)
Unrealized gain (loss) on investments	(40,790)	3,714
Interest expense	(183,157)	(251,447)
Total nonoperating revenues	1,910,822	1,570,610

Increase in net position	509,559	169,869
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Net position, January 1	20,468,351	20,298,482
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Net position, December 31	\$ 20,977,910	\$ 20,468,351
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The accompanying notes are an integral part of these statements.

LINDSAY-STRATHMORE IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2021</u>	<u>2020</u>
Cash received from customers	\$ 7,560,118	\$ 4,843,874
Cash payments to suppliers	(8,157,063)	(4,908,130)
Cash payments to employees	(736,020)	(823,062)
Net cash used by operating activities	<u>(1,332,965)</u>	<u>(887,318)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest and dividends received	48,357	91,386
Decrease (increase) in cash investments	11,673	(65,503)
Received from investment in power authorities	133,370	95,935
Net cash provided by investing activities	<u>193,400</u>	<u>121,818</u>
 <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>		
Received from assessments	1,463,273	539,180
Other receipts	473,251	1,212,117
Net cash provided by non-capital financing activities	<u>1,936,524</u>	<u>1,751,297</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition of capital assets	(605,234)	(811,415)
Proceeds from borrowings	-	4,736,200
Repayment of long-term debt	(271,845)	(5,198,493)
Proceeds from sale of capital assets	24,780	-
Interest paid	(183,157)	(251,448)
Net cash used by capital and related financing activities	<u>(1,035,456)</u>	<u>(1,525,156)</u>
 Net decrease in cash and cash equivalents	(238,497)	(539,359)
 Cash and cash equivalents, beginning of the year	<u>4,836,426</u>	<u>5,375,785</u>
 Cash and cash equivalents, end of the year	<u>\$ 4,597,929</u>	<u>\$ 4,836,426</u>
 <u>Cash Summary</u>		
Current Assets:		
Cash and cash equivalents	\$ 4,173,779	\$ 4,681,026
Restricted Assets:		
Cash and cash equivalents	<u>424,150</u>	<u>155,400</u>
 Total cash and cash equivalents	<u>\$ 4,597,929</u>	<u>\$ 4,836,426</u>

The accompanying notes are an integral part of these statements.

LINDSAY-STRATHMORE IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

RECONCILIATION OF OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES:

Operating loss	\$ (1,401,263)	\$ (1,400,741)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	288,615	270,078
(Increase) decrease in:		
Accounts receivable	(426,384)	(605,723)
Prepaid expenses	(138,666)	(14,572)
Inventories	(16,461)	(4,824)
Increase (decrease) in:		
Accounts payable	226,393	(53,919)
Accrued liabilities	58,675	173
Deferred revenue	76,126	922,210
Total adjustments	<u>68,298</u>	<u>513,423</u>
Net cash used by operating activities	<u>\$ (1,332,965)</u>	<u>\$ (887,318)</u>

SUPPLEMENTAL CASH FLOW DISCLOSURES

Non-cash financing activities:		
Acquisition of capital assets	\$ 5,508,475	\$ -
Less financed through issuance of long-term debt	(4,903,241)	-
Net cash used for acquisition of capital assets	<u>\$ 605,234</u>	<u>\$ -</u>
Proceeds from issuance of long-term debt	\$ 4,903,241	\$ -
Less acquisition of capital assets	(4,903,241)	-
Net cash provided by debt proceeds	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 1 – Nature of Organization

Lindsay-Strathmore Irrigation District (the District) was established under the 1887 Wright Irrigation Act on October 25, 1915 and is governed by a Board of Directors. Principal functions of the District include the importation, conservation and distribution of water. District operations are conducted under the State Water Code of California.

District Reorganization

On January 22, 2020, Tulare County's Local Agency Formation Commission (LAFCO) approved changes to the District's boundaries. Approximately 229 acres of land were proposed for annexation and 310 acres of land for detachment at various locations.

NOTE 2 – Summary of Significant Accounting Policies

Financial 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 includes whether:

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Lindsay-Strathmore Irrigation District consists of all funds, departments, boards and agencies that are not legally separate from the Lindsay-Strathmore Irrigation District. For the District, this includes the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements based on the criteria set forth in GASB Statement No. 61, "The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34". Based on the criteria, the District has a component unit. The Lindsay-Strathmore Irrigation District Financing Corporation, although a legally separate entity, is reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the acquisition of a permanent water right for the District from the United States Bureau of Reclamation.

Financing Corporation: The Lindsay-Strathmore Irrigation District Financing Corporation (the Corporation) is a nonprofit, public benefit corporation incorporated under the laws of the State of California. The Corporation was formed to provide financing assistance to the District for acquisition of a permanent water right for the District from the United States Bureau of Reclamation. Debt issued by the Corporation is included as long-term obligations in the financial statements. Individually prepared financial statements are not prepared for the Corporation.

Fund Accounting

The operations of the District are accounted for in an enterprise fund. 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.

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 2 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting

These financial statements are reported using the economic resources measurement focus. Basis of accounting refers to when revenues and expenditures or 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 expenditures or expenses are recorded when incurred.

Budgetary Procedures

The District operates under a budget prepared by management and approved annually by the Board of Directors. The budget is prepared on a detailed line item basis. Revenues are budgeted by source, and expenditures or expenses are budgeted by use (source of supply, pumping, transmission and distribution, administrative and general, other operating and property acquisitions.) Once approved, the Board of Directors may amend the adopted budget when unexpected modifications are required in estimated revenues and expenses.

Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities.

Cash and Cash Equivalents

The District maintains its cash accounts as authorized by the California Government Code (the Code) and is further defined by the District's Investments Policy which is reviewed annually by the Board of Directors.

For purposes of these financial statements, the District considers all highly liquid investments (including restricted cash and investments) with original maturities of three months or less at December 31, 2021 and 2020 at purchase to be cash and cash equivalents. This includes bank accounts, money market funds, and deposits with the State of California Local Agency Investment Fund (LAIF).

Allowance for Doubtful Accounts

The District considers all accounts receivable to be fully collectible. Therefore, an allowance for doubtful accounts is not reflected in these financial statements.

Inventories

The inventory consists of water meters, water pipes, valves and fittings. Inventories are priced at the lower of cost or market using the first-in, first-out method.

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 2 – Summary of Significant Accounting Policies (continued)

Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.

Investments in Power Authorities

For investments in power authorities classified as joint ventures, where the District participates in the profit and losses of the joint venture, the initial investment is recorded at cost and adjusted to reflect the District's share of the joint venture's profits or losses. If the District is involved in joint control of the power authority, but there is not an ongoing financial interest or ongoing financial responsibility, the entity is a jointly governed organization and not a joint venture.

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows

- Level 1 Inputs: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 Inputs: Inputs to valuation methodology include inputs - other than quoted prices included within Level 1 - that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Capital Assets

The cost of additions to the utility plant and major replacements of retired units of property are capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead and interest on funds borrowed to finance construction. The District did not capitalize interest for the years ended December 31, 2021 and 2020. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in fund net position. The cost of current repairs, maintenance and minor replacements is charged to expense as incurred. Construction in progress, if any, primarily relates to upgrades of existing facilities.

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 2 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciation is recorded using the straight-line methods over the following estimated useful lives:

Structures, Reservoirs, Pumps and Other Improvements	20-50 years
Office Furniture, Fixtures and Equipment	2-10 years
Motor Vehicles	5 years

Water Rights

The District contracted with the United States Bureau of Reclamation (USBR) on November 17, 2010, to receive 27,500 acre-feet of Class 1 Water for irrigation and municipal and industrial (M & I) purposes. This cost represents the full repayment of obligations owing the USBR for Friant Division facilities development. Water rights are recorded at cost and are not being amortized or depreciated as these rights are perpetually held by the District.

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 expenditures in the year that sick leave is taken.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period and therefore, will not be recognized as an outflow of resources (expense/expenditure) until that time. The District did not have any items that qualified for reporting in this category for the years ended December 31, 2021 and 2020.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time.

Assessments

Property assessments are billed in November for the following year, therefore these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

Water Transfers/Exchanges Accounts

The District engages in water transfers and exchanges with several entities. Unless a specific price is stated in the agreement the water receivable or payable is valued at the per acre foot price the District is paying for Friant Class 1 water at the reporting date

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 2 – Summary of Significant Accounting Policies (continued)

Net Position 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:

Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets and increased by balances of deferred outflows of resources related to 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 and deferred inflows of resources related to the restricted 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.

When an expense is incurred for the purpose for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The District's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes the decision on a transactional basis at the incurrence of the expenditure.

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 expenditures or expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income Taxes

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

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 3 – Cash and Cash Equivalents and Investments

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.

Cash and cash equivalents, and cash investments are presented at December 31, 2021 and 2020, were as follows:

	2021	2020
Cash and cash equivalents, unrestricted:		
Cash	\$ 1,469,659	\$ 1,990,738
Money Market funds	3,402	1,488
Local Agency Investment Fund	2,661,406	2,650,526
Employee Deferred Compensation	2,776	2,776
Strathmore/Tonyville Plant	36,536	35,498
Total cash and cash equivalents	\$ 4,173,779	\$ 4,681,026
Cash and cash equivalents, restricted:		
USDA Reserve Account	424,150	155,400
Total cash and cash equivalents	\$ 424,150	\$ 155,400
Total cash and cash equivalents	\$ 4,597,929	\$ 4,836,426
Cash Investments:		
Government Mutual Funds	2,462,955	1,320,628
Certificates of Deposit	617,000	1,771,000
Total investments	\$ 3,079,955	\$ 3,091,628
Total cash and cash equivalents and investments	\$ 7,677,884	\$ 7,928,054

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 in accounts which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The carrying amount of the District's cash deposits were \$1,933,020 and \$2,182,399 as of December 31, 2021 and 2020, respectively. Bank balances as of December 31, 2021 and 2020 were \$2,459,291 and \$2,274,759, respectively. As of December 31, 2021 and 2020, of the District's bank balance, \$253,402 and \$251,488, respectively, were insured by the Federal Depository Insurance Corporation, out of a maximum insurance coverage of \$250,000 per bank. The remaining balances of \$2,205,889 and \$2,023,271 at December 31, 2021 and 2020, respectively, are collateralized by the pledging financial institution as required by California Government Code.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$500,000 of the District's investments are covered by the SIPC.

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 3 – Cash and Cash Equivalents and Investments (continued)

Investments Authorized by the California Government Code and the District's Investment Policy

The District's investment policy authorizes investments in the Local Agency Investment Fund (LAIF) administered by the State of California and in a bank or savings association account fully insured by the Federal Deposit Insurance Corporation (FDIC). In addition, the District also authorizes investments in the following investment instruments: banker's acceptances, treasury bills and notes, government agency securities, commercial paper and repurchase agreements. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk and concentration of credit risk.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio.) The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Separate complete financial statements are available at P.O. Box 942809, Sacramento, CA 94209-0001.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of December 31, 2021:

Investment Type	Fair Value	Remaining Maturity				Fair Value Measurement
		12 Months or Less	1-3 Years	3-5 Years	5+ Years	
Government Mutual Funds	\$ 2,462,955	\$ 2,462,955	\$ -	\$ -	\$ -	Level 1 Inputs
Certificates of Deposit	617,000	-	617,000	-	-	Level 1 Inputs
Totals	\$ 3,079,955	\$ 2,462,955	\$ 617,000	\$ -	\$ -	

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 – Cash and Cash Equivalents and Investments (continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, or the District’s investment policy. Investments marked “exempt” are those investment types for which GASB Statement No. 40, Deposit and Investment Risk Disclosures, does not require disclosure as to credit risk:

<u>Investment Type</u>	<u>Credit Rating</u>
Government Mutual Funds	AAA
Certificates of Deposit	Not Rated

Custodial Credit Risk

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

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 4 – Accounts Receivable

The District has the following accounts receivables:

	<u>2021</u>	<u>2020</u>
Water sales receivable	\$ 159,643	\$ 202,839
Material sales receivable	11,177	11,227
Property assessments receivable	689,255	676,845
Standby charges receivable	36,427	59,957
LAIF receivable	-	14,977
Other receivables	<u>715,453</u>	<u>219,726</u>
Total accounts receivable	<u>\$ 1,611,955</u>	<u>\$ 1,185,571</u>

The District utilizes the direct write-off method to account for uncollectible accounts. If the reserve method of accounting for uncollectible accounts were used, it would not have a material effect on these financial statements.

NOTE 5 – Restricted Net Position

At December 31, 2021 and 2020, the District's restricted assets consisted of the following:

	<u>2021</u>	<u>2020</u>
Installment Purchase Agreement restricted reserve	\$ 184,099	\$ 184,099
USDA reserve account	<u>424,150</u>	<u>155,400</u>
Total restricted assets	<u>\$ 608,249</u>	<u>\$ 339,499</u>

Under the new installment purchase agreement Trust Agreement for the Revenue Certificates of Participation, Series 2010A, a reserve fund must be maintained to ensure sufficient funds are available for semi-annual payments according to the terms of the Certificates.

The District has established a reserve cash account to be set aside for the purpose of meeting the requirements of a USDA loan in the future.

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 6 – Investments in Power Authorities

The District participates in multiple joint power agreements organized to develop hydroelectric power for use by public agencies and for other functions related to the purpose of the District. The power authorities are not component units of the District, however, the following are considered joint ventures or jointly governed. 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.

	2021	2020
Eastside Power Authority	\$ 515,025	\$ 561,512
Friant Power Authority	5,342,365	5,267,338
Total investments in power authorities	\$ 5,857,390	\$ 5,828,850

Eastside Power Authority

The Eastside Power Authority (ESPA) 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. ESPA has since become an Energy Service Provider for the purpose of delivering the member districts their Western Area Power Administration energy entitlement. For the years ended December 31, 2021 and 2020, the District paid ESPA \$818,489 and \$852,851, respectively, and carried an accounts payable balance of \$71,571 and \$42,459, respectively, for electrical costs. The District's equity interest in ESPA at December 31, 2021 and 2020 changed by \$(46,486) and \$21,799, respectively. Separate financial statements of the Authority are available at info@eastsidepa.org.

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)
Change in net position	(233,787)	109,631
Net position, beginning of year	2,823,910	2,714,279
Net position, end of year	\$ 2,590,123	\$ 2,823,910

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 6 – Investments in Power Authorities (continued)

Friant Power Authority

The Friant Power Authority (FPA) is comprised of eight irrigation districts to develop hydroelectric power for use by public agencies. FPA currently operates a plant at the Friant Dam. Prior to December 2001, Lindsay-Strathmore Irrigation District was not liable for capital contributions or bond retirement for FPA and therefore, the FPA was not classified as a joint venture (no ongoing financial interest or financial responsibility). In December 2001, the FPA paid off revenue bonds (the holder of the bonds had a right to the FPA's earnings) and the District then reestablished a financial interest at that time. Separate financial statements of FPA are available. In 2021 and 2020, the District received \$133,369 and \$783,198, respectively, in power and other revenue and paid \$16,394 and \$1,196, respectively, in hydro-power development costs. For the year ended December 31, 2021 and 2020, the District carried an accounts payable balance of \$0 and \$16,394, respectively. The FPA's accounting year end is June 30 and issues a separate annual financial report. Copies may be requested at Friant Power Authority, 18015 North Fork Rd, Friant, California 93626.

Condensed financial statements as of June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Total assets	\$ 39,103,378	\$ 41,485,990
Total liabilities	(190,641)	(450,625)
Net position	<u>\$ 38,912,737</u>	<u>\$ 41,035,365</u>
Total revenues	\$ 5,312,757	\$ 12,242,240
Total expenses	(2,525,546)	(3,428,462)
Change in net position	<u>2,787,211</u>	<u>8,813,778</u>
Net position, beginning of year	41,035,365	42,932,312
Contribution from members	-	9,569
Distributions to members	(4,909,839)	(10,720,294)
Net position, end of year	<u>\$ 38,912,737</u>	<u>\$ 41,035,365</u>

NOTE 7 – Other Investments

The District has invested money into the following water and power projects:

	<u>2021</u>	<u>2020</u>
Wutchumna Water Co. Stock	\$ 21,903	\$ 21,903
Upper San Joaquin River Water and Power Authority	<u>28,967</u>	<u>28,967</u>
Total other investments	<u>\$ 50,870</u>	<u>\$ 50,870</u>

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 8 – Capital Assets

Construction in progress includes active construction projects and engineering and planning costs for future construction projects. The project managers of each of the future water projects are annually re-evaluating the projects' objectives with the member districts as to the feasibility of the projects. If any of the projects are discontinued, the District would lose their investment. As of the date of this report all projects are considered active projects by the District's management.

Capital asset activity for the year ended December 31, 2021, consisted of the following:

	Balance January 1, 2021	Additions	Deletions/ Reclassifications	Balance December 31, 2021
<u>Capital assets not being depreciated:</u>				
Land	\$ 754,203	\$ -	\$ -	\$ 754,203
Permanent right to water	5,438,007	-	-	5,438,007
Construction in progress	1,071,444	5,128,206	-	6,199,650
Total assets not being depreciated	<u>7,263,654</u>	<u>5,128,206</u>	<u>-</u>	<u>12,391,860</u>
<u>Other capital assets:</u>				
Source of supply	258,861	45,085	-	303,946
Pumping plant	2,621,429	140,905	(11,962)	2,750,372
Water treatment plant	130,151	-	-	130,151
Water treatment: Strathmore plant	1,100,496	-	-	1,100,496
Water treatment: Tonyville plant	514,685	-	-	514,685
Transmission and distribution plant	7,358,958	113,909	-	7,472,867
General plant	989,009	92,808	(65,209)	1,016,608
Other property	69,026	-	-	69,026
Total other capital assets at historical cost	<u>13,042,615</u>	<u>392,707</u>	<u>(77,171)</u>	<u>13,358,151</u>
Accumulated depreciation	<u>(8,716,485)</u>	<u>(288,615)</u>	<u>(12,859)</u>	<u>(9,017,959)</u>
Other capital assets, net	<u>4,326,130</u>	<u>104,092</u>	<u>(90,030)</u>	<u>4,340,192</u>
Capital assets, net	<u>\$ 11,589,784</u>	<u>\$ 5,232,298</u>	<u>\$ (90,030)</u>	<u>\$ 16,732,052</u>

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 8 – Capital Assets (continued)

Capital asset activity for the year ended December 31, 2020, consisted of the following:

	Balance January 1, 2020	Additions	Deletions/ Reclassifications	Balance December 31, 2020
<u>Capital assets not being depreciated:</u>				
Land	\$ 754,203	\$ -	\$ -	\$ 754,203
Permanent right to water	5,438,007	-	-	5,438,007
Construction in progress	514,636	556,808	-	1,071,444
Total assets not being depreciated	<u>6,706,846</u>	<u>556,808</u>	<u>-</u>	<u>7,263,654</u>
<u>Other capital assets:</u>				
Source of supply	258,861	-	-	258,861
Pumping plant	2,621,429	-	-	2,621,429
Water treatment plant	130,151	-	-	130,151
Water treatment: Strathmore plant	1,100,496	-	-	1,100,496
Water treatment: Tonyville plant	514,685	-	-	514,685
Transmission and distribution plant	7,358,958	-	-	7,358,958
General plant	1,168,381	254,608	(433,980)	989,009
Other property	69,026	-	-	69,026
Total other capital assets at historical cost	<u>13,221,987</u>	<u>254,608</u>	<u>(433,980)</u>	<u>13,042,615</u>
Accumulated depreciation	<u>(8,859,761)</u>	<u>(270,078)</u>	<u>413,354</u>	<u>(8,716,485)</u>
Other capital assets, net	<u>4,362,226</u>	<u>(15,470)</u>	<u>(20,626)</u>	<u>4,326,130</u>
Capital assets, net	<u>\$ 11,069,072</u>	<u>\$ 541,338</u>	<u>\$ (20,626)</u>	<u>\$ 11,589,784</u>

NOTE 9 – Deferred Compensation Plan

In prior years, the District offered its employees a deferred compensation plan that was created in accordance with Internal Revenue Code 457. The Plan was voluntary and all funds remaining are held in the District's name for the employees. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The District currently does not offer a deferred compensation plan to its employees.

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 10 – Long-Term Debt

Note payable – State of California (Strathmore)

Note payable due to California State Water Resources Control Board. The note is unsecured and payable in semi-annual installments of \$14,884 including interest at 3.221 percent per annum. Debt matures in 2028.

Note payable to State of California (Tonyville)

Note payable due to California State Water Resources Control Board. The note was unsecured and payable in semi-annual installments of \$3,440 including interest at 2.973 percent per annum. The note was paid off in February 2020.

Note payable – CN Financing, Inc

In June 2020, the District entered into an installment purchase agreement with CN Financing, Inc to refinance the previously outstanding revenue certificates of participation which were used to acquire a permanent water right for the District from the United States Bureau of Reclamation. The installment purchase price in the amount of \$4,736,200 bears interest at the rate of 2.70 percent per annum. Interest and principal are payable on February 1 and August 1 of each year commencing on August 1, 2020 and ending on August 1, 2035. The debt is secured by a pledge of revenues.

Certificates of Participation (COP) - USDA

In February 2021, the District entered into an installment purchase agreement (Pipeline Replacement Project – USDA Loan) with Lindsay-Strathmore Irrigation District Financing Corporation and the United States Department of Agriculture Rural Development for the replacement of pipelines within the District's water system. The installment purchase agreement amount is not to exceed \$11,350,000 and is comprised of Certificates of Participation Series 2021A (\$4,930,000) and 2021B (\$6,420,000). Interest payments, at the rate of 2.125 percent per annum, are payable on April 1 and October 1 of each year commencing on October 1, 2021. Principal payments are payable annually with the final payment to be made on October 1, 2060.

The obligation is being issued in the form of a draw-down loan. All draws shall be made within three years of the agreement date. Loan draws shall be disbursed by the United States within thirty (30) days following its approval of a Written Requisition therefor from the District with evidence of expenditure of Project Costs in an amount not less than that requested by the District. As of December 31, 2021, the District has drawn \$1,644,799 from COP Series 2021A and \$3,258,442 from COP Series 2021B, a total of \$4,903,241. Subsequent to December 31, 2021 and as of the date of these financial statements, the District has drawn down an additional amount of \$502,841.

LINDSAY-STRATHMORE IRRIGATION DISTRICT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 – Long-Term Debt (continued)

Changes in long-term debt are as follows:

	Balance January 1, 2021	Additions	Payments	Balance December 31, 2021
Direct Borrowings:				
Note payable - State of California (Strathmore)	\$ 208,479	\$ -	\$ (23,245)	\$ 185,234
Note payable - CN Financing, Inc	4,493,600	-	(247,100)	4,246,500
Certificates of Participation - USDA	-	4,903,241	(1,500)	4,901,741
Totals	\$ 4,702,079	\$ 4,903,241	\$ (271,845)	\$ 9,333,475

	Balance January 1, 2020	Additions	Payments	Balance December 31, 2020
Direct Borrowings:				
Note payable - State of California (Strathmore)	\$ 230,982	\$ -	\$ (22,503)	\$ 208,479
Note payable - State of California (Tonyville)	3,390	-	(3,390)	-
Note payable - CN Financing, Inc	-	4,736,200	(242,600)	4,493,600
Totals	\$ 234,372	\$ 4,736,200	\$ (268,493)	\$ 4,702,079

Debt maturities are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ 466,295	\$ 220,458	\$ 686,753
2023	477,974	211,207	689,181
2024	488,274	199,246	687,520
2025	503,511	186,987	690,498
2026	514,166	174,379	688,545
2027-2031	2,693,014	674,710	3,367,724
2032-2036	2,601,500	332,914	2,934,414
2037-2041	971,299	205,690	1,176,989
2042-2045	617,442	30,070	647,512
Totals	\$ 9,333,475	\$ 2,235,661	\$ 11,569,136

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 11 – Defined Contribution Plan

The District provides a defined contribution pension plan covering all of its employees. Contributions are determined by the District matching double each employee's contribution to the plan up to a maximum of eight percent of the employees' earnings. Employees are eligible to participate during open enrollment after having completed six months of employment. The District contributed \$69,570 and \$74,807 for the years ended December 31, 2021 and 2020, respectively. The employees contributed \$52,002 and \$51,738 for the years ended December 31, 2021 and 2020, respectively.

NOTE 12 – Lease Income

The District has the following lease agreements for the lands of Rancho de Kaweah:

Effective July 2011, the District leased 946 acres of grazing land to Gill Brothers Feed Yard, Inc. The lease terms call for semi-annual installments of \$15,000, due January 1 and July 1, through June 2021. In January 2020, the lease term was extended for an additional four years, ending June 30, 2025. The semi-annual installments will increase each year by \$500 to a maximum amount of \$16,000 effective July 1, 2024.

Effective October 2011, the District leased 40 acres of farming land to Kaweah Delta Water Conservation District. The lease terms call for semi-annual installments due October 1 and April 1, through October 2051. The installment amount at December 31, 2019 of \$1,487 is based on a rent schedule in the agreement. District is to pay all property taxes. The installment amount may fluctuate in future payments based on future Consumer Price Index changes. The lease contains two 5-year options to extend.

Effective January 2012, the District leased 280 acres of farming land to Shannon Generations, LLC. The lease terms call for semi-annual installments due January 1 and July 1, through June 2041. The semi-annual installment amount of \$49,000 at December 31, 2020 is based on the rent schedule in the agreement that consists of rate increases through the term of the agreement. The next rate increase to \$112,000 is effective in the fiscal year ended December 31, 2024. The District is to pay all property taxes and be reimbursed for amounts in excess of amount stated in the 2012 contract. The lease contains two 5-year options to extend.

Lease income for land lease agreements for the years ended December 31, 2021 and 2020, was \$128,250 and \$252,705, respectively.

Future minimum lease payments to be recognized as income are as follows:

2022	\$	131,724
2023		132,224
2024		146,724
2025		130,974
2026		114,974
Thereafter		<u>2,066,376</u>
Total	\$	<u>2,722,996</u>

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 13 – Undivided Interest in Joint Operation

The District has entered into a joint water filtration treatment project with the Strathmore Public Utility District for the purpose of operating a water filtration treatment facility. Under the terms of the agreement the District owns 28.2 percent of the property, plant and equipment of the project and is charged for its share of the cost of the project based upon its ownership percentage. The relationship between the District and Strathmore Public Utility District is such that the joint operation is not a component unit of the District for financial reporting purposes.

NOTE 14 – Related Party Transactions

The District provides management and accounting services to ESPA. The District has an equity ownership in ESPA (see Note 6). Total receipts for the years ended December 31, 2021 and 2020 were \$42,000 and \$39,000, respectively.

The District owns approximately 24% of the shares of the Wutchumna Water Company. The District generates revenue and incurs expenses related to this water supply. The District has paid Wutchumna Water Company a total of \$122,536 and \$103,195 in water assessments for the years ended December 31, 2021 and 2020, respectively.

NOTE 15 – Litigation

There are various legal proceedings against the District in regard to water regulations and the water provided to the District by the United States Bureau of Reclamation. While it is not feasible to predict or determine the outcome of any of these cases, it is the opinion of management that their outcome will have no material adverse effect on the financial position of the District.

NOTE 16 – Commitments and Contingencies

Water Delivery Contract

On November 17, 2010, the District signed a contract with the United States Bureau of Reclamation (USBR) providing for project water service from Friant Division facilities. This permanently allows the District, each year, to purchase from the USBR 27,500-acre feet of Class I Water for irrigation and municipal and industrial (M & I) purposes. These available allocations are subject to USBR determination of a possible Condition of Shortage.

Economic Dependency

The USBR contract is the primary source of water for the District. If the Bureau is unable to deliver the water needed by the District it could result in reductions of revenues and funds available to the District. Therefore, the District is economically dependent upon the Bureau of Reclamation's ability to supply water to the District.

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 16 – Commitments and Contingencies (continued)

Water Transfers and Exchanges

The District has engaged in a water management plan under which it has either exchanged water to be returned in dry years, or it has transferred, on a short-term basis water for use by third parties outside of the District, the revenues from which it uses to operate, maintain and improve its water delivery system.

In March 2021, the District entered into an Agreement with Cascade Water Company, Inc., a California Corporation ("CWC"), which enables CWC to acquire the District's water available for transfer. The "Available Water" defined in the agreement is the positive difference (if any) in any Water Year between the "Annual Supply", which means the aggregate amount of water available to the District less the "Annual Demand", which means the amount of water the District will require to meet its water demands for that Water Year.

Friant Water Authority - Jointly Governed Organization

The Friant Water Authority (FWA) is comprised of member special districts to operate the Friant-Kern Canal. FWA is governed by a Board consisting of a representative from each member district. The Board controls the operations of FWA, including selection of management and approval of operating budgets, independent of influence by the member district beyond their representation on the Board.

Each member is assessed for administrative costs of the FWA based on its contract quantity along with an equal share cost percentage. In addition, payments are made to FWA for operations, maintenance and report (OM&R) charges. For the years ended December 31, 2021 and 2020, the District paid FWA a total of \$1,564,457 and \$1,170,245 and carried an accounts payable of \$0 for each year, respectively.

Friant Water Authority - Friant-Kern Canal Improvements

Friant Water Authority (FWA) is the operating non-federal entity of the Friant-Kern Canal (FKC) and associated works pursuant a 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 the Bureau of 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 (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 April 15, 2021 (the MOU), the District has agreed to contribute its portion of the \$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 \$1,400,000 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 MRCCP are included in Source of Supply on the Statement of Revenues, Expenses and Changes in Fund Net Position. Costs associated with the MRCCP for the years ended December 31, 2021 and 2020 are \$168,435 and \$138,274, respectively

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 17 – Risk Management – Joint Powers Insurance Authority (JPIA)

The District has entered into a joint powers agreement along with other members of the Association of California Water Agencies (ACWA) to form a self-insuring pool for liability coverage up to \$5,000,000. Insurance in excess of \$5,000,000 is collectively purchased through an umbrella policy covering all included members. The excess insurance is for \$55,000,000 per occurrence for a total coverage of \$60,000,000. Premiums are based on the ultimate cost of the claims experience of the District and the group under a retrospectively rated policy.

The JPIA is governed by a board elected by authority members. The governing board controls the operation of the JPIA, independent of any influence by the District beyond the District's representation on the governing board.

The JPIA is independently accountable for its fiscal matters. The JPIA maintains its own accounting records. The budget is not subject to any approval other than that of the respective governing board.

The relationship between the District and the JPIA is such that the JPIA is not a component unit of the District for financial reporting purposes. ACWA/JPIA prepares separate annual financial statements, which may be obtained from www.acwajpia.com.

Condensed financial information for the JPIA's most recent audited year is as follows:

<u>ACWA/JPIA</u>	Year Ended September 30, 2021
Total assets	\$ 271,770,359
Deferred outflows of resources	<u>1,189,142</u>
Total assets & deferred outflows of resources	<u>\$ 272,959,501</u>
Total liabilities	\$ 123,558,690
Deferred inflows of resources	<u>(409,721)</u>
Total liabilities & deferred inflows of resources	123,148,969
Net position	<u>149,810,532</u>
Total liabilities & net position	<u>\$ 272,959,501</u>
Total revenues	\$ 200,883,781
Total expenses	<u>(174,760,456)</u>
Change in net position	<u>\$ 26,123,325</u>

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 18 – Risk Management

Insurance coverage for the District at December 31, 2021 is as follows:

<u>Exposure</u>	<u>Coverage</u>
General Liability	Risk Pool – See Note 17
Auto Liability	Risk Pool – See Note 17
Public Officials Liability	Risk Pool – See Note 17
Property Damage	Commercial Insurance
Fiduciary Liability	Commercial Insurance
Worker's Compensation	Commercial Insurance

NOTE 19 – Subsequent Events

Management has evaluated subsequent events through October 10, 2022, the date on which 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, however, subsequent events have occurred, the nature of which have been disclosed in Note 10 and below.

Grant Awards

In April 2022, the District was awarded \$1.6 million from the California Department of Water Resources to replace approximately 5,500 feet of leaking water system pipelines in the community of Tonyville.

In May 2022, the District was awarded \$350,000 as part of the grant awarded to the Greater Kaweah Groundwater Authority for the Upper Lewis Creek Recharge Project.

SUPPLEMENTARY INFORMATION

LINDSAY-STRATHMORE IRRIGATION DISTRICT

**SCHEDULES OF SUPPORT OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

Sources of Supply

	<u>Power</u>	<u>Labor</u>	<u>Transportation</u>	<u>Assessments</u>	<u>Total</u>
Wutchumna	\$ 17,581	\$ 26,534	\$ 237,486	\$ 104,032	\$ 385,633
Lindsay Heights Wells	17,515	-	-	-	17,515
G Avenue Wells	3,295	-	4,576	-	7,871
Section Eight Wells	25,543	-	-	-	25,543
Section Eight Stark Well	16,830	-	-	-	16,830
Friant Kern-Canal MRRCP	-	-	168,435	-	168,435
2021 Totals	<u>\$ 80,764</u>	<u>\$ 26,534</u>	<u>\$ 410,497</u>	<u>\$ 104,032</u>	<u>\$ 621,827</u>
2020 Totals	<u>\$ 28,548</u>	<u>\$ -</u>	<u>\$ 495,265</u>	<u>\$ 72,310</u>	<u>\$ 596,123</u>

Pumping Expense

	<u>Power</u>	<u>Labor</u>	<u>Other</u>	<u>Total</u>
Trauger Station	\$ 555,695	\$ 123,463	\$ 76,905	\$ 756,063
El Mirador Booster	301,836	-	7,187	309,023
Section 24 Booster	181	-	16	197
Tonyville Plant	5,437	17,333	31,527	54,297
Strathmore Plant	-	-	81,110	81,110
2021 Totals	<u>\$ 863,149</u>	<u>\$ 140,796</u>	<u>\$ 196,745</u>	<u>\$ 1,200,690</u>
2020 Totals	<u>\$ 909,994</u>	<u>\$ 232,814</u>	<u>\$ 225,962</u>	<u>\$ 1,368,770</u>

LINDSAY-STRATHMORE IRRIGATION DISTRICT

**SCHEDULES OF SUPPORT OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Transmission and Distribution	Water Treatment	Customer Accounts	Administrative and General
Material and supply	\$ 126,163	\$ -	\$ 255,673	\$ 932
Labor	128,123	66,813	96,242	503,517
Chlorine	-	69,470	-	-
Postage	-	-	-	14,839
Dues, membership and subscriptions	-	-	-	23,315
Legal and audit	-	-	-	143,803
Service contract	-	-	-	96,512
Motor vehicle maintenance and expense	-	-	-	100,961
Equipment maintenance and expense	-	-	-	16,656
Directors' per diems and expense	-	-	-	8,149
Insurance	-	-	-	76,268
Employee benefits	-	-	-	427,900
Groundwater management	-	-	-	34,347
Other	-	10,542	-	139,522
Totals	<u>\$ 254,286</u>	<u>\$ 146,825</u>	<u>\$ 351,915</u>	<u>\$ 1,586,721</u>

LINDSAY-STRATHMORE IRRIGATION DISTRICT

**SCHEDULE OF SUPPORT OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Transmission and Distribution	Water Treatment	Customer Accounts	Administrative and General
Material and supply	\$ 121,321	\$ -	\$ 201,551	\$ 12,906
Labor	196,087	23,247	95,834	508,067
Chlorine	-	72,790	-	-
Postage	-	-	-	12,154
Telephone	-	-	-	8,893
Dues, membership and subscriptions	-	-	-	162,076
Legal and audit	-	-	-	174,196
Service contract	-	-	-	16,148
Motor vehicle maintenance and expense	-	-	-	83,091
Equipment maintenance and expense	-	-	-	17,838
Directors' per diems and expense	-	-	-	11,007
Insurance	-	-	-	84,178
Employee benefits	-	-	-	447,746
Groundwater management	-	-	-	195,664
Other	19,454	7,993	-	-
Totals	<u>\$ 336,862</u>	<u>\$ 104,030</u>	<u>\$ 297,385</u>	<u>\$ 1,733,964</u>

See independent auditor's report.

LINDSAY-STRATHMORE IRRIGATION DISTRICT
SCHEDULE OF WATER BILLING AND COLLECTIONS
YEAR ENDED DECEMBER 31, 2021

Irrigation Water

Accounts receivable - January 1, 2021 \$ 40,438
 2021 billings

<u>Billing Rate per Acre Foot</u>	<u>Amount</u>	
\$ 112.50 PER AF	\$ 848,033	
\$ 115.50 PER AF	288,954	
\$ 139.50 PER AF	<u>316,241</u>	
Total billings		1,453,228
Credit (\$29.33 / AF)		(345,317)
Penalties & adjustments		6,076
Total potential receivable		<u>1,154,425</u>
Cash collections		<u>(1,147,277)</u>

Accounts receivable - December 31, 2021 \$ 7,148

Domestic Water

Accounts receivable - January 1, 2021 \$ 101,346
 2021 billings

<u>Billing Rate per Acre Foot</u>	<u>Amount</u>	
\$ 112.50 PER AF	\$ 8,477	
\$ 139.50 PER AF	1,841	
\$ 234.00 PER AF	134,531	
\$ 252.00 PER AF	89,937	
\$ 279.00 PER AF	32,605	
\$ 467.00 PER AF	49,645	
Service charges	<u>111,159</u>	
Total billings		428,195
Penalties & adjustments		2,567
Total potential receivable		<u>532,108</u>
Cash collections		<u>(427,078)</u>

Accounts receivable - December 31, 2021 \$ 105,030

LINDSAY-STRATHMORE IRRIGATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Community Facilities Loans and Grnats	10.766	N/A	\$ 4,903,241
Total U.S. Department of Agriculture			<u>\$ 4,903,241</u>
Total Expenditures of Federal Awards			<u>\$ 4,903,241</u>

The accompanying notes are an integral part of this statement.

LINDSAY-STRATHMORE IRRIGATION DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2021

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lindsay-Strathmore Irrigation District under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – Summary of Significant Accounting Policies

Expenses reported on the schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenses in prior years.

NOTE 3 – De Minimis Cost Rate

The District did not elect to use the 10% de minimis cost rate.

NOTE 4 – Loans Outstanding

The following program had federally funded loans outstanding at December 31, 2021:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Loan Amount Outstanding</u>
Community Facilities Loans and Grnats	10.766	\$ 4,901,741

NOTE 5 – Subrecipients

For the year ended December 31, 2021, no federal awards were provided to subrecipients by Lindsay-Strathmore Irrigation District.

OTHER INDEPENDENT AUDITOR'S REPORTS



HANFORD | PORTERVILLE | TULARE | VISALIA

M. GREEN AND COMPANY LLP

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

Board of Directors
Lindsay-Strathmore Irrigation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lindsay-Strathmore Irrigation District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 10, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of Lindsay-Strathmore Irrigation District in a separate letter dated October 10, 2022.

District's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

M. Green and Company LLP

Visalia, California
October 10, 2022



HANFORD | PORTERVILLE | TULARE | VISALIA

M. GREEN AND COMPANY LLP

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

Board of Directors
Lindsay-Strathmore Irrigation District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lindsay-Strathmore Irrigation District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Lindsay-Strathmore Irrigation District's major federal program for the year ended December 31, 2021. Lindsay-Strathmore Irrigation District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lindsay-Strathmore Irrigation District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lindsay-Strathmore Irrigation District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lindsay-Strathmore Irrigation District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Lindsay-Strathmore Irrigation District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lindsay-Strathmore Irrigation District's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lindsay-Strathmore Irrigation District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Lindsay-Strathmore Irrigation District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Lindsay-Strathmore Irrigation District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lindsay-Strathmore Irrigation District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002. Our opinion on the major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Lindsay-Strathmore Irrigation District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Lindsay-Strathmore Irrigation District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Lindsay-Strathmore Irrigation District as of and for the year ended December 31, 2021, and have issued our report thereon dated October 10, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

M Green and Company, CP

Visalia, California
October 10, 2022

FINDINGS AND QUESTIONED COSTS

LINDSAY-STRATHMORE IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? _____ Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes _____ None reported

Non-compliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

One or more material weaknesses identified? _____ Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes _____ None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of Uniform Guidance? _____ Yes X No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

LINDSAY-STRATHMORE IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section II - Financial Statement Findings

FINDING 2021-001
SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL – JOURNAL ENTRIES

Section III - Federal Award Findings

FINDING 2021-001
SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FEDERAL COMPLIANCE –
JOURNAL ENTRIES

Federal Program Information

Community Facilities Loans and Grants

U.S. Department of Agriculture

Assistance Listing Number 10.766

Federal Award Identification Number 4826-2112-3033/200195-0004

Award Period: February 9, 2021 – February 9, 2024

Criteria

Generally Accepted Accounting Principles (GAAP), Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), The Internal Control - Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and numerous federal guidelines require the establishment and maintenance of internal control designed to reasonably ensure accurate financial reporting and compliance with laws, regulations and program requirements.

Condition

Journal entries recorded prior to November 2021 did not have adequate reviewer approvals.

Questioned Costs

Not Applicable

Proper Perspective

Systemic to the District.

Effect

The lack of review and approval of journal entries leaves the District susceptible to misappropriation of funds.

Cause

District oversight.

Recommendation

We recommend the District implement a policy where all journal entries will be reviewed and approved by a designated member of Management.

View of Responsible Officials

Agree Disagree

LINDSAY-STRATHMORE IRRIGATION DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

FINDING 2021-002

**SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FEDERAL COMPLIANCE –
WRITTEN POLICIES**

Federal Program Information

Community Facilities Loans and Grants

U.S. Department of Agriculture

Assistance Listing Number 10.766

Federal Award Identification Number 4826-2112-3033/200195-0004

Award Period: February 9, 2021 – February 9, 2024

Criteria

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), The Internal Control - Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and numerous federal guidelines require the establishment and maintenance of internal control designed to reasonably ensure accurate financial reporting and compliance with laws, regulations and program requirements. Pursuant to 2 CFR 200, Subpart D (section 200.300), the District is required to have written policies relative to federal awards.

Condition

The District did not adopt written procedures over federal awards for the year ended December 31, 2021.

Questioned Costs

Not Applicable

Proper Perspective

This significant deficiency was discovered during our procedures to gain an understanding of internal controls of the District. It is systemic to the District.

Effect

The District is out of compliance with the Uniform Guidance requirements.

Cause

The District was not aware of the requirement to have written policies relative to federal awards.

Recommendation

We recommend the District adopt written policies over federal awards in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

View of Responsible Officials

Agree Disagree



CORRECTIVE ACTION PLAN

Lindsay Strathmore Irrigation District respectfully submits the following corrective action plan for the year ended December 31, 2021.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDING 2021-001 **SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – JOURNAL ENTRIES**

Condition

Journal entries recorded prior to November 2021 did not have adequate reviewer approvals.

Recommendation

We recommend the District implement a policy where all journal entries will be reviewed and approved by a designated member of Management.

Corrective Action Taken or Planned

The District has implemented a new journal entry form that requires a second reviewer and approval.

Expected Completion Date

Completed as of November 2021

Name of the Contact Person Responsible for the Corrective Action Plan

Craig Wallace, General Manager

FINDING 2021-002 **SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FEDERAL COMPLIANCE – WRITTEN POLICIES**

Condition

The District did not adopt written procedures over federal awards for the year ended December 31, 2021.

Recommendation

We recommend the District adopt written policies over federal awards in accordance with Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*.

Corrective Action Taken or Planned

The District will adopt written policies over federal awards in accordance with Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*.

Expected Completion Date

November 2022

Name of the Contact Person Responsible for the Corrective Action Plan

Craig Wallace, General Manager

LINDSAY-STRATHMORE IRRIGATION DISTRICT

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2021**

There were no prior year audit findings.